

NATIONAL COUNCIL OF PROVINCES
QUESTIONS FOR WRITTEN REPLY
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Implementation of single African currency

147. Ms N P Mcinga (Eastern Cape: EFF) to ask the Minister of Finance:

- (1) Whether, considering the potential for economic integration, he has taken any steps towards the implementation of a single African currency as a viable solution to strengthen solidarity across the continent (details furnished); if so, (a) what steps have been taken to achieve this and (b) which time frames have been put in place in this regard; if not,
- (2) (a) what are the primary obstacles that are preventing this from becoming a reality and (b) how his department plans to overcome the challenges to demonstrate that such a currency could enhance our ties with African nations (details furnished)?

REPLY:

- (1) The issue of the single currency in Africa is dealt with at various forums or levels.

The first level is within the African Union. The adoption in future of the single currency is mandated within Article 6(iii) of the Abuja Treaty (signed in 1991), and states that the “*implementation of the final stage for the setting up of an African Monetary Union, the establishment of a single African Central Bank and the creation of a single African Currency*”. This aspiration is also expressed in the Article 19 of the Constitutive Act, where amongst other objectives, the African Union shall establish an African Central Bank as one of the flagship financial institutions within the context of the implementation of the Agenda 2063. The implementation of this strategic goal is expected to be executed in close collaboration with the AU-accredited Regional Economic Communities (RECs).

The second level relates to the objective of a single currency within the context of the SADC region and is expressed within the revised Regional Indicative Strategic Development Plan (RISDP) 2020-2030 and Vision 2050. The target of establishing a common monetary union and single currency is enshrined in the initial RISDP of 2004’s “Target 7: the establishment of a SADC monetary union by 2016”, with several sub-

targets, including one listed as “launch a regional currency for the SADC Monetary Union by 2018”¹.

Also, the third level is through the long-standing continuation of the Common Monetary Area (CMA) comprising of South Africa as the anchor economy and currency; with the Rand being linked at par with the respective currencies of Eswatini, Lesotho, and Namibia. In practice, this means the South African Rand is legal tender in the various jurisdictions and this arrangements in underwritten legally and institutionally by the Multilateral Monetary Agreement (MMA) and through individual bilateral agreements with the three Member States. By all account, this arrangement is the closest to a monetary union with the Rand providing a reference currency.

- (a) Currently, discussions on the single currency are underway in relation to the African Monetary Institute as a stepping stone to a common central bank. Of importance is to ensure that the AU Commission coordinates with the various regional bodies.
 - (b) The target date for the establishment of the single currency and the African Common Central Bank (ACB) expected to be achieved between 2034 and 2045². These dates are now as a result of the non-achievement of the initial targets of 2021 for both the single African currency and ACB³. The new dates are now enshrined in the revised Second Decade Implement of the Agenda 2063. The approach by South Africa towards this goal will be guided by the Cabinet Decision of 2007 to adopt a phased and systematic approach in the establishment of AU financial Institutions⁴ and sustainability of the institutions.
- (2) (a) Historically, both the AU and SADC specified the timeframes for the adoption and introduction of the single currency, however, this approach did not succeed. For example, the AU targeted the date of 2021, whilst SADC planned to achieve a Monetary Union by 2016 and a regional currency by 2018. The main reason for the failure is that the timelines and dates were prescribed without meeting the precondition for introducing a common central bank and a single currency.

The formation of a single currency under a monetary union will not be a simple and straightforward matter. Critically, the complexity is as a result of having to take into account the heterogeneity of the various African countries i.e., they are at different levels of economic development and will require different monetary (and even fiscal) responses.

¹ [RISDP 2004](#)

² African Union. 2020. [4th Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration Experts Meeting, 9-11 March 2020](#)

³ African Union. 2013. [Joint AUC-AACB Strategy on the Establishment of the African Central Bank \(ACB\)](#)

⁴ The African Central Bank (ACB), African Monetary Fund (AMF), African Investment Bank (AIB) and the Pan-African Stock Exchange (PASE).

To address this challenge, at both the AU and SADC levels, through the African Monetary Cooperation Programme (AMCP) and the SADC Macroeconomic Convergence Criteria, the National Treasury, and the South African Reserve Bank (SARB) cooperate, together with other African countries, to achieve agreed convergence criteria.

(b) Although SADC is not a monetary union yet, the region has progressed well by adopting a cross-border payment system since July 2013. The SADC-RTGS system is a regional electronic payment system developed by central banks of SADC Member States to reduce transaction costs and settle cross-border transactions faster with minimal reliance on intermediary banks from outside the region. The SADC-RTGS system settles single settlement instructions between participating banks and is aligned to the SADC Protocol on Finance Investment's Article 4 paragraph 2 (i) which states that "the Central Bank of each State Party shall, in co-operation with the other Central Banks: (ii) define and implement a cross-border payment strategy for the region, which strategy may be based on currency convertibility within the region or, in the future, on a single currency for the Region". There is also the continental initiative towards improving the interoperability of different existing payment systems in Africa. The National Treasury and South Africa in general are supportive of these developments and initiatives.