



WEEKLY INSIGHT – MAY 20, 2026

The East Africa Community Unified Capital Market Explained

Analyst : Munyaradzi Madambi

Head Researcher : Rumbidzai Siyawamwaya

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The East African Community is working toward one of the continent's most ambitious financial integration projects: a unified regional capital market. The goal is to move beyond isolated national exchanges and build a connected financial ecosystem where investors, brokers, issuers, regulators, and central securities depositories can operate across borders with far less friction.

This matters because the old development model is under pressure. Export-led growth is becoming harder as global protectionism rises and sustainability-linked trade standards become more demanding. At the same time, external debt has become more expensive, and debt servicing is consuming a growing share of government revenues across several African economies.

For East Africa, regional integration is no longer just a policy ambition. It is becoming an economic necessity.

A unified capital market could help the region mobilize long-term savings, reduce dependence on foreign-currency borrowing, deepen liquidity, and finance the industrial base needed to create productive jobs. If implemented effectively, it could become one of the most important pieces of East Africa's economic transformation agenda.

1. What is the EAC Unified Capital Market?

The EAC Unified Capital Market is a regional initiative designed to connect national capital markets into a more integrated operating environment.

At the centre of this effort is the East African Capital Markets Infrastructure, or EACMI. In simple terms, EACMI is the market plumbing. It is the technological and institutional framework intended to allow stock exchanges, central securities depositories, brokers, regulators, and payment systems in different EAC countries to communicate more efficiently.

The long-term objective is a single electronic gateway through which investors can access regional securities without having to navigate completely separate systems in every country.

Today, East Africa's capital markets remain fragmented. Each exchange has its own trading systems, settlement processes, tax rules, regulatory procedures, and market depth. This makes cross-border investment costly and slow. It also limits liquidity, especially in smaller markets.

The unified market seeks to reduce these barriers by improving interoperability and harmonizing rules across the region.



Key institution	Role in the unified market
EACMI	Provides the core digital infrastructure for cross-border market connectivity
Stock exchanges	List and trade securities across participating markets
Central securities depositories	Support clearing, settlement, and custody of securities
Capital market regulators	Harmonize rules, licensing standards, disclosure requirements, and investor protection
Central banks and payment systems	Support settlement, currency conversion, and financial stability
Brokers and investment firms	Provide investor access to regional securities

Participating exchanges include the Nairobi Securities Exchange, Dar es Salaam Stock Exchange, Uganda Securities Exchange, Rwanda Stock Exchange, Burundi Securities Exchange, and emerging Somali market institutions such as the National Securities Exchange of Somalia and the Somali Stock Exchange. The Ethiopia Stock Exchange is also an important observer, pointing to the possibility of wider regional alignment over time.

The fundamental shift is from fragmented domestic pools of capital toward a more connected regional investment ecosystem.

2. Why Market Integration Matters Now

The case for integration is strongest when viewed against East Africa’s financing challenge.

Many governments and businesses in the region face a difficult funding environment. Commercial bank loans remain expensive. Eurobond markets are more costly than they were during the era of cheap global liquidity. External debt exposes borrowers to exchange-rate risk. Meanwhile, domestic capital markets are often too shallow to finance large-scale infrastructure, manufacturing, energy, and logistics projects.

In Kenya, for example, debt servicing has been reported to absorb about 68% of total revenue, leaving less fiscal space for development spending. Across the region, the reliance on external borrowing has made countries vulnerable to global interest-rate shocks and currency depreciation.

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At the same time, logistics costs remain high. Intra-EAC transport costs are estimated at around US\$1.8 per kilometre, compared with a global best-practice benchmark of about US\$1 per kilometre. These costs reduce competitiveness and make it harder for regional firms to scale.

Capital market integration cannot solve all these problems by itself. But it can help reduce one of the region’s biggest constraints: the cost and availability of long-term capital.

A deeper regional market can:

- Increase liquidity by combining investor demand across several countries.
- Improve price discovery by allowing more buyers and sellers to participate.
- Lower financing costs by increasing competition among investors.
- Expand the investor base for companies, governments, and infrastructure projects.
- Support regional bond markets, including infrastructure bonds, green bonds, and corporate debt.

The logic is simple: bigger markets can finance bigger ambitions.

3. From Fragmented Markets to a Regional Liquidity Pool

In a fragmented market, capital is trapped inside national borders. A company listed in one country may struggle to attract investors from neighbouring markets, even when those investors are interested. A pension fund may want regional exposure but face operational, regulatory, or custody barriers. A retail investor may see opportunities across the border but be discouraged by account-opening requirements, tax uncertainty, or currency conversion complications.

A unified capital market changes this structure. When trading systems, depositories, brokers, and regulators become more interoperable, orders can move more easily across borders. This creates the foundation for a larger regional liquidity pool.

Feature	Fragmented market reality	Integrated market future
Capital availability	Small domestic pools with limited cross-border participation	Larger regional pool drawing from investors across the EAC



Borrowing costs	Higher costs due to shallow markets and limited investor competition	Potentially lower costs as issuers access a broader investor base
Debt structure	Greater dependence on Eurobonds, commercial loans, and foreign-currency borrowing	More room for local-currency bonds, regional bonds, and infrastructure finance
Market friction	Separate accounts, different rules, inconsistent tax treatment, and settlement delays	More seamless order routing, harmonized rules, and improved settlement infrastructure
Investor access	Limited exposure to neighbouring markets	Easier access to listed securities across participating exchanges
Liquidity	Concentrated mainly in larger exchanges	Broader participation, although liquidity may still remain uneven in the early stages

The strongest long-term benefit is not simply more trading. It is more productive use of capital.

East Africa needs long-term financing for manufacturing, agro-processing, energy, transport corridors, housing, digital infrastructure, and climate-resilient development. These sectors require capital that is patient, scalable, and available in local or regional currency.

A unified capital market can help shift the region away from excessive dependence on short-term bank lending and foreign-currency debt toward a more sustainable model of regional savings and investment.

4. The Investor Opportunity: Access, Diversification, and Scale

For investors, the EAC Unified Capital Market creates a new way to think about opportunity.

Instead of looking only at one domestic exchange, investors can begin to think regionally. East Africa is not one uniform economy. Kenya has a deeper financial and technology ecosystem. Tanzania has scale, natural resources, and infrastructure potential. Rwanda has positioned itself around services, governance reform, and high growth. Uganda has energy, agriculture, and a growing consumer base. Burundi,

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Somalia, South Sudan, and the Democratic Republic of Congo expand the long-term regional frontier.

Institutional capital expansion:

The biggest opportunity may come from institutional investors.

Pension funds, SACCOs, insurers, and asset managers control large pools of long-term savings. However, many of these funds remain heavily concentrated in government securities and traditional domestic instruments.

Some estimates suggest that 92% of Kenyan pension assets and around 80% of Ugandan institutional assets remain concentrated in traditional, relatively conservative instruments.

A deeper regional market could give these institutions more investable options, including:

- Regional infrastructure bonds for roads, ports, energy, and logistics corridors.
- Green bonds for climate-resilient infrastructure and renewable energy.
- Corporate bonds for large regional companies.
- Listed equities in sectors tied to consumption, finance, agriculture, telecoms, and manufacturing.
- Collective investment vehicles that pool regional exposure for smaller investors.

As institutional participation grows, secondary market liquidity should also improve. That is important because investors are more willing to buy assets when they believe they can sell them at fair prices later.

5. Why This Matters for Jobs and Industrialization

The EAC Unified Capital Market should not be seen only as a financial-sector reform. Its real importance lies in its potential contribution to jobs and industrial transformation.

East Africa is one of Africa's fastest-growing regions, but growth has not always translated into enough productive employment. Informality remains high, and a large share of urban jobs still sit outside formal, high-productivity sectors. In some estimates, up to 90% of urban jobs remain informal.

This is a major development challenge. A youthful population can become a demographic dividend only if economies create enough productive jobs. That requires investment in sectors that raise productivity and absorb labour at scale: manufacturing, agro-processing, logistics, construction materials, energy, technology services, and higher-value agriculture.

These sectors need capital. A fragmented capital market cannot easily finance regional manufacturing corridors, energy networks, industrial parks, or large logistics systems.

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Domestic markets are often too small. Bank lending is often too short-term. Foreign borrowing can be expensive and risky.

A unified capital market gives the region a better chance to mobilize its own savings and direct them toward productive investment.

The connection between finance and jobs is therefore direct: without long-term capital, industrial policy remains underfunded. Without industrialization, growth remains less inclusive. Without productive jobs, the demographic dividend becomes a social pressure rather than an economic advantage.

6. The Risks Investors Must Understand

The promise of a unified market is significant, but the risks are real. The project remains a work in progress, and investors should avoid assuming that integration automatically eliminates regional market friction.

Currency and convertibility risk:

EAC countries still use different national currencies. Exchange-rate movements can reduce returns for cross-border investors, even when the underlying asset performs well.

Foreign exchange shortages can also complicate the repatriation of dividends, interest payments, or sale proceeds.

Regulatory and tax differences:

Tax rules are not yet fully harmonized. Withholding tax, capital gains tax, reporting requirements, and investor documentation may still vary across jurisdictions.

This means investors must calculate returns after tax, not just before tax.

Uneven liquidity:

Liquidity is still concentrated in larger markets, especially Nairobi. Smaller and newer exchanges may have thin trading volumes, wider bid-ask spreads, and fewer active buyers and sellers.

This can make it harder to enter or exit positions at attractive prices.

Settlement and infrastructure gaps:

Although EACMI aims to improve interoperability, differences between national central securities depositories and payment systems can still create settlement delays or operational complexity.

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The success of the unified market will depend not only on policy announcements but on the reliability of day-to-day trading, settlement, custody, and reporting systems.

7. What Investors Should Watch

What to watch	Why it matters
Broker participation	Investors need licensed brokers that are actually connected to regional infrastructure
Tax harmonization	Different withholding and capital gains rules can materially change net returns
Settlement efficiency	Faster and more reliable settlement increases investor confidence
Liquidity beyond Nairobi	A truly regional market requires trading depth outside the largest exchange
Institutional investor activity	Pension funds and insurers can deepen liquidity and support long-term issuance
Regional bond issuance	Infrastructure, green, and corporate bonds will show whether the market is financing productive investment
Currency stability	FX volatility can affect cross-border returns and capital repatriation

For institutional investors, the bigger task is to build regional allocation strategies that match long-term liabilities with long-term productive assets.

8. The Narrowing Window of Opportunity

The EAC Unified Capital Market is emerging at a critical moment.

East Africa has growth potential, a young population, expanding cities, and rising demand for infrastructure and financial services. But the region also faces debt pressure, high logistics costs, informality, and a global environment that is less forgiving than before.

The old assumption that African economies could simply export more to the Global North, borrow cheaply from international markets, and grow their way into industrialization is becoming weaker.

The next phase of development will require stronger internal markets, deeper regional value chains, and more effective mobilization of domestic and regional savings.

That is why the unified capital market matters.

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It is not just about connecting trading screens. It is about connecting savings to investment, investors to opportunity, and regional capital to regional development.

If East Africa can integrate its financial markets as effectively as it seeks to integrate its roads, ports, energy systems, and trade corridors, the EAC Unified Capital Market could become one of the region's most important engines of economic sovereignty.

For investors, policymakers, and businesses, the message is clear: the opportunity is not only in watching East Africa grow. It is in understanding the financial architecture that will determine how that growth is funded.

Methodology

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