



STATE OF EAST AFRICA REPORT

CONSOLIDATING MISERY?
THE POLITICAL ECONOMY OF INEQUALITIES IN EAST AFRICA

A PUBLICATION OF THE SOCIETY FOR INTERNATIONAL DEVELOPMENT

Published by
Society for International Development
P.O. Box 2404-00100
Nairobi, Kenya
E-Mail: sidea@sidint.org
URL: www.sidint.net
Twitter: @SIDEastAfrica

The Society for International Development

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This edition published 2016

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ISBN 978-9966-1912-2-9

This report has been produced by the Society for International Development, with the support of TradeMark East Africa.

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Design and layout by:
Susanna Altea / Bustepack S.A.S.

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The Society for International Development (SID) gratefully acknowledges the contributions of the following individuals whose inputs have shaped this report.

Aidan Eyakuze, Monica Hangi, Andrew Mold, Ambassador Juma V. Mwapachu, Fred Otieno, Enock Twinoburyo and Leonard Wanyama whose essays shaped our thinking around the approach to be taken in writing this report.

Ali Hersi, Ahmed Salim, Gloria Athueirwe and various other colleagues at TradeMark East Africa who commented on early drafts on the publication and shared valuable insights that helped polish the final product. Alex Cobham of Tax Justice Network and Andy Sumner of King's College, London whose ideas and input were fundamental to interpreting the Palma Ratio within the East African context.

The excellent research and editorial support from the following colleagues is gratefully acknowledged: Kitt-Bohn - Willeberg (Rome), Adelina Mbekomize (Dar-es-Salaam) and Leonard Wanyama (Nairobi).

Whilst significant effort was undertaken to ensure that we got all facts right, it is possible that there we might have overlooked some elements, or missed others. It happens. Thus, any errors or oversights are ours alone.

Finally, SID would especially like to thank TradeMark East Africa for their financial support of the State of East Africa Report series.

Arthur Muliro and Stefano Prato
Society for International Development

NB: The views and opinions expressed in this report are those of the authors and do not necessarily reflect the official policy or position of TradeMark East Africa.

OVERVIEW



AN OVERVIEW OF THIS REPORT

This report is structured into three sections as follows:

Part 1: Conceptual Overview of the Political Economy of Inequalities in East Africa (Why do inequalities matter?)

This is the introductory section of the report and it basically lays out the argument for tackling inequality, going beyond conventional analyses and rhetoric. It exposes the structural foundations of inequality in the EA Community and sketches some broad policy prescriptions that might be considered. This section should allow the reader to understand our take on inequality and our theory of political economy as applied to this publication.

Part 2: Exploring Inequalities in East Africa

In this section, we introduce our analytical framework that involves two fundamental instruments (normative and fiscal) and how they are applied (decisions and resource allocations) in nine sector examples spread across three pillars (an economic pillar, a social pillar and a political pillar) to try and understand the political economy as it plays out first at the national level and secondly, how they impact regional integration.

It will also explore – albeit in broad strokes – the ethical foundations for equity: what are the challenges of ethics in public life and how this might be contributing to the persistence of inequality in the region?

Finally, and as a way to wrap up this section, we introduce a longitudinal aspect to the subject matter by exploring the inter-generational context of inequality today. In other words, to what extent are the decisions taken today likely to impact future generations? To what extent are we setting these future generations up for success (or failure)?

Part 3: Data and Statistics

This section offers a collection of relevant statistics on the region. Beyond being able to give the reader a clear description of East Africa today in numbers, the data we offer also seeks to bolster the arguments made in the preceding section. The data presented aims to give the reader a decent snapshot of the region in terms of its present capabilities and future prospects.

Online Bonus

This section available of the State of East Africa Report website contains six essays by distinguished East African researchers reflecting on different aspects of the East African political economy. Together, they offer the reader a broad overview of the issues involved and why an adjustment in the political economy narrative can no longer be put off.

EXECUTIVE SUMMARY



STATE OF EAST AFRICA REPORT – CONSOLIDATING MISERY: THE POLITICAL ECONOMY OF INEQUALITIES IN EAST AFRICA

EXECUTIVE SUMMARY

The past few years have seen the economies of the EAC member states grow by leaps and bounds, with the regional averaging some 6% annual GDP growth in the period since 2011. This is good news. Expanding economies in principle mean that there is growing economic activity taking place, an increased exchange in the volume and value of goods and services traded. These growth rates have been heralded as the proof that the region has finally made a structural shift in its economies, and have been held out as a harbinger of greater things to come. This optimism has been further buoyed by the potential emerging from the recent hydrocarbon discoveries and the extractive industries in general. The long-awaited renewal of dilapidated rail, road and port infrastructure and the race to construct new gas and oil pipelines to the region's ports has also given a signal that the region is no longer doing business as it used to. Indeed, the 'mix' of the region's economies suggests that there is a deeper and perhaps subtler set of changes taking place.

As the IMF remarked in its report:

'Both output and exports have become more diversified: the share of agriculture has fallen substantially; the gains in share have been broadly distributed, with the largest gains going to construction, transportation, and wholesale trade; manufacturing and mining posted modest gains. Rapid growth has thus not been driven by a narrow range of products (as might have been the case with natural resources in some other low-income developing countries). Moreover, the sophistication and quality of items exported by the EAC countries have improved over time, and more noticeably during the past decade than previously.'¹

But even as the economies of the EAC have been growing, this growth has been accompanied by a growth in inequality in virtually all countries. Put bluntly, not all citizens of East Africa have seen or felt the benefits of these stellar GDP growth figures. If anything, for a growing number of East Africans, life has become – in recent years – a much harsher and harder enterprise. The economic boom has not generated the jobs that it was expected to and there is a growing frustration that perhaps these jobs will never materialize. For all the progress made in recent years, the levels of poverty, hunger and malnutrition in our countries are still staggeringly high and serve to underline the adage 'you cannot eat GDP'.

The last State of East Africa Report highlighted the state of inequality in East Africa and sought to explore what future inequality might have in East Africa. Its title 'One People, One Destiny –

¹ Giginishvili, Nikoloz, Paolo Mauro and Ke Wang (2014) 'How Solid Is Economic Growth in the East African Community?', IMF Working Paper, August: 18.

'The Future of Inequality in East Africa' interrogated the extent to which the fruits of economic growth were contributing to the stated vision of the EAC – that of 'One People, One Destiny'.

The report surmised:

"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'.

This State of East Africa Report seeks to build on the previous report and seeks to take the conversation a step further: It aims to explore and offer for reflection, some of the challenges that the region will need to face up to if it is to be able to successfully transform its economies to in order to drive up domestic demand, build and nurture local value-chains and improve the skills of its labour force in a virtuous process that reorganizes our institutions and processes to ensure that the majority of citizens have an active stake in change processes of the day.

WHY POLITICAL ECONOMY?

In focusing this report on examining the political economy of inequalities, we aim to shine a spotlight on the relationship between politics (domestic and regional) and inequality. To what extent are our political institutions linked to the persistence of poverty? What political factors affect the evolution of inequality and what are the effects of inequality on political choices and outcomes? Is there a relationship between our various identity formations and the manner in which public goods are provided? The report offers some hypotheses as to why inequalities persist and why efforts to address them (narrow the gap) are unlikely to be successful in the absence of a committed attempt to dismantle and recreate the institutions that distribute power and the networks that have emerged to extract benefits from them. It thus makes the argument that inequalities survive thanks to the structure of the institutions we have put in place and that it is only by reforming these institutions that we can truly address the challenges that inequalities generate.

As this report is about regional integration, the report also asks some questions as to whether the opportunities that this process presents will be helpful in supporting efforts to narrow present inequality gaps. The best answer we can give to this is a lukewarm 'it depends' – it depends on the choices that the leaders are willing to make; whether they are willing to take bold steps to reconfigure the institutional and power architecture to ensure that all citizens of the region benefit from integration as opposed to only a (small) section.

THE REPORT

This report analyzes nine sectors divided across three pillars: an economic pillar, a social pillar and a political pillar. In each of these sectors, the report asks questions that straddle an additional three domains:

- The **fiscal domain**: Where do we get our resources from and how do we spend them?
- The **normative domain**: What policy decisions are made (or not) and who benefits from these decisions?
- The **ethical domain**: Whose narrative prevails and what instruments are used to weaken the moral core of society?

THE ECONOMIC PILLAR

AGRICULTURE

In spite of the oft-repeated cliché that agriculture is the backbone of our economies, the stark reality today is that subsistence agriculture remains unable to guarantee reasonable income levels for those who practice it and further exacerbates food insecurity through a combination of low incomes which deplete the ability to purchase sufficient food on the market and low production levels.

Agriculture remains the single largest employer in the region, yet its contribution to the national GDP continues to slip further downwards. The sector continues to be neglected in comparison to other sectors, and in particular, the efforts put in place to support and sustain small family farmers have often failed to meet their mark. As such, agriculture remains an unattractive career option, with an increasingly ageing workforce that relies on rudimentary technologies and is increasingly vulnerable to climate change. Little wonder then that food insecurity abounds in the region.

In our analysis, we look at the impact that infrastructure and trade agreements have had on agriculture in the region. With respect to infrastructure, our interest is piqued by the fact that enabling farmers to take advantage of the value chains is dependent on a functional infrastructure network that connects producers to markets; that allows them not only to transport their goods, but also reduces spoilage during transit times. There is however a lack of consensus on the impact of these revamped corridors on the immediate fortunes of the smallholder farmers, and if anything, there is skepticism that these are 'corridors of power' rather than 'corridors of plenty' – that is, they favour a few at the expense of the majority. When it comes to trade, again, much as progress has been made, there still are a number of formal barriers that make it difficult for smaller traders to participate in the market and the consensus is that the harmonization process is not only slow, but inefficient. Furthermore, in the search for

quality, current standards for intra-regional trade are higher than those for produce coming from outside the region. As such, smaller producers are penalized by these standards and are unable to take full advantage of available local markets.

WAGES AND WAGE POLICY

An examination of the Palma Ratio – a new measure introduced to replace the Gini Coefficient as a standard measure of the gap between the rich and the poor in a society indicates that the concentration of wealth in East Africa has, broadly speaking, remained unchanged over the years. If anything, the rich have been getting richer. If anything, the Palma Ratio indicates that the gap between the richest 10 % and the bottom 40 % of the population in our countries is amongst the widest in the world today. This gap clearly has significant implications on how decisions are made and play out once they are taken.

The Palma Ratio notwithstanding, and despite efforts in some East African countries to raise the level of earned income by setting minimum-wage legislation, East Africa has millions of 'working poor' – people whose jobs do not pay enough to keep them above the poverty line. Minimum wages in East Africa are quite variable and even though effort has been made to differentiate according to sector and job location, they generally tend to be quite low in comparison to the cost of living.

In our analysis, we examine Kenya's floriculture industry to try and understand the wage structure of the workers in this sector. This sector, which in 2014 accounted for up to 1.52% of Kenya's total GDP employs some 90,000 farm workers. The vast majority of the workers employed in this sector are paid above minimum wage salaries yet earn below living wages and most live in conditions of hardship. The gap between the legally enforceable 'minimum wage' and the morally required 'living wage' is made abundantly clear for this sector.

Recent public sector strikes by teachers and health workers have also brought into the spotlight the question of public sector wages and how these relate to a living wage. Whilst it is clear that the higher cadres of public sector workers are earning comfortable wages (in some instances far in excess of their private sector peers), those in the lower and mid-level cadres do not enjoy any such comfort.

Whilst the question of pay will forever remain an emotive issue, it is important that leaders take the moral high ground and push for living wages as opposed to minimum wages that are anchored to realities that no longer exist. This excursion into the question of worker pay and the issues it raises can also be applied to workers' rights in general and how these are being watered down in the name of efficiency and competitiveness.

THE SOCIAL PILLAR

EDUCATION

So just how well has the region's educational sector been performing? East Africa's educational performance, in spite of the massive investments made in recent years, still has a long way to go to address quality concerns. A number of reports have decried the lack of literacy and numeracy skills amongst young students (at the basic schooling level), whilst at the tertiary level, it is estimated that more than half of East Africa's graduates lack the requisite basic and technical skills commensurate with their level of education – and hence make a poor fit for the job market.

The demographic pressure that the region faces means that a demand for schooling is all but guaranteed, and with virtually all governments rolling out free primary education, there needs to be a serious reflection on just what sort of graduates we need. The poor transfer of knowledge and the mismatch of skills is likely to create serious challenges going into the future and begs a deeper understanding of just what we are getting from the massive investments into the sector. To the extent that we are unable to get this equation right, it is unlikely that we will be able to take full advantage of the human potential of the region.

Indeed, with the public education system (broadly speaking) in crisis, it will create further incentives for private education providers to tap into the desire for quality education. Such is the demand for 'better' education and more often than not, the quality of education obtained is a function of the amount of money parents are able (or willing) to pay. If the availability of (quality) education is reduced to a question of wealth, then the state will find itself increasingly challenged to justify the billions it spends in underwriting the public education system.

HEALTH

As with education, massive investments have been made in the health sector in recent years, yet the outcomes still leave much room for improvement. Broadly speaking, health care facilities closer to urban centres tend to receive the lion's share of the health resources (although as in the case of Tanzania, this does not necessarily translate into better health care outcomes). In Kenya, a recent survey indicated that only 13 hospitals (out of 495) scored better than 1 (on a scale that ran from 0-3), and of these, 11 were privately-run facilities.

Weak regulation, particularly in rural areas and lack of quality controls have also resulted in poor quality health care services being offered to rural residents. As such, it is not unusual to hear of situations in which the health care offered has resulted in additional damage to

the patients. In such situations low confidence – in the health care systems and mechanisms for redress in case of malpractice – can often mean that a vicious cycle of ill health gets compounded.

Rapid urbanization, economic growth and freer markets have also resulted in changing diets and a growth in non-communicable diseases – a new scourge over and above the traditional infectious disease burden. Such is the spurt in the growth of non-communicable diseases that it is forecast that by 2030, they will be the leading cause of death in sub-Saharan Africa.

Furthermore, with the region dependent on external support to finance its public health systems, a situation that is not likely to change in the medium-term, the pernicious effects of dependence on aid and the further fragmentation of the health systems as donor money cherry-picks interests is also something that needs to be considered. And should donor money exit the scene, the impact on the poor segments of the population could be devastating. But by far the biggest story in the health sector is that a key driving force at play is the fact that the wealthier segments of the population have opted out of the public health care system. As such, there is a limited push (if hardly any at all) to further develop the public health system and the bifurcation of the health care system: private for the wealthier members of society; public for the rest. This dual system further cements social stratification and institutionalizes poor health outcomes which have (inevitably) an intergenerational impact.

HOUSING AND SHELTER

According to the UN Habitat's State of Africa's Cities Report, Eastern Africa is the world's least urbanized but fastest urbanizing sub-region. It is expected that by the end of the current decade the urban population will have increased by 50%, and the total number of urban dwellers in 2040 is expected to be five times that of 2010.

The biggest challenge by far that our cities face is that of providing affordable quality housing – a challenge which we are failing to meet. The result of this failure is that today, an average of 55% of East Africa's urban residents live in slum areas. Our cities are filled with dangerous, overcrowded structures whose sanitary conditions leave much to be desired. The stories of collapsing structures are legion in our cities, a function of poor regulation and oversight. The UN Habitat has stated that the lack of political will is the fundamental cause of urban underdevelopment.

Paradoxically, any visit to our cities and suburbs will reveal frenetic construction activity. The proliferation of high-rise accommodations is perhaps a response to the felt need for new dwellings for the ever growing number of city residents. It is here however that the mismatch

in the needs of the new residents and the construction becomes evident. The majority of the buildings being erected are targeted firmly at upper middle-class pockets. For those who are looking for outright purchase, the inflation in the housing prices has driven the dream of home ownership out of reach of most as mortgages are unaffordable, and the prices of construction materials continue to spiral out of reach. Rental prices remain prohibitively high and it is not unusual to find rentals being quoted in US Dollar prices that are equally out of reach for the average citizen.

The inelasticity of price in the housing market is an indicator that houses are not built to fulfill demand, but rather as a response to wealth impulses. The absence of active public policy on housing also favours illicit activities (shoddy housing, abuse of bylaws etc.) and normative processes such as land acquisition for investments for public infrastructure also tend to be biased in favour of the wealthier classes of society.

THE POLITICAL PILLAR

JUSTICE

Can the citizens of East Africa expect justice from their judicial systems? Who are the prime beneficiaries of the judicial systems in place and why? And how does this link to the perpetuation of inequality in the region? Even as judicial reforms are enacted, the public still views that judicial system with a healthy dose of suspicion and the average East African citizen (with the exception of Rwanda) is likely to believe that justice, in its truest form, can never be obtained via the courts of law which are biased in favour of the rich and powerful. Right or wrong, perceptions can be everything.

The lack of trust that the perceptions reveal is itself a powerful driver of injustice: it makes it easier for powerful individuals and entities to exploit the weak, knowing very well that they will hardly ever denounce them to the judicial authorities, and in the rare instance that they do so, they can comfortably exploit this lack of trust to further turn the system against them.

Looked at from an inequality perspective, the role of the law and how it is applied is central to tackling the challenge of inequalities that the region faces. Considering that the primary cause of inequalities in East Africa is the skewed access to productive resources, it is impossible to ignore the role that the legal system has played in perpetuating this state of affairs. The law has been used to dispossess traditional communities of their lands; to maintain patriarchy and to cancel claims of equity and access to resources. Traditions of judicial restraint have also ensured that it was only a few maverick judges who sent strong messages about the persistence of inequalities and challenged legislators and the executive to take remedial actions. Their

subsequent isolation by their colleagues underlined the message – the judiciary should only deal with matters of law, interpreting it within the confines that it provides and that it should not generate conflicts of power with the legislature and executive.

Still, there is room for guarded optimism: in Kenya, the inclusion of socio-economic rights in the Bill of Rights is a key plank in fighting inequalities. Emerging jurisprudence around these socio-economic rights and devolution processes are critical in this regard as are the growing access to information and struggles to undermine impunity all across the region.

SECURITY

Whose security matters in East Africa? That of the citizens? Or that of the state? This is far from being a rhetorical question. When 'security' is mentioned, more often than not, the interpretation that prevails is that of the physical security of property and of the state. Very rarely is security analyzed through the lens of what this means for individuals. Today, it is the threats to state security and associated responses that overshadow threats to individual security. We rarely, if ever, reflect as a society on what the security of the individual might mean, yet it is impossible to delink the two: The security of the individual now directly impacts the security of the state and vice versa.

In 2014, our governments spent close to \$2 billion on national security. To what extent have these expenditures translated into security for the citizens of East Africa? What is the link between the growing inequality in the region and the insecurity that is palpable in our countries? To the extent that there is a growing gap between the wealthy and the poorer sections of population, there are likely to be increased tensions that will undermine coexistence and threaten property. To the extent that our economies are unable to provide adequate jobs to absorb the new entrants to the job market, there will be a growing number of frustrated and desperate individuals for whom crime and violence might become enticing options. In recent years there has been increased talk of youth becoming 'radicalized' and choosing to affiliate themselves with vigilante or even terrorist groups. There is in many respects, a direct link between these choices and the growing inequality in the region.

It should therefore come as no surprise that the fastest growing employment opportunities are those to be found in the private security sector. In Kenya, private security providers are estimated to be a larger employer than the tourism industry whereas in Tanzania they are touted as the leading employer. Today, we have an interesting situation where the skewed concentrations of wealth and power are distorting the normal security functions of the state and focusing the attentions of the state to cater more towards protecting the assets of the wealthy, whilst at the same time reducing its attention to the poorer sections of its number and

often such attention tends towards an increased emphasis on repression (of potentially restive populations).

An insecure region is unlikely to integrate, and the challenge here is for the states to begin to rethink security in broader terms than 'offensive' and 'defensive' capabilities and consider the questions of individual (human) security much more broadly and also take into account the longer-term issues that are the cause of insecurity in the region.

DISCRIMINATION AND IDENTITIES

There are many 'identities' that inform resource politics today and in many respects, a number of them overlap. The more prominent amongst these include gender, religion and social class. But the power of ethnicity is by far the most powerful identity marker today. Ethnic affiliation has been used to justify resource allocation on the one hand, and to undermine policy on the other.

But just how exactly does the preponderance of ethnicity create outcomes that promote or facilitate the growth of inequality? To the extent that the national politics of any country is subject to the push and pull of ethnic power struggles, the institutions that are created will reflect this fact and it is more likely than not that these institutions will, of their nature, be more prone to promoting and perpetuating inequalities rather than tackling them. At the end of the day, the problem with ethnicity in our countries is not the presence of different ethnic groups per se, but rather, the manner in which ethnic identities have been coopted and instrumentalized for political purposes. In playing the 'us' versus 'them' game, elites successfully have used ethnic identities as vehicle to reinforce their privileges and justify exclusion of outsiders.

In addressing the identity question, we cannot ignore the gender question. The struggle for equal rights in all countries, and in particular the need to ensure women are not unfairly discriminated has been at the forefront of development discourses in the recent decades. In East Africa, the question of how women have fared cannot be divorced from any examination of identity within the political economy.

The problems that come with identity cannot be ignored, nor can they be magically transformed through a smart policy or two. Achieving a transformational change in the way identities inform our politics and resource allocation requires deep mindset shift – in the public and private spheres, particularly in the way rules are made and enforced; as well as giving greater voice, visibility and opportunity to the 'other' identities, and in particular women.

THE INTERGENERATIONAL CHALLENGE

The normal expectation that most parents have is that their children will live better lives than theirs. As such, parents make sacrifices and investments to ensure that their children are able to 'do better' than they did. What is the likelihood that the expectations of today's parents will be met? We live in a period of promise, a period of plenty but also one of widening and unsustainable gaps between those who have and who have not. The challenges that we face today that are likely to have a significant impact on future generations include climate change, unemployment, growing national debts and insecurity – to name but a few.

Of these challenges, climate change is likely to be the most significant game changer. The consequences of climate change are myriad and in any respects, they have a direct and lasting impact on future options. The reality is that climate change is happening faster and with more surprising outcomes than initially predicted. Climate scientists suggest that the damage may already be irreversible – even if we were to stop dumping greenhouse gases into the atmosphere today, the prevailing CO₂ levels are already so high that we can be assured of significant global temperature increases and that disruptive climate changes are all but guaranteed in the years to come. For us in East Africa, climate change means significant disruption of livelihoods with a concomitant increase in social tensions. We can expect an unhappy convergence between climate change, poverty and violence. The most important impact of climate change is however that food supply will continue to be threatened and there is a risk that we are entering a period of 'permanent food supply crisis'. Such a crisis would inevitably result in various social – and ultimately political – consequences.

The period we live in is also one of 'jobless growth'. Economies have been growing, but the number of jobs created has not been in line with the expected growth. Rapid population growth means that there is a significant mismatch between the demand for jobs and their supply – a mismatch that can be expected to continue for the foreseeable future. This demand for jobs will continue to exert pressure on political leaders to create and deliver decent jobs.

Our countries have also been borrowing heavily in recent years to finance badly needed development projects. These debts were ostensibly to be serviced through improved economic gains derived from these projects as well as rents and income from extractive resources. However, as the region's currencies depreciate and export earnings decline, the pressure exerted by the debts could become unsustainable. Indeed, debt service is already consuming significant portions of our national budgets and the trade-off is that necessary investments in social infrastructure and developments will have to be put off, in addition to austerity measures being adopted with potentially devastating consequences to society for the medium and long-term.

The bottom line is that we do not know what the future holds for us. However, the current trends are worrying and point to a future that has been compromised for today's youth. The

decisions that have been taken to make us comfortable today will leave tomorrow's generations with much less room for adjustment and negotiation to enjoy similar levels of comfort and wellbeing. This is the essence of the intergenerational challenge that we must master. Obviously there is still some room to maneuver and to make changes, but the full impact of today's choices will not be felt immediately. Like a supertanker out at sea that has a turn radius of 25 km and takes 15 km to come to a full halt, we will need to factor in the time and distance gap between any choices and decisions we take today and their full impact being felt. As we make our choices today, we must be aware of the changes that these choices will influence, and the forces that will influence the changes.

EIGHT KEY MESSAGES

There are eight key messages this report would like to convey. Whilst the majority of the messages focus on changes that need to take place at the national level, it is impossible to divorce the needed changes from the regional integration question. When we come together at the regional level, we do so with our individual country strengths and weaknesses and this impacts the regional negotiations as well as the potential of the collective EAC. These messages are:

1. The biggest task facing the state in East Africa is perhaps not so much that of pursuing 'economic growth' at any cost, but that of creating the foundations for lasting human development in the region. By reinforcing the livelihoods of each individual citizen, the potential for national and regional growth will be multiplied several times over. Individual citizens should be seen as allies and catalysts; not as enemies or 'disruptive' elements.
2. There is massive potential in the region crying out to be unleashed – trade barriers, poor infrastructure, insecurity, unfair judicial systems, low wages, discrimination, weak regulation etc. are undermining the potential that could be reaped if the region were to genuinely reform its institutions to make them more equitable, predictable and inclusive.
3. Our institutional arrangements at the national level are skewed in favour of the rich and powerful. Cosmetic changes and 'make do' adjustments are only delaying an inevitable internal crisis. The time to rethink the structure of power and economy is now.
4. The implicit social contract that has accompanied our states since their formation and independence needs to be rethought and renegotiated with a view to ensuring that the majority of the citizens get a fair return out of this bargain. It cannot be taken for granted.
5. Massive spending on 'key' infrastructure projects needs to factor in the broader public good at the outset and not as an afterthought. Current infrastructure developments are fruit of export-led strategies. Local economy growth and empowerment should be the focus of infrastructure development.
6. If inequalities continue to be consolidated, there is a strong possibility that future generations of East Africans will live worse lives than the current generation of East Africans

– a 'catastrophic convergence' of politics, economy and environment does not bode well for the region. Any magnification of systemic challenges could overwhelm our response and resilience mechanisms. As such, there is an urgent need to invest in adaptation schemes that magnify potential gains from cooperation whilst minimizing conflicts.

7. East Africans need to undergo a thorough mindset shift to embrace the opportunities today that will enable them to survive in tomorrow's world. The social habits of trust, cooperation and becoming truly 'wananchi' is long overdue. Furthermore, we need to shift from linear problem solving approaches to systems thinking and collaborative problem solving. To do so successfully means we will need to reinforce those institutions necessary for this task.
8. We need to be able to unmask and tackle the political economies that are drivers of inequalities at the national level otherwise we will not be able to guarantee a regional integration process that is truly people centred and sustainable, one that is transformative for the lives and choices of East Africans.

CUI BONO? AN AGENDA FOR ACTIVE POLICY ENGAGEMENT

There are many entry points that could inform the policy process that seeks to address the imbalances caused by the existing political economy. Whereas the report has taken liberty to point out some areas of possible intervention, it does not point out specific policy cures. This would detract from the purpose of this publication as we would not have the space to explore the complexities that each individual intervention would likely have to address. Nonetheless, they are offered as a point of departure for policy conversations with a view that conversations building on these possible intervention areas would clarify not only the technical aspects involved, but also be more specific in identifying beneficiaries of these actions.

Agriculture	<ul style="list-style-type: none"> • Infrastructure developments should prioritize linking small-holders to the market, in order to break the vicious cycle of low production and low incomes • The linkage of local producers and local markets offers a series of opportunities across the value chain which can boost employment and incomes • Focus greater effort on improving production of staple crops given their potential to kick-start local economies, reduce poverty and reduce dependence on food imports • Speed up efforts to put in place an overall dynamic regulatory strategy to facilitate regional trade that is consistent with the common market system
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Wages and Wage Policy	<ul style="list-style-type: none"> Put in place a framework at the national level that guarantee a living wage in all sectors as opposed to minimum wage guidelines
Education	<ul style="list-style-type: none"> Greater allocations need to be made to primary and secondary education with a view to improving quality of outcomes at these levels, in particular guaranteeing minimum literacy and numeracy skills Review and rationalize expansion of private actors within the educational sector with a view to ensuring that they contribute to ensuring minimum quality standards and help balance out the structural inequities prevalent within the educational sector
Health	<ul style="list-style-type: none"> Need to search for and implement affordable and cost effective healthcare delivery methods in view of reduced resources available for healthcare spending Acknowledging and providing for the distortion in health care systems that has ignored rural areas at the expense of urban areas; the arrival of new, non-communicable diseases (NCDs) will further challenge provision of viable responses Providing incentives for private healthcare providers to expand to rural areas Improving quality of healthcare provision and outcomes; exploration of regional poles of excellence
Housing and Shelter	<ul style="list-style-type: none"> Improving quality of construction; enforcement of standards and planning codes Providing for low-income and lower-middle class housing which is where the greatest demand (and least supply) is to be found Weaken and remove interference in urban planning and management – go beyond acceptance of informality and distortions that allow ‘entrepreneurs’ to reap massive profits Explore ways and means of ensuring mortgage schemes are affordable
Justice	<ul style="list-style-type: none"> Restoring public faith and trust in judicial systems – a function of breaking down cartels that have undermined and captured judicial systems Educating citizens on their rights and how to demand for them Reviewing property rights, and in particular their impact on women’s rights

Security	<ul style="list-style-type: none"> Root causes of insecurity need to be clearly mapped out and addressed as opposed to simply reacting to events Security policy needs to focus on maintaining social cohesion and ensuring that livelihoods of all citizens are facilitated within the remit of the law
Discrimination and Identities	<ul style="list-style-type: none"> The question of rethinking the social contract and its role in facilitating development State needs to establish itself as the only institution providing/facilitating development, safety/security otherwise it risks being supplanted and undermined by alternative institutions to whom citizens have greater loyalty.

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INTRODUCTION



INTRODUCTION

ARE WE CONSOLIDATING THE FOUNDATIONS FOR FUTURE MISERY?

This issue of the State of East Africa Report, the eighth in the series thus far, builds on the previous report on inequality. In this last report, we undertook to try and map out exactly what the state of inequality was in the region. Now, much has been made of the phenomenal economic growth rates that the economies of the East African Community countries have recorded in recent years. With an average growth rate of some 5.8% over the last three years¹, the region has given notice that it could yet become a continental powerhouse. Furthermore, recent natural resource discoveries have boosted the prospects of such growth even more. The governments of the region have embarked on ambitious plans to renew the dilapidated infrastructure - highways and airports, railways and harbours have all received more attention in the last five years than ever before. For many policymakers, pundits and investors, East Africa's time is now.

The last SoEA² report revealed that these growth rates masked over a rather precarious situation. Yes, there was growth, but its outcomes were not trickling down as fast as might have been expected. Indeed, the report concluded that the future of EA is shaped by the extent of progress in two dimensions:

'One is the inclusiveness of growth - a measure of how much the poorest East Africans are participating in generating economic growth. The second 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'. [cite]

Today many pundits and policymakers will point to the growth rates as evidence that the region is on the right track and that patience is in order as not everything that remained undone over the past decades could be righted overnight. There is a point to be conceded here. But it is also critical to note that to a large extent this growth is not creating new jobs - indeed the most recent African Economic Outlook decried this fact and cautioned on the potential negative consequences if this trend continued to be ignored³, particularly considering the bulk of youthful aspirants to the job markets and the ongoing transitions away from the rural areas (and an agricultural sector in crisis) towards the cities. Consequently, what needs to be acknowledged is that it is the quality and the distribution of this growth that is causing greater inequality. And

¹ African Development Bank, African Economic Outlook 2015
http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2015/PDF_Chapters/Overview_AEO2015_EN-web.pdf

² The State of East Africa is abbreviated henceforth as the 'SoEA Report'.

³ The East African 'Social distress due to joblessness, inequality hurting EA's economic progress
<http://www.theeastafrican.co.ke/news/Danger-in-East-Africa-s-unequal-growth-patterns/-/2558/2746762/-/uqy5xn/-/index.html>

as greater wealth (and power) are concentrated within the hands of a rather small elite, one cannot discard the possibility that this has deep ramifications on the performance of politics and economy. Indeed, it is actually possible that the structure of power could eventually be that of an oligarchy camouflaging itself as an enlightened democracy.

In the previous EA report on inequalities, three possible scenarios for the future of the region were outlined:

- A world in which the poor continued to be excluded from the gains and scrambled to collect the few crumbs scattered their way ('**Winner Takes All**');
- An illusory future in which debt-fueled social welfare handouts gave the poorer segments of the population the impression that they too were beneficiaries of the growth, yet the fundamental structural challenges were ignored. The rich-poor gap continued to expand apace and there was little hope that it would ever narrow ('**Social Bribery**') and finally;
- An aspirational scenario in which the region, on the back of a crisis, undertakes significant transformational efforts to drive up domestic demand, build and nurture local value-chains and improve the skills of its labour force. This scenario is appropriately titled '**Transformation**'.

All of these three scenarios co-existing side-by-side in East Africa today and it is uncertain that any single one will prevail. Nonetheless, the challenge is that of trying to understand how to build on the forces that would promote the expansion of the transformation scenario whilst containing or undermining the forces that favour the other two scenarios.

The regional integration process is a critical component in understanding the future of inequality in East Africa. As the region begins to draw back the curtains of suspicion and reticence that were the hallmark of previous years of cooperation, the potential that is embedded within the region is becoming more evident for all to see. Increased trade, competition and value-addition have unleashed an unstoppable vortex that is generating and liberating greater resources for investment in the region, aimed at improving badly needed infrastructure but also harmonizing the rules of the game. How the region is able to engage with its social challenge will eventually determine whether the fruits of this integration contribute to a harmonious, peaceful region or merely grease the cracks that could in the medium- and longer-term undermine its progress.

This report will aim to explore and offer for reflection, some of the challenges that the region will need to face up to if it is to be able to successfully embark on a transformation scenario. In choosing to address the 'Political Economy of Inequality in East Africa', this report will seek to examine and offer some hypotheses as to why inequality persists and why efforts to address it (narrow the gap) are unlikely to be successful in the absence of a committed attempt to dismantle and recreate the institutions that distribute power and the networks that have emerged to extract benefits from them.

In his editorial, Stefano Prato wrote:

'It is evident that the persistence and even increase of current inequalities is the manifestation of significant democratic deficits maintained through ossified power structures. This is the reason why the inequality question is **fundamentally a governance issue rather than one of economic and social policy as it requires an overarching policy inclination to build more egalitarian and equitable societies and economies, which will then percolate down to multiple policy domains...** Indeed, inequalities impose an analytical framework that exposes the close nexus between poverty and prosperity and highlights how the current pattern of growth thrives on marginalization and inequitable inclusion. When assessing the political economy of exclusion, government and intergovernmental agencies are often significantly constrained by formal and informal mechanisms that award wins to existing power structures... Even when government action is legitimate and deliberate in addressing the transformative question, there is a serious limitation of policy space under the existing framework of hegemonic economic globalization and liberalization. This is particularly evident in the African context, where it is therefore hardly possible to discuss socio-economic transformation of the region without addressing the drivers that reproduce global inequalities and relegate Africa to the provider of primary commodities and minerals'⁴

WHY POLITICAL ECONOMY?

The problem of the persistence of inequality in the region requires us to take a deeper look at what its structural origins are. Like any disease, treating visible symptoms that present themselves does not necessarily mean that the underlying causes of the malady will disappear. In our case, having waged a struggle against poverty, hunger and disease in the region for the last half-century, perhaps it is time to take stock of what results have been achieved and why the problems that we set out to conquer at the turn of independence persist today. As stated above, the region is today recording phenomenal (economic) growth rates and with this growth, comes a package of promises and expectations. But what, if anything at all, will change?

'Growth' whilst desirable, cannot be seen as neutral good – one that spreads its warmth equally on all. It is the quality of the growth that matters perhaps even much more than its quantity. In their book⁵, Jan Drèze and Amartya Sen remarked that whilst (economic) reforms that boosted growth were important, they were not sufficient to improve the living conditions of the poorest, or supplant some of the structural impediments that continued to hold them back. Sustaining fast and participatory economic growth requires a significant amount of social

⁴ Prato, Stefano (2014) 'Editorial: The Struggle for Equity: Rights, food sovereignty and the rethinking of modernity', *Development* 57:3-4 Inequalities, pp. 314. Emphasis ours.

⁵ Drèze, Jan and Amartya Sen (1995) *India: Economic development and social opportunity*. Oxford: Clarendon Press: 16.

transformation, and these changes are not necessarily part and parcel of the package of changes that liberalization and economic incentives seek to address.

In many words, Drèze and Sen were challenging the prevailing political economy in India and its contribution to perpetuating inequality, particularly the inability of the said economic growth to undo the caste system and gender hierarchies, improve the living conditions of the poorest and generate employment. It is clear that growth does not trickle down, and if it does, it simply consolidates the status quo as opposed to changing it. Yet the media – in a posture not too dissimilar from that in the East Africa – continues to trumpet the 'success' of the growth miracle, 'deeply indifferent to poverty and inequality, and reflexively intolerant of any remedial action by the government, produce 'an unreal picture of the lives of Indians in general' by celebrating the fame and wealth of billionaires and cricket and Bollywood stars.'⁶

The parallels between India and East Africa cannot be ignored. Indeed, any honest investigation into the causes of persistent and expanding inequality in the region cannot avoid to take a deep look at the way our institutions have been structured, and how they have performed. We cannot avoid to examine the nature of the decision-making process, the actors involved and the choice of priorities to be attended to. Broadly speaking, it is a question of 'political economy' – an examination of the balance of political power in society and the institutions that this balance of power has given rise to. Whilst human diversity is, and remains a fact of life, the current extent of inequality and the inequity it is spawning cannot be written off as a natural phenomenon. Rather its persistence is an outcome of the manner in which assets are distributed in a given society; the rate of returns on the assets and the government policy that has guided (or not) this process. In other words, the current extent of inequality is an outcome of political choices.

In focusing this report on examining the political economy of inequality, we aim to shine a spotlight on the relationship between politics (domestic and regional) and inequality. To what extent are our political institutions linked to the persistence of poverty? What political factors affect the evolution of inequality and what are the effects of inequality on political choices and outcomes? Is there a relationship between our various identity formations and the manner in which public goods are provided? More importantly, and going beyond the data that we will examine, we will explore the challenges and possibilities around rethinking our national institutions and reframing political economy so that it contributes to genuinely narrow the inequality gap. This report will not aim to split hairs about the accuracy of the data on inequality presented. Available data, whilst in many instances incomplete or of questionable accuracy, in and of itself is also a function of the prevailing inequalities that we are trying to unpack. Thus, in some instances, the data presented will be much more anecdotal as opposed to hard, statistical data. As Alex Cobham aptly put it:

⁶ Mishra, Pankaj (2013) 'Which India Matters?', *New York Review of Books* – November 21.

'People and groups go uncounted for reasons of power: those without power are further marginalized by their exclusion from statistics, while elites and criminals resist the counting of their incomes and wealth. As a result, the pattern of counting can both reflect and exacerbate existing inequalities...

...[t]he term 'uncounted' is used to describe a politically motivated failure to count. This takes two main forms. First, there may be people and groups at the bottom of distributions (e.g., income) whose 'uncounting' adds another level to their marginalization, for example, where they are absent from statistics that inform policy prioritization. Second, there may be people and groups at the top of distributions who are further empowered by being able to go uncounted – not least by hiding income and wealth from taxation and regulation.

In either case, the phenomenon is not a random or arbitrary one. Being uncounted is not generally a matter of coincidence, but reflects power: the lack of it, or its excess. As such, the term 'data revolution' is most appropriate. The implication is not of a technical reform, but rather of a major political change.⁷

It however seeks to challenge the normative framework that considers inequality inevitable – or even legitimate.

The bigger question though is why we should be bothered about inequality within the context of growing regional integration at all.

According to Josef Yap:

'Addressing inequality is important because of the threat to long-term economic growth. Rising inequality erodes the middle class, which is the backbone of society; adversely affects incentives and motivation of workers in sectors that fall behind, thereby lowering labor productivity; hampers investment in human capital because lower income classes do not have access to credit; and, in general, undermines social cohesion... Regional integration in East Asia has made a significant impact on inequality particularly the spatial component as it has been anchored on regional production networks. Participation in these regional production networks has allowed several countries in Southeast Asia to narrow the development gap with Japan, Korea, and Taiwan.'⁸

The objectives of the East African Community call *inter alia* for the establishment of 'balanced, harmonious and equitable development' (Article 5 of the EAC Treaty). It also espouses a

⁷ Cobham, Alex (2014) 'Uncounted: Power, inequalities and the post-2015 data revolution', *Development* 57(3-4): 320-321.

⁸ Yap, Josef T. (2014) 'Addressing Inequality in Southeast Asia through Regional Economic Integration' in Naomi Hattokawa and Ikuo Kuroiwa (eds.) *Inclusive Development in the Era of Economic Integration: Policy Implications for LDCs*, Bangkok: Bangkok Research Center, IDE-JETRO.

series of values under the 'Fundamental Principles' of the treaty (Article 6) which cannot be discounted. In order to attain these goals and uphold its values, the regional integration process needs to ensure that it is a vehicle to advance rights and justice. In the long run therefore, the persistence of inequalities thus fundamentally undermines the regional integration process.

Thus, the question for East Africa is to what extent the regional integration process can contribute positively to reduce the deepening of inequality in the region and to enable its citizens to enjoy the promised fruits of the process – expanding peace and development.

In the absence of structural transformation, the scope for real, sustained changes is limited and the inequalities gap can only become larger and eventually unsustainable. The challenge therefore is for our governments to sustain policy efforts aimed at transforming East Africa into regional community that is people-centered and which facilitates a harmonious, balanced, sustainable and equitable development process. In this respect, it is worth reflecting on the words of the 'Accra Political Statement on Inequalities in the Context of Structural Transformation':

'We all urge a legitimate and capable developmental state to drive this policy renewal to tackle inequalities and promote such people-centered transformation of our societies and economies. In this context, new fair and effective taxation regimes, measures to curb illicit capital flows and combat corruption can generate the resources for the necessary public investments and accountable development financing strategies. At the same time, the need for evidence-based policies require significant investment in independent and publicly accountable statistical capacities to ensure that real social and economic needs and dynamics are located and addressed and progress (or lack of it) can be adequately tracked over time'. 'However, the agenda for inclusion and equity requires a much broader agency than the State alone. It involves a fundamental change in power relations and the democratic negotiation of a new social contract between citizens and accountable and developmental democratic institutions. We therefore welcome the diversity of actors in the conference as a solid base on which to build the necessary harmonious and participatory interaction for the full legitimacy of decision-making within our societies.'⁹

The scope and context of this report is to interrogate and contribute to the process of regional integration. As such, the report will pose some questions as to whether the opportunities that this process presents will be helpful in supporting efforts to narrow present inequality gaps. The best answer we can give to this is a lukewarm 'it depends' - it depends on the choices that the leaders are willing to make; whether they are willing to take bold steps to reconfigure

⁹ Political declaration endorsed by the Africa-wide Conference on 'Inequalities in the context of Structural Transformation', convened by the Government of Ghana in collaboration with many African and international partner organizations. The conference was held in Accra, Ghana, on 28th-30th April 2014. The full statement was published in SID's *Development Journal on Inequalities* (Vol. 57:3-4) and can also be found online at: <http://bit.ly/1Zlk51a>

the institutional and power architecture to ensure that all citizens of the region benefit from integration as opposed to only a (small) section.

1.1 WHY INEQUALITY MATTERS: AN OVERVIEW OF THE POLITICAL ECONOMY

“Too many have had to suffer at the hands of a political economic elite who have shaped decisions and never had to account for mistakes or to suffer from injustice. When unemployment prevails, they never stand in line looking for a job. When deprivation results from a confused and bewildering welfare system, they never do without food or clothing or a place to sleep. When the public schools are inferior or torn by strife, their children go to exclusive private schools. ... An unfair tax structure serves their needs. And tight secrecy always seems to prevent reform.”¹⁰

Vincent Mosco defined political economy as:

“The study of control and survival in social life. Control refers specifically to the internal organization of individual and group members, while survival takes up the means by which they produce what is needed to reproduce themselves. Control processes are broadly political in that they involve the social organization of relationships within a community. Survival processes are fundamentally economic because they concern the production of what a society needs to reproduce itself.”¹¹

Early definitions of economics indeed made a close reference to politics – perhaps much more than today, there was a greater acknowledgement of the relationship and interplay between economics and politics. Fundamentally, any study of political economy has to straddle disciplines as it is an attempt to explore reality and provide an analysis of how winners and losers in any process are produced (and reproduced). To return to Mosco’s definition above, it explores and tries to explain how control is captured and exerted.

The reality of production and distribution in East Africa today is that it is a function of long-established patterns and traditions of elite capture that have for the larger part marginalized the majority of citizens. Whilst positive developments over the years have been made in democracy, in provision of social services and economic opportunities, the playing field is still skewed heavily in favour of ‘those who have’ and the affinity of and cohabitation within politics and economics of these elites should not surprise anyone. The factors of production have remained largely controlled by the same groups and alliances. Indeed, the zero-sum nature of politics is an indication of the earnest with which ‘control and survival’ are practiced.

¹⁰ Acceptance Speech by Jimmy Carter - Presidential Nomination at the Democratic National Convention in New York City, 15 July 1976, http://www.jimmycarterlibrary.gov/documents/speeches/acceptance_speech.pdf

¹¹ Mosco, Vincent (2009) *The Political Economy of Communication*, London: Sage, pp. 25. Original emphasis.

The role of the state in leading and shaping the context in which political economy plays out is important and cannot be downplayed. The evolution of the modern African state today has encapsulated these tensions within it and as such remains hostage to the forces that control it and is thus captured. By capture, we refer to the process by which state power is directed at the consolidation of that same power by a select group of elites and their acolytes. This self-referential process is not necessarily concerned with issues of justice for the masses as this would mean a relinquishing of the grip on power. The effects of this capture can be seen much more clearly when the performance of the state is analyzed across three metrics: its normative role; the redistributive role and its ethical guardian role. The manner (and efficacy) in which the state performs its role in these three domains is critical for its continued legitimacy and we examine them briefly below:

- a) Its **normative** role – in this function, the state needs to create the basis for policy decisions to be taken (or not). The manner in which the traditional ‘balance of power’ between the executive, legislature and judiciary is worked out and maintained is critical to this normative function. It can be argued that this space is largely the one that lays the foundations for how (limited) resources will eventually be distributed and which priorities will be addressed.
- b) Its **redistributive** role – this plays out at two levels – how resources are obtained and subsequently how they are used. Theoretically, in this function, the state oversees resource collection and ensures that the manner in which resources are distributed (and expended) responds to the priorities it has set and that it is able to respond to legitimate needs through efficient assessments and redistribution as needed, in a manner that respects and upholds the dignity of the citizens whom it serves.
- c) Its **ethical** guardian role – the moral basis on which a state operates, the moral high ground and integrity that are needed in order to execute the previous two functions cannot be understated. Indeed, in the absence of these moral boundaries, and a cogent set of laws that bind its operators, it is likely that conflicts of interest will begin to multiply and eventually undermine the states normative and redistributive roles, weakening its functioning and even setting the stage for social conflicts.

More often than not, we do not give much thought to the interplay between these three roles, but they are critical in establishing the foundations for performance of the state and other economic actors, and eventually the outcomes that will be obtained.

How do we observe capture? The normative function of the state is largely at the service of powerful interests who can count on favorable policy decisions that allow them to consolidate ever more wealth and power - for instance, much has been made of tax flight and capital evasion, or white collar crime. Yet, policies and laws aimed at addressing these ills remain weak and culprits are rarely pursued aggressively. This is perhaps not by chance. Contrast this with

the efforts made to rein in informal traders for not meeting their tax or licensing obligations. Furthermore, in an effort to meet growing budget deficits, emphasis is placed on widening the tax base, which means an inevitable rise in the cost of goods and services, a cost that is disproportionately borne by the poorer segments of society.

Whilst there might be a broader consensus on the first two, there is greater contention on its ethical role. However, there is in all East African countries, a growing tendency to celebrate elites and their wealth, regardless of how such wealth might have been obtained. This reification of wealth probably has a functional purpose in reinforcing the distance between the (wealthy) leadership and ordinary citizens. It also pollutes – at least unconsciously – the notions of ethical propriety in acquisition of wealth and hypnotizes society into acceptance of the capture of the state and how it performs its role.

Yet clearly, there needs to be a minimum set of agreed upon behavior otherwise there can be no basis for further evolution of the state – at least not in a direction that provides succor and benefits for a majority, if not all its citizens.

As Kyle Chan puts it:

‘...What is at stake here is more than just access to luxuries. What is at stake is whether a portion of society is denied access to the basics such as healthcare, food, and housing... The well-being or continued suffering of millions of people depends on our ability to address this issue, as does the characterization of our society as a fair and just one’.¹²

“The rich man in the village is the head of the village; the poor man is the head of the burial ground.”
Saying from Andhra Pradesh, India

Whether or not we are able to address this issue of fairness in access to basics is perhaps at the heart of the ethical guardian role.

Much of the debate around how to address inequality has also rotated around ‘rights’ and ‘needs’. Today’s modern state subscribes

to a body of law and universal jurisprudence that is supposed to guarantee a number of rights for all human beings. This places it in contrast to feudal regimes where rights, if any, are arbitrary and have no space for recourse when infringed. Rights – however they may be framed – demand action and accountability. Thus, when a country, for instance, enshrines a ‘Right to Food’ in its constitution, citizens are entitled to demand for the government to perform in meeting this right, and to hold someone accountable if this right is infringed upon. Needs, on the other hand, introduce an element of option. Authorities are under no obligation to respond

¹² Chan, Kyle – Does Income Inequality Matter? <http://www.theeuropean-magazine.com/kyle-chan-2/6386-the-economics-of-social-cohesion>

to, or to provide for needs and any provision that facilitates access to needs can be considered a function of their charity.

The social contract – an implicit bargain between citizens and their rulers – has usually been interpreted as the lens through which many of the issues considered within the inequality framework ought to be addressed. The role of government within the social contract has been broadly given as a set of responsibilities to its citizens: the responsibility to protect citizens – from foreign attack and from each other; the responsibility to protect the natural resource base for future generations. The government is also supposed to provide the environment that would allow for its citizens to thrive and be productive.

Thus, when inequality is expanding and many citizens are evidently on the losing side of the bargain, it is possible to call into question the continued validity of this social contract. In his book *State Legitimacy and Development in Africa*, Pierre Englebert argued that the failure of post-colonial states in Africa to deliver development is largely due to their 'lack of legitimacy'. State legitimacy, in his view 'addresses both the legitimacy of the right to and the agreement as to what constitutes the political society, the policy and the community of participants in the social contract'.¹³ States that lack the foundations of social and power relations have sought to legitimize themselves by resorting to policies that are based on clientelism, regionalism, factionalism, nepotism and corruption – all of which are elements of that distort the role of the state and its function in fulfilling its ethical, normative and redistributive role. Thus how the social contract has been formulated and is upheld is also fundamental to our understanding of the prevailing political economy and its contribution to inequality in the region.

To the extent that we, as citizens, are able to take up our civic responsibilities and to interrogate the quality and efficiency of public spending, we can contribute immensely to helping to shape the manner in which public resources (garnered through taxes) are spent and thus also help to strengthen the social contract that binds us together. By ensuring greater transparency and accountability in public spending, it is possible to have different conversations about what exactly our spending priorities should be and how we should therefore allocate our resources. Yet, and as can be evinced from the tenor of this publication, there is – broadly speaking – little evidence that resource allocations aim to tackle the high levels of inequality prevalent in the region.

Granted, the complexity of government budgets and the relative lack of interest and/or capacity amongst citizens (or legislators for that matter) to get to grips with this complexity means that it is unlikely that there will be in the short- or medium-term, a significant change in the state of matters. Thus it is highly probable that the social contract – and accountability – will continue to suffer. On the other hand, it is equally highly improbable that there will be significant efforts

¹³ Englebert, Pierre (2000) *State Legitimacy and Development in Africa*, Boulder and London: Lynne Rienner Publishers: pp. 175.

to make public budgets more transparent, thereby reducing the transaction costs of monitoring fiscal conditions for a public subject to fiscal illusion.¹⁴

But we need not be eternally pessimistic – there are opportunities for change that could be harnessed to transform what is a vicious cycle into a virtuous cycle. Three suggestions:

Pursuing tax justice

Tax justice simply means that fairer systems for taxation are put in place, so that each pays according to their means. It will require that governments seal the loopholes that allow large corporations to avoid taxes due locally by moving them abroad. It will require that tax evaders be pursued to the fullest extent of the law without recourse to legal artifices that allow them to get off scot free.

Why is this critical? Low tax revenues mean that our governments struggle to maintain the most basic of social services at a minimum level of decency. Increased tax revenue (accompanied by a different spending ethic) should unlock possibilities for improved education, healthcare, infrastructure and other social safety nets. Furthermore, increased tax revenue should lead to decreased donor dependence and allow for greater citizen accountability.

Reinforcing rights framework

A human rights-based approach is a conceptual framework for the process of human development that is normatively based on international human rights standards and operationally directed to promoting and protecting human rights. It seeks to analyze inequalities which lie at the heart of development problems and redress discriminatory practices and unjust distributions of power that impede development progress¹⁵.

Considering that the basis of the potential of East Africa is her citizens, reinforcing a rights-based approach to development means investing in her citizens as 'rights-holders' and allowing for their voices to be heard as well as enabling them to play an active role in the development of their communities and countries.

Pursuing a counter-narrative

If East Africa is to become a different, perhaps more egalitarian society, it will also be because we decide to construct and pursue counter-narratives to what exists at present. A counter-narrative, at its simplest, is simply a different story, one that challenges the privileged position of the current prevailing narrative and promotes alternative strategies.

¹⁴ Fiscal illusion is the concept that governments find it easy to raise tax revenues because of consumer ignorance about the way the tax system works.

¹⁵ See also http://www.unicef.org/policyanalysis/rights/index_62012.html

What should preoccupy our time and energy? What are the pursuits we must engage in as a community? Are we really living up to and upholding the values that are expressed in our various national constitutions and in the EAC treaty? How do we treat each other? Do the individuals we exalt in our societies really deserve their veneration? Do our institutions and the way they work reflect the society we believe in?

A counter-narrative would attempt to offer a different take on these themes and subjects and would offer society a 'mirror' through which it could explore alternative pathways and establish much deeper meaning and understanding of its purpose and pursuits – and how these could contribute to different outcomes with respect to the prevailing inequalities.

1.2 WHAT WE SPEND AND WHO BENEFITS...

Any analysis of the political economy of inequalities in the region needs to begin with a look at its key domains as presented below:

Domain	Description	Illustrative Examples
Ethical	The promotion of moral justification for privilege	<ul style="list-style-type: none"> • The 'mafia boss' as social hero • Identity politics • Culture of impunity: 'Dodging is smart!'
Normative	The use of legislative and policy instruments to consolidate the power of the elite	<ul style="list-style-type: none"> • Use of property rights to dispossess land • Corporatization of seeds • Hierarchy between investors' rights and human rights
Fiscal	The use of both taxation and resource allocation to protect privilege	<ul style="list-style-type: none"> • Regressive tax policies • Tax-driven formalization of the informal sector while promoting corporate tax privilege • Huge infrastructure spending to consolidate export-led strategies of commodities and minerals

Table 1: Key domains for analysis of political economy of inequalities

Within the each of these domains, we can ask two key questions:

Ethical	Normative	Fiscal
<ul style="list-style-type: none"> • Whose narrative prevails? • What instruments are used to blunt the moral core of society? 	<ul style="list-style-type: none"> • Where do we get our resources from? • How do we spend our resources? 	<ul style="list-style-type: none"> • What policy decisions are made (or not)? • Who benefits from these decisions?

Table 2: Key questions for domains

In exploring how these domains play out, we have chosen to explore a number of sectors with a view to highlighting the impact of the political economy on the outcomes that we see today. In our journey, we will try to provide you, the reader, with a synthesized overview of how the various forces have interacted and continue to interact. To what extent have they been shaped and constrained by these forces? If we desire different outcomes, what are the best points of leverage on which we should act?

The nine sectors we will explore straddle three pillars – the economic, the social and the political:

Economic Pillar	Social Pillar	Political Pillar
Agriculture <i>Who benefits from the policy process and the investments? (This sector is a proxy for sector policies e.g. services, manufacturing).</i>	Education <i>What is the real story behind the investments in education? Quantity or quality? Private vs. public? What are the outcomes to date?</i>	Justice <i>How does the justice mechanism work? How does it respond to the weak and poor? What explains impunity?</i>
Infrastructure <i>Where are the investments being made? Who are the beneficiaries?</i>	Health <i>Is the health system based on a dated health profiles? How responsive is to emerging needs? Private vs. public? How financed?</i>	Security <i>The fastest growing sector? Why? Who benefits from this surge in demand for protection? What does it tell about us?</i>
Wages and Wage Policy <i>To what extent do these reflect the benefits of growth? Also, do they reflect a commitment to social protection? Should they?</i>	Housing and Shelter <i>Lots of construction activity in EA. Housing for whom? How does this contrast with the situation in our slums?</i>	Discrimination and Identities <i>How do identities, particularly and ethnicity, gender inform the political economy? What is changing?</i>

Table 3: Key Pillars

Why these nine sectors in particular? Through these sectors, we would like to explore the outcomes that policy choices made have had, and whether the benefit(s) have accrued to the majority within the polity, or have been circumscribed to a narrower group. Have these outcomes contributed to empowering communities, strengthening society and the public good?

In choosing these sectors, we try to depict the reach that the political economy has in influencing the outcomes in various sectors and in touching the lives of virtually all citizens – for better or for worse. Thus, as a structural driving force, it shapes and conditions the choices that are made at various levels. Understanding the structural forces that are at play gives us the possibility to better understand the options that we have to make better decisions – obviously, assuming here that the search for ‘better’ is informed by the need to operate in the greater public – as opposed to private – interest. Decisions normally tend to have ripple effects, with consequences that spill over to other sectors. Policy processes, however, tend to minimize, or worse, ignore these effects and the fact that our world is in essence, a network of interrelated systems.

In picking these nine sectorial entry points, we will be trying to achieve the following:

First, to enable us – citizens and users – to appreciate the structures that create the reality that we interact with. Decisions do not necessarily emerge from the blue. Understanding what

forces are at play enables us to appreciate what constraints and opportunities to action we are confronted with. It enables us to apply more efficient and economical approaches to creating the change we would like to see, but allowing us to focus on those spaces and places where we might be able to exert a higher leverage.

Second, to allow us to begin to build networks and connections that can support change processes. By taking a step back and beginning to map out systems and structures, we can identify improbable allies and reach out to them to work together to make the changes that are needed.

Third, understand what capacities and capabilities are needed for the journey. The changes that need to be brought to the political economy cannot be put in place overnight. Rather, acknowledging that there are changes to be made also needs to come with the acknowledgement of the time and learning curve that the change process will need to embody. Leaders in these change processes will need to ensure that they are able to tap on reservoirs of capacity and capabilities that can accompany the journey.

Finally, and perhaps most important, unraveling the structure should allow us to have honest conversations with respect to what outcomes we would like to create and what approaches we would like to use to do so. Co-creation, and sharing of the responsibility for the outcomes we would like to see can be a powerful enabler for action and hence, it is incumbent on leadership to understand how to tap on the resources within their midst to enable them to shape a future that offers better guarantees of different outcomes which are shared by the majority.

EAST AFRICA TODAY



EAST AFRICA TODAY – THE PICTURE OF NOW

DEMOGRAPHICS AT A GLANCE

East Africa is young and urbanizing rapidly. This is not necessarily all bad news. It is a function of how we respond to the developments and take advantage of opportunities where they exist as well as create new ones where necessary or possible.

The reality is that the demographic trajectory will place significant pressure on leadership to anticipate changes and to come up with appropriate responses. A deeper analysis of the significance of the demographic situation in the EAC is to be found in Section 3 [East Africa's Population]

	Burundi	Kenya	Rwanda	Tanzania	Uganda
Population, total (millions)	10.5	45.5	12.1	50.8	38.8
Dependency ratio, old age (65 and older) (per 100 people ages 15-64)	4.5	5	4.5	6.2	4.9
Dependency ratio, young age (0-14) (per 100 people ages 15-64)	85.3	75.4	74.1	85.9	96.6
Population, ages 65 and older (millions)	0.2	1.2	0.3	1.6	0.9
Median age (years)	17.6	19	18.4	17.6	15.9
Population, under age 5 (%)	19	16	16	17	19
Population, urban (%)	11.8	25.2	20	28.1	16.8

Table 4: Data: UNDP 2015 HDR Country Profiles

HEALTH INDICATORS AT A GLANCE

Basic health indicators taken globally, indicate that progress is being made albeit slowly. A comparison of similar indicators a decade ago provides a clear indication of just what has been achieved. Nonetheless, these indicators mask broad disparities within countries and indeed, any investigation will indicate the extent to which appropriate health care still remains a luxury for many East Africans. The section on Health [page ...] provides a deeper insight into the structural challenges that impede adequate and appropriate health care access for all East Africans.

	Burundi	Kenya	Rwanda	Tanzania	Uganda
Life expectancy at birth	56.7	61.6	64.2	65	58.5
Deaths due to malaria (per 100,000 people)	63.7	49.6	33.2	50.5	57.9
Deaths due to tuberculosis (per 100,000 people)	18	22	10	13	13
HIV prevalence, adult (% ages 15-49), total	1	6	2.9	5	7.4
Infant mortality rate (per 1,000 live births)	54.8	47.5	37.1	36.4	43.8
Infants lacking immunization, DTP (% of one-year-olds)	2	18	1	1	11
Infants lacking immunization, measles (% of one-year-olds)	2	7	3	1	18
Public health expenditure (% of GDP)	8	4.5	11.1	7.3	9.8
Under-five mortality rate (per 1,000 live births)	82.9	70.7	52	51.8	66.1

Table 5: Data: UNDP 2015 HDR Country Profiles

KEY EDUCATION INDICATORS

As with the health sector, the education sector has seen significant positive developments in the last decade. The advent of universal primary education has ensured that hundreds of thousands of children who would have otherwise have missed out on an education now have access. This notwithstanding, the devil – as always – is in the details. The section on education exposes significant challenges which cannot be addressed without a commitment to total reform of the sector and an insistence on world-class quality standards. Achieving these goals will clearly take some time, but success is not impossible unless change begins soon – otherwise there is a significant risk that the investments of the past years will be lost.

	Burundi	Kenya	Rwanda	Tanzania	Uganda
Expected Years of Schooling (years)	10.1	11	10.3	9.2	9.8
Adult literacy rate (% ages 15 and older)	86.9	72.2	65.9	67.8	73.2
Gross enrolment ratio: pre-primary (% of preschool-age children)	8.8	60	13.6	32.9	10.8

	Burundi	Kenya	Rwanda	Tanzania	Uganda
Gross enrolment ratio, primary (% of primary school-age population)	134.1	114.4	133.8	89.5	107.3
Gross enrolment ratio, secondary (% of secondary school-age population)	33.1	67	32.6	33	26.9
Gross enrolment ratio, tertiary (% of tertiary school-age population)	3.2	4	6.9	3.9	4.4
Mean years of schooling (years)	2.7	6.3	3.7	5.1	5.4
Population with at least some secondary education (% aged 25 and above)	6.7	28.6	8.4	7.5	28.8
Primary school dropout rate (% of primary school cohort)	52.5	22.4	65.3	33.3	75.2
Primary school teachers trained to teach	95	96.8	95.6	99	94.8
Public expenditure on education (% of GDP)	5.8	6.6	5.1	6.2	3.3
Pupil-teacher ratio, primary school (number of pupils per teacher)	44.8	56.6	59.8	43.4	45.6

Table 6: Data: UNDP 2015 HDR Country Profiles

KEY ECONOMIC PERFORMANCE DATA

The economies of the region are growing – this can be seen from the steady growth of the per-capita GDP figures (see figure below). East Africa is trading more with itself and the world. Overall, this is a good thing. As trade barriers are progressively dismantled and new opportunities and corridors opened, the region is able to extract more value from its produce.

	Burundi	Kenya	Rwanda	Tanzania	Uganda
GDP per capita, PPP (constant 2011 international \$)	734	2,818	1,584	2,421	1,689
Exports and Imports (% of GDP)	41.6	50.9	45.4	49.5	50.7
Foreign direct investment, net inflows (% of GDP)	0.3	0.9	1.5	4.3	4.8
Net official development assistance received (% of GNI)	20.1	5.9	14.6	7.9	7
Private capital flows (% of GDP)	n.a.	-0.5	-1.5	-5.7	-5.5
Remittances, inflows (% of GDP)	1.8	2.4	2.3	0.1	3.8
Population, urban (%)	11.8	25.2	20	28.1	16.8

Table 7: Data: UNDP 2015 HDR Country Profiles; World Development Indicators

The good news is that there is even greater potential in the region – a potential that can be obtained with a greater commitment to structural transformation of our economies. This means pursuing economic growth paths that promote inclusiveness and narrow inequalities. The region's growth is still heavily dominated by exports of primary commodities. Any element of transformation of the region's economy will need to increase the proportion of value addition and manufacturing. The agricultural sector is key in this regard. As Bartholomew Armah said:

'A key element of structural transformation is an increasing share of manufacturing in the GDP. In Africa this can be achieved through a commodity-based industrialization strategy that actively promotes the processing of raw materials. By linking raw material producers to factory workers, transport providers, financial institutions, wholesalers and retailers, agro-processing creates a value chain of livelihoods for a broad spectrum of the society.'¹⁶

¹⁶ Armah, Bartholomew (2013) 'Making Sense of Africa's Priorities for the Post 2015 Development Agenda', *Development* 56(1): 114-122.

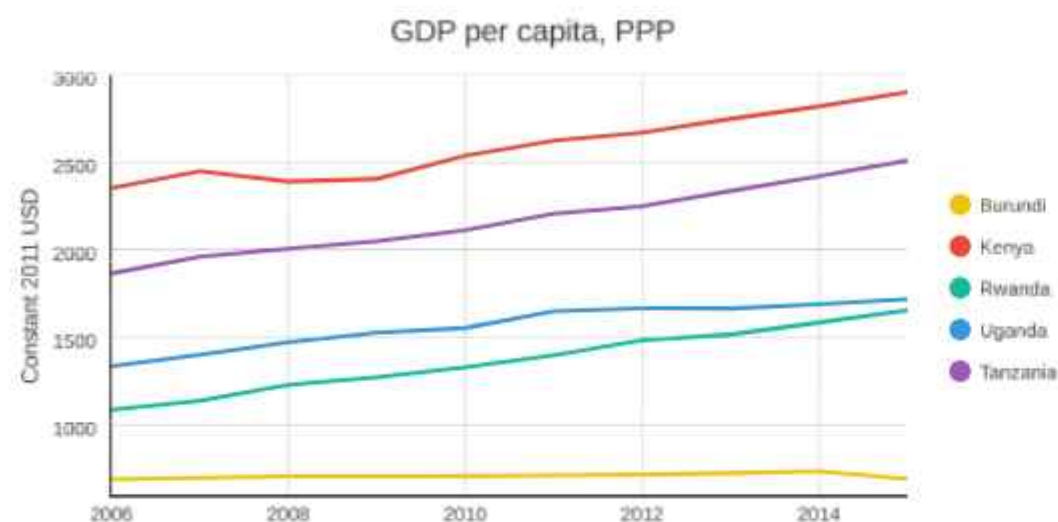


Figure 1: Data: World Development Indicators

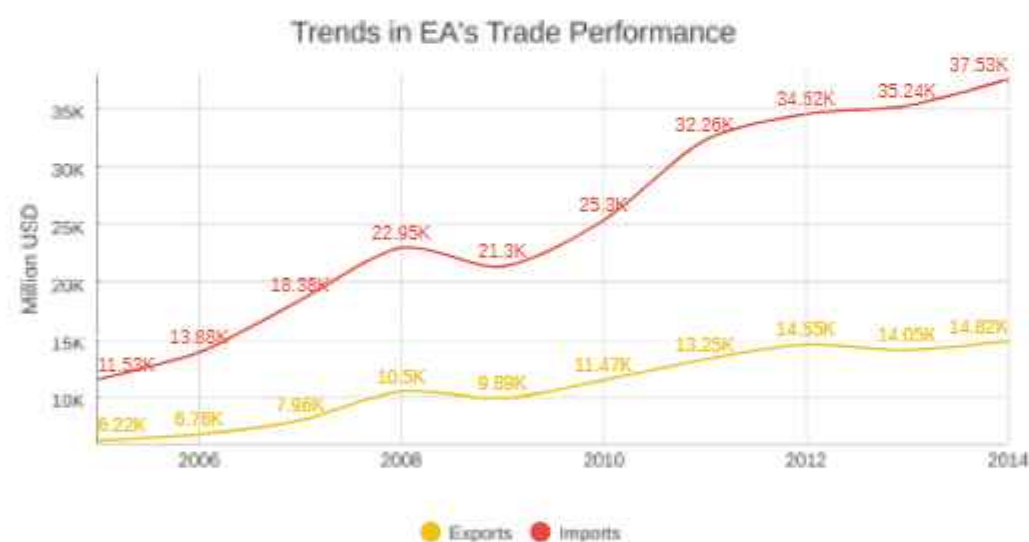


Figure 2: Source: EAC Facts and Figures (2015)

The East African region expanded its total trade by 6% to \$52.4 billion in 2014 from the previous year. Imports continue to dominate the regions trade increasing by 7% between 2013 and 2014. The value of exports increased by 5.5% to \$14.8 billion between 2013 and 2014.

Beverages such as tea, coffee and beer were East Africa's leading export commodities for 2014. They add up to about \$2 billion worth of the \$7 billion export revenue. Gold, alone in Tanzania brings in about \$1.2 billion revenue.

Petroleum products, pharmaceutical products, industrial goods, construction materials and cars continue to dominate East Africa's imports. It is worthy to note that the \$13 billion value of the region's top five imports exceeds its \$6 billion exports value by a large margin. This was the similar case in 2012 and 2013 with an \$11 billion and \$7 billion disparity, respectively between the two values. Given, the regions fuel import bill valued at about \$8 billion in 2014/2015, it is clear that the region's most important export earners cannot pay for the regions fuel consumption.

KEY INEQUALITY DATA

	Burundi	Kenya	Rwanda	Tanzania	Uganda
Inequality-adjusted HDI (IHDI)	0.269	0.377	0.33	0.379	0.337
Coefficient of human inequality	31.5	31.1	31.6	27.2	30.2
Income inequality, Gini coefficient	33.3	47.7	50.8	37.8	44.6
Income inequality, Palma ratio	1.3	2.8	3.2	1.7	2.4
Income inequality, Quintile ratio	4.8	11	11	6.2	8.8
Inequality in education (%)	36.9	26	29.4	28.5	29.4
Inequality in income (%)	14.1	36	35.2	22.7	27.3
Inequality in life expectancy (%)	43.6	31.5	30.2	30.4	33.8
Inequality-adjusted education index	0.234	0.38	0.289	0.304	0.319
Inequality-adjusted income index	0.263	0.321	0.262	0.372	0.305
Inequality-adjusted life expectancy index	0.318	0.439	0.475	0.482	0.392
Overall loss in HDI due to inequality (%)	32.6	31.3	31.6	27.3	30.5

Table 8: Data: UNDP 2015 HDR Country Profiles

AGRICULTURE



AGRICULTURE

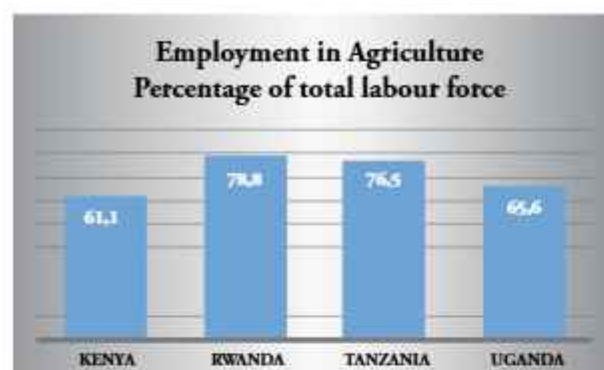


Figure 3: Data - FAO Statistical Yearbook 2013

either directly or indirectly employed by the sector. The majority of the region's agriculture production takes place through small-holders and it is this cadre of producers that have been impacted worst by the profound changes that the sector has undergone in recent times – either as a result of global (market) trends or highly variable climate systems.

Subsistence agriculture remains unable to guarantee reasonable income levels for those who practice it and further exacerbates food insecurity through a combination of low incomes which deplete the ability to purchase sufficient food on the market and low production levels.

Within this context of rapidly evolving social and economic contexts, policymakers are challenged to ensure that the region is able to further support the development of an agricultural sector that operates through modern and sustainable practices, can guarantee livelihoods and at the same time contribute to

employment creation. In the last decade a number of policy initiatives have been put in place with a view to making agriculture more productive and competitive. However, these efforts seem to be having limited impact in addressing the two major challenges to the longer-term stability of the region: unemployment and food insecurity.

Rising to the Challenge

In its 2014 report, the Africa Progress Panel noted that the agricultural sector continued to be neglected in comparison with the other productive sectors that were driving the continent's

Agriculture is the 'backbone' of the economies of East Africa. This is the quotidian rhetoric of politicians and policymakers. Yet the stark reality is that the contribution of this sector to GDP is slipping, overtaken by the service industry. It still remains however, the base of livelihoods, primary provider of food and the largest employer – with easily two-thirds of the regional labour force

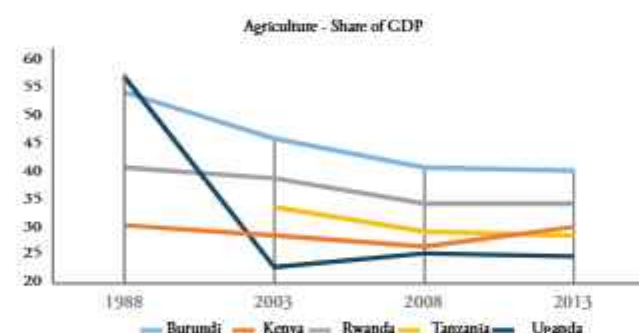


Figure 4: data Quandl.com

growth. The panel suggested that further investments that would allow the region to reap the full productive potential of the sector would have a knock-on effect and could potentially contribute to reducing poverty faster. The notion of what to invest in in agriculture is also challenged with the suggestion that investment in staples yields in the long-term, a greater contribution to reducing poverty than export crops. To quote:

'While export crops typically have higher value, staple crop production is more effective at spreading growth across the economy and reducing poverty – because staple crops have a larger role in national economies and a central role in the livelihoods of the poor. Regionally produced food staples have a very large potential to replace imported food, which points to a promising avenue for growth that reduces poverty'.¹⁷

The region's governments will in time, need to match more substantively, the rhetoric that seeks to transform the agricultural sector into more concrete actions that target the bulk of the small-holders who are struggling to stay afloat in the sector. Whilst promising moves have been made, the size and potential of the sector call for

redoubled urgency. If the recent focus has been driven by the seduction of the extractive industry, the current slump in the global prices within the extractive sector might provide the opportunity to rethink the attention that is given to the agricultural sector. As the African Progress Panel opined:

"The Africa Progress Panel is convinced that too few governments recognize the extraordinary waste of productive potential that current policies allow. It is time for these governments to ask some tough questions. Why does a region that is home to 15 per cent of the world's population account for one-third of those affected by hunger? Why is a region that could feed itself increasingly dependent on food imports? And why do Africa's farmers account for such a minuscule share of an import market in food (excluding fish) valued at US\$35 billion? Perhaps most critically of all, why are so many of Africa's farmers living in poverty and food insecurity, given their capacity for resilience, entrepreneurialism and innovation?"¹⁸

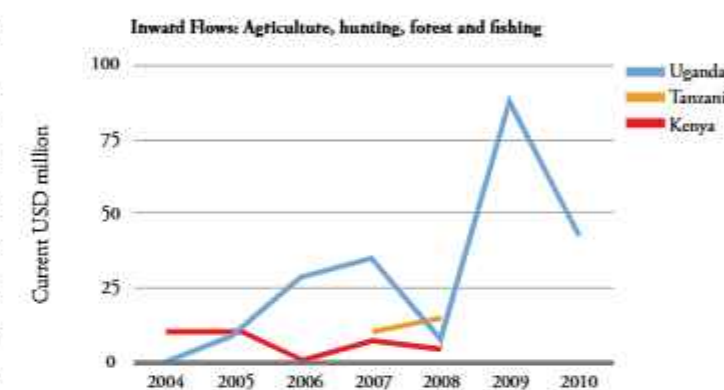


Figure 5: Data - FAO Investment Centre Data

¹⁷ Africa Progress Panel (2014) 'Grain Fish Money Financing Africa's Green and Blue Revolutions', pp. 47.

¹⁸ *Ibid*, pp. 54.

The question was focused on Africa's potential as a whole. We are a part of Africa and therefore are called upon to seek answers for our region.

The East African Community (EAC) recognizes this in its 'Food Security Action Plan, 2011-2015' which is a guide that the Community members are expected to reference in their quest to ensure food security in their countries and hence the region. Over the next decade (2011-2020), the EAC seeks to improve its global competitiveness for faster and sustainable economic growth and move closer to the status of a newly industrialized region. Thus, there needs to be an acceleration of the processes of harmonization of the common market, particularly with regards to the production and access to markets for food staples with a view to allowing internal production and consumption processes to balance surpluses and deficits. Enhanced incomes and creation of employment along

the food chain from production to marketing is a priority of the Food Security Action Plan.

The relevance of this activity is further underlined by the recent declaration of the AU Heads of States summit that was held in Equatorial Guinea at the end of June 2014. Dubbed the 'Malabo Declaration on Accelerated Agricultural Growth and Transformation

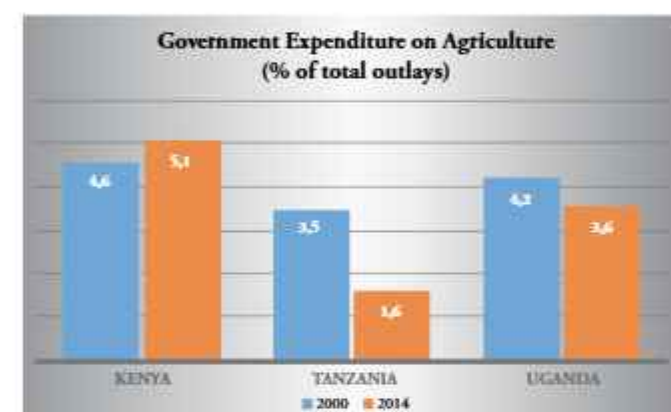


Figure 6: Data FAOSTAT

for Shared Prosperity and Improved Livelihoods'¹⁹, it lays out a framework of action to be pursued by AU member states. One analyst summed up this declaration as follows:

'Perhaps most importantly a set of new goals showing a more targeted approach focusing on employment, post-harvest losses, climate smart agriculture were agreed. The focus broadened beyond spending and production, with concrete targets for 2025 such as reducing post-harvest losses by half, creating job opportunities for at least 30% of the youth in agricultural value chains and ensuring that at least 30% of farm, pastoral and fisher households will be resilient to climate and weather related risks. Much attention also goes out to improving the functioning of agricultural markets and intra-African trade, with an ambitious goal to triple intra-African trade in agricultural commodities.'²⁰

Obviously, such – and other policy prescriptions – are the medicine governments have at their disposal to influence welfare outcomes. Many of the inequalities that we see in the region

¹⁹ The full text of the Malabo Declaration can be found here: <http://bit.ly/1wk1MLK>

²⁰ van Seters, Jeske (2014) 'Three Take-away Messages from the African Union Summit in Malabo on Agriculture and Food Security', <http://bit.ly/1vLZtCb>

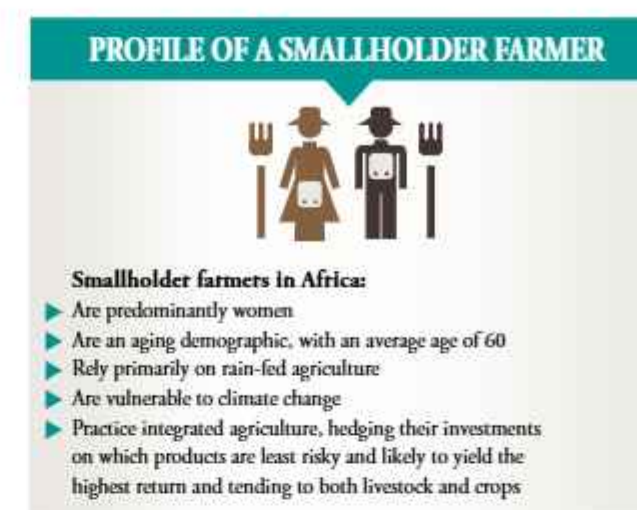


Figure 7: Source - State of the African Farmer, 2014

today are starkly evident in the agricultural sector. Whereas some might be heavily influenced as a result of natural endowments (soil types, availability of rainfall), a large number are the outcome of policies that were put in place: land laws, infrastructure, access to extension services, research, market support, ancillary services – health care systems, education, financial services etc.

The impact of inequalities on the agricultural sector is quite broad and probably could merit a standalone publication in its own right. For demonstrative purposes nonetheless, we look at two issues and how they play out and affect, in a disproportionate manner, the smallholders who account for approximately 80% of the sector. These issues are: infrastructure and trade agreements.

Infrastructure

It is necessary to look at infrastructure if only for the fact that it plays a critical role in facilitating the value chains that the small-holder farmers could potentially benefit from. Broadly speaking, infrastructure refers to the road, rail, maritime and air networks in the region; the energy transmission network; water and irrigation channels and the market storage facilities.

The road network is perhaps considered more critical for the majority of the farming community if only for the fact that it is the primary channel for their produce to the markets.

In recent years, the region has been investing in developing regional transport corridors, which has meant upgrades for the dilapidated road networks that were legion. There is however a lack of consensus on the impact of these revamped corridors on the immediate fortunes of the smallholder farmers. One analyst, commenting on this fact noted:



Figure 8: The Hinterland remains largely unconnected

'Because of inadequate physical infrastructure and inefficiency, these corridors are characterized by long transit times and high cost. While the main transport corridors form the backbone of East African infrastructure the question is whether infrastructure investments should focus on a 'transport corridor' development strategy or on a 'rural feeder road' strategy. There is consensus in the literature on the fact that investments in corridors do not have impact greatly on smallholders and agricultural production. Rather, as reported by Byers and Rampa (2013) in a study of corridors in Tanzania, these routes are likely to be 'corridors of power' that benefit relatively few rather than 'corridors of plenty', with 90% of smallholders likely to be left out of value chains. Fan and Chan-Kang (2005), discuss where and how to better allocate investments in infrastructure. Their conclusion is that investments should be directed to the construction and maintenance of rural roads to spur agricultural transformation and alleviate rural poverty. Byers and Rampa (2013) conclude that additional opportunities and support should be provided to smallholders to help them to benefit from corridors by linking those large infrastructure developments with the feeder roads for better market access.'²¹

To the extent that infrastructure developments and policy changes do not prioritize linking small-holders to the market, it is unlikely that the vicious cycle of low production and low incomes can be ameliorated. A recent study by the World Bank²² estimated that transportation costs can account for 20-60% of the final food prices. This makes local produce uncompetitive, particularly in landlocked countries or those areas where producers are cut off from their markets and provides perverse incentives to import foodstuffs at cheaper prices. Furthermore, as the gap between smallholder production and markets grows, more and more farmers will eventually give up farming and seek alternative employment and livelihoods.

Furthermore, the importance of logistics for the agricultural sector in terms of warehousing, cold storage, markets etc. that can limit post-harvest losses, provide access to finance (through warehouse receipt systems) can also help farmers access better prices. This is a critical, yet underestimated component of economic development. Indeed, without accompanying appropriate logistical and supply chain support systems, investments made in this sector are likely to be ineffective and ultimately futile. The cost involved is staggering, particularly when one considers the number of hungry and malnourished people in the region. According to Aulakh and Regmi:

"Total food losses in Sub-Saharan Africa are estimated to be worth \$4 billion per year, an amount which can feed 48 million people (FAO, 2013). Losses on cereals are estimated to be high and account for about 25% of the total crop harvested. These losses can be

²¹ Kambona, Kenneth (2016) 'Transforming East African Agriculture through Infrastructure Facilitated Market Access and the Impact on Youth Livelihoods' (SID, forthcoming)

²² World Bank (2012) 'Africa Can Help Feed Africa: Removing barriers to regional trade in food staples', Poverty Reduction and Economic Management, Africa Region: <http://siteresources.worldbank.org/INT/AFRICA/Resources/Africa-Can-Feed-Africa-Report.pdf>

even greater in perishable products, and account for as high as 50% of harvested fruits, vegetables and root crops (Voices Newsletter 2006)'.²³

Other estimates put the total food loss in the Africa at one-third of the total harvest²⁴. These losses can also be reduced by putting place simple technologies that allow farmers to store their harvests better such as plastic bags and metal containers that have in some cases, been proven to reduce losses by up to 98%.²⁵

Trade and Trade Agreements

One of the core driving forces behind regional integration has been that of facilitating commerce within the region. In this regard, a number of policy initiatives and agreements have been put in place with a view to facilitating trade flows within the EAC, but also to harmonize the regions trade relations with the wider world. These efforts have contributed positively to growing intra-regional trade in the sector (see Tables 9 and 10 below) which highlight the growing volumes traded on the formal and informal commodity markets.

Commodity flow		Kenya - Uganda		Rwanda - Burundi		Uganda - Rwanda		Tanzania - Burundi		Kenya - Tanzania	
		Kenya/ Uganda	Uganda/ Kenya	Burundi/ Rwanda	Rwanda/ Burundi	Rwanda/ Uganda	Uganda/ Rwanda	Tanzania/ Burundi	Burundi/ Tanzania	Kenya/ Tanzania	Tanzania/ Kenya
Commodity											
Maize	2006	783	4,505	**	0	**	413	39		949	160
	2007	571	6,381	**	**	**	5,013	128		1,876	3,931
	2008	674	2,691	44	2	3	1,083	533		1.8	1,973
	2009	1.2	2,757	47	**	7	5,079	**		1,279	1
	2010	196	11,622	**	23	**	4,783	28		1,336	75
	2011	28*	9,734*	53	5	63	6,276*	7*		123	321
Beans	2006	2	2,783	**	145	**	**	**		46	**
	2007	1	12,893	**	1	**	4,970	**		307	32
	2008	3	11,418	0	600	206	92	58		**	331
	2009	8	9,772	10	**	192	9	**		23	1,135
	2010	32	9,225	**	137	126	**	147		88	635
	2011	3*	7,969*	3	539	4	136	2		3	219
Rice	2006	224	145	**	6	**	1,322	224		39	3
	2007	318	21	7	**	**	2,25	145		75	2,537
	2008	399	33	12	24	11	3,68	108		85	2,184
	2009	872	94	158	**	11	3,762	17		39	6
	2010	880	2,04	222	**	57	664	520		0	6,812
	2011	753*	2,637*	16	**	115*	2	18		2	852

Table 9: Formal Intra EAC agricultural commodity (grains) Trade²⁶

Source: Nile Basin Initiative 2012 *Projected values; ** Unavailable data; 0= less than \$1000

²³ Aulakh, Jaspreet and Anita Regmi (2013) *Post-Harvest Food Losses Estimation - Development of Consistent Methodology*, pp. 8, <http://bit.ly/1oXUYEm>

²⁴ The East African, New FAO project to help African farmers cut food losses, April 18 2015, <http://bit.ly/1qp8bHf>

²⁵ *Ibid.*

²⁶ As presented by Enock Twinoburyo in his paper, EAC: In whose interest is agricultural trade? [soear.sidint.net/...](http://soear.sidint.net/)

	Source-Destination	UG-KE	UG-RW	UG-TZ	TZ-UG	TZ-KE	KE-TZ	TZ-RW	RW-UG
Maize	2012	195,007	10,920	33,727		7,429			
	2013	201,273	9,902	47,515			1,552		
	2014	282,077	26,520	4,327					
Rice	2012	34			686	192		170,280	
	2013				2,462	19,025		102,416	
	2014				11,212			18,972	
Beans	2012	123,205			2,388	745			2,420
	2013	141,768		3,599		1,002			4,231
	2014	143,618		78					7,158

Table 10: Cross border trade Volumes Metric Tonnes²⁷

However, as trade picks up, new challenges have become evident. In their report, CUTS Geneva, made the following remarks with respect to the issues that the policy process needed to pick up on with a view to further easing trading restrictions in the region. These included:

1. Government charges at the borders, long customs procedures and outright corruption in cross-border trade increase the cost of trade and only help in entrenching informal trade; [The graphic below from the World Bank report 'Africa Can Help Feed Africa' is instructive in this regard];
2. Market participants and the general public, but also customs and border officials do not always have adequate and accurate information on the opportunities presented by the regional cooperation and integration. Insufficient and asymmetrical market information implies that the middlemen and other officials exploit farmers;
3. Lack of harmonized food safety standards in the region e.g. moisture content requirement for traded maize is not uniform in the region. Lack of mutual recognition of standards often acts as a barrier to trade. The procedures and SPS requirements in the region are not harmonized in practice neither are they adequately communicated to the farmers;
4. There is no overall regulatory strategy consistent with the common market; instead, regional regulation is being developed through slow, negotiated, and inefficient harmonization efforts. The EAC system is still more a negotiating forum for treaties than a dynamic regulatory system meeting the needs of the common market.²⁸

Again, much as these shortcomings may impact all actors, large and small, it is the smaller players who have to bear the brunt of these adversities. Additionally, the role that well-connected actors play in disrupting the market is well known, particularly with respect to their capacity to circumvent (customs) controls and to dump cheap imports onto the markets.

²⁷ *Ibid.*

²⁸ CUTS Geneva (2014) 'The Political Dimension of Trade Reforms: Impact on Food Security in the East African Community', pp. 32-33.

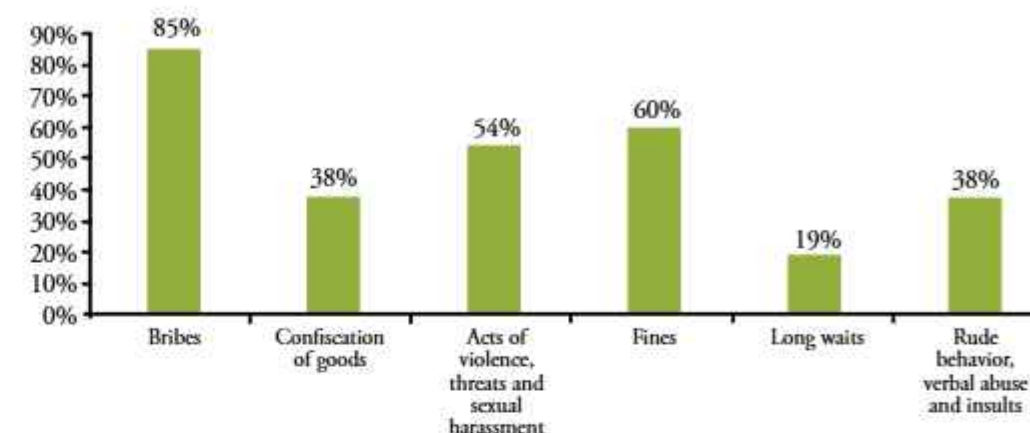


Figure 9: Reported frequency of risks from a survey of 181 traders at four border posts between the DRC and Burundi, Rwanda and Uganda in 2014

Another aspect of trade policy that has created challenges for local producers has to do with the recent push towards harmonization standards. As the World Bank report noted:

'On the one hand, the EAC's approach of establishing different grades for maize is consistent with private sector systems used for determining a commodity's value, yet at the same time, the EAS (and FDEAS) still create several problems for regional trade. In the first place, the East Africa SQMT (Standardization, Quality Assurance, Metrology and Testing) Act makes standards compliance mandatory and states that no product shall be allowed into the region that does not meet the minimum specifications. To the extent that problems with broken, discolored, and shriveled grains often arise for reasons completely unrelated to mycotoxin, maize with a high share of these characteristics can be kept out of the region on spurious grounds. Moreover, EAC-SQMT Act commits member states to ensure that domestic standards are fully harmonized with the East Africa ones, technically meaning that any grain that does not fully comply with EAC minimum standards requirements cannot be traded in domestic markets either.'²⁹

By creating a situation where quality standards for intra-regional trade are higher than those for produce coming from outside the region, the standards actually become a powerful disincentive for small and medium scale producers from participating in the market directly.

²⁹ World Bank (2012) 'Africa Can Help Feed Africa: Removing barriers to regional trade in food staples', Poverty Reduction and Economic Management, Africa Region: <http://siteresources.worldbank.org/IN-TAFRICA/Resources/Africa-Can-Feed-Africa-Report.pdf>, pp. 40.

WAGE AND RENTS



WAGES AND RENTS

One of the areas of great contestation is that of wages paid to employees. In recent years, virtually all East African countries have undergone some form of industrial unrest where employees downed their tools asking for improved wages and benefits. The classic response to such strikes has been to deny the sought-after increases, and to engage in lengthy collective bargaining processes that have on occasion yielded the sought after results by the workers. The quest for improved wages is not a uniquely East African phenomenon. Everywhere in the world, at one point in time or another, there has been some agitation by workers for improved economic and working conditions.

Despite efforts in some East African countries to raise the level of earned income by setting

What is a living wage?

'Remuneration received for a standard work week by a worker in a particular time and place sufficient to afford a decent standard of living for the worker and her or his family.

Elements of a decent standard of living include food, water, housing, education, healthcare, transport, clothing and other essential needs including provision for unexpected events'

Fair Trade International

minimum-wage legislation, East Africa has millions of 'working poor' – people whose jobs do not pay enough to keep them above the poverty line. These minimum wage guidelines have tended to be quite detailed, broken down by sector and geography (ostensibly to take into account differentials in cost of living standards). Yet, stipulated minimum wages have never reached the floor set for a 'living income' which is based on the amount an individual needs to earn to cover the basic costs of living. But are these minimum wages sufficient? In this section, we would like to argue that rather than focusing on minimum wages, we should be looking at living wages.

If we are to look at the Palma Ratio and how it has fared in East Africa, we note that the concentration of wealth has, broadly speaking, remained unchanged over the years. If anything, the tendency has been that the rich have been getting richer. The Palma ratios for 2014, as computed by the Global Consumption and Income Project (GCIP)³⁰, in East Africa range between 5.02 (Burundi) and 7.42 (Rwanda). By comparison, similar figures for the United

³⁰ For more information on the Global Consumption and Income Project, please see <http://gcip.info/about>

The Palma Ratio

The Palma ratio is a new measure, that is replacing the Gini coefficient as the standard measure of the gap between the rich and the poor in a society.

A Palma ratio of 5 means the country in question has a top 10 % that makes 5 times as much as its bottom 40 %

States, Canada and Germany are 1.95, 1.32 and 1.18 respectively. Thus, we can observe that the gap between the richest 10% and the bottom 40% of the population in our countries is quite shocking, particularly if we are to put this in perspective with other countries.

The figure overleaf gives an indication of how the Palma Ratio (as computed by GCIP) has evolved in the region since 2000.

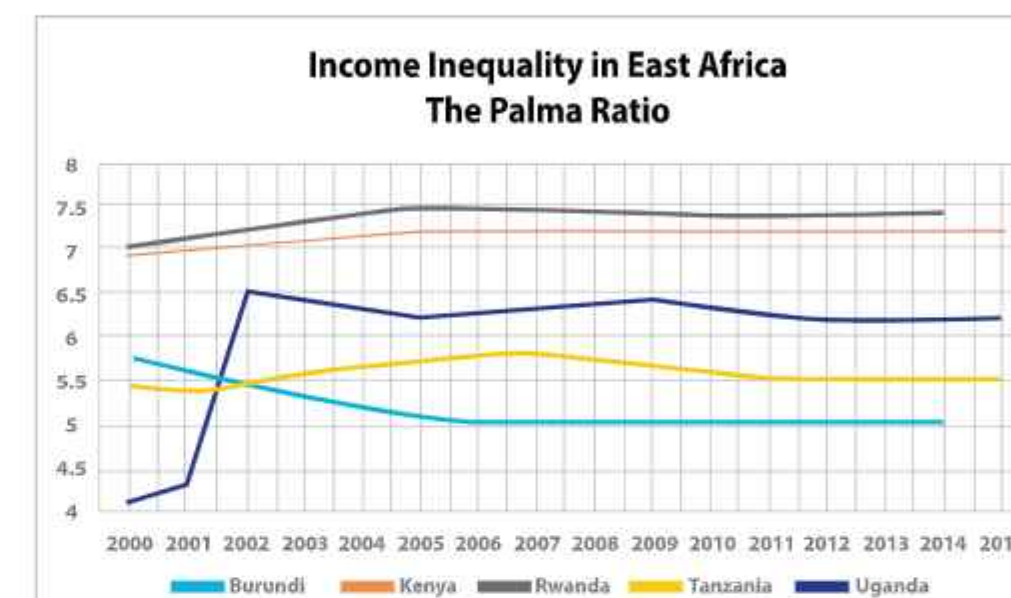


Figure 10: Data, Global Consumption and Income Project

By comparison, the Palma Ratio figures presented in the 2015 Human Development Index for the five EAC member states are:

Income Inequality – Palma Ratio (UN Human Development Indicators)

Burundi	1.3
Kenya	2.8
Rwanda	3.2
Tanzania	1.7
Uganda	2.4

What differs in the two sets of data is that the UN data is based on World Bank's Povcal and consumption data from real survey data supplied by the national government and some (arguably) minor adjustments by the World Bank. The GCIP data on the other hand, are based on income measures produced by adjusting consumption to income using the Lahoti et al method. In looking at the difference between the two data sets, the gap reported by the GCIP method seems more likely to reflect reality on the ground. Having more reliable income and

consumption data for our countries would go a long way in providing a much more solid basis for analysis of wealth gaps. That said, whilst the numbers might change, the order of ranking within the five countries does not.

Any such review of the wealth data inevitably leads to the question 'who owns the wealth and where is it derived from'. Granted, there is no readily available data in this regard. However anecdotal evidence suggests that there is a very strong nexus between participation in and proximity to government at high levels and wealth acquisition/accumulation. Again, and in going back to the initial quote by Alex Cobham in the introduction on what gets counted and what remains uncounted, perhaps we can begin to understand the reasons why this particular data aspect remains shrouded in mystery.

HOW THEY FARE: SELECTED MINIMUM WAGES BY SECTOR

As can be determined from the data presented in the graphs below, minimum wages are quite variable and even though effort has been made to differentiate according to sector and job location, they generally tend to be quite low in comparison to the cost of living. Uganda for instance, has not updated its minimum wage for close to 30 years – and a monthly minimum wage of 6,000 UGX (approximately US\$ 1.6) is clearly nowhere close to a living wage. Trade unions have been agitating for a minimum wage of UGX 250,000 (US\$ 68) but their proposal has yet to gain traction in parliament. (NB: New minimum wage guidelines were expected in July 2015 but are yet to be published).



Figure 11: Data: Sectors - www.mywage.com

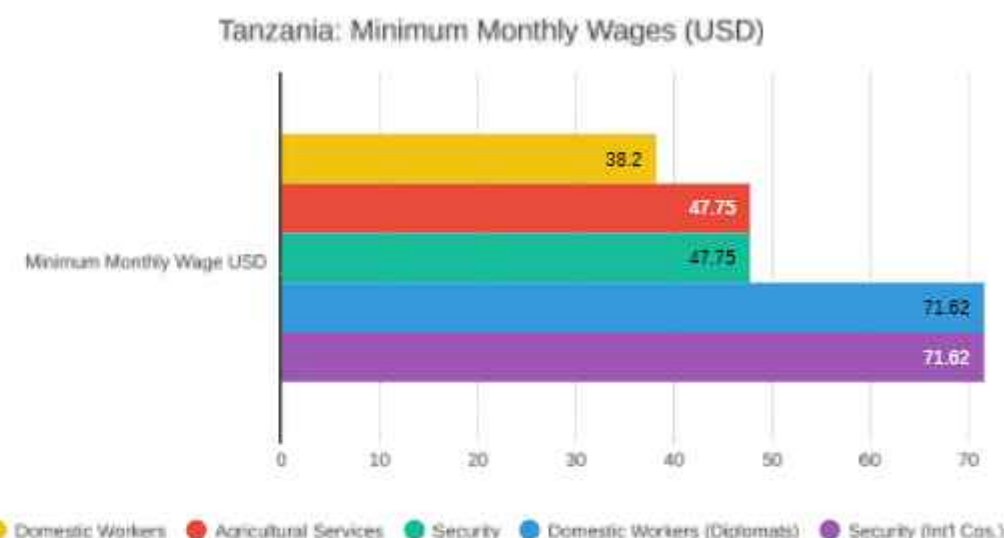


Figure 12: Data: www.mywage.com

A quick glance at the data presented above and confronting these with the reality of the cost of living indicate clearly that there still remains a large gap between the statutory minimum wages paid and the real costs of living that workers are expected to confront and survive. Plantation workers have been subject time and again of focus on wage levels and living standards. They are perhaps the most glaring example of just how minimum wages guidelines do not reflect reality.

The Case of Kenya's Floriculture Sector

Kenya is the world's third largest exporter of cut flowers in the world, accounting for around 35% of all sales in the European Union. Horticulture has been one of the top foreign exchange earners for Kenya, with the flower industry having exported 136,601 tonnes of produce valued at about \$600m in 2014. In 2014 the flower industry accounted for 1.52% of Kenyans GDP.³¹

Renowned for being long-lasting, Kenya's roses, florets and summer flowers are also popular in Russia and the U.S. Nearly two thirds of exports are destined for Holland, where they are resold to florists through auctions. According to the Kenya Flower Council, more than 500,000 people in the country depend on the trade of whom 90,000 are flower farm employees. Roughly half of the country's 127 flower farms are concentrated around Lake Naivasha, a freshwater lake around 90 kilometers northwest of Nairobi.³²

Despite the growing earnings, many of those working in this sector, are forced to live from hand to mouth – or from pay check to pay check.

³¹ Data from the Kenya Flower Council - <http://kenyaflowercouncil.org>

³² Veselinovic, Milena (2015) 'Got roses this Valentine's Day? They probably came from Kenya', CNN - March 16, <http://edition.cnn.com/2015/03/16/africa/kenya-flower-industry>

A 2014 study by Fairtrade International assessed the living wage for Kenya with focus on fresh flower farms near Lake Naivasha. The table below presents data collected in the study.

	KShs	USD
Statutory minimum wage for Agriculture	4,854	55
Prevailing wages for typical farm workers		
< 20 years' experience	9,700	110
> 20 years' experience	14,700	167
While the living wage for typical farm workers		
Living wages before considering taxes	17,276	196
Living wage after considering taxes	18,542	211
International Wage limits		
World Bank extreme poverty line wage	7,708	88
World Bank poverty line wage	12,333	140
Benchmark Wages for Kenya		
Employee wage in the urban informal sector	8,492	96
Local governments urban poverty line wage	13,180	150
Urban formal sector wage	18,824	214
Income of a low income employee according to Kenya income tax law	19,110	217
Living wage according to a trade union official	19,032	216

Table 11: Source: Fairtrade³³

The prevailing wage for farm workers is about double the minimum wage for workers that have less than 20 years' experience and about triple the amount for those with over 20 years' experience. However, the study shows that even the most experienced workers continue to a lot less than what is necessary for them to survive comfortably, even if other in-kind benefits and cash allowances such as housing allowance, transportation to and from the workplace and free or subsidized meals at work are factored in, the wage is still not enough.

The living wage calculated in the study accounts for the cost of a basic living standard that would be considered decent in today's non-metropolitan urban Kenya. This was done by summing up separate estimates for costs for a low cost nutritious diet and basic decent housing. The study assumed the farmer had a family of five to support and that he/ she was employed full time. The wage adjusts for unforeseen events such as illnesses and accidents to help ensure that common unplanned events do not easily throw workers into poverty.

A typical farm worker in Naivasha earns below the 'income of a low income employee' as stipulated by the Kenyan income tax law, valued at \$217. Only the worker with over 20 years' experience lives about the local governments urban poverty line wage.

³³ Fairtrade (2014) 'Living Wage for Kenya with Focus on Fresh Flower Farm area near Lake Naivasha', http://www.fairtrade.net/fileadmin/user_upload/content/2009/resources/LivingWageReport_Kenya.pdf

In its conclusion, the FairTrade report (pp. 48) noted:

'It is difficult to get away from the fact that flower farm workers have to struggle on their current pay. Most flower farm workers currently live in substandard housing that does not come even close to basic decency for a family. Most live in a 10 feet by 10 feet room that is without water or toilet (although it usually has electricity). Cooking is done in this small room on a small charcoal stove and so workers and family members are subject to high risks of burns. They are also exposed to high levels of smoke inhalation, because ventilation is poor as there is no chimney or exhaust system. To make matters worse, the vast majority of houses of flower farm workers are located in unplanned urban townships that are slums by almost any metric. These communities do not have paved roads, piped water, sewage system, garbage collection, or street lights. Despite these poor housing conditions, housing is expensive for workers relative to their current pay.'³⁴

It is important to note that the workers here are all being paid well above the legal minimum wage of KShs. 3,400 and their employers are considered to be 'good employers' considering the additional services that the employees benefit from. Are the flower farm workers really getting a good deal for their labour here?

Some additional research conducted by Women Working Worldwide (2012) highlighted a similar situation on flower farms in Uganda, Tanzania and Ethiopia. In all the countries, the employees were paid below the minimum living wage:

Country	Wages earned by workers interviewed (monthly)	Estimated monthly expenses for basic needs
Kenya (KES)	Lowest: 3,800 + housing allowance (approx. US\$59) Highest 7,200 + 2,000 housing allowance (approx. US\$94)	21,545 (approx. US\$ 220)
Uganda (UGX)	82,000 - 150,000 (approx. US\$33 - 60)	110,000 - 720,000 (approx. US\$44 - 228)
Tanzania (TZS)	70,000 - 140,000 (approx. US\$42 - 84)	70,000 - 170,000 (approx. US\$ 42 - 102)
Ethiopia (ETB)	487,5 - 800 birr (approx. US\$ 28 - 46)	750 - 960 (approx. US\$ 43 - 55)

Table 12. Wages and expenses of flower workers, based on interviews with flower workers in Ethiopia, Kenya, Tanzania, Uganda. Data from Women Working Worldwide

See: <http://www.women-ww.org/documents/livingWage.pdf>

³⁴ Anker, Richard and Martha Anker (2014) Living Wage for Kenya with Focus on Fresh Flower Farm area near Lake Naivasha. Accessed at http://www.fairtrade.net/fileadmin/user_upload/content/2009/resources/LivingWageReport_Kenya.pdf

Wage Inequalities in East Africa

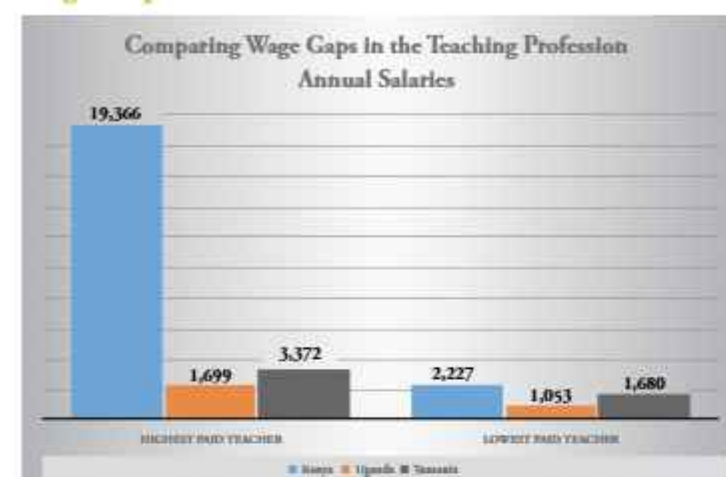


Figure 13

head teachers. According to the Kenya National Bureau of Statistics, the majority of teachers earn less than KShs. 50,000 (\$485) per month³⁵. Compared to other East African countries, Kenya has the largest difference in income level among teachers with its Chief Principals (the highest-paid teachers), earning almost nine times as much as entry-level primary school tutors at the bottom of the pay scales.

Wage inequalities are prevalent in East African economies.

In Kenya, the education sector has the highest number of those earning over KShs. 100,000 (\$970). This group, which is numbered at 13,809 (out of a total workforce of some 450,000) is mostly comprised of lecturers, senior administrators and

In Nairobi, the average monthly rent for a two-bedroom house ranges between KShs. 10,000 and KShs. 15,000 which means that teachers without access to staff living quarters (the majority) have to use close to half of their pay check for accommodation. Food and transport costs, with the general rise in the cost of living are absorbing an ever larger portion of the monthly income.

In Kenya there are an estimated 182,000 civil servants. Over 55% of them earn less than Sh30,000 (\$291) per month. Close to 11% earn between Sh50,000 and Sh99,000 (\$485-\$960) per month, while about 2% earn more than Sh100,000 (\$970) per month. Top civil servants, including principal secretaries and directors, earn salaries equivalent to those paid to corporate executives in the private sector.

Compared to Tanzania, Uganda, Rwanda, South Africa, Ghana, Canada, UK and USA, Kenya has the highest wage differential between the highest and the lowest paid person. In Kenya there is a 169% wage differential – over 20 times greater than that of Canada which recorded the lowest differential at 7.9%. Rwanda has a differential of 72.2%, while South Africa is at 80%³⁶.

In Rwanda, public servants have raised concerns that the wage differentials are lowering workforce morale and could be encouraging corruption. In 2013, heads of parastatals in Rwanda earned RWF 2.6 million (\$3,917) on top of tax-free and subsidized four-wheel-drive vehicles and hefty telephone and vehicle maintenance allowances. The telephone allowances of these officials were reported to be much higher than the RWF 212, 504 (\$320) gross monthly salary of a government secondary school teacher. A nurse attached to the First Family earns a gross monthly salary of RWF 980,000 (\$1,476) while a junior colleague at the district hospital is paid RWF 191,411 (\$288) a difference of about 80%. Current plans slated to take effect within 2016 aim to increase the average salary to RWF 500,000, although teachers will have to wait until 2023.

Recent public sector strikes by teachers and health workers have also brought into the spotlight the question of public sector wages and how these relate to a living wage. Whilst it is clear that the higher cadres of public sector workers are earning comfortable wages (in some instances far in excess of their private sector peers), those in the lower and mid-level cadres do not enjoy any such comfort. Indeed, one could argue that their plight is in many respects a window into the pressures that the so-called middle class is obliged to cope with on an ongoing basis.

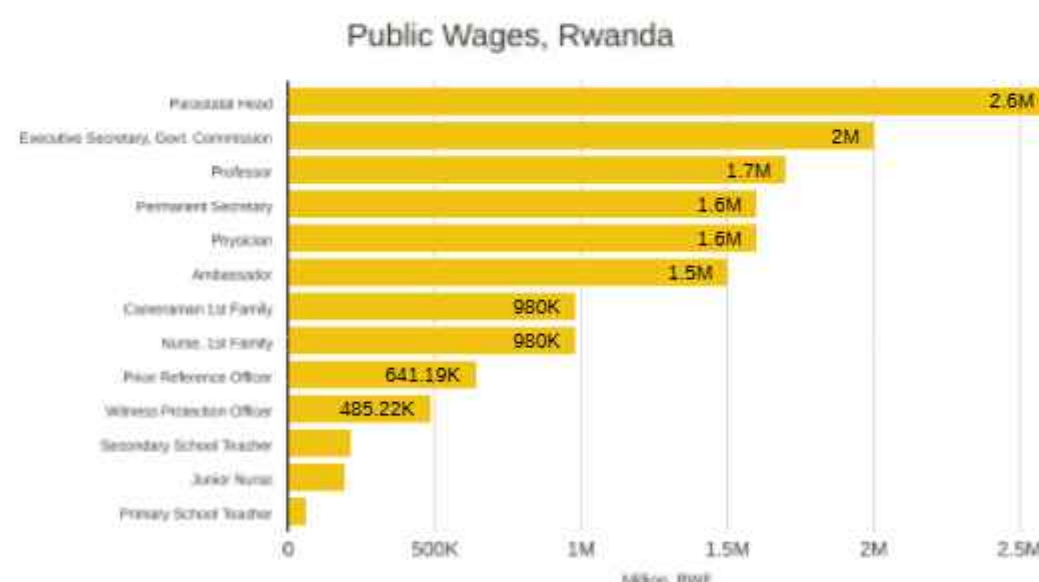


Figure 14: Data, The East African, May 17 2013³⁷

³⁵ Njoroge, Kiarie (2015) 'Number of Kenyan super earners shrinks as income gap grows', Business Daily, October 7, <http://bit.ly/1Tne7uA>

³⁶ Njoroge, Kiarie (2015) 'More than half of civil servants earn below Sh30,000', Business Daily, October 7, <http://bit.ly/1TfekmC>

While on strike...

In September 2015, Kenyan teachers downed their tools once again demanding a wage increase. The protest began after the government defied a court ruling that ordered a pay increase of 50-60 per cent for teachers.

President Kenyatta's argument in defying the court order was that the pay rise was not allocated in the 2015 budget and that the government could not afford "one more penny" for the teachers. The pay award was to cost KShs. 17 billion (\$179 m).

Teachers in Kenya are the best paid in East Africa. An analysis by the Institute of Economic Affairs, Kenya compared Kenyan teachers with their peers in selected countries in Africa and showed that the lowest-paid teacher in Kenya earns more than her highest-paid colleague in Uganda.

The highest-paid Kenyan teacher earns almost 12 times more than the average pay in Kenya. This is in stark contrast to Uganda where the highest-paid teacher receives just double the average income of a Ugandan. Even at the lowest income level, Kenyan teachers receive pay that is at least 44 per cent above the average wage. Their Ugandan peers earn 35 per cent more. The pay gap between teachers in Uganda is lower because the maximum salary in this country is almost double the minimum wage.

See: <http://www.nation.co.ke/news/Kenyan-teachers-best-paid-in-East-Africa/-/1056/2876662/-/87yybrz/-/index.html> and http://news.xinhuanet.com/english/world/2012-07/31/c_131749581.htm

GOVERNMENT REVENUES



GOVERNMENT REVENUES

The primary source of government revenue (or accountability as political scientists might argue) is through taxes that are levied on its citizens. In East Africa, the larger share of government tax revenue is derived through corporate taxes, followed by income taxes (Pay as You Earn schemes). Consumption taxes, nominally through the Value Added Tax (VAT) are becoming ever more important as governments seek to increase their tax take. A focus on increasing tax income in recent years has led governments to explore ways and means of broadening the tax base. Nominally, this has largely been followed through by schemes and plans to 'formalize' the informal sector and to explore ways and means of bringing in more citizens into the tax net. As can be seen from the graph below, the proportion of tax revenues as a percentage of GDP in the region is on average 13%. Whilst the general trend remains more or less flat across the region, it is important to note that the regional average is well below the OECD average of 33.7% (2012 figures). What this might suggest is that there is still room to increase the scope for taxation in East Africa. It is nonetheless important to note that the low tax to GDP ratio is also a function of the structure of the economies of the region: with a large proportion of the population in

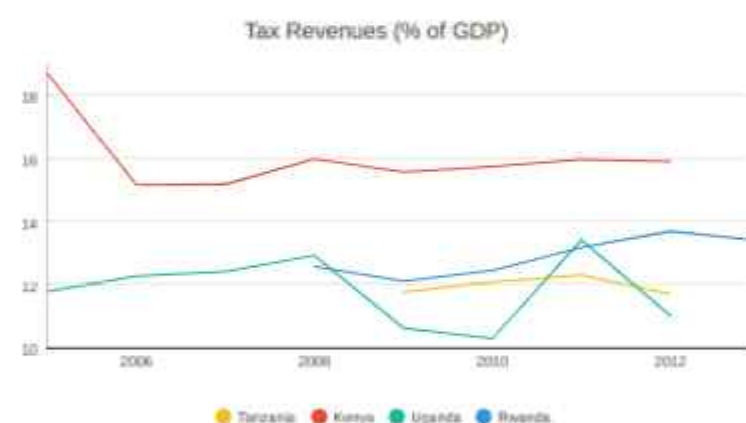


Figure 15: Source: Worldbank/World Development Indicators

agriculture and/or the informal sector, this presents challenges to tax collection either due to lack of registration (for tax purposes) and/or low incomes and expenditures. Thus, the administration of tax collection also involves bringing into the tax bracket eligible taxpayers from these categories.

The move to broaden tax bases is not only necessary, but also legitimate, particularly if the region is to meet its ambitious development goals. What is important is how this objective is pursued. The revenue objectives set by each of the national revenue authorities in recent years have all targeted increases in revenue collection, mostly through reducing opportunities for tax evasion by enforcing compliance. This is vital. But at the same time, it is equally necessary to relook at the various tax-breaks that have been put in place, ostensibly to promote foreign investment as well as seal tax loopholes that allow various corporations (and high net-worth individuals) to minimize their tax liabilities.

In their report³⁷, ActionAid International and Tax Justice Network Africa estimated that the EAC countries lose up to \$2.8 billion a year in revenue through tax exemptions and incentives which they described as 'unnecessary' given the lack of evidence in their having attracted foreign direct investment. An IMF study focusing on East Africa, also quoted in this report suggested that 'investment incentives – particularly tax incentives – are not an important factor in attracting foreign investment.'

That said, it appears that the tax incentives on offer are 'most effective in determining in which of a number of similar locations footloose export-oriented investment will locate.'³⁸ This is perhaps instructive in reflecting on the experience with investors in East Africa's Export Processing Zones who moved on at the expiry of the tax incentives that attracted them to the region in the first place. Te Veldt also presents a graph which shows the relatively poor performance of African countries with regard to the impact of special economic zones on job creation and structural transformation of the economy – two of the most critical variables that our policymakers must focus on.

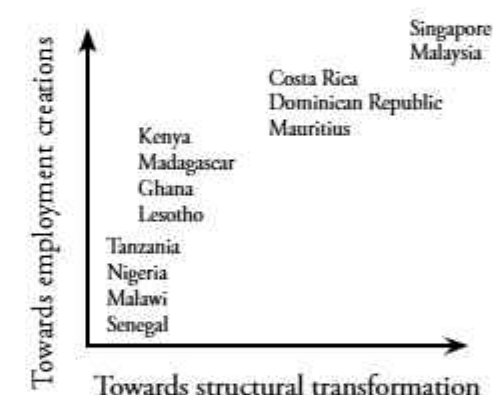


Figure 16: The impact of Special Economic zones on Job Creation and structural transformation in various Countries (after Te Veldt)

To the extent that tax incentive schemes can, and have been used to encourage investment, what perhaps is lacking are mechanisms to investigate and make transparent the benefits that are accruing from such schemes in a manner that enables policy leaders to review performance and make adjustments as needed.

Whilst it is true that a broader pattern of consumption will result in greater tax revenues, the policy framework that underpins this goal should work in tandem to ensure that production growth

and consumption growth shadow each other at the very least. In this way, at expanding economic activity and consumption integrate in a virtuous cycle. In the absence of such a relationship, any temptation to increase consumption taxes will inevitably injure consumption leading to reduce tax intake from these sources. In this regard, the relationship between wage/salary levels of individuals and the level of consumption taxes becomes more direct. To the extent that residual salaries (net of income taxes) are put under pressure by consumption taxes,

³⁷ Tax Justice Network Africa and Action Aid International (2012) 'Tax competition in East Africa: A race to the bottom?', http://www.actionaid.org/sites/files/actionaid/eac_report.pdf

³⁸ te Velde, Dirk Willem (2013) 'Tax, investment and industrial policy, Presentation for Taxation and Developing Countries, UK: ODI.

there will be an overwhelming tendency to reduce consumption. Furthermore, in proportional terms, it becomes clear here that the impact of these consumption taxes is much higher to low wage/income earners.

Thus the question of who bears the burden of taxation reforms cannot be neglected and this is also very much a function of the political economy that is prevailing. At present, it would appear that most of the tax reform efforts have been concerned with streamlining revenue collection and the general efficiency of the tax regimes. However, the incidence and distributional effects of such tax reform – which is essentially a political question – have apparently not attracted an equal amount of zeal.

What role therefore can fiscal policy with regards to taxation have in reducing inequality? The evidence seems to suggest that 'fiscal policy plays a much more limited role in reducing inequality in developing economies. Their higher income inequality is often explained by lower levels of taxation and public spending, as well as a greater reliance on less progressive and regressive tax and spend instruments.'³⁹

The debate on what reforms need to be made to the taxation regimes the member states of the EAC is one that will neither be attempted, nor be exhausted in this publication. We concede that tax increases are inevitable, particularly in a context of growing economies, ambitious ideals and declining external aid. As the OECD Observer wrote:

'Where tax increases are necessary, the most growth-friendly approach would be to reduce tax-induced distortions that harm growth, including closing loopholes, and to raise more revenues from recurrent taxes on residential property, while setting taxes to reduce environmental damage and correct other externalities. As ever, the devil is in the detail, but there are a number of ways in which such reforms could contribute to social equity. For instance, many tax breaks favour higher income individuals disproportionately. The case for reviewing their effectiveness is clearly compelling.'⁴⁰

We concur.

³⁹ Bastagli, Francesca *et. al.* (2013), Income Inequality and Fiscal Policy, IMF Staff Discussion Note, Washington DC, <https://www.imf.org/external/pubs/ft/sdn/2012/sdn1208rev.pdf>.

⁴⁰ The OECD Observer, How Tax Can Reduce Inequality, <http://bit.ly/1Lps88q>

EDUCATION



EDUCATION IN EAST AFRICA

The region is investing a significant amount of resources in the education sector. Whilst the drives towards ensuring universal primary education, universal secondary education and spreading the number of tertiary institutions for higher learning are laudable and should be continued, there is a need to begin to focus on questions around the quality of education on offer and not just the number of pupils that transit the education system (a process that also raises some very deep questions).

In the introduction to the 2013 Uwezo report, the authors noted with concern that: 'Children are not acquiring the foundational skills of literacy and numeracy consistent with the official curricular requirements in their countries. Indeed, the low learning levels suggest a continued crisis that demands attention'⁴¹. This report, which should make for compulsory, if not uncomfortable, reading for any policymaker in the education sector, highlights the gap between state ambitions/aspirations and the mediocre outcomes which are the order of the day. This report, which focuses on Kenya, Uganda and Tanzania also clearly highlights the gap between the 'best' and 'worst' performing districts. Not surprisingly, those at the bottom of the heap are located in regions where the state has been particularly absent and where the development conditions have hardly changed over the past decades. Conversely, the best results were recorded in those geographic areas that have traditionally benefited most from interventions that have improved the development context (see Uwezo Report – Fact 5: Large differences in pass rates across the region). This fact, points clearly to the fact that choices have outcomes – particularly with respect to how resources were allocated and who the ultimate beneficiaries are.

One of the key findings of the Uwezo study is that one-fifth (20%) of the children completing primary school in East Africa have not mastered basic numeracy and literacy skills. Whilst these results are in themselves cause for discomfort, it is not enough to merely blame the pupils but also to try and understand just how well prepared the teachers instructing the students are – a subject that is perhaps beyond the scope of this report.

So just how well has the region's educational sector been performing? One of the indices tracked by the World Economic Forum's 'Global Information Technology Reports' is the 'Quality of Education' where countries are ranked on the basis of their performance.

Looking at the EAC countries, the ranking trend (presented in the table above) is clear. In this graphic, where a ranking closer to '0' means that the country is ranked amongst the top in the survey and '1' means that it is at the bottom of the survey sample, the perception of the quality of the education offered is clear. Burundi, in spite of a small uptick, remains firmly at the

⁴¹ Uwezo (2013) 'Are Our Children Learning? Literacy and Numeracy Across East Africa', Nairobi.

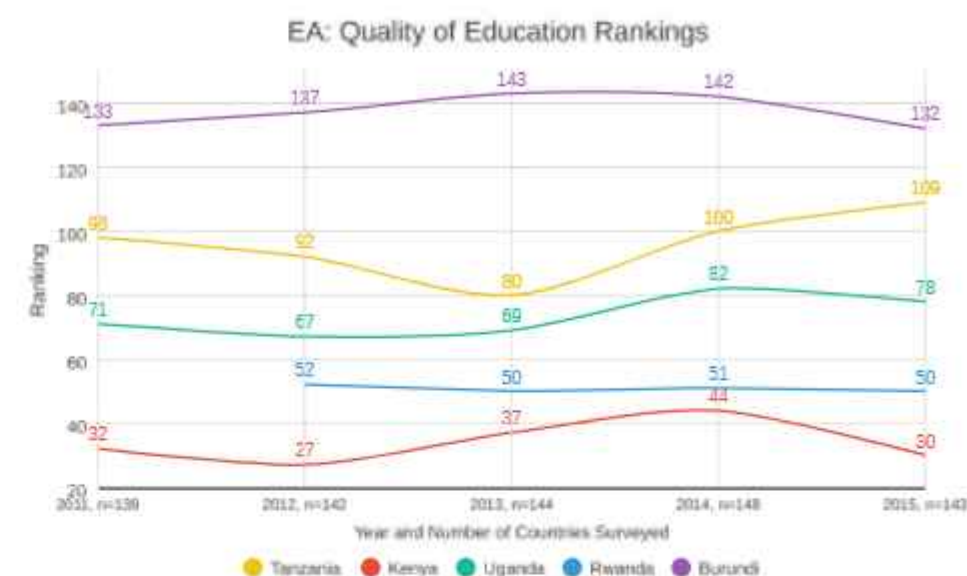


Figure 17: Data: World Economic Forum

bottom of the quality tables, whereas Tanzania and Uganda are slipping down the rankings. Rwanda seems to have embarked on a slow but steady rise up the ranking tables since it was included in 2012. Kenya on the other hand, seems to be recovering from a slump having risen up the rankings in the last survey:

So just how much are East Africa's governments spending on education? How can we determine if the investment made is adequate? Is there a correlation between investments and outcomes? The measurement of a government's commitment to a particular sector is usually measured by the proportion of the gross domestic product that is allocated to the sector. This can be represented by the following equation:

$$\frac{\text{Sector Expenditure}}{\text{GDP}} = \frac{\text{Government Expenditure}}{\text{GDP}} \times \frac{\text{Sector Expenditure}}{\text{Government Expenditure}} \times 100$$

As can be observed from Figure 8 (below), our governments have generally been decreasing their investments to the education sector, as a proportion of GDP with the exception of Rwanda which has demonstrated a decidedly steady increase over the past few years.

At face value, it might seem that there is a declining commitment to the education sector overall (Rwanda excepted), however as usual the devil is in the details of how the amount allocated to the sector is actually spent.

According to data available, a significant portion of the sum allocated to the education sector is actually spent on salaries for teachers and other personnel employed within the sector. Whilst

the figures vary widely, we are looking at a best case scenario split in Rwanda (average 55%) to Uganda that records an average of 70%. Burundi shows a very wide variance, decreasing the proportion allocated to salaries from a record high of 77% in 2012 to 34% the following year. From the data, it is unclear how this reduction came about or was managed, but it certainly goes against the prevailing trends.

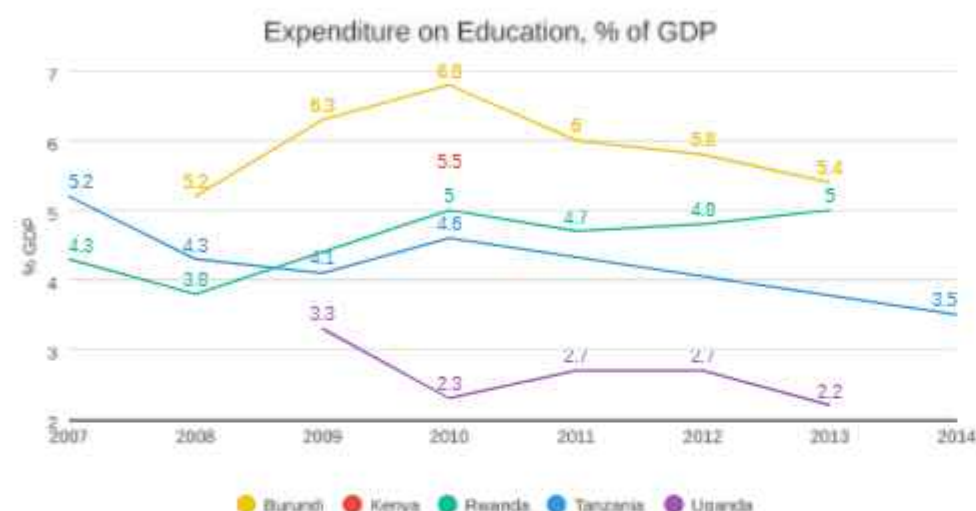


Figure 18: Data, UNESCO Institute for Statistics⁴²

On the other hand, the vast proportions allocated to salary costs means that any non-salary related investments are to be funded from the balance of the portion allocated to the sector. What this means is that for as long as the trend of donor resources shrinking and domestic revenues flat-lining continues, governments will be forced to make even tougher spending decisions: where should the limited resources be spent? On primary or secondary schools? For textbooks or on teacher salaries? Should the emphasis be about expanding access or improving the quality of education?

This becomes an important consideration when one takes into account the fact that not all segments of society benefit equally from the investments made in the sector. In the 2011 report on 'Financing Education

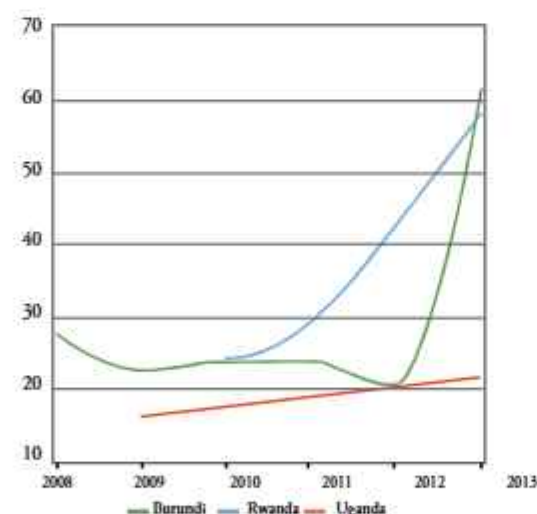


Figure 19: Current expenditure other than staff compensation as % of total expenditure in public institutions
Source: UNESCO Global Education Digest and Regional Education Survey, 2015

in Sub-Saharan Africa', UNESCO wrote:

"The main objective of public provision of education is to ensure equitable educational opportunities to all citizens in a country. Data on education financing are needed for decision-making on issues related to equity – identifying the extent to which some population groups receive more public financial resources than others and then designing policies to redress all or some of these inequities. Inequity in the provision of financial resources can be calculated in terms of per student expenditure by region, by urban-rural breakdowns, and by different socio-economic backgrounds and levels of educational attainment of students. Due to limited publically available resources, policy decisions about encouraging private and household expenditure for education must take into account equity issues at each level of education."⁴²

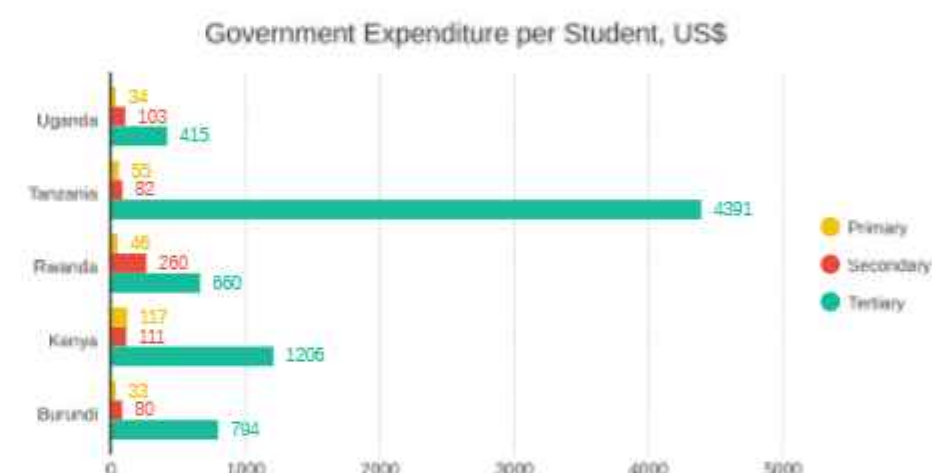


Figure 20: Source: UNESCO Institute of Statistics.
NB - data taken from 2013 or the most recent available data

When considering the amount spent on primary education vs. tertiary education, the equity gap becomes much more evident as can be seen in the graph below:

The graph below provides a clear depiction of the imbalance in resource allocations, particularly at the lower levels with the spending on primary education too little. The inequity in resource allocation is evident when one considers that it is actually fewer people who get to participate at the higher levels of education and therefore, considering the transition rates from primary to secondary and finally tertiary, those at the lowest level (primary) are penalized the most. Considering that in general, those who proceed onwards to tertiary education tend to come from

⁴² UNESCO (2011) 'Financing Education in Sub-Saharan Africa: Meeting the Challenges of Expansion, Equity and Quality', pp. 11.

wealthier backgrounds, the impact of the spending decisions becomes clearer. Put differently, should countries that are unable to provide every child with a quality primary education cover the bulk of costs for students at the tertiary level (which is also the most expensive), considering that they will for the larger part, come from more privileged backgrounds? When considering the fact that a bulk of public investment in education is spent on the tertiary sector, it might be worth considering what value for money citizens are actually getting in this respect.

East Africa takes great pride in the fact that it has a number of universities that offer an expanding smorgasbord of courses for an expanding student population. The expansion of private universities is an attestation to the almost insatiable demand for higher education, which is almost always seen as the magical key to the world of employment. The churn of graduates notwithstanding, there is a brewing crisis in the world of higher education.

How many universities in East Africa?

	Public	Private	Letter of Interim Authority	Registered Private Institution	Total Universities
Burundi ⁴²	4	7	0	0	11
Kenya ⁴³	25	17	13	1	56
Rwanda ⁴⁴	2	30	0	0	32
Tanzania ⁴⁵	15	37	0	0	52
Uganda ⁴⁶	5	29	0	0	34

Table 13

A report on employers' perceptions of graduates published in 2014 by the Inter-University for East Africa (IUCEA) and the East African Business Council (EABC) concluded that on average, 56% of students graduating from East African universities lacked basic and technical skills needed in the job market⁴⁸. The report went on further to denounce:

'At least 63 percent of graduates from Ugandan universities lack job market skills. In Tanzania 61 percent of graduates were unsuitable for the job market. In Burundi and Rwanda, 55 percent and 52 percent of graduates respectively were perceived to be incompetent. In Kenya, 51 percent of graduates were believed to be unemployable'⁴⁹.

These statistics leave nothing to be proud of. Investment in higher education is for all intents and purposes, given these outcomes, a wasted investment.

Thus there is room for an argument to be made in rethinking how exactly public allocations are made at the different educational levels, particularly keeping in mind the financial constraints that the educational sector is likely to face in the coming years. The flip side of this debate is related to understanding what role the private sector should play in education provision and how this can contribute to balancing out the inequities built into the sector and in particular, what needs to be done to infuse back into the sector, those elements of quality that seem to have somehow become casualties of a headlong expansion at all levels. Beyond this, it is equally important not to forget the role of vocational training and adult education – two subsectors that do not receive much attention yet are critical in ensuring the mobility of labour in the face of ongoing technological transformations within the labour force.

⁴² Data from Inter-University Council for East Africa.

⁴³ Data from Commission for University Education, Kenya.

⁴⁴ Data from Higher Education Council, Rwanda.

⁴⁵ Data from Tanzania Commission for Universities.

⁴⁶ Data from Campus Times Uganda - <http://www.campustimesug.com>

⁴⁸ Quoted on 'East Africa's universities are underachieving', July 12 2014 <http://www.envidevpolicy.org/2014/07/east-africas-universities-are.html>

⁴⁹ *Ibid.*

What does this mean for regional integration?

With regional labour markets increasingly open, there is a need to ensure that educational quality is guaranteed so that individuals moving across borders are able to flex and compete equitably with whatever qualifications that they might have obtained in their countries of origin. Whilst this preceding argument might be less important at the foundational levels of the educational system, the basic skills of literacy and numeracy (which as the Uwezo reports have indicated – see graphic below) are still very weak – for the majority students. This means that the same human resources that we believe to be the cornerstone of the regional integration process are emerging from institutions of learning with half-baked skills and fully formed aspirations – a toxic combination by any standard.

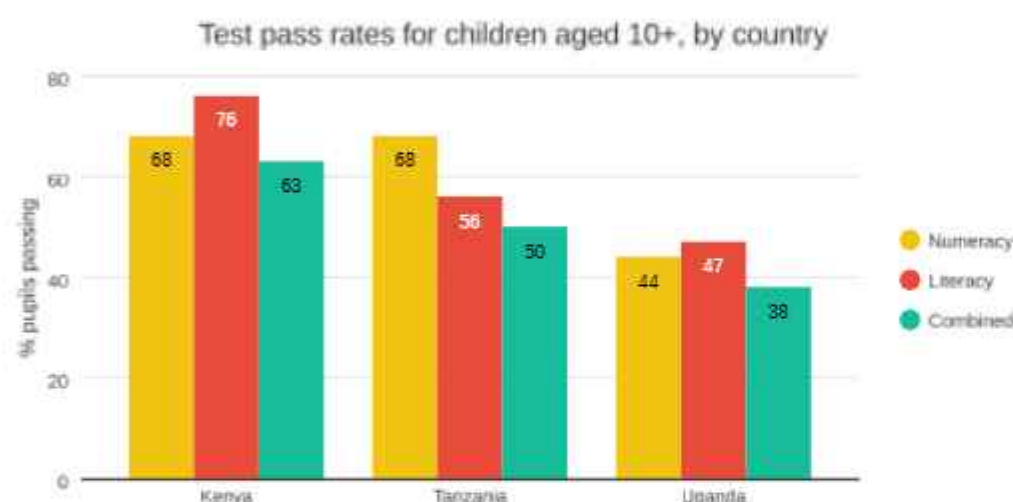


Figure 21: Test pass rates for children aged 10+, by country, Source: calculated from the Uwezo 3 data. While Kenyan and Tanzanian children perform approximately the same on the numeracy tests, 20% more Kenyan children are able to pass the literacy test (76% versus 56%)

The bottom line is that East Africa will not be able to fully develop its potential for so long as it has its human resource development programme is poor. This calls for an urgent effort to be redirected at ensuring the integrity of the foundational levels (primary/basic education) to ensure that there is a solid body of skills and knowledge that is transferred during these years of formation.

At the higher/tertiary levels, there is also a need to have clearer understanding of the impacts of rapid growth in the university campuses and the relationship between this and the quality of graduates produced. In this regard, there are at least five challenges that need to be addressed – the poor or inadequate infrastructure of these universities; the tensions between profits and quality of education provided; the low admission standards; the quality of the university faculty and the absence of support systems for enrolled students.

It is fundamental though that the function of education as a catalyst for regional (economic, social and political) integration is fully understood and that therefore sufficient attention is

paid to ensuring that education systems, whilst remaining national, allow for and contribute to molding a regional vision and creating citizens whose aspirations are 'beyond local'. Thus, mechanisms for mutual quality assurance are fundamental. The Inter-University Council for East Africa is a critical institution in this regard and perhaps needs to have a much more activist role in looking at the entire educational spectrum in order to enable it achieve its vision.

Will the basic education revolution come in a box?

The Story of Bridge International Academies

Bridge International Academies was founded in 2007 and sought to put together a franchise-like network of low-cost, for-profit primary schools that would provide access to high quality, affordable education to poor families.

Conceptually, the Bridge plan was to have a network of schools supported by a strong central headquarters which would 'have the scale, experience and capacity to invest in management, support, training and innovation that would allow individual schools to dramatically improve their effectiveness. At the heart of the model was the "School in a Box." The "School in a Box" was developed by the initial team and included all the tools, curriculum, materials, systems, processes, training programmes, research and monitoring needed to run an affordable but high quality school. It also standardized operations across all schools'.

(Rangan, V. Kasturi, and Katharine Lee. "Bridge International Academies: A School in a Box." Harvard Business School Case 511-064, October 2010, <http://bit.ly/1TXphWU>).

The Bridge model is a highly structured, technology-driven model that relies on teachers reading standardised lessons from hand-held tablet computers. Bridge hires education experts to script the lessons, but the teacher's role is to deliver that content to the class. This allows Bridge to hold down costs because it can hire teachers who don't have college degrees – a teacher is only required to go through a five-week training programme on how to read and deliver the script.

(An Africa first! Liberia outsources entire education system to a private American firm. Why all should pay attention, <http://bit.ly/1OBpyjm>)

Charging \$6 a month on average, Bridge International Academies, a multinational for-profit chain, is offering schooling about as cheaply as it can be done. Its founders hope to roll that out to 10 million children across Africa and Asia, the key to its own longevity and, it hopes, the global educational conundrum that has bedeviled policy-makers.

Bridge is arguably the most audacious answer yet to the question of how to bring education to the masses in countries where schools are plagued by overcrowding and teacher absenteeism. With a team in the US responsible for lesson planning, and its teachers, mostly school-leavers trained up by Bridge, evaluated on a daily, even hourly, basis, its aim is to get children not just into school, but to get them learning as well, while making a profit in the process. It believes it will start making a profit when student enrolment, currently at 126,000, reaches half a million.

Step into any classroom at Bridge and the chances are that the teacher will be uttering exactly the same words that are being uttered in every single Bridge school. A handbook instructs the teacher to look up from the e-book every five seconds, to wait eight seconds for children to answer, and instead of asking the teacher to explain a mathematical concept, the lesson plan takes them through it step by step. "All I have to do is deliver," said Mary Juma, a Bridge teacher.

(The Independent, Bridge International Academies: Scripted schooling for \$6 a month is an audacious answer to educating the poorest children across Africa and Asia - <http://ind.pn/1V7xdHu>)

In commenting on their academic results, the Bridge Academies wrote:

In our last study, we compare pupils in Pre-Unit to Class 2 in 2011 to pupils in Classes 2 through 4 in 2013 in the exact same schools. We found that attending Bridge had a significant effect on learning. Compared to their peers attending public schools, Bridge pupils on average gained an additional .32 standard deviations on reading fluency and comprehension over the course of 26 months. For reading fluency, this translates into a gain of 16 words per minute, above and beyond the growth experienced by their academic peers. Bridge's average reading effect size of .32 translates into almost 252 additional days of learning. The Bridge effect size for maths is also significant – both on a practical and statistical level – at .51 standard deviations, which translates into over 288 additional days of learning.

(Bridge International Academies - <http://bit.ly/23W016l>)

Even as Bridge gets its chance to prove whether its model works, regulatory hurdles threaten to be its undoing. The Kenyan government is setting out new proposals that would radically recalibrate the financial calculations on which these schools operate. Most sweeping of all is a stipulation that half of all teachers in any one school should have a recognised teaching qualification and be paid accordingly.

(The Independent, <http://ind.pn/1V7xdHu>)

The first and most obvious criticism of the Bridge model of education is that a scripted curriculum creates a non-dynamic learning environment for children. The western model of education is premised on the idea that critical thinking is essential to success.

The very idea of a liberal arts education is a distinctly Western concept. So, naturally, when people hear that Bridge's teachers are high school graduates who are taught to teach by reading to children from a script, they automatically assume that the quality of the education is poor.

It is true that the standard of education at a Bridge school is going to be far below that of more expensive schools. But when compared with the alternatives – which include government schools staffed by often unmotivated teachers and other non-formal schools offering little in-house teacher training – Bridge offers an education that is subject to rigorous testing and review.

Bridge is a revolutionary idea that has the potential to re-define how companies serve the poorest segments of the population around the world. Its laser-focus on scalability and its systems-orientation have made it a model for other burgeoning social enterprises, and not just in education. A standardized approach designed for replication has applications in healthcare (see Penda Health), water and sanitation (see Sanergy), agriculture (see One Acre Fund), and other sectors.

The Bridge experiment has the potential to prove that the conventional wisdom can and should be challenged. When its founders began advocating for private schools in the slums and talking about charging poor families for an education, they were lambasted by the education establishment for trying to charge for what they considered to be a public good. But over time, people came to realize that theory does not always jive with the realities of the situation on the ground.

Before passing judgment, we should look at the alternatives and judge whether Bridge offers a decent education relative to other schools. We should think about the availability of talented teachers in the communities where Bridge builds schools, and look at the incredibly rigorous screening process they use to identify the best candidates in the community.

(Josh Weinstein, Develop Economics Blog, <http://bit.ly/1TVclpd>)

But as Christine Mungai wrote in her article:

Low-cost private schools like Bridge are useful, and often necessary, on a continent where the public education system is very often in shambles.

But when you adopt, as an official business model, teachers that have been trained for five weeks, and mabati classrooms, you are not just lowering overhead costs. You are normalizing dysfunction, and in the process taking away dreams in a very substantive way. Public schools are often terrible, but even if children are learning under trees, you can always argue that there is no money, the politicians are corrupt, local leaders are lazy, there's a global commodity collapse, etc. In other words, it is clear that the dysfunction is an aberration, a deviation from the norm.

(Mail and Guardian, 'An update on Bridge Academies in Liberia, and why people need dreams - and yes, sweet lies – too', <http://bit.ly/1WCFN1>)

HEALTH

THE HEALTH SECTOR

With regard to the health sector, 'expenditure on healthcare can be divided into three categories: government spending (which goes into directly supplied healthcare services as well as towards national health insurance schemes), private spending (which is split between out-of-pocket payments for healthcare services at point of delivery and private health insurance), and external sources'⁵⁰. There is no benchmark on how much governments should allocate to their health expenditure, but if previous commitments are anything to go by, the Abuja Declaration of 2001 requires that African governments allocate **at least 15% of their national budgets to healthcare**⁵¹.

As can be seen in the graph below, the region, virtually all the countries of the EAC are still to meet the target goal of 15%. The regional trend actually seems to be converging around a 12% allocation of the national budget to healthcare. Yet these percentages actually mask significantly the actual amounts that are allocated. If we are to consider the per capita spend, a totally different picture emerges – Kenya, with the highest per capita allocation, spends four times as much as Burundi on healthcare per citizen, and double that of Tanzania which is the second-highest per capita spender in the EAC (see figure below).

Aside from considering the quantum that is actually spent on the sector, a deep-dive into where exactly these resources are allocated is useful if one is to have a better understanding of the extent to which these resources are contributing to desired outcomes. There are significant differences in outcomes spatially – not unlike with the education systems

– and this is also a result of how these resources have been spent. In those areas closer to urban and larger population centres, healthcare systems are more likely to be developed and consequently, the healthcare burden that these population groups must bear is substantially

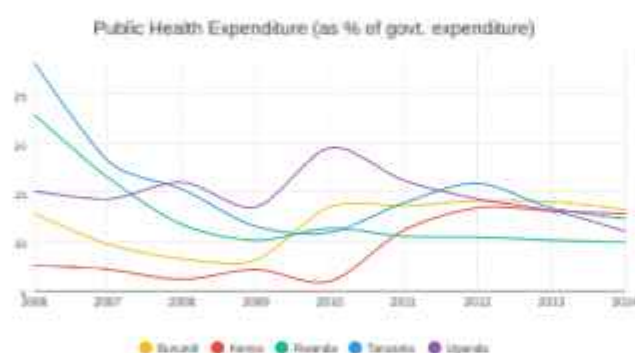


Figure 22: Data - World Development Indicators

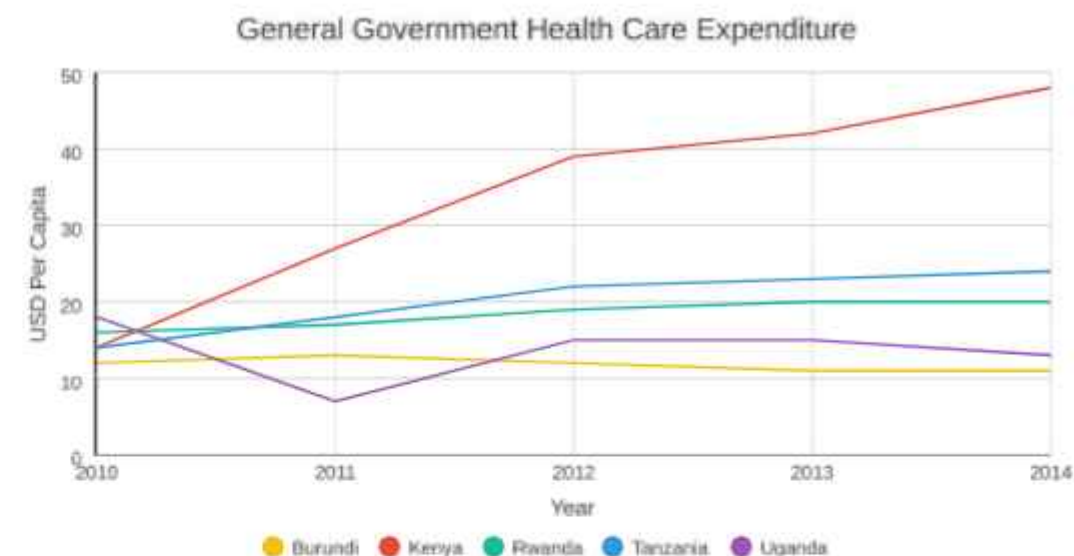


Figure 23: Data - Who Global Health Expenditure database

different from those areas where few or scanty investments have been made. For instance, in Tanzania, 60% of urban health facilities have electricity, clean water and improved sanitation compared with just 5% for rural facilities. Yet paradoxically, rural health care clinics are likely to have better health process quality (44%) which is much better than that in urban areas (31%). This means that urban health centres, in spite of receiving higher expenditures per capita offer poorer services than their rural counterparts.⁵²

It is also critical to note that there is no single disease profile in each of the countries of the region. Indeed, to quote one expert:

'Countries are no longer a useful unit to define the population from a health point of view... In India, there are populations with health profiles similar to those in Europe or the US, and others whose health is the same or worse than populations in the poorest parts of Africa. We're now seeing that in Africa too.'⁵³

Yet, in spite of the expenditure on the health sector, the outcomes still leave much room for improvement, although we must acknowledge that there have been encouraging improvements in recent years. Granted, even with the best of intentions today, it is impossible to turn around and undo the damage caused to the health care systems by years of neglect and under-resourcing. Much as the trends are encouraging, we will still need to factor in a time lag before

⁵⁰ KPMG, The State of Healthcare in Africa, 2012.

⁵¹ In April 2001, African Union countries meeting in Abuja, Nigeria, pledged to increase government funding for health to at least 15%, and urged donor countries to scale up support. The Abuja +12 document of the WHO on 'Shaping the Future of Health in Africa' noted that whilst healthcare expenditures were on the rise, only six of the AU member states had met the goals of the Abuja Declaration (Liberia, Madagascar, Malawi, Rwanda, Togo and Zambia). The report noted [rather laconically] that 'still the vast majority of African countries have not met this essential commitment'.

⁵² World Bank (2013) 'World Bank Service Delivery Indicators – Education and Health Services in Tanzania', Washington, DC: World Bank.

⁵³ Economist Intelligence Unit, The Future of Healthcare in Africa. Quoting Dr. Unni Karunakara, international president of Médecins Sans Frontières.

we can see the full impact of the current changes being put in place. In particular, the risk of non-communicable diseases in the region cannot be downplayed. Rapid urbanization, economic growth and increased openness to global markets and products bring with them new lifestyle choices, different diets and these are not always healthy. In particular, increased wealth brings with it new opportunities to make unhealthy choices.

As the online magazine Quartz Africa noted:

'New, high-consumption, sedentary lifestyles, combined with greater life expectancy, have led to a building wave of non-communicable diseases (NCDs) – cancers, respiratory illnesses, cardiovascular disease and other maladies associated with urban living. Currently this category is responsible for around 35% of mortality on the continent; by 2020, the World Health Organisation forecasts it will rise to 65%.⁵⁴

As diets change and as the cost of food increases, nutritional outcomes are also changing with significant health implications. Poorer families are eating less healthy food – particularly the urban poor, where a double challenge of cost of food and time required to prepare it mean that cheaper, easier to prepare junk foods are consumed in greater quantities. As we are increasingly

Kenyan hospitals not safe for patients, survey shows

Your safety cannot be guaranteed in a majority of medical facilities in the country, according to a damning report published by the Ministry of Health.

Only 13 hospitals out of 493 public and private health facilities in 29 counties surveyed achieved a score greater than one on an ascending scale of 0-3. Of the 13 that scored more than one, says the report, 11 were private hospitals while only two were from the public sector. The report on safety at hospitals emerges on the back of the Ministry of Health's admission that human error was responsible for the paralyzing of the 28 children in Busia County who fell sick after a vaccination gone awry. According to the Kenya Patient Safety Survey 2014 published by the Ministry of Health in February, this has resulted in numerous cases of medical negligence that have in some instances caused families anguish after losing their loved ones.

"Overall safety compliance was relatively poor, with less than one per cent of public facilities and only about two per cent of private facilities achieving a score greater than one in all five areas of risks assessed," says the survey. For example, less than six per cent of public hospitals achieved a score greater than one in having a competent and capable workforce. In the survey by the Ministry of Health, the World Bank, the World Health Organisation and the Danish SafeCare-PharmAccess, less than 10 per cent achieved a score greater than one in providing safe clinical care to patients.

Read more at: <http://www.standardmedia.co.ke/article/2000172326/kenyan-hospitals-not-safe-for-patients-survey-shows>

urbanizing, we are also abandoning the traditional food systems that have hitherto kept us healthy. As such, different nutritional outcomes are emerging, with increased deficiencies that have lifelong health impacts.

Thus, the cost of NCDs is bound to increase. As the WHO noted with reference to Africa, 'their debilitating and often fatal complications such as blindness, renal failure, gangrene leading to lower limb amputations and hemiplegic conditions. **In the region, chronic diseases are projected to account for a quarter of all deaths by 2015⁵⁵.** Indeed, the WHO predicts that by 2030, NCDs will be the leading cause of death in Africa. Part of this will be down to the fact that significant progress will have been made to reduce the number of deaths from infectious diseases, but at the same time, this will be down to the rapid growth of NCDs in the region. In their policy brief on NCDs, the Population Reference Bureau wrote: 'NCDs exact a huge toll on health, the economy, and human potential. Chronic illnesses can lead to tremendous social and economic burdens due to absenteeism, job loss, and costly medical expenses, as well as increased caregiving responsibilities or even the death of a breadwinner. Such challenges may further prevent those with NCDs or their family members from taking full advantage of educational or productive opportunities. At a broader level, widespread chronic illness translates to decreased labor outputs, lower returns on human capital investments, and increased health care costs. In addition, the rise in NCDs will create a 'multiple burden of disease' for already over-stretched health systems⁵⁶.

And it is on this final point that we must take note of the fact that much as great strides have been made to improve the health systems of the region, particularly under the framework of the

MDG agenda, the health care systems that we have built to date are poorly prepared to cope with this growth in NCDs.

The reality is that the patchwork approach to constructing healthcare systems has resulted in patchwork results. Outside cities and larger

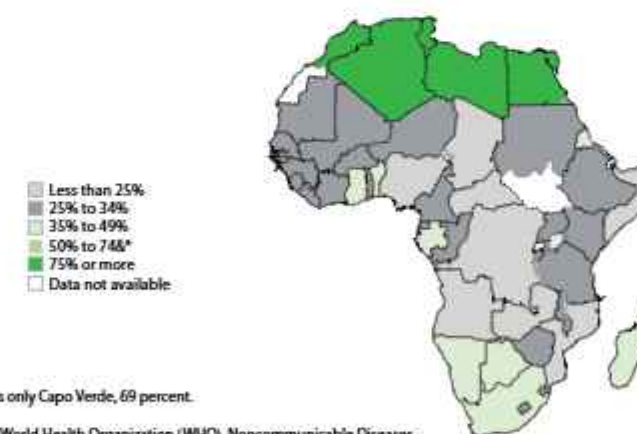


Figure 24

⁵⁵ World Health Organization, Non Communicable Diseases: An overview of Africa's New Silent Killers, <http://www.afro.who.int/en/clusters-a-programmes/dpc/non-communicable-diseases-managementndm/npc-features/1236-non-communicable-diseases-an-overview-of-africas-new-silent-killers.html>

⁵⁶ Population Reference Bureau: Non Communicable Diseases in Africa, <http://www.prb.org/pdf15/ncds-africa-policybrief.pdf>

urban conurbations, there is limited infrastructure which has made it difficult to provide any real healthcare services. Furthermore, the poverty (relative to the cities) has meant that there has been limited incentive for private healthcare providers to set up shop in these areas. Weak regulation, particularly in rural areas and lack of quality controls have also resulted in poor quality health care services being offered to these population groups. As such, it is not unusual to hear of situations in which the health care offered has resulted in additional damage to the patients. In such situations low confidence – in the health care systems and mechanisms for redress in case of malpractice – can often mean that a vicious cycle of ill health gets compounded.

It is also impossible to ignore the pernicious impact that corruption has on the sector – with significant amounts of money lost through dodgy procurement practices, absenteeism, outright theft and other leakages, the overall impact on outcomes is hard to quantify. However, one can get a sense of the damage wrought on healthcare systems. The SID/KELIN/TI policy brief reported:

“The Ministry of Health (previously the Ministry of Medical Services) has had adverse audit reports in all of the last three audits performed by the Office of Auditor General (2011/2012, 2012/2013 and 2013/2014). According to the National Ethics and Corruption 2015 Survey, The Ministry of Health is the Ministry that is second most prone to corruption (14.3%) after the Ministry of Interior and Coordination (40.4%). At the County Government level, the Departments of Health (29.1%) top the list followed by Land and Physical Planning (14.3%) and Public Service Board (13.5%).”⁵⁷

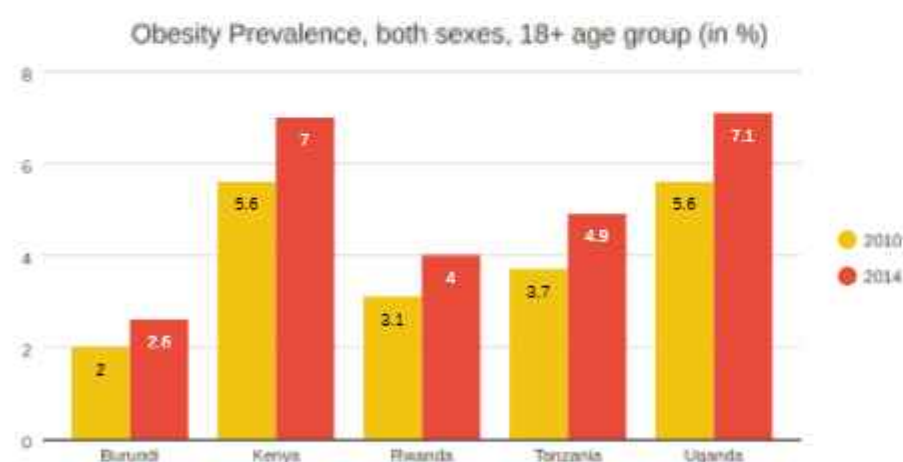


Figure 25: Data - World Health Organization

⁵⁷ SID, KELIN and Transparency International (2016) ‘Sealing Corruption Loopholes in Kenya’s Medical Procurement Systems’, Policy Brief #2, April.

In their paper, Anyanwu and Erhijakpor quoting Hanmer *et al.* and Anand and Barnighausen wrote:

‘A related point is that aggregate health expenditure will be a poor proxy for measuring the effect of health resources on health outcomes if it is spent ineffectively to begin with. Physical input, human resources, access, and process indicators such as number of doctors or hospitals per capita and immunization rates have been found to be significant and robust determinants, capturing the importance of effectively targeted health expenditure on health outcomes such as child and infant mortality’⁵⁸.

There are still other elements to consider and which will be much more problematic to address such as the gap in the actual numbers of qualified health personnel on the ground vs. the need; the core infrastructure gaps (clinics, hospital beds, specialized units etc.). In particular, in facing up to the challenge of NCDs, the countries of the region will need to make investments in ensuring appropriate regulatory frameworks (as in the case of managing potential NCD accelerators such as tobacco and alcohol), but also in education and preventive health care. Some of the changes required here can actually be achieved with limited cash resources – but will require hefty amounts of political will and capital, and in particular the need to face down particular product lobbies. There will also need to be significant efforts in expanding coverage to the sub-national level.

As can be seen in the graphic below (which is just one example amongst several), there is a significant difference in outcomes amongst the various income groups. Normally, we tend to focus on national averages, but these averages can mask significant deviations, with the worse outcomes found amongst the poorest sections of the population. This fact naturally means that governments need to be sensitive to the income divisions within their populations and organize service delivery accordingly.

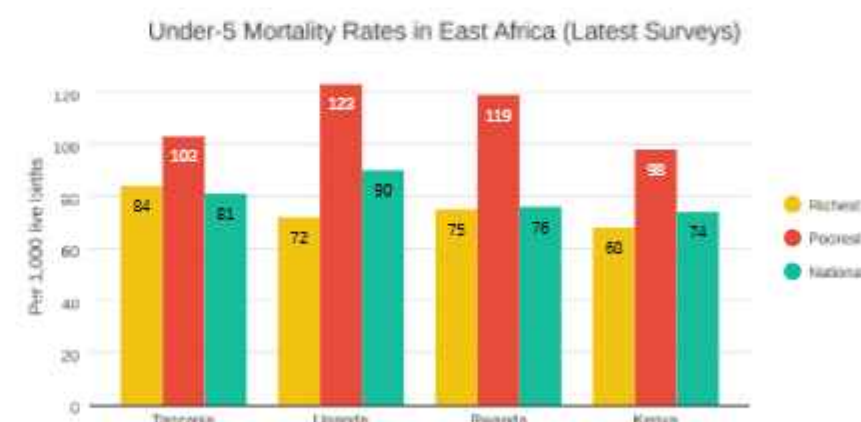


Figure 26: Under 5 Mortality Rates in East Africa (Latest Surveys)

⁵⁸ Anyanwu, John C. and Andrew E. O. Erhijakpor (2007) ‘Health Expenditures and Health Outcomes in Africa’, African Development Bank, Economic Research Working Paper No. 91, December.

THE DONOR FACTOR

The region has long relied on external donors to support its health systems. These donors can either be foreign governments or non-governmental organizations. Whilst for the foreseeable future, the region is unlikely to wean itself off donor support for the health sector, it is important to keep in mind that there are side effects that need to be taken into account. Some of the possible negative effects of prolonged dependence on donor funding include the predictability of funds and/or the potential fragmentation of health systems. As KPMG wrote in their report:

“The aid that does come from external sources is usually imprecisely and often unproductively targeted, focusing overwhelmingly on high-profile causes like HIV/AIDS or malaria, and neglecting other health issues, like child and maternal health, nutrition and the spending necessary to build up health systems”⁵⁹.

With the current downturn in donor funding, it is nonetheless important that the region devises new ways to come up with funding solutions to meet the inevitable cut in donor support. This means that tax revenue will have to be stretched further to ‘close the gap’ and this will necessarily suggest that tax revenues will need to be increased (in other words, governments will need to find new things to tax) in addition to reviewing spending priorities and allocations. The alternative is that the gap will be pushed to the end users, to be collected as user fees (out of pocket contributions) which in reality means that healthcare for the poor and vulnerable segments of the population will become more of a mirage.

The potential impact of a reduction in donor resources and transition of the slack to private (user) resources therefore cannot and should not be undermined. The WHO, in a paper on financing of healthcare in Africa noted:

‘In about half of African countries, 40% or more of total healthcare expenditure is made up of out-of-pocket payments (OOPs), which is the most regressive way of funding health care. The reliance on OOPs creates financial barriers to access to health services and puts people at the risk of impoverishment. Furthermore, the current financial flows within the health systems are creating and exacerbating inefficiencies and inequities, for example through skewed allocation of funds to urban areas and specialized care. These weaknesses in the health financing systems have been identified as the main underlying reasons for the limited progress towards achieving the health MDGs in Africa’⁶⁰.

⁵⁹ KPMG (2012) The State of Healthcare in Africa.

⁶⁰ WHO (2013) ‘The state of health financing in the African Region’, African Health Monitor, <http://www.who.int/en/ahm/issue/16/reports/state-health-financing-african-region>

External resources on health as a percentage of total health expenditure

	2000	2012
Burundi	18.7	43.5
Kenya	8.0	48.5
Rwanda	52.0	45.1
Tanzania	27.8	38.5
Uganda	28.3	46.7

Table 14: Source: World Health Statistics 2015, World Health Organization

As can be seen from the above table, the external contribution to propping up health care systems is quite high – surprisingly, it is Kenya (the richest country in the region) that depends the most on external support for health. The only country that has bucked the trend by actually decreasing the contribution of external resources to its health care system in the region is Rwanda.

When all is said and done, and in considering the fundamental dynamics driving health care in the region, it seems fairly evident that a key driving force at play is the fact that the wealthier segments of the population have opted out of the public health care system. As such, there is a limited push (if hardly any at all) to further develop the public health system. This is evidenced by the low (national) investments in the sector and the prevalence of donor funding as well as the dual system of health care: private facilities (and expatriation) for those who can afford and the public health care system for everyone else. This dual system further cements social stratification and institutionalizes poor health outcomes which have (inevitably) an intergenerational impact. Further evidence of this duality can be seen in the growth of private health insurance schemes – which function on the basis of claims made by their members as opposed to a public health system that focuses on prevention – and which ostensibly exist to try and fill the gap which is created by the lacunae of the public health system.

HOUSING AND SHELTER



HOUSING AND SHELTER

According to the State of African Cities 2014 report:

'Eastern Africa is the world's least urbanized but fastest urbanizing sub-region. By the end of the current decade its urban population will have increased by 50 per cent and the total number of urban dwellers in 2040 is expected to be five times that of 2010.'⁶¹

One of the biggest challenges facing our rapidly urbanizing cities is that of providing good quality, affordable housing for the city dwellers. The State of East Africa Report 2012, in commenting on urbanization trends, noted that East Africa's urban residents were most likely to be slum dwellers. A look at recent (2015) data from the UN Habitat indicates that on average, 55% of urban residents in East Africa are living in slum areas. Thus, the challenge for governments today is to try and ensure that urban growth does not create new, and hard to manage problems. Sadly, the situation is that efforts ameliorate the poor living conditions for the majority of urban residents are lagging.

Where Do Our Urban Residents Live?

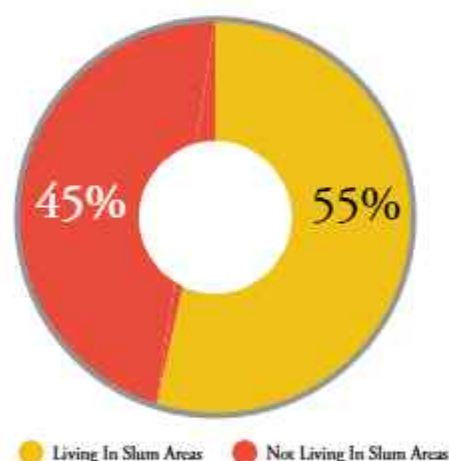


Figure 27

Yet, East Africans continue moving to the cities. With our capital cities recording annual population growth rates varying from just over 4% (Nairobi) to over 5% (Dar-es-Salaam and Kampala), it isn't hard to imagine the housing challenge. Put differently, it is clear that most of these new residents are transitioning into accommodation units that are less than ideal.

Why do we feature housing within our discussion on political economy? Housing – affordable housing for that matter – is one of those elements that any government needs to guarantee for its citizens. In the early post-independence years, housing was a feature of government development plans and in this respect, investments to ensure affordable (public) housing were made by the various National Housing Corporations. An additional bonus of these developments was that they were made in conformity with urban master plans for the cities that had been developed. However, as a result of structural adjustment programmes, our governments largely exited the public housing game. With increased space and scope for private developers, the focus shifted to targeting potential higher spenders. In Kenya, the Sectional Properties Act of 1987 (effective from 1991) allowed for condominium ownership of multistorey buildings and this gave additional impetus to the breakup and subdivision of the hitherto 'leafy suburbs' into the now ubiquitous apartment blocks that dot the residential areas of its urban areas. Virtually all of these developments have been undertaken by

⁶¹ UN Habitat (2014) 'The State of African Cities 2014', UN Habitat, pp. 11.

private developers. Rapid construction and application of variable standards has also led to various comments as to the quality of these buildings. In recent years, there has been an increase in the number of collapsing buildings – a fact attributed to shoddy building practices. It is also curious to note that the buildings that have collapsed have been located in the lower income areas of the city.

This perhaps is not so much of a coincidence – after all, it is the poorer segments of the population that tend to get short shrift in such matters. In an article titled 'Shoddy Nairobi buildings at high earthquake risk', the Business Daily newspaper, quoting a doctoral thesis wrote:

'At least three out of four buildings in Nairobi would be seriously damaged in the event of a major earthquake, a new report on the state of construction in the city says... The non-destructive test (NDT) results suggest that most concrete used in Nairobi lack required compressive strength,' says the study, which tested 254 samples from 24 construction sites for office buildings, churches and universities.

The study found that the quality of construction work is poor across Nairobi, but was more alarming in less affluent parts such as Buru Buru and Eastleigh.

'In Eastleigh and Buru Buru 100 per cent of the buildings were unsafe', the report says.

'Buildings were randomly chosen from a pool that engineers and architects had certified as being structurally fit.'^{62 63}

This phenomenon is seemingly widespread in the region. A summary of recently collapsed buildings in Africa and their toll was given as follows:

'In 2013 alone, news reports of buildings collapsing claimed lives of more than 60 people across Africa. January 2013 saw 5 people lose their lives and scores of others injured in Kisumu, Kenya's third largest town. At the end of March, a building under construction collapsed in Tanzania's largest city, Dar es Salaam, claiming more than 35 lives. In May, 4 people lost their lives when a building under construction in Nyagatare, some 100 km northeast of the Rwandan capital Kigali collapsed. In July, 8 people died after a two-storey commercial building collapsed in Uganda's capital Kampala.'⁶⁴

Curiously, it is East Africa that headlined this Africa-wide resume of catastrophe. The same

⁶² Business Daily, November 26, 2014 – Shoddy Nairobi Buildings at High Earthquake Risk; <http://www.businessdailyafrica.com/Shoddy-Nairobi-buildings-at-high-earthquake-risk/-/539546/2536326/-/p9440w/-/index.html>

⁶³ See also Figueroa Fernandez, Raul H. (2014) 'Strategies to Reduce the Risk of Building Collapse in Developing Countries'. Dissertations. Paper 493. Available at: <http://repository.cmu.edu/dissertations>

⁶⁴ Construction Review Online, 23 February 2014, Why are buildings collapsing? <http://construction-reviewonline.com/2014/02/buildings-collapsing/>

article also noted the significant cost that these collapses exact:

'In Kenya for instance the construction sector has piled up Ksh20 billion (US\$235million) in losses due to collapsed infrastructure according to the National Construction Authority, all as a result of poor regulation.'⁶⁵

According to the Construction Review Online – an industry publication – the assertion that they make of 'poor regulation' being the major determinant of collapsing infrastructure suggests that there is ample room to leverage political will to make the right thing happen. If building codes are being flouted, it is perhaps due to a perception of impunity amongst those who undertake construction works. Impunity cannot exist in a vacuum – rather, its persistence would suggest collusion at various levels aimed at defeating the regulatory infrastructure. Needless to say, the perpetrators of these misdeeds would have to have the 'right' connections.

The UN Habitat is very clear in its analysis of why urban development tends to be rather skewed and haphazard in the region:

'Indeed, one of the most common explanations for urban underdevelopment is that there is a fundamental lack of political will to establish the institutions, implement

⁶⁵ *Ibid.*

In Kampala, the planning and regulatory efforts of city authorities have been routinely thwarted by political intervention from above. It is widely recognized by the populace that the president is willing to interfere in the city's affairs to secure political support. Projects have often been delayed or cancelled at the behest of groups who promise to deliver votes in return, and efforts to regulate the informal transport sector have consistently been thwarted by presidential interference.

This political manoeuvring has impeded effective urban planning and management in Kampala.

By contrast, development has proceeded swiftly in Kigali in recent years in line with the city's ambitious master plan. Tough zoning and permit laws are followed to the letter, with poor and rich held to equal standards, while city authorities are easily able to clear squatters off public land slated for approved projects. While the somewhat authoritarian nature of governance in Kigali has generated some controversy – and may ultimately prove unsustainable – the pace of urban development has been impressive, earning the city a UN-Habitat Scroll of Honour Award in 2008.

These different development trajectories are arguably the result of divergent political priorities. In Kampala, the government perceives itself to be politically vulnerable; thus catering to the interests of voting blocs is paramount. In Kigali, memory of Rwanda's past violence and instability remains strong, and the government prioritizes the provision of stability and order. Its approach to urban planning is a natural outgrowth of this view. The lesson is clear: where the political interests of national governments are at odds with the objectives and efforts of city authorities, urban development is retarded. Where national governments offer support and autonomy to local authorities, rapid and significant change is possible.

The State of African Cities 2014, UN Habitat, pp. 29

the policies and make the investments necessary for cities to thrive. However, this explanation is insufficient. In cities across the region it is often vested interests that are to blame for public inaction.

Under-regulation and underinvestment in urban areas create profitable opportunities for political and economic entrepreneurs. Squatters on public land often acquire a degree of tenure security by offering money or political support to local power brokers (such as traditional authorities, politicians, police personnel or bureaucrats) in return for protection against eviction. In areas where water infrastructure is deficient, informal providers make handsome profits selling water – often untreated – at inflated prices. Deficiencies in public transport systems have given rise to a multibillion-dollar informal transport industry, often controlled by politicians. In other words, informality and inadequate infrastructures allow powerful groups to benefit from the status quo.⁶⁶

Thus, it would follow that in order to begin to address the shortcomings that accompany rapid urbanization, it is necessary to unravel the tapestry of benefits that converge to powerful actors who are able to manipulate the system for their private gain. Most importantly, governments need to find the resources and political will to invest in lower income type housing for the majority of the urban residents who today find themselves cheek to jowl in crowded, unsafe, unsanitary living conditions. Obviously this cannot be done overnight, but remedying the situation would yield a dividend. Improved health – physical and mental – would mean that workers can be more productive; improved sanitation would also mean lowering the risk of waterborne diseases and epidemics; better planning and transportation services would mean improved living standards and reduced pollution.

Today, Kigali is often cited as a city to admire – its cleanliness and order stand in stark contrast to what is traditionally (and perhaps disparagingly) referred to as the African city – which is the opposite of the image Kigali cuts. This is not to say that Kigali does not have its own problems. However, it is clearly a case study on what can happen when the leadership decides to focus on doing the right things and on ensuring that procedures and the law are upheld. The sidebar, excerpted from the UN Habitat State of Africa Cities 2014 report on the preceding page makes this exceedingly clear.

East Africa: Urbanization and Slum Population

Paradoxically, any visit to our cities and suburbs will reveal frenetic construction activity. The proliferation of high-rise accommodations is perhaps a response to the felt need for new dwellings for the ever growing number of city residents. It is here however that the mismatch in the needs of the new residents and the construction becomes evident. The majority of the buildings being erected are targeted firmly at upper middle-class pockets. For those who are looking for outright purchase, the inflation in housing prices has driven the dream of home ownership

⁶⁶ UN Habitat (2014) *The State of African Cities 2014*, UN Habitat, pp. 36-37.

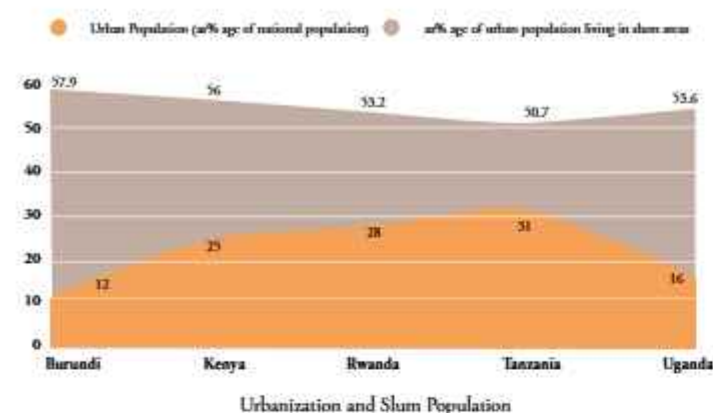


Figure 28: Source: World Bank and United Nations Statistics

out of reach as mortgages are unaffordable, and the prices of construction materials continue to spiral out of reach. Rental prices remain prohibitively high and it is not unusual to find rentals being offered in US Dollar prices that are equally out of reach for the average citizen.

The inelasticity of price in the housing market is an indicator that houses are not built to fulfill demand, but rather as a response to wealth impulses. The absence of active public policy on housing also favours illicit activities (shoddy housing, abuse of bylaws etc.) and normative processes such as land acquisition for investments for public infrastructure also tend to be biased in favour of the wealthier classes of society.

The gap in housing availability is mostly located at the lower end of the market, where competition for available units is stiff. Three components are critical in this regard: quantity, quality and price. As prices for premium houses continue to spiral out of reach of middle-income earners, they are forced to seek affordable rentals, and here is where questions of quality come into play. With a large number of urban residents housed in units that are termed 'sub-standard' by governments, the quality issue could not be put into sharper relief. Most of these dwellings are compromised either due to their shabby structural condition, poor sanitation, lighting or all three conditions.



Figure 29: Sources: Centre for Affordable Housing Finance, Own

How much does it cost?

From the above, it is pretty much evident that house purchase for the majority – including those whose salaries would place them in the middle-income brackets – is out of the question.



Figure 30

Furthermore, considering the prevailing lending interest rates and the small amount of mortgages outstanding, there is scope and possibility for government intervention to promote the growth of this market. Given the current housing deficits (see table # below), it is unlikely that government intervention alone will be able to resolve the housing challenge. Thus, new partnerships could be envisaged that on the one hand, provide for quality, affordable housing whilst on the other hand, providing for financing schemes that are not priced out of reach of the majority.

Housing Demand and Availability in East Africa – Estimates based on most recently available data



Figure 31: Data – Centre for Affordable Housing Finance, Africa

	Growth in Annual Demand	Actual Houses Provided	Cumulative Housing Deficit	Estimated population in 'sub-standard' housing ⁶⁶
Burundi	30,000	6,000	800,000 ⁶⁷	87.5%
Kenya ⁶⁸	206,000	50,000	2,000,000	70%
Rwanda ⁶⁹	30,000	1,000	300,000 ⁷⁰	35.6%
Tanzania ⁷¹	200,000	10,000	3,000,000	67%
Uganda ⁷²	233,000	5,000	1,700,000	85.3%

Table 15: The Housing Situation in East Africa

⁶⁷ Housing Finance Information Network.

⁶⁸ Estimates based on 2004 figures cited by IMF.

⁶⁹ <http://bit.ly/1lTRRfi>

⁷⁰ <http://bit.ly/1HzDqYg>

⁷¹ <http://www.monpalais.com/2015/06/real-estate-developers-business-gets-easy-in-rwanda/>

⁷² <http://www.housingfinanceafrica.org/country/tanzania>

⁷³ <http://www.housingfinanceafrica.org/country/uganda/>

JUSTICE

POLICE AND
PUBLIC
SUGGESTION
BOX

Can the citizens of East Africa expect justice from their judicial systems? Who are the prime beneficiaries of the judicial systems in place and why? And how does this link to the perpetuation of inequality in the region? These are some of the questions that we shall try to tackle in this section. Needless to say, the judicial systems of East Africa are under immense pressure, pressures that lay bare the need for long overdue reforms that have thankfully begun to be put in place, albeit at varying speeds.

Justice delayed is justice denied – so goes the old adage.

The challenge that any citizen who finds him/herself dealing with the judicial system has to face up to from the get go are its byzantine construct and operations – most people will barely understand the process they have to undergo, nor the various twists and turns throughout the process. With proceedings conducted and mediated via the often impenetrable language of legalese, it is difficult even for educated individuals to make sense of the legal system. Lawyers, the designated guides for this maze, do not come cheap and very often have been accused of not dealing with the clients issue with the diligence that would be expected of them. Judges and magistrates have often been accused in the court of public opinion of holding biases against the poor and rendering judgment to the ‘highest bidder’ – in other words, to those who could afford to purchase favorable sentences.

Impunity – a recent addition to the lexicon in the region where certain individuals have apparently (against all odds) been able to defy the law in all its forms has shone a spotlight on a growing and unhealthy collusion between political and economic interests, working together to defeat the interest of justice.

Thus, the law, which is supposed to be the last refuge of the poor and downtrodden, has been turned against them and in essence, some citizens have rendered themselves for all practical intents and purposes above the law. The law thus is not equal for all citizens.

How we got to this state of affairs is a long story, perhaps beyond the remit of this publication. Nonetheless, suffice it to say that continued interference by the executive in particular, during the years of single - party dominance played a critical role in weakening the judiciary and ensuring that its officers were pliant to its demands. It was able to attain this by starving the judiciary of resources and also weakening tenure of judges in particular. Furthermore, the tendency of the executive to disregard court judgments in favour of political expediency also went a long way in compromising the legitimacy of the judicial institution. Under pressure, some within the judiciary complied fully with the whims of the executive, whilst others chose to remain silent. These acts contributed to eroding the legitimacy of the institution.

As the former Chief Justice of Tanzania, Judge Francis Nyalali once said:

‘Under the one - party state... judges were expected to interpret the law in harmony with political party ideology and party directives. Under that system, the crucial bonds that held people together within the nation state were neither the law of the land or the government, but the party ideology and organization.’⁷⁴

The legal system – as suggested above – has remained by and large, a mystery for most citizens. It is for this reason that many of them choose to avoid this system whenever they can, and deal with it only as a matter of extreme remedy, or when the state obliges them to subject themselves to it. The reputation that our police forces – the front end of the justice system – carry with them for their brutality, extortion and other callous acts has not endeared the citizens of the region to them. The public perception of the law and legal institutions is one of fear and mistrust.

Perceptions of Institutions (percentage of respondents)

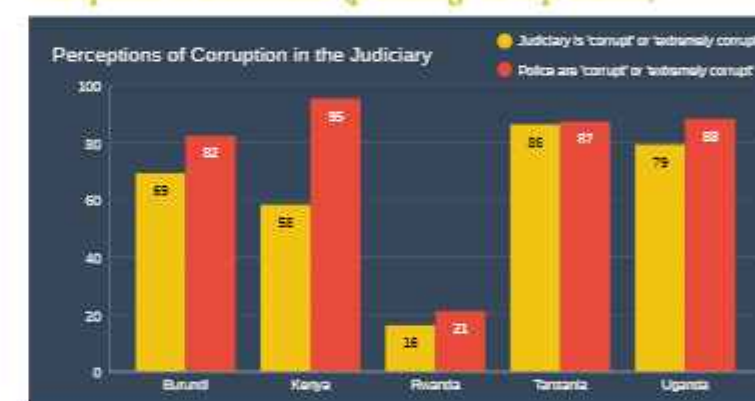


Figure 32: Data: Global Corruption Barometer, transparency International

The data presented in this study (perhaps with the exception of that of Rwanda) should set off alarm bells at all levels. What this indicates, without any shadow of doubt, is the almost total absence of trust in the judicial system in East Africa. This lack of trust makes it easier for powerful individuals and entities to exploit the weak, knowing very well that they will hardly ever denounce them to the judicial authorities, and in the rare instance that they did so, they can comfortably exploit this lack of trust to further turn the system against them.

The lack of knowledge of the law, of their rights, by citizens also plays a critical role in the system being used against them. Granted, the law is complex but this notwithstanding, there has been little effort on the part of governments to educate citizens on their rights and how to demand for them. In Kenya, much clamor was made of the Bill of Rights passed in the 2010 Constitution of Kenya. Yet a vast majority of Kenyans remain uninformed of just what exactly their rights are today. This is not merely a fault of the citizens concerned, but also of a larger systemic problem in which a culture of rights has yet to be embedded in the operations and practices of government.

⁷⁴ Quoted in Sufian Hemed Bukurura (1995) *Judiciary and Good Governance in Contemporary Tanzania: Problems and Prospects*, Bergen, Norway: Christian Michelsen Institute.

As the Kenya National Commission on Human Rights stated:

'State organs will only be willing to provide a robust interpretation and application of the Bill of Rights, and stakeholders will only be willing to observe the Bill of Rights and its associated jurisprudence, if they perceive the Bill of Rights as legitimate and a reflection of values widely held in society. It is therefore important for stakeholders to continue to provide public education on the Constitution to ensure that the general population has a basic understanding of what the Bill of Rights is and why it is beneficial to them.'⁷⁵

Yet the law and legal institutions are critical for the success of the good governance narrative. As part of the political, economic and social set up of our countries, it is a critical pillar whose performance can neither be ignored, nor downplayed. Looked at from an inequality perspective, the role of the law and how it is applied is central to tackling the challenge of inequality that the region faces. In their report, Chiongson *et al.* observed:

'Law and justice impact people's capacity to accumulate endowments, enjoy returns to such endowments, access rights and resources, and act as free, autonomous agents in society. Inequalities in endowments, access to resources and rights, social (and household) status, voice and agency are perpetuated, codified, contested and redressed through norms and the institutions established or resulting from such norms, be they social or legal. Although these inequalities can affect both women and men, women are lagging behind men in many fields.'⁷⁶

When one considers that the primary cause of inequality in East Africa is the skewed access to productive resources, it is impossible to ignore the role that the legal system has played in perpetuating this state of affairs. The land question in East Africa is emblematic of the manner in which powerful elites have used the law to dispossess communities of their traditional lands. As Ambreena Manji wrote:

"Throughout East Africa, land reform has failed to confront the material consequences of unequal access. Since the 1990s, law reform has been the favoured means of addressing contentious land issues. Bilateral and multilateral donors have promoted the rule of law, administrative justice, formalisation of tenure, promotion of individual title, encouragement of property markets and technical solutions – the cornerstone of what has been termed "global land policy". This template has led to land law reform, at the expense of substantive land reform.

⁷⁵ Kenya National Commission on Human Rights (2011) *Making the Bill of Rights Operational: Policy, Legal and Administrative Priorities and Considerations*, pp. 5.

⁷⁶ Abada Chiongson, Rea, Deval Desai, Teresa Marchiori and Michael Woolcock (2011) *Role of Law and Justice in Achieving Gender Equality*, Background paper prepared for the World Bank World Development Report 2012 'Gender Equality and Development', pp. 5.

New laws have not been redistributive or transformative in a positive way. Longstanding grievances and injustices have not been addressed. Legislation has failed to curtail predatory bureaucracies which in turn have stymied reform through delaying tactics and sabotage.'⁷⁷

These introductory paragraphs frame the context in which appropriation of land by elites has taken place – through a patchwork of laws that have run roughshod over traditional community rights (where these rights have been replaced by individual titles); through abuse of power (trust lands illegally allocated to third parties). These processes have allowed individuals to amass huge tracts of land, creating lasting social distress and damage whose costs have then been passed on to the collective. Attempts to address land questions from an equity and access platform have often been frustrated and rebuffed. With reference to Kenya, Manji observed:

'The consequences of a legalistic approach to land reform are starkly evident in Kenya's new land laws. First and foremost, it foreclosed debates about redistribution, prioritising land law reform as the most effective way to address land problems and so evading more difficult questions about who controls access to land and how a more just distribution might be achieved.'⁷⁸

Manji also raises additional critical questions about the focus and approach in reforming land laws in the region that has to a great extent ignored the patriarchal nature of property ownership, and in particular, their impact on women's rights.

'Another deficiency exposed by the statutory reform of land law in Kenya, and elsewhere in East Africa, has been the failure to reflect that different areas of law are interconnected. When law is the favoured means to improve land governance, reform has tended to focus on land law at the expense of other legislation. Often, inheritance law, family law and mortgage law are neglected despite their critical role in determining access to land. The effects on women are especially detrimental. For example, it is often at the point of inheritance that women can claim access to land so addressing women's land rights needs to involve reform of succession, family, and other related areas of law.'⁷⁹

This brief excursion into the land question provides a clear glimpse of the political economy processes that are at play and how they impact access to perhaps the most important of all productive resources in East Africa: land. In Kenya, such was the clamour around the land question that in 2003, a Presidential Commission was established and whose report 'Commission of Inquiry into the Illegal/Irregular Allocation of Public Land' (2004) revealed the extent to which high level collusion enabled public lands to be illegally privatized and sold off for gain. The

⁷⁷ Manji, Ambreena (2015) 'Whose Land is it Anyway? The Failure of Land Reforms in Kenya', Africa Research Institute, pp. 1.

⁷⁸ Manji, pp. 5.

⁷⁹ Manji, pp. 10.

Commission noted that:

'[T]he powers vested in the President had been grossly abused by both former Presidents and successive Commissioners of Lands and their deputies over the years, under both previous regimes; there had been 'unbridled plunder' (Commission: p. 81) of public land by local Councillors and officials; illegal transactions were hugely facilitated by the extensive complicity of professionals (lawyers, surveyors, valuers, physical planners, engineers, architects, land registrars, estate agents and bankers) in the land and property market; and most high profile allocations of public land were made to companies incorporated specifically for that purpose, largely to shield the directors and shareholders of such entities from easy public view. Finally, and interestingly, the Commission found that 'most illegal allocations of public land took place before or soon after the multiparty general elections of 1992, 1997 and 2002', reinforcing its view that public land was allocated 'as political reward or patronage' (p. 83).⁸⁰

Should the judicial system play an activist role on behalf of the poorer citizens of the region? Should it use its pulpit to shine a bright light on social injustices and force the legislature and executive to take remedial actions? Within the judiciary itself, there are conflicting positions as to whether it (the institution) needs to be more active or restrained in its function. This notwithstanding, it does have a critical role to play as a force for positive change in society. First, by ensuring that the law is upheld and avoiding perceptions of favoritism, it can send a powerful message that impunity will no longer be tolerated. As stated earlier, the perceptions that the justice system in the region is biased are rife, particularly in Kenya, Uganda, Tanzania and Burundi⁸¹. A recent (2015) Afrobarometer study reported the following results to the questions:

'In your opinion, how often, in this country do officials who commit crimes go unpunished?'⁸²

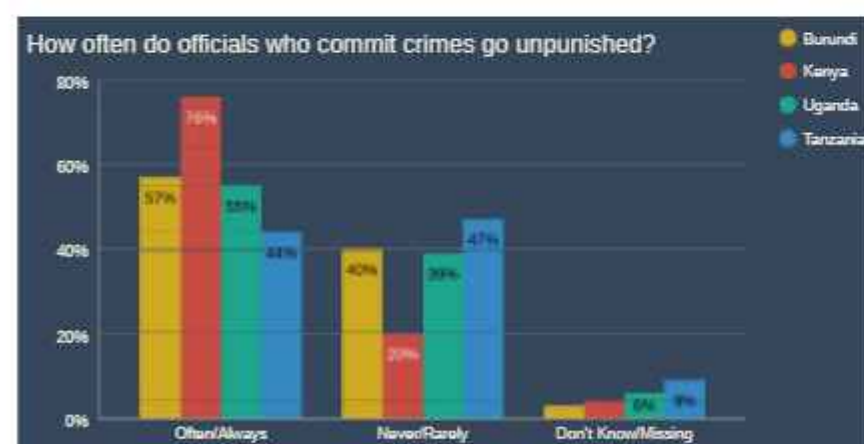


Figure 33

⁸⁰ The Nding'u Land Commission, Wikipedia: <http://bit.ly/1LKT2T1>

⁸¹ No data for Rwanda available

⁸² Afrobarometer 2014-2015 Survey, <http://afrobarometer.org/>

'In your opinion, how often, in this country: Are people treated unequally under the law?'⁸³

How often are people treated unequally under the law?

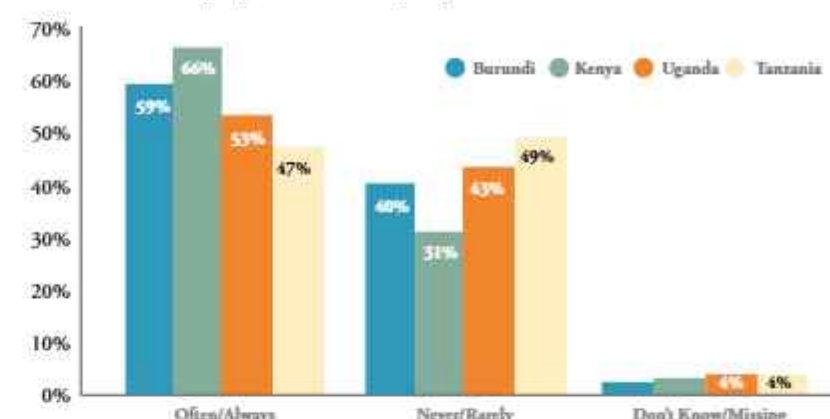


Figure 34

The above figures make it pretty evident that the average citizen thinks that (a) more likely than not, they will not receive fair treatment before the law and (b) powerful or connected individuals are more likely to get off scot-free for their misdeeds.

Few judges have used the bench to send strong messages about the persistence of inequality in our countries and the need to find structural remedies. This is perhaps in standing with tradition that the judiciary should only deal with matters of law, interpreting it within the confines that it provides, not wanting to generate conflicts of power with the legislature and executive. However, as the late Justice James Mwalusanya of Tanzania noted in one of his judgments:

'The judiciary needs to come to the aid of poor citizens and if it cannot, then we can as well do without it'⁸⁴

His obituary in 2010 told volumes about how justice was administered and the challenges that individuals who seeking fairness before its institutions faced. It is worth quoting at some length as many of the conditions that were described then still prevail today.

'...For those who follow the work of judiciary closely, it is easy to notice three types of decision makers. There are bold spirits who will stand by justice even if heavens fall; timorous souls who try to study the status quo and internalise the Executive arm of the State and decide – not in accordance with the law and the evidence before them but in accordance

⁸³ Afrobarometer 2014-2015 Survey, <http://afrobarometer.org/>

⁸⁴ In the judgment *Chumchua Marwa vs. Attorney General*. As quoted by Sufian Hemed Bukurura (1995) *Judiciary and Good Governance in Contemporary Tanzania: Problems and Prospects* (1995), Bergen, Norway: Christian Michelsen Institute.

with the wishes of the Executive in order to please it. Also, there are the vacillating types of decision makers.

'They will be bold today only to collapse the next day and hence lack of consistence. One is unable to predict what decision is to come even if the facts and evidence are clear. Justice Mwalusanya was a bold spirit. He stood by the law and justice. In this he managed to distinguish himself and as a result he was in a class of his own...

...The judge was very clear what was the core of the case and which issues he dealt with in passing. This did not go well with most of members of the judiciary who excelled in mystification of law and justice. It is not surprising therefore that when the opportunity arose senior judges attacked this very transparent method of judicial work which was more people-friendly and easily acceptable to the majority of the public...

...Unfortunately, not only was the Executive uncomfortable with the work of Justice Mwalusanya but surprisingly and strange enough the judiciary too, and particularly the Court of Appeal of Tanzania...

...Although Justice Mwalusanya was just too modest to admit, but slowly – but surely he began to notice a clear pattern of isolation from certain sections of the legal fraternity. While the Bar respected him and appreciated his work, it was not the Bench. In their judgments, senior judges could attack the work of Justice Mwalusanya – while at the same time acknowledging his industry. State Attorneys – given opportunity could jump up and reject Justice Mwalusanya as a presiding Judge; and eventually the State could bring in amendments to the law in order to cut the new activist judge to size. These were, just to mention a few, some of the prices that Justice Mwalusanya had to pay for doing his work the way he found it fit.

For those who have had the opportunity to observe the Court of Appeal – the highest judicial organ in the United Republic at work must have noticed three things. One, a very artificial unanimity with their Lordships/Ladyships almost agreeing on each and everything. There are hardly any dissenting judgments from this court – which is curious.

At best, once in a while we see separate judgments but largely supporting the judgment of the Court. Two, immense love for legal technicalities. This provides the court the opportunity not to say much about the law and its development. A case will be dealt with summarily if there is a slight mistake in procedure. Therefore, for this court the form is more important than substance. To the Justice of Appeal – justice is secondary...

...In introducing the Bill of Rights in the Constitution of the United Republic of Tanzania in 1984 the Government was not serious nor did it intend to undertake and respect what was being enacted. From the behaviour of the Executive arm of the State thereafter, one can clearly see that there was no genuine concern for human rights nor the wish to respect and promote them. Firstly, the Bill of Rights was suspended for a period of three years. Secondly, even when it became justiciable in 1988, no mechanism was put in place on how to go about its implementation.

'This was not received well by the State. The courts of law and particularly the High Court had to be tamed. In reality, the State had Justice Mwalusanya in mind as he had singularly declared several laws and actions of the government unconstitutional.

'This led to the enactment of the Basic Rights and Duties Enforcement Act, 1994. This law provided inter alia, that a single judge of the High Court was not allowed to sit and hear any case relating to fundamental rights and freedoms alone. He or she had to sit with other two judges.

'The absurdity of this law was that a single judge could sit and hear a murder case and even convict a person to death but the same judge could not entertain a complaint of a worker over his salary! For this, three judges were needed. The Basic Rights and Duties Enforcement Act, 1994 was a Mwalusanya Law – aimed at gagging him once and for all.

Although it cannot be admitted in the higher echelons of the judiciary in Tanzania, there was obvious discomfort with the way Justice Mwalusanya was handling this judicial work. It disturbed the judiciary that he was becoming too popular with the majority of the people. More and more people felt secure to appear before him in both civil and criminal matters. 'This was not received well in the administrative arm of the judiciary...' ⁸⁵

Much work still remains to be done in ensuring that the justice systems of East Africa are accessible and that they are agents in eroding the firm hold that inequality has on the region. That said, there are positive signals that need to be amplified and built upon in order to ensure that the interface between justice and the quest to reduce inequality is made much more robust. The inclusion of socio-economic rights in the Bill of Rights, especially for Kenya will go a long way in this respect. Emerging jurisprudence in this regard, and also with respect to devolution will also be key determinants in establishing the role of the judiciary in creating the conditions to undermine the structures that have to date perpetuated inequality in East Africa.

⁸⁵ Maina Peter, Chris (2010) 'Justice Mwalusanya: Distinguished icon in legal fraternity', 15 August, <http://www.ippmedia.com/frontend/?l=19899>

SECURITY



SECURITY

Questions of security have always been close to the heart of many of the citizens, and indeed the governments of East Africa. The challenges related to insecurity are many – ranging from terrorism to crime and other episodes of unrest that have impacted negatively on lives and livelihoods.

When 'security' is mentioned, more often than not, the interpretation that prevails is that of the physical security of property and of the state. Very rarely is security analyzed through the lens of what this means for individuals. How secure are they? Are they protected from violence, exploitation and other deprivations? In the early 1990s, the concept of 'human security' briefly enjoyed the attention of development practitioners. The UNDP, in its 1994 Human Development Report that focused on the theme of 'Global Human Security' proposed seven categories of threats that undermined global security and proposed an agenda that would put in place actions to ensure that any deficiencies were addressed. These seven threat categories were: food security, economic security, health security, environmental security, personal security, community security, and political security. In the intervening years, whilst the threats to state security and the responses to that threat have tended to overshadow threats to individual security, it is impossible to delink the two: The security of the individual now directly impacts the security of the state and vice versa and it is thus necessary to understand how inequalities play a part in this equation.

Notwithstanding the various efforts made by governments to secure the territory, there still remains a prevalent perception that insecurity is still running rampant. In the most recent Afrobarometer survey, crime and security were indicated by Kenyans as the most pressing problem that needed to be dealt with (40% of respondents), a perception that was fairly distant from that of the neighbouring countries. In reality, the Kenyan position is not surprising given the numerous terrorist attacks that the country has faced in the past two years.

Afrobarometer Surveys: Percentage of respondents indicating that crime/security are a pressing problem⁸⁶

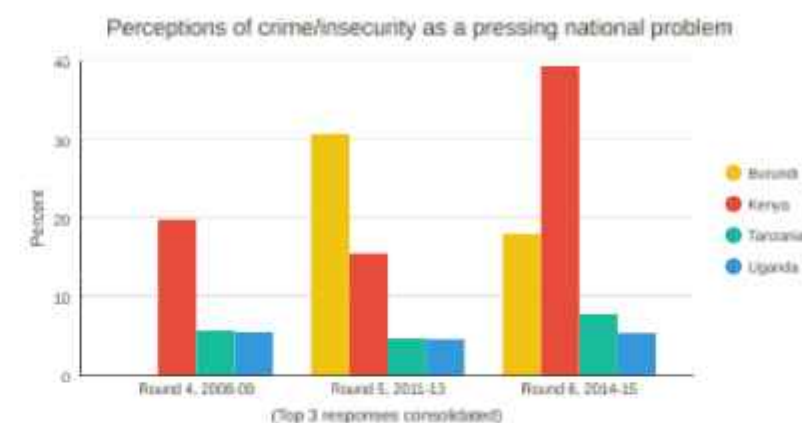


Figure 35

Investors are also worried about the security situation in the region and it is interesting to note that it is one of their primary concerns. The 2015 'Africa Attractiveness Survey' conducted by Ernst and Young listed 'weak security' as the third most important concern for investors after an unstable political environment and corruption⁸⁷. Needless to say, an unstable political environment can contribute significantly to insecurity.

BMI's Crime and Security Risk Index like most other similar indices, provides a perception of risk in the five countries of the region. Only one country – Rwanda – scores above the average for sub-Saharan African countries and this gives the impression of a country where the challenges to insecurity have been largely mastered. The scores for Burundi, Kenya and Uganda in particular gives a picture of countries that may be considered relatively insecure.

	Conflict Risk	Vulnerability to Crime	Crime & Security Risk
Burundi	29.9 ↓	19.6 ↓	20.8 ↓
Kenya	28.6 ↓	26.6 ↓	28.8 ↓
Rwanda	68.7 ↑	38.3 ↑	43.0 ↑
Tanzania	35.1 ↓	37.3 ↑	35.6 ↑
Uganda	35.3 ↓	21.3 ↓	27.0 ↓
Sub-Saharan Africa Average	36.0	29.7	32.7

Table 14 Source: BMI Crime and Security Risk Index

100 = Lowest Risk; 0 = Highest Risk; ↓/↑ - position vis-à-vis sub-Saharan Africa average

⁸⁶ Afrobarometer Data, <http://www.afrobarometer.org/online-data-analysis/analyse-online>

⁸⁷ Ernst and Young, Africa Attractiveness Survey 2015 – Making Choices, [http://www.ey.com/Publication/vwLUAssets/EY-africa-attractiveness-survey-2015-making-choices/\\$FILE/EY-africa-attractiveness-survey-2015-making-choices.pdf](http://www.ey.com/Publication/vwLUAssets/EY-africa-attractiveness-survey-2015-making-choices/$FILE/EY-africa-attractiveness-survey-2015-making-choices.pdf)

So what do our countries spend on security?

Whilst an accurate figure might be difficult to come by, it is estimated that the region spent some \$1.75 billion on its military in 2014, up from than the \$1.45 billion in 2013. In real terms however, the region spent less in 2014. Using constant (2011) US\$ expenditure, the 2014 expenditure works out to be some \$1.42 billion.

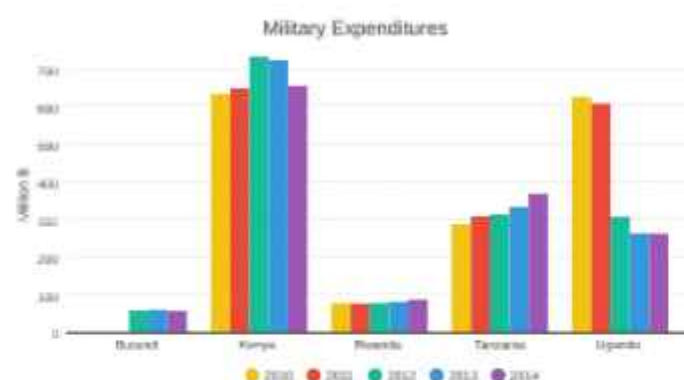


Figure 36: EAC Member States Military Expenditures⁸⁷

allocated to the military, dropping to an estimated 6.4% in 2014. Whilst it is still slightly higher than the regional average of some 5.5% for the same year, it is below Burundi's 6.7% spend⁸⁸.

To what extent have these expenditures translated into security for the citizens of East Africa? What is the link between the growing inequality in the region and the insecurity that is palpable in our countries?

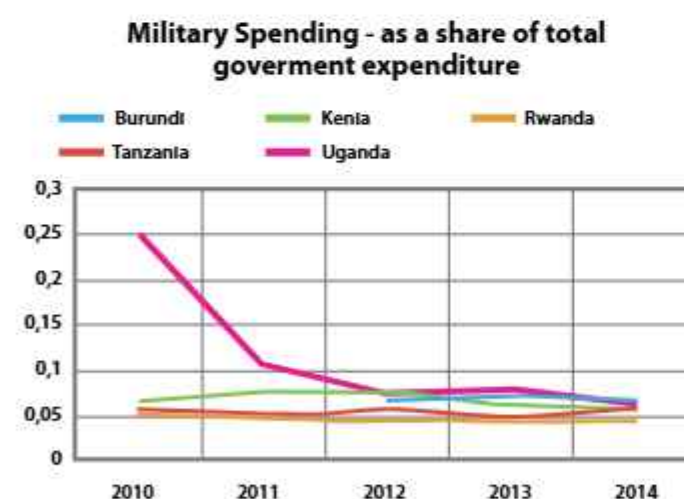


Figure 37

⁸⁸ Ibid.

In general, the proportion of government spending on the military has tended to be more or less unchanged over the last five years with the exception of Uganda which has seen a drastic reduction in military spending over the same period. It is curious to note that in 2010, 25% of all government expenditure was

At one level, the increased number of terror events and robberies in places frequented by the public have led to an increase in the number of private security guards hired to protect these venues and to screen members of the public. Whilst ostensibly these security forces do have a deterrent function on potential malfasants can we link their proliferation to an increase in inequality?

In East Africa today, the security sector is one of the fastest growing employment sectors. In a recent article, Dinfin Mulupi, quoted a senior executive of one private security firm in Kenya who estimated the sector to be employing 300,000 people and hosting anything between 2,000–4,000 companies.⁸⁹ In the same article, the Chairman of the Kenya Security Industry Association, Chris Everard is quoted as saying:

“The private security industry is the biggest employer... in Kenya. I would say it is bigger than the car industry and even the tourism industry.”⁹⁰

In Tanzania, the industry is estimated to employ a staggering 1.2 million people and hosts 800 companies⁹¹.

To the extent that there is a growing gap between the wealthy and the poorer sections of population, there are likely to be increased tensions that will undermine coexistence and threaten property. To the extent that our economies are unable to provide adequate jobs to absorb the new entrants to the job market, there will be a growing number of frustrated and desperate individuals for whom crime and violence might become enticing options. In recent years there has been increased talk of youth becoming ‘radicalized’ and choosing to affiliate themselves with vigilante or even terrorist groups. There is in many respects, a direct link between these choices and the growing inequality in the region.

Furthermore, as more and more money is squirreled away by the wealthy, there are less resources available for investment in public goods and the outsized influence of the elites on the policy process means that there are unlikely to be significant transformative efforts to reverse this trend. Although the large majority maybe cognizant of this elite capture, there will be little pressure for reform as millions of average citizens defend their own small concessions, thus unwittingly providing support to the no-reform efforts of the elites. Another outcome of growing inequality – and which is directly related to our theme of security – is that *inequality pulls productive assets away from value creation to protecting and securing the assets of the wealthy.*

“The higher the inequality (in a society), the greater the proportion of a workforce deployed as guard workers, who generate little value and lower overall productivity’.

Prof. Sam Bowles,
Institute for New Economic Thinking

⁸⁹ Dinfin Mulupi, Kenya's private security industry booming due to terror threats, 3 July 2014, <http://www.howwemadeitinafrica.com/kenyas-private-security-industry-booming-due-to-terror-threats/41115/>

⁹⁰ Ibid.

⁹¹ Private security firms downplay JKT entry, 25 July 2014, <http://www.123tanzania.com/?module=news&action=newsdetails&news=5287>

Why is it important to analyze this trend and its relation to the growing inequality? First, the concentration of wealth and power is distorting the normal security functions of the state and skewing the attentions of the state to cater more towards protecting the assets of the wealthy, whilst at the same time reducing its attention to the poorer sections of its number and often such attention tends towards an increased emphasis on repression (of potentially restive populations). The increase of private security actors is a case in point – and the stellar growth of these companies in the region is an indication of the growing demand for their services. In their article, Abrahamsen and Williams write:

‘While private security has a long history in Africa, contemporary global security assemblages mark a significant transformation. In these assemblages, security is shaped and influenced by new normative orders beyond the nation-state and by the growing power of private actors who interact with the state to such a degree that it is often difficult to determine where the public ends and the private begins. Indeed, in these global security assemblages the very categories of public/private and global/local are being reconstituted and reconfigured in ways that may lack the drama of heavily armed “mercenaries,” but that nevertheless have important implications for security governance.’⁹²

There is a need to begin to rethink security in much broader terms, to encompass elements from the human security agenda and to go beyond the comfort of the state and its institutions. Given that an insecure region is unlikely to integrate, it is important that the thinking of the leadership goes beyond a focus on offensive and defensive capacities and embraces much more fully the concept of human dignity.

As Kisame and Njagi put it:

‘A broader approach to regional security should be based on maintaining social cohesion, the intangible bond that holds members of any society together and facilitates coexistence among diverse groups and communities. This foundation stone of sustainability for any polity has been frayed by legacies of conflict that have sharpened the politics of identity and notions of inclusion and exclusion throughout the region. It should also encompass long-term and non-military threats to the security of communities and individuals arising from the intersection of natural-resource depletion with unequal patterns of development and distribution, demographic and generational change, and the corrosive long-term impact of climate change and environmental degradation.’⁹³

⁹² Abrahamsen, Rita and Michael C. Williams (2009) ‘Security Beyond the State: Global Security Assemblages in International Politics’, *International Political Sociology* 3:6.

⁹³ Njagi, Christine and Charles Kisame (forthcoming) ‘The Geopolitics of Insecurity in the Horn of Africa’, *Greater Horn Quarterly*.

Thus, tackling the security challenges of the region needs to go a notch or two deeper and address the root causes of insecurity. Continuing to focus on repressive means to tackle insecurity in the region will not only deepen grievances, making it harder to find lasting solutions, but also generate wide spaces for mischief by external forces seeking to create further havoc in the region.

Writing in 1994, Mahbub ul Haq, credited by many as the father of the human security approach suggested five radical steps that were necessary to ensure that this new conception of security – focused on people and not states – took root: a human development conception with emphasis on equity, sustainability, and grassroots participation; a peace dividend to underwrite the broader agenda of human security; a new partnership between North and South based on ‘justice, not charity’ which emphasizes ‘equitable access to global market opportunities’ and economic restructuring; a new framework of global governance built on reform of international institutions⁹⁴. This remains today, as it was then, a clarion call to reduce inequalities.

⁹⁴ ul Haq, Mahbub (1994) ‘New Imperatives of Human Security’, RGICS Paper No. 17, Rajiv Gandhi Institute for Contemporary Studies (RGICS), New Delhi: Rajiv Gandhi Foundation, pp. 2-19.

IDENTITY



IDENTITY

What does identity have to do with inequality? Should whom we are matter at all? The struggle against colonial rule was premised on the argument that the colonizing powers had no business determining how the resources of our countries were being distributed, a process that was conducted to the detriment of the native populations who were without exception mired in poverty, and largely excluded from the economic process providing labour at a discounted cost and segregated into native reserves. Thus, the quest to remove the yoke of colonialism was premised on identity – the indigenous African versus the European colonizer. Identity therefore had – and could yet have – an ‘emancipatory potential’.

As Bruce Berman noted in his paper ‘Ethnicity and Democracy in Africa’:

What is identity?

In the former sense, an “identity” refers simply to a social category, a set of persons marked by a label and distinguished by rules deciding membership and (alleged) characteristic features or attributes. In the second sense of personal identity, an identity is some distinguishing characteristic (or characteristics) that a person takes a special pride in or views as socially consequential but more-or-less unchangeable. Thus, “identity” in its present incarnation has a double sense. It refers at the same time to social categories and to the sources of an individual’s self-respect or dignity.

James D. Fearon, ‘What is Identity (as we now use the word)?’

access to education and to higher levels of employment in public institutions; and growing internal inequalities between the local collaborators and intelligentsia and their poor clients and dependents⁹⁵.

“The colonial state brokered the articulation of ‘tribes’ to the capitalist market as cash-crop farmers, traders and wage laborers, not only through the imposition of taxes and coercive labour laws, but also through more positive incentives and resources channeled through networks of local African collaborators and their supporters, and the growing employment of a Western-educated intelligentsia in the state apparatus (Berman, 1990). The most important consequence of the colonial political economy was the creation of horizontal inequalities (Stewart 2010) between ethnic communities in the manner and degree of their involvement in cash crop and labour markets,

⁹⁵ Berman, Bruce J, ‘Ethnicity and Democracy in Africa’, JICA Research Institute, Working Paper No. 22, November 2010, pp. 7.

Fast-forward to the immediate post-independence period and identity still remained a strong organizing force for the distribution of benefits in our new states. One of the enduring debates regarding the organization and performance of the state in Africa has been its connection to politics and society and academic literature is replete with descriptions and theories regarding its formation, and evolution over time.

By far the most visible – and consequential – identity claimed in our realm is that of ethnicity. Ethnic affiliation has been used to justify resource allocation on the one hand, and to undermine policy on the other. If our countries have failed to develop fully functional and representative institutions since independence, this is largely due to our inability to manage the ‘beast’ of ethnicity. Whilst there are clearly differences in performance in regard amongst the five member states, the shadow that identity issues cast cannot be negated.

The most recent (2015) Afrobarometer survey gives a clear indication of the extent to which the perception that identity (ethnicity) matters in treatment by the government lingers. Since the 3rd round of its survey’s it has included a question that seeks to explore precisely this aspect of the interviewees relationship with their government:

‘How often are _____s [respondent’s identity group] treated unfairly by the government?’

The responses to this question give an indication of the extent to which the identity issue is waxing or waning in the region. Not surprisingly perhaps, it is in Kenya where the perception that identity matters the most in determining the fairness of treatment received from the government

Kenya: How often are [identity group] treated unfairly by the government?

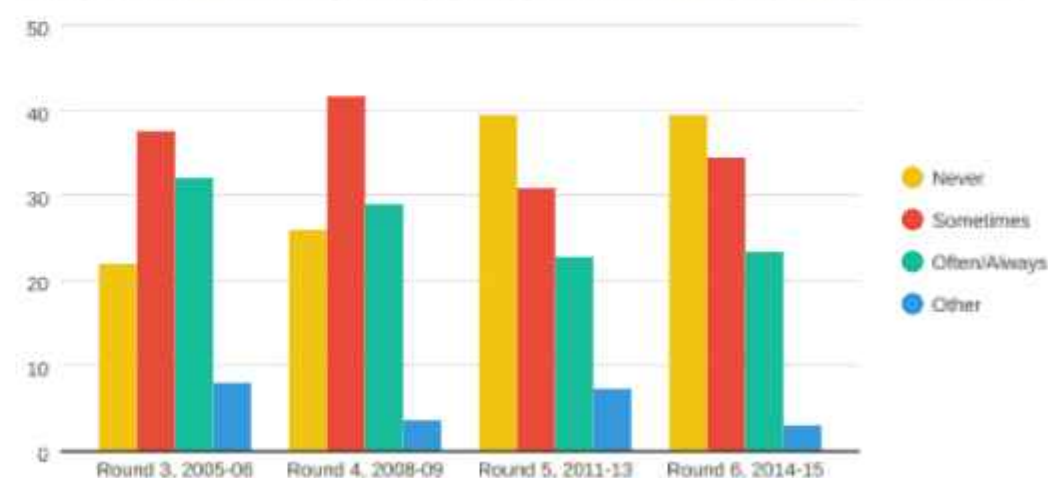


Figure 38: Source: Afrobarometer

– in all survey rounds, more than half the respondents indicated that their identity mattered. This contrasts sharply with the findings in Tanzania where over the years and the survey periods, the perception that identity **does not matter** has grown significantly [see graphs overleaf].

Tanzania: How often are [identity group] treated unfairly by the government?

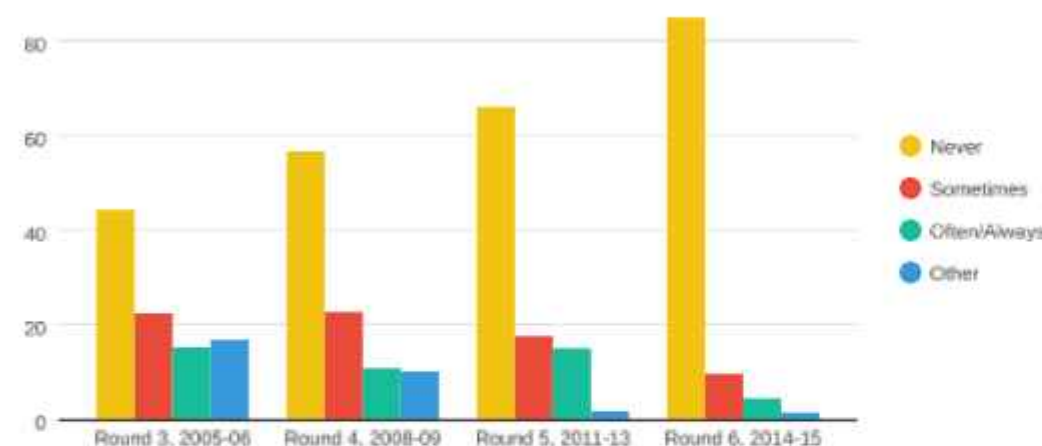


Figure 39: Source: Afrobarometer

In many respects, the results of the Afrobarometer survey are not surprising. Tanzania is perhaps the only country where strong measures were deliberately undertaken to dilute the potency of identity as a force in the national political discourse shortly after its independence. Thus, ethnicity never played a prominent role in Tanzanian politics – at least during the period when it was a one-party state.

But just how exactly does the preponderance of ethnicity create outcomes that promote or facilitate the growth of inequality? To the extent that the national politics of any country is subject to the push and pull of ethnic power struggles, the institutions that are created will reflect this fact and it is more likely than not that these institutions will, of their nature, be more prone to promoting and perpetuating inequalities rather than tackling them.

Writing in the Yale Global Online magazine, Kenyan activist John Githongo opined:

'Recent history has taught us that no matter how stable a systemically corrupt authoritarian state appears, inequality that is essential to its neo-patrimonial character plays into the demographic or identity politics of the day undermining security at the personal and ultimately the national level.'⁹⁶

⁹⁶ Githongo, John (2015) 'Identity Politics, Corruption, Insecurity: Brave New World', Yale Global Online, 10 March, <http://yaleglobal.yale.edu/content/identity-politics-corruption-insecurity-brave-new-world>

Furthermore, and related to Githongo's comment, the 2005 UNDP Human Development Report noted:

'[I]nequalities in income and human capabilities often reflect inequalities in political power... Where political institutions are seen as vehicles for perpetuating unjust inequalities or advancing the interests of elites, that undermines the development of democracy and creates conditions for state breakdown.'⁹⁷

Thus, to the extent that any number of citizens perceive that the government does not treat them fairly on account of their identity raises a series of red flags that should serve as a warning to leaders that all is not well. Perceptions of unfair treatment are normally an indicator of exclusion from decision-making, particularly with respect to the distribution of economic and social resources and persistence of such perceptions eventually can lead to deeply grounded grievances which will be difficult to resolve.

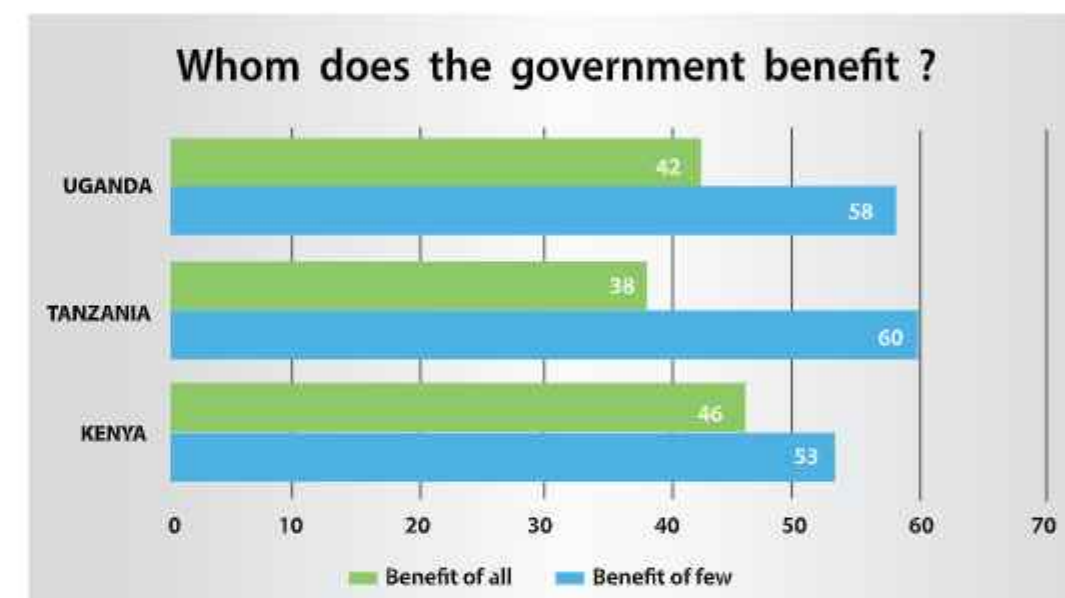


Figure 40: Source: Pew Research Centre, Spring 2015 Global Attitudes Survey

As the 2005 UNDP Human Development Report reminds us:

'Inequalities linked to wealth, gender, location, race and ethnicity, along with other markers for disadvantage, do not operate in isolation. They interact to create dynamic and mutually reinforcing cycles of disadvantage that are transmitted across generations.'⁹⁸

Navigating the territory of identity is complex and complicated. Identity is by no means a fixed marker and virtually all of us have at any one time, more than one label that we can use. There

⁹⁷ UNDP (2005) Human Development Report, pp. 53.

⁹⁸ *Ibid*, pp. 59.

are many 'identities' that inform resource politics today and in many respects, a number of them overlap. The more prominent amongst these include gender, religion and social class. But the power of ethnicity is by far the most powerful identity marker today.

Ethnicity, it should be noted is also a fluid concept, one whose connotations (and context) often depend on its political utility. Thus, here we find the notion in which the political construction and social reification of identity conspire to create a vehicle that is often used for means that often run counter to national interests and benefit a narrow elite within the construct. In his paper, Berman notes:

'[T]he first 'fact' about ethnicity in Africa is that there is no universal agreement about the number of ethnic groups in most countries, their social and spatial boundaries, or their membership, because such designations are contested political acts.'⁹⁹

In his paper 'How the Rich Rule', Dani Rodrik, asked how leaders who are unresponsive to, or uninterested in the interests of the majority get elected (and re-elected). One response was that perhaps most voters were ignorant of the political process and the extent to which it was biased in favour of the economic elite. A second response, which we quote here in full related to the strategies politicians apply to get into office:

'A politician who represents the interests primarily of economic elites has to find other means of appealing to the masses. Such an alternative is provided by the politics of nationalism, sectarianism, and identity – a politics based on cultural values and symbolism rather than bread-and-butter interests. When politics is waged on these grounds, elections are won by those who are most successful at "priming" our latent cultural and psychological markers, not those who best represent our interests...

...Identity politics is malignant because it tends to draw boundaries around a privileged in-group and requires the exclusion of outsiders – those of other countries, values, religions, or ethnicities. This can be seen most clearly in illiberal democracies such as Russia, Turkey, and Hungary. In order to solidify their electoral base, leaders in these countries appeal heavily to national, cultural, and religious symbols.

In doing so, they typically inflame passions against religious and ethnic minorities. For regimes that represent economic elites (and are often corrupt to the core), it is a ploy that pays off handsomely at the polls.

Widening inequality in the world's advanced and developing countries thus inflicts two blows against democratic politics. Not only does it lead to greater disenfranchisement of the middle and lower classes; it also fosters among the elite a poisonous politics of sectarianism.'¹⁰⁰

⁹⁹ Berman, *op. cit.*, pp. 4.

¹⁰⁰ Dani Rodrik, How the Rich Rule, Project Syndicate – September 20, 2014. <http://bit.ly/1TcgEJV>

The truth is that there is no 'happy middle' in which the identities constructed and exploited hitherto will find an immediate equilibrium for coexistence. Identities, as we have noted earlier, are continually shifting and presenting new challenges. The emphasis at a political level has been to seek to 'detribalize' or 'de-ethnicize' development politics and promote a single, national identity over the multiple, often fragmented identities. This is not an easy task, and one that is not made any easier when the leadership sometimes appears to vacillate between their choice of the singular, national identity as opposed to narrower identities. What is more is that such a shift or transition cannot happen in a vacuum. Migration, new technologies and social mobility are all adding to the complexity of how we see ourselves – individually and collectively. According to Berman:

'All nations now confront the issues of the meaning of nation and identity, democratic development and accountability, citizen and communal rights, the balancing of multi-ethnic mosaics versus integrationist melting pots amid intensifying conflicts of cultures, classes and genders. In this setting, the impact of ethnicity on economic development in African states derives not from the diversity of ethnic groups but from the impact of thirty years of neo-liberal reforms on the horizontal cleavages that are the material basis of ethnic conflict and on the access of ethnic communities to the sources of wealth and power in the state and market. This shapes in turn the behavior of both individuals and institutions, public and private, in the market place. And they must do so in the context of a global crisis of capitalism that challenges the ideological hegemony of neo-liberalism and brings the issues of moral economy to the world stage as well as to the domestic politics of every nation.'¹⁰¹

The challenge for the future is therefore that of being able to master the multiple levels from which demands for services will emerge. Clearly in the absence of credible responses from the state and its institutions, citizens will reorganize their efforts with a view to obtain the same. Herein lie the risks: on one hand, the establishment and proliferation of 'alternative' institutions that enjoy a greater legitimacy from the citizens could in the longer run, weaken the official state as it is progressively hollowed out and forced to negotiate with some of these parallel institutions. On the other hand, conflict might become a mode by which some of the tensions are managed. Writing at around the turn of the last century, and reflecting on ethnicity and its conflict potential, Ochola-Ayayo mused, and we quote at length:

'In Eastern Africa there is no shortage of official declarations of good intentions. In Kenya, we hear of the philosophy of 'peace, love and unity', in Tanzania we hear of 'Undugu philosophy', and in Uganda 'comrade ideology'. According to the constitutions of the states in this region, and the manifestoes of their political parties, the security, integrity, equality and material well-being of all citizens, irrespective of ethnic identity, is guaranteed. One may ask whether human suffering is alleviated by these declarations, or whether they are merely slogans that

¹⁰¹ Berman, *op. cit.*, pp. 32

are never put into practice. One of the most important human needs is security of survival, but 'unity' is necessary for the maintenance of peace and the achieving the security needed for survival. Security or survival is valuable because it is fundamental to all human activities. Two questions likely to be asked are whether all human activities are directed towards security of survival, and second, how far freedom to express ethnicity can be tolerated if it jeopardizes the security of survival of a multiethnic nation. If we wish to include the three Western ethical values – freedom, justice and security of survival – and at the same time maintain the three indigenous values – love, peace and unity – the choice of supreme value would be very difficult to make in dealing with multiethnic groups. These two ethical systems have the same end, in so far as they have chosen security of survival as the supreme value. This should perhaps be the case in Africa. If, on the other hand, the end is freedom or justice, then we have an ethical dilemma. We would be confronted by individual freedom, ethnic freedom, group freedom and national freedom. What all of these can mean for a multiethnic nation is chaos.¹⁰²

To be clear, the problem with ethnicity in our countries is not the presence of different ethnic groups per se, but rather, the manner in which ethnic identities have been coopted and instrumentalized for political purposes. As Osaghae wrote:

'When ethnicity is analyzed in these terms, it is easier to see why multiethnic states do not suffer problems of ethnicity in the same way and to the same extent, why multi-ethnicity does not always invite the federal solution, and why, contrary to what one might expect, the more diverse countries (for example Tanzania) are not the more problematic, just as the least diverse (Rwanda, Burundi and Somalia for example) are not also the least problematic and prone to violence. These variations can only be explained if ethnicity is approached as a largely dependent variable, which is propelled by certain conducive factors (uneven development, structural discrimination, injustice, oppression, state authoritarianism), and whose political salience and potency is the result of mobilization and manipulation by the state, its power holders, and other elites (and non-elites as well)¹⁰³.'

Identities, however they have been formed and lived, are unlikely to simply disappear with a magical wave of wand. They will persist, and likely even resist attempts to dilute them or wish them away. The challenge for the future will be that of taking the sting out of the tail of identity – rather than focus on the 'bad' alone, or to perceive such identity formations as being in competition with the state, it might behoove us to understand how to make them positive actors in working with and alongside the state to deliver development. In his conclusion, Osaghae argues:

¹⁰² Ocholla-Ayayo, A.B.C. (1998) 'Ethnicity as a Mode of Conflict Regulation', in M.A. Mohamed Salih and J. Markakis (eds.), *Ethnicity and the State in Eastern Africa*, Uppsala: Nordic Africa Institute, pp. 90.

¹⁰³ Osaghae, Eghosa E. (2006) 'Ethnicity and the State in Africa', Afrasian Centre for Peace and Development Studies, Working Paper Series No.7, pp. 2.

'[T]hat the collapse of the state provides the opportunity for forging new partnerships between the state and (mostly new) autonomy-seeking and development-oriented ethnic interests to accelerate the development of ethnic groups and reduce the historical inequalities and imbalances that have historically fed ethnic mobilization. By transferring the greater responsibility for development from the state to members of the groups themselves, a major part of the ethnic problem in Africa, that of approaching the state in extractive and predatory terms, would be reduced, if not eliminated. As I have argued, the emphasis on reconciling and accommodating elite interests in the name of managing ethnicity is the main obstacle to this trajectory of positive ethnicity.'¹⁰⁴

This in essence, should be the agenda for addressing the question of ethnicity in East Africa.

THE GENDER DIMENSION

In addressing the identity question, we cannot ignore the gender aspect of identity. In every country, there are men and women and the struggle for equal rights, particularly women has been at the forefront of development discourses in the recent decades. In East Africa, the question of how women have fared cannot be divorced from any examination of identity within the political economy. Whereas East African countries, and Rwanda in particular, have made significant strides towards gender parity in recent years, there is still a significant aspect of gender discrimination that persists and which informs (consciously or otherwise) policy choices and the manner in which decisions are implemented. In her paper commissioned for the Second Conference of the Africa Commission in November 2008, Marty Chen observed:

'In virtually every country and community in the world, women face constraints in the realm of paid work simply because they are women; women's human resources (education and skills) tend to be lower than men's due to discrimination against the girl child; women's access to property is typically less than that of men and often mediated through their relationship to men; women face discrimination and harassment in the workplace by reason of their sex; women face greater social demands on their time than men do (notably to carry out unpaid care work); and women face greater social constraints on their physical mobility than men (due to social norms or the threat of sexual harassment and violence).'¹⁰⁵

East African countries cannot claim to be immune from the observations that Chen makes. Women continue to face a number of structural constraints that hamper their effective participation in economic activities. In East Africa, according to Semboja, some of these include:

¹⁰⁴ *Ibid.* pp. 17.

¹⁰⁵ Chen, Marty (2008) 'Women and Employment in Africa: A Framework for Action', pp.19, <http://bit.ly/1Np6u3>

- Customary laws and norms which impede women to a greater extent than men, from obtaining land, credit, productive inputs, education, information and healthcare;
- The coexistence of multiple laws which create ambivalence (for example, customary and statutory laws relating to marriage and inheritance);
- Gender biases in access to basic human resource development services such as education, training and health, resulting in gender gaps in adult and or youth literacy rates, and;
- Time poverty, resulting from women's multiple and competing reproductive and productive responsibilities.¹⁰⁶

In order to understand the extent to which the problem is systemic, we need to consider how gender interfaces with markets and institutions. Addressing the challenge that this interface generates 'cannot be addressed through service delivery or targeted interventions alone. Fundamental systemic changes in the market system and institutional environment are also required'¹⁰⁷. These systemic changes must include shifts in the mindset that makes and enforces rules, both in the public and private spheres in addition to giving greater voice and visibility to women and their contribution to the overall economic effort.

¹⁰⁶ Haji Hatibu Haji, Semboja (2007) 'The Youth Employment in East Africa: An Integrated Labour Market Perspective, African Integration Review – Volume 1, No. 2, July, pp. 18-19, <http://bit.ly/20EnMiY>

¹⁰⁷ Chen, pp. 20-21.

THE INTERGENERATIONAL CHALLENGE



THE INTERGENERATIONAL CHALLENGE

Today's parents have an expectation that their children will lead better lives than they did. Thus, they go the extra mile to make sure that their children can access the appropriate education, health care and other formative steps to ensure that their children's journey through life will be smoother and that hopefully they will be able to move at least a rung or two higher than they were positioned on the ladder of life. But are these hopes and expectations justified?

This section tries to unpack the legacy that we are about to bequeath to the future generations and poses some questions in this regard.

But first, just what are our perceptions of the future? Will it be better than the present? Or worse perhaps? The results of some recent surveys give an indication of what the prevailing sentiments are and how they have been evolving over the past two-three years.

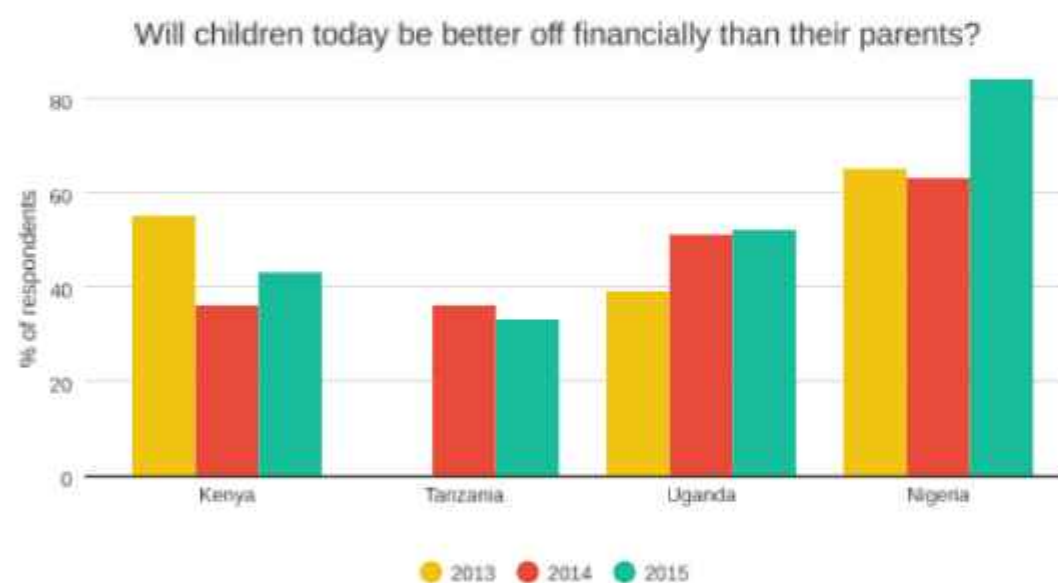


Figure 41: Source: Pew Global – Global Indicators Database

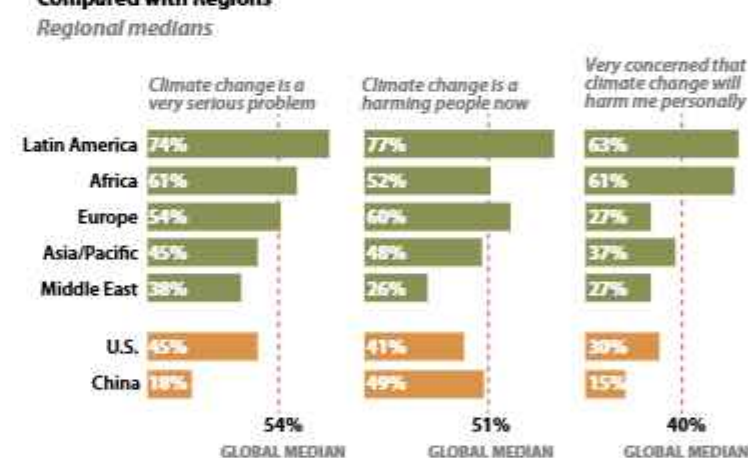
Financial wellbeing is a determinant of what opportunities one can access. In the three East African countries surveyed, it is only in Uganda where over time, there sentiment that today's children will be better off than their parents is on the rise. And even then, it is barely scraping above the 50% mark. Interestingly, there seems to be a greater degree of pessimism in both Kenya and Tanzania. We include Nigeria – a country frequently perceived to be on the edge – for comparison purposes. The optimism there is overwhelming, particularly when compared to that in East Africa. In fact, in the entire survey, the only countries where less than half of the interviewees were optimistic about prospects for future generations were Kenya, Tanzania and South Africa.

The point is that although we don't quite know the future, we have some pretty good indications of what we might encounter when we eventually get there. We live in a period of promise, a period of plenty but also of widening and unsustainable gaps between those who have and who haven't. And any sage consideration of the challenges we face today: from employment, (in) security, climate change, debt, social security gives the impression that those who are young today will face an uphill task to deal with outcomes of these challenges in their adult lives.

CLIMATE CHANGE

Our perceptions of the extent to which climate change poses significant problems to our plans and prospects varies. Clearly the prevailing technocratic nature of the debate around climate change has not served to enlighten many as to what needs to be done differently, and what impact this will have in terms of ameliorating the problem. Still, at an anecdotal level, there is an appreciation that something has changed with the climate and this is being borne out in the increased droughts and dry spells that the region is having to cope with.

Latin America, Africa More Concerned about Climate Change Compared with Regions



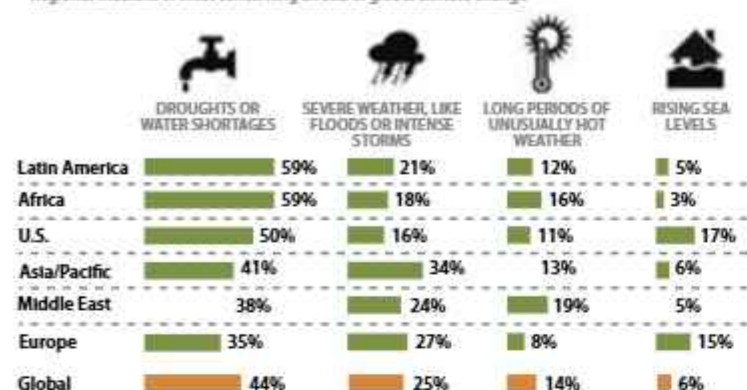
Note: Russia and Ukraine not included in Europe median. Asia-Pacific median includes China.
Source: Spring 2015 Global Attitudes survey, Q32, Q41 & Q42.

Figure 42

The Pew Global Attitudes Survey indicated that within Africa, the concern that climate change is having a significant impact are quite high – even in comparison to other world regions. The three East African countries included within this survey (Kenya, Tanzania and Uganda) the respectively polled 62%, 57% and 76%. In other words, two out of every three individuals polled in these countries believe that climate change is a very serious problem. Whilst this survey focused on the 'now', it is important to reflect on what these changes mean in terms of the options and opportunities for future generations.

Drought Tops Climate Change Concerns across All Regions

Regional medians of most concerning affects of global climate change



Note: Russia and Ukraine not included in European median.
Source: Spring 2015 Global Attitudes survey, Q43.

Figure 43

The consequences of climate change are myriad and in any respects, they have a direct and lasting impact on future options. The reality is that climate changes are unravelling faster and in more unexpected ways than our predictions have suggested. And the damage is perhaps already done. It is estimated by climate scientists that even if we were to stop dumping greenhouse gases into the atmosphere today, the prevailing CO2 levels are already so high that we can be assured of significant global temperature increases and disruptive climate changes are all but guaranteed in the years to come.

“If the environment deteriorates beyond some critical point, natural systems that are adapted to it will breakdown. This applies also to social organization. Beyond a certain level, climate change becomes a profound challenge to the foundations of the global industrial civilization that is the mark of our species.”

Leon Fuerth,
The Age of Consequences: The Foreign Policy and National Security Implications of Global Climate Change, pp. 72

What then happens when climate change intersects with existing poverty and violence? What can we expect from the ‘catastrophic convergence’ of politics, economy and environment? This convergence will result in problems compounding and amplifying each other, one expressing itself through another. In other words, the systemic challenges will be magnified and could potentially become overwhelming. Extreme

weather events and water shortages could escalate displacements from land and livelihoods (a major threat in societies that are predominantly agrarian) and escalate social tensions and conflicts – think of the growing tensions around grazing grounds that pastoral communities in East Africa are confronting. The most important impact of climate change is however that food supply will continue to be threatened and there is a risk that we are entering a period

of ‘permanent food supply crisis’. Such a crisis would inevitably result in various social – and ultimately political – consequences. Furthermore, we can also expect that there will be major changes in transmission patterns of infectious disease as a result of climate change. The World Health Organization, for instance, has estimated that a 2-3°C increase in temperature would increase the number of people at risk from malaria by 3-5% globally, and increase the seasonal duration of malaria in endemic areas.¹⁰⁸

Thus, the challenge is that our institutions will eventually need to rise up to is that of ensuring that adaptation can take place in ways that minimizes tensions and scales up the potential for cooperation amongst different units within our societies.

Immediacy of climate change: Global climate change is harming/will harm people around the world...

	Now	Next few years
Kenya	54%	38%
Uganda	74%	20%
Tanzania	51%	35%

Table 15: Source: Pew Spring 2015 Global Attitudes Survey

EMPLOYMENT

In its Strategic Plan on Gender and Youth, and the subsequent Youth Policy document, the East African Community correctly notes that underemployment and unemployment are the number one challenge that youth in East Africa face.

Rapid population growth coupled with jobless economic growth has resulted in high unemployment and underemployment in East Africa. The reality for most of the new entrants to the job market is that there are simply no jobs for them, and for the vast majority who are able to get employment, it is in low paying, temporary jobs that offer poor working conditions and hardly any social protection. In virtually all the EAC member states, the largest number of jobs are being created within the informal sector – which in many respects means that low wages, low productivity and poor working conditions is the norm for many workers.

According to the IMF, ‘Sub-Saharan Africa’s projected rapid labor force growth, combined with a low baseline private sector wage employment, means that even if sub-Saharan Africa realizes another decade of growth as good or even better than the past one, employment transformation will proceed slowly.’¹⁰⁹

¹⁰⁸ World Health Organization (2003), *Climate Change and Human Health – Risk and Responses* (Summary), pp. 16.

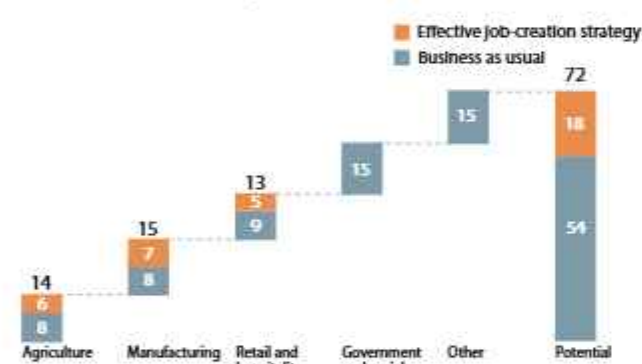
¹⁰⁹ International Monetary Fund (2013) ‘Africa’s Got Work to Do: Employment Prospects in the New Century’, pp. 4.

Translated, this means that there is likely to be a persistent gap between the supply and demand for employment. With an average population growth rate over the past decade of approximately 3%, there is a huge population momentum that the region will need to find creative ways and means to absorb. The current positive economic growth on its own will not be sufficient to transform the labour landscape – particularly considering that the current economic growth has not been accompanied by a commensurate increase in jobs. This can only come about through a profound structural transformation of the region's economies. Any structural transformation will require high levels of political, economic and technological capital not to mention the time needed for a complete turnaround. Again, this challenges leaders to focus on those reforms that have the potential to create a larger number of jobs.

As can be evidenced in the figure below, there is a significant potential for job creation in the region which would be the dividend of an effective job-creation strategy. In their report, the McKinsey Global Institute suggests that such strategy:

If Africa Accelerates Job Creation, It Could Add 72 Million Additional Wage-paying Jobs By 2020.

Additional stable wage-paying jobs, 2010–20, millions¹



¹ Estimates based on 10 African countries: Angola, Algeria, Egypt, Ethiopia, Kenya, Morocco, Nigeria, Senegal, South Africa and Uganda. Figures may not sum to totals, because of rounding.

Figure 44: Africa at work: job creation and inclusive growth, McKinsey Global Institute, 2012

'Should be about creating the economic foundation and competitive conditions necessary for a specific industry to thrive, and then allowing companies of all sizes and nationalities to compete... A jobs strategy must target growth and development in those sectors that have the potential to contribute disproportionately to employment. These can be sectors producing tradable goods in which the country is competitive globally, such as light manufacturing, high-value agriculture, or tourism, or untraded local services such as retail.'¹¹⁰

¹¹⁰ McKinsey Global Institute (2012) 'Africa at work: Job creation and inclusive growth', pp. 49–50.

Indeed, as the IMF (2013) report states:

'Given the number of people under 15 already born today who will enter into employment over the next 20 years relative to the current size of the nonagricultural wage employment sector, it is unrealistic to expect a more rapid transformation of sub-Saharan African economies into ones dominated by wage employment.'¹¹¹

Clearly the demand for jobs will continue to exert pressure on political leaders to find appropriate solutions that actually work and deliver decent jobs. The recurring message is that for this to happen, there needs to be a profound transformation of the economic models and strategies applied to date.

In the conclusion to its report, the McKinsey Global Institute noted:

'The total number of Africans in vulnerable employment will continue to grow for decades to come, and social programmes supporting them will be important. In the base case, we project that more than 300 million Africans of working age will still be in vulnerable jobs in 2020. Given Africa's rapidly expanding labour force, the total number of people in vulnerable jobs will continue to rise for at least another 20 years even if Africa achieves the upside potential laid out in this report. However, even the subsistence activities and informal self-employment of vulnerable workers are more desirable than high rates of unemployment, so governments should work to support vulnerable workers.'¹¹²

The IMF report for its part concluded:

'Of particular importance, though often ignored, is that if productivity and earnings in agriculture do not improve, hope diminishes for the rural sector, where the majority of the population still lives in low and lower-middle income countries. Even the modest employment transformation projected here is unlikely to take place, as there will be fewer opportunities in the household enterprise sector in rural areas and smaller urban areas. This would truly be a disappointing result.'¹¹³ (pp. 25)

The challenge that leadership will face is that it takes time for any recipe to begin to show its worth. Yet, time is exactly what is not on their side. The pressure from below has been described by some in apocalyptic terms as a 'demographic time-bomb'. Being able to defuse this bomb will call for some deft persuasive skills to buy time as transformative efforts are put in place. That said, the future for employment for many of today's youth will undoubtedly continue to be bleak.

¹¹¹ IMF (2013), pp. 24.

¹¹² McKinsey Global Institute (2012), pp. 62 (emphasis ours).

¹¹³ IMF (2013), pp. 25 (emphasis ours).

A DEBT TRAP?

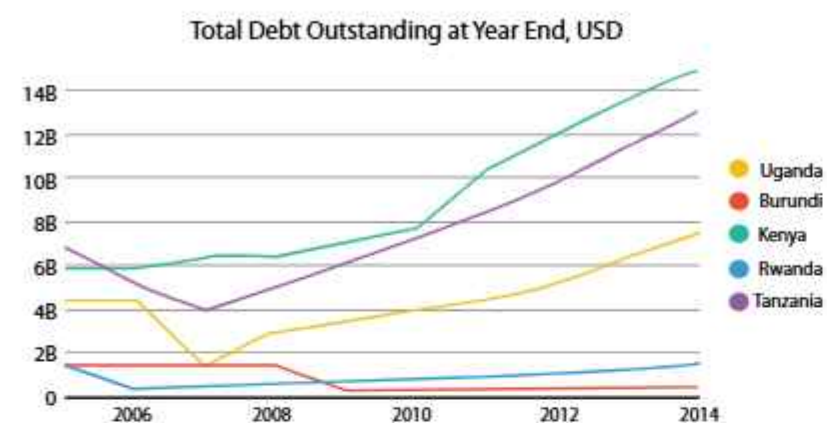


Figure 45: Data African Development Bank

There is growing concern amongst economists that the growing debt levels that EAC countries are holding could soon become unsustainable and plunge the region into a debt crisis. As can be seen from the Figure 44, the debt levels of Kenya, Tanzania and Uganda have been ballooning in recent years. Rwanda debt growth has been modest, whereas that of Burundi has remained more or less unchanged over the past few years.

The fear is that declining export earnings and the region's depreciating currencies will increase the debt-servicing burden. This is evident in the fact that interest payments on debts are beginning to squeeze national budgets – in their 2016 budget statements, the governments of Kenya, Tanzania and Uganda indicated that they would set respectively aside 20%, 27% and 25% of their planned expenditure to service debts¹¹⁴.

The basic reason for the growing indebtedness is the need to renew infrastructure with the view to rebooting economic growth. All EAC member states currently have significant infrastructural upgrading projects, worth over US\$90 billion (70% of the combined GDP of the EAC countries in 2014). In a recent report, the IMF, commenting on these investments noted that the projects had:

“The potential to significantly add to the fiscal deficits and debt burden, unless savings are made elsewhere in future budgets or these projects are financed by the private sector. Other economic issues could arise, such as the risk of overheating or running into absorption-capacity constraints.”¹¹⁵

¹¹⁴ Own calculations based on 2016 budget statements presented to national parliaments.

¹¹⁵ Mauro, Paolo *et al.* (2015) ‘Monitoring and Managing Fiscal Risks in the East African Community’, Washington, DC, International Monetary Fund, pp. 18.

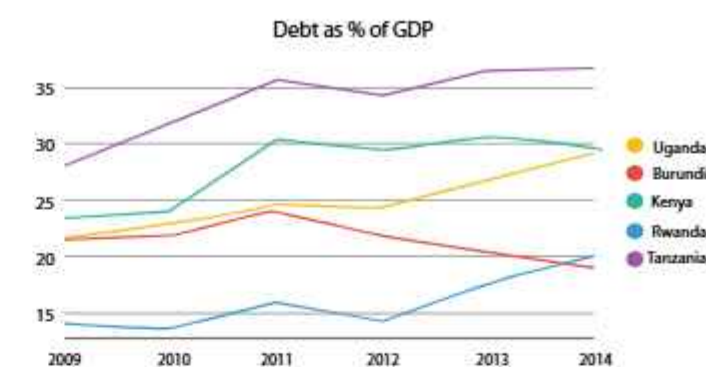


Figure 46: Data African Development Bank

Some fiscal risks stem from possible macroeconomic shocks, such as a halt in the strong economic growth performance experienced during the past decade. Other notable sources of risk relate to the financial performance of public enterprises, large-scale infrastructure projects, PPPs, and pension funds. Moreover, there is a need to improve the quality and timeliness of information on the fiscal accounts for both the central government and other public-sector entities. In particular, more timely compilation and disclosure of improved information on the public enterprises' profit and loss accounts would be warranted. There is also a need to improve revenue forecasting and expenditure control; to strengthen the supervision of the public sector (including local governments and public enterprises, but also other public entities); and to prepare for the challenges raised by natural resource wealth management'.¹¹⁶

In Figure 45 above, it is also clear to see that whereas the total debt stock might be rising, it remains below the 50% of GDP threshold which has been established by the East African Monetary Union convergence criteria and which the partner states have promised not to exceed.

All told, the question of the extent to which current debt burdens become a trap for future generations is a function of the sustainability of the debts themselves. If the region is able to contain external shocks and to minimize the negative trade-offs, then there is little to worry about. There is also a need to examine the objects for which the debt is incurred. When debt is used properly, it can be a stimulus for national growth and prosperity over the long-term. As such, the debt question needs to become a central plank of public policy discourse and the options and tradeoffs weighed given the risks entailed.

¹¹⁶ *Ibid.* pp. 33.

EDUCATION

The quality of education on offer needs to improve drastically and urgently. To the extent that the reality depicted in the section on education above continues to prevail, we will without any doubt enjoy a bitter harvest in the years to come. As noted, parents invest heavily in ensuring that their children are able to get an education, making all manner of sacrifices in the hope that this education will secure the future of the family. What prospects can be expected from the mostly dismal outcomes that have been noted?

Perhaps this lengthy quote from Marc Tucker's article can illustrate the dilemma at hand:

"The Chinese did not want to be poor forever. They wanted to get rich. Yes, the Chinese greatly improved their standard of living by offering their services to the world's manufacturers at bargain prices, but they knew from the beginning that they would not get rich without a literate workforce that could do the work to global standards.

...The effort they made to educate and train their people so they could do the work that would enable them to enter the world's middle class was nothing short of astonishing. When they began, the vast majority of their adults were illiterate, enrollment of their primary school age students was low and few of their secondary age students were in any sort of schools. Their university sector was nearly nonexistent. Now, Shanghai, a province of 24 million people, leads the world in primary and secondary education, according to the OECD, there is near universal adult literacy and their university sector is very large and growing fast.

...The places that are the source of the immigration that is most destabilizing in the advanced industrial countries are poor countries with skyrocketing populations of very young people whose employment prospects are slim to nonexistent, not least because they do not have the education and skills required to compete in a world in which automated equipment is steadily wiping out the jobs at the bottom of the skills ladder.

...And that is what binds the coal miner on America's Cumberland Plateau to the Chinese tiller of his small plot of vegetables in Chengdu to the unemployed 21-year-old in Albania considering joining ISIS to the young Libyan militiaman who has never had a job and has no prospect of getting one. What binds them all together is the resentment and anger that come from being left out, shoved aside, uneducated, unemployable and humiliated. Some, of course, literally have no education, but many have 7th or 8th grade literacy.

The problem, as I pointed out above, is that 7th or 8th grade literacy is no longer enough if wages in your country start to rise. If you are Chinese and that is all the skill you have, someone in Vietnam will do the jobs that can be done with that level of skill for less. If you are Vietnamese, someone in Bangladesh is happy to do it for less. And, as it turns out, those Vietnamese and Bangladeshis may never get a chance to offer their services at all, because

robots can probably do the job more cheaply and reliably than they can, if not today, then certainly tomorrow.

...Countries that figure out how to provide a high level general education and strong technical skills to not some, but all of their citizens, an education that enables their citizens to be creative, to learn whatever they need to know quickly and easily, to work collaboratively with others from different backgrounds all over the world and to not just know right from wrong but to do the right thing when it is hard to do, will not only survive, but thrive. Such nations will not be torn apart by the rising tensions caused by outlandish income inequality and the drugs, rising mortality rates and suicide found in countries like ours where a growing numbers of adults do not have the knowledge and skills needed to contribute to the work that needs to be done — by humans.'

All the ingredients that make for an unhappy ending are currently to be found today in East Africa: rapid population growth; a growing cohort of young people unable to find meaningful jobs, armed with a poor education and weak skill-base and rising wages (particularly for the middle income workers). Whilst it may be near impossible to retool and reskill those who have already left our schools and colleges, there will be a need for creative solutions to find ways and means to engage the unemployed and underemployed in meaningful enterprise. At the same time, there is an opportunity today to make sure that those who come after them do not suffer a similar fate – that is by beginning to tighten the quality standards and ensuring that our school leavers and graduates have an education worth its name.

WHERE TO FROM HERE



WHERE TO FROM HERE?

The title of this publication 'Are we consolidating the foundations of misery?' is deliberately provocative and seeks to challenge its readers to a debate on the validity of the political economy model that has been pursued to date. Many a political conversation in East Africa, particularly amongst Swahili speakers is bound to make a reference at one point in time to the '*wenye nchi*' (the owners of the country) which is a pun on the term '*wananchi*' (citizens). There is a clear recognition that there are forces and powers who control the destiny of millions.

The systems and structures that set up the current state, with perhaps few exceptions, have remained by and large unchanged in that their logic and function were never really challenged and adapted to the aspirations of their citizens. Over time, the models that we have pursued have begun to show their age, and faced with unprecedented numbers of young people pushing at them, the constraints of living within a globalized world and an unfettered liberalization, they are no longer able to deliver the goods (so to speak). The region still has some space within which to rethink its models for production, distribution and consumption. There isn't much room for maneuver, but it is a unique opportunity that the leadership of the region needs to grab and address.

It is an inevitable fact of life that East Africans will have to find ways and means of coexisting happily. This means that over time, institutions will need to be reformed and adapt to the expectations of the population, and in turn, citizens will need to be less passive and be engaged in shaping as well as tending to the health of these institutions. Here we are not looking only at formal institutions of the state and the economy, but also those institutions that dominate the private sphere – from associations, to faith-based groupings and so on. In other words, East Africans will need to find productive ways in which to leverage and amplify their social capital.¹¹⁷

Why social capital? First and foremost, having vibrant social networks in place allows communities to create outcomes that benefit the collective as opposed to individual, or narrow interests alone. In their report, the OECD remarked:

'Social capital allows individuals, groups and communities to resolve collective problems more easily. Norms of reciprocity and networks help ensure compliance with collectively desirable behaviour. In the absence of trust and networks ensuring compliance, individuals tend not to co-operate because others cannot be relied on to act in a similar way'.¹¹⁸

¹¹⁷ Social capital has been defined as 'the collective value of all "social networks" [who people know] and the inclinations that arise from these networks to do things for each other ["norms of reciprocity"] – see also 'Better Together' - <http://www.bettertogether.org/socialcapital.htm>

¹¹⁸ OECD (2001) 'The Well-being of Nations: The Role of Human and Social Capital', pp. 41.

Thus, we cannot ignore or downplay the role of trust and its importance in shaping the present and the future. However, what is happening to trust in our communities? Do we trust that our national institutions can provide the leadership to deliver the change that we desire? On the whole, it would seem from available data (Afrobarometer 2014-2015 surveys) that there is a tendency to distrust institutions. The following graphs give a sense of what respondents to the surveys indicated with respect to: the presidency, the legislature, traditional leaders, the clergy and the opposition.

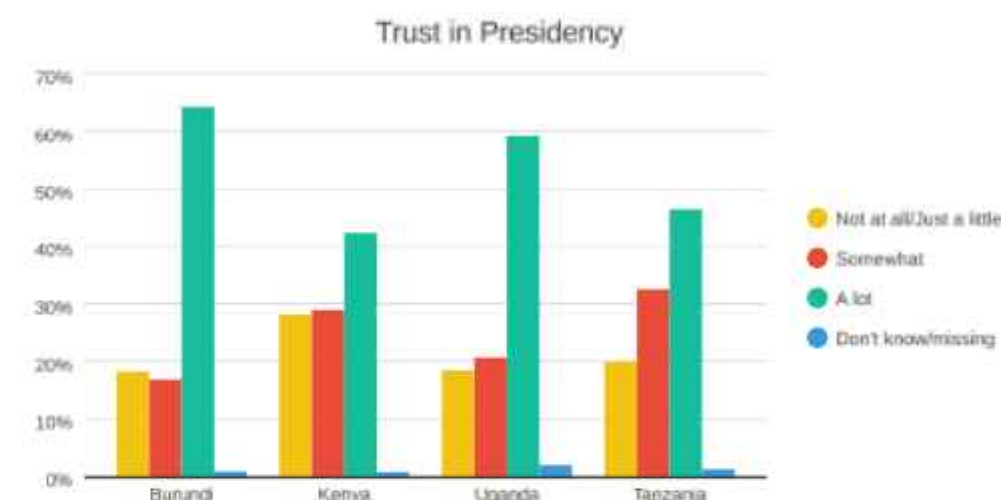


Figure 47

Trust in the presidency (as an institution) is highest in Burundi and lowest in Kenya. Of the four countries, Kenya and Tanzania are the only countries where the sum of respondents who indicated 'not at all/just a little' and 'somewhat' (Kenya: combined 57%; Tanzania: combined 52.4%) is greater than that of those who responded that they trust the presidency 'a lot' (Kenya: 42.3%; Tanzania 46.4%).

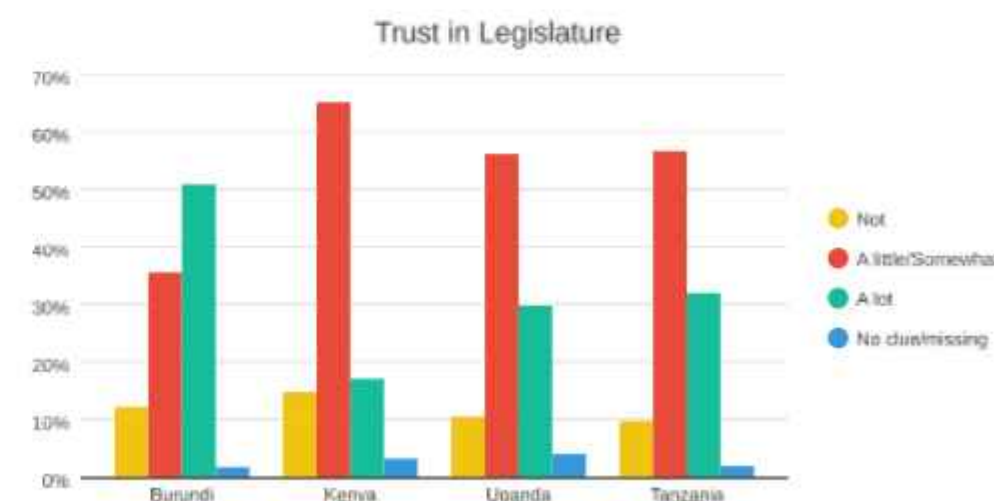


Figure 48: Data. Afrobarometer

What is fascinating is the high levels of mistrust in our national legislatures. With the exception of Burundi where there is an almost 50:50 split between the respondents, in all other countries surveyed, there is a clear majority that distrusts the legislatures. If our legislatures do not offer comfort to the citizens, there is an issue that needs to be addressed urgently as the role of parliaments in deliberating and enacting the reforms that are mooted is critical.



Figure 49: Data, Afrobarometer

Traditional leaders are an institutional cadre that has often been seen as playing a critical role in influencing change from the shadows. They enjoy the highest level of trust in Burundi and Uganda. As an institution, they could have a positive role to play, depending on how they are engaged and the extent to which their role is made public and transparent.

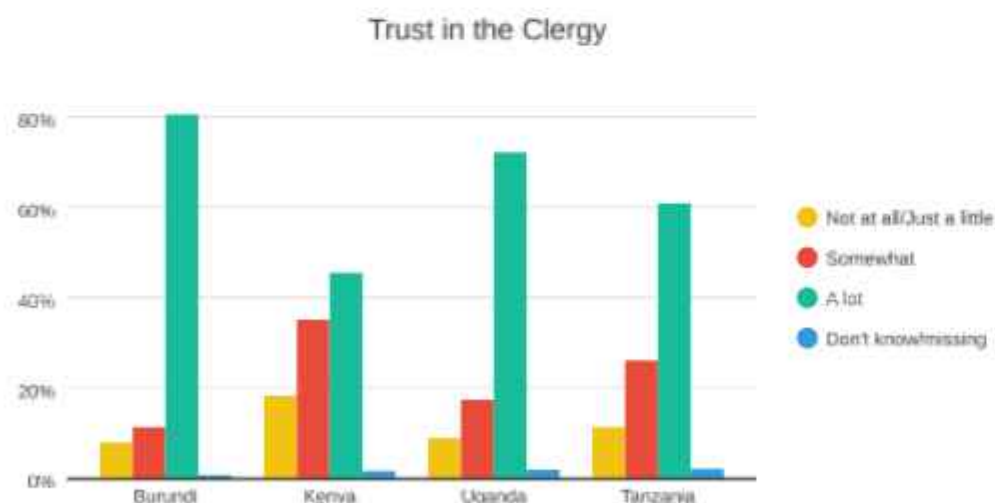


Figure 50: Data, Afrobarometer

The clergy enjoys significant levels of trust in virtually all countries except Kenya where the sum of respondents in the category 'not at all/just a little' and 'somewhat' (combined total 53.2%) exceeds that of those who trust the clergy 'a lot' (45.4%).

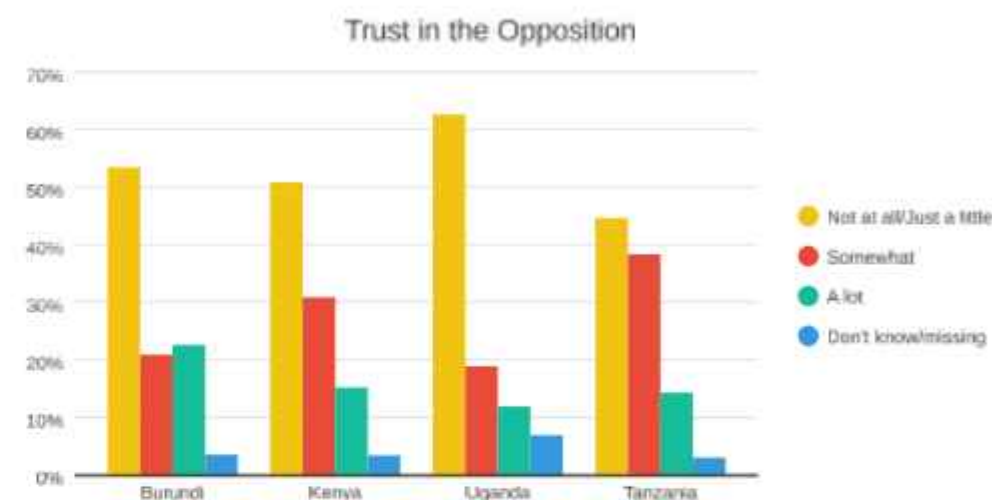


Figure 51: Data, Edelman Trust Barometer

The opposition is perhaps the least trusted institution. In virtually all four countries, the majority respondents indicated that they either did not trust the opposition at all, or just a little. This raises significant questions about the role and efficacy of the democratic opposition in our countries and its ability to provide the check and balance role that they are expected to play. Viewed in tandem with the perceptions of the legislature, there is an emergent question about the role that politics can, and should play in the transformations hoped for.

We cannot presume that trust will emerge out of nowhere. It is a fragile, yet indispensable construct that will be required for the journey ahead. As such, there is a challenge for leaders at all levels to understand how to preserve and nurture the trust within and between the communities. Yet in all of this, inequalities come into play and are contributing to eroding trust.

The Edelman Trust Barometer – an annual global survey of trust conducted in 28 countries – in its 2016 survey, indicated that there is a growing trust divide between what it called 'the informed public' (those respondents within the survey sample that are aged between 25-64, have a college education, are in the top 25% of household income per age group in each country and reported significant media consumption and engagement in business news) and the 'mass population' in their trust of four institutions: government, the media, NGOs and business. This trust divide is captured in a 12-point gap – the largest gap in the last five surveys. Broadly speaking, this gap suggests that there is a growing chasm between elites and the rest of the population and whose ramifications are likely to be widespread. It also speaks of the need for elites to scramble down and understand how to reduce this gap.

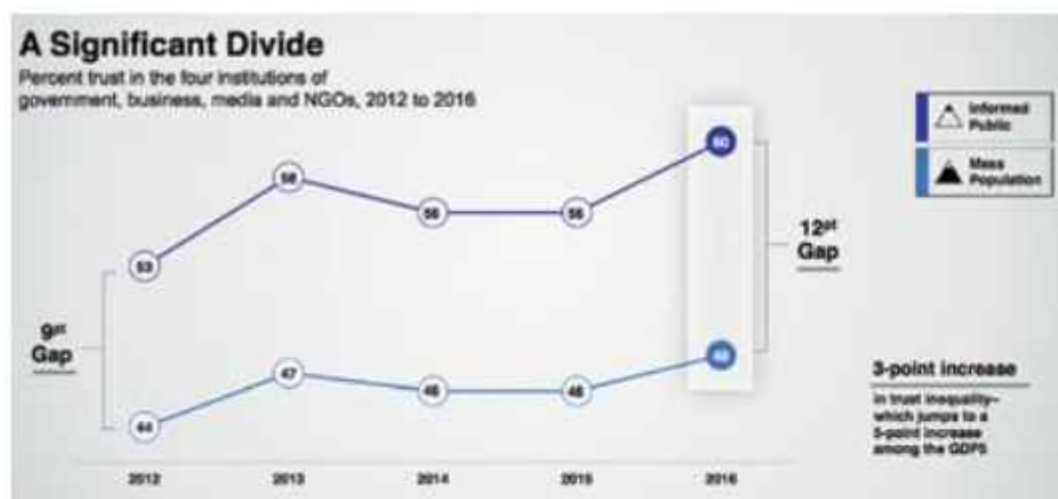


Figure 52: Data, Edelman Trust Barometer, Source: 2016 Edelman Trust Barometer Q11-14.

There is also a clear link in the trust gaps across income brackets with those in the higher brackets being more trusting of institutions.

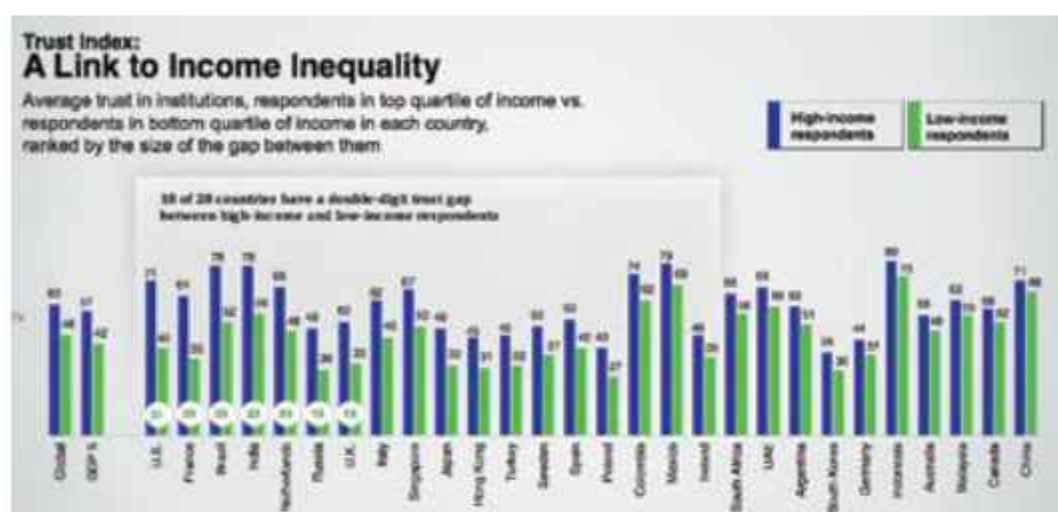


Figure 53: Data, Edelman Trust Barometer, Source: 2016 Edelman Trust Barometer Q13

Whilst the Edelman Trust Barometer does not cover any of the EAC member states, its findings are indicative of what is likely to be observed in the EAC were a similar survey to be conducted. The Edelman Report¹¹⁹ also talks of the 'inversion of influence' in which old models of authority and influence are being upended by peer-to-peer connections that are increasingly more powerful than top-down models and that the growing distrust within the majority of the population is forging new (mass) movements that are linked by their mutual dissatisfaction and urgency.

¹¹⁹ Edelman (2016), Leadership in a Divided World, pp. 21, <http://bit.ly/29A1P4d>

As Betsey Stevenson wrote:

'Trust and growth also suffer in times of greater income inequality. It's lowest among the poorest and least-educated, among people who are dissatisfied with their financial situation or generally unhappy. It has declined most among those with only a high-school degree, relative to college graduates – which is not surprising, given the wage stagnation and declining job opportunities for high-school-educated men.

Restoring trust will require finding ways to spend more time together, particularly with people who differ from ourselves. That means, for example, getting rid of zoning rules that keep poorer families out of desirable neighborhoods, where they would have a better chance of getting a job or sending their children to a good school.

It also means finding real solutions for widening income inequality... Policy makers must provide new ideas for restoring greater equality and wage growth for the median worker – and devote a lot more resources to programs such as early childhood education and care, paid family leave, mid-career training and income supplements for the working poor.¹²⁰

Thus, the questions around social capital and trust cannot be brushed off without taking into consideration the vital functions that they play in facilitating the conditions for change.

But even as we contemplate this, we must keep in mind that the playing field on which these reforms are expected to be developed is skewed and will likely remain so for some time to come. In their report on 'East African Prospects', Booth *et al.* argued:

'...the relationship between political and economic power will be close and strongly shaped by the generation and allocation of various kinds of economic rent. The fundamental relationships will be shaped by an explicit or implicit elite bargain around this issue. The way formal institutions, including elections, parliaments and regulatory agencies, actually function will be shaped by this bargain or political settlement, not the other way round.'¹²¹

So what are we likely to see as we go ahead? In our view, there are three basic paths that the region's leadership could choose to follow:

¹²⁰ Stevenson, Betsey (2016) 'Want to Help the Economy? Learn to Trust', July 5, <http://bloom.bg/29Jl0qR>

¹²¹ Booth, David, Brian Cooksey, Frederick Golooba-Mutebi and Karuti Kanyinga (2014) 'East African prospects: an update on the political economy of Kenya, Rwanda, Tanzania and Uganda', May, <http://www.odi.org/publications/8383-east-african-prospects-update-political-economy-kenya-rwanda-tanzania-uganda>

1. Shauri Yako!

Under the 'Shauri Yako' strategy, minimal attention is paid to the growing inequalities and their social consequences. In other words, you are on your own – shauri yako! A lot of rhetoric about growth and transformation fills the press and the airwaves, but in reality not much is done about this speaking about it.



Power – political and economic continues to concentrate in the hands of an ever tighter elite that seeks to avoid accountability for most of its actions.

On paper, the region remains democratic with scheduled elections taking place as usual and vigorously contested by various parties. But the political cacophony masks limited choice – after all, the majority of the political players are angling to be coopted into that magic circle where power and decisions concentrate.

An anemic middle class struggles to balance its bills and holds its breath and bides time, hoping that things will eventually change for the better. Tomorrow is a different day. Tomorrow will bring something new. The middle class is at once caught up in the tide that sweeps its weaker members to the periphery of the action and into the masses of those who are at the door, waiting and hoping for the crumbs to fall from high above. Their pain is assuaged by growing numbers of itinerant prophets, they too preying on the pain of the weak to swell their wallets and coffers.

Yes, the region is growing. Investments are pouring in – targeted at specific sectors. For the majority, the mantra remains 'you are on your own'. After all, in this period of frenetic growth, only those who don't have what it takes are the ones losing out. Those who try and raise attention to the plight of the many who are cast out and suffering are pillaged by the press and the rich, assisted by the middle class as naysayers and prophets of doom.

Disillusioned, disgruntled, the margins of dissent begin to grow; the number of people willing to actively challenge the system increases. To protect itself and its privileges, the investments in security and security systems double every few months. Still, there is a gnawing feeling of insecurity – is it the vacant stares of the idle and probably hungry youth hanging around the many malls in our capitals? Is it the sporadic terrorist attacks around the region? Or the

growing insecurity in our neighborhoods?

Those who can live in heavily reinforced fortresses, live in heavily protected bubbles and progressively, two – or more – parallel universes coexist side-by-side. Suspicious of each other, but locked in a symbiotic clasp. Their destinies intertwined. The region that was destined to soar eventually never does so. The burdens it so willfully tried to ignore dragging it down from its stratospheric heights.

In the final analysis, the rich got richer, more powerful and disconnected, and effectively seceded from the rest of East Africa for all intents and purposes. The poor struggled to simply survive, a struggle that was harder each passing day and effectively shut out their children from any chance of improving their lives. The 'floating middle classes' strove to keep impoverishment at bay, but over time, their wages stagnated, debts rose and their dreams faded into nothing. The EAC died a slow death, as an abandoned orphan would; the ideas of 'community' and 'equity' that are expressed in the treaty having been neglected to beyond a point of no return.

Yes, the growth was good while it lasted. The mistake was not to recognize that any effort that didn't lift the majority was bound to end in tears.

2. Join the Club

The refrain of this strategy is 'Reform that you may preserve!'¹²² – here, a section of the elite recognizes that the old system is reaching its performance limits and decides that it is necessary to enact minimum reforms that have a dual purpose: first, to buy time and to reduce the pressure they are being subjected to. Secondly, the idea is that any reforms enacted now will enable them to preserve their gains. In other words, they are willing to give up a little now so that they might gain a bit more later.

The 'old boys and girls' recruit their children and their children's friends/peers, a generation of young, educated, mobile East-Africanistas who are cosmopolitan, urban and essentially detached – willfully or subconsciously – from the harsh realities of life beyond the boundaries of the leafy suburbs they inhabit. They have friends from across the borders because they studied with them and they are the Big Brother Africa generation that knows all the hit songs, fashions, tastes and hang-outs in the region and beyond.

¹²² During the Industrial Revolution in Great Britain, the existing power structure encapsulated in a monarchy and the House of Lords came under popular pressure for reforms. These efforts culminated in the Reform Act of 1832 that introduced broad changes to the electoral system in England and Wales. The resistance to this act from within parliament was stiff and in a landmark speech to Parliament in 1831, Thomas Babbington Macaulay said: 'I am opposed to Universal Suffrage, because I think that it would produce a destructive revolution. I support this plan, because I am sure that it is our best security against a revolution. ...I support this bill because it will improve our institutions; but I support it also because it tends to preserve them. That we may exclude those whom it is necessary to exclude, we must admit those whom it may be safe to admit.' Reform was useful only if it preserved the privileges of the old. See also: <http://www.historyhome.co.uk/peel/refact/preserve.htm>

Reading the signs of discontent within the populace and recognizing that unless the majority of the population is able to share the benefits of the economic growth they will have to face down an increasingly hostile population and they calculate that their odds of successfully riding this out are dismal to limited at best. The best bet therefore is to lead from the front and present a package of reforms that share the spoils with a growing number of people.

Hence social schemes widen healthcare and education benefits. 'Consultative' processes abound and citizens are invited to provide input to various commissions put together to advise on the necessary structural reforms to ensure that the region remains competitive. However carefully chosen and pliant individuals leading these commissions ensure that whatever changes are proposed are neither too drastic or radical. Media pundits extol the virtue of changes that are forthcoming and use their airtime and news columns to deride critics. Reforms that will allow the young East Africanists into the places and sources of power on the basis of merit (they worked hard and have earned their status of course!) are promoted and supported vigorously – these people are very keen that the EAC remains open economically – after all, they will be allowed to work across the EAC and establish themselves as they wish (as long as they have a minimum amount of cash). But at the same time, they are hostile to social reforms that limit their earnings (do not tax us anymore!) or expand opportunities for their poorer compatriots (competition for our jobs!). They are ardent opponents to the idea of political federation which gives everyone in the EAC an equal say in regional politics and social policy.

Come election time, political parties use popular nomination processes to choose their candidates. Young people, women and individuals with disabilities are put on the various slates. Politics is exciting and the possibility of participating in change processes attracts young people in particular. However, this interest and excitement is slowed down as they increasingly realize that the real decisions that matter are taken behind closed doors and that their participation in the process lends continuity a façade – one that presents itself as change but in reality seeks to perpetuate itself.

Disenchanted, they slowly begin to break away and to form new groups and alliances. They find a ready audience in a population that is increasingly educated and with clear ideas of the changes that they would like to see in their societies. Having enjoyed the benefits of regional integration, and in particular the opportunity to go to school in different countries of the EAC, they harbor few of the reservations of their parent's generation. They see the world as their oyster; they are sensitive to the changes that are taking place in the world around them and are convinced that East Africa can, and should do more.

Structural changes are enacted, initially slowly and in what seems to be an erratic fashion, but with momentum picking up, the old structures begin to crack and yield to new, more open – but still exclusive – institutions. The EAC integration process eventually stops at a Monetary Union (technocratic tools to manage socio-economic affairs) and Political Federation will

be taken off the table or artfully delayed ad infinitum. It will become an inter-generational coalition of 'progressive' conservatism.

The majority of those excluded from wealth and power are nonetheless kept reasonably contented with the modest welfare privileges and the opportunities that growth has afforded. In the final analysis, the *ancien* regime has shed its skin, but it remains by and large the same creature it was at the beginning of the process.

3. No one left behind

Bearing an unsustainable debt burden brought about by the years of borrowing on the back of the hydrocarbon boom (that never quite materialized), the region's leaders are facing up to the reality that they can no longer continue to play off their creditors and at the same time keep their restless populations content. Faced with dwindling resources and growing pressure from their citizens, the leadership is obliged to put together broad coalition platforms to negotiate priorities for the future.

These platforms, fronted by younger, connected leaders are organized across special interest groups that initially are operating in silos and occasionally at cross purposes. Even as the region is forced deeper into austerity, the chatter for reform doesn't let up and slowly, the various actors begin to appreciate their complementarity and the insights and learning that they are gaining from their interaction. The national parliaments increasingly become robust debating chambers that they are supposed to be. Initial attempts to stifle debate fall away as the realization that the old ways are not providing any new solutions. Again, and taking advantage of their connectedness and ability to reach large numbers of thought leaders, some parliamentarians challenge their citizens to share ideas as to what they feel needs to change. Although these initiatives begin in an uncoordinated manner at national level, the response is overwhelming and at a regional forum, the similarity of the demands is recognized. There is a dawning recognition that even as sacrifices are being called for, those who have more will need to bear a bit more of the burden and that there needs to be a renewal of institutions at the national level to respond to the demands.

By this time, the region has had time to observe and reflect on the root and branch changes that had taken place in Rwanda over the last 25 years. In Tanzania, the 'tsunami' brought on by the 6th President saw changes in the structure and performance of its economy that allowed it to address a number of the development shortcomings it had faced in the years hitherto. By now, the message was clear for all – the old structures of power needed to be dismantled and reorganized to be much more equitable for all citizens. Each country in the region tried its own version of transformation and it moved at a different speed. The critical variables were the appetite for risk, the resistance from entrenched interests and the drive of the leadership. Egged on by a reinvigorated EAC Secretariat, the regions leaders worked to transform their

economies and slowly, the benefits became ever more visible. In spite of the impact of and challenges from climate change, the agricultural sector actually blossomed. Regional trade was booming and the accession of Ethiopia and the DRC to the EAC increased the size of the domestic market. You could say that not everything was rosy in East Africa – there were still poor people in our villages; not all the roads were paved and not everyone had a job – but you could not fail to notice the differences that had taken place in the region. What was the formula for this success? Dedicated efforts to tackle the ills that had plagued the region for so long: corruption was brought to heel; land laws were reformed; cartels dismantled and so on. With an active population demanding greater accountability from their leaders and voters not being shy to evict those leaders who were considered to be non-performing, the pressure was on to deliver the goods. At the end of the day, there was no magic formula that was applied – it was all down to doing the right thing that created the conditions for the region to undergo a genuine transformation that had set it firmly on a faster track to the future.

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SELECTED DATA FROM WORLD DEVELOPMENT INDICATORS

SOCIAL INDICATORS

	Burundi	Kenya	Rwanda	Tanzania	Uganda
Population, total (2014)	10,482,752	45,545,980	12,100,049	50,757,459	38,844,624
Population growth (annual %) (2014)	3.1	2.7	2.7	3.0	3.3
Rural population (2014)	9,249,876	34,069,759	8,731,274	35,072,897	32,720,381
Rural population (% of total population) (2014)	88.2	74.8	72.2	69.1	84.2
Mortality rate, infant (per 1,000 live births) (2013)	54.8	47.5	37.1	36.4	43.8
Mortality rate, under-5 (per 1,000 live births) (2013)	82.9	70.7	52.0	51.8	66.1
Life expectancy at birth, total (years) (2013)	54.1	61.7	64.0	61.5	59.2

Table 18

POVERTY INDICATORS

	Burundi	Kenya	Rwanda	Tanzania	Uganda
Number of rural poor (million, approximate) (2014)	6,373,165	16,728,252	4,252,130	11,679,275	7,329,365
Rural poverty headcount ratio at national poverty lines (% of rural population) (2012)	68.9	49.1	48.7	33.3	22.4
Poverty headcount ratio at national poverty lines (% of population) (2012)	66.9	45.9	44.9	28.2	19.5
Income share held by lowest 20% (2012)	9	4.8	5.2	7.4	5.8

Table 19

HEALTH INDICATORS

	Burundi	Kenya	Rwanda	Tanzania	Uganda
Health expenditure, total (% of GDP) (2013)	8	4.5	11.1	7.3	9.8
Physicians (per 1,000 people) (2010)	..	0.2	0.1	0	0.1
Improved water source, rural (% of rural population with access) (2012)	73.2	55.1	68.3	44	71
Improved sanitation facilities, rural (% of rural population with access) (2012)	48.1	29.1	64.4	7.5	34.1

Table 20

ECONOMIC INDICATORS

	Burundi	Kenya	Rwanda	Tanzania	Uganda
GNI per capita, Atlas method (current US\$) (2014)	270	1,280	650	930	660
GDP (current US\$) (2014)	3,093,647,294	60,936,509,778	7,890,190,337	49,183,884,818	26,312,399,301
GDP per capita growth (annual %) (2014)	1.5	2.6	4.1	3.8	1.1
Inflation, consumer prices (annual %) (2014)	4.4	6.9	1.3	6.1	4.3
Agriculture, value added (% of GDP) (2009)	39.3	30.3	33.1	31.5	28.1
Industry, value added (% of GDP) (2009)	18.3	19.4	14.4	25	19.9
Manufacturing, value added (% of GDP) (2009)	9.7	11.1	4.8	6.1	10
Services, etc., value added (% of GDP) (2009)	42.4	50.4	52.5	43.5	51.9
General government final consumption expenditure (% of GDP) (2014)	21	14	15.1	13.8	9.1
Household final consumption expenditure, etc. (% of GDP) (2014)	76.9	82.1	74.2	65.6	71.3
Gross domestic savings (% of GDP) (2014)	2	3.9	10.7	20.6	19.6

Table 21

GOVERNMENT FINANCE

	Burundi	Kenya	Rwanda	Tanzania	Uganda
Revenue, excluding grants (% of GDP) (2012)	..	17.6	15.1	12.6	11.2
Expense (% of GDP) (2012)	..	19.6	13	17.6	12.1
Present value of external debt (% of GNI) (2013)	40.6	9.9	17.2	13.5	17.5
Total debt service (% of exports of goods, services and primary income) (2013)	14.1	5.7	3.5	1.9	1.6
Net official development assistance and official aid received (current US\$) (2013)	546,270,000	3,236,280,000	1,081,110,000	3,430,280,000	1,692,560,000
Deposit interest rate (%) (2014)	..	8.4	7.1	9.9	10.8
Lending interest rate (%) (2014)	15.7	16.5	16.7	16.2	21.5
External debt stocks, total (DOD, current US\$) (2013)	682,676,000	13,471,481,000	1,690,497,000	13,024,288,000	361,282,000

Table 22

AGRICULTURE AND FOOD

	Burundi	Kenya	Rwanda	Tanzania	Uganda
Food imports (% of merchandise imports) (2013)	13.1	10.7	18.8	7.9	11.5
Food production index (2004-2006 = 100) (2013)	144.8	122.9	172.8	154.3	112.5
Crop production index (2004-2006 = 100) (2013)	129.4	127	175.4	156.6	107.9
Cereal yield (kg per hectare) (2013)	1,175.9	1,727.1	2,171.8	1,418.0	2,143.3
Fertilizer consumption (kilograms per hectare of arable land) (2012)	5.7	44.3	4	4.4	1.8

Table 23

ENVIRONMENT

	Burundi	Kenya	Rwanda	Tanzania	Uganda
Land area (sq. km) (2014)	25,680	569,140	24,670	885,800	199,810
Forest area (% of land area) (2012)	6.6	6.1	18.4	36.8	14.1
Arable land (% of land area) (2012)	42.8	9.8	47.9	16.4	34.5
Irrigated land (% of cropland)	0	0	0	0	0

Table 24

TRADE

	Burundi	Kenya	Rwanda	Tanzania	Uganda
Merchandise exports (current US\$) (2014)	130,365,501	6,132,542,815	736,000,000	4,645,000,000	2,269,914,867
Merchandise imports (current US\$) (2014)	801,393,111	18,285,701,058	2,457,000,000	12,390,000,000	5,869,000,000
Balance of merchandise trade (US\$ million) (2014)	-671,027,611	-12,153,158,242	-1,721,000,000	-7,745,000,000	-3,599,085,133
Foreign direct investment, net inflows (BoP, current US\$) (2014)	6,884,807	944,327,305	110,780,484	1,872,392,115	1,194,398,346

Table 25