8a. The Common Monetary Area in Southern Africa: A Typical South-South Coordination Project?¹

Martina Metzger

1. Introductory Remarks

Monetary coordination currently is *en vogue* in Africa. With the transformation of the OAU to the African Union and the launching of the initiative of the New Partnership for African Development (both in 2001) the old idea of a common African currency seems to be within reach. A common African currency and a common central bank for all AU member countries is set for 2021 (Masson/Pattillo, 2004; Masson/Milkewicz, 2003). According to NEPAD the transition process to monetary union in Africa is to be marked by the establishment of regional monetary unions for already existing integration projects. One of the prime candidates among existing integration schemes is the Common Monetary Area in Southern Africa (CMA) which is regarded as an unusually longstanding and successful monetary coordination project. It is based on a tripartite arrangement between South Africa, Lesotho and Swaziland, at that time known under the Rand Monetary Area, which already came into effect in 1974. From our point of view, to understand the functioning of the CMA and the outstanding role of the Republic of South Africa, we need to take into account the political and historical framework in which the Common Monetary Area has been set from the very beginning. Therefore, we will give a brief overview of what relations were like in the region of Southern Africa until the beginning of the 1990s (Section 2). Later, we will discuss the functioning of

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the CMA, including issues of institutions, interdependence and convergence (Section 3). Finally we will in the last section try to assess, on the basis of the typology of both north-south coordination (NSC) and south-south coordination (SSC) projects, whether the CMA can be regarded as a typical SSC.

2. Political and Historic Framework of the Common Monetary Area

The Republic of South Africa was governed between 1948 and 1994 by the National Party, which not only implemented one of the most sophisticated and drastic racial segregation systems in its own territory, but carried out a harsh destabilization policy throughout Southern Africa and decisively influenced the region’s economic and political destiny.\(^1\) The UN Commission on Africa tried, for instance, to assess the direct costs in terms of GDP loss during the 1980s of the South African destabilization policy against its neighboring countries which were all members of the Southern African Development Coordination Conference. Estimated losses during the period 1980 through 1988, measured in relation to the 1988 GDP, ranged from 26 per cent for Tanzania to 550 per cent to 600 per cent for Angola and Mozambique (see also annex table 1 ‘GDP Loss in the SADCC Region’).\(^2\)

Swaziland and Lesotho, as members of the CMA, were relatively little affected by direct costs. Lesotho is surrounded by South African territory and has depended heavily on South Africa for remittances by Lesotho workers in that country’s mining industry. Furthermore, one of its major export products is water, the main customer for which is South Africa. Swaziland is also a landlocked country, surrounded by South Africa on all sides but the northeast, where it has a common border with Mozambique. Swaziland was in the position of a buffer zone between South Africa and Mozambique, thereby realizing some transient gains e.g. in subsidies to encourage use of South African transport infrastructure instead of Mozambican
railways. Furthermore, Swaziland developed a processing industry, especially packaging and labeling, to camouflage South African exports and imports, which were targeted by a boycott and other measures.

Lesotho and Swaziland became independent from Great Britain in 1966 and 1968, respectively. After a coup d’état, Lesotho had its first internationally accepted democratic elections in 1993, while Swaziland is the last absolutist monarchy in Africa, where King Mswati III appoints the prime minister and the members of the cabinet. Although Namibia was not formally a member, it was integrated in the CMA from the very beginning. South African troops had invaded Namibia during World War I and this status of occupation was maintained until 1990, when Namibia saw its first democratic elections ever and thereafter issued its own currency, the Namibian Dollar.  

3. The Functioning of the Common Monetary Area

The South African pound already became legal tender in the so-called BLS-states (Botswana, Lesotho, Swaziland) in the 1920s, when the South African Reserve Bank was established. After World War II, South Africa dissociated itself from Great Britain and its policies in stages, culminating in the introduction of the South African rand (ZAR) and departure from the Commonwealth in 1961. After the independence of the BLS-states from Great Britain, negotiations between them and South Africa began which resulted in the first official agreement about the establishment of a Rand Monetary Area (RMA) in 1974.

--- Insert Figure 1 ---

*Brief Overview of CMA history*
Although Botswana participated in the negotiations, it opted out in favor of a managed floating of its currency, the pula. Since then however, Botswana has pegged the pula to a basket comprised of estimated 60 per cent to 70 per cent ZAR, which is the reason why it is often called a de-facto member of the current CMA (e.g. Grandes, 2003). Swaziland and Lesotho began to issue their own currencies, the lilangi and the loti, in 1974 and 1980 respectively. The CMA today formally consists of four countries, to which we will mainly refer: Lesotho, Swaziland, Namibia and South Africa.

Concretely, the CMA arrangement covers the following features:

- Each of the four members has its own central bank, which is formally responsible for monetary policy within the respective country, and issues its own currency.
- Both Lesotho and Namibia have to back their currency issues by South African Rand assets. In order to maintain financial stability within the CMA, the South African Reserve Bank acts as a lender of last resort.
- In both Lesotho and Namibia the ZAR serves as legal tender; Swaziland abolished the legal status of the ZAR in 1986, although de facto it is still widely used. By contrast, none of the other currencies is legal tender in South Africa, nor are they commonly used within South Africa. A clearing system repatriates ZAR coins and notes circulating in the other member countries.
- Already in 1986, South Africa committed itself to making compensatory payments to CMA members in return for circulating the ZAR within their currency areas; therefore Lesotho and Namibia partly share the seigniorage of the ZAR; this does not apply to Swaziland.
- The loti of Lesotho and the Namibian dollar are all pegged at par to the ZAR; Swaziland abolished this commitment in 1986, but it is still valid de facto.
• Within the CMA, there are no restrictions on capital movements; vis-à-vis the rest of the world, CMA members apply a common exchange control system, determined by the South African Department of Finance and administered by the South African Reserve Bank in cooperation with central banks of the other members.

• Member countries share a common pool of foreign exchange reserves, managed by the South Africa Reserve Bank and increasingly also managed by South African authorized dealers (commercial banks); central banks and authorized dealers of other member countries have free access to the foreign exchange market in South Africa. On request, the South Africa Reserve Bank will make the foreign exchange of the common pool available to other member countries.

• Lesotho, Namibia and Swaziland may hold additional foreign exchange themselves for direct and immediate needs; up to 35 per cent of this foreign exchange may be held in currencies other than the ZAR

Institutions

From the very beginning, the South African Reserve Bank (SARB) has enjoyed a close relationship with the central government, which can be characterized as relatively devoid of conflict. This refers not only to those policy areas, such as exchange and capital controls, which lie in the competence of the central government and for which the SARB is only the executive agency. It also applies to such core functions of the central bank as interest-rate policy and regulation of the domestic money and credit market. Although the SARB is autonomous with regard to the design of monetary policy, it has always seen itself as only one of several domestic macroeconomic actors, which is therefore an integral part of the overall structure of
domestic economic policy. Hence, the following characterization made almost forty years ago is still valid: ‘(T)he Bank enjoys “independence within the government rather than of the government”’. The two governors of the SARB, which ruled the SARB after the abolition of the apartheid regime, declared their adherence to this political consensus. Chris Stals, governor of the SARB until 1999, stated that ‘(T)he central bank, vested with the right to create money, cannot be allowed to be a power supreme to the sovereign government of the country. Even monetary policy must in the end be subject to the overall macro-economic objectives of government.’ While stressing that the power to spend money needed to be separated from the power to create money, Tito Mboweni, the current governor of the SARB, stressed that ‘(C)entral banks are powerful institutions. They are staffed and managed by a bunch of unelected officials and governors. The power of central banks permeates society as a whole – particularly as they determine the cost of money.’ Therefore, he rejects the position that central banks were not accountable to government, parliament and even the people.

However, the SARB has not followed a – for other countries so typical – ‘stop-and-go’ approach, but has rather adopted an official policy of inflation-targeting to which the other member countries of the CMA adhere. Therefore, it can be said that the SARB de facto determines monetary policy for the CMA although every member has its own central bank with formal competence for the design of monetary policy. In addition to a technical committee, the Common Monetary Area Commission meets prior to the SARB’s Monetary Policy Committee, which is responsible for designing interest rates. Each member country sends a representative and advisors to the Common Monetary Area Commission, in which the different interests of the member countries in the formulation and implementation of monetary and foreign exchange policies are to be reconciled via a consultation mechanism. If e.g. some member
country other than South Africa intends to change its foreign exchange controls, it is first obliged to enter into consultations with the Common Monetary Area Commission. In Namibia, criticisms have increasingly been raised against the dominance of South Africa in designing monetary policy for the whole region. These voices charge that since independence, Namibia has never had the opportunity to influence South African monetary policy, and they call for the democratization of the CMA via the establishment of a common central bank for the CMA (e.g. Sherbourne, 2003, p. 3).

Interdependence

In the table below, exports and imports of the CMA countries and Botswana are listed, which all belong to the South African Customs Union (SACU). Except for Swaziland, exports from SACU members are overwhelmingly directed to the rest of the world, e.g. the European Union and the US. By contrast, 70-90 per cent of all imports by Botswana, Lesotho, Namibia and Swaziland come from SACU, specifically from South Africa. Hence, the four countries earn export revenues in foreign exchange other than rand, while paying for their imports in rand, to which at least Lesotho and Namibia have unlimited access.

--- Insert Table 1 ---

‘Directions of Trade (in 2000, in per cent)’

We cannot identify a balanced interdependence between these four countries and South Africa; the former are clearly depended on South African imports. Accordingly, the relevance of intra-regional trade flows for these four countries is significantly higher than for member countries of other regional projects, e.g. in
Latin America (see Cardim de Carvalho’ contribution to this book). From the point of view of South Africa, however, the market share of goods and services from Botswana, Lesotho, Namibia and Swaziland on its domestic market is marginal, since regional income is concentrated in South Africa, which accounts for 96 per cent of regional GDP. Besides the concentration of regional income, there are broad income divergences both within each country and between them. Average GDP per capita per year is $1,825 (in 1997 prices), ranging from $505 for Lesotho to $3,331 for South Africa (Sparks, 2002). With regard to average GDP per capita, Lesotho disposes of an income level of 28 per cent, Swaziland of 78 per cent, Namibia of 112 per cent and South Africa of 183 per cent respectively. Hence, the economic relations within CMA (and SACU) are characterized by a clear hierarchy, with South Africa at the top.

Furthermore, the banking sector within the CMA is also highly concentrated with regard to ownership, both in each respective country and within the CMA as a whole. The South African banking sector is dominated by four South African commercial banks which together have a market share of about 90 per cent; the market is relatively equally distributed between them. A similar concentration in the banking sector can also be seen in Lesotho, Namibia and Swaziland, with the only difference being that ownership of the banks which control a similar market share in these countries is foreign – i.e., South African.  

Okeahalam (2002, p. 5) even states that ‘given the size of South Africa relative to the other members, the nature of CMA membership regulations, the compliance of these regulations by the authorities of all members and the high level of ownership which South African banks have in the three other countries, it is not difficult to perceive the CMA as one banking market.’
Convergence

Although it is difficult to assess how Lesotho, Swaziland and Namibia would have developed had they not been part of the CMA, it is widely acknowledged that the process of inflation assimilation to the South African level is due to CMA membership. The central banks of the three countries vary their interest rates to defend the nominal peg and thereby ‘import’ price-level stability. Although the deepening of the financial sector in Lesotho, Namibia and Swaziland is fairly limited, it is interesting to note that they are said to have slightly lower short-term interest rates than South Africa, so as to more easily mobilize financial resources for developmental issues. ‘Regulatory authorities in the three non-core countries continue to strive to minimize interest-rate differentials with those prevailing in South Africa, to prevent the outflow of capital to South Africa and thus reduce the likelihood of liquidity problems for the domestic economy’ (Okeahalam, 2002, p. 5, emphasis not in the original).

--- Insert Figure 2 ---

*Repo Rates in South Africa and Namibia (at end of year)*

For Namibia, the only country for which reliable medium-term data is available, the repo rate of the Namibian central bank is fixed at about 25 basis points below the South African repo rate, so that the Namibian prime lending rate is only slightly higher than the South African, due to a perception of higher risk and higher operational costs of commercial banks operating there. Hence, long-term interest rates in Namibia are only 25 to 50 basis points higher than in South Africa, to which Namibia pegs its currency (Kalenga, 2001, p. 4f).
One reason for the relatively low interest rate spreads between the non-core CMA member countries and South Africa is the almost complete absence of foreign capital other than South African in their countries. These countries do not face the risk of high capital outflows of foreign investors as typical emerging market economies do, for the simple reason that they are non-existent in these countries. Private domestic actors in the three countries are the only potential capital exporters – in their majority to South Africa. Thus these three countries can apply an interest-rate policy to steer their domestic money market under the restriction of maintaining the nominal peg to the South African rand. And as South Africa is a net debtor with regard to the other CMA member countries (see also annex table 4 ‘South African Assets and Liabilities’), interest rate policy of the three countries does not need to be very restrictive in itself.

There is also a business-cycle assimilation aspect in the downturn, and to some extent even in the upturn. The typical transmission belt of business cycle assimilation in slowdowns or even recessions within a monetary coordination project are interest rates and intra-regional trade flows, whereas in the upturn, business cycle assimilation is not automatically ensured. With regard to the downturn this is also valid for the CMA, but there is one more and probably more relevant transmission channel in the CMA, both in the downturn and the upturn. South Africa has many migrant workers from CMA countries, especially in the mining industries and agriculture (for details with regard to Lesotho workers in the South African mining industry see the annex table 5 ‘Lesotho: Mineworkers Employed in South Africa’). Although there is no reliable comprehensive data on these issues (Brunk, 1996), it is
said for example that imports to Lesotho from South Africa are overwhelmingly due to remittances of the migrant workers who either physically bring South African goods back to their homes when they take a break after months of work, or send money back via South African banks. Merely the recorded labor income from abroad in the official balance of payments statistics of Lesotho amounted to some 38 to 48 percent of its trade deficit during the past ten years.

--- Insert Figure 4 ---

*Lesotho: Labor Income from Abroad to Trade Deficit (in per cent)*

Hence, in an upturn of the South African economy, the demand for migrant workers will increase quite rapidly; whereas in a downturn, migrant workers will be dismissed relatively easily with a time lag, as they have only fixed-term labor contracts and temporary resident’s permits which will not be prolonged in a recessive economic environment. Thus, migrant workers and their remittances may explain the high synchronicity of GDP movements of all non-core CMA countries with regard to South African GDP movements, rather than intra-regional trade or financial flows.13

4. Is the Common Monetary Area a Typical South-South Coordination Arrangement?

With regard to the disadvantages developing countries are plagued with, such as ‘original sin’ and the lack of a lender of last resort in foreign currency, the Common Monetary Area cannot be qualified as a typical SSC. Although Lesotho, Namibia and Swaziland are not able to issue bonds in domestic currency, either on the international financial markets or the South African market, they have free access to the South African money and capital market, on which they are able to raise debt
denominated in South African rand (Van der Merwe, 1996, p. 19). Furthermore, the South African Reserve Bank acts as a lender of last resort, at least for Lesotho and Namibia. These two countries also participate in the seignorage of the rand circulating in their own territories. All this results in relatively low interest-rate differentials, both in nominal and real terms. The South African Exchange Control Regulations even state that ‘Namibia, Lesotho and Swaziland should be treated as part of the domestic territory and not as foreign’. While Lesotho and Namibia *de jure* and Swaziland *de facto* are obliged to defend their peg to the rand, the South African Reserve Bank is responsible for defending the external value of the rand vis-à-vis the rest of the world, which results in a common bloc floating of the CMA against the key currencies, the euro and the US dollar. This ‘division of labor’ is based on a strong hierarchy in economic relations within the CMA with South Africa at the top. Hence, from the point of view of Lesotho, Namibia and Swaziland, the Common Monetary Area is rather a north-south coordination project than a south-south coordination arrangement.

There are two further specific features in economic relations within CMA which deserve mention. Like many other developing countries, Lesotho, Namibia and Swaziland show current-account deficits. But they realize export revenues overwhelmingly in either euros or US dollars, while their import liabilities are denominated in rand. Taking into account that the access to the South African rand is not restricted, this *favorable currency mismatch* rules out balance-of-payments crises in Lesotho and Namibia, and to some extent, too, in Swaziland. The second specific characteristic consists in the high relevance of remittances transferred from migrants working in South Africa to their home countries. Hence, Lesotho, Namibia and Swaziland have different opportunities to satisfy their demand for rand: the seignorage, their own foreign exchange in key currencies which they can use to buy
rand, the foreign exchange in the common foreign exchange pool of the CMA, which they can also use in case of emergency to buy rand, the conclusion of debt denominated in rand on the South African financial market, and, last but not least, the remittances.

From the point of view of South Africa, the CMA is more an SSC project than an NSC arrangement, due to its own position in international markets. South Africa is an emerging market economy, which was hit three times over the past ten years by high net capital outflows resulting in double-digit depreciation rates of the rand in some years.

--- Insert Figure 5 ---

*Exchange Rates of the South African Rand (annual change in per cent)*

Due to the relatively low level of South African foreign debt, in other words the low foreign original sin (see Panizzas contribution in this book, Eichengreen et. al., 2003; Hausmann/Panizza, 2003) compared to other emerging market economies in Asia or Latin America, these instances did not result in balance-of-payments crises, or put the banking sector at a risk of bankruptcy.

--- Insert Figure 6 ---

*Total Foreign Debt of South Africa (in per cent)*

South Africa is highly vulnerable, and has become even more vulnerable over the past fifteen years, as capital controls have been continually dismantled (Kahn, 1996). Whenever there is a crisis which is assumed to be a general ‘emerging market crisis’, South Africa is negatively affected, even if it has not been directly involved. This
was the case in the aftermath of the East Asian crisis, when South Africa was confronted with high outflows. Whenever there is a crisis which is assumed to be restricted to some identifiable emerging market economies, such as Argentina and Brazil, South Africa serves as a ‘save heaven’ for institutional investors and is confronted with high inflows, as was the case in 2003. Hence, the rand exchange rate is highly volatile, although the South African Reserve Banks tries to stabilize it through interest-rate policy and interventions in the foreign exchange market.

With regard to the integration in world financial markets, it can be said that CMA member countries are not in a similar market constellation, which once more emphasizes that the CMA is more a NSC for the weaker countries. Lesotho, Namibia and Swaziland do not dispose of a high level of capital inflows, be it in the form of portfolio investment – which is non-existent – or in the form of foreign direct investment, of which the major share is owned by South African companies or banks. Nor do these three countries have access to financial markets other than the South African market. We interpret this phenomenon that these countries are involuntarily marginalized. Hence, the monetary coordination with South Africa is here understood as a way to open one door which otherwise would have also been shut.

However, exchange-rate fluctuations of the rand are transferred via the nominal peg to the loti, Namibian dollar and the lilangeni which have to follow the depreciations and appreciations of the rand. Furthermore, all non-core CMA countries have to follow the South African Reserve Bank if it increases its interest rates. Depending on the extent to which public finance and production in the non-core member countries is based on credit financing, the interest-rate increase in the CMA in case of depreciation has either a severely or only slightly negative effect. The depreciation of the rand indisputably has one directly negative effect on the GDPs of the non-core CMA countries: When the income-generating process in South Africa is depressed
by high interest rates, unemployment will increase and migrant workers are among the first to be dismissed. This then results in a loss of substantial income for those households and countries affected.

Relatively low interest-rate spreads and the absence of both intra-regional financial instability and competitive devaluations between the member countries might be an explanation of slow but continuous convergence in GDP per capita. The structural deficiencies of some or even all CMA member countries, such as – to name a few – high dependence on raw material exports, lack of diversification in exports and production, high income inequality, a low level of infrastructure, a lack of financial deepening and – worst of all for human development – the paralysis of all governments in the fight against HIV – will not under any circumstances be overcome by a monetary coordination arrangement. Thus, monetary integration might successfully create structural conditions which allow low inflation, stable exchange rates and stability in the financial sector – which is all true for the CMA – but it is no panacea for all development problems.

Bibliography

Appendix to the Statement of the Monetary Policy Committee, A New Monetary Policy Framework, Statement issued by Mr. T. T. Mboweni, Governor of the South African Reserve Bank, 6 April 2000.


Brunk, Matthias, Undocumented Migration to South Africa: More Questions than Answers, IDASA Public Information Series No. 4 (Cape Town, 1996).


Table 1: Directions of Trade (in 2000, in per cent)

<table>
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<tr>
<th></th>
<th>Exports to SACU</th>
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Source: Grandes (2003); na = not available.
**Figure 1**  Brief Overview of CMA History

- **Before 1961**  Informal monetary union: SA pound as common currency
- **1961-1974**  SA rand replaces the SA pound
- **1974**  Rand Monetary Area Agreement
- **1986**  CMA replaces RMA; additional provisions were made for seignorage compensations and intrazone fund transfers
  - Swaziland abolished SA Rand as legal tender
- **1992**  Namibia became formally member; officially the Multilateral Monetary Agreement replaced the trilateral CMA
Figure 2  Repo Rates in South Africa and Namibia (at end of year)

Source: Data from Bank of Namibia (2005).
**Figure 3**  Prime Rates in South Africa and Namibia (at end of year)

Source: Data from Bank of Namibia (2005).
Figure 4  Lesotho: Labor Income from Abroad to Trade Deficit (in per cent)

Source: Data from Central Bank of Lesotho (2003), own calculations.
Figure 5  Exchange Rates of the South African Rand (annual change in percentage)

Source: Data from South African Reserve Bank, Quarterly Bulletin, various issues.
Figure 6  Total Foreign Debt of South Africa (in per cent, at end of year)

Source: South African Reserve Bank, Quarterly Bulletin, various issues.
### Annex

**Annex Table 1** GDP Loss in the SADCC Region (1988 and 1980-88)

<table>
<thead>
<tr>
<th>Country</th>
<th>1988 in % of actual GDP</th>
<th>1980-88 in % of 1988 GDP</th>
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*Source: UN Economic Commission for Africa (1989).*
**Annex Table 2** Repo Rates in the CMA (at end of year)

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<td>n.a</td>
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*Sources:* Data from Bank of Namibia (2005), Central Bank of Lesotho (2003), Central Bank of Swaziland [http://www.centralbank.org.sz/irate.html](http://www.centralbank.org.sz/irate.html); n.a. = not available.
Annex Table 3 Prime Rates in the CMA (at end of year)

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Annex Table 4 South African Assets and Liabilities against CMA Member Countries
(in R Mio, end of 2003)

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<th>Namibia</th>
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<td>Liabilities (-)</td>
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<td>1792</td>
<td>17573</td>
<td>1481</td>
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<td>114</td>
<td>-637</td>
<td>-12678</td>
<td>-109</td>
</tr>
</tbody>
</table>

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</thead>
<tbody>
<tr>
<td><strong>Average numbers employed</strong></td>
<td>112722</td>
<td>103744</td>
<td>101262</td>
<td>95913</td>
<td>80445</td>
</tr>
<tr>
<td><strong>Average earnings in loti (per person)</strong></td>
<td>14562</td>
<td>16801</td>
<td>19186</td>
<td>21193</td>
<td>24678</td>
</tr>
<tr>
<td><strong>Total earnings (in Mio. loti)</strong></td>
<td>1641.48</td>
<td>1743</td>
<td>1942.81</td>
<td>2032.68</td>
<td>1985.22</td>
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<tr>
<td><strong>Trade and services deficit (in Mio loti)</strong></td>
<td>-2523.08</td>
<td>-3076.1</td>
<td>-3577.73</td>
<td>-3771.45</td>
<td>-3647.72</td>
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<tr>
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<th>1999</th>
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<th>2001</th>
<th>2002</th>
<th>2003</th>
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<tbody>
<tr>
<td><strong>Average number employed</strong></td>
<td>68604</td>
<td>64907</td>
<td>61412</td>
<td>62158</td>
<td>61415</td>
</tr>
<tr>
<td><strong>Average earnings in loti (per person)</strong></td>
<td>27657</td>
<td>30131</td>
<td>32030</td>
<td>35326</td>
<td>38333</td>
</tr>
<tr>
<td><strong>Total earnings (in Mio. loti)</strong></td>
<td>1897.38</td>
<td>1955.71</td>
<td>1967.02</td>
<td>2195.79</td>
<td>2354.22</td>
</tr>
<tr>
<td><strong>Trade and services deficit (in Mio loti)</strong></td>
<td>-3745.86</td>
<td>-3583.42</td>
<td>-3497.9</td>
<td>-4231.57</td>
<td>-4398.84</td>
</tr>
</tbody>
</table>

*Source: Central Bank of Lesotho (2003), own calculations (for 2002 and 2003 preliminary figures).*
1 For a comprehensive and impressing overview of South Africa during these years see O’Meara (1996).

2 There are three different methods to estimate losses. In one way or the other, these methods are based on estimates of costs with regard to direct war damage, extra defence spending, higher transport costs, higher energy costs, assistance for domestic displaced persons and refugees etc., trying to assess non-war growth; although such estimates show uncertainties as to the concrete extent, all estimates have concluded losses of a comparable extent. For further information see the UN Commission for Africa (1989, p. 11ff).

3 Namibia, or Southwest Africa as it was formerly named, shares a colonial past with other African countries; it was a German colony until World War I. South Africa, at that time still part of the British Empire, wished to incorporate Namibia into its own territory, but this was rejected both by the League of Nations (1920) and the United Nations (1946). For Namibia’s history during the occupation, see also United Nations (1982), Moorsom (1984) or Kössler (2002).


5 On April 10th 2004, 1 euro was valued at 7.99060 rand and 5.94485 pula; 1 rand was equivalent to 1 loti of Lesotho, 1.00652 Namibian dollar, and 1.01358 lilangeni of Swaziland respectively.

6 The legal independence of the SARB is even provided for in the South African constitution, where its primary goal, the protection of the internal and external value of the rand ‘in the interest of balanced and sustainable economic growth in the Republic’, is established. See Republic of South Africa (1996), Article 224.
7 Crick (1965, p. 43 (emphasis in the original)).


9 Quoted from Sherbourne (2003, p. 2).

10 See Appendix to the Statement of the Monetary Policy Committee (2000) and Van der Merwe (2004). In the 1990s, monetary stability was defined by the SARB not only as a stable internal and external value of the rand, but more comprehensively, as the stability of financial institutions and markets. However, interest rate policy by the SARB consists of reactive measures to changes in the rand exchange rate, rather than constituting true inflation-targeting. For a critique of the SARB’s interest rate policy see also Botha (1997).

11 There was no data available for Namibia in 2000; in 1996 24 per cent of all Namibian exports were directed to SACU and 76 per cent to the rest of world, while 88.5 per cent of Namibian imports had SACU as their origin. South Africa exports about 10 per cent of its goods and services to SACU, while imports from SACU amount to between 2 and 3 per cent.

12 Therefore, the banking sector in all CMA countries is known to comply with international banking standards and regulations, such as Basel I.

13 An econometrical estimate for the synchronicity of business cycles can be found in Grandes (2003), while Jenkins/Thomas (1997) prove a long-term convergence in GDP per capita over a thirty-year period. However, migration and remittance flows are not taken into account.

14 Orders and Rules under the Exchange Control Regulations (1998), Section Instructions.

15 A positive sign indicates an appreciation of the South African rand.