Macroeconomic and Social Developments in Eastern Africa 2024

Business Development for a More Resilient Regional Economy

United Nations
Economic Commission for Africa
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Table of Contents

Figures

Tables

Boxes

1. Introduction

Eastern Africa is at a turning point with regard to its macroeconomic conditions. For nearly two decades, the region has been sustaining a high level of economic growth, driven by large-scale infrastructure projects and a burgeoning service sector, while agriculture and manufacturing development have generally lagged behind. Since 2020, however, after a decade of accumulating liabilities and a subsequent economic shock in the form of a global pandemic, high levels of debt have forced many countries to adjust their economic model. The fiscal situation is now far less propitious, and government spending has been curtailed in the majority of countries in the region. There have, however, been some bright spots – regional trade has proven resilient, and remittances have remained buoyant. In most countries, the initial bounce-back from the global pandemic was rapid and strong, even though momentum was lost in 2023 against a backdrop of a deteriorating external position. In assessing the current macroeconomic context, this report will describe the most salient current macroeconomic and social trends. We will also reflect on whether the type of adjustment has been optimal, or whether alternative approaches might be more desirable.

2. The Global and Regional Context

The global economy continues to pass through what might be termed a transitional stage. The immediate disruption caused by the global pandemic in 2020-21 has now been surpassed. However, the impact of that shock, compounded by the repercussions of the global pandemic, have resulted in some profound changes to the global economy. Geopolitical tensions, the rise of nationalism, climate challenges, and the shift to a new techno-economic paradigm, are all creating great uncertainty about the future trajectory of the global economy. One recent analysis by the Gopinath et. al. (2024), establishes that significant declines in trade and FDI flows between countries in geopolitically distant blocs have occurred since the onset of the war in Ukraine, relative to flows between countries in the same bloc (roughly 12% and 20%, respectively), and there is a growing fragmentation of trade at the international level. Moreover, the role of the WTO in bringing order to the global trading system has been increasingly challenged.

Over the longer run, the birth pains of a new techo-economic paradigm – driven no longer by scale economies and mass production, but rather by ICT, artificial intelligence and the Fourth Industrial Revolution, means that the old certainties are given way to increased risk and volatility in global markets.[1] The current global environment - a slowing Chinese economy, anaemic growth in Europe, volatile commodity prices, and the risks of global financial instability as the advanced economies normalize their monetary policy - may make matters even more challenging over the course of the decade.[2]

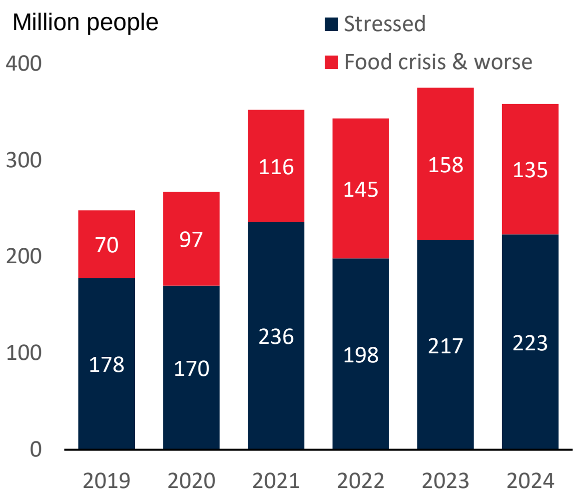
In Africa, these trends have manifested themselves in rising food insecurity across the continent. Things came to a head in 2023, with high food prices combined with a series of poor harvests due to adverse climatic conditions in various parts of the continent, led to a sharp rise in the number of food insecure (Figure 1). Fortunately, cereal prices have been declining in 2024, and with that, the prospects for an improvement in food security have improved (Figure 2). However, even with these favourable trends, it is clear that the level of hunger and inadequate food supply far surpasses the pre-pandemic levels. More

[1] Kalinpsky, R. (2023), "Sustainable Futures: An Agenda for Action". Policy, London.

[2] In September 2024 the Federal reserve benchmark interest rate was cut by half-a percent to 4.75-5 per cent, the central bank's first easing cycle in more than four years. Policymakers expect the funds rate to fall another percentage point in 2025, ending the year between 3.25 per cent and 3.5 per cent. By the end of 2026, it was estimated to fall just below 3 per cent (Smith, 19th Sept, 2024).

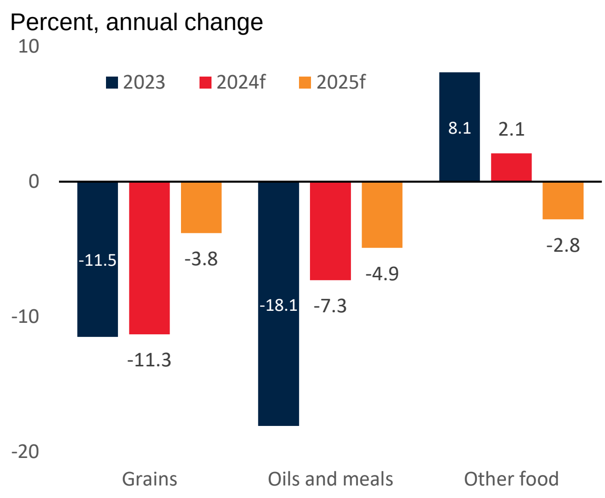
generally, international commodity prices for agricultural, energy and metal and minerals have come off their 2023 peaks, although the pace of those declines has broadly stalled in the first half of 2024. Average inflation on the African continent has followed a similar trajectory, reflecting the decline in inflationary pressures globally in 2024 – although it is of note that inflation remains at a significantly higher level than prior to the global pandemic.

Figure 1: Food Insecurity Across the Region



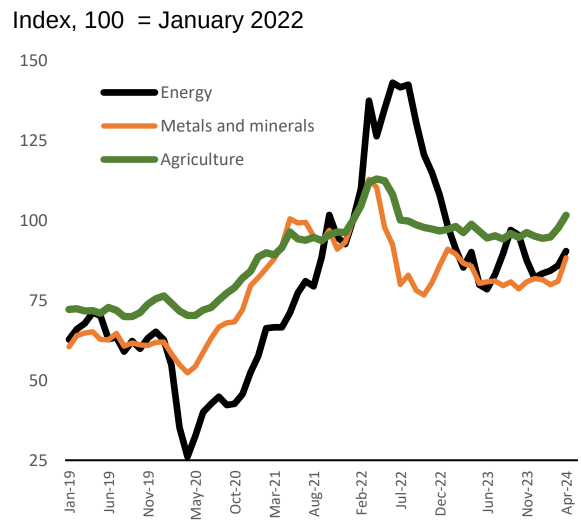
Source: UNECA, from WB GEP, June 2024[3]

Figure 2: International food prices are declining



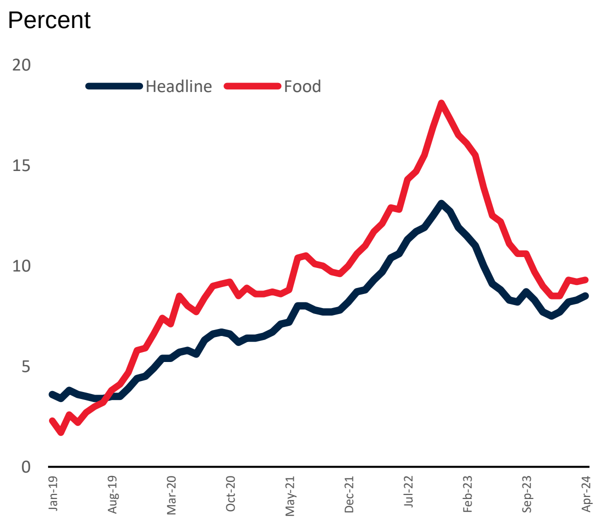
Source: UNECA, from WB GEP, June 2024

Figure 3: Commodity Price Indexes, Jan 2019-Apr 2024



Source: UNECA, from WB GEP, June 2024

Figure 4: African Inflation, Jan 2019-Apr 2024

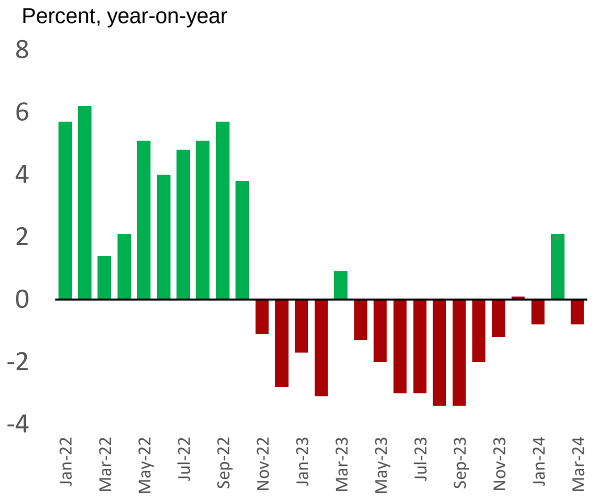


Source: UNECA, from WB GEP, June 2024

[3] The data from the World Bank refers to Africa excluding North Africa.

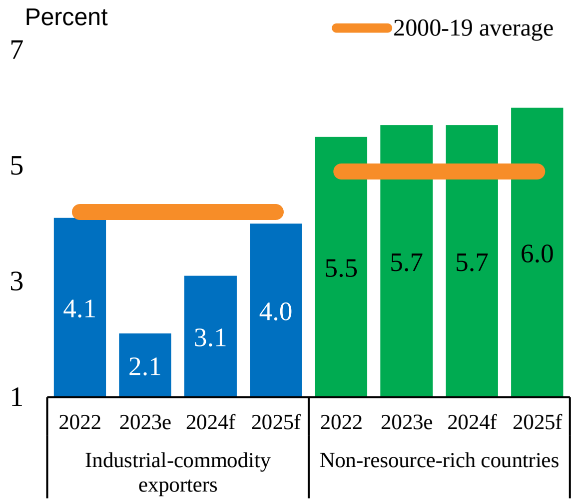
Indicative of continued instability in the global economy, world trade contracted by 1.2% in 2023,[4] although the prospects are somewhat better in 2024, with the WTO (2024) forecasting that global trade will expand by 2.6% in 2024 (Figure 5). In Africa, a sharp cleavage has emerged between the net commodity and non-commodity exporters, with much stronger economic growth being forecast for the non-resource rich economies (Figure 6).

Figure 5: Growth of Global Goods Trade



Source: UNECA, from WB GEP, June 2024

Figure 6: GDP Growth for SSA Countries



Source: UNECA, from WB GEP, June 2024

In terms of fiscal balance, a similar cleavage exists between net commodity exporters and importers (Figure 7). However, with rising revenues forecast for 2024, for most industrial commodity exporters, their fiscal balances are more favourable than for the resource-poor countries. A higher share of non-concessional lending in their debt portfolios explains the higher interest payments paid by the industrial-commodity exporters. We will expand on this discussion in our analysis of debt in Eastern Africa.

Figure 7: Fiscal Balances According to Resource Type

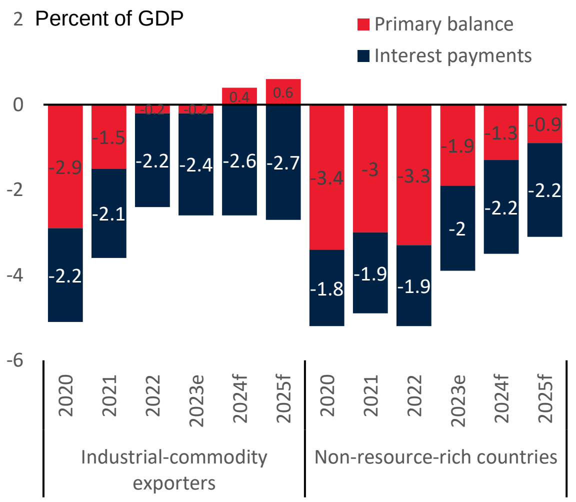
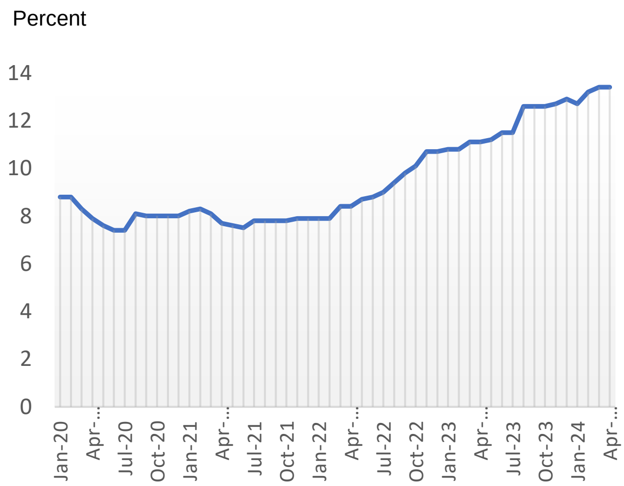


Figure 8: Monetary Policy Interest Rates



[4] The 1.2% decline in merchandise trade in 2023 is subject to strong regional variation, as import demand fell sharply in Europe, declined in North America, remained flat in Asia, and increased in major fuel-exporting economies (WTO, 2024).

3. Macroeconomic Considerations

3.1 Regional Growth Performance

The Eastern African region has generally maintained robust economic growth rates over the last two years, despite facing global and regional challenges. The region is recovering from multiple shocks, including the COVID-19 pandemic, geopolitical tensions, and climate change impacts and while the economic outlook generally remains positive, with average GDP growth rate in 2024 projected at 5.8%, this represents a decline from 6.3% in 2023 (Table 1 and Figure 9).

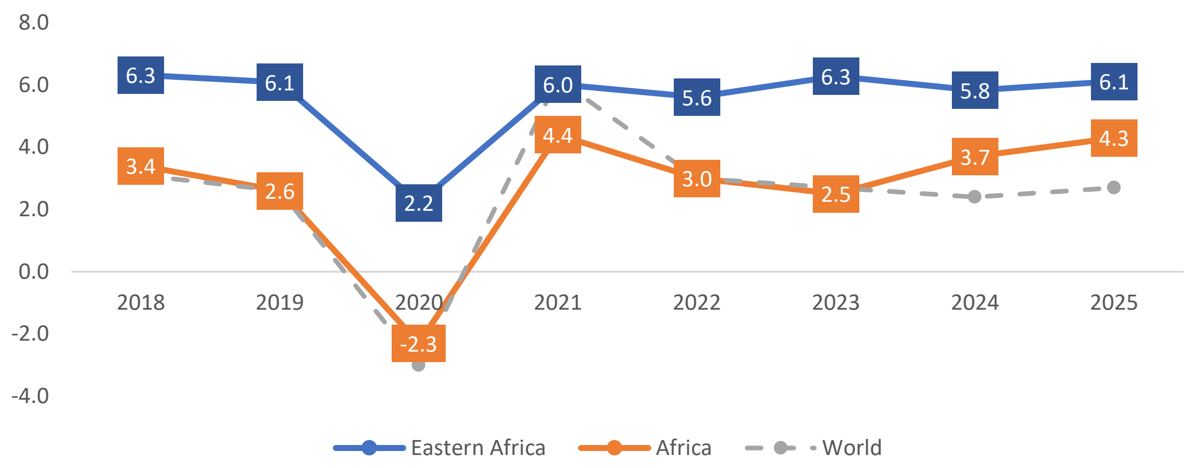
Table 1: Real GDP growth (%)

Country	2018	2019	2020	2021	2022	2023	*2024*	*2025*
Burundi	5.3	4.5	-0.5	3.1	*1.8*	*2.8*	*4.6*	*5.9*
Comoros	3.9	1.9	0.3	2.2	2.6	3.3	*4.0*	*4.6*
DR Congo	5.8	4.4	1.7	6.2	8.9	8.6	*5.7*	*5.6*
Djibouti	4.8	5.5	1.2	4.5	3.7	7.5	*6.2*	*6.6*
Eritrea	3.0	3.8	-0.5	2.5	2.6	2.9	*2.9*	*3.1*
Ethiopia*	7.7	9.0	6.1	6.4	6.1	7.1	*6.7*	*6.7*
Kenya	5.6	5.1	-0.3	7.6	4.9	5.6	*5.4*	*5.6*
Madagascar	3.2	4.4	-7.1	4.4	4.2	4.2	*4.5*	*5.3*
Rwanda	8.5	9.4	-3.4	10.9	8.2	8.2	*6.6*	*6.5*
Seychelles	3.7	5.2	-8.5	2.5	8.9	3.8	*4.0*	*4.3*
Somalia	3.0	2.8	-2.8	3.5	2.7	4.2	*3.7*	*3.8*
South Sudan	3.8	11.4	-3.5	-2.3	-2.9	-0.4	*-5.0*	*1.0*
Tanzania	7.0	6.9	4.5	4.8	4.7	5.1	*5.7*	*6.0*
Uganda*	6.4	3.0	3.5	4.6	5.3	6.0	*6.0*	*7.0*
Eastern Africa**	**6.3**	**6.1**	**2.2**	**6.0**	**5.6**	**6.3**	**5.8**	**6.1**
Africa	**3.4**	**2.6**	**-2.3**	**4.4**	**3.0**	**2.5**	***3.7***	***4.3***
World	**3.1**	**2.6**	**-3.0**	**6.2**	**3.0**	**2.7**	***2.4***	***2.7***

Source: National Statistics Offices and Central Banks, AfDB AEO (2024) for Africa averages UNCTAD (2024) for global averages. Note: *Ethiopia and Uganda use fiscal year data, *Eritrea data is from AfDB AEO 2024 **Weighted Average.

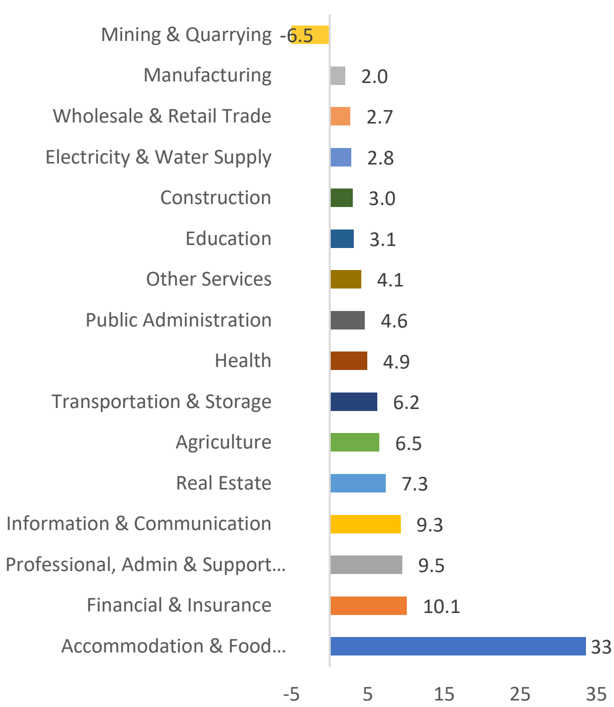
The slowdown in public sector investment projects has weighed down growth in 2024. The primary drivers of growth across the region include services (particularly financial services, trade, and ICT), manufacturing, and infrastructure development (AfDB 2024). However, compared with the continental average, growth is still significantly higher in Eastern Africa than the continental average. The only economy in the region estimated to suffer an economic contraction in 2024 was South Sudan, which is currently facing several macroeconomic challenges, partly resulting from the spillovers of the war in neighbouring Sudan and recurrent flooding that have deteriorated economic and social outcomes. The pipeline that carries about 70 percent of South Sudan's oil exports has been inoperable since February 2024 (IMF, Oct 2024). Agriculture remains a critical sector, employing a large portion of the population and contributing significantly to GDP, especially in countries like Uganda, Tanzania, and Ethiopia. But the services sector has also seen significant growth, particularly in Rwanda and Kenya, driven by digital innovation, financial services, and tourism. Detailed GDP data for the two largest economies in the East African Community – Kenya and Tanzania - confirm the slowdown in construction activity on the back of lower public spending, and the relatively poor performance of manufacturing (Figure 10 and Figure 11). But there are discrepancies in the performance of the two economies, with Kenyan agriculture posting quite a strong expansion, and mining, where Tanzanian mining was one of the fastest expanding sectors while in Kenya it experienced a contraction.

Figure 9: GDP Growth Eastern Africa (2018-2025)



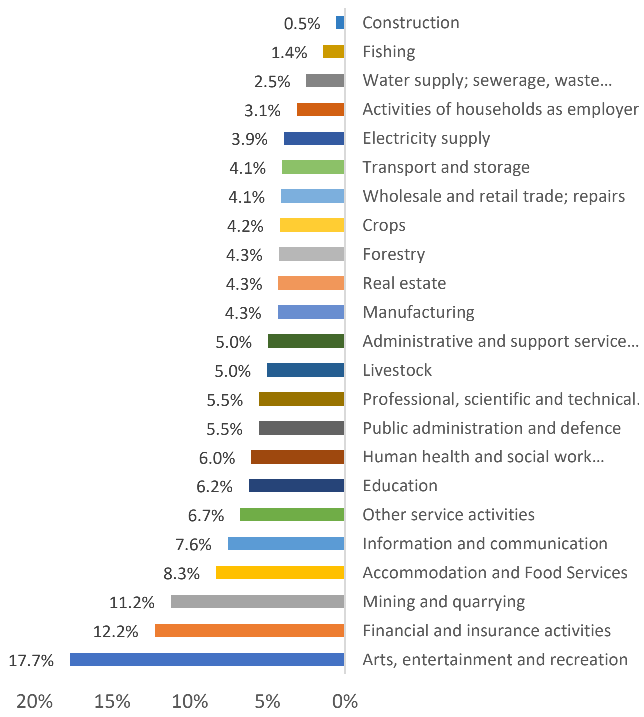
Source: UNECA elaboration on the basis of data from Table 1.

Figure 10: Kenya GDP Growth, 2023, by Sector



Source: UNECA, from KNBS (2024)

Figure 11: Tanzanian GDP Growth, 2023, by Sector

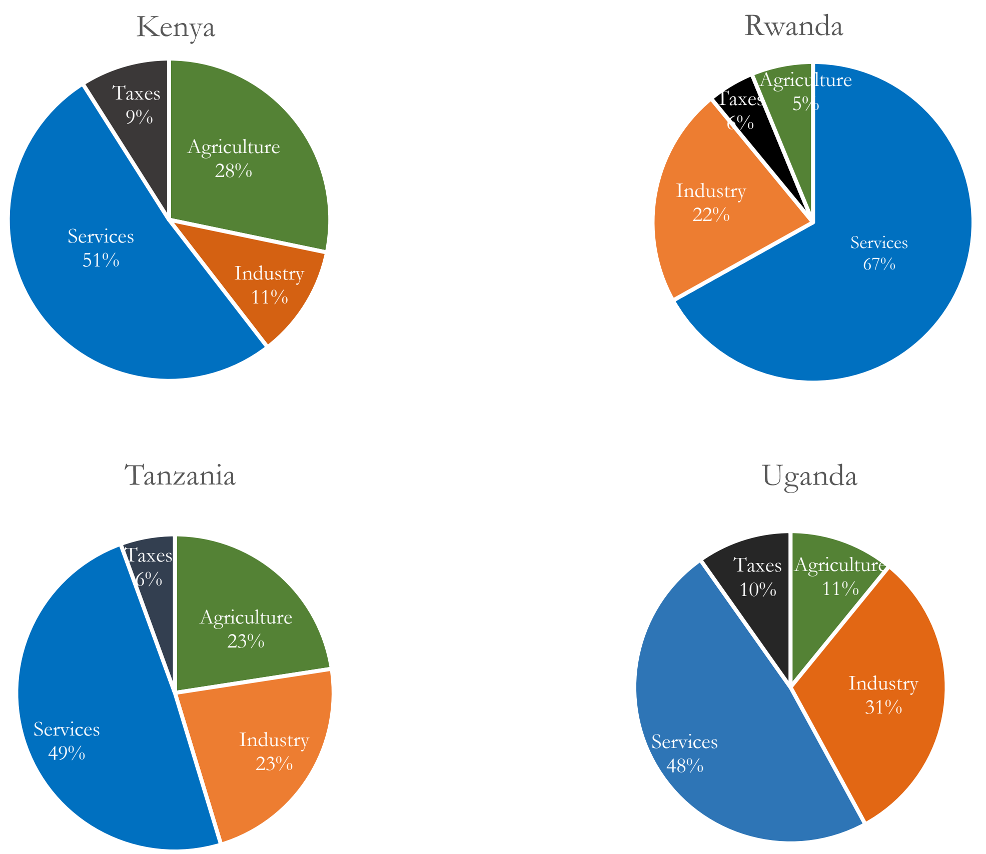


Source: UNECA, from Bank of Tanzania (2024)

This way of viewing the contributors to economic growth can however easily be misconstrued. Fast-growing sectors may reflect dynamism, but the sector itself maybe very small, and thus contribute very little to overall economic growth. Another way of displaying the data is through the contributions of aggregate sectors to total growth, as shown in Figure 12 for four East African countries. This reveals several interesting characteristics of the drivers of regional growth in 2023:

- There is a consistency in the contribution of services to overall economic growth – at around half the total. The outlier here is Rwanda, where the services sector contributes more than two thirds of total growth, reflecting the strong priority places by government on the services sectors.
- Agriculture by contrast, displays a wide degree of variability, due principally to varying climatic conditions, with Kenya experiencing a strong agricultural recovery in 2023, after very poor harvests in 2022, while the Rwandan economy clearly has been negatively impacted by drought and extreme flooding.
- Industrial growth has been fairly robust in Uganda, Kenya and Tanzania, but less pronounced in Kenya. The industrial sector includes manufacturing, utilities, construction and mining, and the slow growth of industrial sector activity in Kenya reflects the slowdown on many of the major construction projects.
- Finally, taxes on production (minus subsidies) notably have taken a higher share in the expansion of GDP in Kenya and Uganda, than in Rwanda and Tanzania in 2023.

Figure 12: Contributions to Economic Growth by Sector, 2023 (%)



Source: ECA calculations from data from the KNBS, Bank of Tanzania, the Bank of Uganda, and MINECOFIN.

An alternative way of viewing economic growth that we look at here is through the relationship between investment and savings. There is a consensus in the literature that over the long run sustained economic growth is dependent on maintaining high levels of domestic investment and that this is best underpinned by a high level of domestic savings.[5] In Box 1, we explore the relationship between savings and investment using the Harrod-Domar framework.

Box 1: Beyond Investment: Explaining Eastern Africa's Growth Dynamics using the Harrod-Domar Model

Over the last decade, countries in Eastern Africa have invested heavily in infrastructure, aiming to boost economic growth and development. Building on this trend, we analyze the relationship between investment, efficiency of capital in generating additional output (ICOR), and economic growth in East Africa using the Harrod-Domar model[6]. The model calculates the required investment rates to achieve a targeted GDP growth by assuming a direct proportionality between growth and investment. Data on gross fixed capital formation (investment as a percentage of GDP) and domestic savings rates from Ethiopia, Kenya, Rwanda, and Tanzania are used to predict growth outcomes. The model utilizes the Incremental Capital Output Ratio (ICOR) to estimate the efficiency with which capital is converted into output for the period from 2011-2022.

Table 2: Incremental Capital Output Ratio (ICOR) for East African Countries, 2011-2022

	ICOR	Savings rate	Predicted growth	Observed growth	Observed/ predicted
Tanzania	6.5	29.8	4.6	5.6	1.2
Uganda	5.1	18.6	3.6	4.9	1.3
Ethiopia	4.0	20.0	5.0	8.5	1.7
Kenya	4.5	11.3	2.5	4.5	1.8
Madagascar	7.9	10.8	1.4	2.6	1.9
Rwanda	3.6	8.4	2.3	6.7	2.9

Source: UNECA elaboration, from WDI data (2024)

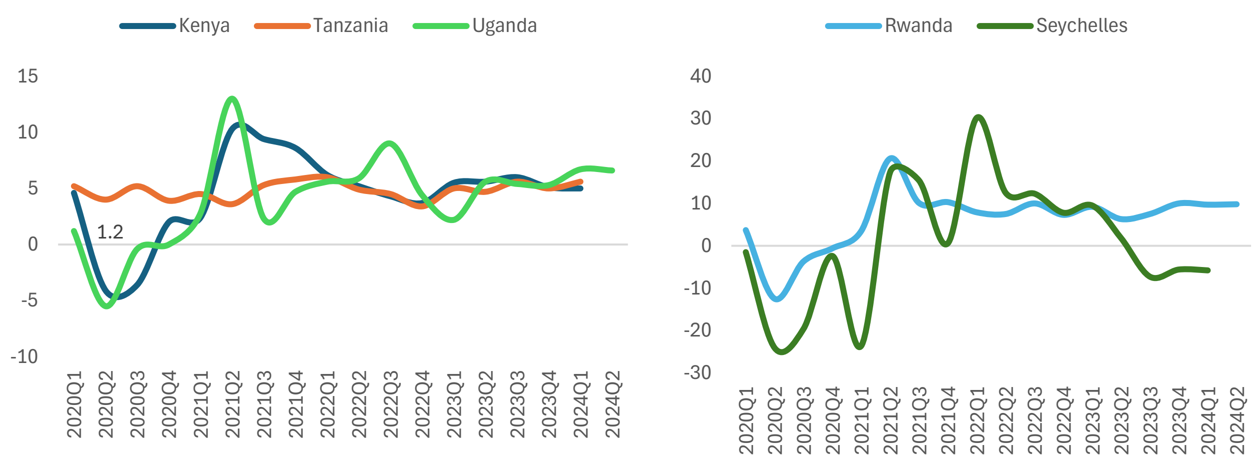
According to this framework, higher investment should lead to higher growth, assuming a fixed ICOR. The data for countries in Eastern Africa show varying levels of investment and growth. For example, Ethiopia's high investment rates (around 30-40% of GDP) led to strong growth, whereas Kenya, with lower investment levels, experienced moderate growth. However, the observed growth in these countries tends to exceed what the Harrod-Domar model predicts: The Harrod-Domar model's predictions were consistently lower than the actual growth rates in most of the Eastern African countries. Ethiopia, Kenya, and Rwanda, for instance, all showed significantly higher observed growth compared to the predicted rates. This suggests that other factors beyond just capital formation, such as improvements in governance, technology, and human capital played important roles in driving economic growth. While investment remains a critical driver of growth, capital investment alone is not sufficient to drive economic development. Countries in Eastern Africa must focus on improving the efficiency of their investments, enhancing productivity, and fostering technological advancements. Furthermore, broader factors like governance, human capital development, and external shocks must be considered in growth strategies.

[5] See, inter alia, Commission on Growth and Development (2008), Rodrik (1998).

[6] Domar, E. D. (1946). Capital Expansion, Rate of Growth, and Employment. Econometrica, 14(2), 137–147. https://doi.org/10.2307/1905364

Finally, in Eastern Africa, five countries produce and publish GDP statistics on a quarterly basis – Kenya, Rwanda, Seychelles, Tanzania and Uganda. Figure 13 groups the three largest EAC economies together, revealing a degree of economic convergence in their economic performance in recent quarters, between 5 and 6.5 percent. For Rwanda, the economy posted a particularly strong performance in the first two quarters of 2024,[7] expanding by 9.7 and 9.8 percent consecutively, driven by a strong performance in the industrial and services sectors, and underpinned by a much-improved performance in the agricultural sector. For Seychelles, by contrast, economic performance deteriorated quite sharply from mid-2023 onwards, led by a decline in the hospitality sector and a weaker export performance (particularly of fish).

Figure 13: Quarterly GDP Growth, 2020Q1-2024Q2



Sources: NISR 2024, CBK 2024, NBS 2024, BOT 2024, UBOS 2024

3.2 Inflation and exchange rate dynamics

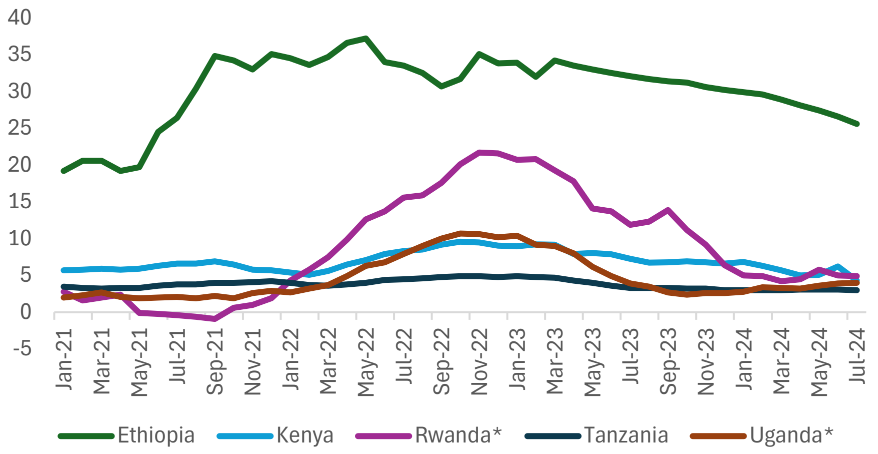
Since early 2023, Eastern African countries have experienced significant fluctuations in inflation, and monetary policy has focused on controlling inflation, with central banks in countries like Kenya, Uganda, and Tanzania raising interest rates to manage price pressures. In line with global trends, inflation has decreased in the region following falling international food prices and tighter monetary policy, although inflation remains elevated in Ethiopia (Figure 14). Looking ahead inflation is expected to stabilize, following the reduction of US interest rates in September 2024 and the expected pass-through effects of a weaker US dollar. However, the domestic supply-demand imbalance in regional food markets remains a critical factor for inflation. Monetary policies are likely to remain tight as central banks across Eastern Africa continue to prioritize price stability.

The exchange rate dynamics reflect broader economic challenges facing many East African countries. A number of countries have experienced sharp currency depreciations due to external shocks, inflationary pressures, and limited foreign exchange reserves, against the backdrop of a strong US dollar. Rising global interest rates in 2023 and 2024, particularly in advanced economies like the U.S., increased borrowing costs,

[7] NISR (Sept 2024). If the Rwandan economy's economic performance continues at this rate of expansion for the rest of 2024, it will clearly surpass the government's own forecasts for economic growth for the year.

making it more expensive for Eastern African countries to finance external debt and stabilize their currencies.[8]

Figure 14: Inflation trends in select East African Countries (2021-2024)



Source: National sources (2024)

As a result, the region has seen significant fluctuations in exchange rates, which have driven up the cost of imported goods, contributing to persistent inflationary challenges (IMF 2024). In response, central banks in Eastern Africa have tightened monetary policies by raising interest rates further to curb inflation and stabilize their currencies. Additionally, central banks used foreign exchange reserves alongside interest rate policies to stabilize exchange rates. However, this approach led to the depletion of reserve levels in some countries. For example, Ethiopia facing unmanageable debts and dwindling foreign reserves was forced to liberalize the exchange rate regime in 2024.[9] The regional currencies were affected by global economic conditions. In 2023 and 2024, rising global interest rates and tightening financial conditions, exacerbated the depreciation of East African Currencies. However, the decline in exchange rates was far from uniform across the region, with countries like Uganda maintaining a high degree of exchange rate stability, while others like the Kenyan shilling experiencing a sharp deterioration followed by a quick recovery once an agreement with the IMF had been reached (Figure 15).

Alongside South Sudan[10], Ethiopia sustained one of the largest currency depreciations in the region over 2023-24. The Ethiopian Birr declined sharply in July 2024 against the US dollar after the government relaxed currency restrictions, and the Ethiopian central bank introduced a floating exchange rate regime. This was done to allow the country access to the IMF Extended Credit Facility (ECF) arrangement of about USD 3.4 billion, with a USD 1 billion immediate disbursement. The relatively better-performing Uganda Shilling and Tanzania reflect more stable economic and political environments, but with some depreciation pressures. Understanding these drivers is crucial for policymakers in mitigating risks and stabilizing their currencies amidst regional economic challenges.

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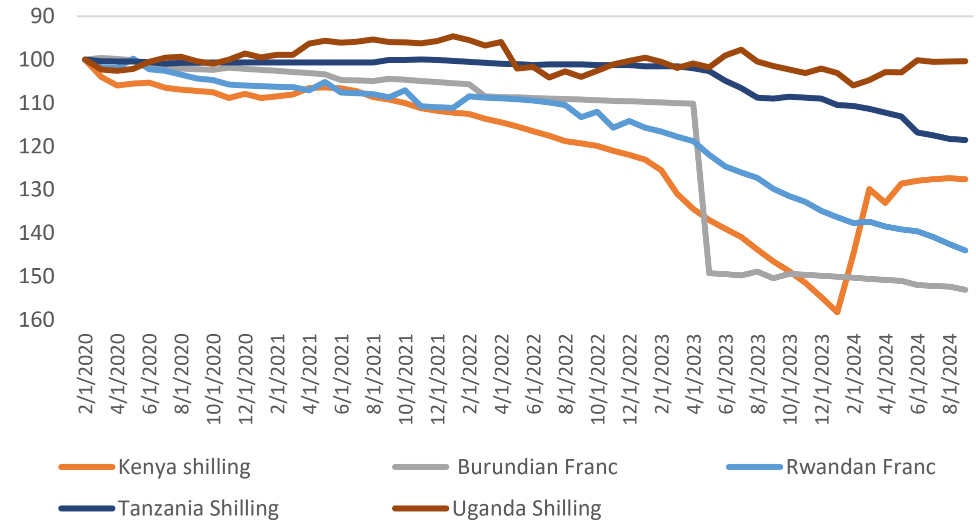
[8] For instance, Kenya issued Eurobonds in February 2024, but at high borrowing costs (yield of 10 percent), reflecting the challenge of managing exchange rate stability in the current global financial environment.

[9] https://www.bloomberg.com/news/articles/2024-08-14/ethiopia-birr-etb-usd-why-government-ended-half-a-century-of-currency-control?embedded-checkout=true

[10] In 2024, the South Sudanese Pound (SSP) experienced significant depreciation. Between January and September 2024, the SSP depreciated by 222%. This steep devaluation has been driven by reduced foreign exchange inflows due to a severe curtailment of oil exports since February 2024, caused by the conflict in neighbouring Sudan, as well as sporadic monetary financing to address emergency needs (IMF, Oct 2024).

Figure 15: Exchange rate Index: USD vs select East African Currencies (Base: January 2020)



Source: Data from www.investing.com

3.3 Debt and Fiscal Space

The region faces challenges of tight financial conditions and a narrowing fiscal space. Eastern African nations implemented timely fiscal policy measures in response to the COVID-19 pandemic crisis and to stimulate recovery. Governments in the region also relied on fiscal policy to confront higher food prices and food insecurity risks resulting from global supply chain disruptions and the war in Ukraine. However, the sharp increases in interest rates since the first quarter of 2022 and tighter global liquidity conditions have adversely affected fiscal balances in Eastern African countries. This has been particularly challenging for nations like Ethiopia and Kenya, which were already facing high debt levels.

The tightening monetary policy in advanced economies led to capital outflows and currency depreciation in several East African countries, further straining their fiscal positions. As a result, the region now faces the difficult task of balancing continued support for economic recovery and social welfare with the need for fiscal consolidation to ensure debt sustainability. Yet the fiscal situation in East Africa is improving gradually, with average fiscal deficits decreasing slightly from 3.3% of GDP in 2023 to an estimated 2.9% in 2024. In 2025, it is projected that the average deficit will fall below the pre-COVID level to 2.1% as countries rein in spending and implement measures to increase the mobilisation of domestic revenues (Table 3). Of the region's largest economies, the pace of the fiscal adjustment is most apparent in the case of Kenya, where the fiscal deficit peaked at -8.1% of GDP in 2020, but with a subsequent rapid tightening (Figure 16).

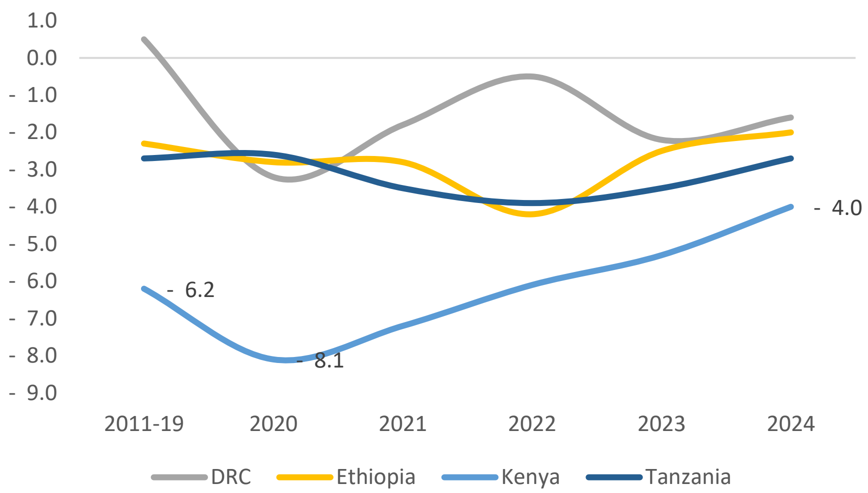
Table 3: Overall Fiscal Balance, Including Grants (Percent of GDP, 2011-2025)

Region/economy	2011-19	2020	2021	2022	2023	2024	2025
Burundi	- 5.1	- 6.3	- 5.2	- 10.6	- 9.1	- 5.9	- 3.3
Comoros	0.5	- 0.5	- 2.8	- 4.0	- 4.5	- 3.4	- 2.4
DRC	0.5	- 3.2	- 1.8	- 0.5	- 2.2	- 1.6	- 1.2
Djibouti							
Eritrea	- 2.3						
Ethiopia	- 2.3	- 2.8	- 2.8	- 4.2	- 2.5	- 2.0	- 2.5
Kenya	- 6.2	- 8.1	- 7.2	- 6.1	- 5.3	- 4.0	- 3.2
Madagascar	- 2.1	- 4.0	- 2.8	- 5.5	- 4.9	- 3.8	- 4.6

Region/economy	2011-19	2020	2021	2022	2023	2024	2025
Rwanda	- 2.6	- 9.5	- 7.0	- 5.7	- 5.5	- 7.0	- 3.4
Seychelles	1.5	- 14.8	- 5.6	- 0.8	- 1.5	- 1.4	- 0.4
Somalia							
South Sudan	- 5.7	- 5.5	- 9.3	4.2	8.0	4.1	3.8
Uganda	- 3.0	- 7.8	- 7.5	- 6.3	- 5.0	- 4.1	- 3.6
Tanzania	- 2.7	- 2.6	- 3.5	- 3.9	- 3.5	- 2.7	- 2.6
East Africa (average)	- 2.5	- 5.9	- 5.0	- 3.9	- 3.3	- 2.9	- 2.1

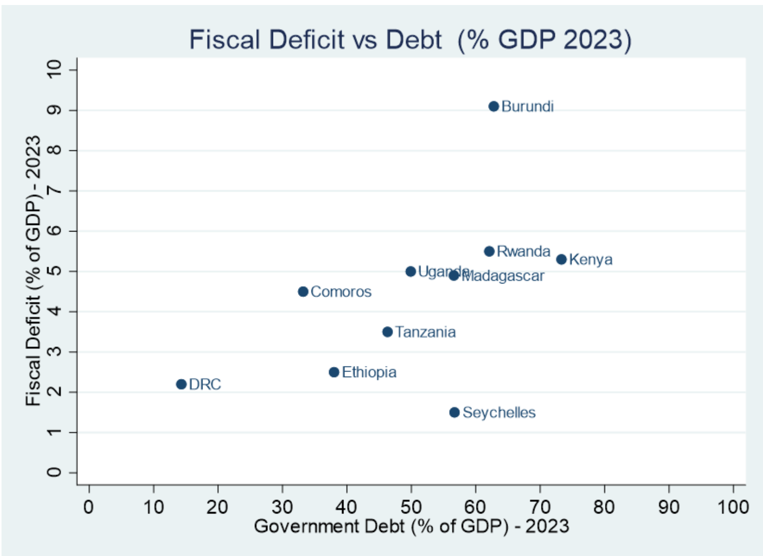
Source: IMF 2024

Figure 16: Overall Fiscal Balance, Including Grants (Percent of GDP)



The convergence of global crises and external shocks has led to a rapid rise in debt levels in the region, with public debt increasing from a median ratio of 42.4% of GDP in 2011- 2019 to around 55.4% in 2023. Although this ratio is expected to decline to around 52.9% by 2024, debt levels are still above pre-pandemic levels, reflecting the severe impact of the COVID-19 pandemic and subsequent economic shocks. This has resulted in increased debt service costs, further straining fiscal space and limiting governments' ability to invest in critical growth-promoting sectors such as infrastructure, education and health.

Figure 17: Fiscal Deficit vs Debt (% GDP, 2023) in Eastern Africa

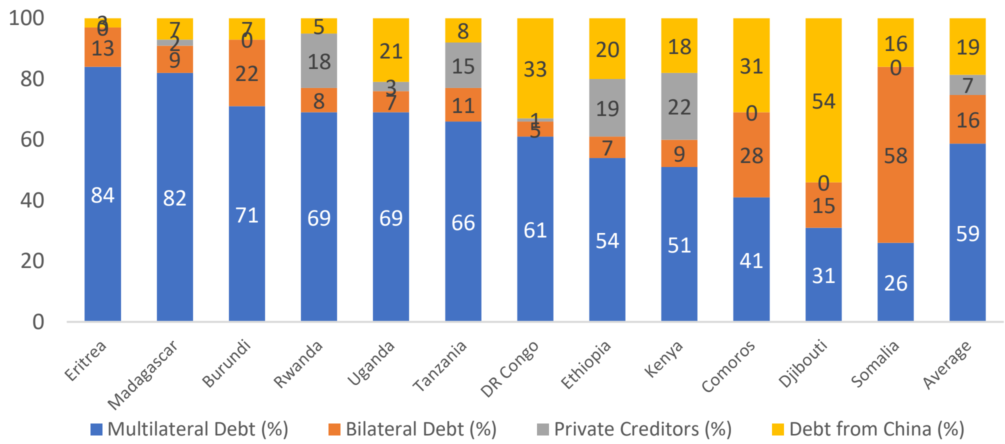


Source: UNECA calculations from IMF data(2024)

Figure 17 shows the correlation between fiscal deficit levels and debt in East Africa, comparing the fiscal deficit in 2023 against government debt as a percentage of GDP. Perhaps unsurprisingly, it reveals a positive correlation between fiscal deficits and debt.

The debt composition of East African countries is heterogeneous and determined by various factors, including the sources of debt and the terms of borrowing. Countries have a mix of external and domestic debt. Figure 18 shows the decomposition of external debt, including loans from multilateral institutions like the World Bank and the International Monetary Fund (IMF), bilateral loans from other countries, and commercial loans, including Eurobonds. Although much has been made of countries in the region recurring to private creditors or bilateral donors like China, India and United Arab Emirates that are not members of the Paris Club,[11] the majority of the debt is still held by multilateral institutions for all but three countries in the region (Comoros, Djibouti, and Somalia). Despite its core mandate to focus on assisting countries with balance of payments problems and watch over global economic stability, the IMF, in particular, has a particular sway over how adjustment is made. Here has been a notable shift in the IMF's approach to adjustment policies. Initially, the focus was heavily on expenditure cuts, but in recent years strategies have emphasized raising revenues and improving tax systems to ensure sustainable fiscal policies.

Figure 18: External debt composition in Eastern Africa (2023)



Source: World Bank (2024)

A significant portion of external debt is denominated in foreign currencies, primarily the US dollar and the Euro, exposing many East African countries to currency risk. Currency depreciation in the region has significantly increased the cost of servicing foreign-denominated debt, further straining national budgets. Given the high debt levels, some countries in the region have sought or are in the process of seeking debt restructuring to ease their debt service burden. This process has involved negotiations with various creditors, including private bondholders, to extend payment terms, reduce interest rates, or even forgive portions of the debt. These include the biggest economies in the region, Ethiopia and Kenya.

Ethiopia continues to face substantial fiscal challenges, primarily due to its large public debt, climate-related challenges, external shocks and civil unrest. The country's public and publicly guaranteed (PPG) debt reached \$63.0 billion, about 40% of GDP in 2022/23, with a significant portion of this debt owed to multilateral and bilateral creditors. In July 2024, Ethiopia has secured a \$3.4 billion financing agreement with the IMF to strengthen its economic transformation agenda. This four-year program includes an

[11] These countries often operate outside the Paris Club framework, which can lead to different terms and conditions for their loans compared to those provided by Paris Club members (Wilton Park, 2023).

immediate disbursement of $1 billion. As part of the reform measures, Ethiopia allowed its currency to float, leading to a 30% devaluation of the Birr against the US dollar. This deal is expected to unlock $10.7 billion in support from the IMF, the World Bank, and other creditors, which is crucial for Ethiopia's ongoing efforts to achieve sustainable and inclusive growth.[12]

Kenya is projected to have a fiscal deficit of 4% of GDP in 2024, reflecting ongoing budgetary challenges and necessitating fiscal consolidation efforts. Kenya's debt burden remains high, at 73% of GDP in 2024. In 2023, 62% of the budget was reportedly being dedicated to interest payments alone.[13] In June, 2024, President Ruto dropped a proposed finance bill, which contained tax hikes worth $2.69 billion, following widespread public protests.[14] The IMF was subsequently reportedly in active discussions with Kenyan authorities to ensure the goals of their program are met with the possibility of recalibrating the IMF program with Kenya, including extending some of the benchmark requirements, especially after the suspension of the Finance Bill of 2024.[15]. As a result, new austerity measures were imposed to cut the deficit. In August 2024, global credit ratings agency S&P downgraded Kenya's rating on Friday to "B-" from "B," citing the recent repeal of the Finance Bill, which it said will slow its fiscal consolidation.

Thus East African nations are currently facing significant economic and social hurdles, particularly acute debt service challenges. Recognising such challenges, in 2019, the IMF produced a strategy that acknowledged the crucial role of social spending for developing nations in their efforts to meet the 2030 Sustainable Development Goals (SDGs) and foster inclusive growth (IMF 2019). Consequently, the IMF emphasised inclusive growth strategies, implemented social spending "floors" in IMF-supported programs, and enhanced its engagement on inequality issues. This approach aimed to balance the pressing need for fiscal consolidation and debt management with the imperative of protecting and enhancing social expenditures crucial for long-term development and stability (IMF 2019).

Yet despite the IMF's strategy to engage more deeply with social spending issues, recent studies have raised significant concerns about the effectiveness of the Fund's approach. These studies question whether the IMF's lending practices truly balance critical social spending needs with its emphasis on debt sustainability. Kentikelenis and Stubbs (2024) found that while the IMF introduced "social spending floors" to protect social expenditures in 2019, these floors often lack ambition, are inconsistently defined, and have poor implementation rates (only about two-thirds are implemented). Their study critiques the IMF's preference for targeted social protection rather than universal approaches.

Action Aid (2023) provides a civil society perspective, criticising the IMF's continued promotion of austerity policies, including public sector wage bill constraints. They argue that IMF policies are undermining progress in health, education, and climate action. In particular, Action Aid challenges the IMF's focus on reducing fiscal deficits to 3% of GDP or less, arguing this constrains necessary public investments and advocates for more progressive taxation to increase revenues. They call for debt cancellation, moving away from austerity, and pursuing alternative economic paths that prioritise public services and economic justice. Clearly, for governments in the region, there is a serious challenge in balancing the expectations from the general public while the demands of international financial institutions

[12] https://www.aa.com.tr/en/africa/ethiopia-clinches-deal-with-imf-for-34b-in-financing/3288964#

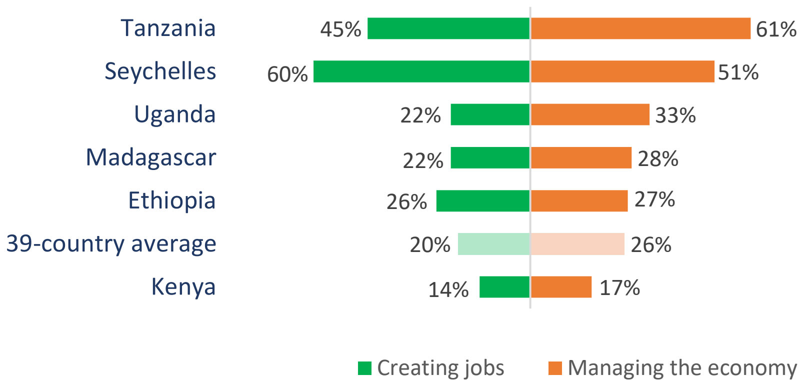
[13] "The IMF has a protest problem - Does it give up—or insist on painful reforms?", The Economist, 12th September 2024. That said, it needs noting that a substantial amount of the interest payments are not on internal, not external, debt (principally, Treasury Bills and Bonds, held mostly by commercial Banks). KNBS data (Kenyan Economic Survey 2024 – Chapter 5) shows that in the financial year 2023/4, 55% of all debt servicing charges went to funding domestic debt.

[14] Reuters, August 2024.

[15] IMF (July 2024). https://www.imf.org/en/News/Articles/2024/07/12/tr071124-transcript-of-imf-press-briefing

and creditors. This is reflected in Afrobarometer evaluations of recent years on how well citizens feel their governments are dealing with economic management (Figure 19).

Figure 19: Positive assessments of government's performance on managing the economy and creating jobs



Source: Afrobarometer, July 2024.

UNECA's *Economic Report on Africa* (2024) recommends a comprehensive approach to addressing Africa's debt and fiscal challenges. Key recommendations include reforming the global debt architecture by enhancing debt resolution mechanisms, particularly the G20 Common Framework, and extending its eligibility to middle-income countries. The report also advocates for innovative debt relief mechanisms like debt-for-climate and debt-for-nature swaps, as well as modernising debt instruments with state-contingent clauses to provide flexibility during climate disasters. Additionally, it emphasises the need to reduce borrowing costs for African countries by improving credit rating processes and establishing fair dispute mechanisms.

To further support Africa's financial needs, the report calls for increased funding and expanded lending capacity of multilateral development banks, including capital increases and leveraging Special Drawing Rights. It stresses the importance of reforming governance in international financial institutions to give Africa a stronger voice in decision-making. The report also recommends developing innovative financing instruments such as green bonds and blended finance to attract private capital. Lastly, it underscores the need for African countries to strengthen domestic resource mobilisation through measures like overhauling tax systems and utilising digital technologies to reduce tax avoidance. These recommendations aim to alleviate Africa's debt burden, lower borrowing costs, and reform the global financial architecture to be more equitable for African nations.

3.4 External Sources of Finance – ODA, Remittances, and FDI

The OECD *Multilateral Development Finance Report 2024* highlights a strong rebound in multilateral development outflows in 2022, following a dip in 2021. Total outflows reached USD 259 billion, representing a 12% increase compared to the previous year. This recovery came after a period of subdued activity in 2021, which had seen a reduction in outflows following the substantial expansion triggered by the COVID-19 pandemic. Multilateral outflows to Africa, both concessional and non-concessional, have fluctuated in recent years, influenced by global crises such as the COVID-19 pandemic and the war in Ukraine. Critically for the East African region, concern is expressed of the growing reliance on non-concessional finance, a trend that poses risks to Africa's ability to manage public debt and address long-term development challenges effectively. Increased borrowing without adequate concessional financing could exacerbate debt vulnerabilities for many African nations.

The East African region experienced a notable rise in ODA disbursements during 2020 and 2021. This surge coincided with the onset of the COVID-19 pandemic, which prompted increased international aid to mitigate the effects of the pandemic (Figure 20). However, ODA disbursements by OECD DAC (Development Assistance Committee) members to the continent declined in 2022 as the immediate impacts of the pandemic began to wane (Figure 21). There was a rise in official flows from both DAC countries and multilateral organizations from around 2006 to 2019 as multilateral development finance was expanding, in response to global development needs, especially with increasing attention on infrastructure, health, education, and economic growth in developing countries. The graph shows a notable decline in both DAC country and multilateral organization flows since 2021-22, which aligns with the post-pandemic recovery phase, as emergency funding needs began to taper off. Also notable is the sharp increase in the share of multilateral flows vis-à-vis bilateral assistance, as the IMF and World Bank have increased their influence over East African economies at a time of fiscal tightening and high debt levels.

Figure 20: Aid (ODA) disbursements to Africa by DAC Donors, 2000-2022 (billions USD)

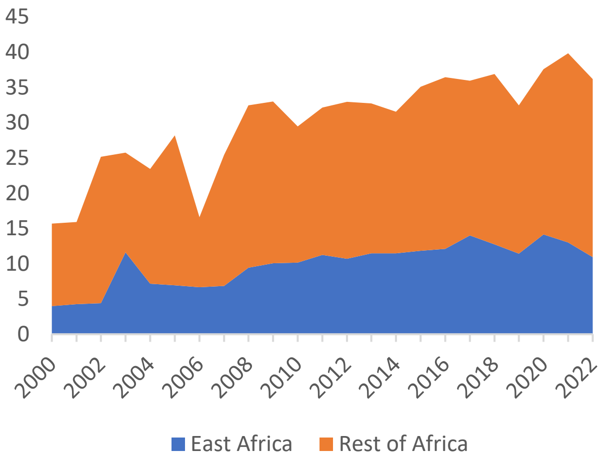
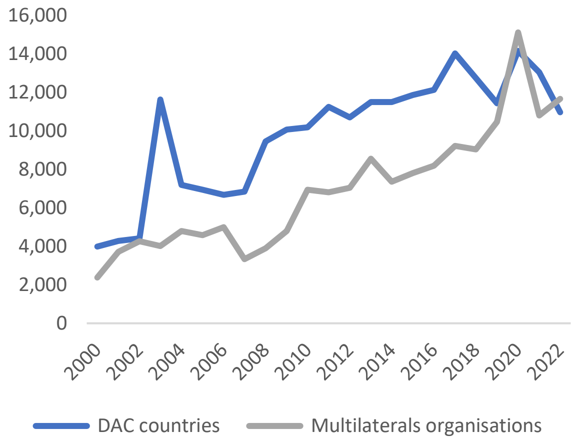


Figure 21: Official flows to Eastern Africa by Type, 2000-2022, millions USD

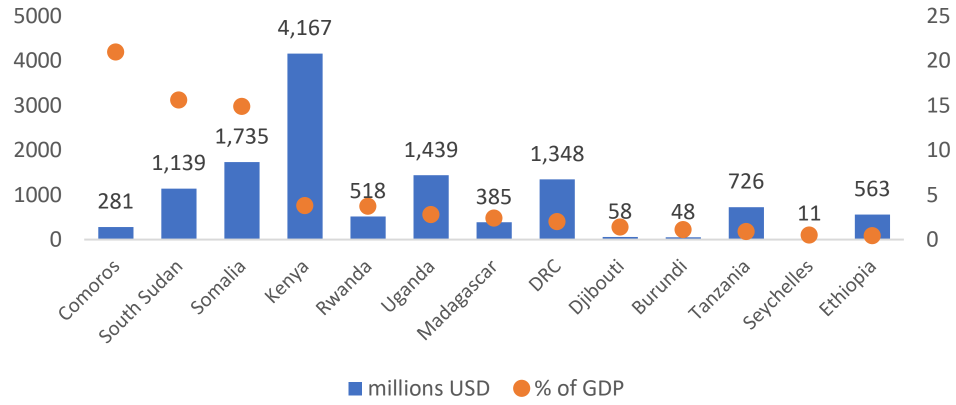


Source: OECD DAC, 2024

One source of external financing for Eastern Africa that has been expanding in recent years is remittances. The 2024 World Bank KNOMAD report shows that global remittance flows increased by 0.7%.[16] For many countries in Eastern Africa, remittances remain a crucial part of their external financing, especially in those dealing with economic instability, debt, or food insecurity. However, remittance costs remain a challenge, with Sub-Saharan Africa remittance costs, averaging 7.9% to send $200, which is nearly twice the global average. For some of the smaller economies like Comoros (21%), South Sudan (16%), and Somalia (15%) remittance inflows represent a large share of GDP (Figure 22).

[16] The KNOMAD report notes that for Sub-Saharan Africa remittances declined by 0.3% (to $54 billion) in 2023, compared to the previous year. Key factors contributing to this decline included slower growth in the U.S. economy and challenges from European remittance-sending countries. However, remittances to Sub-Saharan Africa are projected to grow by 1.5% in 2024.

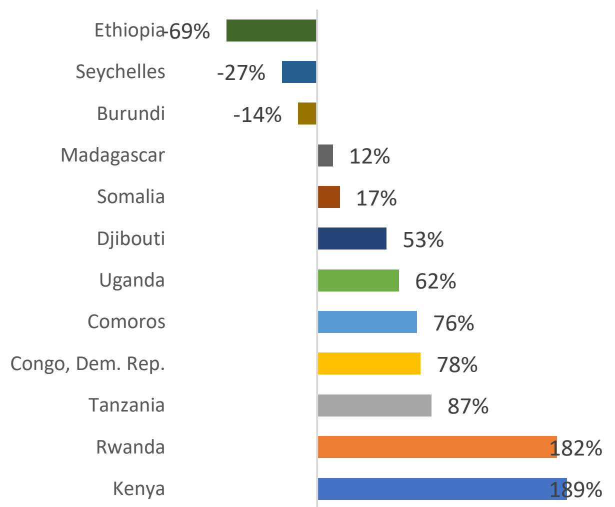
Figure 22: Remittances to selected East African countries in 2023: Total inflows (US$) and share of GDP



Source: UNECA, from World Bank-KNOMAD, June 2024. Data in Current USD.

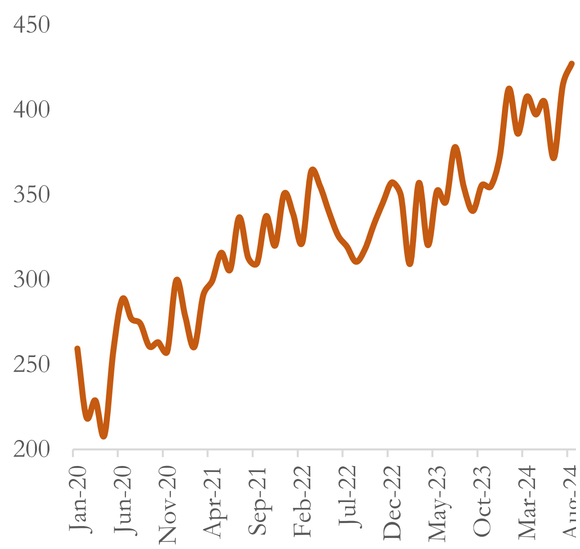
From a longer-term perspective, for many East African countries, remittance growth has been tremendously buoyant over the past decade (Figure 23). The Kenyan example is illustrative (Figure 24). Despite the initial shock from the COVID-19 pandemic in 2020, remittances increased rapidly, underscoring their critical role in supporting the Kenyan economy at a time of foreign exchange shortages.

Figure 23: Growth of Remittances, 2014-2023



Source: UNECA, calculated from World Bank-KNOMAD, June 2024

Figure 24: Kenya Disapora Remittances Jan-2020-Aug 2024 (millions USD per month)



Source: CBK, 2024

Regarding longer term capital flows, UNCTAD's *World Investment Report 2024* reports that global FDI inflows decreased by 2% to $1.3 trillion in 2023, primarily affected by economic challenges like trade tensions, geopolitical instability, and tight financial conditions. Africa did not escape the downturn - FDI inflows declined by 3% to $ 53 billion in 2023. Importantly for SDG's, global investment in SDG-related sectors declined, with sectors like renewable energy and infrastructure showing limited growth. Intra-regional investment in Africa remains limited but showed growth in manufacturing and services sectors, with intraregional projects making up around 20% of the total investment in manufacturing and services sectors within the continent, a share that is expected to grow as AfCFTA implementation progresses.

FDI to the region moderated in 2023, in line with continental performance, declining for both the wider Eastern Africa region and the East African Community (Figure 25). However, this needs to be put in the context of previous years of strong performance in attracting FDI: FDI for the EAC in 2023 is more than twice as high than in 2016. For individual countries, the scale of the increases has been impressive. For instance, both Uganda and Rwanda have experienced a doubling of FDI since 2020, at the depth of the Covid-19 pandemic. And a total of 9 countries in the region have experienced substantial increases in their FDI inflows over the same time frame.

Figure 25: FDI Inflows to Eastern Africa, 2016-2023 (billions USD)

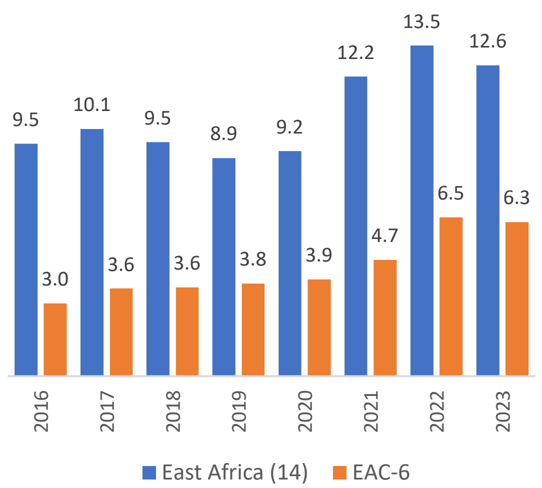
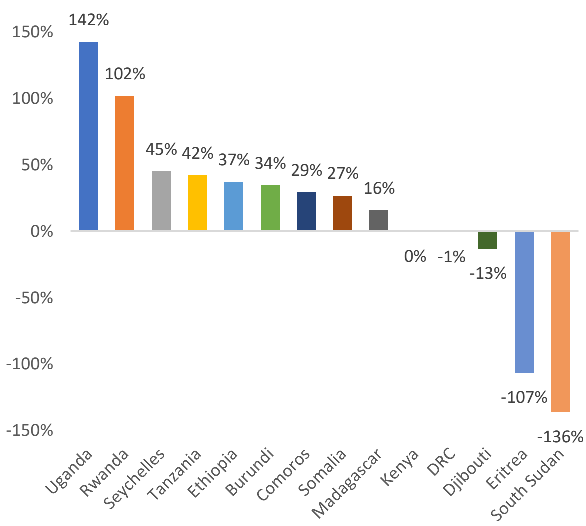


Figure 26: % change in FDI inflows since 2020, by country.



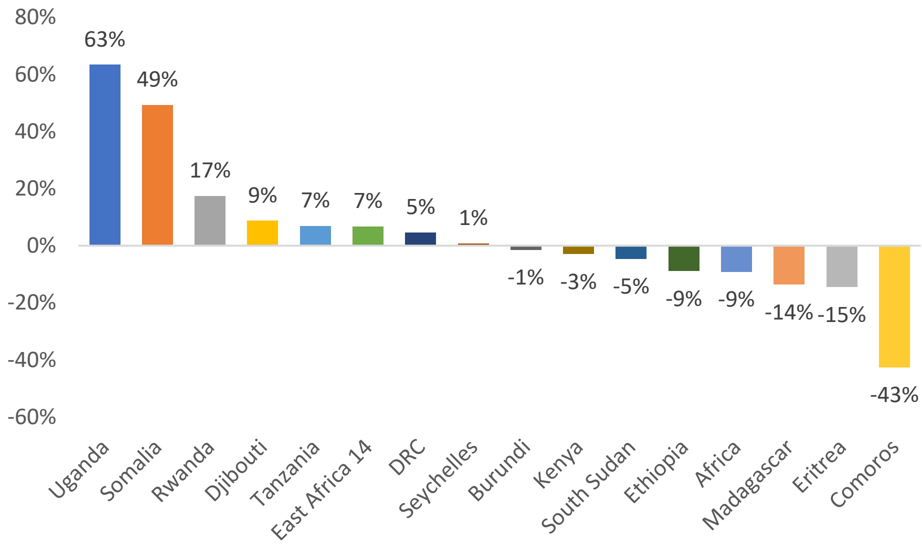
Source: ECA calculations from UNCTAD World Investment Report, 2024

4. Trade Developments – is regional trade holding up?

4.1 Trends in Extra-Regional Trade

In 2023, East African countries demonstrated relative resilience in their trade performance, with regional exports growing by 7%, outpacing both the global contraction of -5% and Africa's overall decline of -9% (Figure 27). Uganda and Rwanda led the region, with Uganda's exports surging by 63% and Rwanda growing by 17%, driven a strong performance in mineral exports. Despite these successes, challenges persisted in larger economies like Kenya, which saw a slight export contraction of -3%, and Ethiopia, where exports fell by -9%, likely due to political instability and logistical issues.[17] Somalia and Djibouti also showed impressive growth, reflecting improvements in trade infrastructure and production capacity. However, smaller economies such as Comoros and Madagascar experienced sharp declines in export growth, highlighting the vulnerability of less diversified economies. While the region had a relatively strong performance, political instability and over-reliance on mineral and agricultural exports remain significant risks for sustained growth. To build on this resilience, East African countries should prioritize diversifying their export bases, investing in climate-resilient agriculture, and continuing to enhance regional trade under the African Continental Free Trade Area (AfCFTA).

Figure 27: Export growth in Eastern Africa in 2023(%)



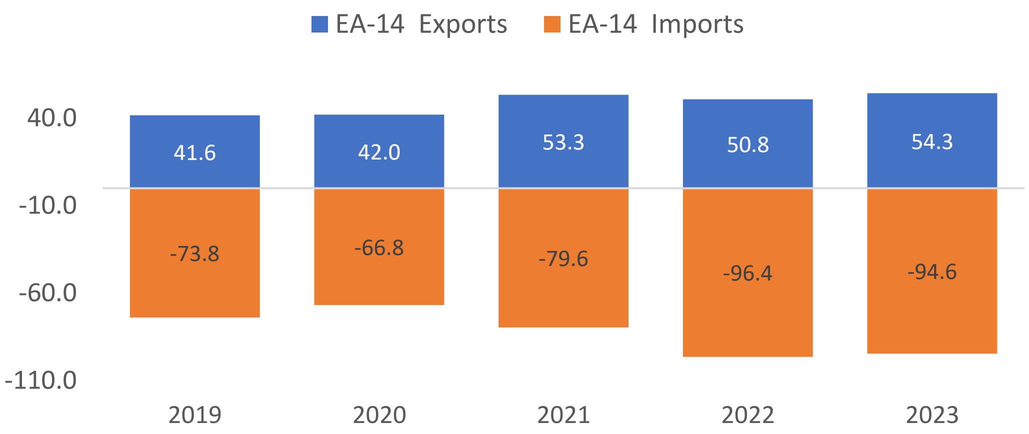
Source: UNCTAD (2024)

Regarding the collective trade performance of the region, in the face of higher exports and practically stagnant imports, the trade deficit of the region narrowed from -45.6 billion USD to -40.3 billion USD. However, only one country out of 14 enjoys a structural trade surplus in the region – the Democratic Republic of Congo, highlighting the heavy reliance of the region on imported goods, particularly manufactured products and technological inputs. This persistent trade deficit underlines the need for

[17] An important caveat here is that UNCTADStat captures values in US dollars, while some member states report their export values in national currency. An example here is the Kenya – KNBS Kenya Economic Survey 2024 reports exports of 1.01 trillion Kenyan shillings, on a FOB basis in 2023. This represents a 15 percent increase vis-à-vis the 2022 value. But with the sharp depreciation of the Kenyan shilling over the course of 2023.

structural reforms, industrialization, and increased value-added production to reduce reliance on imports and improve the trade balance in the future.

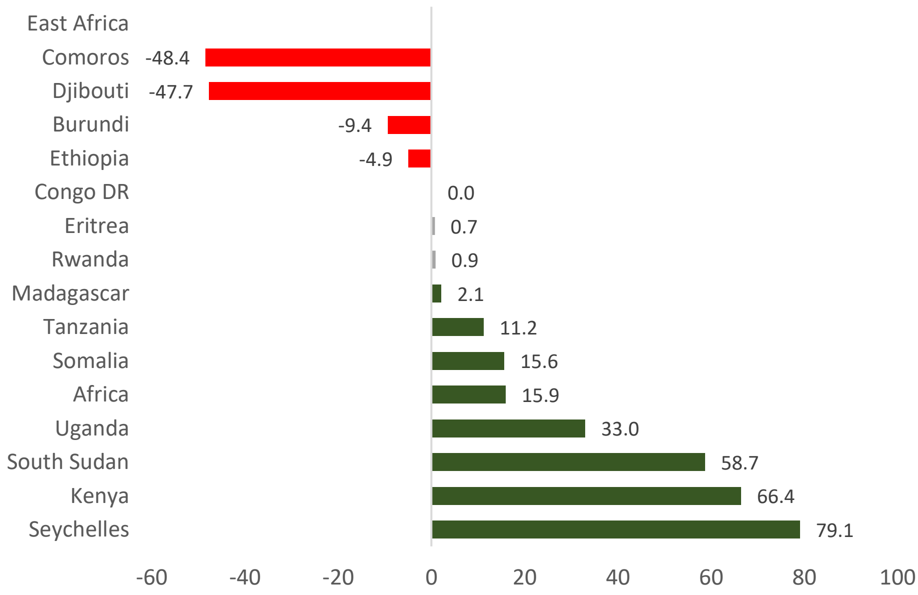
Figure 28: East African Collective Trade Balance 2019-2023, billions USD



Source: ECA calculations from UNCTADStats (2024)

What of the prospects for 2024? Preliminary calculations for trade performance in 2024 highlights a mixed performance across the region (Figure 29), with strong export growth in countries like Seychelles, Kenya, and Uganda, driven by a combination of recovery from global shocks and favourable commodity prices. On the other hand, countries like Djibouti, Burundi, and Comoros have experienced declines in their export performance vis-à-vis the same period in 2024.[18]

Figure 29: Export performance Jan-June 2024 compared with Jan-June 2023



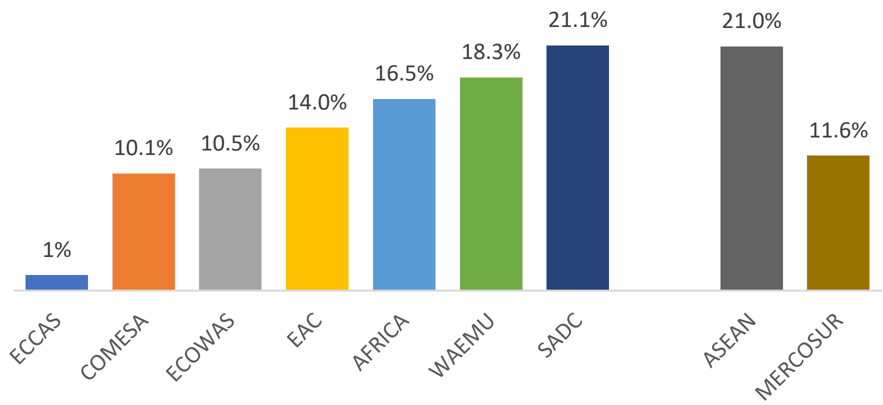
Source: ECA calculations from IMF DOTS (2024)

[18] Results for Comoros and Djibouti are based on data for the first four months of 2024.

4.2 Trends in Intra-Regional Trade

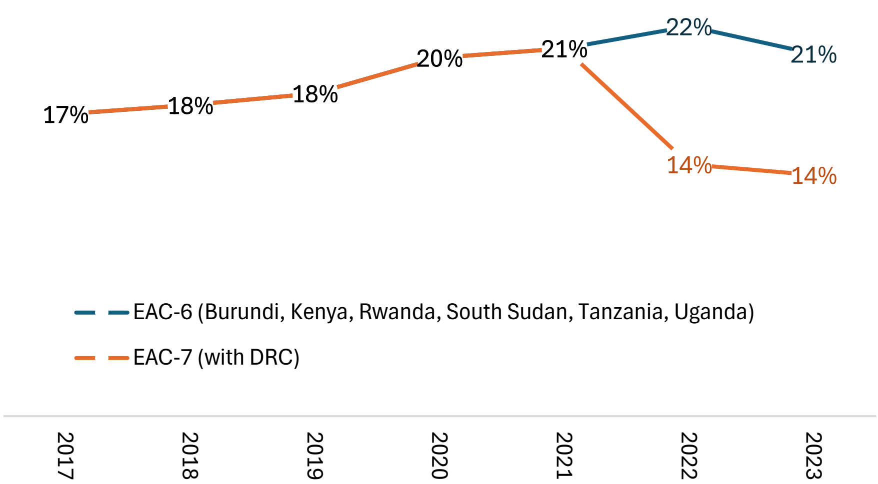
The notion that trade within the East African Community (EAC) has been stagnating, made in rcent conversations about intra-regional trade trends[19], is not reflected in recent data (Mold, 2024). Figure x shows EAC's intra-regional trade at 14.0%, placing it midrange among Africa's regional economic communities. But this figure is misleading due to the inclusion of a new member, the Democratic Republic of Congo. Excluding DRC, the share rises to 21%, comparable to regional economic communities like SADC and ASEAN (Figure 30). Even at 14%, EAC outperforms several African RECs, and other global RECS like MERCOSUR. Also to be considered is the intensity of informal cross-border trade in the region, which is not captured in official statistics. The discrepancy highlights the importance of considering measurement methodologies and taking into account how new members may change the statistics over time. The data also reveal a positive trend in intra-regional trade growth, benefiting all EAC member states but particularly driven by Kenya, Uganda, and Tanzania.

Figure 30: Intra-regional exports as a share of total exports in selected RECS(2023)



Source: Computed from ITC Trademaps data (2024)

Figure 31: Intra-EAC Exports as % of Total Exports 2017-2023



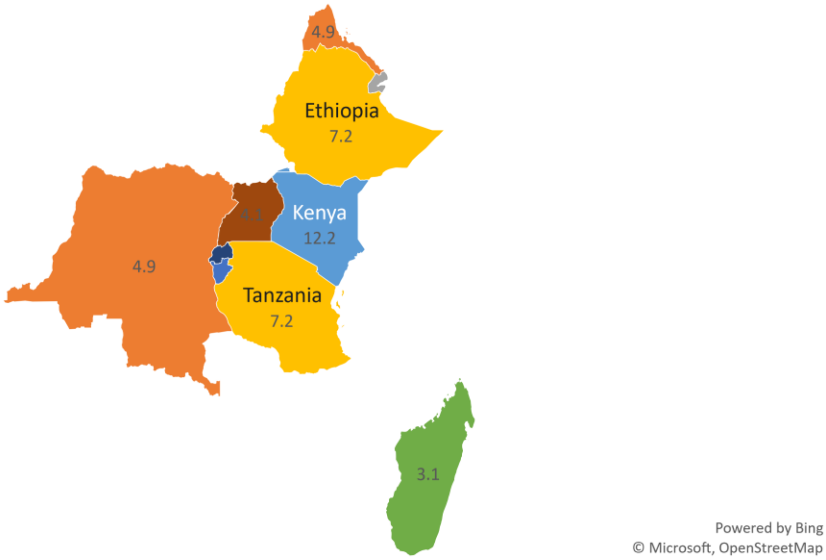
Source: Computed from EAC Official Data.

[19] See, for instance, Anami (East African, Aug 2024), "Slow Progress on Harmonising Standards affecting EAC Trade".

4.3 Impediments to regional trade

The World Bank Enterprise Surveys (WBES)[20] are an excellent source of information regarding the barriers and constraints on intra-regional trade. This section will provide an overview on the barriers to intra-regional trade based on this data source. It is often argued that Africa 'undertrades'. However, WBES suggest that this is an excessively simplistic argument – in fact, 9% of African companies export more than 10% of their sales, a higher propensity to export than firms in East Asia and the Pacific (6.9%), Latin America and the Caribbean (6.7%), and South Asia (6.9%). However, significant disparities exist across East Africa, with firms in the Democratic Republic of Congo and Madagascar displaying a low propensity to export, while firms Djibouti, Kenya, and Tanzania reporting a much higher likelihood to export.

Figure 32: % of Firms Exporting at Least 10% of Sales



Source: WBES, 2024

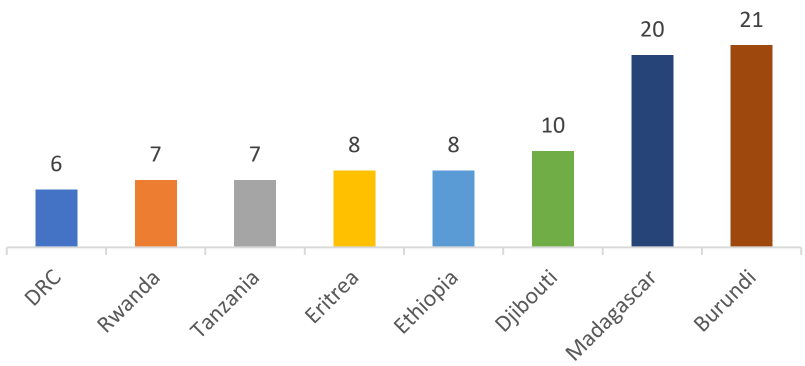
Non-tariff barriers (NTBs) are considered a major constraint for trade in Eastern Africa. According to the WTO, NTBs include import licensing, pre-shipment inspections, rules of origin, cumbersome customs procedures, or unjustified requirements, standards and conditions that restrict trade or make it more costly. These barriers can also emerge from excessive regulations, corruption, and the abusive or discriminatory application of trade rules, which complicate and delay the process of clearing goods. Although the EAC Treaty aims to eliminate NTBs, they have proven to be persistent.[21] For example, while firms in Europe typically need 4 days to clear exports through Customs, in some Eastern African countries, it can take up to 20 days or more (Figure 33).

Customs and border delays significantly hinder trade in Eastern Africa. The lengthy time required to clear exports through Customs raises costs and slows down trade, making goods less competitive in regional markets. These inefficiencies, along with other trade barriers, limit the region's economic growth and regional integration potential. Burundi and Madagascar are clearly the laggards in terms of the length of the delays, although it should be born in mind that the data for Burundi is outdated, pertaining to 2014.

[20] The latest WBES were conducted in Burundi in 2014, DRC in 2013, Eritrea in 2009, Ethiopia in 2015, Kenya in 2018, Madagascar in 2022, Rwanda in 2023, Seychelles in 2023, Tanzania in 2023, and Uganda in 2013.

[21] See Anami (East African, Aug 2023), op.cit.

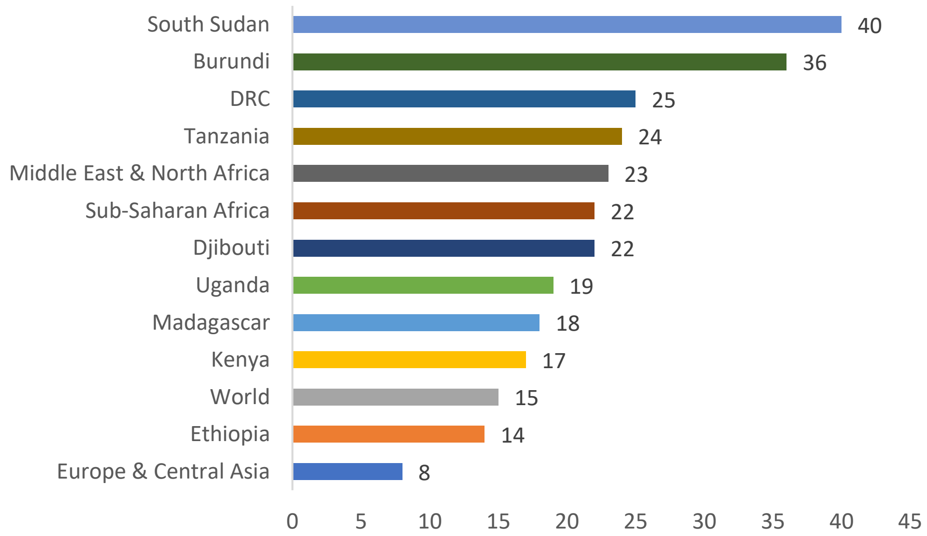
Figure 33: Average Number of Days to Clear Direct Exports Through Customs



Source: WBES, 2024

Within the context of the WBES, firms are asked whether customs and trade regulations are a major constraint (Figure 34). South Sudan and Burundi stand out, with 40% and 36% of firms citing customs regulations as major constraints, indicating severe barriers to trade in these countries. Other countries in the region, such as the Democratic Republic of Congo and Tanzania, also report high levels of trade regulation challenges. Kenya performs better, but it still worse than the global average of 15%, showing that even in this more advanced trade hub, firms continue to struggle with customs-related issues. These figures underscore the need for continuous reforms and investments in infrastructure to reduce trade barriers and enhance regional competitiveness.

Figure 34: Customs and trade regulations as major constraint



Source: WBES, 2024

4.4 East Africa's Food-Trade Balance –a Tipping Point or An Opportunity to Turn the Corner?

A lot of despondency is often expressed around Africa's food trade balance. One figure often bandied around is that the continent is importing more than 100 billion US dollars of food a year. It is true that Africa has shifted from a net food exporter to a net food importer. This trend was first observed in the 1970s, but one that has gained momentum since the early 2000s. While exports grew at a compound annual growth rate of 4 percent over the period from 1996–2016, this was outpaced by the annual growth in imports, which was 6 percent over the same period. Africa thus become increasingly dependent on imports (AUC/FAO, 2021). By 2022, Africa's food imports were valued at just under US$ 114 billion.

However, several countervailing trends and caveats need to be born in mind:

- Rapid population growth in recent decades has inevitably increased the demand for food at a continental level. Indeed, the African population has increased by more than 80% since 2000[22]. Imports have risen correspondingly.
- Prices have risen markedly for international food stuffs over the last two decades. According to the IMF's international food price index, by April 2024 food prices were 2.5 times higher than they were in January 2000. In this context, it is hardly surprising that the value of the food import bill has increased.
- The reported figures on aggregate African food trade often include the intra-African trade component, and so can be misleading about food security at a continental level. Preliminary data for 2023 suggest that the deficit narrowed compared with 2022, as imports declined to US$ 104 billion, but around a fifth of that total was supplied from within the African continent. Moreover, exports performed strongly in 2023, with the result that the net imbalance fell by half, from around US$ 40 billion in 2022 to US$20 billion in 2023. Stories of a constantly rising food trade deficit are therefore misleading.
- An additional factor is African GDP has expanded considerably since the late 1990s. Hence the affordability of imports has improved over the intervening time. Rising food imports do not have to pose an issue if they can be financed by other exports.[23] In 2023, the value of imports was equivalent to 3.7% of GDP, but with exports worth 3.0% of GDP, the imbalance at the continental level was just 0.7%, lower than at any time since 2006.
- Finally, there is a lot of sub-regional variability in the net food trade balance. Given the inherent differences in agro-ecological zones that affect production potential across the continent, the traded volumes as well as the net trade position can differ quite substantially. This last point is especially true for East Africa – the region has none of the large continental food importers in the region – Algeria, Egypt, Nigeria, etc. And the performance of agricultural exports from Eastern Africa is generally strong and kept pace with the growth in imports.

This last point is reflected in Figure 35 and Figure 36. For the wider Eastern Africa region, consisting of 14 countries, the net food trade balance has been proximately balanced since 2020, although there was a

[22] Since 2000, Africa's population has grown significantly. In 2000, the population was approximately 819 million. By 2024, it has increased to nearly 1.5 billion. This represents a growth of about 681 million people over the past 24 years. Africa's population growth rate has consistently been over 2.3% annually since 2000, peaking at 2.6% between 2012 and 2013.

[23] See Collier and Dercon (2014); Rakotoarisoa, Iafrate, and Paschali (2011).

slight surplus for most of the decade. But if we look, for instance, at the East African Community member states (without including the new member states of the Democratic Republic of Congo or Somalia), we see that there has persistently been a food trade surplus for the block. Moreover, that surplus reached a record USD 2.8 billion in 2023. Far from being a story of heavy dependence on food imports, then, East Africa has managed to expand its exports sufficiently to sustain the increased imports of food stuffs.

Figure 35: Eastern Africa- 14

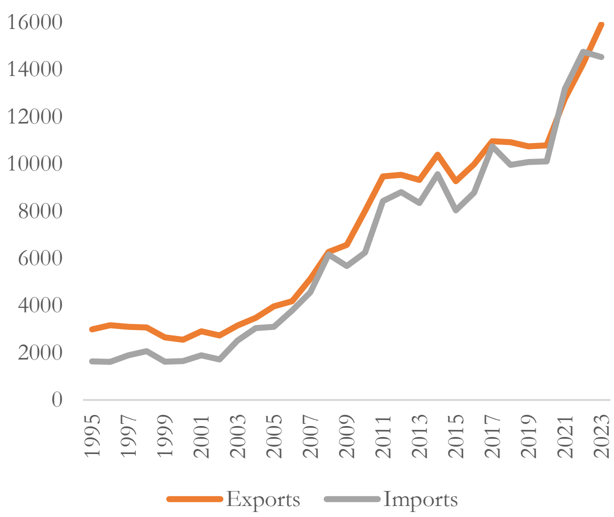
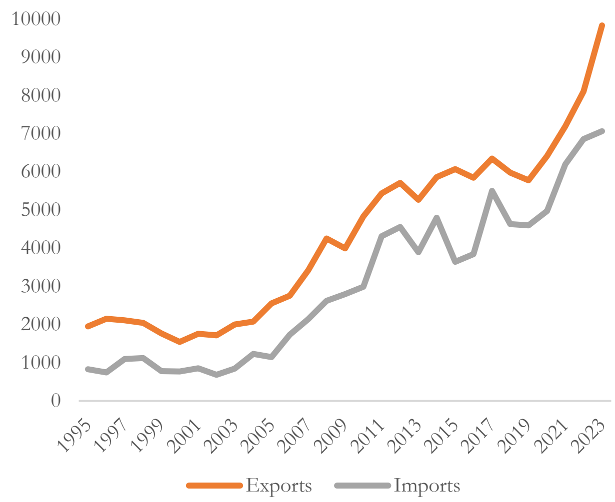


Figure 36: EAC-6



Source: UNECA calculations, from UNCTADstat

Figure 37 shows the disaggregated statistics by country. Of the 14 countries of the sub-region, 8 countries are net importers, although some of these are only marginally so. Among the net exporters are Madagascar, Seychelles,[24] Tanzania and Uganda. Djibouti is also classified as a net exporter – however, this is probably due to a misrepresentation of the data – and the fact that re-exports of food to neighouring Ethiopia are incorrectly classified as exports. The largest surpluses are displayed by Uganda and Tanzania. In sum, despite all the challenges that have negatively impacted on food production in the region recently, including adverse climatic conditions, extremely high fertilizer prices, the disruption caused to global food systems by the Covid-19 pandemic, and very low levels of irrigation, it is clear that the region collectively generates enough foreign exchange earnings through its food exports to cover the cost of imports. This argument gains added weight if we take the Democratic Republic of Congo out of the picture – as it is by far the largest net importer in the sub-region.

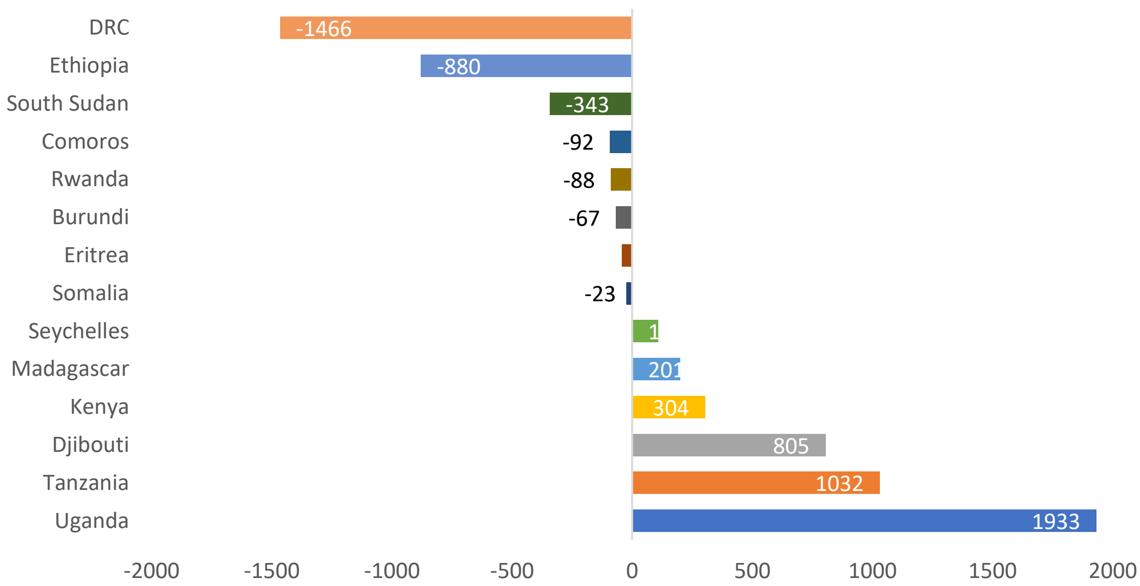
There is one caveat to this relatively upbeat conclusion. The food trade calculations here include cash crops like tea and coffee which are still the mainstays of exports for a number of countries in the region. There are long standing debates among agricultural economists, agronomists and food security experts about the advisability of exporting cash crops in exchange for food. Africa's agricultural exports are dominated by a few product categories including both traditional and non-traditional export products, with the top three (vegetables and fruits; cocoa, coffee, tea, and spices; and fish) making up more than half of all food exports.[25] It is also important to note that cereals are among Africa's other main agricultural

[24] Madagascar and Seychelles are interesting cases, because their cash-crop exports (vanilla in the case of Madagascar, and fish in the case of Seychelles) are sufficient to tip the countries into a food trade surplus.

[25] Data from UNCTADStat.

exports, but cereals' export shares have been fluctuating. However, most of the cereal exports are for markets within Africa, while exports of fruits and vegetables, as well as coffee, cocoa, and spices, are principally for markets outside the continent. Between 2017 and 2021, the main contributor to the continent's food imports was cereals (wheat, rice, maize) with an import value of USD 26 billion, accounting for 40% of the continent's total. This is followed by vegetables, fruits and sugar, accounting for 10 % of total food imports (UNCTADStat, 2023).

Figure 37: Net food trade balance, Eastern African Countries, 2023 (millions USD)



Source: UNECA calculations, from UNCTADstat

The relationship between the cultivation of cash crops (crops grown primarily for sale in international markets) and food security (the availability and access to sufficient, safe, and nutritious food) is a multifaceted issue that has been explored extensively in the literature. In countries like Ethiopia, Tanzania, and Kenya, hundreds of thousands of workers are employed by fresh fruit and vegetable export companies. Contract farming between agroindustrial exporters and smallholder producers also exist. Yet the balance of evidence is that sourcing from smallholders strongly reduced in the last decade, which is often attributed to increased regulation through standards.[26]

In order to promote job creation and strengthening foreign exchange earnings, a number of countries in East Africa have been implementing agricultural export incentives. However, little is known about the effects of these policies on various aspects of domestic food security. One recent study (Aragiea, et. al., 2023) on Ethiopia, Kenya and Uganda analyses the impact of agricultural export promotion schemes on the four dimensions of food security – availability, access, utilization, and stability. Supporting the contention made earlier about the complexity of the relationship between trade and food security, the authors found that agro-export promotion adversely affects all four aspects of food security in urban areas due to significant increases in food prices domestically. However, the authors also generally found benefits for households in rural areas. The food insecurity effects were stronger in Ethiopia and Kenya. The study

[26] See, inter alia, Maertens & Fabry (2019); Peter, Bukachi, & Olungah (2018), (Feyaerts,2019).

also found that risks associated with the volatility in international markets can lead to further deterioration in access to food when countries implement outward-oriented agricultural policies.[27]

Aragiea et. al.'s study is at odds with others that argue that cash cropping can enhance food security by increasing the income of smallholder farmers. For instance, research by Kuma et al. (2019) suggests that coffee income is associated with improved food security in Ethiopia. There is evidence of technical and managerial spillovers on smallholder farms producing fresh fruits and vegetables under contract with export companies. Minten et al. (2007) show, in a quantitative way, that farmers in Madagascar also use the soil fertility management advice they receive from export companies within a vegetable contract-farming arrangements on their rice fields, resulting in substantial increases in rice productivity (Feyaerts, 2019).

Others, however, continue to argue that cash cropping can undermine food security by diverting land, labour and resources away from staple food production, exposing farmers to market fluctuations and reducing dietary diversity.[28] Dolan (2001) reports increased intra-household conflict over land and family labour as a result of export vegetable production in contract-farming schemes in Kenya. The gender dimension to this competition for resources between export and food production is evident - vegetable production for local consumption by women comes under pressure because men claim horticultural land for export contract farming. Research has also observed heightened competition for scare water resources: Ulrich (2014) and Zaehringer, et. al. (2018) report that Kenyan farmer's associate the expansion of FFV exports with increased water scarcity.

4.5 Services Trade - Tourism

Following the devasting impacts of the COVID-19 pandemic on the tourism sector in Eastern Africa, indications are that most of Member States have recovered and, in some cases, surpassed their pre-2020 numbers both in terms of arrivals and receipts. For instance, Seychelles tourism earnings declined to USD 0.3 billion in 2020 compared to USD 0.9 billion in 2019. The country has since fully recovered with earnings of USD 1 billion in 2023. Similarly, despite not imposing strict movement restrictions, Tanzania's tourism receipts decline to USD 0.7 billion in 2020 compared the USD 2.6 billion in 2019. The country by 2022 had almost fully recovered the 2019 revenues and as of 2023 at USD 3.4 billion, it had surpassed the 2019 figure.

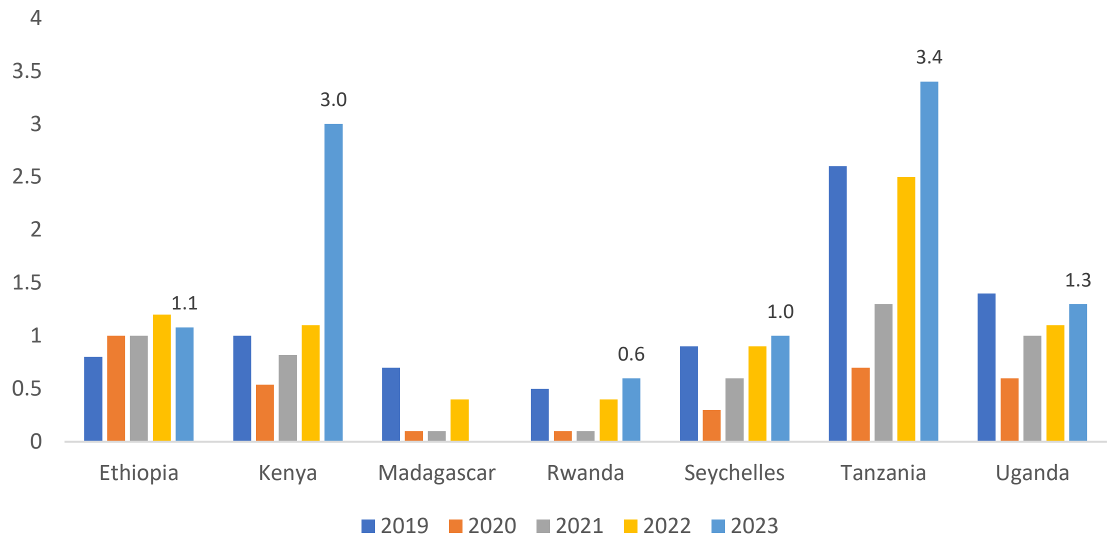
Currently, there is optimism that the sector will register record numbers with forecasts showing that by the end of 2024, Zanzibar alone will receive over 800,000 international tourists while as of May this year, the island had registered a current account surplus of USD 506 million compared to USD 389 million over the same period in 2023. Figure 38 below details the tourism receipts of select Member States in Eastern Africa. The sector has also continued to demonstrate resilience to other externalities such as the Russia-Ukraine and the Middle East crises. In addition, the on-going demonstrations by the Gen Z in Kenya that started mid-2024 appear not have had significant impacts on the tourism sector. In fact, the country is projecting a good year for the sector with targeting 5 million international arrivals by the end of 2024. Kenya's tourism sector resilience could be attributed to a range of factors including growing domestic

[27] Synergies and trade-offs between agricultural export promotion and food security: Evidence from African economies, by E. Aragiea, J. Bali´eb, C. Moralesc, K. Pauwa, World Development (2023).

[28] See, for instance, Wood et.al (2013); Immink &, Alarcon (1993)

tourist market with the country registering close to 4 million domestic bed occupancy between January and September 2023.

Figure 38: Tourism receipts of select Member States in Eastern Africa (USD Billions, 2019-2023)



Source: UN Tourism (2024)

5. Firm performance in Eastern Africa – An Overview

5.1 Eastern Africa's Largest Firms – Turnover and Profitability

Economic analysis is often undertaken without considering the key economic actors – the companies and firms that drive economic activity. In this section, we review the recent performance of Eastern Africa's largest firms, as reflected in the Jeune Afrique's annual list of 500 largest companies. The firms in Table 4 are ranked according to turnover. The imputed profitability is calculated simply by the ratio of net income/turnover and reflects pre-tax profitability. The Jeune Afrique uses the latest available company results, but net income is not available for some companies. The turnover figures relating to the 2022 financial year for nearly 1,300 companies, from a database of more than 15,000 entities.[29]

Table 4: East Africa's Largest Firms, 2024 (based on 2022/23 financial data)

Ranking 2024	Company	Sector	Country	Turnover (millions USD)	Net Income (millions USD)	Imputed Profits
24	Ethiopian Airlines Group	Transport	Ethiopia	6100		
63	Kamoto Copper Company	Mining	DRC	2545	-582	-22.9%
65	Safaricom	Telecommunications	Kenya	2518	425	16.9%
75	Kamoa-Kakula Ivanhoe	Mining	DRC	2148	654	30.4%
87	Axian Group	Diversified Groups	Madagascar	1900		
93	Vivo Energy Kenya	Energy	Kenya	1790		
106	Kenya Power	Utilities	Kenya	1547	-26	-1.7%
108	METL Group	Trade	Tanzania	1500		
113	Ethio Telecom	Telecommunications	Ethiopia	1410	349	24.8%
121	Kibali Gold Mine	Mining	DRC	1329	432	32.5%
138	Totalenergies Marketing Kenya	Energy	Kenya	1145	2	
156	Kenya Airways	Transport	Kenya	994	-325	-32.7%
166	Ethiopian Shipping And Logistics	Transport	Ethiopia	949	56	5.9%
180	East African Breweries Group	Agro-Industry	Kenya	888	100	11.3%
189	Naivas	Trade	Kenya	860		
218	Tanesco	Utilities	Tanzania	739	44	6.0%
238	MTN Uganda	Telecommunications	Uganda	686	122	17.8%
253	Vodacom Rdc	Telecommunications	DRC	619		
256	East African Breweries Kenya	Agro-Industry	Kenya	601		
265	Umeme	Utilities	Uganda	566	44	7.8%
293	Kenya Ports Authority	Transport	Kenya	480		
294	North Mara Gold Mine	Mining	Tanzania	479	177	37.0%
297	Airtel Uganda	Telecommunications	Uganda	478	98	20.5%
310	Tanzania Breweries	Agro-Industry	Tanzania	456	61	13.4%
309	Orange Rd Congo	Telecommunications	DRC	456		

[29] Only companies legally present on the continent, holding companies and their subsidiaries are taken into account (with a few exceptions in the extractive sector, where companies are sometimes listed outside Africa).

Ranking 2024	Company	Sector	Country	Turnover (millions USD)	Net Income (millions USD)	Imputed Profits
319	Kengen	Utilities	Kenya	437	41	9.4%
324	Vodacom Tanzania	Telecommunications	Tanzania	429		
332	Ethiopian Electric Utility	Utilities	Ethiopia	415		
346	Bulyanhulu Gold Mine	Mining	Tanzania	389	118	30.3%
373	Gécamines	Mining	DRC	343	252	73.5%
374	British American Tobacco Kenya	Agro-Industry	Kenya	342	56	16.4%
391	Bamburi Cement	Construction	Kenya	316	1	0.3%
399	Quickmart	Trade	Kenya	302	6	2.0%
411	Tigo Tanzania	Telecommunications	Tanzania	286	-9	-3.1%
434	Kenya Pipeline Co.	Energy	Kenya	263	31	11.8%
455	Webuild Group Ethiopia	Construction	Ethiopia	234		
459	Dangote Cement Ethiopia	Construction	Ethiopia	227	63	27.8%
481	MTN Rwanda	Telecommunications	Rwanda	202	17	8.4%
486	Tanzania Portland Cement Co.	Construction	Tanzania	198	39	19.7%
491	Unga Group	Agro-Industry	Kenya	195	-5	-2.6%
497	East African Breweries Uganda	Agro-Industry	Uganda	188		

Source: Computed from Jeune Afrique, March 2024.

All the company results are from an identifiable or certifiable source. Some family-owned companies do not prepare consolidated accounts, while others do not publish accounts at all. These are, in principle, excluded from the classification. [30] The figures relate to the financial year ending at the end of 2022 or until June 2023. Within the mid-year limit, it is therefore the most recent financial year which is taken into account. The data was then converted from national currencies to US dollars at the rates on the closing day of the financial year. Due to lack of data, the data from the previous classification were published for a few companies. After two years without publishing their accounts, a company is automatically eliminated from the ranking.

Geographically, Southern Africa remains by far the region which weighs the most in the ranking, with 49% of the continental turnover and 203 companies out of 500. However, its share has been declining over the last five years, when its weight in the total was 64%. West Africa has generally been gaining the most - in 2024 it had 105 companies, up from only 78 in 2019.

For Eastern Africa, there are 41 companies on the list of top 500 firms, meaning that the region is underrepresented, considering that one third of Africa's population lives in Eastern Africa. On a continental basis, turnover of the five hundred companies reaches US$ 759.6 billion. Only 375 companies present results for both turnover and income, but those 375 companies report profits totally US$ 70.4 billion on turnover of US$ 610.3 billion. This implies a healthy pre-tax profit rate of 11.5%. Of the 41 companies in Eastern Africa, only 28 provide both turnover and income data. Using the data for those firms, profitability is 10% (on an aggregate basis), or 12.9% as a simple average. Ethiopian Airlines tops this list in terms of turnover, at USD 6.1 billion – more than double the next two largest firms (Kamoto

[30] In Eastern Africa, for instance, this would include the family-owned group Bakhresa (which markets its products under the Azam).

Copper Company and Safaricom). It is worth noting the dominance of mining groups, telecommunications, utilities, transport firms, and agro-industry (particularly alcoholic beverages).

Why does this all matter? A lot of the contemporary discourse on private sector development in Africa is focused on SMEs and MSMEs. As pointed out by Behuria (2021), relatively little attention is currently being paid to the development of domestic firms in discussions on industrial policy and innovation, with the emphasis being placed on attracting foreign investors (particularly Chinese). Yet from historical precedent we know that the success in articulating industrial policy is usually dependent on mobilising domestic capitalists.[31] At a time of continental integration, the lack of larger companies and sufficient cross-border investment by African firms should be a source of serious concern for policymakers – they are the drivers of regional integration, and the main actors with regards to export performance. In this sense, the next section looks at the Financial Times annual list of fastest growing companies in Africa, focusing on the firms located in Eastern Africa.

5.2 Eastern Africa's Fastest Growing Firms (Financial Times)

Since 2022, the Financial Times has been publishing a list of Africa's fastest growing companies. In 2023, the FT listed 125 companies, ranked according to their compound annual growth in revenues (CAGR) between 2019 and 2022. Table X1 below highlights Eastern Africa's fastest-growing firms from that list, revealing that Kenyan firms are the fastest growing: Out of the 16 companies listed from Eastern Africa, 13 are from Kenya, demonstrating its role as a hub for innovation and entrepreneurship.

E-commerce is particularly well represented, with companies like Sokowatch and Copia Global standing out. Sokowatch ranks 3rd in Africa with an impressive CAGR of 242% and substantial revenues of $136.9 million in 2021. This reflects the strong growth potential in digital platforms that provide last-mile delivery and retail services in the region. Fintech is another strong sector, with companies such as Lipa Later, 4G Capital, and M-Kopa playing key roles.

M-Kopa has a standout performance in terms of revenue ($142.9 million) and employee size (2028 employees), showcasing its significant market penetration in mobile payments and financial inclusion. Agriculture Forestry & Fishing is also prominent with firms like Victory Farms and Silverlands Tanzania growing rapidly. These companies emphasize the importance of agriculture to the region's economy, particularly as they focus on sustainable food production and processing.

Finally, the list underscores the mix of new and established companies driving growth in the region. While many firms, like Victory Farms and Poa Internet, were founded in the last decade, older companies such as Lapigems (founded in 1974) show that long-established firms can still experience substantial growth. The wide range of industries represented, from Fintech to IT & Software, illustrates the region's potential for continued expansion, particularly in sectors that embrace digitalization and innovation. This economic dynamism positions Eastern Africa as a growing player in Africa's business landscape. Another fascinating illustration of an East African firm which is evolving into a rapidly growing tech-based multinational is Aprech Africa (Box 2).

[31] The Korean case is exemplary in this sense. See Chang, Ha-Joon (1993), "The Political Economy of Industrial Policy in Korea", Cambridge Journal of Economics, June.

Box 2: Aptech Africa – a rapidly growing tech-based multinational

In 2017, Kidane Tesfamichael, an Eritrean solar salesman, arrived in Bangui, the capital of the Central African Republic (CAR), without knowledge of the local languages, French and Sango. Lacking transportation and an office, he constructed a single-room bungalow in a car park and began soliciting clients for his company's primary product, a solar power inverter. By 2024, Mr. Tesfamichael is overseeing an office with 40 employees and numerous solar-energy projects throughout the country.

Mr. Tesfamichael's accomplishments in CAR, one of the world's most impoverished and unstable nations, mirror the broader success of Aptech Africa, where he was an early employee. Founded in South Sudan in 2011 by two Eritrean entrepreneurs with a modest capital of $20,000, Aptech Africa has grown significantly. By 2023, the company was valued at approximately $50 million, with offices in nine African countries and operations in 20 more. The firm is poised to expand beyond the continent, with plans to establish a presence in Papua New Guinea.

Aptech Africa's growth is underpinned by several key trends. Firstly, there is an increase in home-grown African multinationals. In recent years, foreign direct investment in Africa has declined due to political instability and currency volatility, leading to limited competition in the high-risk markets where Aptech operates. During the civil war in South Sudan in 2013, Aptech's stock was looted by rebels, yet the company remained and subsequently took over projects abandoned by competitors.

Secondly, there has been a significant expansion in Africa's solar-power industry. In Uganda, where Aptech is headquartered, the percentage of the population using solar power increased from 18% in 2017 to 38% in 2020. Aptech's primary clients in countries like CAR are donors and aid agencies focused on underserved populations. The national electrification rate is a crucial factor in determining Aptech's expansion strategy; for instance, less than 0.5% of rural Central Africans had access to electricity in 2022, according to the World Bank.

Lastly, innovation within Africa's burgeoning solar industry plays a vital role. Many local solar engineering, procurement, and construction (EPC) firms, including Aptech, are now designing their own products. In Uganda, Aptech introduced a pay-as-you-go solar water pump in collaboration with a local company and plans to launch an assembly plant for lithium-ion batteries next year. Unlike many high-profile African startups, Aptech has grown with minimal foreign capital, having only recently registered a holding company in Mauritius to attract overseas investors more easily. Despite receiving some funding from the British government in the past, Aptech generally avoids relying on grants, emphasizing that success in Africa does not necessarily depend on external assistance.

Source: The Economist, 26th September 2024

Table 5: Eastern Africa's fastest-growing firms

Rank in Africa (out of 100)	Company name	Brand	Country	Sector	Compound annual growth rate (CAGR %)	Revenues 2021 ($mn)	No of employees 2021	Founding year
3	Sokowatch Ltd,	Wasoko	Kenya	E-commerce	242	136.9	1490	2016
4	Altech	Altech	DRC	Energy & Utilities	215	17.00	4000	2013
13	Africa Healthcare Network	Africa Healthcare Network	Kenya	Healthcare & Life Sciences	93	5.4	272	2015
15	Victory Farms Ltd,	Victory Farms	Kenya	Agriculture Forestry & Fishing	88	17.3	563	2015
16	Lipa Later Ltd,	Lipa Later	Kenya	Fintech Financial Services & Insurance	84	3.5	25	2017
21	Poa Internet Kenya Ltd,	Poa Internet	Kenya	Media & Telecommunications	72	1.5	86	2015
35	Copia Global Inc,	Copia	Kenya	E-commerce	50	30.1	659	2013
43	Fourth Generation Capital Ltd,	4G Capital	Kenya	Fintech Financial Services & Insurance	42	17.3	541	2014
50	M-Kopa Holdings Ltd,	M-Kopa	Kenya	Fintech Financial Services & Insurance	35	142.9	2028	2011
54	Laterite	Laterite	Kenya	IT & Software	32	5.4	66	2010
61	Jibuco	Jibu	Rwanda	Food & Beverages	29	3.2	115	2012
73	Silverlands Tanzania Ltd,	Silverlands Tanzania	Tanzania	Agriculture Forestry & Fishing	23	37.5	954	2013
80	Lapigems Ltd,	The Rare Gemstone Company	Kenya	E-commerce	20	1.5	14	1974
82	Impax Business Solutions Ltd,	Impax	Kenya	IT & Software	16	2.7	76	2003
83	East African Business Company Ltd,	Eabcl	Kenya	Agriculture Forestry & Fishing	16	3.6	49	2011
99	Dakawou Transport Ltd,	Dakawou Transport	Kenya	Logistics & Transportation	8	11.2	445	1990

Source: Financial Times (2023)

6. Tracking Progress towards the SDGs – a Sub-National Review of Disparities and Convergence

The *Africa Sustainable Development Report 2024* presents a mixed picture of progress and challenges across several Sustainable Development Goals (SDGs) and Agenda 2063 objectives. At a continental level, the report states that Africa is unlikely to achieve any of the five SDGs (1- No Poverty, 2 - Zero Hunger, 13 - Climate Action, 16 - Peace, Justice and Strong Institutions, and 17 - Partnerships for the Goals) analyzed in the report by 2030. At the subregional level, data from the African Centre of Statistics for Eastern Africa also reveals serious areas of concern, particularly regarding SDGs 7 – Affordable and clean energy, 8 - Decent work and economic growth, 11 – sustainable cities and communities, 13 – climate action, and 15- life on land. In all these SDGs, a regression has occurred since 2015. In other SDGs, progress is also very lacklustre, including SDG 1 (poverty), SDG 4 (quality education), SDG 10 (reduced inequalities), and SDG 12 (responsible consumption and production).

Figure 39: Summary of SDG Progress in Eastern Africa up to 2023

Source: African Centre for Statistics, UNECA

Regarding performance on Poverty (SDG1), East Africa continues to be significantly affected by poverty, countries have made strides, the region still faces challenges related to economic shocks, job losses, and reduced income, largely due to the lingering effects of COVID-19 and other global crises. On Hunger and Food Security (SDG 2) East Africa has experienced a significant rise in food insecurity, driven by droughts, conflict, and climate change impacts. Food insecurity is a critical issue, and malnutrition levels have worsened, especially among children. The region has seen a decline of 3.6% in agricultural investments, which further exacerbates food production challenges. East Africa's reduction in agricultural budget allocations and official development assistance (ODA) has contributed to this downturn.

Regarding Climate Action (SDG 13), East Africa is one of the regions regressing in terms of climate action. The impacts of climate change, including extreme weather events and droughts, have worsened conditions in the region. More than half of East African countries have been severely affected by climate-related hazards. The region's vulnerability to climate shocks is compounded by limited progress in integrating climate change strategies into national policies. While there have been commitments to the Paris Agreement, implementation has been slow, and climate finance remains insufficient to meet the region's needs. On Governance and Peace (SDG 16) East Africa has regressed on governance and peace indicators, particularly concerning peace, justice, and strong institutions. The region has experienced a rise in conflicts, leading to instability, displacement, and a deterioration in social cohesion. Concerning Partnerships and Resource Mobilization (SDG 17) East Africa, like much of the continent, faces constraints in mobilizing domestic and international resources for development. The region has seen slow progress in strengthening partnerships, and its reliance on ODA remains high.

Despite the significant challenges East Africa faces, there are notable positive trends, according to the *Africa Sustainable Development Report 2024*. East Africa has demonstrated resilience and growth, becoming one of the continent's fastest-growing regions. Several countries, including Ethiopia, Kenya, and Rwanda, have maintained robust economic growth, despite global challenges such as the COVID-19 pandemic. Efforts to diversify economies, particularly through sectors like technology, services, and industry, have contributed to this progress. The African Continental Free Trade Area (AfCFTA) is also expected to enhance regional trade and investment opportunities, fostering further economic integration. In addition, there have been steady gains in poverty reduction, with social protection programs in countries like Kenya and Ethiopia helping to alleviate the impacts of economic shocks on vulnerable populations.

Similarly, despite the poor scoring in SDG 13, the region has made some strides in renewable energy and climate action. Kenya, for example, has significantly developed its renewable energy sector, with geothermal, wind, and solar power playing a key role in its energy mix. East African nations are also increasingly integrating climate resilience into their national policies, with Rwanda's Green Growth and Climate Resilience Strategy serving as a strong example of sustainable development efforts. Moreover, access to basic services, such as clean drinking water and sanitation, has improved across the region, contributing to enhanced living standards. Investments in education and healthcare have further supported social development, with countries like Tanzania and Uganda expanding access to these essential services.

East Africa has emerged as a leader in digital innovation, particularly through mobile banking platforms like Kenya's M-Pesa, which has revolutionized financial inclusion. The region's growing tech startup ecosystem, with Nairobi at its center, is helping drive digital trade and employment opportunities. Agricultural productivity in some countries like Ethiopia has also improved, with modern farming techniques and support for smallholder farmers boosting food security and rural incomes. Political and institutional reforms, particularly in governance and transparency, are also contributing to progress in the region, with countries like Rwanda making significant strides in combating corruption and improving public services.

Finally, one dimension of well-being not covered by SDG indicators is qualitative data, reflecting people's perceptions of their own well-being. In this sense, the Afrobarometer Survey 2024 complements the Africa Sustainable Development Report 2024 by providing more data on economic, social and governance issues faced by individuals in East Africa regarding access to basic necessities (Table 6). The results are sobering. Among the 6 Eastern African countries surveyed, Madagascar stands out as having the highest percentage of respondents reporting going without cash income, followed closely by Uganda and Kenya. Only Seychelles reports figures below the continental average of 81%. These figures point to a critical lack in income security, where the majority of the population struggles to access consistent cash income. Likewise, access to medical care is particularly challenging in Uganda, Madagascar and Ethiopia. Kenya is slightly above the 39-country average (66%), while Tanzania fares better. The significantly lower figure in Seychelles (20%) underscores the better healthcare infrastructure and access in the island nation.

Table 6: Afrobarometer survey results: Going without basic necessities

	Cash income	Medical care	Food	Water	Cooking fuel
Madagascar	98%	69%	73%	55%	48%
Uganda	93%	78%	62%	55%	57%
Kenya	91%	63%	61%	51%	46%
Ethiopia	87%	68%	60%	65%	46%
Tanzania	85%	50%	43%	45%	25%
Seychelles	19%	20%	13%	12%	10%
39-country average	81%	66%	59%	57%	51%

Key	81%-100%	61%-80%	41%-60%	1%-40%

Source: Afrobarometer, 2024

Food insecurity is another pressing issue, with Madagascar and Uganda showing considerably higher percentages of people claiming to go without sufficient food compared to the 39-country average (59%). Water access is a major issue, particularly in Ethiopia (65%) and Uganda (55%), where the percentage of people going without water exceed the 39-country average (57%). These results highlight big differences in people's perceptions of their living conditions and access to basic necessities both within Eastern Africa and at the continental level. The results underscore the need for targeted interventions to address specific areas of deprivation in each country.

7. Conclusions

Eastern Africa has remained resilient despite numerous challenges, including high debt levels, inflationary pressures, and global economic shocks. In 2023/4, the region's growth remains steady, though slightly reduced. However, public sector investment has slowed, particularly in critical infrastructure projects. Agriculture remains vital but lags in productivity compared to other sectors. To address these issues, governments should focus on reviving public sector investment as soon as the fiscal situation allows, especially in infrastructure, and prioritize climate-smart agriculture to ensure food security and growth in the agricultural sector.

Macroeconomic conditions in the region have been marked by heightened volatility in inflation and exchange rate movements, with several countries experiencing pronounced pressures from currency depreciation which led to countries like Ethiopia devaluing their currencies. Monetary policies have been tightened to control inflation, but more efforts are needed to stabilize currencies and protect against future fluctuations.

Debt levels in Eastern Africa remain a pressing concern, particularly in Kenya and Ethiopia, where fiscal deficits and rising debt service costs strain government budgets. While fiscal consolidation efforts are underway, more needs to be done to ensure long-term debt sustainability. Governments must pursue comprehensive debt restructuring and fiscal discipline, including negotiating with creditors and increasing domestic revenue mobilization. Working with multilateral organizations to secure concessional loans and exploring innovative financing models like debt-for-climate swaps will also be critical to managing debt levels. Improving domestic debt management is also an urgent task for some countries (e.g. Ethiopia, Kenya).[32]

Trade performance has shown resilience, with intra-regional trade. growing. However, the region continues to run a substantial trade deficit with the rest of the world, driven by its reliance on imports, particularly manufactured goods. To address this imbalance, governments should enhance regional integration through the African Continental Free Trade Area (AfCFTA), reduce non-tariff barriers, and improve trade logistics. This will help catalyse greater investment in industrial products and strengthen the region's trade balance over time.

Firm performance in Eastern Africa highlights the critical role the private sector plays in the region's economic resilience. In this report we have stress the critical (but often overlooked) role of the region's larger firms and companies – and argued that without leveraging their considerable resources, market knowledge and regional networks, it will be difficult to achieve a lot of the region's developmental goals, including an effective implementation of the AfCFTA.

Finally, regarding progress towards the Sustainable Development Goals (SDGs), while there have been some advancements, significant disparities remain, particularly in rural areas. Going forward, governments in the region should prioritize inclusive growth strategies that ensure targeted social spending in key areas like health, education, and food security. Strengthening social protection programs and investing in human capital will reduce inequality and support the region's long-term development goals. By focusing on inclusive policies, Eastern Africa can foster sustainable growth that benefits all segments of society.

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[32] Debt liabilities in Ethiopia started to outweigh external ones in 2021/22, according to official data. In Kenya, as seen earlier, interest payments on domestic debt represents 55% of total debt repayments.