



**MONETARY AFFAIRS COMMITTEE
17TH MEETING
MAY 16, 2014
NAIROBI, KENYA**

COMMUNIQUE

The 17th Meeting of the Monetary Affairs Committee (MAC) was convened at the InterContinental Hotel, Nairobi, on May 16, 2014. The meeting was hosted by the Central Bank of Kenya and chaired by Prof. Njuguna Ndung'u, Governor of the Central Bank of Kenya and the current Chairperson of MAC. Present were: Prof. Benno Ndulu, Governor of the Bank of Tanzania, Mr. Jean Ciza, Governor of the Bank of the Republic of Burundi; Mr. John Rwangombwa, Governor of the National Bank of Rwanda; and Dr. Louis Kasekende, Deputy Governor of the Bank of Uganda. The meeting was also attended by Dr. Enos Bukuku Deputy Secretary General at the EAC Secretariat, Mr. Ragnar Gudmundsson, Resident Representative of the IMF in Kenya and Mr. Kornelio Korion Mayik, Governor, Bank of South Sudan.

1. The meeting considered among other things: the progress on the implementation of the decisions of the 16th MAC Meeting held in Kampala, Uganda on May 23, 2013; strategic areas necessary for the implementation of the EAMU protocol; and technical support by the IMF during the transition to the East African Monetary Union (EAMU).
2. Governors noted that the 15th Ordinary Summit of Heads of State of EAC Partner States signed the EAMU Protocol. Governors further noted that the EAMU protocol, among others, provides for;
 - a. Adoption, by EAC Partner States, of a single currency in 2024;

- b. Formation of a single currency area with a common monetary and exchange rate policy;
 - c. Establishment of the East African Central Bank (EACB) which will be a supra national Central Bank that will form, together with the national Central Banks, a system of Central Banks;
 - d. Establishment of the East African Monetary Institute (EAMI) to undertake preparatory work for transition to single currency; and
 - e. Attainment and maintenance of macroeconomic convergence.
3. In line with the Summit directive, Governors reiterated their commitment to implement the tasks in their mandate within the time frames indicated in the road map to single currency. In this regard, Governors decided to have a dedicated session to consider issues under the purview of the Central Banks which are critical for the transmission to EAMU.
4. Governors reviewed the status of implementation of previous MAC decisions. Their deliberations focused on a range of issues, including; attainment of a common monetary policy framework, statistics harmonisation, harmonised supervision of the financial sector, integration and harmonisation of the payment and settlement system, harmonisation of finance and accounting practices, legal matters related to the establishment and transmission to EAMU and harmonisation of currency and banking practices. Governors noted that the United Republic of Tanzania has with effect from 2nd May, 2014 liberalized her Capital Account providing for freer movement of capital within the region and to facilitate intra EAC trade and investment. This achievement is a significant step towards the implementation of the EAC Common Market Protocol.
5. Governors launched the East African Payment Systems (EAPS) and observed that the EAPS will increase efficiency and facilitate cross border transactions which is essential for boosting intra-regional trade among East Africans. The

EAPS will transform doing business in the East African region through: provision of a safe and accessible payment system in the region; finality in payments; irrevocability of payments, real time settlements, use of local currencies which will enhance regional trade within EAC.

6. Governors further observed that EAPS went live on 25th November 2013 and has so far successfully processed a volume of 1106 transactions. In terms of value, for the three participating countries (Kenya, Uganda and Tanzania), this amounts to over KES1.5 billion, US\$ 9.8 billion and TShs. 2.5 billion and the volume is expected to continue increasing. To further strengthen the achievement of EAPS, Governors have signed the Memorandum of Understanding on Currency convertibility and repatriation among Partner States which will strengthen the convertibility and acceptability of EAC domestic currencies across the region and will further enhance trade and decrease transaction costs.
7. Governors underscored the need to strengthen coordination of macroeconomic policies among the Partner States during the transition to East African Monetary Union (EAMU). They expressed their commitment towards ensuring that monetary and exchange rate policies become progressively aligned as the EAC economies move towards the implementation of the single currency. They noted that the macroeconomic convergence criteria enshrined in the EAMU Protocol has provided a framework for macroeconomic policy harmonisation.
8. Governors observed that the conduct of monetary policy in the region has continued to deliver the desired results. Headline inflation has remained within the single digit range in all the five EAC economies while exchange rate stability has been sustained. The EAC central banks have, in the recent past, managed to coordinate among others, market expectations on inflation, which is a great boost to the credibility of central banks in discharging their principal

mandate of price stability. This outcome partly reflects implementation of appropriate operational frameworks which have strengthened signalling of the policy stance.

10. While considering the Technical Assistance from IMF during the transition to EAMU, Governors commended the IMF for continued support especially in the areas of monetary and exchange rate policies, financial stability, statistics and fiscal policy. This will contribute to the attainment of harmonised macroeconomic policies in the region.

11. Governors expressed optimism that the EAC region growth prospects remain strong on the backdrop of strong macroeconomic and structural policies which have been implemented by the Partner States over the recent years.

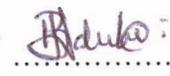
Nairobi May 16, 2014.



Governor

**Njuguna
Ndung'u**

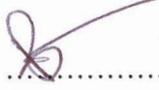
Central Bank
of Kenya



Governor

Benno Ndulu

Bank of
Tanzania



Governor

**John
Rwangombwa**

National Bank
of Rwanda



Governor

Jean Ciza

Bank of the
Republic of
Burundi



Deputy
Governor

**Louis
Kasekende**

Bank of
Uganda