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- BURUNDI
- KENYA
- RWANDA
- SEYCHELLES
- TANZANIA
- UGANDA

Special Theme: Food Secure Growth and Human Development in the EAC
The *East Africa Quarterly Bulletin* is produced by country economists attached to the African Development Bank Group’s (ADB) East Africa Department. The publication covers all five member states of the East African Community (EAC) as well as the islands of The Seychelles. It is part of the ADB’s surveillance of economic and policy developments across the continent and provides summary information on the previous quarter’s major developments across the region for which quarterly data are available on a timely basis. Where appropriate, the report also attempts to draw some implications of those developments. The report is deliberately crafted to be succinct and in non-technical language for wider circulation. Each issue also includes a dedicated section in which a topical subject (either about a single country or several of them) is explored.

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REGIONAL OVERVIEW

MACROECONOMIC DEVELOPMENTS

During the last quarter of 2011, several of the East African economies had grappled with two acute macroeconomic challenges: spiraling inflation and currency pressures following the effects of the Eurozone and US economic crises and food shortages associated with the drought in the Horn region. The first quarter of 2012 saw the easing of some of these challenges, particularly the currency pressures.

Although growth figures for the first quarter of 2012 are currently unavailable, it is generally noted that the Eastern Africa region has continued to register positive economic growth since 2011. Rwanda, Tanzania and Uganda grew most robustly in 2011, while Burundi, Kenya and Seychelles also registered overall growth rates above 4 percent. At 5.2 percent, the region’s aggregate growth was better than the previous two years, reflecting generally good macroeconomic fundamentals and greater resilience to the negative impact of the Eurozone debt crisis. Although economic data from the region suggests that growth in certain key sectors such as manufacturing, construction and financial services came under pressure due in part to surging financing costs, higher input costs and lower international and local demand.

Fiscal Stance

Although there are efforts at fiscal policy coordination at the East African Community (EAC) level, implementation is still largely uncoordinated. The first quarter of 2012 saw continued emphasis on fiscal restraint in some countries, notably, Tanzania, Uganda and the Seychelles in the form of spending controls—a result in part, of standing IMF Policy Support Instruments (PSIs).

In Kenya by contrast, policymakers continued the expansionary fiscal policy of the last several quarters of 2011, largely the result of higher expenditures on infrastructure, the public sector wage bill as well as the continued costs of implementing the country’s new constitution. Conversely, various tax and duty reductions aimed at helping consumers to cope with higher inflation meant that the countries revenues continued to be constrained.

Overall, the average fiscal deficit for the region was about 3.6 percent of GDP in 2011—a figure that is, on average, higher than the aggregate figure for the whole continent, and one that is expected to change little in 2012. In 2011, fiscal deficits were largest in Burundi, Kenya and Tanzania, at 7.7, 6.8 and 5.8 percent of GDP, respectively. Only Rwanda and Seychelles registered improved overall balances from the previous year. Several of the regional governments, notably Tanzania and Uganda continued to seek less concessional forms of finance to cover their deficits, either drawing further on domestic financing (Uganda), syndicated loan (Kenya), or exploring the floating of a Eurobond (Tanzania).

Monetary and Financial Sector

The acute inflationary pressures on sub-region’s three largest economies—Kenya, Tanzania and Uganda—eased somewhat in the first quarter of 2012 in comparison
to the last two quarters of 2011. The inflationary pressures in late 2011 were the result of exogenous factors (world food and fuel prices), structural variables (mostly domestic production bottlenecks), and policy variables (monetary, fiscal and exchange rate). To counteract that, policymakers continued tight monetary policies across all three economies during the first quarter of 2012, while there has also been an easing in food and fuel prices, as well as good rains across most of the region.

Although policymakers in Rwanda and Seychelles had generally kept inflation at bay throughout 2011, it rose sharply in both countries in the first quarter of 2012 but was kept within single digits.

Chart 1: Regional Inflation Developments (percentage)

![Chart 1: Regional Inflation Developments](chart)

Source: National Statistics Bureaus (various countries)

External Sector

There were no major developments in the external sector across the region although current accounts across the region remain high and the various countries remain vulnerable to external shocks. The quarter also saw eased pressure on the shillings' of Kenya, Tanzania and Uganda—a far cry from the sharp depreciations experienced in the third and fourth quarters of 2011.

Section II provides more details on major macroeconomic developments across the region. Following this, Section III draws on the recently-released Africa Human Development Report (AfHDR 2012) and examines recent trends in GDP growth, human development and food security in the EAC and concludes with a discussion of key strategic options for achieving “food-secure” growth and human development in the region.
II | COUNTRY UPDATES
MACROECONOMIC DEVELOPMENTS

Economic Growth

Burundi’s economic growth is projected to accelerate to 4.8 percent in 2012 and slightly higher than the 4.1 percent achieved in 2011 as the country diversifies its agricultural production and increases investments in tourism and energy. Tax revenues are expected to increase to 545.3 billion Burundian francs (FBU) in 2012 with the 2012 overall deficit projected to widen to 3½ percent of GDP. The higher deficit reflects a decline in program grants (2.8 percent of GDP) and the increase in capital spending (0.5 percent of GDP in 2012) for the construction of the Kabu 16 hydroelectric plant. Revenues excluding grants are projected to increase/decrease to 16.2 percent of GDP in 2012 compared to 14.4% in 2011. In line with the Government’s focus in infrastructure development, the composition of spending is projected to shift toward capital spending and a reduction in current expenditures projected to decrease by 0.8 percent of GDP.

Fiscal Stance

A series of negative shocks are adversely affecting Burundi’s economy. Budget support from development partners has declined, limiting the government’s ability to maintain public spending levels. Management of public finances Revenue performance has been disappointing, and economic growth is likely to reach only 4.2 percent in 2012, significantly lower than originally expected. The uncertainty in the external environment owing to weaker growth in trading partners, lower aid flows, and high oil and food prices add downside risks to the economic outlook. In terms of receipts, all revenue categories experienced performance. On an amount of 545.3 billion FBU of revenue forecast for fiscal year 2012, the services of the Burundian Revenues Authority (OBR) recovered 139.9 billion FBU in the first quarter of 2012 (representing 26%, which over performed for Q1. Year on year, there has been an increase of 32.9 percent between the two periods. By cons, the first quarter expenditures exploded compared to the levels agreed with the IMF program because of wrong budgetary practices and also economic shocks. In terms of expenditure, the commitment rate of the state budget for the first quarter 2012 was 20.8 percent (wages: 23.9 percent, goods and services: 28.2 percent, current

HIGHLIGHTS

- The new Poverty Reduction and Growth Strategy (CSLP II) was officially launched by President Nkurunziza on February 9, 2012 after its adoption by the Government and the National Assembly at the end of January.

- The Government in March 2012 increased the water and electricity tariffs by 50 percent following another record increase in September 2011. Negotiations between civil society representatives and Government on the need to reverse this increase have not been fruitful.
transfers (excluding exemptions): 22.8 percent and investments from own resources: 12.4 percent).

**Monetary and Financial Sector**

Monetary conditions have tightened in the first quarter 2012 with a deficit of foreign assets equivalent to US$12.5 million. To reduce inflationary pressures, maintain exchange flexibility, and to preserve the competitiveness of the economy, the government decided to raise the lending rate of commercial banks (currently at 15%). The intent was to slow down the evolution of credit to the economy (569 billion FBU in March 2012 representing an increase of 4% compared to December 2011).

Burundi experienced a sharp depreciation of its currency in Q1 of 2012. The Burundians Franc was traded from 1361 to a dollar on January 1st, to 1400 on March 30. The main cause of that currency depreciation was the country’s weak economic situation, but mainly due to its imbalance difficulties in the foreign exchange market with greater demand than supply. According to the central bank (BRB), this was mainly due to a shortage of foreign currency caused by reduced flows from donors and increased trade on the black market.

**Consumer Price Index**: Headline inflation reached 25 percent in March owing to one-off increases in rents and utility tariffs and continued high food and fuel prices. The high import share of food and fuel products exacerbated Burundi’s vulnerability to fluctuations in international food and fuel prices. Food prices for instance increased by 3.7 percent due to rising prices for the major staples including rice (6.1 percent), palm oil (14.3 percent), dry beans (13.1 percent) and cassava flour (2.0 percent). Moreover, in the context of electricity sector reforms, the Government in March 2012 increased the water and electricity tariffs by 50 percent, also the highest increase September 2011. Overall, consumer prices should have risen up to 25.2 percent from March 2012 to March 2011 mainly due to (partial weighted indexes) of food (21.9 percent), clothing (34.4 percent), of housing, heating and lighting (38.9 percent).

**External Sector**

Burundi’s import bill increased by 40 percent in the first quarter of 2012 compared to the same period last year, driven by fuel and mechanical spare parts imports which accounted for more than 50% of overall imports. Imports totaled 235.9 billion francs ($168.1 million) in Q1 2012, up from 168.4 billion francs in Q1 2011. Export revenues on the other hand increased by 5.1 percent to US$22.4 million in Q1 2012 relative to the same period in 2011. The 34% depreciation of the BFU against the USD during Q1 2012 vis-à-vis Q2 2011 also contributed to an increase in the import bill....

Estimates made at the end of March 2012 indicate that the external current account deficit expected to widen relatively to 2011 due to declining budgetary support. This widening is, however, delayed by a slight improvement in trade balance due to an expected decline in imports in 2012 (decrease of 20 billion FBU). The deficit should be financed by capital transfers (mainly project grants) and financial transactions (direct investments and other).
OTHER NOTABLE DEVELOPMENTS AND UPDATES

Political Developments

The security situation has improved considerably; however, sporadic killings in some part of the country have been noticed. According to a recent report published by Human Rights Watch, the murders that were highest in mid-2011 were committed by the government forces and the National Liberation Forces (FNL) of the opposition. This situation, which remains a major concern to the international community, reflected the widespread impunity and inefficiency of judicial system in Burundi. Moreover, there are deteriorating governance and corruption trends, and concerns over the looming civil strife. The GoB adopted a national good governance and anti-corruption strategy in 2011, which is yet to be implemented. In March 2012, the International Crisis Group described corruption as deepening in Burundi, cautioning that the situation might jeopardize peace and stability.

Institutional reforms

In January 2012, the authorities officially launched the public-private Dialogue (PPD) framework activities in Burundi. This important platform of discussion was reactivated with support from the IFC (World Bank) and is in line with a December 2008 Presidential Decree. The PPD framework action plan is currently being finalized. Actions are short-term include (i) the organization of an international round table on PPP to identify key concerns and grievances of the private sector and (ii) training of members of the Permanent Secretariat for soft law and co-regulation, and advocacy techniques.

The Burundian Investment Promotion Authority (API) gave an overview of its activities for the first quarter of 2012. Among the key reforms, are the set-up of the One-stop window ("guichet unique") by API, the Commercial Court and the Burundian Revenues Authority (OBR). The establishment of the “One-stop window” would facilitate procedures in opening or registering a business for investors no more than a day. In terms of activities, API is on several issues including privatization of the coffee industry and contacts with investors for setting up of hydro-electricity plants, investing in modern passion fruits transformation plants; investment in modern pineapple transformation plants; setting up a cassava flour transformation plant in the KUMOSO plain; setting up tomato production plants, etc.

Donor Relations

- The Executive Board of the International Monetary Fund (IMF) approved on January 27, 2012 a new three-year, SDR 30 million (about US$46.5 million) arrangement for Burundi under the Extended Credit Facility (ECF) aimed at consolidating the gains made in terms of macroeconomic stability and further reducing poverty. The ECF program dovetails with initiatives of key development partners, in particular the World Bank in the electricity, education, coffee, and health sectors, the African Development Bank in infrastructure, bilateral donors in revenue mobilization and governance.

- The Government and India signed in February a significant cooperation agreement under which the latter will provide key capacity building institutional (health, education, energy, etc.) in that country. India’s engagements with Burundi have been growing steadily over the recent past, especially in areas of...
capacity building and human resource development. Moreover, India has offered a US$80 million line of credit for the construction of the Kabu hydroelectric power station in Burundi.

- A donor round table for the implementation of National Plan of Agricultural Investment (PNIA 2012-2017) was held on in March 2012. Several donors participated in this event and made announcements on financing commitments (estimated at $700 million) and some recommendations for improving the Plan in particular taking into account of land matters (disputes, murders, etc.), control of population growth; prioritization of programs and coaching technically rural populations.

- Several meetings were held within the framework of the Partners Coordination Group (PCG) during the first quarter of 2012: (i) Policy Forum: Adoption by the donors of Burundi’s 2nd PRSP; (ii) presentation of the evaluation of the PCG for the year 2011; development and validation of a Guide PAP/MTEF. The PCG also held the meetings to discuss/review implementation progress for the National Policy of Aid. A donors’ conference on Burundi’s 2nd PRSP is planned for October 2012.
MACROECONOMIC DEVELOPMENTS

Economic Growth

Having grown at a revised rate of 5.8 percent in 2010, real GDP decelerated in 2011 to grow at 4.4 percent, mainly driven by services and manufacturing sectors. Growth in 2012 is now projected at between 3.5 percent and 4.5 percent.

Fiscal Stance and Public Debt

At the end of the first Quarter 2012, the cumulative overall fiscal balance, on a commitment basis (excluding grants), amounted to a deficit of KShs. 141.9 billion (equivalent to 4.3 percent of GDP). The fiscal balance had risen from a deficit of Ksh. 73.0 billion (equivalent to 2.2 percent of GDP), as at end-December 2011.

The central government cumulative revenue as at end of March 2012 amounted to KShs. 504.8 billion (equivalent to 15.3 percent of GDP) against a target of KShs. 552.5 billion. This represented an underperformance of KShs. 47.7 billion. However, an additional 49 percent had been added to Ksh. 338.3 billion (equivalent to 10.3 percent of GDP) that had been collected by the end of December 2011.

The central government cumulative expenditure and net lending for the period ending 31st March 2012 amounted to KShs. 646.7 billion. This was KShs. 152.3 billion below the target of KShs. 798.9 billion and was largely attributed to low absorption in development expenditures amounting to KShs. 115.0 billion. At the end of December 2011, cumulative expenditure and net lending amounted to Ksh. 411.4 billion against the target of Ksh. 514.8 billion.

The gross public debt in Shilling terms increased from Ksh. 1,486.3 billion (45.1 percent of GDP) by 31st December 2011 to KShs. 1,564.2 billion (47.5 percent of GDP) by 31st March 2012, out of which, external debt comprised 43.2 percent. The external debt stock comprised of multilateral debt (61.7 percent), bilateral debt (35.9 percent) and Export Credit debt (2.4 percent).

Monetary and Financial Sector

Inflation eased further to 15.6 percent in March 2012 from 18.3 percent in January 2012, reflecting improved food supplies and stable exchange rate. Overall 12-month

HIGHLIGHTS

- The economy continued to experience macroeconomic stability in the first quarter of 2012 with inflation easing and exchange rate stabilizing. This followed rapid rise in inflation (Peaking at 19.7 percent in November 2011) and rapid depreciation of the shilling to an all-time low of Ksh 107 to the US Dollar in October 2011.

- Institutional reforms continued with three key Land Bills being introduced in Parliament.

- The discovery of oil in Turkana elicited excitement across the country with both private sector and civil society asking for cautious approach to the 'oil curse'.
inflation peaked at 19.7 percent at the end of November 2011 before declining to 18.9 percent in December 2011.

The Government has taken appropriate policy action to rein in on inflation. A combination of tight monetary policy and fiscal restraint, as well as easing of food prices and firming up of the shilling has worked to support the easing of inflation. Going forward, inflation is expected to ease on account of ongoing long rains which were received in time and are expected to improve food supplies. However, the recent surge on prices for oil presents a major risk to achieving single digit inflation.

After depreciating to an all-time low of Ksh 107 to one US Dollar in October 2011, the Kenya Shilling has since appreciated against major international currencies standing at Ksh 83.06 per US dollar at the end of March 2012. The appreciation of the Shilling against the dollar was mainly supported by relatively tight liquidity in the domestic money markets after the Central Bank Rate was raised to 18 percent on 1st December 2011.

The usable official foreign exchange reserves held by the Central Bank stood at USD 4,365 million (equivalent to 3.84 months of imports) at the end of March 2012 having risen from USD 4,248 million (end-December 2011). The reserves stood at USD 4,002 million at end-December 2010.

External Sector

The external payment position weakened in the year to February 2012, reflecting a faster growth in imports relative to exports. The trade account balance worsened by 22.2 percent to US$ 9,157 million from US$ 7,496 million. The services sector registered a margin growth from US$ 4,756 million in February 2011 to US$ 4,712 million in February 2012, resulting into the widening of the current account deficit from US$ 2,740 million in February 2011 to US$ 4,445 million in February 2012. The deficit in the current account was more than offset by the surplus of US$ 4,574 million in the capital and financial account thereby resulting in the overall balance of payment surplus of US$ 129 million.

OTHER NOTABLE DEVELOPMENTS AND UPDATES

Political Developments

The Kenyan Grand Coalition Government (GCG) celebrated its fourth Anniversary on 28th February 2012. The Kofi Annan led team monitoring progress of the long term reforms agreed when the GCG was established in 2008 issued a progress report in March 2012. It indicates positive progress on constitutional and institutional reforms. However more work was still needed on (i) land reform, (ii) tackling poverty and inequality, (iii) tackling unemployment, (iv) consolidating national cohesion and unity, and (v) addressing transparency, accountability and impunity. It shows that Kenyans still worry about high cost of living and their safety.

Having accomplished most of the Agenda IV reforms agreed after the post-election crisis of early 2008, including adoption of a new constitution (August 2010), the Government has this quarter set in motion steps to realize one of the most contentious reforms touching on land. Being one of the most contentious, the Government cleared three Bills to be presented to Parliament including the (i) National Land Commission Bill, (ii) Land Bill 2012 and (iii) Land Registration Bill.
The next General Elections date remained in abeyance following the landmark ruling by a Constitutional Court delivered in late January 2012. Although Kenyans had wanted elections in 2012, the Court ruled that the General Election can only be held in 2012 if the President and Prime Minister agree, in writing, to dissolve the GCG. This would be 60 days after the agreement. The other option would see Kenyans go to the polls in March 2013 after the expiry of the Tenth Parliament. This would be 60 days after January 14 2013 as the House first sat on January 15, 2008.

**Institutional reforms**

The clock towards 2012 elections begun in November 2011 with the appointment of the Independent Electoral and Boundaries Commission, which takes charge of the elections. The Government also introduced constitutional amendment proposals to Parliament seeking to alter the elections date in 2012 from second week of December to third week of December.

**Private Sector Activity**

Tullow Oil Company of the UK announced discovery of oil in the northern parts of Kenya. Tullow announced that; the Ngamia-1 exploration well had encountered in excess of 20 metres of net oil pay, which could be explored further to yield commercially viable deposits. The well, located in the Turkana County Block 10BB, was drilled to an intermediate depth of 1,041 metres and has been successfully logged and sampled. Moveable oil with an API greater than 30 degrees has been recovered to surface. This oil has similar properties to the light waxy crude discovered in Uganda. The Ngamia structure is the first prospect to be tested as part of a multi-well drilling campaign in Kenya and Ethiopia. The well will now be drilled to a depth of approximately 2,700 metres to explore for deeper potential.

The US$ 24.5 billion Lamu Port-Southern Sudan-Ethiopia Transport (LAPPSET) Corridor Project was launched by President Kibaki, Prime Minister Raila Odinga in the presence of President of South Sudan and Prime Minister of Ethiopia on 2nd March 2012. The project includes construction of port facilities at Lamu, rail and road network to South Sudan and Ethiopia as well as an oil pipeline to South Sudan.

The Government of Kenya concluded negotiations for a US 600 million (Ksh 50 billion) syndicated loan with a consortium of international banks including Citibank and South Africa’s Standard Bank. These will be used to finance infrastructure projects. Interest payments are expected to be pegged on a fixed premium above the London Interbank Offered Rate.

The Central Bank of Kenya indicated intentions to slowdown private sector credit growth to 18 percent by June 2012 down from 30.9 percent in December 2011. To achieve this, money supply growth will be cut down to only 17 percent by June 2012 compared to 21 percent at the peak of the shilling depreciation in October 2011.

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Economic Growth

Real GDP growth is projected to remain robust at 7.7 percent in 2012, but slightly lower than the 8.6 percent achieved in 2011 on account of downside risks from the global economy. Growth will be driven by expansion in industry (11 percent), services (8 percent) and agriculture (6.5 percent). Growth in agriculture will be driven by a projected 6 percent increase in food crops production and 22 percent increase in export crops (coffee and tea). Growth in industry will be mainly driven by construction, manufacturing of food and furniture sub-sectors while expansion in services sector will be led by wholesale and retail trade, finance and insurance, education and health sub-sectors.

Fiscal Stance

Fiscal consolidation through increased domestic revenue mobilization and expenditure prioritization to close the fiscal gap remained the key thrust of Government’s fiscal policy stance in Q1 of 2012. In line with this objective; total tax revenue collection rose by 20.4 percent in the quarter under review as compared to the same period in 2011. Good performance in tax collection was driven by higher receipts from direct taxes and taxes on goods and services on account of implementing efficient measures in tax administration. Some of the new revenue measures include; the introduction of electronic registers for recording tax payer’s transactions and piloting the e-filing and e-payment for vat and sales tax. These measures helped to limit tax evasion, significantly improved service delivery and reduced costs and time for complying with the tax obligations. Total revenue collection for the whole FY 2011/12 is projected to reach RwF 565.1 billion (about 13.9 percent of GDP) up from 12.6 percent in 2010/11. Budget grants are expected to contribute up to 11.3 percent of GDP to the total budget compared to 10.7 percent for FY 2010/11. In the medium term domestic revenues are projected to grow by 0.3 percent points of GDP per annum and reach 14.9 percent in 2015/16. Further policy measures and improvements in tax administration are programmed for implementation in FY 12/13 to support public revenue mobilization. These measures which are expected to contribute USD 45 million in additional tax revenues include revisions to the investment code, increase in the flat tax rate on construction materials from the current 5 percent to 10 percent, introduction of a gaming tax and

HIGHLIGHTS

- Inflation rose steadily mainly due to rising food and fuel, but remained in single digits and the lowest in East African Community (EAC) at 8.18 percent in March 2012
- Government officially launched the elaboration of the second phase for the Economic Development and Poverty Reduction Strategy (EDPRS II). The EDPRS II which will be implemented starting in FY13/14 prioritizes; infrastructure, productive capacities, diversified local economic development, enterprise development and job creation, and regional integration.
a flat tax on SME based on turnover and introduction of Electronic Tax Registers for VAT. In line with expenditure prioritization, total expenditure is expected to reach Rwf 1.1 trillion (26.9 percent of GDP) by end June 2012 and rise to 28 percent of GDP in 2012/13. Expenditure relocation from non-priority areas to core sectors including productive capacities, health, and to increase the public sector wage bill has also been programmed. The wage increase is in line with the pay and retention policy that was adopted by Cabinet early this year to enhance the capacity of the government, to attract, retain and adequately motivate personnel with requisite skills required to improve service delivery at the national and local level.

The overall fiscal deficit after grants for FY 2011/12 is expected to end at 1.9 percent of GDP compared to 3.4 percent of GDP for FY 2010.

The March 2012 IMF/World Bank DSA reports an increase in Rwanda’s external debt from 14.6 percent of GDP (US$ 0.8 billion) at end 2010 to 18 percent of GDP (US$1.1 billion) due non-concessional loans that were acquired in 2011 to finance new planes for Rwanda air and for the construction of Rwanda conventional center. As in the previous DSA, Rwanda continues to be rated at a moderate risk of external debt distress. However, vulnerabilities to adverse external shocks remain due to the country’s narrow export base and underscore the need for the GoR to fully implement the national export strategy so as to expand the export base.

**Monetary and Financial Sector**

Inflation rose steadily in Q1 of 2012, but remained in single digits—and the lowest in East African community (EAC). Headline inflation progressively increased from 7.81 percent in January to 7.85 percent in February and peaked at 8.18 percent for end March 2012. Core inflation on the other hand declined from 8.3 percent in December 2011 to 5.3 percent in March 2012. A combination of supply side and demand side interventions helped to maintain a low inflation posture. Good season B harvests and a reduction in fuel taxes curtailed pressures on prices from the supply side while successive increase in the Central Bank policy rate from 6 percent in October to 7 percent in November continued to limit the risks of monetary inflation. Headline inflation is projected to decrease from 8.3 percent at end-2011 to 7.5 percent at end 2012 with further decreases to 6.5 percent at end-2013 and return to the Central Bank’s target of 5 percent over the medium term.

The banking system remained liquid and profitable with the overall non-performing loans ratio declining from 11.3 percent in 2010 to 8.1 percent as at the end of December 2011. The NBR also continued to accommodate new market developments and bank network expansion aiming at increasing competition and widening financial access. Three MFIs were upgraded to offer agent banking services, and 416 Savings and Credit Cooperatives (SACCOS) were authorized in March 2012 to grant loans. A total of 277 SACCOS can now grant loans of up to 40 percent of their deposits and the reminder up to 20 percent of their deposits. As a result, credit to the private sector increased by 17 percent between Q4 in 2011 and Q1 in 2012. Actions were also taken to strengthen the capacity for banks supervision by recruiting new 5 inspectors allowing an increase in the number of inspectors in the Bank supervision department to 18.

**External sector**

The external position remained strong in Q1 in spite of falling export commodity prices, higher energy prices and downside risks from the global economic
uncertainties. Exports in Q1 increased by 29.5 percent in value terms compared to the same period the previous year. This increase was driven by growth in coffee and wolfram receipts on account of higher prices and increased production. The value of total imports increased by 30 percent during the same period driven by an increase in capital and intermediate goods imports in large part due to increased domestic demand for construction materials and industrial products. Rwanda’s exports are projected to increase by 1 percent in value terms in 2012 while imports are expected to grow by 14 percent in tandem with the country’s ambitious investment program and an expected rise in energy prices. The current account deficit including official transfers is projected to widen to 10 percent of GDP compared to 7.3 percent of GDP in 2011. The Government’s National Export strategy is expected to contribute to economic and export diversification and thus contribute to a reduction in the current account deficit over the medium term. Gross reserves at end 2012 are projected to remain at comfortable levels at 5 months of imports and similar to the end-2011 levels.

The exchange rate exhibited minimal fluctuations during the first quarter, depreciating marginally against the major currencies: USD (0.2 percent), British Pound (1.2 percent), Euro (1.4 percent), Kenya Shilling (2.3) and Tanzanian Shilling (0.1 percent). The local unit however appreciated slightly against the Ugandan shilling by 0.6 percent.

OTHER NOTABLE DEVELOPMENTS AND UPDATES

Institutional Reforms

- In February 2012, the GoR officially released the outcomes of the Economic Development and Poverty Reduction Strategy (EDPRS) I self-assessment launched the elaboration of the EDPRS II expected to begin implementation in FY13/14. The assessment revealed that effective policies like the use of ICT in service delivery, working together in community programs including health insurance schemes, 9 year basic education and home grown initiatives like the one cow per family, contributed to inclusive growth in Rwanda and lifted over one million people out of poverty. The self-assessment also identified weakness in government coordination, insufficient involvement of the private sector, lack of well-articulated sector strategies and limited participation in regional integration as some of the draw backs for the EDPRS I. Drawing lessons for implementation of EDPRS I, the 9th Annual Leadership retreat, also held in February, resolved to adopt new targets for Vision 2020 including the increase in the GDP per capita threshold for MIC status from USD 900 to USD 1,240. Measures for strengthening intra-government coordination and communication, promoting efficiency in service delivery and investments in infrastructure especially in the energy sector were identified to support other interventions required to achieve the Vision 2020 targets. The Bank is currently collaborating with the authorities to document and disseminate Rwanda achievements under EDPRS-I including the Bank’s contribution through the country’s premier Development Effectiveness Report which is expected to be published in September 2012.

Private sector developments

- The GOR held an energy investors forum on the 29th Feb-1st March 2012 aimed at reviewing the investment opportunities and prospects in the energy sector. The forum which was attended by 320 participants including 120 foreign and
95 local investors among other things identified; lack of systematic profiling of project information as the key impediment to attracting private investments in the energy sector. The Participants also discussed some of the key recommendations for creating a conducive environment for the private sector to invest in the energy sector and agreed to set up a task force headed by the Ministry of Infrastructure and supported by the World Bank to spearhead the identification of specific energy projects, and work as lead transaction brokers with the potential private sector investors.

Donor Relations

- The GoR and Development Partners held the 8th Development Partner Retreat (DPR) in March 2012 to review and discuss progress in the coordination and harmonization of development assistance and to draw recommendations for enhancing cooperation in line with the Busan HLF-4 commitments. Key initiatives such as Sector Wide Approaches and Joint Programming anchored on national development objectives and aspirations were discussed as measures for improving development cooperation. The DPR also discussed key priorities and challenges to be addressed under the second generation Economic Development and Poverty Reduction Strategy (EDPRS II) including infrastructure development, private sector development and job creation, improving productive capacities in agriculture, regional integration, urbanization and diversified local economic development.
Economic Growth

Seychelles continued to register good performance in tourism (the country’s major sector) during the first quarter of 2012 (Q1), with tourist arrivals increasing by 9 percent to 49,574 from 45,574 in the first quarter of 2011. This follows the positive, tourism-led economic growth in 2011. Although numbers from the traditionally key European markets (e.g. France, Italy and the UK) suffered double-digit declines, this was more than compensated for by strong growth in Russian, Swiss and Asian visitor numbers, which resulted from the country’s successful marketing efforts, and the increased supply of more affordable accommodation. In this respect, the average number of nights rose to 9.9 in Q1 from 9.5 in the last quarter of 2011.

Fiscal Stance

Although a fiscal deficit of 0.8 percent of GDP was budgeted for in Q1, the outturn was a surplus of 0.7 percent. Revenues amounted to SCR 1293.4m (9.7 percent of GDP), slightly higher than the budgeted collection, while expenditure and net lending was SCR 1200.5m (9 percent of GDP) against a target of SCR 1322.5m. Gross public debt increased from SCR 10.1m at the end of December 2011 to SCR 10.3m at the end of March 2012, mainly due to an increase in external debt as domestic debt declined during the period. However, in terms of the ratio to GDP, external debt declined from 49.6 percent to 47.1 percent, while domestic debt fell from 31.3 percent to 28.7 percent. The rise in external debt reflected increases from all creditors. However, commercial debt remains the most significant, accounting for 50 percent of the total external debt, while bilateral and multilateral creditors account for 33 percent and 17 percent respectively.

Monetary and Financial Sector

While inflation remained in single digits, it continued to increase in Q1. The annual average rate rose consistently from 2.6 percent in December 2011 to 3.9 percent in April 2012, while the year-on-year rate rose from 5.5 percent to 5.9 percent during

HIGHLIGHTS

- Tourist arrivals continue to grow, as visitors from non-traditional markets (Russia and Asia) have more than compensated for the decline in visitors from traditional European markets (e.g. France, Italy and the UK).

- President Michel undertook a Cabinet reshuffle involving the removal of the docket of Ministry of Finance from the Vice President and the appointment of a new Finance Minister. The restructuring also resulted in an increase in the number of women in the Cabinet and other senior posts.

- The country’s efforts to combat piracy received a major boost in terms of pledges of enhanced support from various bilateral donors.
the same period (which is the highest year-on-year increase since October 2009). The rising trend is attributed to higher food and fuel prices, stronger domestic demand (spurred by tax cuts) and a depreciation of the rupee that is pushing up import costs.

Interest rates continued to move marginally higher in Q1, with the 91-day Treasury-bill rate moving above 5 percent and ending the quarter at 5.43 percent. Treasury rates are expected to continue drifting higher in 2012-13, owing to slightly more rapid inflation, but will remain in single digits. Lending rates, which edged up to 11.5 percent in Q1, will continue to track wider interest rate trends.

Commercial banks’ credit to the economy increased marginally from SCR 2.9bn in December 2011 to 3.0bn in March 2012. The tourism sector remained the main beneficiary, with 26 percent of the total credit. The other sectors that received significant credit were private households (15 percent) and real estate (12 percent).

External Sector

The Seychelles Rupee depreciated steadily in Q1. The Rupee traded at 13.72 against the US dollar at the end of December 2011 and depreciated to 14.04 at the end of March 2012. The depreciation reflected concerns about the impact of the European debt crisis on tourism earnings and the widening trade balance, which has increased by 31 percent when compared to Q1 of 2011. While the large currency swings that occurred after the rupee’s free flotation in October 2008 are unlikely to recur, a likely downturn in tourism does not augur well for the local currency. However, in early February, the Fitch Ratings Agency gave Seychelles a ‘B’ rating and, thus, maintained its earlier assessment from two years ago. Importantly, the outlook on foreign and local currency ratings is ‘Bs’ with a stable outlook in the long term. The official foreign exchange reserves held by the Central Bank of Seychelles rose slightly to USD 292m by end-March 2012 (2.7 months’ of imports) from USD 279m (2.6 months’ of imports) at end-December 2011.

OTHER NOTABLE DEVELOPMENTS AND UPDATES

Political Developments

President Michel announced a major cabinet reshuffle. The docket for Minister of Finance was moved from the Vice-President to a new dedicated Finance Minister. The first appointment in this regard is Pierre Laporte, who was previously the Governor of the Bank of Seychelles (CBS). As a result, Caroline Abel took over as the new CBS Governor. With the restructuring, Seychelles now has three women Ministers, one female Central Bank Governor, one female Vice-chancellor, three new women Chief Executives, and seven out of the 15 Principal Secretaries are women. These appointments were effective from 14 March. A significant change was the appointment of Steve Fanny as Principal Secretary for Finance, replacing Ahmed Affi who had held the post since the launch of the comprehensive reform program in 2008.

Private Sector Activity

The Government initiated the development of the virtual one-stop-shop (VOSS) concept amongst government bodies and private sector organizations, which is aimed at connecting all the business regulatory authorities and will harmonize regulatory procedures for businesses and investors.
In March, it was announced that the Seychelles East Africa System (SEAS) submarine cable (financed by the African Development Bank Group) would land in the Seychelles before the end of May and come into commercial service before the end of 2012.

**Public Sector Management and Reforms**

The Government announced plans, in January, to start the first large-scale renewable energy project in the country. The project is to expected to contribute towards meeting 2 percent of the island’s electrical energy needs and, furthermore, to lower the island's carbon footprint by reducing hydrocarbon-based power generation. Seychelles requires 350GWh of power annually, of which the new wind farm is expected to produce 7GWh annually.

**Donor Coordination**

The IMF’s Fourth Review of the Extended Fund Facility, conducted in early March, commended the authorities for sound macroeconomic policies and timely structural reforms that have led to a rebound of the economy from the crisis of 2008-09. The Review notes that medium-term prospects are good, but downside risks exist due to the crisis in Europe.

During the quarter, various bilateral donors pledged to assist the country in the fight against piracy. India pledged US $10m for a radar system, to cover the island’s southern Exclusive Economic Zone (EEZ), and complement one already donated by the United Arab Emirates for the northern EEZ. In addition, President Michel and the British Prime Minister signed a memorandum of understanding for the creation of a Regional Anti-Piracy Prosecution and Intelligence Coordination Centre in the Seychelles. The Centre, funded by the UK (£550,000), will gather intelligence for use by law enforcement agencies, in order to provide evidence for prosecutions related to piracy activity in the region and around the world. In a related development, high level talks led to an agreement by Seychelles to accept 15 suspected Somali pirate suspects, from the United States Armed Forces, for prosecution on the island. This followed high level talks where the United States pledged to continue reinforcing Seychelles’ capacity in the fight against piracy. Moreover, it is recognized that Seychelles now has the highest percentage of Somali pirates in detention anywhere, amounting to 20 percent of its total prison population, which represents a huge burden on the prison system and restricts the country’s capacity to incarcerate more Somali pirates.
TANZANIA

MACROECONOMIC DEVELOPMENTS

Economic Growth

Tanzanian economy has continued to perform strongly, posting annual growth of 6.4 percent in 2011, and remaining resilient to both internal and external shocks. The growth was drive by expansion in services, particularly telecommunication and financial intermediation, industry – including manufacturing and construction subsectors, trade, and agriculture. With improved power situation in the first quarter, the manufacturing subsector is projected to perform strongly driven by increased production of chemicals, textiles, cement, and food processing. Also, with the improved weather situation, growth of the agriculture sector for the first quarter of 2012 is projected to exceed the 2.6 percent recorded in the same quarter last year – propelled by improved production of the major food crops.

Fiscal Stance

Cumulative government expenditure by end of March 2012 amounted to TZS 7,084.6 billion or 79.6 percent of estimated level for the first three quarters of fiscal year 2011/12. Also, cumulative domestic revenue (excluding the Local Government Authorities own sources) for the first three quarters of 2011/12, was TZS 5,037.6 billion, in line with the target. Tax revenues continued to perform impressively, with cumulative collections reaching TZS 4,896 billion against the TZS 4,818 budget target – equivalent to 102 percent performance. The buoyant tax revenue performance is attributed to: intensified tax audit; windfall tax collected from various companies; amendment of corporate tax assessment; large sum of corporation tax paid by one Gold Mining Company; and increase in taxable transactions in telecommunication, oil and gas sectors.

External debt stock stood at USD 9,899.0 million at the end of March 2012, an increase of USD 872.9 million (9.7 percent) over the amount recorded at the end of corresponding period in 2011. The increase was mainly on account of new external debt disbursements. The stock of domestic debt stood at TZS 4,208.9 billion in March 2012, and continues to be driven by domestic financing needs. Government

HIGHLIGHTS

• Although the economy has continued to experience inflationary pressures, the first quarter has seen gradual easing of inflation and currency stability.

• With favorable weather conditions and improved energy situation during the quarter, growth prospects are good, with strong performance projected in the key sectors, including agriculture, manufacturing, transport and communication.

• Government Revenues have continued to perform strongly, surpassing the budget estimates following improvements in tax administration.
bonds continued to account for the largest share of domestic debt portfolio, accounting for 73.0 percent followed by Treasury bills.

**Monetary and Financial Sector**

Tanzanian economy continued to experience inflationary pressures, but inflation eased slightly with annual headline rate declining from 19.8 percent recorded in December 2011 to 19 percent in March 2012. Food inflation remained the dominant driver of the overall inflation during the quarter, with annual food inflation increasing from 25.6 percent in December 2011 to 26.2 percent in January 2012, before declining to 24.9 in March 2012.

During the quarter, growth of all monetary aggregates slowed down in line with the monetary policy stance adopted by the Bank of Tanzania to curb inflationary pressure. Growth of extended broad money (M3) slowed down to 15.7 percent from 18.2 percent in the preceding quarter. The decline was mostly driven by slower growth in net foreign assets (NFA), net government borrowing from the banking system, as well as banks’ credit to the private sector. During the quarter, domestic credit recorded an annual increase of TZS 2,076.3 billion. About 66.8 percent of domestic credit was held by private sectors and the rest was held by the government. Credit to the private sector registered an annual growth of 21.9 percent, channeled mostly to building and construction, trade and personal activities. With the exception of personal, transport and communication activities, credit to various economic activities slowed down during the quarter.

The Tanzanian Shilling enjoyed a period of stability during the quarter, with the weighted average exchange rate reported by the Bank of Tanzania fluctuating between TZS 1,550 and 1,600 per US Dollar throughout the period. The currency stability was largely a result of the measures taken by the Central Bank in dealing with the speculative attack on the currency which led to steep currency depreciation between July and November 2011.

**External Sector**

Tanzania’s export of goods and services was USD 6,914.1 million during the year ending March 2012, an 11 percent increase over the USD 6,221.6 million recorded during the year ending March 2011. The improvement was largely on account of increase in gold exports and travel receipts. However, the export performance was completely outweighed by a 35.9 percent growth of imports reaching USD 12,643.2 million at end of March, driven largely by oil imports. Consequently, the current account widened significantly to a deficit of USD 5,178.1 million compared to a deficit of USD 2,384.5 million in the corresponding period in 2011. Also, the worsening of current account was further amplified by 13.4 percent in official current transfers to USD 598.7 million.

The widening gap in the current account has partly translated into a deterioration of the overall balance of payments. The overall balance of payments for the year ending March 2012 recorded a deficit of USD 107.7 million compared to a surplus of USD 109.3 million in the corresponding period last year.

At the end of March 2012, gross official reserves amounted to USD 3,533.4 million sufficient to cover about 3.7 months of projected import of goods and services.
OTHER NOTABLE DEVELOPMENTS AND UPDATES

Political Developments

In March 2012, the ruling party, Chama cha Mapinduzi (CCM), which has dominated domestic politics since independence, lost a regional election when a new member of parliament was elected in the Arusha region, in northern Tanzania. The opposition party (CHADEMA) won after defeating seven other candidates, including the one from the ruling party. This result has been interpreted by the local press as a significant defeat for the CMM, reflecting growing public dissatisfaction over service delivery and rising consumption prices. General elections are scheduled for 2015.

Private Sector Activity

The January – March quarter saw major developments in the natural gas sector in Tanzania, with new discoveries and investment prospects. In March, the British Gas and oil firm – BG Group announced a major natural gas discovery offshore Tanzania, estimated to contain about 3 trillion cubic feet resources. Following these major gas discoveries in the country’s deep-water offshore region, Tanzania’s natural gas reserves are estimated to have risen to more than 10 trillion cubic feet from a previous estimate of 7.5 trillion cubic feet. Based on the total gas discoveries to date, experts suggest that the recoverable gas resources are now nearing the minimum threshold volumes required for economically viable investment in the liquefied natural gas – in this case, a two-train Liquefied Natural Gas (LNG) development.

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MACROECONOMIC DEVELOPMENTS

Economic Growth

The latest quarterly GDP estimates show the economy slumped during the last quarter of 2011. The economy is estimated to have declined by -2.3 percent in real terms compared to a 2.3 percent growth in the preceding quarter. While the performance of the services and agricultural sectors improved and grew by 3.5 percent and 3.0 percent respectively, industrial output performance declined by 12.0 percent during the quarter. This mainly reflected high construction costs and a decline in credit to the construction sub-sector due to high lending rates. On a semi-annual basis, the performance of the economy in the second half of 2011 was the weakest first half year growth rate in over twelve years.

Fiscal Stance

Cumulative Government financial operations for the year to March 2012 resulted in an overall budget deficit (including grants) of UGX 0.5 billion. Expenditure and net lending amounted to UGX 6.1 billion against revenue collections and grants of UGX 5.6 billion. Net revenue collections by the Uganda Revenue Authority were UGX 4.4 billion, which was 98% of the targeted amount. Revenue collections during this fiscal year have been affected by a slowdown in domestic demand and the effects of the ongoing global slump that have led to underperformances on direct domestic taxes and on international trade.

Monetary and Financial Sector

While the economy continued to experience inflationary pressures, a decline was recorded throughout the quarter under review. Headline inflation fell consistently from 27 per cent in December 2011 to 21.2 per cent in March 2012. Core inflation also declined from 29.2 per cent in December 2011 to 23.6 per cent in March 2012. Food inflation increased in the first two months of 2012 but a spectacular reversal of the trend occurred in March, such that the rate ended at 15.4 per cent at the close of

HIGHLIGHTS

- The economy continued to experience double digit inflation rates although there was a decline in the levels recorded at the end of 2011. The Bank of Uganda started to ease the tight monetary policy, albeit cautiously, in reaction to a slowdown in growth of credit to the private sector.

- Against a backdrop of major governance issues involving senior Government officials and a decline in public trust in the presidency, calls emerged on the restoration of presidential term limits.

- Tullow Oil announced the transfer of two thirds of its share in Uganda to two other foreign firms (one French and the other Chinese) and announced the commencement of small scale oil and gas production in 2013.
the quarter. This was attributed to an increase in food supplies due to improved weather conditions. As a result, lower prices were recorded across centers for a wide range of foodstuffs including pineapples, avocado, sweet bananas, cassava, cabbage, green pepper, fish, bread and sugar.

During the quarter under review, the Bank of Uganda (BoU) started to slowly ease the tight monetary policy. For the first time since November 2011, the BoU reduced the Central Bank Rate (CBR) from 23 per cent in November 2011 to 22 per cent in February 2012 and further to 21 per cent in March 2012. This was motivated by a slowdown in private sector credit growth. In the three months ending January 2012, private sector declined by 2.6 per cent. By lowering the CBR, the Bank of Uganda aimed to encourage commercial banks to reduce their lending rates in order to increase the growth of their lending to the private sector. The marginal increase in the interest rates in March 2012 was partly a result of market response to this decision. In light of the perceived risks of inflation, the Bank of Uganda aims to continue easing the Central Bank Rate (CBR) in coming months.

During the quarter, the shilling depreciated marginally by about 1.6 per cent against the US dollar to trade at UGX 2,485.02 in March 2012 from UGX 2,446.91 in December 2011. This was a reversal in the trend as the shilling, on an average basis had steadily appreciated since October 2011. The depreciation mainly reflects capital outflows associated with portfolio investments with the lower returns on such investments driving some offshore investors to seek higher returns in other emerging markets away from the country. In addition, there was increased demand of foreign exchange from the energy and telecommunication sectors that could not be matched by the available supply.

External Sector

The total value of exports during the first quarter of 2012 increased by 10.9 percent to US $ 587.7 million from US $ 530.1 million in the corresponding quarter of 2011. This was mainly due to an increase in non-traditional exports as traditional exports declined by 5.3 percent during the period under review. This reflected lower values in proceeds from cotton, tea and tobacco as the major export crop, coffee, registered an increase of 5.6 percent to stand at US $ 97.1 million in the quarter under review. Moreover, the trade balance deteriorated as the value of imports remained higher than that of exports, and increased by 8.9 percent from US $ 1368.9 million in the first quarter of 2011 to US $ 1490.3 million in the corresponding quarter of 2012.

OTHER NOTABLE DEVELOPMENTS AND UPDATES

Political Developments

The political scene continued to be dominated by corruption allegations against senior Government officials. In February, two Cabinet Ministers resigned over their involvement in payment irregularities. A report by the Parliamentary Accounts Committee also called for the resignation of the central bank governor. However, the ruling party’s National Resistance Movement (NRM) parliamentary caucus and a Cabinet Committee convened by the President exonerated the governor.

Against this background, it is not surprising that the Afrobarometer Survey conducted in February 2012 revealed that public trust in the institution of the President had fallen by ten percentage points to 59 per cent only a year after the 2011 general election. Only 48 per cent of Ugandans believe that the Government...
can resolve the most pressing problems facing the economy including health, high taxation, poverty, infrastructure constraints, and unemployment. Specifically 80 per cent said that they feel the Government is mismanaging the economy. Moreover, 54 per cent are skeptical about the extent to which ordinary citizens will benefit from oil revenues. The findings also show an increase in public trust in the Parliament. Moreover, the police is rated as the most corrupt institution in the country followed by tax officials and civil servants.

Another important development relates to calls by some Parliamentarians for the restoration of term limits for the presidency. A Private Members’ Bill was tabled in Parliament to this effect and a total of 56 members expressed their support. However, President Museveni declared that he is ready to step down in 2016 if his ruling National Resistance Party asks him to do so. He also defended his continued stay in power saying that he had earned the mandate of the people through elections.

**Private Sector Activity**

After several months, the Government tabled a critical piece of legislation that seeks to regulate the country’s oil and gas sector. The new Bill entitled “the Petroleum (Exploration, Development and Production) Bill 2012”, also establishes the Petroleum Authority of Uganda, and provides for the National Oil Company to represent government interests on how to regulate the licensing and participation of commercial entities in the petroleum activities.

In February, Tullow Oil announced that it had completed the transfer of its 66.6 per cent shares in Uganda to France’s Total Oil Company and China’s National Offshore Oil Corporation. The deal worth US $ 2.9 billion will bring in US $ 473 million from capital gains tax and signals the profitability of the country’s oil industry. Tullow Oil also announced that small scale oil and gas production will commence in 2013.

**Donor Coordination**

In March, the Joint Budget Support Group, which has contributed an average of US$300 million annually in budget support over the past few years, issued a statement expressing concerns over the control of government expenditure. While acknowledging that exogenous factors such as exchange rate volatility and fluctuations in food and commodity prices have tended to complicate macroeconomic management, they noted the government’s recent record of poor financial discipline, as well as poor service delivery in areas like health, water, environment and education. They reiterated the need for government to reduce the public deficit by lowering spending in areas such as public administration. These concerns could result in a decline in budget support in the next fiscal year.

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III | TOPICAL THEME
Food-Secure Growth and Human Development in the EAC: Challenges and Opportunities

Introduction

The 2012 Africa Human Development Report (AfHDR 2012) notes that GDP growth has expanded at extra-ordinary rates during the decade up to 2010, even in the midst of the global recession during the latter part of the decade. This growth has also contributed to reductions in poverty and improvements in other human development outcomes including education and health. However, food security, a core component of human development has not improved commensurately. For instance, in 2011, drought, crop failure, and other disasters including civil strife triggered a severe food crisis that afflicted over 12 million people in the Horn of Africa. Another food crisis is currently unfolding in the Sahel Region of West Africa and an estimated 18 million people are reported to be in urgent need of food support.

This article focuses on the East African Community (EAC) partner states (Kenya, Tanzania, Uganda, Burundi and Rwanda) and examines recent trends in GDP growth, human development and food security, and concludes with a discussion on key strategic options for achieving “food-secure” growth and human development.

GDP Growth, Human Development and Food Security in the EAC

According to the World Bank Development Indicators data, EAC’s real GDP has expanded by an average of 5.6 percent during the decade up to 2010, higher than the sub-Saharan Africa (SSA) average of 4.7 percent but still below South Asia’s average of 6.7 percent. Growth in the EAC was fueled in large part by expansion in the services sector particularly trade, transport, banking and finance and telecommunications; industry and rising commodity prices. Figure 1 shows that all the EAC countries experienced marked improvements in GDP per capita during the ten years up to 2010, with GDP per capita expanding by an average of 96 percent between 2000 and 2010 albeit less than the SSA average of 153 percent during the period.

Figure 1 GDP per capita (USD current prices): 1990-2010

Source: World Development Indicators database and author’s computations
The increase in economic activity in the EAC and the measures taken to improve human development outcomes, for example the sustained investments in education and health, have contributed to rising school enrollment rates and lower child and maternal mortality. For instance, maternal mortality rates dropped from 1,500 deaths per 100,000 live births in Tanzania in 2000, also the highest in the EAC region, to 454 in 2010. Similar sharp reductions were reported in Rwanda, from 1,400 to 540, during this period.

However, indicators of food security such as stunting, which is a proxy for chronic malnutrition (see Figure 2) remain highest in East Africa compared to other regions in the world. The AfHDR 2012 also reports that about one in five children under the age of five in both East Africa and SSA was underweight—an indicator of acute malnutrition—in 2010. As illustrated by Figure 2, improvements in nutrition outcomes have been higher in Asia and South America. In particular, Asia and South America have more than halved the prevalence of stunting and underweight children between 1990 and 2010.

Figure 2: Prevalence of Stunting in Children under Age Five (percent)

Source: African Human Development Report 2012 and author’s computations

In addition, the 2010 Global Hunger Index (GHI) reveals that Burundi is yet to graduate from the ‘extremely alarming’ hunger category, a status held since 1990. Tanzania has exhibited some improvements in its ranking on the GHI since 1996 but remains in the ‘alarming’ category, while Uganda has remained in the ‘serious’ category. Rwanda has improved from ‘extremely alarming’ to ‘alarming’ while Kenya’s ranking has improved from ‘alarming’ to ‘serious’. And Rwanda – maybe complete the comparisons?—done.

At the same time though, improvements in the Human Development Index (HDI) in the EAC have averaged 25 percent between 2000 and 2011 and exceeded improvements in SSA (15 percent), South Asia (17 percent), and Latin America and the Caribbean (8 percent). This weak association in the EAC between improvements in HDI and reductions in malnutrition indicates that the recent high growth episodes and improvements in human development are yet to translate into commensurate progress in food security.
The next sub-sections examine the relationship between human development and food security, and, drawing on experiences elsewhere (including in Asia), provides some options for strengthening this linkage with specific reference to agricultural productivity.

**The Common Relationship between Food Security and Human Development**

The AfHDR 2012 defines food security as “the condition when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life.” Human development is defined by the same report, among other things, as the “expansion of capabilities”. Food security is considered a core capability since it espouses the state of being well-nourished without the threat of hunger.

In addition, the AfHDR 2012 argues that a direct correlation between food security and human development can be derived by examining the relationship between nutrition, health, education and poverty outcomes. First, underfed children are more likely to have weak immune systems which contribute to higher mortality, disease and disability including from communicable diseases such as malaria, dysentery and respiratory illnesses that are preventable and treatable. Second, given the possibility of higher disease burdens, malnourished children are more likely to start school late, participate in less learning activities and drop out of school early. Third, undernourished children that make it to adulthood, pass on these genetic deficiencies to their offspring. This perpetuates a generation of poor health and education outcomes, limited and/or low income earning opportunities thus fueling a vicious cycle of poverty and low human development.

Food insecurity has broader economic implications as well. For instance, the resulting higher disease burdens increase the direct economic costs of addressing health impacts both at a household level via out-of-pocket health expenses and nationally due to the requisite increase in public spending shares devoted to the health sector. In addition, the combined effects of poor health outcomes and low education attainment contribute to lower worker productivity and consequently lower returns on education.

The reverse is true for a well-fed and well-nourished population since this category is more likely to attain above-average education, achieve high health outcomes and thus attain their productive potential. This is expected to contribute to a virtuous cycle of high human development and improved food security.

**Improving the Linkage between Food Security and Human Development**

A key theme underlying the AfHDR 2012 is that sustainable increases in agricultural productivity and improved nutrition are key drivers of “food-secure” growth and human development. This theme is anchored on the principle that high productivity in agriculture reinforces food security by increasing food availability and reducing food prices which contribute to increased access to food. More productive agriculture also contributes to higher incomes for the millions of farmers. Utilization of improved technologies to achieve higher agricultural productivity can also contribute to better environmental management and sustainability. These outcomes elevate living standards, improve access to education and health and, thus, expand people’s capabilities, which is the essence of human development. Therefore, the linkage between agricultural productivity, nutrition and human development follows directly. Also, a nourished population is better able to exercise its freedoms, entitlements and capabilities in various domains and will be more inclined to demand food-secure growth from its leadership.

Therefore, addressing food security requires multi-layered interventions ranging from increasing the productivity of smallholder farmers to improving nutrition among children, building resilient communities and sustainable food systems, and empowering women and the rural poor. Successful implementation of these critical actions also calls for the engagement of various actors across sectoral mandates and the national development agenda.
THE STATE OF AGRICULTURAL PRODUCTIVITY IN THE EAC

The focus here is on agriculture productivity, given the premise that by determining food availability, agriculture is the fundamental first link in the food security chain. Moreover, as a primary source of employment and income for the majority of East Africans—80 percent of the economically active population in the EAC is engaged in agriculture, in particular the poor—agriculture directly supports human development.

As indicated in Figure 3, agricultural productivity as measured by cereal yield has declined in the EAC from an average of 1,390 kilograms (kgs) per hectare in 1990 to 1,270 kgs in 2009.

![Figure 3: Cereal yield (kg per hectare in '000s)](image)

Source: World Development Indicators database and author computations

This trend contrasts with developments in South Asia, Latin America and the Caribbean where cereal yields have increased steadily during the same period. For instance, cereal production in South Asia increased from 1,926 kgs per hectare in 1990 to 2,628 kgs in 2009 with the green revolution\(^1\) contributing substantially to these improvements. In Latin America and the Caribbean, cereal production increased from 2,089 kgs per hectare to 3,282 kgs during this period. Cereals are particularly important for food security in Africa and a major indicator of agricultural productivity. According to the AFHHR 2012, cereals account for at least two-thirds of the total energy intake and upwards of three-quarters for the poor. Therefore, declining cereal productivity in the EAC is another key indication of increasing food insecurity in the region.

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\(^1\) Asia’s green revolution promoted cross-cutting interventions aimed at increasing agricultural productivity ranging from a modern science and technology “package” comprising improved seed varieties, fertilizers, and irrigation, among other things, to complementary broad economic and policy interventions aimed at providing farmers with incentives to adopt this “technology package”. Food and Agriculture Organization data indicate that the green revolution contributed to a four-fold increase in cereal yields from an average of 1,100 kgs per hectare in 1961-1963 to 4,100 kgs in 2008-2010.
KEY BOTTLENECKS TO IMPROVING AGRICULTURE PRODUCTIVITY IN THE EAC

Several factors explain the declining agricultural productivity in sub-Saharan Africa in general and the EAC in particular. These range from heavy dependence on rain-fed agriculture and limited public investments in agriculture, as a result of, amongst other things, poor governance and the structural adjustment programs. These contributed to the dismantling of Government supported agricultural banks, marketing boards, extension services, and agricultural research and education. Table 1 shows that, for example, the utilization of agricultural inputs remains low in the EAC. This is not surprising, given that public spending on agriculture in the EAC averaged 3.1 percent of total public spending during the period 2005-2009, which was lower than both the 5.6 percent average for SSA and the Comprehensive Africa Agriculture Development Program (CAADP) commitment of 10 percent.

Table 1: Utilization of Agricultural Inputs

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Source: AfHDR 2012, World Development Indicators database and author’s computations

In spite of the increase during the past decade, development aid to agriculture remains low even given the significance of the agriculture sector in the EAC. For example, Official Development Assistance (ODA) disbursed by the Development Assistance Committee (DAC) donors to the agriculture sector averaged 5.5 percent of their net ODA and official aid to the EAC in 2009. A core message from Table 1 and as discussed in the sub-section that follows is that measures to rejuvenate the region’s agriculture sector might actually be quite straightforward.

TACKLING THE IMPEDIMENTS TO IMPROVING AGRICULTURE PRODUCTIVITY IN THE EAC

While it is not possible to provide uniform policy recommendations that can equally be applied to all EAC partner states, we propose three key measures with the potential to reverse the declining agricultural productivity in the region. comprising a package of modern inputs – irrigation, improved seeds, fertilizers, and pesticides

Scaling-Up Investments in Agriculture

Asia’s green revolution (1965 to 1990) was characterized by four primary components: (i) inputs such as fertilizer, improved seed varieties and water management; (ii) technology (modern inputs such as irrigation, high-yield seed varieties, fertilizers, and pesticides); (iii) trade to ensure access to local, national, regional and global markets; and (iv) institutions comprising rural markets, farmer education and other complementary services. Farm input subsidies allowed smallholder farmers to shift to newer, high yielding and pest resistant crop varieties, while agricultural science and technology enabled the delivery of improved seeds and knowledge about more optimal input

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2 In 2011, the agriculture sector in the EAC employed on average 80 percent of the economically active population and accounted for 30 percent (including forestry, fishing and hunting) of GDP.
combinations. Investments in infrastructure, including feeder roads, facilitated the development of factor and output markets.

As Table 1 indicates, several of these key building blocks are currently either absent or only in their infancy in the EAC. For instance, fertilizer application per hectare averaged 10kgs in 2008 and less than the average for SSA (12kgs) and Asia (100kgs). Moreover, increases in fertilizer use will also require improvements in water management and crop varieties, both of which necessitate scaling up funding for research and development. The combination of efficient water management, high yield crop varieties and sustainable fertilizer utilization also relieves the pressure to expand cultivation to “fragile” land such as marshlands and forest reserves, thus contributing to more efficient environmental management. However, (optimal) fertilizer utilization should be informed by research to avoid excessive use, as was the case in parts of China and India during the green revolution, which led to soil destruction, contamination of drinking water and eutrophication of water sources. In addition, EAC household level data indicate a strong negative correlation between infrastructure development and poverty, due to the former’s benefits such as improving market access, which facilitates more efficient utilization of farm inputs and allows farmers to obtain reasonable returns on their market surplus. This in turn creates and enhances farmer incentives to adopt improved farm inputs.

Given the fiscal constraints faced by several of the EAC governments, large scale subsidization of farm inputs, as was the case during the 1960s and 1970s in Asia, might not be feasible. Two options need to be pursued to address this constraint. First, Development Partners need to scale-up funding to the agriculture sector. Second, EAC governments in partnership with the private sector should put in place measures that increase access to credit in the agriculture sector. Such interventions could include targeted agriculture funding and other loan products, as well as “smart” subsidies, for instance where the communities are involved in selecting which farmers the beneficiaries. These measures have the potential to contribute to more wide-spread and efficient utilization of improved agricultural farm inputs and extension services. These interventions should also be coupled with broader reform measures, for instance to address uncertainties in land tenure and property rights, such as the land tenure regularization program in Rwanda3, especially since land and property remain key collateral instruments. Liberalization of agricultural input markets, such as in Kenya in the 1990s, also promotes the adoption of improved farm inputs.

Empowering Small-Holder Farmers

Agriculture in East Africa is dominated by smallholder farmers who account for over 75 percent of total agricultural production4. Therefore, any successful initiatives aimed at improving agricultural productivity should also prioritize smallholder farmers. Measures to ensure that this category of farmers also benefits from higher prices and is equipped with requisite productive capacities to adequately respond to the improving commodity prices are critical.

Farmer cooperatives, including Savings and Credit Cooperatives, in addition to facilitating savings mobilization usually provide an efficient vehicle for both governments and development partners to support interventions centered on promoting smallholder agriculture. Moreover, together with the other complementary investments, for instance in infrastructure—rural roads, post-harvest infrastructure and irrigation systems – these farmer associations also provide a platform for strengthening farmers’ bargaining power vis-à-vis intermediaries and retail chains, which enhances the pass-through of commodity prices and returns to farmers. Development and enforcement of systems of price discovery, and standard grades and measures, is more efficient under a coordinated framework. Delivery of extension services, agriculture training and education, as well as other farm inputs, is also more cost effective when farmers are clustered around associations or cooperatives.

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3 The Land Tenure Regularization program complements the National Land Policy (2004) and the Organic Land Law (2005) and is aimed at legalizing and documenting property rights of landholders.

Other measures that bear promise include interventions that integrate smallholder farmers in high-value supply chains, such as contract farming, and ICT, such as mobile phone SMS, which allows easier access to weather and price information, and thus facilitate informed and expeditious decisions. These measures taken together have the potential to improve smallholder agricultural productivity.

**Harnessing Regional Integration**

The EAC customs union and common market protocols provide an opportunity for the partner states to harness their comparative advantages in agriculture and thus improve productivity. For instance, given its long standing comparative advantages in milk production, Kenya could scale up production and feed the region through trade. Similar approaches in Burundi and Rwanda (root crops), Tanzania (maize) and Uganda (bananas) have the potential to facilitate specialization and thus more efficient utilization of scarce national resources. Specialization contributes to increased incomes through trade, which ultimately supports additional investments in agriculture. Access to national and regional markets provides incentives for private sector investments in agriculture to complement the limited public and donor funding. The recent food crisis in the Horn underscores the role of regional cooperation. For instance, due to the successful implementation of its Crop Intensification Program\(^5\), Rwanda survived the food crisis unscathed. Sustained agricultural production and capacity to sell food in the food-constrained EAC countries would have been mutually beneficial to Rwanda and the region. First, by expanding access to regional markets, Rwandan farmers would have benefited from the higher commodity prices—a key incentive for adopting improved farm inputs — and, second, Rwanda would have contributed a regional solution to the food crisis.

Regional integration also provides a platform for partner states to make progress in the implementation of key pan-African and international policy initiatives aimed at improving agriculture productivity such as CAADP and the Alliance for a Green Revolution in Africa (AGRA)\(^6\). This can be achieved through collaboration on agricultural research and development, prioritizing more efficient market access, including through the elimination of non-tariff barriers, investments in land and water management, and sustainable environmental use.

**Conclusion**

From the preceding discussion it is clear that food security and sustainable human development are positively correlated. Moreover, sustainable increases in agricultural productivity and improved nutrition will contribute to “food-secure” growth and human development. High productivity in agriculture reinforces food security by increasing food availability and access. More productive agriculture can also contribute to higher incomes for the majority of East Africans who are engaged in agriculture, and can facilitate better environmental management and sustainability. All of these outcomes improve and expand people’s capabilities, which lead to enhanced human development. Thus, while addressing food security requires several interlinked interventions, improving agriculture productivity is identified here as a core element in the food security chain. Measures to increase investments in agriculture, empower small-holder farmers, and promote regional integration have the potential to substantially catalyze improvements in agricultural productivity in the EAC and thus foster food-secure growth and human development.

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\(^5\) The Crop Intensification Program has been implemented since 2008 and focuses on several priorities including land use consolidation; fertilizer and seed distribution; and post-harvest activities and marketing.

\(^6\) CAADP, an initiative of the New Partnership for Africa’s Development (NEPAD), was established in 2003 to improve food security and nutrition and increase incomes in sub-Saharan Africa. It focuses on pillars: sustainable land and water management, market access, food supply and hunger, and agricultural research. AGRA, launched in 2006 with support from the Bill and Melinda as well as the Rockefeller Foundations, is charged with sustainably increasing the productivity and profitability of small-scale farms across Africa and focuses on four areas: improving access to more resilient seeds; promoting soil health and productivity; building more efficient local, national and regional agricultural markets, and promoting improved policies and building partnerships for technological and institutional changes.
### A- SELECTED LONGER TERM STATISTICS

#### Table 1 - Basic Indicators, 2009

<table>
<thead>
<tr>
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**Note:** * Fiscal year July (n-1)/June (n)

**Sources:** ADB Statistics Department, Various domestic authorities; IMF World Economic Outlook 2009.

#### Table 2 - Real GDP Growth Rates, 2001-2011

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<th>2004</th>
<th>2005</th>
<th>2006</th>
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<th>2008</th>
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<th>2010 (p)</th>
<th>2011 (p)</th>
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</table>

**Note:** * Fiscal year July (n-1)/June (n)

**Sources:** ADB Statistics Department, Various domestic authorities; IMF World Economic Outlook 2009.

#### Table 3 - Demand Composition and Growth Rates, 2009-2011

<table>
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<tr>
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<th>2009 (e)</th>
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<td></td>
<td>Total Final Consumption</td>
<td>Gross Capital Formation - Total</td>
<td>Real Percentage Growth</td>
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<tr>
<td></td>
<td>Gross</td>
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<td>Imports</td>
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<tr>
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<td>6.3</td>
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**Note:** * Fiscal year July (n-1)/June (n)

**Sources:** ADB Statistics Department, Various domestic authorities and IMF World Economic Outlook 2009.
### Table 4 – Public Finances and Fiscal Indicators, 2008-2011 (percentage of GDP)

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<th>2010 (p)</th>
<th>2011 (p)</th>
<th></th>
<th>2009 (e)</th>
<th>2010 (p)</th>
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<th>2011 (p)</th>
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<td>Total revenue and grants</td>
<td>Total expenditure and net lending</td>
<td>Overall balance</td>
<td>Total revenue and grants</td>
<td>Total expenditure and net lending</td>
<td>Overall balance</td>
<td>Total revenue and grants</td>
<td>Total expenditure and net lending</td>
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<td>30.1</td>
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<td>30.6</td>
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<td>23.4</td>
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<tr>
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**Notes:**
- * Fiscal year July (n-1)/June (n)
- = 2007 data
- = 2006 data

**Sources:** ADB Statistics Department, Various domestic authorities, OECD/DAC, OECD Development Centre calculations and IMF *World Economic Outlook.*

### Table 5 – Select Monetary Indicators

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<th></th>
<th>Inflation (%)</th>
<th>Exchange Rate (LCU / $)</th>
<th>Reserves, excluding gold, ($ million)</th>
<th>Stock at year-end</th>
<th>Eq. Months of imports</th>
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<td>96</td>
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<td>7.04</td>
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</table>

**Sources:** ADB Statistics Department, Various domestic authorities, IMF *World Economic Outlook & International Financial Statistics* and authors' estimates and forecasts.
### Table 6 - Balance of Payments Indicators, 2008–2011

<table>
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<tbody>
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<td><strong>Trade balance</strong></td>
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**Note:** Fiscal year July (n-1)/June (n)

**Sources:** ADB Statistics Department; IMF, World Economic Outlook Database, October 2009; GDF Online

### Table 7 - Diversification and Competitiveness

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2004-2008</th>
<th>Sectoral effect</th>
<th>Global competitiveness effect</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Diversification index</strong></td>
<td>2.5</td>
<td>1.6</td>
<td>4.3</td>
<td>3.2</td>
<td>3.9</td>
<td>24.4</td>
<td>8.0</td>
<td>-1.3</td>
</tr>
<tr>
<td><strong>Annual export growth (%)</strong></td>
<td>23.0</td>
<td>20.9</td>
<td>21.8</td>
<td>23.3</td>
<td>21.8</td>
<td>16.3</td>
<td>0.6</td>
<td>-1.8</td>
</tr>
<tr>
<td><strong>Competition Indicator 2004-2008 (%)</strong></td>
<td>1.9</td>
<td>3.6</td>
<td>3.4</td>
<td>5.1</td>
<td>4.7</td>
<td>-1.6</td>
<td>20.2</td>
<td>-49.5</td>
</tr>
<tr>
<td><strong>Burundi</strong></td>
<td>3.8</td>
<td>4.7</td>
<td>3.3</td>
<td>3.9</td>
<td>3.1</td>
<td>0.9</td>
<td>2.9</td>
<td>-19.7</td>
</tr>
<tr>
<td><strong>Kenya</strong></td>
<td>25.5</td>
<td>20.2</td>
<td>31.0</td>
<td>31.9</td>
<td>34.9</td>
<td>21.8</td>
<td>1.5</td>
<td>2.5</td>
</tr>
<tr>
<td><strong>Rwanda</strong></td>
<td>6.7</td>
<td>7.8</td>
<td>8.1</td>
<td>11.2</td>
<td>7.9</td>
<td>27.9</td>
<td>-0.7</td>
<td>10.8</td>
</tr>
<tr>
<td><strong>Seychelles</strong></td>
<td>5.7</td>
<td>4.7</td>
<td>4.0</td>
<td>4.3</td>
<td>3.7</td>
<td>34.3</td>
<td>14.3</td>
<td>2.4</td>
</tr>
<tr>
<td><strong>Tanzania</strong></td>
<td>20.6</td>
<td>19.4</td>
<td>19.4</td>
<td>0.0</td>
<td>0.0</td>
<td>134.3</td>
<td>24.8</td>
<td>31.2</td>
</tr>
<tr>
<td><strong>Uganda</strong></td>
<td>63.12</td>
<td>49.6</td>
<td>49.0</td>
<td>1.4</td>
<td>1.4</td>
<td>21.4</td>
<td>24.2</td>
<td>23.3</td>
</tr>
<tr>
<td><strong>Africa</strong></td>
<td>67.8</td>
<td>81.8</td>
<td>81.2</td>
<td>0.0</td>
<td>0.0</td>
<td>15.2</td>
<td>16.7</td>
<td>20.6</td>
</tr>
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</table>

**Sources:** ADB Statistics Department; COMTRADE Database (Harmonized system, Rev.1) - UN Statistics Division

### Table 8 - External Debt Indicators

<table>
<thead>
<tr>
<th></th>
<th>Total debt outstanding (as % of GDP)</th>
<th>Debt Service (as % of Exports of goods and services)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(USD m) (as % of total)</td>
<td>2008</td>
</tr>
<tr>
<td>Burundi</td>
<td>1,473</td>
<td>80.6</td>
</tr>
<tr>
<td>Kenya</td>
<td>6,312</td>
<td>49.6</td>
</tr>
<tr>
<td>Rwanda</td>
<td>678</td>
<td>81.8</td>
</tr>
<tr>
<td>Seychelles</td>
<td>845</td>
<td>3.5</td>
</tr>
<tr>
<td>Tanzania</td>
<td>6,834</td>
<td>45.1</td>
</tr>
<tr>
<td>Uganda</td>
<td>1,881</td>
<td>69.5</td>
</tr>
<tr>
<td>Africa</td>
<td>325,287</td>
<td>22.8</td>
</tr>
</tbody>
</table>

**Sources:** ADB Statistics Department; IMF, World Economic Outlook Database, October 2009; GDF Online

Database, Worldbank
B- SELECTED SEASONAL STATISTICS

Table 9 - Comparative Prices: Major Food Crops (January—March 2012) - (USD per metric Ton)

<table>
<thead>
<tr>
<th></th>
<th>Maize</th>
<th>Rice</th>
<th>Beans</th>
<th>Wheat</th>
<th>Sorghum</th>
<th>Millet</th>
</tr>
</thead>
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<tr>
<td><strong>Burundi</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>292</td>
<td>1333</td>
<td>862</td>
<td>1287</td>
<td>n.a</td>
<td>n.a</td>
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<tr>
<td>February</td>
<td>421</td>
<td>1279</td>
<td>689</td>
<td>1241</td>
<td>n.a</td>
<td>n.a</td>
</tr>
<tr>
<td>March</td>
<td>565</td>
<td>1398</td>
<td>744</td>
<td>1193</td>
<td>n.a</td>
<td>n.a</td>
</tr>
<tr>
<td><strong>Kenya</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>361</td>
<td>1118</td>
<td>738</td>
<td>387</td>
<td>469</td>
<td>658</td>
</tr>
<tr>
<td>February</td>
<td>369</td>
<td>1194</td>
<td>698</td>
<td>407</td>
<td>485</td>
<td>638</td>
</tr>
<tr>
<td>March</td>
<td>405</td>
<td>1155</td>
<td>689</td>
<td>451</td>
<td>490</td>
<td>616</td>
</tr>
<tr>
<td><strong>Rwanda</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>January</td>
<td>381</td>
<td>1174</td>
<td>485</td>
<td>583</td>
<td>374</td>
<td>755</td>
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<tr>
<td>February</td>
<td>372</td>
<td>1163</td>
<td>483</td>
<td>541</td>
<td>366</td>
<td>766</td>
</tr>
<tr>
<td>March</td>
<td>367</td>
<td>1178</td>
<td>463</td>
<td>555</td>
<td>392</td>
<td>791</td>
</tr>
<tr>
<td><strong>Tanzania</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>310</td>
<td>1294</td>
<td>960</td>
<td>828</td>
<td>353</td>
<td>541</td>
</tr>
<tr>
<td>February</td>
<td>322</td>
<td>1209</td>
<td>932</td>
<td>819</td>
<td>350</td>
<td>540</td>
</tr>
<tr>
<td>March</td>
<td>331</td>
<td>1203</td>
<td>994</td>
<td>691</td>
<td>358</td>
<td>510</td>
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<tr>
<td><strong>Uganda</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
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<td>1340</td>
<td>680</td>
<td>n.a</td>
<td>374</td>
<td>572</td>
</tr>
<tr>
<td>February</td>
<td>258</td>
<td>1369</td>
<td>664</td>
<td>n.a</td>
<td>335</td>
<td>492</td>
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<tr>
<td>March</td>
<td>241</td>
<td>1241</td>
<td>699</td>
<td>n.a</td>
<td>361</td>
<td>470</td>
</tr>
</tbody>
</table>

Sources: RATIN, except for Burundi whose data is from Burundi Institute of Statistics (ISTEBBU).

Table 10: Regional Inflation Developments (January—March 2012)

<table>
<thead>
<tr>
<th></th>
<th>January 2012</th>
<th>February 2012</th>
<th>March 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Burundi</strong></td>
<td>21.6</td>
<td>22</td>
<td>24.5</td>
</tr>
<tr>
<td><strong>Kenya</strong></td>
<td>18.31</td>
<td>16.69</td>
<td>15.61</td>
</tr>
<tr>
<td><strong>Rwanda</strong></td>
<td>7.81</td>
<td>7.85</td>
<td>8.18</td>
</tr>
<tr>
<td><strong>Seychelles</strong></td>
<td>5.6</td>
<td>5.8</td>
<td>5.8</td>
</tr>
<tr>
<td><strong>Tanzania</strong></td>
<td>19.7</td>
<td>19.4</td>
<td>19.0</td>
</tr>
<tr>
<td><strong>Uganda</strong></td>
<td>27</td>
<td>25.6</td>
<td>21.1</td>
</tr>
</tbody>
</table>

Sources: National Statistics Bureaus (various countries)
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The African Development Bank Group – which comprises the African Development (ADB), the African Development Fund (ADF) and the Nigeria Trust Fund (NTF) – aims is to promote the economic development and social progress of its regional member countries. It contributes to improving the living conditions of the populations, as well as creating, expanding and rehabilitating productive and social investments. It finances development and structural adjustment projects and programs, provides advisory services and stimulates investments from other sources of finance. Although the ADF and NTF are legally and financially distinct from the ADB, they share the same staff, and their projects are subject to the same standards.