The Eastern Africa Journal of Policy and Strategy

GLOCEPS

Weekly Influential Bulletin (WIB)

Monday 20th - Friday 24th July, 2026

## THEME:

# Advancing the East African Monetary Union: Institutional Reforms Financial Integrity and Regional Security

The East African Community's (EAC) pursuit of a Monetary Union by 2031 presents a strategic opportunity to deepen regional integration, strengthen economic resilience and enhance competitiveness. Achieving this vision requires robust regional institutions, stronger macroeconomic coordination and effective compliance mechanisms. Addressing illicit financial flows, harmonising financial regulations and accelerating the adoption of the Pan-African Payment and Settlement System (PAPSS) will improve financial integrity, facilitate cross-border trade and reduce reliance on external currencies. Greater investment in digital financial infrastructure, cybersecurity and policy coordination will further support integration. Beyond economic benefits, monetary integration can strengthen regional peace and security by enhancing financial transparency, disrupting transnational crime and promoting economic interdependence. By implementing these reforms, the EAC can build a credible, resilient and globally competitive Monetary Union by 2031.

**AUTHORS: Stephen Nduvi, Denis Muniu, Ken Ngatia, Peter Onsare, Ivy Warui, Mwanaiddi Shafi and Mark Mwangi**

**Editor-in-Chief:** *K O Asembo, PhD.*

For Journal Articles: https://press.gloceps.org/index.php/eajps

Website: www.gloceps.org | Email: info@gloceps.org

Monday 20th July 2026

# Leveraging Institutional Reforms to Realize the East African Monetary Union by 2031

The East African Community's (EAC) ambition to establish a Monetary Union by 2031 marks a significant step towards deeper regional integration, greater economic resilience and enhanced competitiveness. However, achieving this milestone will require more than meeting macroeconomic convergence targets. It demands strong institutions capable of implementing agreed policies, enforcing compliance and sustaining confidence among Partner States. Without effective institutional frameworks, even well-designed monetary arrangements risk being undermined by inconsistent implementation and divergent national priorities.

Experiences from Africa's existing monetary unions, particularly the West African Economic and Monetary Union (WAEMU) and the Central African Economic and Monetary Community (CEMAC), underscore the importance of robust regional institutions. While these blocs have benefited from monetary stability and a common currency, they have also faced challenges arising from uneven economic performance, limited fiscal coordination and varying levels of compliance with regional commitments. These experiences highlight that a successful monetary union depends not only on economic convergence but also on credible governance structures, effective oversight and sustained political commitment.

For the EAC, institutional reforms should therefore become a central pillar of the Monetary Union agenda. Fast-tracking the operationalisation of the East African Monetary Institute will be essential to coordinate preparations for the future regional central bank and ensure consistent implementation of the Monetary Union roadmap. At the same time, strengthening macroeconomic surveillance and compliance mechanisms would enable the Community to monitor fiscal performance, inflation, public debt and other convergence indicators more effectively while encouraging timely corrective action where necessary.

The EAC should also modernise its convergence framework to reflect emerging economic realities, including financial sector developments, digital finance and external vulnerabilities. Greater policy coordination among finance ministries, central banks and regional institutions will improve macroeconomic stability while enhancing the credibility of the integration process. Institutionalising transparency, accountability and peer review mechanisms can further strengthen confidence among Partner States, investors and citizens by ensuring that commitments are implemented consistently and fairly.

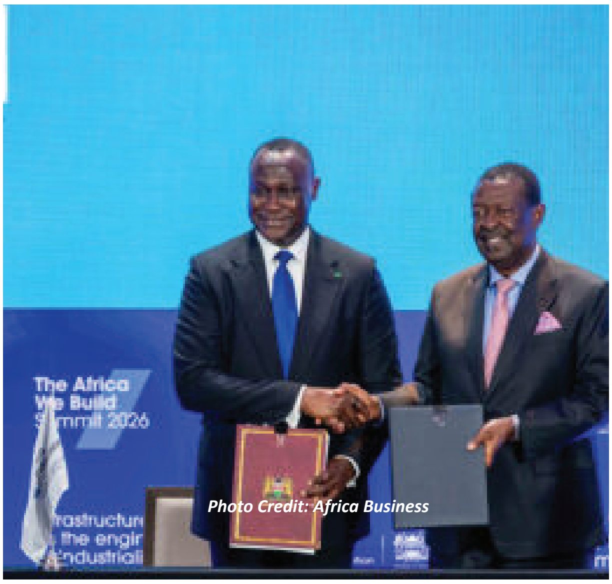

Photo Credit: Africa Business

Monday 20th July 2026

The success of the East African Monetary Union will depend as much on political will as on economic performance. Partner States must demonstrate a sustained commitment to regional integration by placing long-term collective interests above short-term national considerations. By strengthening regional institutions, improving policy coordination and embedding a culture of compliance and accountability, the EAC can build a credible and sustainable Monetary Union that supports economic transformation, strengthens regional resilience and positions East Africa as a more integrated and competitive economic bloc by 2031.

*Photo Credit: Global Business outlook*

Tuesday 21st July 2026

# The East African Monetary Union: Advancing Strategic Autonomy in a Multipolar World

As geopolitical competition reshapes global trade, finance and supply chains, the East African Monetary Union (EAMU) presents the East African Community (EAC) with an opportunity to strengthen its strategic autonomy in an increasingly fragmented global economy. Rather than remaining vulnerable to exchange-rate volatility, external financial shocks and shifting geopolitical interests, a common monetary framework would enable Partner States to pursue greater collective economic resilience. Beyond facilitating a single currency, the EAMU represents a long-term strategy to deepen regional integration, strengthen economic sovereignty and position East Africa as a more influential actor in global economic governance.

A fully operational monetary union would eliminate exchange-rate risks within the region, lower transaction costs and improve price transparency, making cross-border trade and investment more predictable. These gains would enhance the competitiveness of regional businesses, encourage greater capital mobility and support the development of regional value chains. By creating a larger and more integrated market, the EAMU would also strengthen the implementation of the African Continental Free Trade Area (AfCFTA), enabling East African firms to compete more effectively in continental and global markets.

Beyond its economic benefits, the EAMU would significantly enhance the region's collective bargaining power. Acting as a unified economic bloc would allow the EAC to negotiate more effectively in international trade agreements, climate finance discussions and investment partnerships. A coordinated monetary framework would also strengthen the region's voice within global financial institutions while reducing dependence on external currencies that often expose economies to exchange-rate fluctuations and imported inflation. In an era marked by geopolitical rivalry and economic uncertainty, greater monetary coordination would provide East Africa with increased policy space to safeguard its strategic interests.

However, achieving a successful monetary union requires more than meeting convergence criteria. Significant disparities in industrial capacity, infrastructure development, fiscal performance and economic competitiveness persist across Partner States. Without stronger productive economies, a common currency alone is unlikely to deliver the expected gains. Accelerating industrialisation, expanding manufacturing, promoting regional value addition and reducing non-tariff barriers should therefore remain central priorities. Equally important is investing in transport corridors, energy connectivity, digital infrastructure and financial innovation to support a truly integrated regional market.

Partner States should therefore strengthen macroeconomic coordination, accelerate structural transformation, promote intra-regional trade and align strategic investments that enhance regional competitiveness. A successful monetary union should not be viewed merely as the adoption of a single currency but as a broader strategy for building a resilient, competitive and globally influential regional economy. By acting collectively, the EAC can move beyond fragmented national markets and position itself to shape emerging global economic dynamics rather than simply respond to them.

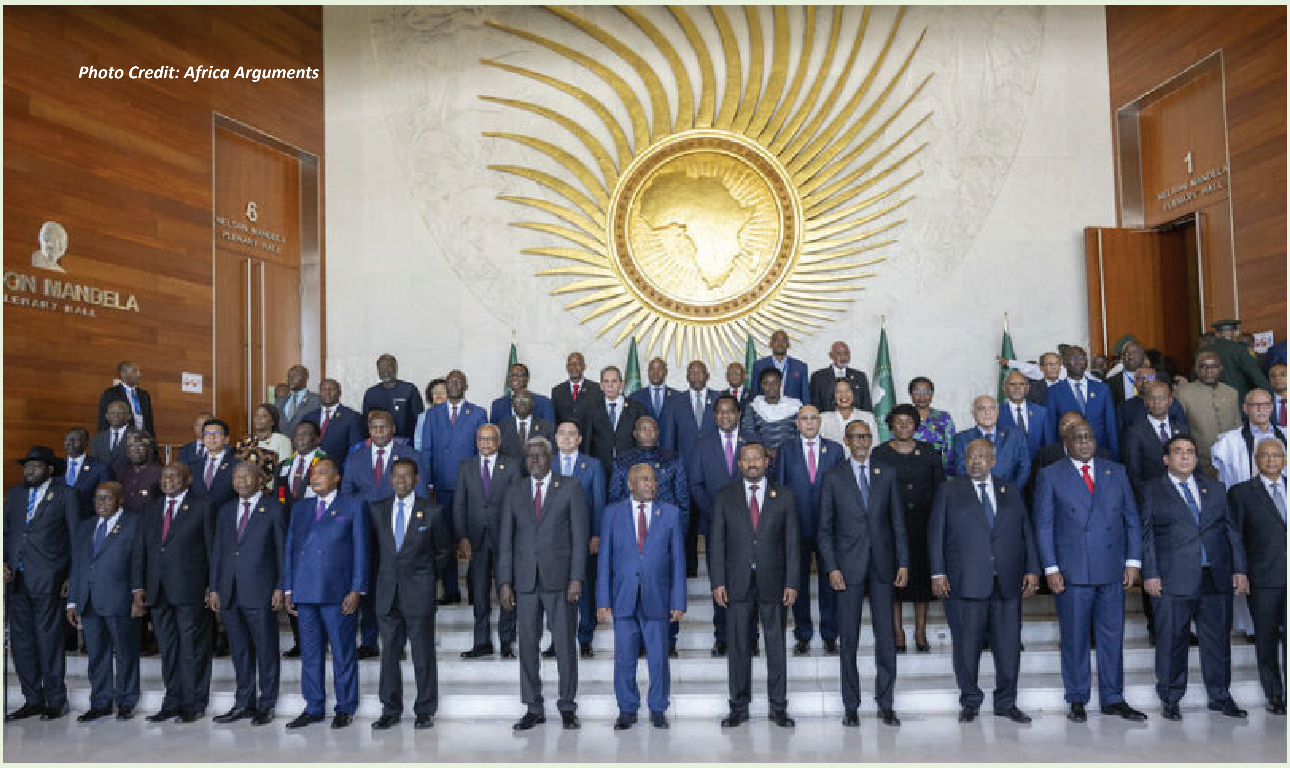

Photo Credit: Africa Arguments

# Tackling Illicit Financial Flows to Achieve the East African Monetary Union by 2031

As the East African Community (EAC) advances towards establishing the East African Monetary Union (EAMU) by 2031, safeguarding the integrity of regional financial systems has become increasingly important. While the Monetary Union promises to deepen regional integration, facilitate trade and strengthen macroeconomic stability, its long-term success will depend on the ability of Partner States to curb illicit financial flows (IFFs). In a rapidly evolving global economy characterised by geopolitical competition, tightening capital markets and increasingly sophisticated financial crimes, unchecked illicit financial flows pose a significant threat to the credibility and sustainability of regional monetary integration.

Africa loses an estimated US$88.6 billion annually through illicit financial flows, with substantial losses stemming from trade misinvoicing, tax evasion, corruption, money laundering and other illicit commercial practices. These outflows deprive governments of domestic resources needed to finance infrastructure, industrialisation and social development while weakening investor confidence and reducing fiscal space. For the EAC, the implications are even more profound. Illicit financial flows distort macroeconomic statistics, undermine revenue collection, deplete foreign exchange reserves and complicate efforts to achieve the convergence criteria required for a successful Monetary Union. Without credible fiscal and monetary discipline, sustaining a common currency and coordinated monetary policy becomes increasingly difficult.

The growing digitisation of financial systems presents both opportunities and new vulnerabilities. While digital finance has enhanced financial inclusion and cross-border transactions, it has also created new channels for money laundering, terrorist financing and the movement of illicit funds across jurisdictions. Addressing these risks requires stronger regional cooperation, particularly among central banks, financial intelligence units, customs authorities, tax agencies and law enforcement institutions. Integrated financial intelligence and real-time information sharing will be essential for detecting suspicious transactions and disrupting transnational criminal networks that exploit regulatory gaps between Partner States.

To safeguard the credibility of the East African Monetary Union, the EAC should accelerate reforms aimed at strengthening financial integrity across the region. Priority should be given to harmonising anti-money laundering and counter-terrorism financing frameworks, integrating customs, tax and financial intelligence systems, strengthening beneficial ownership transparency, and expanding cross-border information sharing. Partner States should also leverage digital technologies, including advanced data analytics and artificial intelligence, to improve financial surveillance and detect emerging threats. Equally important is strengthening institutional capacity and ensuring consistent enforcement of regional standards.

Wednesday 22nd July 2026

Combating illicit financial flows is not simply a compliance obligation. It is a strategic prerequisite for regional integration. A transparent, resilient and well-governed financial system will strengthen fiscal stability, improve investor confidence and create the conditions necessary for a credible and sustainable East African Monetary Union. By addressing illicit financial flows collectively, the EAC can reinforce macroeconomic convergence, enhance regional financial security and build a stronger foundation for shared prosperity by 2031.

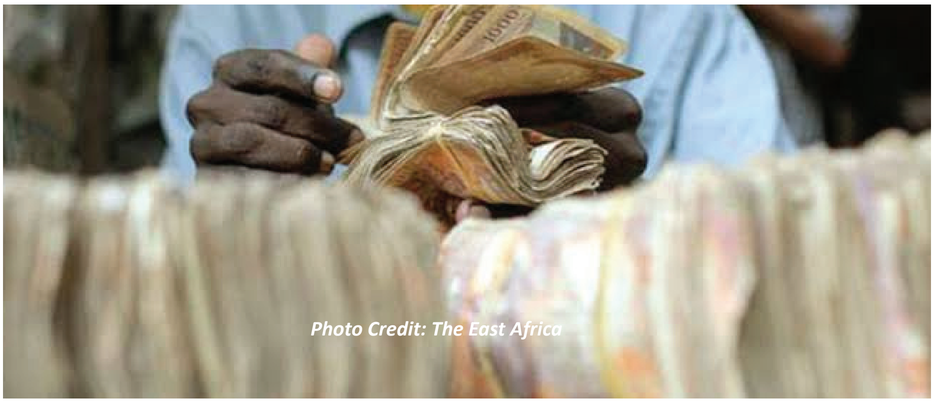
Photo Credit: The East Africa

Thursday 23rd July 2026

# Accelerating Eastern Africa's Monetary Integration Through the Pan-African Payment and Settlement System (PAPSS)

The Pan-African Payment and Settlement System (PAPSS) is emerging as a transformative instrument for advancing monetary integration across Eastern Africa. Developed to facilitate instant crossborder payments in local currencies, PAPSS eliminates the need to route transactions through correspondent banks and third-party reserve currencies such as the US dollar or euro. This reduces transaction costs, shortens settlement times and improves liquidity, making regional trade more efficient and accessible. As Eastern African countries pursue deeper regional integration under the African Continental Free Trade Area (AfCFTA), PAPSS provides the financial infrastructure needed to support seamless trade, investment and economic cooperation.

Despite its significant potential, the adoption of PAPSS across Eastern Africa remains uneven. One of the primary challenges is the fragmentation of financial regulations and payment standards, which limits interoperability between national financial systems. Differences in exchange rate regimes, foreign exchange policies and regulatory requirements continue to complicate cross-border transactions. Currency volatility also discourages businesses from invoicing and settling trade in local currencies, leading many firms to continue relying on external currencies despite the higher costs involved.

Infrastructure gaps present another major obstacle. While some countries have made considerable progress in digital financial services, others continue to face inadequate payment infrastructure, unreliable connectivity and limited access to digital financial services, particularly in rural and border areas. At the same time, the expansion of digital payment systems has increased exposure to cyber threats, financial fraud and data breaches, highlighting the need for stronger cybersecurity measures and harmonised data governance frameworks. Limited awareness of PAPSS among businesses, combined with the cautious approach taken by some commercial banks and financial institutions, has also slowed adoption across the region.

Overcoming these challenges requires coordinated action by governments, central banks, regulators and the private sector. Eastern African states should harmonise payment regulations, technical standards and compliance frameworks to facilitate seamless cross-border transactions. Central banks should strengthen collaboration on settlement mechanisms, foreign exchange management and payment oversight while promoting interoperability among national payment systems. Investments in secure digital infrastructure, cybersecurity and digital identity systems will further enhance confidence in regional payment networks. At the same time, governments should encourage greater participation by commercial banks, fintech companies and small and medium-sized enterprises through targeted incentives, awareness campaigns and capacity-building initiatives. Expanding local currency settlement mechanisms would also reduce dependence on external currencies and improve the efficiency of regional commerce.

Fully implementing PAPSS would deliver benefits that extend far beyond faster payments. It would strengthen financial sovereignty, support the growth of intra-African trade, improve access to regional markets and enhance the resilience of Eastern African economies against global financial disruptions. More importantly, it would provide the financial foundation for deeper monetary integration, helping transform Eastern Africa into a more competitive, connected and economically resilient region capable of realising the full promise of AfCFTA.

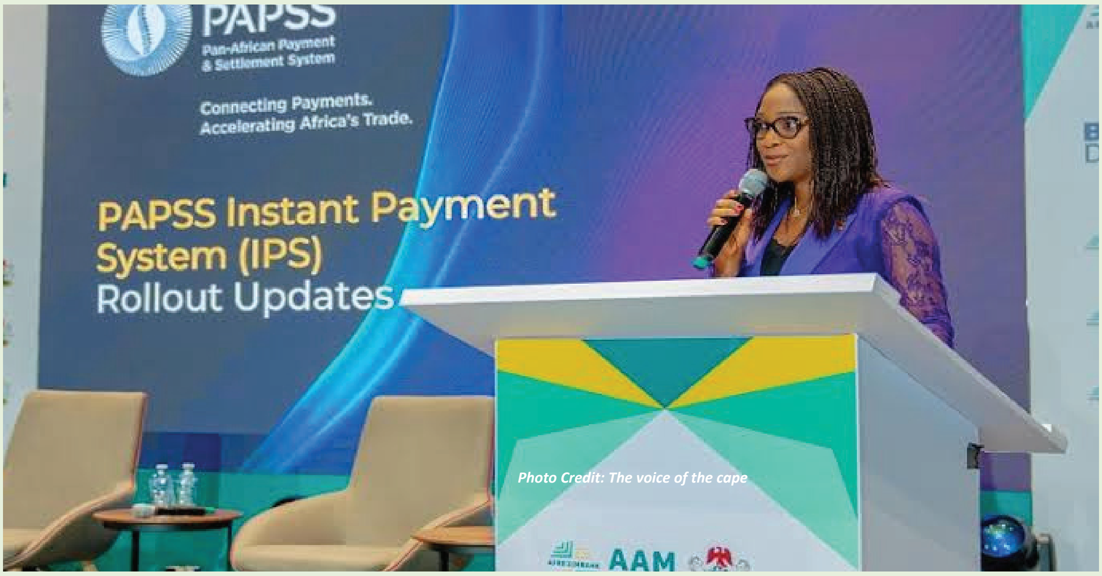

Photo Credit: The voice of the cape

# Harnessing Monetary Integration for Peace, Security and Prosperity in Eastern Africa

Eastern Africa remains one of the world's most strategically significant yet volatile regions. While the region has made notable progress in regional integration, it continues to grapple with terrorism, transnational organised crime, illicit financial flows, political instability and recurring economic shocks that undermine peace, economic growth and sustainable development. Addressing these interconnected challenges requires more than conventional security responses. It calls for strategies that recognise the close relationship between economic security and national security. In this regard, monetary integration should be viewed not merely as an economic objective but as a strategic instrument for advancing regional peace, security and prosperity.

Monetary integration strengthens peace by deepening economic interdependence among states. Countries that share integrated financial systems, payment infrastructure and commercial interests have greater incentives to cooperate and maintain stable relations. As trade, investment and cross-border financial flows increase, the economic costs of conflict become significantly higher, encouraging governments to resolve disputes through dialogue rather than confrontation. Economic interdependence therefore acts as a confidence-building measure, fostering trust and reinforcing regional stability.

Beyond promoting cooperation, an integrated monetary framework can enhance regional security. Harmonised financial regulations and interoperable digital payment systems improve financial transparency and strengthen economic intelligence. This enables governments to better detect and disrupt illicit financial flows, terrorist financing, money laundering and other criminal activities that exploit fragmented financial systems and weak regulatory oversight. Stronger cooperation among central banks, financial intelligence units and security agencies also enhances the region's capacity to respond to emerging financial and security threats in a coordinated manner.

Monetary integration also contributes to economic resilience. Greater use of regional payment systems and local currencies can reduce dependence on external reserve currencies, limit exposure to exchange-rate volatility and strengthen the region's ability to withstand global financial disruptions. In an increasingly uncertain geopolitical environment, such resilience is essential for safeguarding economic stability and protecting national interests.

The experience of the European Union illustrates the broader strategic value of monetary integration. Although the euro was introduced primarily to deepen economic integration, it has also complemented political cooperation, strengthened institutional trust and reinforced long-term peace among member states. While Eastern Africa's political and economic realities differ from those of Europe, the underlying lesson remains relevant: shared financial institutions and greater economic interdependence can strengthen regional cohesion and reduce the incentives for conflict.

To realise these benefits, Eastern African states should accelerate the implementation of interoperable regional payment systems, harmonise financial regulations, strengthen collaboration among central banks, financial intelligence units and security agencies, and invest in secure digital financial infrastructure. Monetary integration should therefore be pursued not only as an economic agenda but also as a strategic pillar of regional peace, collective security and shared prosperity

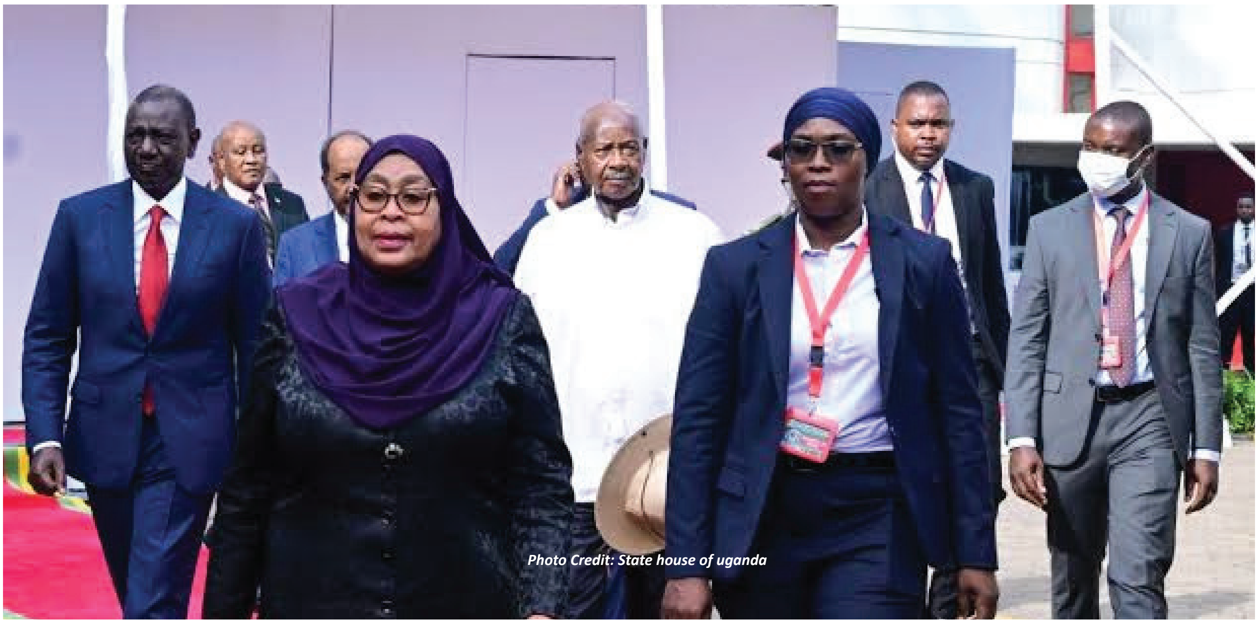

Photo Credit: State house of uganda

THE GLOBAL CENTRE FOR POLICY AND STRATEGY
(GLOCEPS)
Research | Knowledge | Influence
Off Kiambu Road, Nairobi Kenya
P.O. Box 27023-00100,Nairobi.
Telephone:0112401331
Mobile: +254 700 279635
Email:info@gloceps.org
Web:https://www.gloceps.org