# *Alternatives to Expedite Macroeconomic Convergence of the SADC Countries*

Jannie Rossouw[1] and Johan Fourie[2]

Countries comprising the Southern African Development Community (SADC) region show satisfactory progress with the achievement of the region's macroeconomic convergence goals. Five countries achieved all four goals set for 2008 already by 2006: five achieved three of the goals and the other four achieved two goals. In addition, countries in the SADC region have achieved their target for the establishment of a free trade area. The achievement of these goals supports SADC's ultimate objective of establishing a regional central bank with a single regional currency by 2016.

Since 1857, European experiences with monetary unions have shown that unification can at best be regarded as a challenging prospect for any region. Judged in terms of the European experience, SADC does not face insurmountable challenges in its quest for monetary unification and a single central bank. However, governments of countries in the SADC region should consider whether a regional central bank should follow discretionary monetary policy catering for particular economic shocks, or monetary policy based on rules using a monetary policy anchor. Neither approach leaves easy choices, as governments of SADC countries would have to establish a structure to consider and select a monetary policy anchor.

At a microeconomic 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 stabilize consumer prices in countries suffering prolonged inflation due to sustained exchange rate depreciation.

Four initiatives can enhance SADC's progress. First, the macroeconomic convergence criteria should be clarified and the timely publication of macroeconomic data should be ensured. Secondly, the measurement of inflation should be harmonized between countries and the credibility of inflation figures should be assessed to ensure that the consequences of the introduction of a single currency is 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.

Research on the achievement of the goals of countries in the SADC region should be regarded as work-in-progress. It is still too early to reach final conclusions on initiatives aimed at goals to be achieved only in 2016.

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Corresponding author: jannie.rossouw@resbank.co.za

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[1] SA Reserve Bank and Economics Department, University of Pretoria.
[2] SA Reserve Bank.
This overview reflects the personal views of the authors.

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