

**CENTRAL BANK OF KENYA**



Remarks by

**PROF. NJUGUNA NDUNG’U  
GOVERNOR  
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at the

**OPENING OF THE MEETING OF THE ECONOMIC AFFAIRS  
SUB-COMMITTEE OF MAC**

*Sarova Stanley Hotel, Nairobi  
April 3, 2012*

**IMF and IGC officials present;  
Distinguished delegates from EAC Partner States Central Banks and  
EAC Secretariat;  
Ladies and Gentlemen:**

The Central Bank of Kenya is delighted and honoured to host you in this workshop aimed at reviewing the various studies under MAC priority activities that will assist in understanding the policy terrain and the process of EAMU protocol negotiation. The EAC has a target of moving towards a Monetary Union and this meeting will improve and further consolidate our understanding of the EAMU process and invigorate and guide our integration agenda. On behalf of the Central Bank of Kenya, let me take this early opportunity to thank all those who have contributed to the organization of this workshop and all the participants and resource persons. I wish you an enjoyable stay in Nairobi.

**Ladies and Gentlemen;** The Monetary Affairs Committee (MAC) of the EAC Central Bank Governors is working on various fronts to provide a knowledge base for exchange rate and monetary policy frameworks and how the policy designs can be applied in EAC. This will support the East African Monetary Union (EAMU) protocol negotiation, currently underway. In order to fast track this process, Governors met in June 2010 and identified and apportioned the various priority study areas that would ensure that the decisions taken on EAMU are informed and policy proposals are consistent with the aspirations of EAC.

The Central Banks of EAC identified three levels of this process:

- **Analytical and design work**, which entails immediate activities to improve the understanding of the entire EAMU process, especially the pre-conditions for EAMU establishment and the institutional set up;
- **Harmonization of operating frameworks**, which entails undertaking all the activities that will result in the harmonization of EAC Partner States' operating frameworks, thereby setting the stage for enhanced convergence in not only policies, but also the required structures; and,

- The above blocks will deliver the input to the **policy regimes block**, which entail the tools for negotiating the EAMU protocol. This block is being dealt with by the High Level Task Force (HLTF).

**Distinguished delegates:** The output from the first two blocks is meant to provide the technical input required to inform the HLTF, a body mandated to negotiate the EAMU protocol. The East African Monetary Union is currently being negotiated by the Partner States. The HLTF is preoccupied with negotiating policy issues of the monetary union integration, especially the creation of common frameworks across the member countries in order to facilitate the institutional arrangement envisaged in the process towards the EAMU.

**Ladies and gentlemen:** It is within this context that two separate studies were identified under the ‘analytical and harmonization platforms’ of MAC’s priority activities. The first study is on the “*Harmonization of the Monetary Policy Framework for the EAC Partner States*” being undertaken by the International Monetary Fund (IMF) and the second study is on the “*Exchange Rate Arrangements in the EAC*” being undertaken by the International Growth Centre (IGC). The two institutions have undertaken the studies in collaboration with Partner States Central Banks, and we are really grateful for this technical support.

Since the inception reports, the final report of the two studies we are reviewing today is a culmination of a lot of work at the technical level. There was a meeting held in August 2011 here in Nairobi to review the progress, besides the various presentations and feedback during the different Ordinary and Extra-ordinary MAC meetings. This attests to the quality of output expected from these two studies.

**Distinguished delegates:** I believe that there is a great wealth of experiences and ideas to be shared in this workshop given the diversity in the knowledge base of participants gathered here. By the end of this workshop, we shall have a better understanding of how the region’s exchange rate arrangements can be aligned to a common regime and how monetary policy frameworks can be harmonized in the process of the envisaged East African Community. With these few remarks,

**Ladies and Gentlemen,** I declare this workshop open and wish you fruitful discussions.

**Thank you**