COMMON MARKET FOR
EASTERN AND SOUTHERN AFRICA

A REGIONAL PERSPECTIVE ON POVERTY REDUCTION STRATEGIES

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1.0 POVERTY REDUCTION IN EASTERN & SOUTHERN AFRICA: AN OVERVIEW

The economic situation of most African countries south of the Sahara is characterised by low levels of development - manifested by poor infrastructure (bad roads, weak railway links, poor housing, inadequate water and sanitation system, inadequate energy mostly derived from wood fuel as electricity distribution is very limited), poor access to medicines and food and low literacy levels, in short low standards of living.

Other issues such as human rights, in all its manifestations of freedom of expression, freedom of association, the right to employment, the right to land and other means of production and sustenance, political representation, gender balance, etc are very important.

1.1 HDI and HPI

In its 2000 Human Development Report for southern Africa, the United Nations Development Programme described human development as a process of enlarging people's choices so that they can live better and longer, be educated, enjoy political, economic, social and cultural freedoms and rights, and full self respect and esteem[1].

To measure development and its inverse, economists now use the Human Development Index (HDI) and the Human Poverty Index (HPI). The Human Development Index is a ratio derived from three indicators, namely life expectancy at birth, educational attainment (which comprises indicators for adult literacy and the combined primary, secondary and tertiary enrolment rates) and the standard of living as measured by the Gross Domestic Product per capita.

$$\text{HDI} = f(\text{GDP per capita} + \text{educational attainment} + \text{life expectancy})$$

The inverse of HDI is the Human Poverty Index which measures the level of deprivation in the three areas cited above, i.e. low GDP per capita, low educational attainment and low life expectancy.

$$\text{HPI} = \text{HDI}^{-1}$$

Strategies that governments in Sub-Saharan Africa have pursued over the last 3 to 4 decades have all sought to raise not only the HDI but bring about comprehensive development as well.

These strategies started with national development plans and inward looking import substitutions and protectionist policies. Government's influence was not only noticeable in the political arena but was very strong in business and the rest of the economy as well.

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[1] *SADC Regional Human Development Report 2000*, page 16. SARIPS, Harare.

Following inadequate rates of development (as measured by the annual rate of growth of GDP) attained by most countries in the region for the greater part of their post-independence era, notably in 1960s and 1970s, and the need by these countries for external resources to finance development projects and even government operations through external loans, international financial institutions began to take a keen interest in the management of their economies and began to recommend structural adjustment policies that sought to minimise government's direct involvement in the economy.

1.2 SAPs, SAFs and ESAFs

These policies were contained in Structural Adjustment Policies (SAPs), and later Enhanced Structural Adjustment Facilities (ESAFs), supposedly agreed between the client government and the international financial institutions and co-operating partners who were providing overseas development assistance through grants. These basically started off as austerity measures that affected fiscal and monetary policies of the borrower government and sought to introduce more prudent economic policies and economic management of government.

As the debt burden grew heavier and more and more unbearable, and yet development was still elusive, more innovative strategies were sought by both governments in sub-Saharan Africa and the institutions and agencies offering them assistance. This led to the formulation more liberal policies and the divesting of government interest from day to day economic and business operations in their countries. Strategies to implement this have included privatisation, commercialisation of government and quasi-government entities, and mere withdrawal of government from some economic undertakings.

More recently, this has led to the formulation of Poverty Reduction Strategy Papers (PRSPs) under the auspices of the Bretton Woods Institutions, following the much-publicised evaluations of ESAFs towards the end of the last decade. PRSPs were preceded by, and are now coupled with the Highly Indebted Poor Countries Initiative (HIPC) and its successor the Enhanced Highly Indebted Poor Countries Initiative.

SAPs and ESAFs did not bring about the development (or poverty reduction) that African governments sought. While the HIPC and Enhanced HIPC have granted relief to the fiscus of most governments, it is still neither clear nor assuring that development will be realised soon. In fact, most economists in the region are sceptical that any these policies will lead to any marked reduction in poverty.

1.3 Regionalism

This scepticism has led governments in the region to focus more on home-grown policies and strategies, especially economic integration at the regional level.

These strategies include reinforcing trade liberalisation and cross-border investment promotion in the regional context. This approach is gaining appeal in view of the wide and far-reaching effects of globalisation on nearly all countries of the world and the on-going multilateralism and its binding commitments and obligations for members of the World Trade Organisation (WTO). Regionalism is being seen as good preparation for globalisation and multilateralism, and so presents countries of sub-Saharan Africa an opportunity to negotiate as a united, stronger front at that level.

2.0 POVERTY REDUCTION IN COMESA
AN OVERVIEW OF COMESA, ITS PROGRAMMES AND ACTIVITIES

2.1 Overview of COMESA

The Common Market for Eastern and Southern Africa (COMESA) currently boasts 20 member States in North, Eastern, Central and Southern Africa and the Indian Ocean. It is the world's largest regional economic grouping in terms of country membership. It represents close to half the members of the African Union. COMESA members are:

- Angola, Burundi, Comoros, Congo DR;
- Djibouti, Egypt, Eritrea, Ethiopia;
- Kenya, Madagascar, Malawi, Mauritius;
- Namibia, Rwanda, Seychelles, Sudan;
- Swaziland, Uganda, Zambia and Zimbabwe.

COMESA now has a population of over 340 million people, a combined GDP in excess of US $ 170 billion and numerous natural resources, which include

- vast tracts of arable land, most of which can be easily irrigated;
- huge hydro-electric power potential;
- large mineral deposits which include iron ore suitable for steel production, phosphates suitable for some fertiliser manufacturing, coal both coking as well as fuel coal, uranium, nickel, copper and cobalt;
- natural gas and petroleum oil;
- gold, diamonds and other precious and semi-precious stones.

2.2 COMESA Vision, Programmes and Activities

COMESA's vision is to create an internationally competitive regional economic grouping with high standards of living for its citizens. Of the 20 countries in COMESA 13 are classified as Least Developed Countries. While economic growth has risen over the years, averaging between 3% and 4% over the last 6 years, it is not considered high enough to impact positively on poverty levels in the region.

For reduction of poverty in the region, the COMESA member States have adopted growth-oriented economic policies which includes, among other things,

- paying sufficient attention to vocational training, tertiary education and technological infrastructure;
- developing and maintaining physical infrastructure;
- striving to attain export/GDP ratio of at least 30%;
- increasing domestic savings to support investment;
- promoting investment to reach at least 25% of GDP;
- fair distribution of income;
- institutional development, both nationally and regionally; and
- above all, cultivating a culture of peace and security.

In fulfilling its objective of developing the economies of its member States in a harmonious and balanced manner, COMESA members are implementing specific programmes aimed at enhancing integration among them by pooling resources and enjoying economies of scale through a larger market.

Notable among COMESA's programmes and activities currently being successfully implemented are:

i) A Tariff reduction programme which led to a Free Trade Area on 31st October 2000. Nine (9) countries - Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia and Zimbabwe - are currently part of the Free Trade Area. Efforts are underway for other countries to join the FTA, but in the meantime, these countries are trading on preferential terms ranging from 20% to 40% of the national (MFN) tariffs.

ii) Elimination of non-tariff barriers. Nearly all conventional non-tariff barriers to intra-regional trade have been eliminated. These include import and export quotas and restrictive export and import licensing and the like.

iii) Easing the movement of goods by streamlining trade procedures and documentation. This has encompassed introducing common and simplified customs documentation, a common carriers licence for truckers and road hauliers, a simplified transit registration system and a computer-based cargo tracking system starting from the ports, on rail and on the road.

iv) Easing the movement of persons by relaxing visa requirements and extending the coverage of the common third party motor vehicle insurance scheme – the COMESA Yellow Card.

v) Formulation of regional policies in the area of competition law and policy and public procurement that will enhance the operation of the more integrated economies of the region.

vi) Liberalisation and harmonisation of their monetary and payment systems with a view to improving settlement of trade accounts and enhancing the flow of capital among member States.

vii) Introducing common infrastructural use controls and limits such as maximum vehicle dimensions and overload controls (axle weight limits) to preserve the region's infrastructure.

viii) Improving data and information collection, storage, and exchange for development purposes in all fields. Pioneers programmes have been trade and customs information management systems through the Automated System of Customs Data and Management (ASYCUDA) and Eurotrace both of which are operational in a number of COMESA and non-COMESA member States.

ix) Private sector support programmes and facilities aimed at encouraging and enhancing private sector capacity in fully participating and spearheading the region's development process. These facilities include establishment of a trade and development bank offering trade and project finance; a re-insurance company, and specialised and sector-specific programmes in leather, metallurgy, iron and steel, pharmaceuticals and other chemicals.

3.0 THE FTA AND THE POTENTIAL FOR INVESTMENT PROMOTION

As the countries of Eastern and Southern Africa and Indian Ocean integrate, they offer a large single market for manufacturers and service providers who will seek to offer a whole range of services to the manufacturing sector including finance, insurance, transport, telecommunication, packaging, printing, quality control and of course staff training in emerging fields such as Information Technology.

Evidently, a market of over 340 million people offers enormous potential for mass production of goods and for offering services at economically competitive and affordable prices. As the purchasing power (disposable income) of an average African is quite low, it is important that producers take advantage of economies of scale so that they can price their goods as lowly as possible but still remain profitable and expand production. This is the single most important attraction of the COMESA FTA.

COMESA recognises this phenomenon and is taking steps to ensure that the COMESA FTA also serves as a Common Investment Area. Already, investment promotion agencies are meeting from time to time under the COMESA umbrella to agree and formulate a regional investment regime.

While each Member State will promote particular projects and areas of investment depending on its resource endowment and other investment attractions, they will all seek to portray the region as a good destination for investment and will refrain from unhealthy and counterproductive competition for foreign investment.

3.1 Trade and Investment in the COMESA FTA

With the launch of the FTA, businesspersons have increased their active and interaction across borders. Increased trade is being conducted by: -

- small scale cross-border traders between Malawi and Zambia; Zambia and Zimbabwe; Kenya and Zambia; Kenya and Sudan; and even between Uganda and Kenya;
- medium to large and formal businesses between Zimbabwe and Egypt mainly in tobacco; Mauritius and Egypt in baby wear and diapers, and edible oil; Mauritius and Kenya in wheat flour and flour products; Malawi and Kenya in maize and sugar; Sudan and Kenya in steel coils and edible oils, and sugar; Zambia and Kenya in detergents and bathing soaps; sugar and leather products; between Madagascar and Kenya in sugar; Swaziland and Zambia canned beer, sugar and until recently refrigerators and deep freezers.

The region's business community is at the time developing alliances and close business ties such as those between Mauritian and Malagasy textile producers. Mauritian producers find Madagascar a lower cost production centre and so they are taking some of their investment to Madagascar to take advantage of both the COMESA market and the US market under AGOA as well as the EU market under the Cotonou Agreement and the EBA initiative.

The Mauritius-Madagascar developments are quite significant in the investors from regions, especially Asia, are also considering moving into Madagascar following the Mauritian lead.

Egyptian producers are also considering investing in Zambia and Malawi to produce for the US market. Other linkages include alliances between Zambian freight forwarders and sugar importers of Kenya; Malawian and Zambian insurers and exporters and importers in Kenya and Egypt.

The potential for investment and trade is, however, much larger than is currently being exploited partly to due limited investible funds but largely because of conflict in the region.

4.0 REGIONAL CONFLICT AND POVERTY ESCALATION

Intra-regional conflict is a big drain on the region's resources. Not only does it deprive States from expending the limited resources on development projects such as roads, bridges, school the health sector and other infrastructural developments, but it also diverts human resources and national attention to areas not immediately leading to national and regional development.

COMESA, therefore, takes conflict prevention, resolution and management very seriously. This is in recognition that the poverty that is so pervasive in the region today can be attributed to conflict, both internal and external that has ravaged the region for as long as 4 decades in some countries. The low HDI (or high HPI) and the poor (devastated or underdeveloped) infrastructure is a result of this conflict.

4.1 Conflict in COMESA - Case Studies

Inter-State and intra-State conflict has significantly retarded the development of the region. Examples of such conflict include the following:

i) Angola situation

The Angola conflict has an impact on Zambia, Congo DR, and Angola itself. Immediate issues concern destruction of the Benguela Railway line which links Zambia, Congo DR to Angola, providing a good alternative route to the sea for Zambian and Congolese copper and other merchandise.

ii) Burundi situation

Instability in Burundi has caused investment and production to be stunted in several sectors especially in textiles where the country began investing significantly in the late 1980s. Burundi experienced static investment in textiles as the Chinese-built plant could not be modernised. The type and quality of fabric and other textile products has remained more or less the same since the late 1980s when the plant was set up. Compared to Zambia where an identical plant was established using identical technology, modernisation has led to the production of very competitive fabric both in terms of quality and price to those coming from Europe.

Similarly, use of port facilities for Burundi's own merchandise from Zambia, Congo DR and Tanzania has been significantly affected.

iii) Congo DR situation

The Congolese conflict has had widespread impact on the region. For Congo itself, investment and trade has taken a toll notably in copper and diamond mines which lacked resources for production and rehabilitation; cross-border trade with neighbouring countries such as Zambia, Burundi and Uganda has also fallen and the use of facilities such as the Zambian railway network for transportation of copper also declined.

iv) Eritrea-Ethiopia conflict

The Eritrea-Ethiopian conflict deprived the region and businesspersons in particular the use of common facilities such as ports and shipping lines, limiting trade from within the region and from overseas.

v) Uganda-Sudan conflict

While both countries have vast potential for agricultural production, instability has rendered any meaningful production difficult in the northern part of Uganda and the southern part of Sudan, and limiting trade between Sudan, Rwanda, Burundi and Uganda. For example, the textile plan in Burundi could benefit from cotton from Sudan.

Power generation capacity remained static or declined when the dam at Jinja has capacity to supply power to not only Uganda but a few neighbouring countries as well. This potential could not be harnessed due partly to conflict.

vi) Rwanda

Internal strife led to a lack of expansion of production facilities in roofing sheet production, beauty products and dairy products as demand for these products declined significantly on the domestic market. Tourism in the northern parts of the country (gorilla areas) also declined.

4.2 Cost to the Region and Impact on Poverty levels

While no study has been undertaken to quantify the cost of conflict to the region, it can easily be estimated in Billions of Dollars exceeding the average GDP of the majority of COMESA countries whose GDP is less than US$ 10 billion. Total production as measured by GDP declined markedly in most of the countries that experienced conflict over the period 1990 and 1999. The table below shows the contraction in GDP.

While Uganda and Eritrea experienced some growth of US$1.9 billion and US$0.2 billion respectively, all the other countries under conflict experienced declines in GDP totalling US$13.6 billion in nominal terms.

While the population was going up, the GDP per capita, which is one of the factors in the HDI/HPI measurement, was obviously going down, leading to higher poverty levels.

4.3 GDP Growth and Investment Flows

The net effect of these conflicts on the region has been a slowing down of the rate of growth of the region's economy. This is because, other than Uganda, nearly all the other countries listed below experienced negative growth for the most part of the last decade. GDP growth for the COMESA region fared as shown in the Table below between 1990 and 1999.

With the return to peace in most of these areas in the last two years, thanks to the efforts of distinguished African leaders such as the late former President Nyerere, former President Mandela, former President Masire and current presidents in the region, there is renewed hope that the region may record and enjoy and record meaningful levels of development which it can sustain.

Nominal GDP figures, US$ Billion

	Population 1999, million	GDP 1990 US$' billion	GDP 1999 US$' billion	Decline/Increase in GDP in US$ terms[2]
Total COMESA	**339.07**	**123.5**	**163.44**	
Angola	12.3	***10.2***	***8.5***	***-1.7***
Burundi	6.7	***1.1***	***0.7***	***-0.4***
Comoros	0.54	0.2	0.2	
Congo DR	49.8	***9.3***	***5.6***	***-3.7***
Djibouti	0.65	0.5	0.5	
Egypt	62.6	43.1	89.1	
Eritrea	4.0	***0.4***	***0.64***	***+0.2***
Ethiopia	62.8	***6.8***	***6.4***	***-0.4***
Kenya	29.4	8.5	10.6	
Madagascar	15.1	3.1	3.7	
Malawi	10.8	1.8	1.8	
Mauritius	1.1	2.6	4.2	
Namibia	1.7	2.3	3.1	
Rwanda	8.3	***2.6***	***1.9***	***-0.7***
Seychelles	0.08	0.4	0.5	
Swaziland	1.0	1.0	1.2	
Sudan	28.9	***13.2***	***9.7***	***-3.5***
Uganda	21.5	***4.3***	***6.4***	***+1.9***
Zambia	9.9	3.3	3.1	
Zimbabwe	11.9	***8.8***	***5.6***	***-3.2***

Source: World Development Indicators, 2001, The World Bank.

5.0 THE ROLE OF THE LEGISLATURE IN POVERTY ALLEVIATION

The Legislature has a very important role to play in poverty alleviation in sub-Saharan Africa. Firstly, the use of government (public) resources must all be approved by the Legislature before the Executive can utilise them. International agreements also require ratification by the Legislature before they take effect and for the Executive to apply their provisions. The Legislature must, therefore, ensure that the Executive present budgets that have long-term and strong poverty reduction orientation.

Similarly, the application of public resources in incidences of strife, whether internal or external where avenues of diplomacy and other peaceful means have not been exhaustively explored, must be checked by the Legislature. The Legialsture, which represents the people, must ensure that the Executive is truly answerable to it.

In terms of strategy, economic integration at the regional level, while ensuring that it is part of the global economy, appears to be the only viable option for countries in eastern and southern Africa at present as regionalism has shown proof that it does impact poverty positively. The Legislature must therefore play a role in ensuring that the Executive adopts and implements pro-poor economic strategies.

[2] The GDP figures have not been adjusted for inflation.