EAC Headquarters, Arusha, Wednesday 13 May 2009: The Governors of the National Banks of the East African Community (EAC) Partner States have confirmed that the EAC economies did not experience severe first round effects of the global financial crisis.

They however observed that the EAC Partner States are not immune to global events in general, as their economies are currently suffering from second and third round effects, notably decline in export demand, slowdown in FDI and remittances, and decline in foreign aid to governments.

The Bank Governors who were attending the Twelfth Meeting of the EAC Monetary Affairs Committee (MAC) held at Serena Hotel, Kigali Rwanda, on May 7, 2009, observed the need to strengthen financial sector surveillance with a view to unlocking information content of the off-balance sheet transactions in monetary and financial analyses. They also recommended stress testing, critical monitoring of financial stability indicators, and the design of a regional institutional monitoring mechanism to facilitate generation of early warning indicators.

The 12th meeting was hosted by the National Bank of Rwanda and chaired by Mr François Kanimba, Governor of the National Bank of Rwanda. Present were also Prof. Njuguna Ndung'u, Governor of the Central Bank of Kenya; Prof. Emmanuel Tumusiime-Mutebile, Governor of the Bank of Uganda; Prof. Benno Ndulu, Governor of the Bank of Tanzania; and Mr. Gaspard Sindayigaya, Governor of the Bank of the Republic of Burundi. The meeting was also attended by the Secretary General of the EAC, Ambassador Juma Mwapachu.

The Monetary Affairs Committee (MAC) is the East African Community (EAC) Committee tasked with the mandate of laying the foundation for a Monetary Union in East Africa.

The 12th meeting was held among others, to assess the progress made towards the implementation of decisions of the 11th MAC Meeting, consider the progress of the EAC Monetary Union Consultancy study, and take note of the proposed IMF financial sector project in the EAC.

The Governors noted with satisfaction that all Partner States had made commendable progress in implementing their previous decisions. They also noted that notwithstanding adverse external shocks manifested in high oil and food prices, most of the Partner States registered strong economic growth in 2008. They noted, however, that the rising inflation rates, widening budget and current account deficits, falling export prices and high interest rate spreads continued to be the major challenges facing the EAC countries. They observed that these might impede the progress made in achieving targets outlined in the EAC macroeconomic convergence criteria. In addition, they noted that the availability of accurate, reliable, comparable and timely statistics remain a challenge to be addressed.

The Governors reiterated their strong conviction that a durable Monetary Union depends on achieving macroeconomic convergence with regard to price stability, sound fiscal and monetary policies, and exchange rate stability. They noted with satisfaction the progress of the comprehensive study on the EAC Monetary Union. They commended the EAC Secretariat for securing funding for the study and contracting the services of the European Central Bank to undertake this study that will inform the way forward to the realization of the EAC Monetary Union. They reiterated their commitment and support to ensure that the study is concluded in time.

The Governors noted the proposed IMF’s regional financial sector project for EAC Partner States whose objective is to assess the regional frameworks for financial stability, cross border and sectoral linkages and policy challenges as well as evaluating the harmonization of the institutional and regulatory infrastructures.

The Governors appreciated the IMF’s initiative to support the harmonisation of the on-going financial sector reforms in the EAC Partner States paving way for a successful Monetary Union in the region. They reiterated their strong conviction of the timeliness of the project and commended the IMF for the project. They however requested the IMF to include local experts for local ownership of the project.

The Governors also deliberated on a wide range of issues, including: the efficiency of the financial sector in the region, the status of the national payments systems, legal and regulatory frameworks particularly with regard to the banking and microfinance sub-sectors, information technology including emerging issues of electronic banking and its impact on monetary policy, and the building of requisite technical capacity to facilitate effective implementation of policies by the respective central banks.

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