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Bridging Eastern and Southern Africa: connectivity, trade and investment for a more integrated continent

Note by the secretariat*

Summary

Eastern and Southern Africa share membership of four regional economic communities, adjoining borders and corridors, and two continental trade arrangements, the African Continental Free Trade Area and the Tripartite Free Trade Area. The present note summarises an issues paper that asks how far these links hold in practice, using official data mostly up to 2025 and six channels of analysis, namely trade, investment, company presence, capital markets, infrastructure and cross-cutting arrangements. It finds that the two blocks are connected, but narrowly. Most trade and investment remains within each block, and cross-block links run through a few countries, products and large firms, mostly from South to East and often along one mineral corridor. Capital barely crosses the boundary, infrastructure links the blocks at only three corridors, and the two trade agreements are further advanced on paper than in use. The gap lies less in missing institutions than in existing ones that do not yet operate across the boundary. The note sets out 15 practical recommendations in five areas, with time horizons and measures of progress, for consideration by member states.

* The present note summarises the revised draft issues paper prepared by an international consultant for the Joint ICSOE (October 2026), which contains the full set of tables, figures, appendices and sources.

Introduction

1. The present note summarises the revised draft issues paper prepared for the Joint Session of the Intergovernmental Committee of Senior Officials and Experts (ICSOE) for Eastern and Southern Africa, convened by the Economic Commission for Africa (ECA) through its sub-regional offices in Kigali and Lusaka. An international consultant prepared the paper under the terms of reference for the Joint ICSOE. It serves as the cross-sectoral evidence base for the session and complements four thematic papers on tourism, energy connectivity, trade facilitation and finance for investment.

2. The session rests on the premise that the two sub-regions are closely linked. Their countries belong to four regional economic communities, namely the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), the Intergovernmental Authority on Development (IGAD) and the Southern African Development Community (SADC), and they share borders, corridors and two trade agreements. The paper asks how far that link holds in practice and which measures could relieve the bottlenecks that remain.

3. For analytical purposes the region is treated as two geographic blocks, with 14 countries in the East and 11 in the South, rather than as groupings of communities.[1] Six channels are examined: trade, investment, company presence, capital markets, infrastructure and a set of cross-cutting arrangements covering trade agreements, tourism, energy, trade facilitation and trade finance. The data are the latest official figures, mostly up to 2025.

4. The paper addresses five gaps in the evidence. The first concerns the concentration of trade, which it tests for the two blocks and does not simply restate. The others concern trends in investment and value chains since the two agreements entered into force, the presence of each block's companies in the other, the depth of capital markets and the potential to mobilise regional capital, and the infrastructure gaps that constrain integration, which are rarely assessed from a cross-block perspective.

5. Two agreements overlay the blocks. The African Continental Free Trade Area (AfCFTA) entered into force on 30 May 2019, with trading beginning on 1 January 2021, and the Tripartite Free Trade Area, signed in 2015, entered into force on 25 July 2024. The analysis covers 2015–2025, anchored to the start of AfCFTA trading in 2021 and the entry into force of the Tripartite agreement in 2024. These dates offer reference points for judging whether trade and investment links changed, although they do not show that either agreement caused any change. The practical application of the Tripartite agreement still depends on tariff offers, rules of origin and customs readiness, and that of the AfCFTA on tariff schedules and national implementation.

6. The overall picture is of two blocks that are connected, but only narrowly. Most trade and investment stays within each block, and the links that cross the boundary pass through a few countries, a few products and a few large firms, mostly in one direction, from South to East. The agreements meant to bring the blocks together exist largely on paper and do not yet work across their boundary.

7. The note follows the structure of the paper. Chapter I deals with trade, chapter II with investment and value chains, chapter III with corporate presence and capital markets, and chapter IV with infrastructure and the cross-cutting systems. Chapter V presents the recommendations and the proposed sequencing. Tables, figures, appendices and sources are in the full paper.

I. Trade between the blocks is narrow and asymmetric

8. Trade between the blocks is established but small and uneven. Exports from the East to the South rose only from US$3.9 billion in 2015 to US$4.8 billion in 2025, so that their share of the block's global exports more than halved, from 12.3 to 5.6 per cent (table 1). Southern exports to the East grew from US$4.0 billion to US$5.8 billion yet stay close to 3 per cent of the block's global exports. Over the decade they grew by 3.9 per cent a year against 2.2 per cent in the opposite direction, and neither flow shows a break linked to the AfCFTA or the Tripartite Free Trade Area. The South is the more consistent net exporter, with a cumulative surplus of US$7 billion, whereas Eastern exports are more volatile and have not returned to their 2018 peak of US$7.43 billion.

[1] Together the four communities have 29 unique member countries; excluding Egypt, Libya, Sudan and Tunisia leaves 25. Because 19 of the 25 belong to two or more communities, classifying trade by membership would double count some flows, so each country is assigned to a single geographic home, following Sandrey (2015).

Table 1
Exports within and across the blocks, 2015 and 2025

Indicator	East 2015	East 2025	South 2015	South 2025
Cross-block exports (US$ billion)	3.9	4.8	4.0	5.8
Cross-block exports (per cent of global exports)	12.3	5.6	2.7	2.9
Intra-block exports (per cent of global exports)	17.3	18.1	20.5	18.5

Source: ECA, based on the issues paper and UNCTADstat bilateral merchandise trade data (UNCTAD, 2026).

9. Studies have long suggested that about 80 per cent of trade within Africa's regional groupings stays inside them and about 20 per cent crosses between them.[2] Tested for the two blocks, the benchmark largely holds. The Southern cross-block share is always below 20 per cent, whereas the cumulative Eastern share of 31.6 per cent over 2015–2025 falls to 11.2 per cent once the Democratic Republic of the Congo is excluded as an exporter. The apparent openness of the East to the South therefore reflects the mineral exports of one country and not broad-based integration. Both blocks therefore trade mainly within themselves.

10. Concentration is pronounced by country, product and corridor. The Democratic Republic of the Congo supplies three quarters of Eastern exports to the South, mostly to South Africa, Zambia and Mozambique, while South Africa supplies more than half of Southern exports to the East. The ten largest country pairs carry 92 per cent of Eastern exports to the South against 78 per cent in the other direction. The Democratic Republic of the Congo and South Africa form the largest pair in both directions, and exports within each block are likewise concentrated, in Djibouti (largely re-exports to Ethiopia), Kenya, Uganda and the United Republic of Tanzania in the East and in South Africa in the South. Processed industrial supplies, mainly copper, copper ores, non-monetary gold and inorganic chemicals, make up 83 per cent of Eastern exports to the South but 39 per cent of Southern exports to the East.

11. The composition of trade differs in ways that matter for industrial integration. Capital goods and industrial transport equipment account for almost a fifth of Southern sales to the East and about 2 per cent of Eastern sales to the South, so that intermediate, consumption and capital goods make up 90, 8 and 2 per cent of Eastern exports but 65, 17 and 18 per cent of Southern ones. Complementarity between the blocks is low in both directions, at about 30 on a scale of 100, which indicates a trade driven by a narrow mineral corridor and not by a broad fit between supply and demand.

12. Services change the picture only in part. Over 2015–2024 the East exported US$5.3 billion of services to the South against US$3.5 billion in the other direction, a surplus of US$1.7 billion that offsets some of the Southern goods surplus of US$6.0 billion, although goods trade is about ten times larger in absolute terms. Services run through largely different players, notably the United Republic of Tanzania, Kenya, Ethiopia, South Africa and Mauritius, and the East sells about as many services to the South as within its own block, a link that does not depend on the mineral corridor.

II. Investment flows from South to East, and value chains follow one corridor

13. Investment runs mainly from South to East, although the evidence is partial because only four countries publish foreign direct investment (FDI) positions by partner.[3] In Kenya, the United Republic of Tanzania and Rwanda, Southern investors held about US$7.4 billion in 2023–2024, roughly a fifth of all foreign investment, though less than 10 per cent once holdings routed through Mauritius are set aside. Eastern investors held only about US$0.4 billion in the South, of which US$0.24 billion was in Zambia. The pattern echoes continental findings that intra-African FDI is limited and Southern-led, with South Africa accounting for 60 to 70 per cent of a stock that, excluding Mauritius, peaked at US$52 billion in 2017, or 11 per cent of Africa's FDI stock (Echandi and others, 2022).

14. Announced greenfield projects tell a similar story. Southern investors announced US$2.9 billion to US$5.8 billion of projects abroad each year in 2022–2025, against US$0.9 billion to US$1.8 billion for Eastern

[2] The benchmark is drawn from Kassa and others (2022) and Mold (2022). The cross-block share is measured as exports to the other block divided by the sum of exports within the block and exports to the other block, cumulated over 2015–2025.

[3] Kenya, the United Republic of Tanzania, Rwanda and Zambia. Mauritius is treated as an offshore financial centre, so totals are shown with and without it, and the records capture immediate rather than ultimate investors. Both flows are therefore lower bounds.

investors, although the data do not identify the destination block.[4] Kenya accounts for more than half of the Eastern total in three of the four years, and Mauritius led the Southern total in 2025. Both blocks receive far more than they invest abroad. Intra-African announcements are concentrated in services such as communication, finance, business services and tourism, whereas investment from outside Africa goes mainly to natural resources and manufacturing.

15. Mergers and acquisitions are more one-sided still. The paper screened 333 merger decisions of the COMESA Competition and Consumer Commission for 2015–2025 and added two deals announced by the acquirers, which gives 17 cross-block acquisitions, all by Southern firms buying Eastern ones. South African groups made 12 of them and Mauritian groups five, and Kenya was the target in 12 cases. Thirteen of the 17 deals were in services, financial services above all, with eight deals of which five were in insurance, and are better described as market-seeking than as links between production systems.[5]

16. Value added traded between the blocks almost doubled between 2015 and 2023, from US$1.2 billion to US$2.4 billion, but most of it passes through the Democratic Republic of the Congo. Without that country the South supplies more value added to the East than the East to the South, at US$524 million against US$319 million in 2023. The chains that operate, emerge or could develop are summarised in box 1, although the input-output data do not cover Comoros, Eswatini, Lesotho, Mauritius or Seychelles.[6]

Box 1

Cross-block value chains: operating, emerging and potential

The paper classifies product chains by the evidence available. Operating chains, in which the product is traded between the blocks and its processing in the importing block is documented, are all based on minerals and metals and centred on the Democratic Republic of the Congo, Zambia and South Africa. Examples include copper and cobalt concentrates for Zambian smelters, gold doré for the Rand Refinery, mining equipment for the Congo and steel billets for Kenya and the United Republic of Tanzania. The corridor is shifting from concentrate smelting in Zambia, where annual trade fell from US$912 million to US$258 million between 2015–2017 and 2023–2025, towards gold refining in South Africa, where it rose from US$204 million to US$1.0 billion.

Emerging chains are in agro-food, notably sugar and molasses, flavourings and beverage bases, maize and tobacco leaf. Potential chains, where the supplier is competitive and partner demand is large but little is yet traded, include refined copper, aluminium, vegetable oils, animal feed and oilseeds. The widest margins for growth lie in Southern sugar for Eastern food and beverage makers, more Congolese concentrates for Zambian smelters, Southern refined copper for Eastern manufacturers and Eastern vegetable oils for Southern processors. Input-output data support these chains and point to cement and inorganic chemicals, but do not support aluminium, animal feed or oilseeds.

Source: ECA, based on the issues paper, UNCTADstat and the GLORIA multi-region input-output database.

III. Corporate presence and capital markets

A. Corporate presence

17. Corporate integration mirrors trade and investment. Of 434 listed and unlisted groups examined, 44 Southern groups hold 97 country presences in the East, against 11 Eastern groups with 22 presences in the South.[7] South Africa is home to 22 of the 55 groups with a cross-block presence and Mauritius to 15. Southern groups concentrate in Kenya, the United Republic of Tanzania and Uganda, and Eastern groups in Malawi, Mozambique and Zambia.

18. Finance and telecommunications carry most of the integration. Eighteen of the 55 groups are banks, insurers or lenders, and two Southern operators run mobile networks in seven Eastern countries. Industrial presence follows the mineral corridor, where four groups serve the copper and cobalt mines of the Democratic Republic of

[4] The figures come from UNCTAD country fact sheets for 23 of the 25 countries and record announcements, not realised investment. No partner country is reported.

[5] A further ten acquisitions used vehicles incorporated in Mauritius that were owned by parties outside the two blocks or by owners who could not be identified, and are not counted as cross-block.

[6] The margin for growth is the smaller of the supplying block's exports to the world and the partner block's imports from the world, less current cross-block trade, counted only where the supplier has a revealed comparative advantage. Trade, trend and margin measures differ in kind and are not added.

[7] A group is counted as present when it owns a subsidiary, branch, associate or joint venture, with at least 20 per cent of voting power, at the end of 2025. Franchises, distributors, exports and minority portfolio stakes are excluded.

the Congo with power, blasting, drilling and transport. Presence is long standing, since only nine groups extended it through an acquisition recorded in 2015–2025, so that deal counts understate the corporate links.

19. What these presences contribute locally is poorly documented. Only 25 of the 55 groups report at least one developmental contribution in their host countries, and four report all three dimensions of employment, supplier linkages and skills.[8] Employment is reported by 21 groups, skills or technology by 12 and local sourcing by seven. The clearest quantified cases include about 10,750 staff at a Kenyan retail chain owned by a Mauritian group, and local procurement shares of about 80 per cent at a Ugandan bank and 77 per cent at a Tanzanian mobile operator. Independent studies point to effects that company reporting misses, such as the finding that access to mobile money in Kenya lifted an estimated 2 per cent of households out of extreme poverty, and that pan-African banks have widened firms' access to credit, although they also open new channels for cross-border financial risk.

B. Capital markets and development finance

20. Capital markets connect the blocks far less than trade, investment and corporate presence do. Only one counter is listed on exchanges in both blocks, a South African company with a secondary listing in Rwanda since 2020, whose Rwandan shares have stayed at their first-trade price and which has no operations in the East. No Eastern counter is listed on a Southern exchange, and the 32 listings within blocks are mostly in the South, with 22 against 10 in the East. Exchange and settlement links are being built within each block, while the African Exchanges Linkage Project, which has routed orders among seven exchanges including Johannesburg, Mauritius and Nairobi since 2022, offers an existing channel that could serve both.

21. Banking is the main bridge, but it runs one way. Six Southern groups own 16 banks in seven Eastern countries, whereas two Eastern groups own two banks in two Southern countries. Banking within blocks is far denser, with eight Southern groups owning 32 banks in ten Southern countries and eight Eastern groups owning 25 banks in eight Eastern countries.

22. Pension savings barely cross the boundary. The 14 funds with published data hold about US$241 billion, four fifths of it in the South, yet the only cross-block holding documented is US$8.3 million held by Zimbabwean funds in Rwanda, about 0.3 per cent of their assets.[9] Rules explain much of this in the East, where Uganda and the United Republic of Tanzania confine pension investment to East Africa, Kenya and Rwanda cap investment outside the country at 15 per cent of assets, and Ethiopia makes no provision for it. Southern funds may invest 15 to 70 per cent of assets abroad but direct them to South Africa or to global markets.

23. Development finance offers a partial bridge. Of 69 development finance institutions identified, 57 have mandates limited to one country or block and 12 may finance across both, among them the Trade and Development Bank, whose member capital is held 53 per cent by Eastern and 21 per cent by Southern states, but lending capacity sits mainly with Southern and continental institutions, which rarely report where they lend. Several barriers limit capital mobilisation. African sovereigns pay 0.5 to 0.9 percentage points more on Eurobonds than similarly rated issuers elsewhere, only 8 per cent of the private finance that development finance mobilises reaches low-income countries, which include most Eastern ones, and about 80 per cent of African infrastructure projects fail at the feasibility stage. The one channel that pooled pension and sovereign savings from both blocks closed in 2025, when the Trade and Development Bank repurchased the shares concerned.

IV. Infrastructure and the cross-cutting systems

A. Transport, digital and air links

24. Infrastructure joins the blocks at only three corridors, all of which are being rebuilt, newly financed or congested. The TAZARA railway between Dar es Salaam and Zambia is under rehabilitation through a concession signed in 2025 and carries freight far below the post-rehabilitation target. The North–South Corridor enters the East at Kasumbalesa, and transit and clearance from Durban to that border takes about 16 days. The Lobito corridor to the Democratic Republic of the Congo and Zambia has secured financing for its Angolan railway and for the Zambian link.

25. The binding constraints lie inland and not in port capacity. At Kasumbalesa queues extend for tens of kilometres and crossing takes three to ten days at peak, and at Tunduma–Nakonde trucks dwell for about 64

[8] The scores measure the availability of documented evidence and not the size or quality of a contribution, so a lack of evidence does not show a lack of contribution.

[9] A fund that reports no holdings in the other block is recorded as “none documented”, which is not evidence of zero holdings.

hours, with fewer than half of more than 1,000 daily arrivals crossing on the same day, against three to six hours at Beitbridge within the South. The ports of the two blocks compete for the same landlocked cargo of Zambia and the Democratic Republic of the Congo and do not form a shared network, and Dar es Salaam, which handled about 27.7 million tonnes in 2024/25 with a fifth bound for the Democratic Republic of the Congo, is the one port serving both. Added port capacity does not extend a port's reach unless rail evacuation, hinterland roads and border procedures improve with it.

26. Digital links cross the blocks more easily, through private terrestrial fibre from Mombasa to Johannesburg and submarine cables on both coasts, although entry-level mobile broadband costs about twice, and fixed broadband more than six times, the affordability target of 2 per cent of income. Air links are governed at the continental level, with 38 states having joined the Single African Air Transport Market by mid-2026, yet connections between the blocks depend on bilateral agreements and a few hubs, namely Addis Ababa, Nairobi, Kigali and Johannesburg.

B. Trade agreements

27. The trade agreements are further advanced on paper than in use (table 2). The AfCFTA has been ratified by 23 of the 25 countries, but only 16 have gazetted tariff schedules and preferential trade is documented for 10. The blocks stall at different points. Half the Eastern countries have not gazetted tariff schedules and so cannot yet trade under the agreement, whereas in the South gazetting is nearly complete but five of the nine countries that have gazetted show no documented trade, Zambia having made no AfCFTA exports by mid-2026.

Table 2
AfCFTA and Tripartite Free Trade Area, number of countries at each step, October 2026

Step	East (14)	South (11)	All (25)
AfCFTA ratified	12	11	23
AfCFTA tariff schedule gazetted	7	9	16
AfCFTA preferential trade documented	6	4	10
Tripartite agreement ratified	4	9	13
Tripartite preferences granted to the other block	7	0	7

Source: ECA, based on the issues paper (appendix M).

28. The Tripartite Free Trade Area, the one agreement designed to join the blocks, has been ratified by nine Southern countries but only four Eastern ones, namely Burundi, Kenya, Rwanda and Uganda. Its one working link runs in a single direction. Since May 2026 seven EAC members, the United Republic of Tanzania excluded, have granted preferential entry to goods from the Southern African Customs Union, three of them without having ratified, while no member of that union grants preferences to EAC goods.[10] Regulatory fragmentation of this kind compounds the physical fragmentation of the corridors, since common rules achieve little where transport is costly, and better roads achieve little where tariffs, procedures and rules of origin change at every border.

C. Tourism, energy, trade facilitation and trade finance

29. Tourism, energy and trade facilitation arrangements remain organised within each block. The East Africa Tourist Visa covers Kenya, Rwanda and Uganda and the KAZA UniVisa covers Zambia and Zimbabwe, while COMESA, whose members span both blocks, has no tourism framework yet and is preparing one with ECA. Because visas are still needed for most trips within Africa and air links run through a few hubs, the tourism channel to trade remains largely unused, although one study associates a 10 per cent rise in intra-African tourism with a rise of 1.4 to 3.2 per cent in continental exports. The Tanzania–Zambia interconnector, designed to join the Eastern Africa and Southern African power pools, began implementation in 2025 and its main works were under procurement in 2026. The regulatory board of the Eastern pool and the Southern pool signed a memorandum on grid codes, dispute resolution and trading protocols in February 2026, but regular power exchange between the pools is not yet demonstrated.

30. On trade facilitation, each block has its own instruments, such as the EAC's Single Customs Territory, electronic cargo tracking and one-stop border posts, corridor time-release studies in SADC, and the COMESA transit bond, electronic certificate of origin and Simplified Trade Regime, which are only partly adopted. In addition, the Tripartite Simplified Trade Regime for small traders is being piloted at four border posts,

[10] Legal Notice EAC/138/2026.

two of which, Kasumulu–Songwe and Tunduma–Nakonde, link the blocks, although its baseline survey and framework validation were still outstanding in 2026. The constraint is interoperability and not a lack of instruments. Trade finance is the more immediate financial constraint. Africa's trade finance gap was about US$74 to 92 billion in 2024, banks financed only about 25 per cent of the continent's trade, down from 40 per cent before the pandemic, and over a third of applications were rejected. Payments are less of a barrier, since the COMESA regional payment system is live at central banks in both blocks and the Pan-African Payment and Settlement System connects 28 countries.

V. Conclusions and recommendations

31. The evidence points to four linked constraints. Legal commitments have run ahead of their use. Infrastructure joins the blocks through only three corridors. Capital stays within each block. Trade, investment and corporate links run through a few country pairs, products and Southern groups, and the data needed to track them are thin. Because the constraints are linked, progress on any one alone will not be enough, and the gap between the blocks lies less in missing institutions or agreements than in existing ones that do not yet function across the boundary.

32. These findings carry limits. Bilateral FDI positions are published by only four countries and record immediate rather than ultimate investors, services estimates by partner are model based, greenfield data omit partner countries, and development banks rarely report lending by block. The FDI estimates are therefore lower bounds, and closing these gaps is itself among the recommendations.

33. The paper proposes 15 practical recommendations in five areas, each tied to the evidence, given a time horizon and a measure of progress, and linked to institutions with the relevant mandate. They aim to make existing instruments work across the blocks and not to create new institutions. The roles of the institutions named have not yet been agreed and would be settled through consultation. Member states may wish to consider the following:

(a) Trade agreements and borders: track implementation of both agreements country by country; complete pending legal steps, namely AfCFTA tariff schedules in seven Eastern countries and ratification of the Tripartite agreement by six Eastern signatories, including the United Republic of Tanzania and the Democratic Republic of the Congo, while reviewing why five Southern countries that have gazetted show no documented trade; make the link between the EAC and the Southern African Customs Union reciprocal, with Southern preferences for EAC goods and the inclusion of the United Republic of Tanzania; and align scanning, documentation and operating hours at Tunduma–Nakonde and Kasumbalesa;

(b) Infrastructure and energy: upgrade rail, border and operating systems together on the three cross-block links; prepare these links and the interconnector as bankable projects, with feasibility studies, financial models and identified financiers; agree trading rules and grid codes for the two power pools before the line is commissioned; and develop multi-country tourism products, exploring mutual recognition between the East Africa Tourist Visa and the KAZA UniVisa;

(c) Value chains: focus support on the chains the evidence supports, namely Southern sugar and refined copper for Eastern manufacturers, Congolese concentrates for Zambian smelters and Eastern vegetable oils for Southern processors, and confirm that these products carry preferences under the EAC and Southern African Customs Union arrangement and the AfCFTA schedules;

(d) Finance and capital markets: review whether pension rules could treat listed securities of the other block as regional securities within existing prudential limits; use the African Exchanges Linkage Project and existing exchange links for cross-block trading and listings; extend supervisory cooperation to banking groups operating across the blocks; and link payment interoperability to trade finance and risk cover for traders;

(e) Evidence and convergence: close the main data gaps, namely investment by ultimate investor, services trade by partner and development bank lending by country, and converge customs, investment and financial rules gradually across the Tripartite region, scaling up the pilots that work.

34. The paper suggests a pilot, measure and scale approach. Within a year, border and project-preparation bottlenecks would be cleared, pending legal steps completed and better data published. Over one to three years, value chains, financing and market access would be widened, and in the longer term energy trade would be built and regulations aligned. Progress could be reviewed each year against the indicators attached to each recommendation, which include the annual implementation status of the agreements in the 25 countries, truck dwell and crossing times, rail tonnage and transit times, pension holdings in the other block, and cross-block trade finance and cover, expanding only what works, and the role and timing of each action would first be discussed with the institutions named, including within ECA.