



MONETARY AFFAIRS COMMITTEE

**MAY 10, 2010
ARUSHA, TANZANIA**

COMMUNIQUE

1. The Thirteenth Meeting of the Monetary Affairs Committee (MAC)—an East African Community (EAC) Committee of Governors of Central Banks mandated to enhance monetary and financial cooperation—was held at Naura Springs Hotel, Arusha Tanzania, on May 10, 2010. The meeting was hosted by the Bank of Tanzania and chaired by Prof. Benno Ndulu, Governor of the Bank of Tanzania. Present were: Prof. Njuguna Ndung'u, Governor of the Central Bank of Kenya; Dr. Louis Kasekende, Deputy Governor of the Bank of Uganda; Mr François Kanimba, Governor of the National Bank of Rwanda and Mr. Gaspard Sindayigaya, Governor of the Bank of the Republic of Burundi. Mr. Aloys Mutabingwa, Deputy Secretary General, Planning and Infrastructure, EAC Secretariat, attended the meeting. The meeting was also attended by Mr. Karl Wajid and Dr. Atingi-Ego of the IMF.

2. The objective of the meeting was among others, to assess the progress made towards the implementation of decisions of the 12th MAC Meeting, consider the progress of the EAC Common Market Protocol and Monetary Union, and take stock of recent economic and financial developments in the EAC Partner States. The MAC also received a report on the ongoing study by the IMF on the Regional Financial Sector for EAC Partner States.

3. Governors noted that all Partner States had made commendable progress in implementing their previous decisions. They also noted that, despite the global financial crisis, which led to substantial decline in export demand and slowdown in foreign direct investment and private remittances, the EAC economies remained relatively resilient. They observed that, all economies in



the Community managed to sustain positive GDP growth in 2009, albeit lower than the convergence criteria of 7 percent. With improved weather condition in the region, and the recovery of the world economy, Governors expressed optimism that economic growth in East African region will pick up in 2010 and beyond.

4. Governors took note of the general slowdown in inflation across the region, which among others, is a reflection of implementation of prudent macroeconomic policies and improvement in food supply. They expressed their confidence that, in the absence of exogenous shocks, inflation will soon fall within the convergence criteria in all the economies of the EAC Partner States. Central banks in the region generally adopted flexible monetary policy stance to address the negative effect of the global financial crisis, which resulted in a general decline in money market interest rates. Governors considered that this development provides a supportive environment for return to high economic growth in the region.

5. Governors noted that the region has made progress in mordenizing and integrating payment and settlement systems. They appreciated the progress that has so far been made in the implementation of Real Time Gross Settlement System (RTGS) and efforts in promoting interconnectivity of payment card switches, which will play a key role in facilitating regional trade.

6. In the area of banking supervision, Governors noted progress made towards promoting safe, sound, efficient and inclusive financial system. In particular they recognized efforts made towards development and operationalization of legal and regulatory frameworks in Anti-Money Laundering, credit information sharing, microfinance, risk-based supervision, supervisory coordination and cooperation in Business Continuity Management. Going forward, Governors underscored the need for EAC countries to strengthen their crisis management and resolution frameworks, as a response to the financial crisis.

7. The Governors appreciated the progress made by the IMF in the project on the Regional Financial Sector for the East African Partner States. They took note of the preliminary findings which indicated that countries vulnerability to regional contagion through trade channels is still

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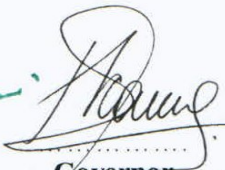

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limited. However, stronger regional trade linkages will lead to stronger banking linkages, which will call for continued strengthening of harmonized regulation and supervision of the entire financial system.

8. Governors took note of the progress made in monetary and financial integration following the signing the EAC Common Market Protocol by the Heads of States and the completion of the study on the EAC Monetary Union. They expressed their recognition of the huge responsibilities entrusted on Central Banks in the next steps of monetary integration. They reiterated their commitment in coming up with concrete measures that would ensure the realization of a strong EAC Monetary Union. In this regard, Governors scheduled a special MAC meeting for June 2010, to identify priority technical areas that MAC should embark on in preparation of the EAC Monetary Union.

9. The Governors also deliberated on a wide range of issues, including: the financial market development, harmonization of regional payment and settlement systems, addressing monetary policy and financial inclusion challenges, harmonization of regulation of micro-finance institutions, and monitoring and regulating e-banking and e-payment services among the Partner States. They also deliberated on issues related to building technical capacity to facilitate effective implementation of policies by the respective central banks.

Done in Arusha on May 10, 2010.

				
Governor	Deputy Governor	Governor	Governor	Governor
Benno Ndulu	Louis Kasekende	Njuguna Ndung'u	François Kanimba	Gaspard Sindayigaya
Bank of Tanzania	Bank of Uganda	Central Bank of Kenya	National Bank of Rwanda	Bank of the Republic of Burundi