

Priorities & Incentives:

Addressing Political, Economic, and
Institutional Barriers to Achieve
East African Monetary Unification



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Abbreviations

AfDB	African Development Bank
CEMAC	Economic and Monetary Community of Central Africa
CET	Common External Tariff
CFA	Financial Community of Africa')
CMA	Common Monetary Area
COMESA	Common Market for Eastern and Southern Africa
DRC	Democratic Republic of the Congo
EABC	East African Business Council
EAC	East African Community
EACJ	East African Court of Justice
EACSO	East African Common Service Organization
EALA	East African Legislative Assembly
EAMU	East African Monetary Union
ECB	European Central Bank
ECCAS	Economic Community of Central African States
EFTA	European Free Trade Area
EMS	European Monetary System
EMU	European Monetary Union
EU	The European Union
GDP	Gross domestic product
KAS	Konrad-Adenauer-Stiftung
MAC	Monetary Affairs Committees
NTBs	Non-tariff barriers
OCA	Optimum Currency Area
RECs	Regional economic communities
SADC	The Southern African Development Community

Executive Summary

This study set out to understand the political, economic, and institutional impediments hindering the achievement of the East African Community (EAC) monetary unification objectives. This comes after the Regional Economic Community (REC) failed to meet its 2024 target for launching a unified currency through its East African Monetary Union (EAMU). This study identified the central tension in the disconnect between the political and economic reality of the EAC, and EAMU monetary unification objectives that view the region as an optimal currency area.

The gap separating the EAC's unification ambitions and its present reality results from economic homogeneity between EAC member states, which limits economic complementarities that would facilitate larger intra-EAC trade volumes. These economic inadequacies result from institutional limitations within EAC member states themselves, which constrain the consolidation of strong industrial and socio-economic structures that would support integrated regional economies. Furthermore, such inadequacies at the national level translate to structural weaknesses at the regional level. These feature collective action problems associated with information asymmetries, agency loss, and overall and lack of political congruence towards economic and monetary convergence. From the findings, this study proposes the following policy recommendations:

1. Harmonizing immigration laws and create programs to address skill mismatches, enabling seamless movement of workers across borders.

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2. Establishing cooperative budgets for regional infrastructure projects and create a stabilization fund to mitigate the impact of asymmetric shocks.
3. Strengthening the EAC's institutional capacity including reinforcing the EAC Secretariat's monitoring and evaluation systems and addressing information gaps that hinder the development of effective economic policies.
4. Harmonizing industrial policies across member states which can be achieved by setting up macroeconomic convergence benchmarks that align national planning and decision-making with the region's goals.
5. Enhancing visibility and engagement with the regions citizens to build public ownership of EAC integration
6. Facilitating an open and transparent platform for global actors to engage with the region's economy, focusing on sustainable development and trade and ensure that development cooperation interventions are cleared by EAC commission.
7. Developing youth-centric policies to advance and propel EAC integration and budgeting and implementing youth exchange programs within the EAC and beyond.

1.1 Introduction

The East African Community (EAC), re-established in 2001, aims to foster economic, social, and political cooperation among its member states—Kenya, Uganda, Tanzania, Rwanda, Burundi, South Sudan and Somalia. Established with the goal of improving economic stability and development across East Africa, the EAC pursues deeper regional integration through a series of progressive stages: a customs union established in 2005, common market (2010), monetary union (2013), and eventually, political federation. These goals reflect the EAC's commitment to creating a cohesive and prosperous regional bloc, ultimately improving trade, movement, and economic resilience within the region.

While the EAC has evidently achieved (qualified) success in launching the Customs Union and the Common market, it has entirely missed the goal of consolidating its Monetary Union, which was slated for 2024.¹ The East African Monetary Union (EAMU), a key pillar of the EAC's regional integration agenda, continues to face delays, with the timeline for establishing a single regional currency now extended to 2031.² This publication seeks to understand why the Community fell short of this crucial integration milestone. Like monetary unions before it, the EAMU aims to establish a shared monetary policy for EAC member states, facilitate coordination of their national fiscal policies, and eventually, create a common currency for its participants. The EAC's slow progress through this third stage, however, bodes poorly for the timely realization of its integration objectives.

¹ Kigabo, Heshmati, *Are the East African Community's Countries Ready for a Common Currency?*

² Radio Tamazuj, *Business Africa news*, //www.radiotamazuj.org/en/news/article/east-african-community-postpones-single-currency-till-2031?

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The EAC's vision for a unified currency aligns with the broader goal of establishing an integrated monetary union, inspired by similar aspirations that led to the establishment of the Eurozone in Europe. The Eurozone serves as a key comparative model for the EAC due to its success in creating a single currency among diverse economies. To this end, it takes a comparative approach in analyzing the intersection of three key dimensions of integration with regard to the EAC, and the European Union (EU): the general structural economic make-up of the integrating states; the political drivers influencing their integration; and the institutional consolidation of these two RECs in connection to their respective monetary unions—the EAC's EAMU, and the EU's European Monetary Union (EMU). This analysis develops insights into the prospects of the region's monetary unification in a global environment facing de-globalization, protectionist, and immigration/mobility pressures.

However, there are notable challenges in applying the Eurozone model to the EAC. Previous studies have noted an incompatibility in attempting to develop regional systems that reinvent, emulate, or are in reaction to the EU and its EMU.³ While the European Union's Maastricht Treaty laid out specific convergence criteria (such as limits on inflation rates and government deficits) that members had to meet before adopting the Euro, the EAC has faced challenges with economic alignment across its member countries.⁴ Disparities in economic development, fiscal management, and political stability pose significant hurdles to achieving the same level of integration seen in Europe. Unlike the EU, where institutional frameworks such as the European Central Bank (ECB) were established to

³ Masinde; Omolo, *East African Integration*, pp3-4

⁴ Ltaifa; Yabara; Williams, *Economic convergence to support the East African Monetary Union*, p39

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oversee monetary policy,⁵ the EAC has yet to develop comparable mechanisms for regulatory and financial oversight, though such institutions are anticipated in the EAC's Monetary Union Protocol. Such perspectives highlight the challenges of drawing lessons and inspiration from the EU, especially when considering it as a normative model for regional economic integration in a context as distinct from the EU as the EAC.

Despite these differences, the EAC and Eurozone share an underlying goal: to foster economic stability and regional growth through integration. By leveraging lessons from the Eurozone experience, the EAC can focus on policies that promote convergence in areas such as trade liberalization, fiscal discipline, and financial cooperation. Additionally, the Eurozone highlights the importance of creating robust institutions and aligning member state policies, which could guide the EAC in establishing a sustainable path toward a unified currency and deeper regional integration. This article sees value in a comparative approach whose methodology defines specific dimensions of exploration, and provides the necessary caveats of a qualitative analysis.

The objective of this study is to identify key parameters and obstacles in transitioning to a unified East African currency by learning from the Euro transition. It specifically analyzes the historical and economic conditions leading to the Euro's success, assess the current political and economic landscape in the EAC and further identifies the obstacles and opportunities within the EAC for a common currency. Lastly, the study provides recommendations for policy and structural reforms necessary for a successful currency union in East Africa.

⁵ Enoch;Quintyn, *European monetary union: Operating Monetary policy*

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2 Literature Review

2.2 Introduction

This section compares the development of the EU and the EAC; from their false starts in the 20th century to their present state and future objectives. It further presents the fundamental concepts of the Optimal Currency Area theory as comprehended in the EU's and the EAC's conception of their respective monetary unions.

2.3 History of the EU Integration

European integration followed the end of major international conflicts which saw the emergence of a global order comprehended in two major blocs: an eastern bloc headed by the Union of Soviet Socialist Republics (USSR), and a western bloc headed by the United States. The incentive environment for the western bloc included the ideological conviction to forestall the spread of systems incongruent with open market capitalism; the political need to consolidate strength to deter or defend against military adventurism from the east; and economic incentives for cooperation towards better economic outcomes for western European states. These incentives defined the Cold War era. Prospects of the domination of various political-economic ideologies, the threat of violent conflict, and the need to rebuild European nations ravaged by wars called for an urgent confluence of political and economic incentives.⁶

European cooperation towards the consolidation of the EU can be traced back to the 1950s creation of the European Coal and Steel Community and the European Atomic Energy Community by Belgium, France, Italy, Luxemburg, Netherlands, and West Germany. The treaty of Rome would in 1957 transform this

⁶ Afxentiou, *Convergence and the Maastricht Criteria*, p245

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cooperation in energy and raw materials into the European Economic Community.⁷ These cooperation developments occurred against the backdrop of a European economic homogenization initiative spearheaded by the International Monetary Fund (IMF) through the Bretton Woods Agreement beginning in 1944. This multilateral framework defined the economic order of a world that had just come out of the Great Depression of the 1930s, albeit owing to a war that had ravaged Europe and Japan. The Bretton Woods Agreements introduced a unique convertibility of the US dollar to gold, transforming the greenback into an international reserve currency. It introduced an exchange rate parity system in which the dollar served the *de facto* function of gold, with EU currencies allowed to fluctuate by 1% on either side of parity, which was set in relation to gold or the dollar by the IMF. This system provided a degree of monetary stability to European countries, with the dollar consolidating its place as the international unit of account. This stability would last about 30 years.⁸

Following the 1958 European Monetary Agreement (EMA), Bretton Woods signatory central banks exploited provisions for partial or total convertibility of European currencies to exchange their currency for dollars at rates set below the IMF limits. Years later, commercial bank speculation in the dollar exchange market would result in monetary fluctuations, with instances like raising the value of the German mark. The subsequent monetary crisis would intensify in 1971, with Germany (unsuccessfully) urging European peers to jointly float their currencies in relation to the dollar. The

⁷ Ibid., p247

⁸ Subacchi, Paola. *Lessons from the Collapse of Bretton Woods*. Chatham House: The Royal Institute of International Affairs, May 2023. Available at: <https://www.chathamhouse.org/2011/08/lessons-collapse-bretton-woods>.

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culmination of this crisis came with US President Richard Nixon's unilateral suspension of the dollar's gold convertibility in August 1971.⁹

In December 1971, the Group of Ten—the six Member States, the United Kingdom, the United States, Canada and Japan—signed the Smithsonian Institute Agreement introducing 'snake in the tunnel' mechanism; an attempt at imparting fresh impetus into monetary homogenization.¹⁰ This involved managing floating currencies (the 'snake') within narrow margins (at 2.25%, wider than the Bretton Woods limits) of fluctuation against the US dollar (the 'tunnel'). This was however, thrown off course by the energy crisis, a weakening dollar, and differences in macroeconomic policy. Most member states abandoned the 'snake' in less than two years of its institution, reducing it to a 'mark area' comprising Germany, the Benelux countries, and Denmark.¹¹ Incentives to homogenize customs and tariffs led to the establishment of the European Monetary System (EMS) in 1979; the Single European Act of 1986 would later eliminate inter-state tariffs. Subsequently, the comprehension of the Single European Market in 1992 would provide for the free movement of goods, persons, services and capital between states. These structural realignments marked the road towards deeper cooperation, with the signing of the Maastricht Treaty on 7 February, 1992. Membership expanded from six to nine in 1973, to 10 in 1981, 12 in 1986, 15 in 1995; currently, it stands at 27 member states.

9 Subacchi, Paola. *The Collapse of Bretton Woods*

10 *The Collapse of the Bretton Woods System*. Historical Events in the European Integration Process (1945–2009). Available at: <https://www.cvce.eu/en/education/unit-content/-/unit/02bb76df-d066-4c08-a58a-d4686a3e68ff/b09e240f-3f85-47bd-ac50-4f572488218c>.

11 Scheinert, Christian. "Fact Sheets on the European Union—2024." *History of the Economic and Monetary Union*, p. 2. Available at: <https://www.europarl.europa.eu/factsheets/en/sheet/79/history-of-the-economic-and-monetary-union>.

2.4 History of East Africa regional integration progress

East Africa has experienced forms of regional integration for over a hundred years. This section provides a brief history and select regional integration in East Africa from 1897 to 2024. It began with the 1897–1901 construction of the Kenya-Uganda Railways which connected the interior of the then British sphere of influence to the port of Mombasa. Subsequent regional initiatives accompanied this: the establishment of the Customs Collection Center for Uganda in Mombasa in 1900; the East African Currency Board and the Postal Union in 1905; the Court of Appeal for East Africa in 1909; the Customs Union for Uganda, Tanganyika and Kenya, in 1919; all under British administration.¹²

The creation of the East African High Commission in 1948 marked a significant milestone, establishing a unified income tax and a customs union to strengthen economic links between Kenya, Uganda, and Tanzania (then named Tanganyika). The East African Common Service Organization (EACSO) succeeded the commission in 1961, with operations centered around three crucial integration sectors: communication (East African Posts and Telecommunications Services), transport (East African Railways and Harbors and East African Airways), and finance (East African Development Bank). Attempts to set up a central bank, however, failed in 1965.¹³ Despite this, in 1967, the three countries signed the Treaty for East African Cooperation, establishing the East African Community, and ending the EACSO.¹⁴ The region had achieved such integration, that it was described as “in all but name, a federal government.”¹⁵ However, the union was dissolved in 1977. This was

¹² Masinde; Omolo, *East African Integration*, p15

¹³ Reith; Boltz, *Between Aspiration and Reality*, p92

¹⁴ Masinde; Omolo, *East African Integration*, p15

¹⁵ Ibid., p15

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attributed to various causes including the lack of steering functions in the Community; unequal distribution of costs and benefits of economic integration, a disproportionately intergovernmental/inter-statal nature of cooperation, and irreconcilable ideological differences between member-state leaders.¹⁶

Economic incentives brought these partner states back to the cooperation table over the Mediation Agreement of 1984. This agreement set the criteria for dividing the EAC's assets and liabilities, and the foundation for future re-establishment of the Community.¹⁷ Further integration followed in the 1990s, with the 1993 establishment of the Permanent Tripartite Commission for Cooperation that drafted a cooperation treaty in 1998. On 30 November 1999, the heads of state of Kenya, Uganda, and Tanzania signed the Treaty for the Establishment of the East African Community, which came into force on 7th July 2000.¹⁸

Since then, the EAC's integration process has been gaining momentum, driven by political commitment, shared interests, and the recognition of potential economic benefits from the integrated economy.¹⁹ In 2004, the East Africa summit signed a protocol to establish the EAC customs union. In 2007 Rwanda and Burundi became members of the EAC. In 2009 a protocol was signed for the establishment of a common market in the region. In December 2010, the EAC adopted the EAC anthem. This was followed by establishing a EAC headquarters in Arusha in 2012. In 2014 the community signed a protocol for the establishment of the East African Monetary Union. Further South Sudan joined the EAC in 2016 and later the Democratic Republic of Congo (DRC) in 2022 and the Federal Republic of Somalia in 2024.²⁰

¹⁶ Ibid., p16

¹⁷ Ibid., p16

¹⁸ Masinde; Omolo, *East African Integration*, p17

¹⁹ Ogola et al., *A Profile of the East African Community*, p 337

²⁰ *EAC History*. East African Community. Available at: <https://www.eac.int/eac->

2.5 The European Monetary Union (EMU) and the Role of Convergence Criteria

EMU participation since its 1999 inception demonstrates that the application of the OCA convergence criteria was successful because the major economies leading the European monetary unification already had significant structural similarities and economic complementarities. This was important to the success of the integration effort since some applicant nations needed support to implement and enforce drastic structural adjustments towards convergence successfully. The accession rationale for such nations anticipated benefits of currency union including price stability, fiscal discipline, reduction of uncertainty, and so on. This rationale is supported by economic literature on the notion that nominal convergence incentivizes or results in real convergence; therefore, weaker and less stable economies would expect substantial growth impacts from integration. For instance, accession to the EMU was associated with accelerated industrial deregulation and other structural reforms in product markets.²¹ From such logic and observations, it has been argued that real convergence is not critical to monetary unification ex ante; that monetary union will foster real converge ex post. While the EU largely satisfied OCA criteria through advanced trade integration and fiscal mechanisms, the EAC faces significant deficits in labor mobility, production diversity, and institutional frameworks, highlighting structural barriers to achieving an optimal currency area.

[history.](#)

²¹ Ltaifa; Yabara; Williams, Convergence to Support Monetary Union, p53.

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Convergence Criteria and EAC's Progress

Convergence criteria for both the EMU and the EAMU are formulated around two key objectives of normative convergence: to ensure monetary stability by supporting a fixed rate regime (inflation rates, nominal long-term interest rates, exchange rate realignments) among member states; and to reinforce their stability, shielding them from threats of inflation arising from budget deficits in member state governments.²² Achievement of these convergence criteria was envisioned in three consecutive stages. Stage I (2007–10), Stage II (2011–14), and Stage III (beginning 2015). As noted earlier, the EAMU continues to struggle with reaching the major Stage III convergence milestone: central milestone of this final stage: it just missed its 2024 target for launching the EAC unified currency.²³ These EAMU unification objectives envisioned monetary convergence targets in four primary convergence criteria, complemented by three nonbinding, indicative convergence criteria to serve as early warning indicators.

The primary convergence criteria are as follows:

- a ceiling on headline inflation of 8 percent
- a ceiling on fiscal deficit (including grants) at 3 percent of GDP
- a ceiling on gross public debt of 50 percent of GDP in net present value terms
- a reserve cover of 4.5 months of imports.

²² Afxentiou, *Convergence and the Maastricht Criteria*, p249.

²³ Ltaifa; Yabara; Williams, *Convergence to Support Monetary Union*, p40.

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The accompanying indicative criteria include:

- a core inflation ceiling of 5 percent
- a ceiling on fiscal deficit (excluding grants) at 6 percent of GDP
- a tax-to-GDP ratio of 25 percent.

Like with the EMU, the EAMU convergence criteria are hinged around nominal rather than real convergence.²⁴ The EAC's deviation from the anticipated EAMU timeline could be explained by among other factors, exogenous shocks from global events like the COVID-19 pandemic beginning in late 2019, and eastern European conflicts that impacted supply and value chains. More fundamentally—i.e., with regard to structural political and economic realities—the EAC targets may have been missed owing to a disconnect in understandings of real and nominal convergence among the region's nations. A disconnect significantly owing to an incompleteness of information based on which unification goals, objectives, and timelines are defined.

In its EMU, the European Union comprehended a delicate balance between centralization of monetary policy, and retaining fiscal controls at the member-state level. Unlike a union of federal states like the USA, however, the EU cannot centrally develop and adopt fiscal policies with full congruence across its member states. This is of necessity—EU member states draw from different numbers in developing their fiscal policy based on their national economic fundamentals. The region's (sometimes significantly) varied inflation numbers offer a clear example of this. While the overnight/cash rate is set by the European Central Bank (ECB), different EU member states manage national interest rates in accordance with their macroeconomic needs, such as short-term inflation targets.

²⁴ Ltaifa; Yabara; Williams, *Convergence to Support Monetary Union*, 39.

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These metrics are tied to economic fundamentals in the respective member states. Their different risk profiles owing to national sociopolitical and economic realities mean that they necessarily have different costs of capital. The Union's control of the overnight rate, however, means that statistics regarding such metrics of their jurisdictions are only so useful—their control of them is limited to fiscal instruments. Additionally, despite having deep economic and immigration relationships between its participants, the EMU is limited in its capacity to redistribute revenues to poorer nations through transfers, subsidies, contracts, etc. This is unlike a federation like the United States, which can devise permutations of monetary and fiscal provisions to reconcile economic disparities among its states, even compensating for such losses as would result from broader monetary and fiscal policy. Such realities have invited criticisms that the EU and its EMU have some structural similarities and limitations of a federation, while lacking many of the bonuses of an actual one.

2.6 Theoretical Framework

The theoretical foundation of this study is the **Optimum Currency Area (OCA) Theory**, a framework initially developed by Robert Mundell (1961). This theory has become a cornerstone in the field of international economics, particularly in the analysis of monetary unions and the adoption of single currencies across regions. Mundell's work emphasizes the balance between the potential benefits of reduced transaction costs and the risks posed by economic disruptions stemming from asymmetric shocks. These disruptions, which impact regions differently, form a critical consideration in the suitability of a currency union. The OCA theory establishes several criteria to evaluate whether a geographic

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region is suitable for a common currency. These include:

- 1. Labor Mobility:** High mobility of labor within a currency area enables workers to move between regions in response to economic shocks. This flexibility mitigates localized unemployment and economic dislocations. In the context of the East African Community (EAC), labor mobility remains constrained by restrictive immigration policies and mismatched skill sets. Harmonizing labor regulations and investing in skills training across the region could address these barriers.²⁵
- 2. Economic Openness:** Regions that are highly integrated through trade are more likely to benefit from a shared currency. Open economies experience fewer asymmetric shocks, enabling the implementation of uniform monetary policies. While the EAC exhibits growing trade integration, disparities in economic structures—such as Kenya’s export-oriented model versus Burundi’s reliance on agriculture—highlight the need for enhanced alignment of trade strategies.²⁶
- 3. Fiscal Integration:** A central fiscal authority capable of redistributing resources during economic downturns is vital to the stability of a currency union. The Eurozone’s debt crisis in 2010 underscored the consequences of insufficient fiscal integration. For the EAC, establishing mechanisms such as a stabilization fund could provide a safety net for member states facing asymmetric shocks.²⁷

25 Mundell, R. A. (1961). *A Theory of Optimum Currency Areas*. The American Economic Review, 51(4), 657-665.

26 World Bank. (2020). *Trade and Regional Integration in Sub-Saharan Africa*.

27 Pisani-Ferry, J. (2014). *The Euro Crisis and Its Aftermath*. Oxford

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- 4. Price and Wage Flexibility:** Flexibility in prices and wages allows economies to adapt to changing market conditions, ensuring resilience against localized shocks. However, disparities in labor market structures across EAC member states undermine this flexibility, necessitating reforms to promote uniformity.

While economic criteria form the backbone of the OCA theory, the political dimensions of monetary integration are equally critical. As Scharpf (1999) highlights, deep economic integration often requires a delicate balance between supranational governance and national autonomy.²⁸ Institutional readiness also plays a pivotal role. Weak governance frameworks can exacerbate economic imbalances, as evidenced by the Eurozone crisis.²⁹

While the OCA theory traditionally focuses on preconditions for currency unions, subsequent research has demonstrated that monetary unions can yield endogenous benefits. Frankel and Rose (1998) argue that the adoption of a common currency can reshape economic structures over time, producing advantages such as enhanced trade integration and synchronization of business cycle. A common currency reduces transaction costs and eliminates exchange rate volatility, facilitating increased trade among member states. Unified monetary policies promote aligned economic cycles, reducing the likelihood of divergent growth trajectories. These benefits, however, depend on sustained policy harmonization and the convergence of economic structures.

University Press.

28 Scharpf, F. W. (1999). *Governing in Europe: Effective and Democratic?*. Oxford University Press.

29 Pisani-Ferry, J. (2014). *The Euro Crisis and Its Aftermath*. Oxford University Press.



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Through this lens, the study evaluates the economic criteria in the OCA, political structures and institutional readiness in the EAC region for currency integration to take place. The OCA theory provides a structured framework to assess critical criteria such as labor mobility, economic openness, fiscal integration, and price and wage flexibility—factors that are essential for the success of any currency union. Moreover, the theory’s emphasis on political and institutional dimensions highlights the importance of governance structures and member states’ willingness to cede monetary control to a supranational body, such as a regional central bank. The inclusion of endogenous benefits, like enhanced trade integration and synchronized business cycles, further underscores the potential long-term advantages of monetary unification. By leveraging this theoretical foundation, the study offers a nuanced analysis of the EAC’s current state and actionable recommendations to bridge gaps in achieving its monetary integration goals.

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3 Methodology

The study adopted a qualitative approach leveraging primary and secondary data collection methods. The methodology employed both case study and comparative case study designs to assess the economic, political, and institutional conditions required for successful monetary integration. Additionally, qualitative content analysis was utilized to systematically interpret the data, addressing facilitating and impeding factors as outlined by the OCA theory.

Six Key Informants Interviews (KIIs) with policy makers, economists, academia and other stakeholders from the EAC region informed the primary data source. Purposive sampling was used to select the Key informants based on their expertise in areas directly relevant to the study including policy formulation, political experience, trade, economic development and economic integration. Their expertise in practical experience in regional economic integration, trade dynamics and roles and institutional affiliations were considered critical for obtaining insights into the economic, political, and institutional drivers of currency integration in East Africa. The selection included academics from leading regional universities (trade expert and lecturer at the University of Nairobi, Department of Economics and Development studies, a development expert and professor in Strathmore Business school, a lecturer at Makerere University school of Economics), Policy makers and researchers from renowned think tanks (an economist and senior researcher at REPOA Tanzania, Researcher Economic Policy Research Centre Uganda), and practitioners engaged with private sector (A Manager SMEs, youth and women in trade at the East Africa Business Council, EAC private wing). This ensured a balanced representation of viewpoints from Academia, Policy making and practice.

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The interviews were conducted using structured questions targeting:

- Labor mobility and economic openness.
- Fiscal integration and public debt.
- Institutional and political challenges within the EAC.

While the informants represented a diverse cross-section of expertise, their perspectives did not fully capture all stakeholder views for instance the views from the government. To address this, data from key informants were triangulated with document desk reviews and secondary sources to ensure robustness of findings. This included examining economic reports and policy documents related to the Euro transition and the EAC's economic landscape. These were analyzed using the OCA theory framework, which categorizes parameters into facilitating and impeding factors:

- Facilitating factors (e.g., economic openness, fiscal integration).
- Impeding factors (e.g., asymmetric shocks, divergent economic structures).

The study employed Philip Mayring's qualitative content analysis to systematically interpret the interview transcripts and secondary data. This method involved a clear definition of the categories that were used. Categories were developed based on the OCA theory, with facilitating parameters such as labor mobility (P1) and impeding factors like insufficient fiscal integration (N4). For example, the *Code P1 (Labor Mobility)*, include policies enhancing

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mobility, such as mutual recognition of professional qualifications. Dr. Mpalalika³⁰'s comment, "Tanzania's lack of commitment to labor mobility," exemplifies a barrier coded as N2 (Lack of Labor Mobility).³¹ The Code *P2 (Economic Openness)*, includes evidence of intra-regional trade agreements, such as the removal of tariffs, aligns with P2. Dr. Ogola's remark on Uganda's role as Kenya's largest trade partner highlights progress in this dimension.

³² Each category was refined to include sub-dimensions and illustrative examples. *N1 (Asymmetric Shocks)*, includes Instances like commodity price fluctuations in agriculture were coded, reflecting sector-specific vulnerabilities. For example, "Uganda's exchange rate volatility disproportionately affects its agricultural exports."⁸ Looking at *P3 (Price and Wage Flexibility)*, texts were used that discuss wage negotiations linked to productivity were coded here. Flexible pricing in Kenya's private sector serves as an anchor example. Coding reliability was ensured through iterative cross-checking of categories. Discrepancies were resolved by revising coding rules. For instance, fiscal imbalances identified in IMF reports were consistently coded as N4.

Findings were presented using comparative tables and graphs to highlight key parameters. For example, a table contrasts fiscal integration mechanisms between the EMU and EAC, showing the absence of centralized fiscal transfers in the latter. The coding process was made transparent by: Providing a detailed codebook with dimensions and anchor examples. For instance, "Policies

³⁰ Dr. Jane Mpalalika is a Senior Researcher at REPOA, specializing in fiscal policy. She has contributed to various publications, including the report "Investing in Tanzania's People," which assesses the U.S.-Tanzania economic partnership. <https://www.aiddata.org/publications/investing-in-tanzanias-people?>

³¹ *Transcript Analysis I*, Thematic Coding Summary.

³² *Transcript Analysis I*, Interview with Prof. Fred Ogola.

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enhancing mobility” under P1 includes mutual recognition agreements and transportation infrastructure improvements³³ and linking codes directly to textual evidence, ensuring reproducibility.

Examples from interviews and secondary data were integrated to clarify why specific text segments were coded under particular categories. For instance:

- *N3 (Divergent Economic Structures):* “Kenya’s industrial advantage over Burundi highlights structural imbalances that complicate synchronization efforts.”³⁴
- *P4 (Fiscal Integration):* “Efforts to harmonize tax policies are evident in cross-border trade agreements but remain incomplete,” as highlighted by AfDB reports.³⁵

While the study’s methodological approach provides robust insights, certain limitations exist. The limited sample size of expert interviews may not fully capture regional diversity. This was mitigated by including representatives from different EAC member states. Incomplete data from certain member states posed challenges. Secondary sources were cross-referenced to fill gaps where possible.

33 Codebook for Content Analysis Based on OCA Theory.

34 Transcript Analysis I., Comparative Structural Analysis.

35 Secondary Data - AfDB Integration Strategy Paper.

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Validation was addressed through triangulation, comparing findings from primary interviews with secondary data. For example, fiscal instability discussed by Dr. Socrates was corroborated by IMF data on debt-to-GDP ratios. This revised methodology integrates primary and secondary data using a structured, theory-driven framework. By leveraging insights from the Eurozone experience and systematically applying the OCA theory, the study provides a comprehensive analysis of the EAC's readiness for a common currency. The transparent coding system and incorporation of illustrative examples ensure replicability and clarity. Future research could expand the scope by incorporating quantitative modeling to simulate potential economic outcomes for the EAC.

4 Findings and Analysis

4.1 Introduction

The East African Community (EAC) is actively pursuing the idea of a common currency to deepen regional integration, enhance economic stability, and foster trade. Using the Optimum Currency Area (OCA) theory, this analysis investigates the feasibility of such a currency by assessing both facilitating and impeding factors. By analyzing interviews with key stakeholders (primary sources) and various documents (secondary sources), this study sheds light on the opportunities and challenges associated with the potential implementation of an East African currency.

Key factors such as labor mobility, economic openness, price and wage flexibility, and fiscal integration are critical to understanding whether the EAC is ready for a unified monetary system. Additionally, this analysis delves into the risks posed by asymmetric shocks, divergent economic structures, and insufficient fiscal

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integration. The following sections provide a comprehensive view of these factors, drawing from both qualitative and quantitative data.

4.2 Overview of Code Quantities

The analysis identified the following occurrences of key codes across primary and secondary sources:

Code	Description	Total Occurrences
P1: Labor Mobility	Instances promoting labor movement	13
P2: Economic Openness	References to trade openness and economic integration	20
P3: Price and Wage Flexibility	Discussions on price/wage flexibility	10
P4: Fiscal Integration	Fiscal policies supporting regional stability	12
N1: Asymmetric Shocks	Indications of region-specific economic shocks	16
N2: Lack of Labor Mobility	Barriers to labor mobility	13
N3: Divergent Economic Structures	Economic structure differences	11
N4: Insufficient Fiscal Integration	Inadequate fiscal mechanisms	12

This summary provides a detailed overview of the factors influencing the prospects of an East African currency, highlighting both the progress made and the challenges that remain.

4.1 Facilitating Factors: Opportunities for a Common Currency

4.1.1 Labor Mobility (P1): Gradual Progress Amid Structural Hurdles

Labor mobility is a key requirement for a successful currency union, enabling workers to move across borders and respond to economic shifts. In the combined analysis, **Labor Mobility (P1)** occurred

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13 times, indicating incremental progress but also highlighting significant barriers. Interviews with stakeholders pointed to the informal nature of labor movement within the region, a condition that impedes the full realization of labor mobility as envisioned by OCA theory.

A key informant observed that “Labor is quite mobile... but most of the movements are informal” encapsulates the region’s struggle to formalize labor migration. Movement within the EAC region is also visa free as noted by another key informant. However, structural issues, such as the non-recognition of professional qualifications between countries, further complicate labor movement. To fully capitalize on labor mobility as a stabilizing factor for a common currency, the EAC must implement policies that reduce bureaucratic barriers and facilitate smoother cross-border transitions.

4.1.2 Economic Openness (P2): A Strong Foundation for Integration

With **20 occurrences**, **Economic Openness (P2)** stands out as the most frequently mentioned facilitating factor, underscoring the progress made in reducing trade barriers and promoting intra-regional economic integration. Both primary and secondary sources highlight the positive impact of regional trade agreements, infrastructure projects, and improved transportation networks, all of which have significantly enhanced the flow of goods and services across EAC member states.

Despite these advancements, lingering challenges remain. Non-tariff barriers (NTBs) and inconsistent regulatory frameworks still undermine the full potential of economic openness. Key informants mentioned that; “We don’t have sound enabling

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business environment. So we have lots of, bureaucratic procedures, multiplicity of taxes, the standards that are set for our exports are so high for our local producers, they will not be able to meet those standards that are set by this international.”

In addition, there is commonality in the flow of trade in the region. As noted by one of the key informants,

“We are still lacking that kind of diversity where one country can have a comparative advantage or exploit a comparative advantage in a given item or in a given product that it can sell to other member countries and then the other country also does the same.”

Stakeholders emphasized the need for cohesive trade policies and regulatory standards to ensure that economic openness translates into sustainable support for a common currency. As the EAC continues to build upon its existing trade agreements, a deeper institutional coordination, akin to the European Union’s model, will be required to ensure that economic integration is robust enough to support a currency union.

4.1.3 Price and Wage Flexibility (P3): Critical but Underdeveloped

Price and Wage Flexibility (P3) appeared **10 times** in the analysis, reflecting its importance in responding to economic changes within a currency union. However, discussions around wage and price flexibility remain limited, highlighting this area as underdeveloped in the context of the EAC’s monetary union discussions.

In interviews, concerns were raised about the rigidity of wage-setting mechanisms, particularly in response to external economic shocks. A key informant commented that “The exchange rates are

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becoming a very big challenge” emphasizes the difficulties posed by fluctuating currency values. Without greater flexibility in adjusting wages and prices, the EAC risks creating economic imbalances that could destabilize a common currency. Achieving this flexibility will require the development of wage policies that account for regional variations and are capable of adjusting to economic cycles.

4.1.4 Fiscal Integration (P4): Progress but Critical Gaps Remain

Fiscal Integration (P4), with **12 occurrences**, underscores the need for harmonized fiscal policies to ensure the long-term sustainability of a currency union. Effective fiscal integration involves the coordination of public spending, tax policies, and debt management, all of which are crucial for mitigating economic downturns and preventing imbalances within a monetary union.

While progress has been made in aligning budget cycles and managing inflation, stakeholders noted the absence of a centralized fiscal authority capable of overseeing regional fiscal policies. Phrases like “Harmonizing fiscal policies in member countries is essential” were commonly used to describe the importance of aligning fiscal practices. However, without a central authority, similar to the European Central Bank, the EAC remains vulnerable to fiscal imbalances that could undermine the credibility of a future common currency.

4.2 Impeding Factors: Challenges to a Common Currency

4.2.1 Asymmetric Shocks (N1): A Persistent Threat

Asymmetric Shocks (N1) were identified **16 times**, making this the most frequently cited impeding factor. Asymmetric shocks refer to economic disruptions that affect regions differently, often due to



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varying economic structures or responses to external events. The interviews and secondary sources highlighted how such shocks, particularly during the COVID-19 pandemic, exacerbated economic disparities between EAC member states.

Stakeholders emphasized the critical need for mechanisms to mitigate these shocks, such as regional stabilization funds or coordinated fiscal policies. Without such measures, the EAC may struggle to respond to asymmetric shocks effectively, further complicating efforts to maintain a stable currency union.

4.2.2 Lack of Labor Mobility (N2): Persistent Barriers to Movement

The **Lack of Labor Mobility (N2)** was noted **13 times**, underscoring the persistence of barriers that prevent the free movement of labor within the EAC. While some labor migration occurs, much of it remains informal, and there are significant structural barriers to formalizing this movement. High unemployment rates, inadequate infrastructure, and inconsistent labor policies across the region further complicate efforts to achieve meaningful labor mobility.

The interviews revealed a consensus that harmonizing professional qualifications and improving infrastructure are essential for overcoming these barriers. As noted by a key informant, there must be standardization of the education system in East Africa to achieve labor migration where a University degree in Kenya is as good as one in Tanzania.

Language barrier is also a hindrance to increasing labor mobility. As noted by a key informant:

“Language is a barrier because people from different countries

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“speak different national languages. In Tanzania, you need to know 80% of Swahili to work there. In Burundi and Rwanda, you need to know French. At least in Rwanda, you can speak English but in Burundi, you need to know French and Kirundi. Assuming it is someone from Uganda who does not speak Kirundi or French, that language is restrictive because, in the job description, you must understand and speak Swahili or French.”

Without these reforms, labor mobility will remain limited, reducing the region’s ability to absorb economic shocks and address labor market disparities within the currency union.

4.2.3 Divergent Economic Structures (N3): Economic Disparities Pose a Challenge

Divergent Economic Structures (N3) appeared **11 times**, pointing to the significant differences in the economic profiles of EAC member states. Countries like Kenya, with more diversified economies, stand in contrast to those that are still heavily reliant on agriculture or specific industries. These structural disparities present a major challenge to achieving economic convergence, which is essential for the success of a currency union.

The analysis highlighted the potential for unequal benefits and burdens within the union, as more developed economies may face inflationary pressures or fiscal demands that differ from those of less industrialized states. Without addressing these economic disparities, the EAC risks creating imbalances that could destabilize the common currency.

4.2.4 Insufficient Fiscal Integration (N4): A Critical Barrier

Lastly, **Insufficient Fiscal Integration (N4)** was mentioned **12 times**, reflecting the widespread concern about fiscal disparities between member states. The lack of centralized fiscal oversight, as well as differing levels of public debt and fiscal deficits, poses a significant challenge to the sustainability of a currency union.

Stakeholders highlighted the urgency of creating a unified fiscal framework that would ensure all member states adhere to the same macroeconomic principles. Without such coordination, fiscal imbalances between countries will continue to undermine the credibility and stability of the proposed currency.

4.3 Content analysis

Beyond economic cost-benefit appraisals, the calculus of integration features political concerns that are pertinent to global competitiveness. This partly informs this study's comparative approach to this appraisal of EAC integration objectives. In the context of this article's focus on the disconnect between industrial and integration policy, this content analysis begins with the most recent comprehensive report of the EU's economic performance by Mario Draghi: European Competitiveness Report. The report highlights how decades since its inception, the EU appears to be struggling to maintain global strategic competitiveness. The reason for this appearing to be tied to key structural realities of the EU economy and its industries contrasted with major global players like the United States and China. The report highlighted the scalability of European industries as part of this challenge. The EU's success has historically leaned on legacy manufacturing industries that don't scale as easily or effectively as US-based technology companies. Indeed, the marginal costs of acquiring

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new customers are much lower for software companies, in which the United States has invested significantly more compared to the EU. With its industrialization and monetary unification ambitions, the EAC stands to learn a lot from such global economic postures.

In this connection, US success was observed to be attributable to more business-friendly policies that attract founders and investors. Comparatively stricter EU regulations have thus not only kept the Union stuck in the “middle technologies and industries” of the last century, but also occasioned a degree of brain drain.³⁶ Certainly, other structural realities impact the potential for success of technology companies in the EU. The EAC could benefit from such insights as it seeks to recognize industries/sectors that promise real competitive growth and real convergence, and organize policy around them, guided by monetary unification objectives. In this connection, systems thinking offers much promise with regard to understanding how the EAC’s industrialization needs can be reconciled with its monetary unification ambitions.

In considerations of industrial policy regulation with regard to monetary unification, the EU also offers reminders that coordinated economic policy does not necessarily induce fiscal discipline among members of a monetary union. The run-up to the 2008 financial crisis demonstrates a failure in the definition of domestic fiscal policy—particularly financial regulation—even among EMU participants. The increased capital mobility that accompanied the creation of a common currency zone was a double-edged sword. By deepening pools of capital, it exacerbated perverse incentives to take excessive risks through leverage, and invest in what turned out to be investment bubbles. Countries including France

³⁶ Soler, Paula & Schickler, Jack. “Draghi’s Report on EU competitiveness: Five key takeaways.” 09/09/2024 <https://www.euronews.com/my-europe/2024/09/09/draghis-report-on-eu-competitiveness-five-key-takeaways>

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and Germany ran excessive deficits for years, with impunity. Failures in market discipline were also evident in fiscal excesses in Greece, property bubbles in Spain, or over-leveraged banks in Ireland. The lesson here is that monetary union involves a fine balance between promoting trade liberalization, and regulation with proper surveillance and enforcement of discipline.³⁷ This experience also seems to counter the assertion that international financial markets can enforce fiscal discipline by pricing in the cost of the risk associated with fiscal impropriety. However, even assuming the truth of this long-held wisdom, EAC capital markets remain shallow and fragmented. As mentioned by one of the key informants,

“With the case of Africa, we haven’t reached that level because most of our international capital markets are still shallow. With the exception of South Africa, the Johannesburg Stock Exchange, which is more advanced. So most of these instruments, we cannot access them. The commodity-linked bonds, inflation-linked bonds to hedge risk.”³⁸

Thus, the role of international capital markets is reduced owing to the EAC markets’ lack of integration with the rest of the world.³⁹ The 2008 crash prompted the EU Commission to reinforce the Stability and Growth Pact (SGP)—the binding diplomatic agreement among EU member states to coordinate policies and activities cohesively to safeguard the stability of the economic and monetary union. Comprehending stronger prevention and sanction protocols, eurozone countries supplemented the SGP with measures that would penalize structural government

37 Kigabo; Masson, *Common Currency Area in the EAC*, pp15-16.

38 Mpapalika, REPOA, Key informant Interview.

39 Kigabo; Masson, *Common Currency Area in the EAC*, p23-24.

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deficits. These new measures obligated countries to submit fiscal reports in harmonized frameworks before national parliaments vote budgets.⁴⁰ In a more recent instance of a major exogenous shock—the COVID-19 pandemic, the EMU adapted its SGP to allow for bigger flexibility in fiscal deficits, allowing countries to rack up bigger debts.

The preceding discussion offers key insights for the EAC as it continues to set up its foundational provisions for integration. As noted in the introduction, the broad consensus emerging from studies of EAC integration identifies the need for increased and diversified industrialization as the most urgent priority towards economic and monetary integration. As in the EU, monetary unification will also require far-reaching institutional cooperation and political commitment to integration goals. In this regard, there has been laudable progress.

Movement of goods and services

The EAC Customs Union Protocol aims to eliminate charges imposed on imports (including customs duties), adopt common rules of origin, remove non-tariff barriers (NTBs), and consolidate a common external tariff (CET), in an effort to stimulate trade and economic prosperity in the region. Such was the impetus that led the East African Legislative Assembly to pass the Elimination of Non-Tariff Barriers Act in March 2015. The Summit of the heads of state assented to the act in July 2015, providing a legal framework for the removal of NTBs and paving the way for the implementation of the EAC Common Market Protocol.⁴¹ These initiatives opening up trade in the region were also accompanied by the promotion

40 Ibid., p25.

41 Mathieson, *Political Economy of Regional Integration*, p39.

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of mobility through the establishment of an identity card system that would not require a passport to travel between member countries.⁴²

Despite these significant achievements, barriers to the movement of goods, services and capital still remain as a result of member state laws, regulations, and capital controls.⁴³ Non-tariff barriers (NTBs) and inconsistent regulatory frameworks still undermine the full potential of economic openness. Key informants mentioned that; “We don’t have sound enabling business environment. So we have lots of, bureaucratic procedures, multiplicity of taxes, the standards that are set for our exports are so high for our local producers, they will not be able to meet those standards that are set by this international.”⁴⁴ Further, there appears to be a disconnect between embracing the ethos and rhetoric of monetary integration, and the practice of it. Recorded trade within the EAC continues to be modest, with national economies focused on the export of primary goods, which rarely takes place between the member states.⁴⁵ Additionally, it must be assumed that informal trade—legal or illegal— takes place on a large scale that is not reflected in key statistics.⁴⁶

The EAC Policy Pipeline

To further flesh out the disconnect between inter-governmental support of EAC integration ambitions and their poor execution, it is important to understand the policy pipeline of the EAC. The EAC’s policy pipeline makes it difficult to define the EAC as being market-driven. It appears to have over time entrenched a ‘top-

42 Namuleme, EPRC Uganda, Key informant Interview.

43 Mathieson, *Political Economy of Regional Integration*, p6.

44 Mpapalika, REPOA, Key informant Interview.

45 Reith; Boltz, *Between Aspiration and Reality*, p97.

46 Ibid., p97-98.

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down' approach in integration policy implementation, whereby plans and regulations are designed at the apex of government in its member countries, and passed down to administrative elements. Regional agreements/policies in the form of legally binding trade rules are negotiated and formulated at the highest political levels, complemented by regulations, and then passed down as directives. This policy pipeline ends up missing important input from traders and regulators, on whom key implementation outcomes depend.⁴⁷ Such inadequate engagement robs the Community's integration objectives of democratic legitimacy. Few and far-between opportunities for participation, the absence of transparency, and poor accountability undermine support for unification.⁴⁸

Therefore, understanding the policy pipeline through which integration objectives and an eventual operational monetary union would be conducted will help identify policy development and implementation bottlenecks, systemic issues, and the outcomes of a system variously characterized as inefficient, and ambitions labeled as "pipe dreams" by various observers. The transport sector, in particular offers key insights.

The EAC appears to have facilitated notable transport sector reforms in coordinating policies and harmonizing differences in laws, regulatory frameworks and licensing systems. Such efforts have resulted in plans like the 2009 EAC Railway Masterplan and EAC Transport Strategy.⁴⁹ Under the High-Level Standing Committee on the East African Road Network, homogenized transport policy has seen achievements including partial implementation of the Single Customs Territory (SCT), establishment of joint border committees, reductions in the number of road blocks and weighbridges, and

47 Mathieson, *Political Economy of Regional Integration*, p39.

48 Reith; Boltz, *Between Aspiration and Reality*, p100.

49 Mathieson, *Political Economy of Regional Integration*, p25.

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removal of other non-tariff barriers through the comprehension of transport corridors. However, various assessments view these accomplishments as the result of national level decision-making and inter-statal coordination outside of the EAC transport sector cooperation objectives. As such, they observe that since these are not regionally coordinated developments per se, the formal EAC Treaty commitment to 'harmonize' and 'coordinate' transport policy is not being realized.⁵⁰

Such observations demonstrate a persistent difficulty in the EAC's policy pipeline. For a long time, the EAC struggled with legal frameworks for implementation of regional policies, since the EAC Treaty did not provide for the direct application of community law in national jurisdictions. Furthermore, the Secretariat's role in enforcing community Protocols and regulations was limited. To resolve this, the Community adopted the Elimination of Non-Tariff Barriers Act (2015), which would take precedence over the member state laws regarding intra-EAC trade.⁵¹ While such legislative effort is laudable, without political goodwill towards coordinated implementation, there is limited potential for successful achievement of the EAC's integration objectives.

Institutional weakness

Institutional readiness also plays a pivotal role. Weak governance frameworks can exacerbate economic imbalances, as evidenced by the Eurozone crisis.⁵² Assessments of the institutional development and coordination of EAC integration arrive at two key findings.⁵³ First, the EAC executive is dominated by national

50 Ibid., p27.

51 Ibid., p41-42.

52 Pisani-Ferry, J. *The Euro Crisis and Its Aftermath*. Oxford University Press, 2014.

53 Masinde, Omolo. *East African Integration*, p. 19; African Development Bank. *Strategy Paper on Regional Integration in the Eastern African Region*.

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self-interests. Second, the legislative and judicial branches of the EAC are disproportionately weak compared to the executive.⁵⁴ National self-interests and inadequate popular anchoring due to inadequacies in representative institutions dilute EAC supranationalism. It is reported that member-state political parties have historically installed pro-business legislators to the EALA, albeit with less emphasis on competence than patrimonial relationships.⁵⁵ While this might be associated with a depth of commitment towards deeper trade liberalization, it also hints at a vulnerability of regulatory, cooperation, and oversight agencies to political capture and rent-seeking. Claims of conflict of interest have for instance been associated with elite investments in the trucking industry, which has occasioned lobbying efforts against expansion of railway networks, accompanied by advocacy for trunk road maintenance to tolerable standards.⁵⁶ Such observations have led to concerns over whether the EAC has the capacity and competence to plan and implement policies 'ringfenced' from predatory rent-seeking. With this understanding, the EAC's institutional weaknesses appear to be beyond procedural; at a substantive level, the EAC suffers poor systems of checks and balances, with institutions lacking the requisite autonomy in their operations. Therefore, the EAC must establish robust institutions capable of coordinating monetary policies and managing fiscal integration effectively. Creating an EAC equivalent to the European Central Bank would represent a critical step in this direction.

Overlapping membership

Beyond such institutional difficulties, overlapping REC

54 Reith; Boltz, *Between Aspiration and Reality*, p97..

55 Mathieson, *Political Economy of Regional Integration*, p35

56 *Ibid.*, p29.

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memberships occasion practical difficulties. EAC member states have overlapping memberships in numerous, often rival, RECs across the continent. This is an impeding factor for regional integration and monetary union in various ways. For one, it introduces conflicts of economic and political interests among member states, thus complicating adherence to convergence timetables. Such conflicts in consolidating regional commitments additionally hinder mobilization of popular support and democratic legitimacy for the integration objectives of the EAC, as nation-states are unable to advocate for congruent interests. As mentioned by a key informant, “We particularly have one, the biggest and founding countries of the EAC, which has been a bit problematic because of this aspect of overlapping membership. When they just raise anything in the EAC, which does not please them, they rush to the other agreement, which they are part of and that means that it’s one of those key challenges we really see as you move towards creating a currency union.”⁵⁷

The most potent solution for overlapping memberships and the attendant challenges appears to be the COMESA-EAC-SADC Tripartite Free Trade Agreement (FTA) initiative geared towards REC harmonization agenda.⁵⁸ Lessons can be drawn from the EU with regard to how REC member states manage interests that result in multiple loci of cooperation. EU members states, European microstates, and territories have varying and overlapping memberships in cooperation arrangements based on the confluence of interests. These include assertions of sovereignty, shared economic interests in trade liberalization and labor mobility policies, consolidating monopsony benefits through

57 Majune, Socrates. Lecturer, Department of Economics, University of Nairobi. Key Informant Interview.

58 Mathieson, *Political Economy of Regional Integration*, p41.

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coordinated procurement, and managing levels of bureaucracy and political exposure. Instantiations of the confluence of such interests' manifests in the diverse memberships of the European Union itself, the Eurozone, the Schengen Area, and the European Free Trade Area (EFTA). These distinctions support the argument that overlapping membership in multiple cooperation arrangements need not be a liability; it could be an asset in the ambitions of regionalism. This potential, however, is only realized if states accept joint representation and strengthen institutions and mechanisms for compromise and harmonization.⁵⁹

Political willingness and solidarity

Further, Regional integration slowly rides on the political willingness of the member countries, this is because it involves the surrendering of some sovereignty⁶⁰ Consequently, the lack of political willingness of the partner states to rapidly bring to fruition monetary unions can be considered one of the biggest challenges that the EAC faces as it endeavors to implement a monetary union. As mentioned by a key informant;

"The political willingness is not there at the moment. It is only driven if there is a self-interest in each of them. Now go to each country, every president has a plan for how they are going to continue dominating those countries. And their plans run in parallel to the political integrations, fiscal integrations, economic integrations, social integrations, labor movement and the rest."⁶¹

Countries that resist the establishment of such regions do so either out of fear of the loss of independence or due to apprehension of

59 Reith; Boltz, *Between Aspiration and Reality*, p105.

60 Ann, P. J, *Political will, democracy: Imperatives for regional integration in Africa* <https://www.afdb.org/en/news-and-events/political-will-democracy-imperatives-for-regional-integration-in-africa-12443> .

61 Ogola, Prof. Fred. Strathmore Business School. Key Informant Interview.

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the potential domineering influence of another member country. Powerful internal factors may play a role as most countries have to consider the benefits that are attributed to the introduction of a single currency and at times, these benefits have to outweigh the costs that are associated.

The varied systems or form of government in the EAC countries is also a challenge towards having the EAC common currency. For example, Kenya has a devolved system of governance, in Tanzania is a democratic unitary republic. Uganda is a presidential republic same to Rwanda. These disparities hinder efforts on policy formulation or alignment processes to propel efforts to EAC currency

The varied election cycles in the region have a political effect on this process. A key informant highlighted “Can we have an election the same year? So that even the political cycle begins to show. So, let’s say, if in 2027, all the Heads of State from the East African Community are elected together, they know we are in office together, they know they have to win the next term together, then they can find a together strategy. But here someone is entering today. He wants to begin his work today. Somebody is going through an election next year. So what is his obsession? How can you win the election?”⁶²

The situation worsens when there is a change of guard, priorities change, shift or drag for no reason. In as much a state or country could have ascribed to an idea or policy direction, the head of state could incline otherwise or refuse to support a process.

4.4 Comparative Analysis: EU vs. EAC Integration Efforts

The European Union is emblematic of the confluence of the

⁶² Ogola, Prof. Fred. Strathmore Business School. Key Informant Interview.

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economic, political, institutional, and other factors that define regional integration. It represents a permutation of regional economic order resulting from broad congruence regarding views on notions like national sovereignty, and the socio-economic calculus of ceding control to a supranational entity. These fundamental notions are not just pertinent, but integral to understanding the EAC's monetary convergence. From a comparative approach, a host of contrasts and similarities between the EU and the EAC's monetary unification ambitions emerge.

Inherent in the Maastricht convergence criteria is a principle that the domestic success of member states is a prerequisite to the success of the union. As such, the question of the systemic coherence and structural integrity of EAC member states is integral to the success of their monetary unity. Many Eastern African countries are still in the early stages of nation-building. They struggle with political stability, effective pluralist institutions, the rule of law, and informed policy-making. Like many post-colonial states, EAC member states have struggled with the Westphalian paradigm of state-sovereignty and nation-building. Difficulties in the consolidation of democratic institutions, a reliance on force to sustain power, and the subsequent diversion of resources and attention towards strengthening legitimacy, have prevented harnessing the advantages of political plurality at the national level. These domestic institutional weaknesses translate to structural limitations in the effectiveness and efficiency of the EAC and its EAMU objectives. At the very least, they suffocate industrialization by preventing consolidation of strong socio-economic structures and business sectors, which are necessary for the success of a monetary union.⁶³

⁶³ Masinde; Omolo, *East African Integration*, pp12-13.

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The EU's Maastricht convergence criteria anticipated the emergence of strong and diversified member state economies, presupposing complementarities in comparative advantages, and strong political commitment to overcoming asymmetric shocks within the EU. The EAC's conception of convergence criteria appears to have similar presumptions, anticipating benefits like price and wage flexibility, intra-regional factor mobility, increased openness to trade, product diversification, reduction of transaction costs, expanded pools of capital due to the pooling of international reserves, elimination of exchange rate risk, and region-wide price harmonization. To this end, the EAMU has geared macroeconomic indicators towards the convergence of inflation to a low value, and the maintenance of public deficits and debt ratios below some critical levels. However, there is still unevenness in achieving some of the requirements in the criteria.⁶⁴

The bulk of existing literature observes that EAC economies show variations on enough accounts to allow for the question of the viability of a monetary union. Varied production structures and instances of institutional ineffectiveness among member countries stand out in this regard.⁶⁵ Unlike EU nations at the Maastricht inception, the EAC economies lack significant economic complementarities. States are producing and exporting mainly primary goods, while importing secondary and consumer goods. The region's economies are mainly agrarian, with productive sectors significantly propped up by smallholder out-grower farmers that rely on selling boards to trade their products. Degrees of diversification are apparent in Kenya, a little less in Tanzania, while Uganda's Gross Domestic Product comprises about 70%

64 Ibid., pp6-7.

65 Kigabo; Masson, *Common Currency Area in the EAC*, 6.

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agricultural output.⁶⁶

Another structural difficulty hindering EAC integration involves the limited corporatization of member state economies. In almost all EAC countries, corporate regulation is only catching up with largely informal economies. Additionally, unlike the EU's Bologna process, higher education systems, and professional licensing and regulation procedures remain fragmented. Such lack of harmonization impacts labor mobility and even the level of corporatization of industrial segments. This additionally has revenue collection implications for nation states, which in turn impact national fiscal policy goals. Attempts to liberalize trade in professional services in the region have faced setbacks as they require consensus from a broad range of interests, including ministries concerned with higher education, licensing procedures and professional associations and unions, and migration agencies.⁶⁷

Understanding the intersection of such economic fundamentals and the institutional consolidation of the EAC offers a picture of the state of its economic integration. Some difficulties emerge. For one, despite integration policies having the support of senior government institutions and officials in member states, there is evidence of coordination failures at national level policy implementation; member states are facing challenges in importing regional policies. This is compounded by far-reaching agency loss at crucial points of intra-EAC trade. At the stage of legislation and development of integration policies, EAC institutions are criticized for conflicts of interest among members. There is also evidence of systems of rent extraction at lower levels of bureaucracy, involving customs agents, police, and even politicians at ports, check

⁶⁶ Mathieson, *Political Economy of Regional Integration*, p11.

⁶⁷ Mathieson, *Political Economy of Regional Integration*, p11.

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points, and weighbridges across trade corridors. Such non-tariff barriers to trade impede the implementation of the customs union protocol, which is an essential precursor to monetary unification.⁶⁸ Such contraventions of integration protocols are accompanied by the enforcement of Rules of Origin laws that invite disputes over the prioritization of local products.⁶⁹ In a roundabout way, this is also tied to the lack of complementarity between member state economies, which fosters protectionist positions in intra-EAC trade.

The integration journey of the East African Community (EAC) can be better understood by comparing it to the Eurozone's experience during the 2007-2010 financial crises. The crises revealed critical challenges that arise in highly integrated economies, where national mechanisms alone struggle to maintain economic stability. The crises demonstrated that the intertwining of monetary, fiscal, and financial policies requires coordinated management at a supranational level, a lesson that has significant implications for the EAC⁷⁰.

The EU's response to the crises involved transferring significant policy control to supranational bodies. This process required member states to give up some aspects of their national sovereignty to ensure greater economic stability and to enable deeper integration. The experience of the EU underscores the difficulty of maintaining national control over economic policies when countries are part of an integrated economic zone⁷¹. In the

68 Ibid., p16.

69 Ibid., p16.

70 Schnabl; O'Brien, *Lessons from the Eurozone Crisis for the Future of Economic Integration*, p122-145.

71 Zettelmeyer; Haas, *The Political Economy of European Monetary Integration*, p67-85.

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case of the EAC, this scenario presents a similar challenge: how far should regional integration be pursued, and to what extent should national economic sovereignty be surrendered?

For the EAC to achieve a common currency and advance economic integration, it must navigate the delicate balance between increased coordination of economic policies and the desire of member states to retain control over their national economies. While further integration offers potential economic benefits, it requires the EAC to establish stronger supranational institutions capable of managing the region's economic policies. This process will inevitably involve trade-offs, as member states may be hesitant to relinquish control over key areas such as fiscal policies, taxation, and monetary control⁷².

Thus, the EU's experience provides a crucial lesson for the EAC: successful economic integration requires a significant transfer of policy-making power to regional institutions, accompanied by a clear commitment to supranational coordination⁷³. However, achieving this level of integration in the EAC will depend on overcoming political and institutional challenges, ensuring that the benefits of regional cooperation outweigh the perceived costs of giving up economic sovereignty.

4.5 Challenges and Opportunities for the EAC

The EAC has made strides in harmonizing financial systems, such as aligning monetary and fiscal policies. Member states have been conducting joint budget readings and planning steps to ensure macroeconomic convergence.⁷⁴ Key informants noted the

⁷² Mwanje, D., *Institutional reforms in East African regional integration: A comparative perspective with the EU*, p113-129.

⁷³ Zettelmeyer; Haas, *Ibid.*, p67-85.

⁷⁴ Radio Tamazuj, *Business Africa news*, //www.radiotamazuj.org/en/news/article/

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states in the region read budgets at the same time.⁷⁵ However, challenges persist in achieving these objectives, including disparities in economic development, infrastructural deficits, and political differences among member states.⁷⁶ Further, challenges emanate from structural, legal and administrative weaknesses and commissions or omissions.⁷⁷

The EAC faces significant challenges related to disparities in economic development among its member states, including differences in GDP per capita, inflation and fiscal deficits, industrialization levels, and infrastructure development. Kenya exhibits a higher GDP per capita considering it has the highest economy as compared to other countries in the region. Similarly, advanced industrial sectors in other countries in the EAC contrasts the less developed hence limiting intra-regional trade and hindering the establishment of a harmonized economic landscape.⁷⁸ These disparities have implications on the EAC integration efforts causing trade imbalances and affecting the investment patterns.

Intra-regional trade within the EAC remains low. Trade barriers including the tariff and non-tariff barriers and poor infrastructure pose a challenge to intra-regional trade limiting the EAC economic integration. These barriers increase transactional costs for

east-african-community-postpones-single-currency-till-2031?

75 Ogola, Sseruyange. Key Informant Interview.

76 Yiblet, Economic Integration Challenges and Prospects in the East African Community.

77 Wakhungu, Okoth, and Odhiambo, *Challenges and Opportunities Constraining and Enhancing Kenya and Tanzania Participation in the EAC Econo-Political Integration Process*, *Open Journal of Political Science*, January 2021, <https://www.scirp.org/journal/paperinformation?paperid=106731>.

78 United Nations Economic Commission for Africa, *Economic Report on Africa 2019: Fiscal Policy for Financing Sustainable Development in Africa* (Addis Ababa: United Nations, 2019), <https://www.uneca.org/publications/economic-report-africa-2019>.

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business making cross border trade less attractive, reduce the competitiveness of goods within the regional market and also affects the supply chain leading to delays in cross border crossing. Inadequate infrastructure, including poorly maintained roads and railway networks with limited connectivity, continues to obstruct the seamless movement of goods and services across EAC countries.⁷⁹

Existence or nonexistence of strong political will and commitment are crucial for the successful

implementation of a common currency. Despite initial efforts for economic cooperation, political differences among member states led to the EAC dissolution in 1977. This highlights the importance of a strong political support. However, political and institutional challenges influence EAC integration. National interests and sovereignty influence decision making processes critical integration. Institutional capacity within the EAC also hinder effective implementation and enforcement of integration policies.⁸⁰

Establishing necessary institutions like a regional central bank is lagging. The lack of a unified approach to property rights, financial systems and governance further impedes progress.⁸¹ Institutional weaknesses like capacity constraints and coordination deficits also hinder effective implementation and enforcement of integration policies within the EAC.

⁷⁹ Otieno, *the African report*.

⁸⁰ Fikadie Damtie Yiblet, *Economic Integration Challenges and Prospects in the East African Community*, American Research Journal of Humanities & Social Science (ARJHSS), Volume 07, Issue 03, March 2024, pp. 131-142, <https://www.arjhss.com/wp-content/uploads/2024/03/M73131142.pdf>

⁸¹ Radio Tamazuj, *Business Africa news*, <http://www.radiotamazuj.org/en/news/article/east-african-community-postpones-single-currency-till-2031?>

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Despite the challenges, opportunities arise in relation to integration. The EAC is actively pursuing regional development initiatives including infrastructure project like the northern and central corridors, trade facilitation programs including the Single Customs Territory and electronic cargo tracking systems and human capital initiatives like education and healthcare.⁸² The initiatives aim to bolster economic growth, connectivity and sustainable development. These initiatives are important in enhancing intraregional trade.

While the study has emphasized on the ex-ante aspects of the OCA, it is equally important to consider the endogenous dimensions. A country that does not meet the OCA criteria for joining a monetary union at present may, by joining the union, undergo structural changes that enable it to meet the requirements in the future. This is based on the assumption that trade relations grow when countries adopt the same currency hence the increase in symmetric business cycles. The OCA endogeneity hypothesis is evident in the decisions to admit certain southern EU countries into the EMU, despite their differing economic structures from the EU core. However, post-1999, the EMU has faced challenges with economic convergence, particularly due to persistent inflation differentials causing asymmetries within the euro area. For the EAC, this suggests that although current structural challenges like limited labor mobility pose barriers, adopting a common currency could catalyze changes that mitigate these challenges over time. For instance, deeper trade ties and reduced transaction costs could encourage economic convergence, while a unified monetary policy framework could enhance fiscal discipline and investor confidence across the region.

⁸² Yiblet, *Economic Integration Challenges and Prospects in the East African Community*.

5 Conclusion

A central impediment hindering integration is the dearth of statistical economic information. Integration ambitions heighten the urgency of developing information on the EAC economies that continue to be largely informal; on government budgets and expenditures that continue to be marred with impropriety; and on appraisals of EAC institutions that remain incomplete. Quantitative and qualitative clarity from such information would facilitate better understandings of the interaction of real and nominal economic and monetary convergence in the EAC. As demonstrated in this discussion, the region's present reality casts doubt on whether it meets the threshold of common shocks among REC member states that would qualify it as an optimal currency area (OCA).

Despite these challenges, the study underscores the potential advantages of monetary integration, inspired by successes in other regions like the European Union. While economic appraisals of the EU's Economic and Monetary Union (EMU) initially lacked definitive support, the bloc ultimately achieved remarkable political and economic stability. This offers a valuable lesson for the EAC, particularly as it navigates its expansion to include conflict-prone states such as Somalia, the DRC, and Rwanda.

In broad strokes, this study's assessment points at national level substantive and procedural government failures in provision of the essential public goods of security and institutional consolidation as the biggest impediments against EAC monetary integration. Institutional weaknesses are tied to clientelism, rent-seeking, and state capture that limit consolidation of democratic institutions grounded in the rule of law. These challenges at a national level



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translate to collective action problems at the regional level, featuring leakages in accountability and amorphous responsibility structures.

With the evolution of the EAC economic and political environment over the decades of its existence, incentives appear to depart from the logic of aid in engagement with the region's initiatives, towards prioritizing trade and business.⁸³ In this regard, stakeholders could take lessons from the global success China has achieved since the 20th century. In the 1980s and 1990s, Western influences facilitated technology transfer to China, which in no small part facilitated its rise to a global manufacturing and military powerhouse. A similar approach with regard to the EAC would over time accrue dividends from investment in the region's abundant resources, including its youthful population. Coupled with far-reaching institutional changes in the EAC, the present offers the opportunity to improve the region's social capability factor—a central pillar of successful EU integration and EMU consolidation.⁸⁴

The schedule feasibility of EAC integration remains amorphous. At best, this requires viewing the integration journey across a conditional timetable. In this regard, the European Union offers an important contrast. Lessons from missed EAC deadlines emphasize the importance of timetable flexibility, and deeper engagement with the industrial and institutional realities of EAC economies. With progressive data collection, the EAC's unification protocols need to remain malleable as structural and institutional foundations of coordinated monetary policy continue to settle.⁸⁵ While the EAC works out such systemic roadblocks, the EU

83 Mathias Kamp and Friedrich Stefan, *Interest-based Policy*, p. 7-8.

84 *Ibid.*, p. 8.

85 Kigabo; Masson, *Common Currency Area in the EAC*, p27

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continues to navigate the balancing act between strict rules and flexibility in its industrial and intra-EU mobility policies. For both RECs, information asymmetry remains a central systemic challenge.⁸⁶

To reiterate, the most immediate challenge that the EAC faces involves deepening and diversifying its industries to establish intra-EAC complementarities. Coordination in formulation of national industrial policies with this objective would narrow the distance between the EAC's economic reality, and the monetary convergence objectives as comprehended through the OCA criteria. Furthermore, any ceding of national sovereignty must be based on the widespread consent of the population. This is partly because integration will involve increased pressure on decision-makers, which requires a high level of public support. Public consultation will help arrive at mutually agreed constraints and flexibilities regarding fiscal policy.⁸⁷ This will take time. Like in the EU's integration journey, the EAC's integration process needs to demonstrate economic enfranchisement, including growth with job creation, and other developments that directly impact the lives of the population if it hopes to capture democratic legitimacy.⁸⁸

In conclusion, this study highlights the critical implications of economic, institutional, and political dynamics for the East African Community's (EAC) pursuit of a currency union. Achieving the East African Monetary Union (EAMU) requires reconciling structural disparities, aligning macroeconomic policies, and fostering regional cohesion through strong institutional frameworks. The disconnect between nominal and real convergence remains a fundamental

86 Ibid., p26

87 Reith; Boltz, *Between Aspiration and Reality*, pp100-101

88 Kigabo; Masson, *Common Currency Area in the EAC*, p17



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challenge, with uncertainties about whether monetary integration should precede economic harmonization or vice versa.

The study emphasizes that without significant political goodwill, public engagement, and coordinated efforts to address overlapping REC memberships, the EAC's integration timeline will continue to face delays. However, opportunities for industrialization, trade liberalization, and resource optimization provide a strong foundation for advancing integration. Institutional reforms, such as strengthening regional bodies and promoting policy coherence, could bolster prospects for monetary unification. Ultimately, the EAC's success hinges on learning from the European Union's experiences while addressing its unique regional realities. A phased approach that prioritizes incremental gains in fiscal and trade policy harmonization will be crucial in building the trust, stability, and economic alignment necessary for a sustainable currency union.

6 Strategic Recommendations for EAC

These recommendations aim to guide the EAC in advancing regional integration, particularly in the context of monetary union. They include actionable steps for each area of focus, addressing the key challenges identified in the study.

1. Enhancing Labor Mobility

Harmonize immigration laws and create programs to address skill mismatches, enabling seamless movement of workers across borders. This will ensure that labor markets remain flexible, supporting economic stability and regional integration.

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2. Strengthening Fiscal Integration

Establish cooperative budgets for regional infrastructure projects and create a stabilization fund to mitigate the impact of asymmetric shocks. These initiatives will foster collective resilience and build a foundation for deeper fiscal cooperation.

3. Institutional Consolidation and Development

Strengthening the EAC's institutional capacity is critical for effective policy implementation and enforcement. This includes reinforcing the EAC Secretariat's monitoring and evaluation systems and addressing information gaps that hinder the development of effective economic policies.

Action Steps:

- Reform EAC institutions, including the election of members to the East African Legislative Assembly (EALA) and the vetting of judges nominated to the East African Court of Justice (EACJ).
- Operationalize the legal capacities of the EAC to ensure compliance with regional policies.
- Develop a supranational monetary institution to oversee policy coordination and ensure economic stability across the region.
- The EAC Secretariat should implement an enhanced monitoring and evaluation system that tracks integration policies' budgets and outcomes.

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- Further, more radical proposals such as all member state ministers in charge of EAC integration should appear annually before EALA to give an account of progress on integration.

4. Industrial Policy Coordination

To promote deeper economic integration within the EAC, it is essential to harmonize industrial policies across member states. This can be achieved by setting up macroeconomic convergence benchmarks that align national planning and decision-making with the region's goals. The EAC should aim to establish a common industrial policy framework that supports the development of regional value chains and encourages economic complementarities.

Action Steps:

- EAC member states should form a working group to agree on common industrial policy objectives.
- Establish a monitoring mechanism to track the progress of EAC State policies to align with EAC's integration goals.
- The EAC member States should agree to shift, compromise, and align their country priorities toward cooperation.

5. Public Participation and Engagement

Public engagement and approval is essential for the success of regional integration, especially the adoption of a common currency. To build public ownership of EAC integration, it is crucial to enhance visibility and engagement with the region's citizens.

Action Steps:

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- Implement visible EAC projects across member states to increase public awareness of integration efforts. This could include infrastructure projects or social programs that showcase the benefits of collaboration.
- Integrate EAC-related content into school curricula across member states to build youth understanding and support for integration.
- Make provisions in annual planning to gather input from NGOs, CSOs, and the broader public, with a focus on creating a platform for ongoing dialogue.
- Agree on the most preferred symbol and features of the future common currency.

6. Strengthening Cooperation with Donors and Development Partners

The involvement of development partners is critical to the success of EAC integration, particularly in fostering trade and business cooperation.

Action Steps:

- The EAC should facilitate an open and transparent platform for global actors to engage with the region's economy, focusing on sustainable development and trade.
- Ensure that development cooperation interventions are cleared by EAC commission.

7. Youth Involvement and Empowerment

The vast youth population in the EAC presents a valuable resource



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for driving regional economic integration. It is essential to ensure that youth are actively involved in the integration process.

Action Steps:

- The EAC should develop youth-centric policies to advance and propel EAC integration. These policies will include aspects of mentorship, training, leadership, governance and economic empowerment.
- Budget and implement youth exchange programs within the EAC and beyond.

By addressing these areas, the EAC can build a robust foundation for monetary union, leveraging theoretical insights and empirical evidence to achieve sustainable economic integration.

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6 Appendices

Appendix I: Key Informant Guide

Interview Questions

Professional Background

- Could you describe your professional background and experience in relation to monetary unions or regional economic integration?

Labour Mobility

1. How would you evaluate the current state of labour mobility within the East African Community (EAC)?
 - How does this compare to the Eurozone prior to the adoption of the Euro?
2. What barriers hinder increased labour mobility within the EAC, and how might these be addressed?

Economic Openness

1. To what extent are the EAC member states integrated in terms of trade and economic activity?
 - How does this level of integration support or hinder the feasibility of a common currency?
2. Can you draw parallels or distinctions between the economic openness of the EAC and that of the Eurozone before the adoption of the Euro?

Fiscal Integration

1. How critical is fiscal integration (e.g., budgetary policies, fiscal transfers) for the success of a common currency in the EAC?
 - How does this compare to the Eurozone's approach to fiscal integration?
2. What steps are necessary to achieve sufficient fiscal

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integration to support a currency union in East Africa?

Economic Structures

1. How similar or divergent are the economic structures of the EAC member states?
 - o How might these similarities or differences impact the adoption of a common currency?
2. Could you identify specific industries or economic activities that either align or diverge across EAC countries, and how these might influence the success of a currency union?

Asymmetric Shocks

1. What is your assessment of the risk of asymmetric shocks within the EAC?
 - o How prepared is the EAC to handle such shocks in the context of a currency union?
2. How can the EAC mitigate the risks of asymmetric shocks, and are there lessons to be learned from the Eurozone's experiences during economic crises?

Political Willingness and Solidarity

1. How would you evaluate the political will among EAC member states to adopt and sustain a common currency?
 - o What are the key political challenges that must be addressed?
2. In your opinion, how does the level of political solidarity in the EAC compare to that of the Eurozone at the time of the Euro adoption?

Institutional Readiness

1. What institutional frameworks or reforms are necessary for the successful implementation of a common currency in the EAC?

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2. How does the current institutional setup in the EAC compare to that of the Eurozone before and after the introduction of the Euro?

Feasibility and Timeline

1. Considering the current economic and political landscape, how realistic is the introduction of a common currency in the EAC in the near future?
2. What timeline do you consider feasible for the EAC to meet the necessary criteria for a successful currency union?

Policy Recommendations

1. What policy measures would you recommend to enhance the prospects of a successful currency union in the EAC?
2. Are there specific areas where the EAC should focus its efforts in the short to medium term to prepare for a common currency?
3. Is there anything additional you would like to share regarding the prospects of a common currency in the EAC or the applicability of Optimal Currency Area (OCA) Theory in this context?

Appendix II: Key Informants

1. Prof. Fred Ogolla – Professor, Strathmore Business School
2. Dr. Jane Mpalalika – Senior Researcher, REPOA
3. Socrates Majune – Lecturer, University of Nairobi
4. Hilda Namuleme – Economic Policy Research Centre
5. Moses Kanyesigye – Representative, East African Business Council
6. John Sseruyange – Lecturer, Makerere University School of Economics



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