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To what extent is overlapping membership of regional structures with mutually exclusive objectives in the SADC region an impediment to regional integration

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ABSTRACT

The main objectives of the study was to determine the exclusivity of the objectives of the regional groupings within the SADC region and to assess the impact that membership overlaps has on the realization of specific regional grouping objectives.

A qualitative research approach was adopted. Semi-structured in-depth expert interviews were used to determine the issues arising from regional membership overlaps in the SADC region.

Due to limited literature around the subject of regional integration in the SADC region, work done by my supervisor Dr Jannie Rossouw were cited in some instances.

Recent developments in the Western economies that have resulted in the refocusing of the SADC region have resulted in polarization amongst the regional groupings in Africa. Furthermore, existing regional groupings within the Southern Africa, have endenvoured on an ambitious regional integration agenda which has resulted in membership overlaps within the existing regional bodies.

The study found that these regional overlaps are costing the affected member states in the form of monetary subscription and through the deployment of the rare human skilled resources to regional secretariats. The advent of the European Partnership Agreements has caused polarization within the SADC region through the signing of various bi-lateral and multi-lateral agreements. Most importantly, this study found that structural overlaps exist within SADC itself. A lack of sufficient political will amongst SADC member states was also noted as an impediment to regional integration.

However, the study also noted some positive performances of existing regional grouping despite membership overlaps. The Common Monetary Area was highlighted as a grouping that was performing in line with prescribed regional integration convergence indicators.

KEYWORDS

Macro-economic convergence, Regional economic integration, Southern African Development Community (SADC)

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfillment of the requirements for the degree of Master of Business Administration at Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorization and consent to carry out this research.

Name: Simambo Tenford Banda

Signature: **Date**: 7 November 2012

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A special thanks goes to my supervisor Dr Jannie Rossouw for his guidance and unrelenting support towards the completion of this research. It is also important to note that Dr Jannie Rossouw's work has been in some instances referenced in this paper due to his extensive contribution in the area of regional integration and monetary union in the region.

Final acknowledgement goes to the people interviewed during the execution of this research, specifically, for affording me their time and valuable input.

1 Introduction to the Research Problem

1.1 Research Problem

Recent developments in the European Union, the refocusing of the Southern African Development Co-operation (SADC) and most recently, the launch of the New Partnership for Africa's Development, have important implications for the future role and functions of the existing economic integration initiatives in different parts of the world (Matšaseng, 2008).

In the African continent, several regional initiatives have been launched or executed giving rise to several groupings including the Common Market for Eastern and Southern Africa (COMESA) consisting of 19 countries, the Economic Community of West African States (ECOWAS) which includes 15 countries, the Economic Community of Central African States (ECCAS) with 10 countries and SADC with 15 countries (Ott and Patino, 2009).

Ott and Patino (2009) contend that these regional groupings are not exclusive in that several countries belong to more than one regional grouping and that many groupings in Africa have had a long term goal of creating an all-inclusive African Economic Union with the objective of promoting the African continent's economic growth, political stability, and good governance.

The majority of sub-Saharan African countries are members of one or more regional or sub-regional arrangements that seek to promote economic coordination, cooperation or integration among the member countries concerned (Maruping, 2005).

Maruping (2005) further asserts that the basic objective that underpins the pursuit of regional integration is to integrate economies, i.e. and, as a derivative, form a monetary union. This requires a harmonisation of economic policies.

The appeal of regionalism is, for many policy makers in Africa, geographically intuitive seeing that colonialism created an extremely fragmented state system which, combined with economic and political marginality, has encouraged the formation of a large number of inter-state organisations and institutions (Gibb, 2009).

While it is technically possible for the free trade areas to coexist, it is not possible for any member state to belong to more than one customs union regime. This poses a major obstacle for the development plans of the regional economic communities within southern Africa. Multiple memberships of overlapping customs unions with different trade regimes are geographically, economically and politically unsupportable and unsustainable. The dilemma of multiple memberships applies to all the regional communities; none of the regional groups is exclusive (Gibb, 2009).

On the other hand Yang and Gupta (2007) contend that Regional Trade Arrangements (RTAs) in Africa have been ineffective in promoting trade and foreign direct investment due to relatively high external trade barriers and low resource complementarity between member countries hence limiting both intra- and extra- regional trade.

In an assessment of Monetary Integration Initiatives, Buigut (2006) asserts that overlaps in membership of monetary integration initiatives in the Eastern and Southern Africa (ESA) region is a major stumbling block to deeper integration, citing that a strict implementation of the East African Community (EAC) customs union concluded in 2004 would violate existing Common Market for Eastern and Southern Africa (COMESA) and Southern Africa Development Community (SADC) free trade agreements.

It is against this background that this study is undertaken to assess the extent and impact of overlapping membership of member states in regional structures on the realisation of key macroeconomic convergence objectives in Southern Africa.

1.2 Research objectives

This study endeavours to obtain a deeper understanding of the following factors:

- The exclusivity of the objectives of the regional groupings within the SADC region;
- The impact that membership overlaps has on the realisation of specific regional grouping objectives;
- The key macroeconomic variables that are potentially affected by overlapping membership and to what extent is that impacting on the realisation of regional integration

- Which macroeconomic variables are not affected by regional overlapping membership in terms of meeting the SADC macroeconomic criteria for macroeconomic convergence

2 Literature Review

2.1 Introduction

It is argued that regional integration still remains the key strategy that will enable African governments to accelerate the transformation of their fragmented small economies, expand their markets, widen the region's economic space, and reap the benefits of economies of scale for production and trade, thereby maximising the welfare of their nations and that regional integration increases competition in global trade and improves access to foreign technology, investment, and ideas (UNECA, 2004).

The various African regional economic blocs, and indeed the individual countries that comprise their membership, are at varying stages of development and implementation of their regional arrangements. The blocs' scope covers various socio-economic, developmental and political considerations, including the promotion of intra-regional trade, socio-economic policy coordination, and management or development of shared physical infrastructure and the environment. Some of the African regional arrangements also cover issues of common interest in the areas of public governance, defense, security, and socio-economic and political development (Maruping, 2005).

2.2 Regional Economic Communities

Regional economic communities (RECs) are intergovernmental organisations set up by groups of countries to foster stronger economic ties and cooperation (Tavares and Tang, 2011).

Southern and Eastern Africa register the highest number of RECs in Africa, all characterised by multiple and overlapping memberships. Apart from Mozambique, every country in the sub-region belongs to more than one REC. The major RECs in Southern and Eastern Africa include COMESA, SADC, the EAC, SACU, the Inter-Governmental Authority on Development (IGAD), and the Indian Ocean Commission (IOC) (Draper, Halleson & Alves, 2007).

2.2.1 Southern African Development Community (SADC)

The Southern African Development Community (SADC) started as *Frontline States* whose objective was political liberation of Southern Africa. SADC was preceded by the Southern African Development Coordination Conference (SADCC), which was formed in Lusaka, Zambia on 1 April 1980 with the adoption of the Lusaka Declaration (SADC, 2012a).

Currently SADC has a membership of 15 Member States, namely Angola, Botswana, Democratic Republic of Congo (DRC), Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe (SADC, 2012a).

SADC has a number of objectives which range from the promotion of sustainable and equitable economic growth and socio-economic development to the combating of HIV/AIDS or other deadly and communicable diseases (SADC, 2012c).

SADC's future plans for deeper integration are spelled out in the Regional Indicative Strategic Development Plan (RISDP). This document seeks to align the strategic objectives and priorities with the policies and strategies to be pursued in attaining full integration into a full-fledged common market over a period of 15 years (Draper et. al, 2007).

The broad strategies of the SADC as contained in the Treaty are to (SADC, 2012c):

- harmonise political and socio-economic policies and plans of Member States;
- encourage the peoples of the Region and their institutions to take initiatives to develop economic, social and cultural ties across the region, and to participate fully in the implementation of the programmes and projects of SADC;
- create appropriate institutions and mechanisms for the mobilisation of requisite resources for the implementation of programmes and operations of SADC and its institutions;
- develop policies aimed at the progressive elimination of obstacles to the free movement of capital and labour, goods and services, and of the peoples of the region generally, among Member States;
- promote the development, transfer and mastery of technology;

- improve economic management and performance through regional cooperation;
- promote the coordination and harmonisation of the international relations of Member States; and
- Secure international understanding, cooperation and support, and mobilise the inflow of public and private resources into the region.

Draper et. al (2007) questioned whether the SADC objectives are realistic or not. Given the chronic instability generated by Zimbabwe's continued meltdown, and its centrality in both infrastructural and political senses to SADC (and COMESA) integration, it seems unlikely that they are (Draper et. al, 2007).

2.2.2 Southern African Customs Union (SACU)

The Southern African Customs Union (SACU), which is known as the world's oldest customs union, dates back to the 1889 Customs Union Convention between the British Colony of Cape of Good Hope and the Orange Free State Boer Republic. A new agreement, signed on 29 June 1910, was extended to the Union of South Africa and the British High Commission Territories (HCTs), i.e. Basutoland (Lesotho), Bechuanaland (Botswana), and Swaziland. South West Africa (Namibia) "was a *defacto* member, since it was administered as part of South Africa" before it became a *dejure* member (SACU, 2012a).

The 1910 SACU Agreement which was in effect until 1969, created the following (SACU, 2012a):

1. A common external tariff (CET) on all goods imported into the Union from the rest of the world; a common pool of customs duties as per the total volume of external trade; and excise duties based on the total production and consumption of excisable goods.
2. Free movement of SACU manufactured products within SACU, without any duties or quantitative restrictions.
3. A revenue-sharing formula (RSF) for the distribution of customs and excise revenues collected by the union.

The objectives of SACU as contained in Article 2 of the 2002 SACU Agreement are (SACU, 2012b):

a. To facilitate the cross-border movement of goods between the territories of the Member States;
b. To create effective, transparent and democratic institutions which will ensure equitable trade benefits to Member States;
c. To promote conditions of fair competition in the Common Customs Area;
d. To substantially increase investment opportunities in the Common Customs Area;
e. To enhance the economic development, diversification, industrialisation and competitiveness of Member States;
f. To promote the integration of Member States into the global economy through enhanced trade and investment;
g. To facilitate the equitable sharing of revenue arising from customs, excise and additional duties levied by Member States; and
h. To facilitate the development of common policies and strategies

Draper et. al (2007) criticises SACU that the 2002 agreement sets no specific time frame within which to attain its targets. Indeed there do not yet seem to be any detailed plans of action in any of the areas mentioned in the 2002 agreement, although a ‘roadmap’ is currently being developed. Thus unfinished business constitutes a major part of SACU’s future work (Draper et. al, 2007).

2.2.3 Common Market of Eastern and Southern Africa (COMESA)

Trade Report No. 15, complied by the South African Institute of International Affairs, (Draper et. al 2007), described COMESA as the biggest REC in Africa.

The COMESA Treaty of 1994 seeks to promote joint development in all fields of economic activity and the adoption of common macroeconomic policies and programmes to raise the standard of living of its peoples. The 1994 Treaty also outlines a work plan towards achieving a customs union by 2004; this was subsequently revised to a new target date of 2008 (Draper et. al, 2007).

According to the COMESA Treaty the overarching objective of the regional body is to create a common market. To achieve the aims and objectives as set out in its Treaty, the Member States affiliated to COMESA endeavour to undertake the following (COMESA, 2012):

i. In the field of trade liberalisation and customs co-operation:
    - establish a customs union, abolish all non-tariff barriers to trade among themselves;
    - establish a common external tariff; co-operate in customs procedures and activities;
    - adopt a common customs bond guarantee scheme;
    - simplify and harmonise their trade documents and procedures;
    - establish conditions regulating the re-export of goods from third countries within the Common Market;
    - establish rules of origin with respect to products originating in the Member States; and
    - Recognise the unique situation of Lesotho, Namibia and Swaziland within the context of the Common Market and to grant temporary exemptions to Lesotho, Namibia and Swaziland from the full application of specified provisions of this Treaty.

ii. In the field of monetary affairs and finance:
    - co-operate in monetary and financial matters and gradually establish convertibility of their currencies and a payments union as a basis for the eventual establishment of a monetary union;
    - harmonise their macro-economic policies;
    - remove obstacles to the free movement of services and capital within the Common Market; and
    - Recognise the unique situation of Lesotho, Namibia and Swaziland within the context of the Common Market and to grant temporary exemptions to Lesotho, Namibia and Swaziland from the full application of specified provisions of this Treaty.

It is important to note that the COMESA Treaty clearly highlights the Member States' undertakings in more than the two fields listed above, which are beyond the scope of this study. According to the COMESA Treaty, undertakings in the fields of agriculture, transport and communication, industry and energy and economic and social development have all been included. Only the undertaking in the fields of monetary affairs and finance and trade liberations and customs objectives have been listed due to their linkage to the research objectives.

2.2.4 The East African Community (EAC)

The treaty re-establishing the East African Community (EAC) was signed in November 1999 and entered into force on 7 July 2000. The EAC is a resurrection of the original East African Community, which existed from 1967 to 1977, and comprised (then as now) Kenya, Uganda and Tanzania, with Rwanda and Burundi joining at the end of November 2006 (Draper et. al, 2007).

The EAC's bid to create a single East African market entails easing travel restrictions, harmonising tariffs, increasing co-operation among security forces, improving communications, sharing electrical power and addressing Lake Victoria issues. Concrete measures toward integration include freely exchangeable currencies (and ultimately a single currency), a common East African passport, a common flag and a taxation accord. It also aims to abolish all tariffs with the aim of attaining economic and political integration. Each member country would, however, be allowed to extract a maximum 10% surcharge on some products in order to protect indigenous industries, especially in the smaller economies of Tanzania and Uganda (African Union, 2012).

This will be achieved through the establishment of a Customs Union as the entry point of the Community, a Common Market, subsequently a Monetary Union and ultimately a Political Federation of the East African States (African Union, 2012).

2.2.5 Common Monetary Area (CMA)

The Common Monetary Area (CMA) is an arrangement under which South Africa, Namibia, Swaziland and Lesotho currently co-operate. Formally, the Rand Monetary Area (RMA), the predecessor of the Common Monetary Area (CMA), was in place since 1974, when South Africa, Swaziland, Lesotho and Botswana signed the treaty (Nielsen, Uanguta and Ikhide, 2005).

Grandes and Pinaud (2004) describe the CMA as a monetary arrangement between Lesotho, Namibia, South Africa and Swaziland where by Lesotho, Namibia and Swaziland's exchange rates are pegged to the South African rand at par, and the South African Reserve Bank acts as a lender of last resort for its partner central banks.

In their assessment of the level of financial integration within the CMA, Nielsen et. al (2005) further describe the CMA as an arrangement that encompasses monetary, exchange rate and trade agreements which operates on the major principles of a currency board.

The dominant features of this arrangement are the commitment by the central banks of Lesotho, Swaziland, and Namibia to exchange their domestic currency for a specified amount of Rand at a fixed exchange rate and an explicit requirement that at least a major proportion of their monetary liabilities be backed by the Rand or other foreign assets. In addition, the agreement also provides that contracting parties have the right to issue their own national currencies. It is also a part of the agreement that signatories to the agreement may introduce measures for domestic resource mobilisation in the interest of the development of their respective countries (Nielsen et. al, 2005)

2.3 Regional Trade Arrangements (RTAs)

Maruping (2005) describes regional integration as entailing the coming together of two or more states, normally through reciprocal preferential agreements, based on one of more of the following successively more integrating cooperation arrangements:

- Preferential Trade Area (PTA) or Agreement, where member states charge lower tariffs on imports produced by fellow member countries than they do for non-members;
- Free Trade Area (FTA), a PTA without any tariffs on fellow members' goods;
- Customs Union, an FTA using the same or common tariffs on imports from non-members;
- Common Market, a customs union with free movement of the factors of production;
- Economic Community, a single-currency common market or monetary union in which fiscal and monetary policies are unified. If political sovereignty is given up, an economic community becomes a federation or political union with common legislation and political structures.

The proliferation of regional trade agreements (RTAs) is fundamentally altering the world trade landscape with the number of agreements in force now surpassing 200, and it has risen sixfold in just two decades (World Bank, 2005).

On the other hand the Ross-Larson (2006) defines a regional integration arrangement as a preferential (usually reciprocal) agreement among countries that reduces barriers to economic and noneconomic transactions. Such an arrangement can take several forms, differing in the way discrimination is applied to non-members and in the depth and breadth of integration.

Letsoalo (2011) also has the same classification of regional integration arrangements as taking a variety of forms, including preferential trade area, free trade area, customs union, common market, economic union, and political union. Regional integration arrangements take a variety of forms as depicted in the Table below.

Table 1: Types of Regional Trade Arrangements

Arrangement Type	Brief Description
Preferential trade area	An arrangement in which members apply lower tariffs to imports produced by other members than to imports produced by non-members. Members can determine tariffs on imports from non-members.
Free trade area	A preferential trade area with no tariffs on imports from other members. As in preferential trade areas, members can determine tariffs on imports from non-members.
Common market	A customs union that allows free movement of the factors of production (such as capital and labour) across national borders within the integration area.
Economic union	A common market with unified monetary and fiscal policies, including a common currency.
Political union	The ultimate stage of integration, in which members become one nation. National governments cede sovereignty over economic and social policies to a supranational authority, establishing common institutions and judicial and legislative processes—including a common parliament.

Source: UNECA, 2004

The features of the above arrangements can also be summarized as follows (UNECA, 2004):

Table 2: Features of various Regional Trade Arrangements

Type of arrangement	Free trade amongst members	Common commercial policy	Free factor mobility	Common monetary and fiscal policies	One government
Preferential Trade Area	No	No	No	No	No
Free Trade Area	Yes	No	No	No	No
Customs Union	Yes	Yes	No	No	No
Common Market	Yes	Yes	Yes	No	No
Economic Union	Yes	Yes	yes	Yes	No
Political Union	Yes	Yes	Yes	Yes	Yes

Source: UNECA, 2004

2.4 Regional Overlaps in Africa

For strategic and political reasons many African countries belong to more than one regional economic community, especially in East and Southern Africa. The structure of each regional economic community varies, but they all share a common objective: reducing trade barriers among member countries by creating a common, larger economic space. However, the complex patchwork resulting from the multiplicity and overlapping membership in regional economic communities raises considerable problems for policy and programme coordination and harmonisation (UNECA, 2004).

According to the United Nations Economic Commission for Africa (UNECA), multiplicity of regional economic communities has several drawbacks (UNECA, 2004):

- Fragmented economic spaces and approaches to regional integration,
- Increased cost of membership in regional economic communities,
- Unhealthy rivalry for donor funds,
- Contradictory obligations and loyalties for member countries,
- Inconsistent objectives and conflicting operational mandates,
- Duplicated efforts,

- Reduced ability for regional economic communities to pursue coherent and effective integration programmes.

Overlapping mandates, objectives, protocols and functions create unhealthy multiplication and duplication of efforts and misuse the continent's scarce resources, making regional economic communities very inefficient Tavares and Tang (2011) added.

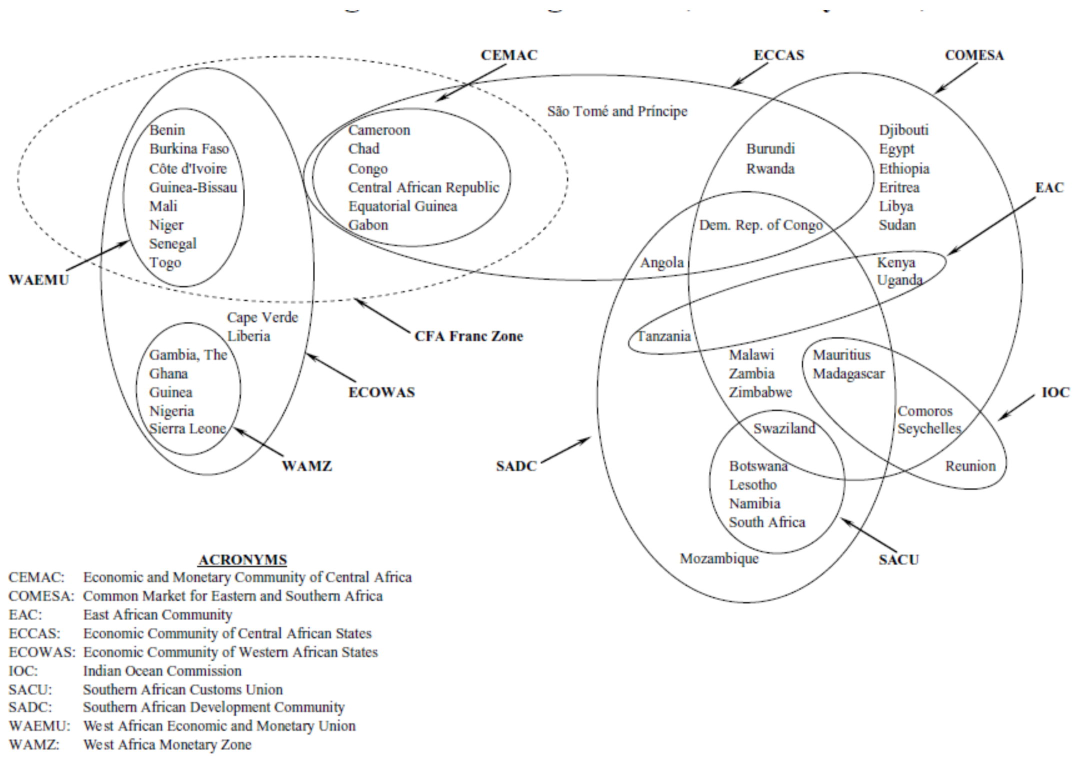
In their study of the impediments to progress for regional economic integration in Africa, Tavares and Tang (2011) described the effects of overlaps as resulting in the following outcomes:

- poor leadership and the difficulty of devising a harmonised and coordinated timeframe for Africa's integration;
- dispersal of scarce human and financial resources in terms of capacities;
- institutional frameworks and implementation of key programmes;
- unnecessary competition, and even contradiction regarding policies;
- fragmentation of markets, thereby constraining economies of scale; and
- inefficiencies resulting from duplication of efforts.

With relative stability on the continent and the coming of a democratic Republic of South Africa, a renewed thrush to broaden and deepen RTAs in Africa has emerged. Some of the previously defunct regional arrangements (e.g. the East African Community — EAC) have been revived, while a number of initiatives, for instance, the African Economic Community (AEC), the African Union, and the New Partnership for Africa's Development (NEPAD) — have been launched under the auspices of the Organisation of African Unity (OAU) (Yang and Gupta, 2007).

On average, each country in Sub-Saharan Africa belongs to four RTAs (World Bank, 2005). Figure 1 below highlights the nature of overlaps among African regional economic communities.

Figure 1: Overlapping regional structures in Africa



Source: Yang and Gupta, 2007

2.5 Monetary Integration and monetary unions in Africa

Jefferis (2007) defines monetary integration as a process involving progressively greater harmonisation and linking of monetary and exchange rate policies by a group of countries. While the degree of monetary integration can cover a spectrum with many variations, four main 'stylised' stages can be identified. These stages can be characterised primarily by the nature of exchange rate policy, which in turn has implications for monetary policy as well as a range of other policies. The four stages as listed by Jefferis (2007) are:

- no monetary integration (floating exchange rates; no monetary policy harmonisation);
- weak monetary integration (linked exchange rates and capital mobility; partial monetary policy co-ordination);
- strong monetary integration (fixed exchange rates; monetary harmonisation);
- full monetary integration (monetary union; single currency; single central bank).

The Table below describes the stages on monetary integration in a schematic format.

Table 3: Stages of monetary integration

POLICY CHOICES	**DEGREE OF MONETARY INTEGRATION**			
	None	Weak	Strong	Full
Exchange Rate	Floating	Constrained float	Fixed peg	Single currency
Capital Market	Exchange (capital) controls possible	Progressive removal of capital control Equal treatment across jurisdictions		
Other		Removal of controls on labour mobility Stricter limits on fiscal deficits and public debt Trade liberalisation Stabilisation of financial sector and strengthening of supervision		
Monetary Policy Implications	unconstrained	Constrained by exchange rate targets and capital movements	Co-ordinated movements in interest rates	Single central bank & benchmark interest rate

Source: Jefferis, 2007.

Given the description of the CMA by Nielsen et. al (2005) and Grandes and Pinaud (2004) as a monetary arrangement that has its member states' currency's pegged to the South African rand, the CMA can be classified as a "strong" degree of monetary union, as depicted in Table 3 above.

The composition of a monetary union is crucial to the properties of the currency. A monetary union with countries having large financing needs, because of excessive government spending, corruption or inefficient tax collection, would put pressures on the central bank to generate seigniorage for financing those governments. Given costs of inflation, membership in such a currency union for a country benefiting from fiscal discipline could be welfare inferior to maintaining its own currency (Masson, 2007).

With direct reference to the CMA, Masson (2007) believes that rather than an all-encompassing project of a continent-wide currency, selective expansion of existing monetary integration projects could be envisaged in Africa.

Proponents of a monetary union in Southern Africa argue that at a macroeconomic level, the benefits of establishing a regional central bank and adopting a single regional currency are to free private enterprises, business firms and individuals from transaction costs in intraregional trade and travel. It will also increase price transparency and competition between countries and stabilise consumer prices in countries suffering prolonged inflation due to exchange rate depreciation (Rossouw and Fourie, 2008).

In direct contrast, Masson (2007) believes that leaving currency issues aside, it is clear that African countries can do more to increase trade, rather than to focus on currency unions. This includes improving infrastructure, reducing political tensions, and reducing tariff and non-tariff barriers to trade. Efforts should be made to reduce these costs by building better roads and ports, strengthening air links, and making the unloading and processing of merchandise more efficient (Masson, 2007).

2.6 Macroeconomic convergence for regional integration in SADC

Macroeconomic convergence goals set by various African Regional Economic Communities (RECs) are increasingly becoming important preconditions for long-term stability in terms of economic growth and job creation. The achievement of these goals is a major challenge in that the governments of countries committed to convergence have to apply sound macroeconomic management and policy principles for the goals to be achieved (Rossouw, 2006a).

Convergence goals for SADC, specifically, have already been set for 2008, 2012, 2015 and 2018, with more challenging goals set for later periods as asserted by Rossouw (2006) in his analysis of South Africa's role in macroeconomic convergence in SADC.SADC included monetary integration as an objective and, at a meeting of its central bank governors in February 2005, proposed (Tavlas, 2009):

i. A monetary union, involving irrevocably fixed exchange rates among the participating currencies, coordination of monetary policies and full capital account convertibility, and

ii. A regional SADC central bank common SADC currency by 2018

In his study on the process of Monetary integration in the SADC region, Jefferis (2007) asserted that the SADC macroeconomic convergence initiative is not designed specifically to support the process of monetary union but instead, it reflects a broader objective of achieving macroeconomic stabilisation in the region as a whole, as a prerequisite for achieving sustainable economic growth, as well as reducing the volatility in exchange rates and divergence in other key economic variables that serves as an impediment to trade and other economic linkages between member states.

2.6.1 SADC: RISDP macroeconomic convergence indicators

In March 2001, SADC Heads of State and Government approved the preparation of a Regional Indicative Strategic Development Plan (RISDP) to complement its on-going secretariat restructuring and to provide a clear direction for SADC policies and programmes over the long term (SADC, 2012c).

SADC prescribed the macroeconomic indicators against the backdrop of work done in the RISDP, which suggested that global trends and developments indicated that those nations or groups of countries that were successfully implementing trade and economic liberalisation policies are experiencing high economic growth and an improvement in the quality of life of their peoples. Given the changing global environment, the creation of large markets has become synonymous with increased foreign investment and economic growth as investors search for economies of scale and efficiency gains in the production process. Markets have to be competitive at local and international levels. Small and protected markets have been rendered non-viable by globalisation (SADC, 2012).

The overall goal of this intervention was to facilitate trade and financial liberalisation, competitive and diversified industrial development and increased investment for deeper regional integration and poverty eradication through the establishment of a SADC Common Market (SADC, 2012b).

SADC therefore developed the following focus areas around the imperatives relating to Trade, Economic Liberalisation and Development (SADC, 2012c):

- Market integration through the establishment of the SADC free trade area, the SADC Customs Union and the SADC Common Market;
- Attainment of macroeconomic convergence;
- Development and strengthening of financial and capital markets;
- Attainment of deeper monetary cooperation;
- Increasing levels of investment in SADC, including foreign direct investment; and
- Enhancing SADC competitiveness in industrial and mining and other productive activities for effective participation in the global economy.

To realise its goals as set out in the RISDP, SADC adopted the following targets, as stipulated in Table 4 below, to be adhered to by all member states.

Table 4: SADC Macroeconomic convergence criteria and goals

	Target Description
Target 1	Free Trade Area - 2008;
Target 2	Completion of negotiations of the SADC Customs Union - 2010;
Target 3	Completion of negotiations of the SADC Common Market - 2015;
Target 4	Diversification of industrial structure and exports with more emphasis on value addition across all economic sectors - 2015 taking into account the following indicators: • Diversify (increase of non-traditional exports) and sustain exports growth rate of at least 5% annually; • Increase in intra-regional trade to at least 35% by 2008; • Increase in manufacturing as a percentage of GDP to 25% by 2015.
Target 5	Macroeconomic convergence on: • Single digit inflation rates in all countries by 2008 and not exceeding 5% by 2012 and 3% by 2018; • Ratio of budget deficit to GDP not exceeding 5% by 2008 and 3% as an anchor within a band of 1 percentage point by 2012 and be maintained at the 2012 level up to 2018; • Nominal value of public and publicly guaranteed debt should

	Target Description
	be less than 60% of Gross Domestic Product by 2008; and this be maintained throughout the planning period (2018).
Target 6	Other financial indicators • External reserves/import cover of at least 3 months by 2008 and more than 6 months by 2012; • Central bank credit to Government less than 10% of previous year's tax revenue by 2008 and less than 5% by 2015; • Increase the level of savings to at least 25% of GDP by 2008 and to 30% by 2012; • Increase domestic investment levels to at least 30% of GDP by 2008; • Gradual interconnection of payments and clearing system in SADC by 2008; • Achieve currency convertibility by 2008; • Finalise the legal and regulatory framework for dual and cross listing on the regional stock exchanges by 2008; • Liberalising exchange controls: Liberalise current account transactions between member states by 2006 and the capital account by 2010; • Increase the share of credit accessed by women and SMEs to at least 5% of total private sector credit by 2008.
Target 7	The establishment of a SADC monetary union by 2016 • Finalise preparation of institutional, administrative and legal framework for setting up a SADC Central Bank by 2016; • Launch a regional currency for the SADC Monetary Union by 2018.

Source: SADC, 2012c

By 2008, SADC member states were required to have single digit CPI inflation rates; ensure that the nominal value of public and publicly guaranteed debt, as a ratio of GDP, does not exceed 60 percent; ensure that the public budget deficit as a ratio of GDP does not exceed 5 percent; and have sustainable current account deficits -

meaning 3 percent of GDP or less (Mboweni, 2003). The macroeconomic convergence targets adopted by SADC for the stated years are summarised in the table below:

Table 5: Macroeconomic convergence targets

Criterion	2008	2012	2015	2018
Inflation Rate	Single digit	5%	5%	3%
Budget deficit	5% or less of GDP	3% of GDP as anchor, with a range of 1%	3% of GDP as anchor, with a range of 1%	3% of GDP as anchor, with a range of 1%
Government debt	Less than 60% of GDP	Less than 60% of GDP	Less than 60% of GDP	Less than 60% of GDP
Foreign reserves	3 months' import cover	More than 6 months' import cover	More than 6 months' import cover	More than 6 months' import cover
Central Bank credit to the Government	Less than 10% of the previous year's tax income	Less than 10% of the previous year's tax income	Less than 10% of the previous year's tax income	Less than 10% of the previous year's tax income

Source: Rossouw, 2006a

Countries in the SADC had initially shown satisfactory progress with the achievement of the region's macroeconomic convergence goals with five countries achieving all four goals set for 2008 by 2006; five achieved three of the goals and the other four achieved two goals (Rossouw and Fourie, 2008). In their research note around the alternatives to expedite the macroeconomic convergence amongst the SADC countries, Rossouw and Fourie (2008) further noted that the following four initiatives could potentially enhance the progress made by the SADC member states:

- Firstly, the macroeconomic convergence criteria should be clarified and the timely publication of macroeconomic data should be ensured;
- Secondly, the measurement of inflation should be harmonised between countries and the credibility of inflation figures should be assessed to ensure

that the consequences of the introduction of a single currency are not associated with monetary policy causing only pain and no tangible benefits;

- Thirdly, the legal, regulatory and supervisory framework of financial institutions within SADC should be harmonised;
- Lastly, SADC countries should consider a suitable monetary framework for a regional central bank.

In a review of the economic targets set out by SADC in the Table above, the absence of targets relating to political union is noticeable. However, during this study, we noted some scholars critical to the monetary integration taking place in the European block and predicting its failure based on the absence of a political union between the member states.

In assessing the lessons learnt from the European Union monetary union since the Maastricht Treaty, De Grauwe (2006) asserts that the European monetary union is a remarkable achievement but yet remained fragile, at the time of his study, because of a flaw in its governance.

In an attempt to emphasise the importance of political union for a monetary union to succeed, De Grauwe (2006) stated that the absence of a sufficient degree of political union which includes a central European government with the power to spend and to tax, and which is independent of national governments, formed part of the flaws in the European monetary union. Such a government is necessary to complement the macroeconomic management of the euro area which is now entrusted exclusively to the European Central Bank (ECB) (De Grauwe, 2006).

2.7 Assessment of SADC Convergence levels

A number of scholars have noted elements of convergence by some member states in the SADC region. For the purpose of this study, recent economic development indicators published by the Committee of Central Bank Governors (CCBG) were used.

The CCBG was formed in accordance to Article 10 of the SADC Finance and Investment Protocol with the mandate to facilitate co-operation between and amongst regional banking supervisors and the harmonisation of banking supervisory standards and practices (SADC, 2012b).

The main reason for establishment of this committee was the need for a specialised body in SADC to promote and achieve closer co-operation among central banks within the Community. Central banks play a crucial role in particular in the promotion of financial and economic development, by way of pursuing policies that enhance financial and macroeconomic stability (CCBG, 2012).

2.7.1 SADC Inflation convergence performance

Based on the data compiled from the regional central banks, the CCBG prepares quarterly reports on Recent Economic Development indicators. The Table 6 below depicts the performance of one of the macroeconomic indicators, inflation, and the variations over time.

Table 6: SADC Convergence Levels for Inflation

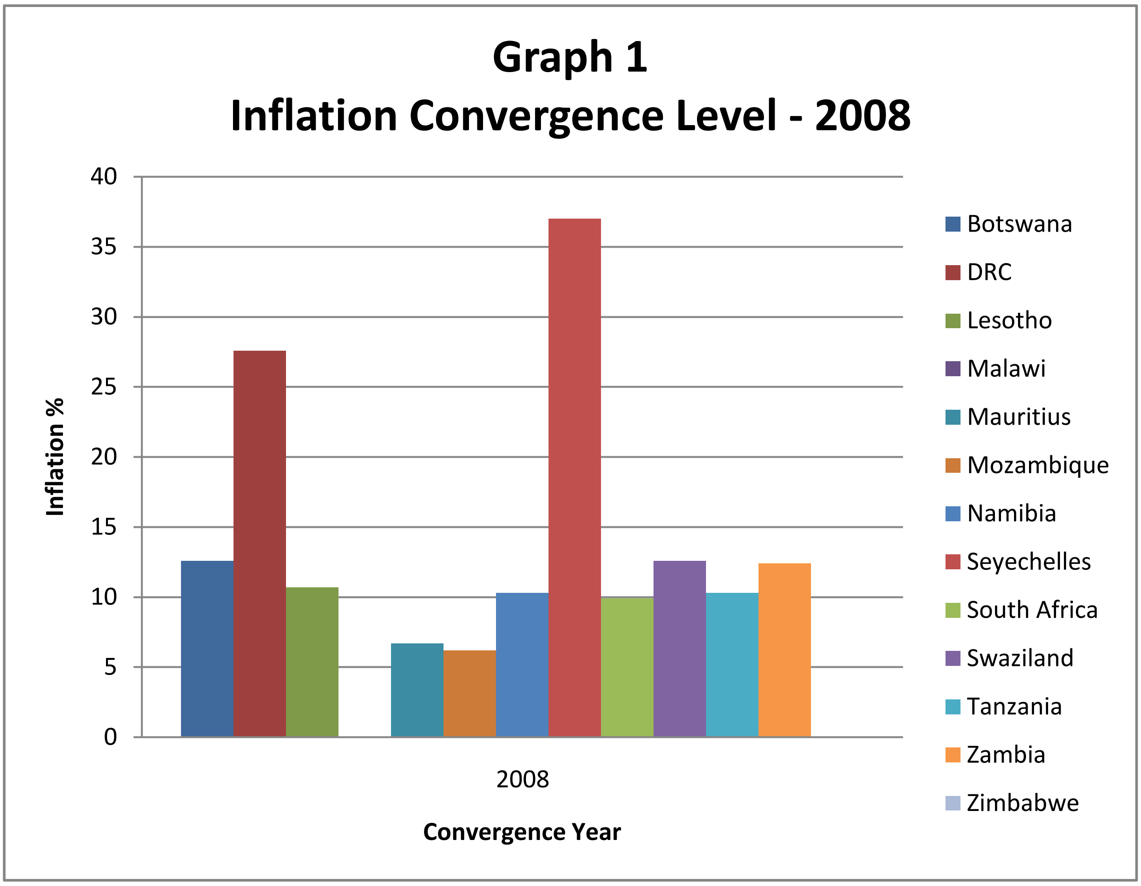
	Annual Inflation Level as a %					
	2006	2007	2008	2009	2010	2011
Angola	12.2	11.8	13.2	14	15.3	11.4
Botswana	11.6	7.1	12.6	8.2	6.9	8.5
DRC	18.2	10	27.6	53.4	9.8	15.4
Lesotho	6	8	10.7	7.3	3.8	5.1
Malawi	Not Provided	Not Provided	Not Provided	Not Provided	Not Provided	Not Provided
Mauritius	11.9	8.6	6.7	1.5	6.1	4.8
Mozambique	9.4	10.3	6.2	4.2	16.6	5.5
Namibia	5.1	6.7	10.3	8.8	Not Provided	Not Provided
Seyechelles	-1.83	5.3	37.0	31.7	-2.4	NP
South Africa	3.2	6.1	9.9	7.1	4.2	5
Swaziland	5.3	8.1	12.6	7.5	Not Provided	Not Provided
Tanzania	7.3	7	10.3	12.1	5.5	12.7
Zambia	9.1	10.7	12.4	13.4	8.5	8.7
Zimbabwe	Not Provided	Not Provided	Not Provided	Not Provided	Not Provided	Not Provided

Source: CCBG, 2012

Some interesting observations are made from the performance of the countries over time:

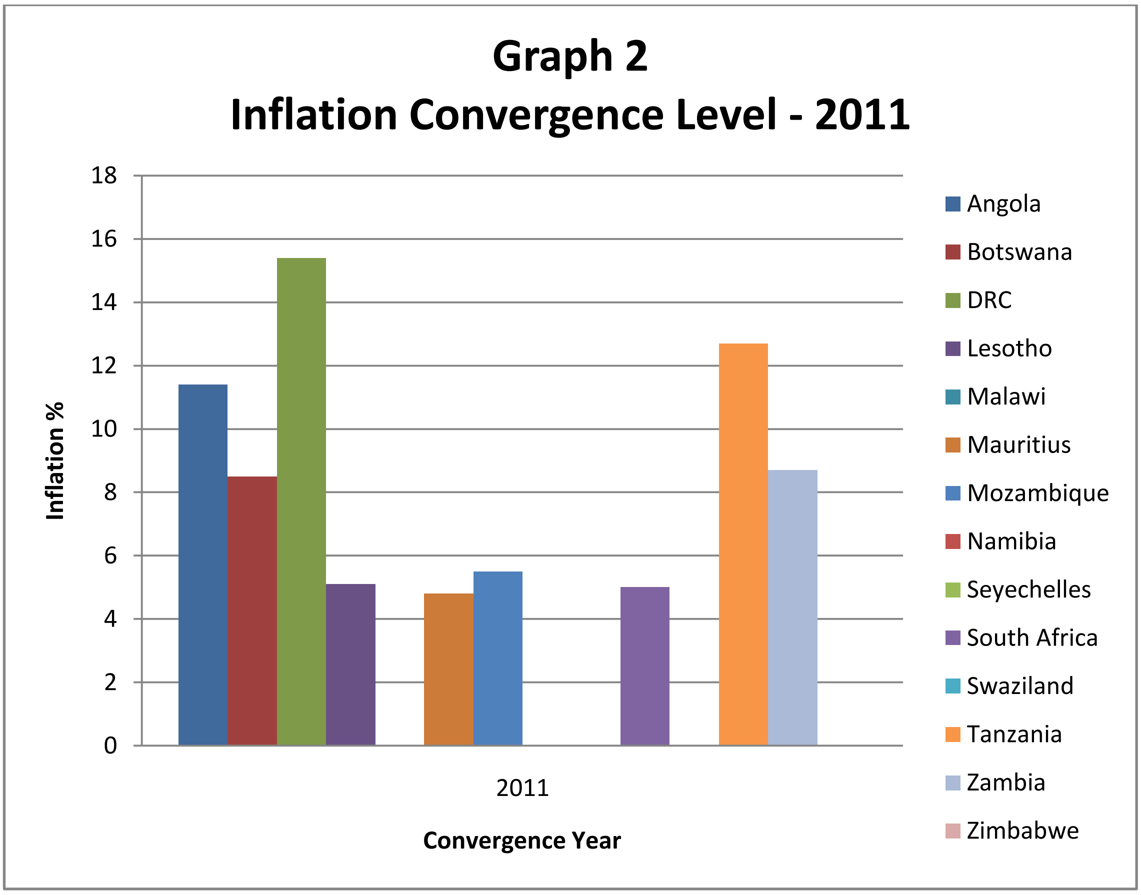
- Only 3 (three) countries had converged and met the single digit inflation target as prescribed by SADC. Refer to Graph 1 below.
- The significant levels of “un-provided data” amongst the member states cast doubt of the quality and reliability of the data provided.
- Looking at the 2011 performance and assuming an unlikely economic scenario that all things will be same for 2012, it is probable for one to forecast that none of the member states will meet the convergence level of less than 5% which is the SADC 2012 inflation target. Refer to Graph 2 below.
- On a positive and encouraging note, however, it’s delighting to note that all CMA countries had attained single digit inflation by 2009.

Graph 1 below depicts the convergence levels of SADC member states in the year 2008. 2008 being the year that SADC had placed a single digit inflation target.



Source: CCBG, 2012

Graph 2 below depicts the convergence levels of SADC member states in the year 2011.



Source: CCBG, 2012

2.8 SADC economic development data quality

The quality of data received from countries in SADC was questioned by Rossouw (2006) when he described South Africa's role in macroeconomic convergence in the SADC region. Among others, Rossouw (2006) questioned the calculation of Zambia's GDP figures when converted from the Zambian Kwacha to the South African Rand based on the exchange rates provided by both the CCBG and the Bank of Zambia website. It was concluded that Zambia's GDP figures were seriously understated by both the Zambian authorities and the CCBG who are the custodian of economic data for the SADC secretariat (Rossouw, 2006).

Also, looking at the levels of key economic data relevant for the indicators of macroeconomic convergence as presented in the CCBG publication, a number of

SADC countries have not submitted data to the CCBG Secretariat. Refer to Table 7 to assess the levels of completeness of the data available around the macroeconomic convergence in the SADC region. It is against this background that one can support the view questioning the completeness and quality of data available to assess the convergence levels.

Table 7: SADC Convergence levels for Total Government debt as a % of GDP

	Total Government Debt as a % of GDP					
	2006	2007	2008	2009	2010	2011
Angola	Not Provided	Not Provided	Not Provided	Not Provided	Not Provided	Not Provided
Botswana	5.9	4.8	Not Provided	Not Provided	13.6	Not Provided
DRC	Not Provided	Not Provided	Not Provided	Not Provided	Not Provided	Not Provided
Lesotho	51.2	45.5	55	40.1	36.8	39.2
Malawi	Not Provided	Not Provided	Not Provided	Not Provided	Not Provided	Not Provided
Mauritius	57.9	55.7	45.4	48.3	50.4	50.5
Mozambique	50	44.4	38	38.9	Not Provided	Not Provided
Namibia	2.8	2.7	1.8	2.1	2.4	3.3
Seyechelles	142	150.1	150.8	116.6	83.5	80.8
South Africa	32.8	30.1	27.5	26.7	32.6	35.6
Swaziland	14.3	14.8	15.9	12.1	15	Not Provided
Tanzania	Not Provided	Not Provided	Not Provided	Not Provided	Not Provided	Not Provided
Zambia	Not Provided	Not Provided	Not Provided	Not Provided	Not Provided	Not Provided
Zimbabwe	Not Provided	Not Provided	Not Provided	Not Provided	Not Provided	Not Provided

Source: CCBG, 2012

2.9 Legal Framework governing regional integration

2.9.1 European Union: Maastricht Treaty macroeconomic indicators

In a comparison of treaties adopted by the European countries in their quest to adopt the EU as a benchmark for SADC, it was coincidentally established that similar macroeconomic indicators were also adopted in that region.

One of the most remarkable historical developments in recent years has been deepening political and economic integration of Europe. A milestone in this prolonged political journey was the signing of the Treaty on the European Union, referred to as the Maastricht treaty, in 1992 by the twelve member states of the European Community (EC). This treaty committed EC member states to full monetary integration within a specified time frame. The process of integration, dubbed the European Economic and Monetary Union (EMU), proceeded in three stages and culminated with the introduction of the Euro in 1999 (Baskaran, 2009).

In direct contrast to the aspirations of the SADC's strategic roadmap as detailed in the RISDP with regard to the adoption of the macroeconomic convergence indicators, Baskaran (2006) found empirical evidence suggesting that EU countries in the period after the signing of the Maastricht treaty, on average experienced declining deficits, inflation rates, interest rates and expenditure to GDP ratios, but on the other hand, the average growth and unemployment rates in the pre- and post-Maastricht period have not changed.

Furthermore, in their assessment of what they termed the sense and nonsense in the Maastricht Treaty's requirements around deficits, Buiter, Corsetti and Roubini (1992) argued that the fiscal convergence criteria designed to eliminate or prevent "excessive deficits" are badly motivated, poorly designed and apt to lead to unnecessary hardship if pursued mechanically. The debt criterion especially would cause avoidable pain and there is no case for restricting the debt-GDP ratio to lie below any specific numerical value (Roubini et. al, 1992).

It therefore seems that the convergence criteria incorporated in the Maastricht Treaty have no sound a priori basis. However, these criteria were nevertheless adopted unaltered by SADC countries without any amendments. SADC countries might therefore in due course run into the same difficulties as EU countries.

2.9.2 SADC Finance and Investment Protocol

Protocols are needed to put treaties into effect, but many member states of SADC have been slow in signing and ratifying regional economic community protocols, which in many cases are contradictory. The regional economic communities should implement mechanisms to ensure a more expeditious approach to ratifying protocols (UNECA, 2004).

The Protocol on Finance and Investment (FIP) is one of the Protocols entered into by SADC Member States to give legal and practical effect to their commitments under the SADC Treaty (SADC, 2006). The SADC Treaty is the anchor that provides the legal basis for the SADC as an international organisation and the objectives contained in the Treaty are among others (SADC, 2012):

- Promote sustainable and equitable economic growth and socio-economic development that will ensure poverty alleviation with the ultimate objective of its eradication, enhance the standard and quality of life of the people of Southern Africa and support the socially disadvantaged through regional integration.
- Harmonise political and socio-economic policies and plans of member states
- Develop policies aimed at the progressive elimination of obstacles to the free movement of capital and labour, goods and services, and of the people of the region; and
- Improve economic management and performance through regional cooperation.

The Treaty lays out several areas of cooperation required in order to achieve the objectives stated which include the following (SADC, 2012):

- Member states to cooperate in all areas necessary to foster regional development and integration on the basis of balance, equity and mutual benefit;
- Member states to coordinate, rationalise and harmonize their overall macroeconomic policies and strategies, programmes and projects in the areas of cooperation; and
- Member states to agree to cooperate in the areas of trade, industry, finance, investment and mining.

The FIP is given effect by 11 annexes, each for a specific technical area of the finance and investment sector. The 11 annexes deal with the following areas (SADC, 2012):

- Annex 1: Cooperation on Investment
- Annex 2: Attainment of Macroeconomic Convergence
- Annex 3: Cooperation in Taxation and Related Matters
- Annex 4: Cooperation and Coordination of Exchange Control Policies
- Annex 5: Harmonization of Legal and Operational Frameworks (of Central Banks)
- Annex 6: Cooperation on payment, Clearing and Settlement Systems
- Annex 7: Cooperation in the area of Information and Communication Technology amongst Central Bank
- Annex 8: Cooperation and Coordination in the area of Banking Regulatory and Supervisory Matters
- Annex 9: Cooperation in Respect of Development Finance Institutions
- Annex 10: Cooperation on non-Banking Financial Institutions
- Annex 11: Cooperation in SADC Stock Exchanges

The FIP establishes four institutions to guide its implementation and these are (SADC, 2012):

- The Committee of Ministers for Finance and Investment (CoMFI): This is established by Article 17 of the FIP. CoMFI consists of Ministers of Finance (and Investment) in each SADC member state. Their political mandate is to guide and shape economic integration in the finance and investment sector.

- The Committee of Central Bank Governors (CCBG): This is made up by the governors of central banks in SADC and reports to CoMFI. Subcommittees for the following annexes report to the CCBG:

    - Annex 4 (Cooperation on Exchange Control Policy)
    - Annex 5 (Cooperation on Legal and Operational Frameworks)
    - Annex 6 (Cooperation on Payments, Settlements and Clearing Systems)

- Annex 7 (Cooperation in the area of Information and Communications Technology)
- Annex 8 (Cooperation on Banking Supervision and Regulatory Practises)
- Annex 11 (Cooperation on SADC Stock Exchanges)

- The Committee of Senior Treasury Official (CSTO): This is established by Article 2 of the FIP. It serves as a technical advisory body to the Ministers and prepares the agenda for ministerial meetings. The subcommittees for the following annexes report to the CSTO:

    - Annex 1 (Cooperation on Investment)
    - Annex 2 (Macroeconomic Convergence)
    - Annex 3 (Cooperation on Taxation and Related Matters)
    - Annex 10 (Cooperation on Non-banking Financial Authorities)
    - Annex 9 (Cooperation on Development Finance Institutions)

- The Committee for Insurance, Securities and Non-Banking Financial Authorities (CISNA) Secretariat: This is established in Annex 10 of the FIP and has the duty to implement this annex.
- The Committee of SADC Stock Exchanges (COSSE) Secretariat: This is established under Annex 11 of the FIP and has the duty to implement this annex.
- The Peer Review Panel: This is established under Annex 2 (Macroeconomic Convergence) of the FIP and is intended (when set up) to include members from both CoMFI and the CCBG. The processes and functions of the Peer Review Panel have not been decided upon as yet, and the body is not yet operational. It is intended that the Peer Review Panel will have the mandate for the surveillance and monitoring of macroeconomic convergence in the region.

2.10 Economic Partnership Agreements (EPAs)

The vast majority of SADC and COMESA countries belong to the group of African, Caribbean and Pacific (ACP) states and are members of the Cotonou Agreement. This agreement grants Europe's former colonies preferential, non-reciprocal access to the EU market. To bring the Cotonou Agreement in line with WTO provisions, the countries are called upon to enter into negotiations of free trade agreements (FTA) with the EU. The so-called Economic Partnership Agreements (EPAs) were supposed to enter into force by 2008 and liberalise around 90% of EU-ACP trade within 10-12 years (Meyn, 2004).

The EU is Sub-Saharan Africa's (SSA) largest single trading partner, buying on average 31 per cent of its merchandise exports and providing 40 per cent of its merchandise imports. The trade relationship between SSA and the EU is important for the region's development, and proposed FTAs between the EU and SSA could have a significant impact on most of SSA. The Cotonou Agreement, signed in June 2000 between the EU and SSA (and other ACP) countries, provides for negotiation of Economic Partnership Agreements EPAs between them (Hinkle and Schiff, 2004).

However, EPAs also pose a number of policy, administrative and institutional challenges for SSA countries, including: replacing forgone tariff revenues, avoiding serious trade diversion, appropriately regulating liberalised service industries, and liberalising internal trade within SSA's regional trade blocs (Hinkle and Schiff, 2004).

The challenge of loss of revenue posed by the EPAs has been of greatest concern amongst the Least Developed Countries in the regional economic groupings of SSA. This was emphasised by Fontagné, Laborde and Mitaritonna (2011) when assessing the impact that the EPAs have had in six ACP regions beyond 2015. Although ACP exports to the EU will be 10% higher with EPA than under the EU's "everything but arms" (EBA) option, these countries are forecast to lose 71% of tariff revenues on EU imports.

However, imports from other world regions will continue to provide tariff revenues. Thus, when tariff revenue losses are computed on total ACP imports, losses are limited to 25% on average, and over the long run, and could even be 19% if product lists are optimised. The final impact depends on the importance of tariffs in government revenue, and on potential compensatory effects (Fontagné et. al, 2011)

3 Research Questions

In order to realise the above stated objectives, the following questions would need to be answered:

- Research Question 1: To what extent are the structures of the regional economic communities within SADC region mutually exclusive and subsequently influencing regional integration

- Research Question 2: To what extent will harmonised legal, regulatory and supervisory frameworks of financial institutions assist the macroeconomic convergence in the SADC region

- Research Question 3: Are the key economic variables within the SADC macroeconomic frameworks attainable within their proposed time frames in view of the overlapping membership of member states

4 Research Methodology

The aim of the study was to explore the extent to which overlapping membership to regional structures with mutually exclusive objectives in the SADC region are an impediment to regional integration. Therefore a qualitative research methodology was used with semi-structured in-depth expert interviews to determine the issues arising from regional membership overlaps in the SADC region.

4.1 Research Philosophy

A pragmatic research philosophy is proposed. Saunders and Lewis (2012) define pragmatism as a research philosophy which argues that the most important determinant of the research philosophy adopted are the research question(s) and objectives in the research proposal.

4.2 Research Approach

4.2.1 Deductive research approach

Saunders and Lewis (2012) define deduction as a research approach which involves the testing of a theoretical proposition by using a research strategy specifically designed for the purpose of its testing.

Saunders and Lewis (2012) proceed to define the five sequential stages in deductive research as:

i. Defining research questions from the general theory that exists;
ii. Operationalising these questions that is, specifying the way in which the questions may be answered;
iii. Seeking answers to the questions defined in (i) above;
iv. Analysing the results of the inquiry to determine whether it supports the theory or suggests the need for its modification;
v. Confirming the initial general theory or modifying it in the light of the findings.

4.3 Proposed Qualitative Research Approach

4.3.1 Rationale: Qualitative Approach

To answer Research Question 1 and 2, a broader understanding of the existing RECs was required. An exploratory approach was proposed which is qualitative in nature.

The exploratory research is described by Saunders and Lewis (2012) as about discovering general information about a topic that is not clearly understood by the researcher, but lends itself particularly well to new phenomena where one may not be prepared to launch into a piece of full-scale research but might want to gain some insights that would inform the research design. Clearly defined, an exploratory study is a research that aims to seek new insights, ask new questions and to assess topics in new light (Saunders and Lewis, 2012).

4.3.2 Population and Unit of Analysis

The population included all the regional economic communities that overlapped with SADC. This included the following:

- SADC (Southern African Development Community)
- SACU (Southern African Customs Union)
- COMESA (Common Market for Eastern and Southern Africa
- EAC (East African Community)
- ECCAS (Economic Community of Central African States)
- IOC (Indian Ocean Commission)
- CMA (Common Monetary Agreement – Between South Africa, Lesotho, Swaziland and Namibia)

The population included all the member states from the SADC region that have overlapping membership with any other REC. Specifically, the population therefore comprised of all SADC member states based on the literature discussed above.

4.3.3 Sampling methodology

The researcher chose people who could shed more light on the topic in question. This is known as purposive sampling, where people selected as research participants are deliberately chosen because of their suitability in advancing the purpose of the research (Rule and John, 2011).

This method of selecting participants is the opposite of random sampling in positivist research where the sample is not influenced by researchers' choice. Participants are selected because of their relevant knowledge, interest and experience in relation to the subject matter. The size of the sample is likewise influenced by the purpose of the study and the resources available. In most times, the researcher may want to start with an initial sample of people and then add additional people to further explore interesting findings or leads which emerge in the study. This is known as snowball sampling (Rule and John, 2011).

The first phase of the approach was a series of two semi structured in-depth interviews that were conducted with leading experts in the field of macroeconomic convergence in the SADC region. The first request was directed to an Economist at the Committee for Central Bank Governors (CCBG) of SADC that resides at the South African Reserve Bank. The intention was to obtain raw data on the SADC macroeconomic indicators and to select the sample of participants based on the snowball approach. The researcher was then directed to a consultant at the SADC secretariat responsible for the project overseeing the implementation of elements of the macroeconomic convergence for SADC member states. It is at this stage that a list of experts were identified and selected for participation.

The second phase involved the process of requesting for interviews via emails and telephone calls. It is important to note that very few subject matter experts exist in the field of regional integration in SADC and this was also highlighted in the findings from the respondents that participated. Therefore, only six people out of the numerous requests made, agreed to participate in the research.

Furthermore, half of the participants refused to be named in the research as participants, giving rise to potential bias responses as highlighted in the limitation section below.

4.3.4 Data Collection and Analysis

The data collection and analysis occurred simultaneously. Specifically, the research strategy proposed was a case study approach were multiple sources of evidence was used to determine the extent of convergence of the key macroeconomic convergence indicators and the factors affecting regional integration in the SADC region. Data collection techniques used in a case study approach may be varied and include a combination of interviews, observations and documentary analysis as well as questionnaires (Saunders and Lewis, 2012).

For the purposes of this research, interviews and questionnaires were used as the research instruments. Interviewing has long been the most popular method in qualitative research while questionnaires provide an efficient method of collecting data from more than two people simultaneously (Rule and John, 2011).

The interview guide, as attached in Appendix A, was used by the interviewer for the following purpose:

i. To ensure that the same questions and issues were addressed in every interview;
ii. To cover a reasonable scope of the topic considering that only a few respondents accepted to be interviewed;
iii. To increase the comparability of the unstructured interview sessions conducted; and
iv. To facilitate the ease of analysis of the key themes captured from the interview sessions.

The actual data collection occurred in two phases namely:

- In the first phase, data was collected by conducting open ended semi-structured interview sessions with probing questions as listed in appendix B.
- In the second phase, secondary data was sourced to correlate and substantiate themes identified in the first phase of data collection.

4.4 Limitations

The following limitations were identified as part of this research study:

i. Interviews were only conducted in South Africa and Botswana due to time and distance constraints. However, it was pleasing to note that the respondents were of foreign origin, some whom originated from Zambia and Zimbabwe. The responses from the interviews might therefore not capture the depth of issues caused by the overlapping membership to regional structures for other SADC countries.
ii. Half of the six respondents were employees of the South African Reserve Bank, though affiliated to the SADC secretariat. Half the respondents could therefore have been inclined to respond in line with expected official position on the effectiveness and direction of strategies of the South African Reserve Bank in conjunction with the SADC secretariat.

iii. The snowball sampling method applied further created a limitation due to the fact that sampling units are not independent and could result in response biasness.

5 Research Results

5.1 Introduction

This chapter contains the research results that have been grouped based on the questions and responses from the industry experts. These questions were determined based on the research questions and the depth of literature in the subject of study.

5.2 Data collection questions and responses

This section details the responses from the various participants. Participant 2 and 3 insisted that they be interviewed together and some of the participants opted not to respond to some of the set guiding questions.

Q1	To what is extent is regional overlapping impacting on the realisation of integration objective in the SADC region?
Participant 1	In terms of the theory around Regional Economic Integration, what normally follows in a sequential manner is Trade Integration, Customs Union, Common Market, Financial Institution framework harmonisation and eventually the objective of a single currency. This is described as a linear approach. And ideally, no single member of an economic regional grouping should be a member of more than one customs union as prescribed by a charter from the WTO (World Trade Organization). Also from the AU point, only three RECs are recognised in Africa and these are ECA, SADC and COMESA. From a SADC point, yes, a negative impact is being experienced from an overlapping membership because given examples in COMESA, we have Zambia and Tanzania belonging to SADC as well. These two countries cannot move forward based on their dual memberships in these two economic blocks. Furthermore, all SACU members also belong to SADC. In order to mitigate these overlaps, plans are to

Q1	To what is extent is regional overlapping impacting on the realisation of integration objective in the SADC region?
	form a tripartite arrangement.
Participant 2 and Participant 3[1]	This is clearly a problem and even a bigger problem because of the custom unions in existence, i.e SACU and the talks of upgrading COMESA to a customs union. This issue has now become a multilateral issue. What has also made things even worse is the Economic Partnership Agreements (EPA) signed with the European Commission (EC). In order to satisfy the negotiation model, the EC on behalf of the EU have split SADC in to what one can describe as SADC North and SADC South. The EC has endeavored to impose their own terms in order to broker trade agreements with member states within the SADC region, thereby causing some form of proliferation within the SADC and SACU as well. One can argue that the EPA has segmented SADC into the SADC-BLNS countries comprising of Botswana, Lesotho, Namibia and Swaziland and the rest of SADC. These have also caused division within SACU.
Participant 5[2]	From a financial expenditure point of view, it's very expensive for member states to belong to all three of the RECs i.e COMESA, ECA and SADC. Costly in terms of annual subscriptions, keeping officials active in those bodies and the cost of having resources in meetings for all three of those regional bodies. Where it is even more costly is in the decision-making process, i.e when a decision in one body is in conflict with a decision in the other two. So you can have one country dragging its feet on committing to a resolution in another for fear of having

[1] Participant 2 and 3 insisted in having the interview together. This was a pre-condition of accepting to participate in the study. Also, the two participants refused to have their identity disclosed.
[2] Participants 4 and 6 opted not to respond to this question.

Q1	To what is extent is regional overlapping impacting on the realisation of integration objective in the SADC region?
	to lose its membership in the other two if a decision is taken. These overlaps also cause "Free Rides" for member states that are members of all three RECs, i.e one can enjoy the gains of SADC and take all experience and initiatives from SADC to ECA to implement the same programmes. So these overlaps also bring about dishonestly amongst member states, i.e you might have member states in SADC that are not genuinely interested in the goals of SADC but just there to copy and implement similar initiatives in ECA, as an example.

Q2	To what extent is regional overlapping impeding the achievement of the macroeconomic criteria?
Participant 1	To some extent overlapping are creating some confusion amongst overlapped member states because their priorities are divided amongst the RECs or regional groupings that they belong to. Macroeconomic convergence requirements are the very minimal standards to meet in a linear approach to establishing a REC, so theoretically, we cannot move forward before realising these basics.
Participant 2 and Participant 3	Firstly one needs to appreciate where these indicators came from and why. Questions need to be asked such as why these indicators? Must we necessarily look at all these indicators? Who decided on the ranges for these indicators? Are we looking too much at one time as a region? Do member states have the capacity to participate in the regional integration agenda? A lot of reference is made to the Maastricht Treaty. Also, agreements between

Q2	To what extent is regional overlapping impeding the achievement of the macroeconomic criteria?
	existing RECs and other markets also impeding progress, for example the Trade, Investment and Development Cooperation Agreement (TIDCA) between SACU and the United States of America. Furthermore, overlaps are a drain on the regional finances, resources and also time. The different philosophical departures are also a source of conflict amongst member states.
Participant 4	First thing to note is that certain tough decisions cannot be taken because member states have allegiance to other RECs in the region. A specific example of that of the SADC customs union imperative. The custom union for SADC has been delayed because of member states participating in more than one REC. The Tripatite arrangement that is being talked about is actually a recognition of the difficulties member states experience as a result of the overlapping membership. The is no way of having a SADC customs union unless members pull out of another custom union initiative. In SADC's project of implementing regional integration by way of an FTA, we still have member states excluding certain products from the arrangements because the member states believe that it opens up their markets to bigger SADC competitiors such as South Africa. This has resulted in bilateral and multilateral arrangements to exist between members states outside the SADC REC. This has resulted in member states accessing markets through alternative arrangements. Overall, therefore, regional overlaps put up temporary wall. Hence the SADC FTA initiative doesn't move as quickly as possible.

Q2	To what extent is regional overlapping impeding the achievement of the macroeconomic criteria?
Participant 5[3]	The key challenge is that you have different convergence indicator ranges amongst the various RECs and so a challenge to the overlapping members is which criteria they should adopt. Also, overlaps pose a threat to the existing convergence criteria because nations with overlap membership can put up a strong case to loosen the tight indicator ranges in SADC so that they simply suite what is prevailing in their other member groups. But it's pleasing to note that all member states across Africa appear to appreciate that single digit inflation is the way to go.

Q3	Is the macroeconomic convergence initiative the way forward?
Participant 1	Not necessary but sufficient condition to move forward. Because of existing divergence of the key macroeconomic indicators, we are endeavoring to harmonise them.
Participant 2 and Participant 3	In terms of the linear approach to regional integration yes. However, more thinking should be done and ask whether we should have indicators. Some scholars have suggested that they are too many indicators adopted by SADC for the convergence to happen. We should rather ask ourselves, how did the European Union start? Indicators or Freedom? We should rather look at the successes of agreements such as the North Atlantic Free Trade Agreement (NAFTA) between America, Mexico and Canada. Convergence assumes implicitly that we are moving towards economic union. It's a European idea. If SADC rather focuses on the route taken by NAFTA, then

[3] Participant 6 opted not to respond to questions but only to those that related to the macroeconomic data obtained from the regional central banks. Hence participant 6 responded to questions 16 and 17 only.

Q3	Is the macroeconomic convergence initiative the way forward?
	no need for indicators.
Participant 4	The idea is to have a stable macroeconomic environment within the region. SADC must be distinguished from other RECs because it deals with more than just that trade and economic but also peace and security of the region. So in the view of that, the macroeconomic convergence initiative really helps in realising the overall objective of SADC.
Participant 5	We have a number of indicators which are primary and secondary. The idea is to focus on the primary indicators. But it doesn't mean that member states should not focus on the secondary just because there not considered critical at the moment. However, countries must address all indicators simultaneously. Convergence is indeed the way forward. We just need to agree that this is the major process to achieve before we integrate. We also just need to agree on a better coordinating mechanism of monitoring the convergence of these indicators in the region. One also needs to look at the European experience and see what happened with the convergence initiative. Obviously if you put it as a criteria for a monetary union, then you could be disadvantaged if its focused on without some other fiscals such as your data, i.e if it data from the various member states can be interpreted similarly and verified properly. Otherwise we might end as a region with a case of Greece or other countries from EU famous for having manipulated their data to comply with the convergence criteria. So one of the things we are learning is that it is important to focus on macroeconomic convergence but we must not get mix-up with convergence when it comes to regional integration to implying that all countries must immediately meet the requirements. I don't think that that is the approach. Yes, others are converging and there is an advantage to that

Q3	Is the macroeconomic convergence initiative the way forward?
	and in fact those converging countries must show the others that it can be done. We also learn from the things we have put in place that are meant to support convergence like data harmonisation i.e that all member states are adhering to a particular standard when compiling their data which is either set by other international bodies such as IMF, World Bank and the European Commission. The Common Law is the Law for Central Banks. Equally, convergence in the legal front in the Central Bank is required. If each and every member adopts the Common Law, then we would have had convergence for the legal framework for Central Banks in the region.

Q4	What are the plausible explanations of the year-on-year increased circulation of the South African Rand in the SADC region beyond the member states in the CMA?
Participant 1	The South African Rand has proved to be an easily convertible currency. The CMA has also boosted its use as it is widely used in the regional grouping. Furthermore, the South African economy accounts to close to 90%[4] of the SADC region GDP hence its wide use and circulation.
Participant 2 and Participant 3	The South African Rand is the *de facto* currency for the region. It is easily convertible as well.
Participant 5[5]	People have a trust for the South African currency. The rand is an internationally recognised currency. It's easily convertible. The desire for people to travel to South Africa, in sort of the South African experience, has made the rand widely used. The spread of South African products in the

[4] Based on data obtained from SADC and the CCBG, South Africa's contribution to SADC's GDP in constant prices is sitting at 45% (SADC, 2012a) and (CCBG, 2012).
[5] Participant 4 opted not to respond

Q4	What are the plausible explanations of the year-on-year increased circulation of the South African Rand in the SADC region beyond the member states in the CMA?
	region have also contributed to the widespread use of the rand. South Africa is currently building global brands that are also spreading the use of the rand.

Q5	Is SADC simply becoming a stumbling block in the initiation of more meaningful regional bodies with a direct focus on trade and economic growth of member states?
Participant 1	It's a good question. It's not a stumbling block. It's in fact a catalyst because the REC is not an agenda coming from SADC itself but from the AU. Its an African Agenda. The RSDP has clear indications of what is needed and by when they need to be done ranging from: - 2010 – customs union - 2015 – SADC common market - 2016 – neg on SADC central bank - 2016 – SADC monetary union - 2018 – regional currency However, we must admit that implementation and meeting the set targets could be a challenge. The key questions are 1) Do we have capacity to implement? 2) Is there sufficient political will?
Participant 2 and Participant 3	That's a brilliant question. Its important to highlight a few statistics relating to SADC: About 80% of financial integration takes place in South Africa South Africa is the market capital for stock exchanges in the region A 2% growth in South Africa relates to 1-1.5% economic growth in the Rest of Africa

Q5	Is SADC simply becoming a stumbling block in the initiation of more meaningful regional bodies with a direct focus on trade and economic growth of member states?
	In the absence of SADC, how much integration would we have? Even before SADC Southern Africa already had bodies such as CMA and SACU The is in fact more trade in SACU than in SADC And the hub for all items mentioned above is South Africa which is in SADC. So no, SADC isn't a stumbling block.
Participant 4	I would at in exactly the opposite because SADC looks at economic growth for its member states.
Participant 5	Those issues of institutions that are required in the region relate to the question of asking how many of these institutions do we already have here in South Africa e.g. the Development Bank of South Africa (DBSA), the Johannesburg Stock Exchange (JSE) etc. These institutions are big and have expertise in them and are also recognised internationally. So if we capitalise such institutions and transform them to give them a regional flavour, then that will save as time and money of going to another country to set up such institutions from scratch. In the future you can start re-building others, if need be, but for now we can build on what we already have. This is how I think countries should be able to move forward in terms of regional integration. So the Infrastructure Master Plan that is currently being done for the region is can be facilitated from these existing structures. But what is maybe a stumbling block is the rigid discussions around how to manage the fund that will facilitate the master plan because people maybe don't trust South Africa. So again, the existing institutions can be leveraged on, provided you give them a regional flavour and use expertise from across

Q5	Is SADC simply becoming a stumbling block in the initiation of more meaningful regional bodies with a direct focus on trade and economic growth of member states?
	the region to protect the interest of other countries. The SADC secretariat would be in a position to work with such institutions. Looking at the advantages, institutions such as the DBSA, could be more regionally focused than is currently the case. DBSA is regionally based but it may not have sufficient support from the various Head of States. Another advantage is that institutions such DBSA are already internationally recognised, so it would be easier to raise funds with DBSA than with a new institution with no credit ratings.

Q6	Are the existing custom unions such as SACU an impediment or undermining the realisation of some of SADC's goals of a monetary union?
Participant 1	No they are not impeding. They are equally catalysts to the SADC regional integration. The fact that we already have an existing customs union and a Common Monetary Area which is being used to launch the SADC payment system, is a good launch pad for regional integration objectives. Furthermore, the existence of these regional grouping will assist in harmonising regulatory issues within the region.
Participant 2 and Participant 3	SACU and the CMA are important building blocks for the realisation for the SADC customs union and monetary union. Key strength for SADC lies in the political and economic capacity for the existing regional bodies. However, sovereignty in Africa is jealously guarded and potentially an impediment to regional integration. Sovereignty relates to finances i.e monetary policy, political decisions and fiscal policy. However, for us to

Q6	Are the existing custom unions such as SACU an impediment or undermining the realisation of some of SADC's goals of a monetary union?
	realise an FTA, we need free movement of trade and labour. Comparing per capita income of member states would give a good indication of which countries are able to trade with each other. Briefly listing a few, we have Swaziland with $1 000, Lesotho on $1 000 also and Botswana, South African and Namibia all sitting at $5 000 annual per capita income[6].
Participant 4[7]	Yes I think so. In fact the existence of SACU has shown what kind of problems can arise from a regional customs union. We also need to learn from what it is happening in SACU. Talking about a much larger group, the problems will multiply. Usually problems arise from the issue of revenue sharing. And again, the rules are that a member state cannot belong to more than one customs union.

Q7	Is a monetary union still plausible in view of the recent happenings in the EU?
Participant 1	Yes, monetary union is still a focus and part of the linear approach of regional integration. Two fundamental issue arise with the EU situation and these are Economic and Political. Europe has an economic union, but no political union or fiscal union. The issues are that you cannot have an economic union but allow member states to spend as much as they please. So issues arising also relate to the aspect of losing sovereignty in terms of finances and also political. So, the EU happenings are a positive to SADC as challenges are considered going forward.
Participant 2 and	There is no commonality between the two regional bodies.

[6] Actual figure obtained from the World Bank (2012) indicate the following GDP per capita amount – Swaziland = $3 725, Lesotho = $1 106, Botswana = $ 8 680, Namibia = $5 293 and South Africa = $8 070.
[7] Participant 5 opted not to respond.

Q7	Is a monetary union still plausible in view of the recent happenings in the EU?
Participant 3	The EU is simply a guide for SADC.
Participant 4	Yes it is still possible because the EU provides lessons of what and not what to do. Also it provides insights on what kind of monetary union should we have.
Participant 5	Yes I think it is possible. We need to look at things in a broader context and just take the EU as a by the way. The EU and SADC and not the same as they don't have the same developmental goals and are not at the same level in terms of development. What a monetary union objective does for us, is that it actually helps us fine tune our objectives. We need to lower our debt, we need good banking regulations, grow our reserves and we need to facilitate the building of payment systems. Furthermore, we are a very small market individually and so we need to work together to be able to participate at a global level. We need enough power in terms of numbers when we approach the international space. These experiences are telling us that, let's not be in a hurry to implement and reach the goal. We need to take what the sentiments are in the region, for example, political sentiments that South Africa is big and it will take over the region if we integrate. We also need to address the issues of duplicate membership to regional economic bodies. We need to make time to make the Head of States understand that the regional objective is inevitable. We also have other players not participating for example the private sectors and labor movements. We need to go ahead and harmonise a lot of things. The guiding principles must be the same. We also need to look at things beyond national symbols to regional symbols i.e existing institutions. We can't be competing with ourselves in other areas.

Q7	Is a monetary union still plausible in view of the recent happenings in the EU?
	Some people forward the debate that South Africa must close down some of its industries so that we grow together instead of saying we want to be part of South Africa's growth. The corporate leaders of key institutions in the region must also influence their respective leaders to consolidate their institutions with leading regional ones.

Q8	Is SADC ready for optimal currency area policies?
Participant 1	No OCA theory is the same. We are working on exchange control liberation for now and we are yet to liberalise the capital accounts of member states. It's important to note that the EU formation took over 50 years therefore, we are not focusing on that for now.
Participant 2 and Participant 3	A former Deputy Reserve Bank Governor had a view that it is an outdated theory. An OCA is not dynamic and requires freedom of labour and capital to exist.
Participant 4	No not yet. OCA policies relate to monetary union. We are still very far. Some countries like Zimbabwe were reluctant to use the South African Rand and opted to use the US Dollar for various reasons which included questions about the stability of the rand. Hence, such excuses are a stumbling block to adopting OCA.
Participant 5	You have the CMA which is not a fully fledge OCA but it tends to be looked at in the same way. The fear of most of these countries is that the South African rand is going to be dominant. The common man is simply looking for a currency they can trust and which is easily convertible. Ultimately, the rand use may just exceed your noted high-levels because of people's use of the currency. But nations unlike people are not ready for the rand as the dominant currency. African countries are not ready because their

Q8	Is SADC ready for optimal currency area policies?
	national currencies are still viewed as national identities and also the potential loss of monetary control. But it is wise to study how the CMA countries feel about such an arrangement. Because their Central Bank Governors always meet prior to the South African Monetary Policy Committee (MPC) meeting to assess what is happening in the region before decisions are taken by our Reserve Bank. They are no surprises in policy announcements.

Q9	Is the data quality from regional central bank a major issue in assessing the progress made in regional integration convergence?
Participant 1	For now we are not even assessing the convergence levels of the member states. However, the same data that is published from our quarterly bulletin is the data used by the IMF and World Bank. The key difference is that we do not interrogate our data. The IMF and World Bank interrogate the data. Suffice to say, we are capacitating member states with the same standards for data presentation, i.e we are harmonising the presentation and computation of macroeconomic indicators across the member states.
Participant 4[8]	Yes it is a big issue. We are trying to address the issue. This is related to the standards used in the compilation of the indicators. Regarding the macroeconomic indicators we have put together a team of experts who define what is required when computing the indicators. This team is also responsible for training staff members of central canks across the region so that data can be compiled to the agreed standards. But we now need to review what the

[8] Participants 2,3 and 5 opted not to respond. Participant 6 answered questions 16 and 17 only based on request.

Q9	Is the data quality from regional central bank a major issue in assessing the progress made in regional integration convergence?
	member states. But we now need to review the progress made in the interventions.

Q10	If regional structures could be merged into one single structure, which ones would be an obstacle?
Participant 1	The existing regional structures in the SADC regional complement each other. One would have to look at what each regional structures is specialised in. COMESA appears to have the specialisation in terms of economic affairs. On the other hand, SADC appears to be strong in political mandate formation and resolutions. A perfect example is its role in Sudan, Zimbabwe etc. It also must be noted that all existing RECs are weak in terms of capacity but have relative capacity advantage amongst themselves.
Participant 2 and Participant 3	That would depend on political power and which one would be the mother body. Just for your addition information, South Africa only benefits about 1% from SACU.
Participant 5[9]	You can't get rid of the sovereignty issue because countries rely on it for identity. Yes it is one of those things that impedes integration because if member states don't see themselves also as regional players then the national bias will also re-surface and then they manipulate the sovereignty case whenever it suites them. So we need something binding that will allow regional objectives to come first; then filter in the national policies of respective member states. One of the dialogues that is not opening up properly is also how to take the regional objectives into the national standards or planning for member states.

[9] Participant 4 opted not to respond.

Q10	If regional structures could be merged into one single structure, which ones would be an obstacle?
	Regional forums are simply reduced to lobbying exercises because after regional sessions, member states simply focus on their national interests. The sovereignty issue also relates to the regional currency objective. A classic example is the issue of Zimbabwe where it should have been easier for it to use the rand than adopting the US Dollar as their currency.

Q11	Does SADC have sufficient structures within itself to execute mandates arising from protocols, specifically the Finance and Investment Protocol (FIP?)
Participant 1	We have protocols at SADC to operationalise the objectives or outcomes desired by the member states. Protocols are therefore legal instruments that give us the mandate to execute specific objectives. The FIP has 11 annexures and each annex has sub-committees. Committees have also been set for each of the sub-committees for the various annexures to report into. The committees set-up are The Committee of Ministers for Finance and Investment (CoMFI), The Committee of Senior Treasury Official (CSTO), The Committee for Insurance, Securities and Non-Banking Financial Authorities (CISNA) Secretariat and The Committee of SADC Stock Exchanges (COSSE) Secretariat. So, yes, we have legal frameworks in place to execute mandates.
Participant 4[10]	The number of structures in existence suffice. SADC has constituted sufficient structures to operationalise the FIP

[10] Participants 2,3 and 5 opted not to respond to the question.

Q12	To what extent are the structures within the SADC mutually exclusive in terms of objectives and contributing towards the overall mandate of SADC?
Participant 1	Structures within SADC are not mutually exclusive
Participant 4[11]	The current structures are not totally exclusive. Committees impact on each other. For example the CCBG is housing the central bank data database.

Q13	To what extent are committees or structures within the CCBG and those within SADC mutually exclusive?
Participant 1	SADC is a member of some of the committees within those bodies.
Participant 4	They are not mutually exclusive. Some of the structures within the CCBG have got identical responsibilities as those at the SADC secretariat. For example the SADC sub-committee on macroeconomics has similar objectives to a committee within the CCBG.
Participant 5[12]	We have structures in our central bank which have a mandate to carry out central bank tasks and also we have those committees joining hands and becoming part of the SADC Secretariat. For example, our CCBG is also a member of the SADC macroeconomic sub-committee. So the CCBG have a macroeconomic sub-committee that reports to the governors and give recommendations to the governors. All the work executed by this sub-committee is further taken back into the SADC Macroeconomic sub-committee. There is also another one that is looking at financial markets. It's a new one. We are going to incorporate people incorporating from the financial market and try to initiate a SADC lite[13].

[11] Other participants opted not to respond to the question.
[12] Participants 2 and 3 opted not to respond.
[13] SADC lite was an expression used by the respondent to describe a select few members of the SADC region.

Q14	How has the creation of the CCBG impacted on the realisation of objectives as set out by the FIP and other protocols within SADC?
Participant 4[14]	CCBG has made a positive impact on moving forward on a number issuing meant to be addressed through the FIP

Q15	Has the peer review panel as defined in the FIP commenced operations?
Participant 4[15]	No. The peer review panel is made up of 2 structures – the CCBG and COMRFI. These have consistently failed to meet hence the panel hasn't kicked off.

Q16	Is data quality on key macroeconomic indicators from regional central banks an issue?
Participant 6	What we have done is give the ownership on the data to the various central banks and in a way that helps in the quality because their responsible for the data quality. Some of the data reported isn't always in accordance to the standards set but it is identified and corrected. Data submitted from the region is not necessarily incorrect but has gaps from time to time which are identified and remediated. Sometimes obvious mistakes are noted and these are subsequently flagged to the respective data sources for remediation.

[14] All other respondents opted not to respond.
[15] All other respondents opted not to respond.

Q17	What is done to ensure key macroeconomic indicators are computed consistently across the region?
Participant 6	In August and September of this year, we shall be rolling out some new standards to be adhered to when it comes to data reporting from the regions. This roll-out will start with South Africa and gradually be rolled-out to the other central banks. Very basic interrogation is done to the data obtained from the regional banks. A few checks and balances are performed on the data when received prior to use. More time may be required to look at the data but due to limited time, very little time is spent on that.

5.3 Content analysis

Ref	Question	Content Analysis
Q1	**To what is extent is regional overlapping impacting on the realisation of integration objective in the SADC region?**	Members states in multiple membership are in violation of WTO requirements for membership in customs unions EPA contributing to fragmentation or proliferation of member states in existing RECs, particularly SADC and SACU Overlaps have caused mistrust and division amongst member states Overlaps are costly for the affected countries Overlaps are causing difficulty in the decision-making process Existing objectives are exposed to risk of compromise due to multiple objectives of member states
Q2	**To what extent is regional overlapping impeding the achievement of the macroeconomic criteria?**	Divided priorities of member states amongst the RECs that the countries belong to Growing fears of competition from bigger economies such as South Africa South African “factor” resulting in numerous bilateral agreements between member states to protect their products and markets from South Africa Different convergence criteria across RECs threatening convergence in one particular REC Risk of comprising convergence criteria by member states attempting to synchronize with indicators from other RECs where

Ref	Question	Content Analysis
		they have membership.
Q3	**Is macroeconomic convergence initiative the way forward?**	Macroeconomic convergence is necessary for the linear approach of regional integration The convergence approach should be re-visited and challenged with preference towards a focus on FTA agreements Harmonisation has to take place first before focus on convergence Convergence is important to stabilise the macroeconomic environment for the region Key risk of focusing on convergence is associated with the impact of manipulated projections and progress by member states. These interviewees avoided the fundamental problem of confusion between targets 5 and 6 in respect to convergence.
Q4	**What are the plausible explanations of the year on year increased circulation of the South African Rand in the SADC region beyond the member States in the CMA?**	The South African rand is easily convertible hence its widespread use in the SADC region The existence of the CMA has boosted the use of the South African rand in the SADC region The South African rand is the de facto currency of the SADC region Widespread use of South African products has caused the ever-increasing use of the rand
Q5	**Is SADC simply becoming a stumbling block in the initiation**	About 80% of financial integration takes place in South Africa

Ref	Question	Content Analysis
	of more meaningful regional bodies with a direct focus on trade and economic growth of Member States?	South Africa is the market capital for stock exchanges in the region A 2% growth in South Africa relates to 1-1.5% economic growth in the Rest of Africa Even before SADC Southern Africa already had bodies such as CMA and SACU There is in fact more trade in SACU than in SADC The hub for many items mentioned above is South Africa which is in SADC. So no, SADC isn't a stumbling block. SADC should leverage on existing internationally recognised institutions such as the DBSA and JSE and give them a regional appeal. These institutions can be leveraged on by providing financing for SADC projects such as the Infrastructure Master Plan Key questions arose: 1) Does SADC have capacity to implement? 2) Is the sufficient political will? 3) In the absence of SADC, how much integration would we have?
Q6	**Are the existing custom unions such as SACU an impediment or undermining the realisation of some of SADC's goals of a monetary union?**	Existence of SACU and CMA is a catalyst to SADC regional integration Existence of SACU and CMA will assist in the harmonisation of regulatory policy within the region SACU and the CMA are important building

Ref	Question	Content Analysis
		blocks for the realisation for the SADC customs union and monetary union respectively Sovereignty issue is a key impediment to realising the objectives of regional integration in the region Revenue sharing issues in SACU are likely to frustrate efforts to constitute a bigger customs union in the region
Q7	**Is a monetary union still plausible in view of the recent happenings in the EU?**	Monetary union is possible provided political union becomes a focus as well The EU provides lessons for the monetary union objective only Issues of sovereignty and loss of monetary control are potential set-back to monetary integration in the region Stakeholders from the private and labour movements need to get involved for monetary union to be achieved Sentiments that South Africa would take over the control of monetary policy in the region is equally a major set-back
Q8	**Is SADC ready for optimal currency area policies?**	The OCA theory is different for different regions. SADC to focus of exchange control liberalisation rather than OCA for now OCA policies considered outdated by some scholars in the region. Focus should rather be on free movement of skills and capital in the region Fears of South African dominating the region will impede the implementation of OCA policies

Ref	Question	Content Analysis
Q9	**Is the data quality from regional central banks a major issue in assessing the progress made in regional integration convergence?**	SADC trying to address the data quality issue through harmonisation efforts
Q10	**If regional structures could be merged into one single structure, which ones would be an obstacle?**	Loss of sovereignty is bigger issue than any of the regional bodies Region has unique institutions and bodies that can easily be converted with a regional appeal Politics would prevail on which body would have to be the mother body
Q11	**Does SADC have sufficient structures within itself to execute mandates arising from protocols, specifically the Finance and Investment Protocol (FIP?)**	SADC has sufficient structures to execute the mandate of the Finance and Investment Protocol
Q12	**To what extent are the structures within the SADC mutually exclusive in terms of objectives and contributing towards the overall mandate of SADC?**	Structures within SADC not mutually exclusive
Q13	**To what extent are committees or structures within the CCBG and those within SADC mutually exclusive?**	Sub-committees with similar mandates exist within SADC and the CCBG
Q14	**How has the creation of the CCBG impacted on the realisation of objectives as set-out by the FIP and other protocols within SADC?**	CCBG has impacted on the realisation of objectives as set-out in the FIP

Ref	Question	Content Analysis
Q15	**Has the peer review panel as defined in the FIP commenced operations?**	Peer review panel not constituted yet.
Q16	**Is data quality on key macroeconomic indicators from regional central banks an issue?**	Incomplete data is sometimes provided by regional central banks Data quality issues are identified and passed on to the data sources Regional central banks take full ownership and responsibility of data quality
Q17	**What is done to ensure key macroeconomic indicators are computed consistently across the region?**	Standardised reporting templates are being rolled-out to the regional central banks Basic data interrogation is performed by CCBG on the data obtained from regional central banks

6 Discussion on Research Findings

6.1 The reasons for adopting Macroeconomic convergence imperatives

In an analysis of the economic goals of Africa, it becomes immediately obvious that the macroeconomic convergence goals set for its various regions are important preconditions for long-term stability. The achievement of these goals is a major challenge, and the governments of countries committed to convergence have to apply sound macroeconomic management and policy principles for the goals to be achieved. Achieving the goals will contribute to Africa's economic stability and, therefore, economic growth and job creation. As an important region in Africa, the Southern African Development Community (SADC) serves as an example to the rest of Africa in the achievement of the convergence goals (Rossouw, 2006b).

On the question as to whether the macroeconomic convergence initiative is the way forward towards regional integration, four out of five respondents responded in the affirmative. All respondents referred to a linear approach towards integration and all emphasised the need to stabilise the economic environment prior to pursuing other objectives related to regional integrations, such as the Free Trade Area and Monetary Union.

Two of four respondents that were in the affirmative, however, mentioned the need to focus only on the primary macroeconomic indicators initially, but that members states should simutaneously endeavor to move the other indicators, referred to as secondary, in the prescribed convergence ranges. The primary indicators were listed as inflation (to be within single digit level), the national budget deficit levels against GDP and national government debt levels i.e both public and private guaranteed debts.

It was surprising that one of the respondents in the affirmative was very critical towards focusing on the convergence criteria. The respondent emphasised the need of establishing effective monitoring and evaluation mechanisms that would ensure that member states were indeed converging. The respondent also emphasised the need to harmonise the existing methods of compiling the data used to assess the convergence progression of member states. This view was equally in line with that of the respondent that responded in the negative, stating that efforts should be directed towards harmonising the standards of computing the convergence indicators and that until such a time as that is achieved, to focus on convergence may not be beneficial. Another respondent further made specific examples of how some EU member states manipulated their data to portray convergence and how such a situation poised as a key risk to the convergence efforts in the SADC region.

Two of the four respondents in the affirmative suggested that the regional revisits the need for convergence. The argument is that SADC should rather focus on creating a Free Trade Area, like other RECs in the world such as NAFTA. These respondents contended that the linear approach to regional integration should be questioned because it emphasises macroeconomic convergence, which implies that the region is aiming for a monetary union. However, other milestones or objectives of regional integration such as FTA agreements would equally be beneficial and the challenge of convergence would be eliminated or not be necessary at all, if such other objectives are to be achieved.

6.2 Key challenges to the SADC regional integration – "the South African Factor"

In discussing regionalism in Southern Africa, it is important to underscore the fact that the region is characterised by acute imbalances and inequities. Not only are the size and level of development of the economies of the various countries at different levels, but also the historical pattern of interaction in the regional economy has been uneven. Fundamentally, the main centre of accumulation has long been located in South Africa, while the economies of the other countries were integrated in subaltern position as providers of migrant labour, services and as 'captive markets' for South African exports (Nyirabu, 2010).

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Some respondents believe that some member states within the SADC region are wary of potential stiff competition from bigger economies, particularly South Africa, if they accede to regional integration. The South African economy is viewed as a threat to smaller economies. As a result of the "South African factor" in the region, some member states have opted to establishing bilateral agreements to safe-guard their products from the perceived stiff competition of South African industries.

Mistrust and potential divisions among member states was highlighted as a key challenge which was largely attributed to the divided priorities caused by multiple memberships to RECs.

The different convergence criterion amongst the various regional bodies is also possing as a challenge since member states are divided on which set of indicators they should adhere to. One respondent also alluded to the risk arising from member states that attempt to lobby for adjustment of indicator ranges to align them to other regional bodies that their affiliated to. One of the respondents bemoaned the absence of surveillance and monitoring framework and panel to assess the levels of progress made by the member states in terms of harmonising the national processes and meeting the set macroeconomic convergence targets. This was also highlighted in the literature review in the discussion of the committees and structures set-out by the SADC Finance and Investment Protocol.

The existence of the EPA and other multilateral agreements was noted by the respondents as a challenge to regional integration in the SADC region. Trade agreements between regional bodies and the European Union through the EPA and the United States of America through the TIDCA were notably referred to as agreements causing fragmentation in the region which shall already split SADC into SADC-BLNS and the rest of SADC.

The suspicions amongst SACU member states highlighted by the respondents were also noted by Pallotti (2004) when describing the process of adopting and implementing the SADC Trade Protocol. Pallotti (2004) described how the political tensioned sparked off by the definition of the rules of origin for some sensitive products had put at risk the entire implementation of the SADC Trade Protocol. This confirmed suspicions of the SADC member states' about South Africa's economic objectives in the region.

Pallotti (2010) states that South Africa's approach to the liberalisation of regional trade of textile and clothing products in particular, confirmed the trade protectionist policy adopted against Zimbabwe's textiles and clothing export into the SACU market. This indicates the hegemonic behaviour of the South African firms in the region. In part, the hegemonic behaviour of South African firms is what led to the Zimbabwean government to ratifying the treaty establishing the Common Market for Eastern and Southern Africa (COMESA) in 1998 (Pallotti, 2004).

6.3 Monetary integration in the SADC region and whether it is feasible

When assessing the feasibility of establishing a monetary union in the SADC region, Mulke (2011) identified the three main reasons why SADC opted for monetary integration as:

i. to leverage off economies of scale;
ii. to facilitate trade in the region; and
iii. continued regional harmony.

Talvas (2009) contends that according to the Optimal Currency Area literature, the main benefits of a monetary union derive from the elimination of the transaction costs of exchanging currencies and the elimination of exchange-rate volatility, the latter of which is thought to decrease cross-border trade and investment.

The adoption of a single currency also eliminates the need for firms to maintain staff to look after exchange rates within the area. However, the countries in Southern Africa have very low shares of intra-area trade, so that the reduced transactions costs are not likely to provide large efficiency gains (Talvas, 2009).

In response to the question asked on whether monetary integration in the region is still possible in view of the recent happenings in the EU, surprisingly, five respondents agreed to the affirmative that a monetary union is still possible. One can therefore argue that the respondents had a vested interest in this answer, as their employment or even their institutions of employment might be at stake if SADC disintegrates.

However, all respondents that responded to the question had disclaimers to their response ranging from fears of loss of monetary control to a lack of political will and clear indication of support of political union. Two respondents argued that political union is vital for monetary union to occur. They ascribed failures in the EU to lack of political union amongst the region despite the success with the monetary union objective.

Respondents also mentioned the likely fears of monetary control which are coupled with sentiments that South Africa might take over the control of monetary policy in the region, should a monetary union occur.

One respondent mentioned the lack of involvement by other key stakeholders, such as the private sector and the labour movement, in the process of moving towards monetary union as an impediment.

Two respondents mentioned the issue of sovereignty amongst member states as an issue that can never go away in the SADC region because national currencies are viewed as national identities.

6.4 Rationalisation of existing SADC structures

The main benefits of rationalisation are that the regional economic communities become stronger, as overlapping functions are eliminated and that resources are better targeted. Other potential gains include (UNECA, 2004):

- Increased trade between member countries and countries outside the region - Larger trading blocs would provide more trading opportunities. And larger markets would allow for more competition.
- Economies of scale - Some of the regional economic communities with small African countries are too small to achieve the large economies of scale needed to improve efficiency. Rationalised regional economic communities would overcome this disadvantage by pooling resources and combining markets.
- Stronger negotiating position - Rationalisation would provide Africa a better position in international negotiations.
- Welfare gains - Welfare gains would result from resources saved as a result of trade creation. Rationalised regional economic communities with fully liberalized trade barriers and free trade agreements would have the most welfare gains.
- Improved productivity - Rationalised regional economic communities would increase the intensity of competition among firms, which would eliminate

internal inefficiencies. Increased efficiencies would force worker productivity to rise, leading to overall productivity improvements.

- Higher wages - Rationalised regional economic communities would reduce the transaction costs of tradables relative to non-tradables, shifting demand and supply in favour of tradables. Because tradables in Africa tend to be labour-intensive, despite labour abundance, more demand for labour would increase the wage rate.
- Policy credibility - Rationalised regional economic communities covering larger markets would have the advantage of policy lock-in as “anti-investment” policies or fiscal laxity become costly due to competition for investment. Rationalisation would also increase the credibility of promises for good policies.
- More efficient provision of public goods - Member countries of rationalized regional economic communities would experience quantum leaps in the quality and quantity of public goods provided regionally—including education and infrastructure.
- Fewer regional conflicts - Rationalised regional economic communities covering many socially and economically integrated countries would increase the cost of conflict and offer incentives for peacefully resolving conflicts.

Based on work done and an analysis from respondents interviews, it is clear that rationalisation within SADC in inevitable for the region to realize it’s objectives, however, one can argue that the need for increased trade amongst member states is more of an imperative that rationalisation efforts. SADC and the African continent at large is faced with the critical challenge of growing unemployment amongst the youth and efforts that would translate in more jobs for the people are more of a priority than others.

6.5 Effectiveness of existing trade protocols or agreements in the SADC region

The worldwide ‘treaty constitutions’ differ fundamentally from national constitutions by their limited policy functions and less effective constitutional restraints (e.g. on intergovernmental and national policy powers). State-centered international lawyers therefore prefer to speak of ‘international institutional law’ or of an intergovernmental ‘constitutionalism lite’. From citizen-oriented economic and constitutional perspectives, however, international organisations are becoming no less necessary for the collective supply of public goods than national organisations. Human rights and their moral value premises (normative individualism) require designing national and international governance as an integrated, multilevel constitutional framework for the protection of citizen rights, democratic self-government and cooperation among free citizens across frontiers (Petersmann, 2006).

7 Conclusion

7.1 Findings

The intent and purpose of the research was to assess the levels of regional overlaps in the SADC region and the extent to which these overlaps are impeding on the regional integration agenda as set out by SADC in the context of the agreed targets. The referenced literature gives varying opinions on the agreed targets for regional integration and the various stages of integration which spans from the convergence of key macroeconomic indicators to the establishment of a monetary union and custom union across the SADC region and even the Eastern and Southern African regions. The literature reviews the varying and similar objectives of the various regional economic communities within the Southern Africa in which SADC countries participate and also considers views against their attainment levels. The study did not endeavor to explicitly quantify the impact of regional overlaps on the regional integration agenda, but highlights the areas affected by the overlaps in the context of the African Union's vision to introduce a monetary union by 2021.

From the interviews conducted with the leading experts in the field of regional integration in the SADC region the following can be concluded:

7.1.1 Regional overlaps are costing affected member states

Some experts that participated in the study agreed with the opinions explored in the literature review, namely that overlapping membership to regional bodies is costly to member states for the following reasons:

- Member states need to honor subscription fees to member states on an annual basis;
- Skilled resources need to be deployed to regional secretariats for the regional communities to function;
- Member states need to commit resources to facilitate meetings between various responsible country ministers and their respective entourages; and finally
- Affected countries spend huge amounts of resources facilitating the regional meeting amongst heads of states.

Compounded together, these are amongst the reasons that member states are incurring costs from the regional overlapping in the SADC region.

7.1.2 None existing peer review panel

According to the SADC Finance and Investment Protocol, which is one of the protocols entered into by the SADC member states to give legal and practical effect to their commitments under the SADC Treaty, a peer review panel is meant to be constituted in line with Annex 2 of the protocol, which deals with macroeconomic convergence. At the time of conducting this study, the panel, whose mandate was intended to be the surveillance and monitoring of macroeconomic convergence in the region, was not yet operational.

Macroeconomic convergence amongst member states was considered by the study respondents as the first step to achieve in the journey towards regional integration and yet SADC does not monitor the convergence and/ or spillages away from the set targets. This in itself is an impediment towards regional integration in the SADC region.

7.1.3 Structural overlaps within SADC itself

Based on exploratory work done in the literature review and supported with responses from the study participants, it can be concluded that SADC itself has overlapping structures within its framework of operation as governed by the legal instruments in place; referred to as protocols in the literature review. The respondents coincidently made specific reference to the macroeconomic subcommittee that is constituted within the Committee of Central Bank Governors (CCBG) and has similar objectives to the SADC Macroeconomic Sub-Committee. Based on the limited scope of this study which included exploratory work around the implementation of the SADC Finance and Investment Protocol, this was the only sub-committee identified with overlapping objectives and mandates. In itself this becomes an impediment to regional integration.

7.1.4 European Partnership Agreements impeding regional integration

The study establishes that the existing EPA agreements between regional economic communities within SADC have a major impact on the realisation of SADC's integration agenda. Through exploratory work which was also supported by participant responses, the existing EPA agreements were seen to be causing proliferation within the SADC region which has resulted in the segmentation of the region into the BLNS-SADC countries and the rest of SADC. The EPAs in themselves are therefore impeding the SADC integration agenda. Worst still, most SADC countries are not realising the full benefits of accessing the European markets due to the undifferentiated export products.

7.1.5 Lack of sufficient political will amongst SADC member states

This study confirmed the finding of a lack of political will amongst member countries, highlighted by Mulke (2011) assessed the feasibility of establishing a monetary union in SADC. This study also noted that unlike the European Union Maastricht Treaty. The SADC Treaty makes no mention of converging as a political union.

A lack of political will amongst member countries can be attributed to a number of factors, for example nationalism, responsiveness to constituencies and voters, and differing macroeconomic conditions and degrees of freedom ceded in key integrating institutions such as central banks (Mulke, 2011).

7.1.6 Encouraging performance from existing Common Monetary Area

Based on the analysis performed of some macroeconomic convergence indicators in the literature review, it was noted that some level of convergence was happening for all countries belonging to the CMA. The respondents to the study also believed that the CMA is a positive stepping stone to the realisation of a monetary union in the SADC region.

In summary, the study clearly shows the following which are impeding progress forward regional integration:

i. The overlaps between existing regional groupings within SADC,
ii. Overlaps within SADC itself,
iii. That these regional overlaps are costing the affected member states in the form of monetary subscription and through the deployment of the rare human skilled resources to regional secretariats.
iv. That the advent of the European Partnership Agreements has caused polarisation within the SADC region through the signing of various bi-lateral and multi-lateral agreements. Most importantly, this study found that structural overlaps exist within SADC itself.
v. A lack of sufficient political will amongst SADC member states which is also an impediment to regional integration.

7.2 Recommendations

The following recommendations can be forwarded based on the work done in this paper:

- SADC should consider focusing greater efforts in harmonising already existing regulations and compliance requirements. This will further improve the ease of doing business within the region,
- Member states within the SADC region should rather focus on improving trade relation amongst themselves with a view of improving trade amongst countries. This might translate into more meaningful economic gains than endeavouring on a complex regional economic integration agenda which entails monetary integration as well,
- Rationalizing existing SADC sub-committees and bodies such as the CCBG is inevitable. This would improve the ease of implementing agreed policy amongst member states,
- Countries within the SADC region must individually and collectively drive the infrastructure development agenda. However, SADC countries should also leverage on existing infrastructure within the region and embrace them as "regional assets"
- The linear model approach to regional integration should be re-considered. Aspects of the linear approach include monetary integration which is associated with a lot of sovereignty issues. Furthermore, the current happenings in the EU seem to suggest that sufficient political will is required to smoothly achieve milestone within the linear model. SADC should rather embrace specific milestones of regional integration and leverage on existing bodies within the region. The objectives of broadening existing customs unions and Free Trade Areas within the continent should be encouraged.

7.3 Future research

A lot of work around regional integration appears to have been done at this stage. It would be worthwhile to consider further research to answer the following questions:

- To what extent have the European Partnership Agreements had on the SADC regions' economic objectives as a regional economic block rather than individual member states
- To what extent are exchange control regulations with the SADC region, particularly South Africa, impeding on economic growth

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Appendix A – Research guiding questionnaire

Ref	Research guiding questionnaire
1	**To what is extent is regional overlapping impacting on the realisation of integration objective in the SADC region?**
2	**To what extent is regional overlapping impeding the achievement of the macroeconomic criteria?**
3	**Is the macroeconomic convergence initiative the way forward?**
4	**What are the plausible explanations of the year-on-year increased circulation of the South African Rand in the SADC region beyond the member states in the CMA?**
5	**Is SADC simply becoming a stumbling block in the initiation of more meaningful regional bodies with a direct focus on trade and economic growth of Member States?**
6	**Are the existing custom unions such as SACU an impediment or undermining the realisation of some of SADC's goals of a monetary union?**
7	**Is a monetary union still plausible in view of the recent happenings in the EU?**
8	**Is SADC ready for optimal currency area policies?**
9	**Is the data quality from regional central bank a major issue in assessing the progress made in regional integration convergence?**
10	**If regional structures could be merged into one single structure, which ones would be an obstacle?**
11	**Does SADC have sufficient structures within itself to execute mandates arising from protocols, specifically the Finance and Investment Protocol (FIP?)**
12	**To what extent are the structures within the SADC mutually exclusive in terms of objectives and contributing towards the overall mandate of SADC?**
13	**To what extent are committees or structures within the CCBG and those within SADC mutually exclusive?**

Ref	Research guiding questionnaire
14	**How has the creation of the CCBG impacted on the realisation of objectives as set out by the FIP and other protocols within SADC?**
15	**Has the peer review panel as defined in the FIP commenced operations?**
16	**Is data quality on key macroeconomic indicators from regional central banks an issue?**
17	**What is done to ensure key macroeconomic indicators are computed consistently across the region?**