



The State of **East Africa 2013**

*One People, One Destiny?
The Future of Inequality in East Africa*



SID

Society for International Development

The State of East Africa 2013

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The Future of Inequality in East Africa*

This State of East Africa Report is dedicated to the memory of the late Honourable Eriya Kategaya, First Deputy Prime Minister of the Republic of Uganda and Minister for East African Affairs, and that of Mr. David Nalo, Permanent Secretary in the Ministry of East African Community Affairs, for the Republic of Kenya.

For decades these two outstanding men were not only champions of regional integration but also great friends and supporters of the Society for International Development and its mission to deepen an understanding and appreciation of the regional integration process.

They are sorely missed.



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The Society for International Development

The Society for International Development (SID) is an international network of individuals and organizations founded in 1957 to promote social justice and foster democratic participation in the development process. Through locally-driven programmes and activities, SID strengthens collective empowerment, facilitates dialogue and knowledge-sharing on people-centered development strategies, and promotes policy change towards inclusiveness, equity and sustainability. SID has over 30 chapters, and 3,000 members in more than 50 countries. While headquartered in Rome, Italy, its main operational offices are located in Nairobi, Kenya, and Dar es Salaam, Tanzania.



TradeMark East Africa

TradeMark East Africa (TMEA) is a not for profit organization which promotes regional trade and economic integration in East Africa, by working closely with East African Community (EAC) Institutions, National Governments, Private Sector and Civil Society. TMEA has its headquarters in Nairobi with branches in Arusha, Bujumbura, Dar es Salaam, Kampala, Kigali and Juba.

TMEA is a transparent, flexible, responsive and partner driven organization. TMEA enables synergies by having both a regional and national focus while working with existing East African mechanisms and structures.

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Data Sources and Methodology

The data used in this report come from a variety of sources, including publications by the bureau of statistics of each country, multilateral institutions, international non-governmental organizations, research organizations and foundations. They are all secondary data, available in the public domain, and most were obtained via the Internet. Other sources were obtained through personal inquiries and interviews conducted by the SID research team. The reference section contains full details of the sources used in this report.

➔ THE FOLLOWING CONSIDERATIONS GUIDED THE CHOICE OF THE SOURCES USED FOR THE DATA

Consistency across sources and time

The State of East Africa 2013 is a follow-up to the State of East Africa 2012 and part of the State of East Africa report series. This report, though different from the previous reports, seeks to examine the trends that have taken place in the context of inequality and equity across time in the region. This report makes a special effort to use the same data sources as those used in the 2012 edition which based most of its sources on the 2006 report. Only data that could be obtained from the same source across time were used. However, there were some obstacles to overcome. Some data sources had data for all East African Community partner states with the exception of Burundi. At other times, if Burundi data was available it was outdated. Data for foreign direct investment from the United Nations Conference on Trade and Development (UNCTAD) has also been inconsistent at times. For example the UNCTAD 2012 report has very different numbers than the UNCTAD 2011 report, specifically in years that should remain the same. The 2009 numbers in Tanzania are different between the UNCTAD 2011 and 2012 reports. Due to these discrepancies SID felt it was necessary to use the UNCTAD 2013 report and use its numbers for previous years namely 2009-2012.

This report focuses on the broader message that these data represent by comparing countries against each other, or analyzing the trends across time that the data reveal

There were other challenges that hindered some aspects of consistency such as the exports and imports among the EAC partner states sourced by the EAC Secretariat Facts and Figures 2012 report. The SoEAR 2012 used the EAC Facts and Figures 2011 report, in order to update the data the EAC (2012) report was going to be used. However, upon further examination there were discrepancies across time with the export and imports of the years prior to 2011 between the two reports. SID had to make a decision regarding this and decided to use the most recent report

available and make changes to the previous years. SID feels that the methodology and integrity of the reports by the EAC, UNCTAD and others are sound. Though this results in a few discrepancies that challenge some data points of the SoEAR 2012, SID believes that using the most recent information available upholds the integrity of the SoEAR 2013.

Comparability across countries

As much as possible, data has been obtained from the same source across countries. This was to ensure that the indicator was being defined, captured and measured in the same way for all countries so that comparisons could be made with a high degree of confidence. However, on the relatively few occasions where national definitions were provided (for poverty lines, inequality or unemployment) this report used those to do cross-country comparisons.

Some challenges SID faced came up when comparing data from the Demographic Health Surveys, which provides good proxies and data for indicators across wealth quintiles. Burundi has only had two DHS surveys done, one in 2010 and the one prior to that was conducted in 1987. As a result it was hard to compare Burundi with other countries using the DHS.

The FOCUS on the 'big-picture' trends

Many data and information sources were used in this report. In some cases different sources reported different figures for the same indicator in the same period for the same country. This report focuses on the broader message that these data represent by comparing countries against each other, or analyzing the trends across time that the data reveal.

The research data collection process took place between January and June 2013 in order to maximize on the latest available data. The latest available data have been used, but limitations in data sources mean that the information is not always up to date and sometimes missing. The data are presented in graph and chart format for ease in visualization, comparison and interpretation. It is worth noting that statistics cannot capture the full richness of any community, country or region. In recognition of this limitation, the report provides additional colour, perspective and nuance on the region by including analysis and commentary from academics, columnists and forward-looking researchers.

Foreword

The story is now very familiar. According to an influential global newsmagazine, Africa, the world's Cinderella, went from being 'hopeless' in May 2000 to 'aspiring' by March 2013. The Economist argued recently that "African lives have already greatly improved over the past decade" and that "the next ten years will be even better".

Looking ahead, in its 'Africa in 2060' report published in September 2011, the African Development Bank singled out greater East Africa – adding Sudan, Ethiopia, Somalia, Djibouti, Seychelles and Comoros to the five East African Community members – as the continent's most dynamic region. The bank expects the region's share of Africa's total GDP to expand from 11 per cent of \$1.71 trillion in 2010 to a very large 39 per cent of at least \$12 trillion in 2060. Per capita income is also anticipated to increase from the current \$657 to between \$6,000 and \$7,000 in the next 50 years.

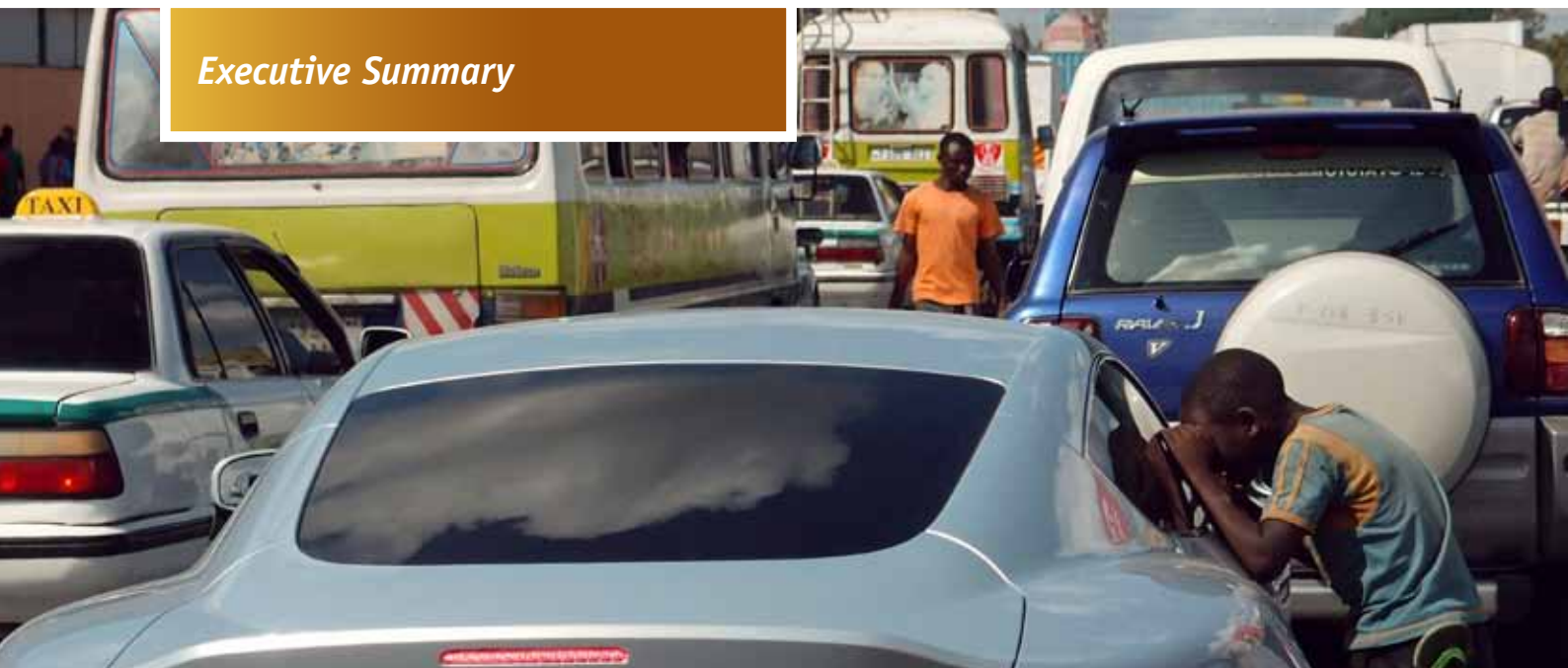
But there is a problem. The Cinderella story, complete with a 'happily-ever-after' future, is based on a partial reading and interpretation of country-level statistics. The five East African Community countries have already delivered a stunning and sustained economic growth rate of over six per cent during the past decade. However, the Treaty for the Establishment of the East African Community commits them to *balanced and harmonious* growth, *equitable distribution* of benefits and a *people-centred*, market-driven regional integration process in as a way of creating One People, One Destiny. To what extent are these objectives being met?

Millions of ordinary East Africans are asking a more basic question: 'Why am I not feeling this growth in my pocket?' The answer turns on the extent to which the growth process is inclusive, and whether the fruits of that growth are shared equitably among the region's people. Inequality, of opportunity and outcomes, is one of the world's most pressing social challenges and a growing risk to national, regional and continental stability.

As it explores this critical subject, the State of East Africa Report 2013 remains true to its core purpose of revealing new *information*, providing fresh *insight*, sparking the collective *imagination* and encouraging deeper *engagement* with the processes that are shaping the region. Specifically, it interrogates a large collection of data to describe how inequality is manifesting itself in East Africa (information), unpack the forces that are shaping it (insight), imagine how it might evolve over the next three decades (imagination). Finally, it outlines some strategic policy options on how inequality might be addressed, as a way of catalyzing national and regional dialogue (engagement) on the issue, and its implications for integration.

Good governance, crucial to ensuring inclusive and equitable growth in East Africa, depends on strong a civil society community that, in turn, relies on good information and analysis to support a constructive engagement with government. Our hope is that by providing a strong, well presented evidence base, the State of East Africa Report 2013 will be an important contribution towards making the East African Community truly people centred.

Executive Summary



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Introduction

Improving the quality of life of the people of East Africa is at the heart of the regional integration process. The State of East Africa Report 2013 emanates from the following three elements of the objectives, fundamental and operational principles in the Treaty for the Establishment of the East African Community.

The first is the attainment of *sustainable growth and development* of the partner states by the promotion of a more *balanced and harmonious* development of the Partner States (Article 5). The second is the *equitable* distribution of benefits (Article 6) and the third is the commitment to *people-centred* and market-driven co-operation (Article 7).

On Inclusiveness and Equity

The concepts of 'inclusiveness' and 'equity' are normative, meaning that they are about 'expressing value judgements or prescriptions' on how things should or ought to be, how to value them, which things are good or bad, and which actions are right or wrong.

In this report, *inclusiveness* refers to how much the most disadvantaged East Africans are participating in the process of growing the region's economy. From this perspective, focusing on an average metric such as per capita GDP, to evaluate inclusiveness leads to misleading conclusions. Furthermore, average changes do not say anything about what is happening to the first and last person in the income distribution. *Equity* describes how the fruits of economic growth are shared among the region's citizens. Recent analysis shows that inequality is really about the share of income that goes to the richest (top 10 per cent of the population) and the poorest citizens (bottom 40 per cent of the population). Simply stated, inequality is about what is happening at the tail ends of a country's income distribution.

This report explores inclusiveness and equity in the context of the East African regional integration process. It aims to describe, analyse and understand the region from an inclusiveness perspective and to explore the dynamics that are influencing equity, in order to understand how the economic, social and political integration agenda might influence the equity dynamics at play in the region.

The People of East Africa

East Africa's population in mid-2012 was estimated at 144 million people, representing an increase of five million from 139 million in 2010. Birth registrations in East Africa are low. The percentage of registered births among East Africa's poorest households indicate that at best, a little over half of the children born into poor families are formally 'invisible'.

East Africans are very young. The median age in East Africa – the age that divides the population into two equal halves above and below it - ranges from 15 years in Uganda to 19 years in Kenya and Rwanda.

Malnutrition in East Africa manifests itself most clearly in the 10 million East African children, 42 per cent of the region's 24 million under-five who were stunted in 2010.

All East African countries have achieved the global target of 100 per cent gross enrolment at the primary school level. However, enrolment in secondary school is much lower at between 28 per cent in Uganda and 49 per cent in Kenya as most children do not make the transition to secondary school. Uganda and Rwanda have the highest primary school leaving exam pass rates while Tanzanian and Kenyan students produced the worst results in East Africa. A far lower proportion (less than 30 per cent in 2012) of Kenyan and Tanzanian secondary school students pass their respective national exams compared to their peers in Rwanda and Uganda where more than 88 per cent passed.

The East African Economy

The East African economy continued its impressive growth rate trend with an average of 6 per cent growth in 2011 and a GDP of \$83 billion in that year. However, income per capita data for 2011 shows the significant intra-regional differences between Burundi's per capita income of \$271 and Kenya's \$808.

East Africa expanded the value of its total trade by \$8.2 billion to \$45.8 billion in 2011 from \$37.5 billion in 2010. Imports continue to dominate the region's trade. Import growth of \$6.5 billion in

2011 was responsible for 79 per cent of the region's total trade expansion and for 72 per cent of total trade in that year. Although exports increased by \$1.76 billion they accounted for just 21 per cent of that year's trade growth and only 28 per cent of the region's total trade in 2011, the lowest since 2005. The \$18 billion value of East Africa's top five imports in 2011 was more than twice as large as the \$7 billion value of its top five exports. East Africa's five most important export products can barely pay for its fuel bill.

East Africa attracted foreign direct investment (FDI) inflows of \$3.9 billion in 2012, a \$1.8 billion increase from \$2.6 billion in 2011. With a combined total inflow of \$3.4 billion, the two main energy-rich countries of Uganda and Tanzania received 90 per cent of the investment inflows into the region. In addition to the lure of the extractives sector, other investors in East Africa are targeting regional and domestic consumers with healthcare, financial services and cement production.

In 2011, the region received \$8.3 billion in total net disbursements of aid up from \$7.9 billion in 2010, and representing 18 per cent of total aid flows to sub-Saharan Africa for 2011. Uganda and Rwanda experienced aid cuts in 2012. This year also saw a shift in aid allocations by donors away from the poorest countries, towards middle-income countries. These are signs that declining aid flows to the region could soon be a strong feature of its economic relationship with donor countries.

The Quality of East Africa's Institutions

Corruption continues to blight the landscape of East Africa's most important institutions including those responsible for security and justice. The police account for 50 per cent of the most corrupt sectors in the region followed by the judiciary at 30 per cent. The police departments in all five East African Community states appear in the top ten most corrupt institutions, which points to the harsh reality experienced by many citizens in their dealing with law enforcement institutions in the region. When confronted with corrupt practices, few citizens in the region bother to make official complaints: In Kenya, only five per cent indicated that they reported incidents of bribery to the authorities. The figure in the other EAC member states was eight per cent in Uganda, 10 per cent in Burundi, 11 per cent in Tanzania and 15 per cent in Rwanda.

There is a pervasive feeling that the economic conditions have worsened in the past five years. In the 2012 Tanzania Afrobarometer Survey, 40 per cent of adults felt that current economic conditions in Tanzania were very bad, compared to 25 per cent in 2008. In 2012, 62 per cent of Ugandans felt that their living conditions were at least fairly bad compared to 42 per cent just two years earlier. In Kenya, 84 per cent of adults described the current economic conditions as either 'very bad' or 'fairly bad' in 2011, a 30-point jump from 54 per cent in 2005.

Economic Drivers of Inequality

Burundi is the least unequal country in the East Africa, followed, in order of rising inequality, by Tanzania, Uganda, Kenya and Rwanda. The trends in the last two decades point to Rwanda and Burundi reducing inequality more recently, albeit from a very high level in Rwanda. Kenya and Tanzania seem to be expanding the gap between rich and poor, while Uganda has kept it mostly stable for two decades.

The rapid change in the structure of the East African economy is one of the most important drivers both of the region's economic performance and the uneven distribution of income and other benefits of growth. In 2003, Kenya's was the only regional economy in which the services sector had a bigger share of the economy than agriculture. A decade later, all East African economies are in a similar position. While developing economies are usually characterized by a falling share of the agricultural sector in the overall economy, the trouble in East Africa is that the speed of change is overwhelming the capacity of the industrial and services sectors to provide the needed jobs and alternative livelihood opportunities.

The share of industry in the economy increased modestly in four of the five East African countries. East Africa's industrial sector employed about 560,000 workers in 2012. Assuming a labour force of about 77 million in 2010, industrial employment accounted for less than 1 per cent of the region's total labour force. In order to reach the goal of having 2.3 million people working in manufacturing, the region's industrial sector jobs will have to expand five times in the next 20 years.

A formal, wage-paying job is a privilege reserved for a tiny minority of East Africa's working population. Just 1.6 per cent of Uganda's, 4 per cent of Burundi's, 5 per cent of Tanzania's and 6 per cent of Kenya's working populations are formally employed. For those fortunate enough to find a paying job, the wage data highlights further the disparity in earnings. The lowest official monthly minimum wages across East Africa vary from \$81 in Uganda to just \$3.10 in Burundi, which is four times lower than its official poverty line of \$12. The median monthly wage ranged from \$176 in Rwanda to \$84 in Tanzania. However, at \$176, Rwanda's median wage is lower than its own official poverty line (\$192) and furthermore, less than half of working Rwandans were paid a wage that was higher than the country's poverty line.

Social Drivers of Inequality

The probability of upward social mobility is determined by the nutritional quality, health and learning that are obtained during the first 1,000 days of life for most people. The good news includes the fact that infant and under-five mortality rates have decreased significantly across East Africa's wealth spectrum, demonstrating progress made in improving early childhood healthcare, particularly vaccination, across the board.

Analysis of the data on stunting among children, a sign of malnutrition, makes for sobering reading. The share of stunted children in Tanzania and Kenya expanded in both rich and poor households. The gap between rich and poor children in both countries narrowed but for the wrong reason; stunting among children in the richer households grew at a faster pace than that of their poorer compatriots. This gap also widened in Rwanda, but it was because the rate of stunting fell faster among richer children than poorer ones. In Uganda, the gap closed as stunting fell overall but it did so faster among the country's poorest children.

The difference in the quality of social service delivery highlights the urban-rural inequality. In Tanzania, 60 per cent of urban health facilities have electricity, clean water and improved sanitation compared to just five per cent of rural facilities. In Kenya 58 per cent of health facilities in urban areas share the same advantage of infrastructure.

Just 2 per cent of schools in rural Tanzania have adequate infrastructure and little comfort is given by the fact that urban schools are hardly better off on this measure. Tanzania compares badly to Kenya, where almost 60 per cent of all schools – rural, urban, private and public – have access to essential services. Children in rural Tanzania are taught for less than half of the scheduled teaching time, and those in urban areas are taught for an even more dismal 27 per cent of scheduled teaching time. Children in Kenya's public schools receive more hours of instruction than their Tanzanian peers. Furthermore, Kenya's private school students enjoy an extra hour of instruction compared to their public school compatriots, which works out to two extra months of teaching during the course of an academic year.

One People, One Destiny?

An analysis of income distribution data, wage differentials, access to health and education services, nutrition indicators and even the prevalence of birth registration allows a grouping of East Africans into three major populations of unequal size and wellbeing.

The richest 10 per cent or about 14 million East Africans people commanded \$29 billion of the region's total income in 2011, with each taking an average of \$2,100. They live in East Africa's cities and towns, work in industry or in the professional services sector, earn a wage many multiples above the minimum and have access to good education and medical services. Their children are most likely in private schools where they are taught for longer than their compatriots. Their 'East Africa' resembles a Moldova in Europe or a Honduras in Central America.

The poorest 40 per cent of East Africans, numbering 56 million people, shared \$12.7 billion among themselves in 2011, leaving each with an average income of \$225 for the year. They live in rural areas or in the slums around the towns and cities. Those lucky enough to find work receive a wage that is often below the poverty line, let alone the minimum wage. They have no health insurance and their children face a 40 to 80 per cent higher chance of dying before their fifth birthday compared to their richer compatriots. Those who survive are likely to be stunted. They attend schools lacking basic utilities such as power, water and sanitation and where they are taught for only a quarter of the recommended time. This combination of poor nutrition and negligible schooling leaves them unable to operate in East Africa's modernizing, service-oriented economy and guarantees that they will bequeath their poverty to their children and grandchildren. The 'East Africa' they live in feels like Somalia or the Democratic Republic of Congo (DRC) at the lowest points in their conflict-ridden past.

East Africa's middle majority, about 71 million people or half of the region's population, experience a lifestyle that lies somewhere between these two extremes. This middle majority shared \$41.5 billion among themselves in 2011, ending up with \$586 each for the year, an amount equal to the average income of the wealthiest fifth of Burundi's population.

It would be unfair to blame regional integration for this state of inequality in East Africa. It can be argued however, on the basis of the evidence presented, that the strong economic growth performance that has been unleashed by regional integration efforts, has done little to close the gap between the rich and poor, and it may not even be moving the region in such a direction.

The Future of Inequality in East Africa

Two powerful driving forces are shaping the future of inclusiveness and equity in East Africa. One is the inclusiveness of growth - a measure of how much the poorest East Africans are participating in generating economic growth. The second driving force is the degree of equity, which describes how the benefits of economic growth are shared among the region's citizens, and particularly the share of income and wealth that accrues to the poorest East Africans.

The *Winner Takes All* outlook describes a future in which the poorest are excluded from participating in East Africa's growth process. In an economy based on the extraction and export of oil, gas, unprocessed precious metals and agricultural commodities, there are few opportunities for them. Furthermore, not only is the regions' physical and financial wealth concentrated among the rich few, but the disparity widens dramatically over time as the poor get a shrinking share of the expanding income. As a result the majority of East Africans exist in conditions of deprivation and desperation, while a select few enjoy a lavish but fear-filled lifestyle.

The *Social Bribery* outlook outlines a possible future in which much is promised to the region's poorest, and on the face of it, delivered. But it actually does little to improve their welfare. It is about the illusion of growing personal prosperity based on expanding debt-fuelled consumption of modern conveniences. The people's participation in the economy is rewarded with wages that are suppressed just enough to protect profit margins, but not enough to kill their purchasing power. The poorest consume a little more, but never catch up with the richest of their compatriots. Indeed, the wealth gap continues to widen gradually but inexorably.

The *Transformation* outlook highlights a future in which the region's underlying economic strategy changes its outward orientation following a youth-led protest that chokes the regional economy at

its most vulnerable points. The resolution of the crisis turns the economic policy inwards to nurture domestic demand, supporting an ecosystem of local value-chains to meet the growing demand and upgrading the skills of ordinary East Africans. At its core is a deliberate effort to directly tackle inequality head-on, and it is led by a re-purposed and revitalized East African leadership.

It must be concluded that in order for the regional integration process to meet its fundamental objective of improving the quality of life for East Africans, increased trade, investment, competitiveness and value addition can only be one side of the story. Addressing the social dimensions of improved welfare by achieving a greater degree of equity-enhancing inclusiveness must be the second and equally important side of East Africa's regional integration narrative.

The way in which the current East African regional integration outlook, strategy and execution addresses the challenges of structural economic change, food security for children and the quality of their education, will shape how inequality evolves well into the future. 'Business as usual' will leave the uncomfortable status quo firmly in place. Emphasizing and accelerating the growth agenda will damage even further the fragile social fabric that holds East Africans together. Only a deliberate and determined strategy to truly forge *One People* from three groups of East Africans - the richest 10 per cent, the poorest 40 per cent and the middle majority - stands a good chance of leading to the *One Destiny* that is the destination to which all are travelling.

Agenda for Active Policy Engagement

Economic policy: Strengthening the local economy, raising domestic demand, increasing value addition.

A major economic policy objective should be to increase productive capacity and promote product diversification (what to produce), foster horizontal and vertical integration across and among sectors (how to produce), multiply growth poles across the East African region (where to produce), engage in market development, trade promotion and facilitation (where to sell).

The average size of economic actors in East Africa is either very large or very small. The presence of a "missing middle" is a strong indicator of how difficult it is for the majority of economic actors, such as subsistence farmers and informal traders, to move beyond survival entrepreneurship. A new approach could be that of creating and promoting a new generation of economic actors who are skilled competitive and "fit to run" on a playing field that is level due to regulatory clarity and fairness.

Governments could invest in capabilities (such as vocational training, skill development, technology transfer), create mechanisms for start-up and scale-up support (including business incubation units, incentives, new financial instruments), and actively engage in market development and trade facilitation (using pro-youth and pro-women public procurement policies, minimum local content regulation, product cluster promotion boards and export consortia).

Social policy: Managing aspirations, leveraging resources, exploring new delivery mechanisms

The challenge for social policy is to navigate the 'triple pressure' that East Africa faces. The first comprises citizens' growing expectations for more and better social services delivered by the public sector. This calls for managing expectations and greater honesty in establishing priorities and in the sequencing of interventions.

The second source of pressure is a shrinking public purse due to declining aid flows coupled with the difficulty of enhancing domestic resource generation. Without changes in the structure of the economy (higher wages, increased size of economic actors, greater value addition) that generate a broad expansion of income, it is almost impossible to increase tax collection without resorting to desperate but ultimately unproductive measures such as chasing informal street vendors.

The final pressure comes from the changing roles of the private sector and civil society in the face of growing social stratification of service provision (as the rich seek private solutions leaving the poorest households to rely on 'free' but poor quality state services). Improving the delivery of social services so as to enhance the quality of the outcomes requires a bold conversation about the allocation of scarce resources in the most efficient (least cost) and effective (high returns) ways.

Political domain: The concept of democracy, the developmental state and the principle of subsidiarity.

Three elements of East Africa's political domain that collectively embody the nature of the power relationship between citizens and the state need to be considered. The first is the very concept of democracy and what it means for the inclusion and empowerment of the region's poorest citizens. Without these two elements, ballot-box democracy is essentially useless as an instrument of change. A new social contract based on transparency and accountability is essential to restoring transformative power to the ballot box.

The second touches on degree to which government influences the activities of economic agents towards a set of specific objectives. Would a developmental state in East Africa, focused on economic development through proactive and direct interventions such as industrial policies, be more desirable than a regulatory approach that nudges an economic and social system towards a desired set of growth, integration, inclusion and equity objectives?

The third concerns the division of authority, decision-making and executive power between central and local government. Is government action most inclusive, equitable and effective when it is conceived, decided upon and executed centrally or locally?

Two Basic Realities

This State of East Africa Report argues that the extent of inequality is driven by what happens at the tail ends of the income distribution. Therefore, the 'average' East African, who monopolizes the attention and affection of researchers, policymakers and marketers, exists only as a statistical being created by an arithmetic combination of millions of vastly different life experiences. In this context, the first reality is that policies aimed at improving inclusiveness and enhancing equity must be designed for the populations at the edges – the rich 10 per cent at the top and the poorest forty per cent at the bottom of the wealth distribution. Addressing inequality means tackling the marginalization faced by the poorest but also addressing the advantage enjoyed by the rich. In the political domain, for example, the conversation must revolve around empowering the poor by addressing the privilege of the powerful elites.

The second reality revolves around the challenge of effective implementation. East Africa is replete with well-articulated policies of every description. However, achieving their goals must overcome two obstacles: the absence of political will and weak capacity for effective policy execution. These two ingredients – will and skill – are vital to the success of any effort to transform the region.

Fortunately, the growing number and vibrant youthfulness of East Africa's people suggests that the supply of both will and skill is as limitless as the region's potential.

13 *The Story*

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Introduction – On Inclusiveness and Equity



Photo: flickr.com/ Christopher Herwig, UNMIL

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Information - People, Economy and Institutions of East Africa



Photo: Vivek Bahukhandi

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Insight – Drivers of Inclusiveness and Equity



Photo: flickr.com/ John Hanson, U.S. Army

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Photo: flickr.com/ Arne Hoel, World Bank

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Agenda for Active Policy Engagement



Photo: flickr.com/ Arne Hoel, World Bank

Introduction – On Inclusiveness and Equity



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Introduction

Improving the quality of life of the people of East Africa is at the heart of the regional integration process. The East African Community's vision and mission are clearly stated as follows;

*'The Vision of EAC is a prosperous, competitive, secure, stable and politically united East Africa; and the Mission is to widen and deepen Economic, Political, Social and Culture integration in order to improve the quality of life of the people of East Africa through increased competitiveness, value added production, trade and investments.'*ⁱ

Given that these are the *raison d'être* of the regional integration process, this chapter anchors itself in the following three dimensions of the objectives, fundamental and operational principles of the Treaty for the Establishment of the East African Communityⁱⁱ:

1. [The] attainment of *sustainable growth and development* of the Partner States by the promotion of a more *balanced and harmonious* development of the Partner States (Article 5)
2. *Equitable* distribution of benefits (Article 6)
3. *People-centred* and market-driven co-operation (Article 7)

That the five East African Community states have registered impressive economic growth rates during the past decade is undisputable. The region averaged a 6.3 per cent economic growth rate between 2005 and 2010, a pace which has been maintained up to 2012. There is much less consensus on how this stellar growth performance has affected the welfare of ordinary East African citizens. To what extent have they participated in growing the economy? How has the growth in national income changed income and consumption at the level of the household or individual? The annual change in

ⁱwww.eac.int

ⁱⁱ<http://www.eac.int/treaty>

income per capita is a widely used indicator of how citizens are benefitting from growth.

Even more contentious is the distributional question which explores the equity with which the growing income is shared among a country's people. Are the rewards of economic growth being concentrated in the hands of a few wealthy households – the top 10 per cent – or are they being disproportionately shared with the poor in society, namely the bottom 40 per cent? These fundamental questions of the inclusiveness and equity of economic growth have always exercised the minds of political, academic, business and civil society leaders, with varying degrees of intensity across time.

Defining Inclusiveness and Equity

The concepts of 'inclusiveness' and 'equity' are normative, meaning that they are about 'expressing value judgements or prescriptionsⁱⁱⁱ' on 'how things should or ought to be, how to value them, which things are good or bad, and which actions are right or wrong.^{iv}' They are therefore prone to a range of definitions and interpretations about what they mean. In a June 2013 policy brief, the International Policy Centre for Inclusive Growth (IPC-IG) notes that,

'The conceptualisations are diverse, ranging from an emphasis on participation in the growth process and enjoying its benefits, to depending on distributional value judgements and policy priorities, emphasizing 'reduction in poverty' (absolute pro-poor growth) or 'reduction in both poverty and extent of inequality' (relative pro-poor growth) or a progressive improvement involving a reduction in the 'disadvantages of the most disadvantaged people.'^v

In this State of East Africa Report, *inclusiveness* refers to how much the most disadvantaged East Africans are participating in the process of growing the region's economy. Are some being left out? From this perspective, focusing on an average metric to evaluate inclusiveness leads to misleading conclusions. Per capita income can be dramatically expanded by a tiny minority of a country's citizens engaged in the extraction and export of precious metals or oil. This average masks the fact that the majority of the people have not participated in the growth process.

However, the fact that the average changes does not say anything about what is happening to the first and last person in the income distribution. In this report, *equity*, describes how the fruits of economic growth are shared among the region's citizens. Recent analysis is showing that 'inequality is really about how much income the rich (top 10 per cent of the population) and the poor (bottom 40 per cent of the population) get.' The Palma Ratio is defined as the ratio of the richest 10 per cent of the population's share of gross national income divided by the poorest 40 per cent's share. It is based on the work of Chilean economist Gabriel Palma who found that middle class incomes almost always represent about half of gross national income while the other half is split between the richest 10 per cent and poorest 40 per cent, but the share of those two groups varies considerably across countries^{vi}. Simply stated, inequality is about what is happening at the tail ends of a country's income distribution.

ⁱⁱⁱ<http://www.thefreedictionary.com/normative>

^{iv}See <http://en.wikipedia.org/wiki/Normative> for an accessible discussion contrasting normative and positive concepts.

^vSuryanarayana, M.H., (June 2013) *What is Inclusive Growth? An Alternative Perspective* International Policy Centre for Inclusive Growth, One Pager No 205.

^{vi}For a more detailed discussion of the Palma index, see Alex Cobham and Andy Sumner (2013) 'Is It All About the Tails? The Palma Measure of Income Inequality', Centre for Global Development, Working Paper 343 (revised 10.23.13).

Inclusiveness and Equity beyond the Economic Metrics

It must be recognized though that inclusiveness and equity go far beyond economic measures of income and how it is distributed. At least two more dimensions are crucial. The social dimension, at the most basic level, encompasses people's physical health and wellbeing, and their access to livelihood opportunities as determined by the quality of the education they receive. Access to health and education services is important, but even more so is the quality of the service delivered, especially by the public sector to the bottom 40 per cent of the population.

Economic activity generates the resources with which to invest in these social goods, but the way in which these resources are harnessed and deployed has an enormous influence on the quality of life for the majority. That decision is largely affected by the political context. Political inclusiveness is often reduced to voting in periodic elections. However, this is not enough to provide the poor with access to real power and public resources. Equity in the political dimension requires, at a minimum, that peoples' participation in political processes is assured, unhindered, credible and that voters' choices are respected. More important however is the extent to which the poorest citizens have access to power and state resources, and whether they are able to hold their representatives, leaders and civil servants to account to deliver on the social and economic agendas.

Exploring Inclusiveness and Equity in East Africa

The State of East Africa Report 2013 has as its central theme, the exploration of inclusiveness and equity in the context of the East African region. The objective is to describe the region from an inclusiveness perspective and explore the dynamics that are influencing equity, in order to get a sense of how the economic, social and political integration agenda could both shape and be shaped by the equity dynamics at play in the region.

By casting an evidence-based and analytical light on the issue, this report aims to achieve four things. The first is to catalyze and inform a vibrant debate about the real nature of the ultimate goals of regional integration and whether they are the 'right' ones, from a normative perspective. The second is to explore the distance between those aspirations and the current reality in terms of the inclusiveness of the integration process. The third is to encourage some creative imagination about the future of inclusiveness and equity in East Africa as far forward as 2040. The fourth is to propose some strategic policy options for enhancing inclusiveness and equity, as a way of starting a dialogue on how East Africa's regional integration process can best advance the mission of improving the quality of life of all East Africans.

Information – People, Economy and Institutions of East Africa



Photo: Vivek Bahukhandi

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The People of East Africa in 2012

East Africa's population in mid-2012 was estimated at 144 million people, representing an increase of five million from 139 million in 2010. Birth registrations in East Africa are low. The percentage of registered births among East Africa's poorest households indicate that at best, a little over half of children born into poor families are formally 'invisible'. Tanzania registers the arrival of less than one in twenty of its poorest babies.

East Africa is young. The median age in East Africa – the age that divides the population exactly into two equal halves above and below it – ranges from 15 years in Uganda to 19 years in Kenya and Rwanda. More than 62 per cent of East Africans are younger than 25 years of age. According to various surveys young East Africans are hungriest for cash and material affluence, but 'work' scored lowest under what they considered to be 'the most important things in life'.

The rate of urbanization across East Africa is growing at between four and five per cent each year. At these growth rates, the number of people in the region's cities will double by 2013, with most of them living in the region's unplanned urban areas.

East Africans are, on average, living longer. In 2011 the region's average life expectancy was 55 years, up from 51 in 2005. However, with the exception of Rwanda, surveys show that around 90 per cent of East Africans had no medical insurance at all. On the other hand, over 80 per cent of all children are vaccinated against the deadliest childhood diseases.

However, malnutrition in East Africa manifests itself most clearly in the 10 million East African children, 42 per cent of the region's 24 million under-5 who were stunted in 2010. From a nutritional perspective, northeastern Burundi, Dodoma in Tanzania and Karamoja in Uganda are the

worst places for children in East Africa.

All East African countries have achieved the global target of 100 per cent gross enrolment at the primary school level. However, enrolment in secondary school is much lower at between 28 per cent in Uganda and 49 per cent in Kenya as most children do not make the transition to secondary school. Uganda and Rwanda have the highest primary school leaving exam pass rates at over 83 per cent in 2012, while Tanzanian and Kenyan students produced the worst results in East Africa with just 58 per cent and 53 per cent respectively of primary school leavers passing in 2011. A far lower proportion (less than 30 per cent in 2012) of Kenyan and Tanzanian secondary school students pass their respective national exams compared to their peers in Rwanda and Uganda where more than 88 per cent passed.

Kenya's private school children enjoy two extra months of actual teaching during the course of an academic year. In Tanzania's rural schools, the average actual teaching time was just 42 per cent of the scheduled time. Worse, in urban areas, children were taught for just 27 per cent of the recommended time

Looking at the comparative quality of social service delivery in health and education reveals further differences between and within countries. It is striking how much better prepared Kenyans are compared to Tanzanian children. They are scheduled to receive 30 minutes more of instruction time per day, than their Tanzania peers.

Within each country, the disparity is even greater. Kenya's private school children enjoy two extra months of actual teaching during the course of an academic year. In Tanzania's rural schools, the average actual teaching time was just 42 per cent of the scheduled time. Worse, in urban areas, children were taught for just 27 per cent of the recommended time. Such disparities show up in the different levels of academic achievement between rural and urban children, between public and private school children within and between Kenya and Tanzania. Inequality of opportunity starts at this level and has effects that last through the entire lifetime of every citizen in the region.

However, in the global ranking of pedagogical quality, Tanzania and Burundi fared poorly in the quality of math and science education compared to Rwanda, Kenya and Uganda. Indeed, with the exception of Rwanda, all East African countries are in the bottom half of the global rankings. This points to a very significant structural impediment to transforming East Africa's economies in the direction of skill- and knowledge-based innovation.

East Africa's Economy in 2012

The East African economy continued its impressive growth rate trend with an average of 6 per cent growth in 2011 and a GDP of \$83 billion in that year. However, income per capita data for 2011 shows the significant intra-regional difference between Burundi's per capita income of \$271 and Kenya's \$808.

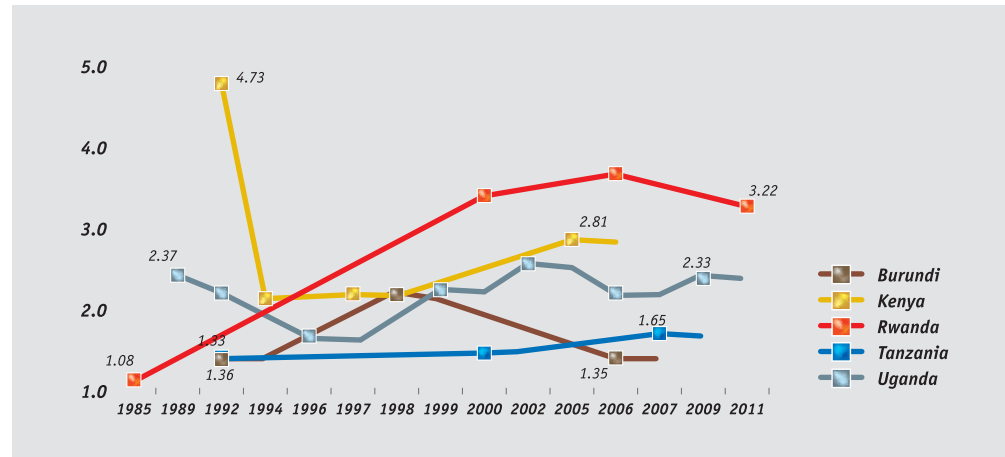
Per capita income, an oft-cited measure of development or welfare improvement, masks the underlying reality of distributional inequality both between and within the East African nations. Looking at inter-country inequality, the wealthiest quintile in Burundi had an average income that was lower than the per capita income in Kenya and Rwanda. In other words, the wealthiest 20 per cent of Burundians are, on average, less well off than the average Kenyan or Rwandan, and they are about as well off as the average Tanzanian.

Within countries, the per capita income measure masks even greater income inequality. The analysis shows that per capita income figures reflect the income of the wealthiest 20 per cent of Burundians, Tanzanians and Ugandans. In 2011, 60 per cent of East Africans had incomes that were below their respective national averages. In Kenya and Rwanda, that figure rises to 80 per cent.

Figure 1 on the following page shows the trends of the Palma Ratio in the East African countries. It

responds to the question of how much more does the richest 10 per cent of the population in each country earn compared to the poorest 40 per cent of the population in that same country?

Figure 1. Trends in the Palma index in East Africa (1985 – 2011)



Source: <http://www.indexmundi.com/facts/topics/poverty>, and PovcalNet: the on-line tool for poverty measurement developed by the Development Research Group of the World Bank (<http://iresearch.worldbank.org/PovcalNet/index.htm>)

Burundi is the least unequal country in the region, followed, in order of rising inequality by Tanzania, Uganda Kenya and Rwanda. The trends present a mixed picture with Rwanda and Burundi showing signs of reducing inequality, albeit from a very high level in Rwanda. Kenya and Tanzania seem to be expanding the gap between rich and poor, while Uganda has kept it mostly stable for two decades.

To put these figures in perspective, the two African countries with significant income disparities are South Africa and Namibia. In South Africa, the richest 10 per cent earn seven times more than the poorest 40 per cent, and in Namibia that figure is 6.7 times. Jamaica, where the richest 10 per cent earn more than fourteen times the income of the poorest 40 per cent, is the most unequal country in the world on this measure.

If the East African Community were a single country – a Federal Republic of East Africa – and its \$83 billion income in 2011 was distributed according to the most recent income shares obtaining in each constituent state, the richest 10 per cent of the population would have shared \$29 billion among themselves and received almost \$2,100 each. This would place them in their own lower-middle-income country. The poorest 40 per cent, almost 57 million East Africans, would have shared \$12.7 billion, giving each \$225 for the year. This is less than Burundi's per capita income of \$271 in 2011.

The region's economic structure is changing fast. In 2003, Kenya's was the only regional economy in which the services sector had a bigger share of the economy than agriculture. A decade later, all East African economies have services sectors that are larger than their labour-intensive agricultural sectors. Burundi's services sector has as large a share of the country's economy in 2011 (49 per cent) as the agricultural sector did just seven years earlier in 2005. These are rapid and fundamental changes in the region's overall economic structure.

As the agricultural sector's growth rates stagnates and its contribution to the economy shrinks, the vast majority of East Africans who are 'employed' in this sector find themselves living on the edge of destitution. The manufacturing and services sectors, including public administration, do not generate anywhere near enough decent jobs to absorb the growing labour pool, forcing most people to find a livelihood in East Africa's informal sector.

A formal wage-paying job is the privilege of a tiny minority of East Africa's working population. Just 1.6 per cent of Uganda's youth, 4 per cent of Burundi's, 5 per cent of Tanzania's and 6 per cent of Kenya's working populations are formally employed.

For those fortunate enough to find a paying job, the wage data highlights further the disparity in earnings. First, the lowest official monthly minimum wages across East Africa varies from a high of \$81 in Uganda to a low of just \$3.10 in Burundi, which is four times lower than its official poverty line of \$12. Secondly, the median monthly wage ranged from \$176 in Rwanda to \$84 in Tanzania. However, at \$176, Rwanda's median wage is lower than its own official poverty line (\$192) and furthermore, less than half of working Rwandans were paid a wage that was higher than the country's poverty line. The majority of Kenyans, Tanzanians and Ugandans were earning wages above their minimum wage and poverty lines.

Across the region, young East Africans (less than 29 years old) and those working in informal jobs (without contracts), have a higher probability of being paid below the minimum wage or the poverty line. Interestingly, the wage disparity between men and women was generally modest. In Tanzania there was no gender-based wage difference, and in Kenya, women were more likely (64 per cent) to be paid above the minimum wage than men (55 per cent).

East Africa expanded the value of its total trade by \$8.2 billion to \$45.8 billion in 2011 from \$37.5 billion in 2010. Imports continue to dominate the region's trade. Import growth of \$6.5 billion in 2011 was responsible for 79 per cent of the region's total trade expansion and for 72 per cent of total trade in that year.

Although exports increased by \$1.76 billion they accounted for just 21 per cent of that year's trade growth and only 28 per cent of the region's total trade in 2011, the lowest since 2005. It is notable that the \$18 billion value of East Africa's top five imports in 2011 was more than twice as large as the \$7 billion value of its top five exports. East Africa's five most important exports can barely pay for its fuel bill.

The value of intra-regional trade increased by just under \$1.0 billion between 2010 and 2011, to almost \$5.0 billion. Exports within the region were 21 per cent of total exports, while the share of imports from the region has remained at just 7 per cent of East Africa's total imports.

East Africa attracted foreign direct investment (FDI) inflows of \$3.9 billion in 2012, a \$1.8 billion increase from \$2.6 billion in 2011. With a combined total inflow of \$3.4 billion, the two main energy-rich countries of Uganda and Tanzania received 90 per cent of the investment inflows into the region. In addition to the lure of the extractives sector, other investors in East Africa are targeting regional and domestic consumers with healthcare, financial services and cement production.

In 2011, the region received \$8.3 billion in total net disbursements of aid up from \$7.9 billion in 2010, and representing 18 per cent of total aid flows to sub-Saharan Africa for 2011. Uganda and Rwanda experienced aid cuts in 2012, a year that also saw a shift in aid allocations by donors away from the poorest countries, towards middle-income countries. These are signs that declining aid flows to the region could soon be a strong feature of its economic relationship with donor countries. Interestingly aid flows that made up a quarter of Tanzania's national income a decade ago, now account for less than half of that share as domestic resources and commercial funding have become more important.

East Africa's Institutions in 2012

Taking a look at East Africa's institutions of governance, accountability and opportunity, it is clear that there is much work to be done.

What stands out in particular, is the extent to which the institutions of law enforcement – the police and judiciary have become hostage to corruption. The data speak to the extent to which citizens are losing faith in these institutions. The police account for 50 per cent of the most corrupt sectors in the region followed by the judiciary at 30 per cent. The police departments in all five East African Community states appear in the top ten most corrupt institutions, which points to the harsh reality experienced by many citizens in their dealing with law enforcement institutions

in the region. And even when confronted with corrupt practices, hardly any of the citizens in the region bother to make official complaints: In Kenya, only 5 per cent of the survey sample indicated that they reported incidents of bribery to the authorities. The figure in the other EAC member states was 8 per cent in Uganda, 10 per cent in Burundi, 11 per cent in Tanzania and 15 per cent in Rwanda. These figures speak volumes about the low expectations that citizens have in the ability of their governments to deal with corruption.

Secondly, and equally worrisome, is the data from the Afrobarometer surveys which indicate that as far as citizens are concerned, their lives have not improved. There is a pervasive feeling that the economic conditions have worsened in the past five years. In the 2012 Tanzania survey, 40 per cent of the respondents surveyed felt that current economic conditions in Tanzania were very bad, compared to 25 per cent in 2008. A similar sentiment was recorded in the majority of Ugandans surveyed: In 2012, 62 per cent felt that their living conditions were either 'fairly bad' or 'very bad' (42 per cent in 2010) and the majority were generally pessimistic about their future prospects. In Kenya, this is demonstrated by the fact that 54 per cent of Kenyans described the current economic conditions as either 'very bad' or 'fairly bad' in 2005, a proportion that increased to 84 per cent in 2011.

In an assessment of the quality of the region's democracies go, three East African countries were described by the Economist Intelligence Units 'Democracy Index' as being 'hybrid regimes' (basically somewhere in between democracy and authoritarianism) and two are 'authoritarian regimes'. Overall, the region's democratic performance is varied with two trends worth noting – the upward rise for Tanzania and the steep decline for Burundi. However given the ranking of the East African countries in the Democracy Index relative to the rest of the world, there is a significant gap to close before the democratic credentials of the region can be put at par with those, such as Mauritius (18th globally) that ranked highest in Africa.

The challenges before East African governments include those of creating the conditions for economic development, lifting the majority of citizens out of poverty, and allowing them to become not only beneficiaries, but drivers of their own development processes. Institutions of governance, accountability and opportunity are critical to ensuring that all of this happens. Failing this, there is the risk that backsliding can create the conditions for social unrest to flourish.

When the political and governance system is contaminated by corruption, where there is an absence of democracy and rights are systematically violated, social justice and economic development become meaningless ideas and ideals for the majority. The citizens' views of their governments captured by the Afrobarometer surveys suggest that as far as they are concerned, current conditions and future prospects are getting worse rather than better.

These views suggest that leaders ought to pay greater attention to the root causes of the deepening despondency. The region's growing economic hardship and social disparity may be creating the conditions for institutions to be undermined or even captured. They could slow the momentum or even reverse the direction of East Africa's recent economic prospects.

In the current state of the region, many of the ingredients for these worrying outcomes are present. It is not unreasonable to suggest that a tipping point is approaching unless determined and deliberate action is taken to put East Africa on a path that deepens democratic culture, eliminates corruption in public and private institutions, promotes a responsible media and ultimately offers every citizen an equitable opportunity to reach their fullest potential.

Insight – Drivers of Inclusiveness and Equity in East Africa



Photo: flickr.com/ John Hanson, U.S. Army

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Introduction

Inequality across nations and within them is the product of a dizzying collection of factors ranging from geographical location, endowments of natural resources and political ideology at the national level, to mother's health during pregnancy and natural talent at the level of the individual.

In East Africa, an analysis of the region's economic structure – who is producing what and for what reward - holds some important clues on the shape and evolution of inequality as it manifests itself in outcomes at the personal income level. Physical health and intellectual aptitude are major determinants of the ability to participate in and benefit from economic activity. Finally, access to political power and public resources have an important bearing on how the opportunities and benefits of economic growth are distributed among citizens. These three drivers of inequality are explored in this section.

Economic Drivers of Inequality

The majority of East Africans are living off a shrinking agricultural sector

The changing structure of the East African economy is one of the most important drivers of the region's economic performance and the very uneven distribution of income and other benefits of growth in the region.

Agriculture's contribution to the overall economy has been declining for at least a decade. It has been

the slowest growing subsector of the regional economy since 2005. Agriculture's share of Tanzania's economy fell to 24 per cent from 28 per cent between 2005 and 2012, while both Kenya's and Uganda's agricultural sector stayed relatively stagnant at 24 per cent during the eight-year period.

In and of itself, this need not be a bad thing. Developing economies are characterized by a falling share of the agricultural sector in the overall economy. The trouble is that the speed of change exceeds the capacity of the industrial and services sectors to provide the jobs or livelihoods needed.

Agriculture employs the majority of the labour force in Uganda (66 per cent) and Tanzania (75 per cent of population is rural)ⁱ. In Kenya agriculture employs 40 per cent of the total workforce and 70 per cent of the rural population.ⁱⁱ In Rwanda agriculture's share of the economy dropped from 38 per cent to 33 per cent, while absorbing between 73 per centⁱⁱⁱ and 80 per cent^{iv} of the country's labour force, while in Burundi, it dropped from 48 per cent in 2006 to 36 per cent in 2011^v.

Manufacturing jobs are growing, but much too slowly

The share of industry in the economy increased modestly in four of the five EAC countries and ranged between 15 per cent in Kenya to 26 per cent in Uganda in 2012. Based on available data, EAC's industrial sector employed about 560,000 workers in East Africa. Assuming a labour force of about 77 million in 2010, industrial employment accounted for less than 1 per cent of the region's total labour force. In order to reach the goal of having 2.3 million people working in manufacturing, the region's industrial sector jobs would have to expand five times in the next 20 years.



'EAC INDUSTRIALIZATION STRATEGY TARGETS – REALISTIC OR PIPE DREAM?'

The objective of the EAC Industrialization Strategy is 'to create a market-driven, regionally and internationally competitive and balanced industrial sector based on the comparative and competitive advantages of the EAC region'. Some highlighted targets from the policy:

- Increasing share of manufactured exports to the region relative to imports from the current 5 per cent to about 25 per cent.
- Growing the share of manufactured exports relative to total merchandise exports to 60 per cent from an average of 20 per cent.
- Manufacturing-based employment, currently at 456,000, to about 2.3 million in 2032.
- Expand the manufacturing sector's contribution to the regional GDP, currently at an average of 8.7 per cent, to an average of 25 per cent in 2032.

Most East Africans work informally and young people are under-employed

A formal wage-paying job is the privilege of a minority in every East African country. That minority is as small as 1.6 per cent of Uganda's youth, 4 per cent of Burundi's and 5 per cent of Tanzania's working population^{vi}. In Kenya, just 6 per cent of people entering working age are finding modern wage jobs^{vii}, lucky to escape the army of young people who make up 80 per cent of the country's 2.3 million unemployed^{viii}.

Official labour statistics across East Africa classify those working on their own farms as being employed, masking the reality that such work is predominantly subsistence in nature. Similarly, most informal work can be viewed as 'survival entrepreneurship' low productivity occupations with little prospect of expanding incomes or employment.

ⁱWorld Bank, Tanzania Economic Update October 2012

ⁱⁱhttp://www.fao.org/fileadmin/templates/japda/Kenya-Policy_Report.pdf

ⁱⁱⁱ<http://www.africaneconomicoutlook.org/en/countries/east-africa/rwanda/>

^{iv}<http://www.feedthefuture.gov/country/rwanda>

^v<http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Burundi%20Full%20PDF%20Country%20Note.pdf>

^{vi}African Development Bank (2012), African Economic Outlook 2012, Tanzania Country Report

^{vii}World Bank (December 2012), Kenya at work – Energising the economy and creating jobs. Kenya Economic Update Edition No. 7

^{viii}UNDP (January 2013), Kenya's Youth Employment Challenge – Discussion Paper

Minimum wages in East Africa are barely above the international poverty line of \$1.25 per day

For those lucky few who secure a paying job, the range of official minimum wages across the region is wide. The lowest official monthly minimum wages across East Africa varies from a high of \$81 (or \$2.70 per day) in Uganda to a low of just \$3.10 (\$0.10 per day) in Burundi with Tanzania (\$59 or \$2.00 per day), Kenya (\$55 or \$1.83 per day) and Rwanda (\$39 or \$1.30 per day) falling in between those two endpoints.

It is worth noting that Burundi's minimum wage was set in April 1988 and it has yet to be updated. Burundi's poverty line was calculated 18 years later in 2006 at 627 Burundi Francs per day, or US\$12.20 per month, putting the country's legislated minimum wage four times lower than its official poverty line. Similarly, Rwanda's official minimum wage, unchanged for decades, is now five times lower than the recently updated national poverty line of \$192 per month.

Even so, a substantial proportion of working East Africans are not even paid at the level of their national minimum wage. In Tanzania, 36 per cent of formally employed citizens are paid below the minimum wage^{ix}. In Kenya, two out of five formally employed workers receives a wage lower than the mandated minimum. For informal workers, that rises to two in three workers^x. Even more striking, one in four Ugandans and half of working Rwandans are paid a wage that is below their respective national poverty line^{xi,xii}.

Social Drivers of Inequality

The probability of upward social mobility is determined by the nutritional quality, health and learning that are obtained during the first 1,000 days of life for most people.

Health

Child mortality rates have declined across the wealth divide

Infant mortality and under-five mortality rates have decreased significantly across the wealth quintiles, demonstrating progress made in improving early childhood healthcare. One part of the reason for this could be the improved vaccination coverage. Vaccination for polio and tuberculosis covers the majority of the population across wealth quintiles. Furthermore, the gap in coverage between the rich and poor has closed between the earliest and more recent surveys.

Canaries in the coal mine: growing nutrition gap between rich and poor children

In the past, canaries were taken down with coal miners to detect deadly gases and, if they died, it was a warning for the miners to leave the danger zones. Stunted children are the canaries in East Africa, providing a form of early warning to the social challenges the region may face. The chronic malnutrition that results in children having a significantly lower height than the average has long-term debilitating effects. These include being at greater risk of illness and death. Those who survive are more likely to perform less well at school. This will not only affect their individual life chances negatively but, when they are in sufficiently large numbers, as they are now in the region, the current and future development prospects of entire communities and countries.

Tanzania's malnutrition trends are particularly disturbing. Stunting has increased across the board in both the wealthiest and poorest children. Between 2004 and 2010, the probability of a child in the wealthiest quintile being stunted went up from 16 per cent to 26 per cent. Just under half of Tanzania's poorest children are stunted.

Kenya's young children are also increasingly stunted as the national data shows. 44 per cent of

^{ix}http://www.wageindicator.org/documents/publicationslist/publications-2012/1206-WageIndicator_report_face-to-face_surveys_Tanzania_20120522.pdf

^xhttp://www.wageindicator.org/documents/publicationslist/publications-2012/1207-WageIndicator_report_face-to-face_surveys_Kenia_20120602-KT.pdf

^{xi}<http://www.wageindicator.org/main/publications/2012/wages-in-uganda-wage-indicator-survey-2012>

^{xii}http://www.wageindicator.org/documents/publicationslist/publications-2013/AIAS_WI_countryreports_f2f_report_Rwanda_final_20130321.pdf

Kenya's poorest children were stunted in 2010, an increase of six percentage points since 2003. Children in the wealthiest quintile had a higher one in four chance of being stunted in 2010 compared to a one in five chance in 2003. Furthermore, Kenya's poorest children were twice as likely to be stunted as their wealthier compatriots in 2003 but this gap had closed slightly by 2010.

Contrast this to the rate of malnutrition in Uganda, which fell in the five years between 2006 and 2011. Malnutrition fell faster among Uganda's poorest children where it went from 43 per cent to 37 per cent, compared to the richest where it dropped from 24 per cent to 20 per cent.

In Rwanda, there has been a marginal improvement in stunting rates among the poorest children where more than 50 per cent of the children are stunted. Among the wealthiest quintile, the probability of children being stunted fell from one in three to one in four. However, the gap between Rwanda's wealthiest and poorest children in this indicator widened from 25 to 28 percentage points. In Burundi data from 2010 shows that 70 per cent of Burundi's poorest children are stunted, compared to a still very high 41 per cent of their wealthiest compatriots.

Health service delivery indicators for Tanzania and Kenya

In Tanzania, 60 per cent of urban health facilities have electricity, clean water and improved sanitation compared to just 5 per cent of rural facilities. In Kenya 58 per cent of health facilities in urban areas share the same advantage of infrastructure. The starkest differences between public and private health facilities in Kenya were seen in infrastructure availability with 49 per cent access in public facilities compared to 86 per cent in private ones.

Tanzania's urban health facilities do better in their diagnostic accuracy (68 per cent) compared to rural ones (53 per cent), but less well than in Kenya where diagnostic accuracy is 70-75 per cent across the board. Interestingly, medical personnel in urban Kenya and Tanzania are more likely to be absent from their places of work than their rural counterparts.

It is difficult to see how such suboptimal systems will cope with the region's healthcare challenges in the present and the future. First, even the better urban health facilities have serious deficits in terms of electricity, clean water and sanitation among others. This pushes richer citizens to use more expensive, private medical services providers, or travel abroad for medical care. They can afford to remain healthy and pass this advantage on to their children. Secondly, the uneven quality of services between rural and urban areas of East Africa disproportionately sentences rural dwellers to inadequate health services, higher rates of illness, lower productivity and ultimately income levels.

Education

The quality of education services delivery is mixed^{xiii}

The education service delivery indicators for Tanzania present a particularly challenging picture. That just 2 per cent of schools in rural Tanzania have adequate infrastructure points to a serious deficit of investment in educating the country's poorest children. Little comfort is given by the fact that urban schools are hardly better off on this measure. Tanzania compares very badly to Kenya, where almost 60 per cent of all schools – rural, urban, private and public – have access to these essential services.

Teacher contact is a major driver of children's learning outcomes. When children in rural Tanzania are taught for less than half of the scheduled teaching time, and those in urban are an even more dismal 27 per cent of teaching time, their poor performance on national exams should come as no surprise. One of the fears most expressed by Tanzanians on regional integration is that they will lose their jobs and employment opportunities to better educated, English-speaking Kenyans. Children in Kenya's public schools do receive more hours of instruction than their Tanzanian peers. Furthermore, Kenya's private school students benefit from an extra hour of instruction compared to their public school peers, which works out to two extra months of teaching during the course of a year.

The evidence points to how the quality of the region's pedagogical experience makes a difference to the type of opportunity young people will encounter in their adult lives. Regionally, Kenyans

^{xiii}World Bank, *Tanzania Economic Update October 2012*

are probably the more sought after employees, particularly in the skilled professional jobs. The differences in the quality of education services delivery between Tanzania and Kenya offers some important clues as to why this could be the case. It will be interesting to see how the other countries compare on these metrics.

Political Participation and Power

All five East African countries hold regular elections for their leaders and representatives. Indeed, between 2014 and 2018, every country will hold a major election, two of which – in Tanzania and Rwanda - are expected to result in a change of administration. Inclusiveness in the political process is most easily achieved and demonstrated in the usually well-attended voter registration exercises. On voting day, turnout has sometimes been smaller than the number of registered voters, sometimes by a large margin. However, if the disappointing turnout of just 48 per cent of registered voters in Tanzania's 2010 election is an indicator, disillusionment over the efficacy of the ballot box to transform their lives and prospects may be setting in among ordinary citizens.

In a recent Democracy Index Report 2012, three of the East African Community's five countries were called 'hybrid democracies' in which 'elections suffer from substantial irregularities that prevent them from being free and fair, it is common for opposition candidates and parties to face government pressure, corruption is widespread, the rule of law is weak, journalists are harassed and the judiciary is not independent.'

Such a description of our region's political climate is not far off the mark. It highlights the reality that ordinary citizens have little power and almost no resources to hold their governments accountable. The completely disproportionate concentration of public resources and coercive power in a small minority of East Africans is, arguably, at the root of the unequal distribution of opportunity as well as the rewards of growth.

One People, One Destiny?

The motto of the East African Community is 'One People, One Destiny'. As a statement of intent and aspiration it is uplifting and motivational. Interestingly, this motto is neither new nor unique. It was coined in an earlier time, in a distant land by an unsuccessful businessman. But it had the same purpose, that of rallying the people to the cause of federation.

In a rousing speech at the opening banquet of the March 1891 Federal Convention in Sydney, one of Australia's founding fathers, Sir Henry Parkes, sought to

'break down the barriers which have hitherto divided us.'

He further argued that

'we seek in the best way that is possible, by federated power, to master our own destinies and to win our own position in the world, and in entertaining this lofty and enlightened ambition we are not prepared to take any second place amidst the civilised peoples of the world.'

Sir Henry Parkes ended his speech with this rallying cry,

'I ask you then, with unreserved feeling, with true hearts, earnestly engaged in this great work to drink this toast: One people. One destiny.'^{xiv}

On January 1, 1901, after a decade of conventions negotiations and deals, six colonies formed a federation called the Commonwealth of Australia.^{xv} One hundred and twelve years later, Australians enjoy a per capita GDP of almost US\$ 68,000 in 2012 placing them in the top ten countries in the world, and its income Gini coefficient of 30.5 (2006) suggests a reasonably fair distribution of income among its citizens.

^{xiv}<http://www.parkesfoundation.org.au/Parkesspeech.htm>

^{xv}http://www.idealcity.org.au/a_nation_needs-1.html

To what extent are East Africans One People? Based on the exploration of the data in this chapter, and at the risk of oversimplification, what emerges is that in terms of the reality of their life experiences, East Africans could be gathered into three main groups – the richest tenth, the poorest 40 per cent and the majority in the middle making up half of the region's population.

The richest 10 per cent of East Africans, about 14.1 million people would have shared \$29 billion in 2011 leaving each with \$2,100. They live in East Africa's cities and towns, work in industry or in the professional services sector, earn a wage many multiples above the minimum and have access to the best education and medical services available in the region. Their children are most likely in private schools where they are taught for much longer than their peers. There is little difference of opportunity between men and women or the young and the old. Their 'East Africa' resembles Moldova in Europe or Honduras in Central America.

The poorest 40 per cent of East Africans, numbering 56 million people, shared \$12.7 billion among themselves in 2011, leaving each with an income of \$225 for the year. They live in the rural areas or in the slums around the towns and cities. Those lucky enough to find work receive a wage that is often below the poverty line, let alone the minimum wage. They have no health insurance and their children face a 40 to 80 per cent higher chance of dying before their fifth birthday compared to their richer compatriots. Those who survive are more likely to be stunted and attend schools lacking basic utilities such as power, water and sanitation and where they are taught for only a quarter of the recommended time. This combination of poor nutrition and negligible schooling leaves them unable to operate in East Africa's modernizing, service oriented economy and guarantees that they will bequeath their poverty to their children and grandchildren. The peacetime 'East Africa' they live in feels closer to Somalia or the Democratic Republic of Congo (DRC) at the lowest points in their recent conflict-ridden past.

East Africa's middle majority, about 71 million people or half of the region's population, live a life that lies somewhere between these two extremes. This middle majority, shared \$41.5 billion among themselves in 2011, ending up with \$586 each, roughly equal to the average income of the wealthiest quintile of Burundi's population.

It would be unfair to blame regional integration for this state of inequality in East Africa. It can be argued however, on the basis of the evidence presented, that the strong economic growth performance that has been unleashed by regional integration efforts, has done little to close the gap between the rich and poor, and it may not even be moving the region in such a direction.

Arguably, three major forces are shaping the distributional effects of East Africa's economic performance. The first is the changing structure of the regional economy that is essentially devaluing the agricultural sector and pushing many people off the land into its urban spaces in search of better opportunities. The second is the nutritional quality of the food eaten by East African children in the first 1,000 days of their lives which has lifelong effects on their brain development and learning abilities. Stunted bodies are often an external manifestation of stunted minds. The third is the quality, rather than quantity, of the schooling that is provided to East Africa's children that ought to prepare them for a rapidly changing and modernizing economy.

For regional integration to meet its fundamental objective of improving the quality of life of East Africans, 'increased competitiveness, value added production, trade and investments' can only be one part of the story – the economic, trade and infrastructure part. Addressing the social dimensions of improved welfare by achieving a greater degree of equity-enhancing relative inclusiveness, not just consumption-expanding absolute inclusiveness, must be the second and equally important part of East Africa's regional integration story.

The way in which the current East African regional integration outlook, strategy and execution addresses the challenges of structural economic change, food security for children and the quality of their education, will shape how inequality evolves well into the future. 'Business as usual' will leave the uncomfortable status quo firmly in place. Emphasizing and accelerating the growth agenda will damage even further the fragile social fabric that holds East Africans together. Only a deliberate and determined strategy to truly forge 'one people' from three groups of East Africans - the rich tenth, the poor 40 per cent and the middle - stands a good chance of leading to the 'one destiny' that is the destination to which all are travelling.

Imagination – The Future of Inclusiveness and Equity



Photo: flickr.com/ Arne Hoel, World Bank

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Setting the Scene

'Any economic model that does not properly address inequality will eventually face a crisis of legitimacy' Nouriel Roubini¹

This report opened with an overview of the current status of the East African Community in its human, economic and political dimensions, followed by a deeper exploration of the issue of inequality, arguing that East African citizens are experiencing very different life circumstances from the point of view of generating and sharing in the region's wealth and sharing in its benefits. By placing a question mark at the end of the motto of the East African Community, it interrogated the very idea that the EAC is truly 'One People, One Destiny'. What might the future look like?

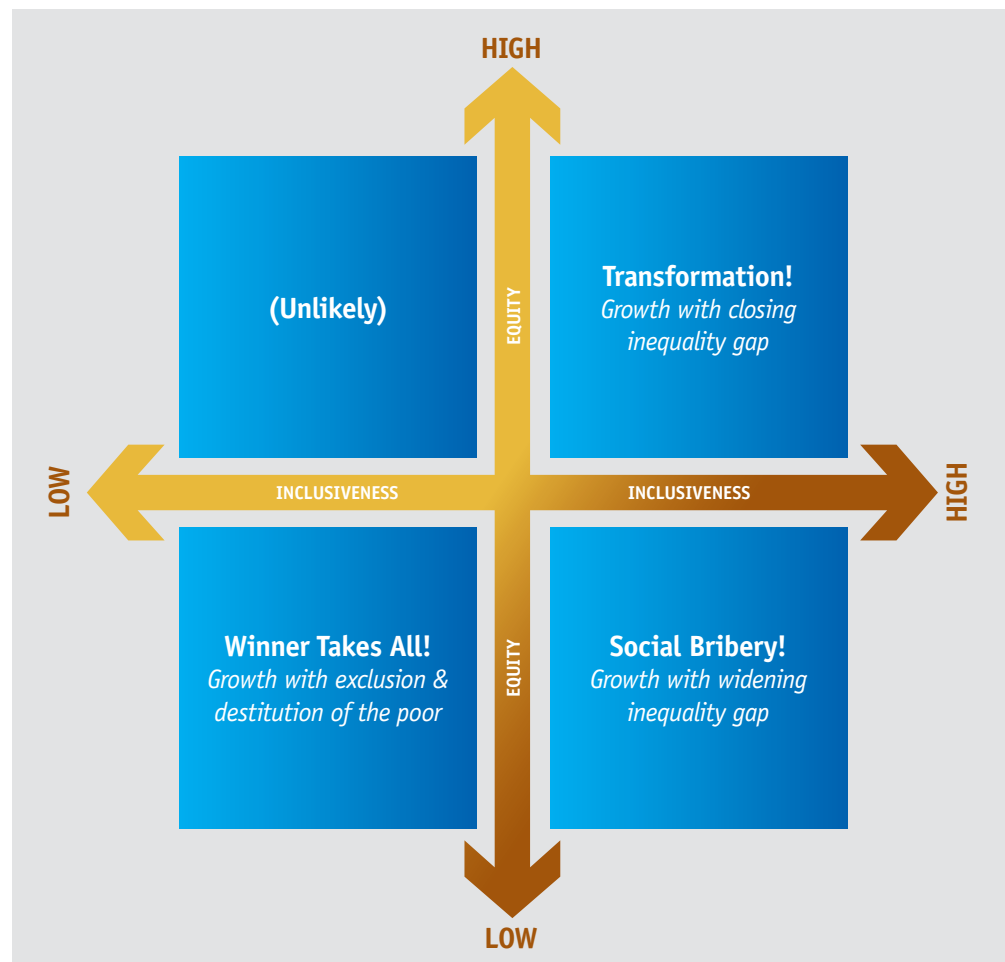
This section is intended to provoke the imagination by taking this exploration into the future to look at a set of three plausible alternative outlooks for the region from an inequality perspective. Two fundamental and policy-influenced driving forces are shaping the future of inclusiveness and equity in East Africa. One is the *inclusiveness* of growth - a measure of how much the most disadvantaged East Africans are participating in generating economic growth. The continuum ranges from a low level of inclusiveness in which the poor are marginal to the process of growth, to a high degree of inclusiveness in which they participate more fully in generating economic wealth.

The second driving force is the degree of *equity*, which describes how the benefits of economic growth are shared among the region's citizens, and particularly the share of income and wealth that accrues to the poorest members of society. At one extreme of low levels of equity, the

¹Roubini, N. *The Instability of Inequality*, October 2011 <http://www.project-syndicate.org/commentary/the-instability-of-inequality>

poorest get a tiny fraction of the income – a third or less of their proportion of the population - while the richest 10 per cent get a disproportionately large share of income, three of four times their share of the population. At the other end of the spectrum, a more equitable income distribution would see the poorest enjoying a share of income that is equivalent to at least half of their share of the population.

Outlooks on Inequality in East Africa



The diagram shows the interaction between these two driving forces and locates three possible outlooks for inclusiveness and equity in East Africa.

Starting with the bottom left quadrant, the *Winner Takes All* outlook describes a future in which the poorest are excluded from participating in East Africa’s growth process. In an economy based on the extraction and export of oil, gas, unprocessed precious metals and agricultural commodities, there are few opportunities for them. Furthermore, not only is the regions’ physical and financial wealth concentrated among the rich few, but the disparity widens dramatically over time as the poor get a shrinking share of the expanding income. As a result the majority of East Africans exist in conditions of deprivation and desperation, while a select few enjoy a lavish but fear-filled lifestyle.

The *Social Bribery* outlook outlines a possible future in which much is promised to the region’s poorest citizens, and on the face of it, delivered. But it actually does little to improve their welfare. It is about the illusion of growing personal prosperity based on expanding debt-fuelled consumption of modern conveniences. The people’s participation in the economy is rewarded with wages that are suppressed just enough to protect profit margins, but not enough to kill their purchasing power. The poor consume a little more, but never catch up with the richest of their compatriots. Indeed, the wealth gap widens imperceptibly and inexorably.

The *Transformation* outlook highlights a future in which the region's underlying economic strategy changes its outward orientation following a youth-led protest that chokes the regional economy at its most vulnerable points. The resolution of the crisis turns the economic policy inwards to nurture domestic demand, supporting an ecosystem of local value-chains to meet the growing demand and 'upgrading' the skills of ordinary East Africans. At its core is a deliberate effort to directly tackle inequality head-on, and it is led by a re-purposed and revitalized East African leadership.

The fourth quadrant is improbable. It is highly unlikely that the region's future will combine the absence of inclusiveness in the generation of economic wealth with a high degree of equity in the distribution of whatever wealth that is created. Such a combination would imply either that the economy had crashed due to the absence of input from the poorest 40 per cent – an equitable distribution of destitution – or that it would be an extreme form of a humanitarian economy, where all economic growth and wealth creation is produced by the richest 10 per cent who then transfer almost all of it to the poorest forty per cent.

Winner Takes All

The Stake-out

In the early years (2014-2020), oil and gas discoveries attract huge investments in preparation for extraction. As the contracts between governments and energy companies remain shrouded in secrecy, many fear that the deals benefit a few individuals at the expense of communities and nations. Large agribusiness investments that are announced receive a similar fearful and skeptical response from citizens who wonder whether they face eviction from their land. There is little investment in new job-creating factories.

Young East Africans continue to move from villages to towns looking for work. Since it is almost impossible to get work without paying a bribe in cash or in kind, it is a migration to misery. Schooling has equipped them with no skills. Many parents see no point in continuing to sacrifice for fees, books and uniforms. Teachers rarely come to work. When they do, none of them do any teaching. Public hospitals remain free of doctors, equipment and medicines.

With few exceptions, the political discourse is really about the welfare of politicians. Opaque campaign financing keeps the door open to commercial interests and ensures that money wins elections. Under the guise of protecting social unity and stability, opposition parties agitating for reform, are met with hard force on the streets and gagging in the media. For the youth, armed resistance takes on a new appeal as the notoriety of the rebel groups in Eastern DRC, South Sudan and Somalia captures the imagination of the region's youth.

Regional infrastructure projects proceed apace. The 'coalition of the willing' – Kenya, Uganda and Rwanda – secures funding for the gas and oil pipeline. In a reconciliatory gesture, Tanzania buys some shares in Uganda's oil refinery and offers to extend its gas pipeline to Kenya.

The Sting

The decade between 2021 and 2030 sees a boom in East Africa's energy production and exports to a resurgent Asia. It is accompanied by a collapse in manufacturing aimed at local and regional markets that cannot compete with imported finished goods. Many thousands of existing factory jobs disappear.

Large mechanized commercial farming targeted for export markets thrives. Small farms are either bought up or abandoned as young people accelerate their flight from the land to work as guards and maids in the growing security and personal services sectors, earning survival wages. Everyone else ekes out a desperate existence in informality. Child mortality and stunting rates climb higher as nutritious food is increasingly unaffordable for most.

Participatory democracy becomes a farce as most people abandon the ballot box. Voter turnout falls sharply to below 10 per cent, questioning the very validity of 'elected representation.' Political groups with radical 'eat-the-rich' social policies expand their popularity, scaring the political and business elite into boosting industrial, commercial and personal security. Walls are built around the affluent enclaves of East Africa's towns and cities. Rebels in surrounding countries begin to coordinate action against economic targets – attacking key bridges, refineries and pipelines.

As the EAC integration process confers global legitimacy to local elites, it is pursued with vigour. The first EAC Partnership Fund Replenishment exercise attracts large private sector commitments. A grateful EAC allows firms to be incorporated as regional entities. Plans towards a monetary union are accelerated as budgets are balanced through brutal cuts in social spending and lax employment regulations.

The Close

The decade between 2031 and 2040 witnesses a peak extraction of East Africa's oil, gas and mineral reserves. As the resource depletes, mines and wells are abandoned with little regard for their environmental effects. Heavy chemical use in commercial farming leaves large areas of

poisoned land and water sources. High-paying tourists access the few remaining game parks and reserves on private jets and helicopters – road travel is too dangerous. Rwanda's gorillas have been moved to private reserves 'for their own protection'.

The region is governed by the business and political elite, which projects its force and is protected by a conglomerate of privatized armed security services. While the East African Community is made up of countries as legal signatories to the treaty, real power, money and force is concentrated in the club of business, security and political elites

East Africans are sharply divided along income lines. The vast majority exist far below any poverty line, while the affluent minority live in gated cities, shuttling between them in private aircraft. For those on the outside, a living is

earned in the large, largely private security and intelligence sector across the region. Poor young men and women line up at recruitment centres knowing that acceptance into the armed security forces guarantees regular meals, health care and decent living conditions. Others queue to become Human Donors, also craving a decent existence of premium feeding and medical care. In exchange, their extra kidneys, corneas or stem cells from aborted babies are harvested for the rich who use these 'spare parts' to lengthen their lifespan.

The region is governed by the business and political elite, which projects its force and is protected by a conglomerate of privatized armed security services. While the East African Community is made up of countries as legal signatories to the treaty, real power, money and force is concentrated in the club of business, security and political elites. The views of its Executive Advisory Council (EAC) are integral to all decisions made about the region, including social policy, expansion and foreign relations. The Community has effectively been privatized.

Social Bribery

The Promise

It's a promising start. Everyone is building. Shopping malls, offices and homes are mushrooming across East Africa. The construction boom is helping to fuel strong economic growth. Kenya and Tanzania join Rwanda in issuing Eurobonds on international markets, confident that future oil and gas revenue will easily repay the resulting debt.

Regional governments are committing to spending lots of money on the poor from free laptops for primary school kids to free maternity services. And there are promises for more – more teachers, more doctors, more school desks, more fertilizer subsidies, and more youth funds. NGOs are invited to finance and manage schools and clinics.

People's aspirations balloon as they expect the quality of their lives to rapidly and visibly improve. For some, it does. Smart phones are more available and affordable, as are new televisions and a wide variety of satellite decoders from the Middle East and China. Many are able to afford second-hand imported cars and cheap mopeds that choke the roads. Their lives are improving. Still, however, the poorest citizens continue to wait for the teacher, doctor, desks and books to arrive.

All countries hold major elections between 2015 and 2017. The campaigning is noisy and colourful. Candidates out-do each other in rolling out long lists of pledges to make life better for all. As fresh new faces are elected into parliaments and State Houses, there is hope for new beginnings.

The building boom is also connecting the EAC countries with new roads, port berths, airports, power lines and fibre optic cable. They are funded by domestic tax revenues and loans from the African Development Bank, western and Asian donors. Tanzania moves to exploit its geographic advantage to become a major logistics hub for the region. It re-embraces the EAC by dropping all transit charges for Rwanda and Burundi and offers to extend the Mtwara gas pipeline to Kenya. South Sudan joins as the sixth member of the EAC. After a long wait, regional civil society organizations are granted 'Observer Status' to be the voice of the people at the highest levels of the EAC.

Reality Check

The oil and gas revenue take much longer to arrive than planned, and when it does, it is much lower than anticipated. Gas plants and refineries are more complicated and costly to build in Uganda and Tanzania. Worse, energy prices fall, as the global energy market is flooded with new production from South Africa, Australia and the United States. East Africa's growth slows, tax revenues shrink and international debt repayments squeeze government budgets hard. The region's much celebrated sovereign wealth funds are empty.

In response, the free laptop programme is cancelled; mothers are asked to 'contribute' when giving birth and parents are pushed to fund their local schools' teaching equipment. Classrooms are severely overcrowded, doctors don't come to work and medicines migrate from public dispensaries to private pharmacies. 'Free' services become very expensive indeed.

Hawkers and other small businesses are vigorously pursued to pay taxes, but the exemptions enjoyed by the big firms remain untouched. VAT and other consumption tax rates are increased. Opposition politicians and activists who protest this unfair treatment are appointed to various well-paying boards and public commissions. Their protests fade

Taxes are raised and services cut in an effort to balance budgets and to pay the bondholders. Hawkens and other small businesses are vigorously pursued to pay taxes, but the exemptions enjoyed by the big firms remain untouched. VAT and other consumption tax rates are increased. Opposition politicians and activists who protest this unfair treatment are appointed to various well-paying boards and public commissions. Their protests fade.

With its own revenues under pressure, the EAC Secretariat is asked to help governments identify new cost cutting measures. It proposes to outsource the management and maintenance of major regional roads to private contractors. All road users, especially passenger buses and minivans, pay a toll. Fleets of cargo trucks are exempt in order to avoid raising transport costs.

'Choices have Consequences'

Given the disappointing underperformance of oil and gas export revenue, East Africa's economy grows much slower than anticipated. Financial firms, telecom operators and various light manufacturing and food processors do well enough, by keeping wages low to protect their profits. Kenya, Tanzania and Rwanda are just about able to keep paying the interest on their Eurobonds, but the principal remains untouched.

East Africa's middle classes have a few more goods, most of it bought on credit. The poor remain stuck relying on low quality public schools and poor health services, nagged by the feeling that the

foreign education and good quality healthcare are just out of their reach. They are trapped by the 'free' services that guarantee zero chance of providing a leg up.

When challenged to justify their re-election incumbent candidates are quick to respond with an impressive list of how much they have spent to provide free education, universal vaccination and other social services. Dissenters are carefully managed or subtly silenced.

By focusing on promoting freer trade and economic growth, regional integration resonates with business interests and political incumbents. But it offers little to the ordinary citizens whose ability to seize opportunities are handicapped by poor skills. For them, the East African dream remains just that, a dream.

Transformation

From Looking Out...

The strategy is simple – to export East Africa into shared prosperity. The early years see major investments in roads, railways and ports to reduce the cost of moving agricultural and mineral commodities from inland to the coast for onward shipping to the rest of the world. Having persuaded the governments of Uganda, Tanzania and Kenya to sign attractive production sharing agreements, the oil and gas majors invest billions in processing for the Asian energy markets.

Continued slow growth in the rich and emerging countries, however, makes export markets extremely competitive and unpredictable. Everyone is trying to sell to them. Many small and medium exporters from East Africa burn their fingers and retreat. The region's agricultural sector stagnates further, fuelling the 'migration to urban misery' and massive joblessness.

An emergency sitting of the East African Legislative Assembly (EALA) drafts, debates and passes an East African Equitable Procurement Act, binding all governments and publically-funded entities to reserve 15 per cent of their procurement for young people and women-owned firms

Frustrated by the complete mismatch between their skills and what employers want, angry secondary, college and university graduates initiate a 'Choma Cheti' Campaign. It is sparked by a group of recent Makerere graduates who uploaded a YouTube video of them burning their entire collection of books, school certificates and university

degrees and chanting 'Jobless! Useless!' After being mentioned by a popular radio presenter the video goes viral on millions of phones, inspiring hundreds of simultaneous 'Choma Cheti' events across East Africa. A business graduate links her joblessness to imports, giving the protests a coherent idea to rally around – 'Let us buy what we make! Let us eat what we grow!'

The protests spread as large groups of unemployed youth occupy the region's new One-Stop Border Posts and blockade the Kigamboni and Likoni entrances to the ports of Dar es Salaam and Mombasa. Huge lines of trucks and ships develop. Within a week Uganda, Rwanda and Burundi run short of fuel and other essential products. Army officers sent in to break up the protests balk at the idea of harming their own children. A regional economic crisis deepens, putting at risk the very legitimacy of governments and leaders.

An emergency sitting of the East African Legislative Assembly (EALA) drafts, debates and passes an East African Equitable Procurement Act, binding all governments and publically-funded entities to reserve 15 per cent of their procurement for young people and women-owned firms. Verification is modelled on the Extractive Industries Transparency Initiative (EITI) and sanctions are steep. Assured of a market, the youth end their protests peacefully.

...to Looking In...

The protests and their successful resolution through an organ of the EAC highlight two major issues: the limits of a job-poor, export-led economic strategy and the potential for transformative regional solutions. Encouraged and emboldened, EALA proposes an overhaul of regional strategy away from export orientation to focusing on nurturing and growing local demand from within the region, combined with a direct attack on inequality.

The barriers to improving productivity and increasing output for the regional markets are well understood. The new strategy contains specific measures to reduce them, including special skills training, new product standards and preferential access to finance for firms with creative new processes, products and services aimed at local and regional markets.

Private firms and non-profits collaborate to deliver social services using performance-based contracting with local, national and regional governments. Regular customer satisfaction polling provides immediate feedback on their performance, keeping them all visibly accountable and responsive to their customers' needs.

In politics, candidates for local and national elections who do not include compelling ideas on deepening regional integration, that focus on connecting the local resources with the regional opportunities, find themselves defeated by their more pro-EAC rivals.

And 'Minding the Gap'

Over time, several trends become evident. The influence size and of the energy sector over the whole economy diminishes as more vibrant light manufacturing expands. Located in the smaller towns across East Africa, near local inputs and employing growing numbers of people to serve regional markets, they create a new web of value chains.

The results are mixed. In some areas, incomes, wage and profits grow further stimulating local demand. In others, success is elusive and under-employment remains severe. However, informality is lightly regulated and participants are supported in their efforts to grow, rather than being harassed.

A new EAC Constitution is drafted, debated, amended and passed by a region-wide referendum. Among other things, it provides for the registration of transnational political parties, transforms the Secretariat into a Commission and the Legislative Assembly into a Congress of Provinces whose members are elected directly by the people they represent. The Congress has the authority to vet and approve nominees for EAC Commission President and Senior Commissioners.

Coda

These outlooks have necessarily contained significant creative license. However, in reality elements of all three outlooks are happening today and will co-evolve over time. The challenge in creating a truly people-centred East Africa Community is to make new choices that could truly transform the region into a dynamic and equitable one. The final section explores some strategic policy options and questions for reflection, exploration and engagement in the context of East Africa's regional integration process.

Agenda for Active Policy Engagement



Photo: flickr.com/ Arne Hoel, World Bank

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Introduction

Information, Insight, Imagination. What next? The ultimate objective of the State of East Africa Report is to create spaces for dialogue and engagement that are solidly grounded on these three elements. Earlier sections of this report reveal a more nuanced picture of East Africa than the conventional narrative portrays. Not only are historical and contemporary inequalities being addressed very slowly – if at all – but also current drivers of economic growth are generating increased disparities between those that managed to catch the train and those left standing on the platform.

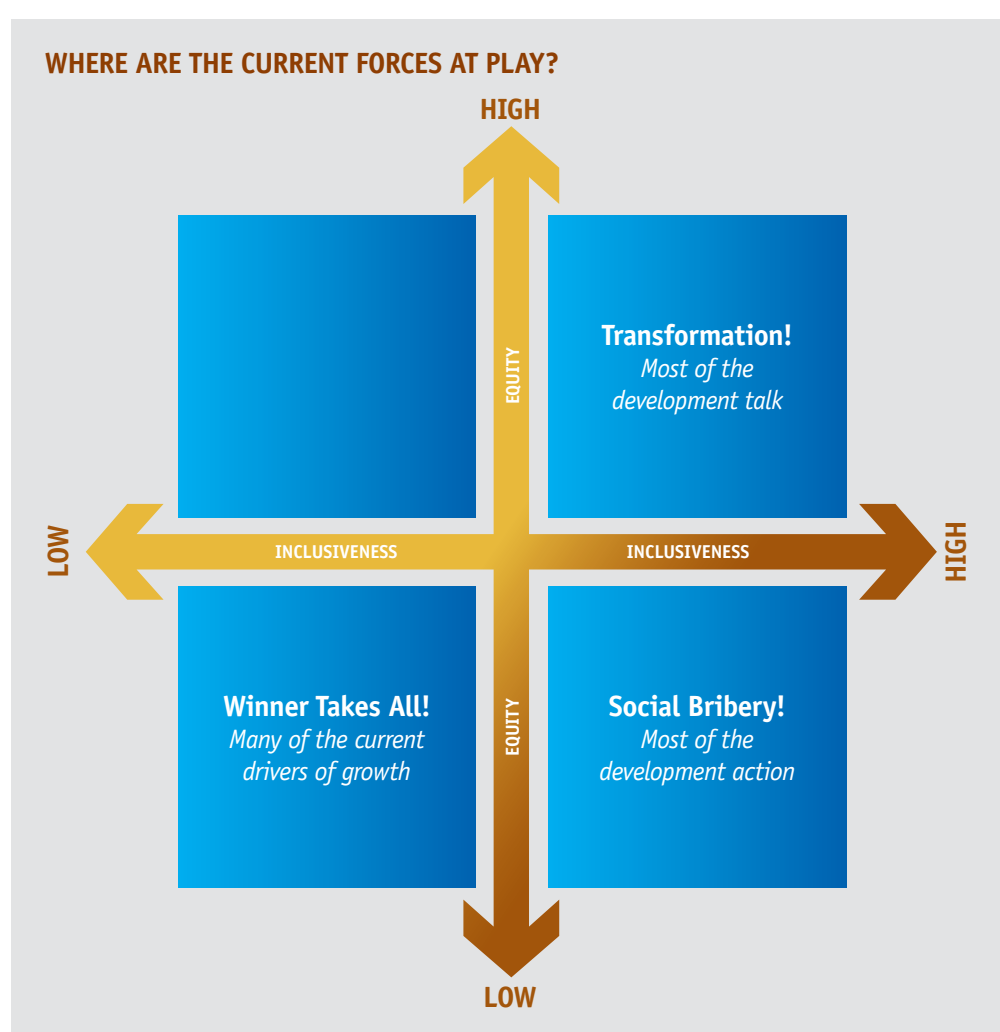
The same conventional narrative often claims that this is the inevitable sequence of events. Allow a few people to climb up the ladder and they will pull those left behind. It can be argued that the linearity of the trickle-down approach does not work in a context where growth is generated by the exploitation of rents and the production of primary commodities with diminishing returns. The transition from a rent-seeking economy to one that is wage-driven is complex and open to arriving at multiple equilibria, some of which may be sub-optimal.

The outlooks on the future of inequality in East Africa offer a glimpse of what some of these might look like. The region's current reality could be viewed as an archipelago of islands. Some islands feature "Winner Takes All" approaches. Witnesses the many attempts by elements of the wealthy classes to use public resources and political influence to acquire assets and to extort rents from the poor. Other islands are inhabited by "Social Bribery": marginal increases in the quality of life

for the poor (obviously positive) while masking how the rich are becoming exponentially better off. The inherent social conflict that emerges with rising inequality is temporarily 'bought off' by marginal social progress for the poor. However, the positive side of the Social Bribery outlook is that it reaches out to everyone and this inclusiveness may produce the seeds for a transformation that deliberately combines growth with equity. The policy imperative is one of building on the islands of transformation in East Africa. This does not mean alienating the drivers of current growth but it uses the available resources, energy and talent to remake the society and the economy with greater inclusiveness and equity.

This section does not offer any silver bullets for action. However, it does employ the information, insight and imagination presented earlier to catalyze an ongoing process of multi-stakeholder dialogues on possible policy options. To that end, it offers an outline agenda for active policy engagement with the challenge of inequality within the context of East Africa's regional integration process.

The fundamental nature of the policy challenge



Policy does not happen in a vacuum. It responds to the forces at play by attempting to stop, enhance or redirect them. Building on the framework of the outlooks outlined in the previous section, it can be argued that many of the current drivers of growth overtly or covertly promote a "Winner Takes All" approach characterized by a predatory attitude to the market.

At the same time, in spite of being moved by the best of intentions, most of development action fits the "Social Bribery" approach as it frequently focuses on ensuring that some crumbs fall off the table, fails to engage with the drivers of marginalization and inequality. This is a noble objective – one that the development community should not abandon. However, as currently conceptualized

and executed, it is unable to promote the deep social change to which it aspires. Despite this reality, much of the development discourse is focused on transformational approaches, leading to the accusation that it is as disconnected from the real world as finance is from the real economy. This disconnect between the drivers of growth, development action and its discourse, frame the policy challenge that East Africa must confront.

Economic Policy: Strengthening the Local Economy, Expanding Domestic Demand, Increasing Value Addition

In aspirational terms, the objectives of economic policy should be to increase productive capacity and promote product diversification (what to produce), foster horizontal and vertical integration across and among sectors (how to produce), multiply growth poles across the region (where to produce), engage in market development, trade promotion and facilitation (where to sell). Stated differently, it also means to significantly increase value addition over primary production.

Moving from aspiration to real change requires the deployment of “agency”. It is essential to shift from an approach aimed at “lifting” people out of poverty, to one that focuses on the creation of conditions that can provide the individual and collective capabilities, an enabling environment and catalytic support for people to take charge of their own lives and “lift themselves” out of their marginalization.

In the past, industrial policy generated significant market distortions and disappointing outcomes as it translated into the “state picking the winners” often on the basis of political calculations rather than economic efficiency and competitiveness. At the same time, the current market-centric approach means that the wealthy, particularly in terms of financial assets, have a distinct and almost permanent advantage over others.

The average size of economic actors in East Africa is either very large or very small. The presence of a ‘missing middle’ is a strong indicator of how difficult it is for the vast majority of economic actors such as subsistence farmers and informal traders - to move beyond survival entrepreneurship. A new approach could that of creating and promoting a new generation of economic actors who are “fit to run” (skilled and competitive) but on a playing field that must be level (regulatory clarity and fairness). Arguably, these are the two most important responsibilities of policy leadership at all levels.

In the interests of concreteness, if one critical objective of economic policy is to increase value addition, governments could identify a number of value chains in which to invest. But rather than using subsidies or negotiating trade barriers, they could invest in capabilities (such as vocational training, skill development, technology transfer), create mechanisms for start-up and scale-up support (including business incubation units, incentives, new financial instruments), and actively engage in market development and trade facilitation (using pro-youth and pro-women public procurement policies, minimum local content regulation, product cluster promotion boards and export consortia). One other option could also be to extend tax breaks and similar fiscal incentives for start-ups, small and medium firms rather than reserving them for larger investors.

Another essential element of this approach is the development of regional value chains in conjunction with special economic zones. Beyond the economic benefits of developing comparative advantages, putting production in multiple locations, and greater access to regional markets, such a strategy could also generate a deeper sense of “East Africanness” in both the identities of the products and in the minds of business owners, workers and suppliers. Regional value chains would bind the region together.

Finally, it would be missing the point to engage in a tangential discussion on the much-needed reform of agricultural policy. Rather than talk about how to raise agricultural productivity, the real challenge is connecting agriculture to the industrial and services sectors, and to add value to primary produce. Such a horizontal integration of the productive sectors could help to shift

agriculture from subsistence farming into small and medium scale agribusiness. An additional potential benefit would be to make agribusiness attractive to young East Africans, and thus reverse the current trend of aging farmers.

Social Policy: Managing Expectations, Leveraging Resources, Exploring New Delivery Mechanisms

The challenge for social policy is to navigate the 'triple pressure' that East Africa faces. The first comprises citizens' growing expectations for more and better social services delivered by the public sector. The second source of pressure is a shrinking public purse due to declining aid flows coupled with the difficulty of enhancing domestic resource generation. The final pressure comes from the changing roles of the private sector and civil society in the face of growing social stratification of service provision (as the rich seek private solutions leaving the poorest households to rely on 'free' but poor quality state services). In summary, the social policy challenge is one of responding to the growing mismatch between aspirations, resources and delivery mechanisms.

The first dimension of this equation requires the management of aspirations and greater honesty in establishing priorities and in the sequencing of interventions. Given limited resources, it may not, for example, be possible to simultaneously pursue increased completion rates for secondary education and increased quality of learning. Unmanaged expectations drive governments to focus social spending on inputs (bricks and desks) rather than outcomes (useable knowledge and skills) using generic approaches that do not generate the quality necessary for people's lives to change.

The tension between aspirations and resources is made more complex by the shrinking of development cooperation funds - a four per cent reduction in total overseas development assistance (ODA) in 2013 - and the limits being reached in domestic mobilization. Without changes in the structure of the economy (higher wages, increased size of economic actors, greater value addition) that generate a broad expansion of income, it is almost impossible to increase tax collection without resorting to desperate but unproductive measures such as chasing after street vendors.

Additionally, limited discussions happen about the actual delivery mechanisms of social services. Little proof is needed to demonstrate that the provision of education, health and other social services is profitable. East Africa's private sector is already engaged in these spaces, albeit focused on servicing the region's high- and middle-income groups. Servicing the poorer end of the market are countless non-governmental and civil society organizations, supported by domestic and external donors. Improving the delivery of social services so as to enhance the quality of the outcomes requires a bold conversation centred on the allocation of scarce resources in the most efficient (least cost) and effective (high returns) ways. Should public resources be used to fund private schools and clinics in order to improve access to better learning and health care? Should there be upper limits to the fees that private schools and hospitals can charge? What kind of public, private, non-profit and community collaboration can both expand access to, and improve the quality of social services?

Political Domain: The Concept of Democracy, the Developmental State and the Principle of Subsidiarity

Three elements of East Africa's political domain need to be considered. The first is the very concept of democracy and what it means for the inclusion and empowerment of the region's poorest citizens. The second touches on degree to which government influences the activities of economic agents towards a set of specific objectives. The third concerns the division of authority, decision-making and executive power between central and local government. Taken together, these three dimensions embody the nature of the power relationship between citizens and the state.

For many, the right to choose one's representatives and leaders through the ballot box is at the heart of their encounter with democracy. However, in addition to this largely political view of democracy must be added social inclusion and economic empowerment. These components of a broader conceptualization of democracy confer a sense of belonging to a wider community. Without inclusion and empowerment, ballot-box democracy is essentially useless as an instrument of change. Unexpectedly low voter turnout in recent East African elections – Tanzania in 2010 for example - could be a sign of growing disinterest among citizens to take part in what they might consider to be an impotent ritual.

A new social contract based on transparency and accountability is essential to restoring transformative power to the ballot box. Transparency opens government to citizen's scrutiny, thus enhancing their inclusion in the decision-making process. Accountability ensures that elected officials and civil servants are held responsible for their decisions and actions. The policy challenge is one of achieving and maintaining transparency and accountability by strengthening, among others, the independence of the media and judiciary.

Governments can have a deep impact on growth, progress and the degree of inclusiveness and equity that is achieved in society. They do so by choosing the extent to which they influence or direct the actions and behaviour of economic agents. One option is to govern the economy using regulations that enforce minimum standards to protect the public from market failure such and abuses of market power by powerful actors, and to provide collective goods such as security and public education.

A second option available to governments is direct intervention in the economy in order to transform it by promoting new industries and managing the reallocation of human, financial and physical resources towards these emerging sectors and activities. This direct intervention is characteristic of a *developmental state*, which is defined as one that is focused on economic development and takes necessary policy measures, including industrial policies, to accomplish that objectiveⁱ.

Which of these two approaches to economic governance – regulation or intervention – is best able lead to more inclusiveness and greater equity is a question worthy of robust debate. Should East African governments resort to a regulatory approach that nudges their economies to a desired set of growth, integration, inclusion and equity objectives? Or should they take the proactive approach described earlier of investing directly in specific national and regional value chains, individual and firm-level capabilities, creating support mechanisms for start-ups and high growth enterprises, and active market development and trade facilitation?

Regardless of which position is held, the capability of the state and the availability of resources are critical success factors. This raises the important issue of whether government action is most inclusive, equitable and effective when it is conceived, decided upon and executed centrally or locally. The *principle of subsidiarity* is the idea that 'a central authority should only perform those tasks which cannot be performed more effectively at a more immediate or local level.ⁱⁱ' In theory, subsidiarity should be better able to respond to local aspirations and realities, as individual and community initiative is given maximum room to solve local problems, leading to superior performance in terms of economic and social outcomes.

Decentralisation is an important feature of government in Kenya following the promulgation of the new Constitution, in Tanzania through the Development-by-Devolution initiative, and in Uganda through the local council system. However, the jury is out on whether such efforts at 'taking government closer to the people' materially improve citizen engagement and socioeconomic outcomes at the local level. A complicating factor is that it is not always clear whether the decentralisation of responsibility and accountability for the delivery of public goods has been matched by the decentralisation of decision-making and resource allocation authority. Has the fact that Tanzania's schoolteachers are paid by local governments improved their attendance record or quality of teaching? Will Kenya's medical services staff perform better if they are accountable to county governments instead of the central ministries?

ⁱhttp://en.wikipedia.org/wiki/Developmental_state
ⁱⁱ<http://en.wikipedia.org/wiki/Subsidiarity>

Finally, it is worth debating whether decentralisation and regional integration are incompatible. It is not immediately obvious that action at the local level should be inconsistent with economic social and political integration at the national level. Indeed, in a different context, the concept of subsidiarity is a general principle of European Union Law by stating that 'the EU may only act where the action of individual countries is insufficient.'

In the East African, when citizens of Kigoma region in Tanzania and Makamba province in neighbouring Burundi act in concert to harvest, process and market the highly prized Lake Tanganyika sardine, they are not only better able to capture a greater share of the value through greater economies of scale, but such collective action also deepens the integration of the Tanzanian and Burundian economies. The same can surely be said of localising the efforts at reducing the amount of small arms between northwest Kenya and north east Uganda, or leaving the management of the Serengeti and Masai Mara national parks to the district council in Tanzania and county government in Kenya.

In summary, a political environment in which democratic participation is transparent and potent, government is a proactive facilitator of transformational economic activity, and local initiative is both enabled and respected, will have a significant and positive effect on ordinary citizens' ownership in their local community's future, and that of the larger nation and wider East African region.

Two Basic Realities

This State of East Africa Report has argued that the extent of inequality is driven by what happens at the tail ends of the income distribution. Therefore, the 'average' East African, who monopolizes the attention and affection of researchers, policymakers and marketers, exists only as a statistical being created by an arithmetic combination of millions of vastly different life experiences. In this context, the first reality is that policies aimed at improving inclusiveness and enhancing equity must be designed for the populations at the edges – the rich 10 per cent at the top and the poorest forty per cent at the bottom of the wealth distribution. Addressing inequality means tackling the marginalization faced by the poorest, and also confronting the advantage enjoyed by the rich. In the political domain, for example, the conversation must revolve around empowering the poor by addressing the privilege of the powerful elites.

The second reality revolves around the challenge of effective implementation. East Africa is replete with well-articulated policies of every description. However, achieving their goals must overcome two obstacles: the absence of political will and weak capacity for effective policy execution. These two ingredients – will and skill – are vital to the success of any effort to transform the region.

Fortunately, the growing number and vibrant youthfulness of East Africa's people suggests that the supply of both will and skill is as limitless as the region's potential.

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The People of East Africa



Photo: flickr.com/ Arne Hoel, World Bank

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The East African Economy



Photo: flickr.com/ John Hanson, U.S. Army

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Photo: flickr.com/ Susan MacMillan, ILRI

The People of East Africa

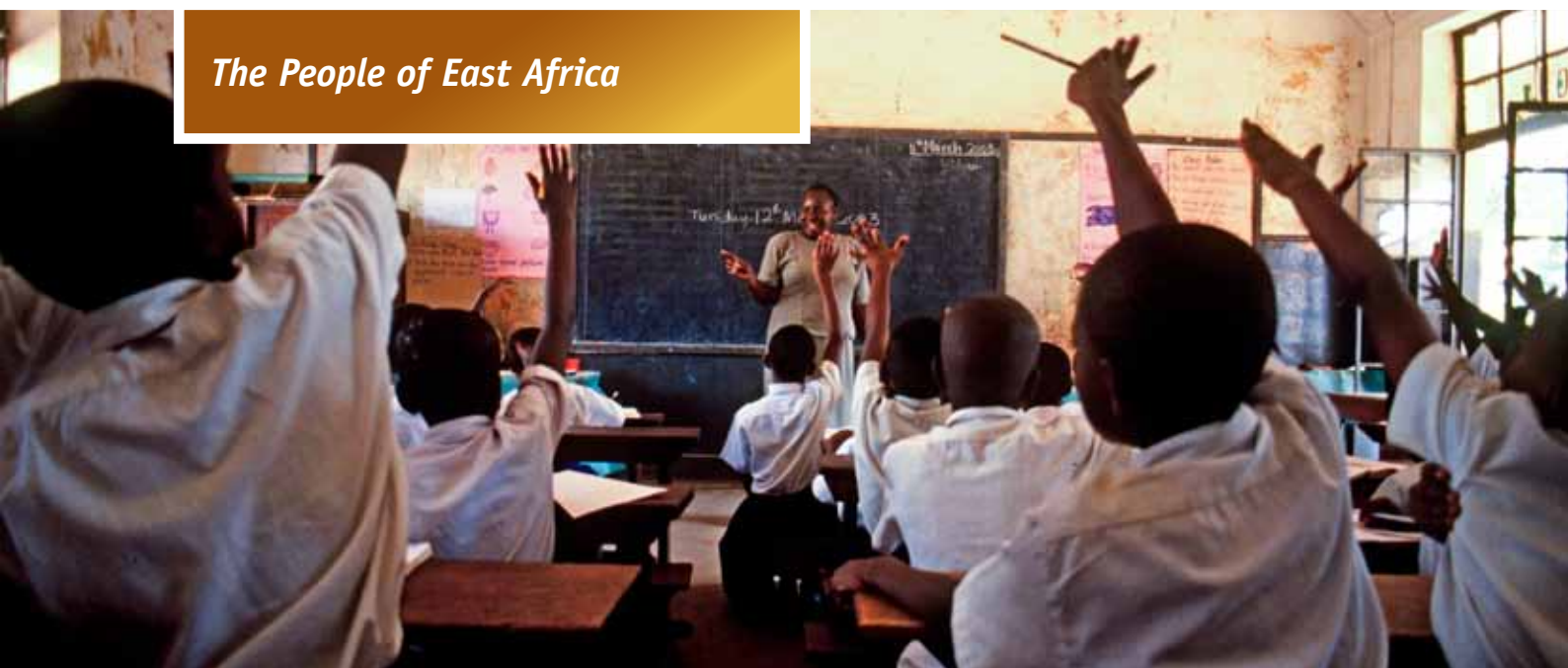


Photo: flickr.com/ Arne Hoel, World Bank

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Overview

East Africa's population in mid-2012 was estimated at 144 million people, representing an increase of five million from 139 million in 2010. Birth registrations in East Africa are low. The percentage of registered births among East Africa's poorest households indicate that at best, a little over half of children born into poor families are formally 'invisible'. Tanzania registers the arrival of less than one in twenty of its poorest babies.

East Africa is young. The median age in East Africa – the age that divides the population exactly into two equal halves above and below it - ranges from 15 years in Uganda to 19 years in Kenya and Rwanda. More than 62 per cent of East Africans are younger than 25 years of age. According to various surveys young East Africans are hungriest for cash and material affluence, but 'work' scored lowest under what they considered to be 'the most important things in life.'

The rate of urbanization across East Africa is growing at between 4 and 5 per cent each year. At these growth rates, the number of people in the region's cities will double by 2013, with most of them living in the region's unplanned urban areas.

East Africans are, on average, living longer. In 2011 the region's average life expectancy was 55 years, up from 51 in 2005. However, with the exception of Rwanda, surveys show that around 90 per cent of East Africans had no medical insurance at all. On the other hand, over 80 per cent of all children are vaccinated against the deadliest childhood diseases.

Malnutrition in East Africa manifests itself most clearly in the 10 million East African children, 42 per cent of the region's 24 million under-5 who were stunted in 2010. Northeastern Burundi, Dodoma (Tanzania) and Karamoja (Uganda) are the worst places for children in East Africa from a nutritional point of view.

All East African countries have achieved the global target of 100 per cent gross enrolment at the primary school level. However, enrolment in secondary school is much lower at between 28 per cent in Uganda and 49 per cent in Kenya. Many secondary school age children do not make the transition between primary and secondary school. Uganda and Rwanda have the highest primary school leaving exam pass rates at over 83 per cent in 2012, while Tanzanian and Kenyan students produced the worst results in East Africa with just 58 per cent and 53 per cent respectively of primary school leavers passing in 2011. A far lower proportion (less than 30 per cent in 2012) of Kenyan and Tanzanian secondary school students pass their respective national exams compared to their peers in Rwanda and Uganda where more than 88 per cent passed.

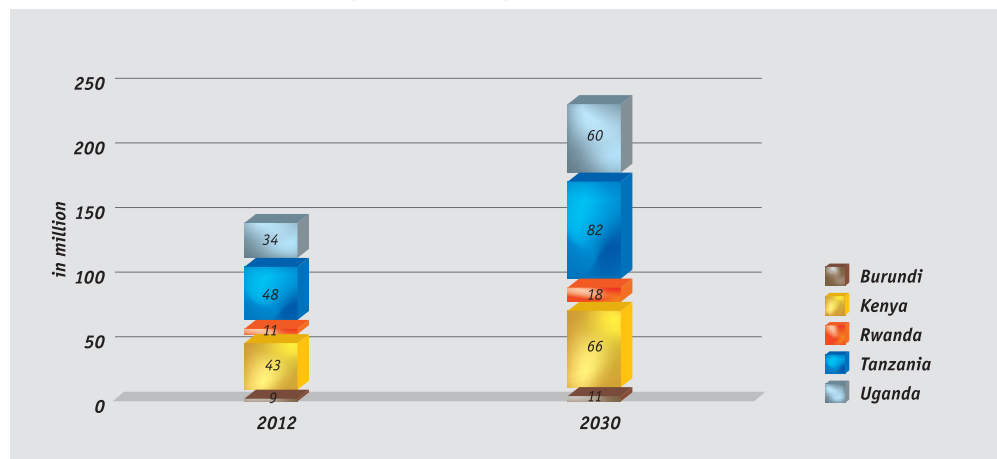
However, in the global ranking of pedagogical quality, Tanzania and Burundi fared poorly in the quality of math and science education compared to Rwanda, Kenya and Uganda. Indeed, with the exception of Rwanda, all East African countries are in the bottom half of the global rankings. This points to a very significant structural impediment to transforming East Africa's economies in the direction of skill- and knowledge-based innovation.

Who are They?

East Africa's estimated population

According to the Human Development Report 2013 and based on projections from earlier censuses in the region, East Africa's population in mid-2012 was estimated at 144 million people. This represents an increase of five million from 139 million in 2010. The population is projected to grow to 237 million by 2030.

Figure 1. East African Population (2012 and 2030)



Source: Human Development Report (2013)

Census data reality check

Census data for 2012 suggests a slightly different set of population figures. Burundi and Uganda have yet to update their population statistics by conducting a census. Rwanda’s August 2012 census produced a population of 10.53 million people in 2012, which is very close to the projected number of 11 million. However, the 44.9 million Tanzanians counted by the census also conducted in August 2012 was significantly lower than the UN’s projection of 48 million people for that year.

Table 1. Population figures from census data in East Africa (various years)

Country	Most recent census date	Census Population	Note
Burundi	2008 (August 16)	8,053,574	New census data not available
Kenya	2009 (August 24)	38,610,097	
Rwanda	2012 (August 15)	10,537,222	
Tanzania	2012 (August 28)	44,928,923	
Uganda	2002 (2012 census was postponed)	35,400,000*	*This is the mid-2013 population projection based on the 2002 Census

Source: National statistics authorities

This demonstrates the reality that population projections are can be at once reliable (Rwanda) and unreliable (Tanzania). Combined with the relatively low rate of birth registrations in the region this makes policy planning based on population data very challenging.

East Africa’s ‘invisible’ citizens

According to the most recent Demographic and Health Surveys (DHS), birth registrations in East Africa have been low, especially amongst the poorest households and in rural areas. As Table 2 shows, Tanzania (44 per cent) and Uganda (38 per cent) have the lowest percentages of children under-5 whose births were registered in urban areas. Urban Burundi (87 per cent) and Kenya (76 per cent) recorded the highest proportion of birth registrations in the region.

Table 2. Birth registrations in East Africa (share of total births)

Country	Urban	Rural	Richest 20%	Poorest 20%
Burundi (2010)	87	74	87	64
Kenya (2009)	76	57	80	48
Rwanda (2010)	60	64	64	58
Tanzania (2010)	44	9.7	56	4.4
Uganda (2012)	38	29	44	27

Source: Demographic and health surveys for individual countries

The percentage of registered births among East Africa's poorest households indicate that at best, a little over half of children born into poor families are formally 'invisible'. In Tanzania, just 4.4 per cent of the poorest children were registered; in Uganda and Kenya the figures were 27 per cent and 48 per cent respectively. Although these children may be recognized in the system later on, the lack of birth registration hinders effective planning in essential service delivery for children and makes many aspects of future life difficult without proper legal identities.

Being young in East Africa

In East Africa a person leaves childhood and becomes a youth earliest in Uganda (12 years) and latest in Kenya (18 years). The 'oldest youth' are to be found in Rwanda and Tanzania. The transition between childhood and adulthood is longest (22 years) in Rwanda and shortest in Burundi (12 years).

Table 3. Defining 'youth' in East Africa

Defining Institution or Country	Youth Age range	Remarks
UN General Assembly	15-24	
World Health Organization (WHO)	10-19	Youngest & narrowest age range (10 years)
Commonwealth	15-29	
African Union	15-35	
Burundi	15-26	Shortest transition (12 years)
Kenya (Constitution)	18-34	
Rwanda (National Youth Policy)	14-35	Longest transition (22 years)
Tanzania (National Youth Development Policy 2007)	15-35	
Uganda (National Youth Policy 2001)	12-30	Youngest lower age limit

The overwhelming majority of East Africans are young

That East African countries are populated overwhelmingly by children adolescents and young adults is visible to the naked eye. The data clarifies this in interesting ways. First, the median age in East Africa – the age that divides the population exactly into two equal halves above and below it - ranges from a low of 15 years in Uganda to a high of 19 years in Kenya and Rwandaⁱ.

Secondly, about 20 per cent of all East Africans are aged 15 to 24 years, meaning they are in school, college, or at the start of their working lives. Overall, between 62 per cent (in Kenya and Rwanda) and 70 per cent (Uganda) of east Africans are younger than 25 years of age. Their attitudes and aspirations will have a major effect on how the region evolves over the next few decades.

Young East Africans' aspirations and attitudes

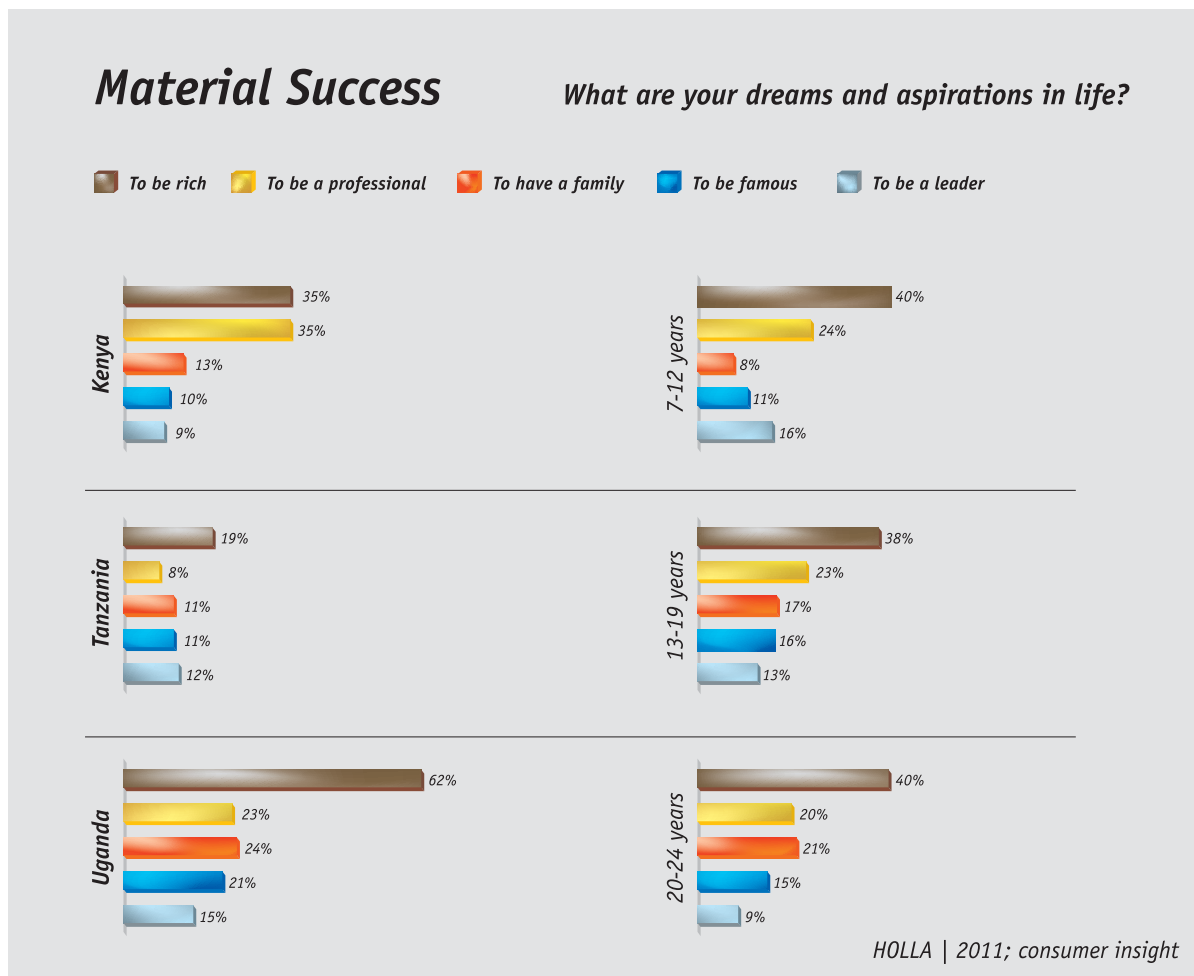
First launched in 2002 and conducted every two years ever since, Holla offers valuable insights into the lifestyles and consumption habits of the youth in the region. To put Holla together, researchers at Consumer Insight cross the East African region every two years. Using a structured questionnaire, they talk to young people aged seven to 24, living in urban and peri-urban areas, collecting data on the youths' lifestyle choices, media exposure and usage, and consumption habits. The sample sizes are 1,200 young people in each country.

The Holla surveys reveal new insights about East Africa's youth. One of the main findings of Holla 2011 was the degree to which East Africa's youth are obsessed with material successⁱⁱ. One nine-year old respondent told researchers that what he wants is 'mulla' (youth-speak for 'cash'), not for buying sweets or toys or playtime on a computer game, but so he can build a mansion and buy big cars for going to fun places to buy fine stuff such as trendy clothes and shoes.

ⁱThe median age is the age that divides a population into two numerically equal groups; that is, half the people are younger than this age and half are older. It is a single index that summarizes the age distribution of a population.

ⁱⁱExcerpts of presentation obtained through private communications. The Holla Youth Survey is referenced further in the website: http://www.ciafrica.com/oindex/index.php?option=com_content&view=article&id=48&Itemid=50

Figure 2. Material Success: Young East Africans' greatest aspirations



Across East Africa, the youth share this trait, but it seems like Ugandan youth are hungriest for cash and material affluence, followed closely by Kenya, then Tanzania. The obsession with money is also reflected in many youth whose dream in life is to become a professional or a famous personality or a leader, as a way of attaining material affluence. Worryingly however, 'work' scored the lowest under 'Most Important Things in Life.'

The Holla 2011 survey showed, unsurprisingly, that East Africa's youth are increasingly connected. About 52 per cent of them claimed to have active SIM cards (94 per cent of those had handsets). Slightly over a third of all the youth in East Africa were connected to the Internet. More than half (68 per cent) were active on social networks, 90 per cent of whom were on Facebook. Kenyan youths were the most connected (49 per cent), followed by Tanzanian and Ugandan youths at 30 per cent and 26 per cent respectively. As a group, the youth of Kenya, Uganda and Tanzania spent US\$70 million on phone airtime every month (US\$38 million, US\$20 million and US\$12 million for Kenya, Uganda and Tanzania respectively).

Encouragingly, young East Africans' greatest source of happiness is socialization with family (45 per cent) and friends (29 per cent). This is consistent with their fascination with social networks especially Facebook.

By 2013, these trends of East African youth aspirations, behaviour, connectivity and spending had, if anything, been reinforced as the text boxes commenting on the results of the Holla 2013 surveys in Kenyaⁱⁱⁱ and Uganda^{iv} show.

ⁱⁱⁱSee http://www.ciafrica.com/oindex/index.php?option=com_content&view=article&id=48:holla&catid=21:news&Itemid=46

^{iv}<http://www.monitor.co.ug/OpEd/OpEdColumnists/CharlesOnyangoObbo/What-it-takes-to-be-Ugandan--young--rich--and-beautiful/-/878504/1970848/-/item/1/-/fmu5j8z/-/index.html>



HOLLA REPORT REVEALS: THE 3 BILLION US DOLLAR [KENYAN] YOUTH MARKET THAT NO ONE TOLD YOU ABOUT

Take a walk through any mall this weekend and you will see a new sight: young people everywhere. With their faces lost in devices – they'll probably be speaking strange. And in some cases, acting stranger.

Shop owners will tell you they spend big as well: actually up to 3 Billion US dollars annually, as revealed by the newest findings from the Holla [2013] Report.

Ultimately, Holla [2013] found that what drives the three modern parts of every young person's life (personal, social and media) is one device: the mobile phone. Through it youth said they communicated with each other and family, sent and received money, engaged media and entertained themselves in that order. In addition to its revolutionary use as a wallet and bank, the mobile phone is a lifestyle device. Connecting every individual to people, money, things and – through the Internet – to the world. It is here where concern comes in. What does this unlimited and uncontrolled connectivity mean? Is this youth based culture a force for good? Some of the findings suggest not. Leading the way is a growing culture of materialism: most youth, 62%, were found to hold money as life's most important objectives.

But it's not all gloom. Some trends show the youth's strength and ability to overcome these challenges. The popularity of modernized African values, in form of music, points to a resilient love of culture; Bongo Flava compete well with R&B and other foreign genres amongst the youth. Knowing that 39% look to parents as positive role models is also one of the findings that inspire hope. The youth's world leading skill and ability to adapt to new technologies, without losing context, is also inspiring: switching from computers, that 50% use at home, to mobile devices that 93% use to access the internet, is proof of this. The previously mentioned youth spend of 3 billion US dollars every year is a further indicator of their strength.

Source: www.ciafrica.com



WHAT IT TAKES TO BE UGANDAN: YOUNG, RICH AND BEAUTIFUL

The real eye-opener [in the Holla 2013] was what these young and wonderful citizens of the Pearl of Africa [Uganda] said about their aspirations. Going with the top five, a hefty 81 per cent said they wanted to be rich. In second place 54 per cent said their aspiration was to have a family. Third 52 per cent said they wanted to be famous. In fourth, 44 per cent said they wanted to be a professional. Again 44 per cent said they would like to be a leader.

The priorities might be disappointing, but not a disaster yet at this point. That came when they were asked what is the "most important thing in life". Leading the list for the 2013 Holla 37 per cent said it was a comfortable life. Next 15 per cent said it was a world at peace. Then 11 per cent said it was career. Next nine per cent said it was a sense of accomplishment...Education came in only sixth, with six per cent saying it was the most important thing in life.

If you are high-minded, the more discouraging news is in the trends. In 2009, 21 per cent of our youth said a comfortable life was the most important thing in life, and in 2011 it dropped, and only 17 per cent said it was the most important thing. So it has jumped by more than 100 per cent over the last two years. However, while Ugandan youths' desire to become rich has doubled, their interest in working at it through a career has remained unchanged at 11 per cent.

No problem, as long as they are committed to studying. Wrong and this is the really discouraging bit. While in 2013 only 6 per cent of the youth in the survey sample said education was the most important thing, that is more than a three-fold drop from 2009 when 20 per cent said education was most important. But it gets worse; it's more than a four-fold drop from 2011 when 27 per cent said education was the thing.

So while our young people's desire for a comfortable life has doubled, their willingness to study and become rich from working what they learnt has declined four times over! Left on their own, it seems most Ugandan youth wouldn't go to school. And since they don't want to study or work for a comfortable life, I can only guess they hope to steal for their riches when an opportunity arises (corruption), inherit it, or marry into it.

Excerpts from opinion column by Charles Onyango Obbo published in *The Monitor*, August 28, 2013; <http://bit.ly/16LoTRc>

Youth attitudes on violence against women

UNICEF's State of the World's Children 2013 Report contains some interesting, if alarming, statistics about the attitudes of young people towards violence against women. Table 11 of this report contains a column 'justification of wife-beating amongst adolescents, 2002-2011.' Teenagers were asked whether 'a husband [could] be justified in hitting or beating his wife for at least one of the specified reasons: if his wife burns the food; argues with him; goes out without telling him; neglects the children or refuses sexual relations.'

In East Africa, the proportion of 15-19 year old teenagers who agreed with the statement was as follows:

Table 4. Young East Africans' views on wife beating

Country	% Male	% Female
Burundi	56	74
Kenya	54	57
Rwanda	35	56
Tanzania	39	52
Uganda	52	62

Source: State of the World's Children, UNICEF

These figures are interesting for several reasons. The first is the difference in attitudes between countries. Overall, young Burundians stand out as being more likely to justify wife beating for the reasons mentioned, than their peers in other East African countries. Almost three out of four young Burundian girls agreed with the statement above, as did 56 per cent of Burundian boys. Ugandan girls followed their Burundian peers in justifying this form of punishment, as did between 52 and 57 per cent of girls in Kenya, Rwanda and Tanzania. More than half of the boys in Kenya and Uganda also agreed with the statement, compared to less than 40 per cent of boys in Tanzania and Rwanda.

Secondly, the difference in attitudes between girls and boys in the same country is notable. Boys and girls in Kenya are essentially in agreement - only three percentage points separate them. The disagreement in between boys and girls in Rwanda is sharp. There 56 per cent of girls compared to just 35 per cent of boys agreed that husbands could have just cause in beating their wives – a gap of 21 percentage points.

Finally, while the figures on the male side are consistently lower, they remain fairly high. The fact that so many young people find justification for physical violence against women is cause for alarm. These findings also suggest that efforts to reduce such violence have yet to find traction.

Where are East Africans Living?

East Africa's growing urban population

East Africa continues to urbanize rapidly. According to the Kenya's 2009 census, 32 per cent of Kenya's population lived in urban areas, almost double the 18 per cent in 1990^v. In Tanzania, the urban population grew from 19 per cent in 1990 to almost 30 per cent of the total population according to the 2012 census data^{vi}. Uganda's urban population made up over 18 per cent of the country's total, up from 11 per cent in 1990^{vii}. Rwanda's urban population was estimated at almost 15 per cent in mid-2011^{viii}. Interestingly, this is lower than the 16 per cent in 2006 and the 19 per cent that was projected for 2010 by the UN's World Urbanization Prospects^{ix}. In the absence of more recent census data, it is difficult to tell whether Burundi's urbanization rate has changed since it was estimated at 11 per cent in 2010.

^vwww.knbs.or.ke/Census%20Results/KNBS%20Brochure.pdf

^{vi}http://www.nbs.go.tz/takwimu/references/Tanzania_in_figures2012.pdf

^{vii}<http://www.ubos.org/onlinefiles/uploads/ubos/pdf%20documents/abstracts/Statistical%20Abstract%202013.pdf>

^{viii}<http://statistics.gov.rw/publications/statistical-yearbook-2012>

^{ix}See Fig 2.5 on page 16 of the State of East Africa Report 2012: Deepening Integration, Intensifying Challenges, Society for International Development, 2012

The rate of urbanization across East Africa is growing at between 4.9 per cent in Burundi and about 4.2 per cent for Kenya⁴. At these growth rates, the number of people living in East Africa's cities will double in the next 16 years. Most of them will probably end up in the region's unplanned settlements in and around its cities and towns.

East Africa's informal and unplanned settlements

The most recent data on the share of urban population living in unplanned settlements (slum conditions) dates from 2007 and is provided by UN-Habitat. It shows that Kenya, with 54.8 per cent had the lowest proportion of its urban population living in slum conditions while Rwanda had the highest proportion with 68.3 per cent. The data for Tanzania shows 65 per cent of urban residents living in slum conditions, followed by Burundi (64.3 per cent) and Uganda (63.4 per cent). The textbox below outlines the extent of informal settlements in Nairobi, Kenya and shows how lucrative they can be in terms of rental income for the landlords.

→ INFORMAL SETTLEMENTS IN NAIROBI, KENYA

Between 1969 and 1999, Nairobi's population grew at a rate of about five per cent annually, reaching almost 4 million in 2009. The population is expected to reach 5 million by 2015 and exceed 8 million by 2025. With 68 per cent of Nairobi's population earning less than a dollar a day, it is expected that slum dwellers will reach 3.4 million by 2015 and exceed 5.4 million by 2025. Currently, about 10% of the city's slums are located on uncontested public land; 40% on utility and riparian reserves and 50% are on private land that was historically public land. The City Council of Nairobi Environmental Outlook Report showed the following land use patterns:

- 4.57 per cent of the land is made up of industrial, commercial and service centers; 2.28 per cent is used for Infrastructure such as airports, railway stations, sewerage plants and roads; 1.72 per cent is used for recreational areas such as parks and gardens, golf courses, playgrounds, race courses and drive-in cinemas and 1.62 per cent of the land has very high density habitations (slums);
- 65 per cent of Nairobi's population lives on 1.62% of the city's total land area, made up of over 260 slums. That is over 2.65 million slum dwellers. This figure is expected to increase to over 3.4 million by 2015 and over 5.4 million by 2025.

The densities of slum settlements have increased to over 318 households or 1,177 people per acre. Nairobi's more affluent Runda suburb has two households per acre and the Muthaiga suburb has one household per acre.

About 67 per cent of all the housing in Nairobi comprises of single 10ft-by-10ft shacks made from wood, tin, galvanized sheets, wattle or mud. On average, one million Nairobi slum dwellers pay monthly rent of Kshs 2,000 (US\$ 23), which amounts to Kshs 2.0 billion (US\$ 23 million) monthly or over Kshs 24 billion (US\$ 274 million) annually.

Source: Muungano - Akiba Mashinani Trust (June 2012), Nairobi's Eviction Crisis (unpublished)

⁴See www.indexmundi.com which has specific country data

In an effort to reduce the slum population in Kigali, which is the main destination of one of Africa's fastest rural to urban migrations, the government is attempting to encourage the growth of smaller towns and cities (see text box).

→ RWANDAN GOVERNMENT RELEASES PLAN TO REDUCE KIGALI SLUMS

At the African Caribbean and Pacific (ACP) conference on sustainable urbanization hosted in Kigali [in September 2013], Prime Minister Pierre Damien Habumuremyi revealed the new strategy to curb slum growth in Kigali by stimulating economic growth in Rwanda's intermediary cities. The country – which has a rural-urban migration rate over double the world average – is seeking to improve the quality of life of its new urbanites.

It is hoped that by creating jobs in the smaller cities of Huye, Rubavu, Nyagatare, Rwamagana, Rusizi and Musanze, fewer people will be compelled to migrate to the capital of Kigali. Rwanda's rural urban migration rate stands at 4.8 per cent, higher than the world's rural-urban migration, which stands at 1.9 per cent.

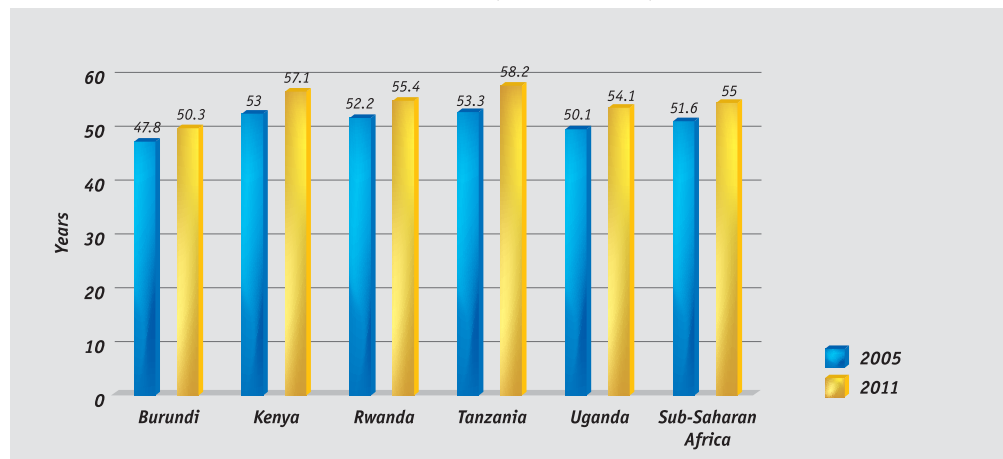
Source: <http://urbanafrika.net/news/2013/09/06/rwanda-government-releases-plan-reduce-kigali-slums>

East Africans' Health and Education Status

Life expectancy at birth

East Africans are, on average, living longer. In 2011 the region's average life expectancy was 55 years, up from 51 in 2005. Tanzanians had the highest life expectancy in 2011, similar in 2005, at 58 followed by Kenya. In 2011 Burundi crossed the 50-year mark after being the only East African country with a life expectancy that was below 50 years in 2005.

Figure 3. Life expectancy at birth in East Africa (2005 and 2011)

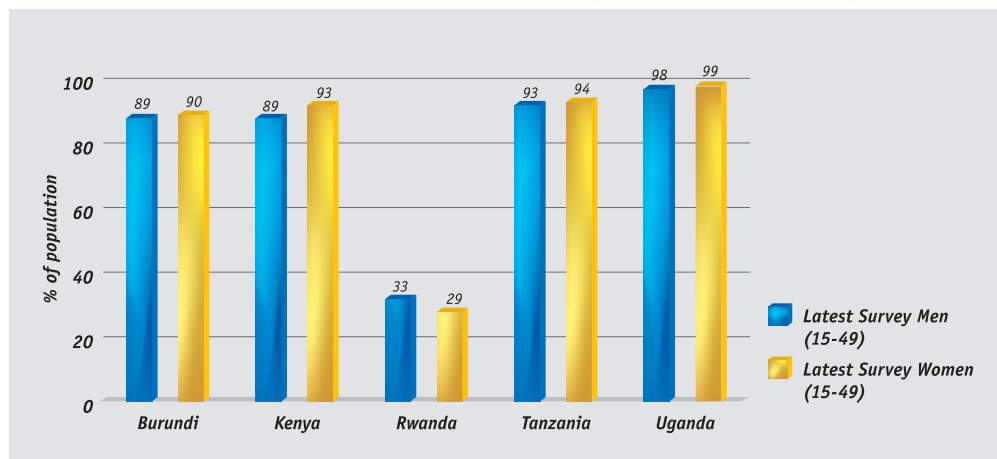


Source: World Bank World Development Indicators (2013)

Access to medical insurance by East Africans

In four countries, 90 per cent or more of citizens have no access to medical insurance Rwanda is the exception. It had the lowest percentage of East Africans who had no access to health insurance (33 per cent among men and 28.6 per cent among women). This is because the majority (67 per cent among men and 71 per cent among women) were covered by the Mutual Health Insurance scheme, which is considered to be the most extensive community based health insurance schemes in sub-Saharan Africa.

Figure 4. East Africans with no access to health insurance (share of adult population)



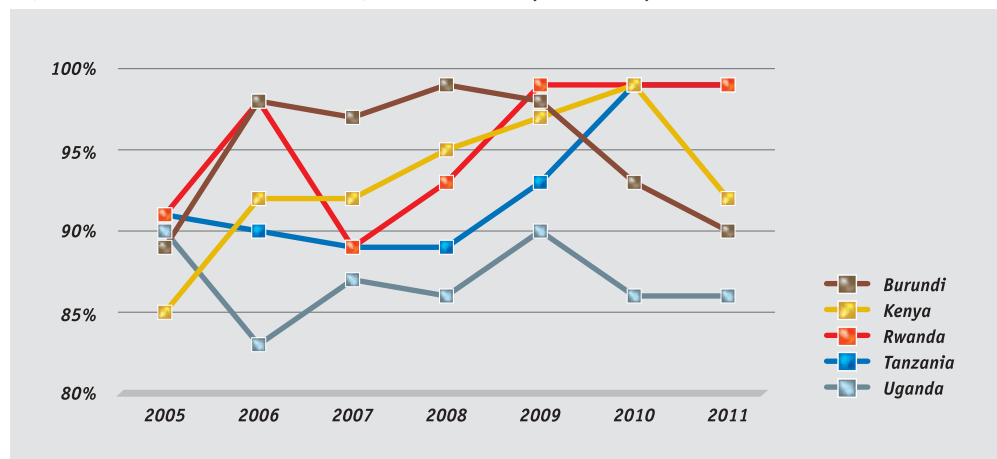
Source: Demographic and health surveys for individual countries

Vaccination coverage of East Africa's population

To be fully vaccinated, children under the age of one need one dose of Bacille Calmette-Guerin (BCG), a vaccine for tuberculosis (TB), three doses of diphtheria-tetanus-pertussis (DPT3), a polio vaccine and one dose of the measles vaccine.

According to the World Health Organization (WHO) all East African countries had more than 80 per cent coverage of BCG in 2011. They were led by Rwanda, which approached 100 per cent immunization coverage. While most countries display an upward trend, coverage in Kenya and Burundi slipped between 2009 and 2011. Kenya had almost 100 per cent coverage in 2010 but this dropped to 92 per cent in 2011. Burundi's coverage slipped from almost 100 per cent in 2008 to less than 90 per cent in 2011.

Figure 5. BCG immunization coverage in East Africa (2005-2011)

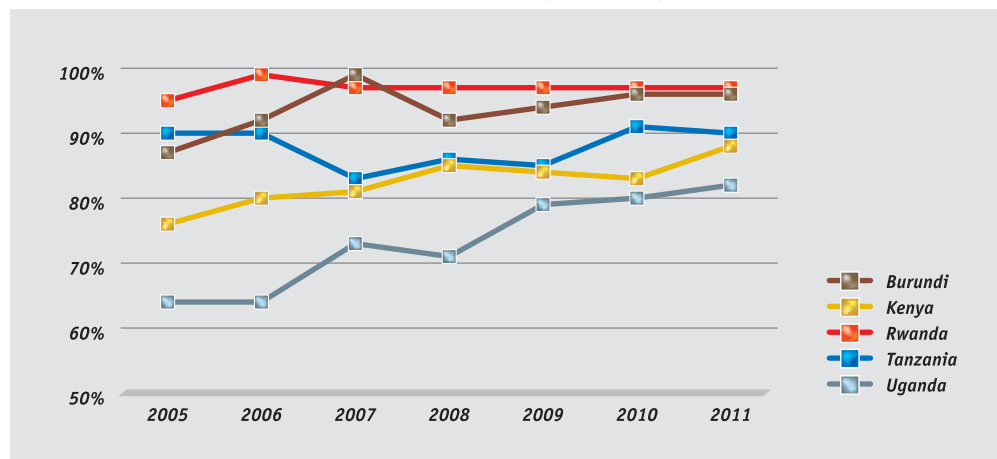


Source: World Health Organization

Similar to the BCG immunization coverage, all East African countries achieved more than 80 per cent coverage of DPT-3^{xi}. Tanzania and Rwanda lead the region with almost 100 per cent coverage rate while Uganda improved its DPT-3 coverage from 64 per cent in 2005 to 86 per cent in 2011.

^{xi}DPT-3 is a consortium of immunizations that can prevent diphtheria, pertussis (also known as whooping cough) and tetanus. Children must receive three full doses. The final dose of DPT-3 is a good indicator of how well countries are doing in immunizing their children.

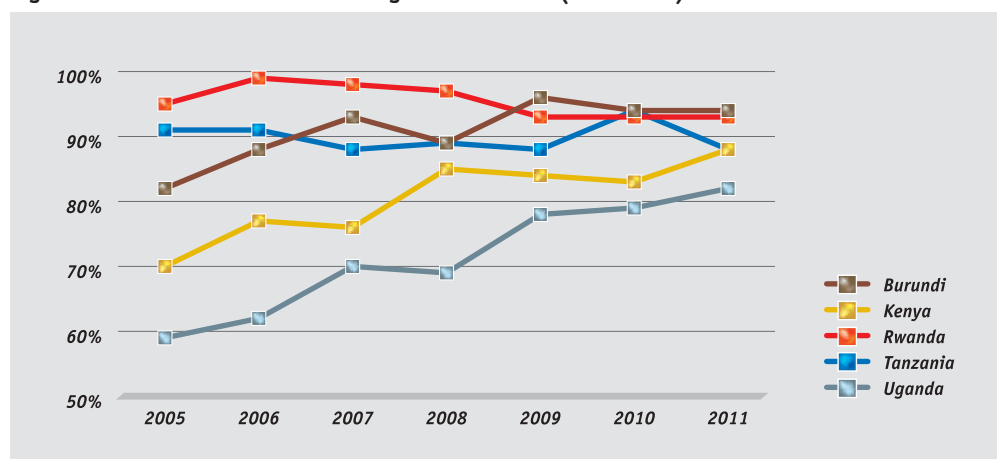
Figure 6. DPT3 immunization coverage in East Africa (2005-2011)



Source: World Health Organization

The Polio-3 immunization coverage in East Africa also achieved 80 per cent coverage in 2011 with Burundi and Rwanda having one of the highest coverage rates in the region (94 per cent and 93 per cent respectively). Uganda and Kenya made significant progress in Polio-3 immunization coverage between 2005 and 2011. While in 2005, Uganda had the lowest Polio-3 immunization coverage at 59 per cent, this expanded to 82 per cent by 2011. Uganda is catching with the other regional countries in their bid to achieve universal immunization for Polio-3 coverage.

Figure 7. Polio-3 immunization coverage in East Africa (2005-2011)



Source: World Health Organization

Ongoing Polio-3 vaccination efforts are essential because if left unchecked, the crippling disease can return. Recent polio outbreaks in Kenya and Somalia demonstrate the importance of maintaining a high level of vigilance against the disease by consistently achieving a high rate of Polio-3 immunization coverage.

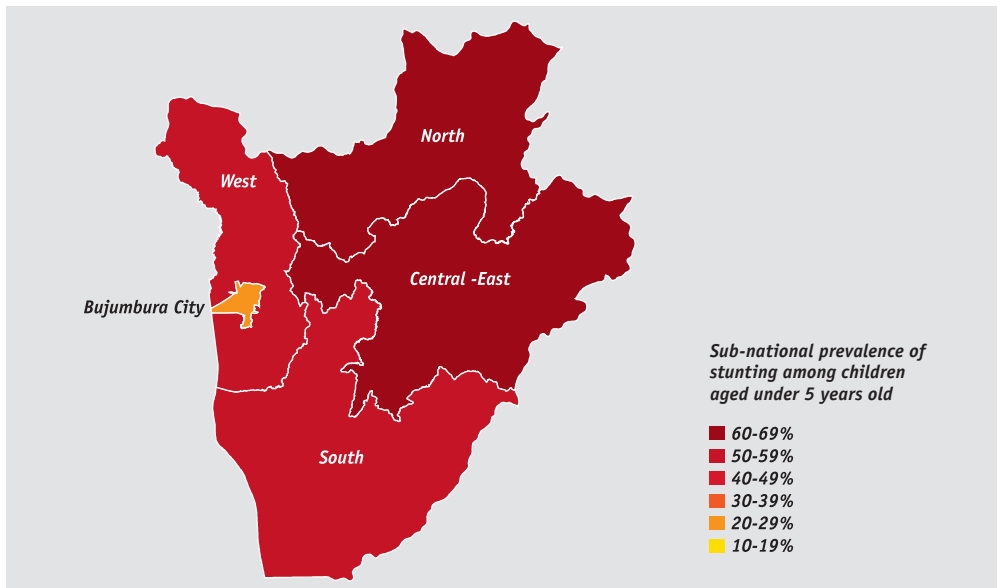
Malnutrition in East Africa at the sub-national level

Malnutrition in East Africa manifests itself most clearly in underweight and stunted children^{xii}. It also has long-term effects, both for the life prospects of the child and for their country as a whole. The World Bank's Global Monitoring report 2012 stated 'A malnourished child has on average a seven-month delay in starting school, a 0.7 grade loss in schooling, and potentially a 10-17 per cent reduction in life-time earnings – damaging future human capital and causing national GDP losses estimated at 2-3 per cent.'^{xiii}

Exploring the region's malnutrition challenge on a national basis often masks the differences within each country. This section unpacks the national level data into its sub-national components. It finds that almost 10 million East African children, 42 per cent of the region's 24 million children aged five and under, were stunted in 2010. Northeastern Burundi, followed by Dodoma region in Tanzania and Karamoja region in Uganda are the worst places for children from a nutritional viewpoint.

BURUNDI. Burundi has the highest rate of stunting in East Africa. Almost 58 per cent of the country's children are shorter than they should be. At a sub-national level, the country's North and Centre-East regions are the hardest place in East Africa for children from a nutritional perspective. More than 61 per cent of them are stunted. The under-five population in Burundi was estimated at 1.4 million in 2011, suggesting that 836,000 children are stunted.

Figure 8. Sub-national prevalence of stunted children in Burundi's regions (2010)



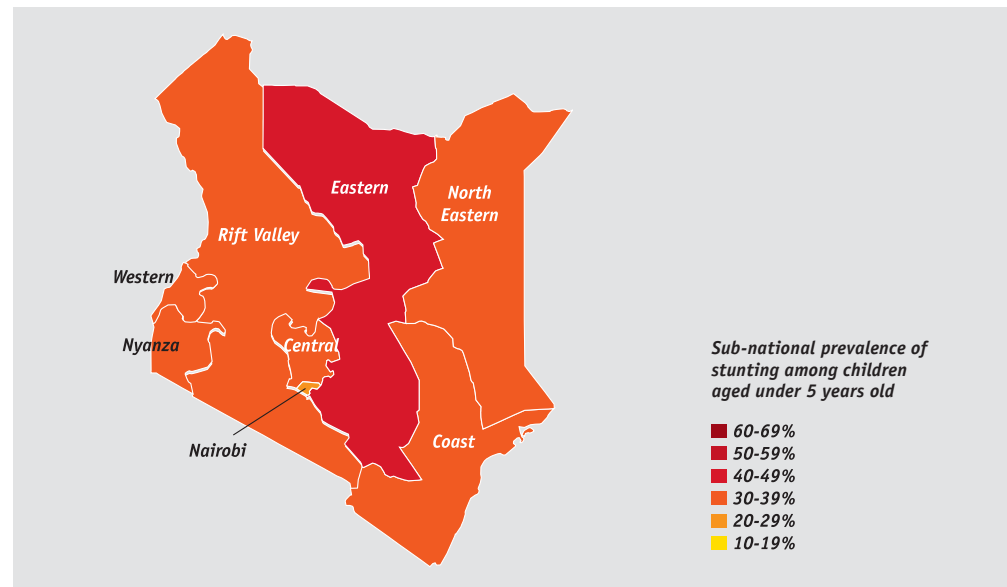
Source: Burundi Demographic and Health Survey (2010). Map created by Neechi Moshia

^{xii}Stunting (low height for age) is defined as having a height (or length) for age more than two standard deviations below the median WHO international reference. Underweight (low weight for age) is defined as having a weight more than two standard deviations below the median weight for age.

^{xiii}<http://www.businessdailyafrica.com/Kenya-poverty-level-constant-for-six-years/-/539546/1402060/-/cwlbe3/-/index.html> quoting the World Bank's Global Monitoring Report 2012 (p. 6)

KENYA. The prevalence of stunting among Kenyan children increased from 30 per cent to 35 per cent between 2003 and 2009. Despite this increase, Kenya has the lowest prevalence of stunting in East Africa. However, Nairobi saw a significant jump in the proportion of stunted children, from 19 per cent in 2003 to 29 per cent in 2009, lending further credence to the observation that food insecurity is increasingly an urban phenomenon. Given findings from the Kenya population census showing that the under-five population in 2009 was 5.9 million, it suggests that 2.1 million children were stunted in that year.

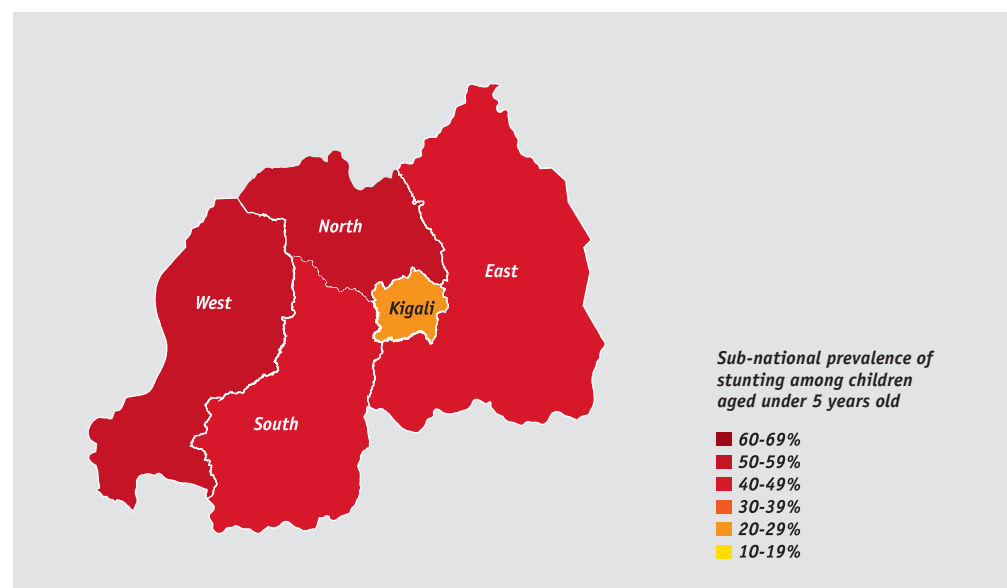
Figure 9. Sub-national prevalence of stunted children in Kenya's former provinces (2010)



Source: Kenya Demographic and Health Survey (2010). Map created by Neechi Masha

RWANDA. According Rwanda's Demographic and Health survey (2010), the national average shows that 44 per cent of children were stunted. A sub-national disaggregation shows the differences within the country. While 24 per cent of children in Kigali were stunted, in the northern and western regions, that number doubled to 50 per cent. The Rwanda Bureau of Statistics estimated that there were 1.8 million children under the age of five in 2010 suggesting that almost 800,000 children were stunted in that country in that year.

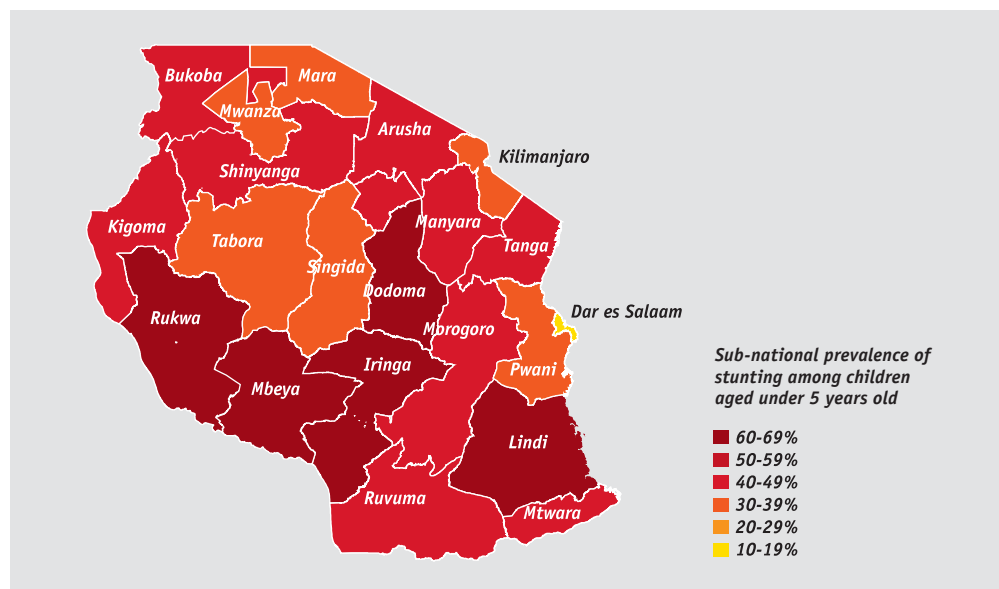
Figure 10. Sub-national prevalence of stunted children in Rwanda's regions (2012)



Source: Rwanda Demographic and Health Survey (2010). Map created by Neechi Masha

TANZANIA. Tanzania saw its national under-five stunting prevalence rate increase from 38 per cent to 42 per cent between 2004 and 2010. The highest prevalence of stunting is in the nation's official capital, Dodoma, where 56 per cent of children are stunted. Dar es Salaam and Zanzibar West Urban regions have the lowest stunting rates at below 20 per cent. Applying the national stunting average to the estimated 7.5 million Tanzanian children aged under five, 3.1 million children were stunted in 2010, a 19 per cent increase from 2.6 million in 2004.

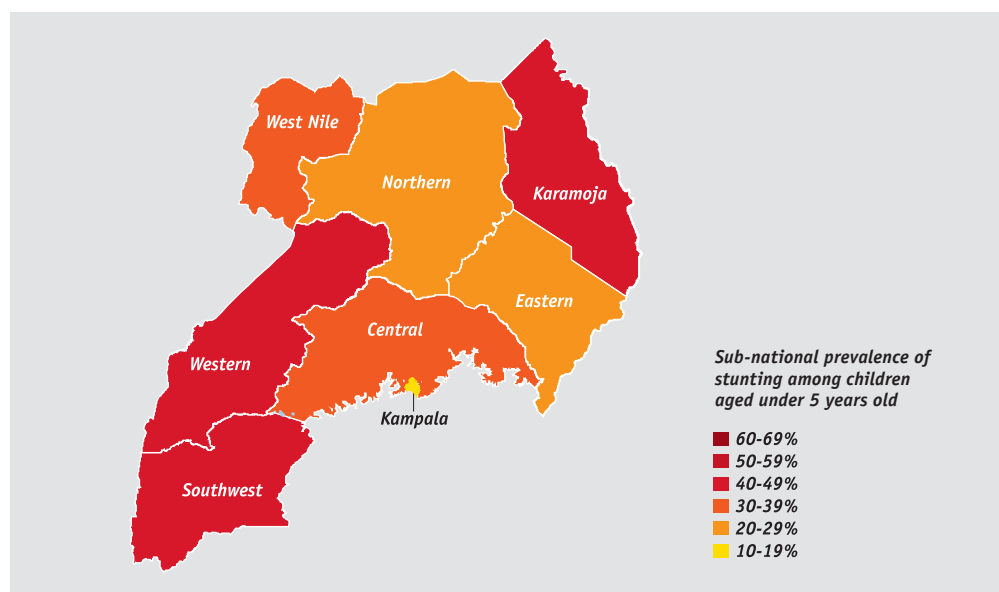
Figure 11. Sub-national prevalence of stunted children in Tanzania's regions (2010)



Source: Tanzania Demographic and Health Survey (2010). Map created by Neechi Masha

UGANDA. Uganda's Karamoja region has the highest prevalence of stunted children at 45 per cent, although this is an improvement from 56 per cent five years earlier. Although the percentage of children who are stunted decreased from 56 per cent to 45 per cent over a five-year period, it is still much higher than the national average of 33 per cent. The Ugandan Bureau of Statistics mid-year population estimates for 2011 showed that there were seven million Ugandans between the ages of 0-4.^{xiv} Based on that population it is reasonable to estimate that in 2011, 2.3 million children in Uganda were stunted, a 21 per cent increase from 1.9 million stunted children in 2005.

Figure 12. Sub-national prevalence of stunted children in Uganda's regions (2012)



Source: Uganda Demographic and Health Survey (2012). Map created by Neechi Masha

^{xiv}The data for Uganda are based on projections from the Ugandan Bureau of Statistics as the 2012 Census was postponed.

→ FOOD INSECURITY THREATENS 1.2 MILLION IN UGANDA'S NORTHEAST

A deteriorating food security situation in Uganda's northeastern region of Karamoja could affect an estimated 1.2 million people, according to reports from the government and aid agencies. A June 2013 Integrated Food Security Phase Classification (IPC) analysis, carried out by food security partners and led by the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), revealed that up to 975,000 people in the semi-arid region face "stressed" levels of food insecurity, while 234,000 more cannot meet their minimum food needs.

According to the June 2013 food security outlook released by the Famine Early Warning Systems Network (FEWS NET), food security outcomes in Karamoja will remain unfavorable for the next two to three months.

"Erratic and poorly distributed rainfall in Karamoja to-date has impacted staple crop production. From March to mid-April, heavy rainfall resulted in waterlogging and seedling damage in lowland areas, particularly in Kaabong, Kotido and Moroto districts. The remainder of April was characterized by erratic rains, followed by a long dry spell during much of May into June that resulted in atypical dry conditions and water stress, more severely in Kaabong district," said the FEWS NET report.

Local leaders told IRIN that some people had died as a result of hunger and malnutrition, and they decried inadequate supplies of food rations from the government. Officials said the government will continue to mobilize resources to scale-up food distribution to Karamoja. The WFP, which ended blanket food distributions in Karamoja in 2009, says it needs US\$7 million for its relief activities.

Source: Excerpt from IRIN News, July 10, 2013

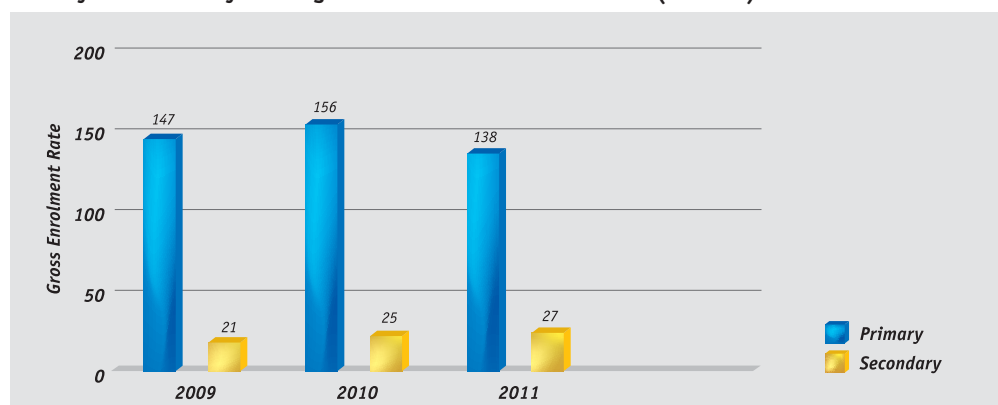
Primary and secondary school enrollment rates in East Africa

The education targets outlined in the Millennium Development Goals (MDGs) drove many countries to implement universal primary education (UPE). UPE policies have benefited many students in East Africa as shown by the high gross enrollment rates (GER). All East African countries have achieved the global target of 100 per cent gross enrollment.

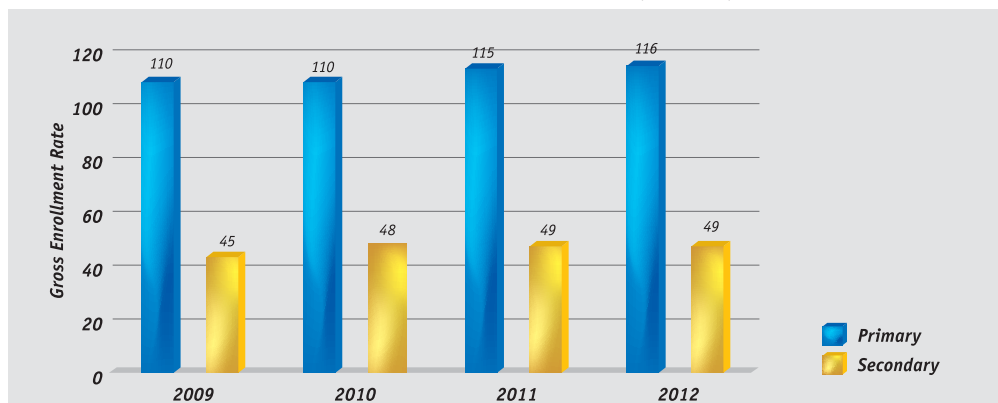
However, enrolment at secondary school levels is much lower, meaning that many secondary school age children in the EAC do not make the transition between primary and secondary school. Kenya consistently posts the highest secondary school GER with 49 per cent in 2011 and 2012 while Uganda has had the lowest with 27 per cent and 28 per cent in 2012 and 2011 respectively.

Figure 13. Primary and secondary school gross enrolment ratios in East Africa (2009-12)

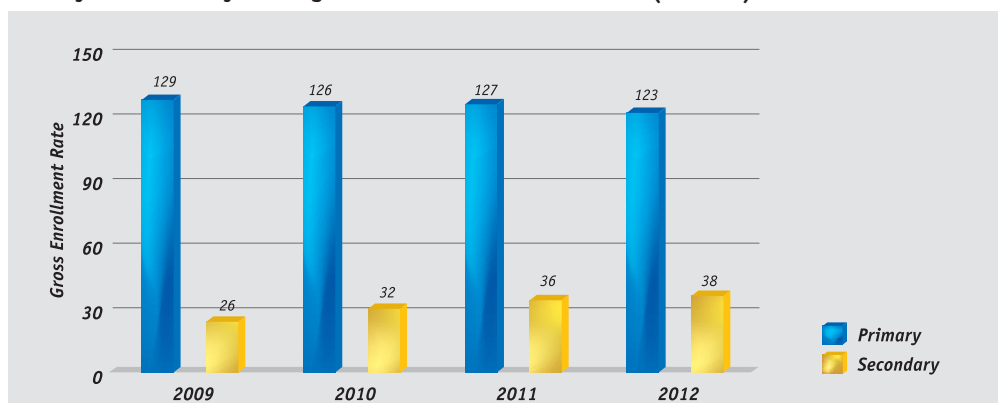
Primary and secondary school gross enrolment ratios in Burundi (2009-11)



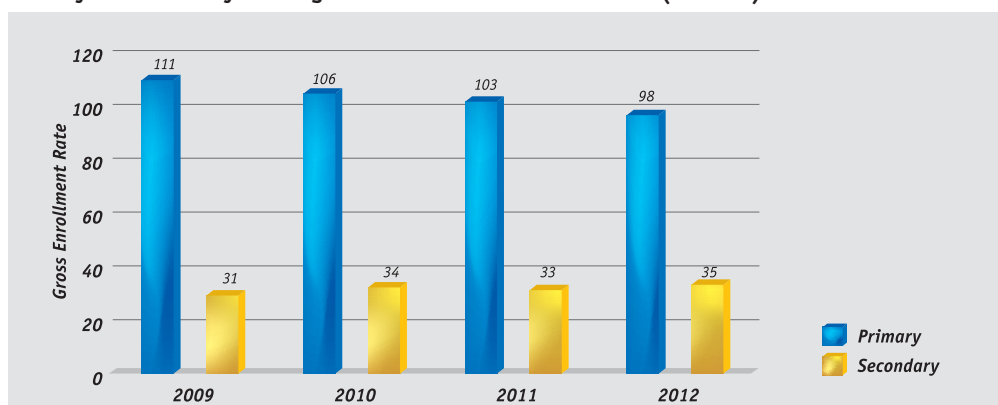
Primary and secondary school gross enrolment ratios in Kenya (2009-12)



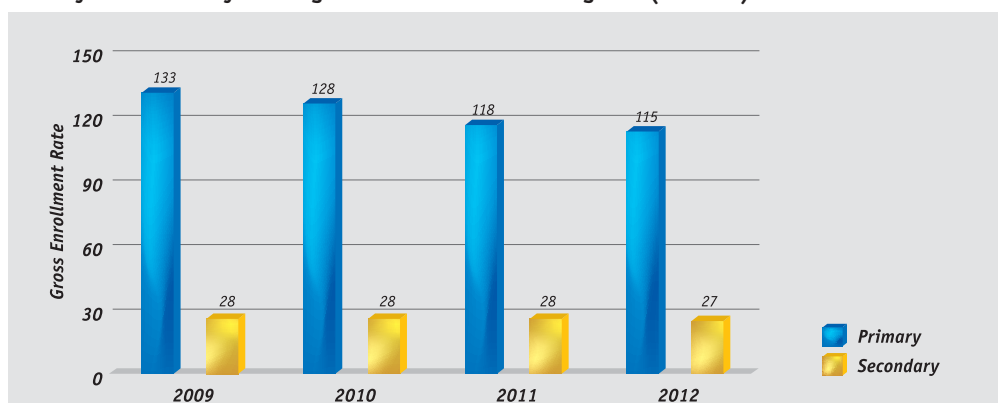
Primary and secondary school gross enrolment ratios in Rwanda (2009-12)



Primary and secondary school gross enrolment ratios in Tanzania (2009-12)



Primary and secondary school gross enrolment ratios in Uganda (2009-12)

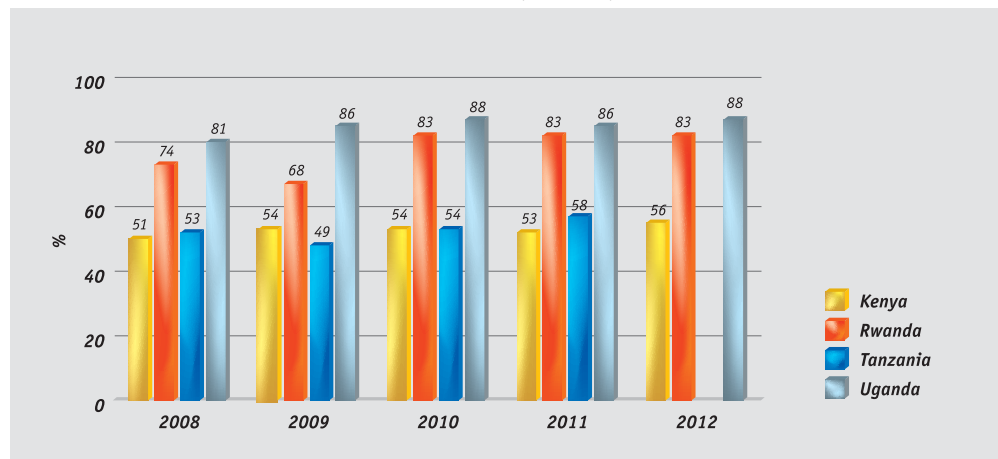


Source: Ministry of Education for all EAC partner states; EAC Secretariat

Primary and secondary school leaving exam pass rates (2008-12)

Examining the results of primary school leaving exams may contain some clues as to why the region's secondary school enrolment ratio is so low. Uganda and Rwanda have the highest pass rates 88 per cent and 83 per cent respectively in 2012. Tanzanian and Kenyan students produced the worst results in East Africa with 58 per cent and 53 per cent of students passing in 2011.

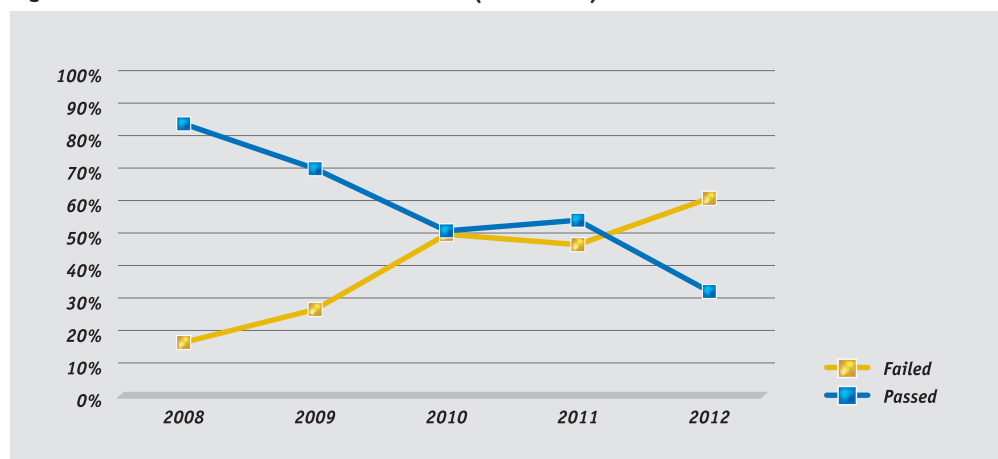
Figure 14. Primary school leaving exam pass rates (2008-12)



Source: Ministries responsible for education in all EAC countries

In early 2013, Tanzanians were dismayed when the results of the 2012 national Form Four exams showed that 60 per cent of the students failed. The trends suggest that the high failure rate should not have been a surprise. Since 2008, the proportion of secondary school leavers who failed their final exams has been increasing significantly. In 2008, 84 per cent of students passed their Form Four exam while only 16 per cent failed.

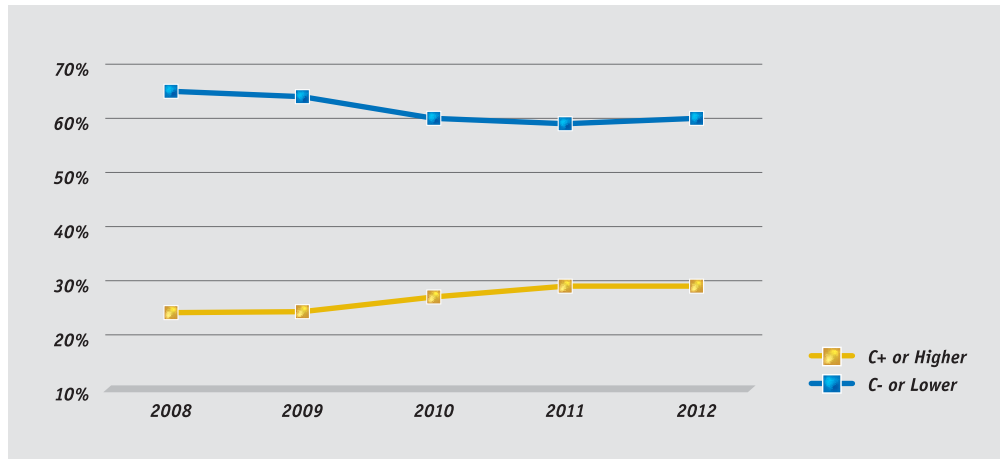
Figure 15. Form four exam results in Tanzania (2008-2012)



Source: Tanzania Basic Education Performance Report (2012) and Twaweza

In Kenya, the Kenya Certificate of Secondary Education (KCSE) examination is taken to complete secondary school. Achieving a minimum score 'C+' in this exam makes one eligible for entry into a public university. In 2012, 29 per cent of secondary school leavers achieved this minimum grade, an improvement from 24 per cent who achieved it in 2008. However, 71 per cent of students received a 'C' or lower in 2012 meaning that the vast majority of Kenyan secondary school leavers do not qualify for entry into a public university.

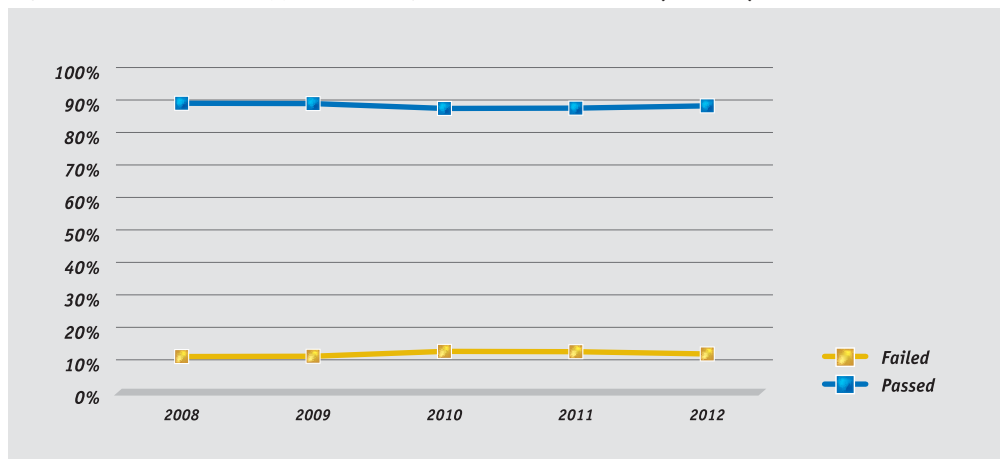
Figure 16. Kenya Certificate of Secondary Education final exam results (2008-12)



Source: Kenya National Bureau of Statistics Economic Survey (2013)

Rwandan students have fared well in terms of passing their exams. In 2012, 88.2 per cent of Rwandan students who sat for these exams passed leaving only 11.8 per cent of students who failed. This trend has remained essentially unchanged between 2008 and 2012.

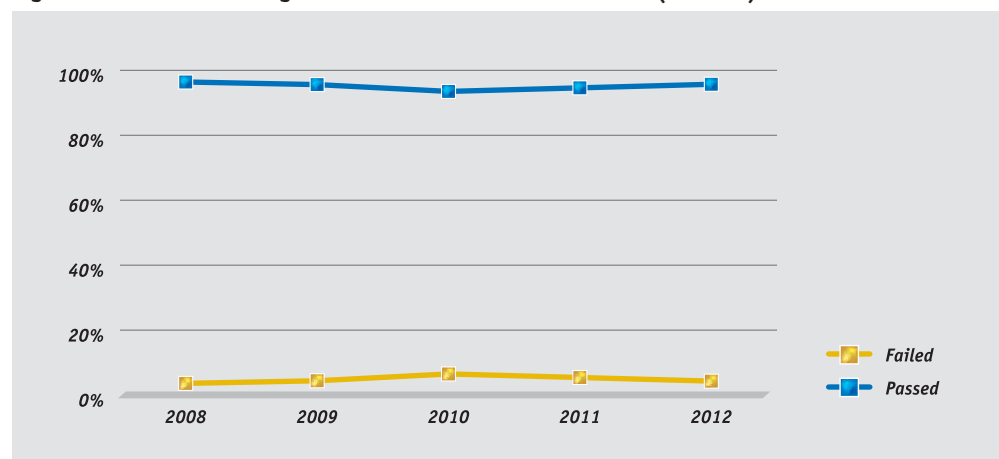
Figure 17. Results of the upper secondary final exams in Rwanda (2008-12)



Source: Rwanda Ministry of Education Statistics Yearbook (2012)

The Uganda Certificate of Education Examination (UCE) is taken to complete the four-year lower secondary school cycle and is similar to the Form Four exams in Tanzania. Ugandan students have also done very well in their performance between 2008 and 2012. An average of 95 per cent of students who sat for the exam passed between 2008 and 2012, leaving a failure rate of just 5 per cent of students.

Figure 18. Results of the Uganda Certificate of Education exams (2008-12)



Source: Uganda Ministry of Education EMIS Fact Sheet

Quality of mathematics and science education in East Africa

The quality of math and science education is an early indicator of the future quality of a country's skills base and human capital. As Figure 20 shows, Tanzania and Burundi fared poorly in the quality of math and science education compared to Rwanda, Kenya and Uganda. However, with the exception of Rwanda, all East African countries are in the bottom half of the global rankings. This points to a very significant structural impediment to transforming East Africa's economies in the direction of skill- and knowledge-based innovation.

Table 5. Quality of mathematics and science education in East Africa (2011 and 2013)

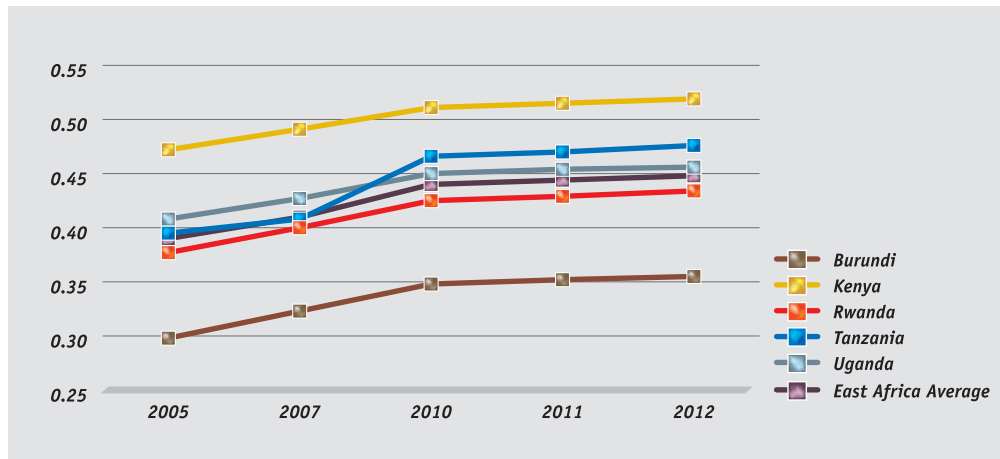
Country	2013 Quality of Math and Science Education Rank/144	2011 Quality of Math and Science Education Rank/144
1. Rwanda	62	--
2. Kenya	76	63
3. Uganda	109	101
4. Burundi	112	109
5. Tanzania	122	126

Source: World Economic Forum Network Readiness Index (2012)

Overall Human Development in East Africa

In the UNDP Human Development Report 2013, the five East African Community countries achieved an average human development index (HDI) score of 0.448. This score is slightly lower than the sub-Saharan African average of 0.475 and places the region in the category of low human development. Tanzania, Kenya and Uganda improved their HDI indices between 2005 and 2012 while Rwanda and Burundi posted lower HDI values compared to the East African average, with Burundi performing significantly lower than its regional counterparts.

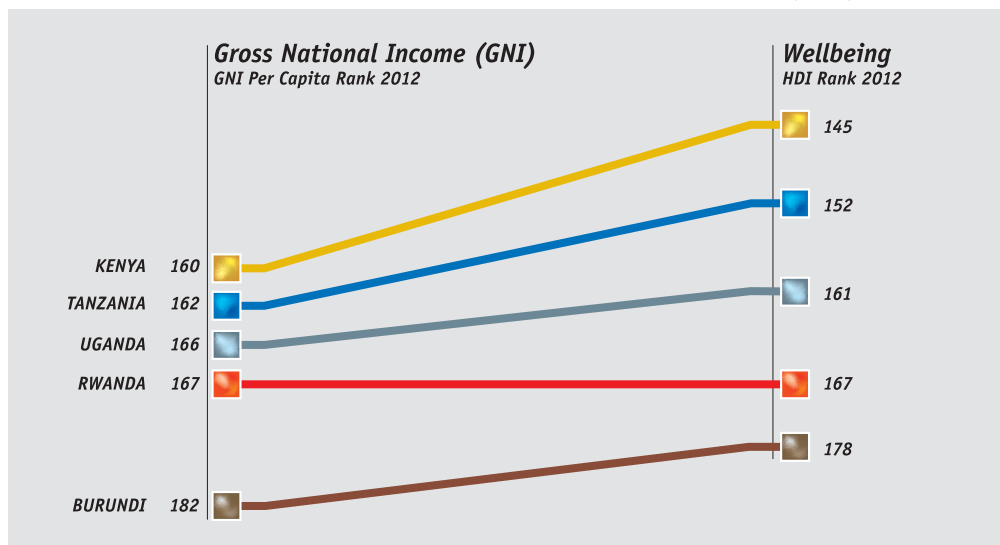
Figure 19. Trends in the Human Development Index in East Africa (2005-12)



Source: UNDP Human Development Report (2013)

Comparing measures of wealth, (such as income per person), and well-being (human development index) yields interesting insights for East Africa, the most striking of which is the observation that the region does better on overall well-being than it does on income per person. Contrast this to the recent Africa Progress Panel report that found that 14 out of 20 resource rich countries had a lower HDI standing than their income rank and ‘this is important because it shows that, across a large group of resource-rich countries, economic wealth does not translate into health and education outcomes that might have been anticipated.’^{xv} This may serve as a cautionary tale to the region’s newly energy-rich countries namely Uganda, Tanzania and Kenya. The report points out ‘this is striking evidence of the failure of oil-rich countries to translate rising income into expanded opportunities for human development.’^{xvi}

Figure 20. Comparing per capita income and wellbeing rankings in East Africa (2012)



Source: Human Development Report (2013); design extrapolated from African Progress Panel

^{xv}Africa Progress Panel (2012). *Equity in Extractives: Stewarding Africa’s Natural Resources For All* (Geneva: AFP).

^{xvi}Ibid

The East African Economy



Photo: flickr.com/ John Hanson, U.S. Army

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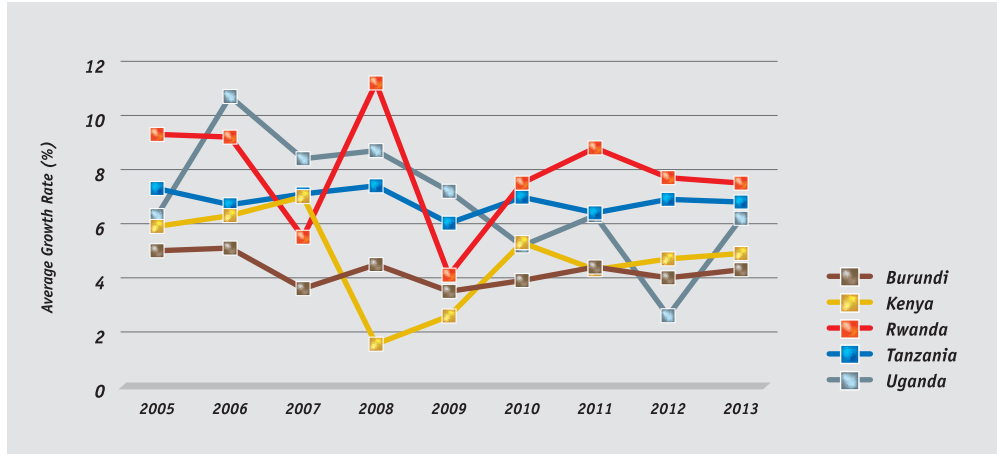
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East Africa's Robust Economic Growth Continues

The East African economy continued its impressive growth rate trend with an average of 6 per cent growth in 2011. The World Bank's growth forecast for the 2012-13 period is 5.9 per cent, continuing the strong growth the region has achieved over the past six years.

Figure 1. Trends in East African countries' economic growth performance



Source: World Development Indicators 2013, IMF World Economic Outlook 2013

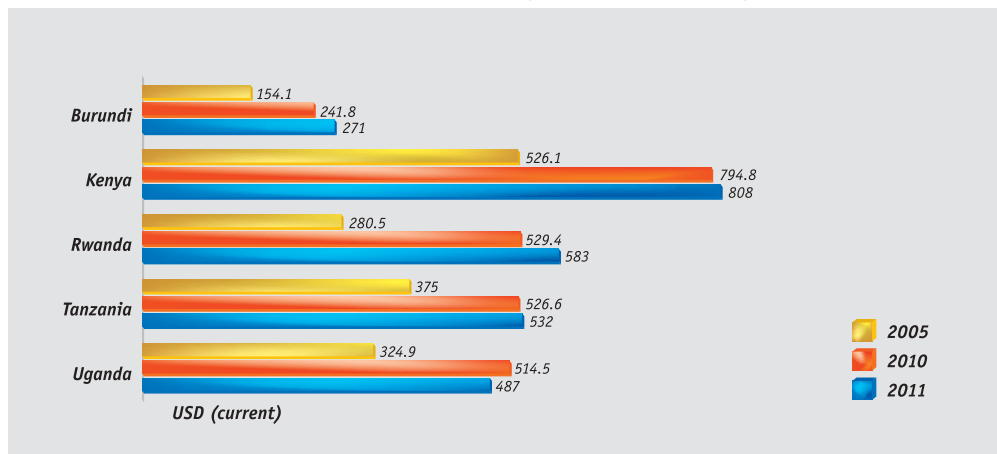
The International Monetary Fund (IMF) also projects acceleration in the region's growth rate to 6.4 per cent in 2014 driven by Rwanda and Tanzania, the two countries that have delivered higher growth rates than their neighbours since 2010.

Uganda's economy had a difficult year as its growth slowed down 6.5 per cent in 2011 to 2.6 per cent in 2012, driven by efforts to stabilize inflation, high interest rates and uncertainty as donors announced they were suspending aid to Uganda following alleged mismanagement of funds.

Trends in East Africa's per capita income

Although East Africa's economic growth rates are strong, the income per capita data shows the significant differences between the countries. Burundi remained the poorest economy in this respect with a per capita GDP of \$271 in 2011 compared to Kenya's \$808, Rwanda's \$583 and Tanzania's \$532. Uganda's income per capita fell below \$500 in 2011.

Figure 2. Trends in per capita income in East Africa (2005, 2010 and 2011)



Source: World Development Indicators (2013)

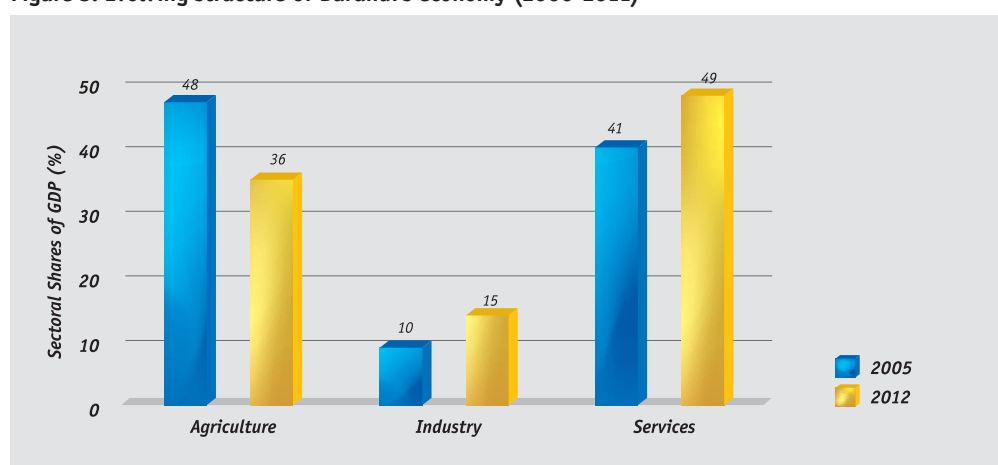
The Evolving Structure of East Africa's Economies¹

A look at how the regions' economic structure is evolving over time – the shares of agriculture, industry and services in the overall economy – provides some early insight into how the fruits of growth might be shared among the citizens of the region. The following analysis on a national level is concluded by a simple but revealing aggregation at the regional level.

Burundi:

Between 2006 and 2011, the share of agriculture in Burundi's economy shrank by a substantial twelve percentage points from 48.4 per cent to 36.4 per cent. Industrial output expanded its share of the economy from 10 per cent to almost 15 per cent, while that of services jumped from 41 per cent to almost 49 per cent. It is interesting to note that in 2011, the services sector has as large a share of Burundi's economy as the agricultural sector did just seven years earlier.

Figure 3. Evolving structure of Burundi's economy (2006-2011)

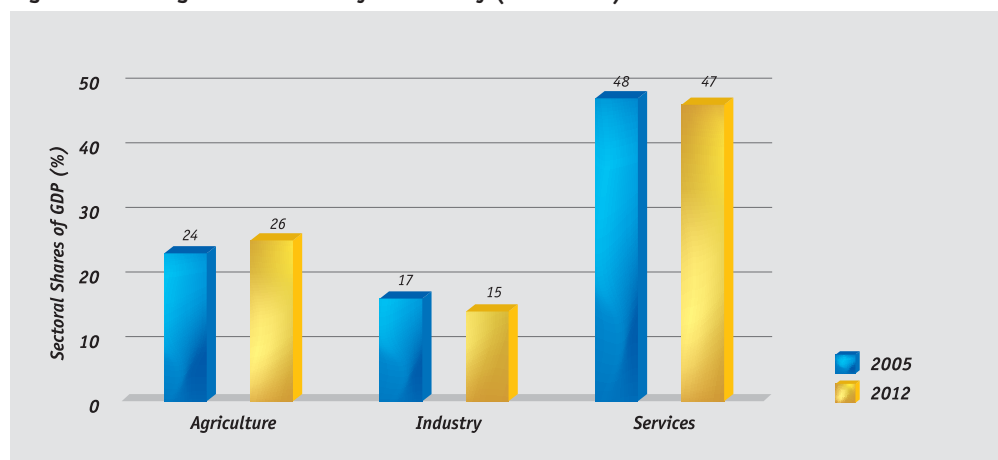


Source: African Development Bank, African Economic Outlook 2012

Kenya:

In 2012, the service sector accounted for 47 per cent of Kenya's economy, marginally lower than it was in 2005. Agriculture's share of the economy expanded from 24 to 26 per cent between 2005 and 2012, while that of industry shrank from 17 per cent to 15.4 per cent during the same period. Surprisingly, the share of industry in Kenya's economy was the lowest in East Africa in 2012.

Figure 4. Evolving structure of Kenya's economy (2005-2012)



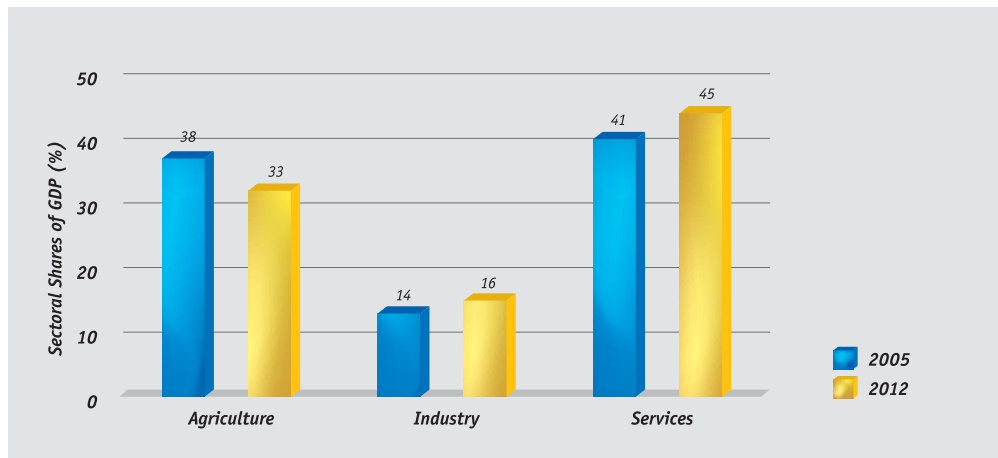
Source: Kenya Economic Survey (2012)

¹The shares of agriculture, industry and services do not add up to 100 because they exclude financial intermediation services indirectly measured (FISIM) and net taxes. FISIM represents the difference between interests received and interests paid. Net taxes on products are taxes on products less subsidies on products.

Rwanda:

Rwanda's service sector expanded its share of the country's economy from 41 per cent in 2005 to 45 per cent in 2012. Agriculture shrank from 38 per cent to 33 per cent while industry had a marginal increase from 14 to 16 per cent.

Figure 5. Evolving structure of Rwanda's economy (2005-2012)

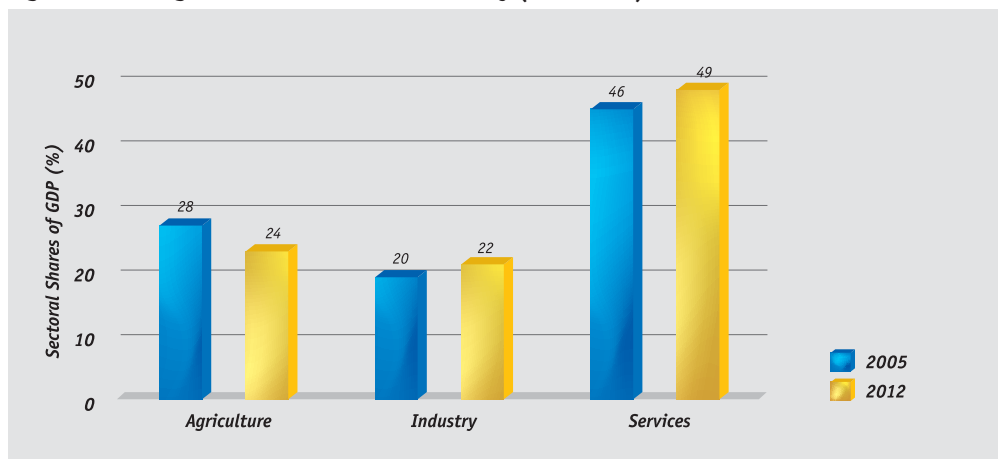


Source: National Institute of Statistics of Rwanda 2012 GDP Annual Estimates (2013)

Tanzania:

In 2012 the services industry in Tanzania accounted for 49 per cent of the economy, a 3 per cent increase from 2005, while agriculture's share shrank from 28 per cent to 24 per cent during the same period. Industry grew its share of the economy from 20 per cent to 22 per cent in 2012.

Figure 6. Evolving structure of Tanzania's economy (2005-2012)

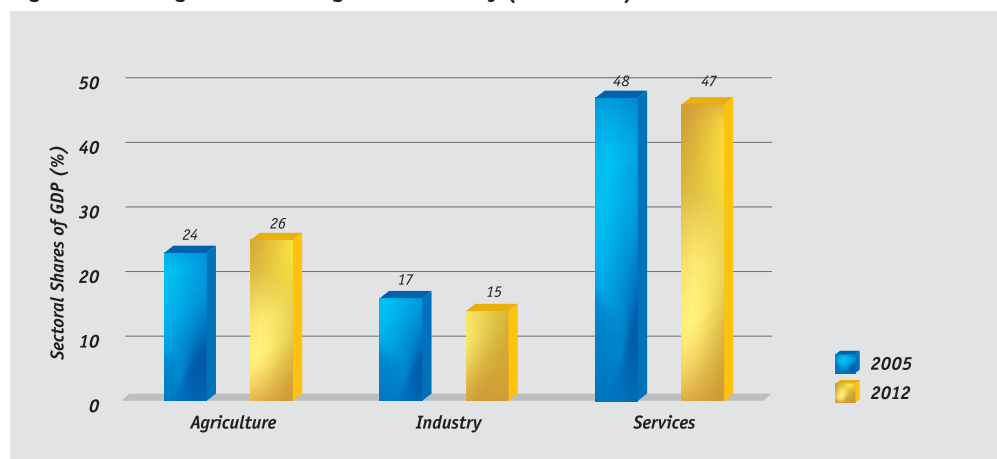


Source: World Bank Tanzania Economic Update (October 2012)

Uganda:

The share of agriculture in Uganda's economy remained essentially unchanged at 24 per cent between 2005 and 2012. Interestingly, the services sector shrank from 47 per cent in 2005 to 44 per cent in 2012, the only East African country to record such a significant reduction. Industry expanded its share of the economy from 23 per cent to 26 per cent during this period.

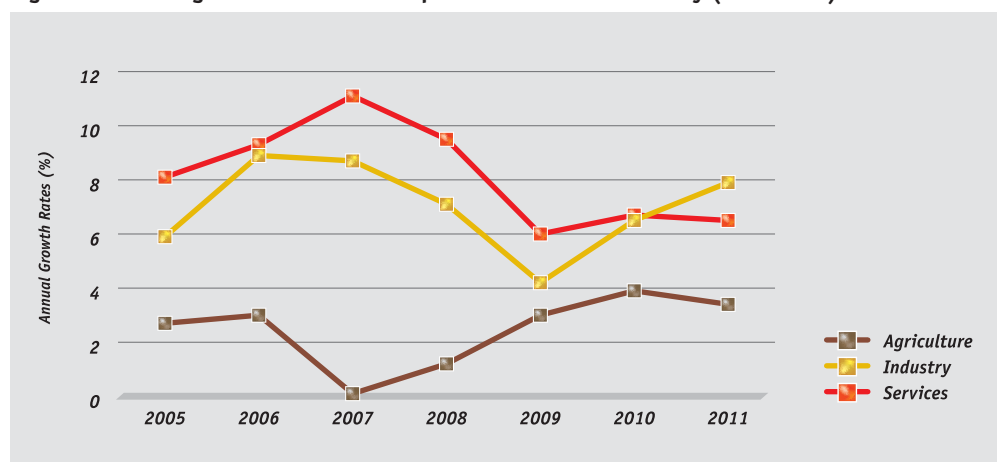
Figure 7. Evolving structure of Uganda's economy (2005-2012)



Source: World Bank Uganda Economic Update (2013)

Sectoral growth trends in a composite East African economy

Figure 8. Sectoral growth trends in a composite East African economy (2005-2011)



Source: World Development Indicators (2013) and authors' calculations

Creating a composite East African economy – by calculating an average annual growth rate of the region's agriculture, industry and service sectors from the national sectoral growth rates – reveals why the economic structure in the region is evolving as it is. In 2011, the overall East African economy saw an average of 8 per cent growth in the industry sector and 7 per cent in services.

The slower growth rate of agriculture – consistently below 4 per cent per year - is immediately clear. It is a large part of the reason why the share of agriculture in almost all of the region's economies has stagnated or shrunk. This need not be bad. Maturing economies are characterized by shrinking agricultural sector and by growing industry and services sectors. The concern emerges when the people released this declining sector are not absorbed by the expanding sectors.

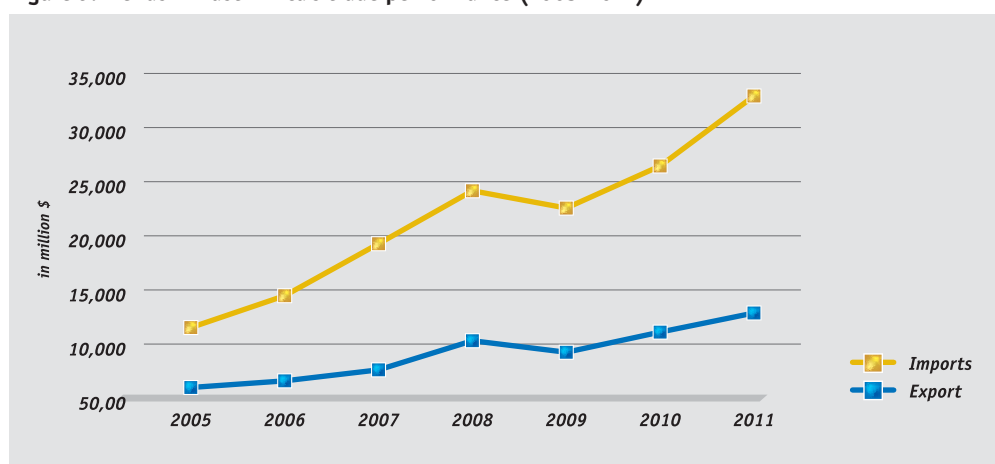
In 2003, Kenya had the only economy in which the services sector had a bigger share of the

economy than agriculture. Almost a decade later, Kenya has been joined by all of the other East African economies in having a services sector that is larger than agriculture. This is a significant change in the region's overall economic structure.

East Africa's Trade and Investment Trends

The East African region expanded its total trade by \$8.2 billion to \$45.8 billion in 2011 from \$37.5 billion in 2010. Imports continue to dominate the region's trade. The growth in imports of \$6.5 billion in 2011 was responsible for 79 per cent of the region's total trade expansion and for 72 per cent of total trade in 2011. By contrast, although exports increased by \$1.76 billion this was just 21 per cent of the year's trade growth and 28 per cent of the total trade in 2011, the lowest since 2005.

Figure 9. Trends in East Africa's trade performance (2005-2011)



Source: EAC Facts and Figures (2012)

East Africa' top five export commodities by value (US\$, 2012)ⁱⁱ

The leading export commodity in each East African country was the same in 2012 as it was in 2010. In Tanzania, the value of gold exports doubled from \$914 million to \$2.2 billion in 2012 mainly because of the increase in gold prices. Burundi's gold exports fetched only \$105 million in 2012 compared to \$164 million in 2010, suggesting that the volume of gold production and exports must have declined substantially in that country. Coffee remained the top export commodity in Uganda, tea in Kenya and tin ore in Rwanda.

Two indications of the importance of re-exports within the region are apparent. Uganda is exporting cellular telephones when it does not manufacture them (see text box below). Similarly, Rwanda exports niobium, tantalum, vanadium, zirconium ores. Used in the manufacture of mobile communication devices, these ores are mainly found in the eastern Democratic Republic of Congo.

ⁱⁱSome countries listed local currencies in their export and import values, when this occurred SID converted local currencies to US dollars based on 2012, 2011 and 2010 year averages from Oanda.

Table 1. East Africa's top five exports by country (2011, 2012)

Country	1st	2nd	3rd	4th	5th
Burundi (2012)	Gold (\$105 million)	Coffee (\$66 million)	Ores and Concentrates (\$17 million)	Tea (\$14 million)	Soap (\$6 million)
Kenya (2012)	Tea (\$1.2 billion)	Horticulture (\$970 million)	Coffee (\$266 million)	Apparel and Clothing Accessories (\$247 million)	Tobacco (\$199 million)
Rwanda (2011)	Tin ore and concentrates (\$102 million)	Coffee (\$77 million)	Tea (\$53 million)	Niobium, tantalum, vanadium, zirconium ores (\$39 million)	Petroleum oils (\$20 million)
Tanzania (2012)	Gold (\$2.2 billion)	Tobacco (\$223 million)	Coffee (\$187 million)	Cashew Nuts (\$141 million)	Tea (\$56 million)
Uganda (2012)	Coffee (\$372 million)	Cellular telephones (\$144 million)	Petroleum products (\$137 million)	Fish and fish products (\$128 million)	Sugar and sugar confectionary (\$123 million)

Source: National Bureau of Statistics for all EAC Partner States and UN Comtrade

→ 'FAKE PHONES FLOOD UGANDA AS KENYA NEARS THEIR DEACTIVATION'

The number of counterfeit phones on the Ugandan market has surged as Kenya closes in on the deadline to deactivate SIM-cards carried in such handsets. In Uganda today, three in every five phones being used by mobile phone subscribers are counterfeits, and are allegedly imported illegally into the country.

Obed Bagyenya, a phone dealer on Kampala road told Daily Monitor importation of phones believed to be from China has increased significantly in the past three months. The deactivation of SIM-cards used on counterfeit handsets in Kenya leaves Uganda as a favourable destination for such phones as there are no deterrent measures.

Mr Richard Kamajugo, the Uganda Revenue Authority (URA) Commissioner for Customs, said for any device to be deemed counterfeit, a manufacturer ought to have registered its brand name in that particular country. "I am not sure if mobile phone manufacturers registered their brand names in Uganda. So we can't just wake up and say this is counterfeit," Mr Kamajugo said.

According to URA data, Uganda imported about 120,258 pieces of mobile phones estimated at Shs5.87 billion in July 2012, up from 81,650 pieces in May 2012, estimated at Shs3.87 billion.

Source: Excerpt from The Daily Monitor, September 5, 2012

East Africa's top five imports by value (2012)

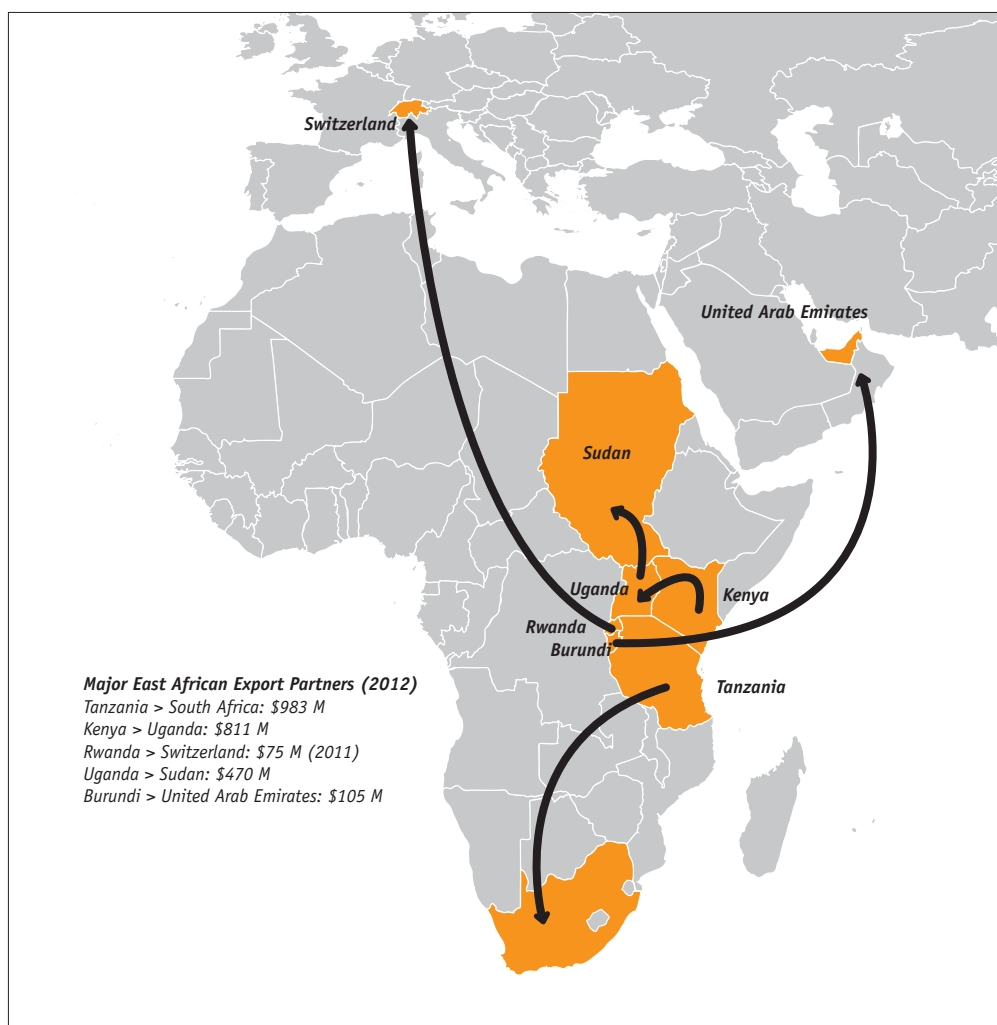
Petroleum products, industrial goods, construction materials, cars and trucks continue to dominate East Africa's imports. It is notable that the \$18 billion value of the region's top five imports exceeds the \$7 billion that of its top five exports by a large margin. Indeed, given the region's fuel import bill of more than \$8 billion in 2011 and 2012, the region's most important export earners cannot pay for the region's fuel bill.

Table 2. East Africa's top five imports by country (2011, 2012)

Country	1st	2nd	3rd	4th	5th
Burundi (2012)	Petroleum products (\$445 million)	Soya Beans (\$112 million)	Cement (\$53 million)	Medicaments (\$49 million)	Motor Cars and Vehicles for Transport (\$40 million)
Kenya (2012)	Petroleum products (\$2.8 billion)	Industrial machinery (\$2.3 billion)	Road Motor Vehicles (\$882 million)	Crude Petroleum (\$814 million)	Iron and Steel (\$677 million)
Rwanda (2011)	Petroleum products (\$106 million)	Cement (\$52 million)	Motor vehicles (\$52 million)	Cane/beet sugar and chemically pure sucrose (\$37 million)	Human blood; animal blood prepared for therapeutic, prophylactic and diagnostic uses (\$34 million)
Tanzania (2012)	Petroleum Products (\$3.4 billion)	Transport Equipment (\$1.4 billion)	Machinery (\$1.2 billion)	Food and Beverage (\$1.1 billion)	Construction materials (\$895 million)
Uganda (2011)	Petroleum products (\$1.3 billion)	Road vehicles (including air-cushioned vehicles) (\$500 million)	Telecoms and sound recording/reproducing (\$343 million)	Iron and steel (\$271 million)	Medical and pharmaceutical products (\$259 million)

Source: National Bureau of Statistics for all EAC Partner States and UN Comtrade

Figure 10. The single most important export destination for each East African country (2012)

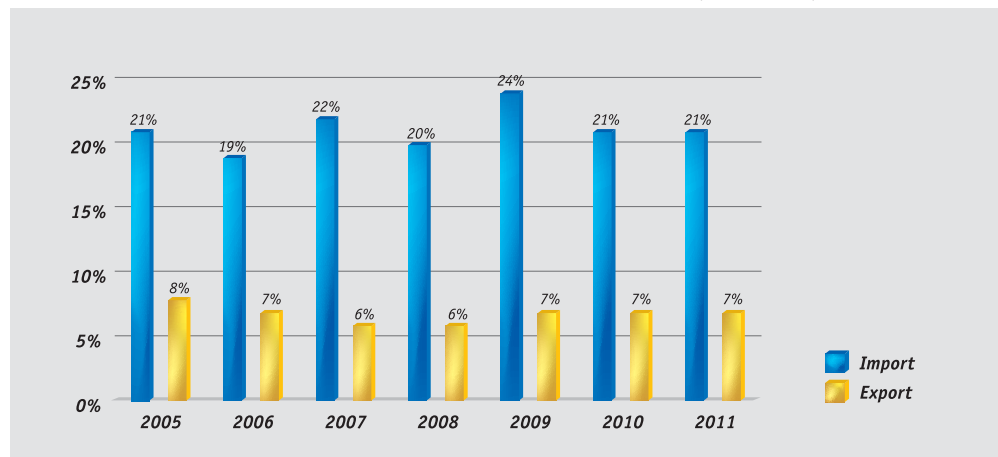


Source: National Bureau of Statistics for all EAC Partner States and UN Comtrade. Map created by Neechi Masha

East Africa's intra-regional trade performance

There has been progress in terms of growing trade within the five East African countries. However, as a percentage of the region's total trade with the world intra-regional trade remains small at approximately 11 per cent.

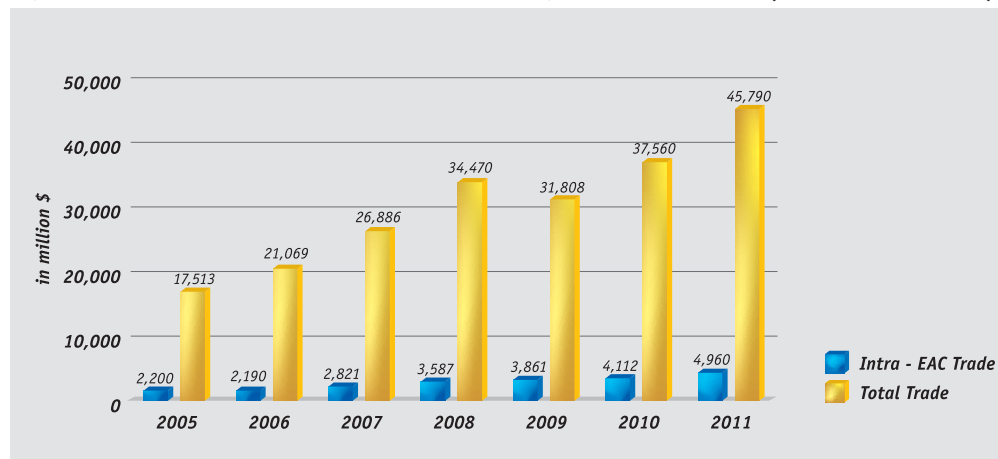
Figure 11. Intra-regional trade as a share of East Africa's total trade (2005-2011)



Source: EAC Secretariat Facts and Figures (2012 & 2011)

The value of intra-regional trade was valued at almost \$5.0 billion in 2011, an increase of just under \$1.0 billion from 4.1 billion in 2010. Exports within the region was 21 per cent of total exports in 2011 while the share of imports from the region has remained at 7 per cent of East Africa's total imports between 2009 and 2011.

Figure 12. Trends in the value of East Africa's intra-regional and total trade (US\$ million, 2005-11)

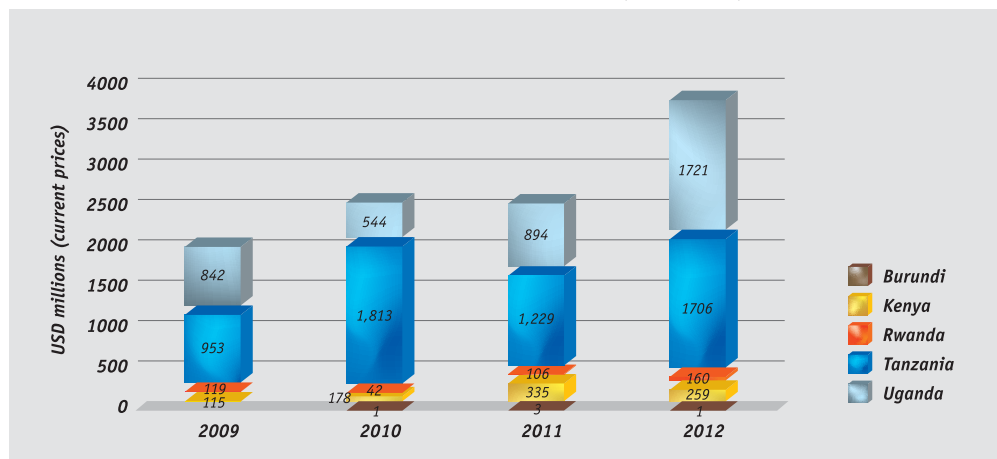


Source: EAC Secretariat Facts and Figures (2012 & 2011)

Foreign direct investment into East Africa

East Africa attracted foreign direct investment (FDI) inflows of \$3.9 billion in 2012, a \$1.8 billion increase from \$2.6 billion in 2011. The region's newly energy rich countries are attracting large investment inflows. With a combined total inflow of \$3.4 billion, Uganda and Tanzania received 90 per cent of the investment inflows into the region. Rwanda recorded an increase of \$54 million in FDI, while Kenya's shrank by \$76 million during the period and Burundi continued to receive modest investment inflows.

Figure 13. Foreign direct investment inflows into East Africa (2009-2012)



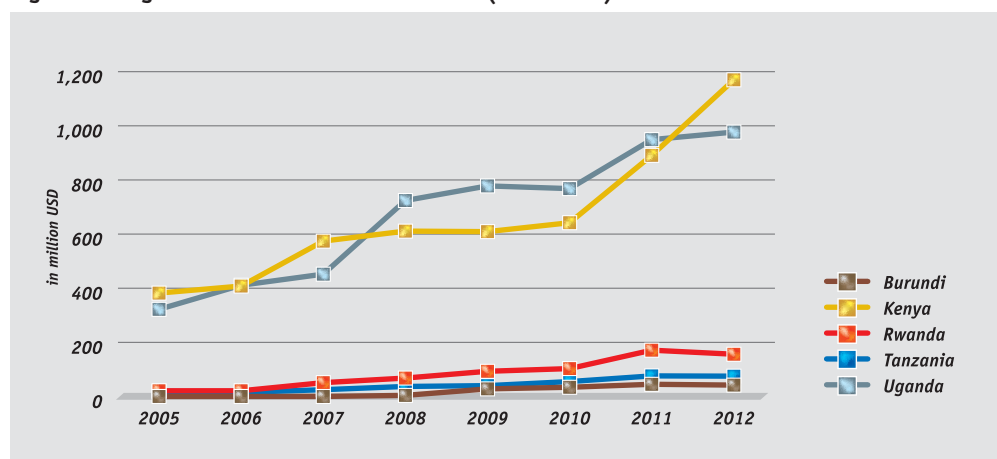
Source: UNCTADStat and UNCTAD World Investment Report (2013)

The focus on the extractives sector can overshadow other investments into East Africa, especially those targeted at regional and domestic consumers. The health sector seems to be attracting Indian investment in medical facilities such as the recently announced \$40 million project in Rwanda by the Madras Institute of Orthopedics and Traumatology. The \$69 million acquisition of Cimerwa (Rwanda) by Pretoria Portland Cement (South Africa) was the second largest merger and acquisition made in a developing country in 2012. Kenya Commercial Bank (KCB) invested \$300 million between 2005 and 2012 through 31 projects in five African countries. Kenya Airways and four lenders raised \$301 million that was expected to be deployed in various investments across the region.

Migrant remittances into East Africa

The World Bank estimates the region received \$2.4 billion worth of remittances in 2012, up from \$2.1 billion in 2011 and \$1.6 billion in 2010. Kenya had by far the highest inflows of remittances at \$1.2 billion, followed by Uganda with \$977 million. Thereafter there is a significant drop with Rwanda (\$156 million) receiving more inflows than Tanzania (\$75 million) and Burundi (\$42 million).ⁱⁱⁱ

Figure 14. Migrant remittances into East Africa (2005-2012)

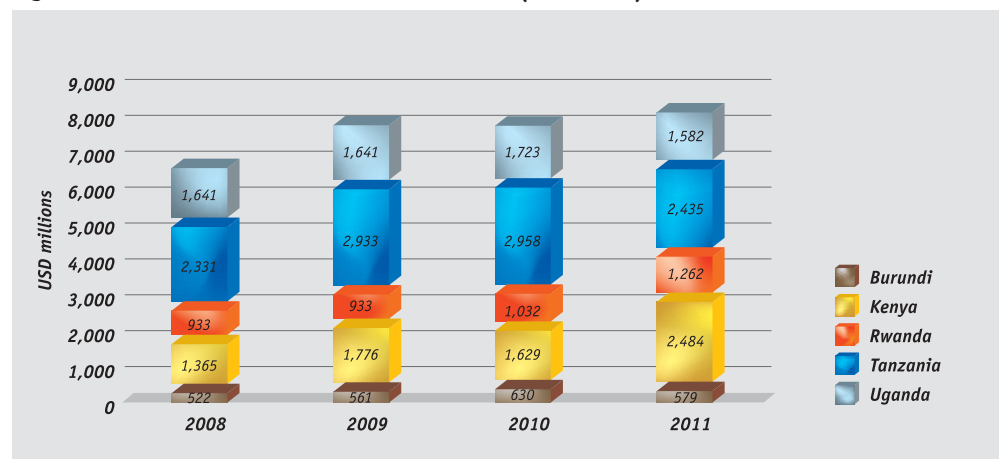


ⁱⁱⁱThe State of East Africa Report 2012 reported total remittances into East Africa of \$2.8 billion in 2010. This has been updated after the World Bank revised Kenya's inflows down from \$1.7 billion to \$642 million in 2010. The World Bank revises its remittance data every quarter.

Aid flows to East Africa

In 2011 the region received \$8.3 billion in total net disbursements of aid up from \$7.9 billion in 2010, and representing 18 per cent of total aid flows to sub-Saharan Africa for 2011. The combined budgets of the East African countries for 2012/13 were \$34 billion. It is worth noting that the \$8.3 billion in aid disbursed in 2011 represents just under 25 per cent of the region's budget in 2012/13.

Figure 15. Net disbursements of aid to East Africa (2008-2011)



Source: OECD

These data on aid flows in 2011 do not include the cuts experienced by Uganda and Rwanda in 2012, a year that also saw a shift in aid allocations by donors away from the poorest countries and towards middle-income countries. OECD data shows that bilateral aid to sub-Saharan Africa was \$26.2 billion, representing a reduction of almost 8 per cent in real terms compared to 2011.

While the aid cuts to Uganda and Rwanda may have been triggered by specific idiosyncratic reasons, there are signs that declining aid flows to the region could soon be a strong feature of its economic relationship with donor countries. The next textbox outlines the European Union's justification for the cut in aid to Uganda, followed by a summary of Rwanda's innovative response to the aid cuts it faced in August 2012.

→ DONORS: UGANDA REFORMS 'NOT GOOD ENOUGH'

An embargo on funding to Uganda will continue until "satisfactory steps" such as punishing the offenders, are taken to address corruption, donors say. "We would like to see people taking individual and political responsibility. We saw the OPM (Office of the Prime Minister) scandal. If I were the one, I would probably have resigned as an expression of management responsibility. We would like to see something like that," Roberto Ridolfi, head of the EU delegation told a public dialogue on "Promoting Public Sector Accountability in Uganda: Sharing Best Practices with Europe" in Kampala on May 6.

Major EU donors to Uganda late last year [2012] suspended up to \$300 million (about Ush800 billion) aid, equivalent to 7.1 per cent of the annual budget, following the loss of the Northern Uganda Reconstruction Programme cash under the Office of the Prime Minister. The effect, according to the Finance Ministry projections, would be a reduction of 0.8 per cent on economic growth, from the projected 5 per cent to 4.2 per cent.

The government has since acted and refunded the monies received to the governments of Ireland, Norway, Sweden and Denmark. "We need more action than talk. Uganda has the best Constitution and some of the best procurement laws, a robust public finance management systems and institutions capable of administering sanctions. Why are all these not working?" Mr Ridolfi asked.

Source: Excerpt from *The East African*, May 11 2013



When Rwanda’s donors cut off their disbursements in August 2012 as a reaction to the country’s alleged support of the M23 rebels in eastern Democratic Republic of Congo, President Kagame launched the the Agaciro (“Dignity”) Development Fund.

The Agaciro Development Fund is a “solidarity fund initiated by Rwandans to improve the level of financial autonomy of Rwanda as a nation. The uniqueness of the fund is that it is Rwandans themselves that will finance it – setting the tone that Rwandans will work together to drive their own development, giving the entire Rwandan population a higher level of direct ownership in the nation’s projects.”

The fund raised \$1.9m in the first four hours of its launch and by mid-September [2012], the amount raised had reached \$13 million. This represents about 50% of the cut in UK’s aid to Rwanda that was announced earlier, but that that has since been restored as part of the UK’s “constructive engagement” with Rwanda over the DRC issue.

Can Rwanda’s ambitious effort at building financial self-reliance be copied by other countries in the region? Analyst Arthur Asiimwe, writing in The New Times of Rwanda thinks not.

“If we brought the debate closer to home and suggested a project like the Agaciro Fund, say to our brothers within the EAC, I am certainly convinced it would be turned into a laughing stock. Debate on every FM station would reduce its purpose to another avenue or opportunity for ‘eating’. It would attract all sorts of criticisms and attacks, right from civil society to the opposition to elements within government – all calling for a boycott.

“Some critics will say this initiative is forced down our throats. They are dead wrong. Otherwise how would you explain the response from hundreds of thousands of Rwandans in Diaspora who are using electronic money transfer to make their contribution? On average, a Rwandan is assured that every coin put in such innovation will serve the rightful purpose and hence [is] worth the sacrifice.

For the last 18 years, Rwanda has been on a sketch board crafting many innovations that have raised controversy but also won admiration from many circles. [The] Agaciro Development Fund is [another such innovation]; one thing Rwandans detest a lot, is the word “umugayo” or room for failure. The Agaciro Fund will have to flourish.”

Source: *Paying the Piper: Greater Horn of Eastern Africa Outlook #27, Society for International Development available at www.sidint.net*

Top ten recipients of aid in Africa (2011)

In 2011, four out of the top ten recipients of aid in Africa were members of the East African Community.

Table 3. The top ten recipients of aid in Africa (2011)

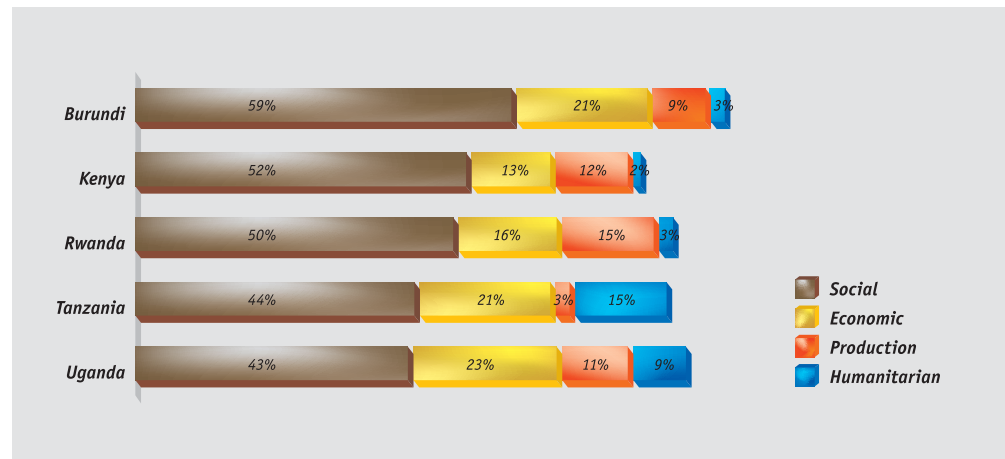
Country and Rank	Amount (US\$ billions)	Share of total (%)
1. Democratic Republic of Congo	\$5.5	11
2. Ethiopia	\$3.6	7
3. Kenya	\$2.5	5
4. Tanzania	\$2.4	5
5. Mozambique	\$2.0	4
6. Ghana	\$1.8	4
7. Nigeria	\$1.8	4
8. Uganda	\$1.5	3
9. Cote d’Ivoire	\$1.4	3
10. Rwanda	\$1.3	2

Source: *OECD Development Aid at a Glance Statistics by Region (2013)*

Allocation of aid to East Africa by sector (2011)

Across East Africa, the social sector received the most allocation of aid in 2011 with a total of \$4.4 billion, or almost half of the total aid flows to the region.

Figure 16. Sectoral allocation of aid to East Africa (2011)



Source: OECD Development Aid at a Glance Statistics by Region (2013)

'Investments to End Poverty' is a new publication released in 2013 with the aim of documenting as accurately as possible the size and nature of all the resources that are available for poverty reduction.^{iv} It adds valuable richness to the analysis of the sources, composition, channels and destination of aid flows to the East Africa. The text box below contains excerpts from a summary of its findings on Tanzania that highlight some fundamental shifts in the resource flows to one of East Africa's largest aid recipients.

→ "INVESTMENTS TO END POVERTY, IN TANZANIA"

Domestic resources matter most in Tanzania, remittances hardly at all. Three important trends [are notable]:

- **Business is booming.** International commercial resources (largely foreign investment) is fast catching up with aid.
- **Tax 3 – 1 Aid.** Domestic resources are more important than aid for poverty reduction in Tanzania, and becoming even more so.
- **Remittances [are] nil.** Tanzania gets almost nothing in private resource flows.

This third point is in stark contrast to much of the international conversation on development. Remittances (largely money sent home by Tanzanians living abroad) are almost irrelevant in Tanzania. In many developing countries private remittances from citizens living and working abroad vastly outweigh aid flows (e.g. India, Senegal, Liberia), but in Tanzania this is not the case. In fact, the (UK) Guardian reported recently that four times as much money flowed out of Tanzania in private remittances (\$274m) than into Tanzania (\$80m) in 2011. As a comparison, a similar amount was transferred out of Uganda that year (\$291m), but over ten times as much (\$855m) flowed into Uganda as into Tanzania.

The importance of aid in Tanzania is declining. Aid was worth 25% of Tanzania's national income around 10 years ago, but has now dropped to less than half of that share.

These are the trends that represent a fundamental change in Tanzania's economy, and even in its politics. Donors, and aid, matter much less than ten years ago. Business matters more. And with the rise in domestic budget spending, there is a much bigger national cake to be fought over. What gets taxed, and by how much? And how is it spent? That's politics.

^{iv}The full report is available at www.devinit.org/report/investments-to-end-poverty/

Inequality in East Africa

Photo: flickr.com/ Arne Hoel, World Bank

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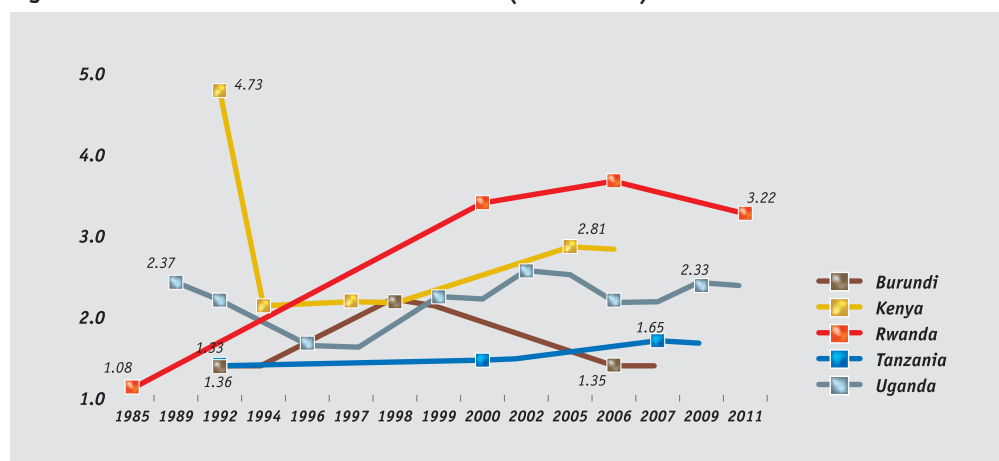
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Trends in income inequality in East Africa (1985 – 2011)

Figure 1 below shows the trends of the Palma Ratio in the East African countries. It responds to the question of how much more does the richest 10 per cent of the population in each country earn compared to the poorest 40 per cent of the population in that same country?¹ The earliest data is from 1985 for Rwanda, 1989 for Uganda and 1992 for Burundi, Kenya and Tanzania. The most recent data is from 2011 for Rwanda, 2009 for Uganda, 2007 for Tanzania, 2006 for Burundi and 2005 for Kenya.

Figure 1. Trends in the Palma index in East Africa (1985 – 2011)



Source: <http://www.indexmundi.com/facts/topics/poverty>, and PovcalNet: the on-line tool for poverty measurement developed by the Development Research Group of the World Bank (<http://iresearch.worldbank.org/PovcalNet/index.htm>)

Burundi is the least unequal country in the region. In 2006, the richest 10 per cent of Burundi's citizens earned 1.35 times the income of the poorest 40 per cent. The trend shows that Burundi's income inequality rising from 1992 to 1998, after which it returned back to its level of a decade earlier.

Tanzania follows as the next least unequal country. In 2007, the richest 10 per cent of Tanzanians earned 1.65 times the income of the poorest 40 per cent of their compatriots. However, the trend shows income inequality rising in with the Palma Ratio moving from 1.36 in 1992 through 1.41 in 2000 to the most recent level of 1.65.

The degree of Uganda's inequality has been variable for the past two decades. By 2009, Uganda's richest 10 per cent earned 2.3 times more than the poorest 40 per cent of their compatriots. Interestingly, notwithstanding the variations, the level of Uganda's income inequality in 2009 was almost identical to that of two decades earlier.

Kenya's inequality trend is striking. Between 1992 and 1995, the gap between the richest 10 per cent and the poorest 40 per cent closed substantially. However from 1995 to 2005, the income gap widened ending up with the richest 10 per cent of Kenyans earning 2.8 times more than the poorest 40 per cent of their compatriots.

Rwanda is East Africa's most unequal country. In 2011, the richest 10 per cent of Rwandans earned 3.2 times the income of the poorest 40 per cent of their compatriots. Income inequality rose between 1985 and 2006, taking Rwanda from the most equal to the most unequal country in the region. After 2006, inequality is trending downwards.

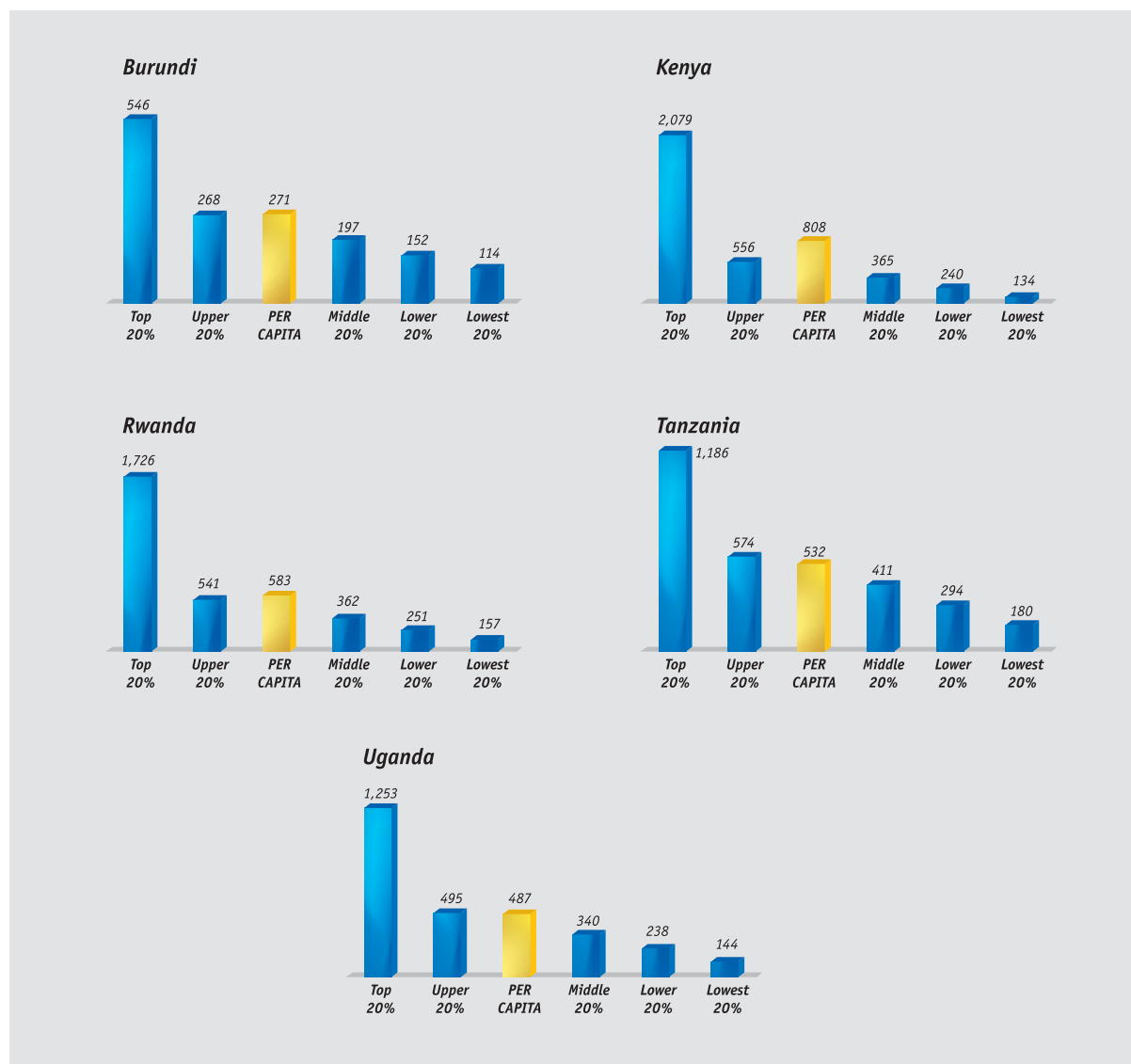
¹Data sourced from <http://www.indexmundi.com/facts/topics/poverty> which takes as its source the World Bank, Development Research Group. Data are based on primary household survey data obtained from government statistical agencies and World Bank country departments.

To put these figures in perspective, the two African countries with significant income disparities are South Africa and Namibia. In South Africa, the richest 10 per cent earn seven times more than the poorest 40 per cent of South Africa, and in Namibia that figure is 6.7 times. The most unequal country in the world on this measure is Jamaica, where the richest 10 per cent earn more than 14 times the income of the poorest 40 per cent. The least unequal countries are Romania and Ukraine where, with Palma indexes of 0.95 and 1.04 respectively, the richest 10 per cent of the population have the same income as the poorest 40 per cent of the population.

Who's getting East Africa's 'average' income?

Figure 2 below shows how each country's GDP in 2011 was distributed to each quintile of the population. It also shows the 'average' income (per capita) in each country if the GDP was to have been equally divided across the population.

Figure 2. Average income distribution by country in 2011



Source: World Development Indicators (2013) for the GDP and per capita GDP data; Indexmundi.com for income shares by quartile, author's calculations

The chart highlights some interesting insights. First, the extent to which Burundi's income is so much lower than its EAC neighbours comes across from the fact that with \$546 going to each of its richest 20 per cent, this amount was still smaller than the per capita income in Kenya (\$808) and Rwanda (\$583) and slightly larger than that in Tanzania (\$532) in 2011.

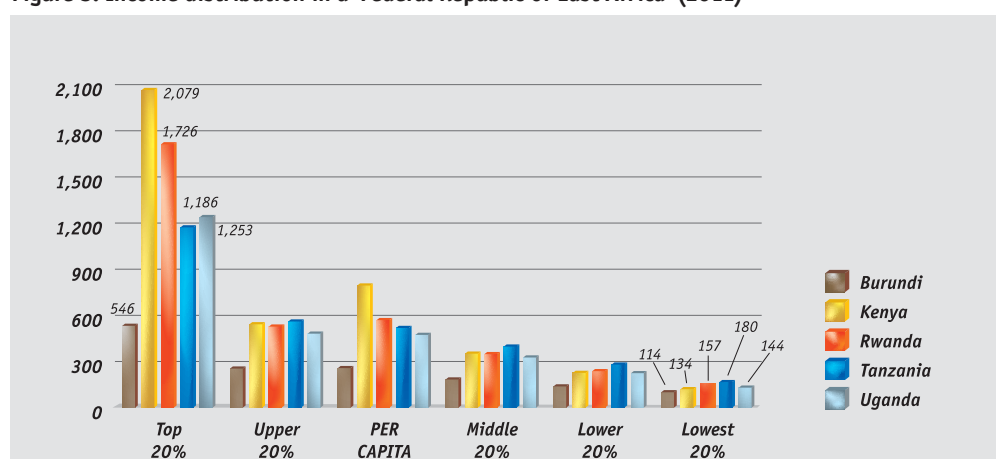
Second, the per capita or country's average income reflects the reality for the upper 20 per cent of the population (the wealthy) in for Burundi, Tanzania and Uganda. Due to the large share of income held by the wealthiest 20 per cent of Kenyans, the country average income of \$808 in 2011 was 45 per cent bigger than the average income of the country's second wealthiest quintile. Indeed in 2011, 60 per cent of East Africans had incomes that were below their respective countries' national averages. In Rwanda and Kenya, East Africa's most unequal countries, that figure rose to 80 per cent.

Income inequality in a 'Federal Republic of East Africa'

If the East African Community were a single country – a Federal Republic of East Africa – and its \$83 billion income in 2011 was distributed according to the most recent income shares obtaining in each constituent state, the richest 10 per cent of the population would have shared \$29 billion among themselves and received almost \$2,100 each. This would place them in their own lower-middle-income countryⁱⁱ. The poorest 40 per cent, almost 57 million East Africans, would have shared \$11.4 billion, giving each \$225 for the year, or less than Burundi's per capita GDP of \$271 in 2011.

The Federal Republic of East Africa's Palma ratio would be 2.30, a level of inequality similar to that of Madagascar, which had a Palma ratio of 2.32 in 2010, Malawi (2.30 in 2010) or Mozambique (2.49 in 2007).

Figure 3. Income distribution in a 'Federal Republic of East Africa' (2011)



Source: World Development Indicators (2013) for the GDP and per capita GDP data; Indexmundi.com for income shares by quintile, author's calculations

East Africans work informally and young people are un(der)-employed

Burundi

In Burundi, formal sector workers made up less than 4 per cent of the working population. The African Development Bank notes that the private sector is 'overwhelmingly informal', quoting 'recent trade ministry data showing 3,000 firms, mostly small and medium enterprises, employing about 40,000 people (less than 2 per cent of the working population) with more than 80 per cent in Bujumbura.'

In 2009, youth unemployment was three times higher than in the 25-64 age group. It is also a mainly urban phenomenon, given that a large part of the rural population is declared as engaged in farming. In 2008, the unemployment rate was estimated at 14.4 per cent in Bujumbura, 9 per cent in Gitega and 6.5 per cent in Karusi, and the average age of the unemployed was 29 years.

ⁱⁱSee World Bank classification here http://data.worldbank.org/about/country-classifications/country-and-lending-groups#Lower_middle_income

More optimistically, Burundi's national social security institute estimated 5,000 registered employers and 165,000 insured employees in 2011. Assuming that all 40,000 private sector workers mentioned above are insured, the remaining 125,000 are presumably public sector employees.ⁱⁱⁱ

Kenya

According to the Kenya Economic Update 2013, the number of new private sector jobs created in 2012 was 52,900, a 19 per cent increase from 44,400 in 2011 and more than double the 24,500 jobs created in 2008. The public sector employed 12,000 new people in 2012, just half of the 23,500 positions it filled in 2011. The informal sector is estimated to have created 591,400 new jobs in 2012.^{iv}

A World Bank report published in 2012, stated that two out of five wage sector jobs (40 per cent of total wage sector jobs), are formal. While these are a part of the overall wage employment numbers, they are what are considered by many as 'good' jobs.

In absolute numbers, there were 2.1 million formal wage sector jobs out of a total of 5.2 million wage jobs. They include approximately 800,000 in services, 350,000 in industry, 290,000 in agriculture, and 680,000 in the public sector. These jobs are growing by only about 50,000 each year, against an increase in the labour force of about 800,000 annually. 'In other words, at the current rate of job creation in the modern sector, barely 6 per cent of those entering working age are finding modern wage jobs.'^v

In this context, it is Kenya's youth who face the most daunting odds of finding formal wage employment. According to a UNDP report published in January 2013,

'...in proportional terms, 80 per cent of Kenya's 2.3 million unemployed are young people between 15 and 34 years of age. Working-age adults, aged between 35 and 64 years, represent 20 per cent of all unemployed people. The largest proportion of unemployed people occurs... among youth aged between 20 and 24 years.'^{vi}

Rwanda

The African Development Bank has noted that 'in spite of the marked improvements in labour-market efficiency, the number of jobs created in Rwanda annually, estimated at 74,000, has not expanded in tandem with the approximately 200,000 job seekers joining the labour market each year. Limited value addition in the agriculture sector and the inability of the private sector to respond to the improved investment climate by creating remunerating activities outside the agriculture sector are key factors that perpetuate high unemployment, especially among youth. In 2011, 66 per cent of Rwanda's population was under the age of 25 years and 38.6 per cent was aged 14–35.'

A major determinant of youth unemployment in Rwanda is that they lack the skills that the labour market is looking for. In 2012 a skills gap analysis by MIFOTRA revealed wide gaps in key sectors. In 2011 about 28.5 per cent of modern firms identified an inadequate skilled workforce as a major constraint, compared to 14.7 per cent in the East Africa Community (EAC). Almost 24.2 per cent of higher education graduates are either unemployed or underemployed, and 14.7 per cent of upper secondary graduates prefer to be unemployed when they fail to secure paid jobs. Labour productivity remains low, with 67.8 per cent of the workforce being underemployed.^{vii}

Tanzania

In her budget speech for fiscal year 2013/14, Tanzania's Minister for Labour and Employment stated that more than 274,000 jobs had been created in 2012 of which almost 57,000 came from the public sector, 8,603 were advertised by the private sector and 208,681 were generated by various development projects.^{viii}

ⁱⁱⁱ<http://www.africaneconomicoutlook.org/en/countries/east-africa/burundi/>

^{iv}<http://www.worldbank.org/content/dam/Worldbank/document/Africa/Kenya/kenya-economic-update-june-2013.pdf>

^vWorld Bank (December 2012), *Kenya at work – Energising the economy and creating jobs. Kenya Economic Update Edition No. 7*

^{vi}UNDP (January 2013), *Kenya's Youth Employment Challenge – Discussion Paper*

^{vii}African Development Bank (March 2013), *Rwanda - Skills, Employability and Entrepreneurship Programme (SEEP). Appraisal Report*

^{viii}Daily News (Thursday May 30, 2013), *Hotuba ya Waziri wa Kazi na Ajira Mheshimiwa Gaudencia M Kabaka akiwasilisha bungeni makadirio ya mapato na matumizi ya fedha kwa mwaka 2013/2014, para. 33*

The number of formal sector employees in Tanzania was 1.36 million in 2011, a 6.7 per cent increase from 1.28 million in 2010. The private sector absorbed 63 per cent of formal sector workers with the public sector making up the balance of 37 per cent.^{ix} The 1.36 million formal employees represents slightly more than 5 per cent of Tanzania's estimated labour force of 25.6 million people. The African Development Bank reports that just 3 per cent of the labour force is covered by a mandatory formal social security system^x.

Quoting Tanzania's Integrated Labour Force Surveys of 2001 and 2006, the African Development Bank notes that youth unemployment rates in Tanzania remained stable between 2001 and 2006, at just under 9 per cent. The rate for young people not in education and not in employment, however, fell from 12.1 per cent to 9.0 per cent over this same period, suggesting some improvements in enrolment rates and increasing employment-to-population ratios among the youth. During that period, young women faced higher unemployment rates than their male counterparts (10.1 per cent to 7.4 per cent in 2006). The population most at risk of unemployment is generally the educated youth entering the labour market for the first time (the youth unemployment rate of 8.8 per cent in 2006 is just under twice that of the total labour force, 4.7 per cent).^{xi}

Uganda

According to Uganda's Statistical Abstract 2012, the total labour force in Uganda increased from 10.9 million people in 2006 to 13.4 million in 2010. The majority of the working population (66 per cent) was engaged in agriculture in 2010, compared to 72 per cent just four years earlier. The manufacturing sector has the lowest share of working Ugandans with only 6 per cent of the labour force in 2010, although this was an improvement from 4.5 per cent 2006. The country's services sector expanded its share of Uganda's jobs from 23 per cent in 2006 to almost 28 per cent in 2010.

The country's overall official unemployment rate worsened from 1.9 per cent in 2006 to 4.2 per cent in 2010. However it was worse in urban areas where the rate increased from 6.4 per cent to 9.5 per cent during the same period. Almost 80 per cent of Uganda's working population were self-employed. Paid employees constituted only 21.7 per cent of the work force in 2010 compared to 16.3 per cent in 2006.

Out of the 3.8 million Ugandans who worked outside agriculture, 2.2 million (58 per cent) were in the informal sector. The proportion was higher for women (62 per cent) than it was for men (55 per cent). It was also higher in rural areas (61 per cent) compared to urban areas (54 per cent).

The African Development Bank notes that 'employment conditions for Uganda's youth are not good. Youth unemployment, at 4.3 per cent, is slightly higher than for the labour force as a whole, 3.8 per cent, with unemployment being somewhat higher for young women (4.9 per cent) than for young men (3.6 per cent). Moreover, a large majority of young workers (73.3 per cent) are self-employed, with this share's being particularly high for young women at 76.5 per cent compared to 70.3 per cent for young men. Also, only a small fraction of young workers (1.6 per cent) earn a regular wage, while up to 7 per cent of them are engaged in unpaid family work.'^{xii}

^{ix}National Bureau of Statistics, United Republic of Tanzania (November 2012), *Employment and Earnings Survey – Analytical Report*

^x<http://www.africaneconomicoutlook.org/en/countries/east-africa/tanzania/>

^{xi}African Development Bank (2012), *African Economic Outlook 2012, Tanzania Country Report*

^{xii}African Development Bank (2012), *African Economic Outlook 2012, Uganda Country Report*

East Africa's wage profile: assessing the disparities

The following section draws heavily from a series of wage surveys published on www.wageindicators.org. The main attraction of these surveys is their consistent and comparable methodology used across four of the five East African Community countries. The table below summarizes the survey dates in each country and the number of wage earners interviewed.^{xiii}

Country	Survey Dates	Wage earners surveyed
Tanzania	November 15, 2011 – January 10, 2012	2,000
Kenya	February 2012	1,515
Uganda	May 15 – June 12, 2012	1,036
Rwanda	October 27 – December 3, 2012	2,074

Source: Wageindicators.org

Minimum wages in East Africa

Country	Minimum wage (hourly, local currency)	Exchange Rate (local currency per US\$ on Dec 31 2012)	Minimum Wage (hourly, US\$)	Minimum Wage (monthly, US\$)
Uganda (UGX)	894	2,644	0.34	81.10
Tanzania (TZS)	385	1,575	0.24	58.70
Kenya (KES)	20	86	0.23	55.40
Rwanda (RWF)	100	614	0.16	39.10
Burundi (BIF)**	20	1,525	0.01	3.10

Source: Wageindicators.org and SID computation. Exchange rates from www.oanda.com

** Burundi's official minimum wage was set at BIF 105 for rural areas and 160 for urban areas in April 1988. At the December 31, 2012 exchange rates, this would result in a monthly wage of US\$ 2.0 for rural workers and US\$3.10 for urban workers.

The lowest official monthly minimum wages across East Africa varies from \$81 in Uganda to just \$3.10 in Burundi with Tanzania (\$59), Kenya (\$55) and Rwanda (\$39) falling in between^{xiv} those two extremes.

It is worth noting that Burundi's minimum wage was set through Ministerial Order Number 650/11/88 of April 30 1988 and it has yet to be updated. The poverty line in Burundi was calculated 18 years later in 2006 at 627 BIF per day or US\$12.20 per month, implying that the country's legislated minimum wage is four times lower than its official poverty line.

Similarly in Rwanda, the official minimum wage, unchanged for many years, is now five times lower than the recently updated national poverty line of \$192 per month.

^{xiii}Source: Wageindicators.org

^{xiv}"The median wage is the middle of all observations within a defined category, e.g. all female workers. It should not be confused with the average or mean wage, which is the sum of all wages of the individuals divided by the number of observations. The median has the advantage that it is not overly influenced by small numbers of high earners." www.wageindicator.org

Median wages in East Africa

The median monthly wage in East Africa ranges from a high of \$176 in Rwanda to \$84 in Tanzania with Uganda (\$102) and Kenya (\$94) falling in between. A comparable survey was not available for Burundi. Insights from each country are provided below, with a focus on highlighting the difference in wages earned by type of contract, gender age and educational attainment.

Table 3. Median hourly and monthly wages in East Africa

Country	Median hourly wage (local currency)	Wage earners surveyed (local currency)	Median Wage (monthly, US\$) ^{xv}
Rwanda	450.0	108,000	175.90
Uganda	1,121.0	269,040	101.80
Kenya	33.7	8,081	94.40
Tanzania	550.0	132,000	83.80

Source: Wageindicators.org and SID computation. Exchange rates from www.oanda.com

Kenya^{xvi}

The survey shows that 58 per cent of workers were paid on or above the minimum while 42 per cent were paid below the minimum monthly wage of \$94. However, only 35 per cent of the informal workers are paid above the minimum wage, compared to 85 per cent of the formal workers. Women are more often paid above the minimum wage than men (64 per cent versus 55 per cent).

Workers aged 50 years and older are more often paid above the minimum wage than workers aged 29 or younger (71 per cent versus 47 per cent).

Workers without a contract are most likely to be paid under the minimum wage rates, and employees with a permanent contract are most often paid above the minimum wage (40 per cent versus 78 per cent).

More than 20 per cent of workers participate in a health insurance scheme and almost 20 per cent are in a pension scheme.

With almost 64 hours the average working week is much longer than the standard 52 hours, and 4 hours longer than Rwanda, Tanzania and Uganda who average a 60-hour working week.

Rwanda^{xvii}

Only 49 per cent of the sample is paid on or above the poverty line of 118,000 RWF (\$192) per month, implying that more than half of Rwanda's workers are paid below the country's national poverty line (see text box in the following page).

Just 10 per cent of workers without contracts earn on or above the poverty line compared to 79 per cent of employees with permanent contracts.

Men are more likely to be paid above the poverty line than women (52 per cent versus 47 per cent) and older workers are more likely to be paid above the poverty line compared to younger workers.

The vast majority of workers with tertiary education (92 per cent) are paid on or above the poverty line compared to just 15 per cent of workers without formal education.

^{xv}Based on exchange rates as at December 31, 2012 obtained on www.oanda.com

^{xvi}http://www.wageindicator.org/documents/publicationslist/publications-2012/1207-WageIndicator_report_face-to-face_surveys_Kenia_20120602-KT.pdf

^{xvii}http://www.wageindicator.org/documents/publicationslist/publications-2013/AIAS_WI_countryreports_f2f_report_Rwanda_final_20130321.pdf



'TRADE UNIONS PUSH FOR OVER TIME PAY, MINIMUM WAGE' MAY 2, 2013

Rwanda's biggest Trade Union, the Central Trade Union of Workers of Rwanda (CESTRAR) making demands on behalf of employees including raising the minimum wage, paying for over time and paying salaries that commensurate with market prices. In a statement released in line with the International Labour Day marked yesterday, CESTRAR argued that their demand is based on the increasing market prices or cost of living especially in Kigali.

Trade Unions CESTRAR and the Labour Congress and the Brotherhood-Rwanda want the government to set the daily minimum wage for casual labourers at village level at Rwf 1,500 (US\$ 2.44) and Rwf 2,000 (US\$ 3.25) for those living in the City of Kigali.

The current minimum wage of Rwf100 (US\$ 0.16) was set in 1974 and Trade Unions say government should come out strongly to protect its labour force from what they term as exploitation. They cited casual labourers such as tea pluckers said to be earning Rwf300 (US\$ 0.49) a day. Others are in the construction industry and factories that are also said to be earning as low as Rwf 10,000 (US\$ 16.29) a month.

But Anna Mugabo, the Director General in charge of labour and employment in the Ministry of Public Service and Labour said the ministry is gathering ideas on minimum wage. "All Rwandans as beneficiaries will have a say on it, and the ministry will make sure that it is fair and reflects the lifestyle as envisaged under the IDPRS 2," she said [on May 1, 2013].

Source: Trade Unions Push for Over Time Pay, Minimum Wage By Jean De La Croix Tabaro, 2 May 2013 (The New Times of Rwanda via <http://allafrica.com/stories/201305020100.html>)

Tanzania^{xviii}

The survey results showed that 64 per cent of the sample was paid on or above the minimum wage and 36 per cent was paid below the minimum wage threshold. Workers in very small and, surprisingly, in very large firms are more often paid under the minimum wage threshold of \$84 per month.

The more years of work experience and the older the age, the higher the percentage paid above the minimum wage threshold. Hardly any gender differences can be noticed.



TEXT BOX 1. IT PAYS WELL TO WORK IN EAST AFRICA'S PUBLIC SECTOR

It pays (well) to work in the public sector. In Tanzania, civil servants earn 3.4 times more than private sector workers. They have seen their real (inflation-adjusted) wages rise by 32 per cent between 2008 and 2011. Contrast this with private sector workers whose real wages declined by 10 per cent during the same period.^{xix} In Uganda, 92 per cent of public sector workers earn a wage above the poverty line, compared to the average of 77 per cent of ordinary Ugandan workers.

Workers without a contract and those with no formal education are most likely to be paid below the minimum wage.

Uganda^{xx}

The survey showed that 77 per cent of the sample was paid on or above the poverty line of UGX 403 per hour (or US\$ 1.25 per day), whereas 23 per cent was paid below the poverty line.

Only 62 per cent of informal workers are paid above the poverty line compared to 97 per cent of

^{xviii}http://www.wageindicator.org/documents/publicationslist/publications-2012/1206-WageIndicator_report_face-to-face_surveys_Tanzania_20120522.pdf

^{xix}World Bank (June 2013) "Tanzania Lets Think Together"

^{xx}<http://www.wageindicator.org/main/publications/2012/wages-in-uganda-wage-indicator-survey-2012>

the most formal workers. Only 55 per cent of workers without a contract are paid a wage above the poverty line.

Women are slightly less likely than men to be paid above the poverty line (75 per cent versus 78 per cent). For workers under 30 years of age, 71 per cent are paid on or above the poverty line, compared to 87 per cent of workers who are more than 50 years old.

Two thirds (66 per cent) of workers with primary or lower secondary education are paid on or above the poverty line, compared to 97 per cent of workers who completed tertiary education.

Public sector workers are the best off with 92 per cent of them earning a wage above the poverty line.

The wages of informality

Informal workers are more likely to be paid above the poverty line in Uganda (which is a fairly low \$37 per month), compared to those in Kenya (one in three chance) and Rwanda (one in four chance). There was no comparable analysis for Tanzania and Burundi.

Table 4. Probability of being paid above the minimum wage or poverty line

Country (threshold)	Informal workers	Formal workers
Uganda (poverty line)	62%	97%
Kenya (minimum wage)	35%	85%
Rwanda (poverty line)	26%	84%
Tanzania	No data	No data
Burundi	No data	No data

Source: Wageindicators.org, authors' calculations

→ THE INFORMAL WAGE IN BURUNDI

The informal daily minimum wage in Bujumbura for unskilled labourers was 2,500 Burundian francs (\$1.66). In the past the government set the minimum wage, but during the year, the minimum wage was set by market forces. In the interior of the country, the daily minimum wage was 1,000 Burundian francs (\$0.65), with lunch provided.

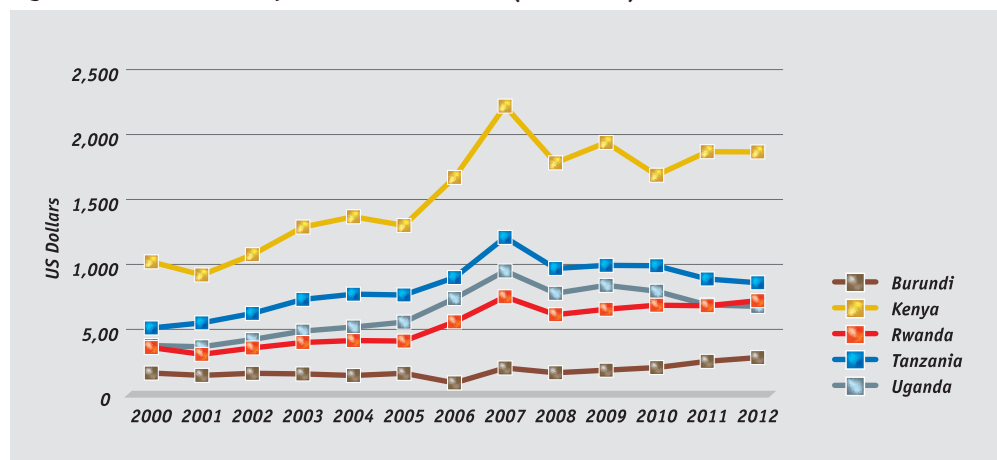
The government estimated that 62 per cent of the population lived below the poverty line, which the World Bank defined as a daily wage of \$0.50 in urban areas and \$0.38 in rural areas.

More than 90 per cent of the population participated in the informal economy. Daily wages in the informal sector averaged between 2,500 and 3,000 Burundian francs (\$1.63 to \$1.95) in Bujumbura and between 1,000 and 1,500 Burundian francs (\$0.65 to \$0.98.) in the interior of the country. There were no reports of enforcement of minimum wage laws in recent years.

Source: Burundi: Human Rights Report via <http://allafrica.com/stories/201304231120.html?viewall=1>

East Africans' wealth holdings grew modestly in the past decade

Figure 4. Trends in wealth per adult in East Africa (2000-2011)

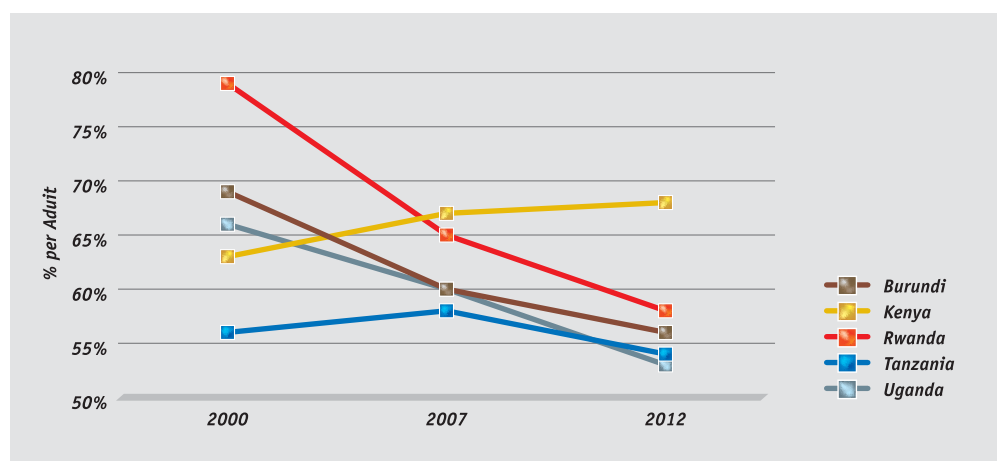


Source: Credit Suisse Global Wealth Databook 2012

East Africa's wealth per adult is highest in Kenya where it increased from \$1,020 in 2000 to \$1,866 in 2012 and increase of 83 per cent. Tanzania's wealth per adult grew by 68 per cent from \$511 to \$859. Burundi's wealth per adult trended from \$164 to \$283, a growth of 73 per cent during the same period, while Rwanda doubled its wealth per adult from \$360 to \$721. Uganda's wealth grew by 80 per cent from \$376 to \$677.

The structure of East Africans' wealth portfolios is changing

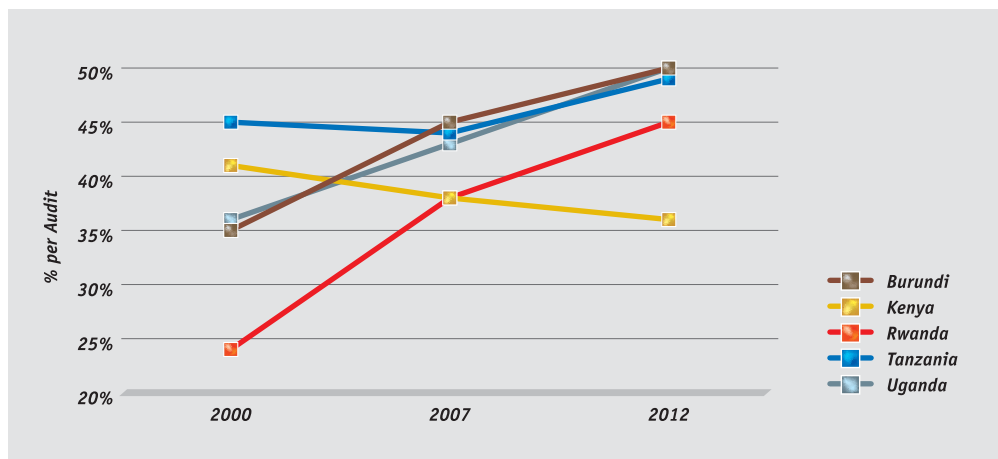
Figure 5. Share of financial assets in wealth per adult in East Africa (2000-2011)



Source: Credit Suisse Global Wealth Databook 2012, authors' calculations.

East African adults have reduced the share of financial assets in their wealth portfolios during the 2000 to 2012 period. Rwanda produced the largest reduction of twenty percentage points from 79 per cent in 2000 to 58 per cent in 2012. For adults in Uganda and Burundi the reduction was about thirteen percentage points from 66 per cent and 69 per cent to 53 per cent and 56 per cent respectively. However, Kenyan adults bucked this trend by increasing the share of financial assets in their wealth portfolios by 5 per cent.

Figure 6. Share of non-financial assets in wealth per adult in East Africa (2000-2011)



Source: Credit Suisse Global Wealth Databook 2012, authors' calculations

Non-financial assets or 'real assets' are defined as housing and land. Again, it is interesting to note that all East African countries' adults increased the share of real assets significantly during the past decade. The increase ranged from 22 per cent for Rwanda, 14 per cent for Uganda and Burundi and 4 per cent for Tanzania. Interestingly, Kenyan adults reduced the share of real assets in their wealth portfolios by 5 per cent.

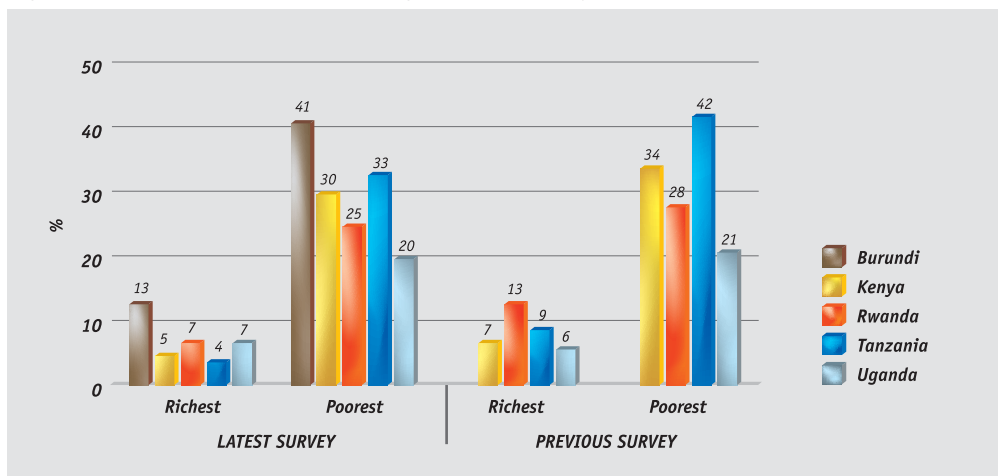
Social Dimensions of Inequality in East Africa

Education attainment by gender and wealth status

The distribution of households surveyed in the DHS reports provides the per cent distribution of the de facto female and male household population aged six and above by the highest level of schooling attended or completed.

Figure 7 below shows the disparity in educational attainment across wealth quintiles between men in the poorest and richest households. Men in the wealthiest households in the EAC have fared well with a relatively small percentage of them never having attended school.

Figure 7. Share of men with no schooling in East Africa, by household wealth status



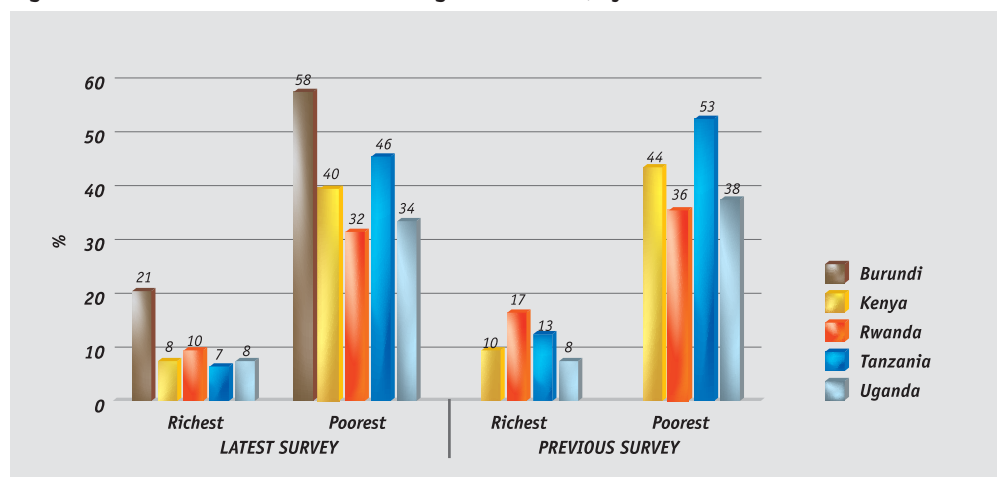
Source: Demographic and Health Surveys of individual East African countries, various years

Burundi's men seem to have the lowest educational achievement in East Africa. As many as 13 per cent of the men in the richest households have never been to school, the most among the richest quintiles in the region. Similarly, 41 per cent of Burundi's men in the poorest households have never attended school. Ugandan men in the poorest households have a higher chance of having

gone to school than their counterparts in the same wealth category in the other EAC countries.

Over time more men in poorer households are attending school in Tanzania, Kenya and Rwanda. In Tanzania, 42 per cent of men in the poorest households never attended school but five years later (2010) this fell by ten percentage points to 33 per cent. In Kenya the proportion of men in the poorest households who had never been to school fell from 34 per cent to 30 per cent by 2009. In Rwanda, the proportion fell from 28 per cent to 25 per cent.

Figure 8. Share of women with no schooling in East Africa, by household wealth status



Source: Demographic and Health Surveys of individual East African countries, various years

Women living in East Africa's poorest households have a lower chance of having had any schooling compared to their male counterparts. Almost 60 per cent of Burundi's poorest women have never attended school, which is highest proportion amongst both sexes in poor households.

Over time, more women are getting some sort of education. The proportion of women with no education fell by seven percentage points from 53 per cent to 46 per cent and by four percentage points in Kenya, Uganda and Rwanda.

Education service delivery indicators in Tanzania and Kenya

In 2013, the World Bank produced two interesting reports that examined service delivery in education and health in Tanzania and Kenya. Although the surveys that provide a snapshot of the state of service delivery were only done in these two countries, they provide an interesting insight into the quality of service delivery in education and health^{xxi}.

Table 5. Education service delivery indicators in Tanzania			
Indicator	Rural	Urban	National
Infrastructure - (% of schools with electricity, water and sanitation)	2%	8%	3%
Children per classroom	70	93	74
Student Teacher Ratio	51	39	49
Textbooks per student	0.95	0.9	0.94
Teacher absence rate (not in school)	20%	36%	23%
Teacher absence rate from classroom	50%	68%	53%
Time children are taught at school (hours: minutes)	2hrs 11m	1hr 24m	2hrs 04m
Share of teachers with minimum knowledge	43%	40%	42%
Delays in salary payments (% of teachers whose salary has been overdue for more than two months)	2%	0.6%	2%

Source: World Bank Service Delivery Indicators Education and Health Services in Tanzania (2013)

^{xxi}In Tanzania, the sample size was 175 health centers (135 rural and 40 urban) while the education sample size was 180 primary schools (132 rural and 48 urban). In Kenya, information was collected from about 303 primary schools (public and private) and 2,960 teachers.

The education service delivery indicators for Tanzania present a particularly challenging picture.

Essential infrastructure. Tanzania’s urban schools are four times more likely to have electricity, water and sanitation than rural schools. However, even in urban areas, just 8 per cent of schools have such services. Tanzania compares very badly to Kenya, where almost 60 per cent of all schools – rural, urban, private and public – have access to these essential services.

Teacher absenteeism. One in five teachers (20 per cent) in rural Tanzania are absent from school on any given day, compared to 36 per cent in urban schools. More disconcerting is the fact that 68 per cent of teachers in urban schools are absent from the classroom while 50 per cent of teachers in rural areas are not in class even when they are in school.

The data for Kenya points to better performance on this indicator. Teacher absence from Kenyan school ranges from 14 per cent in urban public schools to 17 per cent for rural public schools (there was little difference in teacher absenteeism between private and public schools). Teachers’ absence from the classroom was at 47 per cent in Kenya’s public schools and 31 per cent in its private schools. Teachers were absent from the classroom in almost 50 per cent in Kenya’s rural public schools compared to 43 per cent of its urban public schools.

Teaching time. The scheduled teaching time in Tanzania is 5 hours, 12 minutes per day. However, in Tanzania’s rural schools, the average teaching time is just 2 hours and 11 minutes, 3 hours fewer than scheduled or just 42 per cent of the scheduled time. The situation is worse in urban schools where the average teaching time was recorded at 1 hour and 24 minutes, meaning that children in urban areas are taught for only 27 per cent of the recommended time.

Children in Kenya’s public schools receive slightly more instruction time, 2 hours, 19 minutes, than their counterparts in rural Tanzania. (Scheduled teaching time in Kenya is 5 hours 40 minutes per day.) However, private school children benefit from an extra hour of instruction (3 hours, 28 minutes) compared to their public school peers in Kenya, which works out to 20 more days of teaching time over the course of a term, or two extra months of teaching during the course of a year.

Taking a global view, Kenyan children are scheduled to receive 30 more minutes of teaching per day compared to Tanzanian children. However, even with teacher absenteeism from class, children in Kenya’s private schools receive significantly more instruction time than children in Tanzania’s urban public schools.

Teacher competence. The survey found that the share of Tanzania’s teachers with minimum knowledge of the subject matter was roughly equal across rural and urban schools. The competence of Tanzania’s teachers was slightly higher than those of Kenyan public school teachers - between 33 per cent and 36 per cent of them displayed a minimum knowledge^{xxii}. This compares unfavourable to Kenya’s private schools where almost half of the teachers showed mastery of what they taught.

Table 6. Education service delivery indicators in Kenya

Indicator	Public	Private	Rural Public	Urban Public	All
Teacher absence from school	16%	14%	17%	14%	16%
Teacher absence from classroom	47%	31%	49%	43%	42%
Time spent teaching	2h 19m	3h 28m	2h 37m	2h 13m	2h 40m
Teachers with minimum knowledge	35%	49%	36%	33%	39%
Students per textbook	3.5	2.2	3.8	2.5	3.1
Teaching equipment availability	94%	98.2%	94%	94%	95%
Infrastructure availability	59%	59%	59%	58%	59%

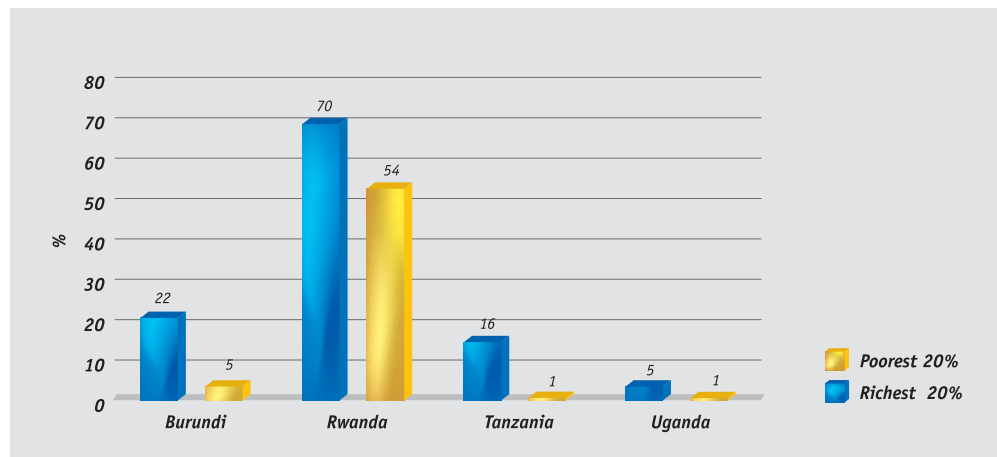
Source: World Bank Service Delivery Indicators Education and Health services in Kenya (2013)

^{xxii}This indicator measures teacher’s knowledge and is based mathematics and language tests covering the primary curriculum administered at the school level to all teachers currently teaching maths and English in grade 4, those who taught English and maths at grade 3 in the previous academic year, and up to 3 randomly selected upper primary maths and English teachers. Source: <http://documents.worldbank.org/curated/en/2013/07/18031388/education-health-services-kenya-data-results-accountability>

Access to medical insurance in East Africa by wealth status

Rwanda is the region's champion in terms of both providing health insurance to its population and doing so in the most equitable way. Seventy per cent of men and 77 per cent of women in Rwanda's wealthiest quintile are covered while 54 per cent of men and 60 per cent of women in the poorest quintile enjoy health insurance.

Figure 9. Men's access to medical insurance by wealth status



Source: Demographic and Health Surveys of individual East African countries, various years

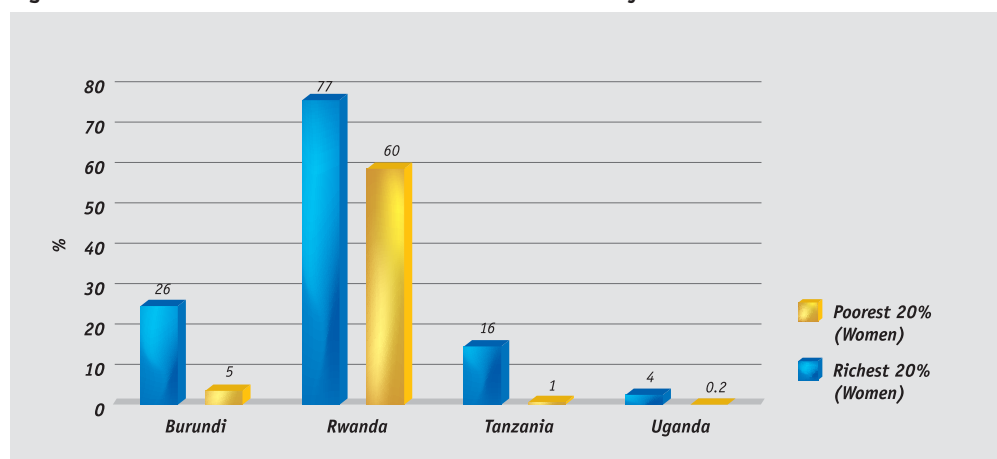
In Burundi, while 22 per cent of men and 26 per cent of women in the wealthiest quintile have health insurance, just 5 per cent of both men and women in the poorest quintile were covered.

In Tanzania, 16 per cent of both men and women in the wealthiest quintile have health insurance compared to just 1 per cent of men and women in the poorest quintile.

Health insurance coverage in Uganda is the lowest in East Africa, where just 5 per cent of the men and 4 per cent of women in the wealthiest quintile had it. Just 1 per cent of men and 0.2 per cent of women in Uganda's poorest quintile are covered.

Health insurance coverage in Kenya was also enjoyed by a few, given that only 7 per cent of women and 11 per cent of men age 15-49 were covered.

Figure 10. East African women's access to medical insurance by wealth status



Source: Demographic and Health Surveys of individual East African countries, various years

Vaccination coverage

Vaccination covers the majority of the population across wealth quintiles. From Table 7 and Table 8 below, which examine BCG (a vaccine for tuberculosis) and polio-3 immunization coverage, two trends are visible. The first is that polio vaccine coverage for the poorest 20 per cent, for example, improved from between 56 per cent (Uganda) and 82 per cent (Rwanda) in the earlier surveys to between 61 per cent (Uganda) and 97 per cent (Rwanda) more recently. Secondly, the gap in coverage between the rich and poor has closed between the earliest and more recent surveys. In Rwanda, the most recent survey shows that polio coverage was higher among the poorest 20 per cent of the population than the wealthiest 20 per cent, by six percentage points.

Table 7. Coverage of the Polio-3 vaccine by wealth status (%)

Country	Latest Survey		Previous Survey	
	Richest 20%	Poorest 20%	Richest 20%	Poorest 20%
Tanzania	90	81	88	74
Kenya	91	78	73	58
Uganda	64	61	61	56
Rwanda	91	97	83.7	82.3
Burundi	88	85	No data	No data

Source: Demographic and Health Surveys for individual countries, various years

Coverage of the BCG vaccine shows similar trends of both improved coverage for both the poorest and richest quintiles, as well as a closing of the coverage gap between them.

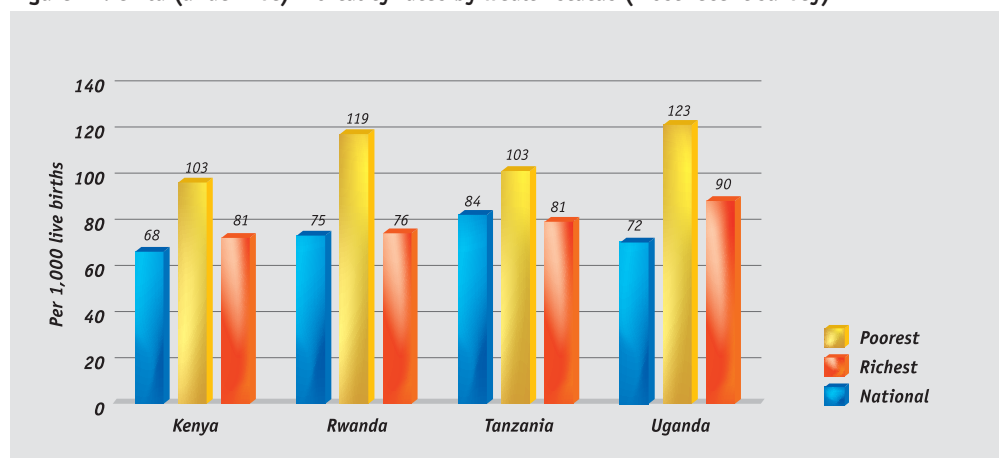
Table 8. Coverage of BCG vaccine by wealth status (%)

Country	Latest Survey		Previous Survey	
	Richest 20%	Poorest 20%	Richest 20%	Poorest 20%
Tanzania	96	96	97	87
Kenya	97	93	96	70
Uganda	96	95	88	94
Rwanda	100	99	99	96
Burundi	100	98	No data	No data

Source: Demographic and Health Surveys for individual countries, various years

Under five mortality rates

Figure 11. Child (under five) mortality rates by wealth status (most recent survey)



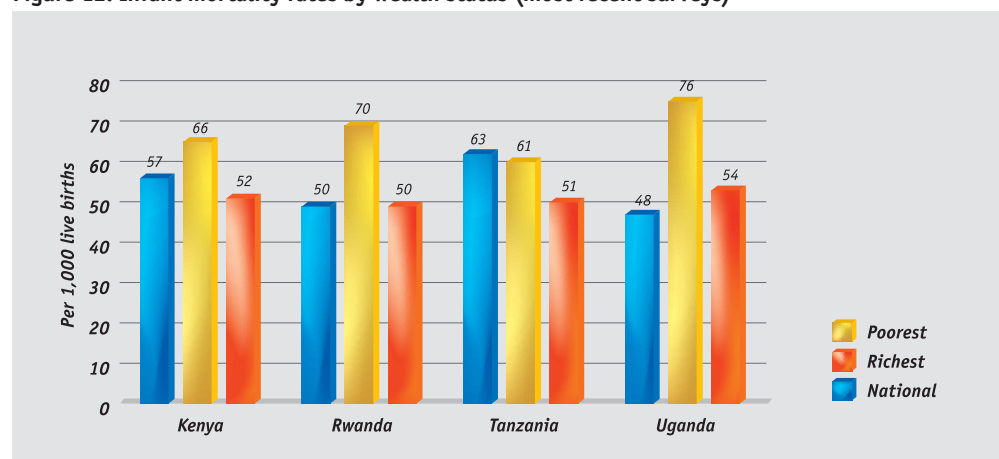
Source: Demographic and Health Surveys of individual East African countries, various years

Despite the gap between the wealthiest and poorest quintiles, the under-five mortality rates have decreased over time. Rwanda has made significant progress in reducing under-five mortality rates that has benefited the poor. The under-five mortality rates amongst the poorest quintiles in Rwanda went down from 211 deaths per 1,000 live births to 119 deaths in a five-year period.

Infant mortality rates

Infants in East Africa's poorest families have higher mortality rates than those in the richest families. In the most recent surveys, poor families in Uganda have the highest infant mortality rates in the region at 76 deaths per 1,000 live births. By contrast, Uganda's richest households have the region's lowest infant mortality rates. Poor families in Tanzania have the lowest infant mortality rates among East Africa's poorest households with 61 deaths per 1,000 live births.

Figure 12. Infant mortality rates by wealth status (most recent surveys)



Source: Demographic and Health Surveys of individual East African countries, various years

Infant mortality rates have decreased significantly across the wealth quintiles, demonstrating progress made in improving infant healthcare. Though poor families in Uganda had the highest infant mortality rates in the previous and latest surveys, it still reduced its infant mortality from 172 deaths per 1,000 live births to 76, a significant achievement. Rwanda also reduced infant mortality rates among the poorest families from 114 to 70 deaths per 1,000 live births. There were no increases of infant mortality rates across wealth quintiles.

Differences in malnutrition between rich and poor children

Table 9. Stunting across wealth quintiles in Burundi (2010)

Burundi	% of Under-5 Stunted (1987)	% of Under-5 Stunted (2010)
Highest Wealth Quintile		41
Lowest Wealth Quintile		70
National		58

Source: Burundi Enquête Démographique et de Santé 2010

There have been just two surveys conducted in Burundi, the latest one being in 2010 after a two-decade break. The most recent data shows that 70 per cent of children in Burundi's lowest wealth quintile are stunted compared to 41 per cent of children in its wealthiest quintile. This is the highest prevalence of stunting in East Africa and it is twice as high as Uganda's 37 per cent prevalence of stunting amongst its poorest children.

Table 10. Stunting across wealth quintiles in Kenya (2003 and 2010)

Kenya	% of Under-5 Stunted (2003)	% of Under-5 Stunted (2010)
Highest Wealth Quintile	19	25
Lowest Wealth Quintile	38	44
National	30	35

Source: Kenya Demographic and Health Survey (2003 and 2010)

Kenya's young children are also increasingly stunted as the national data shows. Children in the wealthiest quintile had a one in four chance of being stunted in 2010 compared to a one in five chance in 2003. Children in the poorest quintile, were already twice as likely to be stunted as their wealthier compatriots in 2003. While this rich-poor gap had closed slightly by 2010, 44 per cent of Kenya's poorest children were stunted in 2010, an increase of six percentage points from 2003.

Table 11. Stunting across wealth quintiles in Rwanda (2005 and 2010)

Rwanda	% of Under-5 Stunted (2005)	% of Under-5 Stunted (2010)
Highest Wealth Quintile	30	26
Lowest Wealth Quintile	55	54
National	45	44

Source: Rwanda Demographic and Health Survey (2005 and 2010)

In Rwanda, there has been a marginal improvement in stunting rates among the poorest quintile where more than 50 per cent of the children are stunted. Among the wealthiest quintile, the probability of children being stunted declined from one third to one quarter. The gap between Rwanda's wealthiest and poorest in this indicator has widened from 25 to 28 percentage points.

Table 12. Stunting across wealth quintiles in Tanzania (2004 and 2010)

Tanzania	% of Under-5 Stunted (2004)	% of Under-5 Stunted (2010)
Highest Wealth Quintile	16	26
Lowest Wealth Quintile	45	48
National	38	42

Source: Tanzania Demographic and Health Survey (2005 and 2010)

Tanzania's malnutrition trend data are disturbing. Stunting has increased across the board, amongst both the wealthiest and poorest quintiles. Between 2004 and 2010, the probability of a child in the wealthiest quintile being stunted went from 16 per cent to 26 per cent. Among the poorest Tanzanians just under half of the children are stunted in 2010.

Table 13. Stunting across wealth quintiles in Uganda (2006 and 2011)

Uganda	% of Under-5 Stunted (2006)	% of Under-5 Stunted (2011)
Highest Wealth Quintile	24	20
Lowest Wealth Quintile	43	37
National	16	14

Source: Uganda Demographic and Health Survey (2006 and 2011)

Malnutrition in Uganda has declined between 2006 and 2011, but it did so fastest among the poorest wealth quintiles where it went from 43 per cent to 37 per cent, compared to the wealthiest quintile where it dropped from 24 per cent to 20 per cent.

Health service delivery indicators for Tanzania and Kenya

In Tanzania 60 per cent of urban health facilities have electricity, clean water and improved sanitation compared to just 5 per cent of rural facilities. In Kenya 58 per cent of health facilities in urban areas share the same advantage of infrastructure. The starkest differences between public and private health facilities in Kenya were seen in infrastructure availability with 49 per cent access in public facilities and 86 per cent in private ones.

Table 14. Health services delivery indicators in Tanzania (2012)

Indicator	Rural	Urban	National
Infrastructure (% facilities with electricity, clean water and improved sanitation)	5%	60%	19%
Medical equipment per clinic	76%	83%	78%
Stock-out of drugs	24%	23%	24%
Absence Rate of Medical Personnel	17%	33%	21%
Diagnostic accuracy	53%	68%	57%
Process quality	31%	44%	35%
Time Spent Counseling Patients per Clinician (per day)	26 min	36 min	29 min
Primary Health Expenditure per capita Reaching Primary Clinics	6%	11%	7%
Delays in Salaries	2%	3%	2%

Source: World Bank Service Delivery Indicators Education and Health Services in Tanzania (2013)

Tanzania's urban health facilities do better in their diagnostic accuracy (68 per cent) compared to rural ones (53 per cent), but less well than in Kenya where diagnostic accuracy is a high 70-75 per cent across the board. Interestingly, medical personnel in urban Kenya and Tanzania are more likely to be absent from their health facilities than their rural counterparts.

Table 15. Health services delivery indicators in Kenya (2012)

Indicator	Public	Private	Rural Public	Urban Public	All
Number of outpatient visits per clinician per day	9	10	8.5	10	9
Absence from facility	29%	21%	28%	38%	28%
Diagnostic Accuracy (Share of correct diagnoses)	72%	74%	75%	71%	72%
Adherence to clinical guidelines	43%	48%	42%	52%	44%
Management of maternal /neonatal complications	44%	46%	43%	49%	45%
Drug availability	67%	69%	67%	63%	67%
Equipment availability	72%	92%	71%	87%	76%
Infrastructure availability ²³	49%	86%	48%	58%	57%

Source: World Bank Service Delivery Indicators Education and Health services in Kenya (2013)

²³Defined as share of facilities with electricity, clean water and improved sanitation.

Institutions in East Africa



Photo: flickr.com/ Susan MacMillan, ILRI

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Introduction

In exploring elements of the quality of East Africa's institutions of governance, accountability and opportunity it is worth examining citizens' perceptions with respect to two aspects. The first is performance or the extent to which institutions are delivering on their mandates. The second is ownership meaning the degree to which citizens are able to access the institutions and influence their trajectories. The data suggests that the scorecard is mixed and that much remains to be done to ensure that institutions meet the expectations and aspirations of East Africans.

Although it is necessary to celebrate the gains made, it would appear that there is still much work to be done. The data on corruption trends are worrying, particularly those on the institutions of law enforcement – the police and judiciary. The Afrobarometer survey indicates that insofar as our citizens are concerned, their lives have not improved – economic and living conditions are worsening. The region's media space remains partially free at best, as its democracies are recording slow and almost imperceptible improvements.

The State of Democracy in East Africa

All East African countries are nominally democracies, the key indicator of which is the holding of regular elections, despite whether these have been marred by violence, allegations of vote-rigging and exclusion of candidates or voters. Citizens have eagerly awaited and participated in these elections, and even if they might have sometimes disappointed from a credibility perspective they remain a positive indicator of progress.

But democracy is much more than holding regular elections and pronouncing them to be 'free and fair'. It comprises many other dimensions which, when examined together, give a more complete picture of the state of democracy in East Africa. The Economist Intelligence Unit's annual 'Democracy Index' offers such a picture. The report recognizes four regime types ranging from 'full democracies' on one end of the spectrum, to 'authoritarian regimes' on the other. Between the two extremes are the 'flawed democracies' and 'hybrid regimes'. A total of 167 countries are covered by this report.

The March 2013 report titled 'Democracy at a Standstill' described the progress of democracy in sub-Saharan Africa was described as 'slow and uneven'. Three of the East African countries were recognized as 'hybrid regimes' and two as 'authoritarian regimes'.

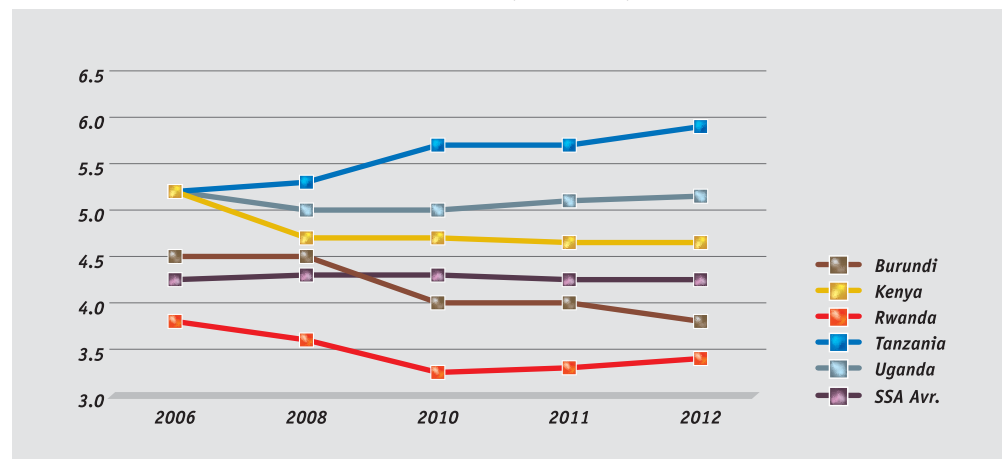
Table 1. Classification of East Africa's Democracies (2012)

Country	Rank	Overall Score	I. Electoral Process and Pluralism	II. Functioning of Government	III. Political Participation	IV. Political Culture	V. Civil Liberties	Classification
Burundi	125	3.60	3.00	2.57	3.89	5.00	3.53	Authoritarian
Kenya	104	4.71	3.92	4.29	4.44	5.63	5.29	Hybrid
Rwanda	132	3.36	0.83	4.64	2.22	5.00	4.12	Authoritarian
Tanzania	81	5.88	7.42	4.64	6.11	5.63	5.59	Hybrid
Uganda	94	5.16	5.67	3.57	4.44	6.25	5.88	Hybrid

Source: EIU Democracy Index 2012 - Democracy at a standstill

The EIU report also provides the overall scores for 2006 to 2012 that shows the progress of democratic performance in East Africa during the period. The trend for sub-Saharan Africa is also provided for reference.

Figure 1. Trends in East Africa's Democracy Index (2006-2012)



Source: EIU Democracy Index 2012 - Democracy at a standstill

The region's performance is varied with two trends worth noting – the upward rise for Tanzania and the steep decline for Burundi. However given the ranking of the East African countries in the 2012 Democracy Index relative to the rest of the world, there is a significant gap to close before the democratic credentials of the region can be put at par with those, such as Mauritius (18th globally) that ranked higher.

The Mo Ibrahim Index of African Governance

A 'homegrown' performance measurement tool is the Mo Ibrahim Index of African Governance that is used exclusively to assess the governance performance of African countries. In 2011, Tanzania led the region by being ranked in the top ten countries that displayed good governance. It took top place in both safety and rule of law, as well as on participation and human rights. Rwanda scored highest in human development and sustainable economic opportunity.

Table 2. East African countries rankings in the Mo Ibrahim Index of African Governance (2011)

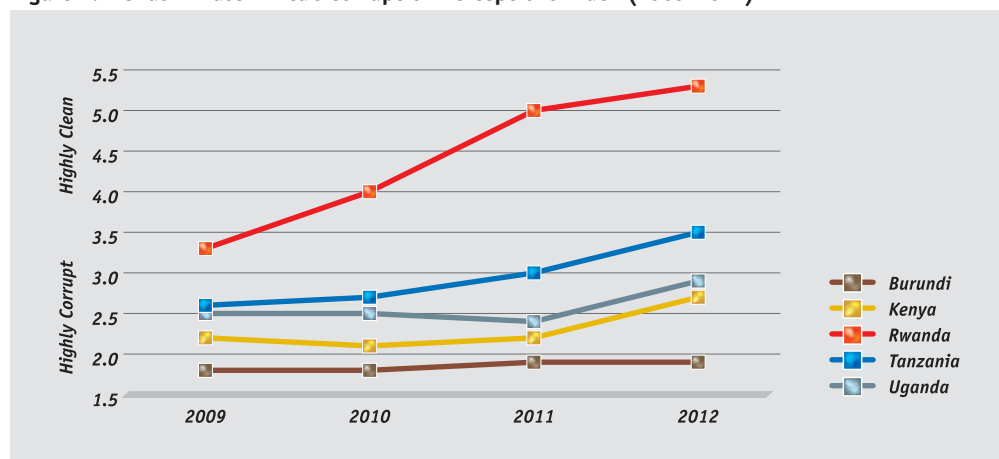
Country	Rank / 52	Index Score / 100	Safety and Rule of Law	Participation and Human Rights	Sustainable Economic Opportunity	Human Development
Tanzania	10	58.8	16	9	14	23
Kenya	25	52.7	32	22	28	17
Uganda	19	55.1	22	19	21	22
Rwanda	23	43.5	31	29	11	16
Burundi	37	44.9	37	28	39	27

Source: Mo Ibrahim Index of African Governance (2012)

Status of Corruption in East Africa

Corruption remains a deeply rooted thorn in the collective flesh of the region. Transparency International's annual Corruption Perceptions Index is a lightning rod, galvanizing conversations around corruption – with governments defending their performance against spirited critique by citizen watchdog and civil society groups.

Figure 2. Trends in East Africa's Corruption Perceptions Index (2009-2012)



Source: Transparency International (2012)

The Corruption Perceptions Index (CPI) measures the perceived levels of public sector corruption. As the chart shows, Rwanda is well ahead of the curve in being perceived as being much cleaner than its regional neighbours. In 2012, Rwanda scored the highest points in the corruption perception index (CPI) with 5.3, the highest in the region and the highest for the country in four years.

The East Africa Bribery Index

According to the East Africa Bribery Index, another annual publication by Transparency International, Uganda registered the highest bribery levels in the region while Rwanda remained the least bribery-prone country in the region. Bribery was most likely to be encountered when dealing with the police, judiciary and education sectors.

Table 3. The ten most bribe-prone institutions in East Africa (2012)

Rank	Sector	Index (0-100)
1	Ugandan Police	85
2	Tanzanian Police	82
3	Kenyan Police	71.7
4	Kenyan Land Services	70
5	Burundian Judiciary	63.3
6	Burundian Police	63.3
7	Tanzanian Judiciary	45
8	Ugandan Judiciary	44
9	Rwandan Police	37.5
10	Burundian Land Services	35.8

Source: Transparency International's East African Bribery Index (2012)

According to the Bribery Index, the Uganda Police Force was East Africa's most bribery prone institution in 2012, for the second year running. Burundi has the most bribery prone institutions among the top ten in East Africa. The police account for 50 per cent of the most corrupt sectors in

the region followed by the judiciary at 30 per cent. The police departments in all five East African Community states appear in the top ten most corrupt institutions, which points to the harsh reality experienced by many citizens in their dealing with law enforcement institutions in the region. The reporting of corruption by citizens to the authorities in East Africa is very low. An estimated 95 per cent of respondents in Kenya did not report an incident of bribery to the authorities. That figure was 92 per cent in Uganda, 90 per cent in Burundi, 89 per cent in Tanzania and 85 per cent in Rwanda.

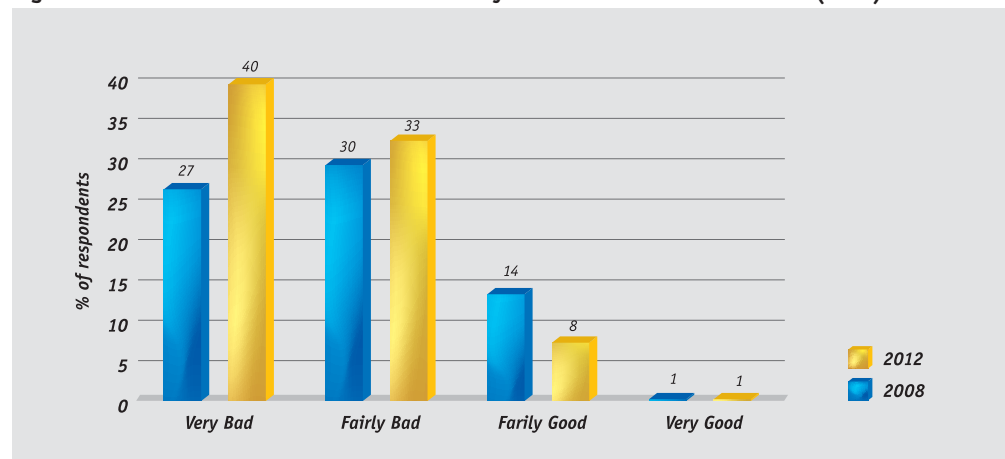
East Africans' Opinions of their Governments

What individual citizens think about the performance of their governments is in essence the litmus test of efficacy. When these perceptions are added up, they give an interesting picture of what is going on in a country and how citizens feel about it. The Afrobarometer surveys provide such insight, and by using standard questionnaires across different countries in Africa, make it possible to compare citizen's perceptions of institutional performance across countries.

Tanzania

The 2012 Afrobarometer survey asked people about their views on Tanzania's National Strategy for Growth and Reduction of Poverty. It found that 90 per cent of Tanzanians felt the government has performed poorly in its efforts to keep commodity prices low and that 80 per cent of Tanzanians disapproved of efforts to narrow the gap between rich and poor, improve living standards and create employment. However, two-thirds of Tanzanians were found to be optimistic about the government turning things around within five years.

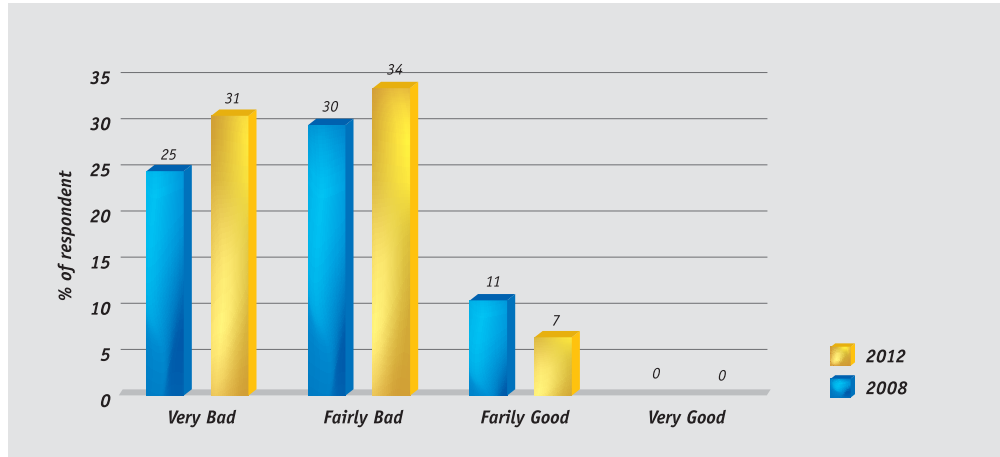
Figure 3. Tanzanians' assessment of their country's current economic conditions (2012)



Source: Afrobarometer Survey (2012) * Not included 'neither fairly bad or good'

Two out of five Tanzanians (40 per cent) felt that current economic conditions in Tanzania were very bad, compared to just one in four (25 per cent) in 2008.

Figure 4. Tanzanians' assessment of trends in their living conditions (2012)

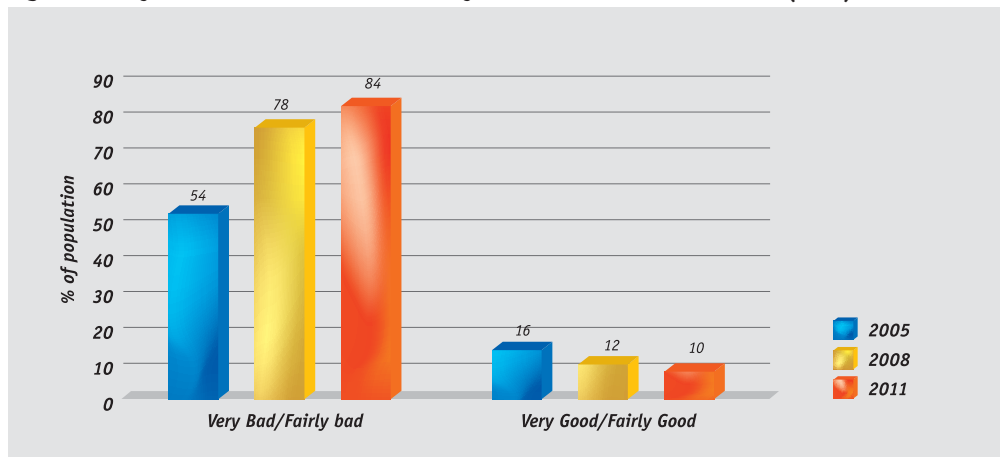


Source: Afrobarometer Survey (2012) * Not included 'neither fairly bad or good'

A rising number of Tanzanians also felt that their living conditions had worsened over the four-year period – from one in four in 2008 to one in three in 2012. A small fraction of Tanzanians reported their living conditions as fairly good but even that decreased between 2008 and 2012 from 11 per cent to 7 per cent.

Kenya

Figure 5. Kenyans' assessment of their country's current economic conditions (2012)



Source: Afrobarometer Survey (2012)

An increasing number of Kenyans feel the economy has been getting progressively worse between 2005 and 2011. In 2005, 54 per cent of Kenyans described the current economic conditions as either 'very bad' or 'fairly bad', a proportion that increased significantly to 78 per cent in 2008 and even further to 84 per cent in 2011. A shrinking minority of Kenyans felt that the economy was either 'very good' or 'fairly good' during the time period they were surveyed.

Figure 6. Kenyans' assessment of trends in their living conditions (2012)



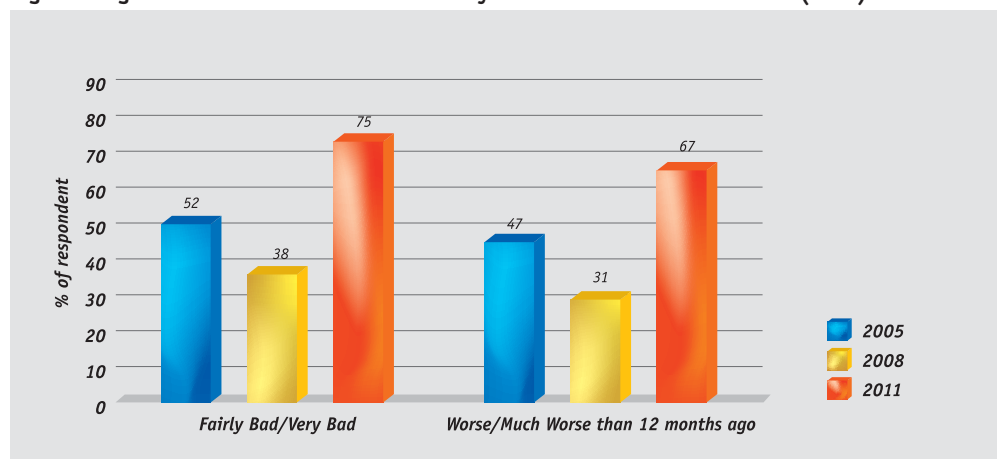
Source: Afrobarometer Survey (2012)

In 2011, 71 per cent of Kenyans described their living conditions as either 'very bad' or 'fairly bad' compared to 45 per cent who felt this way in 2005. Furthermore, 68 per cent of Kenyans felt that the overall direction of the country was going in the wrong direction while just 24 per cent opposed this view.

Uganda

In 2012, a solid 75 per cent of Ugandans surveyed felt that the current economic conditions were either 'fairly bad' or 'very bad' in comparison to the twelve months prior to the survey. The survey also found that the same proportion (74 per cent) of Ugandans surveyed believe the country is heading in the wrong direction.

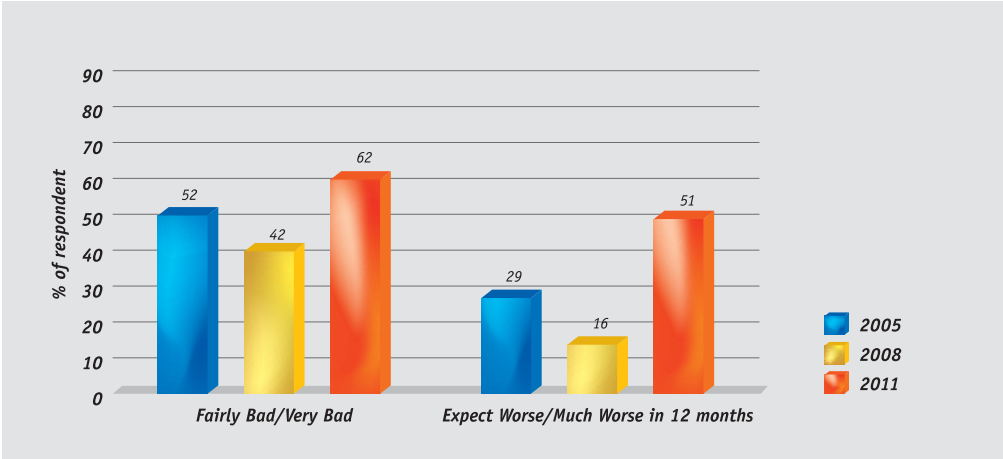
Figure 7. Ugandans' assessment of their country's current economic conditions (2012)



Source: Afrobarometer Survey (2012)

Again, the majority of Ugandans (62 per cent) in 2012 felt that their living conditions were either 'fairly bad' or 'very bad'. Most Ugandans also had a negative outlook, believing that their living conditions would be worse off in the next twelve months. They had felt better about the economy in 2010 when 42 per cent rated their living conditions as 'fairly bad' or 'very bad' and only 16 per cent of Ugandans felt that the economy would be worse off.

Figure 8. Ugandans' assessment of trends in their living conditions (2012)



Source: Afrobarometer Survey (2012)

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