The feasibility of establishing a monetary union in SADC

by

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1 ABSTRACT

The objective of this research is to gain a better understanding into the feasibility of establishing a monetary union in SADC in the context of the agreed targets set out by SADC and the African Union.

Seven experts in the field of monetary integration within SADC participated in this research and their feedback was analysed and themes captured in terms of the five research questions posed.

The questions posed as part of this research explores whether trading blocs are moving towards monetary union, whether the targets set out by SADC for monetary integration are being met, whether the time frame agreed by SADC is reasonable and whether there is political will from member countries for such a monetary union in SADC.

The researcher has identified three main reasons why monetary union would be beneficial for the SADC region, and also identified the four pillars of monetary integration that is required for monetary integration to succeed.

2 KEY WORDS

Monetary union; SADC; Convergence criteria; Central Bank

3 DECLARATION

I, Friedel Heinrich Mülke, student number 10646592, hereby declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination at any other university.

Friedel Heinrich Mülke **Date**

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1 Introduction to the Research Problem

1.1 Monetary Union

A country's currency is part of its identity and a symbol of its autonomy (Jefferis, 2007); it can also be used as an indicator of the success of the economic policies of a government, and has led to the rise and fall of nations, such as Louis XVI's of France (Westley, 2010). With the increase in globalisation, migration of people and free trade, the call for common monetary unions is increasing. Currencies are seen as a last obstacle to free trade (Sadeh & Verdun, 2009). In fact, informed observers predict that new monetary unions are inevitable in many parts of the world (Cohen, 2003).

The obstacle that national currencies pose to trade can be removed by implementing a common currency in a geographical area with alliances between states. Some argue common currencies, or common monetary unions can hold greater economic benefits, as was the case in the European Union, where member countries exchanged their monetary autonomy together with fiscal restrictions, as defined by the Maastricht treaty, for a European Central Bank (ECB) as part of the European Monetary Union (EMU) (Sadeh & Verdun, 2009). The Maastricht Treaty grants the ECB full constitutional independence (Bertaut, 2002).

The European Central Bank (ECB) which was established in July 1998, and which is at the heart of the monetary union in Europe, together with the central banks of the countries participating in the monetary union, work in a decentralised fashion on operational aspects of monetary policy (Bertaut, 2002).

The Treaty on European Union, referred to as the Maastricht treaty, was signed in 1992 by twelve member states of the European Community (EC). This treaty committed EC member states to full monetary integration within a specified timeframe (Baskaran, 2009). The five criteria set out for economic convergence as per the Maastricht treaty are (Rossouw & Breytenbach, 2011c):

- The annual budget deficits of European Union member countries not exceeding 3 per cent of their respective gross domestic product.
- Government debt not exceeding 60 per cent of GDP of the relevant country.
- Inflation at a level of less than 1.5 percentage points above the average rate of inflation of the three European Union countries with the lowest inflation rates.
- Nominal long-term interest rates not more than 2 percentage points higher than rates in the three lowest inflation member states.
- Countries applying to join the Euro zone should have adopted the exchange rate mechanism of the European Monetary System (EMS) two years prior to membership, should not have devalued their currencies during that period and should have maintained a stable exchange rate within their EMS.

It was initially expected by opponents of European monetary union that the EU governments would use the convergence criteria to justify a reduction in their welfare spending and that unemployment rates would increase because of the limits on deficit financed or monetary policy based stabilisation policies. However, supporters of the treaty argued that it would discipline EU governments in their spending and lead to a decline in inflation rates and improvement in fiscal balances (Baskaran, 2009). France and Germany have however repeatedly breached the 3% budget deficit criteria since the introduction of the Euro, therefore proving that long term fiscal stability was not achieved as envisaged (Baskaran, 2009).

1.2 African Union and SADC

The African Union (AU) in principle agreed to a monetary union and single currency by 2021, but this would be dependent on prior formation of regional monetary unions, including one in the Southern African Development Community (SADC) region (Jefferis, 2007). SADC is one of 16 regional structures in Africa, and is the largest and most important economic bloc on the African continent (Rossouw & Breytenbach, 2011c).

The Southern African Development Community (SADC) started as Frontline States on 17 August 1992 at a Summit held in Windhoek, Namibia, 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 (Southern Africa: Towards Economic Liberation) (Southern African Development Community, 2011). The mission statement of SADC reads as follow: *"to promote sustainable and equitable economic growth and socioeconomic development through efficient production systems, deeper cooperation and integration, good governance, and durable peace and security, so that the region emerges as a competitive and effective player in international relations and the world economy"* (Amos, 2010).

Under the 1992 SADC Treaty, 21 co-operation clusters were identified and each member state was given the responsibility to coordinate SADC activities in at least one of the functional areas. After joining SADC, South Africa was given a sector responsibility for finance, investment and health (Amos, 2010).

As South Africa assumes responsibility for the finance and investment sector of SADC, the Governor of the South African Reserve Bank chairs the Committee of Central Bank Governors (CCGB), as one of the committees within the cluster of responsibility (Rossouw, 2006a). According to the 15 year plan of SADC, key milestones to reach are a Free Trade area in 2008, Customs Union in 2010, Common Market in 2015, Monetary Union in 2016 and a regional currency in

2018 (Amos, 2010). The success of the SADC regional integration undoubtedly depends on the willingness of South Africa to support it (Amos, 2010).

The ceding of autonomy with regards to setting of monetary and exchange rate policy is an important part of monetary union. This can have many implications for national governments, as this will reduce the power that national government have over setting of monetary policy, therefore there must be clear advantages to receive sufficient political support for monetary union (Jefferis, 2007).

1.3 Other Unions

Successful monetary unions already in existence today, apart from the European Monetary Union, are the Eastern Caribbean Currency Union (ECCU), the two CFA (*Colonies françaises d'Afrique*) Franc zones in West and Central Africa namely the West African Economic and Monetary Union (or UEMOA, *Union économique et monétaire oust-africaine*) and Economic and Monetary Community of Central Africa (or CEMAC, *Communauté Économique et Monétaire de l'Afrique Centrale*) (Rossouw & Breytenbach, 2011c).

Some failed monetary unions include the German-Austrian monetary union established in 1857 (Rossouw & Breytenbach, 2011c), the East African monetary union of the late 1960's and the former Soviet rouble zone of the early 1990's. Others have planned regional monies but never implemented those such as Southeast Asia in the 1960's and the Persian Gulf in the 1980's (Cooper, 2008).

Monetary unions that are actively being debated, other than the one in SADC, are between the United States and Canada, where these neighbours are already closely linked economically through the North American Free Trade Agreement (NAFTA), and also between New Zealand and Australia, who are economically linked through the Closer Economic Relations (CER) agreement of 1983 (Cohen, 2003).

Dollarization is also increasing in many parts of the world, including countries such as El Salvador and Ecuador and is being considered in many Latin American countries such as Mexico, Peru and Guatemala (Anyanwu, 2003).

Monetary unions are not confined to independent states, but they also exist within countries. The United States, Canada and Italy are historic examples where successful national monetary unions led in part to the creation of a nation state (Bardo, 2004).

In Table 1 below, a summary of current existing monetary unions is given (SGCA, 2003).

Table 1: A summary of monetary unions

Monetary Union	Established	Member countries
Euro	Since 1993 with the signing of the Maastricht Treaty	Belgium, Germany, Estonia, Ireland, Greece, Spain, France, Italy, Cyprus, Luxemburg, Malta, Netherlands, Austria, Portugal, Slovenia, Slovakia, Finland
Brunei-Singapore	This currency union existed for over 30 years	Brunei, Singapore and briefly Malaysia
East Asia Currency Union	Goal to lead to a single currency by 2030	China, Thailand, Indonesia, Malaysia, Brunei, South Korea, Vietnam, Singapore, The Philippines, Japan
South Asian Association for Regional Cooperation (SAARC)	Established in 1985	Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka

The United States	First in 1789 and then finally the establishment of the Federal Reserve in 1914	13 original U.S. colonies in 1789 and then all the states with the establishment of the Federal Reserve
Central American Monetary Union Council	Established in 1964, replaced in 1974 and modified in 1999	Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua
Eastern Caribbean Central Bank	Created in 1983	Anguilla (joined 1987), Antigua and Barbuda, Commonwealth of Dominica, Grenada (joined 1968), Montserrat, St Kitts and Nevis, St Lucia, and St Vincent and The Grenadines
Gulf Cooperation Council Monetary union	The aim was originally to achieve a single currency by 2010	Saudi Arabia, Qatar, Bahrain, Oman, Kuwait, and the United Arab Emirates

West African Economic and Monetary Union (WAEMU)	Formed in 1994	Benin, Burkina Faso, Ivory Coast, Mali, Niger, Senegal and Togo. The 8th country is Guinea-Bissau(joined 1997)
Central African Economic and Monetary Community (CAEMC)	1985	Cameroon, the Central African Republic (C.A.R.), Chad, the Republic of Congo, Equatorial Guinea
SADC	To be achieved by 2016	Angola, Botswana, the Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe
ECOWAS – West African Monetary Zone	Initially planned for 2004, but date was unattainable	The Gambia, Ghana, Guinea, Liberia, Nigeria, and Sierra Leone

Source: (SGCA, 2003)

1.4 Research Problem and Purpose

SADC and the African Union have set itself ambitious targets for monetary integration by 2016 and 2021 respectively; this is on the backdrop of various failed, but also successful monetary unions that have gone before it. The most recent, and certainly the best known, monetary integration that has taken place is that of the EMU.

The relative success of the EMU can be attributed to strong EU institutions, political willingness and its development over a substantial period of time (Sadeh & Verdun, 2009). The EMU has however since the financial crisis in 2008 seemed fragile and the sustainability of the EMU is still to be proven (Baskaran, 2009).

1.5 Research Motivation and Objectives

The rationale behind the research is to present the feasibility of the proposed monetary union for SADC in the context of the target set out by SADC and the African Union. The research considers the proposed criteria of such a monetary union with reference to other monetary unions, especially with reference to the convergence criteria as set out by the Maastricht treaty, and looks at the feasibility of achieving the criteria within the member states of SADC.

The research also touches on the Common Monetary Area (CMA) and the possibility of the CMA evolving into the SADC monetary union.

The research also considers the political willingness of member states to exchange their monetary autonomy and apply fiscal discipline to achieve the monetary integration as set out by SADC.

The research objectives can therefore be summarised as follow:

i. To determine whether the timelines set out by SADC are achievable and whether the target set out are on track to be met.
ii. To determine whether the criteria for monetary integration in SADC are well defined and achievable.
iii. To establish if the CMA can develop into the SADC monetary union.
iv. To establish whether there is political will amongst member countries for the establishment of a monetary union given the ceding of autonomy with regards to setting of monetary and exchange rate policy.

2 Theory and Literature Review

2.1 Background

Currencies are increasingly caught up in an intense Darwinian struggle for survival in what Cohen (2003) describes the *deterritorialisation* of money, posing difficult choices for policy makers (Cohen, 2003). The EMU was a particular European response to global developments such as globalisation and the change in the balance of power at the end of the cold war, which was made possible with the existence of EU institutions and transnational actors (Sadeh & Verdun, 2009). Klaus (2004) argues that the EMU has been strictly political and not economic, and that the euro has always been considered to be a useful instrument for the creation of the European political union.

2.2 Definition

In so far the definition of a monetary union goes, Cohen (2003) defines a monetary union as *“in the strictest term, means complete abandonment of separate national currency. Only newly created joint money is recognised as legal tender for a designated group of countries, and all decision making is lodged in a single central agency with strong supranational powers”*. A monetary union is also defined as one in which a common currency, high powered or outside money, and bank money or inside money, are accepted at par across the geographical area of the union (Bardo, 2004).

Jeffries (2007) defines monetary integration as a process involving progressively greater harmonisation and the linking of monetary and exchange rate policies by a group of countries.

Jeffries (2007) continues to state that there are four main stages of monetary integration, namely:

(1) No monetary integration or harmonisation, for example floating exchange rates and;

(2) Weak monetary integrations with linked exchange rates and capital mobility,

(3) Strong monetary integration with fixed exchange rates amongst participating countries and then finally;

(4) Full monetary integration with a single currency and a single central bank.

2.3 The future of currencies

It took the United States close to 150 years to achieve a fully-fledged monetary union. During the period following the American Revolution and before the adoption of the U.S. Constitution, money creation was carried out by individual states as well as by private competing banks (Westley, 2010). Although the constitution of 1789 gave Congress the power to coining and to regulate money and the value thereof, it took the next century and a half to create a unified monetary union and a viable monetary authority (Bardo, 2004).

Cohen (2003) argues that the number of currencies around the world will reduce, and the least competitive currencies, which he terms “junk currencies”, will fall by the wayside.

The success of the EMU to date can also be attributed to the strong EU institutions in place such as the European Parliament (Sadeh & Verdun, 2009), one would therefore expect strong regional institutions in place for monetary unions to succeed if one compares failed monetary unions such as in East Africa with those in West Africa (Cooper & Asay, 2003)

2.4 Central Banks

A central bank is a financial institution that controls monetary policy, and usually has several mandates such as issuing of a nation’s currency, maintaining the value of the currency, ensuring financial system stability, controlling credit supply, a last-resort lender to commercial banks and acting as a banker to the government. The central bank might in some cases be independent from the government. In theory, an independent central bank will ensure that there is no political influence over the policy of the central bank; however even with the so-called "independent central banks" that is not always the case (Art Branch Inc, 2011). It is not so much the organisational structure of the central banking institution or its degree of political autonomy that matter, but rather the extent to which such an institution is capable of financing and promoting domestic economic development in an environment characterised by various degrees of dominance and dependence (Todaro & Smith, 2011).

A study by the IMF in 2009 found that participation in currency unions has enhanced the autonomy of central banks in both developed and developing countries such as the European Central Bank (ECB), the Central Bank of West African States (BCEAO), the Bank of Central African States (BEAC) and the East Caribbean Central Bank (ECCB) (Todaro & Smith, 2011).

The primary objective of the European Central Bank (ECB) as specified in the Maastricht Treaty is to maintain price stability, which is defined as an inflation rate of less than 2 percent (Bertaut, 2002). The ECB therefore has the power to make decisions that directly affect the rate of growth and inflation of the EMU countries and outside the EMU (Elgie, 2002).

An alternative to a central bank is a currency board that issues domestic currency for foreign exchange at a fixed rate. Currency boards do not create new money, conduct monetary policy or supervise the banking system, but in colonial times acted as agents for the colonial bank and were charged with the responsibility of maintaining a fixed parity with the colonial power’s currency (Todaro & Smith, 2011). A number of countries have in recent years established currency boards by dollarizing (Selgin, 2010).

2.5 The feasibility of monetary unions

The literature argues that members of a monetary union should have additional flexibility over fiscal policy in order to compensate for the loss of policy instruments (Jefferis, 2007). In the EMU, fiscal policy is constrained to limit budget deficits and government debt levels, as one of the criteria for convergence as stipulated by the Maastricht treaty. In such situation the three main levers of macroeconomic policy, namely monetary, exchange rate and fiscal policy are not available to national governments within the monetary union. However, authority is not surrendered, but pooled and delegated to the joint institutions of the currency partnership, to be shared and in some manner collectively managed by all the countries involved (Cohen, 2003). Each partner's loss is therefore collectively each other's gain.

But for monetary unions to exist, a hegemonic power needs to be present. The Hegemonic Stability Theory states that all international regimes, including monetary regimes, depend on its survival on the predominance of a major power (Sadeh & Verdun, 2009). The literature goes on to argue that the success and the sustainability of the EMU are dependent on the survival of the German-Franco deal aimed at limiting US unilateral influence (Sadeh & Verdun, 2009). Without the existence of these hegemonic powers the EMU would not be possible.

The unilateral influence of the US can be illustrated by the collapse of the Bretton Woods system of exchange (Sadeh & Verdun, 2009). The Bretton

Woods system of exchange rates was born towards the end of World War II, when 44 Allied Nations agreed on an exchange rate system that maintained their exchange rates by tying it to the US Dollar and on the pledge of convertibility of national currencies into gold, also known as the gold standard (Subacchi, 2008). The classical gold standard that made possible an unprecedented interval of global monetary stability was doomed once its enforcement was placed in the hands of central banks as central bankers faced a choice between honouring established currency parities or meeting the emergency fiscal demands of governments (Selgin, 2010). The whole system was based on confidence in the dollar's continued convertibility. This system of exchange eventually collapsed on 15 August 1971 when the US unilaterally terminated convertibility of the dollar to gold (Subacchi, 2008).

In the SADC region, one of the two long-standing monetary integration arrangements in Africa, the Common Monetary Area (previously known as the Rand Monetary Area) exists. This monetary area consists of South Africa, Lesotho, Namibia and Swaziland (Jefferis, 2007). Botswana left the CMA in 1976 and Namibia joined after its independence in 1990 (Rossouw, 2006b). Rossouw (2006b) continues to say that although the member counties have their own currencies, they are anchored to the South African Rand owing to the domination of the South African economy, and that these currencies trade at par. These countries also have similar exchange control regulations implying therefore that capital flows freely between these countries (Rossouw, 2006b). One can therefore conclude that South Africa acts as a hegemonic power in this CMA. It is also possible that the CMA can be the basis for the establishment of full monetary integration within the SADC region and that a single monetary union can develop out of the CMA.

To enhance co-operation and integration within SADC, the member countries agreed in 2004 on seven targets to support the various objectives. These targets include (Rossouw & Breytenbach, 2011c):

i. A trade free area in the SADC region by 2008. This was achieved by August 2008 (Amos, 2010).
ii. A SADC customs union to be agreed upon by 2010 (subsequently postponed).
iii. A SADC common market agreed upon by 2015.
iv. Diversification of industries and exports to enhance value addition across all economic sectors by 2015.
v. Macroeconomic convergence goals for inflation rates, budget deficits and government debt as a percentage of GDP.
vi. Achievement of other financial indicators such as reserves or import cover, central bank credit to governments, domestic savings and investment levels, payment and clearing systems, currency convertibility, dual and cross listings on regional security exchanges, liberalisation of exchange controls, increased credit extension to target women and Small and Medium Enterprises (SME).
vii. Establishment of monetary union by 2016 and adoption of a single currency by 2018.

Some conditions for monetary unions to succeed, in addition to a single monetary policy amongst member countries, are that there should be no restrictions on the movement of capital between members and no restrictions on the movement of labour between these countries (Jefferis, 2007). There should also be free trade within the union, price flexibility and a robust financial system with common rules and supervision.

2.6 The Maastricht criteria for monetary convergence in the European Community

The Maastricht treaty was signed in 1992 by twelve member states of the European Community (EC) and it outlined the path for monetary integration (Baskaran, 2009). There are currently 17 member states of the EU that have signed up to full Economic and Monetary Union (European Central Bank, 2011). The process of integration proceeded in three stages and culminated with the introduction of the Euro in 1999 (Baskaran, 2009). The main criteria for convergence as formulated in Article 109(j) of the treaty state (Baskaran, 2009):

i. The inflation rate may not exceed the average inflation in the three lowest inflation countries in the EU by more than 1.5 percentage points.
ii. The deficit to GDP ratio may not exceed 3%.
iii. The debt to GDP ratio must either be below 60% or else, it must be declining.
iv. The exchange rate mechanism under the European Monetary System must have been joined for two consecutive years and no devaluations must have taken place in this period.

v. The nominal long-term inflation rate must be no more than two percentage points above the average interest rate in the three EU countries with the lowest inflation rate.

Observers however noted that the focus of intergovernmental conferences has, since the Maastricht treaty, shifted away from economic integration and coordination towards institutional reforms and political integration. Therefore it appears questionable whether the grand economic bargains continue to exist (Finke, 2009).

Baskaran (2009) also finds that the Maastricht treaty did not lead to sustained improvements in fiscal balances and macroeconomic stability and proves that the provisions of the Maastricht treaty have had a negative effect on economic growth.

In 1997 the Stability and Growth Pact was agreed, and it said that the same rules should apply once the Euro was launched. This agreement between the 17 EU members declares that countries will keep the amount they spend and borrow under control in order to help create stable conditions for the new currency. In 2005 the SPG was reformed to allow countries more flexibility (James & Butters, 2005).

2.7 Southern African Development Community (SADC)

In 1992 the Objective of SADC shifted to include economic integration following the independence of the rest of the Southern African countries (Southern African Development Community, 2011).

SADC's Vision is that of a common future, a future within a regional community that will ensure economic well-being, improvement of the standards of living and quality of life, freedom and social justice and peace and security for the people of Southern Africa. This shared vision is anchored on the common values and principles and the historical and cultural affinities that exist between the people of Southern Africa (Southern African Development Community, 2011).

The SADC Mission is to promote sustainable and equitable economic growth and socio-economic development through efficient productive systems, deeper co-operation and integration, good governance, and durable peace and security, so that the region emerges as a competitive and effective player in international relations and the world economy (Southern African Development Community, 2011).

Table 2: SADC Statistics

Population size:	257,726,000 (257.7 Million inhabitants)
Gross Domestic Product (GDP):	US$ 471,118 million (471.1 US$ billion)

Source: (Southern African Development Community, 2011)

The creation of the Committee of Central Bank Governors in SADC (CCBG) was supported by the SADC Ministers responsible for national financial matters in July 1995 and approved by SADC Council at their meeting in August 1995. The main reason for establishment of the CCBG 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 (SADC Bankers, 2011).

The CCBG meets twice a year, normally in April and September. The Governor of the South African Reserve Bank, Ms G Marcus, is the Chairperson of the CCBG. A small Secretariat for the CCBG was created in the International Relations Unit of the Research Department in the South African Reserve Bank. The responsibilities of this Secretariat includes acting as Secretary to the Committee, the management and coordination of the projects of the CCBG, organisation of meetings, research on relevant issues and general secretarial work (SADC Bankers, 2011).

A Working Group, comprising representatives from three other central banks on a rotational basis, assists the Secretariat in the management of projects. This Working Group is responsible for all reporting to the Governors. The meetings of the Working Group are chaired by the Secretariat. Two days prior to the meetings of Governors, senior officials from the central banks meet to prepare for the meeting of Governors. This committee is called the Committee of Central Bank Officials, and is chaired by the Head of the Secretariat (SADC Bankers, 2011).

2.8 SADC convergence targets

In 2002, SADC member states signed a memorandum of understanding which contained agreed targets for macroeconomic convergence. It was also agreed that a Performance and Surveillance Unit be established with an accompanying Peer Review mechanism to monitor annual convergence targets. While the peer review mechanism will be established, no proposals have yet been made on sanctions to be applied to countries unwilling or unable to meet the agreed targets (Jefferis, 2007). These targets are summarised in Table 3 below (Jefferis, 2007):

Table 3: Agreed Macroeconomic convergence targets

	By 2008	**By 2012**	**By 2018**
Inflation	< 10%	< 5%	~ 3%
Budget deficit/GDP	< 5%	< 3%	< 3%
Public debt/GDP	< 60%	< 60%	< 60%
Current account balance/GDP	9%	9%	9%

Source: (Jefferis, 2007)

2.9 The benefits of monetary unions

Some regard the exchange commissions and exchange rate risk associated with national currencies as barriers to trade (Sadeh & Verdun, 2009). Other proponents of monetary integration point to a positive combination of greater exchange rate stability, enhanced competition deriving from price transparency and low real interest rates resulting from a successful anti-inflation strategy pursued by a joint central bank (Anyanwu, 2003). Other arguments for monetary union point to the fact that in Europe, monetary union makes travel and trade between Eurozone countries cheaper and easier, and that the Euro also act as a symbol of European identity and is a vital part of the process of political integration (James, 2006).

However, it is also argued that integration between low income countries tend to lead to divergence of member country incomes, while agreements between high income countries cause convergence (Todaro & Smith, 2011).

The Optimum Currency Area (OCA) theory is used to argue whether or not a certain geographical area is ready to become a monetary union based on certain criteria (Sadeh & Verdun, 2009). The fulfilment of these criteria for OCA guarantees a favourable balance between cost and benefits of a monetary union (Klaus, 2004). Some of these criteria include:

(1) The sufficient extent of labour mobility among parts of the monetary union;

(2) The lowest possible degree if a wage rigidity inside individual countries;

(3) Similar endowments for factors of production and symmetry of exogenous shock and impulses;

(4) The existence of an adequate fiscal compensation mechanism.

Jefferis (2007) states that the potential benefits of monetary integration can be classified into four main areas. They are summarised as follow:

(1) It could provide an agency of restraint that will limit governments to pursue irresponsible macroeconomic policies
(2) Reduce exchange rate volatility due to currency speculators
(3) Exploiting the economies of scale in the financial sector
(4) The potential gains to trade from reduced transaction costs and exchange rate uncertainty

However, Klaus (2004) states "to look at the economic performance of the Euro zone in the first years of the euro's existence, even the pro-European activists must admit that the overall expectations of an economic boost and the claims that the introduction of the Euro would speed up economic growth have not been fulfilled". Baskaran (2009) also provides evidence that although budget deficits, inflation rates, interest rates and expenditure to GPD declined since the signing of the Maastricht treaty, GDP growth and unemployment rates are at the same levels as prior to signing of the treaty.

Other arguments against monetary union in Europe include claims that economies that make up the Eurozone are too different to make the Euro work, that many members fails to meet the Stability and Growth Pact (SPG), that a national currency is a symbol of identity and that adopting the Euro mean symbolically and practically giving up sovereignty, and that the Euro is primarily a political and not an economic project (James, 2006).

The European Monetary Unions is on the verge of collapse and the EMU has, as some believe, evolved into a tragedy because of several independent national governments making use of the European Central Bank to finance their deficits indirectly. This has given rise to the so called sovereign-debt crisis that some EMU member countries such as Greece, Spain and Italy are facing (Bagus, 2011).

3 Research Question

3.1 Background

This study considers whether monetary unions are feasible in geographical areas or trading blocs outside of Europe and where free trade agreements are already in place, specifically focussing on the SADC region and with reference to other monetary unions already in existence such as the ECCU and the CFA franc zones. The research approach was focussed on expert interviews and open ended exploratory questions were asked to the respondents to discover themes from the respondents rather than a specific hypothesis to be proven.

The research questions which will be answered in this research and based on the literature covered, and are listed below:

Research Question 1: Are trading blocs moving toward monetary union, as was the case with the EMU? (Cohen, 2003)

Research Question 2: What are the criteria for establishing of a monetary union in SADC and are member countries on track with the agreed upon targets? (Jefferis, 2007) (Klaus, 2004)

Research Question 3: Did SADC and the AU set itself a reasonable timeframe for monetary union? (Rossouw & Breytenbach, 2011c) (Amos, 2010)

Research Question 4: Is there political will among member countries of SADC for monetary integration? (Jefferis, 2007)

Research Question 5: Are monetary unions sustainable? (Klaus, 2004).

3.2 Consistency Matrix

Research Question	Literature Review	Data Collection Tool	Analysis
Are trading blocs moving toward monetary union, as was the case with the EMU?	(Cohen, 2003)	Interview guide section: A	Content analysis, determining how many times words such as “trade”, “growth”, “employment”, “security” are mentioned

What are the criteria for establishing of a monetary union in SADC and are they on track?	(Jefferis, 2007) (Klaus, 2004)	Interview guide section: C	Constant comparative analysis, comparing the findings of each interview with the result from the previous
SADC and the AU set itself a reasonable timeframe for monetary union?	(Rossouw & Breytenbach, 2011c)	Interview guide section: C	Constant comparative analysis, comparing the findings of each interview with the result from the previous

Is there political will among member countries of SADC for monetary integration?	(Amos, 2010) (Jefferis, 2007)	Interview guide section: B	Content analysis, determining how many times words such as "political", "democracy", "growth", "security", "stability" are mentioned
Are monetary unions sustainable?	(Klaus, 2004)	Interview guide section: A & D	Content analysis, determining how many times words such as "trade", "growth", "employment", "security", "political", "democracy", "growth", "security", "stability" are mentioned

4 Research Methodology

4.1 Research method

The aim of this study is to explore the benefits and the feasibility of monetary unions. Therefore a qualitative research methodology was used with semi structured in-depth expert interviews to determine the benefits and feasibility of monetary unions outside of Europe with specific focus on monetary integration and union in SADC. An exploratory study is particularly useful when researchers lack a clear understanding of the problems they will face during the study as well as when areas of investigation are vague that a researcher needs to do an exploration just to learn something about the research (Blumberg, Cooper, & Schindler, 2008).

A semi-structured interview usually start with rather specific questions but allow the interviewee to follow his or her own thoughts later on, and probing techniques are widely used to evoke additional information from the respondents (Blumberg, Cooper, & Schindler, 2008).

4.2 Population

The population that was used as a basis for this study was the Southern African Development Community (SADC) and its member countries as defined in Appendix A. This universe served as a basis for this study.

4.3 Sampling methodology

A nonprobability sample was selected using a snowball method of selection. The snowball sampling method is defined as where individuals are discovered, and may or may not be selected through probability methods. This group is then used to locate others who possess similar characteristics and who then in turn identify others. The snowball gathers other subjects as it rolls along (Blumberg, Cooper, & Schindler, 2008).

The first phase approach was a series of three semi structured in-depth interviews conducted with leading experts in the field. The first request was directed to the Governor of the South African Reserve Bank, who also chairs the Committee of Central Bank Governors (CCBG) in SADC. The aim was to use the Governor as a starting point to select the sample based on the snowball method. The researcher was then directed to the Deputy Head of Research at the South African Reserve Bank, and from there directed to Mr Keith Jefferis, as leading expert in the field of monetary integration within SADC, and other leading experts in the field on monetary integration in SADC.

The second phase was the researcher sending out letters to the various central banks in the SADC region with the research question, as per the interview guide, to obtain in-depth comments and feedback from the respective central banks in the SADC region.

A total of 25 requests for interviews or letters with research questions were sent out to various experts at all the central banks in the SADC region. Out of the 25 request, only seven responded by either agreeing to an interview or responded by completing the attached questionnaire.

4.4 Research instrument

Questionnaires and in-person interviews have a lot in common; both are a manner of eliciting information directly from the person or people who are presumed to have the required information (Hofstee, 2006). Interviews are the most widely used source of collecting information for evidence (Blumberg, Cooper, & Schindler, 2008).

While the interviews were conducted, interview guides and memory lists were established as instruments for the research and help the interviewer to keep track of the conversation. Interviews were recorded and notes of key words and themes were made during the interviews. The recordings were transcribed and searches for key words were done.

The interview guides, as attached in Appendix B, were used by the interviewer to:

i. Serve as a memory list to ensure that the same issues were addressed in every interview
ii. Increases the comparability of unstructured interviews

Letters were also sent to the Governors of all the Central Banks of the SADC countries with the questions as per the interview guide to gather their insight into the planned monetary union in SADC. The key words and themes were summarised from the responses.

4.4.1 Industry Experts

Informal discussions with industry experts are a crucial part of many case studies, as the industry experts provide valuable insights into the case's issues and can also point the researcher towards other sources of evidence (Blumberg, Cooper, & Schindler, 2008).

4.4.2 Positions held by interviewees or respondents

The positions held by the industry experts that participated in this research include:

- Deputy Head, Research Department, South African Reserve Bank
- Managing Director, Econsult (Botswana) Pty Ltd
- Head: Committee of Central Bank Governors Secretariat
- Governor, Central Bank of Seychelles
- Senior Economist, Bank of Zambia
- Director, Research Department, Bank of Botswana
- SADC Secretariat

4.5 Data collection and process of analysis

Data collection occurred in two phases. In the first phase, data was collected by conducting open ended semi-structured interviews with probing questions. The interviewee was given the opportunity to share their thoughts and experiences on monetary integration in SADC and allowing the conversation to be flexible. The interview questions were asked to gain a deep insight and understanding of monetary unions and the feasibility specific to the universe.

In the second phase, secondary data was sourced to correlate themes that were identified in the first phase of data collection.

The analysis method used on the data was a combination of Constant Comparative and Content Analysis. Narrative enquiry will not be applicable to this research problem. A summary of the data analysis that will be used during this study is given in Table 4 below:

Table 4: Analysis Methods

Analysis method	**Rationale**
Constant Comparative	The data analysis requires a comparative data analysis method where a new set of data is compared to the previous data set.
Content Analysis	Content analysis is a qualitative (or quantitative) approach to systematically analyse texts. This

	approach is based on counting the occurrence of words and phrases as well as detecting how far specific words stand apart in text. It also puts more emphasis in detecting the general meaning of a text to categorize it.

The data collection and analysis was conducted as follow in the following stages:

- Conduct first interview
- Transcribe the interview
- Reflect on the respondents emotional state and body language
- Capture the interviewers notes
- Get overall sense of data
- Coding of the data
- Search key words and themes
- Synthesise the data into tables
- Interpretation of the data
- Search for secondary data to correlate themes

4.6 Limitations

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

i. Interviews conducted were limited to South Africa due to time and distance constraints and questionnaires were therefore sent to others outside of

South Africa. The responses to the questionnaires might therefore not have captured the depth required for these interviews.

ii. The snowball sampling method was applied, thereby creating another limitation due to the fact that sampling units are not independent and could result in a response bias.

iii. Most of the respondents are employed in central banks and might therefore be inclined to respond in line with what is expected from them as the official policy of that central bank or the government.

iv. The importance of discussions with key informants can give rise to the researcher becoming too dependent on them, and relying too much on just a few key informants. This can therefore jeopardise the validity of the study if the informants present a biased picture of the issue at hand (Blumberg, Cooper, & Schindler, 2008).

5 Research Results

5.1 Introduction

This chapter contains the research results by grouping the responses from the experts that participated in this research based on the research questions outlined in chapter 3.

The first set of results (5.2) considers whether trading blocs are moving towards monetary unions. The second set of results (5.3) considers whether SADC member countries are on track with the agreed targets. The third set of results (5.4) considers whether SADC and the AU set itself a reasonable timeframe for monetary union and the fourth and final set of results (5.5) considers whether there is political will among member countries of SADC for monetary integration.

5.2 Are trading blocs moving towards monetary union as was the case with the EMU?

A1	**Why did SADC agree on monetary union?**
Participant 1	I think it is basically part of that greater drive towards bigger blocks, economies of scale and the like, and then greater political power in the process, which comes with that, with economic power in great blocks also becomes political persuasion and power, and peace to a greater extent than

	before. So I guess from Europe right through to Africa it is this pursuit of larger blocks, hopefully greater harmony, having the ability in these economic formations to speak with each other, rather than to fight with each other and at least hear the other person's point of view. These structures kind of seemed beneficial to societies, and the monetary aspect of that is just one aspect, but the greater blocks could be in all kinds of ways as you know – trade blocks, monetary blocks, political blocks and in some instances fiscal blocks.
Participant 2	Certainly one of the drivers is what is happening at the AU level, so basically the African Union decided that it would pursue monetary union for the continent and that would be done through building blocks, and the building blocks being the original economic communities. But of course SADC was developing a process of regional economic integration anyway, and I am not sure of the mechanics of how it worked but essentially SADC adopted basically a European model, with linear incubation. it was some linear European model with regional economic integration and going through the stages of free trade area, customs union, common market and single currency.
Participant 3	To facilitate trade between member countries and build on the success of the Common Monetary Area. This move would also

	allow for benefits of a bigger market.
Participant 4	In 1991 the Organisation of African Union (OAU) signed the Abuja Treaty calling for greater economic integration in Africa. The Abuja Treaty made Regional Economic Communities (RECs), building blocks for African integration. And globally, integration was becoming a trend with countries in various regions organising themselves into closer economic and political entities; RECs were expected to transform countries economically as they would be benefiting from economies of scale. It was on this basis that the SADC Regional Indicative Strategic Development Plan (RISDP) was adopted. The RISDP stipulates the timelines and integration process for the sub-region: starting with the Free Trade Area (launched in 1998) - the custom union was to follow in 2010- thereafter in 2015 the Common Market- followed by the monetary union in 2016- and a single currency in 2018. So the targeted SADC Monetary Union by 2016 is all part of the regional integration process in SADC, this process is linked at achieving macroeconomic convergence, stable and harmonised exchange rate system, exchange control liberalisation, and eventual the conduct of a common monetary policy.
Participant 5	The countries of the region as separate entities are too small to

	have an effective size as a market and the need to reduce costs of intra-regional trade to facilitate sustainable development of SADC countries.
Participant 6	Formed in 1975 as a coordination conference (SADCC), it was an initiative of the seven frontline states, directed towards political liberation of the region. Over time countries got independence but against a background of mass poverty. By 1992 SADCC membership doubled and was transformed to a development community (SADC), whose objective shifted to include accelerating economic growth, eradicate poverty and achieve a sustainable pattern of development through regional co-operation and integration, and ultimately leading to monetary union.
Participant 7	The SADC treaty outlines the objectives for economic development, such as a single currency and a single central bank for the region.

A2	**Are monetary unions the way of the future?**	**Yes/No/ Maybe**
Participant 1	Post Europe, the recent history I am afraid I am no longer sure of the direction.	No
Participant 2	Yes, I think so.	Yes

Participant 3	Not necessarily. Recent events in the EU have shown how challenging it can get when there is a group of countries with different economic characteristics and in different stages of development that form a union.	Maybe
Participant 4	Countries in various regions have been coming together to form RECs with the hope of fully integrating and benefiting from economies of scales, dynamic effects of trade and eventually be able to attain the necessary investment for sustainable growth. In general, successful monetary unions are premised on the optimal currency area features (price and wage flexibility, financial market integration, factor market integration [capital and labour market mobility], goods market integration and political integration), which do not always prevail despite geographical proximity and political ambition.	Yes
Participant 5	Yes	Yes
Participant 6	Your guess is as good as mine. Given the problems in the EU, which is SADC's model, it is doubtful.	Maybe
Participant 7	I think currently with what has happened in Europe, people don't see any future in these monetary unions anymore. But I think countries are not the same.	No

	Europe had to go through its own experience and I think you know for small countries like the ones we have in SADC, less developed, I still think it is a way forward. But you need to manage the process in such a way that you close the gaps that were created in the European experience. Rationalise the financial sector, rationalise the other areas like stock exchanges, all those entities that are multiplied throughout the region but that are operating as very small entities – those could be absorbed into one.	

A3	**What are the benefits that SADC will reap from monetary union?**
Participant 1	There is a list of kind of standard candidates, but I guess the first one is simply economies of scale. Instead of all these small monetary units each having to be printed by its own central bank and policed by its own central bank and having all kinds of troubles; if they have a far larger area covered by the same banknotes and coin it leads to some economies of scale in product and distribution thereof. Then consider the cost of conversion: the larger the commissions, each time you cross the border and have to use the other currency, you have pay those

	commissions for currency conversion. Also we know that in some instances where there is strict exchange controls and the scarcity of foreign currency and so on, then the authorities put even more hurdles in the place of people wanting to convert the currency into another currency; it creates all kinds of parallel markets and shadows markets and troubles and make things illegal which should actually be legal. Then of course if you have a really large area then there is hope I think that economic shocks which impact one part of the greater area now kind of gets dissipated in the monetary system because it is such a large area, it gets spread out amongst such a big area amongst so many economic participants, that shock effect is smaller than if it kind of all of it impacted just one single country. I think there is also just the issue of belonging, having a common currency for a common area with a common destiny and hopefully no wars; it is almost a peace-making mission there, and I understand in the case of Euroland that was to quite some extent a useful dimension, by having this kind of integration, if it leads to people talking to each other rather than going to war with each other as they had in the first and second world wars. Then I guess the idea is to enhance cross border trade between all the participating countries so that were previously perhaps

	the trade was prioritised with countries outside of the common area, there is now an incentive to do trade within and build trade and relationships within that area.
Participant 2	Certainly there is recognition that a lot of African economies are small, and because of that they lack economies of scale so integration is one way of overcoming the problem of lack of economies of scale and small size also leads you to high transactions costs, which is a problem for competitiveness. So I think as in Europe monetary integration was seen as a way of reducing transaction costs; you don't have to do the currency exchange. So as in Europe it was seen as a way of boosting competitiveness by reducing the cost of doing business.
Participant 3	One of the main benefits will be the ease of conducting financial transactions within the block arising from the use of a single currency. The SADC region as a whole reflects a fairly big market.
Participant 4	Full integration is expected to help the SADC region mobilise resources for implementing national and interstate policies; identify appropriate strategies and mechanisms to overcome impediments to investment in the region; market expansion; and enhanced policy consistency and discipline. This is expected to help the SADC region to attain sustainable economic growth, reduce poverty and unemployment, and also attain the

	Millennium Development Goals (MDGs).
Participant 5	Benefits will include: reduction in transaction costs, consolidation of a single market, reduce need for multiple currencies in the region, enhance free intra-region trade, price convergence and price stability.
Participant 6	Increased trade facilitated by single currency, reduction of poverty etc.
Participant 7	First of all you are supposed to harmonise all the systems in SADC, or the way you approach economic development or financial integration. Then as you pursue some of these things you will find that you are reviewing and introducing new standards at the same time. So that enhances the process of economic development. Countries now begin to exercise economic governance to some extent. Because the targets that are set there for macro-economic conversions which should be the prior preparation areas, bind or restrict countries to perform at a certain level, on inflation and growth and current account deficits and ratio of debt to GDP. So as you move forward towards this process you are getting countries to now look into how they have to perform amongst their peers in SADC and I think that has been one of the benefits. When I started in this process a lot of countries were at double-

	digit inflations rates, whereas now they are back to single digits. There are other benefits of course, we are working now on improving the standards for statistics for instance; we have worked very hard to introduce some of the countries into the latest, for them to adopt the latest standards. The other benefit is on payment systems, where we have modernised I think about 11 payment systems in these central banks or in the countries in SADC who are busy working on a project to bring the rest of the remaining countries on to the same real time cross settlement system. You will find if we end up with one currency of course you will reduce transactional fees on most transactions. We hope also that one currency could also actually assist in the triggering of more local trade and more travel around the region. In SADC you have to change from one currency to the other except in the CMA region.

5.2.1 Content analysis

Word	Count
Trade	13
Growth	4

Employment	1
Security	0

5.3 Are SADC member countries on track with the targets set out for monetary integration?

C3	Are the member countries on track to meet the targets?
Participant 1	Regrettably, well, in a certain sadistic way Zimbabwe currently meets I think the targets on inflation, if I remember correctly and on government finances and so on.
Participant 2	I haven't got a formal assessment recently and I haven't looked to see if SADC has done a formal assessment but CCBG (Committee of Central Bank Governors) does an assessment every six months, and I am not sure of those, maybe published with a long delay, but check the CCBG websites.
Participant 3	Not all member states and not in all areas.
Participant 4	Countries have continued to record mixed performances in as far meeting the macroeconomic convergence targets is concerned. And as such it would be difficult to assess whether indeed, member countries are on target, however we still have countries that have not yet acceded to the first stage of integration (i.e. FTA).

Participant 5	Some member states are on track, some are still lagging behind in various aspects of the integration process.
Participant 6	As for the macroeconomic convergence criteria, countries are on track, except for the target in respect of inflation.
Participant 7	I think they have been meeting them generally; there has generally been quite a desire to meet these targets. But in general there has been some adherence to the targets.

5.4 Did SADC and the AU set itself a reasonable timeframe for monetary integration?

C1	**Do you agree with the targets set out to achieve monetary union in SADC?**
Participant 1	No. If the integration process does not have a fiscal element, which is quite paramount and really strong, then the whole experiment will be doomed. So I think people will just be prudent to obey that first fiscal integration is really important, it must be with discipline, not loose fiscal integration with lack of discipline. That will take many years I think, at least if you are thinking of all the countries of SADC. You think of one or two or three perhaps to come together and start an initial club or something like that, I think that is much more achievable.

Participant 2	I don't think anybody seriously thinks those time objectives will be met. I mean they were always nuts, they were always unrealistic, and the fact that no-one has really moved with the speed that would suggest they are serious about it over the last ten years.
Participant 3	In some cases, the targets may be too ambitious given the degree of divergence between member states at present.
Participant 4	As intimated above, the earlier targets are being reviewed and this is based on official advice (which I agree with) to stretch the targets.
Participant 5	Yes I do. They largely reflect the much needed macroeconomic stability in member countries which is a key pre-requisite to monetary union.
Participant 6	*(no comment from participant)*
Participant 7	If it is self-imposed targets and you chase them it is a much better environment. So this is a subject of discipline. Obviously you need to be realistic sometimes to the challenges that other countries would face, but there are critical areas that need to be sorted out; issues around debt, all these countries have been through debt problems in the past, almost all of the countries, some of them have been able to pick themselves up.

C2	Is 2016 feasible?	Yes/No
Participant 1	No. Well for all the countries of SADC to meet with the conversion criteria and to get to that end point of a single monetary policy making entity and a single central bank and a single currency – no, not, I don't think. The time scale is not achievable. My guess would be that we need not really wait 100 years to get there, but probably talking of a generation or so, 30 year period, before that greater uniformity has come about and hopefully greater maturity also in terms of fiscal policy, willingness to sacrifice some degrees of freedom, so my take is that 2040 or 2050 would probably be the time frame where these things could happily happen, and then productively happen and not create tension but actually be successful.	No
Participant 2	No. Just look at Europe, in a 50 year process, and that doesn't mean to say it is going to take 50 years in SADC but you see what Europe had, from quite an early stage, I mean it had some false starts at monetary union.	No
Participant 3	This is a significant challenge to achieve this given that some other milestone such as the Custom Union has encountered difficulties in launching it on time.	No

	The timeframe might need to be adjusted given the constraints.	
Participant 4	No, SADC has also accepted the rather slow pace of the integration process and have since decided to review the RISDP, and come up with new integration timelines. We await the results of the review.	No
Participant 5	It is feasible, but would require a lot more political will and commitment on the part of member states to speed up the process to meet the 2016 target.	Yes
Participant 6	No.	No
Participant 7	2016 is not feasible.	No

5.5 Is there political will among SADC member countries for monetary integration?

B1	**What do you see as the obstacles with monetary union in SADC?**
Participant 1	Yes, well I guess there are many. Just ordinary old nationalism will be quite important, degrees of freedom to do your own thing, to run your own policies, being responsive to your own constituency and voters only and not in this big grouping where

	you there are only degrees of freedom. I think also the initial conditions of the general macro economy differs quite a lot; the fiscal situation in a country like Malawi is quite a bit different from that in South Africa for instance. It is very difficult to see such diverse outcomes suddenly being mingled to one entity without quite some strains emerging or some unfairness.
Participant 2	No. 1 is Europe; they have an unfinished agenda and the issues that flow from that, meaning 'how the hell do you implement fiscal policy in a monetary union?' Because Europe hasn't grappled with that, and grappling with it may cause some major changes. No. 2 not being convinced that it is a good idea, economically – forget the politics – not convinced that there is an economic benefit. And no. 3, there is a general reluctance to cede national sovereignty in the regional interest; and that is not just a monetary union issue, it applies to custom unions or whatever, which is where the process is currently blocked. And institutional issues, and this is partly because it sort of comes back to this imbalance and I guess it has a political angle but I am not thinking from a political dimension,
Participant 3	Political commitment at the national level; multiple membership by some of the countries; convergence towards set criteria for very divergent economies; and the setting up of the necessary

	institutions and frameworks in preparedness for the Monetary Union.
Participant 4	The main obstacles to SADC integration include amongst other: political and economic divergence of the member states including differences in political maturity; production structures; weak industrial linkages; trade patterns; resource endowments; development priorities; and institutional affiliations (some SADC member states belong to other RECs as well).
Participant 5	The varying levels of development among member states. Multiple memberships to regional economic communities (recs). Low levels of intra-regional trade.
Participant 6	The vast differences in the structure and level of development of the countries.
Participant 7	It is only central banks that have been focussing on the area of monetary unions. So I think one thing I always list is political commitment. The political element let me say the governments – I don't think they are fully committed.

B2	**Could these obstacles changes and be overcome?**
Participant 1	Oh yes. I believe so. The other obstacle is just lack of institutions of course. And institutions is perhaps more than just

	buildings and formal organisations, it is also things like legal foundations which kind of facilitate monetary union or economic integration and so on. Actually on many of those things work is being done as we speak, to improve that. And then I think there is a last element which you might note, which is actually a bit of a conflict between the guidance of the African Union for Africa Wide Monetary Union vs the Regional formations. That has its own little troubles and dynamics, and perhaps also for leaders of states it creates a tension I guess, because they are now in a certain way into two convergence programmes and into two monetary union building programmes and it is not 100% clear which one, the regional one or the continental one, is supposed to take priority.
Participant 2	I am not convinced that it will.
Participant 3	Yes, as long as there is the political will and commitment from members States
Participant 4	A number of the obstacles could be overcome with sufficient will and patience, i.e., integration and institutional developments are paced appropriately to minimise failure (reversals) and disruption and allowing for public buy-in.
Participant 5	Yes, the obstacles could change.
Participant 6	Over time, yes.

Participant 7	2016, we need to get people in the right frame of mind, you need to have done other things before 2016, and given it a little bit of time to run their idea throughout all these governments, and also the public. So I think what SADC countries need to do is to open a dialogue and reach solutions themselves, before again rushing into the SADC environment. Countries need to talk and see whether this is something that is supported by everybody, and then you need that master plan on what areas to work on. I think there are many other issues around the customs unions and trade that will still need to be looked at.

B3	**Is there political will from all the member countries?**
Participant 1	Well there are some statesman-like things which were agreed when SADC was formed and when they developed this protocol about 10 or 12 years ago which included in the program of monetary integration. They clearly thought there is much to be said for unity and unification to become a really powerful economic entity and a political entity in the global economy. So I think there was a vision of greater things to be had if there is unity and if we support each other in many ways. So I actually think that commitment is probably still there but the practical implementation thereof probably there are now a lot of

	footnotes; the vision is probably unchanged but there is some reluctance on the time scales and although the end goal might remain the same the whole thing can now be thought of as much more drawn out.
Participant 2	If you want a yes or no answer I think the answer is No. I don't pick up in policy discussions, monetary union being an agenda item. Obviously Botswana is the one I know best but even if you look at other countries you can read any government policy documents. How many of them talk about joining monetary union by 2016? None. That is in a large part because it is not on the political agenda. It is not on the economic agenda, it is not on the political agenda.
Participant 3	Not really; especially with regards to members with multiple membership. They are more or less waiting for the initiative of a tripartite agreement between the various regional blocks.
Participant 4	This would vary from country to country; it remains difficult to accept that countries belonging to at least two RECs can be said to be having full or the same political will with those countries which are only members of SADC to attain targets, which at times may be found to be in conflict.
Participant 5	Yes, there is political will, reflected in various regional instruments political leaders have signed to commit their

	countries to the process of regional integration.
Participant 6	No.
Participant 7	It depends, and it is complex, it depends what countries want sometimes. But I must say the political wheel has been very wanting in some instances. I think there is also lack of capacity in the region to do some of these things. There hasn't been proper dialogue between some of the players that are supposed to be coordinating certain aspects of implementing these processes. I think also the public is out of the debate; so to say private sector in some instances is not even involved. Well there is general scepticism about this whole thing because people think it took Europe 50 years so it will take us 100 years and I don't believe that should be the attitude. The attitude is wrong. I think we must learn from Europe, but not take Europe as the blue print, because the conditions here and there are different; they were starting with much more advanced countries, whereas here you don't have to argue about which system is the best, and what opinion is the correct one. Well the other thing that is also empowering is this double membership or dual membership.

5.6 Are monetary unions sustainable?

D1	In your opinion, will a monetary union in SADC be sustainable?
Participant 1	If you mean monetary union in which all the SADC countries participate from the first moment, so all of them are in the same basket and using the same currency, regrettably I think it will fall apart fairly soon. I think the initial conditions, round policies, convergence on macro-economic criteria, and the fiscal dispensation will simply make it almost impossible, really very difficult. You have extremely prudent Botswana and you have got extremely strange Malawi in the same club, it is not difficult to see that the tensions will amplify quite a bit and big brother which might initially be South Africa, will not have the deep pocket in the face of democracy to kind of foot the bill for all the fledgling countries which have problems.
Participant 2	I think it will be very difficult. It all depends on how it is done and who is in. if you have very strict entry criteria then that is quite important in making it sustainable; so you make sure the countries essentially are more or less in a shape where they can withstand the rigours of being in a monetary union. And the second one is there is political consent for every institutional design you come up with, does it have well-grounded political support.

Participant 3	Not necessarily unless the pending issues are addressed first
Participant 4	Under the present circumstances the SADC Monetary Union is not yet feasible; hence would be difficult to sustain. But the various SADC institutions are working towards improving feasibility and a more realistic timeline for monetary union.
Participant 5	A monetary union would be sustainable, particularly if lessons from the EU can be properly taken into account as the region moves towards monetary union.
Participant 6	Can't say much on sustainability at this stage.
Participant 7	I think so. I think if we put the right principles behind this project I think it will be sustainable. These countries are not huge. You need to build it in stages. When I say stages I am talking about checking, using the current infrastructure that you have or the current common monetary union as a basis for this

D2	**What sanctions will there be for member countries that don't adhere to the agreed targets set out?**
Participant 1	Peer review mechanism is currently in the process of being initiated. It is the best way of assisting member countries adhere to the set targets.
Participant 2	No. they haven't set out the entry criteria. What happens if you

	don't achieve those targets? I mean I am not saying that sanctions are easy; the only real sanction that could be opposed is denial of entry. I guess where there is peer pressure, but that only works if being in disgrace really matters, and the second thing is if you are going to have monetary union as a realistic process then I guess if someone doesn't meet the targets you can suspend them from the run up to accession.
Participant 3	There is no enforcement mechanism in place.
Participant 4	So far none, however, the SADC Peer Review Panel has since been setup; and hopefully it will be availed the necessary powers to sanction member states that do not adhere to the set targets.
Participant 5	Peer review mechanism is currently in the process of being initiated. It is the best way of assisting member countries adhere to the set targets.
Participant 6	No sanctions are in place for now, but countries are to encourage each other thru peer reviews.
Participant 7	At the moment we are not there. Some of those things like penalties or sanctions are still things that are going to be discussed, but we are putting together a meeting of that nature, just to kick-start the process with a

	selection of the key people that would be part of that panel, and that panel would probably meet once a year to review the performance.

D3	**What do you believe will happen with the CMA?**
Participant 1	I would rather see the current CMA arrangement being deepened and then widened by bringing more countries into it. On the table probably not explicitly, but implicitly it is there, but in terms of being pushed and marketed, not at this stage.
Participant 2	You know SADC has always been quite good at the big idea, but it has been much less good about the mechanics of how to implement the big idea, monetary union is the biggest of the big ideas. And even with the customs union, if you look at where the process is now they have done a free trade area and they are kind of working, but when you get to the customs union they haven't really got to grips with how to do it. The one reason is that SADC members in contrast to Europe have never really convinced themselves about the merits of giving up national sovereignty in favour of the regional interests. So if something in the region requires giving up an element of national sovereignty as it almost always done once you get past

	the full trade area, there is you know sort of political ambivalence about it. My personal view is that the existing monetary area would be … so I am more in favour of an incrementalist approach; I think you have to have, I think it is very very difficult to make a monetary union work, and I thought that even before Europe's problems of the last ten years. And one of the things you need to do to make it work is to have incredibly strict entry criteria. So it shouldn't be driven by politics, and you can see Europe made this mistake, and anyway one way of avoiding Europe's mistakes is to have very strict entry criteria. So you can't say 'right as at 1 Jan 2018 all SADC members will join the monetary union'. You have to say 'as of that date all SADC members who meets the entry criteria will join the monetary union' – or 'may join'. So because you have to have strict entry criteria not everybody is going to join on the same day. So it has got to be incrementalist, and because it is incrementalist I think the existing structure could be the basis, but not in its present form; it would have to change because clearly it is not a monetary union at the present time. It is a monetary arrangement, it is not a monetary union; it doesn't have a single currency, it doesn't have a single central bank and I think there are many obstacles to monetary unions. One of the obstacles in SADC is dealing with the institutional

	issues – how are institutions structured and how are institutions run, and obviously the key institution is the central bank of the single currency.
Participant 3	It could become a good building block for the SADC Monetary Union given its success thus far.
Participant 4	Yes, it could be used as a building block for the development of a regional monetary union; for the CMA countries and countries which have relatively high economic links with the CMA (e.g. Botswana and Mozambique).
Participant 5	This is feasible only if SADC adopts it as a building block to monetary union. Currently, there seems to be no enthusiasm among non-CMA countries to use this route.
Participant 6	The CMA is already a *de facto* monetary union, which if there is political will on the CMA states, could easily be transformed to a monetary union.
Participant 7	I mean I think because of the scenario I am trying to paint, that if you start small you learn how to manage things and then the people out there that want to join, you have already tested, you have a prototype and they can refer people and say 'guys, we have made it work like this. Now you want to join, you have been doing quite well on this area; let's include the rest of the guys'.

	No-one says if you want to be in a monetary union everything must be started from scratch. I don't believe in that. You must make the point, debate, and say 'okay, this one currency has this advantages, do we really need to be recreating currencies and doing what?'

5.7 Conclusion of Research Results

The purpose of this chapter is to present the research results from the research sample, based on the research questions posed in Chapter 3.

These findings and other pertinent qualitative comments collected from the research sample will be discussed in the next chapter in conjunction with the literature review presented in Chapter 2.

6 Discussion on Research Findings

6.1 Introduction

This chapter discusses the findings as a result of the research conducted on monetary unions, specifically focussing on monetary integration in SADC as outlined in Chapter 5. All the respondents that took part in this research have extensive knowledge and background in monetary policy and central banks in the SADC region.

The first level of analysis – research question one – considers why SADC agreed on monetary union and what benefits the SADC countries could gain from such a union, and whether trading blocs are moving towards monetary union (Cohen, 2003). The second level of analysis – research question two and three – considers the criteria for establishing monetary union and whether SADC countries are on track to meet the convergence criteria and whether the targets set for monetary integration are indeed feasible targets (Jefferis, 2007) and (Klaus, 2004). The third level of analysis – research question four – considers the political will amongst member countries and governments for monetary integration (Amos, 2010), and the fourth level of analysis investigates whether monetary unions are sustainable and whether current monetary arrangements such as the CMA could develop into a regional SADC monetary union.

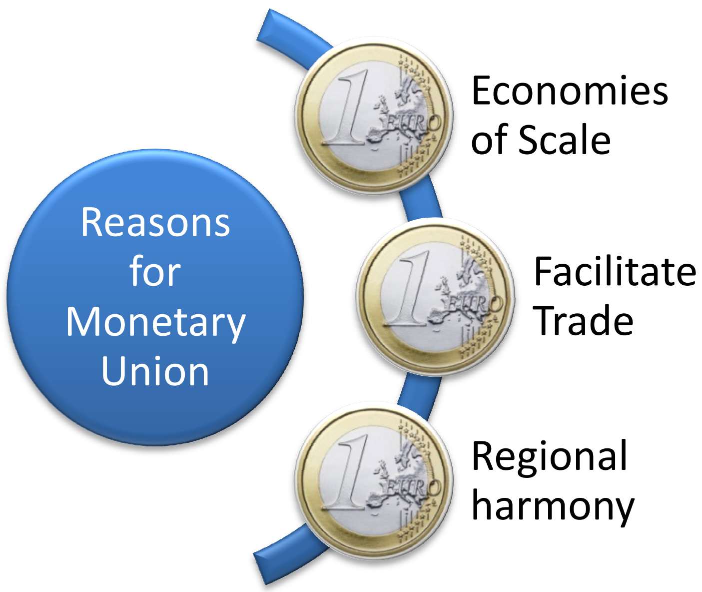
6.2 The reasons why SADC agreed on monetary union

As discussed in Chapter 2.9, the benefits of monetary integration can be summarised as follow (Jefferis, 2007):

i. To provide an agency of restraint in respect of macroeconomic policies
ii. Reduce exchange rate volatility
iii. Exploiting economies of scale
iv. Potential gains to trade

The themes that have emerged from the feedback received from the respondents that took part in this research suggest that SADC agreed to enter into monetary union are economies of scale, to facilitate trade and regional harmony, these themes are presented in Figure 1 by the researcher. These themes are in line with what the literature with the exception of regional harmony.

Figure 1: Reasons for Monetary Union as per author's research



On the question as to whether there is a trend globally to move towards monetary union, three out of the seven respondents believe that there is such a trend, this view is supported by Cohen (2003), that the number of currencies around the world will reduce and “junk” currencies will fall by the wayside.

Two out of the seven respondents do not agree that there is such a trend and two out of the seven believed that there could be such a trend emerging, but that recent events in Europe suggest that this trend might have been halted by the recent sovereign debt crisis and therefore could not give a clear “Yes” or “No” answer to the question.

6.2.1 Economies of scale

One of the reasons SADC agreed to monetary union is economies of scale being the one of the drivers for monetary integration. Small countries cannot compete on their own in the current global arena with large players such as the United States and the European Union, but as a regional block they could have a greater impact on the international stage. This is supported by the literature that suggests that the benefits of monetary union are the exploiting of the economies of scale in the financial sector (Jefferis, 2007).

Integration was becoming a trend globally with regions organising themselves into closer economic and political entities. Monetary union would also therefore allow smaller countries the benefits of access to a bigger market and be able to attain the necessary investment for sustainable growth. All the entities that are multiplied throughout the region and operating on a very small scale, like the different stock exchanges, could be absorbed into one operating on a bigger scale.

Bank notes and coins that are being printed, policed and distributed by their own central banks can leverage off the economies of scale if such banknotes are being printed on a larger scale by one single regional central bank.

6.2.2 Facilitate trade in the region

Monetary union in SADC was to be preceded by customs union and a common market and then followed by a single currency in 2018. This will facilitate trade within the region, where trade was previously prioritised with countries outside of the region, and incentive now exists to do trade within the region.

The monetary union and eventual single currency will reduce costs of intra-regional trade such as transactional fees and thereby facilitating trade and accelerating growth, increasing competitiveness and thereby eliminating poverty in the SADC countries. This is also supported by the literature that suggests that the potential gains to trade from reduced transaction costs and exchange rate uncertainty (Jefferis, 2007).

Shadow foreign exchange markets that develop in countries where foreign exchange is scarce and charge exorbitant transactional fees will also be eliminated with a single currency, thereby reducing transactional costs for converting foreign exchange.

6.2.3 Peace and regional harmony

Another theme that emerged from the interviews suggests that these economic formations will also allow for dialogue between the member countries and create harmony that eliminates possible conflict between these member countries. This will ensure peace within the region.

A common currency also creates a sense of belonging with a common destiny; it is almost a peace-keeping mission. This was also the case in Europe where the Euro created a European identity (James, 2006).

Monetary union will also harmonise systems within the region, improve current standards and also introduce new standards at the same time. Examples of these are the introduction of payment systems such as real time settlement system within the region and improving statistic and the collection thereof.

6.3 The convergence criteria for moving toward monetary union and the targets in place

The Optimum Currency Area (OCA) theory from the literature is used to argue whether or not a certain geographical area is ready to become a monetary union based on certain criteria (Sadeh & Verdun, 2009), namely sufficient labour mobility, lowest degree of wage rigidity, similar endowments for factors of production, symmetry of exogenous shock and impulses and the existence of an adequate fiscal compensation mechanism.

The respondents are almost unanimous in their answers to the question posed with regards to the target set for monetary integration in SADC by 2016, namely that it is not feasible. Out of the seven respondents, six believe that the target of 2016 set by SADC for monetary integration is not feasible. It is even suggested that 2040 or 2050 be a more realistic target for monetary integration in SADC, as it took Europe 50 for EMU.

The other respondent believes that the target of 2016 can still be achieved if the political will and commitment is forthcoming and if member states speed up the process.

The peer review mechanism, although not in place as yet, will result in the conformance of countries to the convergence criteria set out to achieve monetary integration. Although for a number of reasons as stated above, monetary union will most likely not take place, monetary and fiscal discipline in terms of inflation, current account deficits and government debt are ultimately good for the member countries, regardless of monetary integration or not.

It is clear from the interviews and the literature (Jefferis, 2007) that no sanctions currently exist for countries that do not meet the convergence criteria, but it is believed that the Peer Review Mechanism is sanction enough as member countries do not want to appear as not conforming in front of their peers. The worst sanction for a member country could be the exclusion from the monetary union.

6.4 The political will for establishing of monetary union

There have been numerous obstacles to monetary integration in SADC identified during this research, these include:

i. Unfinished issues in Europe that still need to be resolved. This is also supported by the literature (Bagus, 2011).
ii. Multiple memberships to regional economic communities with some SADC member countries also belonging to other regional economic communities.
iii. Differences in political maturity in the various SADC countries.
iv. Varying levels of development.
v. Political commitment.

vi. Trade patterns, as most trade takes place with countries outside of the region.

vii. Necessary institutions and frameworks still to be set up.

viii. Lack of public debate and lack of engagement with the private sector.

Five out of the seven respondents believe that these obstacles can be overcome, but this would have to happen as soon as possible to avoid immanent disaster.

The political will for monetary integration is SADC in lacking. The reasons for the lack of political will are given as:

i. Ordinary nationalism within member countries.

ii. Degrees of freedom such as to run own policies are to be ceded to a regional central bank.

iii. Responsiveness to constituencies and voters.

iv. Different macro-economic conditions in different member countries, for example the economic conditions of a country like Malawi differ substantially from that of South Africa, which begs the question should a country like Malawi or Swaziland have the same vote in a regional central bank as a country such as South Africa.

It has also emerged from this research that there is no public debate around monetary integration in SADC and monetary integration in SADC is unknown to the public at large. The private sector has also not been consulted in the discussions around monetary union within SADC. This was also evident during the research that there is a small pool of experts on the subject of monetary integration in SADC. This became apparent when the snowball sampling method was use when the names of the same people were mentioned time after time. This speaks to the fact there is no public knowledge on the subject and no public debate and participation, and also that the knowledge of monetary integration in SADC resides with a small group of experts within the central banks. This can again be attributed to mainly the lack of political will amongst member country governments.

6.5 The sustainability of monetary unions and the role of the CMA

Five out of the seven respondents believe that if SADC implements monetary union as it is currently proposed, with all the countries participating from the onset with one currency then it will not succeed and will not be sustainable. It is believed that tensions will amplify and the South Africa as the hegemonic power (Sadeh & Verdun, 2009) would have to come to the rescue of smaller fledgling countries. Only strict entry criteria for countries could prevent the collapse of such a monetary union in SADC.

It is widely agreed amongst the respondents that monetary integration in SADC should start small and expand over time, and the CMA is a good vehicle to achieve this. This proposal it would appear is on the table, maybe not explicitly, but implicitly.

The current situation in Europe is cause for concern and lessons should be learnt for monetary integration on SADC.

Another concern that has emerged with regards to monetary integration in SADC is that all countries will have equal standing in a monetary union in SADC, the question is therefore raised whether countries like South Africa and for example Swaziland should have equal vote and standing in such a monetary arrangement and on the MPC of such a regional central bank? Should a country like South Africa which is considered the hegemonic power in such an arrangement, not have greater standing and influence in such an arrangement?

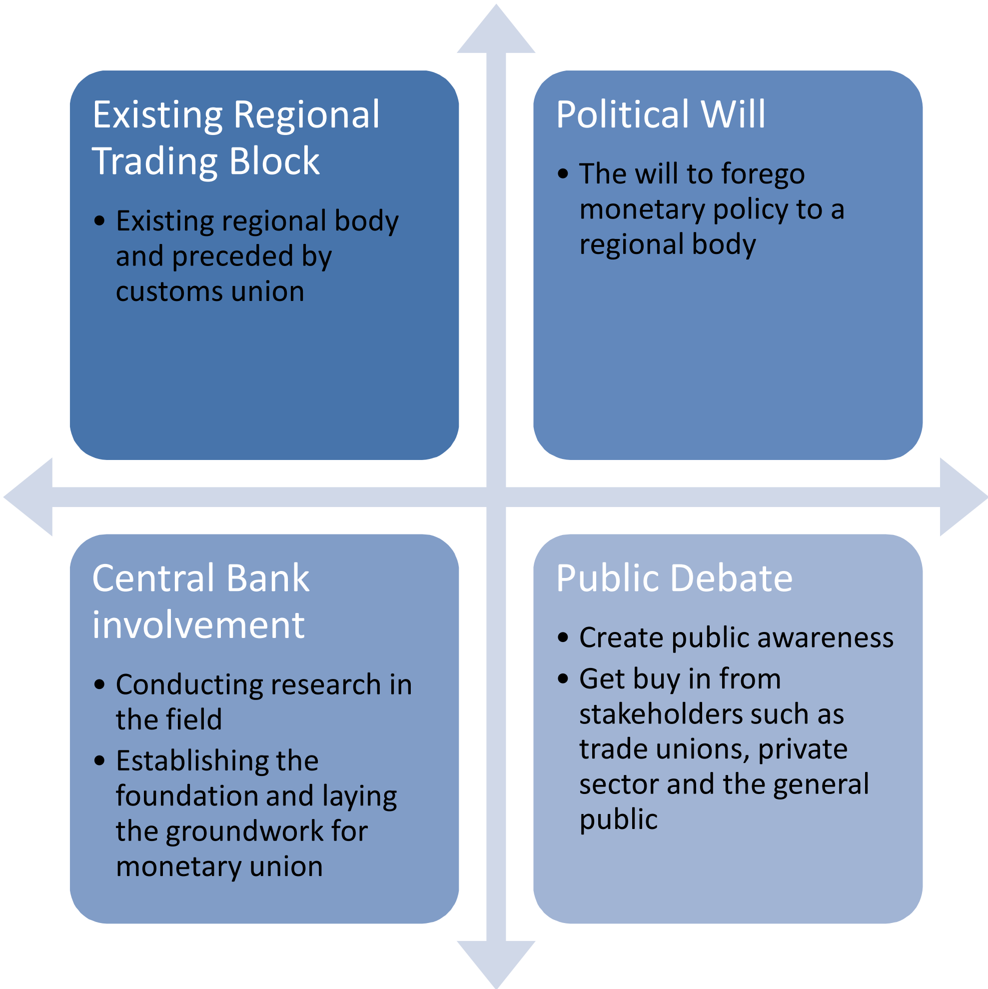
6.6 The four pillars of monetary integration

The themes discovered from this research into monetary integration and subsequent monetary union have given rise to what the researcher believes are the four pillars for successful monetary integration, without which monetary union will certainly not succeed.

i. Existing Regional Trading Block
ii. Political will from governments involved
iii. Central Bank involvement
iv. Public debate and consultation with the private sector

SADC currently only scores well on two of the four pillars namely Existing Regional Trading Block and Central Bank Commitment, but Political Will and Public Debate is lacking.

Figure 2: Four Pillars of Monetary Integration



6.6.1 Existing Regional Trading Blocks

Existing regional trading blocs are a requirement for monetary integration. These trading blocs, as is the case in SADC, should have an established customs union. One of the reasons for monetary union is to facilitate trade and reduce transactional costs, but it would defeat the purpose of monetary union if the foundations of such a trading bloc, such as a customs union, are not in place prior to monetary integration.

6.6.2 Political will from governments

Without political will from member governments, monetary union is bound to fail. Governments have to be willing to let go of monetary policy and cede such policy to a regional body, such as a regional central bank. Ceding of such policy will also require governments to make legislative changes in their respective countries, and as is the case in South Africa where the Reserve Bank Act of 1989 would have to be amended to accommodate a regional central bank.

6.6.3 Central Bank involvement

Central banks in the SADC region have been active in discussions and research on the regional monetary integration in SADC, with involvement in the SADC Secretariat and the Committee of Central Bank Governors (CCBG). Without this monetary integration and union would be impossible as this is where the expert in the field would reside.

6.6.4 Public debate and consultation with the private sector

Monetary integration would be impossible without stakeholder engagement such as the private sector, trade unions and the public at large. This goes hand in hand with political will as governments are concerned about their constituencies, and without engaging the stakeholders, political will also certainly be lacking. There needs to be public dialogue and debate in the member countries for monetary integration to succeed.

7 Conclusion

7.1 Findings

The intent of the research was to present the feasibility of establishing a monetary union in the SADC region in the context of the agreed targets set out by SADC and the African Union for monetary integration and monetary union within the region, and the benefits such a monetary union will hold for the region.

The referenced literature give varying opinions of monetary unions, the benefits associated and the criteria to be achieved for the establishment of monetary unions. The literature also does not conclusively state the feasibility and sustainability of monetary unions between nation states. It also does not give a clear understanding of the arguments for monetary union, whether monetary unions are politically motivated or economically motivated. This study explored these factors with specific reference to the SADC region in the context of the African Union’s vision to introduce a monetary union by 2021.

The three main reasons why SADC opted for monetary integration was identified by the researcher in this study as; to leverage off economies of scale; to facilitate trade in the region; and continued regional harmony. This is in line with the literature covered in this study.

From the interviews conducted with the leading experts in the field of monetary integration in the SADC region the following can also be concluded.

7.1.1 Trading blocs and monetary union

Experts are reconsidering the notion that trading blocs are moving towards monetary union in light of recent developments in Europe with the sovereign debt crisis that EMU member countries such as Greece, Spain and Italy are facing (Bagus, 2011). This could put a damper on future monetary unions, specifically in SADC.

7.1.2 The timeframe

2016 for monetary integration and 2018 for monetary union in SADC are not achievable targets. Although the experts that participated in this study agree that most countries are on track with the convergence criteria as set out by SADC, other factors are not in place for this to be achieved such as political will and public debate on the matter.

The four pillars for successful monetary integration that was identified by the researcher, namely an existing regional trading bloc, political will amongst member countries, high degree of central bank involvement and public debate and involvement for such integration. Only two of these four pillars are currently in place in the proposed SADC monetary integration.

7.1.3 Convergence criteria

The convergence criteria as set out by SADC for monetary integration are well defined; however there are no sanctions in place for countries who do not meet these convergence criteria. The peer review mechanism is currently the only vehicle in place to track the progress of member countries to meet the convergence criteria.

7.1.4 Political will

Most experts that participated in this study agree that the political will amongst member countries are lacking, and this can be attributed to a number of factors such as unfinished issues in Europe that still needs to be resolved, ordinary nationalism, responsiveness to constituencies and voters, and different macroeconomic conditions amongst different member countries and the degrees of freedom that will be ceded to a regional central bank.

The lack of responses from the 25 request sent out for interviews or feedback to the letters sent to the central banks also speaks to the fact that there is a lack of interest with regards to the proposed monetary integration in SADC. This demonstrates that there is very little awareness of the proposed integration.

7.1.5 CMA

It is widely agreed amongst the respondents that monetary integration should start small and expand over time, and the current CMA arrangement should be the vehicle to achieve this.

7.2 Recommendations

The following recommendations for successful monetary integration within the SADC region are evident from the research conducted:

i. Longer and realistic time frames for achievement of various milestones and targets are necessary for monetary integration to succeed in SADC.
ii. An incremental approach (countries joining when they are ready) seems the only practical road map going forward.
iii. The CMA should convert into a monetary union and other SADC countries should join as and when they are ready.
iv. Lessons should be learnt from the current crisis in the European Monetary Union and membership to such a union should be scrutinised.
v. More public debate should occur and political will should be forthcoming before establishing and agreeing target for monetary integration in SADC.

7.3 Limitations of this research

i. This study was limited to the SADC region and cannot be inferred on other regional blocks

ii. The sample is not wide enough and did not include the private sector or the public due to the unknown subject
iii. No private sector interview
iv. The responses could have an element of bias due to the fact that most of the experts interviewed are involved in the process of monetary integration in SADC.

7.4 Further recommended research

Due to the limited scope of the research conducted, it is recommended that the following possible research areas be considered for future research:

i. Monetary union as proposed by the Africa Union and the feasibility and sustainability of such a monetary union.
ii. What regional blocks such as SADC can learn from the current sovereign debt crisis in the Eurozone and what impact that has on monetary union?
iii. What is a feasible timeline for monetary integration in SADC and other regional blocks that are looking at monetary integration?
iv. What is the public awareness of monetary integration in SADC and the public response to such a monetary integration and union?

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Appendix A – SADC members and the central banks

Member countries of the Southern African Development Community (SADC) (Amos, 2010):

Angola

Botswana

Democratic Republic of Congo

Lesotho

Malawi

Mauritius

Mozambique

Namibia

Seychelles

South Africa

Swaziland

Tanzania

Zambia

Zimbabwe

Madagascar – The membership of Madagascar was suspended after a *coup d'état* by opposition leader Andre Rajoelena

SADC Country	Central Bank	Central Bank Governor
South Africa	South African Reserve Bank	Ms Gill Marcus
Angola	National Bank of Angola	Mr Victor da Costa e Silva
Botswana	Bank of Botswana	Mrs Linah Mohohlo
Democratic Republic of Congo	Central Bank of Congo	Mr. Jean-Claude Masangu Mulongo
Lesotho	Central Bank of Lesotho	Dr. Moeskesi Senaoana
Malawi	Reserve Bank of Malawi	Dr. Perks Ligoya
Mauritius	Bank of Mauritius	Mr. Rundheersing Bheenick
Mozambique	Bank of Mozambique	Mr. Ernesto Gouveia Gove
Namibia	Bank of Namibia	Mr. I.W. Shiimi
Seychelles	Central Bank of Seychelles	Mr. Pierre Laporte
Swaziland	The Central Bank of Swaziland	Mr. MG Dlamini
Tanzania	Bank of Tanzania	Prof. Benno Ndulu
Zambia	Bank of Zambia	Dr. Caleb M. Fundanga
Zimbabwe	Reserve Bank of Zimbabwe	Mr. Gideon Gono
Madagascar	Central Bank of Madagascar	Mr. Frederic Rasamoely

Appendix B – Interview Guide

	Category	ID	Question
Questions	Grand Question	A1	Why did SADC agree on monetary union?
	Floating Prompts	A2	Is monetary union the way of the future?
	Fixed Prompts	A3	What are the benefits that SADC will reap from monetary union?
	Grand Question	B1	What do you see as the obstacles with monetary union in SADC?
	Floating Prompts	B2	Could this change?
	Fixed Prompts	B3	Is there political will from all the member countries?
	Grand Question	C1	Do you agree with the targets set out to achieve monetary union in SADC?
	Floating Prompts	C2	Is 2016 feasible?
	Fixed Prompts	C3	Are the member countries on track to meet the targets?
	Grand Question	D1	In your opinion, will a monetary union in SADC be sustainable?
	Floating Prompts	D2	What sanctions will there be for member countries that don’t adhere to the agreed targets set out?
	Fixed Prompts	D3	What do you believe will happen with the CMA?

Appendix C – Informed Consent Letter

Dear Participant,

You are participating in research that I am conducting on Monetary Unions outside of Europe, with specific reference to monetary union within SADC. Through this research I am aiming to establish whether trading block are moving toward monetary union and looking at the criteria for establishing monetary union in SADC, and whether the member countries are on track with the agreed upon targets. I'm also trying to establish whether there is political will amongst member countries for monetary integration and the reasonableness of the target and timeframes set out for monetary integration.

Our interview is expected to last and hour and a half, and your participation in this research is voluntary and you can withdraw at any time without penalty. Off course, all data will be kept confidential.

If you have any concerns, please contact my supervisor or I on the details provided below.

Researcher:

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083 295 3895

Research Supervisor:

Jannie Rossouw

Jannie.rossouw@resbank.co.za

083 288 7707

Signature of Participant:________________________ Date:_________________

Signature of Researcher:________________________ Date:_________________

Appendix D – Respondents in alphabetical order

Name	Position and Institution
Mr Mshiyeni Belle	Head: Committee of Central Bank Governors Secretariat
Busi Dlamini	SADC Secretariat
Dr Keith Jefferis	Managing Director, Econsult (Botswana) Pty Ltd
Mr Pierre Laporte	Governor, Central Bank of Seychelles
Dr Kealeboga Masalila	Director, Research Department, Bank of Botswana
Dr Johan van den Heever	Deputy Head, Research Department, South African Reserve Bank
Mr Ivan Zyuulu	Senior Economist, Bank of Zambia

Biography of some of the experts that participated in the research

Dr Keith Jefferis

Dr Keith Jefferis was Deputy Governor of the Bank of Botswana (BoB) from November 1999 until March 2005, on appointment by the President of Botswana, H.E. Festus Mogae. Prior to this Dr Jefferis worked in the Research Department of the BoB; as a Senior Research Fellow at the Botswana Institute of Development Policy Analysis; and as an academic lecturing and researching in economics at universities in Botswana and the United Kingdom. He has degrees in economics from the Universities of Bristol (B.Sc) and London (M.Sc), and the Open University in the UK (Ph.D), and started his career as a professional economist by winning a Fellowship of the Overseas Development Institute (ODI), London.

Mr Pierre Laporte

Mr Pierre Laporte is the Governor of the Central Bank of Seychelles since October 2008. He was the IMF Resident Representative in Niger from 2005 after joining the organization in 2002 as an economist and had occupied various posts within the Central Bank of Seychelles since 1999 before joining the IMF. He holds a Masters Degree in Economics with Distinction from the Sheffield University and a Bachelors Degree in Business Economics and computing with honours from Surrey University. As the IMF resident representative he also served as a diplomat, working closely with the government, donors, and the private sector in implementing a wide range of economic reforms. He has played a key role in Seychelles' successful economic transformation by spearheading monetary and financial sector reforms, as part of the country's broader macro-economic reform program.

Dr K.S. Masalila

Dr Kealeboga S Masalila is a Principal Economist (Money and Financial Markets Unit) in the Research Department of the Bank of Botswana. He joined the Bank in 1985 after working for a year in the Foreign Trade Unit of the Ministry of Commerce and Industry. In the Bank he has worked in various areas of both the Research and Banking Supervision Departments. Dr Masalila graduated with a Bachelor of Commerce degree from the University of Botswana in 1984 and subsequently obtained an Mphil in Monetary Economics from the University of Glasgow, UK, in 1989. He gained his Ph.D from the University of Manchester in 2000 and wrote a thesis on the impact of financial liberalisation on monetary policy effectiveness in Botswana, Malawi and Zimbabwe. His research interests are in the area of financial sector development and regulation and monetary policy.