

Emmanuel Tumusiime-Mutebile: Fast tracking East African Community Monetary Union

Opening address by Mr Emmanuel Tumusiime-Mutebile, Governor of the Bank of Uganda, at the Monetary Affairs Committee Meeting on Fast Tracking East African Community Monetary Union to 2012, Kampala, 23 January 2008.

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Ambassador Juma Mwapachu, the Secretary General of the East African Community, Fellow Governors from the Central Banks of the EAC Partner States, Ladies and Gentlemen

Good morning!

Let me start by welcoming you all to Uganda "Gifted by Nature" and to Kampala, our lovely capital, the City of undulating hills and the host city for this Extra-ordinary Meeting of the Monetary Affairs Committee (MAC) of the Fast Tracking of the East African Community (EAC). Let me at the outset recognize the presence in our midst of Ambassador Juma Mwapachu, the Secretary General of the East African Community. Allow me also to congratulate Professor Benno Ndulu upon his very recent elevation to the post of Governor of the Bank of Tanzania by His Excellency Jakaya Kikwete the President of the United Republic of Tanzania; and to congratulate Mr. Gaspard Sindayigaya, upon his appointment as Governor of the Bank of the Republic of Burundi by H.E. S.E. Pierre Nkurunziza the President of the Republic of Burundi. I join my fellow Governors of the Central Bank of Kenya and the National Bank of Rwanda in welcoming you, the Honourable Ndulu and the Honourable Sindayigaya, to the Monetary Affairs Committee of the East African Community. We look forward to learning from your wisdom and profiting from your able leadership at this very important juncture in the process of economic integration of the East African region.

Ladies and gentlemen, Article 5(2) of the EAC Treaty, Article 5(2) stipulates that

"...the Partner States undertake to establish among themselves and in accordance with the provisions of this Treaty, a Customs Union, a Common Market, subsequently a Monetary Union and ultimately a Political Federation in order to strengthen and regulate the industrial, commercial, infrastructural, cultural, social, political and other relations of the Partner States to the end that there shall be accelerated, harmonious and balanced development and sustained expansion of economic activities, the benefit of which shall be equitably shared...."

Furthermore, the 6th extra-ordinary meeting of the Summit of the EAC Heads of State decided that East Africa should move expeditiously towards establishing a Monetary Union by 2012. The Summit decided that a strategic framework to fast track the establishment of a Monetary Union should be developed for consideration by the next meetings of the Council and Summit.

As part of the process of implementing these decisions, in October 2007 the Economic Affairs Sub-committee of the MAC met in Entebbe to develop a strategic framework which can fast track EAC Monetary Union in 2012. The Sub-committee discussed the convergence criteria and timeframe; the model protocol and institutional structure of the EAC Monetary Union; and harmonization of macroeconomic statistics. Fellow Governors, our role today is to consider the Report of the Economic Affairs Sub-committee report with a view to agreeing on a strategic framework covering the legal, institutional and organizational preparation for the region to achieve monetary union according to the timetable that has been determined by the Summit.

The first manifestation of a Monetary Union is a common currency. Therefore the strategic framework must include a Monetary policy by the five Central Banks that will serve to ensure that the unified regional currency will be stable in order to foster further economic and financial integration among Partner States. While, it is conceivable that not all the Partner States may be ready for accession at the same time on account of the failure to fulfil simultaneously all of the macroeconomic convergence criteria, the Treaty established unequivocal commitment for all the Partner States to join the EAC monetary union and therefore, to adopt policies consistent with this aim.

It is, therefore, axiomatic that the success of the EAC monetary union will depend on the establishment of the EAC currency and single monetary policy; sustainable macroeconomic convergence among the Partner States; and a balanced policy mix between fiscal, monetary and other economic policies. The strategic framework should therefore provide for a mechanism for monitoring and coordinating Partner States' economic policies to promote convergence. Meaningful monetary and financial integration can be achieved only with a sustainable convergence of economic fundamentals, particularly price stability, and sound fiscal, monetary and structural policies. Short of that, fellow Governors, ladies and gentlemen, it may even, be counterproductive to try to artificially forge a monetary union. But failure is not on the agenda. Our Heads of State have decided that we must have a Monetary Union. Our role is to help to deliver it.

I cannot emphasize enough the need for sustainable macroeconomic convergence as the bedrock for the EAC Monetary Union. A durable monetary union depends on a high degree of sustainable convergence regarding price stability, sound fiscal and monetary policies, exchange rate stability and convergence of long-term interest rates in the region.

Ultimately, the strategic framework should stress the application of the convergence criteria, institutional arrangements for EAC monetary union and a clear timetable for the preparations necessary to ensure successful establishment of a unified regional currency and central bank. Governors and colleagues, the fast tracking of EAC monetary union is upon us, and we must rise to the occasion and meet the challenge head on. We must be strong advocates of this noble cause and convert the sceptics. We must seize the day or as they say in Latin, *carpe diem!*

Thank you.