

A COUNTRY PAPER ON SWAZILAND

Prepared by

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1. BACKGROUND

Swaziland is a small landlocked country of 17,000 sq. km with a population of 900,000, which gained independence in 1968.

Swaziland is one of the most socially integrated societies in the region; with a cultural cohesion built on the rule of the traditional Monarch, common historical heritage and language, it has enjoyed political stability and been able to successfully pursue a polity of peaceful coexistence with its neighbours in a region that in the recent past has seen considerable political turmoil and social upheaval.

However, the national economy and culture is characterised by a dichotomy between the traditional, rural, subsistence farming on Swazi National Land, and the modern industrial, urban and large scale commercial farming sectors. The 'traditional' and 'modern' segments of Society reflect substantially different cultural values, economic and social aspirations, technologies, and decision-making processes. The balancing of these two influences by Swaziland's Monarchs has sought to unify the modern and traditional orientations and has thus formed the unique socio-economic and cultural identity of today's Swazi nation.

2. SWAZILAND'S DEVELOPMENT SINCE INDEPENDENCE

Government has throughout its modern history been supportive of the private sector, through minimizing Government's own partition in the productive sectors and through providing an infrastructure and a legal and economic environment that is conducive to the establishment and operation of industrial, agricultural and other commercial activities. On this basis, the country has made considerable achievements since its independence in 1968.

With an estimated annual growth since independence of 1.5% in per capita incomes, to a level of approximately US\$ 1,000 in 1994, Swaziland is classified as a lower middle-income developing country.

Government has, since independence, made considerable investment in the education and health sectors. During the 1968-1994 period, Government's education and health expenditures increased at an annual rate of 10.9%, and on other social services at a rate of 15.2% p.a. As a result of this investment, the national immunization and adult literacy rate have respectively increased to 83% and 67%, life expectancy increased from 46 years in 1976 to 56 years in 1986, infant mortality per 100 has declined from 132 in 1968 to 84 in 1988. 85% of the population are within 8 kilometers of a health facility, and access to safe water and sanitation for the rural population has increased from 20% and

15%, in 1975 to 50% and 45%, respectively, in 1991.

In the first years after independence Swaziland's balance of trade was positive and allowed the country to accumulate foreign exchange reserves and even make early payments against its international debt commitments. It also established a Capital Investment Fund for the financing of future investments, aware as it was of the high significance of SACU revenues and the brittleness of its production and export base.

Over the post-independence period the economy has, however, changed in structure, through a shift from primary into secondary production. The share of secondary production in national production rose from 20.4% in 1968-72 to 44.6% in 1987-92. The share of primary production declined from 36.5% to 17.5% and agriculture from 27.5% to 14%. Whereas the manufacturing sector, in particular the sugar-based drinks concentrates, citrus and pulp subsectors are the leading export industries, the agricultural sector is the largest employer. There is a high level of linkage between the agricultural and manufacturing sectors, as the main input to the latter is local agricultural produce.

Due to its direct and indirect dependence on the agricultural sector, the national economy remains highly sensitive to seasonal rainfall variations. Because of the drought which the country experienced in 1991/92 there was a marked drop in agricultural production, which has still not been entirely recovered. In years of good rainfall the country can produce approximately 75% of its staple food needs.

3. Review of Recent Economic Trends

We have recently prepared Government's budget for the 1995/96 fiscal year and the 3-year rolling Development Plan for the 1995/96 - 1997/98 period. This work has taken place against a backdrop of economic uncertainty for our region and a deterioration in domestic finances.

With a democratically elected Government in South Africa and evolving peace in Mozambique, Swaziland is undoubtedly facing new challenges.

Whereas total and per capita incomes have increased since independence, it must be noted that the rate of growth of the economy has been declining over the period whilst the rate of population growth has accelerated, and that per capita incomes have therefore stagnated or even declined in the most recent years. Whilst the annual population growth rate has increased from 2.5% to 3.4% p.a., the rate of growth in wage employment has declined from 9.4% to 2.5% p.a.

The South African internal economy and civil institutions are under reconstruction. Mechanisms of

internal and external economic protection are being dismantled. The implementation of South Africa's offer to GATT is likely to reduce the common pool of the Southern African Customs Union (SACU), and there is a possibility that Swaziland's share of the smaller pool may be affected by the outcome of the current SACU negotiations. This will almost certainly have a serious implication for Swaziland's Government revenues.

The fragility of Swaziland's revenue structure must be stressed as receipts derived from the SACU agreement continue to yield the bulk of the State's revenues, providing in 1992/93 and 1993/94, respectively, 39 percent and 46 percent of total revenue.

The inflow of new foreign investment to Swaziland has declined with the renewal of faith and political stability in South Africa and the emergence of peace in Mozambique.

The Swaziland Government's revenues have not increased at the same speed as expenditures, which have given rise to budgetary imbalances. The rate of growth in Government's recurrent expenditures, and in particular the personnel vote, is not sustainable. A number of parastatal organisations remain operationally inefficient and continue to require Government subventions on a significant and unnecessary scale.

In spite of the recent adverse economic trends, the status of Government finances remains basically sound. With external debt at the end of the 1993/94 f.y. of E 669m, its Debt/GDP ratio is 17%, Debt Service/Exports ratio 3.7% and Debt Service/Government Expenditure ratio is 6.8%. Government is fully aware, however, of the ramifications of the current economic and political changes and that corrective actions will now need to be taken in order to arrest the trend towards deterioration in its internal and external balances.

4. Current Development Challenges

Whereas significant achievements have been made since independence in e.g. the education and health sectors, considerable challenges remain. The potential scope of Government's development policies and future investment is threatened by the worsening economic outlook.

Swaziland has a very high population growth rate — currently estimated at 3.4% p.a. Before the end of the century the national population will exceed one million. The economy's capacity to create job opportunities for an ever increasing number of school-leavers, and to provide adequate social and infrastructural services for such large numbers of citizens, will be stretched to its fullest. The rate of population growth will, furthermore, place great pressures on the country's natural resources (soils, forests and water supplies), food production capacity, education, health and social services.

With current estimates of the prevalence of HIV/AIDS being that nearly 22% of the adult population has been contaminated, the nation's skills base is being eroded at the same time as an explosion being anticipated in the need for appropriate health care and social service facilities. In addition to its economic effects, the HIV/AIDS epidemic will permanently affect the fabric of social relations and community interaction.

Technical and vocational skills are still insufficient for the needs of a competent participant in the modern and competitive international and regional economy. The scope and depth of vocational skills training facilities is still insufficient. In addition, an insufficient number of trained teachers is available to a large proportion of the schools. Indeed, not more than half of the number of teachers hold primary teacher's certificates, and about a third hold only primary lower certificates. High drop-out rates are prevalent not only at the University but also at the primary and secondary levels. Although the primary school cycle is 7 years, the average time taken for a primary school student to graduate is 11.71 years. At the secondary level the cycle is 5 years, but on average it takes 9.24 years to produce a graduate.

Each year, only 2,000 of the 8,000 Swazi citizens entering the formal sector jobs market are absorbed into the labour force. Most of the unemployed (58%) are between the ages of 15 and 29, and total unemployment rates are currently estimated to be in the 30% region.

Industry and commerce is still largely dominated by foreign owned companies. To harness the nation's economic potential the indigenous population needs to be more closely involved in the productive sectors, and must be encouraged to enter industry and commerce. This must not be at the expense of foreign investment, although the comparative advantage of Swaziland as a location for foreign investment has been eroded by the changes in the international political and economic status of South Africa.

The rural population, which comprises more than 70% of the total population of 900,000, is still disadvantaged when it comes to access to doctors, tap water, transport, electricity, finance and markets, telephones and newspapers — all basic needs in modern society. There are indications of stunted growth among children and infant mortality remains high when compared to other countries with similar income levels. Also, the economic potential of the rural soils and natural resources are not being fully harnessed.

There is evidence of considerable pasture degradation on Swazi Nation Land. Because communal grazing is free and because many veterinary and animal husbandry services are available to cattle owners for little or nothing, it is often more financially beneficial to reinvest in cattle than to pursue other options.

Transport and infrastructure is in need of additional investment. With a new regional political and economic order, the pattern of both domestic and international trade and investment is changing. Basic transport and infrastructure facilities is a prerequisite for the effective operation of both the public and private sectors, and many rural and peri-urban areas in Swaziland remain insufficiently serviced by existing transport and infrastructure facilities.

The efficiency of the public sector needs to be improved, in order to arrest the upward pressure on Government's recurrent expenditures and for it to be able to effectively implement its future development plans.

5. Longer term National Development Priorities and Plans

The Government of Swaziland believes that development can only be founded on economic growth, and that the private sector must be the engine of such growth. With, in particular, the prospects of reduced Customs Union revenues, Swaziland will become increasingly dependent on the private and productive sectors as sources of national economic and social prosperity. Establishing and maintaining an environment conducive to these sectors capturing emerging opportunities and thus maximising their contribution to national development will therefore be central to Government's overall development objectives and plans.

From Government's recent consultations with a number of Asian countries it has learnt from their lessons of development. Therefore, whilst acknowledging economic growth as the vehicle of development, Government is likewise committed to maintaining crucial elements of the unique Swazi heritage and cultural traditions as a foundation of prosperity. Whereas Government is keen to learn from the experiences of other nations and to be a partner in international development cooperation efforts, it will seek to avoid the wholesale adoption and imitation of policies and institutional models that have been devised for countries that developed from different cultural foundations.

In addition to economic growth, His Majesty King Mswati III has, in his speech at the opening of the current Parliamentary session, identified Sustainable Development, Self Reliance and Equity and Participation as important dimensions of Swaziland's development objective.

Government is currently undertaking, through a Royal Economic Review Commission, consultations to identify the more detailed issues, constraints and opportunities pertaining to these objectives. As an exercise ongoing since 1989, our Ministry is formulating a National Development Strategy (NDS) — outlining policy and institutional strategies for a 25-year period. Under the NDS, an in-depth preview of all major economic and social sectors has been undertaken.

The issues brought out by the Economic Review Commission and the sectoral consultations of the NDS will be translated into more concrete longer term objectives and medium-term strategies in a National Development Strategy document which it is expected will be published in 1996.

There are, however, a number of issues that have already emerged as being imperative to the future strategies and plans of Government.

Policies to promote Swaziland as an environment that is conducive to investment by both Swazi nationals and foreigners and to the competitive operation of the private and productive sectors will need to encompass adequate fiscal incentives, a sound infrastructure, modern laws and institutions, a skilled workforce, and healthy industrial relations.

The rural sector, including SNL agriculture, will need to be increasingly integrated into economic development efforts. An expansion in rural economic activity will require improved planning of land use, increased efforts to provide of credit, technical skills training and other inputs to rural economic development, and access to transport, infrastructure and markets. Maximising the contribution of the rural economy may entail utilization of new agricultural techniques and introduction of new crops. Government and external donors will have a special role to play in the provision of access to water, for human consumption and for agriculture.

The formal productive sectors remain largely in the ownership of foreign individuals and corporations. Indigenous entrepreneurs must be stimulated through the provision of technical and managerial training, credit, and assistance with access to markets. The civil service has too frequently been the main avenue of prosperity for the indigenous population, in a regional economic environment that has focussed on protection of established industries.

Priority for physical infrastructure development will be given to establishment of a high standard corridor road network that gives access to the major regional centres of Durban, Maputo and the Johannesburg/Pretoria area, and to the upgrading of the quality and interconnection of telecommunications, air traffic and railway facilities to become an effective component of the regional communications network.

Telecommunications and electricity and water supply facilities will be developed on the basis of user access and economic effectiveness. Measures will be introduced to improve the effectiveness and competitiveness of services provided by parastatal organisations. Where scope and quality of service can be better provided by the private sector, Government will consider privatisation and/or invite competition from external operators. All parastatals will need to be managed on the basis of an operational efficiency objective and Government subventions will need to be reduced.

The quality of Swaziland's skills base needs to be improved. The quantity of educational facilities are less of a problem than their quality. The focus of curriculum development must be sifted from academic to vocational training, and the quality of educational facilities and teaching must be improved.

Procedures for incorporating environmental considerations into Government's planning process are being developed and will be finalized in the forthcoming year. Their implementation will be an incremental process stretching over many years.

6. Medium Term Economic Policy Priorities Strategies

The current direction of economic policy has been spelt out in the Minister of Finance's Budget speech for the 1995/96 fiscal year. Policies are based on the need for sound macro-economic management in the face of a deteriorating trend in Government finances, and designed to facilitate internal adjustment to facilitate optimization of economic prospects in the face of a changing environment. The specific priorities are:

- Revenue Diversification
- Expenditure Control
- Encouragement of Economic Growth

To avoid Government's dependence on Customs Union revenues, it will need to diversify its revenue base. In this respect a programme to improve the collection of sales, income and corporate taxes is being introduced. A review is furthermore being undertaken on the structure of taxation and incentives, including the possible substitution of the national Sales Tax with a Value Added Tax system.

Government expenditures have in recent years been growing at a higher rate than revenues, with the resulting emergence of budget deficits.

Government is introducing a Public Sector Management Programme (PSMP) aimed at improving resource allocation and organisational efficiency within the civil service. Of special importance will be the review of internal structures and working procedures of individual Ministries and Departments; the relationships and linkages among them; the objectives and functions of the various permanent committees that have been established; and the utilisation of personnel who possess skills and expertise that are in much demand throughout the Government system but are in short-supply.

Although many now advocate that even government owned public utilities should be privatised, the

arguments that are adduced against their ownership by the State are not as pronounced as those presented against the State's ownership of commercial and production enterprises. There is a general agreement that the finances of parastatal organisations should be delinked from government budgets; that in principle no subventions should be given by governments to them; that they should be autonomous entities, the management of which should be free from government interference and control; and that they should be given the authority to recover costs and such other resources as they might legitimately and rationally need for improving the services which they provide to customers.

With respect to the creation of an attractive investment environment, the country's investment legislation will be consolidated into an Investment Code, an Investment Promotion Centre will be established; and the industrial estates, credit and training programmes for local entrepreneurs expanded. Swaziland is centrally placed in the region, with skills, infrastructure and natural resources that can match those of any of our neighbours. Change in the international and regional environment is increasing the pressure on manufacturers and giving a stimulus to the competition for markets. This trend does, of course, also provide opportunities. With improved political stability also comes expansion of market size, and with freer flow of goods, services and capital comes opportunities for access to foreign markets that all too frequently have been protected. The renewal of investment in South African infrastructure, education, and social services also represents an immediate opportunity for suppliers in the region. Overseas investors are still largely slitting on the fence, but will in the longer term undoubtedly return to the region. And then, why not Swaziland?

The Government is convinced that much of Swaziland's future economic growth, and therefore much of its future labour absorptive capacity, must come through the development of rural areas, specifically from Swazi Nation Land. It is also aware that for agriculture to be modernised in these areas, it might be desirable to make some changes in the current land tenure system.

7. Parameters of Development Cooperation

Swaziland currently receives assistance from more than 100 international organisations, Governments and NGO's. Total donor-recorded expenditures have been in the region of US\$ 60 million per year in the 1990's. The largest 6 donors — the United States, United Nations, European Union, Japan, Republic of China and the United Kingdom — together account for more than 80% of all grant assistance. However, with a reduction in drought and refugee-related emergency assistance, as well as donor priorities shifting towards Eastern Europe and the Middle East, the underlying trend in availability of external grant funding is negative. In terms of sectoral allocation of ODA, Human Resource Development is the largest recipient sector, followed by Agriculture, Forestry and Fisheries and Health.

Total official Development Assistance is equivalent to approximately 6% of GDP and thus represent a valuable, but not dominant, contribution to the resources available for our development planning. A significant proportion of recorded ODA disbursements are not available to Government for development programming, as some funds are channelled by the donors directly to their own suppliers or provided directly to NGO's or to other non-Government sectoral programmes in Swaziland. It is an objective, however, to 'mainstream' as much as possible of available external resources, in order to ensure their allocation towards genuine national development priorities. On the other hand, the technical inputs we receive can be far more valuable than their purely financial costs.

The overriding concern for development assistance is that projects must be in support of national development priorities. We have in the past, unfortunately, been all too willing to respond to initiatives emanating from direct contact between narrow departmental interests and the donors themselves. Of course, our wish to centrally coordinate the flows of donor resources is dependent on a capacity to identify needs, formulation of proposals, and liaison with the donors. We have recently established an External Assistance Unit in our Ministry, which we expect will improve our effectiveness and capacity to plan and implement donor-assisted projects.

8. Government priorities for Japanese assistance

The Japanese programme of assistance to Swaziland is becoming increasingly important. We have to date benefitted from assistance in priority areas such as increase in domestic food production and agricultural development, improvement in infrastructure for rural telecommunications, as well as human resource development through our participation in many of the training courses that are annually provided by Japanese authorities.

We are aware of the priorities that are the foundation of Japanese development assistance, with its focus on basic human needs and infrastructure for socioeconomic development, human resource development, control of population growth, and concern for the global environment. These priorities are certainly congruent with our own priorities and plans. We have made proposals for future grant aid assistance in the area of equipment to health facilities throughout our country, water and sanitation for low-cost urban and peri-urban housing, and for establishment of an industrial skills training centre in Piggs Peak.

We are planning a number of relatively large infrastructure and other development projects, for which we may wish to seek Japanese soft loan assistance. One project which could be of particular importance in this context is the Komati River Basin Project, under which we are, together with the Republic of South Africa, intending to build a dam, a hydro-electric power plant and agricultural developments in the Komati river basin.

ANNEX 1

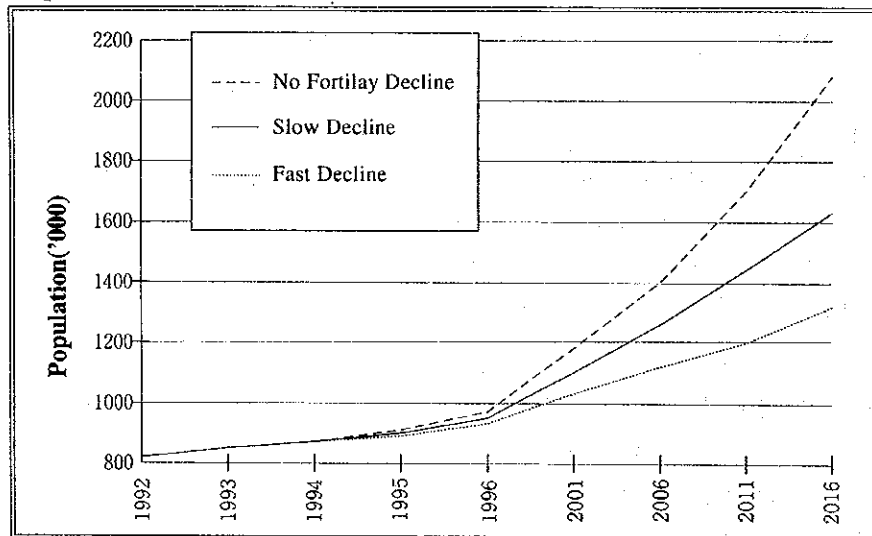
Gross Domestic Product Forecasts 1994/95-1996/97

	1994/95	1995/96	1996/97	aver. growth
GDP Fact or Cost in 1985 Prices (E m)	1088	1125	1151	2.9%
GDP Growth Rate (%)	3%	3%	2%	—
GDP Deflator	260	285	320	11%
GDP Fact or Cost In Current Prices (E m)	2829	3206	3683	14%
Indirect Taxes less Subsidies	694	733	799	7%
GDP Market Prices in Current Prices(E m)	3523	3939	4482	13%

Source: Economic Planning Office Projections

ANNEX 2

Population 1992-2016



ANNEX 3: TOTAL GOVERNMENT AND GOVERNMENT-GUARANTEED (PARASTATAL) DEBT

LENDER	CURRENCY/RATE		E '000 DEBT END-1993/1994 f.y.
MULTILATERAL			334.323
of which: IBRD	US\$	3.47	68.151
IDA	US\$	3.47	21.074
ARAB LEAGUE	US\$	3.47	5.122
ADB/ADF	AUA	4.79	170.843
EIB	ECU	4.01	52.327
IFAD	US\$	3.47	16.804
BILATERAL			330.636
of which: U.K.	GBP	5.16	45.632
GERMANY	DM	2.08	156.899
DENMARK	DKR	0.51	64.226
U.S.A.	US\$	3.47	19.438
ITALY	US\$	3.47	15.314
FRANCE	FFR	0.6	7.528
R.S.A.	ZAR	1	21.596
TOTAL DEBT			669.461
of which: Central Govt.			559.910
Parastatals			109.550

KEY DEBT/DEBT SERVICE RATIOS

KEY RATIO	NOMINAL VALUES ¹	RATIO VALUE
Debt/GDP:	(669m/3,900m)	0.17
Debt/Foreign Exchange Reserves	(669m/1,041m)	0.64
Debt Service/Government Expenditure	(78m/1,130m)	0.068
Debt Service/Exports	(55m/2,120m)	0.037

¹ Based on Min. Economic Planning and Min. Finance/Central Bank estimates 1993/94 fiscal year.

**ANNEX 4: SUMMARY OF DONOR OPERATIONS IN SWAZILAND,
per annum grant equivalents**

DONOR	Primary Sectors, Programme Areas and Projects	Modality	Est. grant equiv. value p.a. E'm
CHINA/TAIWAN	Agricultural Mission, Handicrafts + Small Business Development	Grants, TA+Loans	35m Forecast: Increase 10-15%
U.S.A.	Small Bus. and Agric. Extension / loans, Educ. Mngt	TA, Grants, Fellowships+ Volunteers	25m Forecast: Decline 10-15%
E.U.	Roads, Microprojects, Rural Water, Central Agency Training	Grants, TA, Loans	22m Forecast: Stable
JAPAN	Rural Water, Health, Agric. Inputs	Grants	20m Forecast: Increase 5-10%
GERMANY	Health/Family Planning, Ind. Dev./ Vocational Training, National & Sectoral Planning	Grants, Soft Loans, TA	16m Forecast: Stable/Decline
U.K.	Mngt. of Govt. Finance, General Public Sector Mngt. Natural Resources, Security	TA, Fellowships	13m Forecast: Decline 10%
NGO'S (privately funded)	Rural / Community Development, Health, Income Generation	Volunteers, TA	6m Forecast: Stable
UNDP+ Other UN	National Development Strategy, Environment, Housing, Land Use Planning, Aid Coordination	TA+Fellowships	5m Forecast: Decline 5-10%
WFP	Community Development, Income Generation	Food Aid	4m Forecast: Decline
CANADA	Teachers + Educ. Planning.	Volunteers + Fellowships	3m Forecast: Stable/Decline
ADB	Roads, Health Sector review	Soft Loans + TA	3m Forecast: Stable
R.S.A.	Industrial Training, trade development	Grants + TA	2.5m Forecast: Stable/Decline
UNICEF	Maternal / Child Health, Immunization	TA	2m Forecast: Stable
WHO	Training, Water supplies, Drugs	TA	2m Forecast: Stable
AUSTRALIA	Teachers, Urban Admin., Veterinarians	Mainly Volunteers	2m Forecast: Stable/Decline
HOLLAND	Women in Development, Rural Water,	Grants, TA	1.5m Forecast: Stable
IBRD	Poverty, Urban Dev., Investment Promotion, Sectoral reviews	Soft Loans + TA	1.5m Forecast: Increase
UNFPA	Gender Analysis, Policy Dev., Demography Training	TA + grants	1m Forecast: Stable/Decline
FAO	Tick-borne diseases, Min. Agric. Documentation, Mest Hygiene.	TA	1m Forecast: Stable
UNHCR	Mozambique refugee repatriation	TA + grants	1m Forecast: Decline
IMF	Revenue Collection, Fiscal Policy	TA	1m Forecast: Increase
ISRAEL	Chicken Farming, Training, Some Doctors	TA	1m Forecast: Stable
DENMARK	Telecommunications	Grants, TA	.5m Forecast: Increase 1995-96
ITALY	Transport / Railways	Soft Loans	.5m Forecast: Increase 1995-96
C'WEALTH	Financial Management, Diplomatic Training	TA	.5m Forecast: Increase
IRELAND	Health	Volunteers	.2m Forecast: Stable
OTHER DONORS	Training programmes / workshop sponsorship, trade finance, short TA visits	Mainly Fellowships	1m Forecast: Stable
TOTAL	ANNUAL TOTAL DEVELOPMENT ASSISTANCE, ALL SECTORS		158.2M

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Prepared by

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Executive Summary

1. This seminar is taking place in the context of unprecedented internal changes within the region and changes in the world's economic relations. Major changes have occurred within the region in recent years in the area of economic and political liberalization. The most notable developments in the region include the dismantling of apartheid and its replacement by majority rule in the Republic of South Africa (RSA) in May 1994, a wave of democratization and adoption of economic reforms in many countries in the region. Internationally, the most relevant developments include the end of the cold war, the widespread revival of interest in regionalism, the recent conclusion of the Uruguay Round GATT agreement and the rapid technological changes in the developed countries and more recently in the newly industrialized countries. All these developments have introduced new dimensions in world economic relations calling for new perspectives in regional cooperation in the Southern African region (SAR).

2. The major lessons on experience in respect of cooperation in the Southern African Region (SAR) are identified as: weak organization and lack of institutionalised technical support, failure to reflect objectives of regional cooperation in national plans and policies, insufficient attention to improving information flows within the region, insufficient political vision, will and commitment.

3. Past experience in regional cooperation in SAR suggests that the approach to regional cooperation in the spirit of collective self reliance should avoid to be too ambitious too early. It may be more pragmatic to start with a limited number of particular sectors, classes of enterprise or zones and expand and extend to new horizons taking full advantage of experiences gained in cooperation in the more limited horizons.

4. The strategy of SAR cooperation should be to identify broad fields in which cooperation should be pursued, indicate long-term goals to be achieved and propose a set of activities to be undertaken in each area in the short and medium term. The new approach should allow for sufficient flexibility relying on variable geometry and multi-speed paradigms. Integration will therefore need to proceed on a multi-speed basis with several focal points. Consistent with the wave of privatization and moving away from administrative allocation of resources the distribution of investments in the region will be largely influenced by the quality of supportive infrastructure. Efforts will need to be made to raise the level of infrastructure in each member country above a certain minimum which would facilitate and support a reasonable flow of investments.

5. Recent internal and international developments point towards greater openness of the national economies to the intensifying competition in the world market. Countries in the Southern African region will have to face this challenge of international competitiveness. One question which will need

to be addressed is how regional cooperation can be harnessed to facilitate the process of attaining competitiveness not only within the region but also internationally. It is in this context that regional welfare can be realized in a sustainable manner.

6. The experience with regional cooperation in the region suggests that Southern African Region countries need to proceed with regional economic cooperation on two parallel but connected tracks. The first track would be engaged in sector coordination and cooperation on project investments and policy harmonization in specific sectors and activities. The second track would engage market integration.

7. The main focus of sectoral coordination and cooperation should be to rationalize investments in specialized activities guided by efficiency considerations and to encourage cross-border investment flows. The smallness of individual country markets suggest that in most of the major sectoral activities a regional approach to sectoral development should be preferred to a national approach.

8. The distribution of benefits (and costs) has been a major problem confronting many regional cooperation and integration schemes. Typically the less developed members have often been the relative losers in the distribution of benefits from regional integration. This experience suggests that in future appropriate mechanisms will have to be put in place to accommodate genuine concerns and experience from past regional cooperation arrangements. The problem of distribution of benefits and costs is so important that it may require a special study of the experiences in the more successful cooperation and integration schemes elsewhere.

9. Efforts towards economic reforms and restoration of macroeconomic balance at the national level have a good chance of leading to the resumption of economic growth with sustainable increases in real per capita income. To achieve those two objectives countries need to continue implementing key structural and policy reforms with greater attention on regional harmonization of national reforms in order to achieve progressive macroeconomic convergence.

10. The Southern African Region is one of the most underdeveloped in terms of human resource development. This is an area where regional cooperation has great potential at least four aspects: training highly specialized human resources will need to take a regional approach so that some kind of appropriate rationalization and specialization can be designed with a regional dimension; regional efforts should be aimed at utilizing RSA experience with the development of academic support programmes which have useful applications in SADC where effective remedial programmes, to cover the shortfalls in proper preparation for university entrance, could be highly effective and in particular encourage regional collaboration in developing the Open University concept; and a major concern for governments in the region is that although some countries are concerned about an influx of workers in

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the semiskilled and unskilled categories they are at the same time attracting a brain-drain of highly educated and trained professionals from other countries in the region.

1. INTRODUCTION

The JICA/CIDA joint seminar is being held at an opportune time when recent reviews of development cooperation in Southern Africa have been completed separately by JICA and CIDA. This opportunity to discuss and understand Southern Africa's needs and directions for the region's development and cooperation as it approaches the 21st Century has arisen in the context of unprecedented internal changes within the region and changes in the world economic relations.

1.1 Major changes have occurred within the region in recent years in the area of economic and political liberalization. The most notable developments in the region include the dismantling of apartheid and replacing it by majority rule in the Republic of South Africa (RSA) in May 1994; the liberalization, de-regulation, commercialization and privatization of national economies in the region; and increased political liberalization in the region taking various forms of democratization, transparency and public accountability.

1.2 Internationally, some major developments have taken place recently, notably, the end of the cold war, the widespread revival of interest in regionalism, the recent conclusion of the Uruguay Round GATT agreement and the rapid technological changes in the developed countries and more recently in the newly industrialized countries. All these developments have introduced new dimensions in world economic relations calling for new perspectives in regional cooperation in the Southern African Region (SAR).

2. APPROACH

The major lessons of experience in respect of cooperation in the Southern African Region (SAR) are identified as: weak organization and lack of institutionalized technical support, failure to reflect objectives of regional cooperation in national plans and policies, insufficient attention to improving information flows within the region, insufficient political vision, will and commitment.

The strategy of SAR cooperation should be to identify broad field in which cooperation should be pursued, indicate long-term goals to be achieved and propose a set of activities to be undertaken in each area in the short and medium term.

Past experience in regional cooperation in SAR suggests that the approach to regional cooperation in the spirit of collective self reliance should avoid to be too ambitious too early. It may be more pragmatic to start with a limited number of particular sectors, classes of enterprise or zones and expand and extend to new horizons taming full advantage of experiences gained in cooperation in the more limited horizons. Bearing this modesty in mind, it should be possible to proceed on a sufficient number of fronts through packages of measures whereby benefits can be evaluated more comprehensively and avoiding piecemeal approaches which might make it more difficult to reconcile optimal allocation with regional equity.

The new approach should allow for sufficient flexibility relying on variable geometry and multi-speed paradigms. Integration will therefore need to proceed on a multi-speed basis with several focal points. The process could be aided by overcoming payments obstacles by building on bilateral arrangements (of the sort being promoted in South Africa) to encourage trade expansion and rationalization within a harmonized framework or preferences to avoid distortions.

Recent internal and international developments point towards greater openness of the national economies to the intensifying competition in the world market. Countries in the Southern African region will have to face this challenge of international competitiveness. One question which will need to be addressed is how regional cooperation can be harnessed to facilitate the process of attaining competitiveness not only within the region but also internationally. It is in this context that regional welfare can be realized in a sustainable manner.

2.1 Regional welfare in Southern Africa is likely to accrue from three sources:

- (i) substantial cost savings resulting from coordinated investments in the region's physical infrastructure.
- (ii) the benefits of trade creation, expansion and intensified cross-border investment which will reduce costs that tend to arise from various inhibitions to more open trade.
- (iii) 'Externalities' or unorthodox gains from regionalisation which accompany the removal of major non-tariff barriers to enhanced regional interaction.

- 2.2 The experience with regional cooperation in the region suggests that Southern African Region countries need to proceed with regional economic cooperation on two parallel but connected tracks. The first track would be engaged in sector coordination and cooperation on project investments and policy harmonization in specific sectors and activities. The second track would engage market integration whereby progress could be made using the agenda established, for example, by the PTA at its 1992 summit meeting, but applying it on a schedule which is more realistic in the context of evolving political and economic developments the region.
- 2.3 The distribution of benefits (and costs) has been a major problem confronting many regional cooperation and integration schemes. Typically the less developed members have often been the relative losers in the distribution of benefits from regional integration. This experience suggests that in future appropriate mechanism will have to be put in place to accommodate genuine concerns and experience from past regional cooperation arrangements. Without in-built design of appropriate compensatory mechanisms to distribute these regional gains (i.e. a regional investment and development polity) the pattern of their accrual would mainly benefit the more developed partners to the detriment of sustainability of the cooperation arrangements themselves. The challenge of regional economic integration and cooperation lies in designing cooperation schemes in such a way that benefits are enhanced and costs are checked and continuously weighed against benefits in the static and dynamic context. An analysis of the costs and benefits of fragmented as against integrated market, as has been done for the European Union shows clearly the superiority of the latter. Economic integration is a dynamic process. Countries losing out in the short-run may gain substantially in the long-run. In the case of the Southern Africa region a cost-benefit analysis of regional cooperation or integration needs to be addressed squarely. This should be a major initial effort and mechanisms should be put in place to make follow up updates to cope with changing circumstances in the region. The problem of distribution of benefits and costs is so important that it may require a special study of the experiences in the more successful cooperation and integration schemes elsewhere.
- 2.4 Consistent with the wave of privatization and moving away from administrative allocation of resources the distribution of investments in the region will be largely influenced by the quality of supportive infrastructure.

Efforts will need to be made to raise the level of infrastructure in each member country above a certain minimum which would facilitate and support a reasonable flow of investments. Inter-country inequalities in the quality of infrastructural facilities within SAR is likely to lead to inequalities in the distribution of investment flows in the region. Considering that regional cooperation is not sustainable in such situations continuous efforts to improve infrastructural conditions in the least attractive countries should be built into the cooperation mechanisms.

3. SECTORAL LEVEL COOPERATION

3.1 Agriculture

Agriculture is a major sector in most countries in SAR in terms of contribution to employment, incomes and foreign exchange earning. Regional cooperation is expected to play an important role in agriculture. It is essential that countries which are potential exporters to their neighbours should adopt both policy and investment strategies which would facilitate cooperation in agriculture. Encouraging cross-border investment in farming development should become a linchpin of regional integration strategy in agriculture. To the extent that some areas in the region have unutilized land and there is need to boost investment in agriculture then there seems to be a case of attracting investment flows within the region. The various step that have already been taken by some SADC countries to attract displaced commercial farmers and resettling them in land surplus countries are in the right direction.

There is a wide range of variation in soils and climatic conditions across the region. These variations and the different agro-economic zones know no national borders. The fact that they often cut across national borders suggests that there is much that can be done to improve regional farming output and diversification through effective programmes of regional agricultural research and knowledge dissemination. Regional cooperation in agricultural research, disease control and training, development of resistant and improved varieties of crops, control regimes for major disease problems, conservation and land use planning, extension, forestry, plant protection and soil conservation would have a positive impact to the agricultural economy of the region. It is important that a regional rather than a national approach to agricultural research be adopted.

The PTA/COMESA agricultural cooperation and development programme entails cooperation in research including exchange of research findings. Regrettably, as noted at the PTA Inter-governmental Committee of Experts meeting in Kampala in November 1993, tangible benefits have been slim.

3.2 Manufacturing

The manufacturing sector has been subjected to several policy measures in recent years such as trade liberalisation which has introduced competition from imports and from domestic activities. While increased competition has induced efforts towards improvement of production efficiency and improvement in product quality, many industries have had difficulties in adjusting to the new policy environment. Most of these industries had been set up in the framework of import-substitution industrialization supplying goods to protected local markets. To make a shift and operate in a more open and outward oriented environment has been a major challenge.

3.2.1 Intra-regional cooperation to increase capacity utilization in existing industries and create new capacities is a major objective of PTA/COMESA. The charter for Multinational Industrial Enterprises (MIE) has been adopted to promote the establishment of cross border investment. The wider market may allow countries in the region to expand industries with the potential to cater for the regional market. Adoption of a regional perspective in industrial rehabilitation and restructuring would be a step in the right direction.

3.2.2 Many countries in the region have continued to put in place an incentive framework (e.g. the investment codes) for domestic and foreign investment. Countries in the region have tended to adopt a national rather than a regional approach in developing a system of incentives for investors from within or from outside the region. Regional coordination of these efforts would be more effective in attracting both domestic and foreign investment flows. In order to enhance economic benefits to countries in the region past experience suggests that serious consideration may need to be given to the introduction of a series of measures such as the easing of forex constraints, reducing restrictions on borrowing of foreign companies,

privatization policies and the opening-up of more areas of manufacturing sector to private investors and the establishment of investment centres in the region.

- 3.2.3 Lessons from past experience also suggest that the regional integration option may have to attempt more orderly rationalization of industries guided by efficiency considerations. This rationalization should take into account needs of balanced industrial development. Such an approach would be useful in developing selected industries on a regionally rationalized basis.
- 3.2.4 There is a powerful case for countries in the region to continue making improvements in the present package of trade, financial and industrial reforms with a regional perspective. This would imply, among other things, revisiting the PTA agenda for the removal of tariff and non-tariff barriers and reaching bilateral agreements with RSA in the context of these reforms. If followed through the present reform measures would open up the manufacturing sectors of SAR countries to competition from imports but this time at a digestible pace considering present and future capabilities in the region.
- 3.2.5 It may also be noted that at the global level the importance of labour cost as basis of international competitiveness has been declining while the importance of competitiveness based on technological change has been gaining ground. The advantage based on low labour cost may not be sustainable in the longer run. The basis of competitiveness will have to be reconsidered. Greater attention will need to be given to gains in productivity increase through accumulation of knowledge and technological change. The new approach to regional cooperation will also imply that maximization of gains from technological change will form an important guide to the design of regional cooperation arrangements in the region.

Before specific steps are taken on this matter perhaps it will be necessary to undertake substantive analysis of the manufacturing sector in each country to examine: the present competitiveness of their main industries; differences between key enterprises across different sub-sectors and the main causes of such differences; the implications

of implementing agreed trade and SAP reforms in each major sub-sector; current levels of capacity utilization pinpointing the factors constraining further expansion; and the likelihood of these constraints being alleviated through regional cooperation in the medium term. South Africa is the only country in the region that has carried out detailed sub-sectoral studies within manufacturing to establish the current status and prospects of competitiveness of its products. It was found that many products are not internationally competitive. Within the SAR a number of industrial activities may be competitive in terms of price, for instance, because of lower landed costs and quality (in terms of appropriateness of the products to the region-specific conditions).

3.3 Mining

The government of those countries with minerals are determined to continue to improve policies providing an attractive enabling environment for investors in the mining sectors such as improving the legal framework and streamlining licensing procedures. As regards minerals trading, consistent with economic liberalization, emphasis in many countries in the region has been placed on monitoring market trends and evolving new strategies aimed at consolidating and promoting legal trade while at the same time enforcing mineral laws in order to confirm illegal trade. Within the framework of privatization, discussions have been held with various foreign companies on the possibility of running the dominantly state-owned mines on a joint venture basis.

3.2.1 Revived interest in the expansion of mining activity in the region raises the basic question of whether exploration, extraction and increased beneficiation can be best stimulated and sustained on a national or a regionally integrated basis. The ability to remove the constraints in the mining sector at national level is limited because of high overhead costs and other fixed costs involved in exploration, extraction and processing. If the region is to retain and enhance its position as a major global producer of key minerals it must maintain its access to new technological developments in mining. This requires all the governments of the Southern African Region countries to provide a climate throughout the region conducive to encouraging investment flows especially from enterprises which are at the frontiers of

knowledge.

- 3.3.2 Private mining companies from the region (particularly RSA) and the world need to be re-engaged in the SAR mining industry. Such re-engagement should obviously be on a basis which makes their participation more economically productive and beneficial for all the members of SAR than merely being financially profitable for the companies themselves.
- 3.3.3 Countries in the region would benefit from economic integration in mining activities from the following areas: research and development activities aimed at reducing costs of production and improving quality of mineral commodities would enhance its competitiveness; enhance market transparency through the building of efficient systems of gathering and transmission of up-to-date information on market opportunities and production technology; harmonization of mineral production policies and marketing strategies.

3.4 Energy

The energy sector offers perhaps the greatest immediate potential for visible medium-term pay-offs from closer regional cooperation. Progress in SADC has not yet embraced investment in regional facilities for the supply of energy. The orientation of investment remains nationally focused with more examples of hesitation and reversals rather than of clear cooperation.

- 3.4.1 Despite the obvious mutual economic benefits of cooperation in energy development, opportunities for realizing significant cost-savings with a regional approach have been foregone in the electricity, liquid fuels and coal sub-sectors. As the threat of destabilisation and perception of conflicts diminishes, SAR countries should become less concerned about national self-sufficiency and control. The initiative taken by SADC utilities in formulating a Southern African power Pool (SAPP) which is supposed to provide members access to generation capacities in the region is a step in the right direction.
- 3.4.2 Despite the obvious potential for intra-SAR cooperation in energy,

operational problems remain. One problem is associated with the need to settle power bills and other cross-border shipments of power. Most electricity companies derive revenues in local currency while their costs are largely in hard currency. Hence exports of power are sought to be made on a hard currency basis which few importers in the region can afford.

3.4.3 In the oil and petroleum sector, studies conducted so far indicate considerable potential for savings if SAR countries were to develop joint procurement strategies for their oil and petroleum needs.

3.5 Transport and Communications

Transport and communications costs in SAR are exceptionally high. They have not as yet been influenced by the global evolution in deregulation and enhanced competition. Market size in national SAR economies is limited; transport modes and telecommunications are characterized by natural monopolies; controlled entry of private operators into these sectors has enhanced monopoly power and restricted competition, thus breeding inefficiency and resource wastage. A key general observation that can be made is that priority should be given to widening the market to regional rather than national dimensions with its obvious advantages for introducing greater competition and reducing high capital and operating costs.

3.6 Construction

The critical importance of the construction industry throughout SAR has generally gone unrecognised. The sector has more capacity than most others to generate employment; backward and forward linkages through sub-contracting; and development of indigenous enterprises and indigenous building materials industries. It has a pervasive impact on the economy as a key component of every other sector of activity.

3.6.1 To meet the large demands for housing and other construction it is important that arrangements be made for SAR governments to encourage cross-border construction work by removing and rationalizing barriers such as licensing and permit requirements. In addition, regional equipment leasing industries could be developed

with widespread national retail locations for reconstruction equipment along with a supporting legal and regulatory framework.

3.7 Finance

Financial reforms have been a common feature in the economic liberalization phase in many countries in the region. These financial have typically aimed at securing major improvements in competition in the sector to facilitate the needed mobilization of domestic savings and efficient allocation of available resources.

3.7.1 An essential precondition for the effective functioning of the financial sectors of SADC countries is the restoration of macroeconomic balance at the national level followed by the resumption of economic growth with sustainable increases in real per capita income. To achieve those two objectives countries need to continue implementing key structural and policy reforms with greater attention on regional harmonization of national reforms (e.g. in such areas as tax policy, momentary policy, investment-incentive regimes, bank portfolio reconstruction, and exchange rate policy) in order to achieve progressive macroeconomic convergence.

3.7.2 Through monetary cooperation there is a possibility to alleviate various monetary crises such as devaluation, fluctuating or floating exchange rates, worldwide inflation, lack of international liquidity, exchange rate restrictions and/or tariff wars — within the region. Monetary cooperation would facilitate regional cross-border investment in three dimensions: counteracting trade imbalances, importing skills and technology and increasing extra export capacity.

3.8 Natural Resources

The natural resources that are available in the SAR such as wildlife and tourism, water resources, forestry and other natural resources have a chance of being utilized more efficiently if their utilization is approached with a regional dimension.

3.8.1 Given the region's tourism resources and potential SAR countries have not captured a significant share of the African tourism market because

of the legacy of conflict and apolitical instability which the region's image project. As these problems recede in the new Southern Africa regional tourism potential can be best realized through cooperative endeavour among SAR countries.

- 3.8.2 The principal water resource problems in SAR are those of growing scarcity and the increasing need for large-scale transfers between water-surplus and water deficient countries. The absence of regional river basin authorities (RBAs) in SAR is a glaring deficiency.
- 3.8.3 The need to intensify and expand systems of agricultural production in Southern Africa presents serious challenges for woodland and tree management in rural areas of SAR. The process needs to be managed in ways which limit longer-term damage to local ecosystems and encourage the adoption of better integrated land-use systems.

Agricultural expansion which encourages land clearance in conjunction with woodland and forest conservation is the appropriate strategy to pursue. Lessons from the past indicate that there is a strong case for the coordination policy on a regional basis.

- 3.8.4 A substantial body of experience has been accumulating throughout the region in developing effective strategies for woodland and tree management in rural areas. Regional exchange through national institutions with responsibility for agro-forestry, forestry, agriculture and livestock would greatly facilitate a better understanding of how best to allocate development assistance in the sector. Such exchanges would build on existing initiatives (e.g. SACCAR and SARCCUS networks). Cooperative exchanges, particularly through regional universities and research organizations would be especially beneficial.

3.9 Human Resource Development

The Southern African region is one of the most underdeveloped in terms of human resource development. This is an area where regional cooperation has great potential at least four aspects.

First, at the level of tertiary institutions the supply of human resources is costly

and the numbers produced may be utilized in more than one country. In such cases of training highly specialized human resources there will be need for a regional approach so that some kind of appropriate rationalization and specialization can be designed with a regional dimension.

Second, regional efforts should be aimed at utilizing RSA experience with the development of academic support programmes which have useful applications in SADC where effective remedial programmes, to cover the shortfalls in proper preparation for university entrance, could be highly effective. Similar regional efforts by SADC to apply techniques employed in RSA by UNISA for distance learning should be expanded rapidly and targeted mainly at adults. On the belief that there is considerable potential for regional collaboration in developing the Open University concept this idea could be pursued further and a project developed with a regional dimension.

Third, there is an urgent need to upgrade the qualifications of primary and secondary school teachers throughout SAR, including RSA. A number of innovative approaches have been developed in some SADC countries (e.g. Zimbabwe) which could be applied in others. The exchange of information in this area could be organized through regional cooperation in the context of human resource development programmes.

Fourth, among the more troubling questions which confront SAR is the issue of access to each others labour markets.

The trend toward democratization in SAR can only increase pressure on governments to create employment at a time when SAPs are having the opposite effects. A further concern for governments in the region is that although some countries are concerned about an influx of workers in the semi-skilled and unskilled categories they are at the same time attracting a brain-drain of highly educated and trained professionals from other countries in the region. Such a new twist to a beggar-thy-neighbour policy could result in denuding some countries in the region (especially the poorer ones who cannot pay well enough) of scarce human capital. To avoid such losses from reaching crisis proportions appropriate mechanisms for greater regional equilibration of wage rates and living conditions across SAR for highly skilled workers and professionals may need to be considered by SAR governments and donors alike.

4. CONCLUSIONS

4.1 In order to enhance democracy and self reliance national policy-making mechanisms and processes need to be designed so as to take into account regional implications. In this regard, there is need to establish a consistent mechanism for discussing at national level or across interested parties the implications of various regional issues to national level policies and vice versa.

Regional macro-economic policy coordination and programming will need to be adopted with a view to minimizing inter-state economic distortions and harmonizing various national policies. For achieving regional market integration in a gradual, phased manner the missing institutional link in SAR is one which involves a regional forum for economic policy analysis on issues which need to be thought about by member governments now in order to move closer towards economic integration in the longer term. Such a mechanism should have the capacity to analyse fiscal, monetary, financial system, exchange rate and trade issues which affect the region and should provide the venue for regular ministerial and technocratic dialogue on achieving progressive convergence on macroeconomic parameters. The capacity to undertake such policy analysis needs to be created and incorporated within the regional institutional framework.

4.2 In a number of sectors, the ability to remove constraints and meet investment requirements (including access to new technology) necessary for raising the level of competitiveness may require a regional rather than a national solution. For every such sector it is recommended that a study be made to identify cases where a regional solution is superior to a national solution. Such regional solutions should be articulated and ways of integrating it into national policy making be identified.

4.3 For all those sectors which are actual or potential producers of exports to SAR it is proposed that a comprehensive analysis be made of competitiveness of the sector as indicated by appropriate efficiency indicators. In each sector the main sources of competitiveness (or the lack of it) should be identified. The possibility of enhancing the levels of competitiveness should be explored bearing in mind the regional perspectives to problem solving.

4.4 Trade should be accompanied by investment flows which should be encouraged by the creation of guarantee mechanisms for cross-border investments.

A COUNTRY PAPER ON TANZANIA

Appropriate investment mechanisms should be put in place incorporating some elements of a 'regional policy' which would be designed to influence, through incentives, the allocation and location of investment even at the cost of some loss from the full benefits of integration.

A COUNTRY PAPER ON ZAMBIA

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BACKGROUND

1. The Republic of Zambia like many other countries in Sub-Saharan Africa, have had its economy dependent on a single export activity. In the case of Zambia the economy has been dependent on exports of mineral resources to the Western world. Of particular value, Zambian economy depended on copper exports which provided about 95 per cent of the national foreign currency earnings. This therefore resulted in the Zambian economy being extremely vulnerable to any shocks on the copper industry or copper markets.

2. Due to the dominance of copper in the Zambian economy, most activities were centred on supporting the copper industry. Thus, therefore, even after independence infrastructure, education system, provision of social services and agricultural development were largely centred on supporting the copper mining sector and to some extent lead, zinc, precious and semi precious minerals.

3. From a profit motive this may have been the appropriate way to go. However, this emphasis on a single commodity or activity in the economy was not the appropriate activity for sustainable economic growth. Perhaps this lopsided economic development strategy was exacerbated by the fact that Government became the major investor. In turn Government began to pursue the short term profit motives more than the long term objectives of sustained economic growth. Thus, even the development policy became lopsided towards the mining sector. Other areas became secondary aspects of economic development.

4. With the change of the economic environment world wide especially after the fall of the Iron Curtain and the subsequent end of the Cold War, Zambia like other developing countries had to face new realities. Zambia's strategic nature disappeared and neither the western countries nor the former Soviet Union countries saw the need for unlimited support to Zambia and other developing countries as well. Thus, therefore, a new Economic and Development Policies had to address the new challenges. International aid was no longer extended to poor countries for the purpose of winning support for either the West or the Socialist world.

Objectives of Development Policy

5. The main thrust of Zambia's Development Policy is to ensure equal opportunity regardless of gender to all in Participating in all aspects of economic, social and political activity. In so doing ensure that all human, material, natural and financial resources are allocated through market forces into areas which maximise their marginal productivity on a sustainable basis.

6. On the whole the main facets of the country's development policy, hinge on the attaining a real

growth rate of the GDP of between 4 and 5 per cent for the period of 95-96. such growth rates will provide for a moderate expansion of employment, general improvements in the social sector deliveries and overall poverty alleviation.

7. To meet the required investment and growth targets, the Government will strive to provide an environment which will facilitate the mobilisation of foreign and domestic capital. Overseas development assistance from both bilateral and multilateral sources will supplement domestic and foreign private capital. Foreign private capital is expected to respond positively to the overall liberalisation of the economy.

Priorities

8. The implementation of Zambia's economic policy is being operationalised through a set of priorities. These priorities provide necessary and sufficient conditions for sustained economic and social development. The broad areas of emphasis are as follows:

- enhance private sector development and its participation in economic activity;
- enhance economic management;
- rehabilitation and development of economic infrastructure such as road networks, energy, etc.;
- rehabilitation of social infrastructure such as hospitals, schools, etc.;
- enhance local Government administration;
- enhance the development of democratic development and the participation of women in economic and political activities in the country;
- enhance human resources development and the development of domestic capacities.

9. The increased deliveries to the social sectors and the enhanced economic management provide the necessary conditions for sustained economic development. This is further augmented by the development of democracy and the participation of communities in choices of priorities. Deliveries to the social sectors ensure that the quality of the human resources is sufficiently improved to be able to interpret national choices of priorities into plans and strategies.

10. The rehabilitation and development of infrastructure and the provision of a policy environment which will support the development of the private sector will support the attainment of an accelerated economic growth rate.

Pre-condition of Achievement

11. The main precondition for a successful implementation of Zambia's Development Policy is that there should be an adequate supply of skilled semi-skilled human resources who could adequately address and articulate the various economic problems Zambia is facing. Once the human resources are sufficiently trained, then other variables are required to ensure the attainment of the main goal of attaining a positive real economic growth for the economy can be addressed adequately. These other variables are:

- maintenance of internal security;
- maintaining the much needed macro-economic stability;
- reduction of the external debt and to some extent internal debt overhang.

12. A cohesive and motivate community with a sense of identification of national priorities as their own, is imperative in the development of free enterprise. In this context, the community needs to fully understand the prevailing policies and make choices which will result in sustainable growth.

13. The huge national debt overhand impedes further development of the economy. Therefore, resources meant for national development are now being utilized for debt service.

Government's Functions

14. A key feature of Zambia's economic policy is that economic activity has been generally liberalised. Government will provide minimum direct intervention in the market but will provide incentives to direct resources into areas of need and high priorities.

15. In the first place, Government's main role is to provide economic, social and political environment which is conducive to the growth of investment. Thus, therefore, the Government has a major duty of ensuring macro-economic stabilisation. In addition, the Government has a duty to provide investor confidence so as to encourage long-term economic activity.

16. Apart from providing a conducive domestic environment, the Government has a duty to

facilitate the private sector's economic activities on the international market place. In this regard, various international treaties and agreements aimed at furthering the opportunities of Zambia's economic activity are spearheaded by the Government in consultation with the business community.

17. Secondly, the Government has a responsibility to provide public goods. Some of the public goods such as internal security, infrastructural development, communication are all within the realm of Government functions. Naturally, economic infrastructure and internal security will be funded through mobilisation of domestic resources such as taxes and other levies.

18. Thirdly, liaison or collaboration between Government and private sector is essential for the development of internal markets. The growth of industry depends much on the capacity of the community to consume products from domestic industries. The export sector though important should not substitute the domestic markets. Therefore, it is the duty of the Government to institute tax structure and which encourage consumption as well as savings. Domestic savings through pension funds and bank deposits will provide the future source of investments.

Private Sector Role

19. The current Zambian Development Policy lays much emphasis on the private sector role as the major driving force in the economy. As a result, Government has put in place mechanisms to divest its share holding in most public corporation. It is hoped that this process will lead to appropriate resource allocation and subsequently into real economic growth.

20. The private sector is expected to carry out a major part of economic activity in all sectors. At the same time, the private sector is also encouraged to take the deliveries of some social sector services. For example, the private sector is encouraged to deliver medical services and educational services.

Role of Overseas Development Assistance (ODA)

21. The Zambian Government wishes to view ODA as a means to supplement her own resources in the implementation of her own programmes. This, therefore, calls for dialogue and mutual respect for each other policies. More so on the part of the donors who should make their assistance responsive to the needs of the recipient governments. It is, however, fully acknowledged that the donors also have to fulfill policy requirements of their government and tax payers as well.

22. So far most ODA has been responsive to the needs and requirements of the Zambian authorities. However, the inclusion of some conditionalities reduce the flexibility and responsiveness

of ODA. This is largely because in most cases conditionalities seem to suggest lack of willingness on the part of the recipient government to take positive action on some issues. Some conditionalities go to the extent of demanding certain pieces of legislation to be passed by parliament prior to a particular project being funded. This no doubt ceases to be mutually consultative process as it disregards possible development issues considered important by the recipient country. It undermines the confidence of the policy makers in the developing countries and at the same time tends to encourage officials from the recipient government to second guess what the donors may be willing to fund. Thus the sense of priorities is lost.

23. With the above considerations in mind, ODA has in the Zambian case been largely directed towards supplementing Balance Of Payments (BOP) support. This could be either direct monetary support or could be commodity assistance targeted to specific productive areas. Both the Government of Japan and the Canadian Government have supported such programmes in Zambia. This is important as a short-term measure to maintain economic stability and to stimulate investment in key growth oriented sectors. ODA also provides short-term and also long-term technical skills required for various policy related activities as well as technical fields. This comes up in recognition of some inadequacies in the human resources available in Zambia. In this regard, ODA provides a direct enhancement of background work prior to decision making process being put in motion.

24. One of the major roles of ODA is to bring about technological transfers to the recipient countries. This comes up in full realisation of the fact that it may not be necessary for Zambia to reinvent various items but to simply adopt technology to suit the dictates of the prevailing environment. Thus human resource development at various levels becomes one of the key roles of ODA it stretches from policy related work to actual development of individual skills and actual investment in educational institutions.

Human Resource Development

25. The transformation of the population into a quality human resource has been recognised as a key developmental issue. However, the process requires a rather large resource outlay given the status of the education system. One of the major problems is that the population growth rate has been much higher than the growth of the economy. As a result the demand for school enrollment has outstripped the available school places. Also, the constrained economy has resulted in deterioration of the education infrastructure and non construction of additional infrastructure.

26. Despite the various constraints, the Zambian Government has as a matter of policy commenced the human resources development effort by aiming at improving the educational system from the primary school level right up to the tertiary level. Crafts technician and entrepreneurial

training has been considered an integral part of the human resource training. The process even goes further to address specific target groups such as farmers and women.

27. The process of human resources development need not be restricted to formal institutions only. However, non government organisations have a role to play in particular on community based activities. For example literacy campaign and civic action awareness activities can be best carried out by non government groups. Similarly family planning activities can be adequately be catered for by non governmental agencies. The Government could supply the required devises and substances either the hospital system or the non governmental organisations. This approach has shown some positive results in Zambia.

Development Issues

28. One of the major aspects of development is the creation of confidence in the population of the developing countries that the decision and course of action is reasonable. It, therefore, follows that sustainable development arises when the quality of human resources or human capital is such that mechanisms for rational choices have been fully institutionalised. Donor assistance can augment this development process by clearly not being patronizing.

29. The confidence building process requires that both the donors and the recipients accept that the developing countries have to accept full ownership of the projects and programmes. For this to happen, the priority setting and proposed courses of action need to be determined by the recipients. The donors on the other hand should support the decision making process rather than the actual decision making.

30. It, therefore, follows that the delivery of technical assistance may require to change its characteristics. Instead of long-term technical assistance being posted, consideration needs to be given to a possibility of short-term visit periodically aimed at removing major snags. Long-term technical assistance tends to develop a tendency for the recipients not to come out with any issues. Also, it tends to erode confidence. The traditional sense of counterparts may not be the most effective way of developing human resources. Instead a new approach which allows the recipient government to create units that will carry out the functions in the absence of technical assistance is likely to produce sustainable impact.

31. Essentially, sustained development process requires that the recipient government should not feel that donors or co-operating partners are ganging up against them. This feeling may sometimes develop when the co-operating partners accept the leadership and conditions of any one agency as conditions necessary for development. Instead it should prove useful for donors or co-operating

partners to collaborate with the recipients in determining the effects of each condition. Also, the examination of alternative courses of action can be looked at in the same vein. This way, the recipients and donors would become full partners in the development process with mutually trust and understanding of each others situations.

32. The questions of democratisation and human rights are key developmental issues. Whilst multi-party politics may have been accepted as the norm much sill remains to be done. There is need for investment into the strengthening of the three pillars of Government, namely the legislature, executive and the judiciary. This, therefore, requires that both the recipients and the co-operating partners include this as a sufficient condition for the attainment of sustainable economic, social and political development process.

33. It is important that a major effort be directed at addressing issues related to HIV/AIDS. The AIDS pandemic has a definite impact on sustained economic development in terms of its depletion of the human resources. Also, HIV/AIDS has a devastating effect on the national health budget of the developing countries. At the same time the number of orphans increases rather drastically and hence places much pressure on the social welfare budget.

34. In view of the above, it is imperative that programmes aimed at controlling the spread of HIV/AIDS be given high priority status alongside democratisation. Unless this is done it is likely that issues related to the spread of HIV/AIDS will be reduced to rhetoric and yet the human resource base as well as other social sector deliverics are immensely being reduced.

35. Finally, issues related to the management of change need to be fully institutionalised. This, however, requires full collaboration between nationals in the recipient country and the co-operating partners. However, the necessary condition for this to take place is that the human resources in the recipient country continues to be improved. That is to say education and dissemination of information need to be continuously improved. This final aspect ensures community participation in developmental projects and dialogue in general.

Perspectives

36. One of the major problem Zambia has to face in the 21st Century is that of youth. At the moment 60 per cent of the Zambian population comprises of people below the age of 20. This is further worsened by the fact that only 20 to 30 per cent of those who enroll in the first grade secure Junior High School education. And only about 20 per cent of those who attend Junior High School proceed to Senior High School. At the same there are limited opportunities for vocational training. In the long-term, this could create a major source of instability and hence requires to be addressed

urgently.

37. Admittedly, ODA should not replace national initiative for growth. On the other hand ODA in the 21st Century must be flexible so as to accommodate the less obvious attributes of developing countries. For example, BOP support requires to be balanced with a well targeted allocation mechanism which will ensure economic growth. BOP support on its own has limited scope to stimulate employment whilst targeted BOP support such as the non project grant aid provides adequate scope for increasing the GDP.

38. The method through which technical assistance and human resources development is delivered needs to be revisited for it to meet the challenges of the 21st Century. On the whole a combination of formal education and attachment to institution abroad may provide a long lasting impact. In cases where experts are seconded to Zambian institutions, the host country should maintain overall responsibility and ownership. Ideally the advisors should not occupy a "permanent" post for a continuous two to three year period. Higher rate of transfer of skill may be attained if experts make short-term visits twice or three times in a year. Where possible the Zambian counterparts may be attached to an institution doing similar functions in a donor country or another developing country for a short period of time. This approach is more likely to transfer technical and managerial skills as well as a different work culture.

39. The co-operating partners on the other hand need to approach the recipient country on the basis of equality. In so doing the donors should recognise the limited skills and resources available to the recipient which can be freed to carryout studies. At the same time the donors' tendency to have cross conditionalities with other donors reduces the ability of the developing country to negotiate. Instead donors appear to "gang-up" leading to the developing country implementing projects halfheartedly.

40. The donors' tendency of reducing training abroad requires to be revisited. Admittedly, the question of brain drain cannot be doubted. However, it may be essential that the donors in collaboration with the GRZ develop a scheme which will enhance retention of qualified Zambians and yet at the same time encourage training abroad in third country training.

41. Non governmental groups need to continue to be used as agents for development. Added emphasis need, however, to be placed on national non governmental groups because of their long-term sustainability aspects. Due to the general weakness of national non governmental organisations, efforts and resources need to be devoted towards training of key and functional personnel of non governmental organisations. Their training could cover resource mobilisation, project cycle management, community group mobilisation, communication skills, etc. On the whole,

non governmental organisation when well organised tend to provide a least cost method of delivering services to the community. Pilot schemes in Zambia point in that direction.

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A COUNTRY PAPER ON ZIMBABWE

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**SUBJECT : HUMAN RESOURCES DEVELOPMENT FOR THE FUTURE OF
DEVELOPMENT IN SOUTHERN AFRICA**

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Human resource development in any country is the centre-piece of any meaningful and sustained development for it embraces all the facets of all human endeavours. Indeed, development itself to have an ever-lasting imprint on the human race should be people centred and therefore the ultimate goal and objective is to develop it for the good of man. People are the most useful of all national resources and development of this resource has implications/impacts on the long-term development of a country's other endowed renewable and non-renewable resources.

Zimbabwe attained independence in 1980 and the democratically elected government inherited a system of education which was not only racially or sexist tailored but academically unaccessible and restrictive. In this regard, the majority of the African people had no access to development or oriented-education geared towards the needs of industry or commerce let alone to formal education. Such systems of education would develop skills and technical know-how which are pre-requisites for economic development and growth. Indeed, education under the previous system was meant to develop an ineffective, dormant and illiterate black labour force relegated to menial and cheap labour for another class. In other words, the curriculum development of that educational system ensured a marginalisation of the black people from active participation in the main stream of economic development.

At the attainment of national independence the democratically elected government overnight removed the restrictive laws and regulations so that formal primary education could be free and accessible to as many children as possible and intake after independence, rose from below a million to neatly two million. Not only were the numbers increased but that other programmes were quickly put in place such as the Adult Literacy Programmes to allow older people to attend classes so that they could read and write and therefore take an interest in the development of their families and their country. The system developed both quantitatively and qualitatively as part of human resource development effort.

Government of Zimbabwe initiated a participatory approach to decision-making process. To achieve that, development of the human resource was a top priority in the early "Development Plans" with emphasis on infrastructure development i.e. building of more schools, colleges and institutions of higher learning. It was realised that an educated society was more conscious of its needs, short comings and potential and would be capable of making informed decisions on matters which affect them as a family unit up to the national level. These include access to basic human needs such as safe drinking water and sanitary facilities, nutrition, primary health care and general hygienic practices. In our case, government wanted to ensure that people were self-reliant in basic human needs and initiated concepts such as cooperatives, club savings but no sooner had lots of resources invested in these

ventures failed to achieve objectives for which they had been created. It became apparent to government that managerial skills were lacking. This short coming was addressed through skills development in financial management, project development and management and worker education to change attitudes through reorientation of business ethics and training.

A lot has been achieved in provision of basic education and now emphasis is on tertiary and vocational training. There are more vocational and technical colleges which teach skills in industrial and commercial sectors. Overall there is a positive bias towards vocational and tertiary education geared towards the needs of an expected expanding industrial and commercial sectors. This has become even more appropriate as we continue to embark on the economic liberalisation and economic reform. The opening up of the economy requires people with a vision who can adapt to changing business environments and who are eager and creative in their ventures. This of course becomes crucial if there is a higher level of human resource development.

Liberalisation requires entrepreneurs to gear themselves for competition and only a highly skilled and literate man power can survive such a change. Human resource development facilitates innovativeness and inventiveness and therefore scientific research is best done in an environment where human resources have been developed.

Economic Structural Adjustment Programme will not truly succeed if levels of human resource development is not upgraded to deal with new changes and challenges in a liberalised economic environment. The opening up of most of our economies in the environment of liberalisation requires a shift and re-focus of national resources from consumption to production hence efforts are being made to reform and re-structure the public sector.

It is well known that most developing countries suffer from crippling debt problems coupled with high debt service ratios to their export earnings with adverse socio-economic and apolitical implication, high inflation rates which discourage savings, and high government expenditures mainly in the form of recurrent costs.

Under any reform programme, governments are called upon to redress the imbalances in the pattern of expenditures in favour of the productive sector recognised as the engine of economic growth and sustainable development. Indeed, soon after independence, in most countries, bureaucracies grew to levels where national economies could not sustain them. The public sector became the biggest employer and therefore often competed for fewer resources with the private sector. There was, therefore, a crowding out of the productive sector in the allocation of scarce resources. Governments had to get more resources to service its huge bureaucracy through inhibitive economic policies such as high taxation system to raise revenue, pumping into lame-duck public enterprises millions of dollars

to keep them operational as a social commitment. No sooner did this situation deteriorate so much that in some cases economic systems almost collapsed did countries realise the benefits accruing from a market oriented economy and hence adoption of the Economic Reform Programmes. This meant also governments had to face the stark truth that they had to restructure their systems which were costing the fisc millions if not billions of dollars resulting in creating very high budget deficits which left little from productive investment. Measures had to be put in place to stream line the civil service i.e. by reducing their numbers, reduction in numbers of armed-forces personnel and eliminating huge subsidies to non-profit making parastatals/or public enterprises.

It is of course one thing to reduce public service personnel numbers and quite another to ensure the system remains stable. Here there is a need for concerted effort by government, private sector and the donor community to address the problem of re-orienting this resource to new roles. This calls for exchange of views arising from similar experiences from both North America, Japan and any other country where demobilisation and retrenchments were done after the 2nd World War. Even experiences gained from economic restructuring would be most pertinent. Japan is one of the most economically stable and richest countries and we would like to learn from her experiences after the war which it lost any way.

We need such inputs coupled with our own ideas and perspectives relevant to our own political, economic and social circumstances. It is not good enough to simply copy what is there or was done but tailor — make programmes which will address our own problems. Once again training and retraining is necessary to ensure that affected people will continue to play an active part in the development of their countries. This is the essence of human development for practical purposes.

It is recognised that the concept of regional economic or political cooperation has been accepted and for many years the South has been receiving technical assistance from the North. While there have been benefits under this approach it is now generally accepted that for everlasting sustainable development and self-reliance in skills development this should start within national boundaries and spill over into regional boundaries. The rationality behind this approach is that local institutions have more or less similar problems, similar needs and similar experiences and one hopes that sharing a common destiny allows for interchange of views and experiences necessary to move forward. While it is recognised that in the case of SADC levels of development are varied, it is also recognised that cooperation among the member states could achieve a lot more when compared to the technical assistance we get from the North. We believe that through an exchange of programmes on industry, commerce, agriculture and infrastructure a lot can be achieved. In fact, there is a lot that can be learnt from each other in areas where each has comparative advantage at a lesser cost than would be the case if we used technical assistance from countries without similar experiences. In SADC, member countries have been apportioned national responsibilities depending on levels of expertise in those

countries e.g. Zimbabwe is responsible for food security in the region. This is based on the high level agricultural expertise developed over the years in the country and other countries can learn a lot from what is available and apply it to their own situations.

Our future leaders would best be advised that regional cooperation is the most viable option to our long term prosperity in business, trade, research and scientific and technological advancement. This is best done through interchange of experiences, programmes and mutual trust among us even though there may be linguistical barriers e.g. English speaking versus Portuguese speaking states. The important thing, however, is to draw up a programme of action based on identified needs and translate these into implementable action plans.

In our view, the road to success is through developing our human resources, tap on what is in the region and fuse it with other expertise from elsewhere to get hopefully a better product. We also believe that political cooperation and commitment are first and foremost fundamental to a proper integration and other programmes or initiatives will fall in place. Nothing is surmountable if there is political will and commitment and development of our resources both human and natural will be done to the full. The political will may be required in directing resources where medium to long term benefits will accrue. In this respect investing in human resources development is one way to ensure success and later provide the necessary tools to assist in achieving desired goals. Human resources are plentiful in all the countries of the region, of course, with varying degrees of development or sophistication. However, what is required is support to strengthen, develop and build national institutions which in turn would be centres for capacity building. Financial and technical support are the two components needed from donors to strengthen national institutions for proper capacity building. Very often, what is lacking are not the physical bodies but financial and technical skills to augment existing capacity. In our view, more resources should actually be spent on capacity building but our short experience show that when technical assistance is given it benefits more the donor than the recipient country thereby creating a dependency syndrome. In our view, the only way donors can provide everlasting assistance to human resource development is by providing more financial resources to enable national and regional institutions cope with heavy demands and needs in developing local skills.

In conclusion it is our considered view that all efforts should be directed towards maximum utilisation of regional institutions and increase cooperation based on the South-South concept of cooperation otherwise we will never fully develop or realise our own potentials. Charity begins at home.

