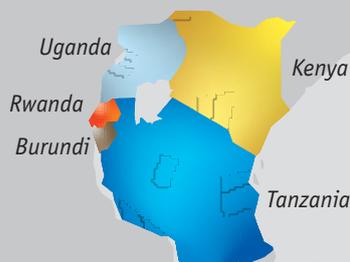




State of East Africa 2012 – The Big Picture



Purpose of this Report

The State of East Africa 2012 has four main objectives.

First, it aims to **inform**. What are the facts about different social, economic, political, cultural and technological transitions currently taking place in East Africa? The report answers these questions by compiling, packaging and presenting a wide range of facts and figures on Tanzania, Kenya, Uganda, Rwanda and Burundi. The objective is to present a wide range of information that is easily accessible to the region's decision-makers and its ordinary citizens. All of the data contained in this report are available in the public domain. However, they are often packaged in a variety of different formats and require significant effort to collect and summarize into a useful form for reference purposes. This report will be valuable for anyone looking for specific data on a variety of indicators in the region.

Second, it seeks to provide **insight**. What are we learning from what we are seeing? What hidden trends and narratives can be extrapolated from the data? What are the data not showing? The data essentially summarize important social, economic and political challenges as well as opportunities that the region faces. The report uses national-level data to provide insight and analysis on what

implications they have for regional integration. It also attempts to enliven the data in order to interrogate and understand the forces that generate them. It asks, 'Why are we seeing this particular set of facts and figures and not another? What are the missing trends that the data do not highlight?' The report hopes to provoke valuable discussions among those interested in understanding the evolving structural foundations of East Africa.

Third, it aims to spark the **imagination** by encouraging different thinking about how we interact with the forces shaping our futures. The report seeks to inform and encourage a collective process of critical and creative thinking about the different ways in which emerging trends might shape the future of the East African region. Notwithstanding the warning frequently found in financial documents that 'past performance is not necessarily a guide to future performance', the past often does contain important clues about the future. It is hoped that this report will encourage such forward-looking questions as 'What will happen if this trend continues for the next three decades?' or, perhaps more interestingly, 'What are the implications for the future of an abrupt discontinuity in a critical trend?' While the

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Key Insights

Deepening Integration, Intensifying Challenges

Three Options for Citizens' Engagement

report presents national statistics, it tries as much as possible to paint a regional picture by aggregating national data, analysing regional trends and comparing countries with each other to reveal the range of experiences and outcomes across East Africa.

Fourth, this report will be a tool for **engagement**. The debate about the purpose, pace and outcomes of East Africa's regional integration is intensifying. This report contributes to that debate by providing some evidence, analysis and a common fact base on which to base the discourse. Business, civil society groups and ordinary citizens can use it to engage with national and regional authorities and support specific advocacy initiatives on the basis of well-presented data

and articulated analysis.

The State of East Africa 2012 will open, encourage and inform conversations about the way in which regional integration is proceeding and what it means for ordinary people's lives. In so doing, and mindful of the diversity of perspectives, experience and policy options within East Africa, it does not presume to prescribe specific actions to deal with the challenges or take advantage of the opportunities that are highlighted. However, if it enhances the quality of the discussion about regional integration and helps to widen the participation in that conversation, the report will be contributing to making the East African Community (EAC) truly people-centred.

Key Insights

The State of East Africa 2012 encompasses six main chapters with specific overarching themes. Within each chapter, the report analyses specific trends that have occurred in the region over the past six or seven years. Many key insights and trends were uncovered, which consequently paint the context in which the East African Community is now living.

The People of East Africa

East Africa's population is growing and urbanizing at a rapid pace. The region's population has grown by 24 million since 2005 and was estimated to be 139 million in 2010. The most important population characteristic of East Africa is its children and youth, who accounted for an overwhelming majority, 80 per cent, of the region's total population in 2010.

With increased population and higher population density expected in the future, the pressures on the region's natural resources will intensify further

By 2030 the region will have 178 million children and youth out of a total population of 237 million with 31 per cent (73 million) of them living in urban areas, putting pressure on the capacity of East Africa's major cities to host these new urbanites.

Natural Resource Base

With increased population and higher population density expected in the future, the pressures on the region's natural resources will intensify further. One clear indicator is the high rate of deforestation. Between 1990 and 2010 East Africa's forested area shrank by 22 million hectares, and deforestation will continue to increase as more and more people inhabit the region.

The region's agricultural trade increased from \$2 billion in 2002 to \$7.5 billion in 2008, with the entire region, with the exception of Kenya, exporting more agricultural products than importing. This raises concerns when juxtaposed with the region's average per capita calorie intake, which has remained quite low in the same time period. Ugandans consumed the most calories, while the rest of the region consumed a little less than 2,060 calories per day. These countries include Tanzania and Kenya, which are the largest exporters of agricultural products. If both countries seem to have an abundance of agricultural goods, enough to export them,

why can't the region feed its people?

These calorie intake numbers are even more striking when juxtaposed with fertilizer consumption. In 2008 Kenya used the largest amount of fertilizer in the region but had a lower calorie intake than Uganda, which had one of the lowest fertilizer consumption levels but the highest calorie intake. For Uganda this is a clear indication of the greater land fertility that it enjoys relative to the other countries in the region. It also invites some reflection on the efficacy, in domestic food security terms, of large fertilizer consumption.

Human Development

Human development in the region has improved over the past five years, as demonstrated by the improved human development indexes in each country. East Africans are also living longer, with an average increase of two years in their life expectancy. This is partly due to higher investments in health-care spending by national governments. Per capita spending on healthcare has increased in all countries, with Rwanda having the highest level at \$48 in 2009, followed by Uganda at \$43. As a result, and with investments in maternal and child health, fewer mothers are dying in childbirth and more children are surviving infancy. However, the fact that there has been little change in the rate of stunted children suggests there has been little improvement in the quality of nutrition.

Despite some positive steps made in maternal and child mortality as well as a concerted effort by both national government and non-governmental organizations, poverty remains a major challenge in the region. Tanzania, Uganda and Rwanda have been able to reduce the proportion of the population living below their nationally defined poverty lines. However, high rates of population growth in the region have created strong headwinds against the poverty-reduction efforts. In absolute terms, 53 million East Africans (38 per cent of the regional population) lived below the poverty line in 2010. Tanzania saw an increase of 4.9 million people living below the poverty line over a 17-year period. During roughly the same period, 8.2 million Kenyans fell below that country's poverty line and Burundi had an additional 1.5 million poor people. However, Uganda's lifting of 2.3 million of its citizens above the poverty line

over an 18-year period stands in sharp and positive contrast to its neighbours. Rwanda's remarkable reduction of the poverty incidence by 12 per cent between 2000 and 2011 lifted 100,000 of its citizens out of poverty.

East Africa has done well in increasing enrollment rates in primary school, with all countries passing the 100 per cent gross enrollment rate threshold and therefore achieving the Millennium Development Goal target of universal primary education. Burundi saw the largest increase in enrollment rates, from 71 per cent in 2002 to 135 per cent in 2009. Although most students in the region are attending primary school, a majority of them do not make the jump to secondary school. Kenya

Uganda's lifting of 2.3 million of its citizens above the poverty line over an 18-year period stands in sharp and positive contrast to its neighbours

had the highest secondary school enrollment rate at 45 per cent; the rest of the region had much lower enrollment rates. A lot of the challenges stem from the quality of primary school education. Many children are not learning effectively and not performing at the level they should, with alarmingly low results in reading English and Kiswahili effectively and doing simple arithmetic. One could point towards the high malnutrition rates, specifically stunting, as an important reason for poor child performances in primary school.

Infrastructure

East Africa's infrastructure deficit is a well-documented challenge. The region's total road network in 2008 was 183,178 km, of which 91 per cent was unpaved. However, with 70 per cent of its paved roads classified as being in good condition, a part of Tanzania's investment is paying off.

The region has a seriously underperforming rail sector, but there have been efforts to revive it. In 2011 alone a series of projects were initiated in efforts to improve the rail sector. The Tanzania-Zambia Railway received a loan from China worth \$40 million and the Rift Valley Railways received \$40 million in funding from the African Development Bank. The passenger



Photo: A. Muliro

volume on these trains is meagre, however, as most East Africans travel by bus or airplane. Weekly flights to and from EAC countries have increased, with Kenya receiving the largest amount of weekly airline traffic. Flights between Tanzania and Kenya account for the majority of intra-regional flights.

The ports of Dar es Salaam and Mombasa have continued to function at close to full capacity. Mombasa is the largest port in East Africa

Mobile phone subscriptions grew from 3 million in 2002 to 64 million in 2010, catalyzing innovations such as M-Pesa that have helped deepen financial inclusion

and the second largest in sub-Saharan Africa in terms of tonnage and containers handled. At the end of 2011 and the beginning of 2012 the port was facing a crisis due to significant inefficiencies and container traffic slowing down the flow of goods. The port of Dar es Salaam has an intrinsic capacity of 11 million tonnes per year and handles 94 per cent of Tanzania's total maritime trade activity. The telecoms revolution has been a notable

feature in the region during the last decade. Mobile phone subscriptions grew from 3 million in 2002 to 64 million in 2010, catalyzing innovations such as M-Pesa that have helped deepen financial inclusion. The majority of East Africans are accessing the Internet through their phones; by September 2011 99 per cent of Kenya's Internet users accessed it via a mobile phone.

Economy

Between 2000 and 2010 the size of East Africa's economy grew in real terms from \$32 billion to \$79 billion. Kenya's share of the regional economy was the largest at 40 per cent, while Tanzania had 29 per cent in 2010. East Africa's economy grew at a rate of 6 per cent in 2010, with Rwanda having the fastest growth rate of 7.5 per cent. Kenya had a significant decrease in its growth rate in 2008 and 2009 (2 per cent and 3 per cent) due to the consequences of the post-election violence that occurred in December 2007 and spilled over to the first few months of 2008.

With consistent growth in its economy, East Africa has attracted significant investments both from the continent and globally. Total foreign direct investment inflows in the region were an estimated \$1.7 billion in 2010, with the majority share (49 per cent)

going to Uganda.

East Africa is globalizing. In 2010 the value of the EAC's total trade with the world was \$37 billion, which was double the \$17.5 billion achieved in 2005. The region's trade with the world as a share of its economy expanded from 28 per cent in 2005 to 47 per cent in 2010. Intra-EAC trade also expanded from \$2.2 billion to \$4.1 billion between 2005 and 2010. However, as a share of East Africa's total trade, intra-regional trade declined slightly from 13 per cent in 2005 to 11 per cent in 2010.

Politics and Government

The political and institutional apparatuses are quite similar across the five countries and have remained relatively stable over the past five years. All of the five governments are constitutional republics with legislatures chosen through periodic multi-party elections.

By 2010, four of the five EAC countries were considered 'partly free' with respect to political freedoms. Rwanda was considered 'not free', and has been the only country with that ranking since 2005. However, Rwanda had the highest share of women in parliament in 2010, 56 per cent, while Kenya had the lowest with 10 per cent. Corruption remains a challenge in the region. The prevalence of bribery was perceived to be highest in Burundi and the lowest in Rwanda. The police, revenue authorities and judiciary were cited as the most corrupt institutions in the region.

Conflict intensity seems to have diminished in recent years. The region hosted an estimated 733,080 refugees in 2010, down from 1.2 million in 2004. In 2004 the majority of these

refugees were hosted in Tanzania, but by 2010 the majority were hosted in Kenya, demonstrating a northward shift in conflict towards Somalia, Sudan and South Sudan.

Trade between the EAC countries expanded from \$2.2 billion in 2005 to \$4.1 billion in 2010. However, the region's trade with the rest of the world expanded faster, driven by its import-consuming economic growth performance

Even with a lack of overt conflicts in the region, East Africa still spent \$1.2 billion on its military in 2009, with Kenya and Uganda accounting for 73 per cent of total spending. Prior to Operation *Linda Nchi*, Kenya was the only country in the EAC that had not engaged in a military operation in a neighboring country. Somalia has been the theatre for joint military operations, as three of the five EAC countries are now engaged there through the African Union Mission in Somalia (AMISOM). The US Africa Command (AFRICOM) has engaged with the region through support of joint military exercises. In 2009 AFRICOM invited all EAC members for military exercises in Uganda to improve interoperability and capacity building to respond to complex humanitarian emergencies, and in 2011 two AFRICOM exercises were planned involving soldiers from Tanzania and Uganda. Military exercises among the EAC partner states have also increased over the years, demonstrating an acknowledgement that the region is becoming an important geostrategic location.



Photo: A. Muliro

Deepening Integration, Intensifying Challenges

Deepening Integration

If there is an overarching message emerging from this State of East Africa 2012, it is that more than a decade since it was rekindled, East Africa's regional integration process is deepening.

It is certainly deepening in terms of the expanding scope of the laws, policies and regulations that are giving effect to the decisions about and ongoing commitment to closer economic social and political cooperation. The signing and ratification of the Treaty and the subsequent protocols to establish both the Customs Union in 2005 and the Common Market in 2010 according to the envisaged timetable attest to the fact that the process of deepening integration is on track. While there are those who will point, legitimately, to the less than ideal pace and degree of implementation of the Treaty and protocols, they will be hard-pressed to deny the bold ambition embodied in these agreements.

An even more important event was the accession to the Treaty by Rwanda and Burundi in 2006 and their becoming full members of the East African Community on 1 July 2007. In

2011 Sudan formally applied to join the EAC, a few months ahead of the region's most contiguous and newest neighbour, the Republic of South Sudan. In February 2012, Somalia also formally applied to join the EAC. If their reasons for wanting to join might be inscrutable, it is clear that they all see membership in the EAC as a crucial component of their future as nations.

Deepening integration is also signalled by the apparent and real coordination of national economic and social policies. While economic coordination is arguably required by the two protocols, particularly with respect to the tax code and trade regulations, it is instructive to observe the extent to which health and education policies and resource allocation decisions in the EAC countries point in the same direction. Each country increased healthcare spending on a per capita basis between 2000 and 2009, and primary school enrollment ratios have increased in all but one country (the exception is Uganda, according to trend data for 2001 and 2008). Driven by a combination of competition and cooperation, national domestic decision-makers are paying more attention to the signals from their neighbours.

Integration is deepening in the economic and commercial domain. The region's economy returned a respectable average annual growth rate of over 6 per cent, with every country performing within a band of between 4 per cent and 11 per cent. Trade between the EAC countries expanded from \$2.2 billion in 2005 to \$4.1 billion in 2010. However, the region's trade with the rest of the world expanded faster, driven by its import-consuming economic growth performance. The result has been that in relative terms the share of total trade that is conducted between EAC countries has stayed within a narrow 11–13 per cent range since 2005. Foreign direct investment has expanded across East Africa. Some of this has come from within the region as firms invest across borders in such areas as cement production, financial services, tourism and manufacturing. Economic infrastructure – roads, rail and ports – is also being jointly planned and developed and is attracting funding because of its regional nature and intent.

Integration has been deepening in the security field, most notably as countries participate in peacekeeping and anti-insurgency missions in Somalia and the Horn. Burundi and Uganda contributed troops to AMISOM. Kenya first entered Somalia in a declared act of self-defence and then agreed to join the AMISOM command structure. The number of joint military exercises in which all five EAC countries participate is also increasing.

Intensifying Challenges

As the process of regional integration deepens, the challenges facing the integrating units and people are intensifying. These challenges relate to the fundamental purpose of the entire regional integration endeavour, namely the ambition to transform, in a positive way, the quality of life and welfare of EAC citizens. Article 7a of the Treaty puts people at the centre of the integration efforts, as both the drivers and the beneficiaries of the process. Four major challenges to the ambition of improving the lives of ordinary East Africans emerge from this report's statistical tour of the East African region.

The first is the fact that *poverty persists at high levels*. The data suggest that the number of East Africans living below the poverty line increased from 44 million to 53 million, even though all countries, with the exception of Burundi and Kenya, reduced the share of their

population who lived below the respective national poverty line. However, the region's growing population – 24 million East Africans were born between 2005 and 2010 – is providing a strong counter-current to national efforts at reducing the poverty rate. This tension will persist going forward.

The second intensifying challenge is that of *consistently achieving food security* across the region through production and trade. The Horn of Africa experienced a severe drought and famine in 2010/2011 in which millions faced hunger and hundreds of thousands were

When pushed to respond to food insecurity, some actions, such as the ban on the export of grains from Tanzania in 2011 and Kenya's retaliatory move to ban the export of seed, have undermined the spirit of regional integration

displaced. The major drivers of food security, including growing populations and their evolving tastes, the climate and the global trade dynamics that shape food prices, escape the direct control of national authorities. When pushed to respond to food insecurity, some actions, such as the ban on the export of grains from Tanzania in 2011 and Kenya's retaliatory move to ban the export of seed, have undermined the spirit of regional integration.

At the intersection between poverty and food security is found the less visible but crucial element of the nutritional quality of the food that is consumed, particularly by East Africa's children. The data show that while infant mortality rates have fallen across the region, the prevalence of malnutrition, as evidenced by high rates of stunting among children, has not diminished. The implication is that the region is succeeding in keeping its babies alive, but is losing the fight to provide the quality of nutrition in their early years that will equip them for a productive life. Poor nutrition in early childhood has negative long-term effects on a person's learning ability, health and future income-earning potential. The permanent disadvantage that is visited upon malnourished children highlights the third intensifying challenge, namely the *inequality that is both persisting and deepening within and between countries and across time*. Every economy in the East

African Community grew at a faster pace than the rate of its population growth in the last decade, implying rising per capita income at the aggregate level. However, the distribution of the expanding wealth has not been equitable. Within countries the widening gap has generated strong social tension that has sometimes exploded into violent conflict. Kenya's post-election violence in 2007–2008 was in part a manifestation of deep anger at

The world is paying close attention to East Africa and engaging with it with increasing intensity and broadening scope

the shrinking opportunity space for personal and community advancement. At the regional level there is an argument afoot that the integration process itself is generating unequal opportunities and inequitable outcomes, as those who are better endowed by either financial capital or marketable skills, or both, benefit more than the average citizen. Such sentiment is said to inform the instinct by some countries – Tanzania is often cited – to reduce the pace and limit the scope of the integration effort.

The fourth intensifying challenge emerges from the *expanding interest in the region from the rest of the world*. The world is paying close attention to East Africa and engaging with it with increasing intensity and broadening scope. The clearest evidence

of this is contained in the rising foreign direct investment to the region, attracted by its natural resource endowment, growing economies and integrating markets. The African Development Bank's projections to 2060 expect the wider East African regional economy to grow faster than that of any other part of the continent. Anecdote also suggests that the battle is on for East Africans' hearts and minds, and it is being waged in part through intensifying interest and engagement with the region by international media organizations from North America (Voice of America), Europe (BBC and Radio France International), the Middle East (Al Jazeera) and Asia (CCTV Africa). Seen from an external perspective, East Africa is burgeoning with commercial opportunity and is arguably Africa's most dynamic region.

East Africa is also increasingly important from a global geopolitical standpoint. While violent conflict in the Great Lakes region has almost completely stopped, it has flared up in the Horn of Africa. Piracy in the Indian Ocean as far south as Tanzania and bombings in Kampala and Nairobi have directly affected the region. The deployment of Ugandan and Burundian troops to Somalia, first to keep the peace and then, joined by the Kenyan Defence Forces in 2011, to engage the Al-Shabaab; the fourfold increase from \$15 million to \$60 million in counterterrorism funding to the EAC; the arrival of 100 US military advisers in Uganda to assist in the hunt for the leader of the Lord's Resistance Army; and AFRICOM's multinational military exercises involving troops from the EAC countries in 2011 are all clear indications of the region's growing importance in the global security context.

Three Options for Citizens' Engagement

Given this intensifying attention, the challenge for East Africans lies in the nature of their response to it. Three options are available. The first is to *take charge*. In this option, East Africans take advantage of these unprecedented opportunities to reshape their relationship with the world's old and emerging economic powers. They invest in the East African Community and use it as the primary vehicle with which to engage the world economically, politically and socially.

The second is to *take a gamble*. In this option, East Africans deliberately choose self-interest over the common good. A small business and political elite are aware of the shifting balance of power between the old and emerging economic powers and of their need to secure access to the region's resources and markets. This is an opportunity to play the powers off against each other with the region's elite acting as brokers between the money and the resources. They rely on their ability to play the game long enough to profit handsomely at a personal level. The East African Community is promoted only to the extent that it can facilitate such activity, failing which it is actively undermined in order to maintain decision-making discretion at the national level.

The third is to *take a back seat*. In this option, East Africans abdicate their responsibility and let matters take their own course. They display either a conscious lack of attention to the forces shaping the region's future and their implications, or an attitude of utter resignation to these factors – 'that is how it always is' – or both. They are distracted, take no deliberate actions and push the region in no particular direction. The East African Community languishes untended and neglected except in lofty speeches.

Ultimately, these three responses are

particularly relevant to how the people of East Africa engage with the regional integration process. They can choose to take charge of the process and influence its evolution by redefining their relationship with their governments through the business and civil society organizations that represent their interests. They can make it a truly people-centred process with people-centred outcomes.

The final responsibility for shaping East Africa's future lies with its citizens

They can also choose a parochial approach, emphasize narrow national sovereignty, take a zero-sum, 'I win, you lose' approach to the East African regional integration process and shape a future littered with missed opportunities and mutual mistrust between and within countries.

Alternatively, they can choose a path of wilful ignorance about the common challenges faced by the region and the opportunity presented to deal with them through collective action. By starving it of attention and engagement, East Africans could emaciate the East African regional integration process and evaporate the possibility to transform their welfare positively.

The final responsibility for shaping East Africa's future lies with its citizens. It is hoped that this State of East Africa Report 2012 will inspire in them an informed, robust and deep engagement with the promise and the challenges embodied in the East African Community regional integration agenda.