Economic Commission for Africa (ECA)
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Southern African
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Macroeconomic Policy and Institutional Convergence in Member States of Southern African Development Community

Issues Paper

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Acronyms and Abbreviations

AEC	African Economic Community
AEGM	Ad hoc Expert Group Meeting
AfDB	African Development Bank
AIDS	Acquired Immune Deficiency Syndrome
AMCP	African Monetary Co-operation Programme
AU	African Union
CBA	Cost Benefit Analysis
CCBG	Committee of Central Bank Governors
CEMAC	Central African Economic and Monetary Community
COMESA	Common Market for Eastern and Southern Africa
CPI	Consumer Price Index
DRC	Democratic Republic of Congo
ECA-SA	Economic Commission for Africa, Southern Africa Office
FDI	Foreign Direct Investment
FIP	Finance and Investment Protocol
GDP	Gross Domestic Product
HCPI	Harmonized Consumer Price Index
HIPC	Highly Indebted Poor Countries
HIV	Human Immune Virus
ICP-Africa	International Comparison Program for Africa
IMF	International Monetary Fund
MDGs	Millennium Development Goals
MEC	Macroeconomic Convergence
MOU	Memorandum of Understanding
MRI	Multilateral Relief Initiative
MU	Monetary Union

NPISHs	Non-profit institutions serving households
NSO	National Statistics Offices
PPP	Purchase Power Parity
RECs	Regional Economic Communities
RISDP	Regional Indicative Strategic Development Plan
SADC	Southern Africa Development Community
SNA	System of National Accounts
SIPO	Strategic Indicative Plan for the Organ
SPD	Structured Product Description Method
SWG	Statistical Working Groups
TIFI	Trade, Industry, Finance and Investment of SADC
UNECA-SA	United Nations Commission for Africa, Southern Africa Office
WAMI	West African Monetary Institute

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I. Background

1. UNECA has developed a long history of collaboration with SADC, in harmonizing policies and programmes of action, providing policy advisory services, facilitating and serving as convener for policy dialogue. Further impetus for strengthening UNECA and SADC collaborative relationship also arose from the SADC New Partnership Framework outlined in the Windhoek Declaration, which desires a stronger and more effective partnership. The Operational framework identified a number of demand-driven areas for cooperation, including addressing issues of regional integration and infrastructure (i.e. transport, water and energy), capacity building and human resources development, issues related to gender, ICT and governance and resource mobilization for regional multi-sectoral projects and programmes.

2. Given the opportunity provided by NEPAD, Regional Indicative Strategic Development Plan (RISDP), Strategic Indicative Plan for the Organ (SIPO) and the Windhoek Declaration to reinvigorate collaboration and partnership between the two institutions, the framework to strengthen the special partnership and cooperation between the SADC secretariat and the UNECA Office for Southern Africa has now been translated into a multi-year programme, which among others:

- seeks to explore institutional modalities for strengthening collaboration between UNECA and SADC which will directly contribute to greater institutional operational synergy resulting from a more coherent and strategic engagement.
- serves as an instrument to leverage on each institution's comparative advantage in addressing issues related to the economic integration process.
- aligns the UNECA-SA programme to SADC's to ensure programmes are demand driven;
- designs and implement a multi-year programme with a focus on capacity building.
- assist in the translation of the AU vision;
- mobilize the larger UN system for the implementation of RISDP and SIPO

3. In this regard, the multi-year programme as outlined above, will among other areas address specific social and development activities, which were identified jointly by SADC and UNECA. The activities among other areas include: monitoring and reporting frameworks on internationally agreed commitments on social development (labour and employment; population and migration; development of database on labour market management information system at national and sub-regional levels; monitoring and reporting on MDGs in Southern Africa.

4. As already pointed out above, the multi-year programme also includes implementation of SADC's Strategic Indicative Plan for the Organ (SIPO), which is the enabling instrument for the implementation of the SADC developmental agenda embodied in the RISDP. Such activities include institutional strengthening of SADC National Committees for implementation, monitoring and evaluation of SADC programmes at national level, assessing macroeconomic convergence in the SADC region, and promotion of investment in infrastructure and natural resources development.

5. The report therefore specifically reviews topical issues arising from the multi-year programme on assessment of macroeconomic policy and institutional convergence in member states of Southern African Development Community (SADC).

II. Rationale for Macroeconomic Convergence

6. Macroeconomic convergence (MEC) as the growing cross-country similarity of policies over time has become one of the top priorities in regional integration in Africa and indeed in southern Africa. Successful policy convergence would enable the region to assume a leading role in establishing financial, macro-economic and price stability, therefore job creation, which are preconditions for sustained economic growth and development. The importance of macroeconomic policy convergence as a critical ingredient for deeper integration is given due cognizance in all the Regional Economic Communities (RECs) including the Southern African Development Community (SADC). Thus, macroeconomic policy convergence, monetary cooperation and unification, and financial and capital market development are not only essential for effective regional integration but can yield large payoffs for African economies. They also provide enabling environment for trade as well as domestic and foreign investments.

7. It is anticipated that true integration cannot take place unless economies of participating countries in an integration area harmoniously deal with economic shocks. As a result, assessing the presence of shocks evenness and moving together of business cycles can provide useful evidence of the potential for deeper integration in a given REC. And, for the economies in a given integration area to deal with economic shocks in a coordinated manner, it is necessary that macroeconomic policies among the countries involved are harmonized. For the expected benefits to outweigh the expected costs, careful prioritization and design of institutions as well as assessment of the level and rate of convergence of the macroeconomic and financial components in African RECs are essential for regional integration. Therefore, analyzing the presence or absence of harmony and coordination in the macroeconomic policies of the economies trying to integrate is an important element of assessing the state of integration in African

RECs. Effectively knowing where we stand is a key factor affecting where we go next and where we end up. The need to develop a comprehensive and doable framework and assess progress in MEC in the SADC region is the focus of this Ad hoc Expert Group Meeting (AEGM).

III. Policy convergence in SADC region

8. Policy convergence goals including monetary integration play an important role in initiatives to overcome Africa's development challenges through RECs. One of the goals of SADC is therefore macro-economic convergence leading to monetary unification and a single central bank. This goal is aligned with the ultimate goal of the African Union of the economic integration of Africa to build a monetary union for the entire continent in stages, starting with each of the subregions, of which SADC forms one important region.

9. Article 44 of the Abuja Treaty calls for the harmonisation of economic policies across the African continent. The Treaty emphasises two important pillars of economic integration across the African continent: the promotion of intra-Africa trade and the enhancement of monetary co-operation. The African Monetary Co-operation Programme (AMCP) of the Association of African Central Banks, seeks to operationalise the monetary co-operation mandate of the Abuja Treaty. In the main, this involves a single monetary area, encompassing a common currency and a common central bank for Africa by the year 2021.

10. In terms of the initial criteria set mainly for 2008, " … SADC member states are required to have single digit CPI inflation rates; ensure that the nominal value of public and publicly guaranteed debt, as a ratio of GDP, does not exceed 60 percent; ensure that the public budget deficit as a ratio of GDP does not exceed 5 percent; and have sustainable current account deficits – meaning 3 percent of GDP or less". The convergence criteria comprise a memorandum of understanding, agreed to by the Ministers of Finance of the SADC countries. By setting clear convergence criteria, the memorandum provides thebasis for a monetary union and a central bank for the SADC region, and South Africa already complies with these criteria.

11. Additional convergence criteria of SADC set for achievement in 2012 and 2018, respectively, relate to the rate of inflation; government debt and government-guaranteed debt as a ratio of gross domestic product (GDP); annual budget deficit of the government; current deficit on the balance of payments; and central bank credit to the government. These targets are summarized in table 1.

Table 1: Macroeconomic convergence targets

Year Indicators	2008	2012	2018
Inflation annual rate	Single digit by 2008	<5%	<3%
Deficit/GDP	<5%	<3%	<1%
Debt/GDP	<60%	<60%	<60%
*Current Account/GDP	<9%	<9%	<3%

***The targets should be considered in conjunction with the economic growth rate of the country and the import cover of reserves. It should exclude official transfers in its calculation**

12. The Regional Indicative Strategy Development Plan (RISDP) stipulates the following timeframes for some secondary macroeconomic indicators and their quantitative targets:

Table 2: Other macroeconomic targets

Year Indicators	2008	2012	2018
Economic growth	7%	7%	7%
External reserves (import cover, months)	3	>6	>6
Central bank credit to govt (% of annual tax revenues)	10%	5%	5%
Domestic savings (% GDP)	25%	30%	35%
Domestic investment (%GDP)	30%	30%	30%

Source: Adapted from Rossouw, J. (2004).

13. To this end, SADC has set macro-economic convergence criteria, the first of which countries in the region should achieve by 2008. Further aims are to establish a free trade area (also by 2008); a customs union by 2010; a common market by 2015; and monetary union and a SADC central bank by 2016. The achievement of the convergence criteria and the establishment of monetary union and regional central bank are major challenges facing SADC requiring a systematic assessment. All these targets require careful coordination and assessment.

14. Co-operation with macro-economic convergence in SADC and regional integration are also enhanced by the harmonisation of legal and operational frameworks of SADC central banks, the SADC payment, clearance and settlement systems, as well as the co-ordination of training of central bank officials.

15. Progress with the goal of achieving the convergence criteria is monitored by the CCBG in terms of SADC's Regional Indicative Strategic Development Plan (RISDP), launched on 12 March 2004 in Arusha, Tanzania.

IV. Assessment of Macroeconomic Convergence in SADC

16. **Methodology**: In 2007, the Economic Commission for Africa, Southern Africa Office (ECA-SA) assessed MEC in the 14 member States of SADC based on 14 national reports of on past, present and likely future compliance of Memorandum of Understanding (MOU) on macroeconomic convergence and the Finance and Investment Protocol (FIP) adopted by Member States. The outcome of this study was a paper, which briefly presents an overview of developments in the world economy and implications for Southern Africa and then focuses on the progress towards the achievement of macroeconomic convergence (MEC) targets in SADC member states. It compares the actual performance against agreed macroeconomic indicators and targets in the SADC macroeconomic convergence programme, and presents prospects for the year 2007 and beyond. MEC as defined in MOU is the convergence by Member States to low and stable levels of inflation, sustainable budget deficits, public and publicly guaranteed debt and current account balances although it now includes other indicators. Although mostly the economic aspects underpinning convergence are considered, political issues are also highlighted.

17. The review covers both **primary indicators**: inflation; budget deficit, public debt and current account balance as percentage of GDP as well as **secondary indicators**: economic growth, external reserves (import cover months), central bank credit to govt (% of revenues), Domestic saving (% GDP) and domestic investment (% GDP). Section V presents a summary of topical issues that need to be redressed. These topical issues are critical in MEC requiring urgent attention. A summary of the assessment covers the period 2002 – 2007 consistent with the need to examine convergence over an extended period (Tables 3 and 4).

18. **Data**: Most of the data used in this paper were sourced from past and recent 14 MEC reports submitted by individual SADC member states. Data were also sourced from reports from the Committee of Central Bank Governors (CCBG). In cases where data were not available from

the aforementioned sources, other sources were used, especially, the International Financial Statistics and the World Economic Outlook database prepared by the International Monetary Fund (IMF).

19. **Economic Growth**: While in 2006, world economic growth improved slightly to 3.8 percent from 3.5 per cent in 2005, growth in Southern Africa increased from 4.7 per cent in 2005 to 5.8 per cent in 2006 but projected to drop to 4.6 per cent in 2007. Although five countries in the sub-region registered marked increase in GDP growth rates of 7 per cent and above in 2006, they still face the critical challenge of raising the rate of GDP growth and sustaining high growth rates over an extended period in order to accelerate progress towards meeting the Millennium Development Goals (MDGs).

20. **Inflation**: With regards to MEC performance SADC countries registered a mixed performance. The number of countries registering inflation rates within single digit increased steadily from only four in 2002 to 13 in 2006. Only Namibia has already achieved the target (<5%) ahead of the 2008 schedule, and so only needs to maintain the inflation rates at current levels. Apart from Zimbabwe (>5000%) projections for the rest of the countries for 2007 will be within the single digit range (4 – 9%).

21. **Fiscal Deficit**: All countries except Angola, Mauritius, Tanzania and Zimbabwe show improved fiscal deficit in 2006 against SADC target for 2008 of <5 per cent of GDP. Of these countries, Botswana, DRC, Lesotho, Namibia, South Africa and Swaziland maintained a budget deficit of below or equal to 5 per cent between 2002 and 2006.

22. **Public Debt**: Six SADC countries benefited from debt forgiveness under the HIPC initiative (DRC, Madagascar, Mozambique, Tanzania and Zambia except for Malawi). Consequently, there has been a decrease in Public debt in these countries recording a stock of public debt below the SADC target of 60 per cent of GDP. There was an improvement in the public debt ratio in SADC from 64.6 per cent in 2002 to 44.9 per cent in 2006 with a further projected reduction to 34.8 in 2007.

23. **Current Account Balance**: Except for Lesotho and Mauritius, in 2006 the rest of the SADC countries achieved the target of –9 for balance on current account as a per centage of GDP. Except for Lesotho, Malawi, Madagascar, Mauritius, Zambia and Zimbabwe, the rest of the countries consistently attained the conventional prudential levels of the SADC RISDP.

24. **External Reserves** (import cover months): Only four countries (Botswana, Mauritius, Mozambique and Tanzania) consistently attained the conventional prudential levels of the SADC RISDP. Of these, in US dollar terms, Botswana's foreign exchange reserves have reached

exceptionally high levels since 2002. Its foreign exchange reserves therefore remain well in excess of the SADC target of 3 months and 6 months of import cover for 2008 and 2012 respectively. In an extreme case, Zimbabwe consistently did not reach any near the target between 2002 and 2006.

25. **Saving and Investment**: Apart from Angola, Botswana, Lesotho and Namibia, which consistently attained the 30 per cent target, most countries showed low rates of savings. And, the RISDP target for investment of 30 per cent of GDP was achieved by only Botswana from 2002 to 2005 and by Lesotho for the years 2002 to 2004. Since 2002, the rest of the SADC countries have not reached the target. Thus, the investment rate is generally below the required level to achieve the RISDP developmental objectives.

26. **Overall Macroeconomic Convergence**: Overall, the SADC member states have made some progress in attaining the MEC criteria over the past 5 years, particularly with respect to all the four primary indicators. However, success in MEC should be based on over extended period and not on short-term.

V. Analysis of Topical Issues Arising from Assessment of Macroeconomic Convergence in SADC

27. The study of cross-national policy convergence is a highly popular research area in contemporary development agenda. As a consequence, there is an ever-growing body of studies that investigate the occurrence and the underlying driving forces of cross-national MEC. Notwithstanding these enormous research efforts, the analysis of MEC in SADC by ECA-SA shows that several interrelated issues abound in MEC, namely:

- Theoretical and conceptual issues;
- Methodological and statistical issues;
- Regional integration issues;
- Institutional issues;
- Political issues;
- Indicator-specific issues; and
- Reporting issues

28. On theoretical and conceptual issues, to date there is limited understanding of the causes and conditions of macroeconomic convergence, posing important restrictions on the comparability of the empirical findings gained in different convergence studies. Thus, the meeting proposed this area and choice of indicators as needing deeper discussion.

29. The meeting noted that methodological issues with statistical issues emerging as probably the most critical to monitoring progress made in convergence relating to (i) lack of a permanent statistical monitoring system; and (ii) lack of availability of comprehensive, timely and accurate statistical information. It was also noted that the availability of such information is crucial for effective national development policy making, decision taking as well as for establishing and monitoring economic convergence processes. And, the on-going efforts of UNECA, AfDB, AU and IMF in developing statistical capacity was noted as an area that could be further harnessed to address these issues.

30. On regional integration issues, the meeting noted that the costs and benefits of macroeconomic coordination were analysed primarily in terms of trade and that cost benefit analysis (CBA) helps to deepen the understanding of policy makers demonstrates the importance and benefits of MEC. Slow ratification of protocols and reluctant implementation of agreed plans in regional integration can be attributed to lack of CBA especially in anticipation for monetary union in SADC. The meeting agreed on the need for more research, and alluded to the current research work being conducted by the CCBG with a list of studies slated for release in April 2008. The CCBG is concentrating its research efforts on major indicators to see how they fit into the convergence programme.

31. As for institutional issues, the meeting noted lack of mechanisms and resources for effective planning, coordination, implementation, monitoring and pragmatic adjustment of programmes on the ground have been another constraint to MEC. The need for SADC to have a central authority to oversee convergence and integration is one of the institutional issues. Such an institution should be independent of all national authorities' influences. It should have a mandate that is well anchored on the agreed key objectives, such as ensuring price stability, with sufficient authority to enforce (and possibly supervise) compliance by all members for the attainment of the shared objectives. The meeting was further informed that such institutions such as the West African Monetary Institute (WAMI) and others for the European Union exist. However, the meeting felt that using the European Union and West African examples might not be useful in the SADC context. The region can probably do with far less complicated models on regional integration.

32. Regarding indicator specific issues, the meeting raised concern in several areas. First, the meeting noted that that similar macroeconomic indicators are applied to countries that are vastly different in terms of size of economy and economic performance. For example, what would the requirement for 7% growth mean for more matured economies versus those less so. Also, drivers of indicators may be different for SADC countries at different development levels. Some countries are highly dependent on agriculture, natural resources, skills, etc. What could bring stability in one country may not be the same with another.

33. In respect of the debt/GDP ratio the meeting noted that after reaching the HIPC completion point, some member states' public debt is lower than private debt. The meeting further noted

that unlike EU countries whose debt is homogenous, SADC debt portfolio is heterogeneous; thus posing challenges in the measurement of debt burden. The meeting was informed that the IMF and World Bank started producing debt sustainability reports, which can be used to validate the debt/GDP ratios. On globalization trends, the meeting observed that China and India are becoming major sources of FDI in Africa but the implications of recent borrowing from these countries are yet to be analysed along with analysis is required to qualify the debt/GDP ratios.

34. On fiscal deficits, the meeting noted the need to include grants in the calculation of the deficit/GDP ratio since some expenditure would not have taken place if those grants were not available to start with. However, some participants argued that grants should be excluded because quality of fiscal management can best be judged without the grants. One way of dealing with this is to have a supplementary measure of the degree of donor dependence in fiscal receipts. In respect of the need to mobilize more internal revenue and thus rely less on grants, some participants argued that member States could revisit the generous mining concessions given to the mining companies. They acknowledged, however, that many countries entered into these agreements from a position of weakness characterized by low international commodity prices and high capital needs.

35. With regards to recent update (2007), it emerged that up to 2006 most SADC member States had made good progress on macroeconomic convergence criteria. However, since the beginning of 2007 many countries have registered deterioration in a number of these criteria:

a. Inflation is rising largely due to oil and food price pressures, as a result of poor weather conditions and instability in oil markets.
b. GDP growth is slowing due to the fact that mining activities in some countries have reached a plateau, unfavourable weather conditions, and the capacity constraints partly due to HIV/AIDS.

36. There is a growing concern about enforcement of Macroeconomic Convergence criteria, as the momentum towards monetary union gains speed and criteria become tighter, deviations from the agreed targets are likely to increase. Henceforth member States need to consider whether to have an institutional mechanism that will ensure compliance. There is therefore need to distinguish between convergence of policy and convergence of performance. In addition, there is need for more research around regional integration

37. In the Expert Group meeting ECA/SADC organized in 2007, it was noted that in the early stages of regional integration the criteria should be seen as guidelines that would help to reduce macroeconomic divergence in the region, but that it might not be appropriate to introduce sanctions or penalties against those states missing the targets. However, in the later stages of integration, as the process proceeds towards monetary union, then the achievement of convergence targets becomes much more important, and sanctions/penalties against non-achieveers would be

important in maintaining the integrity of the process. One way of achieving compliance would be to link entry to a possible monetary union to achievement of convergence targets and not make entry to a SADC monetary union automatic for all member states.

38. The meeting acknowledged the importance of the MEC reports. However, to make them more relevant there is need to release them timeously and with quick updates.

39. The meeting observed that data compilation and dissemination could be improved by involving national statistical agencies and strengthening the SADC Statistical Unit. The reporting process should be continuous regardless of methodology used. IMF databases should, noting that the data is reported in line with consistent definitions and in any case comes directly from member states. One suggestion was that when member states are providing monthly data to the Fund they should provide the same to the SADC Secretariat.

40. It was noted that the IMF was willing to spend more time on regional integration issues if this were requested by Member States. IMF input would support rigorous analysis of regional integration issues and the impact on Members States.

VI. Recommendations

41. Member states need to support research on regional integration, which should be fully coordinated to avoid duplication, particularly in the following areas:

a. Theoretical and conceptual issues of macroeconomic convergence
b. Relevance of the four macroeconomic indicators.
c. The inclusion of secondary macroeconomic indicators.
d. Review of the MEC programme after 2008.
e. Cost-benefit analysis of monetary union.
f. Drivers of macroeconomic performance in different countries in the region
g. How member states in the region can generate enough revenues to finance their budgets rather than depending on grants
h. The implications of borrowing from China and India on debt sustainability.

42. Member states should ensure that MEC is integrated into their macroeconomic policy making processes. The ECA-SADC Expert Group meeting recommended the following with respect to indicators and data reporting:

a. Member states should focus on building capacity to enable better and timely reporting of MEC data through the existing reporting structures.

b. Member states should energize efforts to produce timely and updated MEC reports to ensure their usefulness and relevance as a policy instrument, e.g. mid-year and annual reviews. A template should be developed to facilitate standardized reporting by SADC Secretariat. The reporting of data relating to MEC should be done through a single coordinating institution.
c. There is no need to change the indicators at this stage, but strengthen the reporting structures that already exist.

43. Member states should broaden debt analysis to qualify the debt/GDP ratio and to dissect this ratio into public external, public domestic, publicly guaranteed debt and private debt.

44. The presentation of fiscal balance data should include a measure of donor dependency. Further, Member States should double their efforts to broaden their revenue bases to reduce dependency on grants through both improved tax collection efficiency and reform of tax policy.

45. In light of recent deterioration in MEC indicators particularly inflation and the slowdown in GDP growth, Member States must ensure appropriate policy responses.

46. To encourage MEC compliance especially in the run-up to Monetary Union (MU), SADC should initiate work on developing detailed and effective eligibility criteria for entry into the MU.

47. The ECA should assist in strengthening statistical working groups (SWG) under SADC through training on national accounts, trade statistics, economic classification, prices and harmonization of statistics; as well as the customisation of the UN Manual to the SADC context. The working groups should include representatives from statistics offices, ministries of finance and planning, and central banks.

48. Data compilation and dissemination on MEC should be improved as follows:

a. involving national statistical agencies and strengthening the SADC Statistical Unit.
b. reporting process should be continuous regardless of methodology used.
c. IMF database should be used because data itself comes directly from member states.
d. when member states are providing data to the Fund they should also do so to the SADC Secretariat.
e. Member states should aspire to consistent and uniform statistical reporting, for instance in aiming for calendar year reporting, common methodologies and definitions.

Table 3: Primary Macroeconomic Convergence Indicators

Country/ Indicator	Inflation						Government Budget Deficit (as % of GDP)						Public debt (as % of GDP)					
	2002	2003	2004	2005	2006	2007*	2002	2003	2004	2005	2006	2007*	2002	2003	2004	2005	2006	2007*
Angola	105.6	76.6	31.0	15.0	10.0	8.3	-9.3	-7.0	1.1	3.0	-8.1	-2.1	80.6	63.0	45.6	37.8	25.5	26.1
Botswana	10.6	6.4	7.8	8.6	11.6	6.3	-3.6	-0.2	1.2	1.2	8.1	0.0	5.7	10.6	9.6	4.4	3.8	6.5
D.R. Congo	25	13	9	21	8	6.0	-2.0	-3.9	-3.8	-5.0	-1.7	-1.3	1.8	1.9	1.7	1.4	0.6	0.5
Lesotho	11	7.5	5.0	3.5	6.0	6.0	-4.5	0.8	5.0	4.1	-2.6	-3.1	82	69	54	49.9	51.8	53.4
Madagascar	13.4	-0.8	27.3	11.4	10.8	9.8	-6.2	-4.8	-5.7	-4.3	37.5	-5.6	99.0	90.7	92.3	80.3	29.3	29.3
Malawi	14.9	9.6	11.4	15.4	9.8	6.4	-11.6	-7.8	-4.1	-1.3	-0.9	-0.7	146	166	159	153	152	145
Mauritius	6.4	3.9	4.7	4.9	8.9	6.2	-6.1	-6.2	-5.4	-5	-5.3	-4.3	68.4	73.2	69.3	69.7	68.8	62.8
Mozambique	9.1	13.8	12.7	6.4	13.3	6.0	-17.2	-12.6	-10.9	-2.4	-1.1	-4.3	3.3	4.1	4.7	73.9	52.8	4.5
Namibia	11.3	7.8	3.9	2.2	2.9	4.0	-3.5	-2.5	-7.2	-3.6	-1.05	-0.29	15.0	22.5	34.0	33.8	31.4	7.3
South Africa	9.3	6.8	4.3	3.9	4.1	5.1	-1.7	-3.0	-2.6	-0.5	-0.4	-0.4	38.6	36.9	35.7	33.7	33.8	31.6
Swaziland	11.7	7.4	3.4	4.8	5.8	8.2	-4.6	-3	-4.6	-1.8	-2.1	2.6	22.7	19.5	18.6	17.2	17.2	25.8
Tanzania	4.5	4.4	4.2	4.3	5.3	8.2	-5.6	-8.2	-11.2	-11.8	-11.5	-9.6	78.6	82.3	74.9	72.1	68.3	63.1
Zambia	22.2	21.4	17.5	15.9	8.2	9.0	-6.3	-6.6	-3.8	-2.7	-2.8	-1.7	191	170	130.2	62.27	16.5	4.8
Zimbabwe	134.5	384.7	350.0	585.8	1027.1	2879.5	-2.7	-0.2	-2.6	-3.5	-23.7	-17.6	54.6	64.4	60.9	110.2	76.2	26.6
Average SADC excluding Zimbabwe	**19.6**	**13.7**	**10.9**	**9.0**	**8.1**	**6.9**	**-6.2**	**-4.2**	**-3.9**	**-2.3**	**0.6**	**-2.4**	**64.1**	**62.3**	**56.1**	**53.0**	**42.4**	**35.4**
Average, all SADC	**27.8**	**40.2**	**35.2**	**50.2**	**80.8**	**212.1**	**-6.1**	**-4.7**	**-3.9**	**-2.4**	**-1.1**	**-3.5**	**63.4**	**62.4**	**56.5**	**57.1**	**44.9**	**34.8**

*Figures for 2007 are projections

Table 3 (Cont'd): Primary Macroeconomic Convergence Indicators

Country/ Indicator	Current Account Balance (as % of GDP)						Economic Growth					
	2002	2003	2004	2005	2006	2007*	2002	2003	2004	2005	2006	2007*
Angola	-14.0	-5.3	4.0	3.0	16.7	23.7	14.4	3.4	11.1	15.7	22.6	20.7
Botswana	3	5	3	15.7	20.9	13	9.5	3.4	8.4	5.3	0.1	4.4
D.R. Congo	-0.06	-0.03	-0.02	-0.07	-0.07	-0.07	3.5	5.8	6.9	6.9	7.0	7.0
Lesotho	-17.0	-15.2	-4.7	-14.0	-13.6	-13.3	3.5	3.3	3.4	1.2	2.7	2.8
Madagascar	-4.9	-6.1	-8.9	-10.9	-8.65	-8.75	-12.7	9.8	5.3	4.6	4.9	6.5
Malawi	-12	-8	-10	-8	-5	-6.0	2.1	3.9	5.1	1.9	8.3	5.6
Mauritius	5.2	1.7	-1.8	-5.2	-9.5	-7	1.8	4.4	4.8	2.3	5	5.3
Mozambique	28.37	17.6	9.5	11.95	11.69	10.78	8.2	7.8	6.8	8.4	8.0	7.0
Namibia	4.1	7.5	10.2	7.1	18.3	17.8	6.7	3.3	5.9	3.2	3.9	3.8
South Africa	-0.6	-1.3	-3.4	-4.2	-5.7	-5.3	3.7	3.0	4.5	5.0	4.5	4.5
Swaziland	2.8	4.7	2.1	3.4	3.7	-3.0	3.6	2.9	2.1	2.3	2.8	1.0
Tanzania	2.2	3.3	4.8	6.0	7.2	8.1	6.2	5.7	6.7	6.9	7.1	7.4
Zambia	-17.3	-16.2	-12.2	-10.9	-1.3	-10.2	3.3	5.1	5.4	5.2	6.2	6.2
Zimbabwe	-2.5	-4.4	-8.0	-12.0	-7.9	-4.8	-4.4	-10.4	-4.2	-3.8	-2.0	-17.6
Average SADC excluding Zimbabwe	**-1.6**	**-0.9**	**-0.6**	**-0.5**	**2.7**	**1.5**	**4.1**	**4.8**	**5.9**	**5.3**	**6.4**	**6.3**
Average, all SADC	**-1.6**	**-1.2**	**-1.1**	**-1.3**	**1.9**	**1.1**	**3.5**	**3.7**	**5.2**	**4.7**	**5.8**	**4.6**

*Figures for 2007 are projections

Table 4: Secondary Macroeconomic Convergence Indicators

	External reserves (import cover, months)						Central Bank credit to Government (as % of annual tax revenues)					
	2002	2003	2004	2005	2006	2007	2002	2003	2004	2005	2006	2007
Angola	0.6	0.9	1.6	2.1	9.6	3.0						
Botswana	26.3	20.7	16.9	22.2	30.2	23.5						
D.R. Congo	0.1	0.6	1.3	1.8	2.1	2.2						
Lesotho	5.8	5.0	4.8	4.4	2.9	1.5						
Madagascar	4.8	3.0	2.8	2.9	3.0	3.0	10.4	10.3	10	10	10	10
Malawi	2.2	1.5	1.4	1.8	2	2.0	26	26	21			
Mauritius	6.8	7.7	7.2	5.4	4.9	5.2						
Mozambique	5.4	6.0	5.8	4.6	4.4	4.2	-12	-10	-9.7	-1.0	-6.9	2.4
Namibia	2.1	1.6	1.4	1.3	1.9	1.9						
South Africa	2.4	1.8	2.0	2.7	3.0	3.2						
Swaziland	3.2	2.0	2.0	1.9	3.2	5.3	1.8	2.4	2.6	2.1	0.0	0.0
Tanzania	8.3	8.9	8.2	6.4	5.3	4.5						
Zambia	2.2	1.3	1.1	1.5	2.2	2.0			26.2	19.0	12.7	
Zimbabwe	0.5	0.5	0.5	0.6	0.8	0.9						
Average, SADC excl Zimbabwe	5.4	4.7	4.3	4.5	5.7	4.7	2.0	2.2	3.9	2.3	1.2	1.0
Average, all SADC	5.0	4.4	4.1	4.3	5.4	4.5	1.9	2.1	3.6	2.1	1.1	0.9

*Figures for 2007 are projections

Table 4 (Cont'd): Secondary Macroeconomic Convergence Indicators

	Domestic Savings (as % GDP)						Domestic Investment (as % GDP)					
	2002	2003	2004	2005	2006	2007	2002	2003	2004	2005	2006	2007
Angola	23.9	19.2	25.1	34.1	36.7	29.4	12.6	12.7	9.1	8.1	15.0	13.7
Botswana	52.2	50.7	49.8	47.4	44.2	43.2	40.7	41.5	38.4	30.1	25.3	25.8
D.R. Congo	4.0	5.0	8.5	2.2	3.0	6.9	9	12.2	12.8	13.9	13.4	16.6
Lesotho	-15.6	-6.1	-11.8	-17.6	-13.8	-12	43.8	45.1	34.6	28.0	26.2	26.4
Madagascar	4.5	6.4	8.3	8.4	13.4	12.2	14.3	17.9	24.3	22.6	24.6	30.8
Malawi	-0.11	-0.12	-0.10	-0.13	-0.06	0.06	10.4	10.8	14.4	13.7	15.7	1.63
Mauritius	25.2	24.7	22	16.5	15	14.4	21.8	22.6	21.6	21.4	24.4	24.1
Mozambique	11	10.1	8.5	5.9	11.3	11.0	29.8	25.9	20.1	21.3	21.3	23.8
Namibia	28	33	36.3	24.7	30.8	32.8	21	29	25.2	28.3	29.4	31.9
South Africa	16.9	15.8	14.5	14.5	18.0	16.6	15.0	15.9	16.2	18.6	20.3	20.4
Swaziland	22.8	28.3	27.4	24.5	15.0	14	19.8	23.6	22.7	22.9	17.3	16.9
Tanzania	11.8	14.5	13.6	11.7	10.5	10.6	18.9	18.5	21	22.2	23.4	24.5
Zambia	8.7	13.1	16.0	16.4	25.7	30.5	22	25.6	23.0	22.5	22.6	25
Zimbabwe	-12.5	-21.1	-3.7	-6.7	8.4	17.1	-8.8	-13.0	5.1	4.4	11.0	17.5
Average, SADC excl Zimbabwe	14.9	16.5	16.8	14.5	16.1	16.1	21.5	23.2	21.8	21.0	21.5	21.7
Average, all SADC	12.9	13.8	15.3	13.0	15.6	16.2	19.3	20.6	20.6	19.9	20.7	21.4

*Figures for 2007 are projections

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