



EAST AFRICAN COMMUNITY

**6TH MEETING OF THE 1ST SESSION OF THE
EAST AFRICAN LEGISLATIVE ASSEMBLY**

Kampala, Uganda

26th May – 7th June 2013

**PRIORITY QUESTIONS FOR ORAL
ANSWERS**

May 2013

1.0 QUESTION : EALA/PQ/OA/3/07/2012 (By Hon. Susan Nakawuki)

The negotiations for the proposed EAC Monetary Union were based on agreed timelines. However, we note a slow pace in the process since the 2nd half of 2012.

Could the Chairperson of the Council:-

- a) Detail to this August House all the key elements of the Monetary Union including the East African Currency Board and the Central Bank. Could he further state the proposed timelines?***
- b) Inform this August House what challenges are being experienced, if any, that are causing delays in the negotiations;***
- c) Inform the august House by way of a road map when the EAC Monetary Union Protocol is likely to be concluded.***

Madam Speaker,

Like other Currency Unions, the EAC Monetary Union will strive to attain the three key prerequisites for a Monetary Union which include: Macroeconomic Convergence, Financial Market Integration and Legal & Institutional Convergence.

To function smoothly, East African Monetary Union should start with the member countries in the single currency area fulfilling and maintaining the targets in the EAC macroeconomic convergence. This implies that economic convergence among the Partner States in the single currency area must have been achieved. Currently the EAC is reviewing and negotiating the targets for the macroeconomic convergence criteria on the following indicators: inflation, Fiscal Deficit, Debt to Gross Domestic Product (GDP) ratio and Reserve Cover on imports.

Integration of the Financial Markets and Instruments is necessary for monetary policy to work across the single currency area. In this context, the ongoing implementation of the EAC Customs Union and Common Market Protocols is laying a foundation stone especially in movement of Capital, Persons and Enterprises, the right of establishment and Harmonized Taxation Regimes. In addition, under the Common Market, a framework for establishing a single financial market in the region is being developed. This cuts across all the bank and non-bank financial sectors including capital markets coordination, harmonization and development, Pensions and Insurance sectors coordination, harmonization and development. The single financial market is being

anchored on the on - going efforts to create an integrated payment and settlement system in the region.

The transfer of monetary sovereignty to the regional level requires that the legal and institutional framework of the Community and the national authorities in the EAC Monetary Union be defined and agreed through the East African Monetary Union Protocol. Therefore, the legal framework will include among others: a Protocol that the Partner States will adopt and ratify as an integral part of the Treaty; and Bills for Establishment of the East African Central Bank, East African Monetary Institute, Regional Bodies responsible for Statistics, Surveillance, Compliance and Enforcement and Approximation of National Laws accordingly.

Madam Speaker,

The East African Monetary Union process therefore includes:

- (a) Preparation, adoption, ratification, and implementation of legal instruments such as a Monetary Union Protocol, inclusive of the Bills for new institutions such as an East African Central Bank;
- (b) Establishment of the operational and regulatory framework necessary for the smooth functioning of a monetary union;
- (c) Attainment and sustaining a level of macroeconomic convergence that allows countries participating in monetary union to reap the benefits thereof; and
- (d) Changeover from national currencies to a single currency, which must be properly anchored in society and particularly in the financial market, which will be instrumental to the success of the changeover.

Madam Speaker,

The negotiation process by the High Level Task Force for negotiating the Protocol is towards completion though with some outstanding issues. The outstanding issues are expected to be concluded with the guidance from the Sectoral Council on East African Monetary Union that is planned to meet in June, 2013. These matters include:

- (a) Institutions necessary for the proper functioning of East African Monetary Union;
- (b) Targets for the macro-economic convergence criteria;
- (c) Management of slippages on fiscal deficit;
- (d) Overdraft facilities - Management of financing gap raising from mismatch between revenue and expenditure of Partner States as an exception to prohibition of central bank lending
- (e) Withdrawing from the East African Monetary Union after joining;
- (f) Management of harmful tax competition and disclosure of fiscal policies

The negotiations process of the East African Monetary Union Protocol had some challenges that led to delays to conclude the negotiations. These include among others:

- (a) Delays in conclusion of critical studies on Exchange Rate Arrangements under East African Monetary Union; Harmonisation of Monetary Policy Frameworks in the context of East African Monetary Union, Fiscal Policy Coordination and Harmonization in the context of EAMU and Review of the EAC Macroeconomic Convergence Criteria. These technical studies have since been completed and have led to significant progress in the negotiations.
- (b) Untimely rescheduling of High Level Task Force meetings due to competing tasks in the Partner States that require the attention of the members of the High Level Task Force.

Madam Speaker

In accordance with the directive of the 14th Ordinary Summit held on 30th November 2012 and the 11th Extraordinary Summit held on 28th April 2013, the negotiations are being expedited to ensure the signing of the East African Monetary Union Protocol at the 15th Summit scheduled for November 2013.

The East African Monetary Union Protocol negotiations that started with the 1st meeting of the High Level Task Force in January, 2011 will be concluded in June, 2013. The High Level Task Force that is negotiating the East African Monetary Union Protocol had its last technical meeting on April 29th – 2nd May, 2013. This will be followed by the third meeting of the Sectoral Council on Monetary Union to clear the outstanding matters I had highlighted above. In accordance with the directive of the 11th Extraordinary Summit of the Heads of State that held in April, 2013, the East African Monetary Union Protocol will be signed in November, 2013 during the 15th ordinary Summit. As directed by the Summit, the roadmap to the signing of the East African Monetary Union Protocol will include the following meetings:-

- a) Meeting of the Sectoral Council on Monetary Union planned for June, 2013 to clear all outstanding matters in the draft EAMU Protocol and forward it to the Council of Ministers.
- b) Extra-ordinary Meeting of the Council of Ministers planned for July, 2013 to consider the final Draft EAMU Protocol and commit it to the Sectoral Council on Legal and Judicial Affairs for legal input.
- c) Extra-ordinary Meeting of the Sectoral Council on Legal and Judicial Affairs planned for end of July, 2013 to provide legal input to the draft EAMU Protocol and forward it to council
- d) Meeting of the Council of Ministers planned for August, 2013 to forward the Draft EAMU Protocol to Summit for signing in November, 2013

2.0 QUESTION : EALA/PQ/OA/3/10/2013 (By Hon. Isabelle Ndahayo)

Aware that the EAC Protocol on Environment and Natural Resources Management was signed in March 2006 by the then Partner States and further aware that the Republic of Kenya and the Republic of Uganda ratified the Protocol and submitted instruments of ratification to the Secretary General;

Could the Chairperson of the Council of Ministers inform this August House –

a) If there are any challenges to get the required full ratification and what the Council is doing to mitigate them ensure completeness of the process?

b) The EAC Partner States are signatory to different conventions, agreements and Treaties on “Environment and Natural resources”;

Could the Chairperson of the Council update the House on the current status of the implementation of these commitments?

Madam Speaker,

The EAC Protocol on Environment and Natural Resources was signed on 3rd April 2006 by the Republic of Kenya, the Republic of Uganda and The United Republic of Tanzania. The protocol has not entered into force due to non-ratification by all the then Partner States. The current status of ratification of the Protocol is as follows:

- (a) The Republic of Uganda ratified the Protocol on 4th November 2009 and deposited the instruments of ratification with the Secretary General on 8th January 2010;
- (b) The Republic of Kenya ratified the Protocol and deposited the instruments of ratification with the Secretary General on 11th April 2011; and
- (c) The United Republic of Tanzania is at an advanced stage of ratifying the Protocol.

Full ratification of the Protocol in accordance with its Article 45 will enable the protocol to enter into force. The Protocol will promote sustainable development through prevention of activities that are harmful to the environment. It will further promote development and harmonization of policies, laws and strategies for addressing environmental planning, development and management in the region.

Madam Speaker,

The 4th EAC Development Strategy (2011-2016) has prioritized the implementation of this Protocol to “support sustainable natural resource management, environmental conservation and mitigation of effects of climate change” as well as development of capacity for integrated environmental research and management.

The Declaration by the 9th Extraordinary Summit of the Heads of State on Food Security and Climate Change recommended the fast tracking of the ratification of this Protocol. Several Council /Summit directives emphasized on the need for The United Republic of Tanzania to ratify the Protocol.

The Secretariat is preparing an Operational Strategy and Action Plan for the implementation of the Protocol when it enters into force. Priority areas and actions for implementation have been identified and a framework for implementation has been developed. The Operational Strategy for the Protocol on Environment and Natural Resources Management will be finalized in June, 2013.

Madam Speaker,

Regarding the second part of the question, I wish to inform this august House that the EAC Partner States are signatory to a number of conventions, agreements and treaties on “Environment and Natural Resources”, commonly called Multi-Lateral Environmental Agreements.

The 3rd and 4th EAC Development Strategies prioritize the promotion of Joint participation in Environmental Treaties and Conventions. In line with the implementation of the above, the Committee on Environment and Natural Resources at its 12th Meeting identified a number of Multi-lateral Environment Agreements to be jointly implemented at International (9), African (1) and East African Level(5).

Madam Speaker,

With regard to promotion of joint participation and implementation of Multilateral Environment Agreements, the East African Community developed a Post-Rio+20 Plan of Action to implement the outcome of the Rio+20 Summit on Sustainable Development which was held in June 2012 in Rio de Janeiro, Brazil under the theme: *The Future We Want*. The East African Community has further developed an EAC Post Rio Plan of Action that was approved by the Sectoral Council on Environment and Natural Resources at its 2nd Meeting held on 1st February, 2013 in Kigali, Rwanda.

The East African Community has also finalized a Framework for Joint Participation in and Implementation of Regional and Multilateral Environmental Agreements, whose objective is to guide Partner States in effective coordination and implementation of these agreements, and to harness and maximize the benefits and opportunities under various international conventions and treaties on environment and natural resources that the EAC Partner States are party to.

Furthermore, the East African Community was granted observer status in two of the three Rio Conventions, namely, The United Nations Framework Convention on Climate Change (UNFCCC) and The United Nations Convention on Biological Diversity (UNCBD) during the UNCBD COP11 held in Hyderabad, India in October, 2012 and the 18th Conference of Parties held in Doha, Qatar in 2012 respectively. The Secretariat has developed Post COP18 and Post COP11 Plan of Action and preparations for the UNFCCC COP19 and UNCBD COP12 respectively.