SOVEREIGN
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REGIONAL ECONOMIC COMMUNITIES SERIES

East African Community

Sector Commentary

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Regional Economic Communities: EAC

1. Introduction

Purpose of the Series from a Credit Rating Perspective

As part of its commitment to deepening sovereign risk analysis across the continent, Sovereign Africa Ratings (SAR) is launching a series of research publications focused on Africa's Regional Economic Communities (RECs). These groupings play a pivotal role in shaping the macroeconomic, institutional, and geopolitical environments in which sovereigns operate.

The East African Community (EAC) stands as one of Africa's most ambitious and dynamic Regional Economic Communities, embodying the continent's aspirations for deeper integration, shared prosperity, and institutional resilience. Comprising seven member states (Burundi, the Democratic Republic of Congo, Kenya, Rwanda, South Sudan, Tanzania, and Uganda), the EAC represents a combined market of over 300 million people and a GDP exceeding USD 300 billion, positioning it as a critical engine for regional growth and cross-border collaboration.

The series will also serve as a foundation for SAR's future rating and sectoral assessments, particularly in areas such as regional debt sustainability, financial integration, and institutional resilience.

Importance of RECs in Sovereign Risk Analysis

Regional Economic Communities are more than political alliances; they are economic ecosystems that shape trade flows, fiscal co-ordination, infrastructure development, and crisis response mechanisms. RECs offer critical context for evaluating:

Macroeconomic Stability: RECs influence regional trade balances, inflation trends, and investment flows, which are key inputs in sovereign credit assessments.

Institutional Strength: The governance and enforcement capacity of RECs can either enhance or undermine national institutions, thereby affecting transparency, the rule of law, and policy predictability.

Debt and Fiscal Co-ordination: Regional frameworks may support debt harmonisation, fiscal surveillance, or bailout mechanisms, which impact sovereign default risk.

Political Risk Mitigation: RECs often play a role in conflict resolution and democratic consolidation, reducing political volatility across member states.

Financial Market Development: Initiatives such as regional bond markets or payment systems contribute to financial deepening and investor confidence.

By analysing RECs, SAR seeks to highlight both the credit-enhancing and credit-constraining features of regional integration, offering a more holistic view of sovereign risk in Africa.

2. Macroeconomic Overview of the Region

The EAC has maintained resilient GDP growth over the past decade, with regional averages often exceeding continental benchmarks. Kenya, Tanzania, and Rwanda continue to anchor this performance (driven by diversified economies, expanding services sectors, and public infrastructure investment). Post-conflict recovery in South Sudan and the Democratic Republic of Congo (DRC) introduces both opportunities and volatility. Agriculture remains foundational across the bloc, although industrialisation and digital transformation are gaining momentum.

Inflation dynamics vary across member states (reflecting differences in monetary regimes, fiscal discipline, and external exposure). Most EAC countries have sustained single-digit inflation, but food and fuel price volatility (intensified by global supply chain disruptions) continues to challenge price stability. The EAC's roadmap toward a Monetary Union emphasises convergence criteria, including inflation thresholds, fiscal deficits, and foreign reserve adequacy.

Fiscal consolidation is uneven. Rwanda and Uganda have made progress in revenue mobilisation and expenditure efficiency, while others face rising debt burdens and constrained fiscal space. The COVID-19 pandemic and climate-related shocks have increased reliance on external financing, prompting renewed focus on debt sustainability and domestic resource mobilisation. Sovereign credit profiles reflect these dynamics (with varying degrees of market access and institutional credibility).

Intra-EAC trade remains below potential (limited by non-tariff barriers, infrastructure gaps, and regulatory fragmentation). However, the EAC Common Market Protocol and alignment with the African Continental Free Trade Area (AfCFTA) offer pathways to scale regional value chains and attract investment. Foreign direct investment (FDI) is concentrated in telecoms, energy, and agribusiness, with growing interest in fintech and green infrastructure.

EAC Macroeconomic Indicators - 2025

Country	GDP (USD Billion)	Real GDP Growth (%)	Inflation (%)	Fiscal Balance (% of GDP)
Kenya	117.0	5.5	6.8	-5.1
Tanzania	85.0	6.0	4.5	-3.5
Uganda	55.0	5.4	5.2	-4.9
Rwanda	17.5	7.2	4.8	-6.0
Burundi	4.2	4.5	20.0	-6.5
South Sudan	6.8	3.0	15.0	-7.2
DRC	65.0	6.5	12.0	-5.8

This table reflects both the economic resilience and structural vulnerabilities across the bloc. Rwanda and Tanzania lead in growth momentum, while Ethiopia and Burundi face inflationary pressures. Fiscal deficits remain elevated across the region, underscoring the need for enhanced revenue mobilisation and expenditure discipline.

Trade and Investment Flows Within EAC

The EAC continues to pursue deeper economic integration, yet intra-regional trade and investment flows remain below potential. Structural bottlenecks (such as infrastructure gaps, regulatory fragmentation, and non-tariff barriers) persist, despite progress in harmonising customs procedures and expanding transport corridors.

Intra-EAC trade accounts for approximately 15–20% of total trade volumes, with Kenya, Uganda, and Tanzania serving as key regional exporters. Manufactured goods, agricultural products, and processed foods dominate intra-bloc exchanges. However, trade imbalances persist, particularly for landlocked economies such as Burundi, Rwanda, and South Sudan, which rely heavily on imports from their coastal neighbours.

Foreign Direct Investment (FDI) inflows to the EAC reached an estimated USD 12.5 billion in 2024, with Kenya and Tanzania attracting the lion's share due to diversified economies, stable regulatory environments, and infrastructure investments. Rwanda continues to position itself as a regional innovation hub, while the DRC and South Sudan remain constrained by political instability and weak institutional frameworks.

Indicator	Value / Country (2024)	Commentary
Intra-EAC Trade Share (%)	Kenya: 22.5, Uganda: 18.3, Tanzania: 16.7	Kenya leads in regional exports, especially in manufactured goods and services.
Total FDI Inflows (USD Billion)	Kenya: 3.1, Tanzania: 2.8, Rwanda: 1.2	Kenya and Tanzania attract diversified FDI; Rwanda focuses on ICT and services.
Trade Balance (USD Billion)	Uganda: -2.4, Rwanda: -1.1, Burundi: -0.8	Persistent deficits reflect import dependence and limited export diversification.
Top Export Partners (Intra-EAC)	Kenya → Uganda, Tanzania → Rwanda	Bilateral corridors dominate; regional value chains remain underdeveloped.
Investment Growth Rate (%)	Rwanda: 8.5, Kenya: 6.2, Tanzania: 5.9	Rwanda's reforms and investor incentives drive strong investment momentum.

EAC Intra-Regional Trade: Performance and Comparative Insights

Intra-regional trade within the East African Community remains a strategic priority, yet its performance continues to lag behind both its potential and global comparators. Despite the existence of a Customs Union and Common Market Protocol, intra-EAC trade accounts for only 15–20% of total trade volumes. This is significantly lower than the European Union's intra-trade share (over 55%) and even below the Southern African Development Community (SADC), which hovers around 25%. The gap underscores the need for more effective implementation of trade facilitation measures and deeper market integration.

Kenya, Uganda, and Tanzania dominate intra-EAC exports, collectively accounting for over 70% of regional trade flows. Their relatively diversified economies, stronger manufacturing bases, and access to coastal infrastructure position them as key trade anchors. In contrast, landlocked and post-conflict economies such as Rwanda, Burundi, and South Sudan remain net importers, reflecting structural trade imbalances and limited industrial capacity. The product mix within intra-EAC trade is also narrow, with cement, maize, sugar, petroleum products, and basic manufactured goods comprising the bulk of exchanges. This concentration limits the development of regional value chains and reduces resilience to external shocks.

Comparative Metric: EAC Intra-Regional Trade Performance – 2024

Indicator	Value / Commentary
Intra-EAC Trade Share (%)	~18% of total trade (below optimal levels for a customs union)
Leading Intra-EAC Exporters	Kenya, Uganda, Tanzania (account for over 70% of intra-bloc exports)
Top Traded Products	Cement, maize, sugar, petroleum products, and manufactured goods
Trade Imbalance	Rwanda, Burundi, and South Sudan are net importers within the bloc
Border Efficiency (Avg. Clearance Time)	2–5 days (improved but still lagging global best practice)
Non-Tariff Barriers (NTBs)	Over 20 active NTBs reported in 2024 (mostly transport, standards, and licensing)
Regional Trade Growth Rate	~6.5% (2024), driven by recovery in manufacturing and agriculture
Comparative Benchmark (EU Intra-Trade)	~55% of total trade (illustrates potential for deeper integration)

Trade facilitation has seen incremental progress, particularly through digital customs systems like the Regional Electronic Cargo Tracking System and the Single Customs Territory framework. These initiatives have reduced clearance times and improved transparency. However, persistent non-tariff barriers (NTBs), fragmented regulatory regimes, and inconsistent enforcement continue to undermine efficiency. In 2024, over 20 active NTBs were reported, ranging from transport restrictions to divergent standards and licensing requirements. Border clearance times still average between two to five days, which is well above global best practice.

Infrastructure connectivity remains a mixed picture. While flagship corridors such as the Northern Corridor (linking Mombasa to Kampala and Kigali) and the Central Corridor (connecting Dar es Salaam to Burundi and the DRC) have improved regional logistics, last-mile connectivity, port congestion, and underdeveloped rail networks continue to constrain trade fluidity. These infrastructure gaps not only raise transaction costs but also limit the scalability of regional supply chains.

Foreign Direct Investment (FDI) Inflows by Country

FDI inflows across the EAC in 2024 reflected both structural disparities and emerging sectoral opportunities. Kenya retained its position as the bloc's top investment destination, attracting over USD 3.1 billion, supported by its diversified economy, fintech leadership, and regional transport infrastructure. Tanzania followed closely, drawing USD 2.8 billion, largely into mining, energy, and tourism. Rwanda continued to outperform relative to size, leveraging its streamlined regulatory environment and digital governance to attract USD 1.2 billion, primarily in ICT and services.

Uganda and the Democratic Republic of Congo (DRC) showed moderate inflows, with Uganda receiving USD 1.0 billion focused on oil and agro-processing, while the DRC attracted USD 1.5 billion, driven by global demand for critical minerals. However, both countries face challenges, Uganda with delayed oil production timelines and the DRC with political and institutional volatility. South Sudan and Burundi remained marginal recipients, with combined inflows below USD 500 million, reflecting fragile governance and limited investor confidence.

Across the region, FDI as a percentage of GDP varied widely, with Rwanda and DRC showing relatively high ratios due to smaller economic bases and targeted sectoral inflows. Key investment sectors included fintech, agribusiness, energy, mining, and digital infrastructure. While the EAC Investment Promotion framework offers a platform for harmonising incentives, deeper co-ordination and regulatory predictability are needed to unlock broader capital flows and support AfCFTA-aligned investment strategies.

Country	FDI Inflows (USD Millions)	% of GDP (Approx.)	Key Sectors
Kenya	3 100	2.6%	Fintech, transport, agribusiness
Tanzania	2 800	3.3%	Mining, energy, tourism
Rwanda	1 200	6.9%	ICT, services, green infrastructure
Uganda	1 000	1.8%	Oil and gas, agro-processing
DRC	1 500	4.2%	Mining (cobalt, copper, lithium)
South Sudan	250	2.1%	Basic infrastructure, agriculture
Burundi	200	4.8%	Agriculture, small-scale manufacturing

Currency Regimes and Monetary Policy Co-ordination

The East African Community (EAC) operates under a diverse set of currency regimes, shaped by each member state's macroeconomic conditions, institutional capacity, and monetary policy orientation. While the long-term objective remains the establishment of a regional Monetary Union (with a single currency governed by a supranational central bank), implementation has been gradual and uneven. The EAC Monetary Union Protocol (signed in 2013) outlines convergence criteria and institutional milestones, but progress has been delayed due to fiscal divergence, inflation volatility, and limited policy harmonisation.

Currently, member states maintain independent central banks and distinct exchange rate arrangements. Kenya, Tanzania, and Uganda operate managed float regimes (allowing market-driven adjustments with occasional interventions), while Rwanda maintains a crawling peg (adjusted periodically to reflect macroeconomic trends). Burundi leans toward a fixed regime (with limited flexibility), and South Sudan and the Democratic Republic of Congo (DRC) face fragile monetary environments (characterised by high inflation, currency instability, and constrained central bank autonomy). These divergent regimes complicate co-ordination and pose risks to macroeconomic convergence.

Monetary policy co-ordination is guided by the EAC convergence framework (which sets targets for inflation below 8%, fiscal deficits below 3% of GDP, and foreign reserves covering at least 4.5 months of imports). Rwanda and Tanzania have made notable progress toward these benchmarks, while others face structural and institutional constraints. The planned establishment of the East African Monetary Institute (EAMI) is a critical step toward harmonising monetary policy, enhancing macroeconomic surveillance, and preparing for a regional central bank. Achieving full monetary integration will require stronger fiscal discipline, improved statistical capacity, and sustained political commitment across the bloc.

3. Institutional and Governance Framework

The East African Community (EAC) operates through a multilayered institutional architecture designed to facilitate regional integration, policy harmonisation, and legal coherence across its seven member states. Its governance framework is anchored in the Treaty for the Establishment of the EAC (1999), which outlines the roles, responsibilities, and interrelationships of its organs and institutions. This framework balances supranational co-ordination with national sovereignty, enabling collective decision-making while respecting domestic policy space.

At the apex of the EAC governance structure is the Summit of Heads of State (which sets strategic direction and political priorities). Below it, the Council of Ministers (comprising ministers responsible for EAC affairs) oversees policy implementation and co-ordination. The Secretariat serves as the executive arm (managing day-to-day operations, technical programmes, and integration initiatives), while the East African Court of Justice ensures legal compliance and treaty interpretation. The East African Legislative Assembly (EALA) provides a regional parliamentary platform for lawmaking, oversight, and representation.

Specialised institutions and sectoral bodies complement this core architecture, addressing areas such as trade, health, infrastructure, standards, and monetary integration. These include the East African Competition Authority, the Lake Victoria Basin Commission, and the East African Science and Technology Commission. The planned East African Monetary Institute (EAMI) will play a pivotal role in macroeconomic surveillance and monetary policy harmonisation. Together, these institutions form a functional ecosystem that supports the EAC's integration agenda, though challenges remain in funding, institutional capacity, and enforcement consistency.

Core Institutions and Functional Architecture

Institution	Function
Summit of Heads of State	Sets strategic direction, resolves high-level policy issues
Council of Ministers	Oversees policy co-ordination, approves budgets and regulations
EAC Secretariat	Implements programmes, manages operations, and supports integration processes
East African Legislative Assembly (EALA)	Enacts regional laws, conducts oversight, and represents citizens
East African Court of Justice	Interprets the EAC Treaty, adjudicates disputes, and ensures legal compliance
East African Competition Authority	Regulates fair competition, addresses cross-border market abuses
Lake Victoria Basin Commission	Co-ordinates environmental and resource management in the basin
East African Science and Technology Commission	Promotes innovation, research, and regional scientific collaboration
East African Monetary Institute (EAMI)	Prepares for monetary union, conducts macroeconomic surveillance

EAC Governance Scorecard

The following scorecard provides a synthesised assessment of the EAC's governance performance across key dimensions:

Dimension	2024 Estimate	Assessment
Rule of Law	Moderate (0.45 average index)	Legal frameworks exist, but enforcement is uneven across member states
Regulatory Quality	Mixed (0.50 average index)	Kenya and Rwanda lead, others face capacity and consistency challenges
Government Effectiveness	Moderate (0.48 average index)	Strong policy ambition, but implementation gaps persist
Voice and Accountability	Variable (0.42 average index)	Rwanda and Tanzania show progress, but media freedom and civic space vary
Control of Corruption	Low to Moderate (0.38 average index)	Anti-corruption efforts are uneven, with institutional weaknesses in some states
Political Stability	Fragile (0.35 average index)	South Sudan and DRC weigh down the regional average due to conflict exposure
Regional Institutional Cohesion	Moderate	Core institutions function, but funding and enforcement remain constrained
Judicial Independence	Mixed	The East African Court of Justice is active, but national courts vary in autonomy
Public Sector Transparency	Improving	EAC Secretariat promotes open budgeting, but national uptake is uneven

4. Financial Integration and Capital Markets

Regional Financial Integration Landscape

The East African Community (EAC) has made measured progress toward regional financial integration, anchored in its broader economic integration agenda. The region's financial landscape remains fragmented, but efforts to harmonise banking supervision, cross-border payments, and capital market development are gradually taking shape. The EAC Financial Sector Development and Regionalisation Project (FSDRP) has been instrumental in aligning regulatory frameworks, promoting financial inclusion, and enhancing institutional capacity across member states.

Cross-border banking is one of the most visible signs of integration. Kenyan banks (such as Equity Group and KCB) have expanded operations into Uganda, Rwanda, Tanzania, and South Sudan, facilitating regional capital mobility and financial deepening. However, disparities in regulatory standards, supervisory capacity, and financial infrastructure continue to limit seamless integration. While some countries have adopted risk-based supervision and Basel II/III frameworks, others lag in prudential oversight and digital infrastructure readiness.

Capital market integration remains nascent. The EAC has initiated steps toward linking national stock exchanges (including the Nairobi Securities Exchange, Dar es Salaam Stock Exchange, and Rwanda Stock

Exchange), but trading volumes, investor bases, and product diversity remain limited. Efforts to harmonise listing rules, disclosure standards, and settlement systems are ongoing, yet constrained by institutional fragmentation and low regional savings rates. The development of a regional yield curve and sovereign bond market could enhance liquidity and support long-term investment, but this requires co-ordinated fiscal and monetary policies.

Payment systems integration has seen more tangible progress. The East African Payments System (EAPS), launched by EAC central banks, enables real-time gross settlement across member states in local currencies. This has reduced transaction costs and improved cross-border trade efficiency. Mobile money interoperability is also advancing, particularly between Kenya, Rwanda, and Uganda, though regulatory harmonisation remains uneven. The planned EAMI is expected to play a pivotal role in co-ordinating financial sector reforms and preparing for monetary union.

Domestic Market Capitalisation by Country (2024 Estimates)

The following table presents estimated market capitalisation figures for selected EAC member states in 2024, along with notes on key exchanges and financial infrastructure:

Country	Market Capitalisation (USD Billion)	Key Exchanges / Notes
Kenya	16.1	Nairobi Securities Exchange (NSE), most active in the region
Tanzania	6.7	Dar es Salaam Stock Exchange (DSE), limited listings
Rwanda	3.2	Rwanda Stock Exchange (RSE), growing fintech and SME interest
Uganda	2.5	Uganda Securities Exchange (USE), low liquidity
Burundi	<0.5	No formal stock exchange, limited capital market activity
South Sudan	<0.5	No operational exchange, informal financial sector dominates
DRC	<1.0	No active domestic exchange, relies on regional capital flows

Kenya leads the region in market depth and investor activity, while Rwanda shows promising growth in digital listings and SME financing. Most other member states face structural constraints, including low investor bases, limited financial infrastructure, and underdeveloped regulatory frameworks.

5. Debt Sustainability and Fiscal Co-ordination

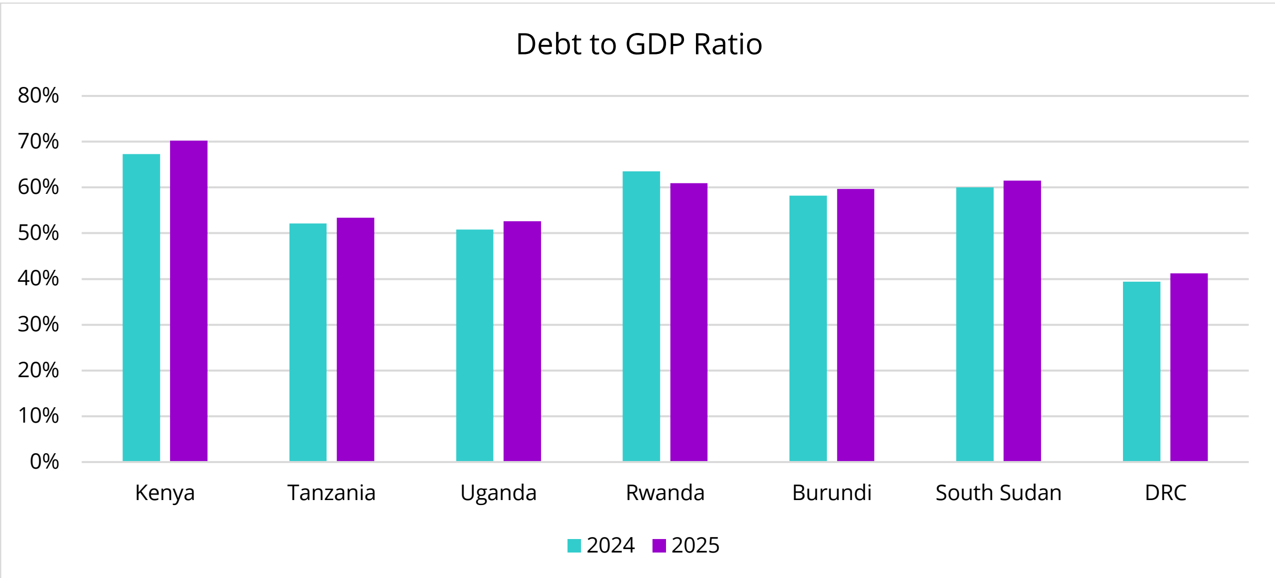
Regional Debt Trends and Risk-sharing Mechanisms

Public debt across the EAC has risen steadily over the past decade, reflecting increased infrastructure investment, pandemic-related fiscal pressures, and structural revenue constraints. As of 2025, debt-to-GDP ratios range from moderate levels in Tanzania and the Democratic Republic of Congo (around 40–53%) to elevated levels in Kenya and Rwanda (above 60%). While most member states rely on concessional financing, there is growing exposure to commercial debt, including Eurobonds and syndicated loans, which heighten refinancing and interest rate risks.

The composition of debt varies across the bloc. Kenya and Uganda have diversified their borrowing sources, including domestic bond markets and international capital flows, while Burundi and South Sudan remain heavily dependent on multilateral and bilateral concessional loans. Rwanda's declining debt ratio reflects disciplined fiscal management and strong donor confidence, whereas Kenya's rising trajectory signals mounting fiscal stress and debt service obligations. The region's overall debt sustainability is challenged by limited export diversification, currency volatility, and shallow domestic capital markets.

Formal risk-sharing mechanisms within the EAC remain underdeveloped. While the Treaty and Monetary Union Protocol envision co-ordinated fiscal surveillance and macroeconomic convergence, implementation has been slow. The absence of a regional stabilisation fund or pooled guarantee facility limits the bloc's ability to buffer asymmetric shocks or support distressed member states. The East African Monetary Institute (EAMI), once operational, is expected to enhance debt monitoring and policy harmonisation, but its mandate does not yet include fiscal transfers or joint debt issuance.

Some informal co-ordination exists through peer review mechanisms and convergence criteria (including debt thresholds below 50% of GDP), but enforcement is weak and politically sensitive. Regional development banks, such as the Trade and Development Bank (TDB), offer syndicated financing and risk mitigation instruments, but access remains uneven.

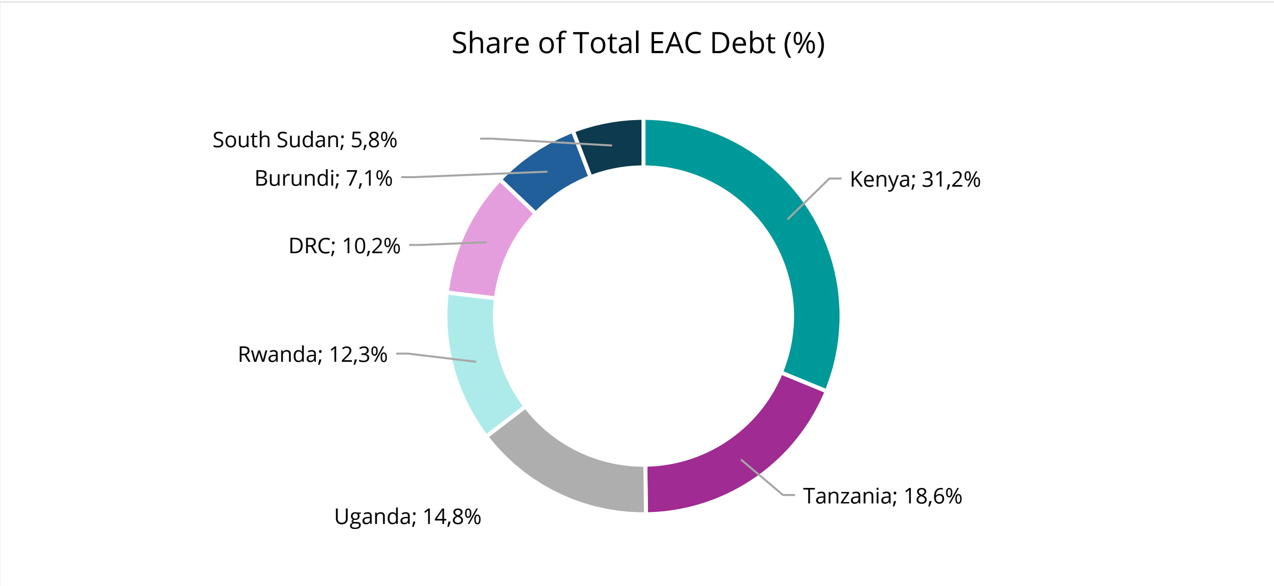


Public debt levels across the East African Community reflect a mix of fiscal expansion, infrastructure investment, and external vulnerabilities. Kenya's debt-to-GDP ratio continues to rise (from 67.3% in 2024 to 70.2% in 2025), driven by large-scale infrastructure projects, elevated interest obligations, and constrained revenue performance. Rwanda, in contrast, shows a declining trajectory (from 63.5% to 60.9% percent), supported by disciplined fiscal management, concessional financing, and strong donor engagement. Tanzania and Uganda maintain moderate debt levels, with ratios hovering around 50–53%, reflecting cautious borrowing and steady revenue growth.

Burundi and South Sudan face elevated but relatively stable debt burdens, with ratios near or above 59%. These figures are shaped by limited domestic revenue capacity and reliance on concessional loans, rather than aggressive market borrowing. South Sudan's estimates remain volatile due to oil price fluctuations and post-conflict reconstruction needs. The Democratic Republic of Congo (DRC) maintains the lowest debt ratio in the bloc (around 39.4% in 2024, rising modestly to 41.2% in 2025), though this masks underlying fiscal pressures linked to infrastructure demands and social sector spending.

Across the region, rising debt levels underscore the importance of co-ordinated fiscal discipline, enhanced domestic resource mobilisation, and transparent debt management. While most EAC countries remain below critical thresholds, the growing share of non-concessional borrowing and exposure to external shocks heightens refinancing risks. Strengthening regional debt surveillance, harmonising reporting standards, and exploring pooled financing mechanisms could support long-term sustainability and reinforce investor confidence in the bloc's sovereign credit profiles.

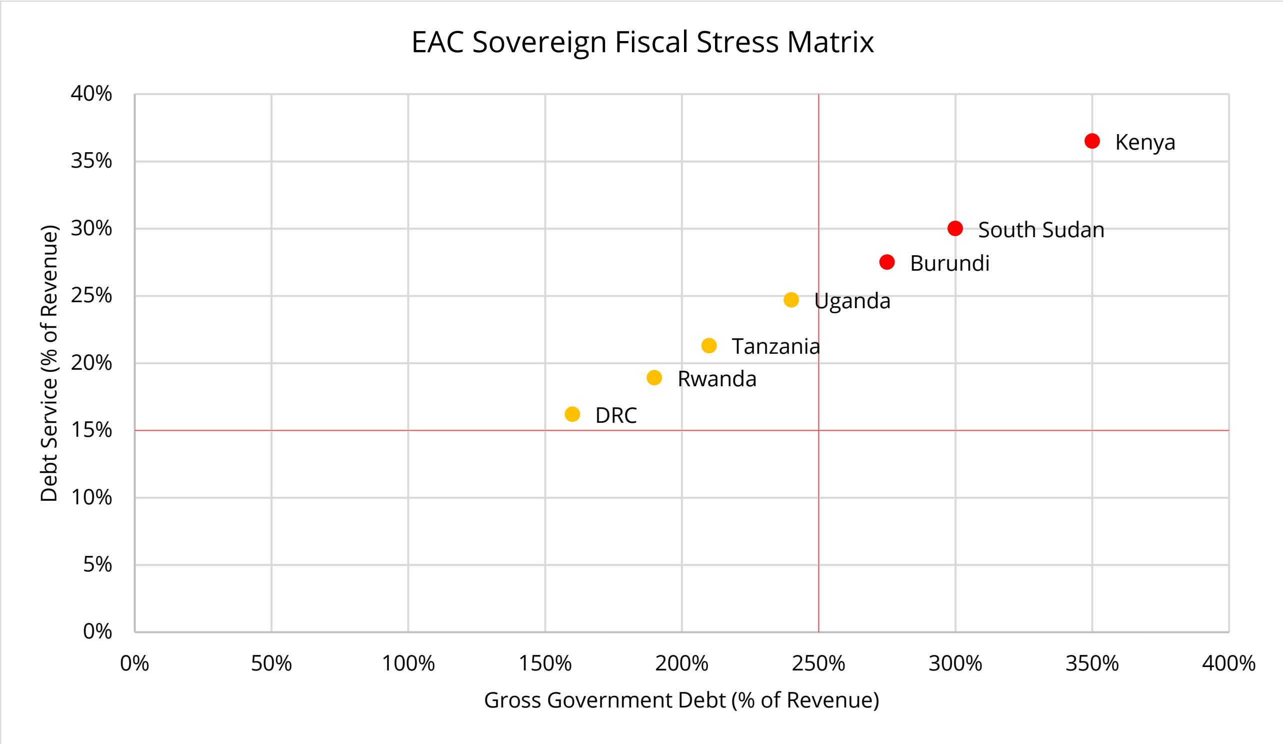
Debt Share



Kenya accounts for nearly one third of the region's total debt, reflecting its large economy and reliance on both domestic and external borrowing. Tanzania and Uganda follow with moderate shares, while Rwanda's disciplined fiscal path is gradually reducing its proportional burden. Smaller economies like Burundi and South Sudan contribute less in absolute terms but face higher debt stress relative to their GDP.

EAC Sovereign Fiscal Stress

Debt affordability reflects a country's ability to service its debt without compromising fiscal sustainability. SAR considers both debt stock and interest payment burdens when assessing sovereign creditworthiness.



Kenya faces the most acute fiscal pressure, with debt service consuming over a third of public revenue and a debt-to-revenue ratio exceeding 350%. Tanzania and Uganda maintain moderate ratios, though Uganda's figures are trending upward due to oil-related borrowing. Rwanda shows disciplined fiscal management, while Burundi and South Sudan face elevated stress due to weak revenue bases and external vulnerabilities. The DRC remains below regional averages but is on an upward trajectory.

6. Political and Security Stability

Regional Conflict Resolution Mechanisms

The EAC has developed a modest but evolving framework for regional conflict prevention and resolution, anchored in its broader peace and security agenda. The Treaty for the Establishment of the EAC mandates member states to promote peaceful co-existence and collective security, while the Protocol on Peace and Security (2014) outlines mechanisms for early warning, mediation, and joint responses to threats. However, implementation remains uneven, and the region continues to rely heavily on ad hoc diplomacy and external actors for crisis management.

At the institutional level, the EAC Peace and Security Department co-ordinates regional efforts, including the development of an Early Warning Mechanism (EACWARN), which is designed to monitor and analyse potential conflict triggers. The EAC Mediation Framework provides for the appointment of Special Envoys and Eminent Persons to facilitate dialogue in times of political tension or post-conflict recovery. These mechanisms have been activated in contexts such as Burundi's political crisis and South Sudan's peace process, though often in parallel with AU and IGAD interventions. The lack of a standing force or rapid deployment capability limits the EAC's ability to respond decisively to armed conflict or humanitarian emergencies.

Operationally, the EAC has prioritised preventive diplomacy and confidence-building measures, including joint border commissions, inter-state security dialogues, and regional counter-terrorism co-ordination. However, political sensitivities, sovereignty concerns, and resource constraints have hindered deeper integration of security responses. The absence of a binding mutual defence clause or structured burden-sharing arrangement further weakens the bloc's capacity to manage cross-border instability. Strengthening institutional autonomy, enhancing funding for peace operations, and formalising links with continental mechanisms (such as the African Peace and Security Architecture) would improve the EAC's strategic posture in conflict resolution.

7. Infrastructure and Economic Resilience

Regional Transport, Energy, and Digital Infrastructure

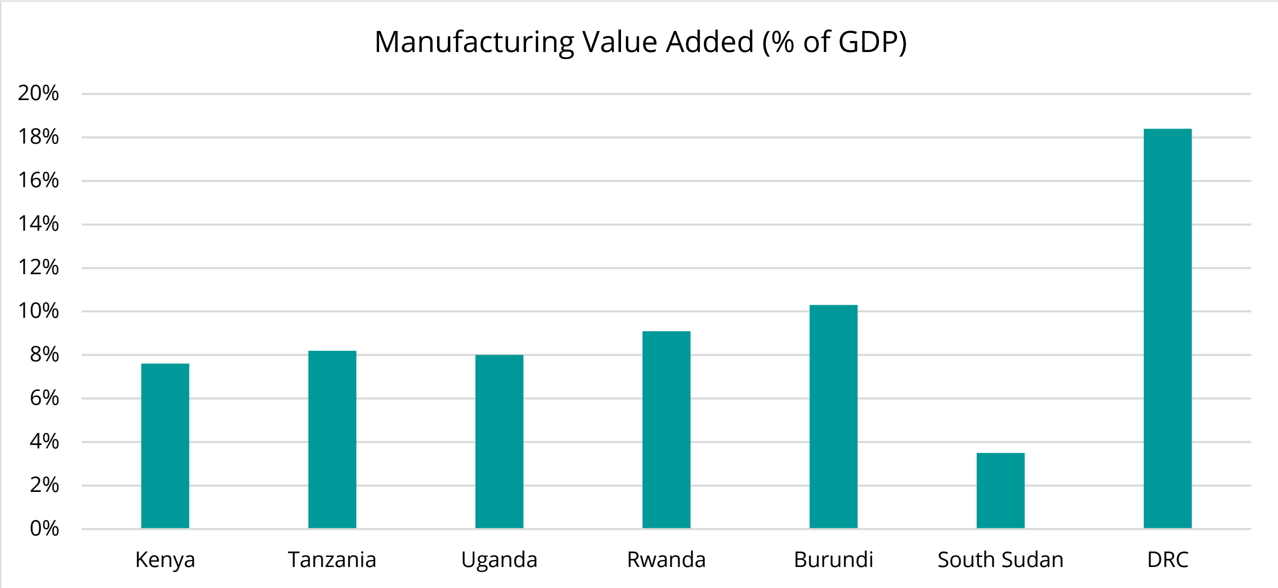
Transport infrastructure remains central to the EAC's integration and resilience agenda. The region has prioritised cross-border connectivity through flagship projects such as the Northern Corridor (linking Mombasa to Uganda, Rwanda, and South Sudan) and the Central Corridor (connecting Dar es Salaam to Burundi and DRC). Standard Gauge Railway (SGR) developments in Kenya and Tanzania aim to reduce freight costs and improve logistics efficiency, though financing gaps and co-ordination delays persist. Inland port upgrades, road corridor harmonisation, and one-stop border posts have enhanced trade facilitation, yet last-mile connectivity and maintenance remain uneven across member states.

Energy infrastructure is expanding, but disparities in access and generation capacity continue to constrain industrial growth and climate resilience. Kenya leads in renewable energy penetration (over 80% of its electricity mix), while Uganda and Tanzania are scaling up hydro and geothermal investments. The East African Power Pool (EAPP) is a strategic initiative to interconnect national grids and enable cross-border electricity trade, though technical harmonisation and regulatory alignment are still in progress. Energy access remains low in Burundi, South Sudan, and parts of DRC, underscoring the need for decentralised solutions and blended finance for rural electrification.

Digital infrastructure is advancing rapidly, positioning the EAC as a potential hub for tech-driven resilience and innovation. Kenya and Rwanda lead in broadband penetration, mobile money adoption, and e-government platforms. Regional initiatives such as the EAC Digital Agenda and the One Network Area (ONA) have reduced roaming charges and promoted digital inclusion. However, disparities in spectrum management, cybersecurity frameworks, and data governance hinder seamless integration. Strengthening regional digital corridors, cloud infrastructure, and regulatory interoperability will be critical to unlocking the bloc's digital economy potential and supporting resilient service delivery.

Natural Resource Beneficiation

Manufacturing remains a modest contributor to GDP across most EAC countries, reflecting limited beneficiation of natural resources:



Kenya, Tanzania, and Uganda show relatively stable shares (between 7.6 and 8.2%), reflecting ongoing industrial diversification efforts, particularly in agro-processing, textiles, and construction materials. However, these figures fall short of the EAC Industrialisation Policy target of 25%, underscoring the need for deeper value chain integration and infrastructure investment.

Rwanda and Burundi demonstrate higher manufacturing shares relative to GDP (9.1 and 10.3% respectively), driven by targeted industrial parks, SME support, and import substitution strategies. Rwanda's performance is particularly notable given its small economic base and strong policy coherence. South Sudan's manufacturing sector remains underdeveloped due to conflict-related disruptions and limited industrial capacity, while the Democratic Republic of Congo (DRC) stands out with the highest share (18.4%), largely driven by mineral processing and informal industrial activity.

To enhance regional resilience and competitiveness, the EAC must accelerate harmonised industrial policies, improve energy and transport infrastructure, and promote regional value chains aligned with AfCFTA protocols. Strengthening access to finance, skills development, and digital manufacturing platforms will be critical to scaling manufacturing's contribution to GDP and employment.

8. EAC's Role in Continental Integration

Alignment with AfCFTA and AU Agenda 2063

The East African Community has demonstrated strong rhetorical and policy alignment with the African Continental Free Trade Area (AfCFTA) and the African Union's Agenda 2063, positioning itself as a key regional bloc in Africa's integration architecture. As one of the most advanced Regional Economic Communities (RECs), the EAC's customs union, common market, and ongoing monetary union efforts reflect core pillars of Agenda 2063's vision for a united, prosperous, and interconnected continent. The bloc's legal frameworks, including the EAC Treaty and Protocols on Trade, Investment, and Infrastructure, are broadly compatible with AfCFTA provisions on tariff liberalisation, non-tariff barrier elimination, and trade in services.

Operationally, the EAC has made tangible progress in harmonising standards, streamlining border procedures, and digitising trade facilitation tools, such as the Regional Electronic Cargo Tracking System (RECTS) and One Stop Border Posts (OSBPs). These initiatives directly support AfCFTA's goals of reducing intra-African trade costs and enhancing supply chain connectivity. Moreover, EAC member states have been active in AfCFTA negotiations, particularly in services liberalisation and investment protocols, with Kenya, Rwanda, and Uganda emerging as early implementers. However, challenges remain in aligning rules of origin, dispute settlement mechanisms, and digital trade frameworks across both regional and continental levels.

From a strategic perspective, the EAC's alignment with Agenda 2063 is evident in its infrastructure corridors (Northern and Central), industrialisation policies, and youth empowerment programmes. Yet, gaps persist in financing, institutional co-ordination, and political coherence. Fragmented implementation across member states, limited uptake of continental monitoring tools, and overlapping REC memberships (e.g., COMESA, IGAD) dilute policy effectiveness. To fully leverage AfCFTA and Agenda 2063, the EAC must deepen convergence, strengthen its institutional interface with the AU Commission, and embed continental priorities into national development plans. Doing so would enhance Africa's collective bargaining power, accelerate structural transformation, and position the EAC as a model for regional integration.

9. Rating Implications and Outlook

Country	GDP Per Capita (USD)	GDP Growth (%)	FDI Inflows (% of GDP)	Inflation Rate (%)	Corruption Control Index (0–100)
Kenya	2 187	5.4	2.6	6.8	34
Uganda	1 304	5.2	2.1	5.9	26
Tanzania	1 272	5.6	2.8	4.5	30
Rwanda	990	6.8	5.4	4.2	53
Burundi	156	3.8	1.2	8.5	19
South Sudan	334	1.9	~2.0	15.0	11
DRC	744	4.5	4.2	12.3	20

Across the East African Community, GDP per capita remains modest but reflects varying levels of economic maturity and structural transformation. Kenya leads with over USD 2 100, followed by Uganda and Tanzania, both above USD 1 200. Rwanda's figure remains below USD 1 000, yet its high growth rate (6.8%) signals strong momentum. Burundi and South Sudan continue to lag, with per capita incomes below USD 350, underscoring deep structural constraints and fragility. The Democratic Republic of Congo (DRC), while slightly ahead of its low-income peers, still faces significant development gaps despite its resource wealth.

FDI inflows as a percentage of GDP reveal Rwanda's exceptional performance (5.4%), driven by investor-friendly reforms and institutional credibility. DRC also shows strong FDI intensity (4.2%), largely in mining, while Kenya, Tanzania, and Uganda maintain moderate levels between 2.1% and 2.8%. Inflation remains contained in most countries, with Rwanda and Tanzania below 5%, while South Sudan and DRC face double-digit inflation, reflecting macroeconomic instability and currency pressures. Kenya's inflation (6.8%) is elevated but manageable, linked to food and fuel price dynamics.

Governance indicators, particularly corruption control, show wide disparities. Rwanda stands out with a score of 53 (on a 0–100 scale), reflecting robust institutional integrity and public sector discipline. Kenya and Tanzania score in the 30s, indicating moderate control but persistent challenges. Uganda, Burundi, South Sudan, and DRC score below 30, highlighting systemic governance weaknesses that undermine fiscal credibility, service delivery, and investor confidence. These governance gaps remain a critical barrier to inclusive growth and regional convergence.

Regional Rating Sensitivities (SAR Perspective)

Country	Rating Sensitivity Drivers	EAC Impact	Outlook
Kenya	High debt burden, fiscal slippage, external refinancing risks	Anchor economy; regional financial hub	Negative to Stable
Uganda	Oil sector rollout, revenue mobilisation, governance reforms	Strategic corridor; moderate fiscal discipline	Stable
Tanzania	Public investment efficiency, debt transparency, FX stability	Trade gateway; rising regional influence	Stable to Positive
Rwanda	Institutional strength, concessional financing, export growth	Governance benchmark; digital integration lead	Positive
Burundi	Weak revenue base, political risk, concessional debt reliance	Limited integration; fragile macro fundamentals	Negative
South Sudan	Conflict risk, oil dependency, institutional fragility	Peripheral role; high contagion risk	Negative
DRC	Resource-driven growth, infrastructure gaps, governance limits	Expanding EAC footprint; high volatility	Stable to Negative

Kenya remains systemically important but faces pressure from rising debt service and external vulnerabilities, warranting a cautious outlook. Rwanda stands out for its institutional strength and disciplined fiscal management, supporting a positive trajectory. Tanzania and Uganda maintain stable profiles, with Tanzania showing upward potential due to infrastructure-led growth and Uganda benefiting from oil sector prospects.

Burundi, South Sudan, and DRC present elevated sovereign risk due to weak governance, limited fiscal space, and exposure to political or commodity shocks. Their integration into the EAC adds complexity to regional risk-sharing and convergence efforts. Overall, the EAC's deepening integration offers long-term credit enhancement potential, but asymmetric macro-fundamentals and uneven institutional capacity remain key rating sensitivities.

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