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HELPDESK REQUEST

Jobs and Regional Economic Integration in East Africa

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List of Abbreviations

AfDB	African Development Bank
AECF	Africa Enterprise Challenge Fund
CGE	Computable General Equilibrium
CMP	Common Market Protocol
COMESA	Common Markets for Eastern and Southern Africa
DANIDA	Danish International Development Agency
DWCP	Decent Work Country Programmes
EAC	East African Community
FDI	Foreign Direct Investment
FSDT	Financial Sector Deepening Trust
FTA	Free Trade Area
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNI	Gross National Income
ILO	International Labour Organisation
IMF	International Monetary Fund
KMT	Kenya Market Trust
MAP	Market Assistance Programme
MDAs	Ministries, Departments and Agencies
NESC	National Economic and Social Council
NICS	National Implementation Committees

ODI	Overseas Development Institute
OECD	Organisation for Economic Cooperation and Development
PERI	Political Economy Research Institute
RECs	Regional Economic Communities
RTA	Regional Trade Agreement
SADC	Southern Africa Development Community
STRYDE	Strengthening Rural Youth Development Through Enterprise
TMEA	Trade Mark East Africa
UN	United Nations
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
US	United States
WDR	World Development Report
WTO	World Trade Organisation

1. Executive Summary

The purpose of this paper is to provide a response to two helpdesk queries. The first query asked:

1. What is the link between regional economic integration and job creation in the East African Community (EAC¹)?
2. What is the status of labour mobility in East Africa, and how could it affect job creation?

The second query asked:

1. What actions need to be taken from a regional perspective to support job creation?
2. Is there an obvious plan of action to promote job creation from a regional perspective, or does more work need to be done to develop such a plan?

The first helpdesk query found that there is a gap in the empirical evidence in terms of the link between regional economic integration and job creation in the EAC. Despite a wide body of theoretical literature on the limitations and benefits of Regional Trade Agreements (RTAs²), empirical studies on the effects of RTAs, and evidence on the linkages of regional integration to trade, economic growth and poverty reduction, the associated employment effects are unclear. In a great part this is because the links are complex and indirect. Whilst evidence indicates that regional economic integration does have linkages to employment (and potential job creation) and standard economic theory predicts an increase in comparative advantage and subsequently competition, entrepreneurship and jobs; an increase in employment opportunities is dependent on a variety of other factors and may even decrease as a result of regional economic integration.

The link between labour mobility and job creation in the EAC could not be validated during this query response. Existing literature focuses on the restrictions to labour mobility in the EAC but there is no corresponding quantitative data that examines the linkages between migration (both short and long term) or labour migration and job creation in the EAC. There were gaps in the evidence base regarding movement from rural to urban areas and amongst sectors, empirical evidence on labour flows was outdated and evidence on the type of workers who were able to move between EAC member states was scarce.

The second helpdesk query identified areas which support job creation from a regional perspective. These were; implementation of existing legislation and policy, investment in the transit sector, light industry, education and vocational training, improved enabling environment, research and dissemination on the benefits of regional integration and improved labour market data. Whilst there are strategies in place to address these areas the consensus from Key Informant Interviews (KIIs) and the

¹ The EAC is the regional intergovernmental organisation of the Republics of Burundi, Kenya, Rwanda, the United Republic of Tanzania, and the Republic of Uganda.

² A RTA is an agreement among governments to liberalise trade and possibly to co-ordinate other trade related activities.

supplementary desk review is that there is not an identified and cohesive plan on job creation from an EAC wide perspective. Nevertheless, job creation does feature strongly in donor programming.

An overview of RTAs³ as a subset of trade, the link of trade and RTAs to employment and an introduction to the EAC is provided. The scope of this query is limited to the EAC.

The approach used to answer the above questions were a secondary desk review of data and documentation and KIs with the Department for International Development (DFID), the United Nations Development Programme (UNDP) and the United States Agency for International Development (USAID).

³ A RTA is an agreement among governments to liberalise trade and possibly to co-ordinate other trade related activities.

2. Outline of the Query and Approach

The helpdesk query asks four questions:

3. What is the link between regional economic integration and job creation in the East African Community (EAC)?
4. What is the status of labour mobility in East Africa, and how could it affect job creation?
5. What actions need to be taken from a regional perspective to support job creation?
6. Is there an obvious plan of action to promote job creation from a regional perspective, or does more work need to be done to develop such a plan?

The first of the two questions are broken into four sub-questions⁴:

- a) Wider evidence (from beyond the EAC) that regional economic integration leads to job creation;
- b) Evidence as to why underemployment and unemployment exists in the EAC;
- c) Evidence of the positive and negative role a common market in the EAC will have on job creation and the reduction of underemployment and unemployment; and
- d) Evidence as to how labour mobility affects job creation.

These sub-questions are answered through a secondary review of existing literature, data and other documentation. Please refer to the conclusions and the overall findings (Section 6) that answer these sub-questions directly.

The third and fourth of the main questions are answered through a secondary review of existing literature and Key Informant Interviews (KIIs) with key donors and implementing agencies.

The structure of this help desk response is as follows. Section 2 provides an overview of Regional Trade Agreements (RTAs), the link of trade and RTAs to employment and an introduction to the EAC. Section 3 explores the first of the helpdesk queries: What is the link between regional economic integration and job creation in the EAC? Section 4 explores the second helpdesk query: What is the status of labour mobility in East Africa, and how could it affect job creation? Section 5 responds to helpdesk queries three and four. Section 6 provides an overview of findings.

⁴ This was done at the discretion of the author in order to formulate a clear response.

3. Background and Introduction

Section 2 provides an overview of trade and the link to employment, an overview of RTAs as a subset of trade, and an introduction to the EAC.

3.1 Trade and Employment

Trade can be a powerful engine for economic growth and poverty reduction with the significant role of trade encapsulated by the “Aid for Trade” integral role in donor programming. As summarised by the World Trade Organisation (WTO, 2008)⁵ trade supports growth by enhancing a country’s access to a wider range of goods and services, knowledge and technologies. It stimulates entrepreneurship in the private sector. It attracts private capital, creates jobs and increases foreign exchange earnings. By doing this, it generates resources for development.

Not so obvious, as outlined by the Organisation for Economic Co-operation and Development (OECD, 2012)⁶ are the associated employment effects. A challenge, also highlighted by McMillan and Rodrik (2011)⁷, is ensuring that structural change moves displaced workers into more productive sectors without increasing unemployment.

Evidence on the link between trade and employment is explored in more detail in Section 3.1.1.

3.1.1 Regional Trade Agreements and Employment

A RTA⁸ is an agreement among governments to liberalise trade and possibly to co-ordinate other trade related activities. There are four principal types of RTAs with the coverage and depth of preferential treatment varying from one RTA to another:

- free trade area;
- customs union;
- common market;
- economic union.

As summarised by the Lloyd and MacLaren (2003)⁹ RTAs were viewed as a step towards free global trade, leading to lower trade barriers, at the time of the formation of the General Agreement on Tariffs and Trade (GATT) in 1948. This perception changed when Viner (1950)¹⁰ recognised that the trade induced by a free trade area or a customs union was of two types, which he called trade creation and

⁵ World Trade Organization (2008) ‘The Integrated Framework for Least Developed Countries’. Available at: www.wto.org/english/tratop_e/devel_e/teccop_e/if_e.htm

⁶ OECD (2012), Policy Priorities for International Trade and Jobs, (ed.), D. Lippoldt, e-publication, available at: www.oecd.org/trade/icite. Mina Mashayekhi, Ralf Peters and David Vanzetti. Chapter 13 Regional Integration and Employment Effects in SADC.

⁷ McMillan, M. and D. Rodrik (2011), “Globalization, Structural Change and Productivity Growth”.

⁸ OECD (2001). Regional Trade Agreement. Glossary of Statistical Terms.

⁹ Lloyd and MacLaren (2003). The Case for Free Trade and the Role of RTAs. Seminar on Regionalism and the WTO, Geneva, 14 November 2003. Available at: http://www.wto.int/english/tratop_e/region_e/sem_nov03_e/maclaren_paper_e.pdf

¹⁰ Viner, J. (1950), The Customs Union Issue, Carnegie Endowment, New York

trade diversion. Subsequent papers provided examples where the country to which trade is diverted may gain even when trade diversion occurs.

There is a wide body of theoretical literature on the limitations and benefits of RTAs as well as empirical studies on the effects of RTAs which are outside of the scope of this query response to discuss in depth. However, as clearly summarised by Kritzinger-van Niekerk (2005)¹¹ there are three ‘traditional gains’ from RTAs. There are:

Trade gains: Due to regulation enabling free trade between member states and increased demand for goods and services from member states. The body of evidence shows that there can be both positive and negative effects on trade. Though RTAs are designed to the advantage of signatory countries, expected benefits may be undercut if distortions in resource allocation, as well as trade and investment diversion, potentially present in any RTA process, are not minimised, if not eliminated altogether. An RTA's net economic impact will depend on its own architecture and the choice of its major internal parameters (in particular, the depth of trade liberalisation and sectoral coverage) as well as concurrent policy by RTA parties which can play an important role in defusing potential distortions¹².

Increased returns and increased competition: Through exploitation of economies of scale and through the increased market access due to the RTA. Standard economic theory predicts greater efficient resource allocation and higher growth as a result of the utilisation of existing comparative advantage. In practice trade can increase competition and entrepreneurship in traditional and new sectors (and hence jobs) or, can lead to growth primarily in capital-intensive sectors resulting in jobless growth. The United Nations Development Programme (UNDP, 2011)¹³ explores regional economic integration and its potential impacts on human development, with a focus on Africa. The report finds that whilst regional economic integration will always have an impact on employment, the employment effects, both positive and negative, will not be uniform across geographical areas, sectors or types of workers. Labour may also be displaced through the use of new technologies. The structure of the labour market is subsequently important in determining the impact of regional economic integration on employment.

Investment: By attracting Foreign Direct Investment (FDI), from within that outside the RTA, as a result of market enlargement, production rationalisation (reduced distortion and lower marginal cost of production). As with trade investment has both direct and indirect effects on job creation and there is a divergence of opinion on the exact effect on employment. As highlighted by Baldwin (1995)¹⁴ conclusions about net employment effects of FDI are problematic due to the very different employment effects that could occur as a result of various plausible alternative assumptions about what will happen

¹¹ Lolette Kritzinger-van Niekerk, (2005). Regional Integration: Concepts, Advantages, Disadvantages and Lessons of Experience. World Bank. Available at: <http://siteresources.worldbank.org/EXTAFRREGINIC00/Resources/Kritzinger.pdf> pp 2
¹² WTO (Copyright 2014). Scope of RTAs Available at: http://www.wto.org/english/tratop_e/region_e/scope_rta_e.htm

¹³ UNDP (2011). Regional integration and Human development: a pathway for Africa

¹⁴ Baldwin, R. E. (1995), “The Effects of Trade and Foreign Direct Investment on Employment and Relative Wages”, OECD Jobs Study Working Papers, No. 4, OECD Publishing. Available at: <http://dx.doi.org/10.1787/888157653682> pp 18

in the absence of foreign investment? In addition there will be effects from any agreement on taking forwards regionally beneficial investment such as that in the transit sector.

3.1.2 The EAC

The EAC is the regional intergovernmental organisation of the Republics of Burundi, Kenya, Rwanda, the United Republic of Tanzania, and the Republic of Uganda. The Treaty for Establishment of the EAC was signed on 30 November 1999 and entered into force on 7 July 2000 following its ratification by the original three Partner States – Kenya, Tanzania and Uganda. The Republic of Rwanda and the Republic of Burundi acceded to the EAC Treaty on 18 June 2007 and became full Members of the Community with effect from 1 July 2007¹⁵. It should be noted that a previous, unsuccessful, EAC was established in 1919 and ceased to function in the 1970s¹⁶. Reasons for the collapse include political and ideological differences as well as disparate levels of economic development – Kenya in particular was perceived as benefiting the most from the agglomeration.

As outlined by the African Development Bank (AfDB)¹⁷ the main objective of the Treaty for Establishment of the EAC is to improve the region's competitiveness by achieving deeper economic integration. Steps towards full economic integration include:

- A customs union protocol signed in 2004 and established in 2005 which led to the introduction of a common external tariff and gradual elimination of internal tariffs;
- A Common Market Protocol (CMP) signed in 2010 allowing free movement of goods, persons, labour, services, and capital;
- A Monetary Union protocol signed in 2013 which outlines a ten-year roadmap toward monetary union¹⁸; and,
- The East African Cross Border Payment System launched in 2013 as part of a larger plan by the EAC economies to integrate their money and capital markets¹⁹.

The objectives of the implementation, by the EAC and Partner States, of policies, strategies and programmes targeted improving the region's competitiveness is outlined in the EAC development strategy for 2011/12 – 2015/ 16²⁰. They include the alleviation of the constraints and bottlenecks along a value chain, improved connectivity for ease of the flow of goods and services, adding value to

¹⁵ East African Community (Copyright 2014 East African Community Portal). Available at: http://www.eac.int/index.php?option=com_content&view=article&id=1:welcome-to-eac&catid=34:body-text-area&Itemid=53

¹⁶ UNECA (2006), *Assessing Regional Integration in Africa II: Rationalising Regional Economic Communities* (Addis Ababa: United Nations Economic Commission for Africa).

¹⁷ The African Development Bank (AfDB) Group in East Africa (2012). *Consolidating the Present and Shaping the Future*. Available at: <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Final%20English%20version-The%20AfDB%20in%20EA%20publication%20.pdf> pp139 2012

¹⁸ EAC (2013). *Draft East African Monetary Union Protocol*. EAC Secretariat, Arusha, 23 November 2013. Available at: http://www.eac.int/index.php?option=com_content&view=article&id=1431:draft-east-african-monetary-union-protocol-ready-for-signing-by-the-eac-heads-of-state-on-30-november-2013&catid=146:press-releases&Itemid=194

¹⁹ See Clara Mira (2013). *New Pacts Ease Path toward East African Single Currency*, IMF African Department.

²⁰ EAC (2011). *Development Strategy (2011/12 – 2015/16). Deepening and Accelerating Integration. One People, One Destiny*, pp 61

the regional economy and facilitating a competitive regional economy that attracts investment thus generating economic growth, job creation and poverty alleviation.

The five EAC member states have made commitments to open up and create regional markets in several services sectors and have accepted to remove restrictions on the free movement of workers and on the right of establishment and to pursue mutual recognition of academic and professional qualifications²¹. In spite of this the implementation of the CMP has been sluggish. As stated by the AfDB (2012)²², the EAC Secretariat and member states face major challenges with regard to putting in place the necessary regulations to operationalize and implement the Common Market Protocol. In addition, the overlapping nature of the regional trade agreements in East Africa poses a number of administrative difficulties. Non-tariff barriers continue to hinder the free flow of goods between EAC countries.

The necessity of political support and the effective implementation of policy for regional economic integration in the EAC have a wide body of evidence. This is not discussed here²³.

²¹ Paul Brenton, Nora Dihel, Ian Gillson and Mombert Hoppe (2011). Regional trade agreements in sub-Saharan Africa: Supporting export diversification. Africa Trade Policy Notes (15). Available at:

<http://siteresources.worldbank.org/INTAFRREGTOPTRADE/Resources/15TradePolicyREDESIGN.pdf> pp1

²² AfDB (2012). The African Development Bank Group in East Africa: Consolidating the Present and Shaping the Future. Available at: <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Final%20English%20version-The%20AfDB%20in%20EA%20publication%20.pdf> PP 139

²³ For example see SADC Law Journal, Volume 1, 2011. Regional trade integration strategies under SADC and the EAC: A comparative analysis by Henry Kibet Mutai. And Hartzenberg, Trudi (2011). Regional integration in Africa. WTO Staff Working Paper ERSD-2011-14

4. Regional Economic Integration and Job creation in the EAC

Section 3 explores the first of the helpdesk queries: What is the link between regional economic integration and job creation in the EAC? This question is looked at by exploring the evidence:

1. That regional economic integration leads to job creation (from beyond the EAC);
2. As to why underemployment and unemployment exists in the EAC; and,
3. Of the positive and negative role a common market in the EAC will have on job creation and the reduction of underemployment and unemployment.

These three areas are discussed in sections 3.1, 3.2 and 3.3. A mini conclusion on each area is drawn with overall findings given on the overarching helpdesk query in section 3.4.

4.1 Wider Evidence That Regional Economic Integration Leads To Job Creation

This section explores the evidence on that regional economic integration leads to job creation from beyond the EAC. This is the first of three steps to addressing the first of the two helpdesk queries.

Protocols, search terms and areas searched	
Original Search protocols:	<i>“regional economic integration”; “job creation”; “jobs”; “employment”; “economic integration”; “East Africa”; “EAC”; “labour”; “trade liberalisation”</i>
Additional search terms:	<i>“Kenya”; “Burundi”; “Tanzania”; “Uganda”; “Rwanda”; Southern Africa Development Community (SADC); Common Markets for Eastern and Southern Africa (COMESA)</i>
Areas searched:	Google scholar; Google; World Bank; United Nations (UN); International Labour Organisation (ILO); OECD; International Monetary Fund (IMF)

4.1.1 Evidence on trade and job creation

A recent paper by the OECD, ILO, World Bank, WTO²⁴ summarises that available evidence highlights that trade openness will contribute to growth and employment, provided that it is complemented by appropriate policies. Key findings regarding job creation include:

- That the links between trade liberalisation and employment are complex, as jobs are both created and destroyed as economic development takes place. Complementary policies are often needed to ensure that firms and workers can benefit from the new opportunities generated by the creative side of this process while adjusting to the disruptions caused by its destructive side.
- Workers displaced from declining industries or firms are not necessarily well positioned to move into newly created jobs that may require different qualifications, or they may be located in different regions. This requires a reallocation of resources.
- Employment protection may reduce the ability of firms' to reallocate resources and take advantage of the opportunities offered by new technologies and access to new markets.
- An increasing share of the labour force may provide reasons to view trade as a potential threat to job security.

Empirical links between liberalisation and employment creation however are complex and the body of evidence is conflicting. McMillan and Verduzco (2011)²⁵ fail to find a correlation between trade liberalisation and industrial employment over the period 1980 to 2006, in a dataset including many developing countries. Hoekman and Winters (2007)²⁶ conclude in their literature overview that “the direct effects of trade reform on aggregate employment are muted”. The OECD, ILO, WORLD BANK, WTO paper concludes that the evidence does point towards a positive correlation between trade and employment creation as do several chapters in the OECD 2012 publication²⁷.

There are additional challenges due to the gaps in evidence regarding the impact of trade liberalisation on informal employment and underemployment, a lack of data on the impact of trade liberalisation on net jobs created and limited evidence on economic integration and job creation in the EAC.

24 OECD, ILO, WORLD BANK, WTO (2010). Seizing the Benefits of Trade for Employment and Growth. Final Report Prepared for submission to the G-20 Summit meeting Seoul (Korea), 11-12 November 2010

25 Cited in OECD (2012), Policy Priorities for International Trade and Jobs, (ed.), D. Lippoldt, e-publication, available at: www.oecd.org/trade/icite. Mina Mashayekhi, Ralf Peters and David Vanzetti. Chapter 13 Regional Integration and Employment Effects in SADC.

26 See Hoekman, B. M. and L.A. Winters (2007), “Trade and Employment: Stylized Facts and Research Findings”, in Policy Matters: Economic and Social Policies to Sustain Equitable Development, (eds.) J.A. Ocampo, J. Kwame Sundaram and S. Khan.

27 OECD (2012), Policy Priorities for International Trade and Jobs, (ed.), D. Lippoldt, e-publication, available at: www.oecd.org/trade/icite

Informal Jobs

As highlighted in the World Development Report 2013²⁸ few countries produce regular official statistics on job informality. This lack of data is evident in global repositories such as the ILO's Key Indicators of the Labour Market database. The difficulty of comparing measures of informal employment across countries suggests that data quality and availability remain a constraint for policy making. Much effort goes into measuring unemployment rates, and measuring them often but often unemployment is not a very telling indicator in countries where a large fraction of the labour force is not salaried.

4.1.1 Evidence on increased returns and competition and employment

Standard economic theory predicts greater efficient resource allocation and higher growth as a result of the utilisation of existing comparative advantage. In practice trade can increase competition and entrepreneurship in traditional and new sectors (and hence jobs) or, can lead to growth primarily in capital-intensive sectors resulting in jobless growth. The United Nations Development Programme (UNDP, 2011)²⁹ explores regional economic integration and its potential impacts on human development, with a focus on Africa. The report finds that whilst regional economic integration will always affect employment, the employment effects, both positive and negative, will not be uniform across geographical areas, sectors or types of workers. Labour may also be displaced through the use of new technologies. The structure of the labour market is subsequently important in determining the impact of regional economic integration on employment.

4.1.2 Evidence on investment and employment

As summarised by Draper et al (2011)³⁰ FDI has direct employment effects and also indirect effects, through job creation among suppliers and service providers and through increasing incomes (Lee and Vivarelli, 2004)³¹. The same applies to trade. Such positive employment effects of greenfield FDI have to be compared with the crowding-out of non-competitive domestic firms and with the possible reduction in employment associated with FDI operating through mergers and acquisitions. According to Spiezia (2004)³², FDI is more labour-intensive than domestic investments in only a minority of countries. Moreover, estimates suggest that the impact of FDI on employment is increasing with per

28 World Bank (2012). World Development Report 2013: Jobs. Washington, DC: World Bank. Pp 34-35. The paper additionally outlines how in 2003, the 17th ICLS, through the document "Guidelines Concerning a Statistical Definition of Informal Employment," introduced a definition of informal employment and a series of rules for its measurement. In 2008, the newest version of the United Nation's system of national accounts adopted most of the previous resolutions and recommendations on the measurement of informality. That resulted in a broad definition that includes both the informal sector and informal employment. However, gray areas remain in relation to activities such as farming, independent professionals, and activities among rural workers in general.

29 UNDP (2011). Regional integration and Human development: a pathway for Africa

30 Peter Draper, Catherine Grant, Christian Kingombe and Dirk Willem te Velde (2011). The G20 and African Development. ODI. Available at: <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7088.pdf> pp 6

31 See Lee, E. and Vivarelli, M. (2004) Understanding Globalization, Employment and Poverty Reduction.

32 Spiezia, V. (2004) „Trade, FDI and Employment: Some Empirical Evidence.“ In Lee, E. and Vivarelli, M. (2004) Understanding Globalization, Employment and Poverty Reduction.

capita income of the host country (Santarelli and Figini, 2004)³³. Based on research conducted into the effects of FDI on wages in five East Asian countries and the effects of foreign ownership in five African countries, Te Velde and Morrissey (2002)³⁴ find that, although FDI contributes to growth in developing countries, there is evidence that the benefits are not distributed equally. Foreign firms tend to pay higher wages in developing countries, but skilled workers tend to benefit more than less-skilled workers. This is in part because FDI brings a bundle for technological change, skills and innovation. Te Velde (2004) argues that the effects of FDI on equity and poverty reduction is greatest when complementary domestic policies are put in place, such as promotion of domestic suppliers and domestic skills.

4.1.3 Evidence from other Regional Economic Communities (RECs) in Africa

In order to look beyond the EAC two further RECs were looked at. Both provide further insights into the evidence on regional economic integration and job creation in Africa. This overview is predominantly drawn from publications by AfBD, OECD, and working papers.

Regarding the search into evidence on COMESA, no robust body of evidence was found on COMESA and resulting job creation. Numerous reports by donor and implementing agencies exist citing the need to create jobs and strategies for doing so. However a significant gap exists on how regional economic integration in COMESA has led to effects on job creation. Most studies focus on the effects of RTAs on trade (or FDI) but not on the real economy effects such as growth, investment or employment. Issam (2011)³⁵ concludes that Sudanese jobs were lost in the industrial and agricultural sector due to the intense competition faced by domestic industries from others COMESA countries and China especially in textile sector. As trade barriers were lowered, many small-scale farmers become unable to compete with cheaper imports so left their land and migrated to urban areas.

There is more evidence on SADC. Chapter 13³⁶ in the OECD (2012), Policy Priorities for International Trade and Jobs examines regional integration and employment effects in SADC. The authors assess the impact of actual and potential further liberalisation since 2008 using the Global Trade Analysis Project model and a global Computable General Equilibrium (CGE) model. The modelling is based on input-output tables, derived from national accounts that specify the use of labour, capital, land and intermediate inputs in the production of final goods. The key findings are that:

³³ See Santarelli, E. and Figini, P. (2004) „Does Globalization Reduce Poverty? Some Empirical Evidence for the Developing Countries.“ In Lee, E. and Vivarelli, M. (2004) Understanding Globalization, Employment and Poverty Reduction

³⁴ See Velde, D.W., te and O. Morrissey (2002) 'Foreign Direct Investment, Skills and Wage Inequality in East Asia', presented at DESG annual conference, available from www.odi.org.uk/iedg/FDI_who_gains/FDIWhoGains.html

³⁵ Mohamed, Issam A.W. (2011), The Effects of Trade Liberalization and Partnerships on the Sudanese Economy: Analysis of COMESA. International Trade Journal, Vol. 3, No. 50, March 14, 2011. Available at SSRN: <http://ssrn.com/abstract=1774513> pp 8-9

³⁶ OECD (2012), Policy Priorities for International Trade and Jobs, (ed.), D. Lippoldt, e-publication, available at: www.oecd.org/trade/icite. Mina Mashayekhi, Ralf Peters and David Vanzetti. Chapter 13 Regional Integration and Employment Effects in SADC.

- While trade and tariff data are readily available, there is relatively little information on non-tariff barriers and employment in each sector;
- Trade is beneficial for employment, but the effects are uneven;
- Further regional integration is expected to increase real wages and/or employment, but to varying degrees across countries. Some countries have high tariffs on textiles, some manufactured goods and wood and paper products and would face substantial structural adjustment if these tariffs were eliminated. They state that this is desirable if displaced workers are able to gain employment in more productive sectors, but less desirable if it leads to an extended period of unemployment, or employment in a less productive sector; and,
- Employment effects from the elimination of intra-SADC tariffs are positive but small in all SADC member countries. The CGE results suggest that where high tariffs are removed, substantial changes in production and employment in a specific sector may occur. These changes bring benefits, but will inevitably result in temporary dislocation and some adjustment costs.

4.1.4 Conclusion

Empirical links between regional economic integration and employment are complex and the body of evidence is conflicting. There is a body of evidence that points towards a positive correlation but the resulting employment effects are linked to the ability of workers to move into more productive sectors without an increase in unemployment, the sectors of growth and use of capital intensive technology and the structure of the labour market. There are gaps in the evidence found during this query response on the impact of regional economic integration on informal employment and underemployment. An additional area for further exploration would be the effect on wages as a result of regional economic integration.

The query response found that there is limited literature on the link between regional economic integration and job creation for the COMESA and for the SADC. Most papers highlight trade flows and FDI and the quality of data is variable.

4.2 Underemployment and Unemployment in the EAC

This section explores the evidence on why underemployment and unemployment exists in the EAC. This is the second of three steps to addressing the first of the four helpdesk queries.

Protocols, search terms and areas searched	
Original Search	<i>“unemployment”; “underemployment”; “jobs”; “job creation”; “East African Community”; “East Africa”; “EAC”</i>

protocols:	
Additional search terms:	<i>“Kenya”; “Burundi”; “Tanzania”; “Uganda”; “Rwanda”</i>
Areas searched:	Google scholar; JSTOR; Wiley; World Bank; UN; AfDB; ILO; Overseas Development Institute (ODI)

Booth et al (2007) find that a) the East African economies have large informal sectors that are poorly integrated with the formal economy and large business. And b) that in Kenya, Tanzania and Uganda, policies for market-based development have been improving but too slowly for investment and employment needs to be met. Failure to attract sufficient private capital and expertise into agriculture to transform the livelihoods of the poor majority of the population is a critical challenge for all three countries.

The State of Africa (2013) report finds that a formal wage-paying job is the privilege of a tiny minority of East Africa’s working population (1.6 per cent of Uganda’s youth, 4 per cent of Burundi’s, 5 per cent of Tanzania’s and 6 per cent of Kenya’s working populations are formally employed)³⁷, that the number of jobs being created is not keeping up with increased number of people looking for jobs and that the jobs that do exist are frequently informal and pay below the poverty line.

The World Economic Forum (2010)³⁸ finds that in the EAC the quality of infrastructure, macroeconomic stability, and health and education indicators in the bloc are poor, as is technological readiness. Some of the key factors hampering business in the region include access to financing, corruption, high tax rates, and inadequate supply of infrastructure.

A core area that the regional literature on unemployment and underemployment in the EAC focuses on, although of mixed quality, is youth employment. This reflects the rapid population growth that these countries have seen in recent years with higher youth unemployment to adult unemployment. The African Economic Outlook report of 2012³⁹, which focuses on youth unemployment, highlights the mismatch between the skills demanded by firms and the education acquired by young people. In analysing Kenya, Tanzania, and Uganda, Haji⁴⁰ identifies a range of causes⁴¹ (which are also consistent with other grey literature on the subject⁴²):

³⁷ The State of East Africa (2013). One People, One Destiny? The Future of Inequality in East Africa. Society for International Development pp 20

³⁸ World Economic Forum. 2010. Global Competitiveness Report 2010-2011. Geneva: WEF

³⁹ African Economic Outlook (2012). Promoting Youth Unemployment. Available at: <http://www.oecd.org/inclusive-growth/African%20Economic%20Outlook%202012.pdf>

⁴⁰ The Youth Employment in East Africa: An Integrated Labour Market Perspective, Semboja Haji Hatibu Haji; African Integration Review Volume 1, No. 2, July 2007

⁴¹ It should be noted that the paper is not based on primary research but on a review of the youth employment situation, magnitude and characteristics.

⁴² Proposed by Young People of the EAC during the East Africa Regional Youth Conference on trade and business. August 9 – 11, 2012, Kampala, Uganda.

- Lack of employability and skills despite vast improvements in literacy. It also highlights that training in East Africa is largely unrelated to the labour market.
- Inadequate employment creation resulting from numerous constraints in the business enabling environment.
- A lack of opportunities for young women reflecting discriminatory policies, structural barriers and cultural prejudices.
- A small formal labour market in the EAC.
- Discrimination i.e. negative attitudes towards inexperienced young workers.

However, there is no attempt to examine relative importance of these causes for unemployment and underemployment.

A broader search on the causes of underemployment and unemployment in relation to East Africa yielded little regional-specific literature. There is of course a larger body of literature that analyses unemployment in developing countries and sub Saharan Africa as a whole but these are well summarised elsewhere (most notably with respect to the World Bank's World Development Report (WDR) on Jobs, published last year) and are outside the scope of this study⁴³. The literature found in this search tended not to fully separate causes of unemployment with those of underemployment, beyond highlighting the high rate of low wage, informal work prevalent in these countries. The literature found did not provide definitions of under and unemployment in each instance preventing exact comparability of the terms used.

4.2.1 Country level

There is more literature at an individual EAC country level although most papers highlight that the quality of the data is poor as well as scarce. A full literature review of each country in the EAC was not possible in the scope of this work; therefore this review mainly concentrates on recent World Bank and AfDB publications in this area, which included a special focus on youth unemployment.

Kenya

A literature review published in 2010 by Kenya's National Economic and Social Council (NESC)⁴⁴ identified the following causes behind unemployment/underemployment:

43 E.g. WDR 2013 / Mckinsey Jobs report / African Economic Outlook 2012 / JICA Empowering Young Africans to Live Their Dreams Report

44 Unemployment in Kenya: A Situational Analysis –Anthony Wambugu, Boaz Munga and Eldah Onsomu
A project of the Kenya Institute for Public Policy Research and Analysis in conjunction with the National Economic and Social Council, United Nations Development Program and the Royal Danish Embassy

- Rapid population growth has led to a rise in informal sector employment (as growth in the formal sector could not keep up). In many cases people participating in the informal sector are underemployed given low remuneration. The increase in the youth population has also led to supply outstripping demand, particular in urban areas.
- There is a skills mismatch particularly for school leavers and graduates.
- Information problems in labour markets with an absence of active job placement bureaus and updated labour market information.
- Structural adjustment programmes led to cuts in government spending and public sector downsizing.

The World Bank's economic update in 2012 includes a special focus on jobs in Kenya⁴⁵. The economic update highlighted that unemployment is almost entirely an urban phenomenon, while underemployment is more widespread and more prevalent in rural areas. The overall unemployment rate for Kenyans aged 20-24 (rural and urban combined) is 8.1 percent compared to 13.2 percent for urban residents in the same age bracket. The low wage returns to primary education suggest that the quality of education is limited. However, the World Bank's enterprise survey suggested that other factors (such as access to finance, macroeconomic instability, transportation and electricity) were more binding constraints to enterprise growth. Such demand side constraints were considered more important with firms not hiring workers into modern wage jobs because their businesses are not growing. At the household level, and particular in the rural, informal economy enterprises, three main barriers were cited for why they struggle to grow (and provide employment); harassment by authorities, access to finance, and lack of skills. The same report also identified the challenge of breaking into the job market for young Kenyans from nepotism, tribalism, demands for bribes, and sexual harassment.

An econometric paper from 2013 analysed the gender gaps in unemployment and underemployment in Kenya, using data from the Kenya Integrated Household Budget Survey 2005/06⁴⁶. The decomposition results show 88.8 percent of the predicted gender unemployment gap can be explained by gender differences in age, education and other observable characteristics. The paper also finds that even after controlling for differences in personal and household characteristics, the women were still more likely than men to be unemployed or underemployed. The paper does not fully explore what is explaining such results but shows that in rural areas and those in receipt of non-labour income (e.g. such as household enterprises) gaps are smaller, although adverse shocks to the economy raises them significantly.

Tanzania

⁴⁵World Bank (2012) Kenya Economic Update: Special Focus Jobs
<http://www.worldbank.org/content/dam/Worldbank/document/Africa/Kenya/kenya-economic-update-december-2012-special-focus.pdf>

⁴⁶ Vuluku, G, Anthony Wambugu, and Eliud Moy (2013) Unemployment and underemployment in Kenya: a gender gap analysis , *Economics* 2013; 2(2): 7-16

Youth unemployment is twice the national unemployment (4.7 percent in 2006⁴⁷) rate and disproportionately affects urban youth and young women in particular. The African Economic Outlook for Tanzania suggests that one reason behind higher youth unemployment rates is that first-time job seekers, who are mainly young, face greater difficulty owing to lack of work experience and, often, limited access to job vacancy information⁴⁸. Other reasons that younger workers have higher job turnover rates include a lack of skills and training and a lack of credit facilities for self-employment. At the same time the unemployment rate for those with secondary education and above has been consistently higher than the rate for those with lower levels of education⁴⁹ indicating that there are still inadequate employment opportunities being created with jobs tending not to be high quality, formal sector jobs.

Uganda

A special World Bank report into creating jobs in Uganda, published in 2013, forecasts that Uganda's economic recovery will gain momentum in financial year 2014, achieving a rate of growth of 6.5 percent driven primarily by the services sector (approximately 8.5 percent), including communication and finance⁵⁰. This is important as sectors that are integrated with the rest of the world are not limited by the domestic market. Modern services sectors are characterized by increasing returns when integration with regional and global economies, though the implementation of open trade policies and by increasing the level of competitiveness of strategic sectors, occurs⁵¹.

The paper also finds that Uganda's external position is improving due to an improving trade balance and as Uganda continues to attract private capital inflows. For the first half of financial year 2013, year-on-year data indicated that the current account deficit had shrunk from US\$ 1,080 million to US\$ 942 million. This resulted from an increased volume of exports that was driven by a deeper involvement in regional markets with almost half of the trade expansion involving exports to EAC and COMESA markets. However, the paper does not find evidence that Uganda is currently reaping the full potential in terms of job creation from the opening up of regional markets.

⁴⁷ An Integrated Labour Force Survey was due for completion in 2013 but the results are still pending.

⁴⁸ AfDB, OECD, UNDP, UNECA (2012) Tanzania African Economic Outlook.

⁴⁹ ILO (2010). Decent Work Country Profile – Tanzania (mainland) (Dar es Salaam and Geneva).

⁵⁰ World Bank (2013) Uganda Economic Update: Special Focus Jobs: Key to Prosperity, Second Edition, August 2013, http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2013/09/06/000442464_20130906101029/Rendered/PDF/809520WPOUEU20Jobs00Box0379824B00PUBLICO.pdf

⁵¹ World Bank (2013) Uganda Economic Update: Special Focus Jobs: Key to Prosperity, Second Edition, August 2013, http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2013/09/06/000442464_20130906101029/Rendered/PDF/809520WPOUEU20Jobs00Box0379824B00PUBLICO.pdf Pp 52

Employment surveys also suggest that the majority of jobs are considered to be casual, providing only short periods of irregular employment. Therefore, underemployment is still an issue. There is also a mismatch between the skills of such jobseekers and the demand for their skills by firms⁵².

The Bakeine (2010) study sought to investigate the main challenges, constraints and problems affecting the productivity of household enterprises. The study involved identifying and reviewing available studies and reports about the performance of household enterprises and conducted over 450 interviews with a sample of household enterprises from rural and urban areas. The study found that many people operate in the informal sector where raising productivity suffers from a number of issues including inadequate capital, lack of business and technical skills, and a lack of fixed locations to conduct their business. Inadequate capital is the most frequently cited challenge to productivity by most household enterprises covered by the study⁵³.

Youth unemployment is higher than adult unemployment. The current draft of the National Youth Policy identifies the lack of employable skills, a lack of access to land and capital, and few 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, there are significant shortcomings with respect to unequal access to education and a training system which does not respond to the skill requirements of the job market⁵⁴.

Rwanda

Over 42 percent of the youth are either unemployed or underemployed in subsistence agriculture suggesting structural causes in terms of the composition of the economy⁵⁵. The causes of youth unemployment in Rwanda include skills mismatch, with education provision misaligned with private sector needs, and demand which has not kept up with the number of new job seekers joining the labour market each year (approximately 200,000).

Burundi

Overall there is a general lack of economic development resulting in less jobs being created than the increased numbers entering the labour market. Similar to other East African countries, youth unemployment is higher than the rest of the adult population (three times as much). Factors identified causing this, beyond a lack of formal private employment include; a contraction in the public service as the government seeks to control wages (and therefore will not hire those with little experience); a lack

⁵² World Bank (2013) Uganda Economic Update: Special Focus Jobs: Key to Prosperity, Second Edition, August 2013, http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2013/09/06/000442464_20130906101029/Rendered/PDF/809520WPOUEU20Jobs00Box0379824B00PUBLICO.pdf

⁵³ Bakeine (2010). Uganda Country Study Report: Raising Productivity and Reducing the Risk of Household Enterprises. World Bank, Washington DC pp12

⁵⁴ AfDB, OECD, UNDP, UNECA (2012) Uganda African Economic Outlook.

⁵⁵ AfDB (2011) Rwanda: Country Strategy Paper 2012-2016, Regional Department East A, October 2011

of vocation training; and a lack of enabling environment for entrepreneurship (e.g. a lack of finance and constraining regulations⁵⁶.

4.2.2 Conclusion

There were limited data on why underemployment and unemployment exists in the EAC. This lack of data was highlighted by the EAC Secretariat in the 4th EAC Development Strategy (2011/12 - 2015/16)⁵⁷. The limited literature focused on unemployment and underemployment in the EAC as a group, or with comparative references, is of mixed quality.

Based on the evidence reviewed as part of this study the predominant barriers to job creation are:

- Large informal sectors that are poorly integrated with the formal economy, do not pay a formal (or living wage), and do not seek skilled labour;
- Job creation not keeping up with increases in the working population (in particular the youth population);
- Lack of employability and a lack of, or mismatch of, skills (in particular for youth who face an additional barrier of discrimination);
- Lack of access to finance facilities;
- Inadequate supply of infrastructure; and
- A lack of an enabling environment for market based development.

4.3 The Role of the Common Market in the EAC on Job Creation

This section looks at the evidence around the role of the common market in the EAC on job creation.

Protocols, search terms and areas searched	
Original Search protocols:	<i>“common market”; “CMP”; “customs union” “underemployment”; “unemployment” “jobs”; “job creation”; “East African Community”; “East Africa”; “FTA”</i>
Additional search terms:	n/a
Areas searched:	Google scholar; ODI; World Bank; UN; AfDB; ILO; ODI

⁵⁶ AfDB, OECD, UNDP, UNECA (2012) Burundi African Economic Outlook

⁵⁷ 4th EAC Development Strategy (2011/12 - 2015/16) pp 19

Section 3.2 provided a summary of the evidence why underemployment and unemployment exists in the EAC. In this section an overview as to how the main impediments (summarised in Section 3.2.2) have been realised as a result of regional economic integration in the EAC is provided.

- Large informal sectors that are poorly integrated with the formal economy:** As discussed in Section 3.2 East African economies have large informal sectors that are poorly integrated with the formal economy and large business and formal wage-paying jobs are only held by a minority of the working population. Growth in a labour intensive sector, an expansion in jobs and reduced costs (in terms of payment and time) of setting up a business would all be potential benefits of a RTA. Table 1 focuses on data on regulation and taxes across the EAC member states. Data was compiled using the most recent and oldest data available. Comparative data was available for all member states except Burundi where only the most recent data is shown. The table shows that the days to obtain and operating license have increased in all EAC member states except for Kenya. That the percentage of firms identifying tax administrations as a major constraint have increased in Rwanda and Tanzania and that the percentage of firms identifying business licensing and permits as a major constrain has increased in Tanzania and Uganda over the period 2006-2013. Job creation is discussed below.

Table 1 Regulations and Taxes

Economy	Year	Senior management time spent dealing with the requirements of government regulation (%)	Number of visits or required meetings with tax officials	Days to obtain an operating license	Days to obtain a construction-related permit	Days to obtain an import license	Percent of firms identifying tax rates as a major constraint	Percent of firms identifying tax administration as a major constraint	Percent of firms identifying business licensing and permits as a major constraint
Burundi	2006	5.7	1.8	27.3	82.6	11.8	36.1	22.7	9.9
Kenya	2007	5.1	6.7	23.4	35.1	25.9	58.2	32.0	28.3
Kenya	2013	7.4	1.5	13.8	41.7	15.9	17.8	13.3	18.2
Rwanda	2006	5.9	3.3	6.5	35.9	7.4	44.6	21.6	8.6
Rwanda	2011	5.2	1.8	11.1	58.0	6.2	31.4	29.5	7.7
Tanzania	2006	4.0	2.7	15.9	40.0	20.2	36.7	19.1	18.3
Tanzania	2013	1.9	1.2	19.0	42.1	33.6	41.5	41.6	35.3
Uganda	2006	5.2	2.4	9.3	41.1	16.1	62.6	23.6	14.6
Uganda	2013	6.7	2.8	10.6	19.3	19.5	22.8	18.9	15.4

Source: World Bank (2006 – 2013). Enterprise Surveys

- Job creation not keeping up with increases in the working population (in particular the youth population):** According to research by World Bank (2010)⁵⁸, if the scale economies of the East African Common Market are fully realised, the exports of goods and services would grow from US\$12 to US\$20 billion over the next decade, contributing to a doubling of formal employment

58 Cited in Anton Dobronogov and Thomas Farole (2012). An Economic Integration Zone for the East African Community. Exploiting Regional Potential and Addressing Commitment Challenges. The World Bank. Policy Research Working Paper 5967. Available at: <http://elibrary.worldbank.org/doi/pdf/10.1596/1813-9450-5967> pp 4. Available at: World Bank. 2010. "Special Economic Zones in the EAC: Today's Situation, Tomorrow's Vision, Implications and Next Steps." Presentation to EAC Workshop, June 2010. Arusha, Tanzania.

and Gross National Income (GNI) per capita. However, there is a wide body of quality literature detailing how the effects of economic integration, including a common market, will not be felt evenly throughout the EAC. Collier (2007) finds that regional schemes, whether between rich countries or poor countries, benefit those member countries that have characteristics closest to the global average. In East Africa, Uganda and Tanzania lost market share to local leader Kenya. David Booth et al⁵⁹ find that whilst there is a large literature on the expected revenue, trade and welfare effects of the fully implemented Custom Union the conclusions drawn are largely negative about the developmental benefits. Job creation is not explicitly referred to but increases in interregional trade are found to be the result largely of trade diversion, not trade creation, with the aggregate benefits felt in the most developed economies in the EAC (Kenya and Tanzania).

Table 2 shows that the level of unemployment (as a percentage of the total labour force) has remained relatively stable from 2004-2012.

Table 2 Unemployment, total (percentage of total labour force⁶⁰)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Burundi	8	8	8	7.9	7.9	7.9	7.8	7.7	7.7
Kenya	9.6	9.5	9.5	9.5	9.4	9.4	9.3	9.3	9.2
Rwanda	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Tanzania	2.9	2.5	4.3	2	2.5	2.5	3	3.5	3.5
Uganda	2.5	2	2	2.1	2.9	4.2	4.2	4.2	4.2

Source: The World Bank (Copyright 2014). Data Bank.

- Lack of employability and a lack of, or mismatch of, skills (in particular for youth who face an additional barrier of discrimination):** The State of East Africa (2013)⁶¹ suggests that strong economic growth performance unleashed by regional integration efforts has done little to close the gap between the rich and the poor, and may not even be moving the region in such a direction. The paper lists three major areas that need to be addressed in order to improve the quality of life of East Africans. They are; the changing structure of the regional economy that is essentially devaluing the agricultural sector and pushing many people off the land into its urban spaces in search of better opportunities; the nutritional quality of the food eaten by East African

⁵⁹ David Booth, Diana Cammack, Thomas Kibua, Josaphat Kweka and Nichodemus Rudaheranwa (2007). East African integration: How can it contribute to East African development? Briefing Paper. Available at: <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/126.pdf> pp 3

⁶⁰ Unemployment refers to the share of the labor force that is without work but available for and seeking employment.

⁶¹ The State of East Africa (2013). One People, One Destiny? The Future of Inequality in East Africa. Society for International Development pp 28

children in the first 1,000 days of their lives which has lifelong effects on their brain development and learning abilities; and the quality of the schooling that is provided to East Africa's children. The economic dimensions (competitiveness, value added production, trade and investments) need to be combined with addressing the social dimensions in order to enhance equity-enhancing relative inclusiveness the authors conclude.

Section 3.2.1 provides a review of the evidence on the causes for unemployment and underemployment in the EAC member states.

- **Lack of access to finance facilities:** In principle there could be increased access to credit through the harmonisation of legal frameworks and reforms in the areas of financial supervision and payments. There remain major issues regarding access to financial services in all EAC countries. Issues include the cost of credit, banks collateral requirements, high transaction costs, lack of formal regulated financial institutions in rural areas and a lack of medium and long-term credit providers⁶². As outlined by Sarah Sanya and Matthew Gaertner (2012)⁶³ the expansion of credit to the private sector in the EAC has been impressive over the last decade – in part due to banking sector reforms, measures to liberalize state-controlled banking systems, the restructuring of loss-making institutions, and improved governance. However, access to finance remains a key constraint on growth across the region and the shift towards regional economic integration has not been the catalyst for removing barriers to credit.
- **Inadequate supply of infrastructure:** A RTA could lead to the enhancement of investment in regional infrastructure, such as roads and ports, as well as regulation that supports improved telecommunications, water and power supply. Such access to infrastructure would enable workers to be more productive and would enable firms to access markets more efficiently. Table 3 shows data on infrastructure constraints across the EAC member states. Data was compiled using the most recent and oldest data available. Comparative data was available for all member states except Burundi where only the most recent data is shown. The table shows the percentage of firms identifying transportation as a major constraint from the period 2006-2013 has fallen in Uganda and Kenya, increased in Tanzania and remained almost constant in Rwanda. The percentage of firms identifying electricity as a major constraint from 2006 – 2013 has fallen across all member states. The proportion of products lost to breakage or spoilage during shipping to domestic markets have increased marginally in Kenya, Tanzania and Uganda.

62 Ernst and Young (2009). EAC. Study on the Promotion of Small and Medium Enterprises (SME) in the East Africa Region. Available at: <file:///C:/Personal/jbuckley/Downloads/Consolidated%20Regional%20Report%20-%20Jul%2009.pdf> pp 8

63 Sarah Sanya and Matthew Gaertner (2012). Assessing Bank Competition within the East African Community. IMF Working Paper. African Department. Available at: <https://www.imf.org/external/pubs/ft/wp/2012/wp1232.pdf> pp 3

Table 3 Infrastructure Constraints in EAC Member States

Economy	Year	Number of electrical outages in a typical month	Losses due to electrical outages (% of annual sales)	If there were outages, average losses due to electrical outages (% of annual sales)	Proportion of electricity from a generator (%)	Days to obtain an electrical connection (upon application)	Percent of firms identifying electricity as a major constraint	Number of water insufficiencies in a typical month*	Proportion of products lost to breakage or spoilage during shipping to domestic markets (%)*	Percent of firms identifying transportation as a major constraint
All Countries		5.3	2.4	4.3	6.7	34.0	34.6	1.3	1.2	21.0
Sub-Saharan Africa		8.0	4.6	7.4	12.6	34.8	45.2	2.2	1.8	29.5
Burundi	2006	10.7	9.4	10.7	10.7	24.1	72.3	1.8	0.3	21.1
Kenya	2007	5.8	5.2	6.3	9.6	40.5	27.6	3.1	1.6	30.6
Kenya	2013	6.3	5.6	7.1	7.8	42.4	22.9	2.2	1.9	21.5
Rwanda	2006	9.9	6.2	8.7	17.2	18.2	55.0	7.5	1.5	27.4
Rwanda	2011	4.0	1.0	2.6	3.0	31.4	15.4	0.5...		27.7
Tanzania	2006	9.1	7.3	9.6	16.8	44.3	88.4	6.0	1.8	14.1
Tanzania	2013	9.2	6.1	17.6	7.8	50.8	43.9	2.2	4.1	35.9
Uganda	2006	10.7	9.4	10.2	8.9	33.0	84.2	0.7	1.4	22.2
Uganda	2013	6.3	6.6	11.5	8.4	25.4	27.9	0.7	2.1	16.0

Source: World Bank (2006 – 2013). Enterprise Surveys.

Kessides (2012)⁶⁴ finds that regional integration in the EAC is inhibited by the inadequate and poor regional infrastructure networks that raise cross-border transaction costs. This in turn is due to disparate regional priorities, perceptions about the unequal distribution of the costs and benefits of investment in cross-border infrastructure, lingering concerns about ceding national sovereignty and the need for a resource commitment which necessitates corresponding investment from the private and public sectors.

- **A lack of an enabling environment for market based development:** Dobronogov and Farole (2012)⁶⁵ find that as goods, capital, and labour markets open up in the EAC, economic activity is likely to concentrate increasingly in a few key areas where scale and access to global markets can be best exploited. They highlight the unique geography of the EAC (three of its five member states and 40 percent of its population is landlocked) which is likely to restrict the spread effect of integration, resulting in higher concentration of economic activity. The paper goes on to outline how the challenge, in the EAC context, is to use the regional integration process to facilitate broad access of workers, firms, and finance to the fast growing agglomerations. At the same time there needs to be an opening up more peripheral regions to investment and expertise to enable them to take advantage of opportunities that may be available for producing goods and services within regional value chains.

⁶⁴ Ioannis N. Kessides (2012). Regionalizing Infrastructure for Deepening Market Integration. The Case of East Africa. Policy Research Working Paper 6113. The World Bank Development Research Group. Environment and Energy Team. pp2

⁶⁵ Anton Dobronogov and Thomas Farole (2012). An Economic Integration Zone for the East African Community Exploiting Regional Potential and Addressing Commitment Challenges. Policy Research Working Paper 5967. The World Bank pp4

4.3.1 Conclusion

The evidence does not show that the binding constraints to job creation are a result of a lack of regional economic integration and the evidence does not indicate that regional economic integration in the EAC is resulting in job creation.

The evidence above refers to the uneven impact of economic integration on economic growth, investment, job creation and access to global markets. There are gaps in the evidence on how the distribution of benefits through economic integration in the EAC effect job creation, under and unemployment. In order to further explore the impact of a common market on unemployment and underemployment the next section looks at the limiting factors in the EAC countries on growth and employment.

There is no direct evidence that the EAC common market is leading to an increased number of jobs nor is there evidence that there is a decreased number of jobs.

4.4 Findings Helpdesk Query One

The first helpdesk query asked: What is the link between regional economic integration and job creation in the EAC?

This question was looked at by exploring the evidence:

1. That regional economic integration leads to job creation (from beyond the EAC);
2. As to why underemployment and unemployment exists in the EAC; and,
3. Of the positive and negative role a common market in the EAC will have on job creation and the reduction of underemployment and unemployment.

Extensive literature searches lead to the finding that there is a gap in the empirical evidence in terms of the link between regional economic integration and job creation in the EAC.

There is a large body of evidence on the limitations and benefits of RTAs as well as empirical studies on the effects of RTAs. However, these are not specifically on the EAC and the employment effects are not documented in the literature found as part of this helpdesk request response – in great part this is because the links are complex and indirect. At the overarching level regional economic integration does have a link to job creation but it is difficult to identify literature that looks specifically at the EAC.

5. The Status of Labour Mobility and Job Creation

This section focuses on the second of the helpdesk queries: What is the status of labour mobility in East Africa, and how could it affect job creation? Definitions of key terms are provided below.

Long-term immigrant/long-term emigrant: A person who moves to a country other than that of his or her usual residence for a period of at least a year (12 months), so that the country of destination effectively becomes his or her new country of usual residence. From the perspective of the country of departure the person will be a long-term emigrant and from that of the country of arrival the person will be a long-term immigrant⁶⁶.

Short-term immigrant/short-term emigrant: A person who moves to a country other than that of his or her usual residence for a period of at least 3 months but less than a year (12 months) except in cases where the movement to that country is for purposes of recreation, holiday, visits to friends and relatives, business, medical treatment or religious pilgrimage. For purposes of international migration statistics, the country of usual residence of short-term migrants is considered to be the country of destination during the period they spend in it⁶⁷.

The focus of the query is on labour mobility. This is specifically looking at labour migration within the EAC.

Labour migration is defined as: The “movement of persons from one State to another, or within their own country of residence, for the purpose of employment. Labour migration is addressed by most States in their migration laws. In addition, some States take an active role in regulating outward labour migration and seeking opportunities for their nationals abroad”⁶⁸.

Findings in relation to this query are shown in section 4.1.4.

Protocols, search terms and areas searched	
Original Search protocols:	<i>“labour mobility”; “status of labour mobility”; “barriers to labour mobility”; “freedom of movement for workers”; “labour flows”; “job creation”; “employment”; “migration”; “freedom of movement for workers”</i>
Additional search terms:	<i>“Freedom of movement for workers, goods, services and capital”; “Kenya”; “Burundi”; “Tanzania”; “Uganda”; “Rwanda”</i>

⁶⁶ UN Statistics Division (Copyright 2013). Migration. (paras. 32- 37) Available at: <http://unstats.un.org/unsd/demographic/sconcerns/migration/migrmethods.htm#C>

⁶⁷ UN Statistics Division (Copyright 2013). Migration (paras. 32- 37.). Available at: <http://unstats.un.org/unsd/demographic/sconcerns/migration/migrmethods.htm#C>

⁶⁸ IOM (2011), Glossary on Migration, International Migration Law Series No. 25, 2011. Available at: <http://www.iom.int/cms/en/sites/iom/home/about-migration/key-migration-terms-1.html#Labour-migration>

Areas searched:	Google scholar; ODI; International Organisation for Migration (IOM); World Bank; UN; AfDB; ILO; IMF
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5.1.1 EAC legislation on the free movement of labour

Article 10 of the EAC (2009) Protocol on the Establishment of the EAC Common Market refers to the free movement of workers. The protocol sets out the non-discrimination of workers of the other Partner States, based on their nationalities, in relation to employment, remuneration and other conditions of work and employment. The free movement of workers shall entitle a worker to:

- (a) Apply for employment and accept offers of employment actually made;
- (b) Move freely within the territories of the Partner States for the purpose of employment;
- (c) Conclude contracts and take up employment in accordance with the contracts, national laws and administrative actions, without any discrimination;
- (d) Stay in the territory of a Partner State for the purpose of employment in accordance with the national laws and administrative procedures governing the employment of workers of that Partner State;
- (e) Enjoy the freedom of association and collective bargaining for better working conditions in accordance with the national laws of the host Partner State; and
- (f) Enjoy the rights and benefits of social security as accorded to the workers of the host Partner State.

Article 11 goes onto set out the harmonisation and mutual recognition of academic and professional qualifications and Article 12 is on the harmonisation of labour policies, laws and programmes.

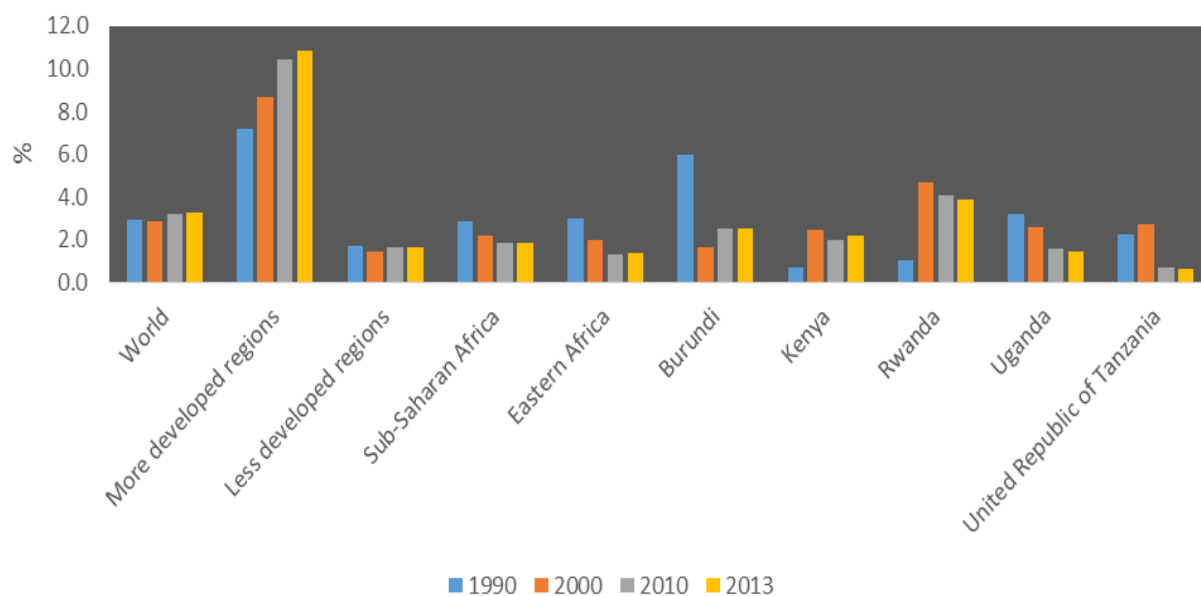
Annex II⁶⁹ provides detail on the regulations regarding the free movement of workers in the EAC with the purpose of implementing the provisions of Article 10 of the Protocol and to ensure that there is uniformity among the Partner States in the implementation of the Article and that to the extent possible, the process is transparent, accountable, fair, predictable and consistent with the provisions of the Protocol.

5.1.2 Status of Labour Mobility in EAC

Figure 1 shows international migrant stock as a percentage of the total population (both sexes) for all EAC Countries from 1990-2013. Migrant stock is significantly lower in Eastern Africa relative to the percentage of international migrant stock to the total population in the more developed regions of the world. Within the EAC Rwanda has the highest level of international migrant stock as a percentage of the total population, followed by Burundi and Kenya. However, there is no information provided on whether the migration was short or long term or, if it was for the purpose of employment.

⁶⁹ EAC (2009). The EAC Common Market (Free Movement of Workers) Regulations. Annex II

Figure 1 International migrant stock as a percentage of the total population (both sexes)



⁷⁰ Source: UN Population Division.

Table 4⁷¹ shows migration within the EAC member states for the period 1990 and 2000. However these data do not provide insights on the motivation for migration and subsequently does not provide information on whether labour flows increased or diminished as a result of job opportunity. In addition, not all migration is a labour flow. Data on long-term immigrants, short-term immigrants and the proportion of those who migrate with the purpose of finding employment (labour migration), within the EAC region, was not found from secondary information during the course of this query response. In contrast there is a much greater wealth of data on these areas for OECD countries.

Table 4 Migration with the EAC (1990, 2000)

Country Origin	Country Destination	1990	2000
Burundi	Kenya	1,226	3,973
Burundi	Rwanda	28,865	34,616
Burundi	Tanzania	75,731	72,272
Burundi	Uganda	46,808	16,370
Kenya	Burundi	652	523

⁷⁰ Source: UN Population Division. Department of Economic and Social Affairs, International Migration. Total international migrant stock. Available at: <http://esa.un.org/unmigration/TIMSA2013/migrantstocks2013.htm?mtotals>

⁷¹ Extracted from the World Bank (copyright 2014). World Data Bank. Global Bilateral Migration.

Kenya	Rwanda	1,088	352
Kenya	Tanzania	32,871	31,182
Kenya	Uganda	30,995	43,186
Tanzania	Burundi	8,339	6,689
Tanzania	Kenya	37,313	61,151
Tanzania	Rwanda	1,703	4,667
Tanzania	Uganda	31,442	25,928
Uganda	Burundi	878	704
Uganda	Kenya	46,795	351,083
Uganda	Rwanda	1,398	16,028
Uganda	Tanzania	20,740	11,641
Rwanda	Burundi	36,354	29,159
Rwanda	Kenya	1,431	4,634
Rwanda	Tanzania	50,521	19,608
Rwanda	Uganda	141,288	65,400

Source: Extracted from the World Bank (Last updated 2011). World Data Bank. Global Bilateral Migration.

The findings from the literature that did exist on the status of labour mobility in the EAC were complementary. The evidence highlights labour mobility is currently restricted due to a) inconsistencies in the implementation of the CMP and the lack of harmonisation of national labour laws. For example see Basnett (2013)⁷². And b) the reluctance of EAC member states to implement policies that result in an increased number of workers seeking employment opportunities which are in turn limited.

In terms of information on current labour mobility, the IMF (2012)⁷³ has stated that labour mobility is limited within the EAC and that once a monetary zone is established this will result in the impact of

⁷² Basnett, Y. (2013), Labour Mobility in East Africa: An Analysis of the East African Community's Common Market and the Free Movement of Workers. Development Policy Review, 31: 131-148. doi: 10.1111/dpr.12000

⁷³ The IMF (2012). The East African Community after 10 Years – Deepening Integration. Edited by Hamid R. Davoodi Available at: <http://www.imf.org/external/np/afr/2012/121712.pdf> pp 73

country-specific shocks being protracted and painful. The International Organisation for Migration (2013)⁷⁴ finds that the EAC CMP requires workers originating from and moving within the partner States to be granted permits prior to being employed, and citizens of the EAC are extended little exclusive privileges for entry and stay. In addition, the definition of “workers” is limited to highly skilled professionals, while the provisions for mutual recognition of professional qualifications and experiences are not sufficiently outlined. The World Bank (2011)⁷⁵ states that EAC regulatory activities are top down rather than market orientated and do not meet the needs of the common market. This is exacerbated by the lack of quality and transparency of the rules, their implementation, and to the capacities of the regional regulatory system to perform according to international standards of good regulatory practice.

An assessment of the implementation of the EAC CMP Commitments on the free movement of workers in EAC, on 17th May 2013⁷⁶ highlighted that some countries have taken an initiative towards the facilitation of labour mobility in the region (e.g. Rwanda and Kenya do not charge fees on work/residence permits for East African citizens; Rwanda introduced Machine Readable National IDs to be used as alternate to travel documents to ease the free movement of people; Kenya is in the process of changing its National Identity Cards to Machine Readable ones). The report also highlighted the challenges to free movement of labour including; differing employment laws and policies, diverse immigration laws at Partner State level; non-portability of social security and retirement benefits within EAC; non usage of machine readable common travel documents across the region as provided by the Protocol. This is relevant the Chief Executive Officers of major companies in the EAC highlighted the free movement of labour provisions (along with the removal of non-tariff barriers to trade, easing of work permit requirements) as an area that needed to be addressed, as a priority, in order to reduce the cost of doing business and increase FDI⁷⁷.

5.1.3 Linkages to Job Creation

Varma (2009)⁷⁸ finds that whilst members of the EAC have free entry in member states, increasing labour mobility is underpinned by a gradual approach in the light of the limited employment opportunities to local workers and security concerns. Lameck (2013)⁷⁹ finds that endemic unemployment across the regional partner states has created fear in the actualization of free movement of workers. Both of these papers highlight that labour mobility is being curtailed due to a

⁷⁴ International Organisation for Migration (2013). Migration and the UNs Post-2015 Development Agenda. Chapter 1 Labour migration in the post-2015 development agenda. Paula Lucci and Pedro Martins pp38

⁷⁵ World Bank (2011). Regulatory Capacity Review. EAC. Available at: <https://www.wbginvestmentclimate.org/uploads/EAC%20Regulatory%20Capacity%20Review%20Published.pdf>

⁷⁶ East African Business Council (2013). EABC-EAEO launch the Study Report on Mobility of labour in the EAC

⁷⁷ Amb. Dr. Richard Sezibera, secretary General of the East African Community (2013). Speech: EAC Secretary General at the 11th Extraordinary Summit.

⁷⁸ Sabrina Varma (2009). Facilitating Temporary Labour Mobility in African Least-Developed Countries: Addressing Mode 4 Supply Side Constraints. International Centre for Trade and Sustainable Development. Issue Paper No. 10 Available at http://saso.sadc.int/files/9213/2635/0616/Facilitating_Temporary_Mobility_Supply_for_African_LDCs_2009 ICTSD_Study.pdf pp31

⁷⁹ Matilda Lameck (2013). Realizing the Right to Work under the East African Community: Opportunities and Challenges. Open University Law Journal, 2013, Vol. 4, No. 2:37-50 pp 47 and 49

lack of jobs in the EAC. This is mirrored by the findings of Akinboade (2014)⁸⁰ who reviews the current situation of protocols, decisions and policies on temporary labour immigration within Africa's RECs and identifies implementation challenges. The paper finds that high unemployment and low economic growth at the national level ties into reluctance, at the policy level, to implement policies that increase the flow of unskilled labour from neighbouring countries.

At the same time, CUTS Geneva Resource Centre (2010)⁸¹, highlight that those areas in the region that have booming economies attract migration flows. The paper goes on to list Kenya as an important pole of attraction for migration flows before going on to highlight the gradual shift of migration flows towards Tanzania which has become the destination of incoming FDI alongside a local workforce that lacks the skills required to take advantages of these opportunities.

Studies on the impact of labour flows on job creation at the sector and Micro, Small and Medium Enterprise (MSME) level within the EAC are limited. Masheti Masinjila (2009)⁸² found that regional trade policy initiatives in the EAC were not having any significant impact on cross border informal trade by women in the area of the study. The women interviewed expressed scepticism at the ability of regional trade policy initiatives to assist them, giving fear of taxation as a primary concern.

5.1.4 Conclusion

There is limited data on labour migration within the EAC and how migration is impacting on job creation. The literature focuses on the restrictions to labour mobility in the EAC but there is no corresponding quantitative data that examines the linkages between migration (both short and long term) or labour migration and job creation in the EAC. This inhibits the ability of this helpdesk query response to provide a full answer to the query "What is the status of labour mobility in East Africa, and how could it affect job creation?"

Within the literature that does exist there are gaps. Much of the work on the EAC was written prior to 2010. This limits the assessment of the implementation of policies supporting labour mobility within the EAC after 2010 and the resulting impact on labour flows. The query response did not find a distinction between job creation in the formal and informal sector as a result of international labour migration. In addition there were gaps in the evidence base regarding movement from rural to urban areas and amongst sectors. Evidence on the type of workers who were able to move between EAC member states were also scarce as were studies on the disaggregated effects on males and females.

⁸⁰ Oludele Akinloye Akinboade (2014). A Review of the Status, Challenges and Innovations Regarding Temporary Immigration of Labour in the Regional Economic Areas of Africa. *Journal of International Migration and Integration*. February 2014, Volume 15, Issue 1, pp 27-47

⁸¹ CUTS Geneva Resource Centre (2010). *Source Integrating Migration with Development in EAC Policy Challenges and Recommendations* pp1

⁸² Masheti Masinjila (2009). *Gender Dimensions of Cross Border Trade in the East African Community - Kenya/Uganda and Rwanda Burundi Border*. African Trade Policy Centre. No 78. Economic Commission for Africa. Available at: <http://www.uneca.org/sites/default/files/publications/78.pdf>

Documentation on the employment effects of labour flows in the EAC is limited to references to the limited employment opportunities in the region and the fear from some member states that labour flows will result in increased pressure on a scare number of jobs.

6. Supporting Job Creation from a Regional Perspective

This section focuses on the third and fourth of the helpdesk queries:

- What actions need to be taken from a regional perspective to support job creation?
- Is there an obvious plan of action to promote job creation from a regional perspective, or does more work need to be done to develop such a plan?

Findings in relation to these two queries are shown in section 5.1.7.

Protocols, search terms and areas searched	
Original Search protocols:	<i>“jobs”; “job creation”; “employment”; “employment creation”; “labour”; “informal jobs”; “EAC”; “decent work”.</i>
Additional search terms:	<i>“Job creation programmes”; “Employment Programmes in the EAC”.</i>
Areas searched:	Google scholar; ODI; World Bank; UNDP; ILO, DFID, USAID, AgDevCo, Trade Mark East Africa (TMEA)

6.1.1 Key Informant Interviews

Both of the responses to queries three and four draw on the responses from KIIs. Requests for an interview were sent to the following organisations:

- DFID
- ILO
- UNDP
- USAID
- The World Bank

Of the above KIIs were held by telephone with DFID (two persons), UNDP (one person), and USAID (three persons). The interviews covered the following questions:

1. Do you work on job creation initiatives directly or indirectly?
2. Are the above Country specific programmes or do they cross across multiple countries? If so where?

3. Do job creation initiatives (direct or indirect) have a regional dimension? If there isn't a regional dimension what are the reasons for this/was it considered in the design phase?
4. How important are regional issues when looking at job creation?
5. Are you looking to expand your work in this area (job creation)? If so in what way and over what timeline?
6. (If No to Q1) are you interested in developing the work of your organisation in this area?
7. Do you coordinate with other stakeholders working on job creation initiatives in EAC countries?
8. From a regional perspective, what actions, policies or activities need to be taken to support job creation?
9. Is there an obvious plan/ pathway to promote job creation from a regional perspective at present?

6.1.2 Interventions: Past, Present and Future

The research looked at supported interventions in the EAC creation, through interviews and a desk review. The criteria for inclusion were projects self-assessed by KIIs as relating to regional job creation within the EAC region. Below we offer a brief overview of interventions with information on budget, implementers and timescale where available.

Current and past programmes mentioned by KIIs:

- **TMEA** is funded by a range of development agencies with the aim of growing prosperity in East Africa through trade⁸³. TMEA covers all EAC countries plus South Sudan. TMEA has a regional dimension and is focused on the promotion of trade in East Africa and regional economic integration. TMEA works closely with EAC institutions, national governments, the private sector and civil society organisations to increase trade by unlocking economic potential through: Increased market access; Enhanced trade environment; and, increased product competitiveness. TMEA has its headquarters in Nairobi with branches in Arusha, Bujumbura, Dar es Salaam, Juba, Kampala and Kigali.

⁸³ Key TMEA Donors include the Danish International Development Agency (DANIDA), DFID and USAID.

Overview of TMEA Projects⁸⁴

Projects:	<ul style="list-style-type: none"> • Implementation of the Customs Union • Development of one-stop border post OSBP legislation and procedures, together with harmonised customs and immigration management processes and training • Implementation of a single customs territory • Finalisation on the negotiation of the tripartite free trade agreement • Development and implementation of business environment reform legislation, policies and procedures, particularly related to private-public partnerships, competition and tax harmonisation
Priority Private Sector Led Projects :	<ul style="list-style-type: none"> • Supporting initiatives aimed at strengthening East Africa Business Council's institutional and advocacy capacity to enhance private sector engagement in regional integration • Supporting evidence based advocacy initiatives on the harmonisation of domestic tax in the EAC region • harmonisation of product standards & regulations in the EAC • supporting initiatives aimed at marketing and advocating for increased tourism in the EAC • supporting advocacy initiatives for the adoption of mutual recognition agreements for professional services such as accountants, architects, engineers and lawyers
TradeMark East Africa Economic Corridors projects:	<ul style="list-style-type: none"> • One-Stop Border Posts • Effective Management of EAC Corridors • Improved Availability and Quality of Freight Logistics • EAC Regional Rules of Origin • Regional harmonisation of product standards and greater coordination and collaboration among the national Bureaux of standards and associated entities
Priority Civil Society	<ul style="list-style-type: none"> • Empowerment of informal cross border women traders to fully engage in

⁸⁴ Adapted from the TMEA Website. Available at: <http://www.trademarkea.com/about-us/our-organisation/>

Led Projects	<p>regional trade</p> <ul style="list-style-type: none"> • Development of frameworks for the effective engagement of EAC youth in the regional integration process • Supporting advocacy on good governance and accountability issues in the EAC regional integration process • Increased evidence base for informed public and private dialogue on the EAC Regional integration process through publications such as the annual State of East Africa annual which is supported in collaboration with Society for International Development (SID) East Africa
TMEA Challenge Fund	<ul style="list-style-type: none"> • A challenge fund aimed at promoting cross-border trade in East Africa. It will invest in innovative projects that can boost regional trade in the EAC and the regions ability to trade with the rest of the world
Logistics Innovation for Trade Fund	<ul style="list-style-type: none"> • A fund that seeks to enhance efficiency in the logistics and transport industry in East Africa through innovation

- **Kenya Market Trust (KMT)⁸⁵:** KMT has been implementing the multi-donor programme; Market Assistance Programme (MAP). MAP is a programme that seeks to strengthen the performance of key agricultural and basic service markets in Kenya so that they can function better and improve the lives of those participating in them whether as producers, employees or consumers. Presently, the programme is promoting sustainable markets in the dairy, WASH, media livestock, supply chain, agricultural inputs and seed sectors. MAP is funded by DFID, the Embassy of the Kingdom of Netherlands and Gatsby Charitable Foundation. Output one (contribute towards the creation of 100,000 new jobs in the form of job equivalents and off farm jobs) has a focus on job creation but not on regional economic development.
- **The Joint Programme on Gender Equality and Women’s Empowerment in Kenya⁸⁶** ran from 2009-2013. The joint programme (totalling USD \$ 56,546,373) brought together 14 UN organisations under one programmatic framework in Kenya. Strategic Priority Area 4 was economic empowerment. Under this objective the programme targeted public and private sector institutions, women's organisations, groups and networks ensuring increased women’s access to economic opportunities⁸⁶. The final annual review found through the activities of the Joint Programme more women are now able to document an increase in incomes as a result of their strengthened capacity to undertake viable businesses. Women’s cooperatives supported by the

⁸⁵KMT (2013). MAP. Available at: <http://www.kenyamarkets.org/what-we-do/the-market-assistance-programme>

⁸⁶ UN (2010). Joint Programme Factsheet. Available at: <http://mptf.undp.org/factsheet/fund/JKE10>

Joint Programme have registered growth in incomes, improved management and gained access to wider markets for their products⁸⁷.

- **The UN Development Assistance Framework for Kenya for 2014-2018** continues the above programme's focus on economic empowerment with a commitment to a development process led and driven by an inclusive, healthy, highly skilled and motivated human capital and an industrialising economy in which growth is inclusive and trade is regionally integrated and private sector-driven⁸⁸,
- **The USAID East Africa Trade Hub** ran from 2009 – February 2014 with funding of USD \$78 million. The East Africa Trade Hub works with regional public and private sector partners to develop systems and policies that improve competitive regional and international trade and food security in East Africa. Activity areas include streamlining transit and cross-border trade, improving trade policy, and supporting structured trading systems. Countries of focus were: Kenya, Rwanda, Tanzania, Uganda, Burundi, Ethiopia and Mauritius⁸⁹
- **Yes Youth Can** started in 2011. The programme runs until 2014 with a USD 55 million budget⁹⁰ and is funded by USAID. The programme created a network of youth in 27 counties made up of around 22,000 villages. Youth members elect leaders who represent them during county and national level forums. The aim of the programme is to develop peaceful leaders among 18-35 year-olds, with the complementary objective of improving their socioeconomic status. Job creation is allegedly one of the key areas of conversation within the network⁹¹.
- **Trade Africa** is a partnership between the United States and sub-Saharan Africa to increase internal and regional trade within Africa, and expand trade and economic ties among Africa, the United States, and other global markets. The initiative focuses on the member states of the EAC. In its initial phase, Trade Africa aims to double intra-regional trade in the EAC, increase EAC exports to the United States by 40 percent, reduce by 15 percent the average time needed to import or export a container from the ports of Mombasa or Dar es Salaam to land-locked Burundi and Rwanda in the EAC's interior, and decrease by 3 percent the average time a truck takes to transit selected borders⁹².
- **AgDevCo** has received GBP £50 million from DFID in support of the creation of commercially sustainable agriculture and agribusiness ventures and support of emergent commercial and

⁸⁷ Consolidated Annual Report on Activities Implemented under the "UN Joint Programme on Gender Equality and Women's Empowerment" in Kenya. Report of the Administrative Agent. For the period 1 January - 31 December 2013. Pp 5

⁸⁸ UN (2014). UN Development Assistance Framework for Kenya. Available at: <http://www.undg.org/docs/13463/UNDAF-Kenya-2014-2018.pdf>. Pp 2

⁸⁹ USAID (2013). East Africa Trade Hub. Available at: http://www.competeafrica.org/Files/EA_Trade_Hub_Fact_Sheet_December_2013_Trade_Africa.pdf

⁹⁰ USAID (2012). Yes Youth Can Fact Sheet. Available at: http://www.usaid.gov/sites/default/files/documents/1860/National%20YYC%20FACT%20SHEET_Jul%202013.pdf

⁹¹ Based on KII with USAID (2014).

⁹² USAID (Last Updated February 2014). Trade Africa.

small scale farmers to increase productivity and incomes⁹³. AgDevCo currently operates with locally managed subsidiaries in five countries in sub-Saharan Africa (Mozambique, Ghana, Zambia, Malawi and Tanzania). In these countries, AgDevCo aims to reduce rural poverty directly and indirectly by raising agricultural productivity and incomes and creating employment opportunities for rural communities⁹⁴.

- **Financial Sector Deepening Trust (FSDT)** has a mission to generate sustainable improvements in the livelihoods of poor households through reduced vulnerability to shocks increased incomes and employment achieved through providing greater access to financial services for more men, women and enterprises. The vision of the FSDT is to achieve improved capacity and sustainability of the financial sector in Tanzania, to meet the needs of SMEs, poor men and women consequently contribute to economic growth. Donor partners include DFID, DANIDA and Foreign Affairs, Trade and Development Canada⁹⁵.
- **Strengthening Rural Youth Development through Enterprise (STRYDE)** began in August 2011 and is a four year programme designed to provide youth employment training and job placement through a package of services including training and mentoring. The programme aims to equip 15,000 rural youth by 2015 with the skills and knowledge necessary to capitalize on economic opportunities and increase their incomes. As a result, the programme plans to indirectly benefit more than 67,000 family members⁹⁶. The programme is operational in Kenya, Rwanda and Uganda, has a budget of USD \$11.5 million, and is the result of a partnership between TechnoServe and The MasterCard Foundation⁹⁷.
- **Decent Work Country Programmes (DWCPs)** have been established as the main vehicle for delivery of ILO support to countries. The objectives are to promote decent work within national development strategies and to use ILO knowledge, instruments, advocacy and cooperation at the service of tripartite constituents in a results-based framework to advance the Decent Work Agenda. DWCPs exist in English for five of the EAC partner states⁹⁸.

The three priority areas for Kenya's DWCP are to enhance social protection through policies and actions that promote social assistance, social security and health insurance, promote employment creation and employability and strengthen industrial relations promotion of employment⁹⁹. The three priority areas for Uganda's DWCP are to improve labour administration and adherence to fundamental rights and labour standards, promote youth employment and

⁹³ DFID (2013). Press Release. Greening: Five million to benefit from impact investment. Available at: <https://www.gov.uk/government/news/greening-five-million-to-benefit-from-impact-investment>

⁹⁴ AgDevCo (2014). About Us. Available at: http://www.agdevco.com/about_us.php

⁹⁵ FSDT (2013). About FSDT. Available at: <http://www.fsd.tz/about-fsd/about/>

⁹⁶ TechnoServe (2014). Strengthening Rural Youth Development through Enterprise. Available at: <http://www.technoserve.org/our-work/projects/stryde#sthash.deAecd0t.dpuf>

⁹⁷ TechnoServe (2014). Strengthening Rural Youth Development through Enterprise. Available at: <http://www.technoserve.org/our-work/projects/stryde#sthash.deAecd0t.dpuf>

⁹⁸ ILO (2012). DWCPs. Available at: <http://www.ilo.org/public/english/bureau/program/dwcp/index.htm>

⁹⁹ ILO (2012) Kenya Decent Work Country Programme. 2013-2016. Available at: <http://www.ilo.org/public/english/bureau/program/dwcp/download/kenya.pdf> pp 16.

improve social protection for formal and informal sector workers¹⁰⁰. The three priority areas for Tanzania's DWCP are to extend social protection coverage for all, promote the creation of productive employment and improved compliance with labour standards and rights at work¹⁰¹.

Looking Forwards:

- **MSINGI** is envisaged to be a new institution aiming to alleviate poverty by increasing jobs and incomes through the development of competitive sectors in East Africa. Post-harvest value addition related to agriculture, and agro-industrial activities, are likely to be the initial focus (examples of potential sectors include oilseeds, agricultural machinery, honey, silk, spices, nuts, aquaculture, bovine meat, processed fruit/juice, pharmaceuticals and animal feeds). This programme is based on a theory of change which links carefully targeted interventions to improve the growth and competitiveness of industries with increased employment and incomes. The expected impact of this intervention is to generate increased jobs and incomes in the private sector in East Africa, thereby stimulating economic growth and poverty reduction. Key outcomes will be growing and competitive industries and firms. Outputs will include: direct investment in firms in the selected sectors by Msingi and others; transfer of technology; international partnerships or joint ventures in place; and introduction of supportive policies¹⁰².

It is expected that Msingi will be co-funded (on a 50:50 basis) with Gatsby Charitable Foundation and DFID with the UK potentially providing up to £15 million over 5 years¹⁰³. Though likely to be headquartered in Nairobi, Msingi will have a regional scope. The Business Case is expected to be completed by the end of 2014.

- **Trade and Investment Hub.** Currently under tender the trade and investment hub is a five year USAID initiative with three focus areas (exports, inter-regional trade in staple food (primarily and regionally harmonised policies). USAID is seeking to spur transformational economic growth in East Africa, including through trade and investment, by promoting regional integration and trade; expanding African capacity to effectively access and benefit from global markets; and encouraging U.S. companies to trade with and invest in Africa, excluding oil and extractive industries. The success of the trade and investment hub will result in increased intra-regional and international trade resulting in economic growth that contributes to poverty reduction, strengthens the region's resilience, and reinforces regional integration¹⁰⁴.

¹⁰⁰ ILO (2012). Uganda Decent Work Country Programme. 2013- 2017.

¹⁰¹ ILO (2012) Tanzania Decent Work Country Programme 2013-2016

¹⁰² DFID (2014). DFID Business Proposition. "MSINGI" – Developing Competitive Industries in East Africa. Draft 17.04.2014. pp 6

¹⁰³ DFID (2014). DFID Business Proposition. "MSINGI" – Developing Competitive Industries in East Africa. Draft 17.04.2014. pp 1

¹⁰⁴ USAID (2014). Request for Proposal. Solicitation # SOL-623-14-000009. Available at: file:///C:/Personal/jbuckley/Downloads/RFP_EA_Trade_Investment_Hub.pdf. pp 17

6.1.3 Coordination

Whilst the above overview of programmes does make mention of some regional programmes in operation (for example TMEA which has a clear governance structure at the national level to incorporate stakeholder views and improve coordination), there are also many programmes that have a country, rather than regional, focus. A lack of an active network to inform country office organisational staff on organisational programming at the regional level, aid being tied to national programmes which do not necessitate, or provide a mandate for coordination, and a lack of regional coordination amongst donors were all mentioned as challenges to coordination.

The use of working groups at the country level, such as the private sector working group in Kenya, were mentioned as mechanisms for coordination.

6.1.4 Gap Analysis

Whilst a range of interventions are presented there are limitations:

- Firstly, given the scope of the helpdesk query it was not possible to cross-examine the archives of different organisations or to carry out interviews to gather in-depth information on historical interventions.
- The researcher has not examined individual projects for their underlying theories of change. Deeper examination of each projects specific methods, results-frameworks, and methodologies could yield interesting insights.
- The KIIs largely took place with staff based in Kenya. This results in a particular emphasis on interventions taking place in Kenya.

6.1.5 Actions to support job creation from a regional perspective

The following actions, policies or activities were outlined during the course of KIIs as supporting job creation from a regional perspective. It should be noted that some of these actions, policies or activities are already the focus of donor, government and other agencies focus e.g. investment in the transit sector. These are supported by the findings from the data and documentation reviewed for helpdesk queries one and two:

Greater coordination between East African governments and implementation of existing legislation and policy: A greater commitment to the principles of the EAC through coordination of trading standards, regulations and policies on freedom of movement for good and labour. This could be supported through donor lobbying and technical assistance. There are a number of initiatives and policies that have been committed to by the EAC member states but implementation can be sluggish. The necessity of political support from EAC country governments was highlighted.

Enhanced coordination and synergy of donor programmes: Whilst regional programmes do exist there are gaps in the linkage of bilateral programmes with other country programmes operated by donors within the EAC.

Investment in the transit sector: Increased and improved ports and corridors would increase exports and reduce cost of imports. At present limitations to the movement of goods stifles employment in countries such as Rwanda and Uganda.

Developing human capital: Through education and vocational training systems that are recognised in all EAC countries. This would improve harmonisation of the labour market and to increase labour market efficiencies.

Development of light industry and processing: The creation of competitive industries in order to create jobs in sectors other than agriculture. USAID for example has a focus on the cotton and textile sector in East Africa.

Reducing corruption in the private and public sector: This would enhance private sector activity and entrepreneurship supporting economic diversification and structural transformation. Léonce Ndikumana (2013)¹⁰⁵ highlights the need for African countries to leverage the existing initiatives at regional and international level aimed at tackling the problem of corruption.

Enhancing the enabling environment for market development: This would support a shift away from the informal sector through the creation of an integrated formal economy. At the same time, policies for market-based development would be improved creating opportunities for investment and employment. This necessitates political support for the private sector which could be supported through technical assistance and awareness raising on the role of the private sector from donors.

Research and dissemination of findings on the benefits of regional integration: KII interviewees expressed the view that whilst the relationship between regional economic integration jobs and in the EAC is important it is not well evidenced or understood. This could include looking at the winners and losers from regional economic integration.

Improving access to labour market data: At present this is not regular or harmonized across countries in the EAC and is therefore ineffective for use in programme design and monitoring and evaluation.

6.1.6 Action plan for job creation promotion from a regional perspective

The consensus from the KIIs conducted during the course of this research was that there is not a clear action plan for job creation from a regional perspective.

¹⁰⁵ Léonce Ndikumana (2013). The Private Sector as Culprit and Victim of Corruption in Africa. Department of Economics and Political Economy Research Institute (PERI). University of Massachusetts Amherst.

The EAC Development Strategy for 2011/12 -2015/16) mentions 'jobs' a total of six times whilst 'employment' is mentioned 24 times¹⁰⁶. Whilst strategic interventions are listed for some of the instances these search terms occur, the plan of action for addressing gaps is frequently unclear and is not presented as a set of actions to be undertaken at a regional level. There is not a cohesive, joined up plan for the promotion of job creation from a regional perspective emerging from this document. Nor is there documented evidence on how EAC development strategy at the country level will merge to form an overall action plan in this area.

Job creation features strongly across a number of donor programmes, and donor country plans, looked at during the scope of this research. There is evidence that programmes are in operation (such as TMEA) that are addressing constraints to job creation from a regional perspective. In addition there are signals (such as the draft business case for MSINGI) that donors are receptive to providing further funding in this area. However, there needs to be enhanced coordination between donor programming in the EAC region and across donors to build cohesion.

At the donor level policy and programming can only go so far. To implement the identified actions to support job creation (see section 5.1.5) the support of member states governments will be required. At present a lack of political buy-in and tensions between country and regional priorities hamper the implementation of current, and future, plans.

6.1.7 Conclusion

The research looked at supported interventions, self-assessed by KIIs as directly or indirectly focused on job creation in the EAC as well as regional economic development and job creation through a desk review. Regional and bilateral programmes were identified as were challenges to coordination both within donor organisations working in multiple countries within the EAC and amongst donor agencies.

The actions identified to support job creation from a regional perspective correlated with the literature reviewed for queries one and two. Among the areas identified as supporting job creation from a regional perspective were the implementation of existing legislation and policy, investment in the transit sector, light industry, education and vocational training, improved enabling environment, research and dissemination on the benefits of regional integration and improved labour market data.

At present there is not an identified action plan for job creation promotion from a regional perspective but job creation does feature strongly in donor programming. There is a need to embed actions for job creation at the regional level within the next EAC development strategy to support the implementation of ongoing and future work within this area.

¹⁰⁶ EAC (2011). EAC Development Strategy for 2011/12 -2015/16

7. Findings

The helpdesk query asked for four questions to be answered:

1. What is the link between regional economic integration and job creation in the East African Community (EAC)?
2. What is the status of labour mobility in East Africa, and how could it affect job creation?
3. What actions need to be taken from a regional perspective to support job creation?
4. Is there an obvious plan of action to promote job creation from a regional perspective, or does more work need to be done to develop such a plan?

The literature that was found (detailed in Section 7) found that there were significant gaps in the empirical evidence around the first two questions.

The theoretical linkages between regional economic integration and employment are complex. Despite a wide body of theoretical literature on the limitations and benefits of RTAs, empirical studies on the effects of RTAs, and evidence on the linkages of regional integration to trade, economic growth and poverty reduction, the associated employment effects are unclear. Whilst evidence indicates that the regional economic integration does have linkages to employment (and potential job creation) and standard economic theory predicts an increase in comparative advantage and subsequently competition, entrepreneurship and jobs, an increase in employment opportunities is dependent on a variety of other factors and may even decrease as a result of regional economic integration. The ability of workers to move into more productive sectors without an increase in unemployment is essential.

The link between labour mobility and job creation could not be validated during this query response. It is difficult to identify literature on the linkages between labour mobility and job creation in the EAC and empirical evidence on labour flows are outdated and do not reference the reasons for labour flows between EAC member states. This inhibits the ability of this helpdesk query response to provide a full answer to the query “What is the status of labour mobility in East Africa, and how could it affect job creation?” The documentation on the employment effects of labour flows in the EAC is limited to references to the limited employment opportunities in the region and the fear from some member states that labour flows will result in increased pressure on a scare number of jobs.

The following actions, policies or activities were outlined during the course of KIIs and the desk review as supporting job creation from a regional perspective:

- Greater coordination between East African governments and implementation of existing legislation and policy;
- Enhanced coordination and synergy of donor programming;

- Investment in the transit sector;
- Development of human capital;
- Development of light industry and processing;
- Reduction of corruption in the private and public sector;
- Enhancing the enabling environment for market development;
- Research and dissemination of findings on the benefits of regional integration; and,
- Improving access to labour market data.

Whilst there are strategies in place to address these areas the consensus from KIIs and the supplementary desk review is that there is not a cohesive plan on job creation from an EAC wide perspective. The majority of the documentation on strategic planning in this area comes from donors, rather than the EAC Secretariat.

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9. Interviewees

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