

ASSOCIATION DES BANQUES CENTRALES AFRICAINES



ASSOCIATION OF AFRICAN CENTRAL BANKS

Annex 2

**ASSOCIATION OF AFRICAN
CENTRAL BANKS (AACB)**

**36th ORDINARY MEETING
OF THE ASSEMBLY OF GOVERNORS**

(Algiers, Algeria, August 30, 2012)

**REPORT OF THE 35th ORDINARY MEETING
OF THE ASSEMBLY OF GOVERNORS**

(Lilongwe, Malawi, August 12, 2011)

1. INTRODUCTION

1.1. The Assembly of Governors of the Association of African Central Banks (AACB) held its 35th Ordinary Meeting, on August 12, 2011 in Lilongwe, Malawi at Crossroads Hotel. Twenty-eight (28) Member Central Banks, the African Union Commission (AUC), and other African and international Institutions participated in this Meeting. The list of participants is attached as annex. In the absence of Mr. Tiémoko Meyliet Koné, Governor of the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) and Chairman of the AACB, Dr. Perks Ligoya, Vice-Chairman of the AACB presided over the meeting.

1.2. As usual, the 35th Ordinary Meeting was preceded, on August 11, 2011 by a symposium of Governors, which had as theme "Impact of the International Financial Crisis on Monetary Unions: The Challenge of Coordinating Budgetary and Monetary Policies in Africa." This Symposium was officially opened by his Excellency Mr. Ken Kendodo, Minister of Finance of the Republic of Malawi.

2. OPENING CEREMONY

2.1. The opening ceremony was highly honored by the presence of His Excellency Dr. Bingu Wa Mutharika, President of the Republic of Malawi, who made an important address to the Assembly of Governors and officially opened the proceedings. His address was preceded by three speeches read respectively by Dr. Perks Ligoya, Governor of the Reserve Bank of Malawi (RBM) and Vice-Chairperson of the AACB, Dr. Maxwell Mkwezalamba, Commissioner for Economic Affairs representing the Chairperson of the AUC and by Mr. Jean-Baptiste Compaoré, Deputy Governor of the BCEAO, on behalf of the Chairman of the AACB.

2.2. Dr Perks Ligoya expressed his sincere gratitude to His Excellency Prof. Bingu wa Mutharika, President of the Republic of Malawi, for accepting that Malawi host the AACB's Annual Meetings for the year 2011 as well as for the support provided by the Malawian Government to the organization of the meetings. He particularly mentioned Prof. Mutharika's gracing with his presence the opening ceremony of the meeting. He linked this deed to Dr. Mutharikas' past experience as the Deputy Governor of the RBM and mostly, to the key role he played in the convening of the very first meeting of the AACB.

2.3. He said also he was delighted and proud to welcome all the participants. He thanked them for accepting to travel to Lilongwe and contribute to the realization of AACB's objectives.

2.4. On behalf of Dr. Jean Ping, Chairperson of the AUC, Dr. Maxwell Mkwezalamba expressed his sincere gratitude to the President, the Government, and the People of Malawi, as well as the Governor of the Reserve Bank of Malawi for their warm welcome and hospitality. He particularly applauded the unwavering commitment of Malawi's authorities, particularly that of H.E. Prof. Bingu wa Mutharika, to the acceleration of Africa's integration. He also commended the AACB for working in close collaboration with the AUC to accelerate the establishment of the African Central Bank (ACB), one of the three pan-African financial institutions to be created by the African Union as per Article 19 of its Constitutive Act.

2.5. He also said he appreciates that the AUC is an active participant in AACB's meetings and invited the AACB to become a more active participant in the Joint Annual Meetings of the Conference of AU Ministers of Economy and Finance and Economic Commission for Africa (ECA) Conference of Ministers of Finance, Planning and Economic Development, to, inter alia, present the conclusions and recommendations of Governors' Symposia. In this regard, he underscored the AUC's readiness and willingness to ensure that Governors' conclusions and recommendations

requiring decisions of African Union Heads of State and Government are brought to their attention.

2.6. Dr. Mkwelalamba apprised developments regarding the African financial Institutions. He said that the AACB has identified its representatives to the Task Force to work on developing the Joint AUC-AACB Strategy on the establishment of the ACB and call for a quick move towards preparation of the Joint Strategy. He thanked the Government of the Federal Republic of Nigeria and the Governor of the Central Bank of Nigeria for the support to the project. Concerning the other two financial Institutions, he informed that for the African Investment Bank the focus is now on signatures and ratifications of its Protocol and Statutes. Regarding the African Monetary Fund, the African Union Assembly of January/February 2011 adopted its Protocol. But its Statutes are yet to be finalized and adopted.

2.7. He concluded by wishing to participants fruitful and successful deliberations that contribute to accelerating Africa's integration.

2.8. Mr. Jean-Baptiste Compaore opened his address with a word of apology from Mr. Tiémoko Meyliet Kone, Governor of the BCEAO and Chairman of the AACB, who could not be in Lilongwe. He went on to reaffirm the BCEAO's unwavering commitment to monetary integration, which the Bank sees as the most viable way for the African continent to achieve sustainable development and become a part and parcel of the global economy on terms that benefit its people. He also thanked the Malawian authorities, as well as the Governor and staff of RBM for their fraternal welcome to the participants and the excellent facilities they had provided to all of them.

2.9. Mr. Compaore reviewed the global and African contexts, pointing out the atmosphere of uncertainty and the major socio-political crises that were slowing down AACB efforts towards its set goals. In doing so, he basically looked at the problems from high public debt levels in some industrialized countries, Africa's recent socio-political crises, and the threat of famine looming over East Africa. He talked also about South Sudan's accession to independence, noting that AACB is ready to admit the Bank of South Sudan to its membership. Mr. Compaore appealed to African countries and the international community at large to support and stand by the countries in the Horn of Africa as they face a food crisis, and to enable South Sudan to pursue economic and social development under the best possible conditions of success.

2.10. Mr. Compaore noted that even in this difficult context, the AACB continued to perform its activities with the same level of determination. Its Sub-regions designated their representatives to the Expert Group that is to prepare the strategy for creating the African Central Bank, the Association contributed to organise a workshop on banking supervision and held, as usual, the Continental Seminar.

2.11. To conclude, Mr. Compaore went over the salient points on the meeting agenda, which did include macro-economic convergence, themes for the AACB Symposium and Continental Seminar in 2012, proposals on the most appropriate period for holding AACB Annual Meetings, the draft AACB revised statutes, the financial statements for 2010, and the AACB work programme and budget for 2012. He urged the participants to hold fruitful debates and make proposals relevant to creating an African monetary union and boosting AACB's credibility.

2.12. In his address, Prof. Mutharika said he was pleased to welcome the meeting participants. He mentioned that he agreed to grace the opening ceremony of the meeting partly because he was once a Deputy Governor and was also instrumental in convening the first meeting of the AACB.

2.13. Then he underlined the fundamental role of central banks in shaping the domestic and international monetary system. He also made reference to the international financial crisis and said that Africa came out of from this crisis more resilient than the developed world mainly because of reforms that are being undertaken in many African countries, and because African monetary systems revolve outside the mainstream of the international monetary system.

2.14. He said that the crisis has brought about new challenges, especially that with respect to implementing a macro-prudential approach. As a response to these challenges, President advised Central Banks to fulfill not only the monetary policy role but also a developmental role through devising home-grown policies and practices that take account of the low levels of financial market operations and the large non-monetized sector. He stressed on the need for Africans to drive the development agenda and manage change towards prosperity and enhanced economic growth. He pointed out the experience of the Malawi Government which is implementing a zero-deficit budget.

2.15. Dr. Mutharika referred to the Euro zone and the African Monetary Cooperation Programme (AMCP) and advised a cautious approach for African monetary integration, with proper attention to the differences among member states. Then he acknowledged the support of African and international institutions to the promotion of monetary and financial integration in Africa. He specifically mentioned the allocation of US\$3.6 billion to regional integration made by the African Development Bank for the last 15 years.

2.16. Finally, he urged Governors to arise from the meeting with a new resolve and commitment to pull Africa out of poverty. Then he declared the 35th Ordinary Meeting of the AACB's Assembly of Governors officially opened.

3. ADOPTION OF THE MEETING AGENDA

3.1. The following agenda was adopted

ADOPTION AND CONSIDERATION OF THE AGENDA

3.1.1. Consideration of the report of the AACB's Bureau to the Assembly of Governors for the year 2011

- Adoption of the report on the AACB symposium, held on August 19, 2010 in Dakar, Senegal;
- Adoption of the report on the 34th Ordinary Meeting of the Assembly of Governors held on August 20, 2010 in Dakar, Senegal;
- Draft progress report on the activities of the AUC-AACB joint Committee;
- Draft progress report on the implementation of the African Monetary Co-operation Programme (AMCP) in 2010;
- Draft report on the AACB Continental Seminar for year 2011;
- Draft report on the workshop on « The African approach to the implementation of international standards for banking supervision and the Basel capital framework »;
- General information:

- Contributions to the AACB 2011 budget;
- Status of payment arrears;
- Status of accession to AACB Statutes;
- New website of the AACB.

- 3.1.2. Proposal to amend the Statutes of the AACB;
- 3.1.3. Proposal for an appropriate period for the Annual Meetings;
- 3.1.4. Report of the external auditors on the audit of the AACB accounts for the year ended December 31, 2010;
- 3.1.5. Themes for the AACB symposium and continental seminar for the year 2012;
- 3.1.6. Review of the draft working programme of the AACB Executive Secretariat for year 2012 and the corresponding budget;
- 3.1.7. Venue and date of the 36th Ordinary Meeting of the Assembly of Governors;
- 3.1.8. Election of the AACB's Bureau for the year 2012;
- 3.1.9. Any other business.

4. OUTCOMES OF THE DELIBERATIONS

4.1. Draft report on the AACB symposium, held on August 19, 2010 in Dakar, Senegal

- 4.1.1. The Assembly of Governors adopted the report on the AACB symposium, held on August 19, 2010 in Dakar, Senegal.

4.2. Draft report on the 34th Ordinary Meeting of the AACB's Assembly of Governors, held on August 20, 2010 in Dakar, Senegal

- 4.2.1. The Assembly of Governors adopted the report on the 34th Ordinary Meeting of the AACB's Assembly of Governors, held on August 20, 2010 in Dakar, Senegal.

4.3. Progress report on the activities of the AUC-AACB Joint Committee

- 4.3.1. The report of the Bureau presented by the Executive Secretary indicated that at its 34th Ordinary Meeting, held on August 20, 2010 in Dakar, Senegal, the Assembly of Governors decided that the strategy for the creation of the African Central Bank (ACB) will be prepared by a Task Force composed of representatives of the African Union Commission (AUC) and those of the AACB's Sub-regions. In this respect, the Assembly requested Sub-regional Committees to appoint their representatives to the Task Force no later than 30 September, 2010.

- 4.3.2. After the meeting, the Chairman of the AACB, by letters dated 4 October 2010 and 6 December 2010 asked the Chairpersons of the Sub-regional Committees for Central Africa, Eastern Africa and Southern Africa to designate their representative to the Task force. He also asked the Chairman of the Sub-regional

Committee for Northern Africa to send the curriculum vitae of the expert from this Sub-region.

4.3.3. Further, based on the report made on this issue at its meeting held on February 23, 2011 in Dakar, Senegal the Bureau urged the Eastern and Southern African Sub-regions to designate their experts no later than May 31st, 2011. They also decided that the work plan for the experts will be submitted for adoption to the AACB Bureau and the Assembly of Governors no later than August 2011.

4.3.4. Following this meeting, the Eastern and Southern African Sub-regions nominated their respective experts. By letter dated June 24, 2011 the Executive Secretariat sent the Commission of the African Union the curricula vitae of the experts nominated by the AACB's Sub-regions.

4.3.5. The Assembly was also informed about the difficulties the AUC had been experiencing to proceed with the experts' recruitment process due to internal procedures that require the consultants be based where they provide services. In this regard, Commissioner Mkwezalamba highlighted the followings:

- In the event the expert reside in their own countries, there would be extra costs such as travel and daily subsistence allowances which have to be financed by funds to seek elsewhere;
- The financial resources (US\$389,000.0) provided by the Central Bank of Nigeria (CBN), in addition to office space, and personnel, have to be utilized by end-December 2011 beyond which AUC has to identify funds for the project. These funds are meant for salaries of the experts;
- Delays in the commencement of the study have brought about reduction of the budget allotted by AUC;
- Some Sub-regions had offered to pay for their experts.

4.3.6. After deliberations, the Assembly of Governors applauded the appointment by the five AACB's Sub-regions of their respective representatives in the Task Force which shall prepare the study on the strategy for the creation of the ACB. However, Governors noted delay in the commencement of this study due to difficulties for the AUC to proceed with the Experts' recruitment process. They saluted in this regard the readiness of the Central Bank of Nigeria to extend the availability period of the resources provided to fund the study. Consequently, Governors:

- Underscored the need to avoid further delay in the commencement of the study;
- Agreed that the Experts' recruitment contracts will be drawn by September 15, 2011 by the AUC which shall communicate directly

with the Experts' Central Banks in that respect and keep the AACB's Executive Secretariat informed;

- Decided that the Workplan of the study shall be prepared by the Task Force no later than the end of September 2011.

4.4. Implementation of the African Monetary Co-operation Programme (AMCP)

- 4.4.1. Introducing this item, the Executive Secretary said that for the report on the implementation of the AMCP for year 2010, he received contributions from four Sub-regions. Indeed, due to the context in Northern Africa, this Sub-region was unable to produce a consolidated document. However, the Central Bank of Egypt and the Banque Centrale de Mauritanie sent reports on their respective countries.
- 4.4.2. The report established by the Executive Secretariat of the AACB on the basis of the contributions of Sub-regions indicates that the world economic environment was globally characterized by the pursuit of the recovery of economic activity that started in 2009. Due to the rise in the prices of raw materials, Africa's real GDP growth rate hit 5.0 % in 2010 against 2.8 % in 2009. However, the five AACB Sub-regions showed differentiated evolutions.
- 4.4.3. Despite the improvement in most countries' macroeconomic performance, a decline in the performances of Member States under the convergence criteria was witnessed. Further, meeting the four criteria in 2011 seems to be challenging with the advent of another increase in food and fuel prices and possible fiscal intervention by governments to alleviate their impact.
- 4.4.4. The countries of the continent should consequently continue to strengthen the reforms in particular those aiming at the strengthening of the public finances and the promotion of the economic growth.
- 4.4.5. The Assembly took note of the status progress report on the implementation of the AMCP in 2010. They saluted the signs of economic activity recovery in the AACB's member countries. They, however, noted deterioration in performances under the AMCP primary convergence criteria. In this regard, they encouraged member States to pursue efforts aimed at promoting the consolidation of the results achieved and the bases of the economies, as well as accelerating macroeconomic convergence. They also instructed the Executive Secretariat not to publish the final report before receiving and taking into account the contribution of the Northern Africa Sub-region. This contribution shall be sent to the Executive Secretariat by the end of September 2011.

4.5. Draft report on the Continental Seminar for year 2011

- 4.5.1. The report presented by the Executive Secretariat indicated that at its 34th Ordinary Meeting held on August 20, 2010 in Dakar, Senegal, the Assembly selected for the 2011 Continental Seminar the topic "*Financing development in Africa: what role for central banks*". They also decided that the seminar will be hosted by the National Bank of Rwanda.

- 4.5.2. In compliance with this decision, the seminar was held in Kigali, from May 30th through June 1, 2011. Sixty (60) delegates from twenty one (21) out of the thirty nine (39) member Central Banks of the AACB, and from African and international Institutions attended the forum.
- 4.5.3. Following presentations in plenary sessions on the theme “Issue of the contribution of African Central Banks to financing development” and the experiences of the various AACB Sub-regional committees, the delegates brainstormed on the following topics:
- Central Banks, Financial Sector Deepening and Financial Inclusion;
 - Mobilizing Domestic Savings for Development: What Role for Central Banks?
 - Strengthening the Synergy between all Stakeholders (the State, Development Banks, Private Sector, International Institutions, Financial Market).
- 4.5.4. After fruitful deliberations, participants agreed on the following pertinent recommendations:
- Facilitating the setting up of specialized schemes such as Deposit insurance scheme, agriculture insurance scheme, small and medium enterprises (SME) guarantee scheme and provision of direct credit facilities for SMEs;
 - Designing well defined procedures for foreclosures and realization of assets;
 - Facilitating development of sound financial markets;
 - Establishing and strengthening Credit Reference Bureau (CRBs);
 - Facilitating the setting up of a collateral registry;
 - Promoting and developing together with other stakeholders microfinance institutions based on Savings and Credit Cooperatives (SACCOs) owned by the population;
 - Facilitating the development of agency banking, mobile banking, Islamic banking;
 - Development of missing markets (Secondary markets for long term instruments, mortgage, and remittances by reducing cost of transfers and focussing investment opportunities);
 - Strengthening collaboration with other financial sector regulators within the Financial Regulators forum, in countries where the Financial Sector is regulated by different bodies;
 - Cross border regulation, especially within regional integration groups;
 - Support to financial education programs;
 - Strengthening legal and institutional frameworks to provide safe and sound financial systems;
 - Review of Central Bank Acts to include developmental dimension in countries where it is not explicit;

- Assistance to the Government in (i) commercial borrowing, especially in bonds issuance on international markets (ii) sustainable management of revenue from natural resources particularly those that generate foreign exchange reserves and (iii) in providing focused financing facilities to address specific developmental issues;
- Strengthening/Establishing appropriate committees to coordinate monetary and fiscal policies.

4.5.5. In sum, participants noted the importance of the development of African economies and conclude that, Central Banks should facilitate the promotion of financial markets, institutions and products to deepen the financial system in order to achieve, effectively, the traditional function of price and financial stability. Given the underdeveloped state of African economies, participants also agreed that Central Banks should play the roles of facilitating the establishment of development banks/institutions and intervening directly in specific areas to develop the real sector.

4.5.6. The Assembly took note of the conclusions and recommendations of the Continental Seminar.

4.6. Draft Report of the Joint Workshop on “The African approach to the implementation of international standards for banking supervision and the Basel Capital Framework”

4.6.1. The Executive Secretary recalled that at the end of its 34th Ordinary Meeting, the Assembly approved the organization, in collaboration with the African Development Bank and the donor partners of Making Finance Work for Africa, of a workshop on “The African approach to the implementation of international standards for banking supervision and the Basel Capital Framework”.

4.6.2. He said also that the Workshop hosted by the Bank of Uganda was held on 28-29 April 2011 in Kampala, Uganda. It brought together supervisors from 26 African Central Banks, the Secretariat of AACB, the Secretariat of the Partnership for Making Finance Work for Africa, the African Development Bank, the German Ministry of Economic Development and Cooperation (BMZ), the International Monetary Fund, and the World Bank.

4.6.3. Its conclusions focused on advancing regulatory and supervisory reform in Africa and implementing international regulatory standards in Africa. Participants also discussed the way forward.

4.6.4. With respect to the issue of advancing regulatory and supervisory reform in Africa, the workshop identified the following key areas of priority for Africa:

- Strengthening supervisory capacity and improvement of Compliance with the Basel Core Principles for Effective Banking Supervision (BCPs);
- Stronger cooperation of supervisors across borders supported through efficient institutional frameworks to address the challenge related to the emergence of banks with operations across several countries;
- Addressing the challenge of supervising financial conglomerates.

- 4.6.5. The recommendations on the implementation of international regulatory standards underscored:
- The need for African countries to take into account current country and regional context when adopting International financial regulatory and supervisory standards and policies set by the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS);
 - The importance of enhancing supervisory capacity as a precondition for adopting the more complex rules under the Basel capital framework was emphasized. Further, it was recognized that the adoption of Basel II does not constitute a necessary precondition for the implementation of important elements of Basel III;
 - The relevance of FSB plans to expand and formalize outreach beyond the FSB's membership through regional consultative groups.
- 4.6.6. As regards the way forward, participants welcomed the proposal to establish a regular dialogue of a "Community of African Banking Supervisors" (CABS) under the joint AACB/MFW4A framework.
- 4.6.7. The Executive Secretary presented also CABS' terms of reference developed by MFW4A Secretariat and the AACB Secretariat. He said that the objectives of the CABS are among others, fostering co-operation and exchange of best practices among regulators and supervisors in Africa and harnessing knowledge resources and expertise from within and outside the continent to enhance regulatory and supervisory capacities. Its main expected outcomes are the creation of a functional Intranet Platform to connect supervisors of African Central Banks, organizing seminars and consultative events organized, and realizing country/regional diagnostics to assess gaps and define priorities.
- 4.6.8. The Assembly took note of the conclusions and recommendations of the workshop. They particularly accepted the recommendation with respect to the CABS and instructed the Executive Secretariat to refine, in connection with MFW4A, the Terms of Reference of the proposed CABS to include interrelations between this CABS and Sub-regional supervision bodies.

4.7. Contributions to the AACB's budget for year 2011

- 4.7.1. The report of the Bureau read by the Executive Secretary recalled that, at its Dakar meeting, the Assembly of Governors approved the work programme for year 2011 and the corresponding budget. The contribution of each member Central Bank amounts to US\$5,258.
- 4.7.2. As at August 3, 2011, the Executive Secretariat received from the Department of Market Operations of the host Central Bank, the notification of the payment of their contribution by thirty six (36) member Central Banks as at August 3, 2011. The contributions received amount to US\$189,229.2 out of an approved budget of US\$205,073, representing a contribution rate of 92.3%.

4.7.3. It is worth mentioning that as at August 3, 2010 thirty five (35) member Central Banks had settled their contributions to the 2010 budget. The contributions amounted to US\$182,639.7 out of a total of US\$208,933, representing 87.4%.

4.7.4. The Assembly of Governors took note of the status of the contributions to the AACB budget for the year 2011.

4.8. Payment arrears

4.8.1. The report on this item indicated that in compliance with Governors' decisions that urged the Executive Secretariat to continue its ongoing efforts towards the settlement of arrears, instalments reminders were sent by letters dated October 29, 2010 and December 24, 2010 to the Central Bank of Somalia, and the Banque Centrale de Djibouti.

4.8.2. As a result, the Banque Centrale de Djibouti fully settled its arrears (US\$11,660) on January 3, 2011. The Central Bank of Somalia did not pay the above-mentioned arrears but settled its contributions to the budgets for the years 2010 and 2011.

4.8.3. Further new contribution arrears have emerged, attributable mainly to the Banque Centrale de Tunisie which has not yet settled its contributions to the budgets for years 2009 and 2010.

4.8.4. The Assembly of Governors commended the Central Bank of Somalia for honouring its obligations regarding the budgets for the years 2010 and 2011. They encouraged the Chairman of the Association to engage the Banque Centrale de Tunisie to pay its arrears.

4.9. Accession to the revised Statutes

4.9.1. The report submitted to the Assembly of Governors indicated that during the 34th Ordinary Meeting, the Chairman of the AACB was encouraged to continue its ongoing effort towards Bank of Eritrea for them to become a member of the AACB. Consequently, by a letter dated December 6, 2010, the Chairman of the Association invited this Institution to adhere to the AACB. However, the BOE has not yet reacted to this correspondence.

4.9.2. The Assembly of Governors asked the Chairman of the Association to engage the Bank of Eritrea, through a courtesy call, to join the AACB. They asked him also to send, in appropriate time, an invitation to the Central Bank of South Sudan to adhere to the AACB.

4.10. AACB revamped website

4.10.1. The report on this item indicated that the revamped website of the AACB was put online on 24 January 2011. It focussed also on additional actions needed to increase the website efficiency. These include:

- Designation or confirmation of local administrators for the Website as well as focal persons for data by Central Banks;
- Ensuring that Central Banks do regular updates on the website by posting information on their respective institutions and Sub-regions;

- Training of local website administrators to be organized by the Executive Secretariat in 2012.

4.10.2. The Assembly of Governors commended the Executive Secretariat for the revamping of the Association's Website and invited member Central Banks which have not yet nominated their focal persons for statistics, and local Administrators for the AACB's website, to do so.

4.11. Amendment of the AACB's Statutes

4.11.1. As per introduction, it was recalled that at the end of the 34th Ordinary Meeting, the Assembly of Governors agreed on amending the Statutes to allow for:

- The consideration of auditors' reports by the AACB's Technical Committee;
- The taking in account of the Bank of Tanzania transfer from the Sub-regional Committee for Southern Africa to the East Africa Sub-region;
- The inclusion of provisions regarding the transfer of a Central Bank from a Sub-region to another.

4.11.2. The amendments proposed in compliance with the above-mentioned decision are as follows.

4.11.2.1. Audit report review by AACB Technical Committee

4.11.2.1.1. The Technical Committee is presently not authorized to review the audit report because of the term "directly" in Article 7, Paragraph 6 of the Statutes. The said paragraph provides that Auditors "shall present their report directly to the Assembly of Governors...". Suppressing this term would make it possible for the Technical Committee to review the reports submitted by the Auditors. To enshrine current practice and further clarify the provision that relates thereto, the new formulation should require Auditors to submit their report to the Bureau.

4.11.2.1.2. In light of the foregoing, the amendment proposed on Article 7, paragraph 6 is as follows: The accounts of the Association shall be audited by external Auditors who shall submit their report to the Technical Committee, the Bureau and the Assembly of Governors. They shall be appointed by the Association for a period of one (1) year, and may be re-appointed for a further term not exceeding three (3) years.

4.11.2.2. Bank of Tanzania (BOT) membership status transfer to the Sub-regional Committee for Eastern Africa

4.11.2.2.1. Due to the transfer of BOT membership from the Sub-regional Committee for Southern Africa to the Sub-regional Committee for East Africa, the table in appendix on Statutes, relating to the composition of the five AACB Sub-regions, has been revised.

- 4.11.2.2.2. During the said revision, the Bank of Eritrea (BOE), which has still not joined the Association officially, has been removed from the list of all AACB member Central Banks, bringing the number from 40 down to 39.
- 4.11.2.2.3. Further, the number of member Central Banks in the Sub-region for Southern Africa has dropped from 12 to 11. That of the Sub-region for East Africa is maintained at 11, with the admission of the BOT and the withdrawal of the BOE. The new summary table reflecting these changes is attached to the revised draft of the statutes.

4.11.2.3. Rules on the transfer of Central Bank membership status from a Sub-region to another

- 4.11.2.3.1. With no examples to draw from, the proposals for amendment are based on the salient points the Council of Governors put forward during the 34th session of the AACB, with regard to BOT's submission to join the Sub-regional Committee for East Africa. These are:
- The sovereign character of the choice of Sub-regions by Central Banks;
 - The need to preserve the geographic cohesion of Sub-regions.
- 4.11.2.3.2. Coherence between AACB Sub-regions and AU Sub-regions is another point to take into consideration. For, it provides the basis for Article 1 of the AACB Statutes. Under this Article, Sub-region "Shall be as defined by the African Union or as may be determined by the Assembly of Governors from time to time".
- 4.11.2.3.3. These proposals for amendment would constitute new paragraphs (8, 9 and 10) to add to the Statutes after paragraph 7 of Article 5. The former paragraphs 8, 9, and 10 of said article would respectively become paragraphs 11, 12, and 13. The amendments are as follows:
- 4.11.2.3.4. Paragraph 8 **(New)**. Membership in a Sub-region, as well as the transfer of membership status from a Sub-region to another, shall be based on the sovereign choice of each AACB member Central Bank.
- 4.11.2.3.5. Paragraph 9 **(New)**. The provisions of the above paragraph notwithstanding, the Assembly of Governors can authorize a member Central Bank in an AACB Sub-regional Committee to transfer its membership to another Sub-region upon a proposal by the Bureau, pending observance of due diligence in prior compliance with:
- preserving the smooth running of the Association;
 - proximity of the requesting Central Bank's country to the Sub-region that this Institution intends to join; and
 - reinforcing or maintaining coherence between AACB Sub-regions and AU Sub-regions.
- 4.11.2.3.6. Paragraph 10 **(New)**. The Assembly of Governors may, on the initiative of the Bureau, decide to restructure the Sub-regional Committees with the aim of giving them a more geographically and coherent economically composition that is consistent with the definition of the African Union.

4.11.2.4. Additional changes following these amendments

- 4.11.2.4.1. The amendments proposed brought about additional changes. They are as follows:
- 4.11.2.4.2. **Article 10, paragraph 1.** The present statutes shall be communicated to the Depository. They will remain open until 31 December, 2012 for signature by the Central Banks listed in Appendix B.
- 4.11.2.4.3. **Article 11, paragraph 1.** The present statutes shall be submitted for acceptance by members of the Association. These latter shall sign the original text or communicate their instruments of acceptance to the Depository no later than December 31, 2012. The depository shall notify the signatories of all the instruments received and the corresponding dates of receipt.
- 4.11.2.4.4. **Article 12, paragraph 1.** (Current provision) These statutes shall enter into force upon their signing by at least fifty percent of members.
- 4.11.2.4.5. Article 12, paragraph 2 (**new**). The provisions of these Statutes shall fully replace those of the Statutes adopted on August 19, 2003 in Kampala, Uganda.
- 4.11.2.4.6. Further, Article 4 was amended as follows: "Membership of the Association and subsequently its Sub-regional Committees shall be open to all Central Banks of member countries of the African Union".
- 4.11.2.4.7. The Assembly of Governors took note of the proposed amendments to the Statutes of the AACB and instructed the Executive Secretary to circulate the draft amended Statutes to member Central Banks in compliance with Article 9 of the current Statutes. This Article states, among other, that notice of "amendment is given to members at least three months prior to the meeting at which the amendment is to be considered.

4.12. Proposal of a suitable period for holding the annual meetings

- 4.12.1. The report submitted to the Assembly mentioned that at the close of the 34th Ordinary Meeting held on August 20, 2010 in Dakar, Senegal, Governors «Mandated the new Chairman to propose a more favorable period for the Assembly's Annual Meetings».
- 4.12.2. The decision was made in an attempt to resolve the Association's difficulties in bringing high-level experts from non-AACB member institutions to participate in the Governors' symposium. These difficulties result mainly from the fact that the Annual Meetings take place during the summer holidays, namely in August. It was also argued that the meeting period coincides with the holy month of Ramadan during which Muslims fast. However, addressing this concern was deemed difficult because the Ramadan month revolves according to a lunar cycle.

- 4.12.3. In compliance with this decision the Bureau agreed, at the end of its meeting held in Dakar on February 23, 2011 to propose to the Assembly of Governors that the Annual Meetings be held, as of 2012, during the first half of July, on the basis of a review of the Association's Annual Meetings.
- 4.12.4. It was recalled, among others, that from 1965 to 2006, the Annual Meetings were held at different times in the year. But at the meeting on 18 August, 2006 in Windhoek, Namibia, it was decided that the meetings of the Assembly of Governors should be held at mid-August each year, seemingly to make sure that the majority of Association members attend the Annual Meetings by avoiding clashes with the other forums that pull a significant number of AACB members.
- 4.12.5. Statistics on the Association's Annual Meetings suggested also that the rate of attendance for sessions organized in August (30 member institutions) is higher on average than that of meetings held during the other months (25 member institutions). On these bases, the Bureau considered three options, i.e. the first half of July, the second half of July and the first ten days of August. The Bureau found the second half of July the most favourable period because it both addresses the concerns expressed by Governors on August 20, 2010 and minimizes risks of clashes in timing.
- 4.12.6. However, at its meeting held on August 10, 2011 in Lilongwe, the Bureau reconsidered its previous decision on the basis of attendance of past meetings which indicates the month of August has the highest rate of participation. Furthermore, it was learnt that the period of Ramadan is shifting towards July. Thus the Bureau recommended that the 2012 and 2013 meetings of AACB should be held in the second half of August and thereafter any period in August as Ramadan will not be observed in the month of August for the next 30 years.
- 4.12.7. After deliberation the Assembly of Governors endorsed the proposition of the Bureau. Thus Governors decided that the 2012 and 2013 Annual Meetings of the AACB shall be held in the second half of August and thereafter at any period in August.

4.13. The External Auditors' Report on AACB accounts for the fiscal year ending on December 31, 2010

- 4.13.1. The Audit firm KPMG presented its report on the accounts of the AACB for the fiscal year that ended on December 31, 2010.
- 4.13.2. The report mentioned that the financial statements give a true and fair view of the financial position of the AACB as at December 31, 2010. However, Auditors brought the attention on the fact that the Association accounting was held under the system of minimum cash. They also indicated that some recommendations made previously were not implemented by the Executive Secretariat, especially those with respect to the currency of accounting transactions and follow up received contributions.
- 4.13.3. The Executive Secretary answered the observations of the Auditors.

4.13.4. After deliberation, the Assembly approved the external auditors' report. They instructed the Executive Secretary to implement Auditors recommendations, including adding the multi-currency and budgetary modules to the accounting software, and to report to the Bureau at its next Ordinary Meeting.

4.14. Themes of the AACB Symposium and Continental Seminar for the year 2012

4.14.1. The Bureau proposed the following themes for the Assembly to select the topics of the Symposium and Continental Seminar for the Year 2012.

4.14.1.1. *For the Continental Seminar*

- Challenges to the Design and Implementation of Macro- prudential policy instruments in Africa;
- The Role of Central Banks in the Development of Debt Markets in Africa.

4.14.1.2. *For the Symposium*

- Challenges of Commodity Price and Capital flow Volatility to African Central Banks;
- Governance of African Central Banks.

4.14.2. After deliberation the Assembly chose for the Symposium the theme: "Challenges of Commodity Price and Capital Flow Volatility to African Central Banks".

4.14.3. They agreed that the theme for the 2012 Continental Seminar shall be "Challenges to the Design and Implementation of Macro-prudential Policy Instruments in Africa". The Banque des Etats de l'Afrique Centrale (BEAC) volunteered to host this event.

4.15. Draft work programme of the Executive Secretariat for year 2012 and corresponding budget

4.15.1 As per introduction, the Executive Secretary indicated that as in the previous years, the work programme of the Executive Secretariat will focus on:

- The follow-up of the activities of the Joint AUC-AACB Committee regarding the ACB;
- The organization of the 2012 Continental Seminar;
- The follow-up of the implementation of the AMCP;
- The organization and convening of the statutory meetings of the Association;
- The furthering of the improvement of the internal operation of the Secretariat of the Association;
- The strengthening of relations with African organizations pursuing the same goals as the Association.

4.15.2 Based on the proposed work program, the 2012 budget is projected (both resources and expenditures) at US\$209,216.0 against US\$205,073.0

approved for 2011, i.e. an increase of 2.0%. In compliance with the principle of equal budget distribution adopted by the Assembly of Governors, the contribution due by each Central Bank for 2012 amounts to US\$5,365.0 compared to US\$5,258.0 in 2011.

4.15.3 It was also noted that the salary costs of the staff of the Executive Secretariat (the equivalent of US\$298,240), and that of its rooms are borne entirely by the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO), the host central bank of the Executive Secretariat of the Association. These costs are not included in the draft 2012 budget.

4.15.4 The Assembly of Governors adopted the work programme of the AACB and the corresponding budget for the year 2012. The Assembly commended BCEAO's unwavering financial and material support to the AACB. They instructed the Executive Secretariat to include salary costs borne by BCEAO in future budgets. The contribution due by each Central Bank to the 2012 budget amounts to US\$ 5,365. The Assembly also recalled that contributions to the AACB's budgets are disbursed in US dollars and at net value to cover all costs.

4.16. Date of the 36th Ordinary Meeting of the AACB's Assembly of Governors

4.16.1. Governors decided that, in compliance with the principle of rotation of AACB's Annual Meetings, the 36th Ordinary Meeting of the Assembly of Governors and the attendant Symposium scheduled for August 2012, shall be hosted by a Central Bank member of the Northern Africa Sub-region. The name of this Central Bank will be advised after consultation between member Central Banks of this Sub-region.

4.17. Election of the AACB's Bureau for year 2011

4.17.1. At the end of the Ordinary Meeting of the Association, The Assembly elected, for the period 2011-2012, Dr. Perks Ligoya, Governor of the Reserve Bank of Malawi, as the Chairman of the AACB. They equally renewed the Bureau of the Association as follows:

- Governor of the Reserve Bank of Malawi: Chairperson of the AACB;
- Governor of a Central Bank of the Northern African Sub-region the name of which will be advised after consultation within the Sub-region: Vice-chairperson of the AACB;
- Governor of the Banque Centrale de Mauritanie, Chairperson of the Sub-regional Committee for North Africa;
- Governor of the Banque des Etats de l'Afrique Centrale (BEAC), Chairperson of the Sub-regional Committee for Central Africa;
- Governor of the Central Bank of Nigeria, Chairperson of the Sub-regional Committee for West Africa;
- Governor of the Banque Centrale de la République du Burundi, Chairperson of the Sub-regional Committee for East Africa;

- Governor of the Banco Nacional de Angola, Chairperson of the Sub-regional Committee for Southern Africa.

4.18. Any other business

- 4.18.1. The AUC invited Central Bank Governors to attend Annual Minister of Finance meetings. At these meetings, Governors are expected to present reports and recommendations on AACB meetings and progress reports on the implementation of the monetary cooperation in Africa.
- 4.18.2. The Assembly welcomed this invitation but highlighted the need for Governors to participate in these meetings rather than being mere observers.

4.19. Vote of thanks

- 4.19.1. On behalf of Governors, Mr. Sanusi Lamido Sanusi, Governor of the Central Bank of Nigeria thanked His Excellency Dr. Bingu Wa Mutharika, President of the Republic of Malawi, as well as the Governor and members of staff of the Reserve Bank of Malawi, for their hospitality and the excellent arrangements made to ensure a successful meeting.
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