

East Africa Quarterly Bulletin

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

Special Theme: Voices of the Youth on Unemployment in Uganda

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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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I | REGIONAL OVERVIEW

MACROECONOMIC DEVELOPMENTS

Inflationary pressures have continued to recede in the five East African Community partner states and Seychelles driven in part by falling food prices as a result of favorable weather conditions and prudent macroeconomic policies implemented since the last quarter of 2011. It is expected that East African governments will sustain the use of appropriate monetary and fiscal policy tools to preserve macroeconomic stability particularly in light of the global economic uncertainties. Expansion of credit to the private sector so as to bolster economic growth is also expected to remain a policy priority going forward.

Growth figures for the second quarter of 2012¹ reveal that the East Africa region is on track to meeting the 2012 real GDP growth targets. Real GDP increased by 9.4 in at end-June 2012 in Rwanda and by 6.9 percent in Tanzania with strong performance also reported for Seychelles and Burundi. Uganda posted negative real GDP growth rate of 0.2 percent in the second quarter following a return to positive growth in the first quarter of 2012. Contraction in agriculture sector is cited as the key driver of the negative growth in Uganda in Q2. However, Uganda's economy is projected to grow by 4.2 percent in 2012 from the 3.2 percent achieved in 2011, with projections for higher real GDP growth at 5.7 percent in 2013.

Growth in the region during the second quarter was driven by improved sectoral performance including services and agriculture (Burundi and Rwanda), agriculture and industry (Tanzania) and tourism (Seychelles).

Fiscal Stance

The fiscal stance implemented in Q3 mirrored the policy orientation in Q2 heralding efforts to sustain policy consistency. In particular, fiscal policy stance for countries with an IMF supported Policy Support Instrument programme – Rwanda, Seychelles, Tanzania, and Uganda – was anchored on fiscal consolidation with a focus on the prioritization of public spending and increased domestic revenue mobilization. In Burundi, the authorities put in place fiscal measures to ease the impact of food and fuel prices on inflation such as tax exemptions on food products and reduction in excise duties on petroleum products. Compensatory revenue and spending control measures were implemented in tandem to bridge the resulting fiscal gap.

In Kenya, new expenditure pressures have emerged as a result of salary demands from the health and education sectors, security operations in Somalia and the upcoming general elections. The government is expected to accommodate this additional call on public resources by reducing non-essential current expenditures and re-prioritizing development spending.

¹ Third quarter GDP growth data were not yet available at the time of publishing this report.

HIGHLIGHTS

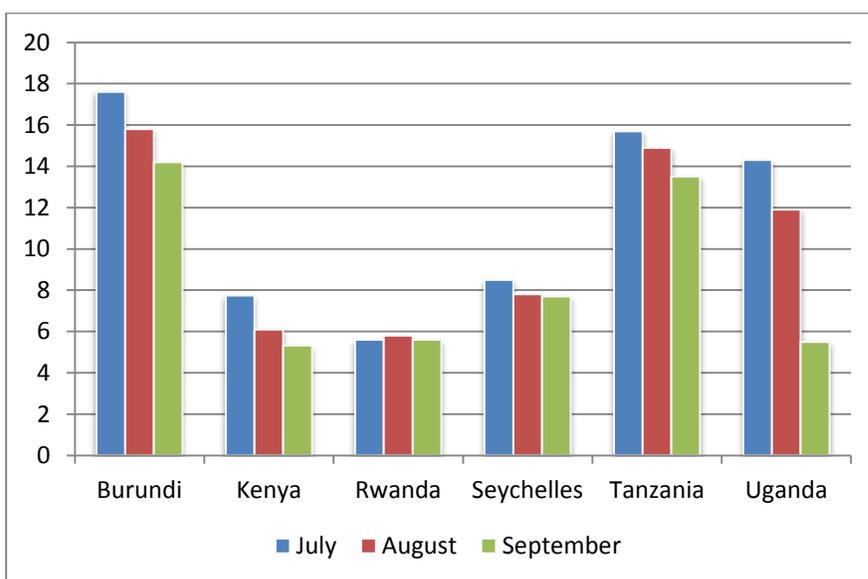
- Inflationary pressures continued to recede on account of falling food prices and prudent macroeconomic policies implemented since Q4 2011.
- Real GDP growth figures indicate that the East African region is on track to meeting the 2012 GDP growth targets.
- The fiscal stance implemented in Q3 mirrored the policy orientation in Q2 indicating efforts to sustain policy consistency and the need to accommodate revenue shortfalls and emerging expenditure needs.

Monetary and Financial Sector

Monetary policy during the quarter under review reflected the core objectives of central banks, that is, to maintain low and stable inflation and support judicious expansion in private sector growth so as to catalyze economic growth. A combination of prudent monetary policy, favorable weather and productivity enhancement measures such as the *Crop Intensification Programme* in Rwanda and *Kilimo Kwanza* in Tanzania and fiscal measures such as tax exemptions on food in Burundi contributed to sustained reductions in inflation. As indicated in Chart 1, headline inflation remains in double-digits in only Burundi and Tanzania and has decreased consistently throughout the third quarter of 2012 for all countries under review. Exchange rate stability has also minimized the exchange rate pass-through effects on domestic inflation.

Falling inflationary pressures in Seychelles were in large part a result of the appreciation of the rupee by approximately 10 and 8 percent against the USD dollar and Euro respectively during Q3 2012 following government intervention in the foreign exchange market. The downward revision in fuel prices also contributed to a reduction in inflation.

Chart 1: Regional Inflation Developments in Q3 (year-over-year, %)



Source: National Statistics Bureaus (various countries)

External Sector

In spite of the increased export earnings during the quarter under review, trade deficits continued to increase owing to the pent-up import demand. High import demand for various products, ranging from finished manufactured goods to intermediate and capital goods to support strategic public sector investments (Rwanda) and oil and gas exploratory activities in Kenya, Tanzania, and Uganda is expected to remain a key driver of trade deficits in the short to medium term.

- Monetary policy orientation during Q3 was in line with the central banks' core objective of maintaining low and stable inflation and measured expansion in private sector credit.
- Appreciation of the rupee against the US dollar and Euro coupled with the reduction in fuel prices contributed to a decreased inflation in Seychelles during the third quarter.
- Trade deficits continued to deteriorate with rising export receipts being offset by high import bills in the East African economies.

Section II provides more details on major macroeconomic developments across the region. Following this, Section III summarizes some of the voices from Uganda's youth on the topical issue of youth unemployment and concludes with recommendations on measures for addressing this policy challenge.

II | COUNTRY UPDATES



BURUNDI

MACROECONOMIC DEVELOPMENTS

Economic Growth

Key growth sectors are agriculture (e.g. tea, coffee) and services (e.g. tourism, telecommunications). Several initiatives have been taken in Q3 to stimulate economic growth including improving the business climate, implementation of an electricity program and telecommunication sector (construction of the fiber optics through the Consortium BBS started). While these initiatives might have a positive impact in the long-term, Q3 growth estimates remain stable (4.2 percent of GDP against an initial projection of 4.8 percent) mainly due to increasingly volatile food and international fuel prices, as well as serious energy shortages constraining private sector development. High international food and fuel prices have fueled worries of renewed inflationary pressures. The authorities have been proactive in addressing the situation through a combination of fiscal measures (expenditure and revenue measures), including protecting and/or increasing social safety net programs targeting vulnerable groups (e.g. school feeding program and free health care access for children and pregnant women). Hence, measures taken by the authorities over the year have helped to reduce the inflation from record levels (25 percent) in May to 14 percent at end-September 2012.

Fiscal Stance

The fiscal policy in Q3 remained consistent with the objectives of the IMF program despite budget execution challenges due to cash-flow problems. Due to the persistence of relatively high food and petroleum product prices, the Government has implemented several fiscal measures to ease social tensions. Tax exemptions on food products have led to a decline in fiscal revenue estimated at 10 billion FBU. In addition, revenues from petroleum products are expected to decrease by about 23 billion FBU, due to the reduction of excise duties on these products in an effort to stabilize domestic fuel prices. With the adoption of the revised budget (end of June 2012), the Government has taken measures to mobilize additional revenues and strengthen spending control to finance the gap resulting from this policy.

At the end of September 2012, revenue is estimated at 385.26 billion FBU (71 percent of total budget, approximately USD 262 million), against 352.44 billion

HIGHLIGHTS

- Several initiatives were implemented to stimulate economic growth particularly in the energy and telecommunications sectors.
- Measures such as tax exemptions on food and reductions in excise taxes on fuel have contributed to a reduction in inflationary pressures with year-on-year headline line inflation easing to 14.2% at end-September from 17.2% at end-July.

(USD 239 million) collected during the same period in 2011 (an increase of 9.3 percent). The strong performance of the Burundi Revenue Authority (OBR) is the result of reforms undertaken since the beginning of the year including: i) the establishment of a “Guichet Unique” (Single Window) (NIF, Registry of Commerce); ii) availing of a non-accountability certificate for accessing credit (less than three days); and iii) the creation of an index of investor protection through the sale of shares conditional on the approval of the OBR. In addition, the operationalization of single border control stations with Tanzania (Kobero/Kabanga) and Rwanda (Gisenyi/Nemba) are expected to reduce losses due to cross-border trade fraud. In terms of expenditure, the commitment rate of the state budget for Q3 2012 was 72 percent (wages: 71.4 percent, goods and services: 82.2 percent, current transfers (excluding exemptions): 77.8 percent and investments from own resources: 54.5 percent).

Monetary and Financial Sector

Since the beginning of 2012, Burundi has experienced an 8 percent depreciation of its currency against the US dollar. The Burundian Franc was down from 1361 to a dollar on January to 1474 on September 30. The main cause of currency depreciation is, according to the central bank, mainly due to a shortage of foreign currency caused by reduced flows from donors. The financial system remains narrow and undiversified, which limits the capacity of the state in its domestic financing.

Burundi's year-on-year inflation rate fell to 14.2 percent in September from 15.8 percent in August as food prices rose more slowly on local markets. The food price index rose at a relatively low pace of 9.7 percent over the past twelve months to September from 14.1 percent in July. The zero-tax on foodstuffs measure entered into force on May 15 and will run until December 31. It covers 13 products including cassava flour, maize flour, wheat flour, beans, rice, potatoes, fish and palm oil. Good food harvests also contributed to the reduction in food prices. However, prices are expected to remain high because of higher transportation costs due to increased petroleum prices.

External Sector

Burundi suffers from an imbalance between imports and exports. Burundi's import bill rose 23 percent in Q3 of 2012 compared to the same period the previous year, driven up by BTP (construction and public works) and fuel, which accounted for more than 30 percent of total imports. Imports amounted to FBU 792.7 billion (USD 537.8 million) (22 percent of GDP) during Q3 of 2012, up from FBU 646.3 billion during the same period of 2011. Export earnings rose to FBU 130.9 Billion (USD 88.8 million) (3.6 percent of GDP) at the end of September 2012, 20 percent higher than the levels recorded during the same period the previous year. The major export crops, tea and coffee, posted strong growth during this period (67 percent of total exports). Export receipts from coffee and tea were estimated at FBU 88 Billion (USD 60.1 million), exceeding those of the same period in 2011 by 4 percent.

For financing the trade deficit, the government uses several instruments such as: budget restraints, products exports, foreign exchange reserves, foreign exchange (project grants, NGOs and religious congregations), transfers from abroad and currency received from foreign investors.

- Public revenue yield was 9.3 percent higher at end-September 2012 compared to the same period in 2011 due to several revenue enhancement measures implemented since the beginning of the year.
- Reduced donor inflows coupled with increased demand for foreign exchange contributed to an 8 percent depreciation of the local unit against the US Dollar since the beginning of the year.
- Growth in export earnings remains insufficient to offset the high and rising import demand leading to persistent trade deficits.

OTHER NOTABLE DEVELOPMENTS AND UPDATES

Political Developments

The political situation in the third quarter remained relatively calm. The President has appointed new members of the Independent National Electoral Commission and has amended certain articles of the Constitution and the Electoral Code in order to ensure the smooth running of the next general election, scheduled for 2015. Concerning security, a fraction of the FNL announced in early September that they would resume hostilities. Moreover, cases of murder were reported by Civil Society Organization (CSO) in some parts of the country. Human rights organizations and the media have reported arbitrary arrests, torture and extra-judicial killings. The security situation remains a major concern to the international community. In addition, the conflict in eastern DRC, while not yet having a significant impact, could potentially have negative spillovers on the security situation in Burundi. The government has taken security measures to contain spillovers from the DRC conflict. In addition, the influx of refugees from KIVU could have a destabilizing effect and budgetary implications.

Burundian and Tanzanian authorities agreed to the closure, at the end of 2012, of the Mutabila Camp in Tanzania, host to some 37,000 Burundian refugees. This might result in the return of most of the camp residents, and could have a significant impact on the scale of reintegration activities planned for 2012-2013. The most vulnerable returnees are those who have no access to land. Most displaced persons face problems similar to those of all Burundians: food insecurity, lack of access to basic services, crime and banditry.

Private Sector Activity

The construction of a hydro-electric dam on the river Kaburantwa of Cibitoke province was launched on 31st August 2012. The dam, funded by EXIM bank (India), is expected to generate about 20 megawatts, surpassing Rwegura dam, built about 30 years ago, which generates 18 megawatts. The cost is estimated at 80 million U.S. dollars and the dam will be built by the Indian company "Angelique International Limited Company". Moreover, for the AfDB funded regional electricity program (DRC, Rwanda and Burundi) three companies have been selected for the construction of the hydroelectric power station "Ruzizi III" under a public private partnership (expected total power production capacity equals 147 MW of which 49 MW will be for Burundi). In the medium-term, these initiatives and other projects are expected to increase the rate of access to electricity in Burundi from 4 percent in 2012 to 20 percent in 2015.

In August, the authorities officially launched the implementation work of the national optical fiber. This project should be concluded by 2015 and is expected to increase access to and efficiency of information and communication technologies. The project is managed through the Burundi Backbone System Consortium and the Government contribution is funded by the World Bank.

During the quarter under review, the United Arab Emirates (UAE) signed an air services Memorandum of Understanding (MoU) and initialed an Air Services Agreement 'ASA' with the Government of Burundi. The MoU allows full flexibility on the routes, capacity, number of frequencies and types of aircraft, in any mode of

- The political situation remains calm and institutional and legislative measures have been taken to ensure a smooth general election in 2015.
- Financing for two energy projects has been secured. Upon completion, these energy projects are expected to increase access to electricity from the current 4 percent to 20 percent in 2015.

service 'passenger or cargo'. This open sky agreement is expected to boost trade, tourism and investment between UAE and Burundi.

Institutional Reforms

Notwithstanding a slow pace of reform implementation, the Government adopted a decree in July 2012 on fiscal governance. The decree defines the conditions for fiscal policy formulation, the procedures for preparing the financial laws and rules of fiscal transparency. It is based on the priorities and objectives of Medium Term Budgetary Frameworks (MTBF). In addition, the Government has recruited an international auditor to strengthen safeguards in the Central Bank and the Treasury.

Donor Relations

In the context of preparations for the Geneva round table, scheduled for the end of October 2012, Q3 was mainly devoted to sector technical meetings and political forum between the Government, private sector, civil society actors and development partners to ensure the quality of the documents for the success of the event.

The IMF and World Bank approved, respectively on 27 July and 28 August 2012, the second Poverty Reduction Strategy Paper (PRSP II). Overall, they appreciated the quality of the document, including presentation of issues, priorities, and the action plans adopted. However, the financing plan is still very ambitious. Otherwise, the ED's considered that the external and internal risks weighing on the outlook called for a faster pace of fiscal and structural reforms, and encouraged the authorities to persist in their prudent approach to macroeconomic management.

The authorities of Burundi and India signed cooperation agreements for Health, Education and Rural Development in Q3. In addition to the USD 80 million line of credit for the Kabu hydroelectric project, which is currently under operation, India has agreed to extend a new line of credit worth over USD 40 million to Burundi for a farm mechanization and food processing project. Burundi will also be hosting the India-Africa Institute of Educational Planning and Administration, which is a Vocational training Centre and Cluster of Biomass Gasifier Systems offered by India under the India-Africa Forum Summit initiative for capacity building and development.

- **The government adopted a decree on fiscal governance to guide fiscal policy formulation and the preparation of fiscal transparency rules, among other things.**
- **Burundi and India signed cooperation agreements with the latter pledging additional support in health, education and rural development.**



KENYA

MACROECONOMIC DEVELOPMENTS

Economic Growth

Leading economic indicators for the third quarter of 2012 continued to point to growth to being in line with the growth projection of between 3.5 percent and 4.5 percent. The main sectors driving the growth include Electricity and Water, Transport and Communication, and Agriculture and Forestry.

Fiscal Stance and Public Debt

Challenges in the transition to the new Integrated Financial Management Information System (IFMIS) platform delayed implementation of the FY 2012/13 budget by almost four weeks. This has now been addressed and government operations are continuing in earnest. However, expenditure pressures have emerged with salary demands from the health and education sectors, in addition to continuing security interventions in Somalia. These pose a risk to the stability of the budget for 2012/13 in light of the resource requirement for the preparation of the general election scheduled to be held in March 4, 2013, and transition to decentralized system scheduled to start immediately after the upcoming general election.

Adjustments to the 2012/13 budget will take into account actual performance of expenditure so far and absorption capacity in the remainder of the financial year. Because of the resource constrains, the Government will rationalize expenditures by cutting those that are non-priority. These may include slowing down or reprioritizing development expenditures in order for the Government to live within its means. Utilization of contingencies funds will be guided by the criteria specified in the new PFM law enacted in June 2012.

Monetary and Financial Sector

Overall inflation declined from 10.0 percent in June 2012 to 5.3 percent in September 2012. Inflation maintained a downward trend since January 2012 largely on account of improved food supply and the lagged effect of tight monetary policy. The outlook is for continued easing of inflation at single digit levels in months ahead due to further reduction in fuel prices and stabilized food supply.

HIGHLIGHTS

- Leading economic indicators remain in line with the 2012 growth projections.
- Implementation challenges associated with the newly adopted IFMIS platform were overcome and government operations are now on track. However, expenditure pressures were exacerbated by salary demands from the health and education sectors, security operations in Somalia, and the upcoming general election.

The Kenya shilling continued to exhibit relative stability against major international currencies standing at Ksh 84.94 per USD in the week ending September 27, 2012 compared to Ksh 84.10 per US dollar in the week ending June 28, 2012. This followed an all-time low of Ksh 107 to one US Dollar in October 2011. The appreciation and relative stability of the Kenya Shilling against the dollar is still 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 unencumbered official foreign exchange reserves held by Central Bank increased to US dollar 5,163 million as at September 27, 2012 from US dollar 4,924 million. However, in terms of import cover, foreign exchange reserves were unchanged at 4.1 months during this period. Foreign exchange reserves at end-September were also higher than USD 4,365 million at the end of March 2012 and USD 4,248 million at end-December 2011.

External Sector

The trade deficit worsened by 23.9 percent to USD 10,122 million by July 2012 from USD 8,174 million in July 2011. The services surplus registered a growth of 11.6 percent from USD 5,351 million in July 2011 to USD 5,974 million in July 2012, but this was not high enough to offset the trade deficit. As a result, the current account deficit widened from USD 2,823 million in July 2011 to USD 4,148 million in July 2012. The deficit in the current account was more than offset by the surplus of USD 5,005 million in the capital and financial account thereby resulting in the overall balance of payment surplus of USD 858 million.

OTHER NOTABLE DEVELOPMENTS AND UPDATES

Political Developments

The quarter was characterized with political mobilization and registration of party members in preparation for the general elections in 2013. The law required political parties to register afresh with the Registrar of Political Parties. The majority of the mainstream political parties including the ruling Coalition Partners, Party of National Unity and the Orange Democratic Movement were able to register afresh.

Institutional reforms

The long awaited Public Finance Management (PFM) and the County Government Management laws were enacted during the quarter. The two laws will govern the operationalization of the devolved government systems. The PFM laws provide for establishment of 47 plus 1 Treasury Accounts. It also provides for fiscal decentralization, defines relations between the National and County Governments in as far as revenue raising and spending are to be coordinated.

- **Headline inflation eased to single digits in September 2012 on account of improved food supply and tight monetary policy.**
- **The surplus on the capital and financial account more than offset the current account deficit yielding an overall Balance of Payments surplus of USD 858 million in July 2012.**
- **Two pieces of legislation on PFM and County management were enacted to guide the operationalization of devolved government systems.**

Donor Coordination and Aid Effectiveness

During the quarter under review, Development Partners held two nominations for leadership positions. The Danish Ambassador was nominated as co-chair of Development Partnership Group. Denmark will co-chair the group with the World Bank. The African Development Bank was nominated as co-chair of the Aid Effectiveness Group for a one year tenure and will co-chair the group with the Ministry of Finance.



RWANDA

MACROECONOMIC DEVELOPMENTS

Economic Growth

The latest national accounts statistics indicate that real GDP is estimated to have increased by 9.9 percent during the first half of 2012 yielding to a 9.4 percent real GDP growth rate for FY 2011/12 from 7.4 percent in 2010/11 and higher than the initially projected 7.0 percent. The services sector which accounts for 46 percent of GDP was the key driver of economic expansion growing by 12 percent in 2011/12 compared to 10 percent in 2010/11. Growth in services was led by public administration services which expanded at 16 percent during 2011/12, education services (16 percent), transport, and storage and communication services (14 percent). The agriculture sector which accounts for 32 percent of GDP doubled its growth from 3 percent in 2010/11 to 6 percent in 2011/12 largely due to increased productivity as a result of the successful implementation of crop intensification program and good weather conditions. Growth in the industry sector remained robust at 12 percent in 2011/12 but one percentage point short of the growth rate registered in 2010/11. Mining and construction at growth rates of 22 percent and 16 percent respectively were the key contributors to industrial growth during this period.

The economic outlook for the remainder of 2012 is expected to be shaped by two key developments: weak global economic environment and delayed budget support disbursements which account for 3 percent of GDP or USD 188 million. These two effects are expected to increase the balance of payments and fiscal pressures with broader effects on exchange rate depreciation, inflation and economic slowdown. However, the initially projected 7.7 percent real GDP growth rate for 2012 is expected to be achieved, owing in part to the strong economic activity during the first half of 2012.

Fiscal Stance and Public Debt

Fiscal consolidation through increased domestic revenue mobilization, reduction in borrowing from the domestic financial markets and expenditure prioritization to close the fiscal gap continued to form the primary thrust of Government's fiscal

HIGHLIGHTS

- Real GDP is estimated to have increased by 9.9 percent during the first half of 2012 contributing to a 9.4 percent real GDP growth rate for FY 2011/12 from 7.4 percent in 2010/11 on account of robust growth in services and agriculture.
- The economic outlook for the second half of 2012 is expected to be influenced by the weak global economic environment and delayed budget support disbursements.

policy stance in Q3 of 2012. The Government has continued to pursue this policy objective despite the delays in disbursement of budgetary grants by re-allocating expenditure to priority sectors and postponing some of the planned expenditures to the second half of FY 12/13. The actual outturn of total revenue and grants in the third quarter amounted to USD 405.9 million against the programmed USD 617.4 million. Total revenue outturn at USD 257.9 million was 23 percent lower than the projected USD 317.3 million due to the less than programmed collections from direct taxes and taxes on goods and services. The out turn for non-tax revenue at USD 14.8 million was also less than the projected USD 57.9 million on account of delayed reimbursements from the peace keeping operations by the United Nations. Budgetary grants disbursements were USD 148 million, which is about 50 percent lower than the programmed USD 300.1 million.

The government responded to the low domestic revenue collection and the delayed disbursement of programmed budget support by reducing non-essential expenditure especially on consulting services, office supplies and consumables and spending on public relations. Moreover, some non-priority expenditure under the capital budget in agriculture and health has also been postponed to the second half of FY 12/13. The total expenditure and net lending for the quarter under review was USD 450.9 million against the projected USD 529.1 million. The Government's recourse to prioritizing and postponing expenditure instead of reverting to domestic borrowing has in part contributed to growth in private sector credit. Total credit to the private sector stood at USD 1.1 billion in September 2012 from USD 0.9 billion in June 2012.

In an effort to increase debt management, government has prepared and submitted the medium term debt strategy to Cabinet for approval. The new strategy will among other things, define the level of domestic financing that is consistent with the development of the domestic capital markets. A new Debt Sustainability Analysis (DSA) is currently being conducted and will update the June 2012 DSA which estimated the total debt (external and domestic) at USD1.5 billion representing 25.3 percent of GDP at end-2011 slightly up from USD 1.28 billion or 23.4 percent of GDP in 2010. The new DSA is also expected to inform government's options for mobilizing funding from the international capital markets.

Monetary and Financial Sector

Rwanda continued to implement a tight monetary policy during the period under review with the objective of achieving the 7.5 percent inflation target at end-2012 while allowing for adequate growth in private sector credit. As a result of this monetary policy stance, Inflation in the third quarter remained stable with headline inflation declining from 5.8 percent for the year ended August 2012 to 5.6 percent in September 2012. Core inflation mirrored the same trends decreasing from 2.9 percent to 2.1 percent during the same period. Increased food output complemented the fiscal and monetary policy management in maintaining low and stable inflation.

The Monetary Policy Committee of the Central Bank in its ordinary meeting in September decided to keep its monetary policy stance unchanged by maintaining the key policy rate the "Key Repo Rate" rate at 7.5 percent held since May 2012. Going forward the Central Bank has programmed to reduce growth in reserve money -the key anchor of monetary policy under the PSI program to 17 percent in 2012 compared to 19.6 percent in 2011. Growth in private sector credit is also programmed to slow down to 18.6 percent from 18.2 during the same period. These

- The government responded to the low domestic revenue collection and delayed budget support disbursements by prioritizing and postponing expenditure financed with the delayed aid from the last half of 2012 into the first half of 2013.
- The central bank decided to keep its monetary policy stance unchanged by maintaining the key policy rate at 7.5 percent held since May 2012.
- The central bank's review of the financial sector confirmed that the sector remains stable and sound owing to the strong regulatory framework. However, sustained regulatory reforms remain a key priority in light of the changing global economy.

measures are expected to support the Central Banks' twin objectives of containing the inflationary pressures while allowing for adequate liquidity to support economic expansion.

The central bank's review of the financial sector confirmed that the sector remains stable and sound. Key indicators of soundness such as total banking sector assets, increased from RWF 1.1 billion to RWF 1.2 billion between December 2011 and June 2012 while non-performing loans (NPLs) declined from 8 percent to 6 percent during the same period and below the 7 percent minimum regulatory requirement. The ratio of core capital to risk weighted assets- a measure of capital adequacy also increased from 23.8 percent to 25.4 percent between December 2011 and June 2012, also above the regulatory threshold of 15 percent. The Financial Sector Stability Committee (FSC) underscored the contribution of the strong regulatory framework in ensuring financial sector stability but called for continued regulatory reforms to cater for new market developments and changes in global economy.

External sector

External sector performance continued to deteriorate in 2012 with the trade deficit widening to USD 997.8 million for the period January –September 2012 compared to USD 774 million during the same period in 2011. This deterioration was largely on account of rising imports of intermediate goods (mainly construction materials and industrial products); capital goods and fuel. The value of imports increased by 26 percent during the first three quarters of 2012 compared to the corresponding period in 2011 rising from USD 1.1 Billion to 1.3 billion. Export receipts during the same period increased by 17 percent over their value in 2011 on account of the diversification of export markets and stable and rising international prices for coffee, tea and minerals which jointly comprised 57 percent of Rwanda's export earnings during Q1-Q3 2012. Tourism revenues are estimated to have increased by 11 percent to USD 128.3 million during the first half of 2012 compared to the same period in 2011.

The current account deficit including official transfers is expected to increase from 7.3 percent of GDP in 2011 to 12.3 percent in 2012 largely driven by strong import growth. Excluding transfers, the current account deficit is projected to increase from 19.1 percent during the same period. Strong import growth and a narrow but expanding export base are projected to contribute to an overall balance of payment deficit of 0.1 percent of GDP in 2012 from a surplus of 3.7 percent of GDP in 2011 leading to a reduction in international reserves from 4.7 months of import cover in 2011 to 4.2 months in 2012.

The Rwandan Franc experienced moderate levels of exchange rate depreciation during the quarter under review largely as a result of the delayed budget support disbursements. The local unit depreciated against the US Dollar by 1.6 percent, against the pound sterling (4.6 percent), Euro (6.6 percent) but remained stable against the Kenyan, Ugandan and Tanzanian shillings. This depreciation is also attributed to for the pent-up demand for foreign exchange following an increase in demand for imports of capital and intermediate inputs to support the ongoing investments especially in the construction sector. The Central Bank continues to implement market driven exchange rate policy with measured interventions to smoothen exchange rate volatilities.

- The increase in export receipts on account of diversified export markets and favorable international prices for Rwanda's major exports was outweighed by the strong and high import demand contributing to deterioration of the trade deficit.
- Rwanda was elected to one of the rotational seats of the UN Security Council to represent Eastern and Southern Africa for the period 2013-2014.
- The electronic single window was launched to improve efficiency and transparency in customs clearance and border management.

OTHER NOTABLE DEVELOPMENTS AND UPDATES

Political Developments

Rwanda was elected to one of the rotational seats at the UN Security Council to represent Eastern and Southern Africa for the period 2013-2014. Rwanda last held the same position in 1993-94. Drawing on its experience, Rwanda has pledged to work with fellow UN Security Council members to promote the views and aspirations of the developing world, particularly Africa and to ensure that the world takes notice and action to prevent crimes against humanity. The country is also expected to bolster its advocacy for increased support to the Millennium Development Goals and improvements in aid effectiveness.

Private Sector Activity

The government officially launched the USD 3.3 million electronic single window, the first of its kind in Sub Saharan Africa, aimed at creating efficiency and transparency in customs clearance and integrated border management. The electronic single window is designed to provide virtual exchange of trade information between traders, government agencies and clearing agents. The new system is expected to cut the time it takes to clear goods by 56 percent and generate annual efficiency cost savings of between USD 6 – 9 USD million for traders and other stakeholders involved in customs clearance.

The Ministry of Trade and Industry in partnership with Trade Mark East Africa launched a Challenge Fund aimed at supporting innovative and sustainable business ideas with potential to boost cross-border trade. The fund will provide up to 70 percent of the capital requirements up to a maximum of USD 350,000 for business start-ups and firms seeking to expand their businesses. The three year USD 10 million programme will also support entrepreneurs from the other EAC partner states.

Donor Relations

The IMF concluded its mission to Rwanda within the framework of the Article IV consultation and 5th review under the Policy Support Instrument (PSI). The mission commended the government for the prudent approach to economic management and decisiveness in pursuing policies aimed at achieving inclusive growth and poverty reduction. Overall, performance under the PSI programme was satisfactory and all structural benchmarks and targets are on track.

However, the mission noted that while the economic outlook for 2012 and prospects for 2013 remain favorable, there are downside risks from the weakening global economic environment and delays in budget support disbursements. In particular, a further weakening of global demand and prolonged delays in aid disbursements will exacerbate fiscal and balance of payment pressures. The government's commitment to implement appropriate measures for preserving macroeconomic stability was commended by the mission. The mission also discussed with the authorities additional measures to improve domestic revenue mobilization, strengthen PFM, enhance the effectiveness of monetary policy and increase financial access.

- The IMF concluded its consultations with the authorities within the framework of the Article IV consultation and 5th review under the PSI programme. Overall, performance under the PSI programme was satisfactory and all structural benchmarks and targets are on track.



SEYCHELLES

MACROECONOMIC DEVELOPMENTS

Economic Growth

Performance of tourism, the country's major sector, continued to improve in the third quarter of 2012 (Q3) with tourist arrivals increasing by 6 per cent to 51,744 from 48,836 in the previous period. This mainly reflects an increase in tourists from non-traditional markets particularly Asia; which has seen an increase in 178 percent arrivals in August 2012 compared to the same month last year, compared to a 37 percent increase from Africa and 27 percent increase from Europe.

Fiscal Stance and Public Debt

The fiscal report as of August 2012 showed a primary surplus of SCR186 million or equivalent to 1.4 percent of GDP compared to the budgeted surplus of R59 million (0.4 percent of GDP). The positive outcome resulted from strong revenue performance along with lower than expected expenditures. The aggregated stock of public debt at end August 2012 stood at USD646 million or equivalently 79 percent of GDP. Compared to July 2012, this was a substantial decline of 21 percent, mostly on account of the appreciation of the domestic currency vis-à-vis the US dollar.

The external debt has also been on the declining trend, standing at 44 percent of GDP down from 46 percent in June 2012. The gradual decline in the total public debt reflects progress in government's commitment to bring down public debt to 50 percent of GDP by 2018.

HIGHLIGHTS

- The performance of the country's major sector, tourism, remained upbeat with an increase in arrivals from non-traditional markets especially Asia and the United Arab Emirates.
- The budget surplus at end-August 2012 was higher than programmed due to strong revenue performance and lower than projected expenditure.

Monetary and Financial Sector

Inflation continued on the upward trend in the quarter under review, with slight decreases in the month-on-month figures. The annual average rate rose from 5.9 percent in June 2012 to 6.7 percent in September, while the year-on-year rate decreased to 7.2 percent from 8.9 percent during the same period. The tapering of inflationary pressures was largely as a result of the appreciation of the rupee by approximately 10 percent to the US dollar and 8 percent to the Euro during the period June-September 2012 as a result of government intervention in the foreign exchange market during the quarter. The drop also reflects the decrease in non-food prices, specifically the downward revision in fuel prices.

With regard to interest rates, the 91-day Treasury-bill rate experienced an extremely sharp increase since the last quarter; rising from 5.61 percent in June 2012 to 16.99 percent end September. Commercial banks' lending rates also rose from 11.6 percent in June 2012 to 12.70 percent in September. The stock of commercial banks' credit to the economy increased slightly in the third quarter, largely driven by the expansion of claims on government (largely T-bills) which increased by 8.7 percent in August 2012, in support of the tight monetary policy stance. While claims on private and public non-financial sector reduced; compared to the same period in 2011, private sector credit grew by 4.4 percent. As of end August, 2012, the amount of credit to the economy was SCR 5.8 million (4.2 percent of GDP) up from SCR 5.5 million (4.1 percent of GDP) at the end of the second quarter. The main sector underpinning growth in private credit was the increase in credit to the building and construction sector.

External Sector

During the quarter under review, the Seychelles Rupee appreciated by 10 percent against the US dollar from 14.45 at end-June to 13.01 at end-August. The SCR also appreciated against the euro by an average of 8 percent to trade at 16.1391, compared to 17.9176 during the previous quarter. This reversal in the depreciating trend reflects the recent intervention by CBS in the foreign exchange market at the end of July and in early August. The performance of the domestic currency relative to the euro was consistent with the depreciation of the euro against other major currencies on the international markets, primarily driven by uncertainty with regards to the Eurozone debt crisis.

The official foreign exchange reserves held by the Central Bank of Seychelles increased slightly from USD 293 million (2.7 months of import cover) at end- June 2012 to USD 300 million end-September 2012 (2.8 months of import cover).

OTHER NOTABLE DEVELOPMENTS AND UPDATES

Private Sector Activity

Following discussions held with the private sector, the Government announced that the Value Added Tax (VAT) will now be implemented from January 1, 2013. Consultations with the private sector operators showed that most of them favor the VAT over the existing goods and services tax (GST). The launch of VAT was originally due on July 1 2012 but was postponed for various reasons including insufficient administrative and operational preparedness and concerns over potential inflationary impact.

- Inflationary pressures continued to ease with headline inflation decreasing to 7.2 percent for the year ended September 2012 down from 8.9 percent in June 2012.
- The Seychelles Rupee appreciated by 10 and 8 percent against the US dollar and Euro respectively during Q3 following the central bank's intervention in the foreign exchange market.
- Following discussions with the private sector, the government postponed the introduction of VAT to 2013.

In August a license was granted for the first financial/securities exchange in Seychelles. The firm, Trop-X, has submitted a proposal to run a multi-asset, multi-currency international exchange starting with the launch of three equities boards in the fourth quarter of 2012. These include the Venture Capital (VCAP), Small and Medium Enterprises (SME) and Main Boards. Bonds and derivatives boards are proposed for launch during the first half of 2013.

Donor Coordination

The World Bank approved a Sustainability and Competitiveness Development Policy Loan (DPL) of USD 7 million for the Seychelles on 20th September 2012. The loan which is the first in series of three loans for FY 12-15, will assist the country in implementing its economic reform programme, including improving the business climate and public financial management, as well as helping the government to better target social assistance.

Following a visit by the President of the European Investment Bank (EIB) in August, the Bank committed to avail a loan of 5 million Euros to the Development Bank of the Seychelles (DBS) for on-lending to small and medium sized businesses in the country. The Bank will also provide technical assistance to DBS to modernize its governance, credit risk management and financial monitoring.

Following the mission undertaken by the IMF in May 2012 to review the performance under the Extended Fund Facility (EFF), a country report was issued in September 2012. The report found that the GoS had largely implemented the reforms agreed under the EFF which is due to expire in December 2012. The EFF supports a program aimed at consolidating macroeconomic stability, external sustainability and implementing structural reforms. SDR 15.84million of the SDR 19.8million program has already been disbursed with the remaining balance expected to be disbursed at completion.

The country also held discussions with a number of delegations from bilateral donors. Following the first official visit of the President Mr. Michel to Sri Lanka in July 2012, the two Presidents' signed a Memorandum of Understanding (MoU) to strengthen cooperation in health, education, employment and legal affairs.

At the regional level, Seychelles and Ethiopia signed a Double Taxation Avoidance Agreement at the sidelines of the AU Meeting in Addis Ababa in August, 2012. The Agreement is expected to foster closer trade and business engagement between the two countries. In addition, Seychelles has been asked to join the discussions to find a political solution to the political crisis in Madagascar. This follows a meeting held in Seychelles in August 2012, chaired by South African President Jacob Zuma in his capacity as chair of SADC, brought together the President of the Transitional Authority of Madagascar, Andry Rajoelina, and former President Marc Ravalomanana.

- **The World Bank approved the first in a series of three development policy loans for FY 12-15.**
- **The European Investment Bank has committed to provide a line of credit to the Development Bank of Seychelles for on-lending to SMEs.**
- **The IMF concluded the 5th review of the Extended Fund Facility noting that implementation of the reform programme was on track.**



TANZANIA

MACROECONOMIC DEVELOPMENTS

Economic Growth

According to the latest data available, Tanzania's economy recorded real GDP growth of 6.9 percent during the second quarter, which was lower than the 7.1 percent recorded during the first quarter. Growth was driven by agriculture, manufacturing, construction, transport and communication, financial intermediation, trade and business services. The agriculture sector registered a growth rate of 5.2 percent in the second quarter of 2012 compared due to favorable rainfall and the government's continued efforts to improve agriculture production through provision of subsidized farm implements to the farmers. The manufacturing sector recorded a growth rate of 8.2 percent largely due to reliable supply of power during the period which resulted into an increased volume of manufactured products including food products, beverages and cement. Transport and communication sector recorded a growth rate of 15.2 percent on account of the increase in the number of passengers and volume of cargo handled during the period and increased airtime used by cell phone customers. Financial intermediation recorded a growth rate of 14.1 percent, mainly a result of increased levels of deposits and lending by commercial banks and the services by insurance companies.

Fiscal Stance and Public Debt

The government budget for fiscal year 2012/13 was presented and approved by Parliament during the quarter under review. According to the approved budget, government plans to spend about TZS 15.1 trillion (USD 9.5 billion) in fiscal year 2012/13, an increase of 11.8 percent over the 2011/12 TZS 13.5 trillion (USD 8.5 billion) budget. The general composition of the budget remained unchanged from the previous two fiscal years, with 70 percent of the budgeted resources being allocated to recurrent expenditures, and 30 percent for development expenditure. The 2012/13 budget has demonstrated the government's commitment to undertake fiscal consolidation – manage expenditure growth, and keep fiscal deficits within the levels recommended under the IMF's Policy Support Instrument (PSI) framework. The

HIGHLIGHTS

- The economy recorded a 6.9 percent growth during Q2 driven by agriculture, manufacturing, construction, trade and communication. Economic prospects remain positive for Q3 on account of favorable weather and stable energy supply.
- The TZS 15.1 trillion (USD 9.5 billion) FY 12/13 budget was approved by Parliament. Consistent with the two previous fiscal years, 30 percent of the FY 12/13 budget was allocated to development expenditure.

budgeted expenditure for 2012/13 is 28.4 percent of GDP, down from 29.6 percent of GDP in 2011/12 with the planned deficit for 2012/13 at 5.5 percent of GDP which is also in line with the PSI, compared to over 7 percent of GDP in the previous two budgets. Domestic revenues are projected to increase from 16.9 percent of GDP in 2011/12 to 18 percent of GDP in 2012/13.

Unlike previous three fiscal years, the recurrent budget in 2012/13 will be fully covered by domestic revenues and grants. The envisaged 71,756 new recruitments in education, health, agriculture and other sectors is expected to increase the wage bill to 7 percent of GDP up from 6.7 percent in the previous fiscal year. Tanzania will continue to adhere strictly to cash budgeting system, while avoiding inflationary financing of the deficit, and keeping domestic and non-concessional external borrowing within allowable limits under the PSI. Net domestic financing for 2012/13 is projected at 1 percent of GDP – in line with PSI while planned non-concessional borrowing to finance the deficit is estimated at 3 percent of GDP. The budget has continued to prioritize infrastructure and energy so as to address the critical constraints to growth in the country. Moreover, most of the planned external non-concessional financing is programmed to be used for addressing these infrastructure constraints.

By end of September 2012, cumulative domestic revenues, including the Local Government Authorities collection from own sources amounted to TZS 1.98 trillion, equivalent to 90 percent of the overall revenue target for this period. Cumulative tax revenue collection amounted to TZS 1.84 trillion, which was 95 percent of the target, and tax revenues accounted for about 93 percent of the overall revenue collections. Tanzania Revenue Authority (TRA) recorded the highest monthly revenue collection ever during the month of September, amounting to TZS 754 billion. It is worth noting that revenues for the first three months of fiscal year 2012/13 have fallen short of target slightly, which is not a result of declines in collections but mainly due to ambitious revenue targets by the government.

On the expenditure side, the reported government spending for the first two months of fiscal year 2012/13 (July and August) amounted to TZS 1,342.2 billion or 61.1 percent of the estimate. Ratification of the Appropriation Bill in August and the modest disbursements of donor aid during this period were cited as the key drivers of the low budget execution rate. Budget execution rates were higher for recurrent expenditure at 68.6 percent (TZS 1,021.1 billion) compared to development expenditure at 45.3 percent (TZS 321.1 billion). Government budgetary operation for the first two months of 2012/13 resulted in an overall deficit of TZS 359.2 billion on cash basis and was financed by net foreign loans of TZS 100.7 billion and a net domestic borrowing of TZS 258.4 billion.

During the third quarter, Tanzania's external debt stock increased slightly to USD 10.4 billion compared to USD 10.3 recorded at the end of the second quarter. The increase in external debt resulted largely from newly disbursed external debt to the Government and accumulation of interest arrears. The Central Government accounted for the largest share of external debt stock at 76.2 percent followed by the private sector and public corporations at 18.4 percent and 5.4 percent, respectively. Tanzania's external debt is currently about 43 percent of GDP in nominal terms. However, the most recent Debt Sustainability Analysis by the IMF and World Bank, and by the government has indicated that, the debt level is significantly below the sustainability threshold of 50 percent of GDP in Net Present Value (NPV) terms and therefore, the country is not facing a risk of debt distress.

- **Cumulative domestic revenues at end-September amounted to 90 percent of the overall revenue target for this period.**
- **The external debt stock increased from USD 10.3 billion in Q2 to USD 10.4 billion in Q3 but remains below the debt sustainability threshold.**

Monetary and Financial Sector

During the third quarter, the Bank of Tanzania, in pursuit of the monetary policy objectives, continued to deploy a mix of monetary policy instruments, namely: sale of government securities, foreign exchange operations, and repurchase agreements. In line with the objectives of supporting economic growth and maintaining price stability, growth in money supply was contained at below 20 percent during the third quarter. Private sector credit increased by 17 percent, which was lower than the 24 percent recorded in the second quarter. The slow-down in private sector credit affected most of the economic activities during the quarter, except for transport and communication, agriculture, manufacturing, and personal activities which saw an increase in access to credit.

Stable energy supply, improved food production, and prudent monetary policy contributed to a reduction in inflationary pressures during the third quarter, with annual headline inflation falling consistently from 17.4 percent in June to 13.5 percent in September 2012. While food and energy prices continued to drive inflation, food inflation declined from 22.9 percent in June to 15.8 percent in September, with energy inflation declining only modestly from 20.5 percent in June to 19.4 percent during the same period. Core inflation, which excludes food and energy, averaged 8.9 percent during the quarter under review, with a maximum of 9.2 percent in August.

Tanzania continued to enjoy currency stability during the third quarter, with the weighted average exchange rate reported by the Bank of Tanzania fluctuating between TZS 1,574 and 1,586 per US Dollar throughout the period and similar to the TZS 1,576.72 and 1,585.13 per US range during the Q2. The continued currency stability was a result of good export performance driven by gold, and the continued close watch by the Bank of Tanzania to ensure that foreign exchange markets operate according to regulations and remain sound.

External Sector

Tanzania's exports of goods and services reached USD 8.3 billion during the year ending August 2012 compared with USD 7.2 billion recorded during the corresponding period in 2011, on account of increased receipts from travel, gold and traditional exports. The value of traditional exports (tobacco, cashew nuts, cotton, coffee, tea and cloves) amounted to USD 826.6 million, which is 23.7 percent higher than the level exported in the corresponding period in 2011.

This development was mainly attributed to an increase in both export volumes and prices of cotton, tea, cloves and cashew nuts due to increased production and higher export unit prices respectively. The value of non-traditional exports was USD 4.2 billion, compared to USD 3.7 billion recorded during the year ending August 2011, driven by gold and manufactured goods. Gold exports amounted to USD 2.3 billion, due to an increase in world market price and export volumes.

During the year ending August 2012, the value of import of goods and services was USD 12.8 billion, compared to USD 10.8 billion recorded in the year ending August 2011. The increase was largely driven by oil imports, following the increased international oil prices coupled with an increase in domestic demand particularly for thermal power generation. There was also a substantial increase in imports of

- Stable energy supply, improved food production, and prudent monetary policy contributed to a reduction in inflation from 17.4 percent for the year ended-June 2012 to 13.5 percent in September.
- The economy continued to record strong export performance with export receipts reaching USD 8.3 billion, driven by gold and traditional exports. However, the high oil prices and increased demand for oil for use in thermal power generation contributed to a deterioration of the current account deficit.

machinery, which is associated with an increase in gas and oil exploration activities. Following these developments, during the year ending August 2012, the current account deficit widened to USD 3.6 billion from a deficit of USD 3 billion recorded in the corresponding period in 2011. The widening deficit was largely associated with an increase in imports of oil and machinery.

As at the end of August 2012, gross official reserves amounted to USD 3,858.8 million, sufficient to cover about 4.1 months of import of goods and services. During the same period, the gross foreign assets of banks stood at USD 995.5 million.

OTHER NOTABLE DEVELOPMENTS AND UPDATES

Political Developments

Tanzania has been involved in a border conflict with Malawi, with the two countries differing on the ownership of Lake Nyasa. Tanzania seeks 50 per cent ownership of Lake Nyasa, but Malawi is claiming it all citing the Anglo-German Agreement signed July 1, 1890 as the contract that grants it full ownership. The two parties have been negotiating to resolve the conflict, although there have been some difficulties, with talks halted for various reasons. Earlier in September, Tanzania ordered all Malawi licensed companies to stop all gas and oil prospecting activities along the disputed borders of the Lake as both governments continued with discussions. There had been unofficial reports in the media and blogs about the possibility of military action between the two countries, creating fear and tension among the two neighboring countries. President Kikwete and his Malawian counterpart, President Banda dismissed the reports as misleading and moved to assure their citizens that Tanzania and Malawi would never go to war over the dispute, urging patience to allow the joint committee to find a lasting solution to the conflict. Dialogue stalled towards the end of September, following the allegations by Malawi that Tanzania is intimidating Malawian fishermen on the lake, but talks have since resumed.

- **Dialogue on the ownership of Lake Nyasa continued with a view to identifying a peaceful and lasting solution. Both countries have called for patience as the joint committee conducts its work and confirmed that war is not an option in resolving this impasse.**



UGANDA

MACROECONOMIC DEVELOPMENTS

Economic Growth

The most recent quarterly GDP estimates show the economy declined during the quarter ending June 2012 by 0.2 percent from a revised growth of 2 percent in the quarter ending March 2012. The contraction was mainly driven by weak performance in the Agricultural sector which deteriorated by 2.6 percent from a growth of 1.8 percent previously. The economy is projected to grow by 5 percent in 2012 from the 3.2 percent achieved in 2011 with 2013 projected to post further gains in real GDP growth at 5.7 percent.

The Industrial sector which contributes 25.1 percent of GDP remained the key growth driver in the quarter ending June 2012, growing by 0.7 percent from a revised growth of 1.6 in the quarter ending March 2012, while the service sector, which accounts for 45.7 percent of GDP grew by 0.2 percent in the quarter ending June 2012 from a revised growth of 1 percent in March 2012.

Fiscal Stance

Parliament approved an appropriated budget of UGX 11.475 billion for FY 2012/13 in September 2012, representing a UGX 300 billion increase to the budget presented to Parliament in June 2012. The additional amount is meant to accommodate wage increases for medical professionals, Public Sector Management and Justice Sectors. Of this, UGX 4,080.23 billion will finance recurrent budget while UGX 5,573.51 is for development budget. The overall financial operations were contractionary during the period ending September 2012. The total cumulative government expenditure for July to September 2012 amounted to UGX 2,190 billion, slightly exceeding the UGX 2,002.5 billion expenditure incurred during the same period in 2011. A deficit (including grants) of UGX 436.3 billion was recorded, which is lower than the UGX 842 billion registered between July and September 2011 or 48 percent lower. This was largely on account of shortfalls in revenues, lower than programmed Budget Support grants and higher than

HIGHLIGHTS

- Real GDP decreased by 0.2 percent in June 2012 following a recovery in March. The contraction was in part driven by weaker performance in agriculture.
- Parliament approved a slightly higher budget for FY 12/13 amounting to UGX 11.5 billion in September compared to the UGX 11.2 billion presented to Parliament in June 2012. The increase was necessitated by the need to accommodate wage increases for medical workers.

programmed expenditures during the month. The deficit was financed from both domestic and external sources.

By the end of September, net revenue collection amounted to UGX 1,554.96 billion against the programmed UGX 1,610.5 billion. This is an improved performance compared to the UGX 1,535.8 billion revenue collection achieved in same quarter in the previous fiscal year. Domestic taxes collection were particularly robust contributing 53.3 percent, while international trade taxes contributed 45.3 percent and non-tax revenues contributed 1.5 percent of the revenue collections for the period under review.

Monetary and Financial Sector

The year-over-year inflation rate declined steadily from 14.3 percent for the year ended July 2012 to 5.5 percent in September 2012. The three main drivers contributing to the decline in inflationary pressures include the decrease in food prices, the low domestic demand pressures due to subdued private sector credit, and the stability of the nominal exchange. Food inflation continued with the downward trend, opening the period at 5.4 percent in July 2012, and ending September 2012 at -2.9 per cent revealing significant decreases in prices of some food items attributed to increases in supplies in the market following post-harvest season. The inflation in Electricity, Fuel and Utilities (EFU) rate fell from 16.7 percent in July to 12.6 per cent in September 2012. This is mainly revealed in the large decline in inflation for the Rent, Fuel and utilities category from 27 percent in July to 10.3 percent at end September 2012. The only potential threat to near-term inflation will be if food prices increase significantly.

The Bank of Uganda (BoU) further eased the monetary policy which began in March 2012 by reducing the Central Bank Rate (CBR) from 19 percent in July 2012 to 15 per cent in September 2012, compared to 16 percent in September 2011. The easing of the policy stance is intended to spur private credit growth, boost market confidence, and consequently bolster economic growth. However, the subdued private sector credit (PSC) growth which began in January 2012 continued during the third quarter, declining from 44.35 percent in August 2011 to a low of 6.5 percent by end of August 2012, although it registered a monthly average growth of 0.5 percent in the period under review. PSC increased by 0.6 percent in August 2012, up from the 0.2 per cent decline registered in July.

Moreover on a quarterly basis, the monetary aggregates M1, and M2 stagnated at 4.2 per cent, and 5.7 per cent respectively in August 2012, from 4 percent and 4.5 percent in the previous year, while M3 increased from 2.3 percent in July 2012 to 6.5 per cent at end August 2012.

External Sector

Uganda's overall imports reached USD 1.060 billion by the end of August 2012, an increase of 3.5 percent from USD 1.022 billion at end-August 2011, while the total value of exports increased by 21.3 percent to USD 478.9 million during the months of July and August 2012, up from USD 376.5 million in the corresponding period in 2011. This led to an improvement in the current account balance from a deficit of USD645 million by end of August 2011 to a deficit of USD 581 million at end August 2012.

- Inflationary pressures continue to ease with headline inflation falling to single digits for the first time since peaking at 30 percent in October 2011. Key drivers of the receding inflationary pressures include falling food prices, weak domestic demand, and reduced exchange rate volatility.
- The Bank of Uganda continued to ease monetary policy in a bid to spur private sector credit growth, and consequently bolster economic activity.

Non-traditional exports totaled US \$375.6 million by August 2012, an increase of 32.3 percent from USD 254.3 million the same period in 2011; however the increment was offset by a decline of 16 percent in traditional exports from USD 122.3 million in the previous year down to USD 103.2 million in the period under review.

During the quarter under review, the gross foreign exchange reserves remained unchanged at USD 2.8 billion sufficient to cover 4.8 months of imports of goods and services, up from 3.9 months of imports or 2.4 billion in a similar period in 2011.

The Uganda Shilling depreciated by about 2 percent against the US Dollar between July and September, from an inter-bank mid-rate of UGX 2474/USD in July 2012 to UGX 2,492/USD in August and further to UGX 2,516/\$ in September.

OTHER NOTABLE DEVELOPMENTS AND UPDATES

Political Developments

Tackling corruption scandals involving senior government Officials remained a major governance priority in the quarter under review. While prosecution of the three former Ministers of Health continued in the anti-corruption court, another three Ministers involved in the oil bribery investigations were re-appointed to cabinet in August 2012. In a bid to step up the fight against corruption, the Permanent Secretary, Ministry of Public Service and three other top officials in the same ministry were interdicted in September 2012 over alleged irregularities in pension payments totaling UGX 63 billion (USD24.6 million).

Five donor agencies have suspended aid to Uganda following the release of a special investigation report on the Office of the Prime Minister (OPM) which revealed massive financial mismanagement and loss of an estimated UGX 38 billion (USD 15 million). Several senior officials in the OPM have been arrested to help with investigations.

The 2012 East Africa Bribery Index released in September 2012 ranks Uganda with the highest levels of bribery (with an aggregate index value of 40.7 percent from 36.7 percent in 2011) in comparison to Rwanda (2.5 percent) which ranked least corrupt among the five-member East African Community.

On the development planning front, the draft Vision 2040 unveiled in September 2012 projects that Uganda aspires to hit a middle-income status by 2017, and transform to a modern and prosperous country of per capita income of \$9,500 by 2040 from the current USD 506. To realize the vision, Uganda will need to increase its GDP by 30 fold over the next 30 years to attain an Upper Middle Income country status.

With regard to peace and security matters, Uganda has threatened to withdraw all their forces on peacekeeping in Somalia and the region over allegations that they are supporting the M23 rebels fighting in the Democratic Republic of Congo.

- The trade balance deteriorated as the value of imports remained higher than that of exports, with exports receipts accounting for less than 50% of import values at end-August 2012.
- Several development partners suspended aid to Uganda following the release of a special investigation report that revealed massive financial mismanagement of donor funds earmarked for the development of northern Uganda.

Private Sector Activity

The \$860m Bujagali hydropower project was commissioned by President Yoweri Museveni and His Highness the Aga-Khan on 8th October 2012 following completion of construction in June 2012. The 250MW project was financed by the African Development Bank, among others. Bujagali is expected to contribute 49 percent of all electricity in Uganda.

The 2013 Doing Business (DB) report indicates that Uganda's ranking dropped from 119 to 120 positions out of 185 countries surveyed. The decline was driven by a nine point deterioration in the ranking of the paying tax indicator from 84 (in DB 2012) to 93 (DB 2013), in particular the total tax burden (percent profit) increased to 37.1 percent in 2013 from 35.7 percent in 2012 DB report

Donor Coordination

The Development Partners' Group held a Policy Coordination Committee (PCC) meeting with the Prime Minister to discuss and agree on the key monitoring indicators for the next Joint Assessment Framework (JAF 5) of the Joint Budget Support Task Force (JBSF). The parties agreed that a "joint position" or "strategic report" should be introduced after JBSF Development Partners have analysed the Government Assessment Performance Report (GARP) and discussed their findings at the joint PCC. A summary position reflecting the Government's and JBSF Development Partners will also be published.

The IMF concluded its mission within the framework of the fifth review of the Policy Support Instrument (PSI). The review concluded that Uganda's economic growth rate declined from 6.6 percent in 2010/11 to 3.4 percent in 2011/12, due to a confluence of a difficult international environment, contractionary monetary policies implanted in response to high inflation and a tighter than budgeted fiscal stance. GDP growth is projected to increase to 5 percent in 2012 and further to 5.7 percent in 2013, with core inflation averaging about 6 percent.

- The draft Vision 2040 was presented to Parliament and is expected to guide Uganda's transformation to low middle income status by 2017 and upper middle income by 2040.
- The 250MW Bujagali hydropower dam financed by the African Development Bank and others was commissioned and is expected to contribute up to half of Uganda's electricity.

III | TOPICAL THEME

VOICES OF THE YOUTH ON UNEMPLOYMENT IN UGANDA²

Introduction

According to the 2002 Census, Uganda had a population of 24.4 million with an annual growth rate of 3.2 percent. This places Uganda among the countries with the fastest growing populations in the world. The Uganda Bureau of Statistics (UBOS) projects that the population increased to 32.9 million by mid-2011 and will reach 38 million in 2015. At this rate, a total of about 1.2 million people are added every year to Uganda's population. The high population growth rate exerts a negative impact on the development of the country especially in the terms of provision of essential services and leads to adverse social outcomes such as high dependency ratio, youth unemployment and underemployment. This phenomenon is not unique to Uganda and also applies to its regional neighbors in the East African Community as well as to most sub-Saharan countries.

There is an emerging consensus on the impact of the age structure of the population on a country's development articulated in what has come to be termed as the "youth bulge" theory. This concept has been used by various analysts to describe a demographic period in which the proportion of youth in the population increases significantly compared to other age groups, both older and younger. Some analysts define youth bulge as large cohorts in the ages 15–29 relative to the total adult population while others define youth bulge in the age group 15–24. Regardless of the definition, youth bulge refers to a growing population of a country which is younger (median age 20–26) and more urban. Going by this definition, this phenomenon is common in most Sub-Saharan African countries, including Uganda where the youth made up about 27 percent of the total population according to the 2002 Population Census.

Prompted by this state of affairs, the Uganda Field Office undertook a preliminary research between April and May 2012 aimed at documenting some concerns expressed by the youth on employment and productivity. We present some findings emanating from discussions with the youth. The research relied heavily on a participatory and qualitative methodology. This was anchored on the premise that the youth are the true experts in issues that confront their ability and willingness to be involved in productive employment. The fieldwork was, therefore, undertaken by a team that was coordinated by a firm that is run by young people, and the Uganda Field Office only came in to provide the necessary backstopping. The National Youth Policy identifies youth concerns to include education and training; HIV/AIDS and reproductive health; sports, culture and recreation, crime prevention, environmental protection, gender and equity, poverty, employment and productivity. While all these are important, the research focused on youth employment.

An Overview of Youth Employment and Productivity in Uganda

With one of the youngest and fastest growing populations in the African continent, youth poverty, employment and underemployment have featured prominently in the Ugandan policy agenda and policy debates for several years now.

Estimates from the 2009/10 Uganda National Household Budget Survey indicate that young Ugandans made up about 40.9 percent of the working age population between the ages of 15 and 64 years. Their share of the economically active population was slightly lower, at 36.7 percent, owing to the fact that the proportion of youth employed or actively seeking employment (81 percent) is lower than for the working age population as a whole (90.2 percent). By sector, the majority of working youth in Uganda (74.1 percent) is employed in agriculture, forestry and fisheries, with this share being significantly higher than for the labour force as a whole (65.1 percent). Conversely, their share of employment in wholesale and retail trade activities (6.2 percent) and the public sector (2.6 percent) is considerably lower than average: 10.8 percent and 6.3 percent, respectively. Despite their better preparation, employment conditions for Uganda's youth are not good, and in many cases compares unfavourably to that of the rest of the labour force. To start with, youth unemployment, at 4.3 percent, is slightly higher than for the labour

² This is an abridged version of a Primer Note that is being finalized by UGFO/EARC.

force as a whole, 3.8 percent, with unemployment being somewhat higher for young women (4.9 percent) than for young men (3.6 percent). Moreover, a large majority of young workers (73.3 percent) are self-employed, with this share being particularly high for young women: 76.5 percent as opposed to 70.3 percent for their male counterparts. In addition, only a small fraction of young workers (1.6 percent) earn a regular wage, whilst up to 7 percent of them are engaged in unpaid family work, doing considerably worse than the labour force as a whole on both accounts: 6.5 percent and 1.7 percent, respectively.

The 2012 African Economic Outlook Country Notes provide data that help to understand the youth unemployment issue in a regional perspective. In Burundi, it is noted that in 2009, youth unemployment was three times higher than in the 25 - 64 age group. In the case of Kenya youth unemployment constitutes 70 percent of total unemployment in the country. In Tanzania, the youth unemployment rate in 2006 was 8.8 percent, while in Rwanda the report notes that over 42 percent of youth are either unemployed or underemployed in subsistence agriculture. The discussion on Uganda, therefore, is highly relevant to the other EAC member states.

A number of factors undermine Uganda's youth access to quality employment and decent jobs. In the labour market, the National Youth Policy identifies the lack of employable skills, of access to land and capital, and of apprenticeship schemes, together with an overemphasis on work experience and a rate of job creation which is not in tandem with population growth, as key constraints to (better) youth employment. In addition, the skewed distribution of education and training institutions in favour of urban areas, unequal access to education, insufficient vocational education, inadequate and insufficient facilities, and the chronic shortage of teaching staff with the required qualifications and practical skills, as key shortcomings in an education and training system which is not responding to the skill requirements of the job market.

At an institutional level, youth employment issues largely fall under the mandate of the Ministry of Gender, Labour and Social Development (MGLSD), although the Ministry of Education and Sports plays a key role in anything related to education and training. In addition, there are a number of national stakeholders' councils which seek to coordinate and mobilize efforts in areas relevant to youth employment. These include the National Youth Council and the Industrial Training Council.

The government has recognized the challenge posed by youth employment in Uganda and is in the process of implementing a series of activities aimed at improving the employability of the country's youth. Thus, the National Development Plan (NDP), 2010/11-2014/15, which has employment creation as one of its main objectives, has as its number one intervention in its first strategic objective for the area of labour and employment to '*implement the national youth employment policy and plan*'. The Plan also contemplates the formulation and implementation of a National Non-Formal Skills Development Programme that will focus on developing non-formal skills in the Ugandan labour force, targeting especially youth and women. In line with the NDP's orientations, during 2011 the government has been revising the 2001 National Youth Policy, in order to present a strong focus on giving young people better access to employment and income generation activities, by enhancing the skills and livelihoods of Uganda's youth. In addition, the government, in coordination with other relevant stakeholders, is currently implementing a number of programmes that have the potential of improving youth employment prospects in Uganda, with the Labour Market Information system (LMIS), the Youth Entrepreneurship Venture Capital Fund to support entrepreneurial bankable ideas/initiatives and the 2008 Business, Technical and Vocational Education and Training (BTVET) programmes among the most prominent ones.

Methodology and Process

The fieldwork was undertaken by dividing the country into four zones, namely: the North, East, West and Central regions with a team covering each region. Each member of the four teams had to be able to understand the language(s) of the region(s) they were covering, so as to facilitate the research in terms of dialect and interpretation. In terms of locality, the team covered one major town in the zone and a rural area. The participatory approach of the research explicitly encouraged study teams to take into account key cross-cutting issues such as culture, social group, gender, age, occupation and other dimensions of difference of local importance. The methods used included

group discussions and one-on-one interviews. To tease out gender differences, the team had to ensure that the interviews were held with both male and female youth. The interviews were found to be the most appropriate method of getting first-hand accounts that could be recorded for use in the documentary. These were guided by the use of a questionnaire. To facilitate the research, the teams had to seek permission from the respective area Local Council (LC) chairpersons, thus enabling a better understanding among the residents of the task that the team was undertaking and to avoid undue suspicion.

Causes of Unemployment Cited by the Youth

The following factors were cited as causes of unemployment by the interviewed youth:

Lack of employable skills: the views expressed pointed to the preference by employers, for experienced workers. While a majority of the youth indicated that they had attended primary and secondary education, they felt that this did not prepare them for the job market. Other related factors in this regard included the quality in education; inadequate preparation of the youth in career development and low level of information technology. This was further aggravated by a stigma on the part of the private sector employers; mismatching between the school curriculum and labour market needs that impedes the transition from the education system to the job market. In addition, personal factors such as satisfaction level and family dependence complicate the situation as young job seekers tend to look for prominent and better paid jobs.

Francis 26, hawks petty merchandise and identified lack of experience as a major constraint:

“One of the challenges we go through as youths is lack of jobs and even when you get the right education, to get a job, they are always asking for work experience. I wonder how I can get work experience if you I have never worked before. Furthermore, employers also emphasize academic qualifications, without due attention to what we can offer in terms of dynamism. I personally believe so many jobs can be executed by talent like being an orator and holding talk shows. Youth with such talent need to be given the chance to go ahead and get training on the job for the potential they have in them”.

Lydia 23, is pursuing a Master's degree, to give her a more competitive edge:

“I graduated last year and had high hopes of finding a job. I was encouraged by the fact that most of my friends had landed great jobs and they looked comfortable. However, my efforts were in vain. Moreover, my experience served as an eye opener. I was disappointed as most of the potential employers I approached would went off the topic of getting me a job and instead offered to maintain me as a mistress. I, therefore, decided to go back to school and undertake a Master's degree so that I can improve my chances to compete on the job market.”

Lack of access to essential resources like land and capital: Concerns were expressed that the youth face significant barriers to setting up businesses. They cited structural problems including difficulties in access to credit and seed funding. While the country has a relatively diversified network of commercial banks and other financial institutions, the young people do not have the collateral that such institutions require before they can grant loans. Moreover, it was pointed out that while recent Government initiatives have sought to redress the problem, the implementation remains problematic. For example, some of the youths noted that the 2011/2012 budget proposed initiatives to deal with the problems youth face in the employment sector. These included the establishment of financial facilities such as the youth entrepreneurship venture capital fund together with the Development Finance Company of Uganda (DFCU) Bank to support youth starting or expanding their business enterprises. Finances were also allocated to Enterprise Uganda to undertake a youth entrepreneurial training program to instill business management skills among the youth, to enable them to join the job market or create their own enterprises and also enable it to undertake Business Development Skills clinics in collaboration with the private sector and Uganda Small Scale Industries Association (USSIA), with special focus on imparting technical skills to youth, using non-formal vocational training programmes; establishing dedicated work spaces in markets in which youth and other small scale manufacturers under the Job Stimulus programme will undertake manufacturing and other processing activity.

None of the youths interviewed had benefitted from these initiatives, and they expressed concern that the schemes could just have ended up as ideas, or could have been misappropriated to benefit other groups.

Arinaitwe, a 22 year-old university drop out and an employee in a supermarket had this to say:

“I finished “A” level and joined one of the private universities in Uganda. I was sponsoring myself which was quite difficult. The University that I attended has a two installment payment policy. In the first 2 weeks, the student is expected to pay half of the fees and in the following 2 weeks to pay up the balance. I tried that in the first semester but failed to pay in time in the 2nd semester. After 4 weeks, I got the money but the administration refused to accept. They advised me to take a year off and I have since lost morale. Even the people supporting me in one way or another stopped and I had to drop out of school. But all this is because of the university’s payment structure. By this time I should have graduated. My life was affected negatively. At first, I spent a whole year doing nothing but crying. Later, I got a job in a supermarket. I am trying to get sponsorship because I want to go back to school. The Ministry of Education or the President can address this problem. They can go into these private schools and see how they handle their academic and financial issues because we are bleeding internally. We think the government is not aware of such things otherwise I am not the only person who has suffered this challenge”.

Lack of voice and representation: The main issue that the youth flagged in this regard was that youth affairs do not seem to get adequate attention by Government as they are not handled by an independent Ministry. Under the current set-up, the responsibility is vested in the Ministry of Gender, Labour, and Social Development and there was a feeling that youth affairs tend to get forgotten in the scheme of operations. As a result, the youth continue to be isolated and lack critical support that would assist them to gain a foothold in the modern business.

Richard, 26, ekes a living from making “chapatti” for sale and admitted he had previously resorted to use of drugs:

“One of the problems I have is the landlord who won’t give me peace. I wanted to go on with my studies but failed because of school fees. Many people think I use drugs but that is not the case. I once used them when I was still staying with my parents though but now I have stopped. Like many youths I also have made mistakes like abusing drugs but I was taken to hospital and I recovered. I returned to school and even sat Senior 6 examinations but because I once used drugs, people looked at me suspiciously and even thought I was a thief. When I could no longer handle it, I left home and my parents do not even know where I am. I passed my Senior 6 examinations but my parents thought I could not achieve much in life due to my past. I therefore decided to go to a place where nobody knows me. I would like to go back to school so that I can get a good job and become a responsible citizen. I met a friend called Paul and he is the one who introduced me to chapatti making. I began taking drugs because I wanted to fit in among my peers and be noticed because I used to feel inferior. Community leaders should set up trainings for youths so that the youths feel a high self-esteem. Youths use drugs because they want to feel that they too feel that they too can do something great”.

Lack of a comprehensive employment policy: The youth who were interviewed were aware that the Government launched an Employment Policy in May 2011 during the World Labour Day. They welcomed this as a noble initiative noting that it aimed at generating productive and decent jobs for all Ugandans. However, they voiced some reservations and said that the policy had come too late and offered too little. In particular, one of the main shortcomings is that the policy does not set a minimum wage for all workers across the country. In the absence of a minimum wage, many youth in employment are getting frustrated and, therefore, opting to quit their jobs because they incur high costs but are not paid wages commensurate to the amount of work that they do. Moreover, some of the youth who are unemployed are discouraged by the current state of affairs and are, therefore, deliberately choosing not to engage in any form of employment. They felt that while the goals and objectives of the policy are viable and would greatly deal with the existing unemployment challenges in the country particularly for the youth, there is need for the Government to address the current problem of the high population growth rate in the country that will impede its implementation. The youth voiced concern that with the fast rate at which Uganda’s population is increasing, the current employment policy will not become an effective tool in reducing youth unemployment in the country.

Another factor that was mentioned was the country's regulation on retirement. Many youths felt that the mandatory retirement age of 55 years worked against their favour. They were of the opinion that most available jobs are retained by old men and women, even when the jobs could be easily done by younger people.

Negative cultural attitudes such as gender discrimination: It also emerged that generally, young women tend to face greater difficulties than young men in entering and staying in the job market, because of discriminatory policies, structural barriers and cultural prejudices. Within many cultures in the country, the practice is that girls are expected to continue depending on parental support. This works against young women in that they lack the capacity to make critical decisions for themselves or to find creative ways of earning a living.

Sylvia 24, has taken to fishing, an activity mainly considered the preserve of men and expressed the need for youth to be more enterprising:

"Many young people have opportunities but do not use them wisely. They keep blame government and other stakeholders yet they have resources at their exposure. I hold a degree in Mass Communication. However, this is a very competitive industry in the country with a few radio and television stations and many qualified job seekers. I decided to utilize the abundant fish resources of Lake Victoria to embark on fishing after noting that there is a wide demand for fish. I earn good money out of this activity and I am able to take care of my living expenses and also pay school fees for my little brother. I would advise young people not to shun certain activities but to look out, identify and utilize the resources around us."

Akello 20, a single mother, is a school drop-out and a brewer of the local "waragi", who has resigned to her fate:

"I dropped out of school at the age of 17 when my parents thought I was wasting their money. I was sexually active and not long thereafter I got pregnant. The father of my child who is now joining university abandoned me saying that he was just a student and was unable to take good care of me and our child. I have not tried to attempt looking for white collar jobs because I know my situation may not allow me to get one and I hate being abused in these places. I have concentrated on brewing local "waragi" in order to meet my child's needs".

Negative attitude towards work in agriculture: While agriculture is the country's predominant sector, there is a negative image about employment in the sector among the public, and the youth in particular. This is because agriculture business is portrayed as a low-income, high-risk career. Thus, the majority of the youth would rather be engaged in small income-generating activities such as "boda-boda" (motor cycle) riding, brick making, petty trade and service sector work. In addition, it could also be possible that the youth also face issues of access to, and control over, productive resources (land and capital), as well as limited knowledge and skills in modern farming techniques. During the interviews, the issue of rural-urban migration was, therefore highlighted. One of the youth leaders in a village in Amuria District said that since many educated youths feel they cannot work in their villages, they opt to go to towns in the hope of finding good employment opportunities.

Conclusion and Recommendations

The research and interaction with the youth, albeit limited, reveal that youth unemployment is pervasive and reflects quite a wide range of factors. To this end, there is no single policy strategy to effectively resolve the problem. The authorities need to listen to the youth, and to adopt a multi-pronged approach which involves transformation of every sector in the economy including education, health, transport and agriculture among others. The Government also needs to implement a combination of initiatives which directly involve all stakeholders including the private sector and the civil society to take a proactive interest in addressing the problems posed by unemployment. The discussion of policy options to alleviate youth unemployment illustrates that there are many possible interventions available to Government. These include the following: (i) Revision of the education curriculum; (ii) Tax incentives for

companies to provide internship opportunities and create jobs for young people; (iii) Creation of regional job centres; (iv) Formulation of an annual manpower survey; and (v) Establishment of youth development groups.

IV | STATISTICAL ANNEX

A- SELECTED LONGER TERM STATISTICS

Table 1 - Basic Indicators, 2009

	Population (thousands)	Land area (thousands of km ²)	Population Density (pop / km ²)	GDP based on PPP valuation (US \$ Million)	GDP per Capita (PPP valuation, \$)	Annual real GDP growth (average over 2001-2009)
Burundi	8,303	28	298	2,853	344	3.0
Kenya	39,802	593	67	62,423	1,568	4.1
Rwanda	9 998	26	380	9,526	953	6.5
Seychelles	84	0,455	185	1,480	17,563	0.9
Tanzania	43,739	945	46	53,167	1,216	6.9
Uganda	32,710	241	136	46,632	1,426	7.7
Africa	1008,354	30,323	33	2,825 691	2,802	5.3

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

Sources: ADB Statistics Department, Various domestic authorities; IMF *World Economic Outlook 2010*.

Table 2 - Real GDP Growth Rates, 2001-2011

	2001	2002	2003	2004	2005	2006	2007	2008	2009 (e)	2010 (p)	2011 (p)
Burundi	2.1	4.5	-1.2	4.8	0.9	5.2	3.2	4.3	3.3	3.6	4.0
Kenya	4.5	0.5	2.9	5.1	5.9	6.3	7.1	1.7	2.5	3.6	4.2
Rwanda	6.7	9.4	0.3	5.3	7.1	5.5	8.8	11.2	4.5	5.1	5.3
Seychelles	-2.3	1.2	-5.9	-2.9	7.5	8.3	9.7	-0.9	-6.8	3.9	4.2
Tanzania	6.0	7.2	6.9	7.6	7.4	6.9	6.8	7.5	5.5	5.7	5.8
Uganda	8.8	7.1	6.2	5.8	10.0	7.0	8.1	9.2	7.0	7.4	7.9
East Africa	4.3	5.0	1.5	4.3	6.5	6.5	7.3	5.5	2.7	4.9	5.2
Africa	4.3	5.7	5.2	5.6	5.9	6.2	6.4	5.6	2.5	4.5	5.2

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

	2009 (e)				2010 (p)				2011 (p)			
	Total Final Consumption	Gross Capital Formation - Total	Exports	Imports	Total Final Consumption	Gross Capital Formation - Total	Exports	Imports	Total Final Consumption	Gross Capital Formation - Total	Exports	Imports
	Real Percentage Growth				Real Percentage Growth				Real Percentage Growth			
Burundi	1.9	7.1	4.3	-0.4	3.8	9.6	-0.2	5.4	2.7	13.8	7.8	4.5
Kenya	2.6	5.4	-1.7	1.1	2.0	3.4	3.9	1.0	2.7	3.9	4.8	2.0
Rwanda	8.1	1.0	-16.9	8.3	5.4	4.8	3.4	5.4	6.1	4.0	3.1	7.1
Seychelles	-9.6	-21.8	-9.4	-16.4	-0.9	4.3	2.8	-3.2	0.9	9.4	5.2	2.1
Tanzania	7.0	4.8	-0.2	4.8	7.5	6.2	3.6	9.7	6.7	9.2	3.9	9.8
Uganda	6.3	8.4	0.9	2.3	10.1	17.0	0.7	16.9	9.7	18.0	1.6	15.8

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)

	2009 (e)			2010 (p)			2011 (p)		
	Total revenue and grants	Total expenditure and net lending	Overall balance	Total revenue and grants	Total expenditure and net lending	Overall balance	Total revenue and grants	Total expenditure and net lending	Overall balance
Burundi	26.8	30.9	-4.0	27.6	32.8	-5.1	27.1	34.9	-7.7
Kenya*	24.3	30.1	-5.8	23.6	29.7	-6.1	23.8	30.6	-6.8
Rwanda	21.4	23.4	-1.9	22.5	24.2	-1.7	23.1	24.3	-1.2
Seychelles	33.7	31.1	2.6	33.3	30.2	3.1	33.4	31.6	1.8
Tanzania*	21.6	24.2	-2.7	21.5	25.3	-3.8	22.0	27.8	-5.8
Uganda*	15.2	16.9	-1.7	14.5	15.8	-1.3	14.1	15.8	-1.7
Eastern Africa	23.83	26.09	-2.26	23.84	26.32	-2.48	23.92	27.47	-3.55
Africa	28.4	32.8	-4.4	29.6	33.0	-3.3	29.7	31.6	-1.9

Notes: * Fiscal year July (n-1)/June (n)
² = 2007 data
¹ = 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

	Inflation (percent)				Exchange Rate (LCU / \$)			Reserves, excluding gold, (\$ million)	
	2008	2009 (e)	2010 (p)	2011 (p)	2007	2008	2009	2009 Stock at year-end	Eq. Months of imports
Burundi	24.46	8.27	8.32	6.98	1,081.87	1,185.73	1,236.57	322.18	14.44
Kenya	18.50	9.29	7.35	6.36	67.32	69.18	77.77	3,941.09	4.98
Rwanda	15.45	10.31	6.35	5.67	.96	546.85	578.56	742.74	10.60
Seychelles	37.00	31.73	2.99	3.14	6.70	9.46	13.93	190.61	3.42
Tanzania	10.28	12.10	8.53	6.20	1,245.04	1,196.31	1,326.37	3,470.41	6.98
Uganda	12.04	11.14	8.90	9.86	1,723.49	1,720.44	2,040.51	3,004.55	9.25
Africa	10.60	9.90	7.73	7.04	458,487.13	14.09

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

	Trade balance (\$ million)				Current account balance (\$ million)				Current account balance (as % of GDP)			
	2008	2009	2010	2011	2008	2009	2010	2011	2008	2009	2010	2011
Burundi	(268.43)	(211.05)	(262.85)	(277.37)	(211.50)	(155.63)	(179.55)	(194.67)	(19.08)	(12.87)	(13.44)	(12.48)
Kenya	5,649.19	(5,979.22)	(7,106.28)	(7,715.66)	(3,009.24)	(2,551.68)	(3,463.94)	(2,591.68)	(9.91)	(6.68)	(8.97)	(6.62)
Rwanda	(433.63)	(456.11)	(521.45)	(578.13)	(285.62)	(295.10)	(293.63)	(274.39)	(6.41)	(6.66)	(6.18)	(5.32)
Seychelles	(516.00)	(249.14)	(249.62)	(258.37)	(411.00)	(169.15)	(236.90)	(227.59)	(44.39)	(28.44)	(37.03)	(32.43)
Tanzania	(3,446.70)	(2,899.11)	(3,739.98)	(4,475.13)	(2,571.15)	(2,084.49)	(3,100.73)	(3,873.53)	(12.41)	(10.15)	(13.57)	(15.52)
Uganda	(1,335.41)	(1,311.81)	(2,127.10)	(2,940.30)	(1,005.41)	(1,011.77)	(1,836.57)	(2,696.06)	(6.10)	(5.93)	(8.79)	(10.92)
Africa	106,424.41	(1,332.48)	18,407.66	23,335.69	62,589.03	(35,507.28)	3,519.80	13,104.47	4.10	(2.45)	0.22	0.74

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

Sources: ADB Statistics Department ; IMF WEO
October 2009

Table 7 - Diversification and Competitiveness

	Diversification index					Annual export growth (%)	Sectoral effect	Competitiveness Indicator 2004-2008(%)	
	2004	2005	2006	2007	2008	2004-2008		Global competitiveness effect	
Burundi	2.5	1.6	4.3	3.2	3.9	24.4	8.0	-1.3	
Kenya	22.0	20.9	21.8	23.3	21.8	16.3	0.4	-1.8	
Rwanda	1.9	3.6	3.4	5.1	4.7	-11.6	20.2	-49.5	
Seychelles	3.8	4.7	3.3	3.9	3.1	0.9	2.9	-19.7	
Tanzania	25.5	20.2	31.0	31.9	34.9	21.8	1.5	2.5	
Uganda	6.7	7.8	8.1	11.2	7.9	27.9	-0.7	10.8	
Africa	5.7	4.7	4.0	4.3	3.7	34.5	14.3	2.4	

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

Table 8 - External Debt Indicators

Country	Debt outstanding, at year end				Total debt outstanding (as % of GDP)				Debt Service (as % of Exports of goods and services)			
	Total (USD m)	of Which :			2008	2009	2010	2011	2008	2009	2010	2011
		Multilateral	Bilateral	Private								
		(as % of total)										
	2008	2008	2008	2008	2008	2009	2010	2011	2008	2009	2010	2011
Burundi	1,473	80.6	19.4	0.0	134.3	24.8	28.3	31.2	3.6	1.9	2.9	3.6
Kenya	6,312	49.6	49.0	1.4	21.4	24.2	24.7	23.3	4.7	5.5	6.3	6.0
Rwanda	678	81.8	18.2	0.0	15.2	16.7	19.1	20.6	1.1	3.0	2.8	3.5
Seychelles	845	3.5	96.5	0.0	102.8	118.8	92.1	59.1	6.6	12.8	9.6	28.1
Tanzania	6,834	45.1	54.9	0.0	33.1	31.6	30.3	29.3	1.6	2.2	1.5	1.9
Uganda	1 881	69.5	30.5	0.0	12.9	15.5	17.0	17.7	2.5	2.1	3.1	3.2
Africa	326,287	22.8	52.2	24.9	21.3	23.6	22.7	22.5	10.6	14.1	12.6	12.4

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 (July—September 2012)
-(USD per metric Ton)

		Maize	Rice	Beans	Wheat	Sorghum	Millet
Burundi	July	626.2	1094.5	662.1	1195.2	793.1	-
	August	620.7	1125.5	684.8	1121.4	791.7	-
	September	626.2	1135.9	691.0	1143.4	758.6	-
Kenya	July	513.5	1311	868	633.4	574.4	890.1
	August	488.2	1253	776.2	617.8	569.7	942.7
	September	440.8	1345.8	748.5	607.2	535.7	879.2
Rwanda	July	563	1339	589	1029	563	971
	August	552	1338.7	637	1019.5	552.3	1171.5
	September	493.3	1337.7	555.3	723	515	1204
Tanzania	July	350.3	1190.9	862.6	-	524.3	583.9
	August	332	1175.4	886.8	-	512.7	578.3
	September	343.4	1184.9	868.8	-	507.3	622.3
Uganda	July	487.3	1450.3	772	-	552.3	940.8
	August	342.4	1397.4	720.6	-	424.5	736.9
	September	302.4	1385	757.8	-	402.4	615.9

Sources: Regional Agriculture Intelligence Network, except for Burundi whose data is from Burundi Institute of Statistics (ISTEEBU).

Table 10: Regional Inflation Developments (July—September 2012)

	July 2012	August 2012	September 2012
Burundi	17.6	15.8	14.2
Kenya	7.74	6.09	5.32
Rwanda	5.6	5.8	5.6
Seychelles	8.5	7.8	7.7
Tanzania	15.7	14.9	13.5
Uganda	14.3	11.9	5.5

Sources: National Statistics Bureaus (various countries)

About the African Development Bank Group

The African Development Bank Group – which comprises the African Development Bank (ADB), the African Development Fund (ADF) and the Nigeria Trust Fund (NTF) – aims 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.