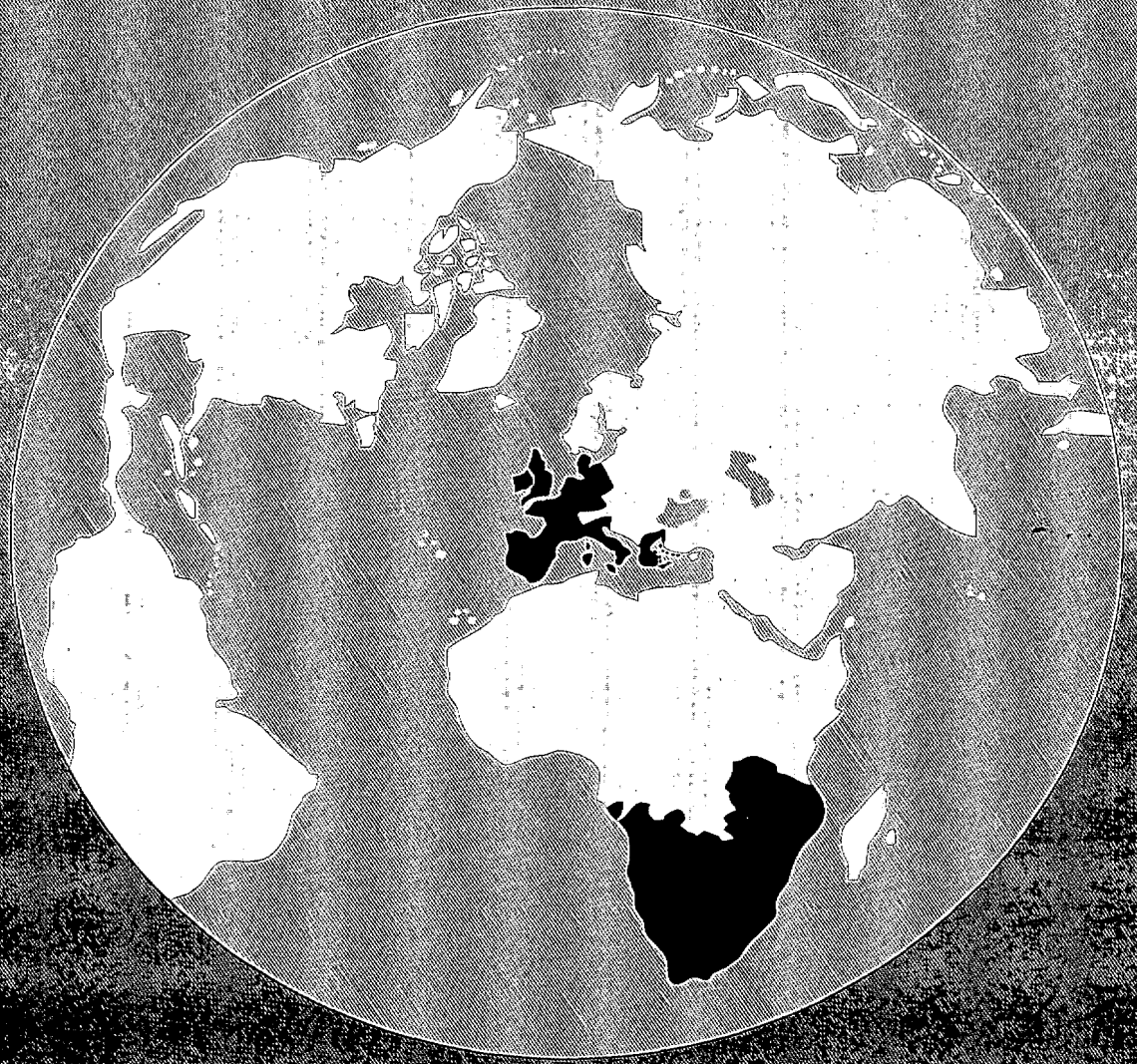


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SOUTHERN AFRICA & THE EUROPEAN UNION



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INTRODUCTION

In 1975 the European Community signed a comprehensive co-operation agreement - the Lomé Convention - with a group of independent African, Caribbean and Pacific (ACP) countries, which included Botswana, Lesotho, Malawi, Swaziland, Tanzania and Zambia. Shortly after achieving independence in 1980, Zimbabwe signed the second Lomé Convention. Mozambique and Angola joined the ACP group in 1984 and 1985, on signing the third Lomé Convention, while Namibia, which achieved independence in March 1990, became the 69th ACP State on its accession to the fourth Lomé Convention in December of the same year.

As signatories to the agreement, these Southern African States are entitled to a number of aid and trade advantages. On the trade side, almost all their exports can enter the European Union¹ market free of duties or quotas. This is significant, as the Union buys over 25% of their total exports. Overall, the trade balance is in their favour. Special arrangements for beef and sugar, and for compensation for losses on exports of other commodities, are also of assistance.

On the aid side, the Union has been operating an increasingly substantial programme of financial and technical co-operation. By 1995, it will have

spent over 5000 million European Currency Units (ECU)² for the region.

Convinced of the tangible benefits of regional co-operation after some 35 years of practical experience in Europe, the Union has provided encouragement and financial and technical assistance to the Southern African Development Community - and to its predecessor, the Southern African Development Coordination Conference - since the latter's establishment in 1980. Since 1986 almost all the Union's regional assistance to Southern Africa has been coordinated by SADCC/SADC, which has been better placed as a result to plan the use of the resources available.

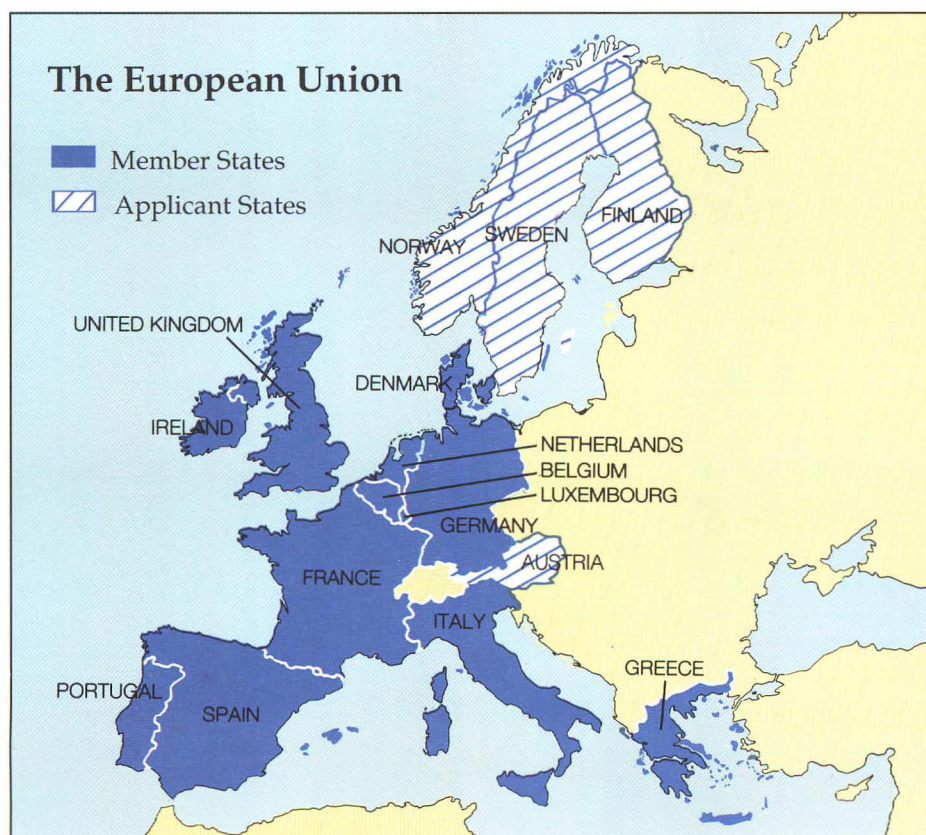
In response to the profound political reforms in the country, the EU has begun a process of normalising relations with South Africa. The lifting of trade sanctions will allow renewed access to Europe's 347 million consumers - promising considerable revenue from export earnings. Development aid is being provided in the context of the Union's "Special Programme on South Africa" - the largest programmable development initiative ever implemented by the EU anywhere in the world.

The importance of EU-Southern Africa relations is underlined by the presence in Brussels of an ambassador from South Africa and each of the SADC countries. On its side, the European Commission maintains a delegation in each of the SADC States and in South Africa to implement its aid programme.

This brochure presents the principal aspects of co-operation between the European Union and the countries of Southern Africa.

	SADC States	European Union	South Africa
Countries	10	12	-
Total area	5 707 031 km ²	2 362 939 km ²	1 221 038 km ²
Population	86 million	347 million	38 million
Average GNP per capita (US\$ 1991)*	\$ 785	\$ 17 346	\$ 2 560
Main exports	Copper, diamonds, gold, tobacco, sugar, meat, tea, coffee, cotton	Steel, machinery, vehicles, chemicals, foodstuffs	Gold, base metals, mineral products, platinum

*Based on World Bank data published in World Development Report, 1993.



¹ In 1993 the *European Community* was subsumed into a new entity called the *European Union*. See p4 for use of terms.

² 1 ECU = 1.15 US \$ in April 1994.

THE EUROPEAN UNION AND DEVELOPMENT CO-OPERATION

The Union in Europe

The European Union is made up of twelve countries: Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and the United Kingdom¹. All these countries signed three treaties which formed the initial framework for the construction of a united Europe - notably the **European Coal and Steel Community (ECSC) treaty in 1951, and both the European Atomic Energy Community (EURATOM) treaty and the European Economic Community (EEC) treaty in 1957.**

The aim of these treaties was the formation of an economic union - facilitating progress towards monetary and political union - in which goods, people, capital and services can circulate freely, and where foreign trade, agriculture, fisheries, transport and other sectors of the economy are governed by common policies.

The **Single Act (1986)** increased the Community's scope and decreed that the internal market should be completed by the end of 1992. Under the **Treaty on European Union (1992 - often known as the Maastricht Treaty)**, the EEC became the European Community (EC), and, with the old ECSC and EURATOM, was subsumed into a new entity called the European Union. The Union is a grouping of the same 12 member states but has wider powers - covering **justice and home affairs, the establishment of economic and monetary union, and a common foreign and security policy.** The decision to support democratisation in South Africa with a co-ordinated programme was one of the first joint actions taken under the EU Treaty.

The treaty delegates responsibility for conducting policy in the sphere of development co-operation to the EC. For this reason - and because much of the co-operation discussed in this brochure was in operation before the creation of the EU - the term "Community" will frequently be used.

European Union Institutions

1. **The European Council:** comprising the Heads of State or Government of the Member States; the Council meets twice yearly to lay down guidelines for Union policy.

2. **The Council of the European Union:** the decision-making body, where Member States are represented at ministerial level.

3. **The European Commission:** proposes and administers common policies and makes sure that the treaties are observed. It has 17 members, called "Commissioners", appointed every four years.

4. **The European Parliament:** generates initiatives for the development of Union policies, adopts the Union budget each year after discussions with the Council, and gives its opinion on Commission proposals. It has 567 members, directly elected every five years.

5. **The European Court of Justice:** settles disputes arising from the application of Union law. It has 13 judges.

6. **The Court of Auditors:** checks that Union funds are properly spent.

Other bodies

The Economic and Social Committee: an advisory body representing employers, trade unions and other interest groups. It gives opinions on Commission proposals.

The European Investment Bank (EIB): endowed with capital subscribed by the Member States, the Bank raises money on capital markets to finance loans to Union countries, to Central and Eastern Europe, and Mediterranean and ACP developing countries.

The Committee of the Regions: newly established by the 1992 Treaty, this committee of 189 members representing local and regional authorities must be consulted before adoption of decisions affecting regional interests.

The Union in the world

In its relations with other countries the Union seeks to encourage world trade and the economic development of the poorer countries.

It has supported successive rounds of tariff reductions: at 5.6% the average level of its own external tariff is one of the lowest in the world. It is a party to all international commodity agreements, and has set up a sizeable fund to help stabilise the export earnings of many producer countries.

In addition to its trade activities, the Union contributes to the economic development of the majority of countries in the Third World. It devotes a share of its annual budget to aid programmes in the southern and eastern Mediterranean, in Asia and in Latin America; and it provides assistance to 70 African, Caribbean and Pacific countries from the European Development Fund.

Union aid funds represent about 15% of the total aid effort of its Member States, which between them provide over 40% of all official development assistance.

The European Development Fund

The European Development Fund (EDF), to which all EU Member States contribute, finances projects and programmes in African, Caribbean and Pacific countries which have signed the Lomé Convention. It is administered by the Commission (with the exception of risk capital, administered by the European Investment Bank).

The Fund is renewed every five years. Since 1958, when the first EDF was set up, there have been seven successive funds, each backing up (until 1990) a five-year convention. Thus the fourth EDF corresponded to the first Lomé Convention (1975-1980), the fifth to Lomé II (1980-1985), and the sixth to Lomé III (1985-1990). Since the fourth Lomé Convention will run for 10 years (1990-2000), the seventh EDF will cover the first five years of the Convention.

The total size of the fund has been steadily growing:

	million ECU
EDF IV (Lomé I)	3 072
EDF V (Lomé II)	4 724
EDF VI (Lomé III)	7 400
EDF VII (Lomé IV, first half)	10 800

The proportion of grants to loans has also risen, from 75% of the 6th EDF to 92% of the seventh EDF.

Each fund is supplemented by loans from the EIB. The Bank made up to 1 100 MECU² available for Lomé III and will lend up to 1 200 MECU over the period 1990-1995.

The bulk of the EDF is divided among the ACP countries for their national or regional development programmes. Each country and region is allocated a fixed amount at the start of each Convention (905 MECU for the ten SADC States and 121 MECU for the region from the 7th EDF). The remainder is used for assistance of a kind that depends on circumstances, e.g. structural adjustment support, Stabex transfers, Sysmin loans, emergency aid or refugee aid.

¹ Four applicant countries - Austria, Finland, Norway and Sweden - have completed negotiations to join the European Union in 1995.

² From 1995 the Commission's term of office will be extended to five years.

³ MECU = million ECU.

The Lomé Convention

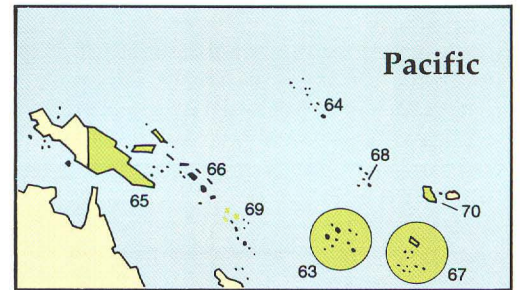
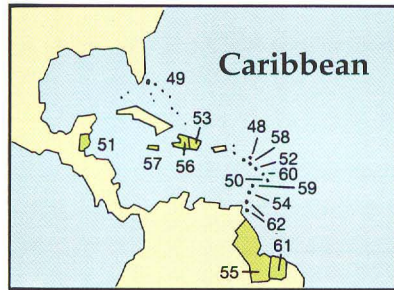
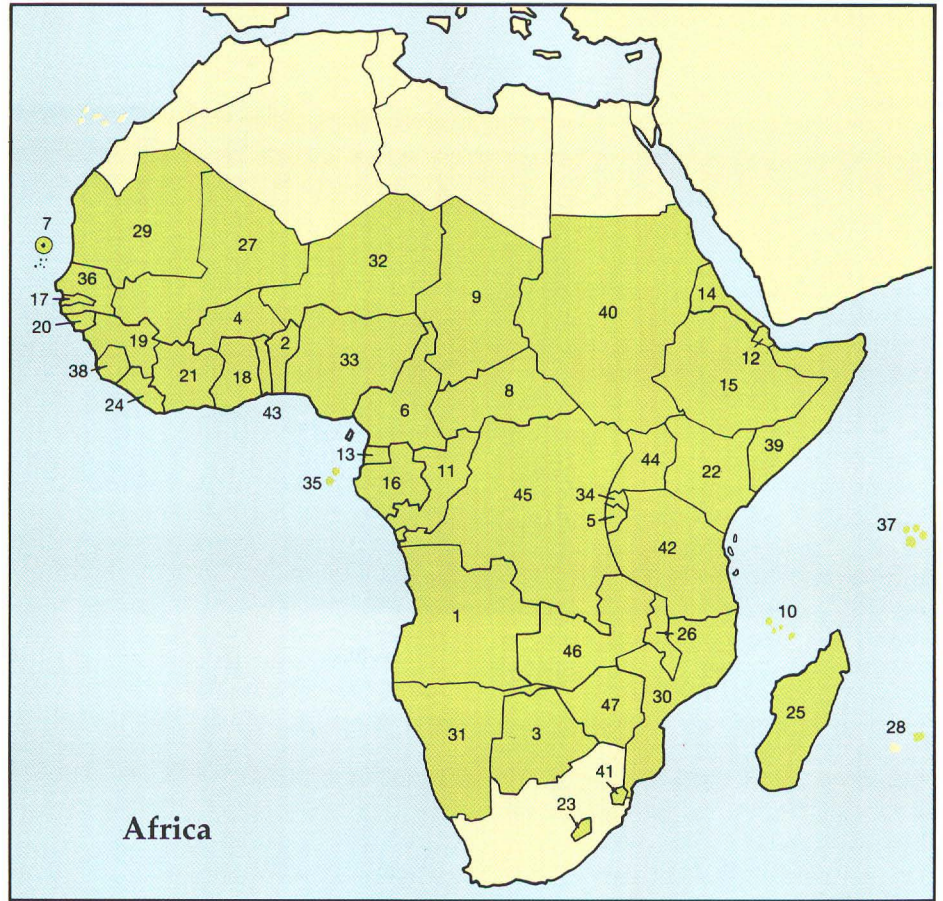
The Lomé Convention has four essential features:

- It is a ten-year contract freely negotiated between equal partners. The security it offers enables the associated countries to plan their economies with greater confidence.
- It is non-aligned in that it respects each partner's freedom to choose its economic system, political regime and development model. It embraces countries represented by governments of varying political tendencies.
- It is a comprehensive agreement that combines a whole range of co-operation instruments providing a balanced response to needs that vary with economic structures and levels of development. The Southern African ACP States, like all other countries that have signed Lomé, decide themselves which development instruments to use, according to their own priorities.
- Its institutions (ACP-EU Council of Ministers and Committee of Ambassadors, ACP-EU Joint Assembly) make for a permanent dialogue between governments and with the European Parliament.

These institutions operate at different levels:

- The ACP-EU Council of Ministers manages the Lomé Convention at government level, and is the ultimate decision-maker on questions of co-operation.
- The ACP-EU Committee of Ambassadors (based in Brussels) meets more often than the Council of Ministers. This Committee monitors ACP-EU co-operation and has certain powers delegated by the Council of Ministers.
- The ACP-EU Joint Assembly consists of a representative from each ACP State and an equal number of Members from the European Parliament. It meets twice a year. The Joint Assembly serves as a forum for discussions and as a stimulus to ACP-EU co-operation.

Consultations with the two sides of industry can be arranged on the initiative of the Assembly. Ad hoc meetings can also be held under the aegis of the ACP-EU Council of Ministers on "clearly defined matters of common interest".



The ACP Group

Founded in 1975, with the signing of the Georgetown Agreement:

Institutions

1. **The Council of Ministers:** the supreme body with decision-making power. Member States are represented at ministerial level. The Council defines the broad outlines of the Group's policies, and examines ACP-EU co-operation as well as intra-ACP matters.
2. **The Committee of Ambassadors:** composed of ACP Ambassadors to the EU or their representatives, assists the Council of Ministers and supervises the implementation of the Lomé Convention.
3. **The ACP General Secretariat:** co-ordinates the activities of the ACP institutions. Located in Brussels.

■ ACP Countries

AFRICA

1. Angola
2. Benin
3. Botswana
4. Burkina Faso
5. Burundi
6. Cameroon
7. Cape Verde
8. Central African Republic
9. Chad
10. Comoros
11. Congo
12. Djibouti
13. Equatorial Guinea
14. Eritrea
15. Ethiopia
16. Gabon
17. Gambia
18. Ghana
19. Guinea
20. Guinea Bissau
21. Ivory Coast
22. Kenya
23. Lesotho
24. Liberia
25. Madagascar
26. Malawi
27. Mali
28. Mauritius
29. Mauritania
30. Mozambique
31. Namibia
32. Niger
33. Nigeria
34. Rwanda
35. Sao Tomé Principe
36. Senegal
37. Seychelles
38. Sierra Leone

39. Somalia
40. Sudan
41. Swaziland
42. Tanzania
43. Togo
44. Uganda
45. Zaire
46. Zambia
47. Zimbabwe

CARIBBEAN

48. Antigua and Barbuda
49. Bahamas
50. Barbados
51. Belize
52. Dominica
53. Dominican Republic
54. Grenada
55. Guyana
56. Haiti
57. Jamaica
58. Saint Christopher & Nevis
59. Saint Vincent & The Grenadines
60. Saint Lucia
61. Suriname
62. Trinidad & Tobago

PACIFIC

63. Fiji
64. Kiribati
65. Papua New Guinea
66. Solomon Islands
67. Tonga
68. Tuvalu
69. Vanuatu
70. Western Samoa

SOUTHERN AFRICA AND THE EUROPEAN UNION

ECONOMIC AND POLITICAL SITUATION OF SOUTHERN AFRICA

Population

Southern Africa is vast and on the whole sparsely populated. The ten SADC countries between them cover 5.7 million square kilometres, well over twice the size of the European Union. Their combined population is just over 85 million, almost four times smaller than the Union's, and only a little over two and half times larger than South Africa's. South Africa's particularly large allocation of Union aid reflects this fact that its population is considerably bigger than that of most SADC countries.

The average density is low partly because agriculture or cattle breeding are the principal occupations - although South Africa has a sophisticated industrial sector, the SADC region contains very few industrial centres apart from Zambia's Copperbelt - and partly because large tracts of land are uninhabitable desert or semi-arid scrub or grassland capable of supporting wildlife or cattle but very few people. Arable land is in fact quite limited, while the population is increasing rapidly, at an average rate of over 3% a year. Pressure on the land is therefore a serious problem in some areas, and the question of optimum land use occupies authorities everywhere.

The SADC region contains some of the very poorest and most aid-dependent countries in the world: in 1993 the World Bank¹ placed Mozambique and Tanzania at the bottom of a table ranking countries according to GNP per capita. Other important development indicators such as life expectancy at birth and adult literacy rates reveal the under-development of many of the SADC states. Zambia is one of the world's most indebted countries - with a foreign debt equaling almost US\$ 1 000 per capita.

Structural adjustment

In the last few years many Southern African states - to date Lesotho, Malawi, Mozambique, Tanzania, Zambia and Zimbabwe - have taken the decision to implement structural adjustment programmes.

The aim is to reduce internal (budget) as well as external (balance of payments) imbalances. Resource allocation and mobilisation will be improved by removing protection for consumers (formerly provided by subsidies and the freezing of prices paid to producers) or importers (by reforming customs tariffs) - and by juggling with monetary and tax policy (offering more attractive interest rates to depositors, raising the basis for taxation and so on). Public sector management is being rationalised or reoriented (reducing the public sector's hold on the economy, reviewing public spending etc.). As mentioned overleaf, these measures are fully supported by the EU, as well as by most other major multilateral donors.

Agriculture

Although commercial farming plays a major role in some countries, notably Zimbabwe and South Africa, food production is mainly in the hands of small-

holders, who make up the vast majority of the region's farmers. The staple crop is maize. Sorghum, which is more drought-resistant, is widely cultivated. Millet and wheat are also grown, and parts of Zambia and the eastern coastal areas produce rice.

For various reasons the SADC region does not usually produce enough food to feed its inhabitants - necessitating large annual cereal imports. The unusually severe drought which hit the region in 1991/1992 - dubbed "the worst in living history" - required 5.5 million tonnes of cereal imports.

Under their structural adjustment programmes, many SADC governments are liberalising their agricultural sector policies. With greater economic incentives for farmers and rural people, production can be expected to grow.

Fish are an important source of food and income in the areas around Lake

¹ "World Development Report 1993", World Bank.

Tanganyika, Lake Malawi and the artificial lakes formed by the Kariba and Cahora Bassa dams across the Zambezi. South Africa's coastal waters are stocked with pelagic fish, prawns are Mozambique's leading export, Namibia is exporting increasing quantities of hake and mackerel, and the waters off Angola's southern coast contain some of the richest fishing areas in African waters.

The principal cash crops are sugar, coffee, tea, tobacco, cotton and sisal. Tobacco, sugar and coffee are the biggest export earners for, respectively, Malawi and Zimbabwe, Swaziland and Tanzania. Cashew nuts are an important cash crop in Mozambique and Tanzania. The principal markets for all these crops are in Europe. The movement of commodity prices is therefore of great significance, especially as many smallholders are now being encouraged to grow one or other of these cash crops as a supplement to traditional food crops. The overall trend of tropical agricultural prices has unfortunately been downwards in the last decade, while the cost of imported machinery and fertiliser has risen. In the agricultural sector the "terms of trade" have therefore deteriorated for the Southern African countries.

Livestock and wildlife

Cattle farming is important throughout Southern Africa. The SADC countries alone contain an estimated 30 million head of cattle - although considerable numbers (some 1.9 million in Zimbabwe alone) were lost due to reduced grazing and watering facilities resulting from the severe drought. Most rural households in fact own only a few animals, but large herds are kept in Botswana, Namibia, Swaziland, Zambia and Zimbabwe, which all produce beef for export (the region as a whole is a net exporter of beef and beef products). The substantial resources devoted to veterinary science, cattle fences, vaccination campaigns and the eradication of the tsetse fly reflect the importance attached to livestock.

Southern Africa also supports large numbers of wild animals, including more rhinos and elephants than any other part of Africa. Wild animals in their natural surroundings are both beautiful and valuable, since they are the real attraction of the growing tou-

rist industry. Protecting them and their habitat is becoming an increasingly important issue, entailing in some areas - such as the Zambezi Valley and northern Botswana - difficult decisions on land use, to reconcile the sometimes conflicting demands of cattle owners, safari operators and conservationists.

Industry and trade

Although it employs far fewer people than agriculture, mining is of crucial importance for several SADC states and for South Africa. Diamonds are far and away the leading exports for Botswana and Namibia, and are also mined in South Africa, Tanzania and Angola. Copper still accounts for 90% of Zambia's foreign exchange earnings, and gold, chrome and a variety of other minerals make up over 30% of Zimbabwe's exports. Mining (particularly gold mining) is the most important sector in the South African economy - and thousands of workers from Lesotho, Swaziland and Mozambique have traditionally found employment in the country's mines.

Recent years have seen sharp fluctuations in world metal prices. As a result, some Southern African countries - notably Zambia - are trying to diversify their economies away from over-dependence on the metal sectors as part of their general structural adjustment measures.

The mining industry needs a great deal of power, but the region is fortunate in possessing substantial deposits of coal, supplemented in recent years by hydro-power from the Kariba and Cahora Bassa dams on the Zambezi. Work is now under way on an ambitious hydro-electric scheme in Lesotho, which should bring great economic benefits to that country. Oil, however, has to be imported by South Africa and all the SADC states except Angola, whose economy depends on its offshore oil industry. Zambia's Copperbelt is supplied with oil via a pipeline from Dar-es-Salaam. Another pipeline, from Beira, carries oil to Harare.

Although the largest contributor to GDP in South Africa, manufacturing is limited in the SADC states. Most exports are still primary or semi-processed products, sold to customers in overseas industrialised countries. Light

industry has recently increased in Botswana, Lesotho and Swaziland, which, together with Namibia, obtain most of their imports from South Africa. By far the largest share of SADC's trade, however, involves overseas partners.

Although Zimbabwe, alone among SADC states, possesses a diversified industrial sector - manufactured products currently make up about 35% of its exports - it still conducts most of its trade with overseas partners, so like its neighbours depends heavily on the region's international transport network. This has been seriously disturbed as a result of the political events of the past 15 years.

Political situation

Side by side with economic liberalisation, many SADC states have recently experienced profound political reform. Namibia attained its independence in 1990 following a multi-party election, Lesotho and Zambia have adopted democratic rule, while Swaziland, Malawi and Tanzania are implementing changes to their political systems.

The Rome peace accords in October 1992 marked the eventual end of Mozambique's bloody 15-year long civil war. Reconstruction is slowly beginning, refugees are returning home, and elections should take place at the end of 1994. Transport links to the ports of Beira, Maputo and Nacala are slowly being normalised.

Angola held elections - pronounced free and fair by the United Nations - in 1992. The opposition group UNITA's rejection of the government's victory has, however, plunged the country back into war - if anything even more savage than during previous years. Renewed fighting means that the Benguela railway is still out of action, depriving Zambia of its outlet to the Atlantic Ocean, and forcing it to re-route some of its trade.

Recent years have seen the withdrawal of South African military involvement in neighbouring countries, the dismantling of apartheid and the country's first democratic, non-racial elections in 1994. As a consequence, improved economic and political relations between South Africa and the SADC countries can be expected.

INSTRUMENTS OF EU-SOUTHERN AFRICA CO-OPERATION

Trade

In common with most other developing countries, the SADC states export chiefly raw materials - unprocessed or semi-processed agricultural commodities and minerals - and import manufactured goods, oil (Angola excepted) and foodstuffs. The one exception is Zimbabwe, which is partly industrialised and produces a variety of finished products.

Again like other groups of developing countries, the SADC region conducts the majority of its trade in both directions - imports and exports - with external partners, and the largest of these is the European Union. Although South Africa, as the nearest industrialised country is the biggest supplier for the other members of the Southern African Customs Union¹, the Union is the leading source of imports for Angola, Mozambique, Zambia and Zimbabwe, and its market is the biggest outlet for five SADC countries - Botswana, Malawi, Mozambique, Tanzania and Zimbabwe. The EU is also South Africa's principal trading partner. Trade arrangements between the two regions are therefore of considerable importance.

Trade arrangements

The trade provisions of the Lomé Convention allow the vast majority of Southern African ACP exports to enter the EU duty-free and in unlimited quantities. The Union does not however require the ACP states to apply the same treatment to its own exports - the principle of non-reciprocity - and so the SADC countries can charge customs duties on the EU products they import. A number of them derive substantial revenue from this source.

In addition to these general provisions, special arrangements exist for sugar and beef which are of interest to certain SADC countries. Under the Sugar Protocol attached to the Lomé Convention, the Union agrees to buy a fixed quantity of sugar every year from ACP producers at an attractively high

guaranteed price. The protocol is of particular benefit to Swaziland, which obtains this price for 116 000 tons of sugar annually. Sugar producers in Zimbabwe, Malawi and Tanzania also benefit, although these countries' quotas are smaller.

A special arrangement for meat exports to the EU, known as the Beef Protocol, allows traditional ACP beef-exporting countries to keep 90% of the tax normally payable on beef imports into the Union, for certain quantities: upto 18 916 tons for Botswana, 13 000 tons for Namibia, 9 100 tons for Zimbabwe and 3 363 tons for Swaziland. Insofar as they fulfil their quotas, these countries derive substantial extra income from the beef levy rebate.

Under the fisheries agreements which it has signed with two coastal SADC states - Angola and Mozambique - the Union makes payments to these countries for fishing rights in their exclusive economic zones. In addition, it provides funds to finance training activities and scientific and technical programmes related to fishing and fishery resources in their waters.

The Stabex scheme - cash transfers to compensate for serious losses sustained on agricultural export earnings as

a result of price falls, crop failures or damage to crops - has also proved of assistance in the region. Over the period 1975-1993, transfers have been made for export losses on tea, coffee, cotton, groundnuts, copra, wool, mohair, sisal and cashew nuts. The scheme has been of particular benefit to producers in Tanzania, Malawi, Mozambique and Lesotho.

South Africa is not a signatory of the Lomé Convention - and does not therefore benefit from the above-mentioned arrangements. The lifting of most trade sanctions by the EU in response to political reforms will provide, however, renewed access to the Union's 347 million consumers - offering considerable export revenue earning potential.

World and EU trade with the SADC States

(in million ECU)

	1991		1992	
	Imports	Exports	Imports	Exports
World	8778.2	9549.8	8339.9	9308.2
EU	2524.6	2519.9	2384.1	2776.6

Source: Eurostat

World and EU trade with South Africa

(in million ECU)

	1991		1992	
	Imports	Exports	Imports	Exports
World	19 126	14 042	18 103	14 021
EU	8 378	5 815	9 097	5 424

Source: Eurostat

¹Botswana, Lesotho, Namibia, Swaziland.

up the "structural adjustment facility"). These funds - which are additional to normal EDF development aid, and come as grants not loans - finance sectoral or general import programmes and technical assistance with structural adjustment measures. The recipient countries - of the SADC countries, Lesotho, Malawi, Mozambique, Tanzania, Zambia and Zimbabwe - have a major say in their use. Counterpart funds generated by the sale of the imported goods finance operations in the social sector (e.g. payment of redundancy benefits, retraining, job-creation schemes...). Participating countries may also direct a percentage of their National Indicative Programme funds (see below) towards structural adjustment measures.

Trade development

As well as assisting SADC trade through general and special arrangements described above, the Lomé Convention provides funds, on a national or regional basis:

- to promote individual countries' exports, by financing, for example, participation in trade fairs;
- to develop new products, through technical assistance with market research;
- to encourage trade within the region, which is one of the principal aims of SADC and of the wider group of countries belonging to the Preferential Trade Area for East and Southern Africa. An example of EU support in this field is given in the section on regional co-operation.

Financial and technical assistance

In addition to their trade provisions, the Lomé Conventions, backed up by five-year European Development Funds (EDF) and the capital resources of the European Investment Bank (EIB), offer assistance in a variety of forms to ACP countries.

Some 12% of the seventh EDF has been set aside to provide special support to those countries implementing structural adjustment programmes (1150 MECU from the 7th EDF make

The bulk of the rest of the EDF is available for development projects chosen by the ACP countries and approved by the Union. Works, supplies, studies and technical assistance can all be financed. Each country has a fixed amount to spend on its national programme. In addition, funds are available for regional projects benefitting two or more countries, co-ordinated, in the case of Southern Africa, by SADC.

In Southern Africa, EDF programmable aid - aid for national and regional programmes - amounted to some 300 MECU under Lomé I (1975-80), 450 MECU under Lomé II (1981-85), 970 MECU under Lomé III (1986-1990), and should equal over 1000 MECU for the period 1990-1995, when the Lomé IV (first financial protocol) programmes are completed.

Some 14% of the EDF is set aside for the stabilisation of export earnings. Stabex transfers are only made if justified by circumstances, but these circumstances have arisen quite frequently, and a total of some 193.5 MECU has already been transferred to the SADC states for the period 1975-1993. Stabex funds take the form of grants.

The Sysmin facility, introduced in Lomé II for mining operations in difficulty, has proved especially useful for Zambia, where loans totalling 83 MECU and a 60 MECU grant have helped. To support the country's structural adjustment programme, and its aim to decrease its dependency on

the mining sector, the latest Sysmin allocation was directed towards general balance of payments support. Botswana has received 22 MECU for a copper-nickel mine - and due to the recent inclusion of uranium under the list of eligible products, Namibia has also benefitted.

A small proportion of the EDF is reserved for emergency aid operations in the wake of natural disasters or serious refugee situations. Afflicted by drought - notably in 1992 -, epidemics and armed conflict, the region has had to call on the emergency aid fund on numerous occasions.

While previously between two-thirds and three-quarters of all EDF assistance was in the form of grants, under Lomé IV the proportion of grant aid has risen to 92%. To assist ACP enterprises and to support the private sector, risk capital is also provided on easy terms. Risk capital - over 7% of EDF VII - is managed by the European Investment Bank.

Projects can also be financed with loans from the Bank's own resources, which carry more commercial rates of interest. In practice these are often further reduced by interest rate subsidies from the EDF - to between 3% and 6% under Lomé IV. The Bank has so far lent a total of over 650 MECU to ACP countries in the region.

In addition to EDF and EIB resources, part of the Union's annual budget is set aside for assistance to developing countries, especially in the form of food aid and co-financing of NGO projects. Over the years hundreds of thousands of tons of cereals and other foods have been shipped to the region, in response to drought, to feed refugees, or to make up structural deficits.

Innumerable projects implemented by non-governmental organisations (NGOs) have received Union support (over 160 projects have been co-financed to date in Zimbabwe alone).

The table below shows that over the first 18 years of EU-Southern Africa co-operation, the Union has spent or committed in one form or another over 5000 MECU in the SADC region. 130 MECU was directed to South Africa between 1986 and 1991 in the context of the "Special Programme"

EU Financial Assistance (EDF + EIB + EC budget) to the SADC States (1975-1993)

(in million ECU)

	Lomé I 1975-80	Lomé II 1981-85	Lomé III 1986-90	Lomé IV 1991-95	Total
National Programmes	267.5	371.7	824.6	905.6	2369.4
Regional Programmes	30.0	70	141.0	121.0	362.0
EIB loans (including risk capital)	66.1	152.9	201.2	230.1	650.3
Interest rate subsidies on EIB loans	6.2	17.4	19.2	21.7	64.5
Stabex	33.9	35.1	56.4	68.1	193.5
Sysmin	-	82.3	21.6	100.0	203.9
Emergency/refugee aid	44.5	33.0	86.5	83.0	247.0
Food aid	81.7	147.5	246.4	250.9	726.5
Other assistance (NGO co-financing, ecology, AIDS, etc.)	26.0	42.2	47.2	41.5	156.9
Pre-Lomé aid to Mozambique and Zimbabwe	25.0	26.5	-	-	51.5
TOTAL	580.9	978.6	1644.1	1821.9	5025.5
GRAND TOTAL					5025.5

which aimed to assist the process of peaceful change by supporting non-racial activities. As a response to the dramatic political reforms in the country, the Special Programme has been reoriented and funding has dramatically increased. Since 1991, 340 MECU has been channelled to South Africa.

REGIONAL CO-OPERATION

In their efforts to foster sustainable development, the ACP countries of Southern Africa are faced with a number of serious obstacles - a narrow industrial base, a shortage of skilled workers, a network of communications in need of maintenance, a low volume of trade amongst themselves, and a chronic shortage of foreign exchange.

Tackling these problems require human and financial resources beyond the means of individual developing countries. Since 1980 all the ACP countries of the region have formed an economic association - the Southern Africa Development Coordination Conference until 1992 and thereafter the Southern African Development Community (SADC) - to co-ordinate their own efforts and those of their external co-operating partners (see inset). The 1992 treaty provides for the inclusion of a post-apartheid democratic South Africa on the principles of equity, balance and mutual benefit - and the establishment of a SADC resident mission in the country reflects the commitment of the region to contribute to South Africa's democratic process.

To date SADC has concentrated on three areas - transport and communications; food security, agriculture and natural resources; and human resource development.

The European Community, which as a regional body is convinced of the practical benefits of this form of co-operation, has provided regional funds since 1976 (30 MECU under Lomé I, 70 MECU under Lomé II, 141 MECU under Lomé III, and 121 MECU under Lomé IV, first financial protocol), and has supported SADC since its formation. Since 1986 most of the Community's regional assistance to Southern Africa has been programmed with SADC.

SADC (Southern African Development Community)

Members

Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia, Zimbabwe.

Origins

The idea of an economic association developed from the experience of political co-operation gained by the "Front Line States" (Angola, Botswana, Mozambique, Tanzania, Zambia and Zimbabwe) in supporting the independence movement in Zimbabwe. The Southern African Development Coordination Conference (SADCC) was launched in Lusaka in 1980 and was replaced by SADC in August 1992 in the Namibian capital of Windhoek.

Objectives

The Lusaka Declaration aimed towards sustainable development based on equitable regional co-operation, and the reduction of economic dependence on the outside world - particularly South Africa. The Windhoek Treaty speaks of "deeper economic co-operation and integration, on the basis of balance, equity and mutual benefit" - and provides for the inclusion of a post-apartheid democratic South Africa.

Organisation and working methods

SADC's institutions are:

- a Summit (annual meeting of Heads of State and governments);
- Council of Ministers (meetings of energy ministers, transport ministers, etc.) who approve projects to be included in SADC's Programme of Action;
- Committee of Officials, who screen projects prepared by "Sectoral Co-ordinators" working in specialised

units of government departments, sometimes with aid-funded experts;

- a small secretariat in Gaborone, Botswana;
- two special units, the Southern African Transport and Communications Commission (SATCC) in Maputo, Mozambique, and the Southern African Centre for Cooperation in Agricultural Research (SACCAR), based in Gaborone.

An annual consultative conference is held with SADC's co-operative partners. The EC has attended every one so far.

Once a project has been approved, responsibility for its implementation (and funding) lies with the appropriate ministry in the country where the project is located.

Sectoral responsibilities

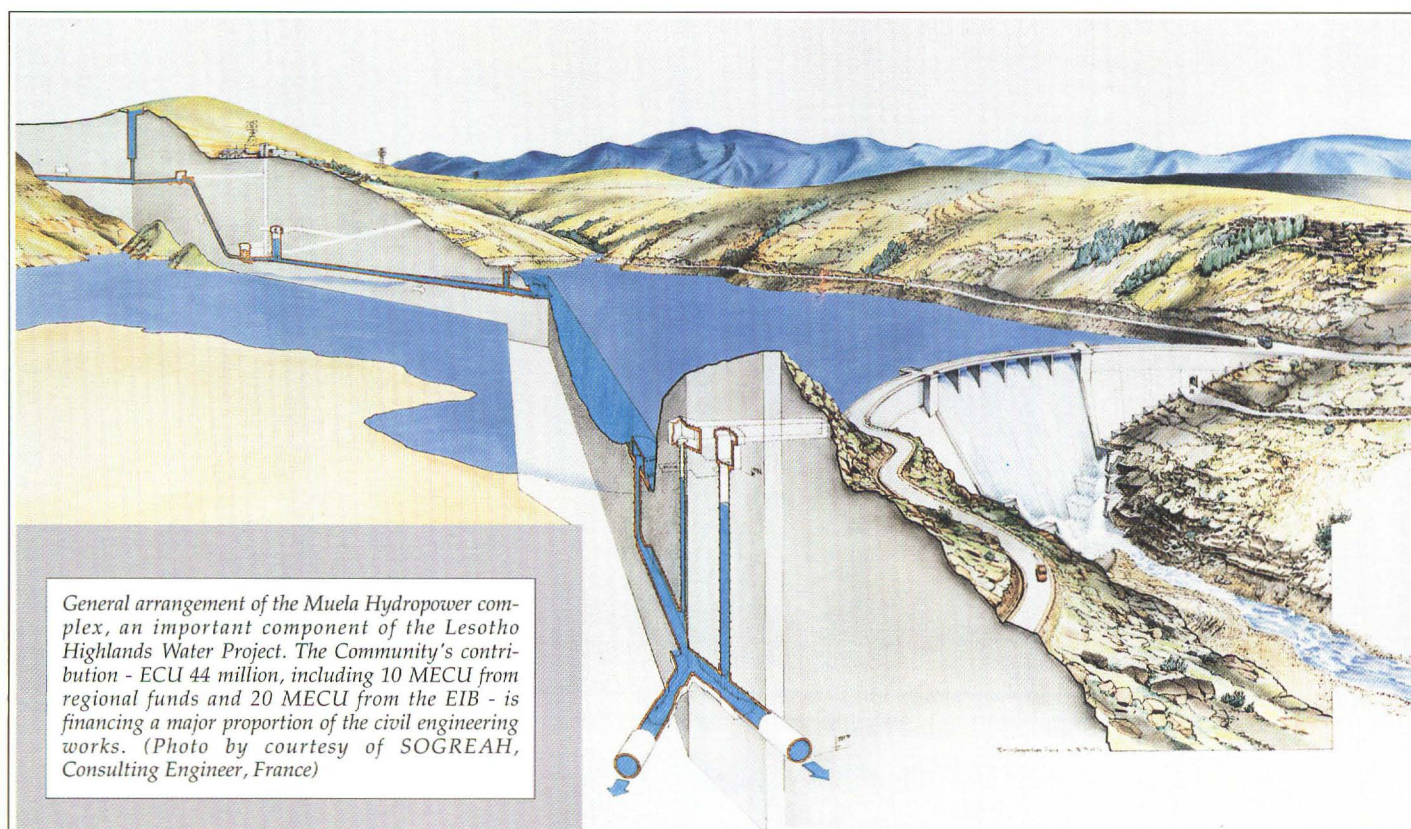
Each country has responsibility for one or more sectors:

- Angola: energy
- Botswana: agricultural research (SACCAR), livestock production, animal disease control
- Lesotho: environment and land management, tourism
- Malawi: inland fisheries, forestry and wildlife
- Mozambique: transport and communications (SATCC), culture and information
- Namibia: sea fisheries
- Swaziland: human resources development
- Tanzania: industry and trade
- Zambia: mining
- Zimbabwe: food security

Southern African regional programmes, by sector

(EC commitments, in million ECU)

	Lomé I	Lomé II	Lomé III	Lomé IV
Allocations	30	70	141	121
Transport and Communications:	20 (67%)	23.1 (34%)	91 (65%)	60 (49.5%)
Railways	10	10.5	19	-
Roads	10	10.5	24	45
Ports	-	-	48	-
Airports	-	2.1	-	5
Other	-	-	-	10
Food Security, Agriculture and Natural Resources:	0.8 (3%)	23 (34%)	27 (19%)	18 (15%)
Food and agriculture	-	0.3	11	8
Animal disease control	0.8	22.7	16	10
Human Resources Development:	8.8 (30%)	13.8 (20%)	14 (10%)	21 (17.5%)
Other areas	-	7.9 (12%)	9 (6%)	22 (18%)
Energy, industry, mines	-	1.8	5.5	12.5
Technical assistance, studies	-	3.9	1.5	7.1
Reintegration of qualified Africans	-	2.2	2	2.4
Total	29.6	67.8	141	121



Transport and communications

SADC's members, six of which are landlocked, have always given top priority to the rehabilitation of their transport systems. One of SADC's first acts was to set up a special unit, the Southern African Transport Commission (SATCC). The Windhoek Treaty's commitment towards deeper regional integration - with free movement of goods, people, services and information - underscores the need for an efficient network.

Although war in Angola continues to seriously disrupt transport systems in that country, the improved security situation in Mozambique has meant a marked improvement in the operations and development of its network.

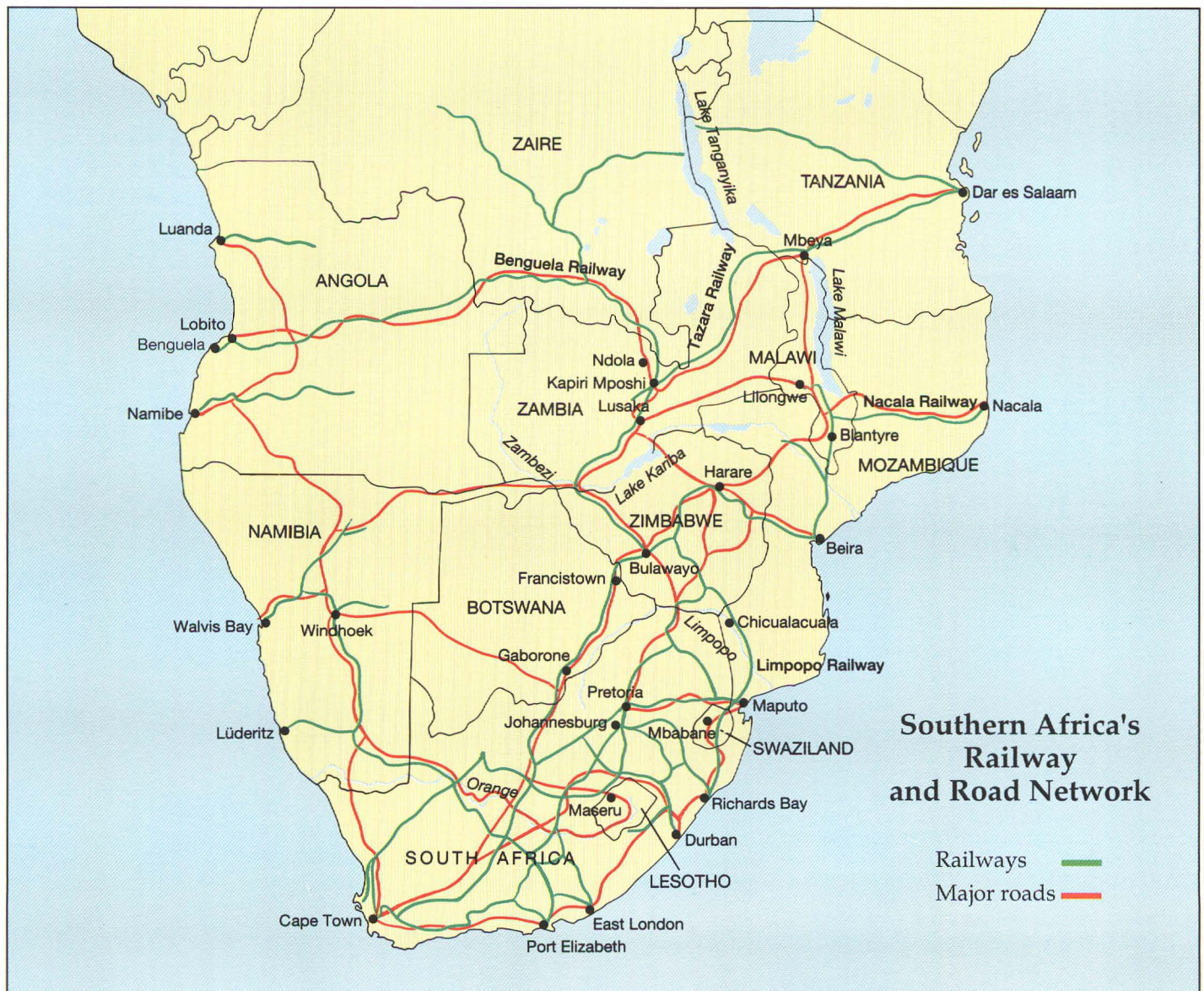
The Zimbabwe army, which patrolled the Beira Corridor during fighting, was withdrawn in 1993, and large quantities of food aid - imported to address the 1991/2 drought - were efficiently transported through the Mozambican system. The possibility of future closer co-operation with a post-apartheid South Africa is reflected in a SATCC study - financed by the EC with 6.7 MECU from the 7th EDF - looking at regional transport and communications integration.

While further developing infrastructure, particular attention is now being paid to operational co-ordination and efficiency improvement issues.

Access to the sea

SATCC has commissioned studies on and raised funds for the rehabilitation and improvement of five routes to the sea - designated "Port Transport Systems". These systems, and their major components, are:

- **Dar-es-Salaam PTS** - the port of Dar, the Tazara railway, the Tanzam road, and the "Northern Corridor" linking Malawi and Tanzania
- **Nacala PTS** - Nacala port and railway
- **Beira PTS** - Beira port, railway and road



Tanzania (15 MECU from Lomé II and Lomé III regional funds and 4 MECU from Malawi's national allocation). This road is an essential link in the "Northern Corridor" designed to connect Malawi with the Tanzam road and Tazara railway at Mbeya. 5.6 MECU from Lomé III funds have reconstructed and widened the road from Ibanda to Uyole, on the Tanzania-Zambia road close to Mbeya.

2. Nacala:

25 MECU of Community funds (from Mozambique's Lomé III NIP) have purchased materials and equipment for the railway. To date more than half the Nacala-Malawi line has already been completed - and work is expected to speed up as a result of peace in Mozambique. When fully operational, the Nacala line is expected to serve as Malawi's main outlet to the sea.

Possible support for the rehabilitation of the Nacala-Nampula road is being discussed.

3. Beira:

The nearest port to Harare and Blantyre, Beira is the natural outlet for northern Zimbabwe and southern Malawi. A massive rehabilitation programme means that the port is now handling close to pre-independence levels of freight - during 1992 it dealt with over a fifth of the food aid sent to Southern Africa.

The Community and its Member States, in particular the Netherlands, Italy and Denmark, have made major financial contributions. The EDF contribution (45 MECU from Lomé III regional funds and 11 MECU from Mozambique's Lomé III national allocation) has financed the rehabilitation of quays 2, 3, 4 and 5 in the port of Beira and their freight handling areas. These will become the main terminal for modern container, roll-on/roll-off and multi-purpose vessels. In addition, the EDF is financing repairs to the Beira-Inchope road with a 5.7 MECU grant (further funding of 20 MECU is currently under consideration).

4. Maputo:

10 MECU from Lomé III regional funds and 5 MECU from Mozambique's national allocation have contributed towards the rehabilitation of the 533 km Limpopo line.

Trains can now travel at 60 km/h down the track, and transit time from Maputo to Chicualacuala has been reduced to only 15 hours.

5. **Lobito:** This route used to carry up to 45% of the Copperbelt's exports. Resumption of war has meant the continued closure of the line and disruption of rehabilitation efforts (2.4 MECU of 6th EDF regional funds have been allocated to provision of technical assistance).

Other assistance

In addition to its contributions to the "Port Transport Systems", the Community has financed several other transport projects of regional importance: the extension of the Mwanza-Musoma road across the Kenyan border with Lomé IV regional and Tanzanian NIP funds; the hard-surfacing of the 300 km Nata-Kazungula (BOTZAM) road - which gives Botswana a direct, permanent link with Zambia; the construction of a new control tower, operations building and remote transmitter at Swaziland's Matsapha international airport. 6th EDF regional funds provided 10 MECU towards the rehabilitation of major roads in the south-western region of Angola, and 2.2 MECU for the rehabilitation of Mpulungu harbour.

Projects under consideration include possible funding for the upgrading of the final 283 km of the Trans-Caprivi Highway.

• **Maputo PTS** - Maputo port and Limpopo railway

• **Lobito PTS** - Lobito port and Benguela railway

The European Community - and, bilaterally, most of its Member States - have given, are providing or have pledged substantial support for these five routes.

1. Tazara/Dar-es-Salaam :

The Community has contributed 13 MECU towards the improvement of the Tazara railway - which has bought heavy equipment, including two crushers, for quarries producing ballast for the track, workshop equipment and wheel lathes - and financed a team to supervise track maintenance for 5 years.

Further Community support has been provided towards the supervision and construction of 51 km of road - which includes 3 new bridges - from Karonga, at the northern end of Lake Malawi, to Ibanda 5 km inside

Food security, agriculture and natural resources

Although the SADC countries are thinly populated by European standards, their population, currently estimated at over 85 million, is rising fast - and will be well over 100 million by the year 2000 at present rates of increase. For various reasons, many of them do not produce enough food to cover even present needs, and usually need to import basic cereals from outside the region.

One of SADC's top priorities is therefore to achieve regional food security. The EC is assisting the drive for food security in several ways: financial and technical assistance is supporting structural adjustment programmes - an important aspect of which is rural reform, which aims to increase production by providing farmers with more favourable economic incentives; through national agricultural projects; through food aid; and through support for regional agricultural research programmes.

Southern Africa also has a large cattle population - some 30 million head of cattle according to a SADC estimate - and animal husbandry is of great importance throughout the region. This is an area which has received substantial Community funding, particularly the animal disease control aspect.

The EC is also supporting the SADC Unit on Fisheries, Forestry and Wildlife in the Malawi administration. 7th EDF funds are financing a large wildlife management training programme (see page 17). A number of other projects in these sectors are being considered for possible support.

Food security

Food production is unevenly distributed in Southern Africa. While some areas do well in normal years, notably Zambia, parts of Zimbabwe, and to a lesser extent Malawi, others are frequently short of food. Botswana and Lesotho, for example, regularly produce less than half their grain requirements. Marketing, distribution and storage problems - and sometimes lack of money - mean that food shortage areas cannot always have access to existing surpluses in the region. The situation is made worse by frequent

drought - the exceptionally severe 1991/1992 drought resulted in a cereal deficit of well over 7 million tonnes. War - only recently brought to an end in Mozambique and still being waged in Angola - further disrupts farming and results in thousands of refugees who depend upon food aid.

For the 1993/1994 marketing year alone, the SADC countries, to cover a shortfall of some 1.5 million tonnes of maize, needed to import over 800 000 tonnes of wheat, 190 000 tonnes of rice and 120 000 tonnes of sorghum/millet - merely in order to meet staple food needs. For 1991/1992, an especially large donor-assisted cereal import programme was implemented - totalling some 5.6 million tonnes of food, 2.8 million of which were commercial imports through the world cereals market, and the rest as food aid. In recent years the Community has supplied, on average, 25% of food aid to the region.

In 1992 and 1993 the Community has been buying white maize from Mozambique for SADC deficit countries as **triangular food aid** - and it is hoped that the return to surplus production of maize in Zimbabwe will allow resumption of maize purchases for the region in the near future. Triangular operations now represent

between 10% and 15% of all food aid to the SADC region.

Furthermore, the Community is funding a programme of **regional food security** training with 5 MECU from the 7th EDF regional programme - which covers training in food management, household level food security and grain marketing.

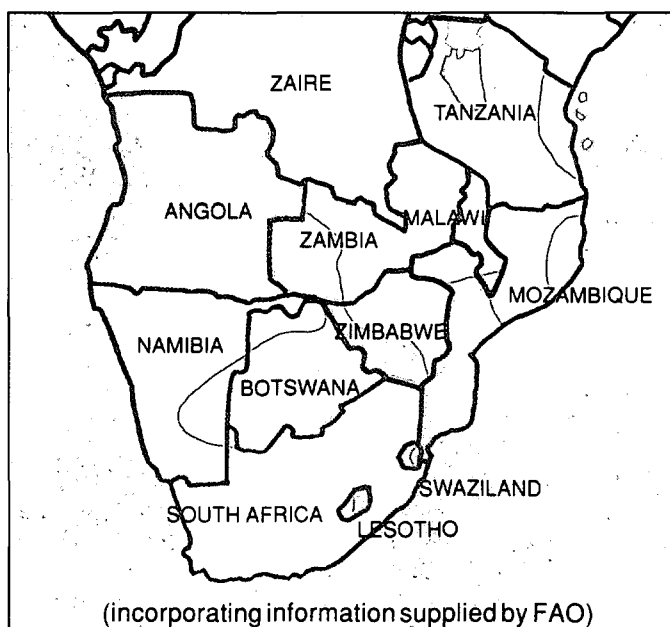
Agricultural research

The food reserve debate has clarified one issue - the fundamental importance of raising food production, especially in view of the region's rising population. SADC has a specialised unit to co-ordinate regional agricultural research - the Southern African Centre for Cooperation in Agricultural Research (SACCAR), based at the Agricultural College, north of Gaborone, Botswana. The EC is supporting two projects coordinated by SACCAR:

• Land and water management

With a grant of 2.5 MECU the Community has financed the construction and equipment of a soil physics laboratory, with associated lecture rooms and offices, a training officer for 3 years, and courses for trainee soil scientists from other SADC countries. The training officer will be passing on

Main areas of food insecurity
(climatic and/or war-related)



to a group of about 80 SADC nationals the research methods and results of a team of British Government-funded scientists who have been conducting research into such questions as the retention of surface water in low rainfall areas. Most of Botswana and parts of Angola, Mozambique, Zambia and Zimbabwe receive less than 600 mm of rain a year, while containing large numbers of traditional farming families. There is therefore a clear need to pass on valuable research results throughout the region.

• **Grain legume improvement**

Agricultural research in Southern Africa, long preoccupied with cash crops, has recently given more attention to traditional food crops. Some 2 million hectares are planted with grain legumes - beans, groundnuts, cowpeas - half a million of these with cowpeas. Productivity is low (300-400 kg/ha) and demand outstrips supply. SACCAR and the International Institute for Tropical Agriculture have set up a cowpea research station at Umbeluzi, 20 km north of Maputo, with test sites in Mozambique, Botswana and Tanzania. The EC has backed the development of high-yield varieties and improved cultivation techniques, as well as financing a market study, with some 2 MECU from EDF regional funds.

4 MECU from 7th EDF regional funds have been allocated towards the development of a regional research network to reinforce national research capacities on maize and wheat production.

• **Animal disease control**

Although the Community has contributed 1 MECU from sixth EDF regional funds to the Botswana-based element of a research and training programme, co-ordinated by the International Livestock Centre for Africa, on methods of improving the performance of **draught animals** and of raising **sheep and goats**, its major contribution to livestock production has taken the form of substantial support for the control of three killer diseases: **foot and mouth, rinderpest and trypanosomiasis**.

The first two diseases are treated by vaccination, the third by eradication of the carrier, the tsetse fly. Although veterinary services are organised nationally, animal diseases do not respect national bor-

ders, and it is logical to organise their control on a regional basis.

The Community financed a major **tsetse eradication programme** from Lomé II regional funds (8 MECU) - involving aerial spraying, traps and baits - in the Zambezi Valley area of Zambia and Zimbabwe, and in Malawi and Mozambique. Regional research conducted under this project has developed new tsetse control technology which is in use throughout the continent - the South African government has recently requested technical help to control a tsetse outbreak in the Natal region. A second phase of the project is receiving major funding from the Community; bait techniques will be researched and their environmental impact assessed, work will continue on a system to improve diagnosis of Trypanosomiasis, and a postgraduate training programme will be launched in collaboration with universities.

1982-88 saw an important **foot and mouth vaccination** campaign mainly in the Botswana-Zimbabwe-Zambia border area with 12 MECU from Lomé II. A second phase will be funded - aiming to control FMD in member states, study the disease in wildlife and cattle, and train technical field staff. The first stage will cover Angola, Malawi, Namibia, Zambia and Zimbabwe (10 MECU, 7th EDF). During the 1980s a major **vaccination campaign against rinderpest** treated

70% of all cattle in Tanzania funded with 2.9 MECU from the 5th EDF and 1.3 MECU from Tanzania's NIP.

At the time of writing, work was just commencing on a manpower needs assessment study, financed with some 300 000 ECU of 7th EDF regional funds. Evaluation will be made of current and future supply and demand of skilled manpower in the livestock and animal disease control sector, and the current provision of tertiary level and in-service training of professional staff.

The Community has to date contributed over 85 MECU to animal disease control in Southern Africa.

EC support for animal disease control in Southern Africa¹

(in million ECU)*

Botswana Vaccine Institute	5.86
Vaccine production unit, Zambia	3.00
Veterinary Faculty, Harare	12.96
Foot and mouth disease control	23.80
Rinderpest control	4.20
Trypanosomiasis (tsetse) control	35.95
ILCA livestock improvement	1.00
Total	86.77

¹ Amounts include regional and national funds.

Human Resource Development

In common with most other developing countries, the Southern African States suffer from a shortage of qualified indigenous professional and managerial staff in the public and private sectors, of skilled workers, of teachers and of teaching equipment.

To a great extent the problem is being tackled at a national level, but there are some activities which call for regional action. SADC has recently finalised its long term strategy to address regional needs for the period 1993-2003. It recognises that the combination of severe drought - requiring considerable government outlay to pay for urgent food supplies - and widespread implementation of economic adjustment programmes, which usually demand budgetary control and reduction in public expenditure, has left limited funds available for educational spending. These limited finances must be carefully allocated.

The strategy identifies three programme sections - research programmes, education programmes, and management training programmes. Community aid has been principally directed towards the latter two.

Education programmes

Projects funded from 7th EDF regional funds include: finance for up to 36 students from Angola and Mozambique to study for the International Baccalaureate diploma at Waterford Kamhlaba College in Swaziland (1.7 MECU), thereby preparing them for tertiary level education in scientific and technical subjects; and support (2 MECU) for a Portuguese language training initiative - four training centres have been designated for the pilot phase, one each in Namibia, Swaziland, Zambia and Zimbabwe.

A 6th EDF regional grant financed a workshop for science and maths teachers from secondary schools in all SADC countries to update their knowledge of these subjects, while earlier EC funding provided several new buildings for the University of Botswana and Swaziland.

Management and other specialist training programmes

Major EC support is addressing the need for better wildlife management training in the SADC region. 8 MECU from 7th EDF will provide staff and extra facilities to the College of African Wildlife Management at Mweka, Tanzania, and to the Department of Biological Sciences at the University of Zimbabwe - to expand their already existing courses, and adapt them to the needs of wildlife management agencies. The project will provide for 80 places on the course at Mweka, and for 10 MSc places in Zimbabwe - and will also encourage academic links between these regional institutions and appropriate European training and research organisations.

A number of SADC manpower development projects in the transport and communications sector are receiving EC finance: as part of a larger road traffic and transport training scheme developed by SATCC, the EC is funding training for senior managers in the Road Traffic and Transport sector with 2 MECU from 7th EDF regional funds; 1 MECU will provide management training in the Mozambican and Angolan maritime and port sectors; the 6th EDF financed an assessment of manpower needs for the Beira Corridor, and supported Mozambique Railways' Training School at Inhambane (4 MECU).

2.5 MECU from the 6th and 7th EDFs are helping to provide agricultural management training to 360 middle managers at the Agricultural Management Centre at Mananga in Swaziland. All SADC countries have sent students on courses. The construction of the Veterinary Faculty of the University of Zimbabwe - open to students from the whole SADC region - was financed with 13 MECU from the Community.

As intra-regional trade flows increase, larger numbers of skilled customs officers will be required. 1.9 MECU from the 7th EDF is funding a regional training programme to improve the professional expertise and managerial skills of customs officers in the member states. Phase I of the project will involve Botswana, Lesotho, Namibia

and Swaziland - while phase II will be expanded to cover all SADC states.

SADC's own Regional Training Council has been partly staffed since its creation by Community-funded technical assistants. The Council was recently strengthened by the appointment, again from EDF regional funds, of a Transport Adviser and an Agricultural adviser.

Other

The Community is co-funding with 6 MECU from Lomé II, III and IV regional programmes the return of qualified African nationals - doctors, accountants, engineers - from industrialised countries to help fill suitable vacant jobs in Africa. Of the SADC countries, Zimbabwe and Zambia are benefiting from the scheme.

Principal EDF-financed regional human resource development operations in Southern Africa under 6th & 7th EDFs

- Wildlife management
- International Baccalaureate
- Agricultural management
- Portuguese language teaching
- Road traffic & transport management
- Port & maritime sector management
- Customs officer training
- Reintegration of qualified Africans

Other areas of regional co-operation

Energy, industry, mines

On the whole, EC assistance to these important sectors has been provided on a national rather than on a regional basis.

In the energy sector, however, there have been three major projects within the framework of EC-SADC co-operation.

7th EDF regional funds are supporting the rehabilitation of the Cahora-Bassa dam (20 MECU in addition to 40 MECU as a loan from the EIB), and are financing the construction of the Muela Hydropower Plant (10 MECU) - an integral component of the Lesotho Highlands Water Project, currently the largest energy project in the SADC region (for details see Lesotho pages). The EIB and the EC are considering funding the rehabilitation of the transmission lines from the Cahora Bassa dam to South Africa, at a cost of some 50 MECU.

Previous EC financing aided the rehabilitation of the 1 700 km Tazama oil pipeline linking the port of Dar es Salaam with the Ndola refinery in Zambia's copperbelt. The European Investment Bank provided a loan of 13 MECU to cover one-third of total costs. The works include replacing corroded pipes, protecting the pipeline from external corrosion, refurbishing all valves and replacing a number of booster pumps and station generators. The project will make Zambia's oil supply and distribution system more efficient and reliable, and the elimination of leaks will reduce pollution in Tanzania.

In the mining sector, Lomé III regional funds have financed a central isotope geochronology laboratory; Lomé IV funds are contributing towards the costs of a forthcoming mining investment forum, which is aiming to encourage European investment in the SADC mineral sector; and 2.5 MECU from the 7th EDF is supporting the

East and South African Mineral Resources Development Centre (ESAMRDC).

Trade development

Only a very small percentage of SADC countries' trade is intra-regional - less than 5% of total imports and exports, compared to a figure of close to 50% for the European Community - and one of the organisation's objectives is to increase trade between its member states. To achieve this, SADC itself encourages bilateral trade agreements and emphasises the need to rationalise production by avoiding unprofitable duplication.

At the same time, all SADC states except Botswana are members of the Preferential Trade Area for East and Southern Africa (PTA), a wider grouping which seeks to promote regional trade and economic integration by liberalisation and other measures¹.



Established by treaty in 1981, the PTA is gradually reducing tariffs and eliminating non-tariff barriers to trade. It has already taken a number of practical steps to encourage trade within the region: it has set up a clearing house for payments in local currencies rather than in foreign exchange; introduced its own traveller's cheques, denominated in PTA units of account, again to save foreign exchange; and launched a third-party vehicle insurance scheme. The use of these facilities is gradually becoming more widespread.

In addition, the PTA has undertaken more traditional trade promotion measures, for which it has obtained technical and financial assistance from the Community (the EDF includes an allocation for regional trade promotion):

- design and construction of national stands at the PTA Trade Fair which is held every two years;
- funding for regional training seminars.

A computerised system (ASYCUDA) for processing PTA customs declarations, controlling the clearance of goods, and producing trade and fiscal data has been developed with UNCTAD - and the Community's Statistical Office is helping with technical work. A planned future project is the Advance Cargo Information System - a computerised system for tracking freight.

In 1993 most of the 22 PTA member states signed the Treaty establishing the **Common Market for Eastern and Southern Africa (COMESA)**. As the successor to the PTA, it is envisaged that this common market will be established following the creation of a full free trade area within the region by the year 2000.

The cross-border initiative (CBI)

The Cross-Border Initiative aims to facilitate private investment, trade and payments between participating countries in the SADC, PTA and IOC (Indian Ocean Commission) region.

Launched in 1992 by the European Commission, the African Development Bank, the IMF and the World Bank after extensive discussion with the regional institutions and public and private sector representatives, the initiative is currently receiving 80 MECU in financial support from the EC (60 MECU from structural adjustment funds and the rest from regional funds). To date, of the SADC countries, Malawi, Namibia, Swaziland, Zambia and Zimbabwe have confirmed their readiness to implement CBI-supported reforms.

The CBI is not intended to replace or compete with any ongoing integration scheme or regional institution. Rather it aims to help create the conditions for economic integration between implementing countries. A number of countries in the region are already applying structural adjustment programmes, which are eliminating many of the previous obstacles to regional economic and financial interaction. There has, however, been concern that inadequate coordination of the pace and scope of these reforms among countries could give rise to adverse cross-border effects. The CBI calls for an acceleration and a widening in scope in the following areas:

- **trade liberalisation** - immediate removal of non-tariff barriers to regional trade, elimination of tariffs on regional trade by end-1996, establishment of a low common external tariff for third countries by end-1998;
- **liberalisation of the exchange system** - aiming for complete elimination of restrictions on current account transactions and the attainment of current account convertibility - and relaxation of capital account transactions;
- **deregulation of investment** - various measures including the recognition of "regional enterprises", establishment of focal institutions to process investment applications quickly;
- **strengthening of financial services** - reinforcement of ongoing financial sector reforms, strengthening financial intermediation services in support of cross-border trade and investment;
- **facilitation of cross-border movement of goods and persons** - harmonisation of transit charges and documentation for goods in transit, establishment of a regional bond guarantee scheme.

¹ The PTA treaty allows for simultaneous membership of the Southern African Customs Union and the PTA. Lesotho, Namibia and Swaziland belong to both groups.

CO-OPERATION WITH ACP COUNTRIES

ANGOLA

Background

The largest of the SADC states, Angola covers an area almost half the size of the entire European Community. Much of the land is savannah or desert except for a narrow coastal strip and densely forested valleys in the north and north-east.

Angola's wealth of natural resources gives it the potential to be one of Africa's most prosperous countries. Rich mineral resources include offshore oil fields (oil currently accounts for over 90% of export earnings), diamonds in the north-east and iron and manganese in the south. Abundant arable land and several different climatic zones allow the cultivation of a very wide range of crops: maize and wheat are the main cereals, coffee and sugar the principal cash crops. The waters off Angola's southern coast contain some of the richest fishing areas in Africa - stocked with quantities of pelagic fish, notably horse mackerel and sardine, and tuna and shellfish. Livestock resources are considerable, particularly in the arid south which is free from tsetse fly. Food processing - of fish, cereals, palm oil and meat - and the manufacture of jute, textiles and paper from local raw materials are the principal non-oil industries.

Apart from the oil industry, the economy - indeed all aspects of life - have been devastated by the vicious civil war which has gripped Angola since the sixties: hundreds of thousands of Angolans have been killed in fighting, and many more have died from malnutrition and disease; an estimated 20% of the population have been uprooted, and are either refugees within their country or in neighbouring Zaire or Zambia; agriculture is in disarray, jeopardising food supply; non-oil industry is running at less than 10% of its capacity; and there is virtually no transport or trade. There was a brief respite from fighting for the year and a half between the May 1991 peace accords and Angola's first multi-party elections (declared free and fair by the UN) in September 1992, but due to UNITA's rejection of the government's election victory, war has resumed.

EC-Angola co-operation has been severely limited by the conditions in the country. The Community played an extremely active role in support of the elections - with 5 MECU under their "Community Platform" programme towards election costs, but since the renewed outbreak of fighting, attention has been directed again towards humanitarian aid and rehabilitation. Development projects are only ongoing in the 30% of Angola which is controlled by the government - and even here most new projects other than those in the health and education sectors are "on standby". Of the total of 115 MECU allocated under the 7th EDF only 22% had been committed by December 1993.

Humanitarian aid

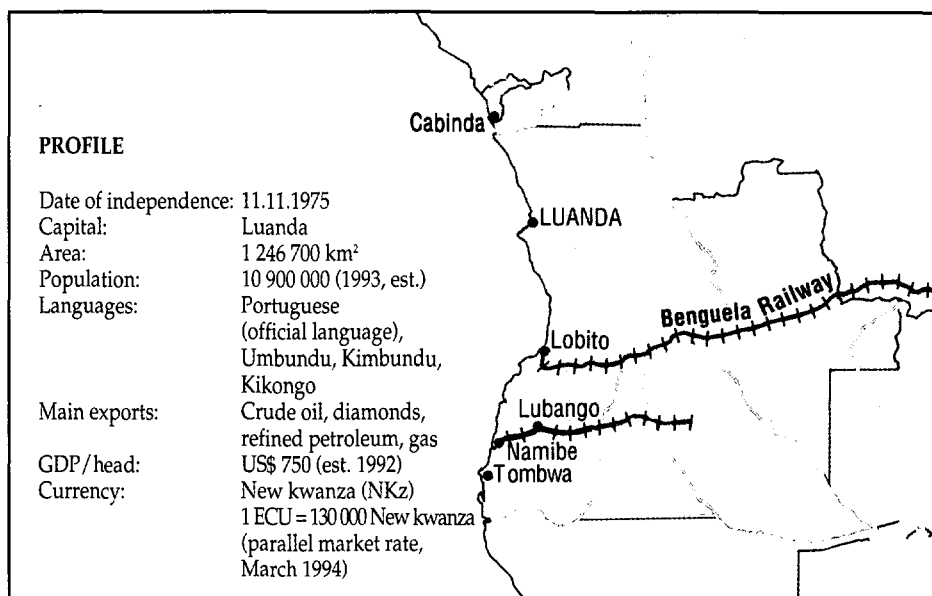
Angola and specialised agencies like the Red Cross and UNHCR have sadly had to call on the emergency aid fund on numerous occasions: for war-displaced Angolans, for cholera victims, and even for airbridges to remote or insecure areas. Although self sufficient in most key food crops until 1975, the combination of war and severe drought has dangerously lowered the food supply situation: emergency food aid (delivered free of charge to final destination) has been necessary, while over 380 000 tons of cereals have been shipped to Angola as normal food aid (part of which was sold at local prices producing counterpart funds).

Health

The UN has estimated that in 1990 a mere 24% of the population had access to health services. 15 MECU from the 7th EDF were granted in the form of a post-emergency health project to the Ministry of Health to support their efforts to devise an effective health policy. Further funds are supplying technical assistance and equipment to blood transfusion centres to help combat the already rapid spread of the HIV virus.

Insecurity in rural areas has resulted in mass migration to Luanda and other towns - with 70% of urban dwellers living in the *musseques*, the unplanned squatter settlements on the fringes of the city. Health, water and sanitation services have all but broken down, and disease is rife - cholera has recently struck the cities.

22.4 MECU from the Community funded a total rehabilitation of the building and installations of the Boavida hospital in Luanda, and provided medical equipment and training of medical and para-medical staff. 13 MECU is improving Luanda's sewerage and waste disposal system.



Revival of production

Although oil revenues are substantial, massive expenditure on food imports and military equipment have led to an acute shortage of foreign exchange. Industry and agriculture, starved of essential imports obtainable only with hard currency, have suffered as a result. Hence the decision to spend 35% of Lomé III funds on imports of seeds, tools, machinery, vehicles, pumps and other basics to revive production in the farming, manufacturing and fisheries sectors. A percentage of these imports was channelled direct to the private sector to promote the liberalisation of the economy. A further 2 MECU under Lomé IV is providing small enterprises and craftsmen with 5000 tool kits.

Fisheries

The fisheries industry is a major source of income and employment in the southern ports of Namibe and Tombwa, and an important source of food for the hinterland (the provinces of Namibe and Huila). Community aid has rehabilitated three refrigeration plants in the ports, and the Tombwa shipyard; and installed a new production line in a canning factory in Tombwa. Refrigerated containers, trucks and cold stores are being supplied for the transport of frozen fish from Namibe to Lubango, 180 km inland. The industry received some of the imports (e.g. tin, spare parts) purchased under the Lomé III programme.

The fishing industry also receives support through the EC-Angola fisheries agreement, first signed in 1987. For the period 1992-1994 covered by the current protocol, the EC pays Angola financial compensation - some 18.5 MECU - for fishing rights in Angolan waters.

Other assistance

The EIB has allocated 10 MECU of risk capital resources to Angola for the period 1991-1995.

In the area of **education**, some 5 MECU under Lomé III and IV is funding technical assistance, rehabilitation of facilities and provision of equipment to technical institutes and professional training centres.

Community aid

(allocations in million ECU)

	Pre-Lomé (1979-85)	Lomé III	Lomé IV*
National Indicative Programme	-	102	115
EIB loans (risk capital)	-	3.5	31
Food aid	27.5	70	35.8
Emergency /refugee aid/ rehabilitation	35.5	33.2	45.5
Other (NGO co-financing etc.)	17	1.8	1.4
Total	80	210.5	200.8
GRAND TOTAL			491.3

*allocations until end-1993.

BOTSWANA

Background

A vast, sparsely-populated area (1.4 million people for an area the size of France and Belgium put together), Botswana is noted for its large cattle herds, abundant wildlife and, more recently, its mineral wealth. Cattle, which outnumber humans by about 2 to 1, and sheep and goats, of which there are an estimated 3 million, represent the principal or sole source of income and an important source of food for the vast majority of the rural population. Wild animals - elephant, buffalo, a variety of antelopes, crocodiles, flamingos and many other birds - are the star attractions of a growing tourist industry. Minerals, especially diamonds (over 79% of total exports in recent years), have brought the country financial stability.

While its diamond earnings, combined with sound management, have enabled Botswana to make rapid economic progress - it has the fastest growth rate, highest average level of income and strongest currency of the SADC region - the country is nonetheless confronted with a number of inherent problems. The name of the currency - pula - means "rain", the scarcest and most precious commodity in a drought-prone country. Something like half a million cattle and thousands of wild animals were lost in the prolonged drought of the 1980s. Agriculture, always difficult in a dry climate, is further restricted by soil conditions - only about 6% of the land is arable - and usually produces less than a fifth of national food requirements. Despite the country's healthy macroeconomic situation, rural poverty is widespread and deep-rooted. Many rural households do not own cattle and have to rely on sheep, goats and poultry for a living. Foot-and-mouth disease is a permanent threat, necessitating hundreds of miles of fences and regular vaccination campaigns to protect the meat export industry. Large cattle herds can damage the environment and wildlife, and careful legislation, money and trained personnel are needed to reconcile the interests of the livestock and tourist industries.

These are the main problems which have been tackled with the resources of the European Development Fund. A sizeable share of Lomé I and II resources were used to support the poorer population, particularly small

livestock owners in a number of rural areas. Lomé III and IV focus on the conservation and development of natural resources. Substantial European Investment Bank loans have assisted the industrial and business sectors. The livestock industry has benefitted from the special arrangements for beef exports to the EC, as well as receiving a number of grants and loans from the EDF and the EIB.

Rural development and livestock

Funding from earlier Lomé Conventions invested some 12 MECU in the rural economy - with the provision of 20 **administration centres** in villages to bring government services to the countryside, and the construction of a **Rural Training Centre** in Francistown. A first **microprojects** programme - funded from Lomé IV NIP - will finance rural communities in their efforts to improve their own conditions.

Small-scale sheep, goat and cattle farmers were targeted by two projects under Lomé I and II which successfully managed to increase the quality and quantity of their herds by improving animal health and breeding methods. Lomé III gave 2.4 MECU towards the upgrading of facilities to market this extra output.

The issue of animal health has been tackled more generally with 5.75 MECU for the **Botswana Vaccine Institute** (the BVI now produces foot and mouth and rinderpest vaccines for the whole SADC area), and regional

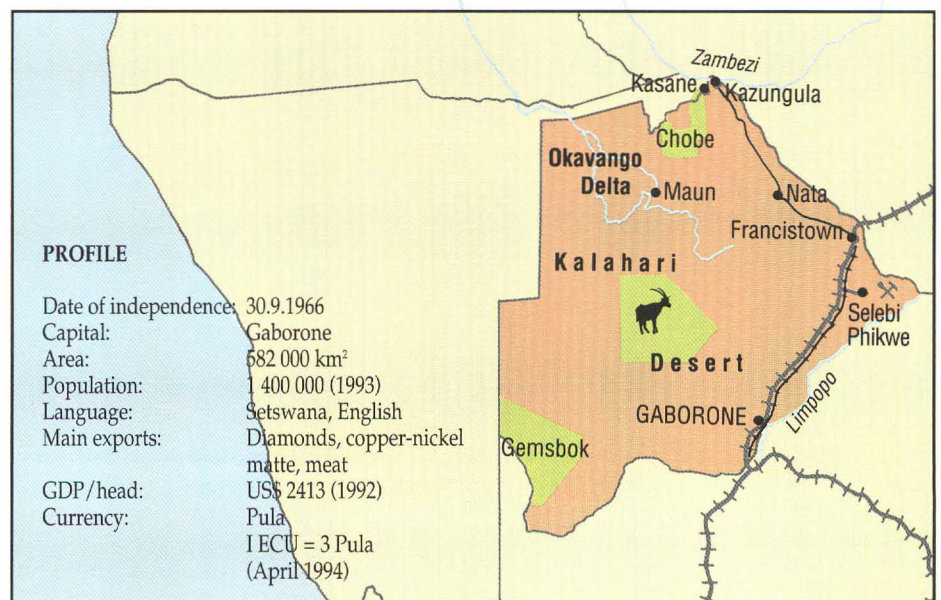
Tsetse and Trypanomiasis and Foot and Mouth programmes; while a loan of 6 MECU funded the construction of a new slaughterhouse in Francistown.

Conservation and development of natural resources

The Botswanan authorities and the Commission agreed to concentrate 90% of their Lomé III and IV resources on the development and conservation of natural resources, notably in the northern part of the country, containing both the Okavango Delta and the Chobe National Park, under Lomé III, and in the central and southern areas under Lomé IV.

Wildlife has to be protected, not from hunters (a strict system of permits operates well) or poachers (not a major problem), but from drought and excessive competition for grazing land from cattle. This means, for example, ensuring that drinking water points exist for wild animals (which may necessitate expenditure on drilling and pumping) as well as for cattle, and that cattle owners avoid overstocking and overgrazing.

Well aware of the possible conflict of interests - exemplified at Maun, which houses both a wildlife training centre (constructed with EC funds) and a slaughterhouse - the government, which has set aside 17% of Botswana's territory for wildlife in the form of national parks and game reserves, and sought the advice of the United Nations Environment Programme, has



set up a special unit to develop a national conservation strategy.

The Community has provided technical assistance with the preparation of the strategy, and the investments being made under the Lomé III and IV programmes will undoubtedly help the government reconcile ecological and economic interests. Current support includes: conservation of the Kalahari ecosystem (supply of equipment to the Department of Wildlife and National Parks, support for the DWNP's Water for Wildlife Programme, technical assistance in the form of a wildlife ecologist for the Central Kalahari Game Reserve - 2 MECU, Lomé III); two large integrated programmes taking a comprehensive approach to development of wildlife in northern Botswana (6.8 MECU, Lomé III) and in central and southern Botswana (6.4 MECU, Lomé IV); financing for the government's forestry policy (3 MECU, Lomé IV); and the numerous education initiatives mentioned below in the training section.

Industry

The Community has supported the industrial and business sectors chiefly through the European Investment Bank, which has lent substantial amounts from its own resources:

	MECU
<u>Lomé I</u>	
Extension of Selebi-Phikwe Power Station	4
Bovine Vaccine	2.5
<u>Lomé II</u>	
Construction of a Coal-Fired Power Station at Morupule	25
<u>Lomé II, III & IV</u>	
Botswana Development Corp'n for on-lending to small & medium-sized businesses	13.5
<u>Lomé III</u>	
Construction of Francistown Abattoir	4
Gaborone Water Supply	10
Gaborone International Hotel	3
<u>Lomé IV</u>	
Botswana Power Corporation	7
Lobatse Water Supply	7.4

in addition to risk capital loans totalling 8.25 MECU to the Botswana Power Corporation, Bovine Vaccine,

Francistown Abattoir, and the Botswana Development Corporation.

The burden of interest rate payments on these loans has been lightened by the provision of subsidies totalling almost 10 MECU.

Increased demand for electricity from the mining sector necessitated the investment in the power stations. The Selebi-Phikwe station provides electricity to a copper and nickel mine, which is being rehabilitated with a Sysmin loan amounting to 21.65 MECU. Geological surveys have been made from earlier EDF funds of Eastern and South-West Botswana, and from Lomé IV of the Ghanzi-Chobe Fold Belt and Chinamba Hills - to facilitate and encourage mineral prospection.

Trade and tourism

The livestock industry benefits from the Lomé IV **Beef Protocol**: import duty is reduced by 90% for a yearly quota of 18 916 tonnes exported to the EC market. Exported meat must, however, conform to the EC's strict guidelines which forbid any hormone

presence. Under Lomé III, technical assistance was provided to the Botswana National Veterinary Laboratory to help them carry out the required tests for hormone residue.

Botswana is attracting increasing numbers of tourists - and this sector has the potential to earn enough revenue to help reduce the country's present dependence on its non-renewable mineral resources. As mentioned above, the EC is supporting efforts to protect Botswana's wildlife - the country's principal tourist attraction; 6 MECU from Lomé III NIP contributed to the construction of Kasane airport which brings the Chobe Park into the Victoria Falls-Okavango Delta tourist circuit; and regional funds have also provided finance for Botswanan stands at a number of international tourism fairs.

At the time of writing, negotiations were in progress regarding 3 MECU of EC funding towards a major government trade, investment and tourism initiative.

Education and training

Recent funding possibilities in this sector include 15 MECU towards the establishment of a Vocational Training Centre in Gaborone and 1 MECU to support the extension of the Automotive Trades Training School.

Several buildings at the University of Botswana have been built with EC funds - and the same institution has benefitted from technical assistance in the form of 3 teaching posts for the Pre-entry Science course, and 3 other lecturers in Botswana Agriculture College, while the possibility of funding a Professor and Head of Department of Computer Science was being considered at the end of 1993.

Complementing the priority given to conservation efforts, a programme of training in the use of sustainable natural resources - soil, water and forestry - was financed under Lomé III, and support has been given from budget-line funds to the Association of Wildlife Clubs to help them launch a nation-wide educational conservation programme aimed at secondary school students.

Under a co-financing arrangement with an NGO, the EC is helping the Camphill Community Trust - which runs a residential school for mentally and physically disabled children - to retail produce made by the children in its workshops and thereby reduce school running costs.

Other assistance

Apart from the Kasane airport project, two notable contributions have been made to the country's **infrastructure**: 16.5 MECU essentially from regional funds to hard-surface the 300 km Nata-Kazungula road, linking Botswana and Zambia, and 17.4 MECU of EIB loans to help finance a dam, a pipeline and pumping stations required to expand Gaborone's water supply. 1 MECU from Lomé IV NIP is providing technical assistance to the Department of Water Affairs.

As regards food supply, the Community has supplied regular quantities of **food aid** - 976 tonnes (non-cereals, essentially milk powder) in 1992 and 751 tonnes of milk powder in 1993 - to help reduce Botswana's recurrent food deficit. The EC is supporting Botswana Agricultural College through technical assistance.

Other projects include support to the government's programme to tackle **AIDS and drug abuse**, and funding from the Community's budget to provide for the large number of **refugees** in Botswana.

Community aid

(allocations in million ECU)

	Lomé I	Lomé II	Lomé III	Lomé IV
National Indicative Programme	18.2	23.0	34.5	32.0
EIB loans: own resources	6.5	1.8	29	-
risk capital	24	6.5	16.9	-
Interest rate subsidies	0.9	2.9	3.5	2.4
Sub-total	27.4	54.9	68.5	51.3
Food aid	1.6	-	2	0.9
Emergency/refugee aid	1.1	0.2	0.8	0.2
Sysmin	-	-	21.6	-
Other	-	-	1.4	-
Total	30.1	55.1	94.3	52.4
GRAND TOTAL				231.9

LESOTHO

Background

The mountain home of the Basotho people, Lesotho is almost exactly the size of Belgium and is entirely surrounded by the Republic of South Africa. Altitudes range from 1 500 metres in the West, where the majority of the population and most of the arable land are to be found, to 3 482 metres in the East, the highest point of the Drakensberg range and the eastern border with South Africa. The Senqu (Orange) River and the Caledon River, which forms the north-west frontier, have their source in the country's mountains.

Wheat, sorghum and maize - the staple foods - and fruit and vegetables are grown on the lower arable lands, which represent a mere 9% of the total area. The higher lands are suitable for sheep and cattle farming. Wool and mohair are the main traditional exports. A small industrial base, traditionally limited by the size of the domestic market and competition with South Africa, has expanded markedly since the 1980s with the arrival of companies producing for export. Nonetheless, imports are some 10 times higher than exports. Remittances from the 120 000 Basotho (about 40% of the active male population) working in South Africa - mainly in the gold and coal mines - account for 50% of the country's GNP. SACU receipts provide more than half the government's revenues (Lesotho is a member of the Southern African Customs Union with Botswana, Namibia, Swaziland and South Africa).

Most foreign trade is conducted with South Africa. The Republic takes about half of Lesotho's exports and supplies 95% of its imports, including all the country's electricity and a lot of its food. The Maloti is pegged at par to the South African Rand, and the international value of both currencies rises and falls in tandem. Any decline in the South African economy adversely affects Lesotho.

The government aims to lessen its economic dependence on its powerful neighbour by harnessing the vast hydro-electric potential of its mountain rivers; to reduce food imports by developing its own agriculture; and to raise the living standards of Lesotho's largely rural population. The bulk of the Community's aid has been used to support these objectives.

Structural adjustment and democracy support

Respect for democratic principles has become a cornerstone in the co-operation agreements of the EC. The Community has therefore actively supported Lesotho's return to democratic rule after 23 years of single party and military rule, with 280 000 ECU from its human rights and democratisation budget line towards various costs related to the elections, and the purchase of 11 vehicles for electoral officers from food aid counterpart funds.

The adoption by the government of an IMF-sponsored Structural Adjustment Programme is also being supported: 8.5 MECU from the Lomé IV Structural Adjustment Facility is financing a General Import Programme. Counterpart funds will be directed towards social sector programmes to help soften the blow of cutbacks in government spending. Notable projects include a contribution to a primary schools construction programme, equipment and maintenance for the Queen Elizabeth II Hospital in Maseru (also supported with 5.1 MECU from Lomé I and III NIPs), and a water pumping system for the capital. A second structural adjustment programme involving 8 MECU is under preparation for 1994/5.

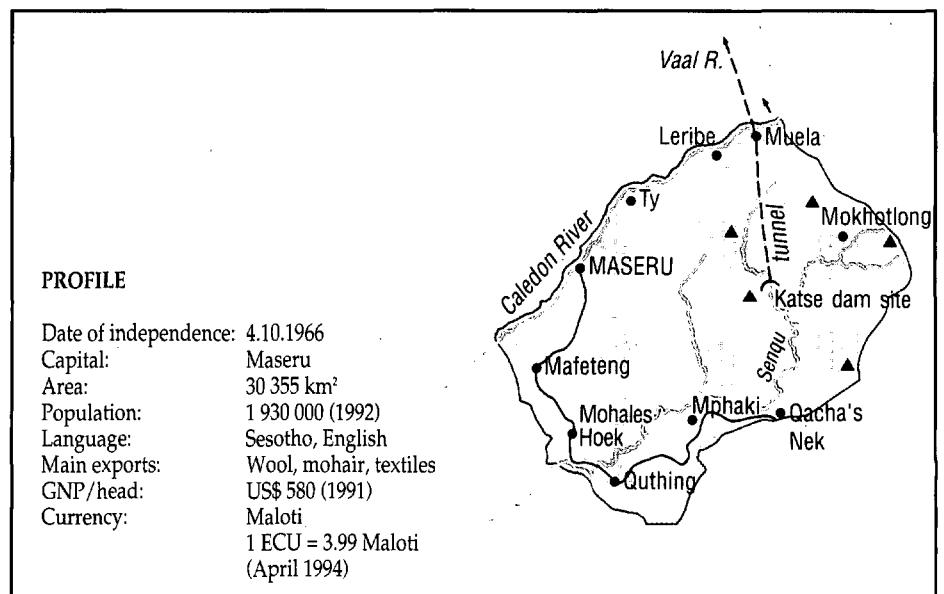
This social sector spending supplements more traditional funding from Lomé resources and food aid counterpart funds to improve, and in some cases build, a considerable number of

facilities in the rural areas in support of the government's rural development policy. The facilities improved or provided under these programmes include schools, village water schemes, rural clinics, post offices and foot-bridges. A first **microprojects programme** funded with 1 MECU from the 7th EDF (to be followed in 1994 by a second programme of 2 MECU) is financing operations in water supply and educational facilities. Finally, various operations in the field of education and rural development have been funded on a 50% basis by the Community with various European NGOs.

Natural resources (water and energy)

Water is Lesotho's only hitherto unexploited resource. South Africa's need for more water for her populated industrial heartland to the north, and Lesotho's need for a secure source of revenue and for control over its own energy supply, have led the two countries to embark on the Lesotho Highlands Water Project (LHWP).

A portion of the southwards-flowing waters of the mountain tributaries of the Senqu (Orange) River will be caught in a large reservoir by the Katse Dam (to be completed by 1996) high up in the Maluti Mountains. From this reservoir, water will be transferred by gravity through tunnels northwards to a tributary of the Vaal river, the principal, although inadequate, source of water for South Africa's largest centre of population and industry around



Rural development

The higher rangelands of Lesotho support a large population of sheep and cattle, outnumbering humans by about 3 to 1. Overstocking and inadequate land tenure traditions have caused land degradation and soil erosion, reducing the already limited possibilities for crop production.

The EC-funded Mphaki development project (2.2 MECU from Lomé I and 3.7 MECU from Lomé III national funds) has tried to reverse the trend of overstocking and land degradation in a typical high-altitude area of 150 000 ha in south-east Lesotho. The project, completed for the main part in 1992, has provided better livestock infrastructure, veterinary services and marketing installations, including feeder roads, to village communities in the area which are willing to introduce basic rules on land use, livestock control and grazing management.

The second major issue in rural development, the production of high value cash crops, is being tackled by the Asparagus Expansion Programme (4.75 MECU, Lomé III) on the arable lands near the capital, Maseru. The aim is to increase the area used by smallholders to grow asparagus from 70 ha to 500 ha and to increase production from 350 tons to 2 250 tons a year. Asparagus is harvested in Lesotho's spring, and tinned and fresh asparagus can be sold as an off-season product in the European autumn and early winter seasons.

Although yields have been disappointing in recent years as a result of the drought in 1991/92, the project continues to provide a much appreciated revenue to some 2 000 smallholders. Asparagus-growing is mainly a

Johannesburg. A hydroelectric power station will be built at Muela in northern Lesotho on the water delivery route, to meet the country's present and future needs and, at a later stage, to generate electricity required to pump water from subsidiary reservoirs into the main Katse Lake.

Under the LHWP treaty of 21.10.1986, South Africa will be responsible for the cost of the water delivery component (construction, operation, maintenance) and will buy water from Lesotho (from 1996 onwards, if all goes to plan), while Lesotho will be responsible for the hydropower component.

EC assistance has been concentrated on the hydropower component and related training:

- the feasibility study for Lesotho's side of the project, successfully completed in 1986 (7.7 MECU, Lomé II N.I.P)
- geo-technical studies to determine the optimal configuration for the Muela hydropower station (3.5 MECU, EIB loan)
- the engineering design study for the hydropower plant, plus the production of a Social and Environmental Plan to take a careful look at these aspects; technical assistance to the Lesotho Highlands Development

Authority; office equipment and vehicles for LHDA; and studies on Lesotho Electricity Corporation's future needs (9.5 MECU, Lomé III N.I.P)

- a manpower development programme, to reduce Lesotho's dependence on expatriate personnel for technical and managerial posts. The programme, which involves support to secondary schools, the University and the Polytechnic, aims both to train Basotho immediately and to improve science and maths teaching to ensure a future pool of skilled technical personnel (7.6 MECU, Lomé III N.I.P).
- 80% of Lesotho's Lomé IV NIP, together with 10 MECU from regional funds and 20 MECU from the EIB (totalling 44 MECU) will finance a major proportion of Muela's civil works, all project supervision costs, as well as continued support for the environmental, manpower development and technical assistance aspects of this vast operation during 1992-97.

Although it will not solve all the country's problems, the Highlands Water Project, in creating a new and lasting source of income, an indigenous source of energy, and jobs for skilled and unskilled Basotho, should do much to place Lesotho's economic future on a sounder footing.

woman's job and the income generated by this scheme belongs to women rather than to their husbands - who often work as miners in South Africa. The women are therefore entitled to spend the money - mainly used for school fees and improvements to the family's everyday life - without asking their husbands' permission. In this respect the project supports the changing status of women.

Counterpart funds generated from food aid sales are used to supplement NIP-funded rural development projects - notably the national food for work programmes, the small-scale irrigated vegetable project and a forestry programme.

Transport and communications

At independence in 1966 most of the country was inaccessible to motor vehicles. The Community has played a significant role in building up the western and southern network, thereby improving communications to some of the agricultural centres, by funding the reconstruction or improvement of the following sections:

- Mafeteng-Tsoloane (23km, co-financed, 2.9 MECU, Lomé I)
- Quthing-Qacha's Nek (1 MECU, Lomé I)
- Mohale's Hoek-Mekaling (26km, 7.4 MECU, Lomé II)
- Mekaling-Quthing (26km, 10.3 MECU, Lomé III) together with 30km of feeder roads from the farming villages to the main road.

In addition, the Community has provided over 5 MECU to improve Maseru airport and for technical assistance and training of Lesotho Airways personnel.

Industry, trade and tourism

As well as the above-mentioned support of 3.5 MECU to the Highland Development Authority, the EIB has made a number of risk capital loans, totalling nearly 10 MECU over the period 1980-1993 to the Lesotho National Development Corporation, for on-lending to small and medium-sized firms in light industry. Most firms in this sector are producing goods to replace imports, but some, especially textile companies, are achieving success with exports - especially to the EC which has since 1990 allowed preferential

Community aid

(allocations in million ECU)

	Lomé I	Lomé II	Lomé III	Lomé IV
National Indicative Programme	20.9	22.5	42.6	49
Structural Adjustment Facility	-	-	-	8.5*
EIB loans: risk capital	0.1	5.3	6.5	20.0*
Sub-total	21.0	27.8	49.1	77.5
Stabex	-	1.2	4.3	2.3*
Food aid	3.0	10.1	8.5	3.3*
Other (exceptional aid, etc.)	1.1	0.1	-	-
Total	25.1	39.2	61.9	83.8
GRAND TOTAL				210

*Lomé IV totals as of March 1994, possible additional amounts to follow.

access by means of a special derogation from the rules of origin.

Although the volume of Lesotho-EC trade is tiny, and the country, beautiful as it is, is too remote to attract large numbers of tourists from Europe or America, efforts were made in the 1980s to promote the export of handicrafts and tapestries and to improve pony-trekking facilities under a sizeable trade and tourism programme. In 1993 the EC funded the establishment of a tourism master plan.

As a result of reduced wool and mohair export earnings - due to falling world prices and bad grazing conditions for animals - Lesotho has been eligible for STABEX transfers totalling 3.5 MECU for the years 1988 and 1991-1992, which will be used for structural improvements in this small livestock sector.

Other assistance

- Average cereal production in Lesotho consistently falls short of total consumption requirements. Since 1978 the Community has granted Lesotho a **food aid** allocation of 7 000 or 8 000 tonnes of wheat per year. In response to the devastating drought of 1991/1992 this quantity was increased to 10 000 tonnes in 1992/1993, and a further 5 000 tonnes of maize and 450 tonnes of pulses were provided under an **emergency food aid** programme.
- 300 000 ECU from the "Support to Frontline States" budget line has been used for a series of integrated agricultural projects to provide income and employment for retrenched mineworkers.

MALAWI

Background

A land of lakes, rivers and tree-covered hills, Malawi is perhaps the greenest of the Southern African countries. It is also the most densely populated - with about 112 people per square kilometre - and has one of the highest population growth rates in the region.

The economy is overwhelmingly agricultural. In normal years, adequate rainfall and moderately fertile soils allow the cultivation of a variety of crops. Tobacco, tea, sugar, groundnuts, coffee, rubber, cotton and maize are grown on large estates, chiefly for export. Food crops - maize, cassava, rice, sorghum, fruit and vegetables - are grown on small or very small family farms, while fisheries activities on Lake Malawi are a major source of protein. Forestry, cattle and poultry farming also play a small role. The country's known mineral resources are insignificant, while industry, although expanding slowly, is still a much less important source of income and employment than farming.

Malawi exports agricultural commodities - tobacco, tea, and sugar accounted for 87% of total export earnings in 1992 - and imports fuel, fertiliser, and manufactures, via long, expensive routes. Although South Africa provides most of the country's imports, the EC counts as its biggest export market.

Rural poverty, population growth and shortage of land are perhaps the most serious internal pressures confronting Malawi, but in recent years a combination of external factors has adversely affected the country's economy. The war in neighbouring Mozambique resulted in a huge influx of refugees and costly disruption to Malawi's traditional transport routes, falling commodity prices have reduced the country's foreign exchange earnings - and drought and the decision by donors to freeze aid in 1992 (see below) had a serious impact.

The Community's financial and technical assistance has been directed towards these problems. A large share has gone to agriculture and fisheries with the emphasis very much on the small farmer. Transport, especially road construction and repair, has received a lot of attention. Industry and trade have been supported with the appropriate instruments. Food,

emergency and refugee aid have played an increasing role in an effort to alleviate the effects of the drought and the flood of Mozambican refugees.

Due to bad governance and lack of respect of human rights in the country, donors limited operations in Malawi during 1992/1993. The EC restricted its co-operation to continuation of existing projects and humanitarian aid. Recent radical changes to the political and legal systems - notably a referendum in June 1993 which led to Malawi's first multiparty elections for 30 years in May 1994 - have allowed resumption of co-operation. Accompanying liberalisation of the economy has qualified Malawi for funds from the Structural Adjustment Facility.

Structural adjustment support

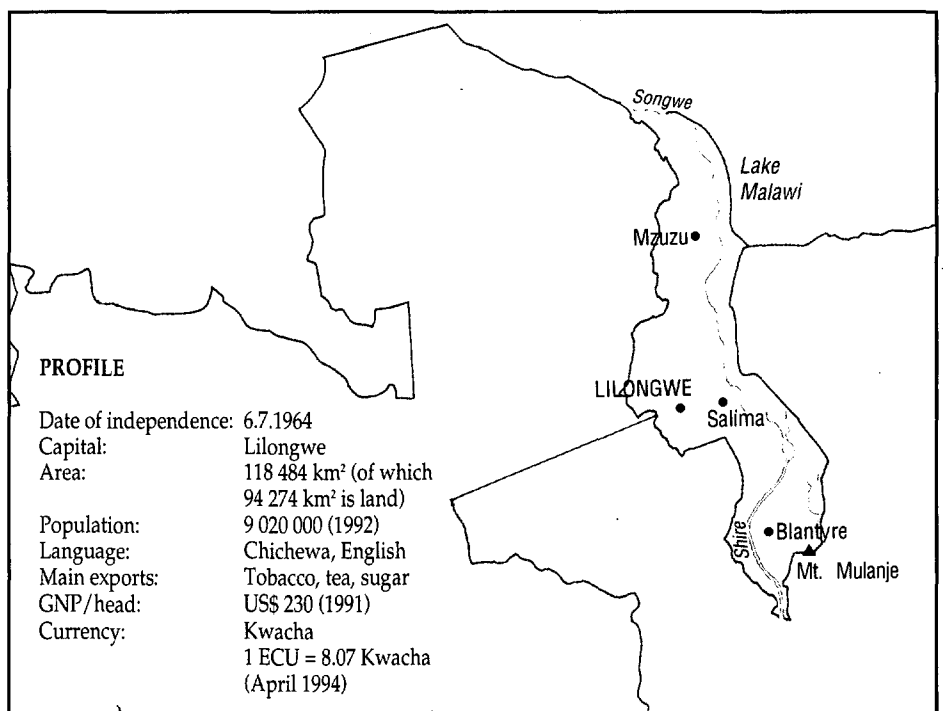
In recognition of Malawi's economic readjustment measures 30.6 MECU (20.6 MECU from the Structural Adjustment Facility and 10 MECU from the NIP) are funding a general import programme. Resulting counterpart funds will chiefly be spent in the social sectors - with an emphasis on primary education, peripheral health services and the replenishment of strategic food reserves.

Rural development

While the large estates are essential to the national economy as the major source of foreign exchange and the main employers of unskilled labour, small farming is no less important. Almost all rural households in Malawi are smallholders. Between them they cultivate the greater part of the arable land, on which they produce most of the country's main staple food, maize. The government supports them through the **National Rural Development Programme** and through different bodies concerned with specific crops (Smallholder Coffee Authority, Smallholder Tea Authority etc.). The two principal aims are to ensure and improve food security, and where possible to increase rural incomes by encouraging cash crops. The Community supports the government in these aims, and has devoted over 65% of both the 6th and 7th EDFs to complementary rural development projects.

Integrated rural development projects

Integrated rural development projects were the favoured instrument of official support to the rural areas in the late 1970s. These attracted the largest share of Community aid to the agricultural sector under Lomé I and II. Under Lomé II, some 18 MECU was committed for three such projects in the districts of Salima, Nkhotakota and Ntchisi. All three provided economic



and social infrastructure (roads, water supplies, health centres...), advice, training and demonstrations for small farmers, and agricultural credit.

Results were at best mixed, at worst negative, giving rise to serious doubts about the validity of the integrated approach. Although the social components have brought about improvements in general social welfare, there is little evidence that the poorest families - those with less than 1 hectare of land - have increased their incomes or their food production (many still run short of food during the year).

Fisheries

The main aim here has been to increase the supply of fish, a valuable source of protein, to the rural areas, especially those near Lake Malawi. Under Lomé I, the **Central Lakeshore Fisheries Development project** (1.8 MECU) provided boats and a boatyard to lake fisherman, improved smoking kilns and other facilities at landing stages, access roads to the centres of population inland, and ice to traders. Further north, in Mzuzu, the **Central and Northern Regions Fish Farming Project** (3.4 MECU) is being implemented: the technical and economic parameters for aquaculture at an altitude of 1 000 - 1 500 metres have been established, and extension services are being developed. Finally, under Lomé IV technical assistance has been provided to the Department of Fisheries to assist project planning.

Smallholder crop schemes

In order to raise rural incomes without detriment to food crops, the Community supported a number of projects under Lomé I which encouraged smallholders to grow cash and food crops on their land; results were positive, and the projects were extended with Lomé III funds.

- The **tobacco crop scheme** established 600 farmers on 6 hectare plots in Malawi's Northern Region, on which to grow maize for food and tobacco for cash. The project (6.8 MECU) provided training, mechanisation, milling facilities, transport for sales of tobacco, irrigation, credit and social amenities.
- The **coffee crop scheme** has provided some 7 MECU towards help with production, processing and sales of coffee for very small farmers in the high hills of Northern Malawi.

- The **tea crop scheme**: Due to decreased earnings from tea exports, this sector has qualified for substantial transfers from the Stabex fund. Of these, some 10 MECU will be reinvested in infrastructure and payments for smallholders in the tea sector.

Fertiliser buffer stock

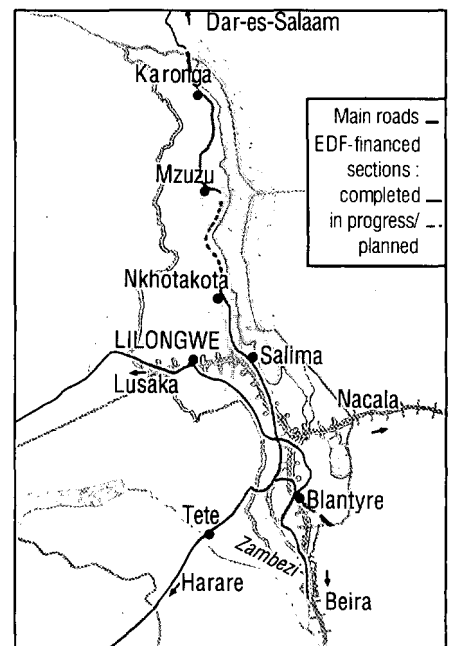
To encourage smallholders to use fertiliser to increase their yields, 42 MECU has been invested - in the biggest project ever funded by the Community in Malawi - for the purchase of 90 000 tons of fertiliser in order to establish a Fertiliser Buffer Stock, and the construction of four storage sheds, two in Lilongwe, one in Mzuzu and one in Blantyre. The four warehouses will hold up to 110 000 tons.

Transport infrastructure

The majority of Malawi's exports and imports are very bulky commodities - tobacco, tea, sugar, fuel, fertiliser - best carried by railway wagons. The loss or curtailment of traditional rail services to Beira and Nacala during the Mozambican war meant the need to divert goods traffic to the Zimbabwe-South Africa line, 600 km from Blantyre by road through Southern Malawi and Mozambique. Peace has made access to the coast easier, but full normalisation could take many years. Apart from the railway connection, the Tazara road link to Dar es Salaam will offer an

extra outlet when the "Northern Corridor" road link is completed, but this is still 620 km north of Lilongwe. In any event, Malawi's own road network will have to cope with heavy and possibly increasing road tanker and lorry traffic, a requirement necessitating major expenditure on road improvements in often hilly terrain.

When current and planned roadworks are completed, the Community will have spent more than 120 MECU on improving over 600 km of roads (paving, widening, some realignment, bridges, drainage works).



Human rights and democratisation

Respect for human rights and good governance are considered by the EC to be essential components of sustainable and balanced development. The Commission has therefore actively supported Malawi's democratisation measures with some 3 MECU: 1.2 MECU from the Lomé IV NIP, and the rest from the Human Rights and Democracy budget line. Expenditures include:

- co-financing with the government the referendum which questioned the Malawians on their preferred form of government;
- support for European NGOs involved in the training of local monitors and electors for the referendum and the forthcoming elections;
- contribution to the UNDP budget for the Electoral Unit which provides technical and material support to the local authorities;
- provision of electoral experts to follow registration and voting for the referendum and the elections;
- financial support for the National Consultative Council until a new democratic government is established;
- funding for a press and media survey.

Industry and energy

In order to provide much-needed employment and to diversify the economy, which is heavily reliant on agricultural commodities, the Malawi government is keen to expand industrial and business activities.

The Community is supporting its efforts in three principal ways:

I) EIB loans: These total some 93 MECU, from the Bank's own and from risk capital resources.

Some principal recipients have been: ESCOM - 29 MECU for the expansion of electricity supply; 6.5 MECU to the Lilongwe Water Board for a water supply extension project; 11 MECU to the Dwanga Sugar Corporation (of which 6.5 MECU have been reimbursed); INDEBANK - 14.3 MECU for on-lending to small and medium-sized firms; and 10.5 MECU to the Blantyre Water Board.

II) Support for SEDOM: Since 1983 the Community has provided a total of over 10 MECU to the Small Enterprises Development Organisation of Malawi, initially to help set it up and then for on-lending. SEDOM has made over 4 500 loans and has helped to create or sustain over 30 000 jobs.

III) Structural Adjustment Programme: As mentioned above, the EC is providing balance of payments support amounting to 30.6 MECU to import industrial equipment, raw materials and spare parts.

population was estimated to be infected with the virus in 1994.

War in Mozambique resulted in the migration of over 1 million refugees to Malawi. Community **emergency, refugee and food aid** - valued at over 24 MECU in 1992 alone - all proved extremely useful. Thanks to these three instruments, the refugees were supplied (notably through organisations like the

ning of 1993 the EC has been supporting relief organisations in their efforts to repatriate the refugees. At the same time substantial quantities of maize were provided for the local population, and hospitals and dispensaries were re-stocked with drugs, in an effort to ease the burden of the refugee influx on the Malawians themselves. During the 1992/3 drought, the EC provided 90 000 tonnes of maize to Malawi.

Trade

In addition to funds for trade promotion and participation in trade fairs, and to the general Lomé trade provisions, which are of some importance as the EC is Malawi's biggest export market, the Sugar Protocol is of benefit to the country: Malawi regularly delivers its full quota of 21 000 tons a year to the EC.

Since 1980, Malawi has received over 30 MECU from STABEX for reduced export earnings from tea, groundnuts and coffee.

Other assistance

Special efforts have been made to improve **health services**, particularly in the rural areas. EC resources under the Lomé I, II and III rural health programmes financed the construction of district hospitals in Nsanje, Mangochi, Karonga and Mulanje and several smaller rural health centres. Furthermore, under Lomé III and IV, the EC has allocated some 2 MECU towards an AIDS programme supporting education and information about the virus - some 15% of the adult

UNHCR, and NGOs such as the Red Cross, Médecins sans Frontières, Concern Universal and Marie Stopes International) with emergency relief supplies (blankets, shelters, essential drugs etc.), transport, and many thousands of tons of food. Since the begin-

Community aid

(allocations in million ECU)

	Lomé I	Lomé II	Lomé III	Lomé IV
National Indicative Programme	67.9	80.0	114.5	121
Structural Adjustment Facility	-	-	-	20.6
EIB loans: own resources	14.5	7.5	10.5	-
risk capital	2	15.5	13.5	29.8
Interest rate subsidies	1.8	0.4	1.7	-
Sub-total	86.2	103.4	140.2	171.4
Stabex	-	4.8	21.7	4.2
Food aid	-	-	16.1	31.0
Emergency/refugee aid	2.6	0.4	17.8	10.7
Other (NGO cofinancing, etc.)	0.4	0.4	1.4	2.0
Total	89.2	109.0	197.2	219.3
GRAND TOTAL				614.7

MOZAMBIQUE

Background

The signing of a peace treaty in October 1992 between the government and the Renamo opposition brought to an end Mozambique's civil war. After 15 years of fighting - which resulted in hundreds of thousands of deaths, huge infrastructural damage and the displacement of some 4.5 million Mozambicans - soldiers from both sides are now being demobilised, rehabilitation efforts are beginning, and multi-party elections have been set for late 1994.

War and the severe drought of 1991/1992 have reduced Mozambique to abject poverty: in 1993 the World Bank placed the country among the very poorest in the world¹. This, however, is no true reflection of Mozambique's considerable economic potential - which stems from its rich mineral, hydro-electric and agricultural resources, and strategic position on the trade routes to the interior.

As befits a country with one of the longest coastlines in Africa (2 575 km from the Tanzanian to the South African borders), fishing is an important activity, although generally practised on a small scale. Inland, the population is overwhelmingly agricultural, with the majority engaged in subsistence farming. Cash crops include cashew nuts, cotton, sugarcane, sisal and, in the more mountainous interior, tea. Coal, diamonds and bauxite are mined - recently in only modest quantities because of the war - but extensive mineral reserves remain unexploited. The Cahora Bassa dam across the Zambezi, when operational, will provide hydro-electricity. Industry is limited to the processing of raw materials, chiefly food and cotton, and the manufacture of fertilisers and cement.

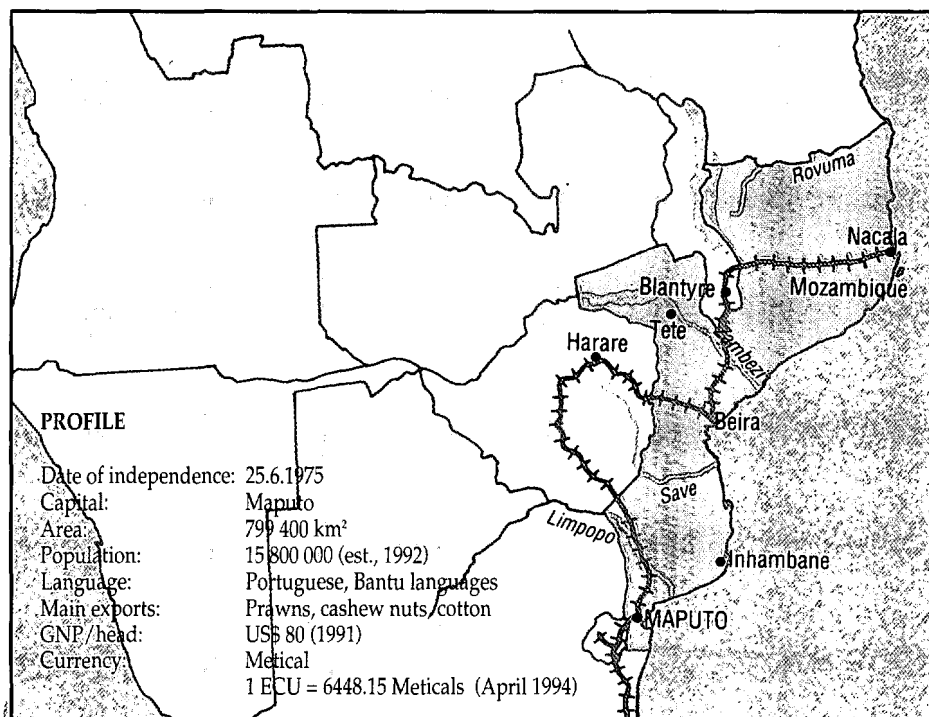
Possessing three Indian Ocean ports in Maputo, Beira and Nacala, Mozambique occupies a key position in the region's transport network. The railways and roads serving its ports offer the shortest and cheapest routes to the sea for its landlocked neighbours, Swaziland, Zambia, Zimbabwe and Malawi. In addition to their regional importance, mentioned in an earlier chapter, they are also of considerable national significance.

Community funds are currently addressing Mozambique's immediate post-war requirements with particular focus on demobilisation, reintegration and democratisation, supporting structural adjustment efforts and financing programmes in the transport, agricultural and fisheries sectors.

Emergency programme for the post-war period

To address the large-scale famine, homelessness and exile resulting from

the war, the Community has in the last decade had to spend more on humanitarian than on development aid. With the peace accord, the EC has again tailored its assistance to Mozambique's particular needs: two weeks after the Rome agreement the Community announced its decision to make over 85 MECU available from Mozambique's Lomé IV NIP, Lomé emergency and refugee funds, and a number of budget lines (Human rights and democratisation, AIDS, Front-line states, Co-financing with NGOs, food aid funds)



¹ World Bank "World Development Report" 1993.

- for support during the critical transition period before the first multi-party elections.

Five areas are receiving attention:

- 24 MECU will aid the electoral process - principally by supporting an electoral census and the voting process, and the rest funding technical assistance, equipment for the election committee, and civic education programmes.
- Soldiers from both sides need to be demobilised. The EC is contributing 10 MECU to help cover the food and health care requirements of the between 80 and 110 000 demobilised soldiers who will be billeted in 49 camps.
- Tools, seed and other agricultural inputs funded with 28.5 MECU from the Community will facilitate the reintegration of returning refugees, displaced persons and demobilised soldiers by helping them set up in agricultural and handicraft activities.
- In an effort to reinstate basic social services the Community is providing 15.4 MECU from the Refugee fund for the primary health sector. Aims are to: provide medical assistance to 7 regions badly hit by drought; aid the war-wounded; and expand medical services in areas previously inaccessible due to fighting. An additional 1 MECU from the AIDS budget line will improve health conditions in demobilisation camps, where hygiene standards are low.
- 10 MECU is funding an emergency programme to rehabilitate basic infrastructure in rural areas - 3.5 MECU towards the provision of safe drinking water and 6.5 MECU to repair rural roads and bridges.

Balance of payments support

Additional to its contributions to Mozambique's urgent post-war operations, the Community is providing balance of payments support to facilitate the government's longer-term efforts - initiated in 1987 with the launch of the PRES - to restructure the economy.

¹ Community (EC) aid is additional to EC Member States' aid, which is substantial in this area. France and Portugal are heavily involved in the Nacala work, the Netherlands, Italy and Denmark in the Beira project and the United Kingdom on the Limpopo line.

Two sectoral import programmes worth 70 MECU under Lomé III encouraged imports of raw materials and intermediate products to stimulate local agricultural and industrial production. Under Lomé IV some 55 MECU - 30 MECU from the NIP and the rest from the structural adjustment facility and funds remaining from previous sectoral import programmes - are financing a general import programme. So far, 20 MECU have been allocated towards the import of vital oil supplies, half of which will be channelled through private operators to promote the liberalisation of this sector.

Transport

Rehabilitation of Mozambique's three main transit routes - the Nacala railway in the north, the Beira "corridor" in the centre and the Limpopo line in the south - is of national importance because their disruption, caused by repeated acts of sabotage during the war, jeopardises the much needed revenue from international traffic and further isolates the already remote provinces of the interior.

Recognising this importance, the Community¹ and the Mozambique government have allocated 25% of Lomé III funds and further Lomé IV funds to the following operations:

- **Nacala railway** - 25 MECU on equipment for the track (to produce

ballast and sleepers), for radio communication and for the security forces needed to protect the work during the war years. This line is now operational again.

- **Beira corridor** - 9 MECU (plus 45 MECU from regional funds) to rehabilitate quays 2-5 and the main freight handling area in the port, and 5.7 MECU (from regional and national funds) for emergency repairs to part of the 180 km road from the Zimbabwe border to Beira.
- **Limpopo line** - 5 MECU from national funds and 10 MECU from regional funds for the rehabilitation of this railway which links southern Zimbabwe with Maputo.

A 30 MECU road and bridge renovation programme is at present under preparation in the Zambezi and Sofala areas.

Rural development, agriculture and fisheries

The rehabilitation of rural areas to enable the return of the millions of displaced people is a government priority. The Community has financed a number of schemes to replace war-destroyed rural facilities - 68% of the 1983 total of rural schools, 1 100 rural health centres and thousands of wells were ruined. Two recent major projects are upgrading telecommunications facili-

ties (13 MECU, Lomé III) in the Maputo, Gaza, Inhambane, Manica and Sofala regions, and repairing rural health centres.

Agriculture

Although Mozambique has the capacity to be self-sufficient in food, the combined disruption of civil war and drought has resulted in annual shortfalls which approach 700 000 tons. Food aid from the Community - provided either for free distribution through the government, NGOs and international agencies, or for sale - has been of fundamental importance as it accounted for 40% of all external provisions in the early 1990s. Anxious to revive domestic production, the EC is now concentrating on obtaining agricultural products and seeds locally: in 1992 the Community made purchases of 15 000 tons of maize from Mozambique and in 1993 cereal market buffer stocks - combining supplies from Europe with local purchases - were financed with 40 MECU to meet the food requirements of demobilised soldiers.

In addition to the two massive import programmes under Lomé III which provided seeds, raw materials for fertilisers and pesticides, tools, vehicles, building materials, spare parts etc. to the farmers and fishermen, the Community has supported a number of agricultural projects, which include: a potato production project in Chimoio region (7.1 MECU); a programme designed to increase food self sufficiency in the Moamba region (2 MECU); three integrated development programmes in Cabo Delgado (5 MECU), Inhambane (4.5 MECU) and Moamba (12 MECU) provinces to improve the production and marketing of agricultural produce and fish goods.

Fishing

The considerable potential of the fisheries sector has been relatively unexploited. Apart from the integrated programmes mentioned above, a 7.5 MECU programme in Inhambane is supporting the activities of small-scale fishermen. Institutional support - in the form of 12 fisheries experts - is being provided by the Community at a total cost of 2.75 MECU.

The fishing industry also benefits from the EC-Mozambique fisheries agreement under which, for the period 1992-1993, the Community pays compensa-

tion - 3 MECU - for tuna- and shrimp-fishing rights in Mozambique waters, and contributes 180 000 ECU to the cost of scientific and technical programmes improving the supply of information on Mozambique's fishery resources.

Trade

Some 29% of Mozambique's total trade is with the EC - so the Lomé preferential trade agreements are of considerable importance to the national economy. Regional funds have financed stands for Mozambique at international trade fairs - and over 22 MECU have been transferred as Stabex support under Lomé III and IV to offset losses in the tea, copra, cotton and cashew nut sector.

Other assistance

Risk capital loans from the EIB have supported Mozambique's **industrial** sector: 6 MECU towards the rehabilitation of a cement factory in Matola; 3 MECU to LOMACO; 6 MECU to the Bank of Mozambique for onlending to small and medium sized enterprises; and in 1993, 3.3 MECU to the Ancuabe Graphite mine and 3 MECU to a cashew-nut processing plant in Nacala.

In the area of **education**, 2.3 MECU of Lomé III funds have provided technical assistance and laboratory equipment to the University Eduardo Mondlane. 2 MECU has recently been allocated towards an aid programme for Mozambican students - to finance their return to Mozambique or to finish their studies.

Community aid

(allocations in million ECU)

	Pre-Lomé (1978-85)	Lomé III	Lomé IV
Development aid (EC budget)	33	-	-
National Indicative Programme	-	160	169.6
Structural Adjustment Facility	-	-	30
EIB loans: own resources	-	-	-
risk capital	-	15	6.4
Stabex	-	21.5	1.3
Food aid	80	113.7	111
Emergency/refugee aid	14.5	30.8	23.5
NGO co-financing	-	5.9	4.1
Other	-	7	23
Total	127.5	353.9	368.9
GRAND TOTAL			850.3

NAMIBIA

Background

On 21 March 1990 the Republic of Namibia gained independence. The following month it joined SADC - and in December became the 69th ACP State on accession to the Lomé Convention.

The youngest member of the SADC family is a large, sparsely populated country. More than half its inhabitants live in the northern alluvial plain, where water, although scarce, is more plentiful than on the higher central plateau or in the arid south. The Kalahari Desert extends into eastern Namibia and the entire coastal strip - the Namib Desert - is barren.

Minerals, livestock and fish constitute the country's principal resources. The mining industry, developed and largely owned by independent companies, provides 60% of export earnings. Diamonds and uranium are the most valuable products, but lead, copper, zinc, cadmium, tin, gold and silver are also mined. Farming is of two kinds: subsistence agriculture, chiefly in the north, occupying 60% of the population; commercial cattle and sheep farming, mainly for export, in parts of the centre and south. Pilchards, mackerel, anchovies and lobster are caught in the coastal waters, and hake - the most valuable species - further offshore. Limited manufacturing activities include food processing (of meat and fish), building materials and specialised mining equipment.

The EC is an important market for minerals and, more recently, agricultural products. Namibia's closest economic links are still, however, with South Africa - which supplies 90% of the country's imports and buys 25% of its exports. Namibia is a member of both the Southern African Customs Union (SACU), and the Common Monetary Area (CMA) - which links all participating countries within common rules of monetary behaviour.

The European Community provided considerable financial assistance to the population of pre-independence Namibia under various budget lines. Further funding during the interim period between independence and accession to the Lomé Convention totalled 32 MECU. A National Indicative Programme, allocating 45 MECU in grants and 6 MECU in risk capital, was signed in March 1992.

Recognising the needs of the newly-independent country, Namibia was accorded treatment equivalent to that of a least-developed country.

After consultation between the Commission and the Namibian government, it was decided that Community assistance should be concentrated on the three focal sectors of **agriculture and rural development, health, and education.**

Agriculture and rural development

Although approximately 120 000 families earn their living from communal farming, this sector has in the past been excluded from the benefits of improved farming techniques and access to formal markets. The EC is financing a major **rural development support programme** with 7.7 MECU, which will centre around the strengthening of agricultural extension services in the Northern Communal areas, with a view to improving household food security in particular. In addition, 1.3 MECU from the Lomé IV NIP has been providing three agricultural economists to enable the Ministry of Agriculture, Water and Rural Development to better design appropriate agricultural and rural development policies for Namibia.

EC support also extends to the livestock sector - and includes regional funding towards **Tsetse and Trypanosomiasis Control**, and a study on the **Karakul** industry. The EIB has allocated 2.5 MECU risk capital for the construction of a tannery.

Health

In May 1993 13.5 MECU was approved for a large **integrated health programme**. Objectives include: the strengthening of financial and administrative management and infrastructure; health manpower development; regional integrated health projects in all four regions of the country (institution building, management, administration, PHC delivery, mother-child care...); and an essential drugs programme (management of procurement, storage, distribution, supply and use of pharmaceutical products and medical supplies).

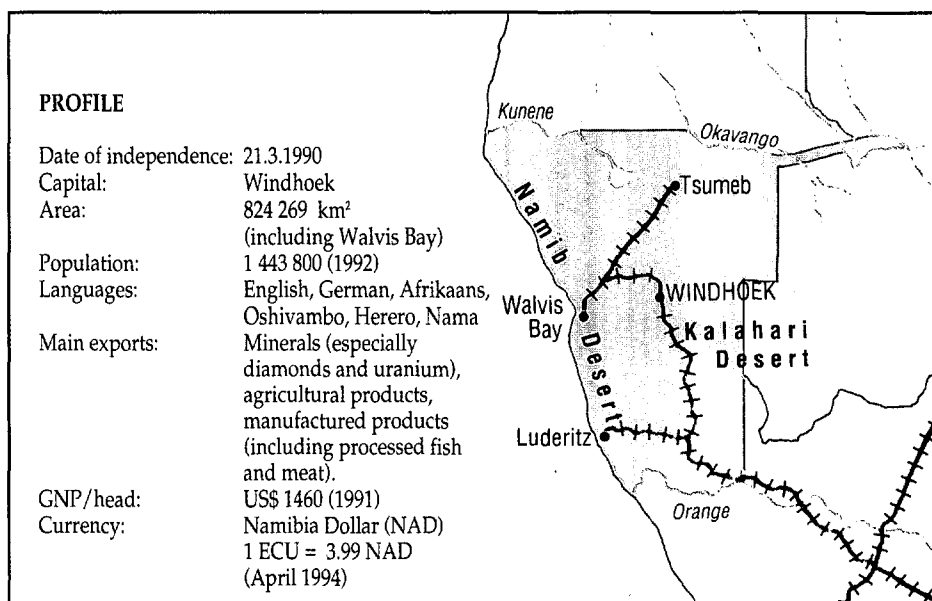
Technical assistance and financial support for the Namibian AIDS Control Programme is also being made available from Community resources.

Human resource development

In response to the educational imbalance inherited by Namibia at independence, and the commitment of the government to provide equality of access to education, 20% of Lomé IV funds have been allocated to education and training.

The In-Service Training and Assistance for Namibian Teachers (INSTANT) Project, first financed under the 1990 budget line and now receiving 4.5 MECU from the Lomé IV NIP, aims to improve the standard of maths and science teaching at secondary school level.

1.8 MECU has been allocated for the construction and rehabilitation of primary school classrooms and teachers' accommodation in rural areas. It is envi-



saged that approximately 70 classrooms will be built over a period of two years.

As far as manpower development is concerned, the Commission is considering a proposal to support an initiative undertaken by the Namibian National Planning Commission, which will contribute to government policy design in this sector.

Mining

The most important sector in the Namibian economy (contributing over 20% to Namibia's GDP) remains the mining industry, despite having suffered from the fall in world commodity prices.

Owing to the extension under Lomé IV of the range of minerals covered by the SYSMIN system, Namibia was able to benefit from a grant of 40 MECU to offset reduced earnings from uranium exports. These funds will be partly lent on to independent mining companies and repayments will constitute a revolving fund for continued support to the independent mining sector in Namibia.

Fisheries

The seas along Namibia's Atlantic coast contain some of the richest fishing grounds in the world. Now that conservation policies implemented at independence are helping to replenish stocks - seriously depleted by overfishing - the fisheries sector has the potential to become extremely profitable. A long-term aim of the government is to maximise the local processing of fish caught in Namibian waters, to develop an indigenous offshore fishing fleet and associated fisheries support services. At independence Namibia assumed responsibility for marine fisheries within the SADC framework.

Funds have been allocated from the Commission budget towards the training of fisheries inspectors and the upgrading of the maritime training centre in Lüderitz.

Trade and tourism

Namibia benefits from all the trade provisions under the Lomé convention - but particularly from the **beef protocol**, which allows Namibia to keep 90% of the tax normally payable on beef imports into the Community for up to 60 000 tons during 1991-1995.

The EC is currently assisting the government in designing an international trade strategy, and has funded Namibia's attendance at a number of international trade fairs.

Namibia's tourism industry has considerable potential to contribute to the economic growth of the country. The EC is providing financial assistance for the preparation of a government white paper on tourism.

Other assistance

Through its Environment budget line the EC is financing conservation projects in

Namibia - involving elephant tracking, and the protection of rare black rhinos.

In addition, 700 000 ECU has been provided through the Human Rights and Democratisation budget line to support the democratisation process in the country.

Emergency **food aid** (15 000 tons of cereals - 10 000 for sale and 5 000 for free distribution) was provided to Namibia under the Special Food Aid Programme, created in response to the 1992 drought.

Community funding is being considered for the rehabilitation of the Trans-Caprivi Highway.

Community aid

(allocations in million ECU)

	Pre-Lomé (1976-1992)	Lomé IV
National Indicative Programme	-	45.0
EIB loans: risk capital	-	6.0
Sysmin	-	40.0
Food aid	13.3	3.1
Other	48.2	1.0
Total	61.5	95.1
GRAND TOTAL		156.6

SWAZILAND

Background

Bordered on three sides by the Republic of South Africa and on the fourth by Mozambique, Swaziland is a small land-locked country perched on the edge of the South African escarpment. Rugged highlands in the West descend to low-lying plains - the lowveld - which rise again in the east to the Lebombo range along the border with Mozambique. Four major rivers offering considerable hydro-electric potential are used for irrigation in the drier lowveld.

Agriculture is the mainstay of the economy. Sugar (35% of total export earnings) and wood pulp and timber (15%) are the leading exports. Other exports include citrus fruit, tinned pineapples, meat - and in the mining sector, asbestos and coal. Locally grown cotton provides the raw material for a small textile industry. Handicrafts are widely produced in the rural areas. Swaziland currently receives some 250 000 tourists a year, mainly from South Africa.

Although the EC has been absorbing about one third of all exports in recent years, Swaziland's economy is closely tied to South Africa - the source of 90% of its imports, most of its tourists and thousands of jobs for Swazi migrant workers.

The government aims to reduce dependence on its powerful neighbour, by encouraging the emergence of modern agricultural, industrial and service sectors. It is making determined efforts, with the assistance of donors, to build up an educational system which will provide the knowledge and skills required by a modern economy. A major part of the Community's assistance has been used to support this system, both nationally and in the wider regional context, where Swaziland is responsible for human resource development within SADC. The development of the rural areas, where some 70% of the population lives in rather backward conditions, is another major government policy to have received consistent support from the Community under the four Lomé conventions. More recently substantial funds have been directed towards the upgrading of Swaziland's transport infrastructure.

Education and Training

The EC is supporting modern agricultural education in schools - started in Swaziland by the United Kingdom - with part of its 8 MECU human resources development programme under Swaziland's Lomé III NIP. A number of schools are being provided with livestock, sheds, fertiliser and tools - and funds have been made available for technical assistance both to devise courses, and for teachers' training seminars.

The problem of raising science and maths standards is being tackled by a 2.9 MECU programme (co-financed with the Dutch government) which, firstly, provides technical assistance, books and other teaching aids for science and maths teachers already in service, and secondly, is funding 270 scholarships for students to follow a four month bridging course before entering the University of Swaziland to read Science and Maths. 300 scholarships will also be offered for similar Agriculture Pre-Entry courses. A second phase of this programme was launched in 1993 (co-financed with the Dutch and Swazi governments), and focuses on the upgrading of science and maths teaching facilities, in-service teacher training and the improvement of school management skills.

Three institutions in particular have received extensive Community support:

- **University of Swaziland:** built and equipped with Lomé I regional funds, endowed with science scho-

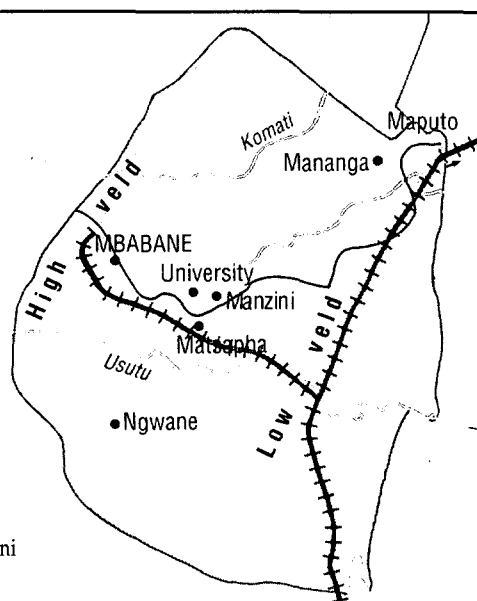
larships under Lomé II, the Science faculty acquired new buildings, teaching equipment, staff training and visiting lecturers under Lomé III.

- **Vocational and Commercial Training Institute, Matsapha (VOC-TIM):** which provides training directly relevant for industrial and commercial jobs in the modern sector, was built from scratch and partly equipped with EC funds (3.9 MECU from Lomé II). The Institute has recently acquired 3 new student hostels, built with Lomé III funds, which have raised student accommodation places from 50 to 150. Further accommodation facilities and educational equipment will be financed with 1.1 MECU from Lomé IV NIP.
- **Ngwane Teachers' Training College:** built with a 2.5 MECU grant from Lomé I, provided with staff accommodation and equipment with a 1.8 MECU grant from Lomé II, the College acquired 7 new classrooms, staff houses and 6 scholarships from Lomé III funds. Consistent EC support has paid dividends, for the College has won a good reputation and its senior staff members have remained in their posts ever since inauguration.

The regional aspects of EC support for human resource development - the Institute for Development Management, the Mananga Agricultural Management Centre, technical assistance for the Regional Training Council - have been mentioned earlier under Regional Co-operation.

PROFILE

Date of independence: 6.9.1968
Capital: Mbabane
Area: 17 363 km²
Population: 810 000 (1991)
Language: Siswati, English
Main exports: Sugar, woodpulp
GNP/head: US\$ 1129 (1992)
Currency: Lilangeni (plural Emalangeni)
1 ECU = 3.99 Emalangeni (April 1994)



Transport and Communications

10 MECU, representing 40% of Swaziland's Lomé IV NIP (and making this the largest single project so far undertaken by the Community in Swaziland) has been earmarked for the expansion and upgrading of 8 km of road, connecting the major industrial area and the international airport at Matsapha with the commercial area of Manzini. Work began in 1992 to convert the two-lane road to a four-lane dual carriageway, and will continue (with ADB support) on the connection to Mbabane in 1994/5.

Rural development

Some 70% of all Swazis live in rather scattered homesteads in the rural area, raising sheep and cattle, growing maize and other food crops and making a variety of handicraft products (baskets, candles, mats etc.) much sought after by tourists. Living conditions are difficult - life expectancy is low, access to safe water is a problem, and infant mortality, especially from water-borne diseases, is high.

The Community has supported the government's policy of rural development from the outset. Under Lomé I, 3.5 MECU was used to build the **Simunye irrigation canal** and a further 2.6 MECU was devoted to a programme of small operations in rural areas, including the construction of a number of **footbridges**. Lomé II provided 3.5 MECU for a smallholder credit and marketing project, and launched the first phase of a **rural water supply programme** (2.4 MECU). This provided some 17 000 people in eleven villages with drinking water from standpipes, and sanitation in the form of pit latrines.

Phase II of the programme (2.6 MECU from Swaziland's Lomé III NIP) will serve 18 000 people in 12 villages, providing them with safe drinking water from standpipes within a maximum walking distance of 200 yards, and 2 400 pit latrines, to be built by the villagers themselves under supervision. The EC is paying for the heavy works and hardware (drilling operation, pipes, taps), the Swazi water board will pay for major repairs and replacements, but each local water committee must pay for fuel and routine maintenance.

EC support for rural development also includes a substantial - and very successful - **microprojects** programme (3 MECU under Lomé III, and 2.2 MECU under Lomé IV). These cover a wide range of activities: infrastructure, income-generating schemes, self-help projects. Aiming to promote self-reliance, these projects help to develop a community spirit and to encourage rural communities to play a more active role in shaping their own future.

An extension of the project under Lomé IV (2 MECU) will provide for the construction of a further 18 dams for livestock use, domestic water consumption and irrigation of vegetable plots.

Industry

Swaziland has traditionally offered a stable investment climate, and has attracted a number of European Investment Bank loans:

	Recipient	EIB loans (million ECU)
Lomé I	National Industrial Development Corporation	3.15
	Royal Swazi Sugar Corporation (for a third sugar mill)	10
Lomé II	Luphohlo Hydro-Electric Scheme	7
Lomé III	Swaziland Industrial Development Corporation (equity purchase and onlending to SMEs)	3
	SIDC (for construction of industrial buildings)	1
	Swaziland Meat Industries, via SIDC	1
	SMI (to repair slaughterhouse)	1
	Natex Textiles (for a spinning mill)	3
	Spintex Ltd (for a spinning mill)	4
Lomé IV	SIDC, global loan (SMEs)	3.5
	Swaziland Sugar Association (to upgrade refinery and storage capacity)	4.5

Finally, a 3.9 MECU programme under Lomé III to repair 16 earth **dams** and build 10 new ones in the Lowveld was completed in 1993. The stored water will be used for irrigation, for watering cattle and for domestic consumption.

Interest rate subsidies from the EDF have reduced the cost of some of these loans. The tourism industry has benefited from certain aspects of the Lomé integrated programme to develop trade, tourism and handicrafts, and

from regional programmes supporting participation in tourism fairs in Europe.

Trade

In addition to the trade aspect of the integrated programme (attendance at trade fairs, technical assistance, market research, etc.), and the general trade provisions of the Lomé Conventions (35% of Swaziland's exports now go to the EC), the special protocols on Sugar and Beef can be worth an extra 50 and 5-10 MECU respectively, depending on the extent to which the country fulfils its quotas.

Other assistance

Stabex transfers for losses on iron ore and cotton exports brought in an extra 21 MECU under Lomé I and II; emergency and refugee aid has been useful, particularly in helping with Mozambican refugees; modest but useful quantities of food aid were distributed by NGOs and international agencies during the recent drought; and the blind and disabled have benefited from NGO co-financed projects.

Community aid

(allocations in million ECU)

	Lomé I	Lomé II	Lomé III	Lomé IV
National Indicative Programme	12	18.5	25.5	25
EIB loans: risk capital	1.2	-	7	8
own resources	12	7	6	-
Interest rate subsidies	2	2.1	1.1	-
Sub-total	27.2	27.6	39.6	33
Stabex	13.2	8.2	-	-
Food aid	0.6	1.2	1.2	1.1
Emergency/refugee aid	0.4	0.1	1.5	-
Other	0.1	0.1	0.6	0.4
Total	41.5	37.2	42.9	34.5
GRAND TOTAL				156.1

TANZANIA

Background

The second largest of the SADC countries - Spain, Portugal and Italy would all fit in with a little to spare - Tanzania resembles a vast cirque, ringed by mountains and lakes, opening onto the sea. The interior is a semi-arid plateau, sparsely populated and subject to shortages of food and fodder. The peripheral regions are more heavily populated, for the most fertile soils are to be found on the lower slopes of the mountains, in the lake areas and in the coastal plain.

Although diamonds and tin are mined, and the country possesses large reserves of iron ore and coal, largely unexploited, the economy is overwhelmingly agricultural. Cash crops include coffee, cotton, sisal, tea, tobacco, sugarcane, cashew nuts and pyrethrum. Maize, millet, sorghum, rice, bananas and cassava are the main food crops. The two are often combined, coffee and bananas being a common combination in the north. With the exception of tea and sisal, and a few coffee estates, farming is essentially a small-scale family business in Tanzania. Cattle farming is also important: the national herd numbers an estimated 12 million animals. In the manufacturing sector, the textile industry is perhaps the most important. The country's national parks, particularly Kilimanjaro, Ngorongoro Crater and Serengeti National Park, attract significant numbers of tourists.

The economic development of Tanzania, one of Africa's poorest and now most aid-dependent countries, has proved to be difficult. Transport, not surprisingly for such a large country, is a major problem. Shortage of foreign exchange, seriously aggravated by steep declines from 1970 to 1985 in the production of most cash crops - the principal source of hard currency - made the purchase of productive imports extremely problematic. Since the early 1980s, the Tanzanian government has been rethinking its economic policy - moving away from a socialist, centralised model of development towards a free-market system, and is now under an IMF structural adjustment programme. Economic liberalisation has been paralleled by a gradual transition towards multiparty democracy.

Development aid has for some time constituted a major source of additio-

nal finance. For several Member States with bilateral programmes - among others, Germany, Netherlands, Denmark and Ireland - Tanzania is the largest recipient. The Community's EDF contribution, amounting to over 900 MECU since 1975, represents a significant proportion of foreign aid. Funding under Lomé I, II and III took the traditional form of project assistance - principally in the fields of rural development, transport infrastructure and industry. In line with Tanzania's economic realignment, the Community has restructured its financing - half of Lomé IV assistance is directly supporting Tanzania's adjustment measures.

Structural adjustment support

Macroeconomic reforms lie at the core of Tanzania's restructuring process. Principal objectives are financial and budgetary reform; rationalisation and privatisation of publically owned enterprises, and pruning of the civil service. Although the reform programme has still a way to go and macroeconomic balances remain very fragile, the country has already succeeded in reversing a long period of decline and has recently recorded positive growth figures per capita.

The EC has supported Tanzania's economic restructuring with balance of payments support from the Structural Adjustment Facility - totalling 85 MECU by the end of 1992. These funds have been supplemented by Lomé IV STABEX funds - equalling 46.5 MECU between 1990 and 1992

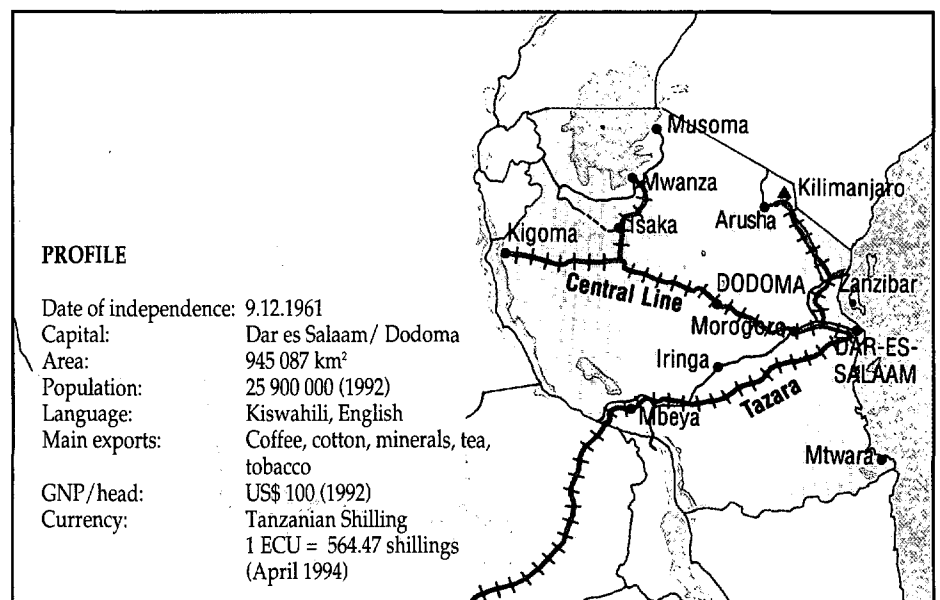
alone. In order to protect the poorest members of society from the potentially adverse effects of economic reform, the Community is contributing to the government's budgets for primary education and basic health care via counterpart funds.

Rural development and agriculture

Reflecting the central role that the agricultural sector plays in the Tanzanian economy - it provides employment for about 80% of the population, and accounts for a maximum of 75% of export earnings - Community assistance has for many years been concentrated in this area.

90 MECU - or over 50% of Lomé III resources - funded the **Agricultural Sector Support Programme** in the south-west of the country, where the potential for maize as well as coffee is high. The programme included major, co-ordinated projects in the Southern Highlands - focussing upon the improvement of maize and coffee production, assistance to co-operatives, road improvement, and institutional support.

In the recent context of economic adjustment and liberalisation of the agricultural sector, the Community's structural adjustment support is conditional upon the government maintaining its efforts to address the more fundamental problems hampering rural development. As agriculture is progressively freed from the pervasive control of the state - and producer prices, notably of maize, are allowed to

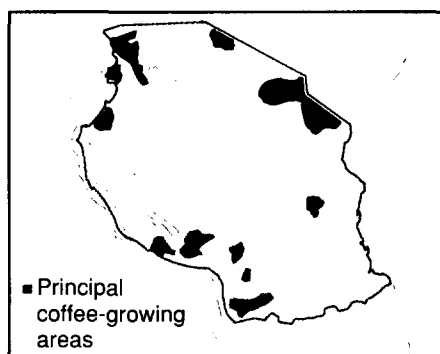


float to market levels - there is some evidence that the effects, even on the poorest sections of the population, have been positive. Counterpart funds, as mentioned above, are specifically targeted towards basic health and primary education budgets in order to help mitigate the potentially adverse effects of adjustment on the poor. Future deepening and extension of reforms - e.g. to the financial sector, the co-operatives and to export crops - should increase the income-earning opportunities of the rural majority still further.

• **Coffee improvement**

Because coffee accounts for roughly 1/6 of Tanzania's total export earnings, and provides a living for some two to three million people, the Community has considered it essential to try to sustain coffee production levels. This has been the aim of extensive support for Tanzania's coffee industry under the first three Lomé Conventions - totalling more than 60 MECU from EDF resources.

under the Stabex system: of the 82 MECU transferred to Tanzania so far, 39 MECU have been for coffee, and the rest for sisal, cashew nuts and cotton. Stabex funds have been primarily reinvested in the sectors in which the shortfalls occurred. Under Lomé IV, support from Stabex funds has been given direct to coffee producers in proportion to their earlier production. First transfers of the equivalent of 10 MECU took place on a trial basis in 1993, involving more than 200 000 farmers organised in 766 primary co-operatives.



Lomé I	Coffee Improvement Programme 1977-81	12.5 MECU
Lomé II	Coffee Development Programme Phase I, 1982-84 Phase II, 1985-87	13.5 MECU 9.5 MECU
Lomé III	Coffee Production and Marketing, 1987-1990	23 MECU

EC funds were used to provide farmers with equipment and chemicals; to maintain some 2 000 km of feeder roads; and to finance training and research.

While overall output has not risen significantly (production totalled 53 000 tons in 1992 which is similar to the 1968/9 figure), coffee production has at least remained fairly stable in comparison with output of many other cash crops - and is now showing early signs of recovery as a result of rationalisation by the government and of rising world prices.

• **Stabex**

1970-1985 saw a marked decline in the production of many cash crops - notably cashew nuts, cotton, pyrethrum, and sisal - usually ascribed to inadequate returns for producers resulting from taxation and unduly high marketing costs. Falling export revenues made Tanzania eligible for financial support

Transport and communications

Tanzania's basic network - 46 000 km of roads (many of them impassable in wet weather), 2 580 km of railways and several lake and sea ports - is vital for the national economy and is also of great importance for its land-locked neighbours. Because the country does not yet have the resources to improve or even fully maintain its transport infrastructure, external aid is essential.

The Community has so far allocated well over 400 MECU in this sector: over 300 MECU on roads and vehicle repairs, 100 MECU on railways and 30 MECU on ports. This does not include the maintenance of feeder roads undertaken as part of rural development programmes. About half the total amount has come from regional funds, reflecting the regional interest of much of the work.

Major projects include:

- **Mwanza-Musoma and Musoma-Serari roads**, around the south-east shore of Lake Victoria (increasingly used by transit traffic as a "short cut" to Nairobi and Mombasa);
- **Lushunga-Bukombe and Bukombe-Isaka roads**, part of a new all-weather link between Rwanda and the northern branch of the Central Corridor Railway Line (to be completed by a road-rail terminal);

- **Ibanda-Uyole road**, providing improved access to and from Malawi;
- **Maintenance of the Tazara and Central Railway lines**, particularly through the production of ballast, the supply of locomotives and wagons, maintenance work, and technical assistance;
- **Rehabilitation of Kigoma, Dar and Lake Victoria ports**;
- **Rehabilitation of Zanzibar ports**.

The Northern Corridor, with Mombasa as the point of entry, is now served by rail, road and pipeline - as is the corridor from Dar es Salaam towards Malawi and Zambia. It is expected that by the year 2000 the main highway network will be substantially rehabilitated - including the key Central Corridor crossing Tanzania from Dar es Salaam to the landlocked countries of Uganda, Rwanda and Burundi, built with considerable contributions from the Community. Attention is now being focussed on efficient operation and management.

Industry

To date the Community has invested rather more than 50 MECU, mainly in the form of risk capital and special (soft) loans through the EIB, in the industrial sector. Its biggest single investment - 33 MECU in all - has been in the Morogoro Canvas Mill, which has over 1 000 employees. The mill, which is in the process of being privatised, is equipped with modern machinery enabling it to produce quality canvas, and it has secured overseas and domestic markets for its products. Other projects include the construction of an access road to the Mufindi Paper Mill and the extension of a textile mill in Arusha.

In the south-west, a loan of 3.5 MECU has financed 100 km of electricity transmission lines, and in early 1992 a 25 MECU grant was made to a telecommunications upgrading project.

The current balance of payments support to Tanzania - in addition to earlier import programmes (24.5 MECU in 1989), has greatly improved the availability of foreign exchange for Tanzanian importers. A very high proportion of funded imports are directed towards the industrial sector.

Other assistance

In the field of **social infrastructure**, Zanzibar's general hospitals have been assisted; and the water supply systems for the towns of Mwanza, Mtwara and Mbeya have been extended, trebling capacity for the first two and doubling it for Mbeya. This investment helps to ensure that the systems better meet present and foreseeable future needs.

Although Tanzania has not required **food aid** on a massive scale in relation

to its 26 million inhabitants, it has nevertheless received over 75 MECU of Community food aid since 1976, much of which has been sold to generate counterpart funds for use in emergency relief and various agricultural development activities. These funds represent considerable extra development resources, and have made it possible to encourage agricultural production and avoid adverse effects of food aid on farm prices.

Community aid

(allocations in million ECU)

	Lomé I	Lomé II	Lomé III	Lomé IV
National Indicative Programme	103.4	120.7	176.5	166.0
EIB loans: own resources	5	-	-	-
risk capital	7.7	9.7	26.5	19.3
Structural Adjustment Facility	-	-	-	85
Sub-total	116.1	130.4	203.0	270.3
Stabex	20.7	20.9	8.9	45.3
Food aid	13.7	32.2	24.4	4.2
Other (Emergency aid, NGO projects, etc....)	1.2	3.7	6.2	4.0
Total	151.7	187.2	242.5	323.8
GRAND TOTAL				905.2

ZAMBIA

Background

Occupying an area slightly larger than Britain and Spain put together, and nearly twice the size of neighbouring Zimbabwe, landlocked Zambia contains some 8.4 million inhabitants. Zambians are among the most urbanised of African peoples: over half the population live in towns, which grew up around the mines or along the railways built to transport the copper and other mineral products - cobalt, lead and zinc - to the distant ocean ports. The rest live in villages or in small rural townships scattered over a vast area.

Although the country inherited one of the highest per-capita incomes in Sub-Saharan Africa on gaining independence in 1964, subsequent poor economic management combined with a slump in copper prices and copper output (copper still accounts for some 80% of export earnings), oil price rises, and high transport costs, resulted in decades of serious economic decline. Zambia became one of the world's most indebted nations - with a debt burden of almost US\$ 1 000 per capita.

The new government, elected through democratic elections in 1991, has put into place a radical programme of reforms, which is being implemented at a remarkable pace. Taking account of Zambia's new economic, social and political priorities, Lomé IV funds have been focussed towards support for structural adjustment, assistance to the productive sector (rehabilitation and maintenance of the road system, promotion of non-copper exports, improvement of the animal health sector), and aid for the social sector. Under earlier Lomé Conventions agricultural and integrated rural development programmes received priority.

Structural adjustment support

The government has committed itself to improving economic efficiency and establishing a more stable macro-economic environment, restoring internal and external balances, boosting non-copper exports and generally diversifying the economy away from copper.

To this end it is swiftly implementing a radical economic adjustment programme - which will involve a major liberalisation of the economy, including reform of demand, supply, exchange rate and external debt poli-

cies. Impressive progress has already been made.

The Community has allocated 12 MECU from the Lomé IV NIP, 71 MECU from the Structural Adjustment Facility and 60 MECU from SYSMIN III funds as structural adjustment support. Foreign exchange is being provided to finance necessary imports for the productive sector, while the counterpart funds are credited to the national budget - enabling the government to commit adequate levels of expenditure to the social sectors and reduce public-sector debt. The latter should make room for expansion of credit to the private sector.

Under Lomé IV almost 2 MECU has been made available to assist the Zambian government to more effectively manage its own and external financial resources.

Social sector assistance

Structural adjustment inevitably affects the most vulnerable groups in society. Delivery of effective health and education services is therefore important for the success of the overall programme.

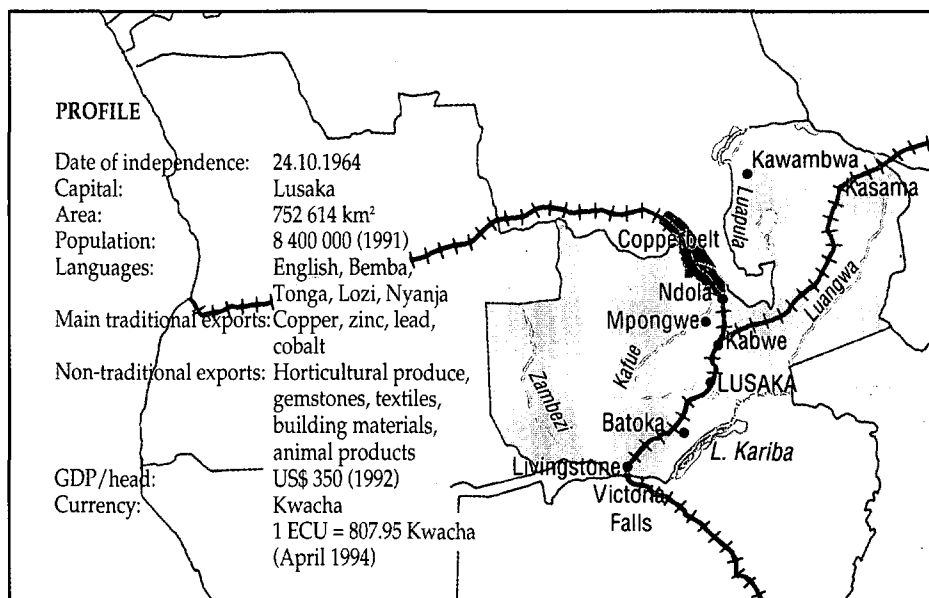
12 MECU from Lomé IV NIP under the **Social Sector Support Programme** is backing up policy reforms in the Ministries of Health and Education - which will lead to the decentralisation of services to the districts and the restructuring of planning functions and policy formulation in the central-line ministries. Short and medium

term programmes will combine extensive rehabilitation and refurbishment of medical and educational institutions with technical assistance through training at district level.

Furthermore, Zambia will be assisted in its efforts to combat the AIDS epidemic through regionalisation of the National Blood Transfusion Service - and hence the provision of safe blood.

10 MECU from Lomé IV ensures the continuation of the successful **Microprojects Programme** (7 MECU from Lomé II and III), whereby communities are given funds to improve their own conditions, particularly in the areas of basic education, health, safe water, sanitation and food security. Groups targetted for help under this scheme include: urban and rural female-headed households; rural communities in areas of environmental risk (e.g. drought-prone areas); low income urban households; the young (especially children under five); the aged, disabled and chronically ill (including AIDS victims and their families); and agricultural smallholders.

The **Zambia Centre for Accountancy Studies** (ZCAS) was established with Lomé III funds to address the critical shortage of professionally qualified accountants by providing accountancy training within Zambia - thereby saving on scarce foreign exchange otherwise needed to send students abroad. The project has been a great success - pass rates in internationally set exams have been twice the world average, and under Lomé IV 6.8



MECU will provide for a further 200 Zambian accountants to be trained, for 150 to obtain a licentiate qualification, and for the creation of a sustainable and commercially viable training institution.

Transport and communications

A total of 38 MECU (Lomé III and IV) is being devoted to the rehabilitation of some 200 km of a major trunk road - the Great North Road - which links Lusaka with Kabwe and then Kapiri Mposhi. Further roads projects are being considered for funding under Lomé IV national and regional programmes.

A 2.2 MECU grant from Lomé III regional funds will help finance the rehabilitation of the quay, improvement of access roads and the provision of a workshop and crane for Mpulungu harbour on the southern end of Lake Tanganyika.

Mining

Although Zambia still derives almost all its foreign exchange from copper and cobalt exports, declining output, rising production costs, and fluctuating world prices, have rendered the mining sector an unreliable source of income.

In addition to large loans from earlier SYSMIN facilities, a SYSMIN III allocation of 60 MECU has been made. With the emphasis now upon reducing the economy's dependence on mining, these funds will not as previously be channelled directly back into the mining sector but will reinforce the general balance of payments support programme.

Agriculture and livestock

Agriculture

Zambia's land is relatively fertile, rainfall is mostly adequate and reliable, and moderate average temperatures allow most tropical and some temperate products to be grown. When rainfall is inadequate it can usually be supplemented by irrigation from the rivers which drain large areas of the country - the Zambezi and its tributaries in the West, South, Centre and East, the Luapula in the North. As a

result the agricultural sector has real potential to become a greater source of income and employment.

Two smallholder development projects - one in the northern Copperbelt Province (12 MECU) and the other in the Central Province (12.35 MECU) - have been launched with Lomé III resources to increase production and yields through the introduction of improved technical packages for rain-fed agriculture. In line with the government's recent liberalisation in its approach to agriculture, these projects have been reoriented to focus upon market information, credit and privatisation pilot schemes on crop marketing.

5 MECU of Lomé IV funds have been targeted for the **rehabilitation of 300 km of feeder roads** in areas of high agricultural production in the Copperbelt and Central Provinces.

Livestock

Although cattle farming is on a smaller scale than in neighbouring Botswana, the Zambian livestock industry is a flourishing concern. The Community has financed several operations of benefit in this sector.

- The **Livestock Services Co-operative Society** was set up under Lomé III as a vehicle to test and implement salient points of the agricultural policy reform process - and, amongst them, the development of private initiatives in the delivery of livestock

services and the redefinition of the private and public sectors' respective roles in the industry.

- A 1.3 MECU grant has been made available under Lomé III to the **Batoka Dairy Cross-Breeding Ranch** to produce dairy cross-breed animals to be sold to various government and donor-aided rural dairy schemes, with a view to increasing dairy production.
- The question of **animal health** was addressed under Lomé II and III by the building of a laboratory to produce animal vaccines locally (3 MECU), and by a regionally and nationally funded Tsetse programme, chiefly in the Zambezi Valley area (7.1 MECU). 8 MECU under Lomé IV will allow for the increase in area of intervention of the tsetse project (2 MECU) and will focus on the LSCS (2 MECU) - mainly directed to input supply through the private sector and the establishment of private veterinary facilities to improve disease control and to increase productivity.

Trade

10 MECU from the Lomé IV NIP are funding an **export development programme** which aims to boost Zambia's non-copper exports. The coffee, tobacco, horticulture and cotton textiles sectors have been identified as having hitherto unexploited export potential - and Community resources will fund the provision of credit facilities, training, consultancy and advisory services, technical and market information and quality control test facilities for exporters.

It is worth recalling the Community's support, mentioned earlier, for the PTA and its secretariat which is based in Lusaka.

Other assistance

In the non-mining **industrial sector**, which the government hopes to develop as an alternative source of employment and income, the EIB has made several loans to the Development Bank of Zambia for on-lending to companies working chiefly in industry, agro-industry and tourism. The EIB loan for the Tazama oil pipeline has been mentioned under regional co-operation.

During the severe drought of 1991/92, which resulted in heavy crop losses in six of Zambia's nine provinces, the Community pledged a total amount of 109 430 tonnes of **food aid**. Most of the aid was given to the Government for resale, with the counterpart funds subsequently created being used to finance drought-related projects. The balance was distributed free through NGOs to those in particular need of assistance. In this instance some 300 000 people benefitted from free EC food aid.

1.2 MECU has recently been allocated towards support programmes for Angolan and Zairean refugees inside Zambia.

The Community is currently undertaking studies regarding the potential for development of Zambia's **tourism** and **handicraft** sectors.

Community aid

(allocations in million ECU)

	Lomé I	Lomé II	Lomé III	Lomé IV
National Indicative Programme	45.1	58	92 ¹	95
EIB loans: own resources	10.5	31.5	-	-
risk capital	4.76	7.18	11.7	35
Structural Adjustment Facility	-	-	-	71
Interest rate subsidies	1.5	8.6	-	-
Sub-total	61.86	105.28	103.7	201
Sysmin	-	82.27	-	60
Food aid	4.78	21.69	5.2	39
Emergency / refugee aid	16.38	1.29	1.18	1.2
Other (SAPs ² , NGO projects, AIDS)	0.17	7.54	2.91	3.37
Total	83.19	218.07	112.99	304.57
GRAND TOTAL				718.82

¹ Includes 11 MECU transferred under a special programme for poor and heavily indebted countries of Sub-Saharan Africa.

² Special Action Programmes to combat Hunger in the World.

ZIMBABWE

Background

The smallest of the large SADC countries (although still bigger than Germany), Zimbabwe is well endowed with natural resources. Minerals are abundant and varied: some 40 metals and stones include gold, nickel, ferro-alloys, copper and gemstones in significant quantities. There are large coal deposits, and the waters of the Zambezi, dammed at Kariba, provide hydro-electric power. There is enough arable land to produce substantial maize surpluses in normal years.

Partly because of its fortunate endowment, the country possesses the most diversified and industrialised economy in the SADC region; in 1992 manufacturing contributed almost 25% of Zimbabwe's gross domestic product. Manufactured goods represent over 30% of exports: a variety of commodities make up the rest - tobacco, gold, ferro-alloys, copper, nickel, cotton, maize, sugar, meat. Zimbabwe, which is involved in 30% of all intra-SADC trade, counts the European Community as its main trading partner.

The country is not without its problems, however. Dependence on Mozambican and South African routes to the sea is something of an Achilles' heel. The development of the "communal lands", i.e. those outside the commercial farming areas, is proving a major task involving difficult questions of land use as well as calling for much time and money. Its climate is too dry for comfort - parts at least of the country suffer drought three years in every nine, on average. An imbalanced economy prompted the government to apply a Structural Adjustment Programme in 1991 (which was maintained despite the severe drought in 1992) - and while necessary, the restructuring measures have resulted in short term problems such as steep price rises, which have a harsh effect on the everyday lives of people.

To varying degrees Community assistance has been applied to each of these problems, with especial emphasis, however, on the development of the rural areas, and more recently, support for structural adjustment.

Structural adjustment support

The decision by the Zimbabwean government to apply a 5-year Economic Structural Adjustment Programme in 1991 makes the country

eligible for support from the Community's Structural Adjustment Facility. A total of 60 MECU (36 MECU from the SAF supplemented by 24 MECU from Zimbabwe's Lomé IV NIP) will support the Government's Trade Liberalisation Programme in the period up to mid-1996. Counterpart funds generated will be directed towards the health and education sectors.

Rural development

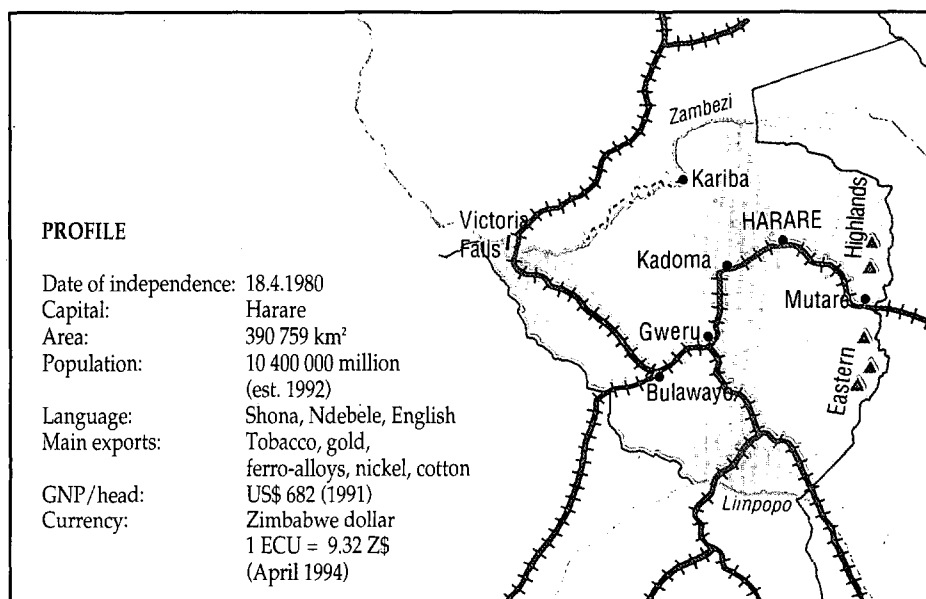
In Matabeleland South, one of the poorest and driest parts of the country, an ambitious **water supply and sanitation** programme, initiated under Lomé II and to be extended under Lomé IV, is improving living standards for 70 000 people by providing 350 water points and the materials for some 6 000 pit latrines to be built on a self-help basis.

The severe 1991/1992 drought - which resulted in a drop of 40% in Zimbabwe's agricultural output, with maize production falling by as much as 85%, emphasised the urgent need for effective irrigation. A **small-scale irrigation** programme was implemented in 1989 with 14 MECU of Community funds.

Lomé II saw the first of a series of **micro-project** programmes under which the Community finances small-scale schemes, often local initiatives, in the rural areas. These have proved so popular (see inset) that no fewer than 7 programmes have been launched since 1982, absorbing over 30 MECU of Zimbabwe's Lomé II, III and IV allocations.

Cattle rearing is one of the country's foremost economic activities (Zimbabwe is Africa's leading exporter of beef and veal to the Community). Zimbabwean livestock is, however, under constant threat from the tsetse fly, a carrier of trypanosomiasis, and foot and mouth disease. **Animal disease control** has been financed either from regional funds - this was the case for the twice-yearly vaccination campaign against foot and mouth disease in the areas bordering Botswana (24.6 MECU from the 5th, 6th and 7th EDF) - or, for the tsetse control operations in the Zambezi Valley area, from a mix of regional and national funds (31.6 MECU). The latter have so far cleared a substantial area of land of the tsetse fly, releasing it for productive use - for agriculture, grazing or wildlife, whichever is the most appropriate. The University of Zimbabwe's new school of veterinary science (see below) will back up work in this field.

The problem of **land use** was tackled under Lomé III, through the 3 MECU Kanyati and Gatshe-Gatshe pilot project at the eastern end of Lake Kariba in the Zambezi Valley. This is designed to restrict agriculture and grazing to areas really suitable for those purposes, as distinct from areas to be set aside for wildlife, which will be separated from the farmland by an EC-funded foot and mouth disease barrier fence. Although complex - numerous organisations are involved, to allocate Land, demarcate village boundaries, drill boreholes, align and build the fence, etc. - the success of this project has meant a further 4.6 MECU being



The microprojects programme

Zimbabwe's microproject programme, funded under successive Lomé Conventions, is one of the largest and most successful in any ACP State. By mid-1990, some 650 microprojects involving about 2 800 separate operations or locations had been approved, for the benefit of approximately 700 000 rural families in Zimbabwe.

Under Lomé II, three microproject programmes were approved, amounting to 6.6 MECU or 12% of the National Indicative Programme. Under Lomé III, another three microproject programmes were funded with 16 MECU or 21% of the Lomé III National Indicative Programme, and Lomé IV (first financial protocol) allocated 24 MECU. The Community's growing interest in microprojects is reflected in the increasing percentage of NIPs being devoted to them.

Agricultural production, social infrastructure and education have been the main sectors of concentration within the programme from the beginning. The scope is wide indeed, varying from reconstruction of primary schools and health clinics, to fisheries co-operatives on Lake Kariba, and other forms of employment-generating schemes in the rural areas.

allocated from Lomé IV funds, and the project area being extended to include the communal lands of the District of Omay. Similar projects over larger areas - up to 500 000 ha in all - are being discussed.

The Mashonaland East Vegetable and Fruit Project Phase II (3.3 MECU, Lomé IV), which commenced in 1993, is designed to strengthen farmers' marketing organisations and improve the quality and quantity of vegetables and fruit being grown in the Communal Areas for Harare markets.

Education and training

In addition to the innumerable **primary schools** built in the rural areas under the microproject programmes, the EC allocated 12.5 MECU from the 6th EDF towards the building of Zimbabwe University's **Veterinary Faculty** in Harare, and 9.1 MECU from 7th EDF national and regional funds for technical assistance and training. The Community has also supported the **Technical Training Institute** in Gweru, which was upgraded with 6th EDF funds. The Human Resources Development Programme (4.5 MECU) is funding scholarships and training awards.

Regional funds will develop the existing isotope laboratory at the Geology Department of the University of

Zimbabwe to create a regional centre for research and staff training.

Industry

The European Investment Bank has loaned from its own resources over 183 MECU in Zimbabwe since 1982:

Year	Recipient	Amount in MECU
1982	Wankie Power	20
1983 and 1989	Zimbabwe Telecommunications	33
1987 and 1992	Zimbabwe Development Bank	14
1987	Harare Water Supply	12
1987	Cold Storage Commission	14
1989	Kadoma Paper Factory	12
1990, 1991, 1993	Zesa Power	63
1992	Harare Sewerage	15

In addition, contributions were made from EDF resources, in the form of interest rate subsidies totalling 35.6 MECU, and risk capital loans totalling approximately 12.6 MECU to the Zimbabwe Development Bank, which on-lends to small and medium-sized firms in manufacturing, mining and tourism.

Trade

The Lomé Conventions are helping Zimbabwe's trade, directly and indirectly, in a number of ways:

- the general trade provisions, which, for instance, allow Zimbabwe's cotton and tobacco producers to export to the EC free of quotas or duties;
- the Sugar Protocol: the annual quota of 30 225 tons is worth an estimated 13 MECU a year;
- the Beef Protocol: the levy charged by the government on 9 100 tons of exports (increased to 14 242 tons for 1993 and 1994) to Europe brought in almost 45 MECU in 1993;
- local food aid purchases: between 1985 and 1988 the Community bought no less than 155 000 tons of Zimbabwean maize, for distribution in other countries.
- trade promotion funds: the Export Development Programme (4.4 MECU, Lomé III); support to Zimtrade, the national trade promotion board - with the objective of strengthening trade with other countries in the region (10.2 MECU, Lomé IV NIP); and support for participation in trade fairs.

Zimbabwe benefitted during 1992 from STABEX transfers for reduced export earnings from coffee and cotton resulting from the severe drought, which amounted to 15 MECU.

Tourism

Tourism is gaining in importance every year, and becoming one of the country's major foreign exchange earners -

in 1992 alone Zimbabwe attracted 765 500 visitors from abroad. Recognising this sector's potential the government has launched - with 3.6 MECU of Community support - the Zimbabwe Tourist Development Programme. To help manage and protect Zimbabwe's wildlife, one of its principal tourist attractions, the Community is supporting the Department of National Parks and Wildlife Management. A Community-financed wildlife vet is currently working on a programme to dehorn rhinos in an attempt to save them from extinction. Training in Wildlife Management has also been strengthened through the Veterinary Wildlife Programme under Lomé IV.

Regional funding has financed Zimbabwe's attendance at a number of international tourism and travel fairs.

Community aid

(allocations in million ECU)

	1980/81	Lomé II	Lomé III	Lomé IV
Pre-Lomé aid	18.5	-	-	-
National Indicative Programme	-	49	77	88
Structural Adjustment Facility	-	-	-	36
EIB loans: own resources	-	35	70	78
risk capital	-	5.2	0.5	7.1
Interest rate subsidies	-	3.4	12.9	19.3
Sub-total	18.5	92.6	160.4	228.4
Emergency/refugee aid	-	5	1.2	2
Food aid	-	23.8	-	21.5
NGO Co-financing	-	4.4	3.1	2.2
Stabex	-	-	-	15
Other	-	-	0.7	-
Total	18.5	125.8	165.4	269.1
GRAND TOTAL				578.2

¹ Provisional total for 1992.

Other assistance

In response to the 1991/1992 drought, the EC supplied 80 000 tonnes of cereal equivalent and 416 tonnes of seed as part of the special food aid programme, additional to the 2 685 tons of various food commodities under an emergency decision within the Commission's "normal" programme. The total value of these supplies amounted to nearly 22 MECU. Due to the extremely serious losses in food production and other sectors, the Commission decided to concentrate its efforts on allocating food for free distribution.

In addition to its support for local initiatives through the microprojects programmes, the Community has co-financed over 160 projects between 1980-1992 implemented by NGOs, at a total value of about 11 MECU, many of them in rural areas.

Various financing operations under the 5th, 6th and 7th EDFs have enabled the Community to co-operate with Zimbabwe to provide relief for Mozambican refugees displaced by the war and living in camps close to the Mozambican border.

Finally, the Community's substantial contribution from regional funds to the rehabilitation of the Beira Corridor is, of course, of great importance for Zimbabwe, which can expect considerable savings in reduced transport costs from greater use of this route.

CO-OPERATION WITH OTHER COUNTRIES

SOUTH AFRICA

Background

The early nineties have seen profound political transition in South Africa. After some 40 years of apartheid rule, the first democratic, multi-racial elections in the country's history took place in April 1994.

South Africa is widely perceived as a highly developed country, which once freed from the shackles of the unjust and wasteful system of apartheid and from international sanctions, will become a major economic power. With its sophisticated manufacturing and mining activities, abundance of natural resources, and highly developed financial services industry, the country has potential for economic success. However only a small minority have enjoyed a high standard of living, while the majority of the population has suffered from chronic underdevelopment. The new democratic government will inherit a structurally weak economy with an overdependence on mineral exports, an industrial sector which is largely uncompetitive internationally, an acute shortage of skilled labour and burgeoning unemployment. Furthermore, the demands on the new government in redressing the injustices of the past and meeting the expectations of the newly enfranchised population will be immense.

In response to the political reforms, the EU has begun a process of normalising its relations with South Africa. The lifting of most trade sanctions allowing renewed access to Europe's 347 million consumers will generate considerable revenue in export earnings. Development aid - principally in the areas of education and training, health, rural and agricultural development, community development, good governance and job creation - will be provided in the context of the Union's "Special Programme on South Africa". The largest programmable development initiative ever implemented by the EU anywhere in the world, the Special Programme has committed over 370 MECU to South Africa since 1990 - making the Community's contribution to the country the biggest of any single overseas aid donor. Furthermore, following the lifting of economic and diplomatic sanctions, an official Commission Delegation has been established in South Africa.

The Special Programme on South Africa

Launched in 1985 as part of the European Community's response to the intensification of official repression in South Africa, the "Special Programme" aimed to assist the process of peaceful change by supporting non-racial activities - chiefly education and training, humanitarian and social aid and legal assistance - through non-violent organisations in South Africa and Namibia.

In accordance with mutually agreed criteria and guidelines, Community funds were channelled exclusively through four non-racial, non-governmental organisations - namely the South African Council of Churches (SACC), the Southern African Catholic Bishops' Conference, the Kagiso¹ Trust, and Trade Unions - to projects selected for assistance by a number of European NGOs with experience in South Africa and trade union federations. Between 1986 and 1991 Community funding totalling over 130 MECU supported 402 projects.

The unbanning of political opposition groups and the repeal of apartheid legislation in the early 1990s prompted the EC to transform the "Special Programme" into a more coherent, sector-based development project. Focal areas of support are: education and training; health; rural and agricultural development; community development; good governance and democratisation; and job creation.

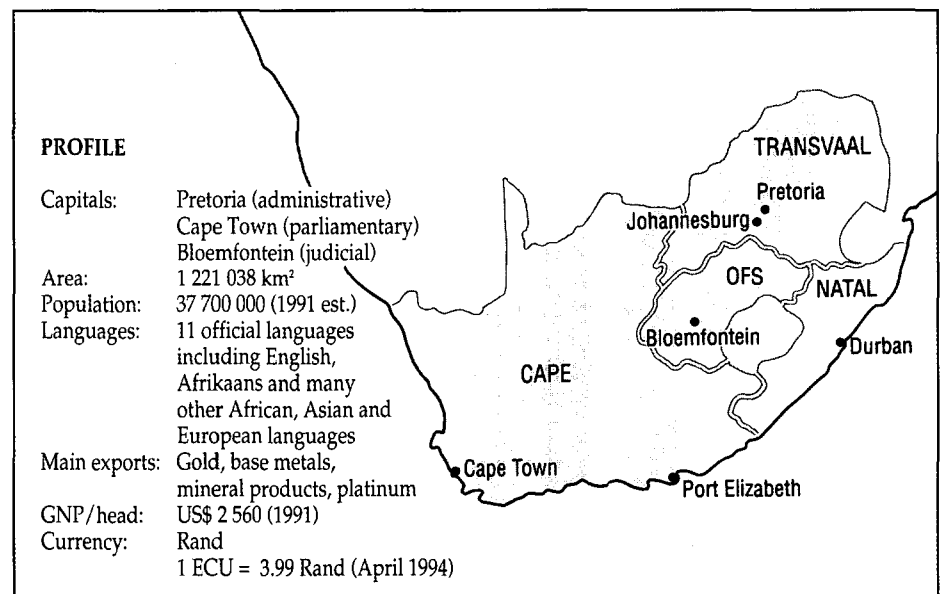
Reorientation was complemented by a substantial increase in the Programme's budget and the opening of the European Commission's Programme Coordination Office in Pretoria in March 1991 - enabling the Commission to become more directly involved in the identification, assessment and monitoring of projects.

Education and training

Racially separated education - and state spending on white pupils which was five times higher per capita than on African pupils - has left a legacy of overcrowded, under-resourced black schools with under-qualified teachers, inappropriate curricula and a highly fractured administration. The development of a single, effective and non-racial education system is critical to South Africa's future, both to rectify the imbalances of the past and to increase the country's human resource capacity for economic growth.

Education and training is receiving the largest share of the Special Programme budget. A total of over 91 MECU since 1991 has supported a number of educational initiatives from pre-primary to tertiary level, which cover:

- **Policy research:** financing of university research units and NGOs working on key areas of education - such as administrative systems, educational management, curriculum development and teacher training.



¹ Kagiso means "peace". The trust was presented with the International King Badouin Prize for development work in 1990.

- **Institution and capacity building:** the EU is funding targeted educational institutions - among others the South African Institute of Distance Education, the new Independent Examinations Board, the SACHED Trust, and training programmes to increase the management capacity of NGOs in educational and other fields to enable a more effective delivery of services.
- **Non-formal and adult education:** - with emphasis on adult basic education (8 MECU), maths and science tuition and teaching training.
- **Vocational training:** aiming to equip black South Africans with skills which will help them to find employment.
- **Pre-school education:** financial support to a number of NGOs which act as service organisations assisting community-based pre-schools and crèches as well as pre-school teachers.
- **Tertiary education:** during 1993 alone 20 MECU - representing the largest single project commitment of the Special Programme - financed bursaries for 7000 students at university and technical college level. Special training programmes in areas such as Public and Development Administration have received 3.8 MECU.

Rural and agricultural development

The Union's involvement with rural and agricultural development has become more pronounced in recent years as the Special Programme has assumed a more developmental focus - accounting, after education, for the greatest total expenditure from the Programme budget (37.5 MECU since 1991).

One of the major concerns within rural locations is the dependency culture - in which communities, pushed into overcrowded "homeland" areas where agricultural and economic activities are severely limited, live almost entirely from remittances sent by relatives working in urban areas and from savings and pensions. EU-supported projects aim to help these communities become productive, and to generally improve their living conditions. Principal activities are the supply of

water and sanitation (notably through a 13.5 MECU "issue-led" programme), agricultural development, income generation projects, the encouragement of micro-enterprises and community development initiatives (pre-school, literacy and health projects,...).

Health

Most of South Africa's health problems can be attributed to socio-economic causes - lack of education, potable water and clean living conditions - which are being addressed under other areas. An additional 9.7 MECU is, however, funding specific projects, training programmes and research

and development in the health sector - with the broad aim of supporting the development of a unified national health system based on the principles of accessibility, equality, affordability and efficiency. Attention is being focused towards:

- **Primary health care**, including health and nutrition clinics and local community health workers;
- **Industrial and occupational health units** - to monitor health and safety in the workplace and assist individual workers and trade unions with information and training on the issue of occupational health;

- **AIDS prevention initiatives**, within the biggest nationwide programme aimed at preventing the spread of the AIDS virus;
- **Research into health policy issues** and the development of new models for a unified health system.

Community development

Overloaded by the movement of large numbers of people to the cities - Durban, for example, is one of the fastest growing cities in Africa - South Africa's local government system is in a state of crisis. Conditions in urban townships and the settlements growing up around them are often appalling - basic amenities are lacking, violence and conflict is common and housing is inadequate. The greater part - 3 MECU - of the Special Programme's budget for community development is financing **representative local community structures** - known as "Civics" - and professional urban service organisations who are developing strategies to address South Africa's urban problems.

To help the numerous **street children** living in South Africa's cities, the EU is supporting two NGOs in their work with 1 million ECU to provide shelter, subsistence, social work services and educational opportunities to over 1 000 youths in four cities around the country.

Trade unions have become an increasingly influential force in South African society over the last two decades - and the two largest federations, COSATU and NACTU, represent many millions of working people. 2.7 MECU of EU funds are providing technical assistance, organisational development and training programmes to trade unions, and financing research groups and service organisations in the labour field - with the aim of developing union capacity to represent their members in an efficient and effective manner.

Some 1.4 MECU have been committed to the development of micro-enterprises within the black urban community, as an effort to reduce the extremely high levels of unemployment, increase economic growth, and give black South Africans a bigger stake in the country's economy. Under a new legislative framework this area will be a priority for EU support.

A pilot project which is supplying much needed employment and skills training - and at the same time providing low-cost housing for people - is receiving 13.4 MECU from the Union.

Good governance and democratisation

A total of 17.8 MECU since 1991 has been given from the Special Programme budget to initiatives which take as their broad aim the promotion of the transition towards representational democracy in South Africa.

The 5 million ECU Voter Education Programme was implemented by the Independent Forum for Electoral Education (IFEE), a broad-based and representative NGO. The focus of the programme was the media, with voter education material being spread through newspapers, television - and, most importantly in South Africa, via radio.

The EU provided 320 election observers to assist in overseeing South Africa's first democratic elections. The body concerned with this initiative - the European Union Elections Unit - funded through the Special Programme, provided technical assistance and support to the Independent Electoral Commission (IEC).

The scale of violence in the country remains a potent threat to the ongoing political and democratisation process. Projects which provide dispute resolution services to communities through-

out the country are being supported with EU funds - as is the National Sub-Committee on Socio-Economic Reconstruction and Development, convened by the National Peace Accord, which aims to tackle some of the underlying social and economic causes of violence. The EC Observers Mission in South Africa (ECOMSA) monitors conflict and violence, and tries to maintain a high visibility at events - such as demonstrations - which have the potential to end in conflict.

Future relations between the EU, SADC and South Africa

In the wake of South Africa's first democratic, non-racial elections in 1994, the EU is embarking upon negotiations with the South African government regarding future development assistance measures aiming to address the long-term priority needs of the country. These measures will include economic and trade co-operation: among the options being considered are assistance in the form of loans, capital investment, training for small and medium sized enterprises, joint ventures, trade fairs etc. Furthermore, an initiative to forge links with universities and other interest groups in the country is being discussed. The ongoing Special Programme will conti-

nue to evolve according to the specific requirements of South Africa - and, as before, NGOs will play a role in implementation.

The acceptance of South Africa into SADC is currently under discussion. There is already general agreement on the "regional dimension" of future development assistance to South Africa.

Principal abbreviations used in the Brochure

ACP:	African, Caribbean and Pacific countries which have signed the Lomé Convention
EC:	European Community
ECU:	European Currency Unit (the EU's accounting unit, worth approximately 1.15 US \$ in April 1994)
EDF:	European Development Fund
EIB:	European Investment Bank
EU:	European Union
GNP:	Gross National Product
MECU:	Million ECU
NGO:	Non-governmental organisation (Save the Children Fund, Danchurchaid, etc.)
NIP:	National Indicative Programme
PTA:	Preferential Trade Area for East and Southern Africa
SACU:	Southern African Customs Union
SADC:	Southern African Development Community
STABEX:	Stabilisation of Export Earnings
UNCTAD:	United Nations Conference on Trade and Development



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