SOUTHERN AFRICA:

OPPORTUNITIES FOR INVESTMENT AND TRADE

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SOUTHERN AFRICAN DEVELOPMENT COORDINATION CONFERENCE

Southern African Development Coordination Conference
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PREFACE

The SADCC Businessmen's Conference held in Harare from 8th to 9th February, 1988 was the continuation of consultations between representatives of the regional and international enterprises; and between the enterprise sector and SADCC governments, started at Victoria Falls (1986) and Gaborone (1987). This Conference, which was attended by more than 350 regional and foreign businessmen focussed on the Opportunities for Investment and Trade in Southern Africa. These on-going consultations are aimed at promoting enterprise investment, production and trade in the region.

Industrial development and production in the SADCC region has been hampered by a combination of factors, most prominent of which is the overall decline in both local and foreign investment in the enterprise sector. Other factors include acute shortages of foreign exchange the heavy debt burden weak economic management and technical capacity over-dependence on a few export commodities acute under-employment and unemployment of human capital inappropriate economic policies and direct and indirect South African aggression and destabilisation.

In spite of all this, the region abounds in mineral wealth, the potential of its rivers for irrigation and hydropower generation remains largely untapped, its fertile agricultural land remains under-utilised, and the potential of its population of about 70 million un-exploited.

Member States fully realise that the production and distribution of goods and services is primarily the responsibility of the enterprise sector. They also accept that fostering investment in the region will depend on, among others, overcoming the problems associated with foreign exchange shortages, removing impediments to efficient business, appropriate valuation of currencies in order to support trade, appropriate pricing, and economic management policies supportive of investment and enterprise development.

The case for the creation and sustenance of an environment conductive to enterprise development has been made repeatedly. It is also stressed that apart from the provisions of incentives designed to attract foreign investment, a viable domestic regional enterprise sector is a critical factor in attracting foreign investment into the region. SADCC believes that on the whole, the problems faced by enterprises in the region are the same regardless of whether they are domestic or foreign. Therefore, inordinate discrimination in favour of foreign firms is unjustifiable.

SADCC has initiated a number of measures designed to give impetus to the process of Investment in Production. One of these is the on-going process of setting up and consolidating SADCC Business Councils, which will become the main channel of communication among various enterprises within the region, and between regional companies and foreign joint venture partners; and also between the enterprise sector and governments. A number of these Business Councils are already operational.

What SADCC is looking for are enterprises that are willing to take a long-term, view committed to the development of the economies of the region, and willing to share the risks and the benefits of investment.

I take this opportunity to express on behalf of SADCC, our gratitude to all the participants for finding time to attend the Conference, and for their constructive contributions to the discussions. Special thanks are due to Business International, who worked hard to make sure that the administrative and physical arrangements for the Conference were conducive to good business.

I wish to thank most sincerely, His Excellency, President Robert G. Mugabe of Zimbabwe for his message to the Conference, and all the panel of speakers for their invaluable contributions.

Just as the SADCC Annual Consultative Conference has now become a fixture on the calendar of economic development for politicians and experts; we hope and certainly wish that the SADCC Businessmen's Conference, will also become a fixture on the calendar of business executives.

S.H.S. MAKONI

Executive Secretary

I Summary of Discussions and Conclusions

1: SADCC: A ROLE FOR THE ENTERPRISE SECTOR

Dr S.H.S. Makoni, Executive Secretary.

The Southern African Development Coordination Conference (SADCC)'s comprehensive investment plan in infrastructure would be largely redundant if there were to be no investment in the productive sectors, from the message of the first session and, indeed the focal point of the entire conference. As Dr Makoni, Executive Secretary of SADCC, commented in his presentation.

> What good are railways, roads or ports, unless they can carry goods and people from one point to another? What good are power stations and interconnected regional grids, unless they can feed energy into factories and smelting plants? What good are skilled and professional citizens, unless they can apply their expertise to the production of goods and services?

SADCC's potential for investment is huge:from massive natural resources of mineral wealth to a substantial pool of human resources, at once a source of skilled labour and a substantial market. However, the constraints on investment are still substantial, and often dampen the enthusiasm of foreign companies to invest. Dr Makoni highlighted the key impediments to investment, and the efforts that SADCC has undertaken, or is promoting among its members to remove them:

1. Shortage of Foreign Exchange

Most participants agreed with Dr Makoni that in the SADCC region, the shortage of foreign exchange required by investors for spare parts, raw materials and new capital equipment was the central problem facing them; and the key constraint to undertaking any new investment. SADCC is pursuing four major initiatives to combat this problem:

a) **Export Pre-Financing Revolving Funds (EPRFS)**
These funds would provide, on a revolving basis, foreign exchange to companies especially those producing for export. SADCC has conducted a study on the need for EPRFs in SADCC member countries, and concludes that they are absolutely necessary, and will require an initial $200 million capital to set up new ones and to replenish existing EPRFs in Tanzania and Zimbabwe.

b) **NORSAD Fund**
The Fund will provide seed capital and support, again on a revolving basis, to Nordic/SADCC joint venture companies in the SADCC region. It is hoped that the Fund will be operational in the second half of 1988.

c) **Export Credit and Guarantee Facility (ECGF)**
This facility is designed to assist the exporting efforts of SADCC-based enterprises, which currently must demand near-immediate payment from their buyers, because they are required to remit their export earnings very quickly to their SADCC member countries. Also the facility plans to provide greater credit and insurance cover to exporters to enable SADCC exporters to offer competitive terms.

d) **Cross-Border Investment Facility**
A study to examine the modalities of this facility, which is designed to promote the flow of investments across borders within SADCC, was given the go-ahead at the Arusha SADCC meeting in January 1988.

2. Currency Exchange Rates.

In response to questions on exchange rate adjustment within SADCC, Dr Makoni stated that:

> many of us will be aware of the major adjustments of exchange rates effected by several member States over the last year. However, in the face of other bottlenecks such as the productive capacity underutilization, reduced export earnings and balance-of-payments being in the red, devaluation tends to exacerbate the problem rather than ameliorate it.

He also indicated that SADCC had recently decided to carry out an examination of the relationship between the national currencies of the various member States, with a view to establishing arrangements for their greater utilization in the economic exchanges of the countries of the region.

3. Policy Reform

Dr Makoni outlined the major structural adjustment measures that SADCC member governments have undertaken over the last two years; to substantially improve the investment environment; including new investment codes, improving the efficiency of the bureaucracy, easing unnecessary controls on the economy and efforts to centralise information on investment in one office within each SADCC state. He also highlighted the creation of national business councils as a major step in involving the business community in the development of the region. Focal points for these SADCC national business councils have been established in Lesotho, Malawi, Tanzania, Zambia and Zimbabwe, with councils in other member states to follow.

While the reform process, as far as it has gone, was welcomed, participants, emphasised the need for mechanisms to facilitate greater trade among the countries of the region. Most participants felt that no investment could fully realize its potential without tapping the regional market; requiring alleviation or removal of barriers to trade. While concurring with this view, Dr Makoni observed that:

> However our approach to increased trade in the region, is not based on the orthodox trade liberalization strategies. We believe, in fact, we have observed that, reduction, or even elimination of tariffs and other barriers to trade does not always yield increased trade, in the absence of tradeable goods. For, how can tariffs inhibit trade when there is nothing to trade. So, in our view, the greatest single barrier to trade is lack of production. Hence, our motto LET PRODUCTION PUSH TRADE, RATHER THAN TRADE PULL PRODUCTION.

Dr Makoni also outlined SADCC's investment plans. Currently, 493 projects worth US$6.4 billion as of July 1987 have been identified in the following economic sectors:

Energy;
Food, Agriculture and Natural Resources, including
Agricultural Research and Training,
Fisheries, Forestry and Wildlife,

Food Security,
Livestock Production and Animal Disease Control, and
Soil and Water Conservation and Land Utilization;
Industry and Trade;
Manpower development;
Mining;
Tourism; and
Transport and Communications.

About 40% or US$2.2-2.3 billion had already been secured for this plan by early 1988 principally for transport and communications, as well as for studies in other sectors. At the 1988 Arusha Conference, at least a further $1 billion was pledged by international donors to be committed over the next four years. Dr Makoni pointed out that most of these projects will be executed by the enterprise sector rather than by governments.

The priorities in this development plan were highlighted.

- projects in the five regional transport "corridors" involving rehabilitation and upgrading. Transport remains the key priority of SADCC since it offers the most immediate and effective was to reduce dependence on South Africa;

- energy projects, principally directed at developing and inter-connecting the power-grid systems of the member States;

- agricultural research projects, especially aimed at developing drought-resistant crop strains; and

- food security programmes, including a regional food reserve project which will cost about US$200 million, and will involve purchasing grain, and development of storage facilities.

While these have been SADCC's priorities so far, it was pointed out that the other sectors were not being neglected. SADCC's programmes in agriculture, industry, mining and trade aim at increasing the region's capacity to produce and distribute both capital and consumer goods currently being imported from outside the region, and the region,s capacity to beneficiate its raw materials.

It was pointed out that the social sectors, e.g. Health, Education, etc. were not presently covered by the SADCC Programme of Action because SADCC wanted

to "bite off what it could chew so as not to choke on it".
When asked about the achievements of previous SADCC meetings with the enterprise sector, Dr Makoni cited several successful recent investments, but also stated that the point of such conferences was, initially to establish contacts with and educate participants who were new to SADCC. It was important for these investors and contractors to get to know SADCC, and to build up the knowledge, confidence and trust needed to facilitate investment and other business commitments.

Dr Makoni noted that there was a chronic lack of information on SADCC, not just about its policies and programmes, but also the lack of simple basic data about what is being produced within the region.

In addition, a buyers guide is being drawn up, which identifies all companies and producers within SADCC and what they produce.

2: IMPROVING AGRICULTURE, INDUSTRY AND TRADE

Hon. D. Karimanzira,
Minister of Lands, Agriculture & Rural Settlement
Zimbabwe;
Chairman, SADCC Committee of Ministers of
Agriculture and Natural Resources

Minister Karimanzira stressed that the SADCC region,s massive agricultural potential, and the fact that the agricultural sector employs some 80% of the region,s labor force make it a key priority for SADCC. In member countries that are not dominated by mining, agriculture accounts for about 60% of export earnings. Despite these strengths, agriculture has performed badly - only Swaziland has managed to sustain a real growth rate in agricultural production per capita. Other countries have failed to keep growth in agricultural production ahead of their population growth rates. Given this disparity, food self-sufficiency in SADCC is forecast to decline from 95% in the 1980,s to 64% by the year 2000, unless effective measures are taken to counter this trend.

The central initiative of SADCC's agricultural strategy is to promote food security, both through policy coordination among members, and through the development of drought-resistant and other suitable seeds. The Minister indicated that about US$200 million is needed to set up the Food Reserve Programme and run it for the first three years. Other priority areas of the sectoral programme include an Early Warning System, development of food processing technologies, and measures to reduce post-harvest losses, strengthening of planning, food marketing and distribution capacities. Future investment priorities will also include regional irrigation projects, and a study to identify potential irrigation projects is being undertaken now. Cash-crop production and the development of agro-industries will receive a lot of encouragement.

The SADCC programme focuses on staple food crops, regional integration and harmonization of agricultural policies, projects aimed at reducing dependence on food imports and promoting rural employment. The Minister identified the key areas of opportunity for investment in:

- staple food production;
- livestock and wildlife production;
- fisheries;
- crop diversification; and
- supportive industries for the sector, including tools and machinery, chemicals, fertilizers etc.

On specific policy toward mechanization, the Minister said, although SADCC prefers to develop small- and medium-scale farming, which by definition has a limited capacity for mechanization; it still welcomes investment in large-scale agricultural projects.

It was reported that while this season's rains were late, they appeared to be adequate, and only isolated parts of the region were suffering drought from conditions.

Hon J.Rwegasira
Minister of Industries and Trade, Tanzania; Chairman, SADCC Committee of Ministers of Industry and Trade.

SADCC's industrial development strategy, originally set out in the Blantyre Memorandum for Industrial Cooperation of 1981, focuses on priority programmes to develop manufacturing, including basic core industries such as iron and steel, basic needs industries, e.g. textiles, building materials; - industries in support of other SADCC priority sectors, e.g. farm implements and machinery, fertilizers, transport equipment, etc. Thirteen of the proposed projects within this programme have been given the go-ahead with commitments of US$222 million, another US$540 million is still under negotiation.

The strategy also emphasises the rehabilitation and expansion of existing industries.

The Minister stated emphatically that the enterprise sector was an essential ingredient in SADCC,s industrial development policy, aimed at increasing material production in the region and promoting regional trade. According to the Minister, the incentive packages designed by individual member countries from tax holidays to exemption from import taxes, and double-taxation treaties with principal investing countries have the necessary elements to attract investors, member states, investment and industrial policies have been collated in a composite document available from the SADCC Industry and Trade Sector Coordinating Unit in Tanzania.

Mr Denis Norman
Senator and Businessman, Zimbabwe.

Mr Norman stressed that mistrust and suspicion are two key factors restraining investment in the SADCC region. Investors fear that their investment will be blocked and that necessary imports will be unavailable. Governments, on the other hand, fear that investors will exploit them, remit profits overseas and neglect the need for local involvement. He saw both views as partially justified, but believed that SADCC cannot realize its full potential until these fears and suspicions are removed.

He also highlighted two further areas of key concern for participants: the excessively cumbersome bureaucracy that afflicts many SADCC member states, and the lack of free and easy mobility for people and freight among member states.

Mr Norman believed that, as agriculture and mining are the key economic activities of the region, it is these sectors that SADCC must concentrate upon first. Equally, if investors are to be attracted, SADCC member states must include in their range of investment incentives the following:

- foreign exchange retention schemes
- tax and export incentives;
- recapitalization incentives; and
- employment incentives

Mr Norman praised the efforts of SADCC and its member states in the areas of protection and remunerability of assets

3: SADCC'S FINANCIAL PROSPECTS

Hon. B. T. G. Chidzero, Senior Minister of Finance, Economic Planning & Development, Zimbabwe.

Minister Chidzero gave a comprehensive resume of the financial prospects for the SADCC region, which participants found sobering but realistic; particularly forecasts for:

Export Earnings
Although these are the largest source of foreign currency for the region, Minister Chidzero was not bullish about the current state of commodity prices and demand, stating that "commodity prices, which fell by 35% in real terms between 1980 and 1986, have now struck their lowest level since the Great Depression and by and large remain depressed." The Minister concluded that "it is more likely that export earnings will not constitute an adequate or reliable source of development revenue for this sub-region."

Official Development Assistance (ODA)
The Minister pointed out that debt has become a major obstacle to development and that, without debt-relief initiatives, net negative capital flows that have existed recently in certain SADCC countries will continue. Dr Chidzero also called for increased flow of concessational aid. He was heartened by three recent initiatives:

- The World Bank,s initiative in Paris involving an additional $3 billion pledged by bilateral donors for co-financing programmes in low-income, debt-distressed African countries;
- The World Bank's promise to spend 50% of its IDA 8 funds in Africa, worth some US$6.2 billion over the next three years and;
- The IMF's Enhanced Structural Adjustment Facility (ESAF)

amounting to some US$9 billion for 60 low-income countries, many of which are in Africa.

The Minister pointed out that these initiatives will still leave a substantial resource gap "measured in billions". Equally, the finance will go in large part to structural adjustment efforts and balance-of-payments support, leaving a "crying need for sustained productive investment during and beyond structural adjustment."

Commercial Lending

Borrowing by SADCC member States from this source is very limited, probably less than 25% of total foreign loans. Africa, relies more on borrowing from international financial institutions such as the World Bank and IMF, concessional bilateral lending and some export credits. The Minister concluded that:

> Given the debt overhang and the economic situation in Africa, it is unlikely that foreign aid lending can at present be looked at as a major source of development finance, and even for those countries with a credit rating sufficient to borrow on the international markets, using commercial lending for development purposes is risky and exacting.

Direct Investment

Dr Chidzero considered that this source is the most beneficial for the region. It is non-debt creating and places the onus on the investor to succeed, two clear advantages over borrowed money. Equally, dividends have to be generated before they can be remitted creating, rather than draining, wealth. He commented:

> The prospects for this type of flow of development finance would seem to be good... Given the region,s aggregate GDP of us $24 billion and total population of 70 million, SADCC is an unsaturated market with great potential for growth in per capita income.

While the Minister remained positive about prospects for investment, he admitted that foreign exchange was a problem in all but one or two of the SADCC countries. But he also mentioned initiatives undertaken to alleviate this constraint, such as the Export Pre-Financing Revolving Funds and the NORSAD Fund. The Minister pointed out the detrimental effects that the events in the international economy can have on SADCC states, specifically, the damage that an economic downturn in the West could inflict - ranging from reduced market demand for SADCC's exports to reduced aid commitments.

He also noted that devaluation was a matter for individual governments within SADCC, and that inefficient bureaucracy was a major constraint on development and new investment, and an area which SADCC Governments were actively reviewing.

4: DIVERSIFYING TRANSPORT AND TELECOMMUNICATIONS

Hon A.E. Guebuza,
Minister of Transport & Communications, Mozambique;
Chairman, SATCC Committee of Ministers

Minister Guebuza stressed the problem of SADCC,s dependence on the South African transport system, given that six of the nine SADCC states are land-locked, and the constraints on the alternative routes through Angola, Mozambique and Tanzania. As reducing this dependence is critical to SADCC, transport and telecommunications projects are of the greatest importance and have received the most generous support from international cooperating partners.

SADCC aims to integrate the regional transport system so that the five ports in the region - Beira, Maputo and Nacala in Mozambique, Dar es Salaam in Tanzania, and Lobito in Angola - are sufficiently accessible to the hinterland countries of Botswana, Malawi, Swaziland, Zambia and Zimbabwe. SADCC programmes are designed to upgrade existing rail road connections from the ports inland, and to increase the operational capacity and efficiency of both the railway and port systems.

Transport projects now under way are progressing well, and there is already a noticeable increase in traffic carried through the rehabilitated Mozambican and Tanzanian Corridors, away from South African routes.

The Southern African Transport and Communications Commission of SADCC (SATCC) has 180 projects under way and planned, costed at about US$4.6 billion - over two thirds of SADCC,s project cost. Some 38% of this total has already been secured from both international cooperating partners and SADCC member States.
The Minister reported considerable progress on the Beira Corridor:

- The first phase of rehabilitation of the Beira-Machipanda railroad is completed.

- The upgrading of the Dondo-Malawi railway line has begun with the setting up of a concrete-sleeper factory, quarry and crushing plant, and track-rehabilitation plant.

- Emergency repairs to the Beira-Machipanda road are expected to begin in March 1988.

- Tendering is under way for the dredging of Beira port which is expected to begin in August 1988,

- Reconstruction of berths two to five, and the building of a new container and multipurpose terminal at the port started in December 1987.

- Negotiations with the cooperating partners are in progress to obtain funding for railway workshops and the purchases of locomotives.

Container terminal construction and railway rehabilitation are in progress on the Nacala Corridor, and are expected to be completed between mid-1988 and end-1989 respectively. The rehabilitation of Tazara railway and the Dar es Salaam Port are under way. The first phase of rehabilitation of the Limpopo Corridor is progressing slowly, with 30 km of track renewed. Further funds will be sought for the Limpopo Corridor at a donors, meeting in July 1988.

The IO-Year Development Plan for the Lobito Corridor - a project of major contract opportunities in the future - will be considered at a special conference in April/May 1988.

The Minister also identified related areas in which companies can invest, including equipment supply, road haulage, container freight stations, warehousing, and ship maintenance and repair.

The telecommunications sector is another area of major interest to SADCC,whose strategy in this sector focuses on the PANAFTEL terrestrial microwave systems, satellite earth stations, and international telex and telephone transit switching centers.This project offers major opportunities for contracting and supplying companies over the next five years

Mr Eddie Cross,
Managing Director,
Beira Corridor Group, Zimbabwe.

Mr Eddie Cross highlighted the major developments in the Beira Corridor.

Security of access to the corridor is virtually assured now, with the major cause of freight loss being mishandling of equipment rather than insecurity. Once problems are ironed out, Mr Cross believes that the savings on cost for companies in the region could be as much as US$160 million per year. In practical terms, this could save more than 40% on companies, transport bills.

He pointed out the considerable progress already made in SADCC,s transport plans - Beira is now running at near its current capacity, and the Nacala and Limpopo corridors are to start working later this year. But Mr Cross also stressed that SADCC must complete its plans successfully, including continued support from the multilateral agencies, greater pressure on South Africa to reduce its sabotage efforts, and increased cooperation between business and government. He believes that Western donors can no longer leave the security issue to the SADCC and Eastern European states alone.

He assured companies that Beira freight rates will be maintained at competitive levels. He also recommended that, if a shipment can be containerized, it should be. If containerization is impossible, companies must ensure that their shipment is neither edible nor re-saleable.

He suggested that the Beira route delays could increase while rehabilitation work is carried out, probably leading to traffic handling cuts that will aggravate the current 90-day delays. However, Minister Guebuza disagreed, hoping that the disruption will not lead to traffic cuts.

Mr Cross expressed concern over the Tazara-Dar es Salaam connection, explaining that a container he sent on that route took six months to be loaded on board a ship at Dar es Salaam. However, some participants thought that Tazara had improved, and that it was now running relatively efficiently, although with some pilferage problems.

5: EXPLORING ENERGY AND MINING

Hon P. Van Dumen
Minister of Energy & Petroleum, Angola; Chairman of SADCC Committee of Ministers of Energy

The Technical & Administrative Unit in Luanda coordinates the SADCC Energy Sector Programme, supported by other offices, such as the energy conservation office in Harare. The Minister focussed his presentation on areas where the enterprise sector can assist SADCC in implementing its goals of increasing energy supply and efficiency, particularly in producing equipment for the electricity sector and electrical appliances for the consumer market.

He also took the opportunity to highlight Angola's national efforts to promote investment, outlining the reform policies and investment codes of the country.

Hon P. Chitambala,
Minister of Mines, Zambia; Chairman, SADCC Committee of Ministers of Mines

Minister Chitambala highlighted both the potential of and the problems faced by SADCC's mining industries which, as they are wholly geared to export, leaves them open to the vagaries of international commodity markets. Other problems in the industry include the destruction of mining installations by South Africa in Angola and Mozambique.

SADCC's mining sector programme is based on the nine original projects approved in 1984, and further refined and expanded in 1985. The programme now comprises 40 projects but most are still at the study stage. The Minister indicated that the strategy is moving from "the project identification and formulation phase to that of investment and implementation". Areas of opportunity for companies include studies on mining potential in the region, development of non-metallic industrial mineral deposits, a focus on small-scale mining which is more in tune with the depressed world market conditions and regional coordination of mineral-processing industries and training.

6: ENTERPRISE INVESTMENT AND TRADE, THE ROLE OF MULTILATERAL AGENCIES

Mr Edward Jaycox, Vice President for Africa, The World Bank

Mr Jaycox identified the policy and institutional environment in Africa as a key constraint to effective investment and development of the enterprise sector. The World Bank is trying to help remove these constraints through lending in support of structural adjustment. He noted that some 50% - or US$2 billion - of World Bank lending to Africa this year is going to structural adjustment programmes (SAPs) and other programmes tied to policy reform; under which funds are lent to countries that comply with certain requirements, such as devaluation, education of excessive bureaucratic control, reform of parastatals and privatization, enhanced investment codes and reform of marketing and pricing systems.

The World Bank sees its central long-term task as assisting SADCC countries in making the transition from largely agriculture monoculture-based economies to more balanced economies with a substantial manufacturing and service sector. This transition does not imply any neglect of agriculture, merely a realization that the sector cannot alone support the existing populations, let alone that of the year 2000.

In response to particularly pressing needs in SADCC, the World Bank has adopted a two-pronged approach of improving infrastructure and institutions on the one hand and, on the other, promoting suitable policy environments. SADCC member states have received aid totaling US$2.2 billion from the World Bank since SADCC's inception. A further US$2 billion will be committed over the next three years.

The World Bank is also tackling the debt problem by promoting debt-relief initiatives with other aid donors and by holding funding initiatives such as the meeting with bilateral aid agencies in Paris in late 1987, where new funds totalling about $3 billion were pledged. On the mood of donors towards SADCC, he suggested that many are willing to pledge substantial funds to SADCC so long as the policy environment in the region is conducive to successful investments.

On the question of preconditions for shortlisting consultancies, Mr Jaycox stressed the factor of "close, intimate local market knowledge." This ensures substantial local company participation, either alone or through joint ventures, with foreign consultants.

He explained procurement procedures under quick disbursement aid. Funds are passed by the World Bank to the central bank of the SADCC recipient country, which then "sells" them to companies to purchase essential imports. Another mechanism is the use of local development banks as intermediaries in lending to micro-level projects. The local development bank lends in the same way as the central bank to eligible companies for recurrent imports or specific micro-projects. In this way, procurement is not directly controlled by the World Bank but handled by local institutions and often by the private sector beneficiary company itself without any open competitive bidding procedure. The World Bank relied in these situations for the provision of resources the local company seeking the cheapest source for its import. Mr Jaycox indicated that the APEX system of disbursing of Structural Adjustment Loans (SALs) under which central banks distribute funds to commercial banks, which then lend to companies - would be useful in Africa, but that the banking sector was so far insufficiently developed to handle it.

Mr Jaycox called on businesses to take a more long term view when considering investing in SADCC, and to try to diversify away from the traditional investments in the extractive industries.

Dr W. Blonk,
Head of Southern African Division, Commission of the European Communities.

Dr Blonk gave a comprehensive review of the EEC,s policy in the SADCC region. Some ECU1.1 billion (ECU1=US$1.2) of Lome III funds have been committed to the region since 1985 and a further ECU400 million will be committed to it by March 1990.

The EEC's principal areas of activity are:

- Transport and Communications, specifically rehabilitating the Tazara line, building a new road link from Malawi to the Tazara line and assisting rehabilitation efforts in the Nacala and Beira corridors;
- Agriculture and Food Security Projects ranging from

fisheries through coffee to agricultural spare parts and machinery manufacture; and

- Manpower Development. especially in the areas of training and education in basic mathematics, science and technical skills in the rural sector.

Dr Blonk also highlighted the new sectoral import programmes (SIPs), which will finance imports of essential spare parts and raw materials for local industries. Procurement will be handled in the normal way with national authorizing officers (NAOs) handling most of the direct procurement task and international competitive bidding being used where possible. Over the last 12 months, the EEC has approved four SIP's for Angola, Mozambique, Malawi and Zambia totalling ECU143 million. Imports were for agriculture in Angola and Chemical inputs for fertilizer production in Zambia. Further SIPs are being prepared for Mozambique and Tanzania.

The grants and special loans of the Commission cannot be used for large industrial projects, an area reserved for the European Investment Bank.

Dr Blonk promised that he would carry to the Commission the concerns raised by SADCC-based companies. Several SADCC-based participants, were concerned about the difficulties ACP firms have had in pre-qualifying, and in being included on shortlists of consultants in EEC contract business. Dr Blonk replied that the shortlists are drawn up by computers in Brussels, based upon pre-registered information on companies. But the approval of that list and inclusion of other companies is the responsibility of the NAO, a local appointee. So local consultants that feel they are not being treated fairly should work more on registration with the EEC in Brussels and on creating a greater profile with the NAO in the recipient SADCC market. He said Zimbabwean companies could export extra beef to the EEC, if Botswana should be unable to meet its full quota.

7: ENTERPRISE INVESTMENT AND TRADE, THE ROLE OF THE BILATERALS

Mrs A. Herrick,
Director, US Agency for International Development, Southern Africa Regional Office, Harare, Zimbabwe.

The US has recently become the SADCC region's largest bilateral donor with over US$1.6 billion channeled into the region since 1981. This year, US programmes for SADCC emerged from the current budget-cutting climate prevailing in Washington with even larger appropriations. The US Agency for International Development (USAID),s pledge of US$93 million for the SADCC region over 18 months, made in Feb. 1987, was actually increased by Congress to US$100 million.

Transport is the main area of USAID support at present in the SADCC region. This sector received 60% of US aid in 1986, and will receive most of the US$50 million that was approved in July 1987. The remaining US$50 million to be released in 1988 will be directed more at agriculture and food security.

Mr L. Norberg,
Swedish Ambassador to Zimbabwe,

Sweden is a major donor to the SADCC region, for which 50% - or US$440 million - of SIDA funds in 1987-1988 have been received. Some US$150 million over and above the country allocations has gone to SADCC regional projects. In addition to this aid SIDA is playing a leading role in the NORSAD investment initiative which is designed to promote and finance Nordic investments in the SADCC region. A number of other initiatives, including import promotion from the SADCC to the Nordic countries, make Sweden,s aid program in the region both one of the largest and most dynamic and innovative characteristics thatarelikely to continue

Graham Stegman,
Head, Southern Africa Division, UK Overseas Development Administration

The UK intends to increase its aid flows to the SADCC region by an additional 5.7% p.a. to 1991. The country,s assistance in support of adjustment programs has doubled in the past two years. In December, the UK pledged a further 50 million Pounds to be disbursed over the next three years in co-financing deals with the World Bank.

Direct bilateral assistance to SADCC countries is more than 100 million Pounds a year, largely aimed at manpower development, technical assistance and direct project aid. The UK has been particularly active in the Maputo corridor and in fisheries development and the additional 10 million Pounds promised at Arusha this year will further increase the country's aid to SADCC's transport sector.

In addition to new aid commitments, the UK Government has written off 245 million Pounds in official debts owed by Sub-Saharan African countries.

8: AFRICAN DEVELOPMENT BANK

Mr S. Botchwey,
Adviser to the President, African Development Bank.

The African Development Bank (ADB) is undertaking several initiatives to promote the private sector in Africa, and is committed to a strategy that includes a strong and dynamic entrepreneurial sector. Alongside the IFC and UNDP, it is assisting in the African Project Development Facility (APDF) to promote local entrepreneurs, and is considering lending directly to the private sector - currently prohibited by its charter - to assist in its private-sector development efforts.

The key activity of the ADB in recent months has been a new debt-relief initiative whereby debt would be swapped for new securities with at least a 20-year single payment maturity carrying a fixed rate.of interest. The debtor country would then be required to put into a redemption fund an annual amount which, after 20 years, would be sufficient to pay off the debt. Monies that accumulate in the redemption funds could then be suitable sources of funds for multilateral development banks, particularly the ADB and world Bank (IBRD).

9: INVESTMENT FINANCING AND PROJECT DEVELOPMENT

Mr Michael Dixon, IFC
Mr Michael Jordan, IFC
Mr Alexander Keyserlingk, APDF

The International Finance Corporation (IFC), an affiliate of the World Bank involved in financing private investment where capital cannot otherwise be obtained on reasonable terms, is increasing its activities throughout Africa and particularly in the SADCC region. The IFC offers loan and equity as a minority participant to private-sector firms forming joint ventures with industrial country partners, or with developing country governments. Additional IFC activities include its recently formed Guaranteed Recovery of Investment Principal Program (GRIPP).

In the SADCC region, the IFC is involved in every member state except Angola (not yet a World Bank member) and Lesotho. Total IFC loans and equity commitments to SADCC members as of mid-1987 amounted to over US$120 million, involving 25 projects. the IFC has been most involved in Zambia, committing over US$60 million, followed by Malawi (US$21 million) and Zimbabwe (US$17 million).

As the IFC is limited to minority equity holdings, the majority of its commitments throughout SADCC involve loans.

The African Project Development Facility (APDF) was launched in 1986 as a UNDP project with the IFC as executing agency and the ADB as regional sponsor, with the aim of promoting private-sector projects in the range of US$500,000 to around US$5 million, particularly in agro-related projects. The APDF offers assistance in identifying and formulating projects, in arranging financing and technical assistance and in assessing opportunities for joint ventures, acquisitions and privatizations. For foreign investors, the APDF can help identify local projects and joint-venture partners, acting as a catalyst for increased private-sector investment.

10: OPERATING PROSPECTS, CORPORATE EXPERIENCE: CONCLUSIONS

A panel of regional business leaders outlined their views on operating conditions and prospects for investment and project work within the SADCC member States.

All noted the huge potential and ready opportunities offered by the SADCC region to foreign and domestic investors. There was considerable discussion, and various points of view among the participants about the viability of major investments in the region under current conditions. It was emphasised that major new investments in the region would be difficult to generate without greater investor confidence in the permanence of reform efforts in the areas of currency exchange rates, trade liberalizations, reforms of the bureaucracy, more reliable prospects for foreign exchange availability, and remittances of earnings.

It was generally agreed that SADCC offers huge contract opportunities for companies over the coming years. Companies believed that the bulk of business opportunities to arise in the next few years will continue to be predominantly aid-financed. This view was re-affirmed during the conference by the steadfast and enthusiastic donor commitment to SADCC and the region as a whole. Most firms felt that the realization of SADCC's investment potential required more time, more frequent meetings with SADCC officials and, most important, greater reforms within the economies and governments of the individual SADCC member States.

Two issues dominated the closing remarks of participants.

(a) The need for clear indications of SADCC's investments priorities including lists of specific projects that SADCC is intending to undertake, and a list of key officials whom companies can contact to discuss arrangements for the realization of those projects, whether alone or in association with SADCC and other companies. Participants felt that this would form the strongest basis for another conference next year between SADCC and the enterprise sector; a conference that could discuss the specifics of how to realize the SADCC region's productive potential, sector by sector, and project by project.

(b) The need to set up the business promotion councils in the SADCC member States to provide focal points for business contacts in the SADCC region, and facilitate the identification of joint venture partners. In addition, a directory of SADCC regional producers and goods and the different services produced was viewed as an invaluable aid to potential investors.

Participants warmly welcomed the closing address by President Robert Mugabe as a strong signal of the seriousness with which the leadership of the SADCC region views the development requirements of Southern Africa. The need for sound development of the region's rich resources - from its agricultural and mineral wealth to the vast human resources, as well as the need for solid commitment by both governments and the business community over the long term, were acknowledged by participants as crucial factors underlying future cooperation.

II Statements

Statement: Dr. S.H.S. Makoni SADCC Executive Secretary.

Mr Chairman,
Hon. Ministers,
Dear Friends and Colleagues

I am honoured and privileged to be the first contributor to what I hope, certainly wish, will be two days of making important history. We in SADCC, and our partners of Business International, are elated by the presence here today, of so many of you, from so many different parts of the world, representing so many different enterprises.

On behalf of SADCC, I would like to extend a very hearty welcome to all of you, to the SADCC region and to HARARE, MWAUYA, BEM VINDO, KARIBUNI SANA. You are most welcome to this second forum of consultations and dialogue between SADCC and representatives of the business community. Your presence here, we believe, reflects not only your keen interest in our region and its business prospects, but, we hope, also your commitment to work with us; to participate in the struggle Toward Economic Liberation.

Why, it may be asked, are SADCC and its member States so actively courting the business community; what kind of businesses does SADCC wish to attract to the region; and what sought of partnership is SADCC offering to the business community?

The SADCC region abounds in mineral wealth, buried in the womb of the earth; the potential of its rivers for irrigation and hydropower generation remains largely untapped: its fertile agricultural land remains un-utilised or under-utilised; its products, mainly agricultural and mineral, continue to be shipped to far away lands, for bonification and processing. Its peoples, numbering about 70 million, the region,s and indeed any other country,s greatest asset, remain marginalised and impoverished; their potential both for self-upliftment and for national development, largely unexploited. These facts point to the answers to the questions I posed above.

The origins, objectives, history and current position of SADCC and its development programme, have been described reasonably accurately, in the background document prepared by Business International for this conference; and additional detail is available in the programme documents and other publications of SADCC, which we have brought here. Suffice it to say that the work of the Organisation, especially in the rehabilitation and further development of vital infrastructures, has progressed satisfactorily. But, the development of infrastructure is not an end in itself; for what good are railways, roads or ports, unless they can carry goods and people from one point to another? What good are power stations and inter-connected regional grids, unless they can feed energy into factories and smelting plants? What good are skilled and professional citizens, unless they can apply their expertise to the production of goods and services? As we observe in the document SADCC: Investment in Production; ultimate objectives of SADCC is the production of the goods and services needed to improve the quality of life of the people of Southern Africa, and for which we are currently largely dependent on outside sources. The production of these goods and services is the primary responsibility of the enterprise sector; and SADCC, therefore, recognises the importance of enlisting the full involvement of the business community.

This, Mr Chairman, is the explanation and justification of our presence here today; our guest for the full involvement of the people whose business it is to do business.

When we met in Gaborone last year, at the first SADCC Business Seminar, you left a tall order of questions and recommendations for me and my nine governments to consider. The seminar identified constraints to increased investment and business activity, in the following areas:

- shortages of foreign exchange;
- shortage of capital, and inadequate technical and business management skills;
- overvalued currencies; and,
- policies, official attitudes and procedures.

I wish to share with you some of our responses to those issues.

Regarding foreign exchange shortages, a study has been completed, which assessed the need for, and feasibility of creating Export Pre-Financing Revolving Funds (EPRF's) in the SADCC members States. The purpose of these Funds would be to provide, on a revolving basis, foreign exchange for importing production inputs for producers of exportable products. The study recommends that, based on the experiences of Tanzania and Zimbabwe, EPRF's are necessary in most SADCC member States. It recommends, further, that an initial outlay of the order of US$200 million, will be needed to capitalise new Funds and augment existing ones. The report is now being studied by member States, and a decision on the establishment of these Funds is expected by mid-year. I hope that we can count on those of you representing banking and other financial institutions to support this important facility, when it becomes operational.

It has been proposed that equivalent arrangements be considered, for import-substituting firms, which are net savers of foreign exchange. This respect will be closely examined in due course.

In the context of the Nordic/SADCC Initiative, it has been agreed, in principle, to establish the NORSAD Fund, a facility which will provide seed capital, also on a revolving basis to Nordic?SADCC joint ventures. Detailed work will commence shortly to finalise the operational modalities of the fund. In addition, a consultancy on the feasibility of a regional Export Credit and Guarantee Facility (ECF) has been commissioned. The purpose of such a facility would be to enable SADCC exporters to offer more competitive trade terms. These exporters, even as they have high quality products, have been buffeted by stringent national regulations requiring them to remit export earnings over very short periods, and providing for very limited credit guarantee and insurance cover.

With regards to the shortage of capital, and technical and business management skills, the Gaborone Seminar proposed:

- the creation of a regional stock market or a regional bank for venture capital;
- the strengthening of the region's banking and financial institutions to make them more responsive to the region's investment needs;
- the free movement of capital and skills within the region, to enable the formation of regional joint ventures.

The SADCC Council of Ministers, at its meeting last week, approved a study to examine the viability and operational modalities of a regional Cross-border Investment Facility, aimed at facilitating the flow of investments across national boundaries.

The free movement of skills will, however, continue to be constrained by the chronic shortages of expertise in all members States. Governments are, therefore, compelled to apply measures to control the drain on these limited yet vital resources for national development. That notwithstanding, an exercise has been underway for some time now, to assess the scope the easing visa and other immigration Controls on SADCC citizens, including businessmen (and women, of course), travelling in the region. As a first step, member States are considering extending the visa arrangements applicable to the seven SADCC-Commonwealth countries to the rest of the family, on a reciprocal basis.

The issue of strengthening the region's banking and financial institutions is being examined by the Joint Expert Advisory Group on Financial Mechanisms, established in the context of the Nordic/SADCC Initiative. We are expecting soon, the findings of the group's first appraisal of these institutions.

Regarding the value of SADCC currencies, many of us will, I trust, be aware of the major adjustments of exchange rates effected by several member States over the last year. The experience, however, is that, in the face of other bottlenecks such as the productive capacity under-utilization, reduced export earnings and balances of payments in the red, devaluation tends to exacerbate rather than ameliorate the problem.

Concerning the direct relationships between national currencies, it may be observed that there is, currently, very limited utilisation of these currencies in the economic exchanges between our countries. Besides, the exchange rates between these currencies are determined by the traditional external trading arrangements. The SADCC Council of Ministers decided, recently, that the Organisation should examine these matters, with a view to establishing arrangements which will facilitate the greater utilisation of our own currencies.

SADCC member States have noted the concern of the business community about this elusive monster called the right climate for investment. Suffice it for me to observe that over the last two years, several member States have initiated major economic adjustment programmes aimed at improving the efficiency of economic management, and creating the necessary environment to enhance enterprise development. These measures have been carried out courageously, in the face of serious political and socio-economic consequences. Representatives of member States are in this meeting, and are available to discuss these and other national policies toward enterprise investment.

In many member States, new or revised investment codes have been formulated or are being formulated. In addition, the SADCC Secretariat has commissioned a study aimed at rationalising and, where possible, harmonising the region's investment codes, and streamlining operational procedures.

However, in this emerging relationship between the region's government and the business community, as indeed, in any partnership, it takes two to tango. So, the responsibility for creating, and particularly projecting, the right climate for investment, must be born by both of us; governments and the enterprise sector. Governments can formulate, and indeed many have formulated, impeccable investment codes, and offered investors the best incentives. But if no investor takes advantage of these, or if those who are benefiting from these facilities do not speak out, the benefits, both to governments and businessmen, will remain rather modest. In this context, the regional or local business community is a crucial factor. Most discussions have centric on the needs of the foreign investors. Of course, for countries starved of capital and technology, such as ours, the foreign investor is important. but, a foreign investor needs a local partner. After all, most of the problems encountered by the local businessmen are the same as those affecting the foreigners. It is, as it wee, a case of what's good for the goose is good for the gander. Therefore, in our view, a dynamic and vibrant local business community is an important, if not vital incentive for the foreign investor.

As a result, SADCC, and its member States, in cooperation with representatives of the regional enterprise sectors, are developing measures to foster and consolidate entrepreneurship in the region; in order to provide an appropriate and competent counterpart to the foreign entrepreneurs. To this end, the region,s business community, with the full support of SADCC Governments, is in the process of establishing national business councils which will send delegates to a regional business council. So far, SADCC business councils have been established in Lesotho, Malawi, Zambia and Zimbabwe. Others are expected to follow shortly. The business councils will also provide an organized framework through which businessmen from within the region and from outside can share experiences, exchange information and skills, and collectively seek solutions to the problems constraining investment, production and trade in the region.

As pointed out the document on Investment in Production, and endorsed by the Gaborone Businessmen's Seminar, our cooperating partners can also play a direct role in the promotion of investment in the region. Of particular importance in this connection, is the need for increased official development assistance, and effective measures to relieve us of the burden of debt. In both respects, our major partners have shown understanding and sympathy, as evidenced by their pledges in Arusha last week, or additional resources to SADCC, amounting to no less than US$l billion over the next four years. Several of them, notably the Nordics and Canada, have initiated measures to encourage their businessmen to invest, specifically, in this region.

We are also examining with our partners, other proposals to enhance business activity in the region, including:

- measures to facilitate the use of SADCC contractors and suppliers in the execution of contracts;

- increased use of their investment and trade financing institutions and mechanisms, by regional businessmen;

- review of double taxation arrangements; and,

- measures to facilitate better access by SADCC products to their markets.

I have already referred to the structural and technological weaknesses of the regional economy as the major source of its economic dependence. The measures proposed above will be of limited impact unless there is a structural and technological transformation of the regional economies to make them collectively self-sustaining, and capable of producing a full range of goods and services for domestic use and for export. This represents our greatest challenge.

In an effort to address this basic problem, the SADCC Council of Ministers directed that a major review of the SADCC Industry and Trade Escarole strategies and programmes be undertaken, to formulate a rational and coherent strategy for the long term industrialization of the region. I am sure that the coordinator of this sector will discuss this aspect in some detail.

Naturally, one of the primary concerns and considerations of any investor, is the market for the products of his investment. As we note in the document Investment in Production:

> whether or not the region is able to take advantage of a global up-turn in the flow of investment resources, will depend critically, on the extent to which the potential regional market is, in fact available to support major investments. The regional market can only be guaranteed when there are effective mechanisms for intra-regional trade. SADCC has now established a trade programme, the objective of which is to simulate intra-regional trade.

However, our approach to increased trade in the region, is not based on the orthodox trade liberalization strategies. We believe, in fact, we have observed that, reduction, or even elimination of tariffs and other barriers to trade does not always yield increased trade, in the absence of tradeable goods. For, how can tariffs inhibit trade when there is nothing to trade. So, in our view, the greatest single barrier to trade is lack of production. Hence, our motto, LET PRODUCTION PUSH TRADE, RATHER THAN TRADE PULL PRODUCTION.

Mr Chairman,
A discussion of Southern African would be incomplete without reference to the impact of Apartheid on the region. Apartheid, and its masters, have ensured that our region retains a lofty position in the league table of bad news. The politics of Apartheid is well known to all of us. But it is sometimes lost on observers that Apartheid is a doctrine of both political and economic domination, applied both within the boundaries of South Africa and in the region as a whole. To the extent that SADCC represents a deliberate and conscious strategy of its member States, to break out of the Apartheid strangle-hold, it is therefore, an important factor in the struggle for democracy and freedom in the region. In recognition of this, the

South Africans have also designed and implemented strategies to undermine SADCC. For, if SADCC succeeds, especially in producing the goods and services currently imported from South Africa, this would deny the South Africans of their most lucrative and captive markets. In addition, this would also neutralise one of their most potent weapons of political leverage and blackmail. But, most importantly, a self-reliant, efficient and dynamic regional economy, buttressing peaceful, democratic and non-racial societies would pull the rug from underneath Apartheid's strongest pillars, the so-called CHAOS TO THE NORTH OF US.

In observing all this, let me, however, underline that the case for regional cooperation in Southern Africa, and thus the case for SADCC, rests stronger on the economic rather than the political imperatives of the region. For, although most of our countries have substantial resources of one kind or another, none of them has a combination of all the factors necessary to sustain a balanced modern industrial economy. Angola has oil, but no copper; Botswana has diamonds, but no fertile land; Tanzania has natural gas, but no iron and steel; Zambia has copper, but no gold; and so on. It is our conviction that, combination of all these individually weak mono-product economies will be a strong regional economy.

Let me conclude, Mr Chairman, by recalling the hope of my leaders, meeting in Maputo, in July 1983 that:

> the future would ensure a significant transfer of the resources which, at present go to shoring up Apartheid, to the development of the independent countries of Southern Africa; this would be an investment in peace and stability and an investment in the future.

That, Mr Chairman, is our agenda for defining and concretising the role of the enterprise sector in this region.

I wish us all a profitable Conference.

Thank you.

Statement: Hon David Karimanzira
Minister of Lands, Agriculture and Rural Resettlement, Zimbabwe; Chairman, SADCC Committee of Ministers of Food, Agriculture and Natural Resources

Mr Chairman,
Honorable Ministers,
Distinguished Delegates,
Ladies and Gentlemen.

I would like to begin by expressing my sincere thanks to the Business International and its co-sponsor, the International Finance Corporation, for the opportunity provided by this conference for an exchange of information between representatives of government and the business community on the developing opportunities for investment and trade in Southern Africa. In particular, I would also like to thank business international for the invitation, originally extended to my predecessor, the Hon. Comrade Moven Mahachi, to address this conference in my capacity as Chairman of the SADCC Committee of Minister of Agriculture and Natural Resources.

Agriculture in the Regional Economy

I was given "Food and Agriculture in the SADCC region" as the subject of my address to emphasize the importance of having a good understanding of one of the most significant sectors of our economies as a pre-requisite for the identification of the new opportunities which are developing for investment and trade in our region.

The SADCC region is well endowed with basic resources of land, labour and water for agricultural production. Out of a total arable land base of 477 million hectares, 5 percent is under crops; 41 percent is range land; 33 percent forests and woodland; and 21 percent is at present, considered unsuitable for agricultural use, given available technology and market conditions. However, in Lesotho and Malawi most of the potentially arable land has been brought under cultivation.

Agriculture is a strategic sector in the economies of SADCC member states because a majority of the population lives and works in the rural areas. From 1980 to 1986, agriculture contributed 34 percent of the region's GNP, employed up to 80 percent of the total labour force and accounted for about 26 percent of total foreign exchange earnings. In the member states where mining is not the dominant economic sector, agriculture contributed about 60 percent of total foreign exchange earnings. In five member states, more than forty percent of all export earnings in 1984 were from the sale of agricultural commodities with agricultural trade, as a proportion of total trade, being greatest in Malawi (98.4 percent) and Tanzania (84.9 percent).

Despite its well endowed resource base, the agriculture sector in the region has performed poorly for the last three decades. This poor performance is part of an Africa-wide downward trend. For example, because of the high rate of population growth, the annual growth rate of agricultural production per capita from 1970-84 has remained negative in six member states (ranging from minus 5.8 percent). Only Swaziland sustained reasonable growth with a gross agricultural growth rate of 4.6 percent and a per caput growth rate of 1.7 percent.

Annual production of food in the region is increasing, but at only 1.5 percent per year, while demand is expanding at 3.5 percent per year. Using these figures, the food and agricultural organization (FAO) has projected that out self-sufficiency may be expected to decline from 95 percent in 1979-1987 to 64 percent by the year 2000. Therefore, even if farm productivity can be increased so much as to double the present annual increase in production, our self-sufficiency would still face significant decline. So much has our ability to feed ourselves been affected that, during the period 1980/1981 to 1986/87, food imports into the region almost doubled to a level exceeding a million tons per year.

This decline in self-sufficiency has been matched by a decline in the value of exports. A major problem facing agricultural exports since 1980 has been the largest and most prolonged decline in commodity prices in the last thirty years. By 1982, real commodity prices were at their lowest since 1945. The consequent decline in export revenues has had serious implications for the economies of most member states.

These grim pictures show our steadily increasing dependence on the outside world unless we can foresee that our economic sectors can be expanded fast enough to replace the needed food.

Food security is under increasing threat. Food security was one of the first concepts to be launched under SADCC when the Council of Ministers asked for the preparation of a plan of action of Maputo in November 1980. Now we are in 1988, and it is appropriate to ask what has been achieved to improve our food security position.

In fact, quite a lot has been achieved at the national level. Against the trend, maize yields have been substantially increased in Lesotho, Zambia, Malawi and Tanzania, and also in the communal farm sector in Zimbabwe. Important to the urban communities, marketed production has been increased in several members states. Both Malawi and Zimbabwe were able to generate substantial surpluses. Tanzania has become a surplus maize producer, while Malawi and Zimbabwe were hit by drought last year.

There have been significant increases in oil seed production in Malawi, Zambia and Zimbabwe. Although part of this rise is attributable to an increase in the area of land under cultivation, research, which made available the improved crop varieties was important. Similarly Tanzania has successfully developed a variety resistant to coffee berry disease. This will make a marked contribution to easing the drain of foreign exchange needed for purchase of the expensive fungicides needed for controlling this disease.

Agricultural Potential

As I mentioned before, the SADCC region is well endowed in its potential for Agricultural production. In general terms, 46 percent of the region is climatically favourable for crop production. The most favourable agricultural soils, those having few fertility limitations and good moisture storage capacity occupy 11 percent of this zone. The next best group of soils with good physical conditions but a low nutrient retention capacity and lower moisture storage capacity, occupy 50 percent of the favourable climatic zone. This is in strong contrast to the present 5 percent under crops.

Some of our soils, as you know, are very suitable for cash crops such as cotton and tobacco and it is estimated that the region can support three times its present population at low input levels and 12 times that at intermediate input level.

Where there is sufficient land, it has been well established in the region that crop management for subsistence can be changed to management for the market when five conditions are fulfilled:

- where there is confidence in security;
- the soils and climate are appropriate;
- timely availability of good seeds, inputs and appropriate credit
- the expected margin is adequate to attract the subsistence farmer to take enormous risks he associates with buying inputs, and,
- where the marketing services are made available without penalising the farmers' margin.

Where it has been possible to fulfill these conditions, the results in production terms have been spectacular - quite spectacular enough to swamp the narrow statistics which form the basis of the depressing projections in "SADCC agriculture region's agricultural potential.

SADCC member states have, in recent years, reassessed their policies for stimulating agricultural production and rural development. As a result, important policy adjustments are underway within the region which hold the promise of increasing production and reducing poverty. Among the common approaches being adopted by member states are:

- policies to increase local staple food production and reduce imports;

- recognition that both small and large scale farmers have an essential role to play in national agricultural production;

- implementation of policies, including pricing policy reform, aimed at increasing agricultural production, are seeking to increase the role of private enterprise, especially in agro-industry and marketing. Policies to reduce food subsidies are also being pursued;

- implementation of policies aimed at attracting local and foreign investment in agriculture;

- allocation of high priority to the strengthening of agricultural institutions; particularly, extension, research, marketing, credit and input-supply;

- development of scientific, technological and manpower capabilities in order to shift to a science-based agriculture;

At regional level, SADCC is coordinating its development in the broad area of food, agriculture and natural resources through seven interlinked development programmes. These seven sub-sectors of regional cooperation and the member states responsible for their coordination are: Agricultural Research (coordinated by Botswana); Livestock Production and Animal Disease Control (Botswana); Soil and Water Conservation and Land Utilization (Lesotho); Fisheries, Forestry and Wildlife (Malawi): and Food Security (coordinated by Zimbabwe). In addition to coordinating the food security sector, Zimbabwe is also responsible for the overall coordination of the sub-sectors.

SADCC's objectives for Food, Agriculture and Natural Resources
SADCC's strategy for food, Agriculture and Natural Resources is designed to achieve the following basic objectives:

- provide a framework to integrate SADCC's regional and national policies and projects and harmonize investments that cut across sectors such as agro-industry and human capital improvements;

- reinforce and facilitate the efficient growth of food and agricultural production in member States and encourage intra-regional trade;

- increase rural incomes and facilitate employment generation in member states in order to help translate the food needs of rural people into effective demand to purchase food in the market;

- assist member states in designing policies, programmes and projects to increase household food security and to ensure an adequate diet for all members of society;

- increase national and regional food security to ensure against bad harvests, natural disaster and reduce food dependence on South Africa and other sources;

- foster the efficient development, utilization and conservation of natural resources and protection of the environment;

- generation of domestic savings and foreign exchange needed to finance a gradual structural transformation of agricultural-dominated economies to those producing a larger percentage of industrial goods and services.

Main elements of the strategy

Experience has shown that no single factor - i.e., new food crop technology, or higher prices - can increase total national agricultural production and sustain it for any significant period of time. No amount of political will, policy reform, or change in the relative price of one commodity, can increase the rate of growth of total agricultural output and sustain it over a period of several decades. SADCC member states fully recognise the need to focus on the following elements of agricultural development as a policy package:

- bringing more land under cultivation, consistent with sound land use practices;

- new technology that is produced by public and private investment in agricultural research;

- human capital (i.e. managerial, professional and technical skills) that are produced by investments in schools, training centres, and on-the-job experience, and training;

- biological capital investments (e.g. improving livestock herds) and physical capital investments in infrastructure such as dams, irrigation and roads;

- improvement in the performance of institutions such as marketing, credit and national agricultural research and extension services; and

- a favourable macro-economic policy environment.

To achieve progress in most of these areas requires the development of programmes of a long gestation period: often between ten to twenty years. For example, experience has shown that it takes around ten years of research on the average, to produce a new plant variety and another five to eight years to gain widespread farmer adoption. It takes five to ten years of post-graduate study and on the job training for an agricultural research scientist to be productive. It takes several decades or more to develop irrigation and water management planning capacity in countries with little experience in irrigation or with no farmer irrigation associations.

Food Security

The food security sector is central to SADCC's food, agriculture and natural resources programme. The original emphasis of the sector's strategy focused on assisting member states to increase food availability through increased domestic production reduction in post harvest losses and expanded grain storage. This thrust is being continued. However, the current strategy also recognizes that increasing food production and efforts toward national sufficiencies per se, will not automatically end hunger and malnutrition. The strategy, therefore, aims to increase household, national and regional food security by encouraging activities that will enhance that ability of all people to acquire an adequate diet.

The strategy reiterates the importance of increasing food production in food deficit member states. It emphasizes the need to give first priority to helping increase food production in these countries; and to support agricultural diversification projects in food surplus countries.

The principal elements of the strategy are:

- development of mechanisms for the exchange of information;

- reinforcement of national food production capacity;•
- development of intra-regional trade in food and other crops;
- improvement of the food storage, delivery, conservation and processing;
- development of cash crops and other agricultural enterprises;
- establishment of systems for the prevention of food crises and the development of national food security strategies;
- establishment of programmes for the control of major crop pests and diseases; and,
- development of skilled manpower.

Implementation of the food security programme is currently undertaken through thirteen inter-linked regional projects and a series of other projects which, though national in character, when taken together contribute significantly to the achievement of SADCC's overall food security objectives.

Our efforts to develop a national approach to improving food security have been slow to get underway. We lacked fundamental information. Information on the resources and characteristics of this region have had to be painstakingly gathered - a never-ending process, as you know so well. This base is now being established with the development of the national and regional early warning systems for food security the SADCC regional information system and the SADCC inventory of agricultural resource base and other projects.

Recently SADCC reached agreement on the operational procedures for the regional good reserve project and we are now seeking support of up to US$ 200 million from our cooperating partners for its implementation.
The immediate objectives of this project are to make available:

- a quick reaction supply of food grains from surplus growers in the region for those suffering natural calamity; and
- foreign exchange resources for those suffering structural deficit but are unable to buy from regional suppliers which require convertible currency.

Longer term objectives include the expansion of the regional grain trade to improve long run national food security of SADCC member states. Two studies underway and one due to commence shortly will be of specific interest to you as it is envisaged that they will lead to the identification of specific projects for implementation, some of which may require the participation of the enterprise sector.

The first, on regional food marketing infrastructure, will provide a basis for proposals, firstly, to improve the capacity of the existing food marketing and distribution infrastructure in member states and, secondly, to identify ways of improving the movement of commodities between member states.

The study on regional seed production and supply is analyzing production, availability and demand for improved seeds of the major foods crops in member states and will propose actions to alleviate constraints in the seed sector and make recommendations on future regional cooperation.

The study on improved irrigation in the SADCC region will identify how SADCC can improve regional food security through a more effective exploitation of the region's extensive irrigation potential. The expected outcome will be the preparation of a strategy and programme of activities in the irrigation sector for implementation through the SADCC programme of action.

As I mentioned earlier, much of SADCC's cooperation in the food, agriculture and natural resources area has involved the development of programmes which will take time to show results. In the meantime, however, some member states are facing a crisis of production which requires exceptional measures. It is essential that programmes are put in place which will provide the necessary inputs so that farmers can produce; both to feed themselves and their families, and contribute to national and regional food security. At present there are areas in the region which need emergency assistance without which it will not be possible to provide the basis for such longer term programmes.

National projects

Regional solidarity requires that support be given to food production projects in food deficit countries with critical shortages of foreign exchange; and which do not, necessarily, have any direct impact on other member states. SADCC's criteria for such special projects are:

- that priority be given to staple food crops with proven technical packages;
- that priority be given to integrated rural development and food production projects for the benefit of small scale producers
- that the implementation of the project will reduce dependence on South Africa and international markets; and

- that the implementation of the project will create rural employment and/or absorb workers from South Africa or those retrenched in, for instance, the mining industry or the parastatals.

The identification of such projects by member states is now underway and it is envisaged that some will be incorporated into the programme of action during the course of 1988.

Summary

I have endeavoured to provide you with a broad picture of the problems facing the region's food and agriculture sector and the approach being adopted by SADCC to overcome these problems. I hope that I have emphasized the potential of the region's agriculture base and the importance of its exploitation for the economic development of the region.

From the point of view of those of you here from the business community, I should say that at present it is not easy to pin-point those projects which immediately offer new opportunities for investment and trade by the enterprise sector. However, a sound agricultural base is an essential springboard from which to expand our economics and provide the new work opportunities and new jobs we need so badly. I firmly believe that such projects will emerge as our programmes progress.

I have identified some potential areas for investment which are emerging, using examples from the food security sector. Each of the other six sectors in SADCC's food, agriculture and natural resources programme offer similar opportunities and I would urge you to study the documentation on their programmes and projects to identify areas of interest to you and follow this up through contact with the relevant sector coordinating units.

However, I believe that the greatest opportunities for investment by the enterprise sector will be in those areas of development which are supportive of the broad thrust of the SADCC programme. I refer in particular to the projects which expand the capacity of the region's production base, whether it be increased staple food production in food deficit member states, increased fisheries, forestry, or wildlife production, increased livestock production, or increased crop diversification in those member states fortunate enough to produce surpluses in basic staples. Opportunities will emerge for investment in projects leading to an increased production of agricultural inputs and those supportive of the marketing and distribution of the inputs and outputs of the various sectors of the rural economy.

SADCC member states are putting in place the necessary policies to stimulate the production, marketing and distribution of rural commodities. The SADCC consultative machinery provides the facility for the coordination of the various development programmes amongst the member states. However the actual implementation of these programmes will in large measure, involve cooperation between national governments and their enterprise sectors if the programmes are to achieve their objective. We in SADCC therefore actively seek partnership with the business community for the collective gain of all people of the region.

Thank you

Statement: Hon Joseph C. Rwegasira, MP. Minister for Industries and Trade, Tanzania Chairman, SADCC Committee of Ministers of Industry and Trade

Distinguished Delegates and Friends,

In this brief statement on improving agriculture and industry and trade, within the time limit given, I do not intend to venture into what is SADCC, its objectives and origins, as these have been addressed to in the various SADCC forums and publications.

The Subject in Perspective

We are all too aware that agriculture provides the backbone and industry the motor for economic development. Trade is a process through which goods and services are exchanged. At the same time, we are also too aware of the fact that most of the SADCC Countries are agriculturally based economies and the industrial sector still, in its infancy, is very small to provide the motor for economic development.

This economic structure inherited, from the colonial period is further vitiated by the dependence of the member states of the region on the Republic of South Africa, which has always worked to check the sustained social economic development of the region. Obviously, improving the above sectors will go a long way to increase the well being of peoples of this region.

The Mandate

The Lusaka Declaration - Towards Economic Liberation signed on April 1, 1980 provides the mandate and framework for coordinated effort in a decentralised manner by the founding fathers of SADCC. It aims at the reduction of dependence on outside world and the creation of an integrated and self-reliant regional economy. Therefore from the outset we resolved to pursue a strategy of coordinated development through which the requisite goods and services needed to raise the standard of living of our people would be provided.

On the basis of this, priority sectors were identified and designated to Member States for coordination. Tanzania was thus assigned to coordinate Industry and Trade programmes.

In the case of the industry sector, the Blantyre Memorandum of Industrial Cooperation adopted in November, 1981 provided a defined mandate for the coordination of the Industry sector programmes. Under the Blantyre mandate we have evolved programmes for the manufactured goods, comprising basic need industries and core industries, rehabilitation of existing industries and programmes for support services. We have the responsibility of overseeing the implementation of the various programmes and programme components.

The Co-ordination

The Co-ordination of Industry and Trade programme is carried out through a system of designated liaison officers from the Ministries of Industry and Trade of the Member States, on a day to day basis. The SADCC Industry and Trade Co-ordination Division of my Ministry is in close touch with the liaison officers, and through the Industry and Trade Ministers Committee supported by the industry and trade officials sub-committee, identifies projects to be promoted and get them implemented. We have been promoting these projects through Investment promotion workshops and conferences, where the investors are brought together with SADCC entrepreneurs to negotiate on projects. In line with this, the following investment promotion meetings have so far been organised; the Harare project implementation workshop, the Arusha Industrial Rehabilitation workshop and the most recent Harare Investment promotion meeting.

As a result of these efforts we were able to mobilise USD 278 million which were secured to complete seven projects, USD 222 million were committed for 13 projects under implementation and USD 540 million under negotiation. A series of industry support services studies were also launched to sustain the proposed programme for industrial production. These relate to standardization and quality control, industry information services, increasing capabilities of technical consultancies, small and medium scale technology development to mention some of them.

Investment in Production.

The theme for 1987 Annual Consultative Conference, Investment in production states that 'the ultimate objective of SADCC however, is the production of goods and services needed to improve the quality of life of the peoples of Southern Africa. Now that the programmes designed to develop the infrastructural foundations are under way, SADCC is embarking on a new phase of cooperation the objective of which is to substantially increase the levels of material production in the region and to stimulate increased intra-regional trade. The enterprise sector has to play its legitimate role in the envisaged initiative.

We have now come to recognise that if we are to accelerate the pace for industrial growth, there is need to involve the enterprise sector in direct investments in the productive sectors. Investment in production therefore, calls for increased mobilization of technical, financial, and managerial support from the enterprise sector both from within and outside the region.

Incentives for the Enterprise Sector

We are aware that there is need to provide incentives to ensure flow of capital to the region. It is in recognition of this imperative that the Government of SADCC Member States are striving to create an environment conducive to investment by enacting laws and regulations which provide for incentives. The incentives packages provided vary from country to countrydepending on various factors such as natural resource endowment, political philosophy and the relative level of economic development. The varying degree of incentives offered by the individual member states are generally designed to assist the enterprise sector in the following manner:-

- supporting investors during the initial period of an infant enterprise by way of, for example, tax allowance on pre-operational expenses and tax holidays for specified periods;

- encouraging investors to adopt technologies that are labour intensive to assist in solving unemployment problems. Together with this, investors are also provided with taxable allowances that are directly linked with expenses of technical training;

- providing support to exporting firms by taxation incentives. This is done mainly by way of allowing refund or drawback on import taxes for input and materials used in the manufacture of products that are destined for the export markets;

- providing incentives to investors as part of government policy of dispersing industries from the major economic centres to the under-developed areas of concerned member States;

- in nearly all SADCC States, the Government has entered into double taxation arrangements with a number of foreign countries as a way of attracting foreign firms to do business in the SADCC countries.

In complementing SADCC Member States, efforts to publicise their investment laws and mechanisms and to provide a SADCC picture as an economic entity, the Industry Sector has compiled investment policies and mechanisms of member states in a composite document. The document is intended to provide potential investors with the basic information which they will need in the process of making decision. It is also intended to act as base for improving and harmonising member States investment policies and mechanism for their mutual benefit.

The document contains a profile of each member State covering infrastructure, industrial licensing, transfer of technology, provision for financial flows, import and export regulations taxation, manpower skills as well as other facilities and incentives available to potential investors.

Having outlined the coordination of industrial projects in meeting the objectives of the Lusaka Declaration and also having outlined incentives provided by SADCC member states and potential for expanded investment in production, I call upon you to join hands together and embark on a mutually beneficial development and transformation process in this part of the world.

I take this opportunity to thank the organizers for having given me the opportunity to meet and exchange views with you on this important subject. I am indeed grateful to you for your kind presence here and wish you a fruitful and effective participation in our destiny.

Statement: Mr Dennis R. Norman, Chairman of the Beira Corridor Group

Chairman,
Honourable Ministers,
Distinguished Guests,
Ladies and Gentlemen.

I would like to first of all, express my appreciation for being asked to speak to you on the theme of today's Conference *New Opportunities for Investment and Trade*. I will endeavour to be brief, as much of what I want to say has already been said by the previous speakers.

The 'New opportunities' for investment in this region have existed for the past 20 years following the attainment of independence by most SADCC member States. These opportunities have been identified and catalogued and many projects have been funded over the last 20 years.

In most of the SADCC countries the old approaches to investment no longer work. We have reached a new plateau requiring new initiatives and incentives to breathe new life into the activities of the enterprise sector so as to gain fresh momentum. I am delighted that the SADCC Council of Ministers at its recent meeting in Arusha, has given its full backing to the efforts needed to encourage investment in the productive sectors.

In order to encourage the enterprise community to participate fully in the development of investment opportunities in the region, cooperation between the public and the private sector is paramount. A major break through has been achieved in this regard. The Victoria Falls and the Gaborone Businessmen's Seminars, marked the start of a dialogue among the region's business community, the international business community and SADCC governments. This dialogue must continue.

If more success is to be achieved, all the difficult areas of necessary restriction and negative attitudes must be identified and openly discussed, in an atmosphere of understanding with both sides showing willingness to cooperate.

It is unfortunate and indeed regrettable that the hope for improvement in the investment field has failed to materialise over the years. This is the time to ask why. Above all, prospective investors should not underestimate the enormous difficulties that have to be encountered in trying to amalgamate the nine different nations of SADCC into a development and trading entity.

We should not be naive or allow ourselves to think that it will be easy to create a regional investment and trading area. Many countries elsewhere in the world have triec regional cooperation with disappointing results, and in some cases, the efforts have resulted in complete failure. We only have to study the difficulties that are being encountered by the EEC to understand that the difficulties we will encounter in our own efforts here are only part of the process.

At this juncture, it is perhaps pertinent to review some of the major constraints to investment in this region as discussed at the Gaborone 1987 Seminar of the Businessmen:

Mistrust and suspicion is the basis of the relationship between governments and the enterprise sector;

Many potential would-be-investors are fearful that their money would be locked into the individual country's system, and that once they come into the region they may not have access to essential foreign imports needed to ensure that production is continuous.

Likewise, the region's governments are suspicious that many companies coming into the region have no genuine intentions to help the development of the region, but may wish to take advantage of cheap labour and sound infrastructural facilities. The governments believe that the companies, aim is to externalise profits through the payment of dividends to external shareholders; and that at the domestic level, the companies will neglect the provision of education, housing and other social programmes of the member countries.

Unfortunately, some of these suspicions are valid.

The danger is that governments will restrict the flow of new investments into the region on the basis of historical facts and attitudes which have no place in the changing image of the region. There is, therefore, a need to call for more understanding and flexibility on both sides for the common good of the region.

The resource base of the region is still sound, as highlighted by Dr Makoni; a lot of under-utilised fertile land, plentiful labour and an abundance of minerals, all supported by such services as banking, transport and administrative machineries.

There is however, within the region, one major constraint, bureaucracy, which has resulted in:

- far too many blockages in trying to reach decisions;
- probably over-employment in the public sector;
- frustration in trying to obtain travel documents;
- lack of trust in each other; and
- the difficulty experienced in trying to obtain work permits.

We have a good basis upon which to start within a short space of time. I believe that much could be achieved. I personally prefer to remain optimistic. I cannot afford to be complacent. Can I, therefore, invite you to share in the optimism that I have. Nothing will be achieved by being negative.

THANK YOU

Statement: Hon. B.T.G. Chidzero Senior Minister of Finance, Economic Planning and Development, Zimbabwe

Since its establishment in April 1980, the Southern African Development Co-ordination Conference (SADCC) has focussed international attention on the political, economic and social problems of this sub-region of Africa. In doing so, it has drawn significant material support for infrastructural development, notably in the area of transport and communication and also, through to a lesser extent, in the area of food and security and in that of technical co-operation. The critical stage has been reached, however, to mobilise resources, domestic and international, for an expanding and sustainable development process.

What then are the financial prospects for the region in the face of this development challenge?

I think we should look at two sets of issues in attempting to address this question, namely i) actual or likely developments with regard to the different types of resource flows and ii) inter-action between the international economy and the economy or economies of the region, in their total, combined setting or in their individual country setting.

Resource Flows

Identify or distinguish for our purposes at least four types of resource flows and these are -

- Export earnings
- Official Development Assistance (ODA)
- Commercial borrowing, and
- Direct investment.

a) **Export Earnings**

Although the SADCC area as a whole is richly endowed with natural resources, mineral and agricultural, and has as a region great export potential, the situation varies from country to country. Some have a more diversified resource base and trade pattern than others; and yet some have a very narrow resource base and are dependent on one or two commodities. In all cases, however, the volume and value of exports to international markets are determined by external or exogenous factors. While recently some mineral commodity prices have rallied and show an upward trend, the sustainability of the development still remains in doubt. At any rate, commodity prices, which had fallen by about 35% in real terms between 1980 and 1986, has struck their lowest since the Great Depression and by and large remain depressed.

Thus, short of unexpected rise in world demand accompanied by enlightened trade policies and pricing measures and in particular the removal or mitigation of protectionist practices, it is more likely than not that export earnings alone will not constitute an adequate or reliable source of development revenue for this sub-region, as indeed for other regions of Africa and the Third World in general. The prospects are therefore very uncertain, short of radical concerted international action to expand and improve commodity markets and to allow manufactured or semi-manufactured products of developing countries, including SADCC, easier access to markets of industrialised countries.

b) **Official Development Assistance**

There has been a tendency in recent years for concessional flows to slow down or even stagnate or decline, whether in the form of project or programme aid. True, the SADCC region as a region has been more fortunate than other regions in attracting more financial assistance for infrastructural development, but with the exception of one or two countries in the sub-region, debt service is exacting its toll and there are indications of negative flows or export of capital by certain individual member countries. In these circumstances, more concessional aid is required and debt relief necessary, especially in the case of the debt-depressed low-income members. It is therefore hoped that bilateral aid will be increased and sustained, for infrastructure and other development.

In this regard one notes with encouragement recent developments in the multilateral financial institutions. One has in mind the mobilization of bilateral resources by the world bank at the recent Paris meeting in the amount of US$6.4 billion (of which more than $3 billion is entirely new money for the co-financing of projects in Africa. This follows an earlier decision by the Bank to use in Africa up to 50% of the US$12.4 billion IDA funds. Then there is the IMF's Enhanced Structural Adjustment Facility (ESAF) amounting to some US$9 billion which will benefit some 60 low-income countries, many of which are in Africa, including the majority of SADCC countries.

c) **Direct Investment.**

This brings me to the fourth type of resource development, namely direct investment. To the extent that this is non-debt creating and places the burden or the investor to succeed, it has an advantage over debt-creating or borrowed money. Of course, the investment must have returns in the form of profits or dividends, but these do not accrue or become remittable unless they have been made in the first place.

New money for the co-financing of projects in Africa. This follows an earlier decision by the Bank to use in Africa up to 50% of the US$12.4 billion IDA funds. Then there is the IMF,s Enhanced Structural Adjustment Facility (ESAF) amounting to some US$9 billion which will benefit some 60 low-income countries, many of which are in Africa, including the majority of SADCC countries.

Yet even this very promising development will still leave a resource gap measured in billions and, in any case, the resources so mobilised will, to a considerable extent be utilised for structural adjustment purposes (therefore also for balance of payments) and for basic development projects. There will still be a crying need for sustained productive investment during and beyond structural adjustment.

d) **Commercial Borrowing**

This refers to borrowing from private banks and other financial institutions. Borrowing from these sources by low-income African countries is very limited, possibly less than 25% of their total foreign loans. Much of low-income Africa's borrowing is from international financial institutions (i.e. world bank and IMF), concessional borrowing from bilateral sources, and some export credits. Given the general debt overhang and the general economic situation in Africa, it is unlikely that foreign bank-lending can at present be looked to as a major source of development finance.

The prospects are not very bright, although there are individual countries whose credit rating is considered good and who can still borrow on international financial markets. But economic development based on this type of money has serious limits. The money has to be repaid, sooner or later, whether or not the economy is doing well and the debtor country can or cannot afford to pay. Development through borrowed money required the most careful handling for it can be very risky and exacting.

The prospects for this type of flow of development finance would seem to be good and, I must emphasise, I have not explored many other forms such as equity capital and portfolio investment. Be that as it may, I am convinced that SADCC has many attractions. Consider the varied resource base and the generally good physical infrastructure, although varying from country to country, the banking and financial institutions, the combined, domestic markets. Given the aggregate GDP of US$24 billion and total population of 70 million, SADCC is an unsaturated market with great potential for growth in per capita incomes.

Beyond that there are the possibilities of production for world markets. Indeed investment opportunities abound in such areas as agricultural processing, mining, manufacturing, engineering, small scale industries, etc. and there are possibilities for joint ventures.

Individual SADCC countries have adjusted or are adjusting their economies and reforming their policies, from budgetary fiscal policies to prices, from foreign investment security to provision of investment incentives, and so on. The situation does, of course, vary with countries because each country responds to its own special circumstances and policy objectives as well as stage of development. But SADCC is ripe for a decisive productive investment push.

Here, before I turn to international factors, let me state quite simply that foreign currency is a major constraint in all but one or two of our countries and especially where domestic - as distinct from foreign investment is concerned.

We shall be examining in this regard various financial schemes. Proposals currently being reviewed by the sub-region include the creation of a revolving foreign exchange guarantee scheme for credit to Nordic/SADCC joint venture projects - the NORSAD Fund - This could provide a pointer to better financial prospects of the sub-region. Similar proposals have to do with Export Pre-financing Revolving Funds which would be available for the funding of imported inputs by exporters; an Export Credit Fund, to enable the sub-region to extend better export credit terms and achieve competitiveness particularly in the capital goods sub-sector. All these would add to better and improved SADCC financial prospects when operational. And we would welcome similar proposals from other co-operating countries.

It is quite clear that SADCC financial prospects will be determined not only by what happens as regards the different types of financial flows I have referred to, but also to what Governments themselves do in this region - in respect to development programmes and policies, domestic resource mobilization and management, budgetary and fiscal policies, human resource development and direction of investment to productive sectors. In all this there are financial, legal, institutional and administrative considerations which it is not possible to deal with in this brief statement, but which could act as incentives or disincentives to investment, production and growth.

International Economy

I must outline briefly the second set of issues or factors I referred to earlier, namely the inter-action between the SADCC economies on the one hand and the international economy on the other. Of critical importance will be the growth rates and therefore levels of consumption demands in the industrialised countries. Growth prospects of the industrialised countries since the 19th October, 1987 stock-market crash are uncertain and real growth in GNP for 1988 and for as far as can be seen at present is projected at below 3%, possibly only 2.6% per year, which is lower than the growth of 2.75% estimated for 1987.

The implications would be for low demand, continuing high levels of unemployment, persistent protectionism, decline in foreign aid and growing pre-occupation with domestic issues on the part of the industrialised countries, to the detriment of developing countries. Here, I dare to suggest, investors can become more imaginative and venturesome than their beleaguered Governments!

Similarly short-term macro-economic considerations and measures which resorted to unilateral action or concerted action among the few leading countries, to manipulate interest rates and exchange rates, for example, without taking into account possible adverse effects on developing countries, could aggravate debt service burdens and throw development efforts into disarray.

But, perhaps more immediately for SADCC countries, financial prospects, are the destabilising and disruptive policies and practices of South Africa, which destroy or set back infrastructure and productive development. Concerted international action is absolutely essential to put an end to this destruction and to enable the SADCC to re-direct their resources to and concentrate on development. Investors can exercise considerable influence to the attainment of this end.

I have attempted in this brief sketch to portray the essential elements and the quality of the whole in respect of SADCC financial prospects. I have avoided quantification of the prospects lest methodological considerations should detract attention from the real underlying issues.

Given long-term commitment and acceptance of a mutually beneficial partnership relationship, given responsiveness on the part of investors to the social challenges of Governments and aspirations of the masses of the people, and given a generally businesslike approach to investment and development, the domestic and foreign investor has nothing to fear; he has much to gain and we all have a lot to gain.

Statement: Hon A.E. Guebuza
Minister of Transport and Communications, Mozambique; Chairman, SADCC Committee of Ministers of Transport and Communications

Ladies and Gentlemen,

Introduction

The aim of this intervention here today is, first to give you an introduction and overview of the transport and communications sector in the SADCC Region and of the role and objectives of SATCC in that context as here proposed. Second, this is an excellent occasion for all of us to exchange views and ideas on how the industrialist, commercialist and the business community in general can participate in the overall development of our region. In this regard, I shall try to point out some of the specific areas and activities where the international business community is, or could be, involved in this vital sector in our Region.

Of course, a brief presentation in the context of our conference cannot go into details. They will have to be left to your subsequent contacts with the relevant bodies and authorities in the Region and with our cooperating partners. I hope, therefore, that you go from here with an enhanced interest in such contacts and opportunities open to you in our region.

Overview of Transport and Communications Sector in the Region

Some of the geographic characteristics of the Region have important implications for the transport and communications sector. These include the vast geographical area, relatively low overall population density and territorial subdivision into nine countries of which six have no boundaries with the sea and thus by definition, their overseas trade have to transit their coastal neighbors.

The existing transport patterns in the Region are naturally, in the first instance determined by the existing facilities. The three coastal countries of the Region, Angola, Mozambique and Tanzania, have ports defined as regional in the SADCC context. These are Maputo, Beira and Nacala in Mozambique, Dar-es-Salaam in Tanzania and Lobito in Angola. All these ports have railway connections to the other countries of the region.

Maputo to Swaziland and Zimbabwe (and also to South Africa), Beira to Zimbabwe and Malawi, Nacala to Malawi, Dar-es-Salaam to Zambia, and Lobito to Zambia via Zaire. Some of these railway links are complemented by roads and pipelines. Compared with some other parts of the continent, e.g., West

Africa, Southern Africa has thus a relatively extensive interconnected railway network, for example this network allows to run a train across the continent from Lobito to Maputo via Zaire, Zambia and Zimbabwe.

However, at present a major part of this network is not providing regular commercial services due to extensive deterioration of its infrastructures and to the South African regime's acts of destabilisation.

One of the priorities of SATCC is to rehabilitate these lines for international and domestic traffic. In order to achieve this goal SATCC has developed since 1980 an overall strategy and concept of transport corridors which integrate all transport systems connected with each of the five regional ports mentioned earlier.

As a result of the present situation, routes via South Africa are still extensively used by land-locked countries of the region, even if they are longer and basically more expensive, due to the distortion created by the apartheid regime through economic and armed aggression. Thus close to 50 percent of the overseas trade of the land-locked countries of the Region, (altogether about 5 million tonnes), go via South Africa.

I can confirm that successful implementation of the SATCC Port Transport Systems Programme will largely contribute to the re-establishment of the natural pattern of traffic flows through the gradual increase in the utilization of SADCC regional routes dictated and based upon financial and economic criteria when one considers the transport chain as a whole.

The ongoing implementation of this Programme shows already that the share of the traffic going via South Africa is starting to decrease due to efforts made on the regional transport corridors. For instance, in 1987, 800 thousand gross tonnes of transit traffic and 200 thousand gross tonnes of domestic traffic were transported through the Beira Zimbabwe railway line, which represented an increase of 61 per cent compared to 1986. The Beira Port handled in 1987, 1.9 million tonnes more than in 1986. During last year TAZARA moved 1.2 million tonnes of cargo and the Port of Dar-es-Salaam handled 1.7 million tonnes of which about 50 percent was transit traffic.

The bulk of the international goods transport in the Region is carried by railways, complemented by roads, the role of which in international operations is relatively small overall, but important in some cases, such as in the case of Malawi at present time, which uses the road via the province of Tete to Zimbabwe and then by rail to port.

As regard air transport its share volumes is naturally small but it has a vital role in passenger movements and specific high value and emergency operations. In recent years, the civil aviation infrastructure of the Region has been improved with the completion of several airports construction/extension projects, such as Dar-es-Salaam, Gaborone, Lilongwe, Maseru and Matsapa.

In telecommunications, the regional action is focusing on projects such as PANAFTEL terrestrial microwave systems, satellite earth stations and international telephone and telex transit switching centres. It is presently envisaged that a full international telephone subscriber dialing will be realized in the Region by 1992. As a result of the implementation of the SATCC telecommunications Programme, domestic traffic was it at 22 percent annually during the period 1980/1987 against 10 percent for international traffic generally. Traffic to South Africa declined relatively from 67 of percent the total traffic to 42 percent.

In the context of SADCC, transport and communications sector was, from the outset, defined as a priority in achieving SADCC goals. SATCC (Southern Africa Transport and Communications Commission), was established to coordinate regional efforts in this sector.

The Convention on the Establishment of SATCC states the objectives of the Commission as:

- to provide coordination in overcoming transport and communication problems in the region;
- to provide economic and efficient means of transport and communications in the region;
- to achieve self sufficiency in the maintenance of equipment and plant;
- to achieve self sufficiency in technical manpower, training and development.
- to encourage the efficient utilization of available resources for the betterment of transport and communications within the region.

As regards capital investment projects, the priorities in pursuing these objectives, have been defined as follows:

- rehabilitation/upgrading of existing facilities;
- establishment of adequate telecommunications links and civil aviation facilities;
- new transport facilities where proved necessary and viable by adequate existing studies;

- Feasibility studies aimed at enhancing the regional infra structure.

As can be seen, the first priority is rehabilitation of existing assets, rather than provision of new ones. This is reflected in the SATCC programme of projects, which are projects aiming at rehabilitation and upgrading of existing transport facilities.

In line with these priorities, policies adopted by SATCC, further emphasize proper maintenance and effective use of existing facilities. These aspects have, in fact, been identified by SATCC as major problem areas in the Region.

Therefore, in the work of SATCC much emphasis is put on operational coordination and improvement of training. The operational coordination in SATCC context aims at:

- elimination of institutional obstacles to movement of traffic in the region; including harmonization of standards, rules and regulations;
- actions related to routing of traffic through regional ports;
- cooperation between airlines;
- increasing utilization of regional resources and know-how;

In each field or sub-sector of transport and communications the programme includes projects concerning capital investments, operational coordination and training.

As far as surface transport is concerned, the transport links and thus the investment projects concerning them, are grouped according to a corridor approach, i.e. links converging at a regional port are grouped together into a port transport system or corridor (Maputo, Beira, Nacala, Dar-es-Salaam and Lobito).

Facilities not belonging to any of these corridors are mainly used for intra-regional trade and, therefore, they are grouped into the interregional transport system.

Altogether about 180 projects are at present included in the SATCC programme. The total estimated cost of the programme is approximately USD $4600 million of which about 38 percent has been secured so far.

Concerning Beira Corridor significant progress has been achieved but additional efforts are required. Thus,

- the first phase of the rehabilitation of the railway track Beira Machipanda has been completed;

- the upgrading of the line Dondo-Malawi boarder has just started with planning actions and preparatory works (erection of a concrete sleeper factory, quarry, and crushing plant, and track rehabilitation plant).

- emergency repairs on the road Beira-Machipanda are expected to start in March 1988;

- capital dredging of the entrance channel to the port is due to start in August 1988. Tendering procedures are ongoing;

- re-construction of berths 2-5 and the construction of a container and multipurpose terminal at the port has started in December 1987;

  the rehabilitation programme of Beira town basic services is well in progress;

- negotiations with the World Bank, USAID and Canada are ongoing to mobilize the required funds to rehabilitate and equip the railway workshops as well as for the purchase of locomotives;

- technical assistance to the management and manpower development and training are already under implementation;

Concerning the Nacala Corridor both port container terminal project as well as the railway line renewal are in progress. These are expected to be completed in mid 1988 and end of 1989 respectively. We also expect to repair some stretches of the old track during the first half of 1988 in order to resume traffic.

The major rehabilitation works on the Tazara Corridor and port of Dar-es-Salaam are also in progress.

The first phase of the rehabilitation of the Limpopo line is progressing and 30 km of railways track have been renewed. A study on the second phase of this project will be completed in May 1988 and a donors meeting is planned to be held in Maputo in July 1988.

A 10-year Development Plan for the Lobito Corridor has recently been completed and a Technical Coordination Conference with international cooperating partners on this corridor will be held in April/May 1988.

Actual/Potential Role of Business Community

Of course, the major role of the business community, in the transport and communication sector, is as users of the transport and communications facilities and services. As development requires trade, there is need for transport and communication where business community acts as shippers and/or consignees of goods being transported. It thus provides the demand and justification for the facilities and services and hence for projects to improve the performance of the sector.

Consequently the business community also has an interest in the quality of that performance.

Turning to direct involvement of the business community in the sector, basically in our region - as in most other parts of the world the transport and communications infrastructure belongs to the State and is provided and financed through Governments. The same is true for most of the operations, major exceptions to this rule being road haulage, container freight stations, warehousing, shipping, tallying and lashing activities, clearing and forwarding agencies and ships-handling.

However, notwithstanding this organizational aspects, the inter national business community plays an important role and has ample opportunities of investment in the transport and communications sector in the Region. It is, after all, the business community which is to provide to a very great extent the inputs required.

Therefore, I shall conclude by simply listing some of the areas where business community is, can be and must be involved, if the transport and communications sector in our Region, is to be reliable, efficient and effectively contribute to the overall economic development:

- contracting;
- provision of equipment and supplies;
- private road haulage;
- container freight stations;
- warehousing;
- clearing, forwarding and shipping agencies;
- tallying and lashing activities;
- shipshandler's activities;
- maintenance and ship repairs;

- provision and operation of special facilities (e.g. specialized commodity terminals in ports);

- production of transport and telecommunication equipment.

A LUTA CONTINUA

Statement: Mr Eddie Cross
Managing Director of Beira Corridor Group Ltd.

The SADCC Business Community regards the Transport and Communication programme adopted by the region as critical to the stability and future growth of the business sector. The reasons for this are as follows:

Security of Access

Almost of overriding concern to the business sector is guaranteed access on a secure and time-related basis to transport routes connecting the region with World markets. If our customers cannot be given an assurance that the products they source in the region will reach them, they will source elsewhere and will only return in response to price discounts or other forms of inducement.

At the same time imports are critically short throughout the region and its essential to ensure minimal transit times and security of imported goods in transit. For these reasons businessmen regard the Corridor projects as the most strategically important in the region.

Cost of Access

All of the countries of the region are very depended on foreign trade for their economic livelihood. At the same time, Africa is the largest of the continents of the world and the distances to the main centres of world trade can be considerable. Bridging costs now absorb almost a quarter of the region's gross foreign earnings and after debt service is the largest item of expenditure in hard currency.

The cost of bridging is therefore of crucial importance and the benefit of the Corridor projects in this field are seen as follows:

a) they will reduce the cost of importing and exporting and thereby increase the net earnings of companies in the region. The full magnitude of this factor is difficult to estimate but it could be up to US$160 million per annum;

b) the reduction in expenditure on bridging will increase the hard currency available for other purposes - this will have a major impact on the availability of consumer goods in the region and on business activity in general;

c) the projects will provide the primary resources needed for an economic recovery in Mozambique. This will assist efforts to end the insurgency and lawlessness in that country.

Reliability of Communication Services

Southern Africa is a long way from anywhere else in the world and if we cannot communicate efficiently and effectively with our customers, agents and branch offices, we will suffer from a general business confidence point of view. We must have cost effective, reliable means of communication. In today's business world speed and efficiency are critical factors and the major contribution made by the SADCC in this is communication. In today's business world speed and efficiency are critical factors and the major contribution made by the SADCC in this field is already yielding benefits. More needs to be done to make communications within the region more efficient and reliable.

Its not an exaggeration to say that the SADCC transport and communications projects are in many respects the key to regional stability and growth. Certainly without them, the prospects for the region as a whole would be very bleak. The business community therefore, welcomes the international commitment to these projects and has pledged itself to work alongside regional Governments and international aid agencies in the pursuit of their successful implementation.

Considerable progress has been made, the Beira system is now operating at near its present capacity and the Nacala and Limpopo corridors will start functioning this year. If these two additional systems can be brought into play we will be able to achieve the principle objectives we have set for ourselves by 1990 and to complete the exercise by 1991.

However to do this we need the following:

a) the continued support of aid agencies and the multilateral institutions;

b) pressure to ensure that the South Africans do not attacks these systems;

c) continued co-operative action by the business sector and government.

Of critical importance to the whole process is the question of establishing zones of security and stability along the lines of rail and road which make up the different Corridors. Up to now Western donors have ignored this aspect and left it to regional Governments and the Eastern bloc. This is not good enough. Zimbabwe and Mozambique cannot carry the burden alone and Mozambique cannot carry the burden alone and financial assistance is urgently needed in this area - even if it is only directed at helping us meet the foreign exchange costs of the military effort.

Statement: Hon. Pedro de Castro Van Dumen ,"Loy"
Minister of Energy & Petroleum, Angola
Chairman, SADCC Committee of Minister of Energy

Introduction

The coordination of energy sector development in SADCC is still in its preliminary stages, but growing fast. In the few minutes available, I will review briefly our main activities, give an overview of the energy situation and present our development strategies of relevance to you. Towards the end, I will point out some areas where I believe, you will find the investment opportunities attractive.

SADCC Energy Sector Activities

The energy sector is directed by a Committee of the nine SADCC Energy Ministers, chaired by the Minister of Energy and Petroleum of Angola. The Executive Coordinating Unit is the Technical and Administrative Unit (TAU) located in Luanda. TAU has established departments for the various separate energy sub-sectors such as: petroleum, coal, electricity, new and renewable sources, woodfuel and conservation. A special department covers overall energy planning, including manpower planning and economic studies. TAU also produces a quarterly magazine called the "SADCC Energy Bulletin." Recently TAU embarked on the establishment of a library to share regional energy-related information. The library will serve the whole region and might also be of use to you. Last but not least, we have the Energy Conservation office opened here in Harare last November.

The work of TAU is developed with the support and advice of expatriate personnel provided under financial and technical assistance agreements with our main International Cooperating Partners (ICP). To improve contacts and knowledge of our sector, annual regional seminars are convened on regular basis with participants from the region and invited external speakers. Such seminars have addressed topics such as woodfuel, cooperation among electricity utilities, energy planning, oil and gas exploration and electricity in rural development. One of our main tasks is to identify and promote sound projects and to present them for financing to international cooperating partners. The energy sector has at present a portfolio of 75 projects with an estimated cost of 298 million USD. The projects still seeking finance amount to 25 with a combined funding requirement of 148 million USD.

Energy Situation

The demand for commercial energy including petroleum products, electricity and coal, has changed little during recent years following the weak development in the overall economy of the SADCC member States. Biomass consumption, mostly woodfuel, has increased with the fast growth in population. Two main problems have characterised the energy situation in the SADCC region over the last decade:

Depletion of woodfuel source

Some 80 percent of the SADCC population depends on woodfuel as their main source of energy, site-specific shortages of woodfuel exists, mostly around some urban/semi-urban settlements and in rural areas where wood resources have been depleted by felling for agricultural purposes.

The petroleum products demand in the SADCC region is somewhere between 3 and 4 million tonnes per year, of which approximately 70 percent is consumed by the transport sector. Except for Angola, which produces 15 million tonnes of oil per year, all of the other eight member states depend exclusively on imports of petroleum and petroleum products. The oil bill of these countries take a lion's share of their export earnings.

The electricity sector is relatively well advanced in our region. The annual consumption of electricity is some 17 Terra Watt Hours (TWH). Mining and manufacturing are the main consumers. Power exchanges among member states are mainly concentrated north-south from the Zambezi river basin. On the other hand, Coal is primarily used for thermal power generation, notably in Zimbabwe and Botswana. In industry, coal is used to produce steam and for some metallurgical purposes. Total coal consumption in SADCC is approximately 4 million tonnes per year.

Energy Resources

SADCC is rich in commercial energy resources - proven recoverable coal reserves are estimated at 8 billion tonnes, hydroelectric potential is computed at 218 terra watt hours (TWH) and proven recoverable oil reserves in Angola are presently estimated at 270 million tonnes. Gas fields have been identified in Mozambique and Tanzania. But only a fraction of these resources have been exploited, not least due to insufficient internal demand.

Future Development Trends

The energy sector is aware of this energy potential. However, at the same time it is clear that energy development programmes have to be tailored to the consumption requirements resulting from the development of the other sectors of SADCC member States. The SADCC Programme of Action clearly states that, to solve the economic problems of member States, their economies have to be restructured. Industrial development has to be promoted to supply the internal market and reduce dependence on a few export commodities. We do not know when this transition will take off. But we know for sure, that energy will be required to fuel the planned increase in agriculture, industry and trade. For example in Agriculture, the transition from subsistence to commercial farming combined with an overall increase in agricultural output will call for substantial growth in the demand for marketed energy. In industrial production, our electricity potential, constitutes a comparative advantage. At present we focus on rehabilitation of existing installations and expansion of transmission and distribution networks to use surplus installed generating capacity. In the future, we will also see development of the unexploited power potential, notably our hydropower resources. The SADDC Programme of Action includes development of intraregional trade resulting in an expansion in transportation. This might lead to an increase in imports of transportation fuels with an unavoidable outflow of foreign exchange. To counteract such a development, domestic options for transportation fuels must be explored. These include oil exploration and substitution from diesel to electricity in rail transportation when traffic has increased sufficiently to make electricity competitive. In the domestic sector we expect demand for electricity and kerosene to increase with the purchasing power resulting from the industrialization of our economies. Despite constraints, the future looks bright for our commercial energy sector.

Strategies and Opportunities for Investments

Our development strategies have long-term perspectives and will take time to implement, not least because of the long lead times in energy projects. To implement our plans we will need sustainable commitments from our cooperating partners. On this basis, we believe that the enterprises that are willing to take the chance and are committed to follow through, will have an important and increasing role to play in the development of the energy sector in our region Risk capital and advanced technology will be required to develop our commercial energy potential, particularly in the petroleum and coal sub-sectors and also to some extent in the electricity sub-sector. Today power generation and transmission in the SADCC member states are primarily taken care of by parastatals. Several elements in our development strategies and programmes will contribute to accommodate the enterprises.

In our programmes and strategies we give priority to the development of manpower, strengthening our institutions, improving our legal framework and exchanging information. This will reduce red tape and improve our capacity to support and monitor activities.

In this forum I would like to single out some of the opportunities in the petroleum sector. Even though we have several international oil companies in our region, the various sedimentary basins are little explored and must be considered frontier areas in terms of exploration. Our strategy is to undertake regional programmes for the evaluation and mapping of potential prospective basins and establish prospectivety in a manner that may attract commercial investment for further exploration. In this process we intend to spend our own funds and manpower resources combined with ODA (Official Development Assistance), to develop the information required to attract investors. To this effect we have embarked on the establishment of a seismic interpretation centre for SADCC in Tanzania, at the Tanzania Petroleum Development Corporation (TPDC). We expect the participation of other companies willing to undertake seismic programmes on speculative terms. We are also conscious of the role that our model agreements may play in marketing our exploration prospects. Part of our strategy thus includes exchange of relevant legislation, model agreements and regulations to share experience among member States. To those who are interested in more details, I recommend that they read the proceedings of our oil and gas exploration seminar held in Arusha, Tanzania November, 1986. For companies supplying equipment, materials and services to the oil industry, joint ventures with regional entrepreneurs should be sought. More downstream activities like refining and distribution of petroleum products may also prove attractive areas of investment. The electricity sub-sector provides opportunities for consultants, construction and engineering companies as well as suppliers of electrotechnical equipment for power generation, transmission and distribution.

There is an expressed recommendation by professionals in the region to work for standardization of the electrotechnical equipment and technology. And there is a drive to encourage the use of equipment produced in the region in order to increase the local value added in development projects. At present a factory in Tanzania produces high quality transformers and Zimbabwe can deliver power lines and equipment for metal towers. However, there is room for production in the region of other equipment for the electricity sector and electric appliances for the consumer market. Foreign investors are invited to join forces with domestic entrepreneurs to exploit these options. As you probably are aware, Angola has recently introduced a programme designed to restructure our economy, (SEF), economic and financial restructuring programme.

The main lines of the SEF programme are:-

- restructuring of external debt by negotiation-already negotiations are underway with the Paris club, and negotiations, with the London cluare not excluded. Angola's entry in the IMF will be decisive so that the debt rescheduling that has already been obtained may be supplemented by long-term restructuring.

- improved performance of external payments based on an exchange law that will allow gradual substation of administrative allotment of foreign exchange by market mechanisms.

- normalization of domestic financial circuits to guarantee non-inflationist in the funding of public spending and investments. Taxation reform will also be initiated to ensure that stable revenues meet ordinary budgetary expenses and simplify the taxation and contribution system.

- concurrently with the stabilization of the financial market and the application of a market regulating policy to enforce rules of competitiveness, government will liberalize domestic prices.

- as for policy vis-a-vis the workplace, thorough reforms will be introduced to secure the self-sufficiency of enterprises and stimulate workers, interest in their efficiency.

- lastly, redefine the functions of the public and private sectors and readjust their respective roles in the economy. This will lay the groundwork to mobilize the nation's productive potential and foreign capital. The new foreign exchange legislation and the standards for implementing the foreign exchange budget will ensure repatriation of dividends as a number one priority.

Under these conditions we believe we can expect a large, ever-increasing influx of foreign investment. To this end, specific measures to stimulate foreign investment will be taken by means of:

- tax incentives and exchange facilities,
- equal treatment for foreign investors regardless of their origin,
- protection of property and leeway in managing undertakings,
- and state guarantee on repatriating dividends.

The new law on corporate activity will give foreign investors access to the service sector and thus help modernize the economy. Indeed, it would be incorrect to attempt to modernize the industrial sector without a corresponding evolution in the areas of trade, insurance and banking. As a result, we think that sophisticated technology will be imported in an appropriate institutional context. It will comply with trademark and patenting policies and standardize the relationship between concessionaires, subsidiaries and the parent company. The legal context will respect universally accepted trade usage and practice; the adoption of legal and financial instruments and fiscal techniques will facilitate healthy development of business. Finally, I would like to state that the Council of Ministers of the Angolan government is now discussing the following laws on:

- foreign exchange
- economic activities
- treasury bonds
- planning
- state enterprises
- foreign investment
- decree on readjusting the role of enterprises in the economy

Also being prepared are the enforcement provisions for the above mentioned laws. Before I end my briefing, let me seize the opportunity to point out that potential foreign investors might create a leading edge by combining investments with training and technology transfer programmes. Your experience in other fields might also be of interest to us. So please do not hesitate to couple your investment applications with your other experience which you think would be of value of developing our potential. The major benefit of this round table, I believe, is the mutual exchange of experience, options and concrete investment possibilities in our region. Lack of information about our energy potential and investment opportunities is probably the major reason why investments are not flowing into the SADCC region more aggressively. I would therefore like to invite the audience for their remarks and contributions so that the situation can be changed to our mutual benefit. Where there is a profit to share, there is always a possibility of agreeing on its distribution.

Thank you

A Luta Continua

Statement: Hon P. Chitambala
Minister of Mines, Zambia
Chairman, SADCC Committee of Ministers of Mining

Chairman
My Dear Colleagues
Distinguished Delegates
Ladies and Gentlemen,

I am greatly honoured and indeed delighted to be afforded this opportunity to address this important Business International Conference aimed at, among other things, exploring new investment opportunities in the SADCC region.

May I first of all, join other previous speakers in thanking the government of the Republic of Zimbabwe for hosting this important conference and for the warm hospitality extended to all of us here. My thanks are also due to the SADCC Secretariat, Business International and the International Finance Corporation for the excellent arrangements that have facilitated the hosting of this conference.

Mr Chairman, allow me to share with you fellow delegates my thoughts and reflection on issues affecting investment, development and the contribution of the Mining Sector to our economies in the SADCC region, although I will not discuss any one of them in specific detail as my intention is to provide an overview of the region's potential for development with reference to the mining sector.

Mr Chairman, the Mining Industry plays a very important role in the regional economy by supplying essential inputs for the manufacturing, agricultural and construction sectors. Mining also provides on important source of employment in most member States. Moreover, the Mining sector contributes twelve percent of gross domestic product (GDP) and foreign currency dependence on minerals by each member state ranges from almost zero in the case of Malawi to over ninety percent in the case of Angola and Zambia. The mineral wealth of the SADCC region is substantial and well diversified. These include base metals, and ferrous metals, precious minerals and metals, energy minerals fertilizer and industrial minerals.

The exploitation of this wealth however has, over the years, been almost exclusively for export outside the region. In other words, the approach to mineral development in the region has been to extract raw materials for export to overseas industries for processing and manufacturing. Mr Chairman, mineral exploitation in this region has not been carried out in order to fully develop the resources and enhance the utilization of the mineral raw materials so as to ensure that producing countries can gain maximum benefits in terms of employment, foreign currency earnings, industrialization and socio-economic development. This is because of contradictions of the policies of the colonial regimes which exploited the minerals for the home market and their own comfort. It is only now in the wake of SADCC that this sub-region has started to address these issues seriously by seeking further investments for the benefit of the people.

The export-oriented development of the Mining Industry in the region has resulted in the industry being deeply integrated into the global economy and therefore at the mercy of world market forces. Hence, the prospects for growth depend, basically, on the future demand for minerals; it is therefore, not surprising that the SADCC region has suffered greatly from the economic upheavals and crises which have affected the world economy during the past twenty years. Most SADCC member States continue to experience economic stagnation or negative rates of economic growth and any significant improvement in the outlook for the Mining Industry does not seem encouraging.

Mr Chairman, the factors contributing to this unfortunate situation are obvious and they include:

- over dependence on the export of a few mineral raw materials and agricultural commodities, and importation of capital, intermediate and consumer goods.

- depressed markets and prices for the region's export commodities.

- worsening balance of payments which is aggravated by the increasing debt burden.

- lack of foreign exchange leading to reduced import capacity for essential inputs and spare parts, resulting in the under utilization of installed capacity in various essential industries, and

- lack of adequate skilled and semi-skilled labour

In addition, the efforts by SADCC member States aimed at redressing these negative factors are being retarded by acts of destabilisation perpetrated by racist South Africa and its surrogates. The South African destabilisation has telling effects on the national economies of member states.

In terms of direct destruction of mining installations for example, Angola and Mozambique have suffered the most. In Angola the Kassinga Iron Mines have been out of action since the South African invasion in 1975. There have been several attacks on the diamond fields in the north-west of the country. The racist also attacked the oil refinery in Luanda causing 36.6 million US dollars worth of damage. Due to sabotage of the line from Moatize coal fields mines in Mozambique which include, tantalum pentoxide in Zambesia spar mine in Nampula Province have been attacked. A rough estimate value of destruction to these countries would be in the range of 100 - 200 million US dollars. Furthermore, the forfeited mineral production for Angola and Mozambique due to output reduction because of South African and banditry attacks, would total about 4.5 billion US dollars.

Mr Chairman, the extra transport costs resulting from the sabotage of the most economical export routes for the land locked SADCC countries like Zambia and Zimbabwe are roughly 33 million US dollar per annum. Given the depressed international minerals market, this extra transport cost burden could be crucial to the continued profitability of the mining industries in these countries. Besides, as I have already indicated, with the exception of precious minerals, the mining industries of SADCC have been stagnating or declining since the start of the world recession in 1980. In real terms most minerals are worth less than half their 1980 value. In spite of these constraining factors outlined, SADCC has continued to apply every effort to ensure implementation of programmes aimed at improving the living standards of the majority of the people in the region. It is in this vein that I wish to strongly urge all our cooperating partners and the international business community to extend their assistance to SADCC in order to supplement SADCC's own effort in this direction.

The SADCC mining sector programme started with the approval of a strategy incorporating nine important projects which was approved by ministers responsible for Mining and subsequently adopted by the Council of Ministers at their meeting held in May, 1984, in Blantyre, Malawi. Furthermore, an elaborate Mining Sector development strategy was approved by the SADCC Mining Ministers at their meeting in August, 1985. This formed the basis for consolidation and further development of the SADCC mining sector programme which now stands at 40 projects. Aware of the constraints facing the meaningful development of the regional mining industry, the SADCC mining sector has made progress in identifying possible areas for regional cooperation. To date, the forty projects identified include both studies and investment proposals.

Iam happy to note that work has already been put in hand to elaborate the detailed documentation necessary for the implementation of most of these projects. In short Mr Chairman, the focus of the Mining Sector Programme is now moving from the project identification and formulation phase to that of investment and implementation. Mr Chairman, it cannot be over emphasised that more studies and research alone will not result in development but resources which are the means for implementation of our decisions should be available. Many of the SADCC projects have so far consisted of study after study. There is now need to translate these studies into implementable projects and this requires resources both human and financial from cooperating partners and the business community. We need an uninterrupted flow of resources to achieve our objectives. I would suggest Mr Chairman, that we should highlight these questions of the flow of investment capital to and within the SADCC region as the most cardinal issue facing the region in terms of development strategies that we have so far worked out. Those who are ready to assist us, must make plans for their contribution to our development.

We realise Mr Chairman, that there are a number of constraints facing the Mining Industry and in addressing these constraints, the SADCC mining sector embraces the following:

efforts are underway to increase knowledge of the region's mineral resources with a view to identifying new areas for investment and serious efforts continue to be made to ensure long term viability of the mining industry;

- emphasis is being placed on the need to develop and diversify the mining sector and to promote new mining activities and also taking full advantage of the wide range of minerals within the region to develop inter-regional trade;

- high priority is also given to developing the mineral resources of the region to directly serve the needs of the regional economy by emphasising on local bonification. Special emphasis is being given in this context to industrial/non-metallic minerals;

- in the light of the current low level of prices for base metals and the enormous costs of establishing new major mining ventures, special attention is being given to the development of small scale mining to exploit the large number of relatively small mineral deposits in the region. The mining infrastructure which already exists in the region provides an excellent basis to support such small scale initiatives. In addition, cooperation with regard to the use of ore treatment, smelting, refining and other facilities will greatly enhance the viability of such small scale mining and;

- efforts are in hand to develop programmes aimed at regional cooperation in joint training, sharing of mineral processing facilities and also joint action to produce many of the essential inputs to mining, such as explosives, mining chemicals etc.

Mr Chairman, as I have earlier stated, the Mining Sector programme is now steadily moving from mere project identification and formulation stage to investment and implementation. The participation of international business community in the mining sector is more desirable now when we are calling for new investment than was the case before. Rising unemployment, declining gross domestic product, shortage of investment capital, etc., all call for participation of our cooperating partners and the business community.

Mr Chairman, the international business community has management skills, manpower resources, technology and capital for investment and project implementation which the region requires to develop the mining industry. In addition, the Mining Sector requires service industries and facilities to support it. The establishment of more such industries would also assist in alleviating the unemployment problem and also in the development and transfer of technology.

Besides, SADCC member states are developing economic policies designed to encourage both public and private enterprises and investment. Problems regarding the investors, concern about the security of their investment including the need for fair return on capital are also being objectively addressed by member states. For instance, investment codes for the region are being compiled with a view to improving the investment climate in all the productive sectors including mining. In this direction, Mr Chairman, allow me to mention a few areas with potential for immediate investment. These are gemstones, fertilizer minerals and production of refractories ceramics and other non-metallic minerals. Besides, the mining sector has completed important studies such as the studies on manpower development, inventory on geology of minerals and mining, small scale mining processing and marketing, development of iron and steel industry, mining machinery and spare parts manufacturing, repairing and reconditioning facilities, and a study on compilation of data aimed at identifying exploration targets. These studies, have revealed and opened up avenues for potentially possible investments but we must take action and the time is now. However, action is only possible if as I have already stated, there is a sufficient flow of resources.

There are various ways in which international groups of companies can be involved in the development of SADCC mining industry. This can be achieved through establishment of joint ventures with national governments or with the SADCC local business enterprises. I wish therefore to challenge members of the business international business community to combine the regional abundant mineral wealth with their capital, technology, management skills and manpower resources to the benefit of all of us.

Mr Chairman, as we continue in the efforts of developing the regional economy, effective demand for mineral products for the population which now stands at about 70 million, is also steadily increasing. It is in this vein, therefore, that I wish to assure our partners in development of the potential market in mineral projects within SADCC itself.

Although in some national economies mining industry is dominated by the state while in other economies the private enterprises play a major role, economic relations between the states and investors have been firm and to the mutual benefit of both parties. I wish, therefore, to point out that these are basically mixed economies which provide opportunities for development by both private and public sector investors.

Mr Chairman, I have not attempted to give a comprehensive coverage of the SADCC Mining Sector. What I intended to do was to briefly, and very briefly indeed, expose a few issues which I hope will provide basis for continued debate and discussion in the attempt to find solutions to our problems in this important sector.

Thank you

Statement: Edward V.K. Jaycox
Vice President, Africa Region, The World Bank

Introduction

Mr Chairman, I appreciate the opportunity to exchange views with you on the important subject of Opportunities for Investment and Trade. The subject is critical for African and for those of us - like the multilateral institutions - involved in the region's development effort. I might add that it is also important for the international business community. I therefore congratulate you for organizing this Conference.

Let me begin my remarks by posing a couple of questions: What can the governments of SADCC do to create a better environment for enterprise investment and trade? What can the multilateral agencies, and especially the World Bank, do? What can businesses, local and foreign, do? And before dealing with these questions, lets ask an even more fundamental one: Is private enterprise a viable development option for SADCC. My answer is an unequivocal "yes". Why? Simply go to any town or village market-place to see a dynamic enterprise ethic at work. And think about the thriving business activities we are all aware are taking place in the so-called "informal" or "parallel" economies of African countries. Against this background, how can we doubt that private enterprise - if properly stimulated and harnessed - could be an enormous spur to growth and development in sub-Saharan Africa?

What is the World Bank Doing?

Given the proper support, the enterprising energies of Africa's people hold enormous potential for economic development. The most crucial limiting factor to business in Africa is not entrepreneurship, but weaknesses in African institutional and policy environments, which tend to inhibit effective investment, and constrain development of the enterprise sector. What is the World Bank doing to help remove these constraints? In the 1980's the Bank, and other multilateral and bilateral agencies, have been making extensive efforts to help African governments put policy framework in place that is conducive to enterprise development and trade expansion. How? Nearly 50 percent of World Bank lending to Africa the total of which will amount to about $4 billion this fiscal year - now goes to Structural Adjustment Programmes or programmes of policy reform. Some 30 countries of sub-Saharan Africa are involved. The World Bank's own economic analysis suggests that enterprise investment can contribute most to the generation of high economic returns - as opposed to just financial rewards to the investor - in a liberal policy environment characterized by as few constraints as possible on access to inputs and markets, autonomy in investment and operating decisions, and a common framework of incentives applied consistently and uniformly to all the actors involved. In its structural and sectorial adjustment loans and credits, the Bank is working toward these goals and, in general, toward reduction of state intervention in economic activity. These adjustment "packages" are tailored to the circumstances of individual countries, but essential elements usually include: realistic exchange rates; improved access to foreign exchange; removing barries to entry for manufactures and traders; decontrol of factory and consumer products prices; lifting of excessive bureaucratic procedure and requirements; reduction and harmonization of import tariffs and import controls; parastatal reform and privatization programmes for public sector entities; enchance tax and investment codes, and marketing and pricing mechanisms; and improved management and operation of financial intermediary institutions.

A favourable policy environment is a prerequisite to the growth of enterprise and trade in Africa. The private enterprise sector could, for example, provide the main driving force behind an outward-oriented trade strategy - if export taxes were removed, realistic exchange rate adjustments made, export credit facilities created and fiscal incentives offered. It is important that such policy changes be implemented at an appropriate pace so as to avoid unacceptable shocks to a country's society and economy; but without such reform, the necessary confidence will not materialize among investors, and other more targeted measures to stimulate enterprise and trade will be far less effective. Accordingly, the World Bank and other multilateral institutions have been emphasizing the policy environment.

Most of the Banks project work, however, can also be said to enhance enterprise and trade in Africa. For in addition to more favourable economic policies, an improved physical and institutional environment is also essential to encourage the development of a nascent enterprise sector. Industrial and agricultural entrepreneurs rely on a functioning road, rail, and port system to obtain essential inputs and to market their products. Power and telecommunications must also be reliable; frequent power cuts not only reduce capacity utilization and profitability, but often cause serious damage to costly plant and equipment. Advances in the institutional environment are essential as well so that legal systems, accounting rules, and taxes are uniformly applied and observed. In addition, entrepreneurs must be able to draw upon a healthy and literate labour force - the key input in any business. The Bank's project work helps in all of these areas.

Thus, in promoting enterprise and trade in Africa, the World Bank has adopted a two-track approach. Improved infrastructure and institutions, on the one hand, are necessary to establish a strong foundation. Appropriate economic policies, on the other, provide the incentives for growth and development. In the Southern African context, I might mention that since SADCC's inception, the Bank, in support of its two-track approach, has lent a total of $2.2 billion to the nine member countries. A further $2 billion is expected to be committed in the next three years alone - representing a doubling of our annual lending programme in the region. In additional, I would like to report that the Bank has recently taken action to help overcome what is currently perhaps the single biggest constraint on enterprise, trade and investment in Africa: the debt problem and, concomitantly, the severe scarcity of foreign exchange with which to do business. At a meeting of international donors held last December in Paris and chaired by myself representing the World Bank - some $6.4 billion was pledged over the next three years to assist the low-income, debt-destressed (meaning debt ratios of 30 percent) sub-Saharan countries undertaking adjustment programmes. In conjuction with special debt relief measures and increased confessional flows from the Bank and the IMF, we believe this Special Programme of Assistance is a significant step forward in removing a serious impediment to enterprise and trade expansion - and to economic growth - in Africa.

Let me just mention two other areas of the World Bank's work. Firstly, IFC - the Bank's affiliate and the co-sponsor of this Conference - has initiated the Africa Project Development Facility (APDF) and the African Management Services Company (AMSCO) in Africa. We hold great hopes that these initiatives will help further stimulate the enterprise sector. Secondly, it is expected that the Bank's new affiliate, the Multilateral Investment Guarantee Agency (MIGA), which will come into operations soon, will help attract investment to even the poorest countries in Africa. MIGA responds to the concern of foreign investors that their investments be protected against non-commercial risks and volatile economic conditions. In addition, MIGA will offer advisory services to the countries where investment is taking place.

Mr Chairman, I do not mean to suggest by these remarks that the World Bank is quite content with what it is doing on the enterprise/investment side in Africa. Far from it; we know we need to do more, and we will do more. We are investigating a number of ideas at the moment, for example, how to: involve the private sector more in our policy dialogue with countries, introduce specific enterprise development loans; expand the access of small - and medium-scale enterprises to credit facilities and other financial services, rationalize investment codes, trade policies and commercial laws; and help promote enterprise workshops and study tours of officials of African investment promotion agencies. The World Bank realizes that it has a long way to go in this area. But we are already doing a lot more than many people think - and opportunities for enterprise and trade expansion are being created.

What more can the African governments do to expand investment and trade opportunities in their countries? First, let met say that many African governments have come a long way on a difficult road in the last several years through their undertaking of policy re-form/structural adjustment programmes. Incentives to enterprise and productivity, and trade liberalization are integral to these programmes. The priority now is for these governments to continue with, to deepen and to internalize the reform process. The multilateral institutions are assisting them in this. There is no real argument now about the need for policy reform and for a more "open" approach on enterprise and trade issues. The key is now to ensure that these reforms are implemented and sustained.

Indications are that most African governments are now moving generally in the right directions. Emphasis on state-owned enterprises and centralized control of prices and markets has been reduced; and the "anti-business" rhetoric of the past has been toned down. Here are some suggestions for further steps that African governments might think about:

- They could do more to publicly educate their people about the potential benefits of private enterprise. Governments could introduce more business curricula in schools and establish more chambers of commerce-type institutions. Governments must be-and seen to be-more open to the "business" viewpoint.

- They could be much more aggressive in marketing their countries, their products, their comparative advantages-more promotion agencies, more feasibility studies, enterprise zones and grants, loans and incentives for local and foreign entrepreneurs.
- They could identify those sectors of the economy where a private sector is most likely to develop and where governments could withdraw. Such areas as transport, artisanary, and small-scale manufacturing are among several that come immediately to mind. Many countries have a vibrant informal, or underground, economy. With appropriate policies, these activities can be brought into the mainstream and not lose their dynamism;

- They could resolve problems of capital availability. This means developing capital markets, stimulating venture capital, devising mutual fund possibilities and privately owned lending facilities to encourage private enterprise.

- And, perhaps more than anything else, they could do more to understand the unique contribution of the entrepreneur. Such people are different from public sector functionaries and corporate bureaucrats. They are the sparks that can ignite the economy. They personally assume risk, manage, and produce goods or provide services themselves. Yet, little is known about successful African entrepreneurs. African governments need to analyze what makes for a "good entrepreneur" in the African context - and we should all support them in this.

Mr Chairman, let me briefly outline the growth potential in Africa: the small- and medium-scale (SME) sector. Indigenous entrepreneurs involved in the SME sector can use local resources and technologies and exploit enterprise opportunities with relatively little dependence on scarce foreign exchange and government support. They are also likely sources of employment and, if the SME sector is healthy and growing it can make a significant contribution to economic recovery. Thus, the encouragement of small and medium scale enterprises should be a high priority in Africa, not only for the development impact of a growing indigenous private sector, but also a recruiting and training process for future entrepreneurs. With foreign investors apparently reluctant to make major new commitments at this time, it is even more important that SME's be promoted through training programmes, information, and more readily accessible credit.

The point here is that while African governments are moving in the right direction, there is a lot more that they could do to expand enterprise and trade opportunities in the region. But while on the subject of government actions, let us not forget the governments of the industrialized countries. After all, their protectionist tariffs and policies are much to blame for the poor trading climate and markets, which African primary producers face. So the industrial countries also must move beyond rhetoric to action on trade.

What Can Business Do?

The business community, local and, particularly foreign, could also be doing more. Despite all the policy reform in Africa and the structural adjustment, and despite the toning down of the anti-private business rhetoric private foreign investment in Africa remains extraordinarly low. In fact, private lending to the continent has been meager since the 1970s. And even last year, in the wake of all the reform efforts, private foreign investment was a marginal US1.5 billion - and is decreasing. North American investment in sub-Saharan Africa is less than one percent of the total US foreign investment figure. Why? We all know the "hurdle rate", or cost of doing business in Africa, is higher than in any other region financial, legal, political constraints, etc. In short, the risk is higher. But, I also am of the opinion that businesses - especially foreign businesses - have been very slow to spot the changing investment climate in Africa and the opportunities that are there. So there is a question of "education", of changing attitudes on the part of foreign investors towards Africa.

What constructive steps could business take at this juncture? First instead of looking only to the immediate, short term investment rate of return companies could show more privilege to take a longer term view of African markets and profitability. Companies must be concerned with their bottom-line, of course; but getting to the bottom-line in Africa often requires a little more peserverance and patience than normal.

Second, established enterprise could help to form more Business Councils in African countries and help "institutionalize" the business presence. The role of successful business in the education effort in Africa should not be neglected.

Third, foreign investors in particular could help Africa to diversify out of the "extractive" industries based on primary commodities mining, oil and cash crops. These sectors are important, but Africa has been badly hit in the past by the depression in world markets for commodities. So more diversification - into food processing or into the SME manufacturing sectors, for example - would be helpful for the long-term expansion of enterprise and trade in Africa.

The multilateral institutions are there to help promote enterprise development in Africa - the World Bank, IFC, AFDB and so on. But entrepreneurs have to come off the sidelines and get in the game. And we must face it: there is a lot on the line here. We at the World Bank, and many of the other multilaterals, have been "selling", if you will, the private enterprise approach to African governments advocating that they open up their economies, liberalize trade etc. Many African governments have bought - are buying the approach. But if investors remain reluctant to come forward, if the private enterprise sector does not emerge as a real engine of growth to pull their economies forward - then a whole generation of African leaders, and the ideas they represent, will be discredited.

There is a window of opportunity right now to effect change in Africa and turn things around. But successfully exploiting it is going to take a truly cooperative effort by the governments, the multilateral institutions and private entrepreneurs and companies.

Regional Economic Intergration and Enterprise/Trade Opportunities

Before concluding my remarks, Mr Chairman, I want to touch on the major theme of the speech that I made a few days ago at the SADCC Consultative Conference in Arusha: Regional Economic Cooperation/Integration in Africa. The World Bank is coming round to the view that Africa's economic future may lie in economic integration. Why? The continent is simply too sub-divided - 165 borders, 51 countries, 22 of them with a population under 5 million, 11 with a population under one million. Too many trade barriers, too much competition to the same scarce resources human, institutional and financial. And from a business standpoint, markets that are simply too small to sustain industry and investment.

The SADCC approach is a useful example of how regional cooperation can work. Taken individually, the nine SADCC states are poor. Three have per capita incomes under $250 and none exceeds $900. The bulk of the population in the SADCC states consists of subsistence farmers. All the SADCC states are producers mainly of primary products; most are "price takers" in World markets and several are dependent on one principal export commodity and thus are vulnerable to world market swings. But although individually poor, taken together, the SADCC state are a significant unit - with about 70 million people, a combined GDP of about $30 billion and international trade of over $12 billion. Playing to the comparative advantages of the individual states, SADCC has shown tnat it is possible to aim at developing the region in a balanced and mutually reinforcing way.

SADCC has made good progress in implementing its Programme of Action, which currently includes 493 regionally important projects costed at about $6.4 billion. Through these projects, SADCC is making an impact on the more effective supply of goods and services to the people of the region.

Also, through SADCC, the donor community has clearly shown that it is willing to support African efforts at economic cooperation. That business sector is also expressing strong interest. I believe that the combination of continued movement toward appropriate policy frame-works, together with further well-directed projects will attract technical and financial support from multilateral and bilateral agencies - and investment from the local and foreign business community. For the message is clear: only through cooperation will there be a convergence between Africa's vast resources and its great needs.

Regional integration is not a panacea, Mr Chairman, but all of sub-Saharan Africa has to recognize the potential benefits: larger markets increased investments, economies of scale, faster GDP growth rates, increased bargaining strength and so on. The World Bank is supporting regional cooperation attempts at removing trade restrictions and barriers to entry, and through harmonizing regulations, investment codes and policies across borders. But African governments and the business community should also start thinking about more effective ways in which to get regional ventures going coherent, integrated economic structure/policies will be good for the growth and development of the African people; they will also be good for those who trade and do business with Africa.

Conclusion

Mr Chairman, one of the cruelest ironies in the dilemma of how to finance African Development is that the enthusiasm for privatization and encouragement of the enterprise sector among an increasing number of governments has coincided with an exodus of private capital from the continent. The business community must recognize that attitudes and policies are changing rapidly in Africa; they must also recognize that, given proper support, the enterprising energies of Africa's people have enormous development potential. Multilateral organizations, industrial country investors, African governments, and African entrepreneurs themselves now have the opportunity before them to engage a powerful engine to help drive Africa's development effort forward. It is an opportunity which none of us can afford to ignore.

Thank you.

Statement: Dr W.G. Blonk
Head of Division Southern Africa,
Commission of the European Communities.

Mr Chairman, Excellencies,
Ladies and Gentlemen,

May I say that it is a great pleasure to be invited to address this meeting on the subject of European Community support to the SADCC region.
Community assistance within the framework of the Lome Convention has the sole objective of supporting the Community's African, Caribbean and Pacific partners who are signatories of the convention in their struggle towards social and economic development. To achieve this objective cooperation under the Convention has three strands:

- development aid,
- trade cooperating and
- the process of political dialogue between the European Community and the ACP States

In Southern Africa, however, before we can focus on this Fundamental goal we are obliged to take account of the influence of South Africa on the economic, social and political development of all the countries of the region. Against the background of the destabilisation by South Africa, the achievement of SADCC's objective of reducing the region's dependence on South Africa takes on a profound significance. Since the signing and ratification of the Third Lome Convention in 1985, 1.1 billion ECU of Community funds have been committed to activities and programmes in the region and, by the end of the Convention period in March 1990, this amount will have risen to about 1.5 billion ECU or approx. US $ 2 billion (1 ECU = 1.3 US $). If, to this total of Community aid, is added the bilateral and regional aid provided by individual EEC Member States, it is clear that Europe is by far the largest donor of aid to Southern Africa.

In order to maximise the effectiveness of the available resources the Community has directed the majority of its assistance towards three main focal areas: Transport and Communication, Agriculture and Food Security and the development of the region's skilled manpower. As regards the first of these focal areas, "Transport and Communication" the major involvements of the Community has been as follows: in several areas for existence Assistance to the Dar-es-Salaam Transport system namely the rehabilitation of the Tazara-line and the construction of a road link from Malawi to this railway line, as well as the rehabilitation of the Nacala and Beira Corridors, and this for a total amount at present of more than 105 MECU (136 million US $). As regards the Beira Corridor I hope I yesterday misunderstood my friend Eddy Cross, when he stated that international institutions are more a hinderence than a help for further progress. The Commission fully shares SADCC's opinion that the Benguela Railway is of crucial importance for the region. The recent developments concerning the possible reopening of this railway line and the re-establishment of an outlet through the port of Lobito for the countries of Angola, Zaire, Zambia, etc. are being followed very closely by the Community. When the situation materializes the Commission will certainly consider contributing to the funding under the Lome Programme for the repair and upgrading of the corridor, possibly starting with rehabilitation works in the port of Lobito.

In the second focal area of Agriculture and Food Security the Community is involved in a large variety of both national and regional projects. These cover such diverse areas as the production of staple crops (white maize, rice, coffee tea, vegetables, tobacco, rubber, etc), fish production, the provision of fertilizers credit to small farmers, tools, spare parts, agricultural machinery, and so on. The Community is also involved in solving the problems of foot and mouth disease rinderpest, tsetse fly, etc.

The Commission has also expressed interest in participating in the Regional Food Reserve Project at present under discussion between SADCC and potential cooperating partners. This Project should be seen as supporting and complementing the priorities laid down in the National Indicative Programme of the 9 SADCC countries, all of which centre around food production, food security and food self-sufficiency.

As regards the third focal area of Manpower Development, the Community lays considerable stress on the importance of augmenting the supply of trained and qualified manpower in the region. Accordingly, on both the national and regional levels, the community is assisting a wide range of training and education projects with particular emphasis on the acquisition of basic competence in the area of science and mathematics, on the training of technical skills required to promote all aspects of rural development.

This brief overview of the Community's involvement in the development of the Southern African region, serves to demonstrate two important points. Firstly, that the position of the European Community on the situation in Southern Africa is not mere lip service. The Community is active, not just in passing resolutions condemning apartheid, but is engaged in concrete measures of assistance and support designed to enable the SADCC countries to reduce their dependence on South Africa and to develop their economies. Secondly, it should be obvious that no donor, and certainly not the Community, would invest so extensively in a region where doubts existed about the development potential of the countries concerned. I am pleased to say, Mr Chairman, that our confidence in this regard appears to be fully justified. SADCC has, in its 8 years of existence, already achieved considerable progress. Concerning the EC programme with SADCC such good use have been made by the SADCC countries of both the national and regional resources made available by the Community under Lome III, that it is envisaged to allocate additional resources to the region following a mid-term review of the work of the Convention which will shortly be undertaken by the Commission.

Some of the SADCC countries will also benefit from a considerable special Community programme to alleviate the serious problems confronting certain highly indebted low-income countries in sub-Saharan Africa which are committed to undertaking a significant effort of structural adjustment. The funding for this programme will soon be made available for rapid disbursement mainly through import programmes.

Mr Chairman, turning to the theme of this Conference which is "New Opportunities for Investment and Trade", it is clear that the involvement of public authorities in the development of the economies of Southern Africa is only one side of the coin. While important economic considerations determine that the public sector should provide the basic physical infrastructure required for the economy to develop this needs to be matched by an increase in productive investment and by increased trade. However, whenever possible, public sector bodies should not become involved in these latter kinds of activities. The Commission is of the view that it is here that there is a major task for private investment and a need for the creation of productive undertakings by private entrepreneurs. The public sector has a vital role to play by creating an appropriate economic, technical, social and institutional environment which bolsters confidence and which is, therefore, conducive to industrialization.

The Lome Convention states that the Community will assist in the establishment and expansion of all types of viable enterprises which have been identified by the ACP States as being important in terms of their development objectives. Special emphasis is placed on the rehabilitation, upgrading, reorganization or restructuring of existing industrial capacities which are viable but temporarily out of action or are performing badly, and also on the maintenance of plant equipment.

The Convention pays particular attention to

- industries for the domestic processing of ACP raw materials,
- to agro-industries;
- to integral industries capable of creating links between the different sectors of the economy and to
- industries which have a favourable effect on employment, trade balance and regional integration.

The Convention lays down that the Community shall contribute, in a spirit of mutual interest, to the development of ACP-EEC and intra-ACP cooperation between enterprises by means of information and industrial promotion activities. An important institution in this regard is the Centre for the development of Industry. The Centre's role is to be a mediator, or knowledge partner, in the creation of joint ventures between industrial policy-makers, promoters and economic operators from the Community and from the ACP States. These activities are designed to foster joint investment, subcontracting arrangement and any other form of industrial cooperation between undertakings in the Member States of the Community and in the ACP States.

The SADCC countries fully recognise and accept the significant role which the private sector plays in the development process. I find it of particular importance that the SADCC-countries here accepted to restructure their economies so as to promote industrial development using the region's considerable potential and natural resources base. The base for any decision to invest in one of the SADCC countries must rest on the following criteria: local market opportunities in neighbouring countries within the region; and perceived export opportunities on the World Market.

The SADCC countries together comprise a regional market of more than 70 million people. Of the total exports and imports of SADCC (5.7 and 5.8 billion US dollars respectively in 1984) only 4% was traded between the SADCC countries themselves. This implies that the region represents a potential market of considerable importance which urgently needs to be developed. I believe that development of the SADCC market both national and regional is the major challenge facing private enterprises at this moment. In this respect the EEC has already financed a number of trade promotions programmes for some SADCC countries allowing them to find lucrative export markets for their products. As I am sure you are aware of Lome Convention trade regime is based on the concept of free access to the Community's markets with specific exceptions rather than being a regime which offers preferences for certain products. This implies that the SADCC market of more than 70 million people is extended to the EEC-market which represents almost 400 million people. Free access in the Lome context means no customs duties, no quantitative restrictions and no other measures having an equivalent effect. Thus the vast majority of goods produced in the SADCC region can be exported to the EEC duty free.

At this point I should also mention that the Lome Convention allows significant advantages for ACP firms when bidding on Community funded tenders. Thus, for works contracts having a value of less than 4 MECU, ACP firms are given a 10% preference. For the delivery of supplies irrespective of the value of the contract, ACP firms enjoy a 15% preference. One innovation contained in the Third Lome Convention is the provision for support through Sectoral Import Programmes. You will appreciate that this new instrument can be of the utmost significance for private business. These SIPs aim at benefiting countries suffering from a critical shortage of foreign exchange by enabling them to import supplies which are required to maintain their production potential. The supplies can be of very different kinds. The Community can finance, for example:

- supplies of raw materials for basic industries;
- supplies of spare parts of vehicles, equipment to repair roads, industrial equipment etc; and
- supplies of inputs for food production.

To name only some of the possibilities. In the last 12 months the Commission has approved 4 SIP's for agriculture, fisheries and small scale production linked to rural development; 28 MECU for Malawi for a buffer stock of fertilizer for smallholders; 40 MECU for Mozambique for small and medium sized industries supporting the agro-rural sector; and 40 MECU for Zambia for the supply of chemical inputs for the local production of fertilizers and other requirements for agriculture which are locally not obtainable. Further SIP's are in preparation for Mozambique (the second) and for Tanzania.

The grants and special loans administrated by the Commission may not be used directly for large industrial projects. Such projects are the responsibility of the European Investment Bank. The EIB provides capital for productive projects in industry, agro-industry, mining, tourism, economic infrastructure and related areas. It provides financing for large scale investment through individual loans and supports investment by small and medium scale enterprises through its system of global loans made to local development banks or other local financial intermediaries. The Bank may make a loan in support of investment projects undertaken by both public and private sector promoters. In all cases requests for finance must be presented either by the authorities of the ACP State concerned or with their agreement.

I am sure you will agree with me that the measures which I have outlined are of considerable assistance not only to the governments of SADCC countries in the creation of an environment which will attract private investment but are also of direct assistance to producers and industrialists in the region.

In conclusion, Mr Chairman, Lome III offers considerable scope for industrial cooperation and the promotion of productive investment. There is no lack of potential in Southern Africa, far from it. What now needs to be done is to find appropriate ways of allowing the SADCC region to recover the stability and security needed for all those involved in the development of the region to focus their combined efforts on the task of exploiting this potential. In this, as I have said earlier, private industry has a key role to play.

Mr Chairman, as you know, over the past seven years SADCC has received considerable support from the Community. Let me end by stating that SADCC can count on the Community for a continuation of this support in the years ahead.

Thank you very much

Statement: Mr. Allison B. Herrick
Director, US Agency for International Development, USAID

Mr. Chairman, Honourable Ministers,
Representatives of Business, and Multilateral and
Bilateral Agency Colleagues.

It is a pleasure to participate in this second day of the 1988 SADCC/Business International Conference as a representative of the U.S. Agency for International Development, which is, in fact, a shadow sponsor of this conference from the SADCC side. This conference provides an excellent opportunity to meet each other and to learn.

The briefing paper prepared for this meeting by Business International is very informative about SADCC itself, the trade relations of SADCC member countries, the public investment priorities adopted by SADCC and the general magnitude and direction of multilateral and bilateral aid.

Our colleagues, Messrs. Jaycox and Blonk have begun today's session with stimulating reports on the considerable resources being made available by their organizations. They have also highlighted:

- the fundamental need for the governments of the region to adjust their policy frameworks to get their economies back on a growth track and make them efficient and productive and attractive to investment;
- the importance of economic cooperation and integration.

Let me summarize briefly for you the current role of the United States as a donor in the SADCC region. I would then like to turn to some of the questions that have been raised by local and foreign business representatives as they consider their role and the role of governments in the productive growth of the region.

The United States, in the past seven years, has committed a total of one thousand six hundred (1,600) million U.S. dollars to the countries of SADCC and to SADCC projects themselves. In years of drought that total figure has included from 10 to 100 million U.S. dollar value in emergency food aid, but the remainder has been dedicated to helping SADCC nations build the basis for expanded investment and growth.

We have supported economic policy reform programs with straight cash grants.

We have helped relieve the shortage of foreign exchange for imports through commodity import programs.

We have provided technical expertise, training and credit to public bodies and cooperatives, and assistance to enterprises.

In February 1987 the United States announced its expanded commitment to Southern Africa, pledging to seek from the U.S. congress some 93 million U.S. dollars within the next 18 months. In fact, the Congress has appropriated a total of 100 million U.S. dollars, 50 million of which was committed in 1987 and another 50 million of which is available until September 1988.

Africa as a whole is the "favored region" this year for U.S. development assistance. In this year of budget stringency, when most ministry budgets were reduced--and unfortunately our commitments to multilateral institutions were not fully met--in this very year, the Congress appropriated more funds for Africa than the President had requested.

Without dropping important initiatives in technology of social services and resource conservation, our enhanced emphasis is on:

- private sector development and trade,
- transport, and
- agriculture.

In the direct U.S. program for SADCC, the transport sector reigns, having accounted for over 60 percent of total commitments to SADCC projects up to 1986 and for almost all of the 50 million dollars committed in 1987.

Agricultural research and the food security programmes have not been neglected, however, and these will be supported further in 1988 and 1989.

As will the continuing efforts of the Secretariat and the Trade and Industry Coordinating Unit to identify programmes to help expand trade and attract investment.

You potential investors need to know that the donor agencies are staying the course:

- that they will help finance the infrastructure that is necessary to support industry and to get products to the market --that they will help build or rebuild shattered economies
- that they will back the countries that are prepared to take the political and social risks inherent in reform programmes.

It is clear from our presence here, and from Dr. Makoni's report of pledges of approximately one thousand million U.S. dollars over the next four years, that the donors are indeed here to stay.

You investors must predict what the base situation is going to be tomorrow, and put into your calculations the probable commitments of supportive donors. I hope your conclusions will be positive.

You must also, however, analyze whether the infrastructure and policy climate are today conducive to your success.

At this conference we have drawn up the litany of the problems that investors and governments are now facing:

- Overvalued currencies.
- Budget deficits so high that public borrowing crowds out the private sector in the domestic capital market.
- Parastatal organizations that consume public revenues to cover their operating and capital deficits.
- Controls: -- on prices; -- on wages; -- on imports.
- Negative interest rates.
- Too much disincentive in the form of red tape and too little incentive in the way of tax holidays, access to labor, guaranties that profits will be available in hard currency, etc.
- Restraints on foreign exchange (even those who earn the foreign exchange have to help share the burdens of debt service and essential imports).

This conference gives you--who are potential investors in these developing nations--and you, who are trying to attract investment--the opportunity to talk with the governments that are so influential in creating or negating an attractive investment climate; to SHARE:

- your ambitions,
- your fears,
- and the risk-taking

For the business sector must be willing to face the risks inherent in economic liberalization. BECAUSE--those risks must be taken if an expanded private sector economy is to be achieved.

The importer of capital and intermediate goods of today resists devaluation of the nation's currency, but for tomorrow that devaluation may be necessary.

- The farmer finds devaluation more palatable than the protected manufacturer, but some business sector leaders are now urging the adjustments they had opposed in the past.

- We all cry for "EXPORT-LED GROWTH," but, to many, the road to growth looks too difficult.

- Some of us cast red tape as the main culprit.

- Others are frustrated by barriers to free movement of capital and management skills within the region and the inconsistencies between countries in central bank regulations.

WHAT DO YOU THINK? You external investors? Does Senator Norman's description of suspicion and mistrust fit you? Or are you ready to take your risk, considering the positive signs in the region today?
WHAT CAN YOU DO?
WHAT ARE YOUR.MINIMUM REQUIREMENTS?
WHAT CAN YOUR SADCC PARTNERS DO TO HELP?

- Have you huddled with them?

- Please do. They need your confidence and support.

Thank you

Statement: Mr Lars Norberg
Swedish Ambassador to Zimbabwe

Mr Chairman
Ladies and Gentlemen,

I have been asked to speak to this conference on the Swedish Development Assistance to and economic co-operator with the SADCC countries. The extensive Swedish Development Assistance to these countries should, beside the obvious economic needs of the region, been seen against the background of the overall orientation of Swedish foreign policy. Economic development co-operation with the majority-ruled states in the region forms an integral part of this policy, alongside political initiatives to isolate the South African apartheid regime. The latest step in our policy against that regime was the enactment last year of a total prohibition of trade with South Africa and Namibia. This measure was undertaken in the light of the failure of the efforts to bring about mandatory sanctions on an international scale through the U.N. Security Council.

The Swedish support towards development in Southern Africa reflects the wish of a clear majority of our people, across party lines, to engage in the process of change, the abolishment of apartheid and the strengthening of independence for the sovereign states in the region. The Swedish programme for development assistance to the SADCC region comprises a number of components, the largest being the bilateral support to the individual countries extended entirely as grants and channelled through the Swedish International Development Authority, SIDA.

Out of Sweden's total bilateral aid contributions almost 50 per cent are directed towards the countries in SADCC. This corresponds to 440 million US dollars for the current fiscal year 1987/88. This also corresponds to approximately 10 per cent of total Western development assistance to the region as registered by the OECD. Since the first bilateral co-operation programme was initiated - with Tanzania in 1963 - some 2 billion US dollars have been disbursed to this region from Sweden.

During the last couple of years the Swedish bilateral aid has been directed to assisting the SADCC countries in their endeavours to find the way out of the deep economic crisis. Support to the maintenance and rehabilitation of existing projects and programmes has thus become an important feature in our development co-operation programmes. But we also have to look ahead. This is done by our assistance to the further development of agriculture, health, infrastructure, industry, education and public administration.

An important part of the Swedish bilateral assistance to most of the SADCC countries, and in particular to countries with huge balance-of-payments problems, is the so-called import support programmes, by which foreign currency is made available for imports of goods and related services for development purposes. In some cases it is tied to procurement in Sweden.

Some 35 per cent of the Swedish bilateral assistance to the SADCC countries is allocated for humanitarian and emergency assistance, debt relief and through non-governmental organizations. In order to supplement - not to replace - the traditional development co-operation with individual members states of SADCC, Sweden has actively supported SADCC from the very beginning. More than 150 million US dollars - over and above the individual bilateral programmes - have been allocated to SADCC projects, mainly in such sectors as transport, communications and energy. One prominent item on the list of projects is the Beira Corridor project.

A further expression of our wish to increase the co-operation with the SADCC region is embodied in the Nordic-SADCC Initiative for Expanded Economic and Cultural Co-operation, signed by Ministers of 9 SADCC and 5 Nordic countries here in Harare two years ago. The initiative aims at intensifying contacts in such areas as trade, investments, transfer to technology and financial operations. Since this initiative was formalized, exploratory work on both sides has been very active. Some 40 proposals are being dealt with at this very moment. I would like to point out two of these proposals, which could become of importance in the future in promoting long-term trade and economic relations between the Nordic countries and the SADCC region. The Swedish counter trade company SUKAB has made a study on counter trade arrangements within the SADCC region and between the two regions. Such a scheme is now further explored in discussions with the individual governments in the SADCC region. Fully aware of the difficulties related to counter trade, we believe that it could be one further instrument for increasing long-term trade relations between our two regions.

The other proposal is the creation of a NORSAD Fund. The Fund shall guarantee availability of and, if required, extend foreign exchange to export oriented joint venture projects in which companies from the Nordic and SADCC countries are involved. The condition being that the export receipts from the projects be recycled back to the Fund, thus making it a revolving one. The Nordic countries will jointly provide 32 million US dollars on a grant basis to this Fund. The intention is that the Fund shall come into operation during the second half of 1988.

Apart from the bilateral aid programmes extended on a grant basis to individual member states of SADCC and the support to SADCC which I have just described, Sweden uses a number of other instruments, as well, in its long-term development co-operation with the countries in Southern Africa. One prominent institution in this context is the Agency for International Technical and Economic Co-operation, BITS for short in Swedish. BITS handles the Swedish concessionary credit system. The concessionary credits consist of funds borrowed on international capital markets, which through an association with grant funds from the Swedish aid budget are extended on soft terms. The credits are normally provided with an aid for grant element of at least 30 per cent. They are granted on project by project basis on the condition that the project contributes to the economic development of the recipient country. In terms of procurement the concessionary credit scheme is tied to goods and services of Swedish origin. To take Zimbabwe as an example, BITS has granted almost 40 million US dollars in concessionary credits to different projects including the installation of the National Control Centre in Harare and a regional one in Bulawayo, and the procurement of trucks and teleprinter equipment.

A further instrument for the promotion of long-term economic co-operation is the Swedish Fund for Industrial Co-operation with Developing Countries, Swedfund for short. Swedfund participates as a minority owner on commercial terms in joint-venture companies together with partners in developing countries and Swedish companies. Swedfund's total financial contributions - including equity, loans and guarantees - shall normally not exceed 30 per cent of the total long-term project financing. Today Swedfund is engaged in five joint-ventures in Zimbabwe such as Optimus Zimbabwe - manufacturing pressure stoves and hurricane lamps - and the other one - hopefully soon to be finalized - Nitro Nobel Zimbabwe which is going to manufacture civil explosives.

Yet another institution, which is of interest to exporters in developing countries is the Import Promotion Office for Products from Developing Countries, IMPOD for short. It may seem strange that a country has a special Governmental agency, financed by tax payers's money, to increase imports, but this is clearly a logical part of an active policy to promote economic relations both ways with developing countries. IMPOD has during the last couple of years, devoted particular attention to ways and means to promote export from SADCC countries into Sweden. Products from SADCC countries which have been identified as being of potential interest to the Swedish market range from fruit, meat and tobacco to clothing and minerals.

This, ladies and gentlemen, brings me to the end of my descriptive remarks on the Swedish economic co-operation with the countries of Southern Africa. In summarizing, I would limit myself to underlining a few and encouraging facts:

- The degree of economic activity between Sweden, theNordic countries and the nations of SADCC is increasing.

- The institutional network seems to be well established both with regard to regional and to bilateral forms of co-operation. A network is also being built up for the so-called Nordic-SADCC initiative.

- Financially, considerable resources are allocated to support this co-operation.

- Politically, there is a consensus that long-term economic co-operation is an instrument of major importance in the work for liberation, independence and stability.

- Finally, and maybe decisively, there is now a vast number of dedicated, experienced, competent and active institutions as well as individuals, wishing to participate in this process.

Thank you.

Statement: Mr Graham Stegman, Head Southern Africa Division Overseas Development Administration, UK

Mr Chairman,
Ladies and Gentlemen,

I will confine my remarks to a brief survey of recent trends in British development policies and programmes with particular reference to the SADCC region. We have long standing and close ties with the countries of SADCC. There is a real mutuality of interest. This relationship is underpinned by economic assistance. The fundamental aim of OD aid is to promote sustainable economic and social progress and to alleviate poverty. To help countries make the most of their undoubted potential. Britain plans to spend an additional 5.7 per cent in real terms on aid during our financial year 1988/89 and to continue the upward trend over the following two years. Within that total aid budget the policy of my Government has been to increase the volume of assistance of Africa.

The members of SADCC face particular problems. The repungnant system of apartheid casts a long shadow over them. We I believe our cooperation through SADCC has an important role to play in promoting regional stability. Our firm policy is to strengthen the economies of the SADCC countries and to reduce their dependence on South Africa.

Development of course is a partnership. The primary role is for the African countries themselves. Ultimately only they know the limits of what is possible within their own political and cultural framework. Aid donors have to work within that context. Donors cannot, and indeed we would not attempt, to operate independently.

We agree with each member Government the use and priorities of our assistance.

In order for aid to be effective in promoting sustainable development the environment must be right. Not only must the international economic climate not be hostile but SADCC countries themselves must pursue sound economic policies. We are all familiar with the background of depressed commodity prices, deteriorating terms of trade, and intermittent natural hardships. Against these pretty harsh economic realities a key feature of the last couple of years has been the extent to which African countries have undertaken that composite of economic policy and public sector reforms known as structural adjustment, and the fast disbursing aid given in support of their programmes.

As discussed so eloquently earlier by Mr Jaycox, Governments have been encouraged to liberalise their economic management, to reduce budget deficits, to set realistic exchange rates, to remove restraints from trade and industry and to provide positive incentives to efficient productive enterprise. More attention is being paid in design of adjustment programmes to the impact on poor and vulnerable groups. Growth with equity is, we believe, possible. We must recognise however that adjustment will take time. The political and social risks can be high. Implementation requires courage and determination and needs continued support from donors through additional concessional finance. As my Minister observed at Arusha, we must put our money where our mouth is.

Nor is the burden of debt overlooked. Our Chancellor of the Exchequer has put forward a three point plan to help the low income debt distressed countries in sub-Saharan Africa. This was endorsed at the Commonwealth Finance Minister Meeting and the Commonwealth Heads of Government meeting. There has been progress on two elements: writing off aid debts and more generous rescheduling. We continue to press other creditors to accept also lower Paris club interest rates. In December the Chancellor announced further that we would more than double our earlier offer to the interest rate subsidy associated with the

IMF's Enhanced Structural Adjustment Facility. I should add that for this purpose additional funds will be made available to the overseas Aid programme to cover the costs of this increased contribution.

Even where the policy framework is right aid donors have to be selective in what they try to do. Assistance must be well co-ordinated and applied where it can have the most impact. Aimed at the most important economic sectors and the strengthening of keyinstitutions. Most of own capital aid goes to the rehabilitation and improvement of existing productive investment rather than to new capital investment. All our investments in both physical and human capital are appraised to ensure they are technically sound, financially viable and produce real benefits. We are concerned too that the investment be maintained once our assistance is completed.

Aid is not a substitute for, nor is it intended to displace, direct private investment. Of course aid can act as a catalyst for commercial opportunities but it is concerned to ensure the climate is right, with the development of markets but not the securing of a particular order. We believe that SADCC Governments are aware of the crucial role the enterprise sector must play and that there is in effect the global market for investment. This meeting itself bears witness to the recognisation that economic strength will come from creating sound and secure investment climate and encouraging more private sector involvement. Dr Makoni underlined the role SADCC can play in fostering private sector cooperation. Equally a thriving and dynamic enterprise culture will seek out positive and profitable business. Aid does not subsidise direct investment. That must arise from the commercial judgements of individual companies. The potential and the opportunities are there.

Let me relate briefly these policies to our aid to SADCC countries. Our assistance is in support of adjustment programmes has more than doubled in the past two years. For example substantial new commitments have been made in the last 12 months: over 50 m to Tanzania and 20 m to Mozambique. At the Paris meeting in December we promised 250 m to Africa in balance of payments aid over the next three years. This money will be given in partnership with the World Bank to support economic reform in low income, debt stressed countries. We have written off 245m aid debts owed by sub-Saharan African countries, and as I have mentioned we are pursuing other measures to ease the debt burden. All of the efforts will have the effect of increasing foreign exchange availability. Our direct bilateral assistance to SADCC countries is running at over 100 m a year. This includes substantial technical assistance either for defence or institutional development projects, for export advice, to supplement local manpower resources, and as a complement to our financial assistance. Allied to this is a comprehensive programme of training, in the UK. At present there are some 1300 students from SADCC training in Britain.

Our assistance, given through SADCC, is focussed deliberately on its highest priorities: transport. Since the Gaborone meeting commitments have been finalised for assistance to the Beira Corridor, 2.5 m to regional fisheries research on Lake Nyasa, 12.4 m to the Northern Corridor. Good progress has been made on the rehabiiitation of the Limpopo line and with management assistance to the Nacala line and the Port of Maputo. As Minister Guebuza mentioned we have commissioned a study to report by the end of May, on the full needs for the rehabilitation needs operation and maintenance of the Limpopo line, the results of which will be shared with other prospective donors. The Minister for Overseas Development announced at the Arusha conference last month a further commitment to SADCC of 10 m taking our total commitment to 45 m. All of this aid is given on grant terms.

Finally, in addition to the direct bilateral aid and our aid through SADCC, we provide also emergency aid, aid through the multilateral agencies the UN, WFP, and BC (for instance we provide roughly the sixth of FC aid). As with other donors the private sector participates directly in the provision of goods and services under our aid progromme. We have two further instruments of direct interest to business. The aid and trade provision is designed to assist UK exporters by providing aid in association with a loan supported by the Export Credit Guarantee Department. The Commonwealth Development Corporation receives substantial support from the aid programme. CDC invests directly in the enterprise sector in association with local investors. CDC has committed 270m to investments in SADCC.

The range and extent of our assistance is a measure of our confidence in SADCC and its member states. Confidence which we hope you share.

Thank you

Statement: Mr S.H. Botchwey, Advisor, African Development Bank

Honourable Ministers,
Distinguished Delegates,
Ladies and Gentlemen.

Permit me before I make my statement to express the ADB President, Mr Barbaca N,Diaye's sincere apologies for his inability to be here personally to participate in this important discussions on New Opportunities for Trade and Investment in Southern Africa.

It is my humble duty to represent him.

Introduction

This meeting is taking place at an appropriate moment, coming shortly after the SADCC consultative meeting in Arusha:- An opportunity for the private sector to receive the Arusha message and digest it.

I believe also that at this moment in time, it is fair to state that generally, the debate on Public Sector Versus Private Sector in the development process is no longer relevant in Africa; for many African countries accept that both the public and private sectors have complimentary roles to play in the transformation of their economies, varying only in the extent of the mix.

Furthermore, many African countries, including countries in the region are now implementing or are in the process of implementing appropriate policies to create the enabling environment for sustainable economic and social development generally and particularly a conducive atmosphere for the private sector to play its proper role.

Much ground has been covered during this meeting regarding the role the multilateral institutions and other donors are playing in assisting the Southern African countries to create this enabling environment for the optimum exploitation of the region's rich natural resources and also to deal with the complex problem of disengaging the region from its economic and financial dependence on Apartheid South Africa.

Suffice it therefore for me to indicate briefly some of the initiatives the African Development Bank is taking to promote and support the private sector, expand trade particularly exports and intra-African trade and to find feasible solutions to the external debt problem.

Private Sector Promotion

Following the establishment of the African Project Facility jointly with the IFC and UNDP to provide advisory services to African entrepreneurs to prepare viable projects and assist them to secure finance and managerial assistance, the Bank in fiscal 1987 established a new unit for the purpose of developing strategies geared to assist the private sector in Africa. The Bank has taken a further step in this regard and is in the process of bringing together a group of African experts, independent of the African Development Bank and other multilateral development banks, to study in depth how to convert the enormous private sector potential into increased production of goods and services, the objective being to produce a blue print of action which could serve that purpose in Africa and also set out a frame-work for partnership with external investors.

In the area of financial infrastructure and instruments, the Bank has recently reviewed its equity participation in and lines of credit to national and sub-regional development finance institutions with the view to strengthening them to provide increased credit and other financial services to small to medium scale private enterprises.

Furthermore, the Bank is studying the possibility of establishing a facility to lend directly to the private sector to overcome a legal constraint in its operations with the private sector:- that is provision of government guarantees to back up loans to private enterprises, which governments perhaps rightly are hesitant to give.

The Bank is also exploring ways of developing further its co-financing operations with commercial banks.

Regarding export promotion and intra-African trade, the Bank with the support of UNDP is in the initial stages of conducting feasibility studies to investigate the possibility of establishing an African Export Import Bank, to provide ready assess to trade finance and other services.

Shortly these consultants will be coming to this region to gather information and share ideas with both the public and private sectors. I hope you will give them the benefit of your experiences so that the products that the Bank put in place out of these studies will effectively fill some of the institutional gaps in Africa.

We recognise that foreign private investment will involve remittable profits and hence demand on foreign exchange earnings as debt services do.

However, we believe that the efficiency and accountability in resources that the profit motive bring out and further if private foreign investors deepen processing of the region's rich natural resources for exports and substitute imports within a framework of proper guidelines the linkages, the technology, management expertise and skill transfer to indigenous entrepreneurs and labour will hasten industrial development in the region which will being long-term benefits to the economies of the region that will in turn facilitate profit and dividend transfers.

External Debt

Distinguished Ministers and Delegates,

The Bank has for sometime been searching for feasible solutions to the African external debt problem. It has now, in consultation with its advisers, developed an approach to the debt issue which addresses the specific problems of African countries.

Allow me briefly to outline the essential elements of the proposal. It is a refinancing exercise that involves:

- an offer to all the relevant creditors of a new security in exchange for the eligible debts they currently hold.

- *The eligible debts* to be refinanced are all the medium and long-term external debts, excluding multilateral debts and other debts that have been granted on terms more advantageous than the proposed new security.

- *Terms of the New Security.* The qualifying debts would be converted into securities of at least 20 year single payment maturity, carrying a fixed rate of interest. The amount of foreign exchange which would be available for debt service in the medium term, on a realistically sustainable basis, would be subject to negotiation between the creditors and the government of the debtor country - based on the history of actual cash debt service paid in recent years and the future prospects for such payments.

- *The redemption Fund* A redemption Fund would then be established for the securities issued into which the debtor country would undertake to make annual payments of an amount sufficient to accumulate at maturity to the total of the securities outstanding.

- *Rate of Interest* An interest rate would be set for the security calculated on the basis of the difference between the payments into the redemption fund and the level of sustainable debt service described above. The rate of interest may be increased at an agreed periodic interval, after a review.

- *Board of Trustees* A Board of Trustees would be appointed to manage the redemption fund on behalf of the holders of the securities. The Board would include members of IBRD, IMF, the ADB, various classes of creditors and the debtor country. It is further proposed that the Board be administered by the existing Paris Club Secretariat.

The Board of Trustees would have power to manage the assets in the redemption fund so that the long-term security could be redeemed at maturity.

The Board of Trustees would meet regularly to review the economic performance of the debtor country and to receive reports from the IMF and IBR on the progress of any programme put into action.

In an improved foreign exchange position, the Board could call for an increased rate of repayment into the redemption fund. This way the assets in the fund would increase faster than was required to meet the redemption of the long-term security at maturity. The Securities could then be redeemed before maturity.

On the other hand if the economic performance of the debtor country shall deteriorate despite adherence by that Government to economic policies agreed with IMF and IBRD, the Board could recommend to the creditors that the rate of interest on the securities and probably payments into the redemption fund be reduced until such performance improved.

The Board is to play an important role with the debtor government in agreeing the future financial needs of the country and identify ways of meeting them.

The Board is also expected to ensure that as long as the debtor country kept to programmes agreed with the IMF and IBRD, multilateral agencies would maintain a net positive flow of funds to the country. If on the other hand the country failed to adhere to the agreed programme, the Board could recommend cessation of disbursements of new funds to the debtor country.

This proposal was developed after taking due care of the constructive comments of representatives of some creditor countries. The African Development Bank believes the above approach is realistically fair to debtors and to all categories of creditors. It ensures full and foreseeable repayment of outstanding principal and retains a framework of conditionality which established the circumstances in which financial flows can contribute to the controlled recovery of the economies of Africa.

If the scheme were to be put in place for several African countries, considerable funds would begin to accumulate in the redemption funds which could provide, among others, appropriate funding of the multilateral development Banks, particularly ADB and IBRD.

The African Development Bank recommends the proposal for the consideration of the debtor governments of the region, creditor governments and all other creditors.

The Bank is committed to assist the region to optimally exploit the enormous resources to improve the quality of life of the people, with their active participation.

The Bank will also, in this dynamic world, continuously search to improve its instruments and for new means to assist the private sector also play its proper role in this extremely challenging but exciting exercise.

I thank you.

Statement: MrAzam Alizai
Director, Department of Investments (Africa)
International Finance Corporation, IFC

Your Excellencies,
Ladies and Gentlemen,

I am very pleased to welcome you this evening on behalf of IFC which is co-sponsoring this Conference on the subject of Opportunities for Investment in Southern Africa. This is a subject on which the Corporation has some considerable experience since we made our first investment in the region over 25 years ago and have since supported some 200 projects in 35 countries in sub-Sahara Africa including all of the SADCC countries which are members of the World Bank and IFC. And our presence here amongst you to-day demonstrates, I hope, that we have an even stronger interest and commitment in associating ourselves with the development effort of this area in the future.

Today's session of the Conference has dealt in some detail with the prospects for specific sectors of the economy in the region. I should like to take the opportunity this evening to talk more generally, and I hope more detestably, about the subject.

Much has been said and written about the problems facing economic development in Africa. This seminar is intended to look at these problems realistically and to assess how they can be overcome. I do not want to dwell on them further at this late hour of the day.

I should like, rather, to stand back and reflect more positively on why foreign investors should be interested in sub-Saharan Africa.

The first and main reason is a very general one, and is related to the shift in the structure of the world economy from a national one to a global one. No country in the world today, not even the largest and the richest, can afford to base their prosperity on an inward-looking view limited to their own market and to their own competitive advantage. The world does not stand still. As costs of production increase, even in such spectacularly successful countries as Japan, it becomes increasingly important for businesses to consider the economics of shifting operations to developing countries. The secret of successful businesses in the developed world - not only the large multi-nationals, but also many medium-sized specialists like Bata of Canada, - has been that they base their plans and policies on a global view of their opportunities. Not that being a success in the developed world guarantees success in Africa. Many of you will have read, no doubt, the recent article in the Economist under the catchy, if rather crass title "Getting Rich in Poor Places."

The intriguingly successful businesses the Economist described in Africa - do not follow any standard formula for success. Rather the point I would make here is that there are many ways to be successful even in environments that seem unpromising.

A second reason for interest in the region is the increasing recognition in many African countries of the contribution that the private sector can make to the growth the their economies. This change of thinking may not be the result of an ideological conversion to the values of capitalism. Rather, I believe, Governments have come to recognize that increasing public ownership of industry and controlling of markets have not led to increasing output and welfare. They have had to pay the bills in terms of inefficiency and budgetary deficits. Looking outside their own countries, they have seen that, in countries where the private sector has a large role, the economies have grown more rapidly. This is nothing new to this audience, but there is a trend - at least in some countries - to liberalization of markets and to encouraging private investment. I have no doubt that it will take some time for over-regulated economies to respond; but this is the time for private investors to assess prospects for the future Governments that have begun to make the hard political choices of accepting the adjustment and austerity which go with opening up their economies deserve support. Without private investment their efforts will have little chance of success.

At this point it is appropriate to say a few words about the experience of the International Finance Corporation. The IFC, you could say, was created in the belief that private businessmen and investors could make a substantial contribution to the economic development of the Third World. Our experience after more than twenty-five years in business has also demonstrated the converse. That is to say: investing in development can also be profitable. All of our operations are in the Third World. None of them receive a government guarantee. To give you an overall perspective, by the end of 1987, IFC had, since its inception in 1956, invested about US$5.4 billion (of which about US$3 billion are currently outstanding for IFC's own account) in 1060 productive projects in 93 member countries and had accumulated earnings of over US$335 million. This is not intended as a commercial gain for IFC. Not all of our projects have been successful and we rely for good management on partnership with private businesses. But the point is that IFC's record supports the proposition that investing in the Third World can be good business.

I should now like to turn to the question of what investors need to do to take advantage of the opportunities in the SADCC region. And how IFC can help.

The first proposition, I would suggest, is that they take the long view of the business prospects. Private investors are in business to make a profit, but this does not mean that the management capabilities in technology or marketing that have been successful elsewhere will be equally successful in Africa. Many problems need to be solved in building a plant, in training labour, in penetrating markets, but our experience has shown that if the concept is sound, if management is effective and the financing sound, the problems can be solved and a business become profitable. Projects such as Pan-African Paper Mills in Kenya encountered delays in construction and resistance among customers when their products were introduced on the local market. Nevertheless, gradually, it established itself as a profitable enterprise, expanding into export markets, diversifying its product line, and paying dividends to its shareholders. Based on experiences such as this, we for our part, are prepared to take the long view. We are interested in working with serious investors in working out plans for new ventures and will support them in overcoming the obstacles they may encounter.

The second point to stress is the need for investors to understand the local environment. There are many aspects of business that require thought and preparation: how to adapt products to local taste, what stock levels to maintain where transport may be interrupted, or what needs to be done to ensure adequate plant maintenance. And this principle is also true in a political sense. In many countries in the region, governments insist on local participation in new business ventures. In practice, local participation may mean government participation. In these cases, foreign investors will need to rethink their established corporate policies about shareholding and control. In doing so, they should understand government's development priorities and economic policies, and their quite legitimate concern that new business make proper use of local resources, and are responsive to local needs. This is an area in which we in IFC have considerable experience. Most of the companies in which we have invested are joint ventures between foreign and local investors. Of the enterprises supported by IFC in sub-Saharan Africa, there are some 88% where foreign investors have been involved as significant shareholders. These investors have come from twenty-one different foreign countries. As a result of this, we have built up a real experience in the structuring of successful joint ventures.

A third and related principle to bear in mind is the need for foreign investors to make a genuine contribution to the development of the local economy. For IFC, as a development institution, this is naturally a necessary condition, of us to be involved in a venture. But from the investor's viewpoint it is also good business. If an enterprise can demonstrate that it is of economic benefit to the community, as well as profitable to its investors, this is the best insurance that it will be politically well regarded in the long run. Part of IFC's role as a "third party" in many deals is to help structure them to ensure this mutual benefit. And if this is successful, our involvement helps provide a political umbrella to protect the private investor.

In conclusion, I guess what it all boils down to is that an investment opportunity would be worthwhile only so long as it fulfills, or substantially fulfills, the objective and expectations with which it was founded. That is to say, the investments be successful. As indicated earlier, our experience is that successful investments would usually have at least four common ingredients. First, the investment must be soundly conceived and reflect a fair share of benefits between the investors and the host country. Second, the investment must have experienced management dedicated to maximizing its benefits for the investors and the country. Third, an enlightened management must, from inception, undertake the training and development of domestic successor management and, in the computer dominated world in which we live, ensure that investments lead to a genuine transfer of technology.

Fourthly, sufficient foreign and domestic capital be available to sustain a good level of economic activity in the region. In all of these areas, IFC would hope to be of service. With regard to the first three, project preparation, project management, and development of successor management, two recently launched IFC initiatives, Africa Projects Development Facility (APDF) which is already operational, and African Management Services Company (AMSCO) which is at an advanced stage of being established, will soon begin to provide valuable service particularly for the small and medium domestic entrepreneurs. And finally, with regard to capital, over the next five years, IFC plans to double its investment portifolio in the region. This will involve investing about US$600 million in about 100 projects supporting a total investment of US$2.5 billion in the Region. However, we cannot do this alone. To achieve these targets will depend on a favourable business environment. And, more importantly, it will depend on the participation of private investors to invest with us. We therefore welcome the opportunity of this conference to meet with you to see how all this can be achieved, and we wish your deliberations to succeed

Thank you.

CLOSING ADDRESS: H.E.COMRADE B.G. MUGABE PRESIDENT OF THE REPUBLIC OF ZIMBABWE

Mr Chairman,
Honourable Ministers,
Executive Secretary of SADCC, Cde Makoni,
Distinguished Representatives of the Enterprise Sector,
Ladies and Gentlemen,
Comrades and Friends.

It gives me great pleasure to be able to address you at the closing session of your Conference. Let me take this opportunity, on behalf of the Government and people of Zimbabwe, to welcome you all to Zimbabwe. I hope you have enjoyed your stay in Harare and, more importantly, that your deliberations over the last two days have been very fruitful.

The very fact that Business International, in collaboration with the International Finance Corporation and the SADCC Secretariat, have decided to hold this meeting soon after the SADCC Annual Consultative meeting in Arusha, Tanzania, clearly underscores the seriousness with which you have taken that Conference's theme of Investment in Infrastructure and Enterprise.

This new theme of SADCC incorporates our new initiatives for according new priority to the production of goods and services within the region. In the forthcoming SADCC meeting of Heads of State and Government in Maputo, in June, we shall reaffirm our commitment to the paramount importance of investment in production and extend further our invitation to our cooperating partners to join hands with us in this endeavour. This should serve as an indication of our seriousness of purpose in creating a new partnership in investment in production. The question now is no longer whether, but rather how, and how soon, this new partnership can be realised.

Individually, our economies are not strong as they are dependent upon outside markets and transport but, taken collectively, SADCC, with a total population of 70 million, is an important economic grouping, richly endowed in natural and human resources. The establishment of SADCC was an important step taken by our countries to achieve the desired economic liberation and independent economic development. In our efforts to confront the current hostile international economic environment, characterised by declining trends and terms of trade, heavy debt burdens, protectionism, the unstable financial system, and the recurrent drought, we in this sub-region have further had to contend with systematic policies of destruction and vicious political and economic destabilisation pursued by the South African apartheid regime.

We therefore urge the international enterprise community to put pressure on the South Africa regime in whatever ways you can, for example, by cancelling contacts and contracts with South Africa and disinvesting, so that the apartheid system is peacefully forced to crumble.

We further urge those companies which are disinvesting from South Africa to consider investing in the SADCC region as a viable alternative to the apartheid state. We believe that the SADCC region is richly endowed in natural, human, and a number of other complimentary resources to make business ventures in the SADCC region truly worthwhile and, indeed, rewarding.

Our region urgently needs the injection of non-debt creating investment based on equity participation and/or any other form of investment. We therefore welcome and sincerely appreciate the convening of this Roundtable in Southern African to consider the possibilities of investing in the SADCC region and explore the opportunities of making the SADCC objectives realizable through the production and provision of goods and services that should transform our economies. We truly believe that the theme of your Conference i.e. "Southern Africa: New Opportunities for Investment and Trade" is appropriate.

Mr Chairman, during the past 8 years of SADCC's existence, emphasis has been concentrated on establishing an effective mechanism for inter-state cooperation and consultation, and the development of programmes and projects aimed at strengthening the region's physical infrastructure, especially in the areas of transport and communications, energy, food and agriculture. However, the development of physical infrastructure serves no useful purpose if it is not complemented by the development of the productive sectors. In this regard, the SADCC Summit directed the Council of Ministers to formulate strategies that would harness the potential for investment in the region. You may all be aware that the theme of the 1987 Annual Consultative Conference held in Gaborone was "SADCC Investment in Production". The Conference was preceded by a Seminar for Businessmen (both local and foreign) and I am informed that the recommendations that emanated therefrom, especially the formation of National Business Councils and the improvement of the investment climate in the region, are now under active consideration by all SADCC member-states.

Mr Chairman, the SADCC Programme of Action has hitherto been dominated by public sector projects. We recognise that as we move into the phase of investment in production we must mobilise technical, financial and managerial support from the enterprise community. We also recognize that investment in production cannot depend upon concessional financing, and that the management of enterprises is a responsibility the enterprise community has great experience in. In this regard, efforts are being made in all SADCC member states to create conditions conducive to investment in the productive sectors. SADCC member states have embarked on various forms of economic reform and structural adjustment programmes.

Mr Chairman, on a broader scale and one which could be viewed as a model of North-South understanding, SADCC's operational cooperation with the Scandinavians in the sphere of industrial development has been most encouraging and promises to yield very interesting and worthwhile results. The Nordic/SADCC Initiative focuses on the development and implementation of measures to strengthen the productive sector in the SADCC region; to stimulate joint ventures and other forms of commercial investment; to increase intra-and interregional trade; to increase cultural cooperation between the regions and to improve the efficiency and effectiveness of development assistance. Through the SADCC/Nordic Initiative., work is advanced towards the establishment of the Export Pre-financing Revolving Fund, Export Credit Fund, Crossboarder Investment Facility, Norsad Fund, and so on. All these efforts are directed at stimulating direct investment and opening the way to facilitate the formation of joint ventures.

I hope that this Conference has been able to identify, analyse, and agree on additional mechanisms which would further help enhance the efforts which are

And may I join President Kaunda in spirit and letter by reiterating to all of you that SADCC therefore offers the opportunity and welcomes the enterprise community to join this march forward in partnership, equity and trust for our mutual benefit. Such partnership should not be impossible to achieve if we pull in the same direction.

The growing understanding between SADCC governments and the enterprise community, both domestic and foreign is, indeed, very encouraging. Let us, therefore, transform this understanding into concrete projects in the productive sector and harness the human, material and natural resources at our disposal. I sincerely hope that your Conference has been able to articulate and deliberate on the practical modalities of creating such an environment and we keenly await the opportunity to consider your observations and recommendations.

We invite you to actively and effectively participate in the implementation of the SADCC Programme of Action for mutual benefit. We are ready and prepared to work with you towards that end. I trust that your deliberations left no stone unturned and that the subsequent follow-ups and outcome will vindicate your seriousness of purpose in gathering here today.

Thank you.

ANNEX I

SOUTHERN AFRICA: New Opportunities for Investment and Trade

Part 1: Regional, Overview

Introduction

Southern Africa normally hits the headlines as a region of conflict. Wars and politics loom large, notably in South Africa itself, where minority rule and apartheid, unsustainable in the long term, and South African aggression against its neighbours both impede and threaten the region's development.

But there is a great deal more to the region than conflict. In particular, there is long term economic potential the region is the richest in the world in terms of minerals and has almost all the raw materials, agronomic/ecological zones and substantial basic infrastructure necessary for rapid development.

The Southern African Development Coordination Conference (SADCC) was formed in 1980 with the broad objectives of fostering coordinated regional economic development and reducing the dependence of the countries of the region, particularly on South Africa. The SADCC members are: Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe. Since its formation, SADCC has placed top priority on the rehabilitation and development of the region's transport and communications infrastructure. However, in the past year, the organization has articulated policies and initiated activities aimed at investment production and trade.

SADCC is engaged in development in which foreign governments and international institutions are participating heavily; and foreign companies have good opportunities to do so too.

The SADCC countries are diverse in many ways, but the region has three things in common:

- it has recently begun to receive higher amounts of aid as it problems have gained higher priority on the international agenda;

- its governments committed to developing their economies, with an increasing role for the enterprise sector, and higher priority for trade and investment involving both regional and foreign enterprises;

- the region recognizes that its relationship with the economic giant of the region, South Africa, is one of a high degree of economic interdependence. SADCC aims to reduce this; but no SADCC state is seeking a regional confrontation.

The Harare conference will provide an opportunity to continue the dialogue initiated in Gaborone in February 1987 between officials from the SADCC countries and business executives from both within and outside the region, on issues of development, investment and trade, in the context of SADCC's new emphasis on investment,production and enterprise development.

SECTION A: SOUTHERN AFRICA

(i) Diversity

It can be asked if Southern Africa is a region at all, such is the diversity between SADCC member states. But they can be roughly grouped: three small land-locked countries, Botswana, Lesotho and Swaziland (BLS), are members with South Africa of the Southern African Customs Union (SACU); three larger landlocked countries, Malawi, Zambia and Zimbabwe, are former members of the Central African Federation; and the three coastal states, Angola Mozambique and Tanzania. The latter, though geographically part of East Africa, is closely tied to the region by economics and politics.

The countries are diverse in size, from Swaziland with 700,00 people to Tanzania with 22 million. They are diverse politically,from socialist one_party states to multiparty parliamentary democracies. They are diverse in security, with South African•sponsored aggression in Angola and Mozambique, a low key insurgency in Zimbabwe and relative peace elsewhere.

They are highly diverse economically, with GDP per capita of $160 to $840 (1985), growing faster in Botswana, and (until recently) declining faster in Angola and Mozambique, than in any other country in the world. Four are highly dependent on a single commodity, Angola on oil, Botswana on diamonds, Lesotho on migrant labour and Zambia on copper. Five are more diversified,but only Zimbabwe has a balance between agriculture, mining manufacturing. Five have rescheduled debt in recent years, Angola, Malawi,Mozambique, Tanzania and Zambia, while Botswana's reserves cover nearly 2 1/2 years' imports, one of the high estratios in the world. Wide inequalities of income exist within and between them.

TABLE 1

Basic Indicators

	Area ('000 sq km)	Population (mid-'85m)	GNP	Exports (US$Bill 1985)	Imports	GNP/Capita US$ 1985	Ave Annual Growth Rate 1965-85 (%)
Angola	1,247	8,8	4.7	2.09	1.39	530	-4.6
Botswana(a)	600	1.1	1.0	0.67	0.55	840	8.3
Lesotho(a)	30	1.5	0.7	0.02	0.43	470	6.5
Malawi	118	7.0	1.2	0.25	0.29	170	1.5
Mozambique	802	13.8	2.2	0.17	0.55	160	-3.7
Swaziland(a)	17	0.75	0.5	0.27	0.35	670	2.7
Tanzania	945	22.2	6.4	0.25	1.02	290	0.8
Zambia	753	6.7	2.6	0.83	0.65	390	-1.6
Zimbabwe	391	8.4	5.7	1.06	0.85	680	1.6
SADCC	4,903	70.2	25.0	5.61	6.08	290	-
South Africa(a) (inc. Namibia)	2,045	33.5	65.1	18.03	15.04	2,010	1.1
Total Southern Africa	6,948	103.7	90.1	23.64	21.12	868	-

Sources: Most data from IBRD World Development Report, 1987

(a) SACU member countries trade data 1984 published together, disaggregated from J.R. Lewis, Institute of Development Studies Paper 232, June 1987
Angola and Mozambique economic data ibid.

(ii) Relations with South Africa

Relationships with South Africa are also diverse, complex and in many ways paradoxical. Politically they vary between full diplomatic relations (Malawi) and open warfare (Angola). Six of the nine are members of the Front Line States group.

All, with the possible exception of Tanzania, have suffered directly in recent years from the South African policy of destabilization, whether military or economic. Yet five host South African government offices (Lesotho, Malawi, Mozambique, Swaziland and Zimbabwe). Two have signed formal security cooperation agreements with South Africa (Mozambique and Swaziland), Angola a short_lived nonaggression treaty, and, while the others, except Angola and Tanzania, maintain some form of liaison with South Africa on security matters, they pursue a policy of not offering military facilities to South African liberation movements. All make clear their repugnance of apartheid.

Economically, the relationship in trade labour, investment and transport is even more complex. For all SADCC members, except Angola and Tanzania, which have no economic relations with South Africa at all, these relations are greater than those with fellow members of SADCC. The trade pattern shows a high degree of inter -dependence.

TABLE 2

Regional Trade of the SADCC Countries, 1984 (US $ mn

	Exports					Imports					Trade Balance		
		To		To			From		From			With	With
	Total	SADCC	%	SO.AF	%	Total	SADCC	%	SO.AF	%	Total	SADCC	SO.AF
Angola	2,061	0	0	0	0	1,018	2	0	0	0	+1,043	-2	0
Botswana	674	27	4	59	9	706	62	9	552	78	-32	-36	-493
Lesotho	24	0	0	8	33	498	1	0	370	74	-474	-1	-362
Malawi	314	27	9	23	7	270	30	11	109	40	+44	-3	-86
Mozambique	180	21	12	8	4	549	28	5	64	12	-369	-7	-56
Swaziland	270	4	2	100	37	350	1	0	315	90	-80	+3	215
Tanzania	377	7	2	0	0	847	9	1	0	0	-470	-2	0
Zambia	678	28	4	5	1	608	45	7	129	21	+70	-17	-124
Zimbabwe	1,156	131	11	212	18	955	67	7	184	19	+201	+64	+28
The 6 Land-Locked	3,116	.	-	407	13	3,387	-	-	1,659	49	-271	-	-822
SADCC	5,734	245	4	415	7	5,801	245	4	1,723	30	-67	0	-1,308
South Africa	18,030	1,723	10	0	-	15,042	415	3	0	-	+2,988	+1,308	0

Source: Lewis ibid.

For the SADCC countries, the degree of trade dependence is obvious (transport will be addressed in Part 3). The six landlocked countries obtain about half their total imports from South Africa, and four SADCC members run trade deficits of over$100 million. For the only country whose trade is in rough balance, Zimbabwe, South Africa is still its biggest trading partner, and the largest single market for its manufactured exports. However, by 1986 total Zimbabwe exports to SADCC member states exceeded those to South Africa and total trade with SADCC states was almost equal to that of South Africa. (It follows, of course, that all the countries of the region except Zimbabwe tend to benefit rather than suffer from the weak rand.)

But for South Africa, too, the SADCC countries are of critical importance, taking about 20% of nongold exports and providing an annual trade surplus of around $1.5 billion, or roughly half South Africa's current account surplus in the mid-1980s.

Despite statements of intent to impose sanctions, none of the SADCC countries has as yet been in a position to effect them and all have said so publicly. By the same token South Africa cannot afford any permanent breach with such a valuable market, although it has selectively, and to varying degrees, applied sanctions against some SADCC countries.

Migrant workers are another point of interdependence. SADCC citizens account for around 300,000 of the total of just over 600,000 black mineworkers in South Africa. Official breakdowns are rare, but for the gold and coal alone the figures are:

TABLE 3

Migrant Workers 1984 (RSA) Gold and Coal Mines Only, With Full Recruitment Formalities

Country of Origin	Number of Workers	% of Workforce	Remittances (R mn)
South Africa	**303,131**	**60.65**	
Lesotho	105,189	21.25	186.3
Mozambique	45,472	9.20	70.2
Botswana	17,265	3.50	23.6
Malawi	15,328	3.10	26.1
Swaziland	11,467	2.30	11.4
5 Countries sub-total	**194,721**	**39.35**	
TOTALS	**497,852**	**100.00**	**317.6**

Source: South African Chamber of Mines: Mining Survey 1986 of the big multilaterals (see Part 5). But there is still plenty of free foreign exchange available for essential imports in many countries. It is an area of "niche" business, where an established relationship with an importer whose imports are cleared for priority foreign exchange allocations can turn in steady profitable business.

There are also a number of non-aid projects. The biggest in prospect is the massive Highlands Water Project in Lesotho (ironically to be financed mainly by South Africa). Much of the equipment will necessarily be sourced on world markets. Other projects will be mentioned in later parts.

Investment

Western equity investment in the region is concentrated in Zimbabwe, which holds about one third of the total capital stock of SADCC. Over half of Zimbabwe's capital is foreign-owned, with South African interests holding about 25%. There has been little new equity investment into the region in recent years. The De Beers investment in the Botswana diamond industry has been by far the biggest single element. Among the others, Lonrho has returned to plantations, and established a tourism complex in Mozambique. In Zimbabwe, Heinz has taken a major stake in food-processing; Cluff has opened a profitable new gold mine, and Norsk Hydro has taken a share in the fertilizer industry. In Botswana, a profit-sharing management contract in the expanding hotel industry was recently won by a Zimbabwean group against South African competition-a regional first.

These illustrate two growth areas-tourism in the region generally, and the attraction of profit-sharing management contracts, requiring a substantial commitment by management, but falling short of equity investment. Tate and Lyle is involved in the Zimbian sugar industry, on a basis sometimes described as the "privatization of aid."

Aggregate investment figures include infrastructure and social investment and do not therefore reflect directly productive investment, which is substantially less than half the total. For instance, in 1983, Zimbabwe's investment in agriculture, mining and manufacturing comprised only 27% of gross fixed capital formation.

In considering new investments, companies will obviously examine the operating climate and the law. The latter is evolving toward greater incentives for investment in most regional states; for instance Mozambique has just produced a complex new law which is in essence highly positive (despite bureaucracy) and Zimbabwe and Zambia have introduced new export bonuses for manufacturers. Export industries are the major field where remittance of profit can be reasonable guaranteed. But in looking at the laws, companies

Adding in the illegal migrants, largely Mozambicans working in agriculture, there could well be up to 500,000 SADCC citizens remitting in cash and kind up to R0.5 billion per year. Skilled migrants make a valued contribution to the South African economy too, of course, as do the large numbers of skilled South Africans working in some SADCC countries.

(iii) Aid, Trade and Investment

Aid

In the first half of the 1980s, overall aid to the SADCC region remained at a plateau. Since 1985, however (the last year for which World Bank figures are available), there is clear evidence of an increased political commitment in the West. This is partly because the scale of SADCC vulnerability to destabilization is now acknowledged, partly because of the steep rise in pressure for sanctions in 1985/86, and partly because aid to SADCC states to reduce their vulnerability to possible retaliation is now being actively promoted by some Western governments, as a sensible alternative to sanctions.

The main beneficiary of the recent increase in aid has been Mozambique, which in mid-1987 also reached an exceptionally favorable debt rescheduling agreement with Western creditors. This is not only because its needs are greatest, but also because its geographical position across the "natural" trade routes of most of its landlocked neighbours makes it the key to the reduction of dependence on South Africa, especially in transport. For the same reason, the priority SADCC sector attracting aid is transport.

The other dynamic of regional aid, as elsewhere in Africa, is implementation of economic adjustment programs, most with IMF/Word Bank support. Fast-spending program aid, bringing a surge in imports, normally takes the form of Commodity Import Programs (CIPs), from which several SADCC countries have benefitted in recent years. For instance, $230 million was put into the Zambian foreign exchange auction system in 1986, but withdrawn with the breakdown in relations with the IMF in May 1987, and Tanzania has seen commitments in 1987 rise to $500 million to support its own restructuring program.

Trade

For all the economic and security problems, SADCC countries import some $4 billion worth of goods per year from outside the region, overwhelmingly from the OECD countries. Roughly one third of this is financed by aid, of which three quarters is bilateral and most of that is tied. Exporters will therefore wish to look hard at their own government's aid, especially any CIPs, as well as that should remember that there is, in practice, great flexibility in their application. If any company approaches almost any regional government at a high level with an attractive investment proposal, it is likely to be treated ad hoc, and the company will be able to strike its own bargain on favorable treatment etc. SADCC has produced a useful compendium of investment codes, and is currently studying ways of rationalizing and harmonizing them, where possible.

On remittances, the BLS has good records. The remittance pipeline in Zambia and the emerging pipeline in Malawi are acknowledged as disincentives; but in Zimbabwe, with a unique recent history, there has been no constraint at all on remittances from new, post-independence investment. Tanzania, Mozambique, and, lately, Angola are working out to measures to minimize constraints on remittances.

SECTION B: INSTITUTIONAL FRAMEWORK

There are three regional economic organizations, with overlapping memberships but different functions.

(a) SADCC

Created by heads of government in Lusaka in 1980, this is the most important of the three. Its meetings, such as that in Arusha, are workmanlike, nonideological and taken seriously by donors. SADCC's aim is to promote greater economic independence for the region, particularly from South Africa (whether white or black-ruled), in the interests of its own development. It was a conscious alternative to the South African concept of a Constellation of Southern African States (CONSAS), linked even more closely with South Africa. It is a vehicle for developing projects and policies on a regional rather than national basis and securing official development assistance or private investment for them. It does not regulate trade, but encourages increased intraregional trade through the activities of the Industry and Trade sector.

Its headquarters and (deliberately very small) secretariat are in Gaborone, with a purely coordinating function. But their unique overview of the region often gives them considerable influence. Responsibilities for the sectoral coordination of programs, including collection of data, chairing of the sectoral commissions, putting proposals, etc) are shared among the member states as follows:

Agriculture Research	Botswana
Energy	Angola
Fisheries, Forestry and Wildlife	Malawi
Food Security	Zimbabwe
Industry and Trade	Tanzania
Livestock Production and Animal Disease Control	Botswana
Manpower	Swaziland
Mining	Zambia
Soil and Water Conservation and Land Utilization	Lesotho
Tourism	Lesotho
Transport and Communications	Mozambique

The concept of "regional project" is defined as a project contributing to one of SADCC's objectives, and benefits more than one member state. A mine, a factory or a plantation, for instance, must clearly be national; and most "SADCC" projects are legally national projects promoted and implemented under the SADCC umbrella. However, guidelines and criteria for selecting regional projects have been approved, and continue to be revised. Transport has been SADCC's top priority sector. SADCC conference papers are normally the best single source of aid-funded trade opportunities in the region. The scope and degree of detail vary widely from sector to sector. But the transport and communications papers especially, produced by the Southern African Transport and Communications Commission (SATCC) in Maputo, are normally extremely detailed on the nature, size, duration, financing and source of funding of the numerous projects.

(b) The Preferential Trade Areas of Eastern and Southern Africa (PTA)

This embraces all SADCC members (minus Angola, Botswana and Mozambique) plus Burundi, Comoros, Djibouti, Ethiopia, Kenya, Mauritius, Rwanda, Somalia and Uganda. It came into force in 1982, but arose from a 1970s UN initiative. Its main provisions are for progressive reductions of trade barriers, notably tariffs, and the creation of an optional Multilateral Clearing Facility administered by Zimbabwe, enabling members to trade in their own currencies, but settling balances in US dollars every two months.

Its main characteristics are: a strong bias in favour of national investment, reflected in rules of origin requiring at least 50% local ownership and management of any company eligible to benefit; and provisions enabling countries to require hard-currency payment for specified commodities, now widely used. Thus the countries which stand to benefit, as the most industrialized (Kenya and Zimbabwe), are ipso facto the most constrained, as having the most foreign investment. Should they adjust the rules of origin (which conflict directly with current attitudes to foreign investment) and should the clearing house be more effectively utilized, the PTA could indeed act as an investment incentive and promote intraregional trade to a significant degree.

(c) The Southern African Customs Union (SACU)
This dates back to 1910 and aimed to integrate the then High Commission Territories (now Botswana, Lesotho and Swaziland) into the South African economy. After the independence of these three countries, a new agreement was negotiated, providing inter alia for revenue from the common customs pool to be shared among the partners. The formula makes revenue to the BLS dependent on total imports to each country from all sources, whether from within SACU or outside. The Union is administered by South Africa, which collects and apportions duties on all imports into SACU. Tariffs are high and protect all industries-especially of course in South Africa itself. There are also special arrangements to protect BLS industries, and various provisions on free movement of goods, nondiscrimination in agricultural prices and quotas, freight rates, etc.

It has been argued that SACU membership does not benefit the BLS as much as South Africa. But meanwhile, the Union provides the BLS with significant proportions of their government revenue-about 15% for Botswana, 70% for Lesotho and 60% for Swaziland.

In addition, Swaziland and Lesotho are partners with South Africa in the Trilateral Monetary Agreement, with their currencies pegged to the rand.

Part 2 - Opportunities in Agriculture and Industry

SECTION A: AGRICULTURE

Agriculture is the mainstay of the region, contributing about 35% of GDP, 25% of foreign exchange earnings, and employing 80% of the labour force. The prospects for growth in agriculture and agro-industry are relatively good.

Allowing for the effects of wide annual variations in rainfall, the SADCC region's food deficit has been rising over the past decade, as across the continent generally; but except in Mozambique, the deficit has been modest. However, Zimbabwe now runs a structural food surplus, with the peasant sector in particular showing striking improvements in productivity since independence, so that it now produces some 50% of the marketed surplus of the staple food, maize. Malawi's smallholders also run a small food surplus, though now constrained by land shortage. Swaziland's agricultural record is very good, though affected by South African competition.

TABLE 5

Agricultural Growth Rates
(Annual Averages %)

	Volume of production				Production per head			
	Food		Total		Food		Total	
	1969-73	1973-84	1965-73	1973-84	1969-73	1973-84	1965-73	1973-84
Angola	0.4	0.3	1.5	-2.5	-1.8	-2.2	-0.7	-5.0
Botswana	3.1	0.6	2.0	-1.2	0.1	-3.6	-1.0	-5.4
Lesotho	0.6	0.6	0.5	-1.7	-1.5	-1.9	-1.6	-4.1
Malawi	5.6	2.6	5.0	3.0	2.7	-0.5	2.1	-0.1
Mozambique	2.4	-2.2	3.3	-2.2	0.1	-4.7	-1.0	-4.7
Swaziland	6.3	3.7	6.0	5.1	3.1	0.3	2.8	1.6
Tanzania	0.9	2.2	2.0	2.8	-2.1	-1.2	-1.1	-0.6
Zambia	3.3	1.4	2.9	0.6	0.3	-1.7	-0.1	-2.5
Zimbabwe	5.4	0.3	3.3	0.9	1.9	-2.9	-0.1	-2.3

Soutrce: World Bank, Financing Adjustment with Growth in Sub-Saharan Africa, 1986-90, Washington 1986, Table 21

All regional governments are now moving toward policy reform, aimed at increasing incentives to farmers, large and small. Zambia's agricultural potential, bigger than Zimbabwe's and recently given top government priority, could be developed quickly; in particular it has recently ended the maize and fertilizer monopoly of the (inefficient) National Agricultural Marketing Board. Tanzania is also implementing similar reforms. Angola and Mozambique will clearly be unable to realize their great agricultural potential until security is restored, but reforms are in progress. Swaziland's inherently rich and Lesotho's poor agricultural economies are effectively integrated into South Africa's. Botswana exports beef, but on climatic grounds needs to import all other foods, largely from South Africa and Zimbabwe.

Given the priority now given to agriculture in all national development plans, there will continue to be steady business, with available forex across the field of agricultural inputs. This is particularly true in Tanzania, where an open general license system has just been introduced with World Bank and UK finance for four priority sectors, of which agricultural inputs, including tractors and spares, head the list. But the main growth sectors are likely to be export crops and agro-industries to add value to these crops. Dalgety in Zimbabwe and Lonrho in Mozambique have been expanding recently in this field.

TABLE 6

Main Agricultural Exports of SADCC Countries 1985

	Product	$mn		Product	$mn
Angola:	Coffee	54	**Swaziland:**	Sugar	73
				Woodpulp	29
				Canned Fruit	15
Botswana:	Meat	36		Citrus	9
			Tanzania:	Coffee	144
Lesotho:	–	–	('84 figs)	Cotton	46
				Cashew nuts	28
				Tea	21
Malawi:	Tobacco	107		Sisal	10
	Tea	65		Cloves	9
	Sugar	26		Tobacco	7
	Pulses	5			
			Zambia:	Tobacco	2
			('84 figs)		

Mozambique: ('84 figs)	Prawns	28			
	Cashew nuts	15	**Zimbabwe:** ('84 figs)	Tobacco	237
	Tea	11		Cotton	98
	Cotton	8		Sugar	47
	Sugar	6		Coffee	25
				Meat	32
				Tea	21

Source: EIU

Throughout the region, there is growing awareness of the accelerating danger of environmental degradation. Although reversing this trend requires political and social as well as economic action, some specialist consultants have already explored the market. Fuelwood is a growth area, with aid projects planned in Lesotho, Malawi, Mozambique and Tanzania.

Projects

Most SADCC projects in agriculture are research studies and institutional and services development rather than capital spending, for instance on a regional food reserve (an area where Zimbabwe already has a major silo program in place), a regional food marketing infrastructure, irrigation, etc. Projects "on the stocks" in 1987 included for example:

	PROJECT	TOTAL COST ($m)
Lesotho:	Watershed Management	20.0
Mozambique:	Groundnut and Sorghum Seed Development	8.6
Tanzania:	Madibira rice project	22.5

Delegates may wish to obtain copies of updated project lists arising from the Arusha conference documents.

SECTION B: INDUSTRY

The region is clearly not highly industrialized. Primary products provide the great bulk of exports, and manufacturing sectors are small. Only in Swaziland (24%) and Zimbabwe (27%) does manufacturing exceed 20% of GDP. For the other countries, the share is around 10% or less. Most industry is concentrated on processing, whether minerals or agricultural products. Here the prospects of continued growth for export are relatively good.

A wide range of import-substituting light secondary industries also exists, producing goods such as cement, paints, pharmaceuticals, vehicle assembly, batteries, radios, bicycles, textiles, footwear, etc. This is especially the case in Zimbabwe, with about 1,500 companies and about 6,000 individual products, many developed during UDI. These industries also grew rapidly in Tanzania and Zambia during the 1970s, but are now in recession. Strong growth in light industry throughout the region is hard to foresee for the time being.

The whole sector is highly dependent on imported intermediate and capital goods, so that at times of foreign exchange shortage much plant runs below capacity. Most direct sales to industry from outside the region will consist of the goods where "niches" can be found. Clearly the more "essential" a product is designated, the higher the guarantee of continuing foreign exchange allocations. Trade in manufactures, however, while generally insignificant as exports outside the region, accounts for 50% of intra-SADCC trade. (South Africa is the main export market for Zimbabwean and Swazi manufactures.) Most nonprocessing industry tends to lack comparative advantage in individual markets, which are too small for economies of scale. Clearly a lowering of trade barriers would lead to a significant expansion of regional trade and hence investment in the sector.

SADCC is thinking in terms of joint planning of major new investments, with a guaranteed and protected regional market and multicountry equity holding and component production; but, in practice, investment decisions are still taken at a national level, and the joint approach may be overambitious in the light of experience elsewhere.

Indeed a report in late 1987 that Zambia had agreed with the USSR on a large new integrated iron and steel plant virtually duplicating the existing ZISCO plant in Zimbabwe (which has spare export capacity and is currently putting out tenders for a major rehabilitation) suggests that this pattern will continue. Similarly, all governments now claim to welcome foreign investment, but South Africa is the major potential source; and Zimbabwe has recently nationalized its biggest company Delta (South African owned).

Export incentive schemes are also national; in October 1987, for instance, Zimbabwe introduced a 20% foreign exchange export bonus scheme for its manufacturers. Zambia already has a 50% scheme for nontraditional exports. Tanzania's new Open General License scheme includes inputs to the textile, beverage and tobacco industries and pharmaceuticals.

Main Manufacturing Sectors

	PRODUCT	TOTAL VALUE-ADDED IN MANUFACTURING 1984 ($ m)
Angola:	Food Processing Textiles Steel Paper Chemicals Electrical Goods Chemicals Offshore Oil Construction	n/a (A part from radio production, all manufacturing volumes in 1985 were substantially below 1973)
Botswana:	Food Processing Textiles Building Materials	52 (Plant to develop leather, soap, salt and agricultural tools)
Lesotho	Food processing Handicrafts Building Materials	22
Malawi:	Agricultural Processing Soap Textiles Fertilizer	100 (Incomplete figure. Includes tea factories, cotton gineeries, tobacco factories, sawmills, oil mills, etc)
Mozambique:	Steel bars Cement Agricultural Processing Tires Textiles	178 (Heavy industry has declined in the 1980s more sharply than light industry. Production has never returned to 1973 levels)
Swaziland	Agro-industry Paper Chemicals Textiles	150 (estimate) Increasing diversification into small industries, largely South African-financed)

Tanzania:	Agro-industry Textiles Fertilizer Steel	407 (Very low-capacity utilization rates, now rising slowly with increased aid for the recovery program)
Zambia:	Copper processing Food processing Textiles Chemicals	729 (Rapid growth in wide range of industries in 1970s: now low-capacity utilization)
Zimbabwe:	Metal Industries Food stuffs Textiles\Clothing Chemicals Tobacco Paper Wood and Furniture Nonmetallic Minerals Electrical Transport	1259 (One of the largest, most diversified and best integrated manufacturing sectors in Sub-Saharan Africa. Several private companies with turnovers of over Z$100 mn. Provides about 40% of exports holding up, while domestic consumption drops, due to foreign exchange shortage)

Source: World Bank, World Development Report 1987.

Projects

SADCC projects in industry comprise a limited number of major national projects, endorsed for priority by all members, and a wider range of programs to develop regional support service (standards, R&D, consultancy, industrial linkages, etc). There is also an ambitious program of studies to identify the regional requirement for various steel products, engineering industries, machine tools and basic chemicals.

The larger projects "on the stocks" in 1987 include for example:

	PROJECT	TOTAL COST ($m)
Malawi	Ammonium Nitrate/ Calcium Nitrate Plant	132
Mozambique	Cement Works Rehabilitation	25
Tanzania	Saltworks	8
	Pesticide Plant	32
Zimbabwe	Mutare Fiberboard Plant	6

Outside the SADCC framework, some Zimbabwe private companies are regularly planning expansion, preferably in conjunction with a foreign partner. For instance, the Zimbabwe Mining Development Corporation is investigating the feasibilitating the local upgrading of copper cathode; Morewear Ltd is increasingly rehabilitating the region's rail wagons, and has recently moved into local manufacture of gas cylinders, etc. (The Confederation of Zimbabwe Industries has details of a wide range.)

Part: 3 - Opportunities in Transport and Telecommunications

SECTION A: TRANSPORT

This is by far the top priority sector for SADCC as an organization, and for donors. In January 1987, there were 158 different projects "on the stocks," costed at a total of $3.07 bn, of which about 37% was secured. The foreign exchange element was about 70%. Priority was given to the Beira and Dar-es-Salaam ports and feeder routes, where there were 32 main projects and 33 sub projects. About 5% of total costs were for general consultancy studies, excluding detailed engineering.

TABLE 7

Transport and Communications

Costs and Status of Financing of Projects ($ mn): January 1988

Projects	Project Costs			Secured Funding		Funding under Negot.		Funding Gap	
	Total	Foreign	Local	Total	%	Total	%	Total	%
Regional Operational Coordination	51.4	51.1	0.3	21.3	41	8.0	16	22.1	43
Training	59.6	55.6	3.9	29.7	50	0.3	1	29.6	50
Maputo Port Transport System	718.9	604.7	114.2	226.1	31	16.5	2	476.3	66
Beira Port Transport System	590.0	520.5	69.5	232.4	39	68.3	12	289.3	49
Nacala Port Transport System	277.9	234.2	43.7	261.1	94	0.0	0	16.8	6
Dar-es-Salaam Port Transport System	609.9	519.1	90.8	354.1	58	79.8	13	176.0	29
Lobito Port Transport System	340.2	332.1	8.1	37.3	11	0.0	0	302.9	89
Intra-Regional Surface Transport	692.6	586.1	106.5	190.9	28	0.5	0	501.2	72
Civil Aviation	250.5	232.3	18.2	15.9	18	0.0	0	204.6	82
Telecommunications	664.6	594.1	70.3	273.3	41	8.6	1	382.7	58
Meteorology	19.8	19.6	0.2	2.7	14	2.5	13	14.6	74
Postal Service	30.2	18.5	11.7	11.7	39	0.0	0	18.5	61
TOTAL	**4,305.6**	**3,768.2**	**537.4**	**1,686.5**	**39**	**184.5**	**4**	**2,434.6**	**57**

Source: SADCC paper for 1988 Arusha conference

The reason for this preoccupation, both political and economic, is that about 70% of the traffic of the landlocked countries of the region currently throughSouth Africa. This is a relatively recent phenomenon arising from political and military developments; 20 years ago only 20% went through South Africa and 80% through Angola and Mozambique. But the current traffic pattern clearly gives South Africa great leverage, both economic and political, over the landlocked countries. There is no up-to-date data, and much disinformation, but a rough estimate of transport patterns at present is:

TABLE 8

Rail Transport Distances in Southern Africa (nearest 100 kilometers)

Country or City of Origin or Destination

	Zambia		Zimbabwe		Botswana		Malawi	S.Africa
	Lusaka	Ndola	Harare	Bulawayo	F/Town	Gaborone	Blantr.	Jo/Burg
PORT								
SADCC:								
Dar-es-Salaam	2000	2000	25/3500	2800	3000	3600	1800	
Beira	2000	2300	700	1200	1400	1800	600	
Nacala								
Maputo	2000	2300	1200	1100	1300/1700	1700/1300		600
Lobito	2700	2400						
South Africa:								
Durban	2800	3100	2100	1900	1700	1400	25/3500	800
East London	3100	3400	2400	1900	1700	1300		1000

Source: Lewis, ibid.

Notes:

1 Road and rail combined, through Lusaka, give 2500; rail alone must go through Bulawayo first.

2 Road and rail routes combine, through Tanzania.

3 1300 km via Bulawayo and SADCC routes, 1700 km via South Africa routes.

4 1700 km via Bulawayo and SADCC routes, 1300 km via South Africa routes.

5 Routes through Zambia, Zimbabwe, Botswana and South Africa vary depending on use of road or rail and with commodities.

TABLE 9

Transport Routes of SA

Summary Estimate: Mid-1987

Country	Rail/Road Tonnage pa Import & Exports '000s tonnes	RSA Tonnes	%	Rail/Road Tanzania Tonnes	%	Beira Tonnes	%	Other Tonnes	%	Pipelines '000 tonnes Tanzania	Beira	(a) fob/cif margins '86 (% of cif)
Botswana	750	750	100	-	-	-	-	-	-			15
Lesotho	n.a.	n.a.	100	-	-	-	-	-	-			4
Malawi (road initially)	620	440	70	130	20	60	10	-	-			40
								(Maputo (direct)				
Swaziland	790	320	40	-	-	-	-	450	60			2
								Matadi				
Zaire (Eastern Provinces)	900	500	55	90	10	-	-	310	35			14(b)
Zambia	1,200	180	15	960	80	60	5	-	-	500		17
Zimbabwe	4,000	3,400	85	-	-	600	15	-	-		700	13
TOTAL	8,260	5,590	70	1,210	15	620	8	760	7			

Source: BI estimates
(a) IMF International Financial Statistics, November 1987.
(b) Whole country

Clearly all SADCC countries (minus Lesotho) plus Zaire are most intimately inter-connected through the rail and road links to the sea. For four of them (Botswana, Malawi, Swaziland and Zimbabwe) Mozambique is the key. The restoration of full capacity and security to the four rail links through Mozambique (the Nacala line from Malawi, the Beira line from Zimbabwe and the direct lines to Maputo from Swaziland and Zimbabwe) would end South Africa's ability to impose massive destabilization simply by delaying rail traffic, though Swaziland and Botswana might always wish, on economic grounds, to use some South African routes. While official aid and local government agencies are clearly the main players across the region, the private sector Beira Corridor Group (a regional multinational effectively driven by Zimbabwean private sector expertise) is a major participant in that project. Of the other two regional rail routes:

- The Tazara to Dar-es-Salaam, while badly run down in the early 1980s, is now being intensively rehabilitated. Considerable re sources have been, and are being, mobilized to support progams ranging from improved management to new rolling-stock and communications.

- SADCC is preparing a 10-Year Development Plan for the Benguela line, which links the region, and Zaire, to the port of Lobito; this will be considered at a special conference to be held in Angola around April/May 1988. Obviously, progress on this line is dependent on major improvement in the security situation, which, in turn, depends on a political breakthrough in the current conflict.

For high-volume, low-value cargoes such as virtually all SADCC's exports except gold and gemstones, rail is much better than road, though also more vulnerable to sabotage. But since trucking is more flexible and cargoes can switch more rapidly from rail to road than vice versa, a lot of money is also being spent on the complementary road network.

The truck fleets of the different states of repair. But the biggest, in Zimbabwe, is old and badly run down from shortage of tires and spares. Since the region's truck fleets are mostly privately owned, they have attracted less aid money than the railways, with most spares, etc. funded from free foreign exchange, and squeezed accordingly. But it is an area where, for political as well as obvious developmental reasons, more aid money seems likely to be spent.

Major port rehabilitation projects are also under way at Dar-es-Salaam, Nacala, Beira and Maputo, involving heavy aid-spending on a wide range of goods and services.

It should be stressed that the new problem of transport dependency on South Africa arises directly from the deliberate interdiction of the Mozambique and Angola railways by the Mozambican rebels (Renamo) and the Angolan rebels (Unita), both supported by South Africa. The direct burden of securing the lines will continue for the foreseeable future to lie with the Mozambican, Zimbabwean, Malawian and Tanzanian armed forces already deployed in Mozambique. But, within their military budgets, equipment directly relevant to securing lines of communication seems likely to get steadily higher priority, not merely normal military supplies, vehicles etc, but mine-detectors, communications equipment, possibly sensors and radar, etc. At the Vancouver Commonwealth Conference in October 1987, it was also acknowiedged that security is as important as rehabilitation. Thus the prospect of Western aid in this field has come closer. Indeed, in November 1987, an EEC delegation visiting Mozambique announced that the EEC would fund civil aspects of defense.

A recent development is the priority now being attached by SADCC, and especially Zimbabwe, to the Limpopo line direct to Maputo. Since Beira and the other northern routes will not be able to carry more than about half the region's, especially bulky, traffic, the line is an essential part of the strategy aiming for transport independence. But in terms of security, it is also the most difficult. The line is almost twice as long as the Beira corridor and rarely more than 100km from the South African frontier. The relatively small (45,000) Zimbabwe army is already severely stretched, with continuous operations in the Beira corridor, on the convoys through Tete to Malawi, against the threat from dissidents on the home front in Matabeleland (some supported by South Africa), and against random Renamo incursions across the northeastern borders, begun in 1987. Even if additional troops from within the region could be found to secure the Limpopo line against the Renamo threat (as they do successfully in the Beira corridor), there is no practical way of defending it against a concerted campaign of sabotage by South African regular commandos, should Pretoria decide to mount one. The security question, still unresolved, is the key to whether the Limpopo line develops into a major aid project or not (as well as to much else).

On the most optimistic projections about both rehabilitation and security, the rail and port capacities over the next few years could rise substantially. (The Arusha conference documents should updated estimates.)

TABLE 10

Optimal Estimates of Rail and Port Capacity by end-1990 - '000 tonnes

	Railways		Ports
Tazara	2,500	Dar-es-Salaam	5,000
Beira	1,000	Beira	3,000
Nacala	500	Nacala	1,000
Limpopo	2,000	Maputo	5,000
Benguela	0		
Northern Corridor (road) (road)	500		
TOTALS	6,500		14,000

Source: BI estimates

It will be seen that there is still a rail capacity gap, even if security on the Limpopo line does not prove a serious problem after all. This suggests that large aid-funded business opportunities in the regional transport network are likely to continue well into the 1990s.

Projects

These are so many, so large and so diverse that they cannot adequately be summarized here. The following is an illustrative selection of major projects, with their status as at September 1987:

Project	Total Cost $mn	Start	Duration
Railways			
Benguela railway rehab.	182	1981	10 years
Botswana railway rehab.	11	1984	9 years
Botswa rolling stock	30	1988	2 years
Machava/Swaziland rehab.	20	1988	3 years
Beira railways rehab.	174	1986	10 years
Ncala railway rehab.	224	1983	7 years

Maputo/Chicualacuala rehab.	120	1986	
Locomotives for CFM	85	1988	5 years
Tazara rehab. and upgrade	231	1985	10 years
Zambia rolling stock	262	1988	5 years
Zambia railways rehab.	65	1988	5 years
Ports			
Lobito	120	1986	20 years
Luanda	38	1985	4 years
Maputo	121	1984	7 years
Beira	358	1986	15 years
Ncala	28	1984	5 years
Dar-es-Salaam	204	1985	7 years
Roads			
Mohales Hoek/Qoachas Nek	89	1985	4 years
Beira/Machipanda	25	1988	3 years
Maputo/Namaacha	21	1987	4 years
Mbabane/Manzini	29	1989	2 years
Lusaka/Linvingstone	30	1988	3 years

Source: SADCC documents for 1988 Arusha conference

SECTION B: TELECOMMUNICATIONS

Telecommunications standards throughout the region are mixed, but not generally good. As a very broad generalization, attention focused on international systems tends to exceed that on local, while their respective developmental utility is arguably the reverse. (The story of the Zimbabwean housewife asking her sister in England to phone her local butcher for her is one of many.) Furthermore, expensive new systems can be installed, while old systems break down for lack of the modest amounts of forex needed to maintain them, especially during the rainy season. Exporters should not be so dazzled by the few big aid-funded projects in the region that they neglect bread-and-butter trade.

Having said that, SADCC telecoms projects "on the stocks" last year amounted to $292 mn, of which $169 mn were by then secured,; and a number of projects were already completed, notably: microwave links Francistown/

Bulawayo, Bulawayo/Livingstone and Lilongwe/Chipata; earth stations in Swaziland and Zimbabwe; upgrading of the Open Wire Carrier Systems Bulawayo/Francistown and Harare/Lusaka; and installation/extension of the International Switching Centers in Gweru (Zimbabwe) and Lusaka.

Projects

Updates on project status should be available from Arusha. By far the biggest already under implementation, but with a significant financing gap, is in Mozambique, connecting its system to that of the region. The relevance to the general transport problem is obvious; for instance by 1987 Zambia was sending experimental cargoes through Beira, but a telex from Lusaka to Beira could still take over two days. (Functioning regional telex systems are probably the main overall priority.)

The Mozambique project is a good example of a long-term, multiple-stage, multiple-donor project, needing close monitoring if it is to offer good business. Of the total cost of $90 mn over 10 years (1985-95), the half needed for Phase I had by 1987 been secured from the African Development Bank (ADB), the Arab Bank for Economic Development in Africa (BADEA), Federal Republic of Germany, Italy and Sweden. Phase II, completing the microwave backbone network, including four more international extensions, was still in search of donors.

Botswana is also extending its microwave trunk network, with more international connections.

Japan, for obvious reasons, is a major aid donor in the telecoms field, having funded inter alia the Zimbabwe earth station and the digitalization of Malawi's trunk network.

There were 26 projects listed in the documents last year. The following are those of over $10 mn which still lacked some finance:

Project	Total Cost $ m)	Projected Time Scale
Angola: Earth Station	14.0	88-90
Botswana: Microw Trunk Network	20.5	87-91
Mozambique: National Telecoms	90.5	85-95
Beira: Corridor Telecoms (all aspects)	20.1	

Part 4 - Opportunities in Energy and Mining

SECTION A: ENERGY

The region has a well-developed commercial energy sector. Installed generation capacity at 6,760 MW, largely hydro, is already well in excess of current demand, with the potential to be a significant net exporter. The only oil and gas reserves exploited are in Angola, comprising over 90% of total exports, though exploration is also taking place in Mozambique, Tanzania and Zambia. The main source of domestic energy, however, remains fuelwood, in which large-scale development projects, some aid-funded, have recently been launched to counter the environmental effects of uncontrolled tree-cutting. Ethanol distilled from sugar already comprises some 20% of all petrol used in Zimbabwe, and most other countries have the biomass potential to sustain ethanol production.

TABLE 11

Basic Energy Indicators 1985

	Enery Consumption per Capita		Total Consumption				Installed Generating Capacity (MW)				
	Total kg Oil Equiv	of which comm'l energy %	Coal(a) '000 tons	Oil(b) '000 tons	Electricity GWh	Wood million m	Total	of which Hydro	Thermal Coal	Thermal Other	Identified Hydro Potential MW
Angola	264	39	-	812	640	5.2	429	289	-	140	17,710
Botswana	464	69	222	140	644	0.6	125	-	95	30	-
Lesotho	217	41	83	67	109	0.5	2	-	-	2	400
Malawi	371	6	29	113	414	9.2	149	125	-	24	680
Mozambique	436	7	79	297	510	21.0	2,407	2,164	58	185	12,840
Swaziland	552	54	91	84	540	0.6	94	41	8	45	110
Tanzania	536	6	10	591	738	40.0	413	249	-	164	5,640
Zambia	561	38	510	530	6,149	8.7	1,799	1,699	-	130	5,830
Zimbabwe	727	45	1,965	692	7,631	12.2	1,484	666	750	68	2,990
SADCC	482	21	2,989	3,326	17,428	98.0	6,901	5,202	911	788	46,210

Source: SADCC documents for 1987 conference

(a) Coal for thermal power is excluded (1.2m tons)

(b) Oil for thermal power is excluded (96,000 tons)

TABLE 12

International Trade in Energy 1985

	Coal ('000 tons)		Crude Oil ('000 tons)		Oil Prod. ('000 tons)		Electricity (GWh)		Oil Bill 1984	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	$m	% Total Exports
Angola				10,200	118	630			(+1,748	88)
Botswana	18				153		222		83	11
Lesotho	83				68		130		19	n.a.
Malawi	29				111			1	33	17
Mozambique	159	9			327	10	228	161	98	105
Swaziland	50	84			84	10	200		48	16(a)
Tanzania				512	198	144			219	66(a)
Zambia			574			24		3,382	141	15
Zimbabwe		94			698		3,400		190	16

Source: SADCC documents for 1987 conference
(a) 1982 figures

Oil and Gas

As is apparent from the figures, only Angola, Tanzania and Zambia have working refineries. (Zimbabwe's Feruka refinery near Mutare was mothballed in 1966 after UDI and Mozambique's at Maputo more recently; they will not reopen in the foreseeable future.) Angola's large and expanding oil and gas extraction and processing industry (the second biggest in black Africa after Nigeria) is effectively independent of the rest of the region, exporting most of its crude oil to the USA. No other country is yet producing oil or gas. Zambia's Indeni refinery at Ndola is fed by a pipeline from Dar-es-Salaam and supplies Zambia's refined needs. It suffers periodic shortages of foreign exchange, and imports up to 50% refined products in the feedstock, despite a planned World Bank rehabilitation project. Malawi imports product from a variety of sources (notably South Africa at present), depending on price and route availability. Zimbabwe imports all its petrol, diesel and jet-fuel up the single pipeline from Beira, with other fuels and lubricants by rail from South Africa. The BLS states import all their product from South Africa.

Potential production of Mozambique's probable reserves of 320 billion m of gas for fertilizer and chemicals rests with German Democratic Republic and Soviet project leaders, and is currently handicapped by insecurity. Shell and

Exxon have leased a block for oil exploration near the Tanzanian border, and Amoco in the Zambezi delta. In Tanzania, 130 billion m of gas have been located south of Dar-es-Salaam, plus another small reserve; and prospecting for oil has been undertaken widely around the lakes and off-shore both the mainland and Zanzibar. In Zambia, Mobil and Placid are drilling for oil, the latter having committed $20 mn to the program at Chama, and seismic results are said to be encouraging. In Botswana oil might exist in four deep geological basins, but no prospecting has yet taken place.

Both regional pipelines could be extended in the foreseeable future, from Ndola to Lubumbashi in Zaire, and from Mutare to Harare; neither is aid-funded, and they would be done commercially. In addition, there is a major project in hand, already part-financed by Italy, to rehabilitate the Tazama pipeline; and a doubling of the Beira/Mutare pipeline, owned and operated by Lonrho, is under consideration.

Coal

Seven countries are developing coal reserves. But of these Malawi's despite substantial reserves, is still only a pilot project, aiming at 350,000 tonnes per year by 1993; while Tanzania, also with large reserves, is aiming at only 150,000 tonnes per year with World Bank and Chinese help. Of the rest, Mozambique has recently equiped Beira port for large-scale exports, currently lying idle because the railway from the Moatize coalfield is cut. Swaziland, with reserves of 300 mn tonnes of high-quality coal, is a modest but steady exporter; Shell Coal and South Korean and Japanese firms, are exploring further anthracite and coal reserves. Botswana, with vast proven reserves of 17 billion tonnes, could be a major exporter if world prices justified transport costs. (A production level of 10 mn tonnes per year would make a new trans-Kalahari railway to Walvis Bay viable.) Meanwhile, production from the Morupule colliery feeds the expanding thermal power station. Shell Coal, BP and Charbonnage de France have shown interest in further developments. Zambia, with reserves of 250 mn tonnes, has suffered repeated production slumps; the colliery is now the subject of a $27 mn rehabilitation project financed by the ADB. Zimbabwe has huge estimated reserves of 30 billion tonnes in some 23 coalfields, but produces only 3 mn tonnes at Hwange for the expanding thermal power station, tobacco-curing, the railways, etc, with modest exports to Zambia of coking coal.

Electric Power

The Cahora Bassa hydropower plant, completed in 1974, comprises 86% of Mozambique's installed capacity. Intended to export most of its power to South Africa, it has functioned normally for a short time only, and now lies idle with its transmission lines cut. Most power for the Maputo area is imported from South Africa. Tanzania has four modest hydro plants. Microhydro plants in rural areas, together with more coal-fired thermal stations, now have planning priority; should the current economic adjustment program work, and capital expansion resume, there should be good business in this area. Malawi's expansion plans are entirely hydro, plus new transmission lines; peace in Mozambique would open the way to a number of beneficial new linkages both ways. Zimbabwe has ended a quarter century of power-dependence on Zambia in favor of self-sufficiency, with a major current project to uprate and rehabilitate its Kariba South power station, and further expansion of the Hwange thermal plant on hold.

Zambia in consequence is stuck with a large surplus of hydro-capacity from Kariba and Kafue, having exported 30% of its total power to Zimbabwe until mid-1987; a link across the Zambezi into the Botswana grid is planned to sell a little of this, and Zambia's search for other regional customers for its cheap power could provide opportunities in a new transmission linkages. Swaziland used to import about 60% of its power from South Africa, recently reduced by a new (and expensive) hydrostation; a proposed 1,200 MW coal-fired thermal plant, exporting to and funded by South Africa, is a project to watch. But it is only in Lesotho, hitherto totally power-dependent on South Africa, that a macroproject is now seriously proceeding, in the form of the long-delayed Highlands Water Project. Involving five major dams and a total cost of $2bn over at least 10 years, its main function is water for South Africa rather than power generation, although 200 MW are planned.

Fuelwood

Comprising about 80% of total regional energy consumption, this sector has always been neglected by the business community, since, hitherto, nature has broadly provided. But this is changing. As the forests disappear and the land erodes, African governments and their donors give higher priority every year to the fuelwood problem. There is no "right" answer, and solutions are always partial and difficult, involving political and sociological as well as economic and commercial factors. But entrepreneurship must clearly have a role, initially in the towns, where efficient private-sector plantations of new species of fast-growing fuelwood trees could already compete with the informal sector's increasingly high-cost quarrying of the surviving tree-growth.

Projects

Areas of likely expansion have been indicated above. Updates from Arusha may show a marked change over last year. At that time, the only two projects over $10mn on the stocks were Kariba South ($13mn) and the Malagarasi hydrostation in Tanzania ($30mn). But since then, for instance, the break-up of the Central African Power Corporation between Zambia and Zimbabwe has led the latter to launch a $190mn expansion plan, of which the World Bank has already committed $44mn. Rehabilitation of all kinds, new transmission lines, pipeline extensions and possible increased fuel storage capacity are also areas to watch.

SECTION B: MINING

The SADCC region is exceptionally rich in mineral resources, producing some $4bn per year. World mineral prices are, of course, the main factor, along with exchange rate policies, in determining profitability. Most production is in the hands of multinational companies (except in Mozambique, Tanzania and Zambia), and SADCC "projects" as such are confined to studies. SADCC's main interest (apart from higher world mineral prices) is in more local beneficiation, increasing value added and reducing transport problems. Zimbabwe's industry is by far the most diversified; but the Botswana diamond industry is by far the fastest-growing. The creation in 1987 of Debswana, owned half by De Beers and half by the Botswana government, with a 5% reverse stake, giving two Botswana government representatives seats on the board in De Beers itself, is the most significant newcomer to the regional mining scene.

The industry is highly dependent on imported machinery, equipment, explosives, drill bits etc, South Africa being the main supplier. As a major forex earner, it normally gets priority in forex allocations, but each country would naturally welcome investment in local production of the inputs. (Since SADCC is in no way a free trade area, supplies to other SADCC members from such a plant would have to compete with those from South Africa.) Aid to the sector is confined to technical assistance, notably in geological exploration.

TABLE 13

SADCC Minerals

	Main Minerals Commercially Exploited				
	Mineral	Production 84/85 ($ m)	% of Total Exports	Other Minerals In Production	Other Minerals not yet Exploited
Angola	Oil	2,000	95	Iron Ore (1)	Feldspar
	Diamonds	32		Phosphates (1)	Coal
				Copper(1)	Uranium
					Titanium
					Gold
					Manganese
					Bauxite
					Mica
					Nickel
					Rare Earths
Botswana	Diamonds	330	72	Gold	Soda Ash
	Copper-Nickel	37	8		Copper
	Coal	3	-		Iron Ore
					Manganese
Lesotho	Diamonds	0.5	3		Clay
Malawi	Coal	0.1	-	Lime	Bauxite
					Asbestos
					Graphite
					Uranium
Mozambique	Coal	1(1)	0.5	Lime	Gold
	Tantalite	3(2)		Copper	Iron Ore
	Pegamite			Marble	Nepheline Syenite
				Garnet	Titanium
				Kaolin	
				Asbestos	
				Bentonite	
Swaziland	Asbestos	9	6		Iron Ore(3)
	Coal	2	2		
	Diamonds	2	2		
Tanzania	Diamonds	4	1	Iron Ore	Pyrochlore
	Gold			Titanium	Carbon Dioxide
	Salt			Vanadium	Uranium
	Gemstones			Phosphate	Nickel
	Lime			Tin	Niobium

Zambia	Copper	722	92	Coal	Iron Ore
	Cobalt	16	2	Emeralds	Uranium
	Zinc	40	5	Amethysts	
	Lead	4	0.5	Limestone	
				Gold	
				Silver	
				Selenium	
				Manganese	
Zimbabwe	Gold	150	22	Iron Ore	Kyanite
	Asbestos	52	8	Phosphate	
	Nickel	46	7	Tin	
	Coal	41	-	Silver	
	Copper	27	4	Emeralds	
	Chromite	21	3	Palladium	
				Platinum	
				Cobalt	
				Lime	
				Magnesite	
				Tantalite	
				Tungsten	

Source: EIU - 1) Production interrupted by war
2) All minerals
3) Mine closed

Detailed analysis of the implications of this mineral wealth is outside the scope of this paper, but a couple of points may be worth mentioning. First, the wide distribution of gold around the region is special (with diamonds and cobalt) in being free of any ground transport constraint. In Zimbabwe, the regional leader, two innovations, technical and economic, have helped increase gold production strikingly: the use of new, cheap "heap leaching" technology, which has made the only significant new UK investment in Zimbabwe since independence (by Cluff) highly profitable; and a Gold Support Price system, enabling investors to calculate profitability irrespective of short-term movements in the world gold price. There is also a significant growth, arising from the chronic job shortage, in small workers or family cooperatives, mining small deposits of various minerals not worth heavy capital investment. Given the regional job scene, and the trend towards encouraging small-scale entrepreneurship, it is hard to see a theoretical limit to this trend, at least in surface deposits.

Projects

The biggest government-financed project in the region is the rehabilitation of the Zambian copper mines. The purely "SADCC" projects-the studies set up last year-are a good reflection of informed interest in possible trends which could well turn into hard business in coming years. They comprise:

(a) Studies for completion in 1987:

Regional skilled manpower survey;
Small-scale mining, processing and marketing;
Inventory on geology, minerals and mining;
Market study for semifinished copper products.

(b) New Studies:

Possible regional refractory industry (high demand and potential supply);
Mulanje (Malawi) bauxite and Manica (Mozambique) alumina;
Lime in Mozambique;
Diamond-tool manufacturing in Lesotho;
Inventory of non-metallic industrial minerals.

(c) Longer-term studies:

Regional production of chemicals and explosives;
Shared processing facilities;
Mineral raw materials for fertilizer;
Hydrogeological survey.

TABLE 14

Aid to Southern Africa (Recipients)

ODA Net Disbursements (US $ m)

	All Sources					Total 1981-85	1985(a)			
							of which		Per	
	81	82	83	84	85	Disbmnts (Commit)	Biltrl DAC	Multlt	Capita (US$)	GNP %
Angola	61	60	75	95	92	383 (475)	245	136	10	2
Botswana	97	101	104	103	97	502 (567)	358	117	90	14
Lesotho	104	93	108	101	94	500 (506)	301	189	61	16
Malawi	138	121	117	158	113	647 (932)	308	339	16	11
Mozambique	144	208	211	259	300	1,122 (1,438)	838	266	22	9
Swaziland	37	28	33	18	26	142 (205)	100	54	34	5
Tanzania	703	684	594	558	487	3,026 (2,951)	2,183	755	22	8
Zambia	232	317	217	239	329	1,334 (1,815)	946	276	49	15
Zimbabwe	212	216	208	298	237	1,171 (1,521)	923	131	28	5
SADCC	1,728	1,828	1,667	1,829	1,775	8,827 (10,410)	6,202	2,263	25	7

Source: Geographical Distribution of Financial Flows to Developing Countries, OECD, 1987.
(a) IBRD World Development Report, 1987.

The two-year lag on collating aid figures makes it impossible to supply updated total figures for 1986 and 1987, the two years in which the political profile of the region has risen sharply in the West as a direct result of the recent major wave of unrest in South Africa, the sanctions issue and the focus on destabilization. The main movements in aid figures over 1986/87, however, are:

- a fall in aid to Zambia, following the breach with the IMF in May 1987;
- a rise in aid to Tanzania within the framework of the IMF-supported economic adjustment program;
- a very sharp rise in aid to Mozambique, estimated in September 1987 as over $700mn in that year.

In addition, Angola formally applied for IMF and IBRD membership in October 1987; this will take some time to process, but will in due course greatly increase Angola's access to aid for non-military purposes.

Tendering procedures among almost all Western aid agencies, bilateral or multilateral, tend to be impartial among eligible companies, and increasingly the World Bank tendering procedure (sealed envelopes for price alone, the lowest three having separate spec envelopes examined, all in "public") is being adopted.

SECTION A: THE MULTILATERAL AGENCIES

These provide about 25% of total aid to SADCC, but all of it is, of course, untied, providing wide business opportunities under free competition for suppliers.

TABLE 15

Total Net ODA Disbursements 1985 (US $ m)

Multilateral Donors

	Angola	Botsw	Lesotho	Malawi	Mozam	Swazi	Tanza	Zambia	Zimba	Total SADCC
AfDF	-	2.3	4.7	2.0	8.7	1.2	10.7	5.9	3.2	38.7
EEC	7.2	2.8	7.5	10.9	25.4	2.0	29.9	29.1	3.9	118.7
IBRD	-	-	-	-	-	-	0.4	-	-	0.4
IDA	-	-0.2	7.8	32.7	5.0	-0.1	28.1	66.0	4.2	143.5
IFAD	-	0.8	0.7	5.2	5.6	0.2	0.8	2.2	1.3	16.8
UNDP	4.3	2.4	3.3	4.8	8.4	1.2	7.7	2.0	4.1	38.2
UNTA	1.0	0.6	1.0	0.7	1.4	0.5	2.1	1.7	1.2	10.2
UNICEF	4.1	0.2	0.4	1.0	4.2	0.2	9.2	0.5	1.3	21.1
WFP	7.1	22.1	10.2	1.6	12.1	-	4.3	0.7	-	58.1
UNHCR	4.9	1.1	0.4	0.2	1.1	0.9	3.7	1.9	0.5	14.7
Other M'lats	1.3	1.1	1.5	1.0	5.3	1.3	8.1	3.8	2.5	25.9
Arab OPEC Ags	2.1	1.4	2.3	-0.1	-0.2	0.2	-0.7	-0.2	3.3	8.1
TOTAL	**32**	**34**	**40**	**60**	**77**	**7**	**104**	**113**	**25**	**494**
OPEC C'tries	-	3.2	3.1	-	6.3	-	10.0	-	-2.6	20.0
EEC + Members	36.6	27.0	25.1	47.6	120.0	6.0	202.1	98.1	93.2	655.7
ODA Loans Net	22	6	18	40	75	1	79	132	70	443
Total Offic'l Flows Net	137	153	108	117	392	23	529	483	284	2,226

Source: Geographical Distribution of Financial Flows to Developing Countries, OECD, 1987.

The World Bank (IBRD)

Through IDA (the soft window of the IBRD offering concessional terms), the World Bank is the biggest multilateral donor in the region. (Botswana and Swaziland are no longer eligible on GNP/caput grounds, and are now just repaying past loans.) Tendering procedures are well known. Information on current projects in gestation can be obtained from Washington, or from local offices, a list of which is at Annex 1.

The EEC

The EEC as such (apart from its member states' bilateral programs) is the second largest multilateral donor. All SADCC members are partners in the Third Lome Convention between the EEC and the 66 African, Caribbean and

Pacific (ACP) states, signed in December 1984. The scope of EEC projects is wider than the World Bank's and their terms are softer than those of other multilateral sources. Full details for businessmen can be obtained from the Commission's information note "How to participate in contracts financed by the EEC in the developing countries." But the main points are:

- tenders are issued and processed, and contracts signed, by an official of the recipient ACP state, the National Authorizing Officer, not by the European Commission itself (though the local Commission delegate attends the opening of bids, etc);

- information on forthcoming tenders is published in the "ACP/ EEC Courier" published every two months in Brussels, and sup plementary information can be obtained from the Commission's local offices, a list of which at Annex 1;

- national firms of ACP states enjoy a 15% preference in all supply contracts, and a 10% preference in small-scale works contracts.

The International Monetary Fund (IMF)

IMF loans are not, of course, aid: they are expensive, short-term and, unique among aid agencies, strictly conditional on economic policy reforms to restructure the economy and thus cure the source of the balance of payments problem which necessitated their involvement in the first place. But increasingly the World Bank is harmonizing its own long-term structural adjustment loans with IMF programs; and, with the broad exception of the Scandinavians, bilateral aid donors (and private banks) are coming to regard the existence of an IMF program as a major criterion of aid-worthiness for balance of payments support in many developing countries with chronic forex deficits. The US, UK and FRG tend to lead in this respect.

The African Development Bank (ADB)

The African Development Fund (AFDF) is the concessional arm of the ADB for the poorest countries, paralleling the IDA within the World Bank. Tendering procedures are similar. The borrowing government places contracts and all ADB members, regional and nonregional, are eligible to bid. (The nonregional members comprise effectively all the OECD countries.) The kind of projects financed are also similar to the World Bank's, largely in the public sector, though loans to the private sector backed by a guarantee from the host government are also covered.

The UN Development Program (UNDP)
The UNDP itself provides only technical assistance (expert advice and skilled manpower), not cash for goods. It thus has little to offer most business. But by convention, the UNDP local representative chairs the donors' group in each recipient country, and thus often has the best overview of the local aid scene.

The World Food Program (WFP)
Although the WFP is a major spending agency, its main interest is in balancing out food surpluses and deficits, with some associated agricultural spending. It thus has little to offer most business.

The International Finance Corporation (IFC)
This too is not an aid agency. It is an affiliated arm of the World Bank concerned with financing private investment in developing countries. It is involved in every SADCC member state except Angola and Lesotho. It offers loan and equity (always as a minority participant) to the private sector of developing countries forming joint ventures with industrial country partners. It becomes involved only where capital cannot be obtained on reasonable terms from other sources. Its role is essentially catalytic, between the local private sector and international capital markets; but its recent Guaranteed Recovery of Investment Principal Program (GRIPP) has been of particular interest to investors.

TABLE 16

IFC Commitments to SADCC ($'000)

	Number of Enterprises Financed	Type of Business Covered	Original Commitments		Investments held (including undisburse balances)		
			Total Total ICF	Syndi-cations	Loans	Total Equity (at cost)	Loansand Equity
Angola	(not yet an IFC member)						
Botswana	1	Development Finance	607			607	607
Lesotho							
Malawi	7	Textiles Agro-industry (sugar) Chemicals (ethanol) Development Finance Tourism Capital Markets Plywoods	32,113	-	19,611	1,426	21,037
Mozambique	1	Agro-industry (with Lonrho)	2,500	-	2,500	-	2,500
Swaziland	3	Development Finance Textiles Agro-industry (sugar)	12,981	-	9,455	1,706	11,161
Tanzania	3	Manufacturing (soaps, metal, etc.)	6,119	711	6,453	550	7,003
Zambia	6	Development Finance Textiles Agro-industry Shoe-manufacture Mining (copper) Tourism	66,666	22,309	59,863	1,066	60,929
Zimbabwe	3	Agro-industry Capital Markets Mining (coal)	28,633	18,000	16,242	1,041	17,283

Source: IFC Annual Report 1987

The Nairobi-based IFC regional office for SADCC is at Annex 1.

TABLE 17

Total Net ODA Disbursements 1985 (US $ m)

Bilateral DAC Donors

	Angola	Botswana	Lesotho	Malawi	Mozamb	Swaziland	Tanzania	Zambia	Zimba	Total SADCC
Australia	-	0.5	0.3	0.5	1.4	0.3	4.1	2.2	4.1	13.4
Austria	1.4	-	-	-	2.9	-	0.4	0.2	0.5	5.4
Belgium	0.1	-	0.1	-	1.3	0.1	3.6	1.3	0.5	7.0
Canada	1.8	4.9	5.1	4.3	4.8	4.4	30.4	10.9	17.3	83.9
Denmark	0.9	2.2	1.7	5.1	6.1	-	37.0	6.2	6.0	65.2
Finland	0.2	-	0.5	-	3.2	-	16.6	11.8	4.5	36.8
France	1.4	0.3	0.2	3.2	20.3	0.7	1.5	0.7	5.3	33.6
FRG	2.5	13.2	8.2	11.9	4.8	1.7	32.9	18.7	27.3	121.2
Ireland	-	-	2.9	-	-	-	2.8	2.4	0.4	8.5
Italy	16.3	-	0.7	0.1	28.0	0.3	34.8	1.3	7.5	89.0
Japan	-	-	0.7	4.9	4.4	0.8	28.5	41.3	8.5	89.1
Netherlands	8.1	2.1	0.8	2.6	24.8	0.4	36.9	15.7	17.7	109.1
NZ	-	-	-	-	-	-	0.1	-	-	0.1
Norway	0.3	11.1	0.8	0.5	21.2	0.2	45.4	16.7	8.3	104.5
Sweden	18.7	7.3	6.9	-	34.0	0.6	49.0	22.9	23.5	162.9
Switzerland	0.8	-	0.7	-	3.5	-	6.1	4.4	2.2	17.7
UK	0.2	6.3	3.1	13.9	9.4	0.8	22.6	22.8	24.6	103.7
US	7.0	11.0	19.0	6.0	47.0	8.0	20.0	36.0	56.0	210.0
TOTAL	**60**	**59**	**51**	**53**	**217**	**18**	**373**	**215**	**214**	**1,260**

Source: Geographical Distribution of Financial Flows to Developing Countries, OECD, 1987.

Bilateral aid is still largely tied to the donors' goods and services (i.e. can be presented to the domestic electorate as an export subsidy), less by the Nordic than others, and with increasing exceptions for purchases within the region (mainly Zimbabwe). Delegates will wish to pursue any updated information from Arusha showing trends in donor and recipient volumes, and virements within programs.

The biggest bilateral program, the US's is also the most prone to short-term fluctuations on political grounds. For instance, new commitments under the US program for Zimbabwe were suddenly suspended in mid-1986, and "normal" bilateral aid for Mozambique is still not authorized by Congress, even though "emergency" and "regional" aid still probably make the US Mozambique's main donor. In November 1987, USAID announced a new commitment of $50mn for regional transport, and funds to support trade and investment; US strategy was to focus on transport, trade development and agriculture.

The Nordics have been consistent major donors to the SADCC region, though especially to Tanzania for historical reasons. There is a special relationship between the two groups, referred to as the Nordic/SADCC Initiative, which provides a mechanism for joint region-to-region consultations on cooperation. Sweden's preliminary 1986 disbursement figures showed its bilateral aid doubling from 1985 to Botswana, Mozambique, Tanzania and Zambia.

The Netherlands has also combined consistent generosity with increasing rigor about value for money.

Italy choose its aid targets selectively. Since 1985, it has made a massive commitment in principle to Mozambique, which will not necessarily be reflected in disbursements.

Of late, the UK has become a forceful advocate of aid to SADCC, primarily as an alternative to sanctions. Its preliminary 1986 disbursement figures showed an increase over 1985 for Angola, Botswana, Lesotho, Malawi and Swaziland, and a doubling for Zambia. Its 1987 figures should show, inter alia, a doubling for Mozambique.

Australia and Canada, on the other hand, are the leading advocates of sanctions, and made commitments at Vancouver to increase aid to SADCC.

The FRG is a consistent major donor.

Part 6 - Appendix: SADCC Country Profiles

1 ANGOLA

(a) Political

President Jose Eduardo dos Santos has headed the government and the Marxist MPLA ruling party since 1979. The Council of Ministers is formally subordinate to the party Politburo. Since independence in 1975, Angola has been plagued by war. In 1975, the rebel UNITA movement, backed by a major South African invasion, Zairean army units and US military support, would probably have taken Luanda and formed the government, had not the MPLA invited in some 20,000 Cuban troops, with Soviet help, to turn back the invaders. Since then, relations with South Africa have been hostile, marked by South African occupation of Southern Angola in support of UNITA, and, with Zaire, cool. The Namibian independence movement, SWAPO, operates out of Angola. The US has been trying to mediate Namibian independence linked to Cuban withdrawal, but also gives military aid to UNITA. Military and political stalemate seems likely to continue. But the war, the mass exodus of skilled personnel and unsuccessful economic policies have produced consistently negative growth since independence.

(b) Economic

In size, agriculture, mining and energy, Angola is potentially one of the richest countries in Africa. Oil contributes over 30% of GDP and 90% of foreign exchange earnings; but the bulk of the latter is preempted by military spending. Angola's biggest trading partner is the US, whose oil companies dominate the industry. Oil price movements are clearly critical to Angola's import levels; but, at any oil price level, a peace settlement would release large sums for development. The recent beginnings of economic reform, the deliberate opening toward the West, and membership of the IMF/IBRD should improve matters meanwhile.

2 BOTSWANA

(a) Political

Since independence in 1966, Botswana has been a stable and prosperous multiparty, multiracial, market-oriented parliamentary democracy, now under President Quett Masire, who succeeded Seretse Khama in 1980. It has unusually friendly relations with all countries. Though a Front Line state, it maintains normal economic relations with South Africa, despite periodic commando raids and other destabilization by the latter. It is keenly aware that its economy and transport routes are overwhelmingly dependent on South Africa and makes clear its determination not to be drawn into a regional sanctions conflict, nor to allow anti-South African military activity from its soil.

(b) Economic

Thanks to diamonds and good management, it is one of the fastest-growing economies in the world, with forex reserves now covering over 2 1/2 years' imports. The temptation to develop like a Gulf oil state in the 1970s, however, is resisted. The constraints are a small population in a large but arid land, a shortage of skilled personnel and entrepreneurs, lack of water, rapid urbanization, high electricity prices (arising from recent power-station investment), and the practical problem of spreading the profits from the capital-intensive diamond industry round the bulk of the people, who remain peasant cattle-farmers, without simply creating a "hand-out" economy. The modern meat industry, based on commercial cattle-ranches, is the second fastest-growing sector, followed by tourism and small-scale manufacturing.

3 LESOTHO

(a) Political

The basic fact of life for enclaved Lesotho is near-total dependence on South Africa. Since independence in 1966 until January 1986, it was led by Prime Minister Leabua Jonathan; he became increasingly authoritarian and unpopular, however, and his relations with South Africa deteriorated. After some years of intermittent destabilization, South Africa imposed a 10-day effective blockade, and Jonathan was overthrown in a military coup. The head of state remains King Moshoeshoe II; the head of the ruling Military Council is General Justin Lekhanya. Anti-apartheid liberation movement activity has been curbed, and relations with South Africa are again "normal".

(b) Economic

Lesotho is small, mountainous and poor. Oddities in Lesotho's economic figures arise from the fact that 40% of GNP and over 80% of foreign exchange earnings are provided by migrant workers in South Africa, which also supplies over 90% of imports. Seventy per cent of the domestic labor force are subsistence farmers, with output declining because of overpopulation, overgrazing and soil erosion. The Highlands Water Scheme will, at least temporarily, now provide a large but unquantifiable new injection of foreign exchange.

4 MALAWI

(a) Political

Since independence in 1964, Malawi has been led by Life-President Hastings Kamuzu Banda, with the administration in the hands of a technocratic civil service. Banda is now old (probably late 80s) with no obvious successor in sight, but the country is meanwhile very stable. It is unique in Africa in having full diplomatic relations with South Africa. Relations with its neighbors have been at times tense, and from 1983 to 1986 it was accused of supporting RENAMO in Mozambique; but in early 1987 it swung decisively against RENAMO and into the regional mainstream, by committing troops to the Nacala corridor (whose disruption by RENAMO is costing Malawi's balance of payments dear).

(b) Economic

Malawi is small, densely populated and poor. But in contrast to its neighbors, it has consistently given top priority to agriculture, especially to smallholders. Agriculture now contributes over one third of GDP, over 90% of export earnings, principally (in order) tobacco, tea and sugar; land availability is becoming a constraint. The economy is market-oriented, with a strong private sector and incentives for foreign investment. Malawi's balance of payments has deteriorated in 1987, largely because of transport problems. But it could still claim to be further down the road of current structural adjustment theory than most black African countries. Reopening the Nacala line in 1988 will help.

5 MOZAMBIQUE

(a) Political

From independence in 1975 to October 1986, Mozambique and its ruling Marxist FRELIMO party were headed by President Samora Machel, and, since his death in an air crash, by President Joaquim Chissano. If formed close links with the USSR and applied Marxist economic policies; it also provided the necessary rear bases for ZANU's successful struggle in Rhodesia, and suffered serious war-damage in consequence until Zimbabwe's independence in 1980. At that point, the RENAMO rebel movement, created by the Rhodesians, was taken over and greatly expanded by South Africa; it has increasingly disrupted the country especially its transport links, ever since, in the prime example of destabilization. Though a Front Line state, Mozambique signed a peace treaty with South Africa in 1984, the Nkomati Accord, and expelled most of the South African ANC; but the South Africans have continued to supply RENAMO, albeit allegedly against the wishes of some civilian ministers. In recent years, Mozambique has sought to broaden its international relations and has increased links with the West, both bilaterally and through joining the Lome Convention and the World Bank/IMF. This policy, together with a major program of economic reform, has gained Mozambique a considerable increase in official development assistance, plus some military support from the United Kingdom.

(b) Economic

Despite plentiful natural resources, land, minerals, energy and water, the Portuguese developed Mozambique largely as a service economy for the interior; at independence, visible exports covered only half of imports, with port charges and migrant remittances respectively the first and fourth forex earners. Since then, all sectors have declined steadily, but some may now be bottoming out. Military spending, despite a recent cut, takes nearly 40% of the budget. Maputo port, once the biggest in southern Africa, taking most Rhodesian and Transvaal traffic, is now run-down and subject to a partial (and shortsighted) boycott imposed by the South African government against the wishes of its traders. Real development in Mozambique will not resume until South African aggression and its support for RENAMO are suppressed or contained; meanwhile, growing amounts of aid money will continue to be spent.

6 SWAZILAND

(a) Political

The Swazi system is uniquely traditionalist, with a young British-educated monarch, King Mswati III, at its head since 1986, but with real political power still vested, since the death of his predecessor, King Sobhuza II, in 1982, in complex factions of the royal family. Though some young, educated Swazis sympathize with the South African ANC, and the there is a tradition of worker militancy in the formal sector, the ruling groups have always been conservative, favoring close cooperation with South Africa and foreign capital (most of it South African). A security cooperation agreement was signed with South Africa in 1982; and recent investment in new railways has inter alia the effect of making Swaziland more rather than less dependent on SATS. However, successive Swazi governments have always sought a measure of foreign policy balance.

(b) Economic

Swaziland is the second most prosperous SADCC member state (GDP/caput), with an economy based on agroindustry, but open, efficient, diversified and export-oriented. World sugar prices are the main forex constraint. Public and private enterprises operate with a high degree of effective independence from the unobtrusive machinery of central government. Light industry is now spreading, largely subsidiaries of South African companies for whom a South African base in SADCC has obvious advantages. But this sector, as with the peasant sector and skilled manpower, is adversely affected by competition from the subsidized South African "homelands".

7 TANZANIA

(a) Political

From independence in 1961 until 1985, Tanzania was led by Julius Nyerere; since then by President Ali Hassan Mwinyi. It is a socialist one-party state under the CCM ("revolutionary party"), which is constitutionally supreme. Regular democratic elections have helped maintain political stability. It was a member of the former East African Community. It remains the largest Front Line state (though remote from the "front line" since Mozambican independence), and under Nyerere took a militant stance against both Rhodesia and South Africa. President Mwinyi has taken a more pragmatic line, both in regional politics and domestic economics. It has a battalion of troops in the Zambezi Valley, supporting the Mozambique government against RENAMO.

(b) Economic

Despite a consistently high level of aid, the policy of "socialism and self-reliance", entailing state enterprise, low incentives, neglect of agriculture, import-substitution, unreaslistic exchange rates and high social spending has left the productive sector badly run down. GDP per caput growth has been negative throughout the 1980s, with a downward foreign exchange spiral. A major reform program in the 1986 budget, however, heralded an agreement with the IMF, followed by major World Bank adjustment and sectoral loans, increased flows, from bilateral donors and debt rescheduling. Business prospects in Tanzania are now better than they have been for a decade.

8 ZAMBIA

(a) Political

Since independence in 1964, Zambia has been led by President Kenneth Kaunda and his UNIP party. Since 1972 it has been a one-party state, with a philosophy of "humanism", similar to Tanzania socialism. A high level of political stability has prevailed, at a cost in efficiency, by skilful balancing of the main tribal groups. Kaunda is Chairman of the OAU and of the Front Line state. Zambia paid a heavy price for its support of the Zimbabwean nationalists during the Rhodesian war, especially after the Rhodesian frontier and transport routes were closed in 1972. It is the most urbanized country in black Africa (50%), with a powerful trade union movement.

(b) Economic
Zambia has always suffered from being a one-product economy (copper), on the back of which it boomed in the early 1970s but has declined ever since-GDP per caput by two thirds in the decade 1974-84. Current plans to restructure turn on returning incentives and resources to agriculture, in which Zambia's potential is great. But urban food riots in late 1986 led to the reversal of food price increases and to the breakdown with the IMF in May 1987, following which it is hard to see how the restructuring program will be financed. The Zambian economy is now in its deepest-ever crisis. Nonetheless, copper worth some $800mn per year is still being exported, and, with debt repayments suspended, this is largely being spent on imports. Although program aid is largely suspended, much project aid continues.

9 ZIMBABWE

(a) Political
Since independence in 1980, Zimbabwe has been ruled by Prime Minister (now President) Robert Mugabe and his theoretically Marxist ZANU-PF party, in whose Politburo real political power is concentrated; but the elected parliament remains multiracial and multiparty. A unity agreement signed with Joshua Nkomo's ZAPU party (broadly representing the 20% Ndebele minority) holding 15 seats, merged the two main parties. After 15 years of UDI, of which 10 were under guerrilla warfare, the British-trained Zimbabwe National Army is now the most professional in the region, but faces security threats from armed dissidents in Matebeleland (some sponsored by South Africa) as well as in Mozambique, where it secures the Beira Corridor and the road to Malawi. Mugabe is Chairman of the Non-Aligned Movement and his rhetoric and principles are strongly anti-apartheid; but in practice Zimbabwe maintains economic relations with South Africa and largely prevents ANC military activity. The relationship, however, remains somewhat strained and unstable.

(b) Economic
The formal economy is by far the most diversified and developed in the region, resting on good infrastructure generally well-maintained, excellent commercial agriculture complemented since independence by a prospering peasant sector, a strong and generally competitive mining sector and a highly diversified if less competitive manufacturing sector. Policy has been to maintain the productive sector mostly in private hands, whilst redistributing the benefits through the tax system and the budget deficit, sustaining heavy social spending

on education and health (10%p.a.) and high borrowing in the first two years of independence have given way to zero growth and a temporarily high debt-service ratio (about 30%), severely constraining foreign exchange. Three years of drought and growing inefficiency in some of the parastatals have not helped. But Zimbabwe remains creditworthy; it is one of the few countries in Africa where all import licenses are backed by hard currency; the long-term outlook is fair.

ANNEX II

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C A F
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CAIRNS HOLDINGS LTD
Mr. Sinclair
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ANNEX III

GUIDELINES FOR THE FORMATION OF NATIONAL BUSINESS COUNCILS WITHIN EACH OF THE MEMBER COUNTRIES OF SADCC

1. The National Business Councils should be bodies capable of representing the Enterprise sector within each member country. In many cases suitable organisations already exist and may simply need to be restructured and revitalised.

2 They must include representatives from all productive sectors of their respective economies (i.e. Agriculture, Banking, Finance, Industry and Mining) and from all enterprise forms (e.g. parastatals, private, cooperative).

3. They will be responsible for the representation of their respective enterprise sectors to:

(a) their respective National SADCC Contact Points;

(b) appropriate SADCC Sector Coordinators and the Secretariat;

(c) the other national business councils bilaterally and also multi-laterally through the Regional Business Council;

(d) representatives of the enterprise sectors within countries which are cooperating partners of SADCC.

4. The Councils will provide a vehicle for the dissemination of information about SADCC and for the promotion of its aims, objectives and programmes.

5. They will facilitate the promotion of investment within the region through the identification of investment opportunities and requirements; and the fuller participation of local enterprises in national and regional projects.

6. They will provide a forum for the exchange of information leading to the promotion of intra-regional trade.

7. They will also provide a forum for the exchange of views, ideas, and

experience leading to the mobilisation of the enterprise community for fulfilment of the region's development objectives and the enhancement of regional cooperation generally.

8. The Councils will endeavour to meet the costs of their activities from resources mobilised from among their activities from resources mobilised from among their membership.

9. The Regional Business Council would comprise members of the nine National Business Councils and would be responsible for issues of policy as these affect the role of National Business Councilsin SADCC; for liaison with the SADCC Secretariat and for contact betwethe enterprise community at regional level and the relevant SADCC Organs.

ANNEX IV

SADCC BUSINESS SECTOR

Addresses of National Business Councils

ANGOLA

Direccao National da Political Commercial
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CP Nr. 885
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ANNEX V

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OTHER SADCC PUBLICATIONS

1. SADCC Handbook

2. Southern Africa: Toward Economic Liberation, a Declaration governments of independent states of Southern Africa made at Lusaka on the 1st April, 1980, London, SADCC, 1980.

3. Southern Africa Toward Economic Liberation, Papers presented atthe Arusha and Lusaka meetings on the Southern African Development Coordination Conference (SADCC). London , Rex Collins, 1981. available from RexCollins, 6 Paddington, London WI (Stg. 14.00 pounds).

4. SADCC 2 1980 Maputo-Proceedings of the Annual Consultative Conference, held in Maputo, People's Republic of Mozambique on 27/28 November, 1980. (US $7,50).

5. SADCC 1983 Maseru-Proceedings of the Annual Consultative Conference held in Maseru, Kingdom of Lesotho on 27/28 January 1983, (US $12,50).

6. SADCC 1984 Lusaka-Proceedings of the Annual Consultative Conference held in Lusaka, Republic of Zambia on 2/3 February1984, SADCC. (US $9,50).

7. SADCC 1985 Mbabane-Proceedings of the Annual Consultative Conference held in Mbabane, Kingdom of Swaziland, on 30th January 1985. (US $4,50).

8. 1986 - Macro-Economic Survey Report, SADCC 1986 (US $5,00).

9. SADCC 1986 Harare-Proceedings of the Annual Consultative Conference held in Harare, Republic of Zimbabwe, on 30/31 January 1986. (US $5,00).

10. Mwalimu Julius K. Nyerere . . . a tribute . . . 1986, (US$2,50).

11. 1985/86 Annual Progress Report, SADCC 1986 (US $5,00).

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13. Investment Policies and Mechanism of SADCC Countries 1987 (US$5,00).

14 SADCC can make it, 1987.

15. SADCC 1987 Gaborone-Proceedings of the Annual Consultative Conference held in Gaborone, Republic of Botswana, on 5/6 February, 1987 (US $5,00).

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17. SADCC 1987 - Report of Businessmen's Seminar, (US $1,50).

18. SADCC 1988 Arusha-Proceedings of the Annual Consultative Conference held in Arusha, United Republic of Tanzania on 28/29 January, 1988 (US $5,00).

19. SADCC 1988 Annual Progress Report 1987/88 (US $5,00).

20. SADCC 1988 Samora Machel . . . a tribute . . . (US $2,50)