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RECENT ECONOMIC AND SOCIAL CONDITIONS IN SOUTHERN AFRICA IN 2017, AND PROSPECTS FOR 2018

Southern Africa's economic environment in 2017 was no less challenging than it was in 2016, even as economic prospects improved somewhat. The region faced issues of global disorderly finance, US-inspired trade wars, trade policy uncertainties on Brexit, geo-political re-alignment, and the region's own economic policy uncertainties on, inter alia, land, mining and energy. The agricultural sector has not performed well, undermining food security and increasing the likelihood of inflation surge. Member States are fast running out of fiscal space for countercyclical expansion, and access to global capital markets have become limited by rising global interest rates and tightening market conditions. The public debt spiral, largely induced by poorly performing economies and state-owned enterprises, threatens to take the region to pre-HIPC and MDRI era, and undermines expenditure on SDG-related outlays.

On the positive side, even if slowly, the commodities demand and prices continue to rise, giving hope to the resource-intensive region that the 2018's economic prospects will be brighter. Furthermore, member States are taking steps to achieve fiscal consolidation while striving to retain social expenditure levels. Member States are also mindful of the critical importance to improve the business environment to energize private investment, supported by relatively peaceful leadership transitions. The AfCFTA is rightly deemed to present an opportunity for accelerated deepening of regional trade and integration, expanding markets, increasing production, thus generating needed revenue to address poverty and inequality.

Reforming tax policy and administration needs to be one of the key priority areas in the economic turnaround strategy for the region. Success in domestic resource mobilization efforts promises to inoculate the region from widely fluctuating resource-based revenue, and ensure a reliable funding source for socioeconomic development programmes.

Member States' representatives and other stakeholders attending the 24th ICE meeting, are invited to consider the analysis of this report and its recommendations, as well as help share updated country statistics on economic and social conditions to improve future analysis.

SECTION 1: INTRODUCTION

1. This report on the Economic and Social Conditions in Southern Africa for 2017 is a document presented annually to the Intergovernmental Committee of Experts meeting (ICE) for Southern Africa. The main objectives of this report are to: (i) to provide member States with economic and social outlook in Southern Africa in 2017 and prospects for 2018; and (ii) to offer advice on selected policy issues in the region.

SECTION 2: WORLD ECONOMIC DEVELOPMENTS AND IMPLICATIONS FOR SOUTHERN AFRICA

2.1 Global Economic Performance

2. After hitting a six-year low of 3.2 per cent in 2016, global economic growth is estimated to have risen to 3.7 per cent in 2017. Gross domestic product (GDP) accelerated in two-thirds of countries which account for about three-fourths of global output. Upturn in investment spending in advanced economies, and an end to investment contraction in some commodity-exporting emerging market and developing economies were major drivers to the upturn in global GDP growth and manufacturing activity. Global growth is projected to continue an upward trend to reach 3.9 per cent in 2018 and 2019.[1]

3. In advanced economies, the 0.7 percentage point pickup in 2017 growth relative to 1.7 per cent growth in 2016 was largely due to investment spending. Growth rate in these economies is expected to increase to 2.4 per cent in 2018. The United States' (US) economic growth was 2.3 per cent in 2017, driven by tax cuts, government spending and domestic demand, and is expected to further strengthen to 2.9 per cent in 2018. The Euro area's economic growth will slow from 2.4 per cent in 2017 to 2.2 per cent in 2018. The United Kingdom's (UK) economic growth rate will slow to 1.4 per cent in 2018 from 1.7 per cent in 2017, partly due to unsettled terms of Brexit despite months of negotiations. Japan's economic growth is expected to decelerate to 1.0 per cent in 2018 from 1.7 per cent in 2017 following a contraction in the first quarter of 2018 on weak private consumption and investment (IMF, ibid).

4. Growth prospects in emerging market and developing economies (EMDEs) are uneven, reflecting rising oil prices, higher yields in the US, escalating trade tensions, and market pressures on the currencies of some economies facing political and economic policy uncertainty. EMDEs' growth forecasts for 2018 and 2019 are 4.9 per cent and 5.1 per cent, respectively. Emerging and Developing Asia is expected to grow robustly by 6.5 per cent both in 2018 and 2019. China's economic growth will moderate from 6.9 per cent in 2017 to 6.6 per cent in 2018 as tightening credit conditions soften external demand, and trade frictions with the US escalate. India's growth rate is expected to rise from 6.7 per cent in 2017 to 7.3 per cent in 2018 but moderate thereafter on the negative effects of higher oil prices and tighter monetary policy.

5. Largely reflecting supply shortfalls induced by agreements amongst most Organization of the Petroleum Exporting Countries (OPEC) members and some non-OPEC oil producers to extend output

[1] International Monetary Fund (IMF), 2018, World Economic Outlook (WEO) Update, July 2018. Available at: https://www.imf.org/en/Publications/WEO/Issues/2018/07/02/world-economic-outlook-update-july-2018

cuts to the end of 2018, crude oil prices rose by 10 per cent in the first quarter of 2018, averaging US$67 per barrel. In June 2018, the OPEC and non-OPEC oil producers agreed to increase oil production by about 1 million barrels per day from current levels. However, geopolitical developments involving key oil-producers in the Middle East and North Africa - particularly those related to the renewed sanctions on Iran - and production decline in Venezuela, may pose difficulties to deliver the agreed upon production increase on a consistent basis.

6. The rise in crude oil price has lifted inflation forecasts across the world. According to the World Bank[2], prices for energy commodities (oil, natural gas, and coal) will rise by 20 per cent in 2018. Metals prices, which jumped by 24 per cent in 2017 due to robust global demand and environmentally-driven supply cuts in China, rose modestly in the first quarter of 2018. Metals prices will increase by 9 per cent in 2018, reflecting strong demand, but then moderate in 2019. Agricultural prices gained 4 per cent during the first half of 2018 compared to 2017, following three years of price stability. Central banks in key emerging market economies (e.g. Argentina, India, Indonesia, Mexico, and Turkey) have raised policy rates due to inflation and exchange rate pressures, coupled with capital flow reversals in some cases.

7. The uneven pace of global economic recovery remains a concern regarding prospects for achieving the Sustainable Development Goals (SDGs). The economic outlook is also clouded by ongoing trade tensions between the US and China, EU, Canada, and others. In the past few months, already announced and anticipated tariff increases by the US and retaliatory measures by trading partners have increased the likelihood of escalating and sustained trade actions. At the same time, North American Free Trade Area (NAFTA) and the economic arrangements between the UK and the rest of the EU are under renegotiation. An escalation of trade tensions could undermine business and financial market sentiment, hitting investment and trade through supply chain disruption, non-linearities (job multipliers, confidence effects) and cross-country spill-over effects, slow the spread of new technologies, thus lowering productivity, once a critical threshold of tariff disruption is reached.

2.2 Developments in African Economies

8. Africa's economic growth has fallen behind the global average in 2016 due to regional and global shocks. The prices of many commodities fell at the start of 2016, and the value of many of Africa's exports, including oil, gold, and coffee, declined between 2014 and 2016. However, signs of growth appeared in 2017, supported by better global economic conditions and the rise in commodity prices. The continent's real output growth increased by 3.6 per cent in 2017, up from 2.2 per cent in 2016, and projected to accelerate to 4.1 per cent in 2018.[3] While the continent is seeing a modest growth uptick, the average growth rate remains close to zero on a per capita basis. Per capita GDP growth is projected to increase from 0.5 per cent in 2017 to 1.0 per cent in 2018. At these growth rates Africa is unlikely to make a substantial progress towards the SDGs.

9. East Africa remains the fastest-growing sub-region in Africa, with estimated growth of 5.6 per cent in 2017, up from 4.9 per cent in 2016, with six countries (Djibouti, Ethiopia, Kenya, Rwanda, Tanzania, Uganda) growing 5 per cent or more. Growth was driven by private consumption (Comoros, Kenya) and public infrastructure investment (Djibouti, Ethiopia). North Africa's economic growth was

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[2] World Bank, 2018, Commodity Markets Outlook, April 2018
[3] African Economic Outlook 2018.

second-fastest at 5 per cent in 2017, up from 3.3 per cent in 2016. The sub-region's growth is projected to accelerate to 5.1 per cent in 2018. In 2017, Egypt enjoyed above-average growth at 4.1 per cent, benefiting from the return of foreign direct investment (FDI) and net exports, which were boosted by the depreciation of the real exchange rate after its liberalization.

10. West Africa's economic growth will accelerate to 3.6 per cent in 2018[4], driven by rapid growth in Côte d'Ivoire, Ghana, and Senegal. The sub-region's smaller countries (Benin, Burkina Faso, Sierra Leone, Togo) are also expected to grow at 5 per cent or more. Nigeria's real output, however, grew a mere 0.8 per cent in 2017 after shrinking by 1.6 per cent in 2016 due to low oil prices and policy challenges. Central Africa has continued to underperform, even with the oil price recovery. Output contracted sharply in the Republic of Congo (4 per cent) and Equatorial Guinea (7.3 per cent), weighing down the region's overall growth to just 0.9 per cent in 2017.

11. Despite the improvement in medium-term growth prospects, economic performance in Southern Africa has remained subdued with average growth at a mere 2.2 per cent, and 1.4 per cent for SADC, in 2017. The sub-region's largest economy, South Africa, expanded by 1.3 per cent, but is expected to recover somewhat over the remainder of 2018 as confidence improvements associated with the new leadership are slowly reflected in strengthening private investment.[5] Due to low overall growth rates in Southern Africa, several countries (Angola, Namibia, South Africa, Eswatini) suffered negative real per capita growth rates in 2017 (IMF REO, May 2018).

2.3 Implications of the Global Outlook for Southern Africa

12. The world economic challenges of disorderly finance; trade wars; policy uncertainty and geo-political re-alignment continue to undermine growth and development in Southern Africa. For example, in a post-Brexit scenario in which the UK stays in the EU customs union, trade-in-goods governance regime with SADC will not change; if it leaves, then new agreements will have to be negotiated with uncertain outcomes.[6] Furthermore, South Africa has become a collateral damage to the trade wars as the US raised tariffs on steel and aluminium imports on all countries, and South Africa's auto exports to the US are facing the threat of a tariff increase.

13. Southern Africa, like the rest of the EMDEs, is feeling the full brunt of global developments. As alluded, growth has slowed and is projected to slow further as some sectors are being targeted for trade restrictions. As a resource-intensive region, the slow rise in commodities demand and prices will put a cap on how fast the region will grow. Therefore, Southern Africa needs to devise its own way to overcome these challenges. One clear answer is the faster implementation of the region's development policies and strategies, key among which are policies on industrialization, trade, immigration and governance.

14. Accordingly, many countries are rightly making policy changes to raise the growth trajectory through domestic and foreign investments, as well as expending more efforts to improve the political and corporate governance environments. On political governance, the peace and relative political

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[4] African Economic Outlook 2018. Available at:
https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/African_Economic_Outlook_2018_-_EN.pdf
[5] IMF World Economic Outlook, July 2018.
[6] Business Day, 2918, "Theresa May to meet Ramaphosa in trade push", 28 August.

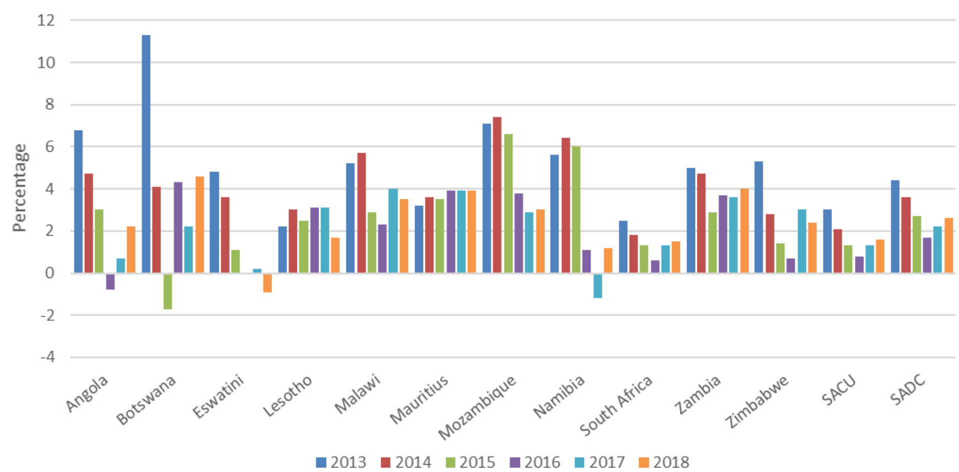
stability in Lesotho, and leadership transitions in South Africa, Botswana and Zimbabwe are positive signs of a return to good governance, which could give impetus to growth.

SECTION 3: RECENT MACROECONOMIC PERFORMANCE IN SOUTHERN AFRICA[7] AND PROSPECTS FOR 2018 AND 2019

3.1 Economic Performance Overview

15. Figure 1 and annex 2 show how GDP performed for member States of SADC. In 2017, Southern Africa's GDP expanded by 1.2 per cent, accelerating to 2.3 per cent in 2018 and 2.5 per cent in 2019. However, expected growth this year and in 2019 hinges critically on how fast investments grow, which in turn depends on how soon political and economic policy uncertainties are resolved. In addition to global developments, infrastructure gaps in the region put a ceiling on how high economies grow.

Figure 1: Real GDP Growth, 2013-2018



Source: IMF REO Apr 2018 source; SADC selected economic indicators and social indicators, 2017

16. Growth in the SADC region picked up slightly to 1.4 per cent in 2017, from 1.1 per cent in 2016. The overall regional GDP growth reflects favourable weather conditions in most parts of the region, as well as improvements in the prices of the commodities and improving global economic outlook. At country levels, only Tanzania achieved economic growth above the regional target of 7 per cent. On the other extreme, economies of Angola and Namibia shrunk due to, inter alia, declines in construction and manufacturing sectors for the latter, and the low oil price for the former. Economic growth in the SADC region is expected to increase by an average of 2.5 per cent in 2018. According to the SADC projections, none of the member States will expand by the regional target of 7 per cent in 2018.

17. Increased mining investment and production coupled with stable and firm commodity prices are expected to boost activity in some metals exporters. Growth in Zambia unfortunately remains highly dependent on the production and price of copper. Despite firm copper prices, growth will be held back by deficiencies in the electricity supply, 97 per cent of which is generated by hydropower. Mozambique's sluggish growth since 2016 has been due to contraction in the manufacturing sector, and the substantial growth in the country's coal and aluminium exports has been insufficient to offset

[7] Most country examples consist of the 11 countries covered by the SRO-SA, i.e. Angola, Botswana, Eswatini, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Zambia, and Zimbabwe.

the effects this on the economy. Furthermore, investments in Mozambique are yet to overcome the confidence-busting government's default in January 2017 and the high level of debt.[8]

18. Additional to external factors, economic policy uncertainty (for example: mineral sector; the status of central bank share ownership; the reform of state owned enterprises; and land) in South Africa continue to undermine business confidence and investment necessary to boost growth. Movements in mineral prices and the mining sector will continue to influence growth in Botswana, Namibia and Zimbabwe. In Zimbabwe, high debt levels, structural and institutional constraints, industry capacity constraints, lack of liquidity, poor performance of SOEs, and a challenging environment as the country undergoes political transition, continue to constrain the economy. Prospects have improved in Malawi since it re-established relations with foreign donors.

19. Slow economic growth has impacted negatively on the per capita GDP. Annex 3 shows trend of nominal GDP per capita of SADC region for the period 2008-2017. GDP per capita stood at US$2,095 in 2017, representing a significant nominal increase of 14.2 per cent compared to US$1,835 in 2016. Since 2008, this variable, as an income measure of poverty, increased from US$1,912 to reach its highest level of US$2,441 in 2011. Beyond 2011, it has gradually decreased due to sharp depreciation of national currencies of most SADC Member States against international convertible currencies.

20. The share of manufacturing sector to overall GDP for SADC region in 2017 stood at 10.9 per cent, a decline from the 11.2 per cent share in 2016 (Annex 4). Furthermore, the share of the manufacturing sector to overall GDP in SADC region has steadily been declining since 2007 from 13.6 per cent to reach its lowest point to 10.6 per cent in 2013. For a region that has put industrialization at the top of its economic development, this trend is worrisome and needs to be arrested and reversed.

3.2 Price Movement Developments

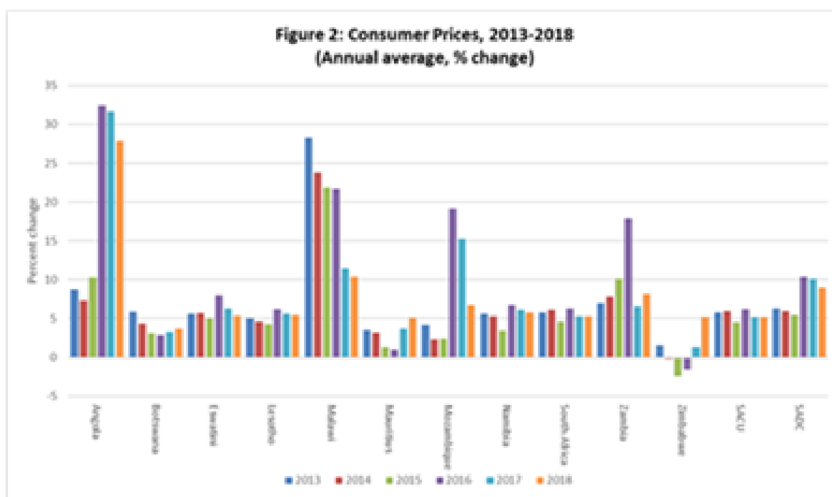


Figure 2: Consumer Prices, 2013-2018 (Annual average, % change)

21. Figure 2 and annex 5 show the annual average changes in consumer prices in Southern Africa. According to SADC, average inflation was 10.7 per cent in SADC region in 2017, compared to an average of 11.1 per cent in 2016. Only 5 countries [Angola, the DRC, Madagascar (updated up from the 6.9 per cent in annex1), Malawi, Mozambique] failed to meet the regional inflation target range of 3-7 per cent. Angola' s inflation has steadily declined from over 40 per cent in 2016 so that by June 2018 the annual inflation rate had fallen to 19.5 per cent. Similarly, Malawi's average annual inflation has dropped to 11.5 per cent in 2017 from over 20 per cent in 2016. Finally, Mozambique's had tightened monetary policy since October 2016, increasing demand for domestic

[8] World Bank, 2017, Mozambique Economic Update, December 2017

currency and helping to stabilize the exchange rate and rebalance the foreign exchange market. A tight monetary stance, coupled with an exchange rate appreciation led to a steep fall in inflation.

22. Inflation in the countries in the Southern African Customs Union (SACU) region and Rand Monetary Area (RMA) track movements in South Africa’s inflation. Inflation is lower in Botswana because the country’s monetary policy is independent of South Africa’s. Inflation in Botswana have reached the lower bound of the objective range of 3-6 per cent in 2017, reflecting a prudent monetary policy, lower fuel import prices, and a recent appreciation of the domestic currency against the South African Rand. In other SACU countries, monetary policy is strongly linked to South Africa due to rand parity exchange rates.

3.3 Monetary policy and Exchange Rates

23. Given the general stable inflation environment, there was a generalized maintenance or lowering of interest rates in the region. For example, the South African central bank cut the policy rate by 25 basis points twice in July 2017 and in March 2018.[9] In April 2017 Mozambique's central bank cut its monetary policy rate to 15.75 per cent. In July 2018 Malawi’s central bank policy rate was maintained at 16 per cent as inflation had dropped to 8.9 per cent by May 2018.

24. The accommodative monetary policy environment was supported by relatively stable exchange rates from 2016 to 2017. From the mid-2018 exchange rates pressures have been mounting against the backdrop of increasing normalization of monetary policy in the US, pronouncement of stopping of accommodative monetary policy in the EU, and the run from emerging economies as yields in developed countries increase.

3.4 Fiscal Performance and Public Debt

25. Figure 3 shows the fiscal deficit situation in the SADC region. While these figures keep changing there is no doubt that high fiscal deficits remain a major challenge in Southern Africa. SADC puts the overall regional fiscal deficits at 4.6 per cent of GDP in 2017, compared to 4.1 per cent in 2016. In South Africa, the fiscal deficit was 4.5 per cent of GDP in 2017 up from 4.1 per cent of GDP in 2016 as the country faced sluggish economic growth, revenue shortfalls and costly bailouts of struggling SOEs. Angola expanded fiscal policy to boost economic growth and fund public investments even as the country faces dire financial constraints.[10]

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[9] South Africa: 2018 Article IV Consultation; Staff Report; and Statement by the Executive Director for South Africa. July 2018.

[10] Angola will shortly negotiate a US$4.5 billion IMF loan, highlighting the precarious financial situation in the country (Business Day, 30 August 2018).

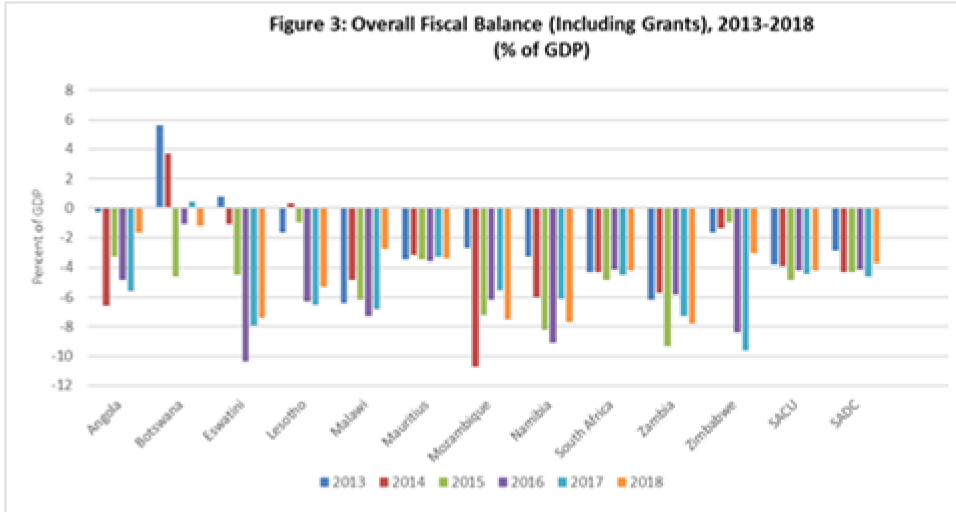

Figure 3: Overall Fiscal Balance (Including Grants), 2013-2018 (% of GDP)

26. Zambia's fiscal deficit has been attributed to shortfalls in revenue and the non-implementation of some measures, i.e. low compliance in certain taxes and the non-disbursement of grants from cooperating partners.[11] While the actual and projected fiscal deficits remain high in Mozambique, the government has implemented measures to ease spending pressures, such as the elimination of fuel and wheat subsidies and the reduction of civil servants' allowances and benefits. Eswatini is projected to record single-digit fiscal deficit at 7.9 per cent of GDP in 2017, after having recorded double-digit deficit at 10.4 per cent of GDP in 2016. [12] Zimbabwe has expressed determination to reduce its fiscal deficit, which had shot up to 14.7 per cent of GDP in 2017 from 8.75 per cent of GDP and 2.4 per cent of GDP in 2016 and 2015, respectively.[13]

27. On the public debt, annex 1 and figure 4 show that four SADC member States (Angola, Mozambique, Seychelles, Zimbabwe) have breached the regional ceiling of 60 per cent of GDP for government debt. According to the SADC analysis, public debt had continued to rise across all member States. The analysis estimates that the region recorded a public debt of 50.7 per cent of GDP in 2017 compared to an average of 49.5 per cent of GDP in 2016. The IMF has assessed Mozambique and Zimbabwe to be in "debt distress", while Zambia is considered to be in "high risk of debt distress".[14]

28. As a result of rising global interest rates and tightening market conditions, SADC member States have shifted their borrowing to domestic markets. Accordingly, the external debt component of the public debt has decreased slightly from 41.2 per cent of GDP in 2016 to 40.5 per cent of GDP in 2017 (annex 6). Angola aims to lower public debt to under 60 per cent of GDP over the medium term. The country seeks to achieve this objective by expanding the tax base, including by introducing a value added tax (VAT) in January 2019 and rationalizing public spending.[15] In Mozambique, the sharp

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[11] 2018 KPMG Budget Highlights, Zambia. Available at: https://home.kpmg.com/content/dam/kpmg/xx/pdf/2017/11/tnf-zambia-nov29-2017.pdf

[12] In 2016, two shocks – a prolonged drought and a sharp decline in SACU receipts – severely hit the economy, while an expansionary fiscal policy worsened fiscal and external balances.

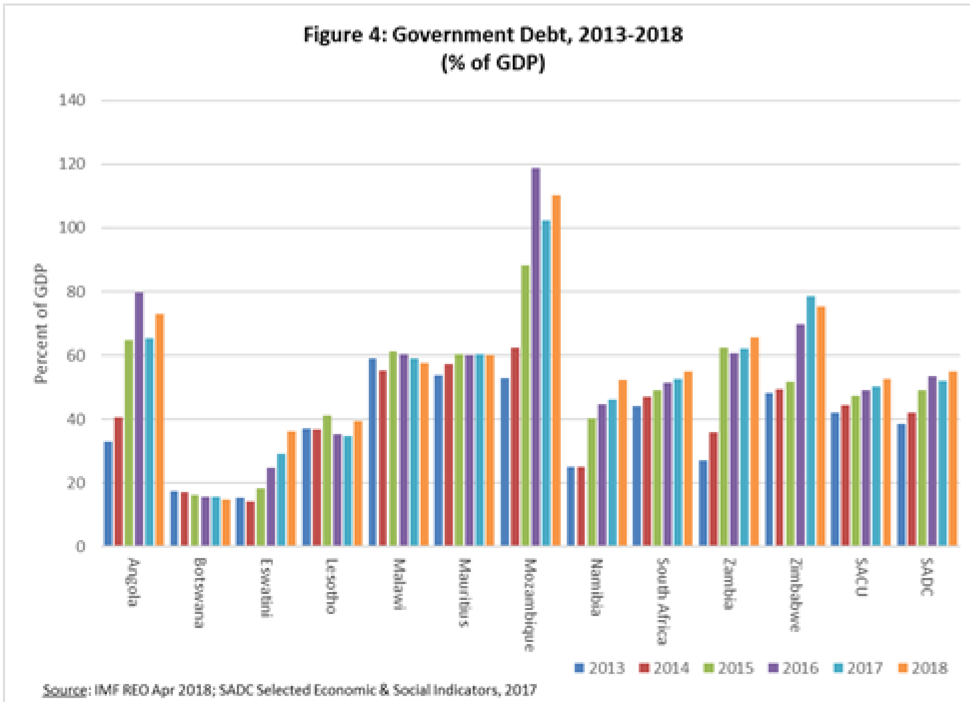
[13] https://allafrica.com/stories/201808290150.html

[14] IMF, 2018, Regional Economic Outlook, April 2018.

[15] Angola: 2018 Article IV Consultation; Staff Report; and Statement by the Executive Director for Angola. June, 2018. Available at: **https://www.imf.org/en/Publications/CR/Issues/2018/06/11/Angola-2018-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-45957**

devaluation of the domestic currency, low GDP growth as well as the transfer of debt from public companies to the public debt stock were the main drivers of high debt ratio.

29. With rising debt stocks, interest payments have also been increasing, the largest increases having occurred in Angola, Mozambique, Eswatini, and Zambia.[16] Increased reliance on foreign currency in the recent past has created another source of vulnerability for the countries in the region, exposing the debtor country to exchange rate volatility. Zimbabwe cleared all outstanding arrears with the IMF, but is still behind schedule with World Bank and the African Development Bank debts.



30. High debt coupled with widening fiscal deficit impose a risk for sustainable long-term growth and requires governments to be innovative in the fiscal policy space to generate engines of growth and revenue generation. Mozambique and Zambia, the two countries with unprecedented increases in post-High Indebted Poor Countries Initiative (HIPC) debt, have put in place measures to instill fiscal discipline reducing expensive capital expenditure coupled with enhanced tax collection efforts. Weakening currencies also exacerbate the external debt problems of some countries with extensive external borrowing (e.g. Mozambique, Zambia).

3.5 Trade and current account developments

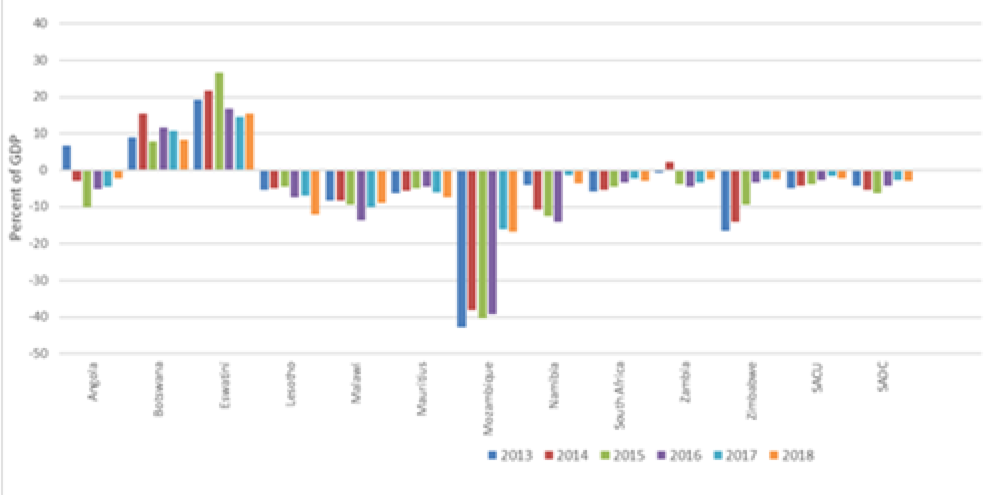
31. Figure 5 shows external current account in the SADC region. According to the SADC analysis, the terms of trade for the region deteriorated in 2017 despite improvements in commodity prices on the international market. Terms of trade for the region deteriorated by 0.9 per cent in 2017 compared to an improvement of 1.2 per cent in 2016. Export volumes improved marginally by 0.8 per cent in 2017 compared to an increase of 2.9 per cent recorded in 2016. For a third consecutive year since 2015, import volumes declined by 1.8 per cent in 2017. The current account deficit for the region averaged 3.4 per cent of GDP in 2017, an improvement from an average deficit of 7.5 per cent of GDP in 2016. All Member States, except for Malawi, Mozambique and Seychelles, recorded current account deficits within the regional target of 9 per cent of GDP in 2017. In 2016 all Member States except for Malawi, Mozambique, Namibia and Seychelles recorded current account deficits within the regional target

[16] IMF WEO April 2018.

32. Many countries in Southern Africa depend on at least one natural resource commodity for export revenues. Therefore, any decline in commodity prices has a destabilizing impact on exchange rate, and fiscal and current account positions. Yet, low oil prices generally support inflation conditions in the Southern African region, while such a rise is a positive development for Angola. As the value of net gold and merchandise exports decreased much more than that of merchandise imports, South Africa's trade balance with the rest of the world switched to a deficit in the first quarter of 2018, after recording surplus over the past seven quarters. The value of mining exports receded notably, contributing to a significant deterioration in South Africa's terms of trade. The worsening of the trade balance resulted in a marked deterioration of the deficit on the current account of the balance of payments, to 4.8 per cent of GDP in the first quarter of 2018.

33. In mineral exporters, current account deficits are narrowing moderately, reflecting the effects of firm global demand and the resultant higher commodity prices (e.g. Botswana). Global financial market conditions have been favourable and helped to finance the current account imbalances.

Figure 5: External Current Account (% of GDP)



34. The SADC region experienced, on average, total investment at 22.3 per cent of GDP in 2017, a marginal improvement from an average of 22.2 per cent of GDP in 2016. Four SADC countries (Lesotho, Mozambique, Seychelles, Zambia) achieved regional target of 30 per cent of GDP for investment in 2017, compared to three SADC countries (Mozambique, Seychelles, Zambia) reaching the target in 2016. The region recorded an average gross national savings rate of 19.6 per cent of GDP in 2017, a figure higher than the national savings, 18.3 per cent of GDP, in 2016. Only two SADC countries (Botswana, Zambia) achieved the regional savings target rate of 30 per cent of GDP in 2017, similar to 2016. Mozambique and Namibia have increased savings rate significantly in 2017, when compared to 2016.

3.6 Policy challenges and recommendations for macroeconomic policy

35. The external and domestic macroeconomic environment confronting Southern Africa calls for tough policy choices to be made. Key among these is to strike the right balance between fiscal restraint to avoid runaway public debt situation, and maintaining or even increasing expenditure for social programmes. Necessarily, governments will have to cut expenditure on non-priority items as well as consider putting some capital rollout outlay in abeyance until the financial situation improves.

36. Given the relatively poor rain in the 2017/18 season, governments should anticipate and prepare for poor harvest this year. Social programmes to cushion citizens from destitution should be on standby, while critical farmer support should be strengthened for the next planting season.

37. Relatively accommodative monetary policy for a number of countries should not encourage more government borrowing as this will crowd out the much-needed private sector investment. In light of the likely rise in oil prices, the monetary policy relief is likely to be short term as inflationary pressures will intensify. Accordingly, in the same way that governments should, the private sector (including private citizens) should be encouraged to consolidate their finance for tougher times ahead.

38. Finally, political transitions should inject a political will to deal decisively with underperforming SOEs and tax authorities in the region. Actions underway in this direction in several countries should be enhanced.

SECTION 4: DEVELOPMENTS IN THE COMMODITIES MARKETS AND IMPLICATIONS FOR SOUTHERN AFRICA

39. SADC member States are highly dependent on the natural resource sectors, mainly, hard rock minerals, oil and gas and agriculture commodities for growth, employment, export earnings and socio-economic development.

40. The mining sector accounts for an average 10 percent of regional GDP, about 50 per cent of total regional export earnings, 60-90 per cent of regional foreign direct investment, 15 per cent of direct employment and 15 per cent of government revenues. For example, in Namibia, mining accounted for 12.9 per cent of GDP in 2017, 14.6 per cent of formal employment and 68 per cent of total export earnings. Similarly, in Botswana mining accounted for 20 per cent of GDP, 14 per cent of employment and 92 per cent of export earnings. Zambia and Zimbabwe showed similar dependence on the sector in 2017 with mining accounting for 10 per cent of GDP in the former, 12 per cent employment and 70 per cent of export earnings and the latter’s shares were 15 per cent of GDP, 8 per cent of formal employment and 52 per cent of export earnings.

41. The agriculture sector is key for food and nutritional security, employment, poverty reduction and foreign exchange earnings in all member States[17]. Overall, agriculture contributes between 4 per cent and 27 per cent of the GDP of member States and an average of 13 per cent of export earnings. Furthermore, about 70 per cent of the region's population depends directly on the sector for food, income and employment. For Malawi, for example, agriculture, mainly tobacco, accounted for 28 per cent of GDP, about 70 per cent of employment and over 80 per cent of export earnings in 2016. Similarly, for Mozambique and Zimbabwe the sector accounted for 25 per cent of GDP, over 70 per cent of employment and 12 per cent of exports for the former and the shares were 11 per cent of GDP, 68 per cent of employment and 28 per cent of exports for the latter.

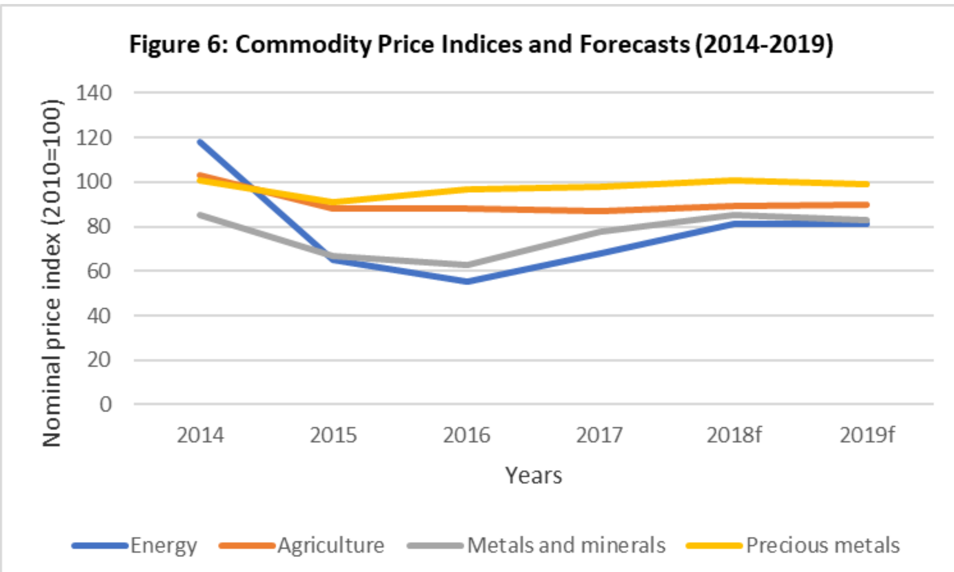
42. Thus, agriculture and mining hold the key to food security, employment, export earnings, foreign investment, levels of growth and overall socio-economic development in the region. Consequently, developments in the international markets for both mining and agriculture products impact strongly on regional economic activities and the overall ability of regional member States to

[17] SADC, 2018, Regional Vulnerability Assessment and Analysis Report

attain development milestones including those elaborated in national visions, Agenda 2063 and Agenda 2030.

Commodity price developments and prospects

43. Overall, commodity prices remained firm in 2017 continuing the positive trend experienced since bottoming up in 2016 (Figure 6). For minerals and metals, gold prices firmed by 5 per cent due to a weakening dollar and improved jewellery demand from India[18]. On the other hand, the prices for base metals; zinc, lead and copper rose by 7 per cent, 4 per cent and 7 per cent, respectively, in 2017 partially due to firmer demand internationally. The high prices are also being sustained by supply deficits due to environmental restrictions (for zinc) as well as the closure of copper, zinc and lead mines during the last three years due to low prices. Furthermore, environmental policies demanding cleaner energy sources and the rise of electric vehicles are also contributing to increasing demand for base metals (World Bank, 2018).



44. The prices further strengthened during the first and second quarters of 2018 being buoyed by positive economic growth trends in major markets as well as supply and demand factors (World Bank, 2018[19]). While energy prices rose by 10 percent and averaged US$64.6/bbl in the first quarter of 2018 and have more than doubled since bottoming up in early 2016, non-energy commodity prices rose by only 4 per cent during the first quarter.

45. The growth in global GDP was a major pull factor in the firm prices. Prices are expected to strengthen further in 2018 and 2019 on the back of positive global economic growth. This growth will further precipitate a high demand for commodities with the resultant upward firming of prices (WEO)[20]. Consequently, by the end of 2018, the prices of both metals and agricultural products are expected to have increased further with the former rising by 9 per cent and the latter by 2.2 per cent in 2018 and 1.3 per cent in 2019. Overall, energy prices are forecast to rise by 20 per cent in 2018 to average US$65/bbl and non-energy prices are expected to firm by 4 per cent. Production cuts for several commodities including OPEC and non-OPEC oil producers; measures by China to reduce

[18] India accounts for more than one-quarter of global gold jewellery consumption. (IMF Commodity Outlook, April 2018).
[19] World Bank, Commodity Markets Outlook – Oil Exporters: Policies and Challenges, April 2018
[20] World Economic Outlook Update, July 2018. Available at:
https://www.imf.org/en/Publications/WEO/Issues/2018/07/02/world-economic-outlook-update-july-2018

metal and energy pollution and the lower wheat and maize planting in the US will undermine supply and thus put upward pressure on commodity prices (World Bank, 2018[21]).

46. Furthermore, geopolitical tensions continue to provide an upward push on precious metals, some base metals and oil. For example, the current ‘tariff war’ between China and the US on aluminium and steel as well as the sanctions on Russian commodity producers by the United States have contributed to the upward trend in prices (World Bank, 2018[22]). Despite the overall strengthening of prices, they remain below the peaks of 2011 and are still to approximate the super-cycle levels of the early 2000. Thus, the windfalls experienced during the super-cycle are still distant.

Policy implications for Southern Africa

47. **Rising oil prices:** The low oil prices since 2014 which bottomed up in 2016 had stalled many greenfields (exploration) and brownfield (well development) projects in the region and for oil exporters such as Angola, had resulted in a widening budget deficit, deterioration of growth prospects, depletion of fiscal buffers and the suspension of critical development projects. On the other hand, for a majority of SADC member States who are net oil importers, the low prices had reduced the inflationary effect of high prices on domestic economies. However, the anticipated stronger oil prices in 2018 averaging US$65/bbl, while improving fiscal buffers for Angola, will undermine the rest of the region. For Angola, efforts towards diversification into hard rock minerals, agriculture and tourism remains a priority to overcome the scourge of over dependence on oil. The development of oil and gas projects in Malawi, Mozambique and Zambia, for example will, in the medium to long-term insulate countries from high oil and gas prices.

48. **Firming mineral prices:** The emerging commodity sellers’ market, a result of firming mineral and metal prices presents opportunities for SADC economies to derive higher levels of revenues under a properly structured taxation regime. Taxation regimes that are efficient in capturing windfalls are imperative for optimization of returns during commodity super-cycles. Furthermore, member States can enact harmonized policies and strategies towards strengthening domestic beneficiation and value addition and the development of backward linkages through local content policies during periods of higher prices. Harmonized local content policies provide opportunities for local small and medium scale enterprises to capture a sizeable market of the diverse mineral value chains and thus, the current efforts towards developing a regional mining vision to create an operating regime for a regional approach to value chains should be applauded.

49. **A growing ‘battery minerals’ sector:** Rising prices present opportunities for investment into greenfields exploration, a vital process for the sustainability of the minerals sector. For example, the projected rise in ‘battery minerals’ prices – lithium, nickel, cobalt, graphite, cobalt and copper presents opportunities for deepening the value chain in SADC given the resource base for these minerals. Lithium is an essential element in the fourth industrial revolution as a key element for rechargeable batteries and its potential in the region needs to be exploited. The increase in the price of lithium from an average of US$6,500/t in 2015 to US$16,000/t at the beginning of 2018 and of the price of cobalt from an average of US$30,000/t in 2015 to US$80,000/t in January 2018 has resulted in a steady increase in exploration for these minerals together with the other battery minerals. With the high

[21] World Bank, Commodity Markets Outlook – Oil Exporters: Policies and Challenges, April 2018
[22] World Bank, Commodity Markets Outlook – Oil Exporters: Policies and Challenges, April 2018

regional prospectivity of, for example, lithium, mainly in Botswana, Mozambique, Namibia, South Africa and Zimbabwe, the world's fifth largest lithium producer, the battery value chain should be investigated as a regional project.

50. **Food and nutritional security**: The number of food insecure people in the Southern African Development Community (SADC) region in the 2018/19 consumption year is 29 million people, representing 14 per cent of the population[23]. Climate-induced shocks remain the primary driver of food and nutrition insecurity in the region.[24] For example, between 2014 and 2016, the region suffered the worst drought in 35 years, caused by the El Niño phenomenon. The region's dependence on rain-fed agriculture has also led to volatile output levels from year to year. Only seven percent of the region's arable land is irrigated. To strengthen regional food and nutritional security, member States should promote more regional trading of maize and avoid taking ad-hoc actions that would restrict imports or exports of grains within the region. Furthermore, the region needs to build resilience of people, communities, and institutions to prevent, anticipate, prepare for, cope with, and recover from shocks and adopting of climate-smart agriculture practices such as the use of drought-tolerant crop varieties, irrigation, staggered planting and integrated soil fertility management. Member States also need to develop measures that support off-season crop production to reduce vulnerability of communities.

SECTION 5: POWERING INDUSTRIAL AND SOCIO-ECONOMIC DEVELOPMENT IN SOUTHERN AFRICA

51. Africa's energy consumption grew by 2.9 per cent in 2017 faster than the global average of 2.2 per cent. However, the continent's share in global energy consumption remained low at 3.3 per cent. The composition of regional energy consumption is heavily dominated by oil (43.7 per cent), gas (27.1 per cent) and then coal (20.7 per cent). Hydro accounts for 6.5 per cent, while nuclear and renewables account for 2 per cent. The growth in energy demand in 2017 was led by natural gas and oil. Natural gas consumption rose by 6.8 per cent driven by growth in Egypt. Algeria and Egypt together represent 67 per cent of Africa's natural gas consumption. Oil consumption increased by 2.5 per cent to 4 Mb/d. The growth in oil consumption was strongest in West Africa where it rose by 13 per cent. Coal consumption fell by 1.7 per cent, after being flat for two years, driven by a decline in South Africa, unlike other countries and regions in Africa. This might be partially explained by coal being replaced by renewables as a source of electricity generation from 3.1 per cent in 2016 to 3.4 per cent in 2017 in power generation.[25] Oil and gas production on the continent rebounded by 5 per cent and 9 per cent, respectively, while coal production increased by 3.6 per cent. Power generation increased by 4.4 per cent largely driven by strong growth from natural gas-fired plants and hydro generation, while oil-fired generation declined. Non-fossil fuels accounted for 20 per cent of total generation in Africa.[26]

52. The Southern African region is well endowed with energy resources including traditional biomass which accounts for more than 45 per cent of final energy consumption in the region; solar,

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[23] SADC, 2018, Regional Vulnerability Assessment and Analysis Report
[24] For example, at the end-August 2018, the World Food Programme issued a warning that 1.1 million Zimbabweans could need food aid before the next harvest in 2019, with rural smallholders most at risk of food shortages (https://www.news24.com/Africa/Zimbabwe/11-million-zimbabweans-will-need-food-aid-warns-wfp-20180831)
[25] https://www.bp.com/content/dam/bp/en/corporate/pdf/energy-economics/statistical-review/bp-stats-review-2018-electricity.pdf
[26] BP Energy Outlook 2018. Available at: https://www.bp.com/en/global/corporate/energy-economics/statistical-review-of-world-energy/country-and-regional-insights/africa.html

wind, nuclear, hydro, thermal, gas and petroleum resources (SADC, SARDC, 2017). Electricity is generated mainly through thermal and hydroelectric resources. Despite the large reserve of low-cost hydroelectricity potential, the region, power generation in Southern Africa has been constrained by limited investment particularly in the construction of new transmission lines to facilitate the wheeling of surplus electricity across the region. Angola, Malawi and Tanzania are currently not on the SAPP grid and thus any new surplus in any of the three countries cannot be wheeled to the other SAPP members as happened in 2016 when the extra generation capacity in Angola could not be accessed by other SADC member State who were in deficit at the time.[27] The installation of interconnectors linking Angola, Malawi and Tanzania into the SAPP grid will address the challenge. The planned interconnectors include; the Zambia-Tanzania-Kenya inter-connector to be ready by 2019 is expected to connect the SAPP grid to the Eastern Africa Power Pool grid and will link the Tanzanian power network to other SAPP member countries. Other planned transmission lines are the Zimbabwe-Zambia-Botswana-Namibia interconnector, the Malawi-Mozambique interconnector, and the Mozambique-Zimbabwe-South Africa transmission project. The regional strategy to ensure reliable and sufficient energy services elaborated in the Revised Regional Indicative Strategic Development Plan (RISDP) 2015-2020 underpins efforts towards greater co-operation, interconnectedness, power pooling and the connecting of national electricity grids (SADC, 2015). Furthermore, the development of regional power interconnectors will contribute towards continental integration and enable SADC member States to share and benefit from increased generation capacity across borders.[28]

53. As of March 2017, SAPP had an operating capacity of 54,397 MW against a demand of 53,478 MW that includes peak demand and reserves giving a generation excess capacity of 919 MW. The region was in surplus for the first time in the last decade due to primarily to the slowdown in the South African economy during the fiscal period for 2016/17. The implementation of the SADC energy programme, which has seen multiple new power generation plants commissioned over the past few years is also contributed to regional surplus. Overall, Southern African countries have exceeded their 2016 power generation targets by 11 per cent and SAPP [29] commissioned a total new capacity equivalent to 4,180 megawatts in 2016 (SADC, SARDC, 2017). The largest contributor to the increase were Independent Power Producers in South Africa which contributed 54 per cent of the new generation capacity in 2016. South Africa accounted for 74.7 per cent of the installed capacity followed by Mozambique with 4.9 per cent, and Zambia with 4.6 per cent. When compared to 2015/2016, South Africa, Tanzania and Zimbabwe had a surplus. Tanzania, one of the least electrified countries in Africa, increased generation capacity with natural gas and facilitating an enabling environment for solar home system, and publishing of new standard Power Purchase Agreement for small producers 2017. In the DRC, the deficit has narrowed down from 315 MW in 2015/16 to 261 MW in 2016/17. Lesotho experienced a deficit of 70 MW, while the country experienced a surplus of 60 MW in 2015/16. For Eswatini and Zambia, in particular, the deficit has widened over the fiscal period, from 164 MW to 177 MW, and from 112 MW to 620 MW, respectively, as a result of low rainfall.

[27] SADC, SARDC (2017) SADC Energy Investment Yearbook, 2016
[28] https://southerntimesafrica.com/site/news/afdb-boost-for-sadc-power-transmission-projects
[29] SAPP states include Angola, Malawi, Zimbabwe, Zambia, Botswana, Democratic Republic of Congo, Lesotho, Mozambique, Namibia, Eswatini, and Tanzania.

54. In terms of power generation sources, SAPP countries are either coal-based; South Africa and Botswana, or hydro-based; Mozambique, Malawi, Angola, Lesotho, DRC, Namibia, Zambia and Eswatini, or those relying on a mix of hydropower and coal; Tanzania, and Zimbabwe. Coal was the largest contributor to the regional generation mix accounting for 62 per cent, followed by hydro for 21 per cent. South Africa is the region's main electricity producer accounting for about 75 per cent of the region's electricity capacity, over 88 per cent of which comes from coal-fired generation. The reliance on thermal power stations is facing increasing global pressure due to climate change and global warming.

55. Distillate fuel used for power generation accounts for 4.4 per cent of regional power generation, with Tanzania having the largest generation capacity. There has been a slight increase in the share of solar technologies, solar photovoltaic (PV), concentrated solar power (CSP), in power generation by 0.5 per cent from 2015/2016 to 2016/2017. The share of nuclear generation capacity from ESKOM increased marginally from 2015/2016 to 2016/2017, from 3 per cent to 4 per cent. Although other power generation technologies (PV, CSP, gas etc) are slowly emerging, they remain too small to meaningfully diversify electricity supply and improve the resilience of electricity systems. The region has great potential in renewable energy, especially in wind power, PV, hydropower and CSP. There is an urgent need to tap into the region's vast renewable energy potential, to diversify the power mix and thus increase electricity access and ensure the security and reliability of the supply. The renewable energy sector could grow adequately to displace fossil fuels. A mix of 50 per cent wind and solar and 20 per cent hydro by 2030 would put the SADC at the level of countries such as Sweden when it comes to overall renewable electricity generation.[30] The development of the energy sector remains a priority for the region. The SADC Regional Infrastructure Development Master Plan through the Regional Energy Access Strategy and Action Plan, has identified 73 power projects that will increase generation capacity and ensure that the projected demand of 96,000 MW is surpassed by 2027.

56. Table 1 shows the details of the planned generation projects to be commissioned in SAPP countries up to 2022 and Figure 7 shows the composition of the power generation technologies planned up to 2022 indicating the increased penetration of renewable energy technologies.

Table 1: Planned Generation Capacity 2017 to 2022

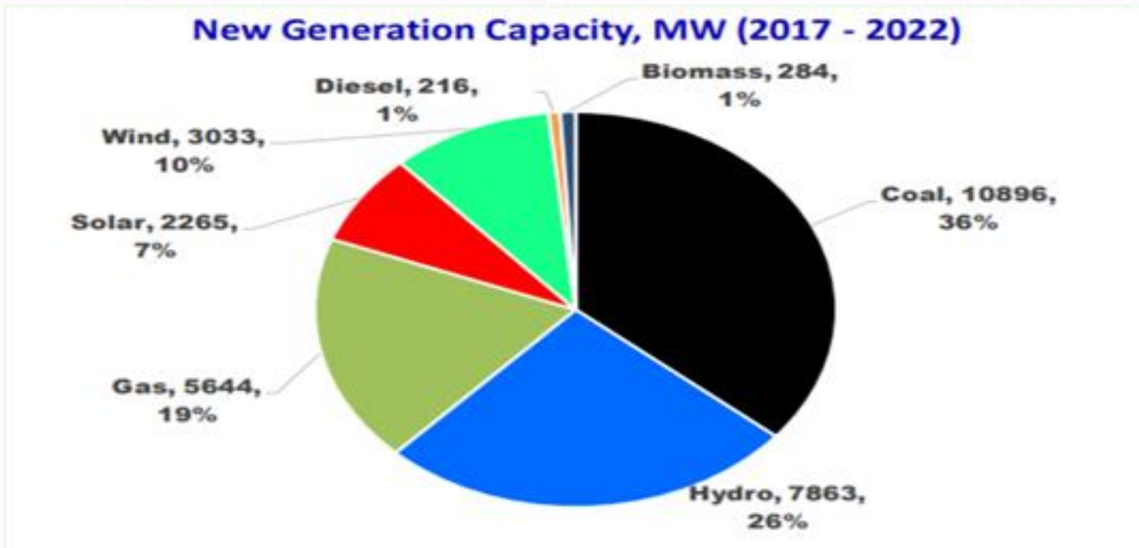
No	Country	Committed Generation Capacity, MW							
		2017	2018	2019	2020	2021	2022	Total	% Share
1	Angola	1727	1269	0	0	0	0	2,996	9.78%
2	Botswana	120	-	-	300	-	-	420	1.37%
3	DRC	150	-	-	360	-	1,500	2,010	6.56%
4	Lesotho	-	20	-	-	-	-	20	0.07%
5	Malawi	36	12	132	340	310	100	930	3.03%
6	Mozambique	40	130	30	-	-	550	750	2.45%
7	Namibia	60	-	37	-	800	-	897	2.93%
8	RSA	1,128	3,037	4,035	2,028	3,044	1,516	14,788	48.25%
9	Swaziland	-	-	12	-	-	-	12	0.04%
10	Tanzania	120	305	1,260	565	50	675	2,975	9.71%
11	Zambia	15	113	300	790	930	-	2,148	7.01%
12	Zimbabwe	120	540	630	600	810	-	2,700	8.81%
	TOTAL	3,516	5,426	6,436	4,983	5,944	4,341	30,646	100%

57. The power trading platforms in SAPP member States include; the Forward Physical Month Ahead Market (FPM-M), the Forward Physical Weekly Market (FPM-W), the Intra Day Market (IDM) and the Day Ahead Marketing (DAM). The DAM accounts for 74 per cent of the total energy traded on the SAPP competitive market and FPM-W accounts for 11 per cent, FPM-M for 8 per cent and

[30] https://www.sei.org/wp-content/uploads/2018/05/180517a-gill-johnson-powering-africa-report-1804a.pdf

IDM for 7 per cent. In 2016/17, the yearly average FPM-M market clearing price for the Off-peak periods was US$4.63/KWh while for the Non-Off-Period it was US$11.63/KWh. The average market clearing prices for the FPM-W market for year 2016-17 was US$4.48/ KWh for the Off-Peak periods, US$9.36/KWh for the standard periods and US$13.68/KWh for the peak periods. Average monthly DAM market clearing prices were generally lower in 2016 when compared to 2015. In 2016/17, the yearly average DAM market clearing price was US$7.23/KWh compared to the US$8.31/KWh recorded in 2015/16.

Figure 7: New Generation Capacity, MW (2017-2022



Policy implications

58. Access to electricity - a key enabler to the regional industrialization agenda anchored on agro-processing, value addition and beneficiation hence addressing the impediments to energy development and access - is important for overall regional growth and the attainment of development goals. Equally, access to electricity is important for consumptive uses including facilitating access to socio-economic services including education and health services. The region has a low access to electricity at 24 per cent compared to 36 per cent for East Africa and 44 per cent for West Africa, with some SADC member States having below 5 per cent in rural areas (SADC, SARDC, 2017). The SADC Industrialization Strategy and Roadmap identifies access to energy as a key enabler for industrial development in the region and acknowledges that efficient and affordable infrastructure services (including energy) are critical inputs for reducing transactions costs for industry and trade.

59. The key impediments to access to electricity such as inadequate generation and transmission infrastructure, poor policy coordination across national borders, unnecessary non-tariff barriers, lack of off-takers for power purchase agreements and inconsistency between regional goals and national priorities remain limitations to regional power trade and need to be addressed. Furthermore, the lack of investment in generation and transmission infrastructure is further compounded by an uncompetitive investment climate in most countries due to sub-economic tariffs. Other factors that contribute to lost generating capacity include mismanagement of utility companies, corruption, and bad business

practice (SADC, SARDC, 2017). The implementation of various policies, institutional frameworks and regional strategies for the sector has been slow and this has undermined regional efforts to promote private sector participation in the sector. In addition to State investment in the sector, the promotion of PPPs in the sector can boost investment in new generation capacity, transmission and distribution and overcome the constraints faced by utilities.

60. The renewable energy potential remains untapped and frameworks for exploiting these resources at both national and regional levels are still in their infancy. Maximising the potential of regional resources, particularly renewable energy technologies, would increase energy access, improve energy security and thus improve the livelihoods of SADC citizens.

SECTION 6: IMPROVING TAX POLICY AND ADMINISTRATION FOR SOCIOECONOMIC DEVELOPMENT IN SOUTHERN AFRICA

61. Domestic resource mobilization (DRM) is a critical policy lever for sustainable development. Tax policy is central to DRM. Effective taxation reduces excessive reliance on aid and mineral rents and taxes, and offers a path away from unsustainable revenue streams. The very choice of fiscal policy is not straightforward, and have distributional and welfare consequences. Policy makers need to ensure that fiscal policy does not undercut the growth-promoting effects of public investment, reversing the inroads made in poverty reduction, health, and education. Decisions should be made considering country-specific circumstances and development priorities.

62. Widening the tax base (for example: eliminating many exemptions and leakages, and bringing a larger part of the population into the formal economy) is indispensable for boosting tax revenues. Many resource-rich countries are failing to collect their fair share of the rewards from mineral extraction. Best practices need to be encouraged and shared – especially transparency – in the design and administration of mineral taxation policy.

63. All SADC member States operate modern tax systems, comprising both direct and indirect taxes.[31] Among the factors that determine tax revenue are personal and corporate income, consumption and imports. All those variables are closely related to aggregate production and income, and economic activity. The IMF, OECD and African Tax Outlook (ATO) 2017[32] data show that in 2015, 4 SADC countries (Angola, DRC, Madagascar, Tanzania) have tax-to-GDP ratios of less than 15 per cent, a figure lower than the regional average of 21 per cent[33], and significantly lower than OECD average of 34.3 per cent. Botswana, Lesotho, Seychelles, South Africa and Zimbabwe recorded ratios that compare more favourably with the OECD average. Regional tax-to-GDP rations in 2015 ranged from 10.4 per cent (Madagascar) to 42.70 per cent (Lesotho). SADC's average tax-to-GDP ratio increased

[31] The main components of direct taxes are income and profits taxes (on labour and capital income), often accompanied by property taxes. The main components of indirect taxes are VAT, which is a general consumption tax, excise taxes and taxes levied on specific goods to raise government revenue.
[32] The data for "Africa Tax Outlook 2017" were collected over a period of five fiscal or calendar years from 2011 to 2015 by appointees, known as "focal points", from Botswana, Lesotho, Mauritius, Mozambique, Seychelles, South Africa, Eswatini, Tanzania, Zambia, and Zimbabwe. The African Tax Outlook does not address local taxes. In that event, the tax-revenue-to-GDP ratio is underestimated. The data collection was finished in October 2016. However, data revisions were accepted until March 2017.
[33] Calculated by applying the unweighted average percentage in 15 SADC countries.

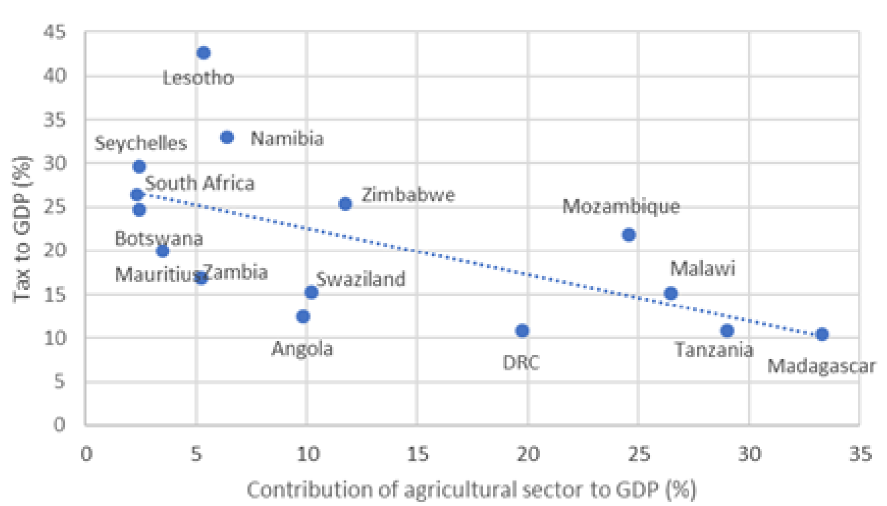
by 1.09 percentage points between 2011 and 2015, yet decreased by 0.74 percentage points from 2014 to 2015. Tax exemptions, thresholds, and a multiplicity of tax rates explain the differences in the tax-to-GDP ratios across SADC region. For some countries in the region, for example, VAT collections are undermined by an extensive list of exempt and zero-rated items which need to be reviewed and rationalized. Exemptions shrink the tax base and have an unclear impact on the poor.

64. Of the 15 SADC member States for which data is available, the ratio of tax revenues to GDP fell in 9 countries, from 2014 to 2015. The decline in the ratio is mostly associated with decreased tax revenues due to volatile commodity prices (e.g. oil, diamonds, copper, etc.). Low tax-to-GDP ratio in the region reflects not only the region's prominent informal economy, but also inefficiencies and challenges in revenue collection. Most of these challenges are a direct result of poor governance systems, corruption and illicit financial flows - money that is illegally earned, illegally transferred or illegally utilized. In addition, there are challenges that pertain to underdeveloped tax laws and general administrative weaknesses.

65. A country's economic structure might determine its ability to raise tax revenue, as high levels of informal activity are more difficult to tax. Not only does agriculture contribute less tax than industry and the services, on average, but countries where it accounts for a high share of GDP tend to have a lower tax-to-GDP ratio (figure 8) However, there are also countries with high value addition from agriculture but which have relatively high tax-to-GDP ratios, e.g. Mozambique. Conversely, there are countries like Eswatini with low tax-to-GDP ratio where agriculture contributes relatively little to GDP. Indeed, Eswatini has one of the lowest tax collection rates among small middle-income countries. Despite efforts to broaden the tax base, tax collection is still heavily concentrated on very few sources, with Southern African Customs Union (SACU)[34] receipts alone accounting for about 40 per cent in Eswatini.

66. Botswana has the second lowest tax-to-GDP ratio among SACU members, after Eswatini. Government revenue is heavily dependent on mineral revenue and revenue from the SACU sharing pool. In recent years, SACU revenue plus mineral revenue (taxes, royalties and dividends) has exceeded 63 per cent of total government revenue. On the other hand, personal income tax

Figure 8: Agriculture VA (% of GDP) vs tax-to-GDP (%)



[34] Eswatini, Lesotho, Botswana, Namibia, and South Africa are members of SACU. All the SACU member countries are also SADC member States. Furthermore, within SACU there is a grouping excluding South Africa (Botswana, Lesotho, Namibia and Eswatini) commonly referred to as the BLNS countries.

(PIT), corporate income tax (CIT), and VAT revenues have fallen to less than 10 per cent of GDP.

67. The dependence on SACU revenue[35] presents two challenges in the medium term for SACU member States. First, significant fluctuations in SACU revenues from year-to-year creates budget management issues and thus the impact on domestic development programmes. Second, SACU revenues are forecasted to remain low over the medium term as growth in South Africa, the main contributor to the SACU revenue pool, remains moderate, while domestic spending pressures are rising.[36]

68. Another reason for differences in tax-to GDP ratio lies in how efficiently tax administration improve participation in and compliance with the tax system. Efficient countries are likely to boast higher revenues than inefficient ones with the same tax rates and base. Countries in the region have recently started to strengthen their tax laws to improve compliance. For example, Lesotho, South Africa and Zimbabwe have implemented property tax reforms during 2011-2015. Several countries have taken additional measures to improve tax administration. Botswana, for example, have online systems for paying taxes. Similarly, Zambia has employed new revenue mobilization initiatives such as introducing IT solutions to improve the VAT collection, taxing the informal sector, adopting measures to deter transfer pricing, and appointing more revenue collecting agents.[37]

69. The ability of a revenue authority to collect tax also depends on citizens' willingness to pay. Encouraging tax compliance requires an understanding of how taxpayers think about taxation. International Centre for Tax and Development (ICTD) has conducted a study of tax compliance attitudes in Kenya, Tanzania, Uganda and South Africa using Afrobarometer survey data.[38] The study found tax compliance attitude to be positively correlated with the perceived probability of audit and satisfaction with the tax administration, and negatively correlated with the perceptions of corruption in the tax administration.

70. The progressive structure of PIT helps to reduce inequality. PITs have contributed positively to growth in most countries in the region between 2011 and 2015. In South Africa, higher personal income taxation has been the main tax policy instrument to collect revenue, alongside of excise taxes. In Lesotho and Eswatini, share of PIT is high at 32 per cent and 38 per cent, respectively. In Mozambique, the share of direct taxes in fiscal tax collections has increased over time, and as of 2015, income taxes accounted for about 40 per cent of tax collections (excluding capital gain taxes). Despite the increase in the share of direct taxes, their relative efficiency remained low, especially that of the corporate income tax.[39] Corporate income tax is the largest source of the revenue, accounting for nearly 30 per cent of tax revenues in 2015.

71. All SADC countries, except Seychelles, have payroll taxes and all have corporate taxes on profits (Deloitte and Touché, 2018). In most SADC countries, consumption taxes, VAT being the most

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[35] There are differences in import levies among SACU members. The 2002 SACU Agreement calls for harmonization of agricultural and industrial policies, but it hasn't materialized; sectoral policies remain country-specific.
[36] IMF Executive Board 2017 Article IV Consultation with Botswana, July 2017.

[37] PWC, Zambia Budget 2018. Available at: https://www.pwc.com/zm/en/assets/pdf/zambia-budget-2018.pdf
[38] Ali, M., Fjeldstad, O.-H. and Sjursen, I.H. (2014) 'To Pay or Not to Pay? Citizen's Attitudes towards Taxation in Kenya, Uganda, Tanzania and South Africa', World Development 64: 828-42.
[39] Republic of Mozambique, IMF report on Selected Issues, January 2016.

widely used[40], are the biggest source of revenue. Unlike the sales tax, VAT is levied and collected along the whole supply chain. Consumption taxes on goods and services accounted for 63 per cent of tax revenues in Mauritius in 2015. VAT revenue (per cent of GDP) in Lesotho and South Africa were relatively high, exceeding 10 per cent in 2015.[41] The standard VAT rates vary from 12 per cent (Botswana) to 20 per cent (Madagascar), with the rest of member States having rates between 14 per cent and 18 per cent (table 2). However, the definitions of the tax bases are quite heterogeneous. Differences in VAT rates are influenced by specific economic and political factors; including the extent of exemptions from the tax in each member State (SADC, 2016).[42]

Table 2: Rate Structure of Taxes in SADC and EAC Countries, 2015 (in per cent)

	GDP per capita 2015 (US Dollars)	VAT Thresholds (US Dollars)	PIT Thresholds (US Dollars)	Current Standard VAT Rate	Corporate Income Tax Rates
Rwanda	732	27,793	500	18	30
Burundi	319	63,618	1,145	18	30
Kenya	1,439	50,767	-	16	30
Tanzania	957	50	1,025	18	30
Uganda	630	46,289	870	18	30
Zambia	**1,310**	**91,938**	**4,137**	**16**	**35**
Angola	3,876	-	288	-	35
Botswana	6,781	93,667	3,372	12	22
Congo, Dem. Rep.	471	86,317	566	16	35
Lesotho	1,223	66,654	-	14	25
Madagascar	402	68,178	85	20	20
Malawi	354	20,016	480	16.5	30
Mauritius	9,115	171,151	-	15	15
Mozambique	529	-	-	17	32
Namibia	5,041	-	3,921	15	33
Seychelles	14,554	150,191	-	15	25
South Africa	5,721	78,417	-	14	28
Swaziland	3,512	39,208	-	14	30
Zimbabwe	1,003	60,000	3,600	15	25.75
Unweighted Average EAC	***815***	***37,704***	***885***	***17.6***	
Unweighted Average SADC	***2,411***	***78,417***	***1,969***	***15.3***	

Source: IBFD, IFS.

72. Zambia's VAT rate at 16 per cent is higher than the rate for Botswana, Lesotho, Seychelles, and South Africa. However, the country has a relatively low VAT C-efficiency rate[43], estimated at 0.28 percent in 2015, compared to the average of 0.45 percent for other SADC member States (figure 9). Zambia's lower efficiency is due to the many exemptions and zero-ratings that narrow its tax base. For example, books, medicines and medical equipment are zero rated in Zambia and not in other countries in the region.

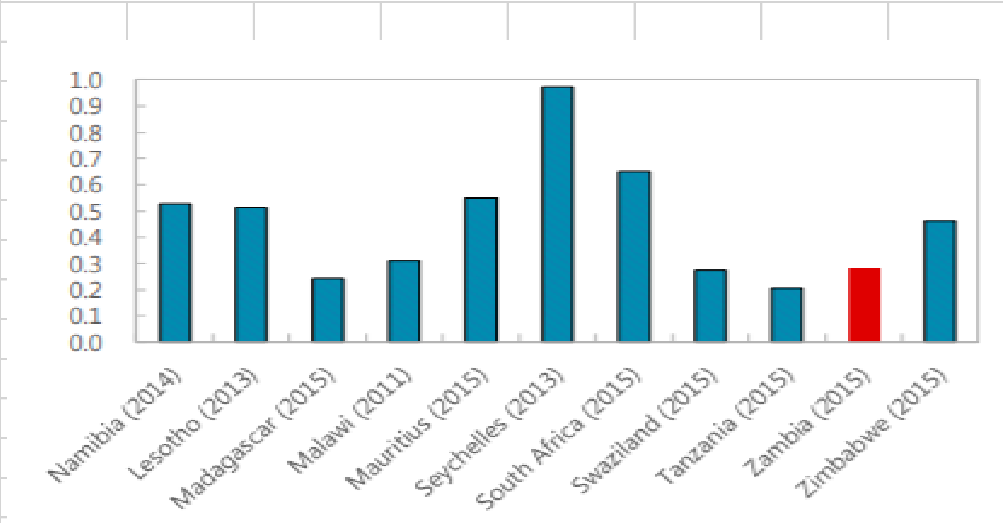
73. One advantage of VAT, as a broad-based tax on consumption, is that it is more growth friendly than other types of taxes, especially indirect taxes (IMF 2015a). A disadvantage, though, is that they are regressive because the poor spend a higher proportion of their income on consumption than the

[40] All the SADC countries (except Angola) have VAT systems. Three of SADC member States, namely DRC (January 2012), Eswatini (April 2012) and the Seychelles (January 2013) have recently adopted VAT systems.
[41] African Tax Outlook 2017
[42] Rates that are set higher than the standard rate (typically anything from 25 per cent to 50 per cent) commonly seek to tax goods that are perceived as luxuries, with the intention of addressing the perceived regressive nature of a VAT that applies the same tax, whatever the relative wealth of the consumer. Rates that are set lower than the standard rate (between 5 per cent and 7 per cent), are commonly (but not always) applied to provide a relief or partial tax subsidy to a sector or specific product or service, as an alternative to zero-rating or exemption (SADC VAT Guidelines 2016).
[43] VAT C efficiency is defined as actual VAT collections as the share of its potential base.

rich. Thus, the implementation of VAT requires careful consideration. VAT tax revenue may fall short when countries offer too many exemptions and/or do not have robust refund mechanisms. The tax base then narrows, effective tax rates may fall to zero and considerable revenue is lost. For example, Tanzania fell into this trap before making reforms in VAT in 2015.

74. The process of formulating and harmonizing fiscal policies remains a challenge, however, due to the existence of diverse VAT regimes and different tariff structures of member States, as well as the fact that some member States are members of more than one block (e.g. SADC, COMESA, SACU). For example, the overlapping membership of Tanzania of the SADC and EAC regions poses a potential conflict of interest and could stifle further initiatives aimed at increasing the level of tax harmonisation in SADC.

Figure 9: VAT C-Efficiency SADC Comparators, Latest year of Actual Data Available



Sources: IMF Fiscal Affairs Department.

75. The excise tax is an unexploited revenue source in the region.[44] Although excise accounts for only a slight share of total consumption revenue, it varies widely within that narrow range from one country to another. In Seychelles and Zimbabwe, for example, it accounted for more than 5.3 per cent of GDP in 2015. As for Zimbabwe, the steep rise in excise revenue-to-GDP ratio was ascribed to the increase in fuel tax between 2014 and 2015. Zimbabwe also introduced an excise tax on airtime in the last quarter of 2014, contributing to the surge in the ratio in 2015. Madagascar and Mozambique collected excise revenues less than 1 per cent of GDP.[45]

76. A number of SADC countries have continued to reduce their reliance on import duties and increasingly use consumption tax. In Botswana, Seychelles and Mauritius, import tax revenue fell between 2011 and 2015 due to revised import rates and a switch from custom duties to excise tax. And although Lesotho tripled its revenues from import duties, they were of minor importance against the background of a ratio of import tax revenue to GDP that was 0.3 per cent. [46]

[44] Excises are charged on certain goods, particularly fuel, tobacco and alcohol. They are widely regarded as double-dividend taxes. Studies have found that the existence of differences in rates of VAT and Excise tax has been a key cause of the smuggling of beverages and cigarettes from countries with low tax rates to countries where rates are higher.
[45] African Tax Outlook 2017.
[46] African Tax Outlook 2017.

77. Property tax revenue is progressive, considered to be less disruptive for economic growth[47], and to provide a rather stable source of revenue that is not vulnerable to short-term fluctuations in the economy. Property taxation is underused in the region, for example, its current share in Mozambique is negligible.

Recommendation:

78. The high threshold value for a VAT registration is a hurdle for the formalisation of SMEs (vital for growth and innovation for most countries in the region). Being outside the tax net creates an obstacle for the bulk of SMEs in the region in accessing formal business funding and credit schemes. Taxation becomes efficient if it fuels business development in exchange for formalisation.

79. Tax administrations are ranked as one of the most corrupt institutions in Africa. Taxation and customs come third for corruption after government procurement and land administration (Business Anti-corruption, 2016). Authorities are then forced to seek other ways of raising revenue to offset shortfalls especially in health, education and infrastructure as corruption leads to biased tax systems. Tough, consistent disciplinary action against corrupt staff, and stringent pre-screening when recruiting is required as means of prevention. Tax administration capacity needs to be strengthened at both human and technical level.

80. Over the past two decades, several countries in the continent have established revenue authorities whereby the tax administration is moved out of the Ministry of Finance and placed under the jurisdiction of a semiautonomous entity. An example of this is the South African Revenue Service. Underlying motivations for such a structural move include improving the performance of revenue collection, increasing efficiency, and fighting corruption.

81. Countries need to share information on the economic activities of multinational enterprises as part of efforts to improve domestic revenue mobilization and governance and to curb illicit financial outflows (IFFs). Most countries in the region rely heavily on tax revenue from multinational corporations. Indeed, large taxpayers account for over 50 per cent of the revenue of Zambia, Eswatini, and Mozambique. The risk of such heavy reliance is that base erosion and profit shifting (BEPS) can seriously put DRM at risk. Countries require fully effective transfer pricing regimes in place to deal with risks arising from BEPS, which denies them essential tax revenue. Countries need to put in place measures designed to protect their tax bases, supporting efforts towards a transparent and predictable investment climate through the introduction of rules that create certainty and consistency for business.

82. From a regional perspective, it is important that VAT systems be neutral to investment and trade decisions across the region, while still being relatively reliable sources of revenue for member States. The movement towards freer trade within the region will need to be accompanied by a sequence of changes to member States' national VAT laws as well as international or regional treaties to sustain VAT systems in a SADC Free Trade Area or common market.

83. Tax evasion and the siphoning of funds to tax havens deprive Southern African countries of the fiscal benefits of growth. The development of effective tax responses to counter these challenges is

[47] Tax and Economic Growth, Economics Department Working Paper No. 620. OECD, 2008.

central to region's development agenda. There is a greater need to review and revise current tax legislation to minimize or eliminate tax evasion.

SECTION 7: CONCLUDING REMARKS

84. The changing political climate in Southern Africa provides an opportunity to the new leadership to implement needed economic reforms. Needed reforms pertain to key sectors such as agriculture when much attention is on land reform, but also how to reform and modernize the sector to create jobs, ensure food security and reduce urban migration. Proposed reforms in the mining, energy, telecommunications need to be debated in a consultative manner and the agreed-up final proposals implemented without delay; procrastination can only deepen uncertainty and undermine investments. The poor state of public enterprises needs decisive leadership to restore good corporate governance, otherwise these entities will continue to drain public resources and sully the region's image as a top investment destination in the continent. Finally, while deeper cooperation with developed and developing countries alike, is welcomed, the new leadership has an opportunity to reexamine some of the recent cooperation arrangements to see if they advance or undermine the development of key sectors (agriculture, mining, manufacture) in Southern Africa, specifically, and Africa, in general.

ANNEXES[48]

Annex 1: SADC – Primary Macroeconomic Convergence Indicators (2015-17)

	2015 *(Revised)*				2016 *(Provisional)*				2017 *(Revised Estimate)*			
MEC Target	**Inflation (3-7%)**	**Fiscal Deficit (3% of GDP)**	**Public Debt (60% of GDP)**	**GDP (7%)**	**Inflation (3-7%)**	**Fiscal Deficit (3% of GDP)**	**Public Debt (60% of GDP)**	**GDP (7%)**	**Inflation (3-7%)**	**Fiscal Deficit (3% of GDP)**	**Public Debt (60% of GDP)**	**GDP (7%)**
Angola	10.0	-3.3	44.5	0.9	41.9	-3.8	74.0	-2.6	26.3	-5.3	71.0	-2.5
Botswana	3-.0	-4.7	22.0	-1.7	2.8	0.6	24.0	4.3	3.3	-1.8	21.0	2.4
DRC	4.2	-0.8	16.3	6.9	18.2	-1.2	15.7	2.4	35.7	0.1	18.6	3.7
Eswatini	5.0	-5.0	19.0	1.9	7.8	-10.0	15.0	1.4	6.2	-7.8	19.3	1.9
Lesotho	3.2	0.6	49.5	2.5	6.6	-8.1	41.0	3.3	5.2	-1.2	31.9	2.7
Madagascar	7.4	-3.7	35.6	3.0	6.7	-2.0	25.9	4.1	6.9	-4.4	43.2	4.5
Malawi	21.9	-3.9	49.3	3.3	21.7	-5.1	54.4	2.7	11.5	-7.0	56.3	5.7
Mauritius	1.3	-3.5	59.6	3.6	1.0	-3.5	59.3	3.8	3.7	-3.2	56.3	3.9
Mozambique	3.6	-4.3	73.3	6.6	19.9	-5.7	102.3	3.8	15.1	-6.1	112.0	3.7
Namibia	3.4	-8.2	39.5	6.0	6.7	-6.9	38.0	-0.7	6.2	-5.4	42.1	-0.8
Seychelles	4.0	-2.0	68.1	4.4	-1.0	0.0	68.6	4.4	2.2	-1.6	64.1	4.1
South Africa	4.6	-3.4	49.0	1.3	6.3	-3.6	50.7	0.6	5.3	-4.3	53.3	1.3
Tanzania	5.6	-3.3	36.5	7.0	5.2	-3.5	41.0	7.0	5.3	-1.5	43.8	7.1
Zambia	10.0	-10.0	45.0	2.9	18.2	-5.8	46.7	3.8	6.6	-7.8	53.8	4.1
Zimbabwe	-2.4	-0.8	58.0	1.4	-1.6	-8.5	66.2	0.6	0.9	-15.1	82.3	3.4

Source: Member States Authorities and IMF World Economic Outlook, April 2018.

Annex 2: Annual Real GDP (at Market Price) Growth Rate in SADC (%), 2008 – 2017

SADC Member States	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Angola	10.5	0.8	5.2	4.1	8.8	5.0	4.0	0.9	-2.6	-2.5
Botswana	6.2	-7.7	8.6	6.0	4.5	11.3	4.1	-1.7	4.3	2.4
DRC	6.2	2.9	7.1	6.9	13.4	2.4	7.2	7.7	2.4	3.7
Eswatini	0.8	1.6	3.8	2.2	4.7	6.4	1.9	0.4	1.4	1.9
Lesotho	6.7	2.2	6.2	7.0	5.9	2.2	2.3	5.6	3.3	2.7
Madagascar	7.1	-4.0	0.3	1.5	3.0	2.3	3.3	3.1	4.1	4.5
Malawi	7.8	7.5	6.8	3.5	2.1	6.3	6.2	3.3	2.7	5.1
Mauritius	5.4	3.3	4.4	4.1	3.5	3.4	3.7	3.6	3.8	3.8
Mozambique	6.9	6.4	6.7	7.1	7.2	7.1	7.4	6.6	3.8	3.7
Namibia	2.6	0.3	6.0	5.1	5.1	5.6	6.4	6.1	0.7	-0.8
Seychelles	-1.9	-0.2	6.5	4.0	3.7	6.0	4.5	4.9	4.5	6.3
South Africa	3.2	-1.5	3.0	3.3	2.2	2.5	1.8	1.3	0.6	1.3
Tanzania	5.6	5.4	6.4	7.9	5.1	7.3	7.0	7.0	7.0	7.1
Zambia	7.8	9.2	10.3	5.6	7.6	5.1	4.7	2.9	3.8	4.1
Zimbabwe	-2.8	12.6	12.6	15.4	14.8	5.5	2.1	1.7	0.6	0.8
SADC Total	**5.1**	**0.2**	**4.3**	**4.2**	**4.7**	**3.9**	**3.4**	**2.3**	**1.1**	**1.4**

48 Source for all annexes is *SADC Selected Economic & Social Indicators, 2017*, except as stated in annex 1

Annex 3: Per Capita GDP in SADC (US $ per head), 2008 – 2017

SADC Member States	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Angola	4 127	3 186	3 675	4 757	5 275	5 452	5 624	4 314	3 879	4 883
Botswana	5 716	5 263	6 433	7 624	6 990	7 093	7 537	6 570	7 025	7 728
DRC	281	227	296	343	377	406	432	442	464	423
Eswatini	3 177	3 460	4 205	4 518	4 472	4 197	4 014	3 595	3 285	3 795
Lesotho	991	1 000	1 265	1 466	1 410	1 328	1 311	1 214	1 154	1 392
Madagascar	494	436	433	478	467	485	476	387	414	483
Malawi	407	457	492	556	385	341	378	394	315	365
Mauritius	8 026	7 325	8 001	9 199	9 290	9 629	10 154	9 241	9 602	10 453
Mozambique	545	516	466	570	647	662	692	601	413	439
Namibia	4 124	4 359	5 234	5 956	6 046	5 812	5 211	5 389	4 856	5 601
Seychelles	11 405	9 761	11 020	11 736	12 147	14 923	14 700	14 745	15 078	15 486
South Africa	5 793	5 914	7 362	8 059	7 557	6 881	6 483	5 776	5 290	6 183
Tanzania	673	682	720	757	870	958	1 008	927	930	991
Zambia	1 457	1 214	1 548	1 710	1 805	1 923	1 808	1 375	1 315	1 568
Zimbabwe	532	667	815	947	1 076	1 139	1 160	1 153	1 169	1 246
SADC Total	**1 912**	**1 820**	**2 176**	**2 441**	**2 411**	**2 321**	**2 267**	**1 974**	**1 835**	**2 095**

Annex 4: Share of Manufacturing GDP to Total GDP in SADC (%), 2008 – 2017

SADC Member States	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Angola	3.5	5.2	4.6	4.2	4.3	4.8	5.2	5.1	5.0	5.0
Botswana	6.4	7.2	7.1	6.4	6.6	6.4	5.8	6.4	5.7	5.6
DRC	23.2	26.5	17.0	16.2	16.4	16.6	16.7	17.7	20.4	20.8
Eswatini	36.1	36.3	34.0	33.3	33.4	31.8	32.9	34.0	33.2	33.0
Lesotho	21.1	17.5	13.2	13.1	12.1	11.8	11.4	12.5	12.0	12.1
Madagascar	14.6	14.4	14.3	14.3	14.3	14.1	14.0	13.8	12.9	13.2
Malawi	12.6	11.2	10.7	10.4	10.1	10.1	10.1	10.2	10.1	9.8
Mauritius	17.2	16.7	15.9	15.7	15.5	15.7	15.3	14.7	14.0	13.4
Mozambique	13.4	11.9	11.3	11.2	10.0	9.5	9.9	10.0	9.6	9.5
Namibia	11.4	13.0	12.5	13.7	12.2	11.0	10.0	9.7	11.0	10.8
Seychelles	10.8	9.2	9.7	9.4	10.3	8.6	7.9	7.2	7.0	7.4
South Africa	16.0	15.0	14.4	13.3	13.0	12.9	13.4	13.4	13.5	13.2
Tanzania	7.4	7.3	7.3	8.1	7.9	6.8	6.0	5.7	5.3	5.9
Zambia	9.0	9.0	8.0	8.0	7.5	6.4	7.3	7.9	8.1	7.9
Zimbabwe	15.9	15.4	12.7	12.3	11.5	11.0	10.4	9.9	9.9	9.3
SADC Total	**13.0**	**13.2**	**12.3**	**11.4**	**10.9**	**10.6**	**10.8**	**10.9**	**11.2**	**10.9**

Annex 5: Annual Inflation Rates (period average), %, in SADC, 2008 – 2017

SADC Member States	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Angola	12.5	13.7	14.5	13.5	10.3	8.8	7.3	14.3	41.1	29.8
Botswana	12.6	8.2	6.9	8.5	7.5	5.9	4.4	3.1	2.8	3.3
DRC	18.0	46.1	23.5	15.6	22.2	0.8	1.2	1.1	4.8	54.7
Eswatini	12.6	7.6	4.5	6.1	8.9	5.6	5.7	5.0	7.8	6.2
Lesotho	10.7	7.3	3.6	5.0	6.1	5.0	5.4	3.2	6.6	5.3
Madagascar	9.2	9.0	9.2	9.5	5.7	5.8	6.1	7.4	6.7	8.3
Malawi	8.7	8.4	7.4	7.6	21.3	27.3	23.8	21.9	21.7	11.5
Mauritius	9.7	2.5	2.9	6.5	3.9	3.5	3.2	1.3	1.0	3.7
Mozambique	14.5	3.8	12.4	11.2	2.6	4.3	2.6	3.6	19.9	15.1
Namibia	9.1	9.5	4.9	5.0	6.7	5.6	5.4	3.4	6.7	6.2
Seychelles	36.4	34.2	-2.4	2.6	7.1	4.4	1.4	4.0	-1.0	3.5
South Africa	11.5	7.2	4.3	5.0	5.6	5.7	6.1	4.6	6.4	5.3
Tanzania	10.3	12.1	5.5	12.7	16.0	7.9	6.1	5.6	5.2	5.3
Zambia	12.4	13.5	8.2	6.4	6.6	7.0	7.8	10.2	18.2	6.6
Zimbabwe	231000000.0	-7.7	3.1	3.5	2.9	1.6	-0.2	-2.4	-1.6	0.9

Annex 6: External Debt as a % of GDP in SADC (%), 2008 – 2017

SADC Member States	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Angola	16.7	21.5	21.3	18.8	17.6	20.6	24.7	31.5	40.0	31.4
Botswana	2.4	2.8	10.7	12.5	13.6	12.6	10.2	10.9	9.5	8.9
DRC	56.8	85.0	28.6	23.4	21.4	20.2	22.8	22.6	11.3	12.2
Eswatini	13.6	18.6	17.4	12.4	11.4	13.3	15.3	14.5	8.7	14.6
Lesotho	36.5	37.2	30.2	28.3	32.3	33.2	35.0	43.4	34.8	34.9
Madagascar	38.9	55.6	58.8	39.4	44.2	43.9	44.3	54.8	44.6	40.1
Malawi	13.3	12.8	12.8	14.6	23.0	29.0	25.8	25.6	32.2	31.3
Mauritius	7.7	16.9	17.1	21.7	22.2	24.1	19.3	19.8	18.2	16.2
Mozambique	25.2	35.1	35.8	33.4	39.8	34.9	39.9	52.3	79.2	75.0
Namibia	5.0	4.2	3.9	7.1	8.8	8.9	9.0	10.0	51.4	52.8
Seychelles	75.2	81.2	38.7	44.5	44.3	35.9	34.5	31.9	29.1	27.2
South Africa	26.1	27.9	29.6	28.3	35.7	37.2	41.3	39.1	48.3	49.6
Tanzania	23.4	26.7	26.9	26.6	26.9	28.8	29.9	33.7	36.6	36.8
Zambia	12.7	10.1	8.7	8.3	13.4	13.6	18.5	31.5	33.1	34.0
Zimbabwe	72.7	64.6	52.9	46.5	41.6	40.5	42.3	43.7	43.2	41.5
SADC Total	**24.5**	**28.2**	**27.2**	**25.4**	**29.5**	**30.4**	**33.3**	**34.9**	**41.2**	**40.5**

Annex 7: Official Exchange Rates for SADC Member States, 2008 – 2017

(National currency per 1 US $)

SADC Member States	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Angola	75.03	79.29	91.91	93.81	95.40	96.51	98.33	120.09	163.66	165.92
Botswana	6.83	7.16	6.79	6.80	7.62	8.40	8.98	10.13	10.89	10.34
DRC	561.10	806.45	905.85	919.44	919.70	919.40	925.23	925.98	1010.30	1465.90
Eswatini	8.30	8.40	7.33	7.26	8.20	9.60	10.70	12.75	14.72	13.32
Lesotho	8.30	8.40	7.32	7.30	8.20	9.65	10.89	12.75	14.71	13.31
Madagascar	1708.40	1957.70	2089.95	2025.10	2194.97	2206.91	2414.81	3202.90	3188.20	3116.00
Malawi	140.50	141.30	150.50	156.50	249.11	369.18	424.41	499.61	718.01	730.27
Mauritius	28.47	31.94	30.79	28.71	30.05	30.75	30.62	35.12	35.85	34.78
Mozambique	24.17	26.71	32.98	29.06	28.20	29.90	30.69	38.28	63.42	63.61
Namibia	8.40	8.40	7.57	7.15	8.20	9.62	11.90	12.21	14.70	13.30
Seychelles	9.44	13.58	12.07	12.38	13.70	12.06	12.75	13.15	13.32	13.65
South Africa	8.25	8.44	7.32	7.25	8.20	9.65	10.84	12.75	14.71	13.31
Tanzania	1196.30	1320.30	1409.30	1566.70	1572.00	1598.00	1653.10	1985.38	2177.59	2228.63
Zambia	3.75	5.05	4.80	4.86	5.14	5.39	6.15	8.62	10.31	9.55
Zimbabwe	230168571.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Annex 8: International Reserves stock at end of year in SADC (Million US $), 2008 – 2017

SADC Member States	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Angola	17 499	12 621	17 327	27 514	32 155	32 213	27 739	24 419	24 438	17 926
Botswana	9 118	8 704	7 886	8 082	7 628	7 726	8 323	7 546	7 189	7 502
DRC	50	129	1 300	1 273	1 634	1 745	1 644	1 216	845	1 168
Eswatini	757	874	674	513	657	756	738	738	525	474
Lesotho	1 358	1 264	1 362	1 344	1 007	1 045	1 042	884	871	816
Madagascar	982	1 135	1 172	1 279	1 191	911	774	833	1 051	1 219
Malawi	158	102	279	193	219	404	581	670	605	757
Mauritius	1 780	2 302	2 601	2 778	3 046	3 491	3 919	4 261	4 967	5 984
Mozambique	1 643	1 841	1 917	2 240	2 605	2 996	2 882	2 196	1 727	2 181
Namibia	1 278	1 846	1 495	1 762	1 705	1 511	1 166	1 511	1 818	2 434
Seychelles	73	195	255	279	307	425	464	423	523	545
South Africa	34 099	39 706	43 834	48 860	50 735	49 587	49 102	45 787	47 356	50 722
Tanzania	2 873	3 553	3 948	3 745	4 068	4 676	4 377	4 094	4 326	5 906
Zambia	1 085	1 924	2 119	2 438	3 180	2 684	3 078	2 977	2 366	1 983
Zimbabwe	76	460	477	407	432	331	349	434	421	308
SADC Total	**2 873**	**3 553**	**3 948**	**3 745**	**4 068**	**4 676**	**4 377**	**4 094**	**4 326**	**5 906**