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The Southern African Development Community's Macroeconomic Convergence Program: Initial Performance

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Program: Initial Performance**

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CONTENTS	PAGE
Executive Summary	2
I. Introduction	2
II. Regional Economic Integration in SADC	5
III. Macroeconomic Performance in the SADC Region	10
A. Growth	10
B. Inflation	10
C. Fiscal Balances	13
D. Public Debt	15
E. Current Account Balances	16
IV. Prospects for the Convergence Program	16
V. Conclusion	19
References	28

¹ The views expressed in this paper are those of the author and do not necessarily represent those of the IMF or IMF policy.

EXECUTIVE SUMMARY

The Southern African Development Community's (SADC's) regional economic integration agenda includes a macroeconomic convergence program, intended to achieve and maintain macroeconomic stability in the region, thereby contributing to faster economic growth and laying the basis for eventual monetary union. Most SADC member states have recorded solid macroeconomic performance in recent years, in general coming close too, and in many cases surpassing, the convergence targets specified for 2008. A notable exception in this regard is Zimbabwe, which was in the grip of hyperinflation. The macroeconomic targets for later years are ambitious and, in some cases, warrant further evaluation, given that achieving the targets may be neither necessary nor sufficient to achieve good macroeconomic results.

I. INTRODUCTION

1. SADC comprises 15 states and seeks to promote peace, security, and economic integration in the region.² SADC is one of eight regional economic communities formally recognized by the African Union as building blocks toward achieving an African Economic Community (Box 1).

Box 1. SADC in Historical Context

SADC has its origins in the organization of Frontline States (Angola, Botswana, Mozambique, Tanzania, and Zambia), which sought the political liberation of the region from colonialism and minority white rule in the mid- to late 1970s. The group expanded in 1980 when Lesotho, Malawi, Swaziland, and newly independent Zimbabwe joined to form the Southern African Development Coordination Conference (SADCC), with the aim of reducing economic dependence on apartheid South Africa and promoting their own economic development through cooperation and integration.

By the early 1990s, independence in Namibia and the end of apartheid in South Africa ended the struggle against colonialism in the region and normalized the political landscape. At the continental level, the 1980 Lagos Plan of Action (establishing regional economic communities as the building blocks for continental unity) was reaffirmed in 1991 at Abuja when the African Economic Community was established. In 1992 the SADCC was therefore transformed from the loose association of a coordination conference into SADC, a formal treaty-based organization. Membership of the organization increased to 14 with the accession of Namibia (1990), South Africa (1994), Mauritius (1995), Democratic Republic of Congo (1997), and Madagascar (2005). Seychelles, a member from 1997–2004, rejoined the group in August 2008.

2. SADC's regional economic agenda is outlined in its Regional Indicative Strategic Development Plan (RISDP), adopted by member states in 2003. The RISDP established a

² Angola, Botswana, the Democratic Republic of Congo (DRC), Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe.