



Frameworks for Prioritizing Regional Financial Integration

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INTRODUCTION

I. Setting the Scene

II. Key Findings of EAC Regional Financial Integration Study

III. Workshop Objectives



Can a Regional Approach Help Catalyze Financial Sector Deepening and Development?

Key challenges:

- Capital markets are only partially functional
- Domestic payment systems costs are inflated by quasi-monopolies
- Credit reference bureaus as important catalysts for financial deepening and are developing at a national level. Should regionalization be built into the architecture?

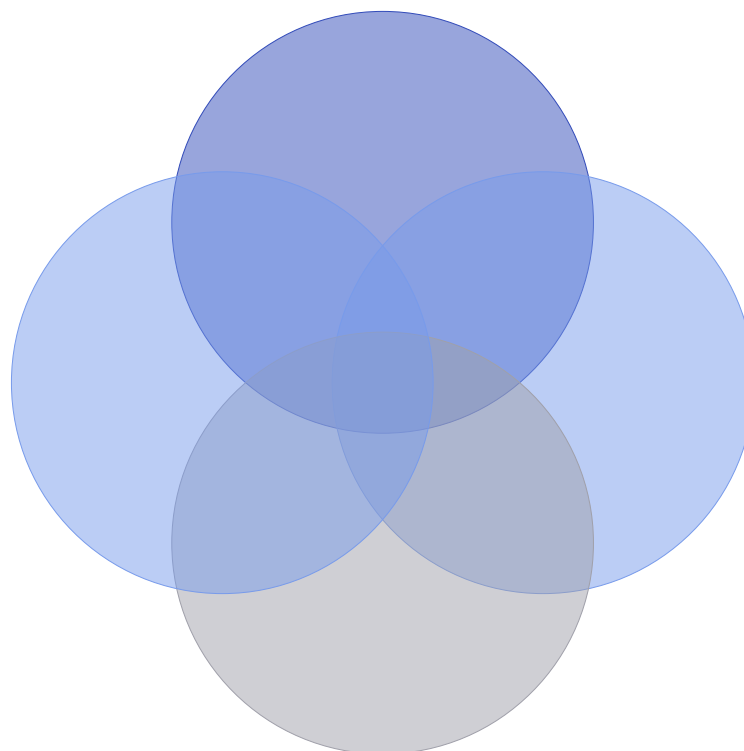
EAC currency union is a distant goal and can distract from more immediate action steps and potential gains.



The potential benefits of regional integration

Increased Scale

Improved infrastructure for
Customs union
Common market



Cross-border transactions facilitated

Improved governance
Leverage human resources of regulators



II. REGIONAL FINANCIAL INTEGRATION STUDY

The World Bank completed a combined study of the East African Community (EAC) and Economic Community of West African States (ECOWAS) in January 2007. The study

- Examines the potential benefits, costs and risks of various dimensions of regionalization of the financial sector;
- Explores strategies for the Bank and other donors to target the elements of financial regionalization that have most potential to promote sustained and shared economic growth and development



The study identified three areas with potential 'quick wins'

1. Capital market integration

- Mass cross-listing or a single exchange?

2. Retail payment systems

- Leveraging greater connectivity at the wholesale level

3. Credit information

- Legal reforms and providers are at an early stage

Note: Long-term reforms are also necessary for regionalization



III. Objectives of the Workshop

- Define priority action steps for the regional agenda in the three topic areas**
- Determine how we can sustain momentum for moving the process forward.**



Format for the Discussion

- Opening remarks from the EAC Secretariat
- Explore the European experience
- Divide among parallel sessions on the three topic areas, with a focus on generating ideas for action steps
- In the afternoon, we will consolidate these into priority steps and report in plenary.



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Thank You!