

Comment on “Regional Dimensions of Adjustment in Southern Africa,” by Percy S. Mistry

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This is an excellent paper, so I will comment on only a few aspects of the presentation. First, there has been too much emphasis on South Africa as the regional hegemon. We have viewed South Africa as the giant in the region, but the relationship is one of interdependence; South Africa needs the region as much as the region needs South Africa. This has been demonstrated in a number of key sectors such as energy and water resources. We need to be cautious in depicting South Africa as the regional hegemon. The same holds true for COMESA. To say that South Africa's absence from COMESA deprives that organisation of the regional credibility that it needs is going too far.

With regard to structural adjustment programmes, it will be extremely difficult to negotiate a regional structural adjustment programme, but once the programme is negotiated, it should be fairly easy to implement since all of the parties know what is expected of them. Perhaps we would need an OECD-type of regional forum where finance ministers and central bank governors can meet. This forum could even meet now to discuss issues of convergence in terms of fiscal and monetary policies and so on.

One issue remained unclear. While the title of the paper is “Regional *Dimensions* of Structural Adjustment”, there is a lot of phraseology in terms of a regional *approach* to structural adjustment. I'm not sure that these two things mean the same thing, and it isn't just a question of semantics. Regional *dimensions* of structural adjustment, as I see it, implies that structural adjustment will operate on an individual country basis, and that the regional dimension will be considered in the process.

However, when you talk about the regional *approach* to structural adjustment, I conjure up a different picture in which all of the countries sit down together to work out a programme of structural adjustment for the region. The countries would agree to the programme and implement it. We have to be clear about what we are discussing here. I admit that I have difficulty with either position.

Now I would like to turn to the African Development Bank's view which is, in fact, consistent with Percy Mistry's presentation. Following up on

our 1993 study on economic integration in Southern Africa (of which Percy Mistry was the Chief Consultant), the emphasis is on the next steps. The AfDB has decided to implement the recommendations listed in a recent report that we have taken to our Board, entitled "The AfDB Study on Economic Integration in Southern Africa - The Next Steps". Policy reforms at the country level will be pursued, and specific macroeconomic and sectoral studies will be undertaken to assist policymakers with investment decisions on regional projects and programmes and institutional reforms. The task of coordinating these various activities will be the responsibility of the governments of the region, the African Development Bank, and the sub-regional institutions – mainly SADC, COMESA and SACU. The AfDB is going to be responsible for playing a catalytic role in the dialogue and follow-up actions.

Financial and manpower resources, beyond the AfDB's capacity, are required to implement the recommendations of the report, so the AfDB will have to involve donors for financing the project. We need to identify specific sectors and activities in which we could take a leadership role while consulting with countries on a specific programme.

The objective is to enhance the AfDB's capacity to work out a regional programme of action for economic integration. We would concentrate on trade and finance. In view of the cross-cutting nature of the issues involved in this sector and given their importance for integration, we would continue to support the stabilisation and adjustment process in Southern Africa through policy operations, assistance to development foundations and offering lines of credit.

We will discourage uncoordinated, country-specific adjustment programmes and move, instead, towards operations which consider the coordination and harmonisation of fiscal, monetary and exchange rate policies. To make these interventions more effective, economic integration conditionalities will be incorporated into the design of the structural adjustment programmes of the AfDB. In trade matters, we will give priority to trade finance and the development of a commercial banking system.

The programme we have in mind is phased from 1996 to 2000 with specific agendas regarding a plan of action. I think that our programme will promote the process of linking structural adjustment and economic integration and thus support the proposals made by Percy Mistry.