CHAPTER 2

2. SOCIO-ECONOMIC SITUATION IN SADC

This chapter describes and analyses the recent economic, human development and social trends in SADC based on selected socio-economic indicators. It brings out key issues and main economic and human development challenges facing the region that will be addressed through the RISDP. The chapter, however, starts by making a brief reference to the political environment underlying the socio-economic situation in the last decade.

2.1 POLITICAL SITUATION

After several decades of political and military confrontation and unrest, marked by economic decline and social instability, Southern Africa is now experiencing a great deal of political stability, which can lead to economic recovery. The achievement of political independence by SADC member states, which started in the early 1960s, was finally completed with the attainment of independence of Namibia in 1990 and the end of South African apartheid regime in 1994. The recent achievement of peace in Angola is another positive step towards greater political stability in the region. The positive developments in DRC are also encouraging and increase the prospects for more effective cooperation and integration of the SADC region.

During the 1990s**,** most SADC member states adopted multi-party systems of government. Accordingly, the region witnessed the holding of regular elections. This trend has been sustained. These developments are attributable to improvements in political and economic governance, democracy and an atmosphere of peace and security that has prevailed since the beginning of the 1990s. Such an environment is crucial for poverty reduction through cooperation and integration.

2.2 MAIN ECONOMIC CHARACTERISTICS AND CURRENT ECONOMIC DEVELOPMENTS

2.2.1 Overall Economic Characteristics

SADC is made up of fourteen Member States at different stages of development, but predominantly underdeveloped. As a result, social and economic growth and development across the region are heterogeneous, with some countries attaining high growth rates and others achieving very low growth rates.

In spite of the economic imbalances amongst its Member States and the relatively small size of the market (only comparable to Belgium or Norway), in the African context SADC's aggregate GDP of USD 226.1 billion is more than double that of ECOWAS, and equivalent to more than half the aggregate GDP of Sub

Saharan Africa (SSA). It also has the highest GNP per capita in the whole of SSA. Thus, despite a relatively small market size, SADC region can still reap significant static and dynamic gains from regional integration, provided supply side constraints are adequately addressed.

Driven by the need to rapidly reduce poverty, like other SSA regions, SADC has embarked on the implementation of a number of reform measures aimed at promoting macroeconomic stability and higher growth combined with the improvement in the delivery of social services.

The section below analyses the economic developments of SADC on the basis of the following selected macroeconomic indicators:

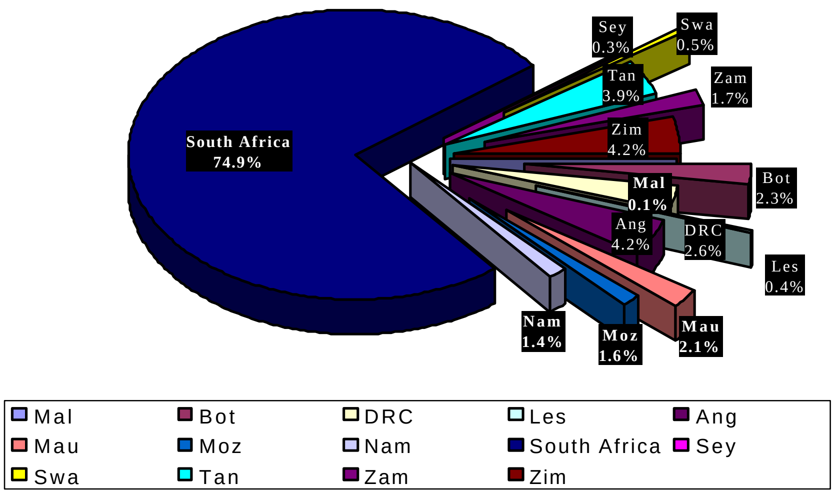
2.2.2 SELECTED MACROECONOMIC INDICATORS

2.2.2.1 Population and Gross Domestic Product (GDP)

In the year 2001 SADC had a combined population of 208 million people with a total GDP of USD 226.1 billion. During the same year GDP grew by about 2 per cent, which was less than the population growth rate of approximately 2.1 per cent.

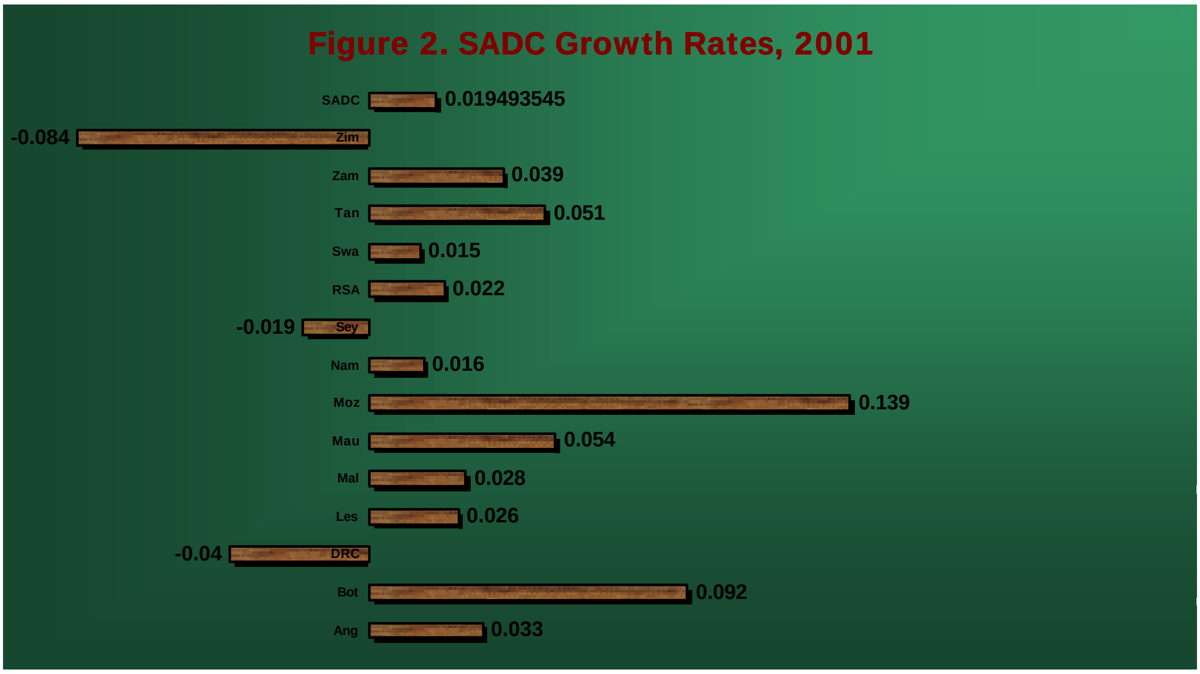
As shown in Figure 1, in 2001 economic output in SADC was extremely uneven, reflecting mainly differences in resource endowment and economic size of the different Member States.

Figure 1
Share of SADC GDP, 2001



Source: SADC Statistics, 2002

The average regional GDP growth rate during the 1990s and beginning of the 2000s was significantly positive despite a slow start in 1990-1992. Strong signs of economic recovery started showing in 1993 and gained momentum in 1996 with a SADC average GDP growth rate of 5 per cent. However, in the following years the growth pattern fluctuated considerably from year to year and reached 3.1 and 1.9 in 2000 and 2001, respectively (see Figure 2).



Source: SADC Statistics, 2002

Improvement in economic performance is largely attributed to positive political developments in the region and introduction of macroeconomic reforms in most member states, which occurred at the end of the 1980s and beginning of the 1990s. However, economic performance on the whole has remained fragile and most SADC countries continue to be exposed to natural disasters and adverse external shocks.

2.2.2.2 SADC Structure of Production

The structure of production of SADC countries is characteristic of a developing region where large shares of GDP originate in primary sectors of production *viz*: agriculture and mining, whose total contribution is, on average over 50% of total GDP.

Statistics on SADC show that only Mauritius and South Africa have sizeable manufacturing sectors, at 23% and 24% of GDP respectively. The formerly sizeable manufacturing sector of Zimbabwe was not sustained due to several factors, including the influx of cheaper foreign goods, higher input costs and shortages of foreign exchange for importing inputs. This country has gradually become more reliant on services than before. The rest of the Member States have relatively small manufacturing sectors. They depend on services, agriculture or mining.

In addition to having a small manufacturing sector, SADC economies do not produce a diversified range of manufactured products. They produce a similar range of products such as foodstuffs, beverages, tobacco, textiles, clothing and footwear, which are agricultural-resource based. South Africa and Zimbabwe have significant mineral-resource based manufacturing industries also. But vertical integration in the different structures of production are lacking.

In 1997 manufactured goods contributed 9 percent to total formal merchandise exports in Tanzania, 20 percent in Mozambique, 27 percent in Zimbabwe and 43 percent in South Africa. Some of these figures are higher than the 16 percent average ratio for Middle East and North Africa. But they are all below the world average ratio of 78 percent and the average ratios for all low and all high-income countries of 75 percent and 81 percent, respectively, in 1997.

In mid 1990s, the average percentage of the labour force in industry in SADC was only slightly higher than 15%. The following countries had above average percentages: Mauritius, South Africa, Botswana, and Namibia.

In the period 1991 to 1999, there was positive growth of manufacturing value added (MVA) in many SADC Member States. During this period, the un-weighted average rate of growth of MVA in the SADC was 5.2 percent. The un-weighted average rate of growth declined during the first five years of the decade as a few countries in the region experienced negative rates of growth of MVA.

2.2.2.3 GNP Per Capita

SADC's average level of per capita income (GNP) is very low and has been declining in most countries over the last three decades. If the region is to make a dent in poverty, and achieve its goal of equitable and balanced growth, GNP per capita must grow consistently over the next few years, particularly in the less developed countries. However, GNP per capita growth has to be accompanied by appropriate policies of wealth distribution to achieve poverty reduction.

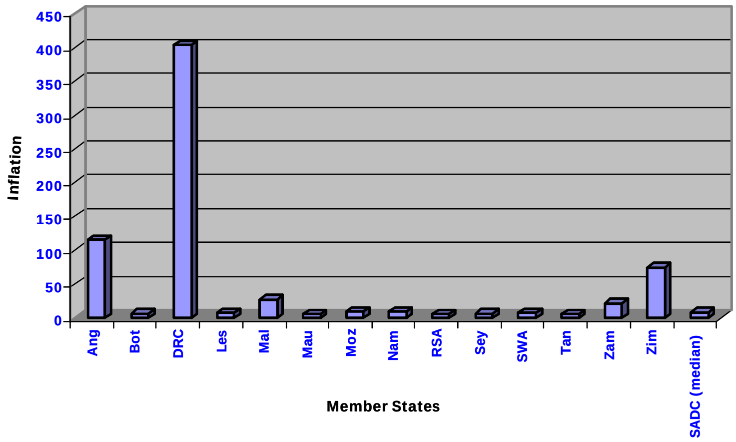
Main contributing factors to the current level of per capita income include distorted and underdeveloped structures of production, poor economic performance, problems in macro-economic management and unfavourable international economic environment. In the year 2000, SADC average GNP per capita stood at USD 1,887 (without Seychelles, a SADC country with approximately only 82,000 inhabitants, the average GNP per capita for SADC is

US $1 307). High income countries in the region include Seychelles, Mauritius, Botswana and South Africa, with GNP per capita levels ranging from USD 3,090 (South Africa) to USD 9, 920 (Seychelles). The low per capita income countries in the SADC region, with income levels below USD 350, are DRC, Malawi, Mozambique, Tanzania, Angola and Zambia.

2.2.2.4 Inflation and Interest Rates

As compared to the 1980s, most SADC countries have performed relatively well in stabilizing inflation rates, particularly since the early 1990s. Sound macroeconomic policies and inflation targeting are the underlying factors contributing to the lowering of inflation within the region. In analysing the overall SADC trend in inflation in the 1990s it is important to exclude countries that were involved in prolonged political turmoil and/or civil wars and, therefore, running essentially war economies. Excluding these countries, the average inflation rate in SADC was approximately 9.5% in 2001.

Figure 3. Inflation Figures for SADC Member Sates in 2001



Source: SADC Statistics, 2002

Despite improvements in overall macroeconomic management, which impacted positively on inflation in the last decade as reflected in a significant decline in inflation rates, inflation remains one of the major challenges to national efforts for economic recovery and for regional cooperation and integration and poverty reduction.

Interest rates remain high in all SADC Member States. There are wide variations between countries with single-digit inflation and interest rates mostly below 20 percent, and high inflation countries with interest rates ranging from about 40 percent to as high as over 100 per cent. One of the main reasons that accounts for high interest rates in the region is the tight monetary policy intended to reduce inflation.

2.2.2.5 Savings and Investment

Savings and investments are central determinant of the rate and pattern of economic growth in SADC economies. By increasing domestic savings and using the resources in productive domestic investment, SADC economies will strengthen the region's prospects for accelerated economic growth, poverty eradication and sustainable development.

Between 1980 and 2001 regional Gross National Savings (GNS) fell short of regional Gross Domestic Capital Formation (GDCF). In 2001, the average SADC GDCF was 16.75 percent of GDP against a regional GNS of 15.85 percent of GDP, leaving a resource gap of –0.9. Among individual countries, there were wide disparities between saving and investment rates, with most countries recording negative resource balances.

As far as FDI is concerned, SADC as a Community attracted on average only USD 691 million in the early 1990s, but FDI to the region quadrupled in the second half of the 1990s standing on average at USD 3061 million during 1995–98. This figure accounts for more than half (55 percent) of all FDI flows directed to the SSA region. Individual SADC countries appear to have performed relatively well compared with other Sub-Saharan countries. Six SADC countries (South Africa, Angola, Zambia, Lesotho, Tanzania and Namibia) were among the top 10 recipients of FDI in Sub-Saharan Africa during the second half of the 1990s. Southern Africa has emerged as a strong pole for attracting foreign investment to SSA. From 1995 to date, more than 25 percent of FDI to Sub-Saharan Africa region was directed to Southern Africa.

The outlook for investment in SADC would not be complete without bringing the cross-border regional dimension into the picture. South Africa, Mauritius and Zimbabwe are the main sources of cross-border investment into other SADC countries. Currently, intra-regional investments in the SADC-region are concentrated in the following sectors: Mining, Tourism, Transport, Finance, Manufacturing, Retail, Telecommunications, Agriculture and Fisheries.

The main avenues for FDI in SADC are privatisation and public-private provision of infrastructural services. Most countries are also attracting resource-seeking foreign investment flows. In general, efficiency and market-seeking investment flows remain proportionately small.

2.2.2.6 Fiscal Balances

Despite efforts during 1990-2000 to bring negative fiscal balances to sustainable levels, most SADC countries continued to experience relatively high budget deficits. However, with only a few exceptions, all SADC Member States improved their fiscal positions during the 1990s. On average, budget deficits have been reduced in a significant number of SADC countries.

The control of current and capital expenditures, tax reforms (including the improvement of tax collection and the broadening of the tax base) and privatisation of state-owned enterprises have been the underlying reasons for these improvements.

Further reductions in budget deficits have proved difficult to achieve, given SADC countries' commitment to eradicate poverty through increased public provision of health and education facilities and services.

2.2.2.7 External Trade and the Terms of Trade

Foreign trade plays an important role in the economies of SADC Member States. Trade data on SADC countries reveal a number of features.

Firstly, trade is relatively a more important component of GDP in small countries like Lesotho and Swaziland than in large countries like South Africa. Total merchandise trade of the SADC increased between 1991 and 1998.

The export trade of Angola, Botswana, Democratic Republic of Congo (the DRC), Namibia, South Africa and Zambia is dominated by oil or mineral exports. The production of these commodities does not create much employment, as it is capital-intensive. Moreover, oil and mining industries have few linkages with the rest of the domestic sectors. In other countries agricultural commodities dominate export trade. The bulk of the imports of all SADC countries are intermediate and capital goods.

Available data on the terms of trade for SADC member countries suggest a long-term decline for SADC as a region and for Africa as a whole between 1980 and 1999.

Within Southern Africa, South Africa's intra-regional trade is concentrated in the SACU countries due to the existence of a customs union and a common monetary area. Of South Africa's exports to the Southern African region, which amount to 19 percent of total exports, 13 percent go to other SACU member countries. Five out of 7 percent of South Africa's imports from Southern Africa come from other SACU member countries.

Among other Southern African countries, Lesotho is overwhelmingly dependent on South Africa for its export market. A significant proportion of Zimbabwe's and to some extent Malawi's exports also finds markets in Southern Africa, mainly in South Africa. Otherwise, for the majority of the countries in Southern Africa, the OECD is the major export market. Asian export destinations are significant for Angola, Mauritius, Mozambique, South Africa, Tanzania and Zambia. The bulk of imports of SADC Member States originate in the OECD. For the DRC, Mauritius, Seychelles and Tanzania, Asian sources account for significant proportions of their imports; while for Angola and South Africa NAFTA is a significant source of their imports.

The level of extra-regional trade of SADC countries is quite high relative to intra-regional trade. This is largely attributable to the pattern of trade of SADC countries, which is similar and structurally weak. In the early 1990s, the bulk of their exports, about 90 percent, comprised of mineral and agricultural commodities sold mainly to industrialised countries with little or no value added. About two thirds of their imports were made up of intermediate and capital goods, purchased mainly from industrialised countries. Only South Africa and Zimbabwe have significant capacities to produce such goods.

2.2.2.8 Current Account Balance

The SADC overall annual average current account balance for the period 1990-2000 is *negative 7.0%.* However, an analysis of the underlying country trends during this period reveals three categories of countries. The first category represented by Botswana, Namibia, and to a certain extent Mauritius, enjoyed rising current account surpluses throughout the period of analysis.

The second category includes South Africa, Swaziland, Seychelles, and Zimbabwe. These countries have experienced a modest level of current account deficits, which do not exceed, on average, 5 percent of GDP during the period of analysis.

The third category of countries, with high and deteriorating current account deficits include Angola, Lesotho, Malawi, Mozambique, Tanzania, and Zambia.

2.2.2.9 External Debt and Aid

Most SADC countries have experienced an increasing external debt burden over the last two decades. In several countries, the debt burden has become extremely onerous. The stock of external debt in SADC stood at $69.12 billion in 2001. External debt in relation to GDP has more than doubled in Angola, the DRC, Mozambique and Zimbabwe. On average over the period 1992-2000, it represented 173 percent of GDP in Angola, 175 percent in DRC, 124 percent in Malawi, 116 percent in Tanzania, 202 percent in Zambia and 238 percent in Mozambique. It is important to note, however, that in a few SADC Member

States, notably in Botswana, Namibia and South Africa, external debt remained stable at relatively low levels in relation to GDP.

Due to their debt positions, access to external sources of funds, other than official sources on highly concessional terms, remains limited. Resource-seeking FDI and project finance, associated with privatisation and public-private provision of infrastructural services, have been the main means for filling the savings-investment gap in these countries. But they remain highly dependent on ODA for this purpose.

Consistent with that outcome, *aid dependence* in SADC remains high at almost the same level in 1999 as in 1980 as measured in net ODA per capita. Given some of the countries' aid-dependence and high debt-burdens, maintenance of sound macro-economic policies in these countries may, for the foreseeable future, depend heavily on massive debt write-downs and very large continued aid flows.

2.3 ECONOMIC CHALLENGES

2.3.1 Overview

From the foregoing discussion it is possible to identify the main problems and challenges posed by the prevailing economic development framework to SADC cooperation and integration agenda. The main challenge is clearly to overcome the underdeveloped structure of the regional economy, improve macroeconomic performance, political and corporate governance and thus, unlock the untapped potential that lies in both the region's human and natural resources. In sum the main economic challenge facing the region is the development of an environment conducive to regional integration, economic growth, poverty eradication and to the establishment of a sustainable path of development. More specific challenges on the overall regional development framework for cooperation and integration in the SADC region include the following:

2.3.2 Adjustments in the Economic Structures and Convergence of Member States

The proportion at which different sectors contribute to total output is a major indicator of the level of development of different economies. The standard pattern of development of modern economies is one where higher proportions of output originate from the most dynamic sectors of the economy, viz. manufacturing and services.

Available indicators show that in the last two decades there has been a great deal of de-industrialisation in the SADC region, notably in Zimbabwe and

Zambia. If the region is to develop faster and take advantage of regional integration and globalisation, Member States will need to address the constraints facing the supply side of their economies, including those related to inadequate regional infrastructural linkages.

A successful restructuring of SADC member states should lead to more diversified economies and to significant reduction in the member states over dependence on primary commodities. This would also contribute to increases in the volume of intra-regional trade**.**

Equitable and balanced development of Member states is one of the objectives of SADC. If this objective is to be achieved the widening in the gap between member states incomes discussed above needs to be reversed in a reasonable time frame. Indeed deeper integration of the regional economy should lead to economic convergence and not divergence amongst Member States.

2.3.3 Further Improvements in Macroeconomic Indicators and Policy Management

Despite that significant improvements have been achieved in the area of macroeconomic management and performance, a lot still remains to be done if SADC is to make a dent in poverty in the next decades. The foregoing discussion on selected macroeconomic indicators has shown that income growth rates, inflation, fiscal deficits, current account deficits, resource gaps in savings and investment and the burdens of external debt remain far from the desired and sustainable levels which could set the appropriate stage for a successful cooperation and integration process.

In view of this situation, SADC Member States have to individually and collectively continue deepening and improving their macroeconomic fundamentals.

2.4 SOCIAL AND HUMAN DEVELOPMENT SITUATION AND INDICATORS

2.4.1 Overall Situation and Indicators

The levels and rates of growth of human development, as measured through the Human Development Index (HDI), which incorporates life expectancy at birth, combined gross enrolment rations at all levels of education, adult literacy, and real per capita income, vary and fluctuate among SADC member States. According to the 2000 SADC Regional Human Development Report, the average HDI for the SADC region in 1998 was 0.538 in comparison to 0.568 in 1995. The majority of SADC Member States fall within two broad categories of human development. Seven Member States fall in the medium human development category, with an index value of 0.500 – 0.799, whilst six are in the low human development category with an index value below 0.500.

The Report further revealed that on average the SADC region experienced a decline of about 5 percent in its HDI between 1995 and 1998. The decline was attributed to a fall in all the key variables of the human development index, with real per capita income and life expectancy at birth accounting for the largest decline of 7.8 percent and 5.6 percent respectively. The reduction in life expectancy is largely due to the impact of the HIV/AIDS pandemic, whilst the low economic growth was the major contributory factor to the drop in the real per capita income.

Notwithstanding the above-mentioned overall declining trend, positive changes were registered in the three key variables other than life expectancy by some Member States. Seychelles and South Africa recorded about 25 percent and 17 percent growth in gross enrolment respectively. Adult literacy increased by between 6 and 15 percent in Namibia, Mozambique, Botswana, Tanzania and Lesotho. Real per capita income grew by about between 6 to 14 percent in Botswana, Zimbabwe, Mauritius and Lesotho.

The SADC HDI is much lower when gender disparities are factored into the three key components of human development through the Gender-related Development Index (GDI). This gender disaggregated index stood at 0.536 in the late 1990s and declined by 0.87 percent from the mid-1990s. This was mainly due to a fall in life expectancy, adult literacy rate and combined education enrolment ratio.

2.4.2 **Poverty Situation**

Poverty in all its dimensions is one of the major development challenges facing the SADC region. The poverty situation in the region is largely reflected in the low levels of income and high levels of human deprivation. Available statistics indicate that about 70% of the population in the region lives below the international poverty line of US$2 per day while 40 percent of the region's population or 76 million people live below the intentional poverty line of US$1 per day. Recent figures from the ADB and the World Bank show that about 80 percent of the population in some Member States such as Mozambique and Zambia is estimated to be living in extreme poverty.

With regard to human poverty, this varies among Member States and has shown some fluctuations in the last decade. The levels range from the highest figure of about 54.7 percent of the population affected by human poverty to the lowest index of 11.6 percent. A few Member States such as Mozambique, Malawi, and Zambia are worst affected as they have a human poverty index of above the regional figure of 31.5 percent. About half of Member States have an index just slightly below the regional average. Although a declining trend was observed during the late 90s, human poverty is on the increase in some Member States.

The greatest deprivation is mainly in the area of low access to safe drinking water and child malnutrition. Almost half of Member States' indicators on these two components of human poverty are below the regional average. In terms of access to safe water, the most affected countries are Angola, Mozambique, Lesotho, Malawi, Zambia and Swaziland. With regard to child malnutrition, nearly all the afore-mentioned countries (except for Lesotho and Swaziland), including Tanzania and Namibia have more than 26 percent of under five children affected by malnutrition.

The problem of poverty as reflected in poor access to water and malnutrition has been further aggravated by the drought situation that has hit the region as manifested in the current food crisis. Currently about 14 million people are threatened with starvation in the region.

Poverty in the SADC region is particularly acute among various vulnerable groups such as households headed by old people and child-headed households, that are now on the increase due to the impact of HIV/AIDS pandemic. Poverty in Southern Africa is a consequence of economic, technical, environmental, social, political and exogenous factors. Low and unsustainable rates of economic growth in the wake of higher rates of population growth result in low incomes. Often, the poor lack adequate capital assets – physical, financial, human, natural and social. Among other things, lack of adequate physical and financial capital may be caused by unwillingness or inability to postpone consumption and lack of access to financial markets. Lack of adequate human capital may be the result of absence of educational facilities, high opportunity cost of being in school, high cost of education and training or limited appreciation of the value of education. Lack of adequate natural capital may be the consequence of environmental degradation, unequal distribution of land or pressure on the land caused by growth of population or marriage systems that lead to settlement in areas that are already overpopulated. And lack of adequate social capital may be the result of absence of relatives, neighbours, friends or other people with whom the poor can interact.

Apart from lack of adequate capital assets, the rates of return on the physical, human and social capital of the poor are generally low due to low physical productivity and low prices for their goods and services, which are the by-products of:

- Inefficient use and management of scarce capital assets as defined above;

- Unequal economic power between the rich and the poor within their countries and between their countries and rich states, both of which work to the disadvantage of the poor who have little control over the determination of the prices of their goods and services;

- Limited economic opportunities characterised by small domestic markets for goods and services and lack of avenues for productive paid-and self-employment; and

- Soil erosion and degradation, water pollution and scarcity, and depletion of forests and other natural resources caused by inappropriate agricultural practices, urban development and growth of population.

Low physical productivity is also the result of the use of unimproved technology the reasons for which include:

- Lack of interest by governments in promoting appropriate indigenous technology;

- Lack of access to modern technology due to high cost and restrictions on the use of patented technology; and

- Inability to make effective use of modern technology because of lack of knowledge and due to illiteracy.

The rates of return on deposits placed by the poor at formal financial institutions tend to be relatively low. At semi-formal or microfinance institutions the rates of return are also low, if not lower.

Over the past two decades, in several countries the poor have been particularly adversely affected by the effects of structural adjustment measures such as:

- Removal of agricultural input subsidies which has resulted in an increase in the cost of production;

- Privatisation of state marketing corporations which has led to the closure of some of the markets that serve the poor;

- Retrenchments which have led to unemployment;

- Currency devaluations which have led to a marked increase in domestic prices of inputs and final products;

- Liberalisation of interest rate determination which has led to a marked increase in the interest rates at which the poor borrow money from financial institutions; and

- Decontrol of maximum product prices, which has led to a sharp increase in prices.

The poor are also vulnerable to economic shocks and instability arising from other factors; droughts, floods and other natural disasters; illness and violence; and the high rate of crime in the region, which makes life and property insecure and discourages economic activity.

Socially, the poor are subject to norms, values and customary practices that disadvantage women and other groups economically, socially and politically or lead to their exclusion and powerlessness. These norms and values include:

- Socio-economic stratifications where women are not valued as much as men;
- Inequitable and oppressive social relations concerning gender; and
- Large families, which overburden women.

Politically, the poor are the victims of bad governance reflected in:

- Unequal distribution of political power which has left the poor voiceless and powerless;
- Corruption which wastes and diverts resources from activities that promote the interests of the poor;
- Lack of transparency and accountability which has the same effects as corruption; and
- Inefficient bureaucracies which do not promote the interests of the poor

SADC Member States are addressing their poverty problems either through Poverty Reduction Strategy Papers (PRSPs) or through other initiatives. Lesotho, Malawi, Mozambique, Tanzania and Zambia have each prepared a PRSP (Swaziland is preparing one now) in broad consultation with stakeholders who will participate in monitoring poverty reduction and growth strategies. While PRSPs are not tailor-made, they all support policies that aim at helping the poor so that they can benefit from growth by expanding their opportunities, with focus on safety nets, pro-poor economic growth emphasizing productive sectors and employment creation, building human, physical and other capital assets of and for the poor, good governance and a conducive macroeconomic environment.

2.4.3 **Selected health, education and labour Indicators**

A further disaggregation and deeper examination of the social and human development indicators reveals wide variations and gaps in terms of levels of human capabilities among Member States.

i) **Infant and Maternal Mortality Rates**

The health status of the region's population is characterised by large discrepancies among Member States on basic indicators such as infant, child and maternal mortality rates. Available statistics from the SADC Health Sector Policy Document show that the average Infant Mortality Rate (IMR) for the SADC region is 80 per 1,000 live births. It ranges from 9 in the Seychelles to 166 in Angola. Malawi, Mozambique and Zambia also have IMRs above 100.

Although the SADC region has a lower IMR (80) than the rest of the African continent (105), it lags far behind other regions of the world such as North America (6), EU (30) and ASEAN (45). The levels of IMR have serious implications for the survival, well-being and development of children in the region.

With regard to maternal mortality rate, the level for the SADC region at 486 deaths per 100,000 live births compares favourably with that for the African continent at 832. However, the SADC level in general is still far above that of other regions of the world such as the EU (12), North America (43) and ASEAN (273).

The relatively poor health indicators for SADC are largely a reflection of the continued burden of diseases in the region particularly communicable diseases such as the HIV/AIDS pandemic, tuberculosis, malaria, polio, hepatitis B, cholera and dysentery. The HIV/AIDS pandemic, by virtue of its magnitude, is the single greatest developmental and public health concern. These diseases are aggravated by high levels of malnutrition, particularly among women and children.

ii) **HIV/AIDS Pandemic**

The SADC region faces a severe HIV/AIDS epidemic. The current extent of the pandemic has affected virtually every aspect of the lives of the people in the SADC region and has now reached crisis proportions. Since the mid-80s when HIV/AIDS was identified in most countries of the region, there has been a rapid increase in the numbers of adult and children infected with, and dying from HIV and AIDS, with corresponding adverse impact on the socio-economic development of the region. The HIV/AIDS pandemic, by virtue of its magnitude, is the single greatest developmental and public health concern. UNAIDS has estimated that over one million people died of AIDS in the SADC region in 2001, cumulatively this brings the total number of deaths since the start of the epidemic to over 20 million.

The levels of infection in the individual countries have placed SADC on the top list of the most affected region in the world. Even though the 14 countries are at different levels of the maturity of the epidemic, all indicators point towards a severe state of the epidemic. Estimates of the severity of the epidemic using adult prevalence rates show that about 20 percent of the entire adult population aged 15 – 49 is currently infected in nine Southern African countries. These are Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Zambia, and Zimbabwe. Some worst countries have adult prevalence rates of over 40 percent.

The devastating impact of the pandemic continues to be felt at all levels of society within the region. The overall effect also continues to be reflected in the demographic structure of the population, with life expectancy dropping significantly to around 40 – 50 years, child and adult mortality rising and the number of orphans continuing to increase at an unprecedented rate. Apart from a significant decline in the labour force, there will be a younger, ill-qualified and inexperienced pool of human resources in the labour market.

This is due to the fact that most HIV/AIDS victims are educated, skilled and enterprising and require long periods of training and skill acquisition. Since this category of population provides the technical, professional and managerial backbone of the economies of Member States, there is an imminent threat that the epidemic will undermine the socio-economic development efforts in Member States and the integration process in the region in general.

The negative impact of the HIV/AIDS pandemic is also being manifested in the following ways:

- It is decreasing the productive capacity of all the sectors due to the loss of key personnel. This in turn is reducing the levels of tax revenues and thereby lowering the capacity of the public sector to effectively provide social services such as health, social welfare and education.

- The decline in the productive capacity of the economy also leads to a decline in savings and investment rates and eventually the GDP growth rate.

- It is reducing the productive capacity of agriculture, especially the subsistence agriculture sub-sector due to the loss of the economically active population.

- The education sector is also affected due to lower rates of educational attainment and falling enrolment of children affected by HIV/AIDS, together with losses of education personnel.

- Health care systems are overwhelmed with HIV/AIDS patients with the result that health workers are overburdened, health care costs are escalating and acute conditions are being “crowded out”. Conditions such as tuberculosis (TB), which were almost being brought under control in the 1970s, have re-emerged as a result of the HIV/AIDS epidemic, further straining the overstretched health care systems.

- The epidemic has also led to an increase in the number of orphans, street children and child-headed households.

In response to the HIV/AIDS epidemic in the Southern African Development Community (SADC), Member States in the SADC region have been implementing HIV/AIDS programmes since the mid-80s in order to:

i) prevent or reduce the transmission of HIV and other STDs and

ii) reduce the socio-economic impact of HIV/AIDS among individuals, families and communities.

In the early stages of the epidemic, many countries were guided in the implementation of HIV/AIDS Programmes by the WHO’s Global Programme on HIV/AIDS (GPA) which was later supplanted by UNAIDS in 1996. The early HIV/AIDS response was mainly centred around raising awareness on HIV/AIDS through IEC and communication for behaviour change (abstinence, mutual faithfulness), condom promotion and treatment of STDs as well as clinical and home-based care. These early approaches were predominantly medical and health-focussed in nature and largely neglected the participation of other sectors in the response. In addition, it emerged that there was (and there still is) the challenge of narrowing the gap between knowledge and behaviour.

As the epidemic continued to evolve in the 1990s and effects became increasingly cross-cutting, there was a realization that the health sector alone could not respond to, and cope with the wide-ranging socio-economic consequences and manifestations brought about in its wake. Therefore, there was shift in the programming paradigm from a medical to a more multi-sectoral, participatory and inclusive approach.

iii) **Adult Literacy Rate**

Indicators of educational status such as adult literacy rate, and enrolment ratios at various levels are also characterised by wide variations among Member States. Although SADC recorded the lowest adult illiteracy rate of 27 percent as compared to other regions in Africa, some Member States such as Angola and Mozambique, still have rates above 50 percent. In addition, only six Member States have adult literacy rates in the range of 80 percent. The region is still faced with a challenge of eradicating one of the basic components of human poverty; namely, adult illiteracy.

iv) **Primary and Secondary Enrolment Rates**

The majority of Member States have net enrolment rates at the primary level below the range of 80 – 100 percent. This situation has implications for the attainment of universal access to education in the region. At the secondary level, only four Member States have net enrolment rates in the range of 80 - 90 percent.

v) **Tertiary Enrolment Rates**

In spite of significant investments made by the region in tertiary education, it has not fully exploited this potential in respect of the provision of high level education. Currently, tertiary enrolment rates are below 50 percent in most Member States. This state of affairs has serious implications for the region in terms of its competitiveness given the critical role that high level skills play in the knowledge-based global economy.

vi) **Unit Costs of Education (Efficiency Levels)**

Although it is not possible to provide a comprehensive picture on the unit costs of education in the SADC due to lack of up-to date data, available information show that the region is characterised by low levels of efficiency in the provision of education. The unit costs of education relative to GDP per capita are higher in SADC compared to other regions in the developing world. This is a consequence of high repetition/dropout rates and higher overhead expenses. There is, therefore, need for improving the efficiency in education spending in the region so that scarce public resources are allocated where the returns are higher and for the benefit of the majority of the population

vii) **Employment and Productivity Indicators**

Employment levels and labour productivity trends in the region are generally low. Although it is difficult to quantify the employment levels due to lack of data, available information indicates that there has been a general decline in formal sector employment in the majority of Member States.

The low employment levels in the region are largely due to a combination of factors leading to low levels of economic growth. These include distortions in factor prices and the short-term negative effects of structural adjustment programmes. The use of capital-intensive techniques of production in some sectors of the economy that have the potential for employment generation has further aggravated the unemployment problem. As a consequence, a large proportion of the growing labour force is absorbed in the informal sector, which currently is characterised by low levels of incomes and underemployment. The youth and women are the most affected by unemployment and underemployment.

With regard to productivity, available figures show that labour productivity during the mid 90s increased by an average of 1.3 percent per annum in the SADC region. The net effect of high levels of unemployment and low levels of productivity is an increase in levels of poverty.

These above-mentioned employment and productivity trends have serious implications for the efficient utilisation of the region's human resources and the overall competitiveness in the global economy and market. There is urgent need for SADC to promote productivity as a strategy for sustainable regional competitiveness and for socio-economic development

2.5 CHALLENGES AND OPPORTUNITIES FOR SOCIAL AND HUMAN DEVELOPMENT

Although the SADC region has generally improved its human capabilities over the last decade, there are a number of major challenges that should be addressed, including those in the following key areas:

2.5.1 Education and Training

- the negative impact of the HIV/AIDS pandemic on the education and training sector;
- inequitable access especially by disadvantaged groups such as women and disabled people and people from rural areas;
- limited access to high level training and mismatch between supply and demand for skilled labour;
- lack of comparable standards and qualifications across all training institutions and countries;
- shortage of critical skills in key areas, which are vital for higher productivity and competitiveness;
- high cost of providing the required infrastructure;
- loss of educated and skilled personnel arising from the brain drain and the devastating impact of the HIV/AIDS pandemic;
- the need for the education system to prepare students for self-employment through the provision of relevant technical, entrepreneurial and indigenous skills.

2.5.2 **Health and Nutrition**

3.5.2.1 **Challenges**

The main challenges in the area of health include:

- reducing the heavy burden of major diseases particularly HIV/AIDS, TB, malaria, cholera and cancer.

- mobilisation of adequate resources for the provision of health care infrastructure, health services and the training of health personnel.

- addressing the problem of lack of understanding or appreciation of the gender dimensions and their mainstreaming in all the health interventions.

- reversing the loss of health professionals arising from the impact of the HIV/AIDS pandemic and brain drain.

- combating of high levels of malnutrition particularly among vulnerable groups such as children, youth, women and the elderly.

2.5.2.2 **Employment and Labour**

- removing structural distortions in the economies of Member States and combating of high levels of unemployment and underemployment, especially among women and youth.

- gender inequalities in the labour markets and inadequate mainstreaming of gender concerns in the policy formulation and programme implementation.

- inadequate integration of employment and labour issues in overall economic and social development.

- weak institutional and human capacity for the collection, analysis, harmonisation, utilisation and dissemination of labour market information and data.

- lack of a policy framework for promoting social dialogue and social protection.

- lack of a comprehensive framework to facilitate smooth movement of labour as a factor of production.

- HIV/AIDS affecting the most productive labour force.

- lack of positive cultural attitudes towards productivity, entrepreneurship and innovation.

2.5.2.3 **Culture, Information and Sport**

- Limited access to cultural institutions and lack of a legal framework for the protection of cultural heritage, intellectual property rights and related rights.

- Inadequate institutional framework for the promotion of cultural industries and the need for SADC to take advantage of its rich and diverse cultures.

- Existence of barriers, weak institutional framework and infrastructure for the collection, utilisation and dissemination of information on regional cooperation ad integration in SADC.
- The need to promote pluralistic media systems, protect freedom of the press and other media and to ensure objectivity and responsible journalism.

- Lack of participation of all key stakeholders in implementation and resourcing of regional cultural and sporting programmes and events as well as in publicising SADC.

- Reduction of the information gap between urban and rural areas in Member States and promotion of local/regional media content.

- Lack of efficient and cost-effective communications infrastructure and facilities to disseminate and distribute information.

- Lack of a stable institutional framework for dealing with sports issues and inadequate provision of material, human and financial resources.

- Limited participation of women and people with disabilities in sports.

However, there are opportunities for improving human capabilities and well-being in the region. The major factors include the creation of appropriate policy and legal frameworks through the adoption of Protocols in nearly all the afore-mentioned areas. In addition, some key programmes have been designed to address the existing constraints. The region has also been able to forge strategic links and partnerships with key stakeholders within the region and with specialised inter-governmental agencies to share expertise, information and experiences on best practices in dealing with the identified challenges.