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Rwigema, P. C.

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ECONOMIC GROWTH AND POLITICAL STABILITY IN EAST AFRICAN COUNTRIES. THEORETICAL PERSPECTIVE

Rwigema, P. C.

Ph.D, Member of Parliament, East Africa Legislative Assembly [EALA], Rwanda

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ABSTRACT

EAC bloc comprises of a six-state regional bloc made up of Rwanda, Kenya, Uganda, Tanzania, Burundi, and later the Republic of South Sudan which joined, in line with the 6th pillar of Rwanda's Vision 2020, which focused on regional and economic integration to promote an open and liberal trade regime, as well as promoting foreign direct investments and competitive enterprises. The partner states have also intensified the crucial processes of harmonization of monetary and exchange rate policies, payment and settlement systems, financial sector supervision, fiscal policies, coordination and harmonization of statistics, and regionalization of the financial sector in order to create a single financial market. An economic arrangement between different regions marked by the reduction or elimination of trade barriers and the coordination of monetary and fiscal policies. The aim of economic integration is to reduce costs for both consumers and producers, as well as to increase trade between the countries taking part in the agreement.

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INTRODUCTION

Economic growth and political stability are strongly related (Geda, & Kibret, 2008). The uncertainty associated with an unsteadfast political environment may decrease investment and the speed of economic development (Zhao & Farole, 2011). Moreover, weak economic performance may lead to government fall down and political instability. According to Markova (2010) the history of political protests has been instrumental during the anti-colonial struggles of the subcontinent and later in strengthening the democratic progress in East Africa.

Auty (2010) depicts that a greater view at the East African integration through the lens of economic geography helps to improve sequencing of the integration process and to develop new policies to complement ongoing efforts, maximizing their benefits. The New Times (2017) reported that there has been a marked improvement on the social performance of East Africa Community state partners when South Sudan joined the region

The economic growth and development have drastically improved with regional GDP. In 2018, real GDP in the region grew by an estimated 5.7 percent, slightly less than the 5.9 percent in 2017 and the highest among African regions (African Export–Import Bank, 2018). Economic growth is projected to remain strong, at 5.9 percent in 2019 and 6.1 percent in 2020. The regional average masks substantial variation across countries. Estimated GDP growth in 2018 ranged from –3.8 percent (contraction) in South Sudan to 7.2 percent in Rwanda (East African Community, 2018).

In addition, scholars like Geda and Kibret (2008) believe that regional integration draws its rationale from the standard trade theory, which states that free trade is superior to all other trade policies. Even more, one can argue that to achieve prosperity, competition, security, stability, and political union, all member states (Burundi, Kenya, Rwanda, Tanzania and Uganda), whose total population is currently just over 143 million people, must pull in the same direction in equal measures to avoid stagnation, which has been a common occurrence in the efforts of many such past alliances including the Customs Union between Kenya and Uganda in 1917, which Tanzania (formerly Tanganyika) later joined in 1927; the East African High Commission (1948-1961); the East African Common Services Organisation (1961-1967); the East African Community (1967-1977) and the East African Co-operation (1993-2000).

Political instability in East Africa Community States

Report by the East African Standard (2018) indicates that over the past decade, the Great Lakes region has relatively enjoyed peace and stability that has facilitated economic growth and expanded opportunities, improving living conditions for millions of people. However, the region currently faces significant risks characterized by continuing emerging patterns of instability that could wipe out these gains. The larger East Africa is facing mounting risks of unrest and violence as a result of a massive population displacements with thousands fleeing the Democratic Republic of Congo into Uganda, Rwanda and Tanzania as tensions rise over intimidation and violence. At least 23 people were killed recently in renewed fighting between ethnic groups in eastern DRC, days after clashes between the armies of DRC and Rwanda, neighbors who have had a tumultuous relationship (Ndikumana, Boyce & Ndiaye, 2015). Besides DRC, the region's prospects for peace and stability are threatened by the prolonged political tensions in Burundi and South Sudan, which have already created a regional refugee crisis. The current internal political tensions in Ethiopia also mean that Addis Ababa could set back regional efforts to bring stability in Somalia, a country that remains a fertile ground for terrorism. Already, Al Shaabab attacked two police camps in northeastern Kenya and killed four security personnel.

Nowadays political instability has been a cause of concern for many countries around the world, irrespective of the state of development or their political regime. Previous experiences tell us that political conflicts can have a disastrous impact on an economy. On the other hand, domestic conflicts under certain conditions can turn a country into a fragile state status. Fragile and conflict-ridden countries usually lose the ability to develop constructive relationships within their societies and often suffer from a weak ability to undertake governance functions (Shonchoy & Tsubota, 2014). These countries are more vulnerable to internal and external shocks, and in turn face instability. Arguably, given the dominance of informal sector in economies like East Africa Countries, the adverse impact of political instabilities could be lower when compared with more developed countries. Some other studies which have adopted a notion of political instability similar to ours have found effects of instability on inflation (Cukierman, Edwards & Tabellini 2012).

A conflict in any one of the EAC countries has far reaching effects as it inevitably affects the whole region in one way or another. Conflicts everywhere in Africa transcend ethnicity and physical borders and this always complicates the magnitude of the conflicts. The regional dynamics of conflicts and the cross-border nature of security threats such as arms and human trafficking require the collaborative role of regional and sub regional actors who have intimate understanding of the local contexts (Ndayizigiye, 2015). Human trafficking is one clear indicator of defective security sector governance and all EAC countries are victims to this menace either as transit points or as places of origin where syndicates operate (Bryden 2005).

Consequent redress mechanisms like forced disarmaments have proven elusive since governments have resulted in at times co-opting citizens to carry out disarmament policing and this has spiralled into un-checked 'government enabled militias' whose activities have also not been so objective (Benjamin, 2016). This has exacerbated violence, increase the number of weapons into the conflict epicenters and decelerated development in the areas. Clearly, purely militarized remedies have given a blind eye to the development alternatives where the answer sought should be based on understanding the cultural matrixes of these communities. As such, tapping into the social-cultural alternative modes of resolving such conflict should be part and parcel of peace-building national policies for cattle rustling areas (Fosu, 2017).

Political stability is by no means the norm in human history (Lindsey, 2004). Democratic regimes, like all political regimes, are fragile. Irrespective of political regimes, if a country does not need to worry about conflicts and radical changes of regimes, the people can concentrate on working, saving, and investing. The recent empirical literature on corruption has identified a long list of variables that correlate significantly with corruption. Among the factors found to reduce corruption are decades-long tradition of democracy and political stability. In today's world, however, there are many countries that combine one of these two robust determinants of corruption with the opposite of the other: politically stable autocracies or newly formed and unstable democracies.

While it is true that some African states who have been able to achieve high growth rates are stable, a number of relatively low performing African states also have remarkably stable political systems. When we talk about political stability in the context of growth, leaving aside resource-driven bubbles, we mean a specific kind of stability: the rule of law, strong institutions rather than powerful individuals, an efficient bureaucracy, low corruption and an investment enabling business climate. Indeed, what we really mean is that stable governance is crucial for growth. This admittedly academic distinction is an important one to recognize. Governance goes well beyond just politics.

Economic growth and political stability are deeply interconnected. On the one hand, the uncertainty associated with an unstable political environment may reduce investment and the pace of economic development. On the other hand, poor economic performance may lead to government collapse and political unrest. However, political stability can be achieved through oppression or through having a political party in place that does not have to compete to be re-elected. In these cases, political stability is a double-edged sword. While the peaceful environment that political stability may offer is a desideratum, it could easily become a breeding ground for cronyism with impunity. Such is the dilemma that many countries with a fragile political order have to face. The objective of this paper is to show how economic growth has been as a result of political stability in East African Countries.

RELATIONSHIP BETWEEN ECONOMIC GROWTH AND POLITICAL STABILITY IN EAST AFRICAN COUNTRIES

Rwanda

To understand the current macroeconomic performance in Rwanda, it is important to consider the Rwandan economy before and after the 1994 genocide against Tutsi. The post-genocide government inherited two sets of problems: the consequences of the 1994 genocide and the structural problems of Rwanda's economy. As a consequence of the 1994 genocide, the country lost not only more than 1 million people, including highly skilled people, but also economic infrastructure. The genocide against Tutsi also had strong social repercussions, including losses at different levels of society and increased poverty, leading, for example, to higher government transfers in the form of social security payments. To deal with these problems, the government introduced macroeconomic and structural reforms. Among others, the government embarked on reforms in the following areas: political and governance system with strong decentralization that enhance citizen participation, gender equality, women empowerment, rule of law to strengthen accountability, transparence at all levels. The reforms created a conducive and enabling environment. The central bank was oriented more independently in an effort to control inflation and achieve macroeconomic stabilization (National Bank of Rwanda, Annual Reports 2002–05); the tax system was reformed by creating in 1997 a government revenue collection agency (Rwanda Revenue Authority) charged with enforcing, assessing, collecting and accounting for various taxes imposed in Rwanda. Rwanda Revenue Authority supervised by the ministry of finance and economic planning became operational and even aggressive since 1998. The government of Rwanda introduced a value-added tax (VAT); state enterprises were privatized; the tariff structure and labor market were reformed; and trade was liberalized by removing price controls. Over the years, Rwanda has attained a reasonable level of macroeconomic stability and fiscal discipline. This has been achieved in spite of the ongoing heavy reliance on foreign borrowing to compensate for insufficient domestic savings. In 2005 Rwanda's economic reforms were advanced enough to qualify for the highly indebted poor countries (HIPC) debt cancellation. Under the enhanced HIPC, Rwanda gained an estimated \$1.4 billion out of \$1.5 billion as a result of the adoption of strict measures in public debt management. These reforms and different economic policies explain important economic achievements in Rwanda during the last twenty-five (25) years. From 2004 to 2008, the economic growth in Rwanda was around 8 percent on average against −1.8 percent from 1990 to 1993. The real GDP per capita, which grew on average 0.1 percent from 1980 to 1989, rose by 5 percent per year from 1995 to 2003 (DFID, 2008)) and by 14.9 percent per year on average from 2003 to 2007 (2007 statistics from the National Institute of Statistics of Rwanda) (NISR, 2017).

After the devastating war and 1994 genocide against Tutsi, "the economy was destroyed and through the process of economic reconstruction, it picked up with a tendency to go very fast, faster than the economies which are already developed". President Paul Kagame's leadership has played a positive role in terms of the political stability the country has enjoyed since 1994. “If there is no political stability in the country, you can’t expect production to take place, you can’t expect the right reforms to be implemented therefore you can’t expect fast economic growth”. To maintain a steady economic growth for almost two decades, the government invested time and resources into soft and hard infrastructure in order to attract foreign direct investment. The government established key institutions that would enable to achieve the main objectives enshrined in Vision 2020. The Rwanda Development Board (RDB) was put in place in 2009 to help oversee the country’s business regulations, foreign investments, tourism promotion, environmental conservation and broader economic and development planning. According to Vision 2020, Rwandan government is committed ensure good governance, which includes citizen participation, accountability, transparency and efficiency in deploying scarce resources to key sectors of the national economy. The 2017 Corruption Perception Index ranked Rwanda the third least corrupt country on the African continent behind the Seychelles and Botswana. The country is not just creating a business-oriented environment but also diversifying the economy from being almost entirely dependent on agro-subsistance to now being growing manufacturing especially in agro-industries, ICT, tourism and services. According to the 2019 World Bank Doing Business index, Rwanda is the 29th easiest place to do business in the world - the only low-income country (LIC) in the top 30. In 2018, the Rwanda Development Board(RDB), a government department that integrates all government agencies responsible for the attraction, retention and facilitation of investments in the national economy, registered over US$2 billion-worth of investments. Around 173 investment projects worth US $2.006 billion, against a US $2 billion target set for the year, were registered. According to RDB press release, of the total investments registered in 2018, an estimated 26 percent represents export-orientated projects. Across the different sectors, manufacturing, mining, agriculture and agro-processing accounted for 57 percent of investments registered. Other sectors that attracted significant investments were tourism, healthcare, business services and ICT. The economic growth that Rwanda has experienced was able to pull at least one million citizens out of poverty between 2005 and 2011, according to the Rwandan Household Living Conditions Survey. Rwanda's GDP per capita in 1994 was $146. In 2017 it stood at $774 and is projected to have reached around $819.652 by the end of 2018, according to the report by World Bank (World Bank, 2017).

However, despite the Rwanda’s remarkable achievements, over the last quarter of a century, poverty remains a challenge (World Bank, 2018). About 39 percent of the population lives below the poverty line and 16 percent live in extreme poverty, according to government statistics. Despite sustained economic growth, the government's biggest challenge is still the citizen categorization to eradicate the high rate of poverty and create employment for the majority of the population who are young. According to the National Institute of Statistics (2017), people aged between 16 to 30 years old make up 26.6 percent of the total population of Rwanda and 85 percent of that population can read and write. In a country, where 53 percent of the population is under 19 years old and more than 16.7 percent of the population is unemployed, this demographic dividend can be a challenge instead of an opportunity.

Kenya

Kenya has made significant political, structural and economic reforms that have largely driven sustained economic growth, social development and political gains over the past decade (Africa Confidential, 2013b). However, its key development challenges still include poverty, inequality, climate change, continued weak private sector investment and the vulnerability of the economy to internal and external shocks (Kenya, Republic of. 2014b).

Kenya's recent political reform stemmed from the passage of a new constitution in 2010 that introduced a bicameral legislative house, devolved county government, a constitutionally tenured Judiciary and electoral body. The first election was in 2013. The August 8, 2017 presidential elections were nullified on September 1, 2017 by the Supreme Court, and a new presidential election was held on October 17, 2017. Kenyan President Uhuru Kenyatta was sworn in for a second and final five-year term on November 28, 2017 (Poulton, Colin, 2017).

Devolution remains the biggest gain from the August 2010 constitution, which ushered in a new political and economic governance system. It is transformative and has promoted greater investments at the grassroots, strengthened accountability and public service delivery at local levels (Akech, 2010).

While economic activity faltered following the 2008 global economic recession, growth resumed in the last five years reaching 5.7% in 2019 placing Kenya as one of the fastest growing economies in Sub-Saharan Africa. The recent economic expansion has been boosted by a stable macroeconomic environment, positive investor confidence and a resilient services sector (World Economic Forum, 2019).

Looking ahead, medium-term gross domestic product growth (GDP) is expected to rise to 5.9% in 2020 and 6.0% in 2020 underpinned by private consumption, a pick-up in industrial activity and still strong performance in the services sector. Inflation is expected to remain within the government's target range while the current account deficit is projected to remain manageable. Growth will also be driven by ongoing key investment to support implementation of the Big 4 development agenda and improved business sentiment. Growth could have been stronger in the absence of interest rate caps that continue to derail recovery in private credit growth (International Monetary Fund, 2014).

In addition to aligning fostering economic development through the country's development agenda to the long-term development plan; Vision 2030, the President in December outlined the "Big Four" development priority areas for his final term as President. The Big Four will prioritize manufacturing, universal healthcare, affordable housing and food security. Social Development (The east African standard, 2018).

Kenya has the potential to be one of Africa's success stories from its growing youthful population, a dynamic private sector, highly skilled workforce, improved infrastructure, a new constitution, and its pivotal role in East Africa. Addressing the challenges of poverty, inequality, governance, the skills gap between market requirements and the education curriculum, climate change, low investment and low firm productivity to achieve rapid, sustained growth rates that will transform lives of ordinary citizens, will be a major goal for Kenya.

Uganda

Uganda carries many of the political and economic features that are typical of several low-income countries in sub-Saharan Africa. Politically, it can be characterized as a hybrid regime with regular elections and a multiparty system, but it also has high levels of corruption, many authoritarian tendencies and patrimonial attributes (Andrews, Matt & Bategeka, 2013)

The country has experienced relative political stability for the last 30 years, with the same president, Yoweri Museveni, in power following the end of the armed conflict in 1986 and the same ruling party, the National Resistance Movement (NRM). However, during that period, the levels of opposition (internal and external to the NRM) have increased. This and the need to legitimize the regime have generally contributed to an increase in corrupt and authoritarian tendencies. While the first elections under the new multiparty regime (in 1996) were not competitive, Yoweri Museveni secured 'only' 60 per cent of votes in 2016 (Tripp, Aili Mari, 2010)

Since 1986, the NRM, led by President Yoweri Museveni, has introduced a number of structural reforms, which contributed to a sustained period of high growth and poverty reduction between 1987 and 2010 and led to Uganda becoming a favorite of the aid community. With 02 Uganda: Political Economy Analysis 3 the introduction of ambitious public sector and Public Finance Management (PFM) reforms, government effectiveness has improved and is relatively high – Uganda has a Country Policy and Institutional Assessment score of 3.6,2 compared with an average score of 3.1 in sub-Saharan Africa. The reform process has, however, slowed down in recent years – in part reflecting the disengagement from traditional donors, in particular budget support partners. The country's voice and accountability scores, which had improved up to 2008, have also declined recently. Policy and legal frameworks continue to improve, notably through the Public Financial Management Act (2015), although implementation gaps in procurement and anti-corruption remain (Tangri & Andrew Mwenda, 2013).

Burundi

A landlocked State in Central Africa, Burundi is one of the most densely populated countries on the continent with 470 inhabitants per square kilometer. Its economy is heavily reliant on the agricultural sector, which, despite the paucity of arable land, employs 80% of the population. Poverty is mainly rural and overwhelmingly affects small farmers (Center for UN Reform Education, 2017).

Pierre Nkurunziza has been in power since 2005. Following disputed presidential elections in 2015, the country continues to grapple with security and governance challenges that have sharply affected its economic growth. Following a referendum, the country adopted a new constitution in June 2018 based on the 2000 Arusha Agreement for Peace and Reconciliation in Burundi. Among other things, it establishes a seven-year presidential term starting with the next general elections scheduled for May 2020. The outgoing president has announced that he will not be standing for re-election (Ndayizigiye, 2015).

The economy is recovering slowly, with growth expected to reach 1.6% in 2018 compared to 0.5% in 2017, after two consecutive years of recession in 2015 (-3.9%) and 2016 (-0.6%). A fragile recovery that remains below the 4.2% recorded from 2004 to 2014 and facing many challenges: a lack of budgetary resources to finance public investment, a persistent shortage of foreign exchange with falling international reserves, the vulnerability of the financial sector, the increase in fiscal and current deficits. After rising to 16.1% in 2017, inflation fell sharply to -2.6% (deflation) in 2018. Deflation continued in 2019 and stood at -4.2% in August 2019. This is due to a favorable agricultural season, that has increased production and lowered food prices. However, this persistent deflation may also reflect lower demand. External accounts remain vulnerable, with a very sharp increase in the current account deficit, estimated at 14.3% of GDP in 2018 compared to 11.3% in 2017. This deterioration is linked to the widening trade deficit, combined with the decline in international aid transfers to NGOs associated with economic embargo on Burundi imposed by EU member states. Foreign exchange pressures have continued, with a sharper drop in foreign exchange reserves and negative impacts on imports. International reserves covered just 0.9 months of imports in June 2019. The parallel market premium remains high at 70% in July 2019. The banking sector's soundness has improved with capitalization and liquidity ratios above regulatory standards and profitability indicators on the rise. However, bank portfolio quality remains a concern, with the level of non-performing loans reaching 9% in May 2019.

Tanzania

Tanzania has sustained relatively high economic growth over the last decade, averaging 6–7% a year. While the poverty rate in the country has declined, the absolute number of poor citizens has not because of the high population growth rate. The country's overall population is about 55 million (2016) (International Monetary Fund, 2016).

In October 2015, John Pombe Magufuli was elected the fifth president of the United Republic of Tanzania. Magufuli's Fifth-Phase Government has prioritized efforts to clampdown on corruption, improve public administration and manage public resources for improved social outcomes. The Mo Ibrahim Index of African Governance shows Tanzania has improved in its overall governance indicators between 2015-18. The Worldwide Governance Indicators show Tanzania has either deteriorated or has been stagnant in all governance indicators between 2012 and 2017 (except for control of corruption). The strongest decline has been in voice and accountability, in political stability/violence and rule of law (Kjær & Therkildsen, 2013).

Real GDP growth is projected to remain in the range of 5-6% over the medium term, subject to favorable weather conditions, modest but steady implementation of reforms to improve the business environment, fiscal management, and address vulnerabilities in the financial sector. Inflation is expected to remain low, underpinned by favorable food supplies and stable global energy prices. The authorities target a modest overall fiscal deficit of 2.3% of GDP in 2019/20, which will expand to 3-4% of GDP over the medium term. The planned deficit will be financed largely by non-concessional loans. The current account deficit is expected to widen (6-7% of GDP) largely due increased imports of capital goods to support public infrastructure projects (International Monetary Fund, 2014).

Tanzania boasts a large reservoir of resources: land, water, and mineral wealth. Although the country has been politically stable in recent decades, the development of the private sector was greatly hampered by the Ujamaa policy. The Ujamaa village was a concept propagated by President Nyerere, based on the ideals of "African Socialism," which stipulated that the president should determine how the country's natural resources were allocated and used. There was no freehold land ownership. Cultivation of land was collective, as the land rights were transferred to the elected village councils, "the Ujamaa." The Ujamaa concept not only affected agriculture but also nationalized the banks and industry and made the government the biggest employer. As a result, the private sector declined. The country became dependent on international aid. A nation rich in natural resources became one of the poorest in the world.

South Sudan

The Republic of South Sudan became the world's newest nation and Africa's 55th country on July 9, 2011. Renewed conflicts in December 2013 and July 2016 have undermined the development gains achieved since independence and worsened the humanitarian situation.

South Sudan remains in a serious humanitarian crisis due to the cumulative effects of years of conflict which has destroyed people's livelihoods and forced 4.2 million people to flee their homes – nearly two million inside and nearly 2.2 million outside the country. Extreme levels of acute food insecurity persist across the country and number of people who require humanitarian assistance in 2019 remains at seven million (more than half of the population) and women and children continue to be the most affected.

South Sudan is one of the most oil-dependent countries in the world, with oil accounting for almost the totality of exports, and more than 40% of its gross domestic product (GDP). The country's GDP per capita in 2014 was $1,111 dropping to less than $200 in 2017. Outside the oil sector, livelihoods are concentrated in low productive,

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unpaid agriculture and pastoralists work. Coupled with economic mismanagement, many years of conflict have eroded the productive capacity of the country.

With consumption, non-oil exports, and investment declining, oil production provides the immediate sources of growth in South Sudan. While the rehabilitation of oil fields and resumption of oil production are underway, oil production is not expected to reach pre-crisis levels in the short term. The economy is estimated to have recovered with a growth rate of 3.2% in FY 2018/19, from a contraction of 3.5% during FY2017/18. Inflation averaged 60.8% during FY2018/19 from 121.4% during FY 2017/18. The gap between the official exchange rate and the parallel market rate remains high and increased from 65% in December 2018 to 85% in June 2019. The external sector current account deficit, excluding grants, rose to 6.5% of GDP during FY2018/19 from 4.5% in FY 2017/18.

Despite two ceasefires, thousands of lives lost and over a million and a half civilians displaced, fighting continues in South Sudan, pitting government troops against opposition forces. The latest ceasefire — the second since violence erupted in December last year — was signed in May between President Salva Kiir and his former deputy, Riek Machar.

Flagging commitment by the two leaders to resolving their political differences peacefully is putting to the test the ability of mediators to broker an effective ceasefire. But ever since the fighting started, it has become clear that the world's newest nation was born with many internal institutional weaknesses. If left unaddressed, political analysts say, it could lead to a complete rewrite of the political and economic landscape of the entire region.

The spark for the current fighting can be traced back to July 2013, when President Kiir fired Mr. Machar and his entire cabinet after a protracted power struggle within the ruling Sudan People's Liberation Movement (SPLM). Upon his dismissal from the government, Mr. Machar announced he would run for the presidency in elections then scheduled for 2015.

On 15 December 2013, after days of rising tension over political issues, various elements of the Presidential Guard started fighting in their barracks in the capital, Juba. The fighting quickly spread to the general headquarters of the Sudan's People Liberation Army (SPLA) and to other military installations.

By 16 December, it had spilled out of the barracks into residential areas of the capital, pitting rival supporters and resulting in large-scale killings and human rights abuses. Since then, this picture has been replicated in most parts of the country.

A ceasefire reached in January quickly fell apart days later as fighting resumed, with each party accusing the other of violating the ceasefire. After months of intense peace talks and external pressure, a second ceasefire was signed in May but it too has been ineffective as violence continues unabated. Political experts say the current conflict is part of a political tug of war between Mr. Machar and President Kiir. The president has accused his former deputy of attempting a coup d'état while Mr. Machar is convinced the president is assuming dictatorial powers.

While some analysts maintain that the violence is political not tribal, it is of concern that the conflict has been running along ethnic lines with the Nuers backing Mr. Machar and the president receiving his main support from the Dinkas, the largest ethnic group in the country.

South Sudan's strategic importance in East Africa has added a sense of urgency to regional efforts to end the war. There are fears that the war could degenerate into a regional conflict if left unresolved, as evidenced by the presence of Ugandan troops fighting on the side of the government. Meanwhile, South Sudan's relations with its northern neighbor Sudan have been less than cordial since Sudan was split into two. The two ceasefire agreements, brokered by international mediators, including leaders of the Intergovernmental Authority on Development (IGAD) and supported by the United Nations and the African Union, have so far been unable to stop the fighting.

Investing in East Africa Community

The EAC region is rich in various natural resources. The resources include fresh water and marine and coastal water ecosystems; forests and wildlife, wetlands, rangelands, arable land and mountains; minerals and energy resources, and rich biodiversity. The EAC Partner States recognize that a clean and healthy environment is a prerequisite for sustainable development, and development activities in various productive and social sectors (including agriculture and livestock, energy, industry, infrastructure, etc.) may pose negative impacts leading to the degradation of the environment.

The EAC has a population of 153, 1 million, and a relatively low level of development, with total GDP based on purchasing power parity (PPP) at USD 232.5 billion. The regional GDP per capita at PPP is USD 1516, or only 43.1% of the African average. Size, population and level of economic development vary within these countries. With its 79.6 million inhabitants, Kenya is the most populated country in the region, and the country with the highest GDP per capita at PPP in region, amounting to USD 1796 in 2013. It is followed by Tanzania and Uganda, which are the countries of a similar size and with slightly lower GDP per capita. The two smallest countries in the region, Burundi and Rwanda, of respectively 5.3 and 14.1 million inhabitants, are also the poorest countries in the region, with GDP per capita at PPP of only USD 521 and USD 1201. However, EAC countries witnessed relatively high growth rates in the period 2005-2013, averaging 6.1%, compared to African average of 5.4%. The region is expected to continue its growth in the next three years, as the regional GDP growth in that period (2014-2016) is projected at 6.6% (IMF, 2014).

CONCLUSIONS

In terms of intra-East African trade, Kenya ranks at the top, averaging 37 percent in 2011-2012, followed by Uganda at 24. The intra-regional trade is driven by the manufacturing industry, and particularly the Fast-Moving Consumer Goods (FMCGs) and processed products that are major drivers of the economy. Kenya's competitive edge in this industry stems from the diversification of its exports basket, which makes it less vulnerable to shocks. Additionally, compared to the region, the country's transport system, including roads, the Mombasa port, and the airports, is more advanced than those of most other countries in the region (though there are bottlenecks at Mombasa). Kenya, Uganda, and Rwanda have recently started building a superhighway from Mombasa to Kigali that will ease the movement of cargo through these countries. The fact that Kenya is one of the only two East African countries that is not landlocked (the other being Tanzania) gives the country a competitive advantage in terms of international trade. Kenya is also the region's major exporter and importer with the rest of the world.

One of the regions in Africa that is making remarkable progress in all these "I's" is the East African Community. The EAC's original members — Kenya, Uganda, and Tanzania — have recently been joined by Rwanda and Burundi. South Sudan is expected to join the community soon. The region has fast-tracked regional integration and has seen considerable progress in institutional reforms. Moreover, East Africa boasts much greater political stability than it has at any time in its recent past, and peace has been restored in most of the countries. The region has also seen major investments in both national and regional infrastructure; many more projects have been planned and are scheduled to commence shortly. On Nov. 28, for example, President Uhuru Kenyatta of Kenya inaugurated the commencement of construction of a rail project that will link Kenya's coast town of Mombasa to Kampala (Uganda), Kigali (Rwanda), and Juba (South Sudan). With positive growth trajectory predicted over the medium term, the EAC has a good chance of reaching a developmental tipping point. (The photo above shows Ugandan President Yoweri Museveni waving an EAC flag during an event attended by the region's other leaders at Mombasa Port in August.)

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