

Understanding industrialisation and youth employment policy in the East African Community

Regional rhetoric, national drive

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This background paper is part of a series on the Political Economy Dynamics of Regional Organisations (PEDRO). It was prepared in March 2017. In line with ECDPM's mission to inform and facilitate EU-Africa policy dialogue, and financed by the Federal Ministry for Economic Cooperation and Development, BMZ, the studies analyse key policy areas of seventeen regional organisations in Sub-Saharan Africa. In doing so they address three broad questions: What is the political traction of the organisations around different policy areas? What are the key member state interests in the regional agenda? What are the areas with most future traction for regional organisations to promote cooperation and integration around specific areas? The studies aim to advance thinking on how regional policies play out in practice, and ways to promote politically feasible and adaptive approaches to regional cooperation and integration. Further information can be found at www.ecdpm.org/pedro.

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1. Introduction

Compared to the other African regional economic communities, the East African Community (EAC) has made good progress in terms of regional integration over the past years. Since its re-establishment in 2000, the EAC has expanded its membership as well as its agenda. Burundi and Rwanda joined the first three members Tanzania, Kenya and Uganda in 2007. South Sudan joined in early 2016. As a multipurpose regional organisation, the EAC has agreed on a vast and ambitious agenda where industrialisation and youth employment are two key policy concerns.

By deepening economic but also political, social and cultural integration, by 2050 the EAC aspires to be a 'globally competitive upper-middle income region'. To achieve this, it aims to create a conducive environment for investments, expand production capacities and promote exports, building on effective resource management and institutional capacities. These ambitions are translated in the EAC Treaty, as well as in the Regional Industrialisation Policy 2012-2032. However, as with EAC policy implementation in related sectors such as trade and transport (see separate study), implementation of the EAC agenda has proven to be patchy and inconsistent due to national level and cross-country political economy actors and factors.

This report analyses the political traction of the East African Community in promoting industrialisation and youth employment. It further discusses the political interests of member states in using or working through the EAC for industrial and youth employment purposes, and tries to assess the areas with most traction for regional cooperation and integration within those policy areas. By looking at the actors and factors that have influenced these two agendas over time, this analysis aims to provide a better understanding why and how achievements have been made and what some of the bottlenecks and challenges are in terms of implementing goals, objectives and policies.

The study is based on secondary data/information collected from desk research (legal documents, existing studies on the subject, official websites, etc.) and primary data collected through a series of interviews with relevant stakeholders.

2. Assessing the political traction of the EAC

This section assesses the EAC's political traction around the regional industrialisation and youth employment agenda. Further, it looks at the ways in which EAC encourages, promotes or otherwise seeks to influence policy implementation. This can be either at the national level through transposition and implementation arrangements by national authorities or through regional implementation arrangements.

2.1. Structural and foundational factors

The five - now six - members of EAC have some characteristics in common, but also deeply divergent histories, economic endowments and structures, and political systems. A first attempt at regional integration among Tanzania, Uganda and Kenya was launched in 1967 as the East African Community but collapsed in 1977 due to major economic and political divergences between Tanzania and Kenya, the region's dominant economy. One area of contention between the two countries related to the perceived advantages that Kenya enjoyed from the first regional organisation in terms of industrialisation. Despite the guarantees provided under the first regional agreement to share industries according to comparative advantages, Kenya was seen to benefit disproportionately.

Differences in economic structures, degrees of industrialisation, administrative and political systems go back to the colonisation era, and the geo-strategic pressures and alliances of the Cold War. Due to its historically eastward looking, socialist-influence, Tanzania's economy has been more dominated by state-owned enterprises.

EAC counts a record proportion of landlocked countries - four out of six. This foundational element shapes particular ties and dependencies. Kenya and Tanzania provide the gateway ports for these and for other landlocked countries in the region, and essentially compete with one another for transit traffic. Despite this competition, transport costs remain very high and are a structural impediment for regional integration and industrialisation efforts. This directly affects sourcing, processing and distribution within the region¹. Other constraining factors for regional industrialisation relate to the energy or power shortages². There have also been historic divergences and political grievances among neighbours, with opposing positions taken by EAC members during *the Great African War of Africa (1997-2003)* in which eight African countries were involved in a war in the DRC. All countries in the region were involved in one or multiple ways in conflicts in other countries of the region³ or of the continent, a reminder of both the stickiness of some of past tensions as well as the of the urgency to work together to overcome some of the negative regional fall-outs⁴.

EAC economies remain largely focused on agriculture, but efforts are made to promote industrial diversification and development to increase the industrial share of GDP, currently roughly 20% at the regional level, manufacturing share though is lower at 9.7% in 2008 (EAC, 2011; 2012). This industrialisation is largely driven by discoveries of oil and gas. Kenya and Tanzania compete with one another for transit markets, infrastructure projects, attracting industries and investments. Especially Kenya, with its stronger and more diversified economic base, acts as a regional *swing state*⁵. Within the EAC Kenya exerts more influence in blocking or furthering particular economic regional dynamics, for example in pushing for faster integration to benefit from expanded markets.

All countries face rapid urbanisation, with some countries facing political unrest related to youth unemployment. This is exemplified by recent protests by unemployed youth in Uganda, which partially reflect a growing dissatisfaction with corruption and "the discomfort caused by the shroud covering much of the country's oil policy"⁶. In 2015, Burundi faced protests by its youth motivated by "poverty, joblessness and uncertainty about the future"⁷.

2.2. Governance and institutions

EAC is one of the eight RECs that is recognised by the African Union. The Summit of Heads of State and Government exercises supreme authority, takes decisions and sets the agenda. The EAC Secretariat oversees implementation, mostly conducted at member state level.⁸

¹ It is cheaper to import coal from South Africa rather than shipping it from Iringa in Central Tanzania to Nairobi, so importing is the better option compared to sourcing from within the region.

² Theafricareport.com: Tanzania says needs \$46bn in power investment by 2040.

³ The tensions between EAC members Burundi and Rwanda are such that officials of both countries do not attend meetings - including EAC ones - in the other country.

⁴ This problematique is partially dealt with in the PEDRO report on the East African Standby Force and on the African Union.

⁵ PEDRO refers to *swing states* as countries that exercise more influence in a region through their relative economic, diplomatic and military strength and institutional arrangements.

⁶ [BTI 2016 | Uganda Country Report](#).

⁷ Poverty and unemployment fuel Burundi's unrest, [Article](#) on Equal Times on 7 May 2015.

⁸ For a more comprehensive presentation of the institutions and governance arrangements, we refer to the PEDRO report on the EAC.

In recent years, EAC policies have prioritised economic growth through trade related system reforms such as a customs territory, creating a Common Market, and infrastructure development. EAC Ordinary Summits confirm this trend of a shift in interest to infrastructure development. The EAC Development Strategy 2011/12-2015/16 focuses on trade, infrastructure development and economic growth. In terms of implementation, the trade related policies are implemented at a faster rate than any other REC in sub-Saharan Africa (Matthieson, 2016). The EAC is implementing a free trade agreement that contains significant exclusions, but is operational. Recent years have seen a notable improvement in the implementation of EAC infrastructure policy, and progress has been made in the free movement of people.

Regional Industrialisation

Member states have committed to industrialising the region in various strategies and development plans dating back to the 1960s, with strong roles for the state and the establishment of the EAC Development Bank to support industries and investment in the region. A special tax transfer system was created in the first EAC (1967-1977) to protect the industries of less developed members with which there were trade deficits. This, however, “did not yield noteworthy results in industrialising the region equitably and were inherently unsustainable” (EAC, 2014, p. 7).

The 2007 EAC Summit asked the Secretariat to “urgently prepare an EAC Industrial Development and Investment Strategy supported by an effective institutional decision making framework to promote equitable industrial development in EAC region”. This decision was based on the acknowledgement that industrialisation is key to EAC economic development while the economic emphasis in EAC countries was still on agriculture exploiting regional and global markets, industrial growth was considered essential. Following this request, the EAC Secretariat developed the regional EAC Industrialisation Policy 2012-2032, approved in 2011.

Box 1: EAC Industrialisation Policy 2012-2032 in brief

The policy aims to increase local added value content of manufactured exports, strengthening institutional capabilities for industrial policy (IP) design, expanding trade of manufactured products as well as managing its effective implementation. Overall, this is to “create a market driven, regionally and internationally competitive and balanced industrial sector based on the comparative and competitive advantages of the EAC Region”. Based on national level identified priorities, it further identifies six priority sectors with regional comparative advantages, where strategic interventions should support their competitive development (Table A).

Table A: EAC industrialisation priorities in comparison with selected national IP strategies

EAC IP priority sectors	Kenya	Uganda	Rwanda	Tanzania
<i>i) agro-processing</i>		✓	✓	✓
<i>ii) fertilizers and agro-chemicals</i>		✓	✓	
<i>iii) iron-ore and other mineral processing</i>			✓	Iron, steel
<i>iv) pharmaceuticals</i>		✓	✓	✓
<i>v) petrochemicals and gas processing</i>	Oil, gas			✓
<i>vi) energy and biofuels</i>				Coal, edible oil

Source: regional and national industrialisation policies

Table B: National priority sectors with overlapping areas among 4 selected EAC countries

	Kenya ⁹	Tanzania ¹⁰	Rwanda ¹¹	Uganda ¹²
<i>Textiles/apparel/garment</i>	✓	✓	✓	✓
<i>Leather</i>	✓	✓	✓	✓
<i>Construction materials and services</i>	✓	✓	✓	✓
<i>Sugar industry</i>		✓		✓
<i>ICT</i>	✓		✓	✓
<i>Tourism</i>	✓		✓	
<i>Minerals and mining</i>	✓		✓	✓
<i>Food and beverages</i>		✓	dairy	✓ (+ diary)
<i>Others</i>	fisheries, wholesale/ retail, SMEs	automotive industry	building materials, bioplastics, other high-tech	call centres, engineering for capital goods, agricultural implements, fabrication

Source: national industrialisation policies

Comparing both tables it seems legitimate to ask why some priority sectors at the national level (Table B) do not prominently feature in the regional EAC IP despite significant overlaps particularly regarding textiles, leather and construction materials. ICT and minerals/mining have also been declared as national industrial priorities by Kenya, Rwanda and Uganda. Why did these sectors not become a focus area of the regional EAC IP? There is no information on that publicly available, though earlier findings suggest that some of the sectors face internal EAC members' competition and/or are promoted through other regional organisations, such as COMESA, with some EAC member states also belonging to other RECs (Vanheukelom et al., 2016).

The EAC Industrialisation Policy (2012) has been pitched as a regional integration project that has, as such, benefitted from donor funding (EAC, 2012, p. 12). However, it could be argued that it is much more about the promotion of small and medium sized enterprises and manufacturing sectors within individual member states, rather than about regional market development along comparative advantages. While the regional policy framework reflects support for regional industrialisation, there are questions about the national level commitment to implement the IP. The EAC strategy is "premised on the collective commitment of the EAC Partner States to fast track equitable and sustainable development of the region" (EAC, 2012).

The idea was to anchor the industrialisation policy in the individual member states' industrial strategies, "adopting, where appropriate, the strategic sectoral priorities of each of them" (EAC, 2012). Yet this does not reflect the national level and regional industrial policies (see box 1). What it does

⁹ Kenya's Industrial transformation Programme, July 2015.

¹⁰ Tanzania National 5-year Development Plan 2016/17-2020/21.

¹¹ Rwanda National Industrial Policy, [April 2011](#).

¹² Uganda National Industrial Policy, 2008.

reflect, is some harmonisation between the regional policy and strategy formulation with the strategy development of the African Union (AU strategy for the implementation of the 2008 Plan of Action for the Accelerated Industrial Development of Africa) and the EAC-COMESA-SADC Tripartite integration efforts (EABC, 2016).

The EAC Vision 2050 outlines a number of priorities in terms of industrialisation related to the important role industrial sector transformation plays and establishing strong forward and backward linkages with other key sectors such as agriculture and services. Thereby, the Vision document sets out a vision to foster employment creation with *“high prospects for deepening EAC drive to integrate further into the global economy.”* It emphasises economic growth beyond natural resource sectors by diversifying and adding value, particularly through SMEs accounting for 60% of employment creation in the region, thus, moving up the value chains in productive activities.

These regional policies and agreements remain generic. They don't articulate choices between particular priority sectors - and hence winners and losers - nor articulate more horizontal measures to improve the business or investment climate. As such they still have to be translated into operational terms and have to be implemented at national level. The EAC Secretariat acts merely as a focal point. Agenda-setting is highly dependent on the member states. Little detailed information is available on deliberations or bargaining within the Council of Ministers or at Summit level.

This lack of national level ownership is mainly due to internal competition between the *gateway* countries, Tanzania and Kenya, and to security related concerns in most member states, particularly South Sudan¹³ and Burundi but increasingly also Kenya. Cooperation around sectors and issues where there is bilateral or trilateral traction - for example around transport corridors, other transfrontier infrastructure programmes or regulatory measures has sometimes taken off without involvement of the EAC, and has resulted in the press talking about a Coalition of the Willing in one particular instance¹⁴.

Youth employment

The EAC youth policy recognises “that the youth constitute the largest segment of the population in all Partner States, makes them a critical section of society to forge forward the EAC integration agenda” (EAC [Youth Policy](#)). In that light EAC stakeholders further acknowledge the urgent need to particularly focus on youth issues and providing employment opportunities that guarantee an economic and social perspective for young people in East Africa. The *4th EAC Development strategy* (2011/12 – 2015/16) aims at mainstreaming youth issues into EAC policies, programmes and projects. Additionally, the *EAC Strategic Plan for Gender, Youth, Children, Persons with Disability, Social Protection and Community Development 2012-2015* promotes the socio economic and political development of the youth within the EAC (EAC, 2012b). The plan also promotes mainstreaming youth throughout all processes and working procedures of the EAC Secretariat, as well as youth employment and vocational skills training. The EAC adopted its Youth Policy in August 2013.

Yet, there is little that the regional level can contribute in terms of making such strategic plan come alive within member countries. So it has a high degree of idealism that raises the question whether such efforts are merely *signals* in response to donor expectations, in fact within a perspective to attract donor funding.

¹³ Ceasefire Monitors Worry New Rebel Movements Threaten Peace, [12 March 2017 in allAfrica](#).

¹⁴ East Africa Struggles with Resolving Crises, By Mohammed Yusuf, [1 March 2017 in allAfrica](#).

2.3. Expanding agenda and implementation challenges

Industrialisation

Despite a common regional IP strategy, recent developments suggest that the greater push for infrastructure development and potentially for industrialisation plays out at the national level or bilateral level. The recent discovery of 2.17 trillion cubic feet (tcf) of possible natural gas deposits in Tanzania raises “the east African nation's total estimated recoverable natural gas reserves to more than 57 tcf”¹⁵. Such developments will primarily benefit Tanzanian interests, with the region being an afterthought. So engaging in regional projects depends on whether it ultimately serves member states’ interests and who potential political and economic beneficiaries are, who depending on project might prefer opting for national rather than regional endeavours.

To promote and support industrialisation throughout the EAC, the EAC Secretariat aimed at establishing “a center for the development of strategic regional industries/enterprises (...) to administer the scheme and promote targeted investments in the priority sectors” (EAC IP). Further, the Action Plan (2012-2017) is supposed to guide the industrialisation policy implementation by proposing a number of ‘planned interventions’ on the regional level (Eriyo, 2016). There is, however, no public information on the degree of implementation¹⁶. Interviews suggest that very little has been implemented, as at the regional level industrialisation does not have real traction.

Youth employment

The EAC policy documents emphasise the importance of (youth) employment for the region’s continued prosperity and development. Yet a Tanzanian member of the East African Legislative Assembly (EALA) put a caveat and admitted, “the notion that the future of East Africa belonged to the youth has turned out to be an empty rhetoric because the policy makers have failed to lay down strategies on how to tackle a myriad of problems facing them”. Another EALA member from Uganda added that while “regional leaders have always showered praise on the youth ‘often calling them leaders of tomorrow, for tomorrow which never comes’, (and) instead of referring them in such positive titles, they should be assisted with education and skills to make them productive”¹⁷.

2.4. External variable - donors

The EAC largely depends on donor funding, with the member states contributing roughly 30%¹⁸. In December 2016 “outstanding remittances by five member countries in the bloc stood at US\$32.3m out of the combined total of \$41.8m for the financial year 2016/17”; however, donors for the current financial year 2016/17 reduced their budget contribution to 50%. Of this only a small portion goes through the ACP Partnership Fund, “established in 2006 as a basket fund for a number of Development Partners contributing to EAC”. This fund started off with \$645,000 in 2006/07 and increased to \$10m for 2015/16¹⁹. Some have pointed to out that “a reliance on donor financing creates incentives to develop policies which appeal to donor interests, but have limited domestic constituency in the EAC, and thus, are not implemented” (Mathieson, 2016, p. 16). However, this report has not been able to corroborate this general proposition with evince in Industrial Policy or programmes and policies related to youth employment.

¹⁵ Tanzania makes big onshore natural gas discovery - local newspapers, Reuters [article](#) 25 Feb 2016.

¹⁶ EAC [Planned Interventions to achieve Industrialisation Objectives](#).

¹⁷ East Africa: Jobless Youth a Time Bomb - EALA, all Africa [article](#) on 24 Jan 2017.

¹⁸ EAC stifled as donors reduce support over heavy spending, [Article](#) in The Citizen on 3 Dec 2016.

¹⁹ 4th EAC Partnership Fund high-level dialogue held in Dar, EAC [article](#), 25 March 2016.

3. On the political interests of EAC member states

The political and economic incentive environments in the six member countries differ substantially. That context shapes the way ruling groups identify policy priorities in relation to industrial policy and related sectors such as trade, infrastructure development, regulatory reforms that affect the business and investment climate but also in relation to peace and security challenges. Due to the complexities involved in these political economy dynamics, it is difficult to assess how and why member states advance their interests through the EAC and its industrial policy agenda. There is only partial evidence in the literature about which aspects touching in industrialisation - or youth employment for that matter - that ruling coalitions prioritise through the EAC or the areas they identify for bilateral or trilateral cooperation. Hence, some EAC members are interested in certain aspects of the regional agenda that may promote industrialisation directly or indirectly such as infrastructure and transport corridor development.

So in order to understand the country level political traction behind particular regional industrial policies - or other policies that affect regional industrial priorities - one has to analyse national level structural features, external variables, and institutions create the incentive environment within which national ruling elites interact with the productive or business sector and prioritise economic and other policies. Within the scope of this literature study, it was not possible to gather sufficient evidence for identifying the national level traction in all member states, nor behind the key components that affect the regional industrial policies. Still, there are some relevant insights produced by recent research on state-business relations that sheds some light on the national level political traction behind regional policies affecting industrialisation.

This study contrasts the state-business relations in a new member state of the EAC, Rwanda, and in an old member, Tanzania.

Industrialisation

Rwanda's post-genocide political settlement is one whereby the ruling party - the Rwanda Patriotic Front (RPF) - seeks to ensure political incumbency and survival through providing public goods for social and productive ends to a broad constituency (Booth and Golooba-Mutebi, 2011; Kelsall, 2013; Booth and Cammack, 2014). The ruling elite has succeeded in effectively centralising rent management, disciplining the state bureaucracy for the purpose of policy experimentation and public investments, and implementing experiments and policies over a longer-term period as it has imposed restraints competitive politics.

One striking feature of the Rwandan political economy context is the "heavy involvement in business of the ruling party itself, through its holding company, originally called Tri-Star" (later Crystal Ventures), which is fully owned by the RPF. Initially the firm filled a gap in providing services in the immediate post-genocide period, but gradually Tri-Star moved up to play a large part in the state's "centralised management of rents", in a country with a private sector that remains small, despite strong growth figures and improved business climate ranking.

Notwithstanding the relatively small size of the private sector, as Kelsall (2013) indicates, Rwandan firms increasingly target the regional market, while government strategies target regional investors such as Kenyan growers and supermarkets who are now investing in Rwanda. The private sector interests that might oppose the competitive pressure of greater regionalism are too few in number to genuinely block such regional drive. The ruling elite has developed an adherence to developmentalism. Engaging more forcefully with formal regional institutional processes is one pillar of it.

Tanzania is generally considered to be more ambivalent towards regional integration, and is less forthcoming in the implementation of the formal regional integration process. The country faces enormous hurdles in promoting economic transformation and increase incomes and jobs. There is not one sector or industrial cluster that dominates the economy, hence domestic capitalists tend to have weak influence over politicians due to fragmentation. As Whitfield et al. observe (2015), the political settlement in Tanzania is not conducive for the implementation of industrial policy. Despite the fact that one party - the Chama Cha Mapinduzi, CCM - has ruled for fifty years, its hold over power has been fragmented, and continues to fragment since competitive elections began in 1995. This meant that the ruling group needed more financing to ensure that ruling coalitions could continue winning elections. Moreover, given the multiple factions within the ruling and dominant party, the elite's hold on rent management is fragmented (Kelsall, 2013). Still, the ruling elite is broadly successful in disciplining the amount of rents that ministries, departments and agencies can appropriate although it has much less influence over what that money is spent on.

Rice featured high on the country's industrial policy. While on paper the policies looked well-crafted, in reality they were poorly implemented. They consisted of two separate components. The first component to beef up domestic rice production related to regional trade policy, more particularly the EAC measure to a Common External Tariff of 75% on imported rice. This implied a tripling of the Tanzanian tariff on imported rice, which was to be enforced by the Tanzania Revenue Authority. Separately, the government announced a four-fold increase of irrigated land within a five-year horizon²⁰. Both policies were poorly implemented.

Despite the relatively strong administrative capacity of the Tanzanian Revenue Authority, the government did not enforce compliance on the regionally agreed tariffs in the EAC, nor did it stop the smuggling of imported rice. Therkildsen (2011) points to strong political pressures on the ruling elite, as rice is being imported through Zanzibar, the Tanzanian island that is also very dependent on imported (cheap) rice for its food security. Zanzibar is also a politically contested part of the country, where the Tanzanian ruling party risked losing its hegemony in the latter half decade of the 2000s. In other words, Tanzanian authorities for political reasons did not implement the EAC tariff measure to which Tanzania signed up. The fear of the ruling elite for upsetting the well-organised industrial constituencies in Zanzibar was stronger than the fear for the fragmented and unorganised smallholders with an interest in protective measures from imported rice (Whitfield et al., 2015). The second leg of the industrial policy on rice failed largely due to lack of control of the governing party over the local-level bureaucrats and politicians who used the infrastructure investment component basically to win local elections rather than to increase production.

Since 2005, the year of launching the two rice related policies, Tanzania has pursued various industrialisation policies and strategies, incl. the Sustainable Industrial Development Policy for Tanzania (SIDP, 2020) and the Integrated Industrial Development Strategy 2025. Yet they have all lacked sufficient "resource allocation and timely, consistent and effective policy implementation"²¹.

Overlapping REC membership being a member of both EAC and COMESA - and ECCAS having re-joined in 2016²² - further provides a number of challenges for Rwanda, such as greater firm competition, but also opportunities, such as reduced costs to access a much larger market with a combined e.g. EAC-COMESA population of over 450 million and a combined GDP of close to \$500bn. Both requires that effective policies are designed that allow Rwandan businesses to compete within EAC and beyond²³. However, given its low endowment of natural resources - except for

²⁰ It was the Ugandan Government that took a lead within the EAC and managed to push this CET agreement through as it sought to protect the interests of its rice industry.

²¹ Tanzania: Industrial Policy Execution Tanzania's Big Challenge, allAfrica [article](#) on 4 May 2016.

²² Rwanda back to Central Africa bloc, 10 years on, [Article](#) in the EastAfrican on 20 Aug 2016.

²³ Rwanda Industrial Policy.

potential hydroelectric power and natural gas (methane) reserves - and only light manufacturing levels, the limited internal market makes Rwanda face high transport costs to international markets as a landlocked country²⁴. This reduces its overall competitiveness and forces Rwanda to integrate at the regional level, strongly push for trade in services and close infrastructure deals that do allow accessing the ocean's ports, such as the recent railway deal with Tanzania. Because success and reaching deals is more likely through bilateral cooperation, seeking solutions on the regional level seems to be only a second best option.

The Coalition of the Willing and the Unwilling

Dissatisfied with the slow pace of implementation of integration measures, three EAC members - Kenya, Rwanda and Uganda - have pushed for a number of joint integration processes and projects. The media called it the *Coalition of the Willing*. The EAC Secretariat did not play a role. Back in 2013, Tanzania complained for "being sidelined in discussions on future integration by Kenya, Uganda and Rwanda" in relation to their agreement to set up "a new railway that would link them up, but without connecting Tanzania, and on moves to create a single customs area in a series of meetings that excluded Tanzania"²⁵. These accusations were rejected by Uganda by stressing that the three-way talks had not covered matters of integration and said there was no effort to sideline Tanzania.

This is a common way of doing things in the EAC, where bilateral or trilateral arrangements prevail over regional cooperation. In terms of trade, Tanzania also relates to SADC, yet it has also recognised that in terms of wider economic and political integration EAC integrations is more appealing, particularly in terms of business deals with other EAC members - recent examples of the Ugandan oil pipeline and Rwandan railway through Tanzania tend to confirm that.

With the new Tanzanian President Magufuli as of 2015, relations between Rwanda and Tanzania have improved. At the same time Uganda decided "that a US\$4bn oil pipeline would go through Tanzania, scrapping a previous agreement with Kenya" (Cooksey, 2016). Similarly, Rwanda announced in May 2016 that its Dar es Salaam-Isaka-Kigali/Keza-Musongati standard gauge railway (SGR) will go through Tanzania instead of Kenya²⁶. Also around wheat and maize production interests between Kenya, Tanzania and Uganda seem to align (Gasiorek et al., 2016).

But despite the fact that both these decisions were in favour of Tanzania, the latter seems to block at least some of the regional initiatives - particularly the implementation of parts of the Common Market protocol, as well as the current EPA signature process. Tanzania argues that signing it in its current form would jeopardise its industrialisation strategy. Uganda and Burundi have not yet signed the trade deal either²⁷. These negative decisions are associated with the threatening domestic political instability in Kenya, with insecurity around access for the landlocked countries to the Kenya's transit port.

4. Areas with potential traction

The first question that this report tried to address relates to whether the East African Community has a particular traction in the field of driving industrial policy and youth employment. The EAC has managed to develop regional policies relating to industrial policy and encouraging youth employment, but they have not gained any traction in terms of implementation. In fact, while the EAC has been able to demonstrate acceleration in the implementation of trade related regional policies and system

²⁴ [BTI 2016 | Rwanda Country Report](#).

²⁵ Reuters [article](#), 5 November 2013: Tanzania complains of being sidelined in East African bloc.

²⁶ First Uganda opted for Tanzania pipeline, now Rwanda abandons Kenya SGR rail route, picks Dar es Salaam, [Article](#) in Mail and Guardian Africa on 16 May 2016.

²⁷ The [EastAfrican](#): Uganda, Tanzania Leaders to Meet for EPA Talks.

reforms, in infrastructure development and even in the improved mobility of certain categories of people, the EAC industrial policy agenda does not seem to generate added value on the ground, in the member states.

It was also very difficult to find evidence of how the member states engage with the EAC to address regional industrialisation challenges. Little research is available, and interviewees for this report relapsed into presenting what is on paper in terms of agreed policies, rather than on elucidating where the political traction lies for engaging in implementation of parts of the complex agenda. Hence, this report has also focused on insights from the literature on state-business relations and political settlements. By comparing the political settlement and state-business relations in Rwanda and Tanzania, the report was able to point why Rwanda in the pursuit of its developmental agenda is able to discipline key state and private sector actors in a common support of regional cooperation and integration.

Tanzania, by contrast, illustrates that a weak and fragmented ruling group has difficulties in implementing its national level industrial policy of rice. In a competitive electoral environment the weakened ruling elite did not, on the one hand, enforce implementation of a regionally agreed common external tariff on rice imports. And on the other hand, it was not sufficiently equipped to ensure implementation of the infrastructure component of its rice industrialisation policy at the local level. These efforts at implementing industrial policy in Tanzania don't enjoy the support from a sufficiently diverse group of stakeholders to make it work in its two major pillars: regional trade policy and infrastructure development with the accompanying agricultural transformation. This example of a sector-specific industrial policy reveals some of the real-life actors and factors that drive, obstruct or otherwise influence the country level traction behind industrial policy design and implementation at national level. But it also raises further questions as to why and how Tanzania would purposefully and effectively engage with the EAC to develop and further a regional industrial policy. Or put differently how could Tanzania turn the regional industrial policy and action in its favor, the more so as this plays out in a regional context of highly divergent member states interests and influence.

The report has also pointed out that there have been a number of incidents and tensions between various EAC member states, in many cases involving the regional swing state, Kenya. This lowers the levels of trust, and complicates the exercise of finding policy compromises or deal-making.

On the question in what areas or sub-sectors of regional industrial policies there may be more political traction, the answers of the PERIA study of the EAC and some of the elements gathered in this report have pointed to accelerated integration efforts between *coalition(s) of willing EAC members*, but outside the institutional EAC framework. Such efforts often involve bilateral and trilateral arrangements in which aligned interests and incentives allow national level public authorities and private stakeholders to cooperate in finding functional solutions to regulatory or infrastructural challenges, some of which may affect industrialisation directly or indirectly.

On youth employment, rhetoric clearly prevails over action at the regional level, with so far little evidence on where the added value or traction may be situated at contributing to implementation level in member states given the general absence of policy traction on youth employment within these countries.

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