REGIONAL BANKING REGULATION: THE CHALLENGES AND OPPORTUNITIES OF A SINGLE CURRENCY FOR THE EAST AFRICAN COMMUNITY INTEGRATION

Hankings-Evans Anna Ph.D.*
Mashaallah Othman Alzwae Ph.D.**
Lamech Nsamba***
Nakalyango Waridah***
Nsikonolo Rashid Biruma***

ABSTRACT

The East African Community (EAC) is not at rest with the struggle for regional financial integration. The regional bloc has made efforts towards this dream by signing treaties and several protocols, including the 2013 Protocol on the Establishment of EAC Monetary Union, which birthed the idea of the EAC single currency. However, the implementation of said protocol is still a dream, even though it has now been a decade since it was signed. This paper aims to examine the nexus between the implementation of the EAC single currency goal and the region's integration, specifically insofar as banking regulation is concerned. The study is based on a doctrinal methodology involving analysis of both treaties, statutes, and other scholarly literature. The findings reveal that EAC's success in implementing the single currency will deepen regional banking regulation and strengthen the economic integration of the bloc.

Keywords: Regional Banking, Regulation, Single Currency, East African Community

1. Introduction

The EAC is currently comprised of 8) Member/Partner States, that is, the Democratic Republic of Congo (DRC), Burundi, Kenya, Rwanda, Somalia, South Sudan, Tanzania, and Uganda.[1] The Community is soon commemorating (25 years) anniversary since its re-establishment on 7th July 2000. The Community strives towards "Regional Banking Regulation" as a key to financial integration.[2] The move towards regional financial integration started way back in 2009 with the signing of the EAC Common Market Protocol and, after a period of 4) years, this was further consolidated by the EAC Monetary Union Protocol (EAMU). Additionally, in 2019, the EAC passed the East African Monetary Institute Act, which established the East African Monetary Institute to be responsible for the preparatory work for the EAC Monetary Union.[3]

It is clear from the foregoing effort that the EAC is striving to achieve financial integration, and the idea of a single currency is a cornerstone of the perceived success. Even financial institutions such as KCB, DTB, Equity Bank, Stanbic Bank, Standard Chartered Bank, and Bank of Africa have expanded their operations across East Africa, enabling businesses and individuals to access banking services beyond their home countries. However, despite all these efforts, full financial integration within the EAC, which is being torched by the notion of a single currency, faces challenges, thus, the implementation of the same is being prolonged.

*Greenberg Traurig LLP, Berlin, Germany, anna.hankings.evans@gmail.com
**Faculty of Law, University of Benghazi, Libya, mashaallah.alzwae@uob.edu.ly
***LLM Student, School of Law, Kampala International University, Kampala, Uganda

[1] East African Community, "EAC Partner States", https://ww.eac.int/eac-partner-states. [accessed 21 March, 2025].

[2] East African Community, "Regional Banking – An Overview", https://www.eac.int/financial/banking [accessed 21 March, 2025].

[3] Preamble of the East African Monetary Institute Act, 2019.

Several Scholars have shed light on the notion of EAC financial integration and a single currency. For instance, according to Mugume, A.,[4] regional banking regulation plays a crucial role in ensuring financial stability and supporting the smooth transition to a single currency. De Grauwe, on the other hand, argues that a well-regulated banking sector enhances investor confidence, minimizes systemic risks, and promotes macroeconomic stability. Furthermore, the implementation of a single currency comes with both challenges and opportunities that must be addressed to achieve a seamless financial integration process. As highlighted by Thomas Kigabo Rusuhuzwa and Paul Robert Masson[5]The successful establishment of a completely functioning common market and customs union and an effective regulatory framework is dependent on will, and will is not enough; early action and support by the public are required in order to smooth the process of currency union. With the context of long periods needed for the desired economic integration and institutional development, the public's role becomes more important. They argue for the publicity related to a more concrete initial symbol, such as a first common currency using a basket of national currencies. As previously mentioned, Durevall[6] illustrates that while a monetary union may be a large source of economic benefits, it has associated political risk as well, and that political will is something which can continue to sustain an organization even when it is vulnerable to change or powerful interests within society oppose the will of the organization. Durevall (2011) also conveys that the establishment of a monetary union presents EAC member states with advantages of "engaging in a more effective monetary policy and deeper regional economic integration."

The existing legal gap in literature relating to the EAC's journey to implement a single currency is the nexus between the single currency and the EAC banking regulation. This article thus contributes to the existing wide literature on the subject by analyzing the impact of a single currency on the region's financial integration, specifically insofar as banking regulation is concerned.

2. EAC Financial Integration

Financial integration is a concept of "globalization," which is simply the integration of economic, financial, trade, and communications worldwide, encompassing the concept of financial integration.[7] Thus, "Financial integration" encompasses the interconnection or unification of businesses, individuals, or governments through financial markets and instruments – monetary union is among the key components of the same.

Though each Partner State currently has its financial regulatory framework, the EAC is pushing towards harmonization to facilitate economic integration and improve financial stability across the region. The East African Community (EAC) aims to reach "Prosperity" through the deepening and broadening of economic, political, social, and cultural integration. Integration aims to improve the living conditions of East Africans through enhanced competitiveness, value-added production, trade, and investment[8] . The integration process has a strong financial sector connection, which ultimately fulfills the initial purpose of monetary stability toward economic integration and sustainable development at the Community level. In light of these purposes, the EAC intends to carry out a number of strategic actions as a means to deliver

[4] Mugume, A. "Financial integration and monetary policy coordination in the East African Community". (2021) *African Journal of Economic* Policy, 28(3), 45-68.

[5] Thomas Kigabo Rusuhuzwa & Paul Robert Mass ON "Design and Implementation of a Common Currency Area in the East African Community" (April 04, 2012) University of Toronto Department of Economics, Working Paper 451.

[6] Dick Durevall "East African Community: Pre-conditions for an Effective Monetary Union" (December 2011) Working Papers in Economics No 52.

[7] Black's Law Dictionary Edited by Bryan A. Garner, the 9th Ed.

[8] East African Community, "Overview of EAC" https://ww.eac.int/overview-of-eac [accessed 21 March, 2025].

 https://doi.org/10.59568/KIULJ-2025-7-1-14

financial integration. One of the flagship strategic initiatives is the EAC Financial Sector Development and Regionalization Project (FSDRP)[9], which key components will be presented in the upcoming section. The initiators of financial integration in the EAC are anchored in two instruments, which is discussed below: (a) EAC Common Market Protocol, and (b) EAC Monetary Union Protocol.

3. EAC Common Market Protocol

The EAC Common Market Protocol (EAC CMP) was signed in Arusha, Tanzania, on November 20, 2009, and commenced on July 1, 2010. It is a Protocol to the EAC Treaty and is designed to establish the Common Market. The Protocol's objective is to implement the unimpeded movement of goods, services, capital, and labour across participating member states. The signatory states committed to removing tariffs, as well as non-tariff and technical barriers to trade, as well as aligning and mutual recognition of standards across borders, establishing a common trade policy, simplifying procedures for cross-border movement of persons, and creating an integrated approach to the management of border operations. The Protocol allows member states to take safeguard measures in limited but significant circumstances, for example, where a member state is experiencing capital movements that distort a financial market. Or where a competent authority intervenes in a foreign exchange market to protect vital interests and competition conditions are seriously distorted, to protect a member state experiencing or threatened with serious balance of payments difficulties. The Protocol obliges member states to safeguard consumers by ensuring that measures that protect life, safety, and health are balanced by promoting fair competition and by ensuring that all consumers benefit from the availability of a wider range of goods and services at lower prices[10]. In order to promote the proper functioning of the Common Market, member states agreed to coordinate and harmonize their policies and regulatory framework for the financial sector[11]. The purpose of this cooperation is to maintain stability and efficiency of financial systems, facilitate the operations of payment systems, and maintain currency convertibility. Member states were also invited to encourage the use of their national currencies for settlement and transactions occurring in within the Community[12].

4. EAC Monetary Union Protocol

On November 30, 2013, the East African Community (EAC) Treaty[13] was officially signed, adopting the Monetary Union Protocol. The Monetary Union Protocol establishes the East African Community Monetary Union to achieve and maintain monetary and financial stability to support regional trade, economic integration, and sustainable development[14] . EAC member states agreed under the Protocol to implement a single currency as the official legal tender of the region. The single currency will be used for all payment and settlement systems in the currency area. The Protocol also provides details about how currency conversion rates will be determined before the official launch of the unified currency[15]. The Protocol further states that the East African Central Bank and various supporting institutions need to be established to facilitate the implementation of the Monetary Union[16] . These include institutions responsible for the regulation of the financial service sector, regulation and supervision of cross-border

[9] East African Community, "Financial" https://www.eac.int/financial [accessed 21 March, 2025].
[10] Article 26.
[11] Article 36 thereof.
[12] Article 31.
[13] Article 151 of the EAC Treaty.
[14] Article 2 & 3 of the Protocol.
[15] Article 18, EAC Monetary Union Protocol
[16] Article 19.

banking activities, compliance and enforcement, statistical purview, and any other aspect necessary for the operation of the Union. As a result[17]The EAC has made great strides in achieving financial integration in the region in the form of harmonization of financial policies, regulating banking across borders, and establishing a unified regional financial market[18] .

5. EAC Single Currency and Regional Banking Integration

Currency is simply an item (such as a coin or note) that circulates as a medium of exchange.[19] It is a system of money in common use within a specific environment over time, especially for people in the same state or nation. The concept of a "single regional currency" thus, is thus simply the use of one type of money within a defined area, such as the Eurozone using the Euro, or the United States using the US Dollar. As already highlighted above, globalization gives birth to financial/economic regional integration, which is typically realized by a unitary monetary system. Certainly, this does not mean that different States ought to have one legal tender, for a legal tender is internationally considered a property of the State that defines it. However, States can unite together in a geographical setting (Bloc) and define a “single currency area” – where a single regional currency can be used as a medium of trade exchange. The context for the re-establishment of the East African Community (EAC) in 1999 includes several significant indicators: the EAC Treaty and its signing, the EAC Common Market Protocol, the EAC Monetary Union Protocol, and the EAC Financial Sector Development and Regionalization Project (EAC FSDRP). The EAC sees the establishment of a single regional currency/single currency as an important modality to facilitate trade and deepen and widen economic integration among the Partner States[20]. The single currency will reduce transaction costs/common currency transactions, the elimination of exchange rate volatility, provide price stability in the region/single currency, improve economic resilience among Partner States, mitigate risks to the confidence of investors in the region, and stimulate borderless trade and investment opportunities across the region by creating a more predictable economic environment for partners to court investments beyond their borders. Since the signing of the EAC Monetary Union Protocol in 2013, the Community has made progress towards a single currency regime that includes; establishing the East African Monetary Institute (EAMI); harmonizing monetary policies; establishing and implementing payment and settlement systems[21]; creating a roadmap for the East African Monetary Union; and undertaking capacity development interventions. Many of the above successes are the result of the EAC Financial Sector Development and Regionalization Project (EAC FSDRP 1), which brings together commitments of Partner States.

This initiative is a joint project by the EAC Secretariat, the World Bank and various development partners, with the main objective of establishing the foundation for financial sector integration among the EAC member states. On a broader scale, the project is supporting the development and deepening of the financial sector to produce a consolidated market for financial services in the Community. Financial integration in this instance aims to provide a range of financial products and services at competitive price, which is expected to foster the adoption of a single regional currency[22]. The EAC FSDRP 1 is structured around six components that will be laid out in the next section.

---

[17] Article 20.
[18] Article 21.
[19] Black's Law Dictionary Edited by Bryan A. Garner, the 9th Ed.
[20] East African Community, “Achievements of the EAC under the Monetary Union Pillar”, https://www.eac.int/achievementsat25/monetaryunionat25, [accessed 25 March, 2025].
[21] Ibid.
[22] East African Community, “EAC Financial Sector Development and Regionalization Project” https://www.eac.int/financial/financial-sector-development [accessed 25 March, 2025].

 https://doi.org/10.59568/KIULJ-2025-7-1-14

Component 1 "Financial Inclusion and Strengthening Market Participants" – which focused on expanding access to financial services for individuals and businesses across the East African Community (EAC) region. It aims to strengthen financial institutions, enhance consumer protection, and promote digital financial solutions to increase financial inclusion.[23]

Component 2, "Harmonization of Financial Laws and Regulations," is aimed at facilitating a unified financial market. This component works on aligning banking, insurance, and capital market regulations across EAC member states, reducing regulatory discrepancies and fostering a more integrated and transparent financial system.

Component 3, "Mutual Recognition of Supervisory Agencies," is proposed to ensure that financial regulators in EAC partner states recognize and collaborate with each other. By establishing common supervisory standards and practices, it enhances oversight, reduces regulatory arbitrage, and supports the stability of the regional financial system.

Component 4 "Integration of Financial Market Infrastructure" – linking payment systems, securities exchanges, and banking infrastructure, this component enhances financial transactions across EAC countries, making cross-border payments, trading, and banking more efficient and seamless.

Component 5 "Development of the Regional Bond Market" focused on creating a unified bond market within the EAC, enabling governments and corporations to raise capital across the region, improving investment opportunities, and enhancing financial market depth.

Lastly, **Component 6** "Capacity Building" aimed at strengthening the Department of Financial Regionalization and financial sector supervisory capacity through Capacity building for financial sector regulators and financial literacy education of the East African citizenry.

Legal frameworks enshrined in the national constitutions and statutes of EAC member states play a critical role in supporting financial integration. Each of the member states' legal provisions reflects the commitment to uphold economic policies that promote integration. The National Planning Authority Act of Uganda emphasizes the importance of regional cooperation in economic development plans, just like the Kenyan Constitution, which mandates the national government to engage in regional integration. The institutional capacity is vital for enforcing these legal frameworks. The establishment of the East African Community Monetary Institute (EACMI) is a step towards creating a regional body that will oversee monetary policy and financial regulation across member states, ensuring compliance with established standards.

Hence, in the run-up to achieving a single currency, the EAC member states aim to harmonize monetary and fiscal policies; harmonize financial, payment, and settlement systems; harmonize financial accounting and reporting practices; harmonize policies and standards on statistical information; and establish the East African Central Bank. This is the undertaking EAC Partner States made under the EAC Monetary Union Protocol.[24]

6. Challenges in Implementing EAC Single Currency

The implementation of a single currency in the East African Community (EAC) faces significant challenges that need to be addressed for successful realization of this goal. These challenges are especially pertinent when considering Uganda's role in regional integration. The main challenges include:

a. Differing macroeconomic policies

Despite efforts made by the East African Community (EAC) to maintain macroeconomic stability, member states' macroeconomic policies remain uncoordinated and nationally focused.

[23] Ibid.
[24] Article 22.

 https://doi.org/10.59568/KIULJ-2025-7-1-14

Inflation, a key indicator of economic health, remained in double digits in 2018, increasing by 0.5 percentage points to 14.5%, up from 14.0% in 2017. However, if you exclude the extraordinarily high inflation in South Sudan (104.1%), the average for the region in 2018 can be estimated at 12.8%. The average is expected to decrease modestly through projections of 10.9% in 2019 and 10.2% in 2020.[25] Hence, EAC Partner States exhibit significant variation in their macroeconomic policies, particularly in terms of inflation rates, budgetary policies, and fiscal management. These disparities make harmonization of economic policies difficult as each country pursues its own set of policies based on national priorities.

b. Weak financial institutions

Progress has been made in reforming the banking sector within the region, but it has been uneven across countries. The EAC financial systems are still very small, shallow, and bank-centric. While measures of financial depth lag behind those of emerging markets and low-income countries.[26]

Several EAC countries struggle with underdeveloped or fragile financial institutions, which are crucial for effectively managing the complexities of monetary integration. Weak banking sectors, limited capacity for financial supervision, and inadequate regulatory frameworks often undermine efforts to create a stable and integrated regional financial system.[27] Without robust financial institutions capable of supporting the integration process, the EAC region's ability to handle the demands of a single currency remains uncertain.

c. Political Instabilities within EAC

Internal political instabilities with the EAC Partner States have posed a significant challenge to regional integration and cooperation. For instance, the Democratic Republic of Congo (DRC) has faced a number of rebel attacks and political unrest, particularly in its eastern regions, with the recent one being that of the March 23 Movement (M23), which has displaced approximately 1.5 million people.[28] Uganda has engaged in several internal wars with rebels such as the Lord's Resistance Army (LRA) and Allied Democratic Forces (ADF) and encountered numerous rebel attacks, for example, that of Al-Shabaab in July 2010, which resulted killing 74 people and the injury of 70 while they watched the FIFA World Cup final[29]. Kenya on the other hand has also had its test of political unrests including election riots, the recent Gen-Z corruption riots, rebel attacks particularly from the Somali-based Islamist militant group Al-Shabaab [in 2002 an Israeli hotel was targeted in Mombasa, resulting in 13 deaths, in 2011 a grenade attack on a bar and a bus terminal in Nairobi killed six people, in 2012 a bus station was targeted killing six people and a bomb was placed in a shopping mall injuring 30 people, in 2013 Al-Shabaab militants seized the Westgate Shopping Mall in Nairobi killing over 60 people][30]. Rwanda, too, has experienced several rebel attacks over the years, notably

---

[25] East African Community, "Macro-economic Stability", https://www.eac.int/why-invest-in-eac/macro-economic-stability [accessed 25 March, 2025].

[26] *Wajid S.K, "The Quest for Regional Integration in the East African Community" International Monetary Fund (2015).*

[27] Mugume, A. (2021). Financial integration and monetary policy coordination in the East African Community. African Journal of Economic Policy, 28(3), 45-68.

[28] Foreign Affairs Forum, "Update on political unrest in Congo" (January 01, 2025) https://www.faf.ae/home/2025/1/4/update-on-political-unrest-in-congo [accessed 26 March, 2025]

[29] United States Department of State, "Country Reports on Terrorism 2011 – Uganda", (31 July 2012), https://www.refworld.org/reference/annualreport/usdos/2012/en/88182 [accessed 26 March, 2025]

[30] Global Public Policy Watch, "Kenya's Battle Against Terrorism", (November 9, 2022) https://globalpublicpolicywatch.org/kenyas-battle-against-terrorism/ [accessed 26 March, 2025].

 https://doi.org/10.59568/KIULJ-2025-7-1-14

the 2010 incident when a series of deadly grenade attacks targeted Rwandans in public areas of Kigali, killing six and injuring 47 people.[31] In the case of South Sudan, despite repeated attempts at peace agreements and ceasefires in 2015, 2017, and 2018, political violence and instability have persisted between government forces and opposition factions.[32] These political instabilities have left these States with no option but to put their major focus on strengthening security rather than their commitment to the Community goals.

d. Conflicts with the EAC Partner States

Apart from the political unrest within each of the EAC Member States, there are inter-state conflicts which have also posed a challenge in achieving the Community's goals, such as the Single Regional Currency. The recent example is that of Rwanda and the DRC. The conflict has been escalating since 2021, with DRC accusing Rwanda of supporting the M23 rebel group, which captured Goma, the capital of North Kivu province. The conflict has also been fueled by accusations of Congolese support for the FDLR (Democratic Forces for the Liberation of Rwanda), a Hutu extremist group[33]. Another significant impasse is the trade war between Kenya and Uganda, which has disrupted cross-border trade and affected the economies of both countries. Also, Burundi's deployment of troops to fight M23 fueled regional tensions between Burundi and Rwanda. In 2019, Rwanda closed its border with Uganda, which escalated tension between the two neighboring EAC States. The official reason for the closure was to prevent Rwandans from traveling to Uganda for their safety.[34] However, the move was seen as a significant escalation of tensions between the two countries, which had been boiling over time. The closure had significant economic implications, with trade between the two countries dropping.

e. Political and institutional constraints

Political instability and a lack of full commitment from some governments pose significant risks to the success of monetary unification in the EAC. Some Partner States experience political challenges, including changes in leadership, nationalistic tendencies, and differing priorities, which often create an unpredictable environment for regional cooperation. These political uncertainties, coupled with weak institutional frameworks, often delay and even derail the implementation of the EAC single currency. Despite the theoretical commitment seen in the signing of the various Protocols and the adoption of Projects, practical commitment is wanting. The Partner States are instead committed to multilateral and bilateral commitments rather than to regional agreements. The lack of sustained political willingness and commitment to put in place agreed policies and plans has been one of EAC's problems.[35]

f. Infrastructure and technological gaps

---

[31] United States Department of State, "Country Reports on Terrorism 2010 – Rwanda", (18 August 2011), https://www.refworld.org/reference/annualreport/usdos/2011/en/80572 [accessed 26 March 2025]

[32] Center for Preventive Action, "Instability in South Sudan", (Updated March 21, 2025) https://www.cfr.org/global-conflict-tracker/conflict/civil-war-south-sudan, [accessed 26 March 2025]

[33] ACCORD "Diplomatic Tensions Between the DRC and Rwanda" (July 28, 2022), https://www.accord.org.za/analysis/diplomatic-tensions-between-the-drc-and-rwanda/ [accessed 26 March, 2025]

[34] Top Africa News, "As of 31st January, Rwanda reopens Gatuna Boarder following the visit of Uganda's Lt Gen Muhoozi Kainerugaba last week" (2022), https://www.topafricanews.com/2022/01/28/as-of-31st-january-rwanda-reopens-gatuna-boarder-following-the-visit-of-ugandas-lt-gen-muhoozi-kainerugaba-last-week/ [accessed 26 March, 2025].

[35] Angela Mutile Muema Atsiaya (UNIVERSITY OF NAIROBI R50/63289/2010), "CHALLENGES FACING ECONOMIC INTEGRATION: A CASE STUDY OF EAST AFRICA COMMUNITY (EAC) 2000– 2012", (August 2014), Page 64.

 https://doi.org/10.59568/KIULJ-2025-7-1-14

Limited financial infrastructure and uneven technological development across the East African region pose additional obstacles to the implementation of a single currency. Cross-border banking operations depend on efficient financial infrastructure and advanced technological systems. However, many EAC countries face challenges in upgrading their financial systems to ensure seamless transactions, secure data management, and effective integration of digital payment systems. These infrastructure and technological gaps can impede smooth monetary unification as they complicate the movement of funds and the integration of financial services across borders.[36]

g. Regulatory differences

The regulatory environment across the EAC Partner States is inconsistent, with different countries adhering to varying banking and financial regulations. These disparities lead to inefficiencies in financial supervision, creating risks in managing cross-border financial activities. Differing regulatory standards often complicate the coordination of monetary policies and increase the risk of financial instability, which undermines investor confidence and hinders economic integration.[37]

h. Differences in economic development levels

The EAC is made up of countries at varying stages of economic development. While some member states, such as Kenya, have relatively well-developed economies with stable growth, others, like South Sudan and Burundi, are still grappling with poverty, low industrialization, and economic volatility.[38] This disparity is greatly influenced by the Countries' geographic location; thus, Kenya and Tanzania, which have access to the coastline, are of an advantage in terms of trade and commerce compared to Landlocked countries such as Uganda, Rwanda, and Burundi face higher transportation costs and logistical challenges due to their landlocked status. The difference in economic development levels creates challenges in achieving necessary economic convergence for a single currency.

i. Public perception and acceptance of the Single Currency

Public buy-in is a critical factor in the successful implementation of a single currency. In many cases, citizens in the EAC region are skeptical about the benefits of a unified currency, fearing negative impacts such as inflation or loss of monetary sovereignty. The lack of widespread understanding of the advantages of a single currency has led to resistance and undermined efforts to implement it. Therefore, the path to implementing a single currency in EAC is fraught with challenges, including economic disparities, weak institutions, political instability, regulatory differences, and infrastructural limitations. It is only through overcoming these challenges and strengthening regional cooperation can the EAC can move closer to realizing the vision of a unified monetary system that benefits all member states.

7. Opportunities in Implementing EAC Single Currency

While the challenges of implementing a single currency in the East African Community (EAC) are significant, several compelling opportunities could arise from such an initiative. These opportunities are particularly important for fostering economic integration, enhancing regional

[36] Mundell, R. A. & A. K. Swoboda (Eds.), Monetary Problems of the International Economy (pp. 41-60). University of Chicago Press.
[37] De Grauwe, P. (2018). Economics of Monetary Union (12th ed.). Oxford University Press.
[38] Mugume, A. (2021). Financial integration and monetary policy coordination in the East African Community. African Journal of Economic Policy, 28(3), 45-68.

 https://doi.org/10.59568/KIULJ-2025-7-1-14

cooperation, and boosting the collective prosperity of member states. These opportunities include:

a. Enhanced trade and investment

The adoption of a single currency in the EAC offers a transformative opportunity to significantly boost intra-regional trade and attract foreign direct investment (FDI). One of the main advantages of a single currency is the elimination of exchange rate risks, which often create uncertainty and cost inefficiencies for businesses engaged in cross-border trade. Currently, businesses in the region face challenges related to fluctuating exchange rates, which can lead to increased costs and potential financial losses[39]. A single currency would remove these barriers, providing a stable and predictable trading environment. As a member of the EAC, Uganda stands to gain from the removal of currency exchange risks, making its goods and services more competitive within the region[40]. This would lead to increased exports, especially in sectors such as agriculture, manufacturing, and services, which are key to al Partner States' economy. The stability provided by a single currency can make the Bloc more attractive to foreign investors, encouraging more cross-border investments.

b. Financial stability

The establishment of a single currency would enable the EAC to implement a unified monetary policy and banking regulation. By pooling resources and coordinating monetary and fiscal policies, the region would be better positioned to manage inflation, interest rates, and exchange rate volatility[41]. This unified approach to monetary management can enhance the region's financial stability as it would provide a more robust framework for managing economic shocks, preventing crises, and reducing financial vulnerabilities that individual countries may face when acting alone[42].

c. **Economic growth and competitiveness**

There is potential for economic growth through enhanced regional integration. A common currency reduces transaction costs and administrative burdens for businesses, making it easier to conduct cross-border trade and investment. With fewer barriers to economic interaction, businesses can operate more efficiently, and consumers benefit from lower prices and greater choice. The resulting increase in economic activity fosters a competitive environment that encourages innovation and drives productivity growth. The EAC single currency could significantly enhance the region's competitiveness in global markets. As a larger, more integrated economic bloc, the EAC would have increased bargaining power in international trade negotiations and be better positioned to attract global investors. Furthermore, by operating under a unified currency, the EAC would be able to leverage economies of scale, reduce costs, and create a more competitive business environment that could help member states compete more effectively with other regional blocs such as the European Union and the Association of Southeast Asian Nations (ASEAN).[43]

d. Improved mobility and labor market integration

[39] East African Community (EAC). (2018). East African Community Financial Services Protocol. Arusha: EAC Secretariat.
[40] The National Development Plan III (NDPIII)
[41] Ibid 70
[42] Article 5 of the EAC Treaty
[43] De Grauwe, P. (2018). Economics of Monetary Union (12th ed.). Oxford University Press

 https://doi.org/10.59568/KIULJ-2025-7-1-14

The introduction of a single currency can also facilitate the movement of labor within the region. With a unified currency, workers in the EAC would have fewer barriers to moving between member states for employment or business opportunities. This enhanced mobility allows for more efficient allocation of human resources as workers can more easily relocate to areas where their skills are in demand. This can be particularly beneficial for addressing skill shortages in specific industries or sectors across the region.

e. Reduction in currency conversion costs

A significant benefit of a single currency is the elimination of the costs associated with currency conversion, which are a substantial burden for businesses and individuals engaging in cross-border transactions. These costs, including fees charged by financial institutions and the fluctuation of exchange rates, can reduce profit margins and discourage cross-border trade[44]. A unified currency would remove these financial burdens, creating a more efficient and cost-effective environment for economic activities within the region. Uganda, which relies heavily on trade with other EAC members, would benefit greatly from the reduction in currency conversion costs. Businesses, especially small and medium-sized enterprises, would find it easier and cheaper to conduct transactions with partners in neighboring countries. This could stimulate trade, promote the growth of SMEs, and encourage broad economic diversification.
Hence, the adoption of a single currency in the EAC presents significant opportunities for enhancing regional economic integration, promoting trade and investment, and fostering financial stability and growth. By addressing the challenges and fully capitalizing on the potential benefits of a single currency, the EAC region can accelerate its development, enhance its global competitiveness, and build a more prosperous and stable economic future.

8. Conclusion & Recommendations

The implementation of a single currency in the East African Community (EAC) faces significant challenges, to wit: Divergent macroeconomic policies, Weak financial institutions, Political and institutional constraints, Regulatory disparities, Differences in economic development levels, Social and cultural differences, and public perception and acceptance of the Single Currency. Amidst such challenges lie the opportunities yet to be enjoyed by the EAC upon successful of a single currency, that is, Enhanced trade and investment, financial stability, Economic growth and competitiveness, Improved mobility and labor market integration, and Reduction in currency conversion costs. These opportunities will deepen the foundation of the regional banking regulation.
To succeed in implementing the EAC Partner States' undertaking of adopting a single currency, under the EAC Monetary Union Protocol, we do recommend that stakeholders within the Bloc prioritize comprehensive banking regulatory harmonization, ensuring all member states adhere to uniform financial supervision standards. In this way, they will have strengthened regional financial institutions. The East African Central Bank should be operationalized to oversee monetary policies effectively and mitigate related risks. Member states should enhance fiscal discipline by aligning their economic policies with the integration criteria outlined in the EAMU Protocol. Political commitment is equally crucial, necessitating coordinated efforts among EAC governments to foster trust, policy consistency, and economic stability. More attention is needed in the implementation of the EAC Financial Sector Development and Regionalization Project (EAC-FSDRP) I (6) components. Finally, public awareness campaigns and stakeholder engagements should be conducted to promote confidence in the proposed single currency and ensure its smooth adoption across the region.

[44] Ibid.

 https://doi.org/10.59568/KIULJ-2025-7-1-14