

MONETARY CO-OPERATION PROGRAM OF SOUTHERN AFRICA SUB-REGION

Member states of the Southern African Development Community (SADC) have continued to implement economic reforms aimed at achieving macro-economic stability and sustainable development. A trade protocol came into force on January 25, 2000 following its ratification by member countries. SADC envisages a Free Trade Area by 2008 whereby 85% of the region's goods will be duty free. The remaining 15% constituted by sensitive products would be expected to be zero-rated by 2012. Moreover, SADC member states have made progress in relation to:

- Macro-economic convergence;
- Harmonisation and modernisation of national payment systems;
- Strengthening of bank supervision.

Regarding the macro-economic convergence, SADC member states decided to focus on a single macro-economic indicator, which is inflation as it is considered a more appropriate and realistic convergence target. However, plans are under way to target a broad-based body of macroeconomic indicators.

In support of the SADC objective of regional economic integration, Central Banks decided to harmonise payment, clearing and settlement systems in the zone in order to facilitate financial transactions among member states. As a result, a majority of SADC countries have developed a strategic framework for the modernisation of their payment systems. In this regard, progress is being made to complete the implementation of the Real Time Gross Settlement System (RTGS) by the end of 2004.

With respect to bank supervision, Eastern and Southern African States have set up a Group of Eastern and Southern African banking supervisors (ESAF) to enhance the soundness of their banking systems. It should be noted that although ESAF is not a SADC initiative per se, it nevertheless complements SADC efforts towards promoting the soundness of banks within their respective supervisory jurisdictions.

Moreover, efforts are underway to liberalise foreign exchange controls so as to promote capital account convertibility and an environment conducive to increased investment in the region. Furthermore, a historical data base of macro-economic aggregates of member States as well as information bank on SADC financial systems, structures, policies and markets, has been compiled and published on SADC Central Banks website (www.sadc.bankers.org.)

Finally, actions have been recently undertaken to harmonise balance of payments compilation methodologies.

