33 Greater Horn of East Africa Outlook

Struggling to Stay in Orbit: Will centrifugal forces eventually force the EAC into a tailspin?

Introduction

In this Greater Horn of East Africa (GHEA) Outlook, three trends are examined that at first do not seem connected. The Democratic Republic of Congo (DRC) has been a victim of constant violence, corruption, wars and exploitation for many decades. There seems to be no end in sight to the conflict and instability that its citizens have long suffered. Today, it is at the center of gravity in the vortex of violence in the region. Three of the five EAC countries - Tanzania, Rwanda and Uganda - are both directly and indirectly involved, with negative consequences that could potentially spiral out of control. The conditions for a Second Congo War could well be aligning, and in that event, the GHEA faces even greater destabilization, a huge humanitarian disaster and even deeper refugee crisis. It would certainly undermine the spirit of regional integration.

This leads us to the second trend that this Outlook examines – signs of a widening fissure within the

EAC itself. In a span of a few months, Tanzania, and to a lesser extent Burundi, have been perceived as isolating themselves from the broader EAC. What at first seemed to be media-fuelled 'snubs' took on more concrete dimensions during July and August 2013 with a series of public spats between the governments of Rwanda and Tanzania. The conflict in the DRC cannot be seen in isolation from the tension that has emerged within the EAC between Tanzania and Rwanda. The pro-integration wing of the EAC has also expressed a more general sense of frustration with Tanzania, with the idea of political federation being picked up again in a regional summit that apparently excluded Tanzanian participation by design. Again, political instability and insecurity are poisoning a process of potentially welfare-improving regional integration.

Violence and instability can sometimes create unintended consequences and spark new ways of resilience, especially when the state cannot support its citizens. One such form of resilience is the creation and use of complementary and alternative currencies that could potentially support poor and vulnerable populations who are effectively shut out of the formal monetary economy. Complementary currencies could be one way of coping with economic marginalization if allowed to thrive. The Kenyan experience in this regard, albeit its apparent false start, suggests that there is nervousness within officialdom of these instruments. Will East Africa's governments encourage such innovations or frown upon them? Will they become useful allies in poverty reduction or just another experiment of dubious value? Only time will tell.

It is not uncommon for public facilities to be used to shelter refugees. Cartoon: © Roland Polman / www.rnw.nl/afrique

Vortices of Violence in the Greater Horn of East Africa

Will the conflict in the DRC pull down the rest of East Africa and drag in the rest of the world in its wake?

Image: www.aljazeera.com

The Horn of Africa has been synonymous with violence and political instability for decades. Conflict and political violence has affected each of the following countries: Ethiopia, Eritrea, Somalia, Sudan, Rwanda, Burundi, the Democratic Republic of Congo, Kenya, Tanzania and Uganda. The intensity of conflict and violence varied in each of these countries. Some countries were involved indirectly, though not playing a role in the conflict, by hosting a significant amount of refugees (Tanzania and Kenya).

Despite the significant number of countries that have experienced violence in the GHEA, the vortex of violence has been concentrated in three main theatres - eastern Democratic Republic of Congo, South Sudan and Somalia. The conflict between Ethiopia and Eritrea has reached a stalemate, Burundi is slowly charging along its post-conflict reconstruction plans and Uganda's Lord's Resistance Army (LRA) that was the source of conflict in northern Uganda has remained silent. Within these main theaters you can separate how each hotspot is driven by different events and contexts. The DRC/South Sudan and all stakeholders involved represent one vortex while Somalia, with its own unique drivers that are dissimilar to the DRC/South Sudan. Despite these differences in root causes there are underlying threads that tie these conflicts together. These can be divided into the following: foreign meddling and intervention; a lack of home grown solutions as a point of departure; a never ending conflict and the consistent flow of forced migration, refugees. These threads are white tie together the vortices of violence in the GHEA.

Despite the number of conflicts that the region has witnessed, there are cycles of violence and political instability that seem to flare up every so often. The newest and perhaps most volatile area at the moment is eastern DRC where many of the GHEA countries are involved in one shape or another risking a serious spillover crisis that can completely unravel the entire region. For the first time in decades, real fears of a 'Second Congo War' have increased. This is due to an array of factors, but primarily the mutiny of Bosco Ntaganda in April 2012 and creation of the "March 23rd" rebel movement known as M23. These two incidents marked another cycle of violence by the M23 rebels in eastern Congo and their capacity to undermine the central government in Kinshasa. The seriousness of the

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M23 was demonstrated by the fall of Goma, which is the capital of North Kivu, at the end of last year. The fall of Goma and the increasing aggression by the M23 sparked an 18-month period of an entire region on edge regarding the developments in the Democratic Republic of Congo.

Foreign Meddling: A Cold War in the Warm Tropics?

Across the GHEA, the most violent and long-standing conflicts have been ones that have involved foreign actors both regional and international. These foreign actors can come in the shape of rebels, armed militias sponsored by foreign governments, international peacekeeping missions with limited mandates, or direct involvement by neighboring countries and greater powers. The more foreign actors involved, the longer the conflict ravages on. This can be seen in both the Democratic Republic of Congo and Somalia, two very different types of conflicts but with a common theme of foreign actors trying to influence the political situation on the ground. It shouldn't be lost to anyone that the main driver of foreign meddling and interference in the DRC is the wealth of natural resources the country has. This is the reason why, for better or worse, all of the neighbors surrounding the DRC has been involved in some capacity. The main reason for this free for all is the fact that the DRC has never had a strong central government. This significant vacuum has allowed other countries and even rebels to dictate the terms. In Somalia, the conflict there took a very unique approach of being an issue on three levels: national, regional and international. The foreign meddling and interference in Somalia

© Cartoon: Thembo Kash - http://www.rnw.nl/africa

ranged from neighboring countries, global powers to terrorists. With so many hands in one basket it is no surprise that the conflict is still ravaging on, but in places where there is the least amount of foreign interference like Puntland and Somaliland, stability holds firm.

Sometimes when a conflict has received so much foreign meddling and attention like the DRC, the challenges come to bare. Tensions have reached fever-pitch levels in the past few months in the region culminating into a cold war between Tanzania and Rwanda. The friction between these two countries was sparked during the special African Union summit in May 2013 commemorating the 50-year anniversary of the Organization of African Unity. Tanzania's President Jakaya Kikwete, after a special session on the Great Lakes, publicly suggested that in order to have sustainable peace in the region countries should have a dialogue with the rebels. He suggested Uganda should speak to the Lord's Resistance Army (LRA) and Rwanda to the Democratic Forces for the Liberation of Rwanda (FDLR). Such a suggestion did not bode too well in Rwanda, which set off a string of criticisms from the Government of Rwanda and accusations that President Kikwete and Tanzania are genocide apologists. The war of words between Tanzania and Rwanda is yet another signal of the deteriorating situation in the Great Lakes region. These two countries, in their own right, are critical in trying to establish peace and stability in the DRC and if they are in cold terms, sustainable peace in the DRC and region will seem like a pipedream.

In July, two Rwandan villages were shelled allegedly from positions inside the DRC. Soon after, Rwanda warned its enemies and said it will not

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The UN Conundrum in the Congo: Is it A Carrot or a Stick?
Jason Stearns

For the first time in years, there is a credible peace process in the offing for the Congo, one that addresses issues that the transition (2003-2006) never did. As discussed on this blog before, the Framework Agreement signed on 24 February 2013 promises a means to address two key divers of conflict: the weakness of the Congolese state, and cross-border meddling between the Congo, Uganda, and Rwanda.

However, there are several problems with the Framework Agreement, evident since its inception. These have enhanced cynicism among Congolese toward the United Nations and the international community, prompting protesters in Goma attacked peacekeepers earlier this month, and discontent with the UN is proliferating among civil society.

Since February, when the Framework Agreement was signed, Congolese have had to deal with a confusion of different processes, some in contradiction with each other—the Framework Agreement does not even address the armed groups in the eastern Congo, the UN-endorsed Kampala peace talks push for a negotiated solution, while the UN Intervention Brigade has a mandate to take attack armed groups in the East.

But none of these processes seem to be working. Negotiations between the M23 and the Congolese government have been left for the Kampala talks, led by the regional ICGLR grouping. These talks, which began in December last year, have gotten nowhere, as the Congolese government—bolstered by the arrival of the UN's Intervention Brigade—continues to believe in a military solution, while there is renewed evidence from Human Rights Watch and diplomats that Rwanda continues to back the M23.

We know what the outlines of a deal must be—they include removing the worst human rights offenders among the M23, integrating most of the officers and troops into the Congolese army and redeploying them across the country, allowing the M23 political leadership participate in the upcoming national dialogue, and addressing issues such as refugee return and the dismantling of the FDLR. Critically, this is not a deal that can be struck with the M23, as it will have to submit to its own dissolution—instead, diplomats must engage with Rwanda, which still exercises crucial influence over the M23, but which steadfastly denies any involvement. All of this will require diplomats such as Robinson and the newly appointed US envoy Russ Feingold, but also African heads of state that have been largely bystanders, to propose solutions and muster leverage, not just sit back and allow the Kampala process and Framework Agreement to tread water.

[Excerpted from the Congo Siasa Blog: http://bit.ly/18cVgeK]

hesitate to respond to aggression from its neighbor the DRC, if troops continue to engage in provocative acts targeting its territory. "Intelligence sources indicated that it was a deliberate attack by Congolese forces, FARDC, with the help of peacekeepers from MONUSCO."[1] Such accusations also point to a long deteriorating relationship between Rwanda and MONUSCO.

Tanzania also faced some challenges. The first being the death of seven peacekeepers that were ambushed in Darfur, Sudan sparking a collective outrage and some hints of nationalism among government officials and citizens. President Kikwete, during a ceremony commemorating Heroes Day, also issued a stark but veiled warning to its 'neighbors' and assured Tanzanians that the borders were safe. "Sleep soundly and ignore speculation that is rife out there. Our armed forces are able to protect the country and its borders. Anyone who dares invade or provoke us will face dire consequences," President Kikwete said. For two Presidents, in the same month, issuing warnings to their neighbors about crossing any lines was not a good signal. Both statements had to be made and people had to be reassured but the perception and sentiments that are expressed by such statements leaves a lot of speculation that things could manifest itself into something worse. President Kikwete did use his monthly national address to discuss the deteriorating relationship with Rwanda but indicated that it was not in the interest of his government to escalate the tensions any further.

By mid-August there were hardly any signs of improving relations between

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Rwanda and Tanzania, and the headlines in various regional newspapers did not alleviate the situation. In August, in what the Government of Tanzania indicated was a pre-planned decision, Tanzania expelled 20,000 Rwandans. Although this isn't the first time Tanzania has expelled Rwandans, the timing of such a decision presented challenges for both countries.

The tensions between Tanzania and Rwanda complicates many things, especially attempts to find a political solution to a political problem in the DRC. Though Rwanda and Tanzania have publicly resolved their tensions, many believe that there are significant unresolved issues beneath the surface. All is not well between Kigali and Dar. This entire episode demonstrated just how intertwined and complicated the conflict in the DRC is.

The Korean Salvation: A $1.0 billion 'bribe' for peace?

In May 2013, the World Bank and United Nations pledged $1 billion to the Great Lakes region to target support for energy, roads, agriculture, cross-border trade, health and jobs. The agreement was signed by eleven countries and was hailed as an attempt to improve the Great Lakes region across key sectors. The World Bank President, Dr. Jim Yong Kim and UN Secretary-General, Ban Ki-moon took part on a three-day official visit to the DRC, Rwanda and Uganda.

According to the World Bank, the breakdown of funding was as follows:

- $100 million for supporting agriculture and rural livelihoods for internally displaced people and refugees in the region;
- $340 million to support the 80 megawatt Rusumo Falls hydroelectric project for Burundi, Rwanda and Tanzania;
- $150 million for rehabilitation of the Ruzizi I and II hydroelectric projects and financing Ruzizi III, supplying electricity for Rwanda, Burundi and DRC;
- $180 million for improving infrastructure and border management along the Rwanda-DRC border.

A significant proportion of funds will go towards improving infrastructure and cross-border trade. This is a difficult gamble to make considering a lot of these projects will prove to be mute if the political crisis is not solved and if conflict and violence intensifies. Safety and security needs to be established before one can enable cross border trading. The border regions between the DRC, Rwanda, Uganda and Tanzania remain volatile. Jason Stearns, an expert on the Great Lakes and author of the critically acclaimed book, *Dancing in the Glory of Monsters*, expressed his doubts:

> *"Then there is the development aid package, which World Bank President Jim Kim announced this week: $1 billion for development projects in the region, apparently – but not explicitly – conditional on the implementation of the PSCF [Peace, Security and Cooperation Framework]. This includes a considerable amount of money for hydropower in Rwanda and its neighbors—$340 million for the Rusumo Falls project and $150 million to rehabilitate the Rusizi dam on the border between Congo, Rwanda and Burundi. Here, there appears to have been a shift in emphasis, from sanctioning Rwanda (a good chunk of the money that was suspended last year has been now disbursed) to providing positive incentives for collaboration."* [2]

Stearns is referring to the onslaught of donor cuts last year after allegations of Rwanda actively supporting the M23 rebels became public. The new strategy here seems to encourage cooperation across all the key stakeholders involved in the Great Lakes to find a lasting peace. By doing so they receive carrots from international partners as opposed to the strategy of naming and shaming Rwanda.

Will this $1 billion "bribe for peace" work? It is hard to say but it is difficult to have a positive outlook especially in light of the tensions between Rwanda and Tanzania as well as the opposition for any sign of aggressive offensive against the M23 rebels by the neutral force. This $1 billion gamble does have a hint of carrots/sticks approach by the international community to solving a complicated problem. The trouble with this approach is that rarely does it address the underlying challenges and in most cases end up in the hands of the very stakeholders who are keen on prolonging the conflict indefinitely.

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Want to help the Congolese? Give them money directly!

The Hollywood star Ben Affleck was quoted as having said as much by The Christian Science Monitor (August 2013). Affleck believes that community based organizations and local NGOs are the best options for "enabling lasting change in the DRC".*

Essentially Mr. Affleck (pictured) is setting up a database of all the local NGO's in the DRC doing good work so that donors can fund them directly. His organization, The Eastern Congo Initiative (ECI) has partnered with the United States Agency for International Development (USAID) to create an easy-to-use database of Congolese community-based organizations. This is perhaps a step in the right direction but is it too late? It is ironic that this suggestion comes from Mr. Affleck whose Hollywood star buddies such as George Clooney et. al. have always advocated for foreign intervention and involvement to solving local problems. Mr. Clooney got involved directly with President Obama and the White House to go all in on the referendum and subsequent independence of South Sudan.

Clooney is also closely associated with the Satellite Sentinel project that has satellites monitoring South Sudan and Sudan and in particular the Darfur situation. The decision to send 100 members of the US Special Forces to hunt and capture the elusive Joseph Kony, head of the notorious Lords Resistance Army, was not an strategic move based on national self interest but a humanitarian intervention ideology heavily championed by local American NGOs for decades, climaxing with the 'Stop Kony' campaign that went viral in 2012. During the crisis in Darfur, Sudan many American activists felt that the Bush Administration should send Special Forces to neutralize the Janjaweed militia. What do such pronouncements do to local NGOs who may have the slightest connection to these foreign entities? Authoritative governments could easily call them traitors, spies and neutralize them quickly, undermining everything foreign entities argue for.

Considering that the netizenry is up in arms against Ben Affleck playing Batman in the upcoming film starring this character, perhaps the GHEA's netizens could start a parallel campaign to have him star in the DRC. After all, the challenge might not be that different: Batman could yet play a role in the DRC where both the good and bad guys need some sorting out.

[- Read the full article in the Christian Science Monitor at http://bit.ly/1euoZnQ]*

Trouble in Paradise? Not-So-Sub-Surface Realignments in the EAC

Cracks in East African unity emerge as the Northern members apparently aim to speed up integration efforts

Image: chimpreports.com

In July 2013, Ambassador Juma V. Mwapachu, former EAC Secretary General (and current Society for International Development President) wrote a compelling piece in The Citizen (a local Tanzanian newspaper) titled 'A Two Speed East African Community.' In it he discussed a sort of realignment of the EAC in a very interesting context. Early July was an exciting time for Tanzania as it played host to US President Barack Obama and former President George W. Bush in the same week. Much of the narrative regarding President Obama's visit to Tanzania was how he snubbed Kenya. In a sort of pre-snub, the Presidents of Uganda, Rwanda and Kenya all met in Entebbe, Uganda for a mini-summit to discuss regional integration issues a week before Tanzania hosted President Obama. Neither Tanzania nor Burundi attended the meeting. It is not clear if both presidents were 'snubbed' or just chose not to attend.

The leaders agreed to push for bilateral and tripartite infrastructure projects as well as fast-tracking a political federation. The push for regional infrastructure projects along the northern transport corridor can be perceived as a direct critique of President Kikwete who has historically not been forthcoming to regional infrastructure projects or seeing infrastructure as a regional issue. Indeed the East African regional weekly wrote:

> *"The immediate outcome of the two-day Kampala talks was a declaration of executive authority to steam ahead with regional infrastructure projects and business reforms that have been crawling along for years."*[3]

Ambassador Mwapachu warned, "Going by the issues discussed and the apparent decisions taken at the meeting in Kampala, a new dynamic in the EAC's integration process is clearly emerging. Tanzania should not take this development lightly."[4] The meeting, in the broader context, and apparent realignment seems even more telling when one thinks of the tensions between Tanzania and Rwanda, the disagreements in how to deal with the DRC, the refusal for a military offensive against the M23 by Rwanda, Uganda and Kenya and the snubs and counter-snubs that the region has witnessed in the past few months. Is there an attempt to remake the EAC to exclude Tanzania?

The Lamu Port-Southern Sudan-Ethiopia Transport (LAPSET) project is seen as an engine for this attempt to

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realign the EAC with the hopeful inclusion of South Sudan and Ethiopia. However, the increased tensions within South Sudan and the increased violence in Jonglei State and starved revenue as a result of Khartoum's shutdown of the pipeline makes the country a risky choice for admission. Nevertheless it does seem as though the tripartite alliance between Kenya, Uganda and Rwanda will be charging along. Two 'tell' signs occurred that intensify this perception. The first being the commissioning of Berth No. 19 at the Port of Mombasa which was attended by Presidents Museveni, Kagame and of course Kenyatta. The missing presence of Presidents Kikwete and Nkurunziza of Burundi was quite obvious. The second was a pact signed between Kenya, Rwanda and Uganda, which would remove travel barriers for citizens of each country by simply using their identity cards/voter cards/student identity cards to travel to any of the three countries. This move, which seems to have been pushed by the Kenyatta Administration, was hailed by President Museveni who ironically stated:

> *"I am very excited on the issue of integration, which previously was suffering from political anemia. But with President Uhuru, his Deputy President and others, it has got fresh blood supply for its survival."*

So what happens now? The EAC finds itself in an interesting predicament. On the one hand, there is a legitimate sense of urgency to push the regional integration agenda forward, especially for the landlocked countries of Uganda and Rwanda. Regional integration is an existential matter for these two counties. On the other hand this sort of

Prescience?

"Ignoring Tanzania going to be EAC's first challenge

Getting together is always simpler than staying together. The simple reason being that getting together is often merely a decision that can be made on impulse. After deciding to get together one is faced with the challenges of bearing with the negatives of that each party has brought into the relationship.

The baby that is East African Community (EAC) is already facing challenges as a community at its infancy.

The East African Community was finally revived on November 30, 1999, when the Treaty for its re-establishment was signed. It came into force on July 7, 2000, twenty-three years after the total collapse of the defunct erstwhile Community and its organs. Mid this year, Rwanda and Burundi were admitted into the community.

The original three East African countries agreed on a process of fast tracking the community towards a federation. To track the progress and perceptions of their people concerning the process, they all simultaneously instituted National Consultative commissions on October 13, 2006 to do a survey on what people in each country thought about the East African federation.

The results from Uganda and Kenya were overwhelmingly positive with over 75 per cent of the respondents responding affirmatively. On the contrary, Tanzanians had a very negative response when over 80 per cent of the respondents showed they were against the fast tracking process.

In brief, Ugandans and Kenyans want the process to move fast while their brothers in Tanzania are saying we should do it at a slower pace.

Tanzanians have given reasons like the fear of Kenyan economic dominance or land grabbing by the other neighbours. Tanzanians, who once accommodated Museveni as a rebel, are skeptical about him leading the Community because some view him as a warmonger who strongly believes in violence as an option.

Uganda's Sunday monitor (16/09/07) reported that President Museveni has sent a proposal to his Kenyan counterpart that the two countries consider forming a federation while they wait for Tanzania to get ready and the join.

The two countries hope that Rwanda and Burundi will join them to "a coalition of the willing" with headquarters proposed to be in Uganda's eastern district of Tororo.

This is definitely going to be a threat to fraternity of the infant community putting it almost at the same temperatures of 1977 as it alienates Tanzania and affect long-term regional co-operation. In 1977, the plan was to alienate Uganda and this led to the end of EA relations.

Much as Uganda is bound to benefit politically and Kenya economically, Museveni's much touted double-track process might prove to be the Achilles' heel for the born again EAC."

[The New Times – Rwanda. September 25, 2007. http://bit.ly/1esotXB]

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Burundi and South Sudan join new EAC partnership

Three regional presidents Wednesday sanctioned ambitious plans to fast track East African political federation and complete key infrastructure projects.

Presidents Uhuru Kenyatta (Kenya), Yoweri Museveni (Uganda) and Rwanda's Paul Kagame also approved the inclusion of Burundi and South Sudan in the new multi-lateral partnership.

Ministers from the three countries will meet in Kampala next month and agree on a roadmap by September 15, and prepare a zero draft of the federal constitution by October 15, the leaders said in a joint communiqué.

The statement was issued after the three leaders held a closed-door meeting. President Pierre Nkurunziza of Burundi and his South Sudan counterpart Salva Kiir were represented by their ministers for Foreign Affairs, and Works and Transport, respectively.

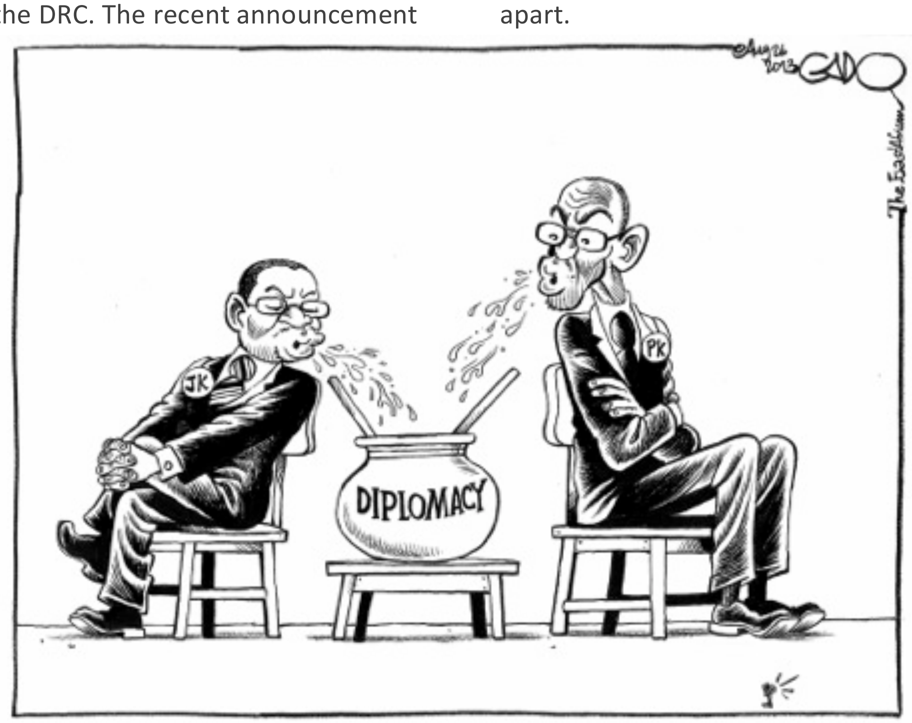
Tanzania's Jakaya Kikwete did not attend the summit. When contacted, his spokesman Salva Rweyemama told the Nation that the Tanzanian leader was not invited to the Mombasa meeting.

"You now need to find out from the organizers why Tanzania was left out. We were also not invited to a similar meeting in Uganda attended by the same leaders." Efforts to get a comment from the Presidential Strategic Communication Unit were unsuccessful.

[Excerpted from the Daily Nation, 29 August 2013. http://bit.ly/19kGYpt]

fractious attempt at doing so will leave some sour grapes and countries like Tanzania wondering 1) what's the rush and 2) who do these guys think they are? These sentiments will surely lead to more distrust and a sense that everyone is in it for themselves, contradicting the entire regional integration plan. This feeling of distrust is important to take note of because not only could it fuel tensions in matters like regional integration but it could spillover to even more pressing situations such as preventing violence in the DRC. As a matter of fact, the current mistrust between Rwanda and Tanzania could have dire consequences in the DRC making the conflict insolvable.

There is also the question of what will happen if Tanzania overtakes Kenya as the region's largest economy, some experts believe this can happen in the next 3-5 years if current trajectories remain. Will Kenya accept such a context in this new EAC? We may very well see a realignment of the EAC made up of countries in the north, much more militant and united around containing and neutralizing Somalia, perhaps at the expense of the DRC. The recent announcement that Southern Sudan will be joining the EAC in 2014 can also be seen in light of the desire to isolate Tanzania within the Community. Either way, the hairline cracks could yet become yawning chasms and pull the EAC apart.



Strangled at Birth? Complementary Currencies in East Africa

Suspicion undermines launch of complementary currency in Kenya… but can complementary currencies be a viable ally in poverty alleviation in the GHEA?

Image: www.koru.or.ke

The Bangla-Pesa experiment…

Bangla-Pesa, a complementary currency, was launched in May 2013 as one of the programs run by Koru, a non-profit organization based in Mombasa, Kenya. Koru brings together small business owners in the informal settlement of Bangladesh in Mombasa. Using Bangla-Pesa vouchers, registered members of the Bangladesh Business Network (BBN) are able to trade more goods and services with each other. The program aims at stimulating trade in the network, which is not at its best due to poverty-imposed scarcity of the official currency in the area. The network expects to complement the vouchers with mobile phone technology and is projected to launch towards the end of 2013.[5]

The main goals of the Bangla-Pesa project include improving its members economic prospects by encouraging businesses to trade within the network. At its core, Bangla-Pesa responds to the lack of cash in the local community that cripples the growth of micro businesses. It is dedicated to empowering low-income people by stimulating local demand, consumption and business revenues. The vouchers serve as a medium of exchange and store of value – two major functions of money. The use of Bangla-Pesa has made it possible for BBN members to leave their Kenyan shillings in saving accounts while they use vouchers for certain aspects of daily spending. This benefit is especially important since the majority of businesses in the network are low-income earners who regularly fail to portion some money for savings.

A week after the launch, members of the network admitted an average of 22% additional sales paid through Bangla-Pesa.[6] The Bangla-Pesa sales were on top of the average daily sales made in Kenyan shillings, which most businesses reported to have remained the same. This implies that there has been an increase in economic activity that would have remained dormant without the introduction of Bangla-Pesa.

…and the government's crackdown

In a surprising turn of events, the Kenyan police arrested the cofounder of Bangla-Pesa along with five other members on charges of forgery and using illegal currency.

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The cofounder of Bangla-Pesa, Will Ruddick has claimed that the arrest followed a misreporting of the role of Bangla-Pesa as a substitute to the Kenya shilling. The news was further linked to secessionist activities of the Mombasa Republican Council (MRC). On 23rd August, the Director of Public Prosecutions in Kenya announced that all charges against the Bangla-Pesa team were dropped following clarification from the Central Bank and the Kenya Revenue Authority that no laws were being infringed upon. Prior to the dismissal of their case, the Bangla-Pesa team risked jail terms of up to seven years. It is worth noting that their arrest and subsequent court appearance generated a groundswell of sympathy marshaled through the Internet and they were also able to raise some $10,000 via crowd funding for a legal support fund.

Bitcoin, an alternative currency, openly competes for Kenya's international remittance business

In Kenya recently, Kipochi Ltd launched Kipochi, a Bitcoin wallet service, in partnership with M-Pesa, the leading mobile payment system. Kipochi intends to service M-Pesa customers' international remittances using bitcoins.[7] With the prevailing growth of mobile payment technology in East Africa, Bitcoin could become a serious competitive solution to international money transfer.

Bitcoin is a peer-to-peer (p2p) alternative currency using cryptographic technology to create and transfer units of Bitcoin as a medium of exchange. The main difference between Bitcoin and regular currencies is that it is an entirely digital, decentralized currency and has (to date) no third party regulator. Unlike virtual currencies, Bitcoin can be used in transactions involving exchange of real goods and services.

What are complementary currencies?

Complementary currency describes currencies that exist as a supplement to conventional (national) money. "A complementary currency (…) is an agreement to use something else than legal tender (i.e. national money) as a medium of exchange, with the purpose to link unmet needs with otherwise unused resources" (Lietaer & Hallsmith 2006: 2). Complementary currencies advocates don't claim a full separation of money and state.

Bristol Pounds

Bristol Pounds is a local currency operating in the city of Bristol, UK. It is used interchangeably with the English pound in payments for goods and services within participating stores. Similar to Bangla-Pesa, Bristol Pounds is intended to keep money circulation local so as stimulate economic prosperity of the local economy. Bristol Pounds are available as paper vouchers and can also be paid through an SMS service. Bristol Pounds will be celebrating its first anniversary in September 2013.

How about alternative currencies?

An alternative currency is any currency used as an alternative to the dominant national or multinational currency systems (usually referred to as national or fiat money). Alternative currencies can be created by an individual, corporation, or organization, they can be created by national, state, or local governments, or they can arise naturally as people begin to use a certain commodity as a currency.

The integration of the Bitcoin and M-Pesa will benefit both parties in improving the quality of their services, but most importantly, it may play a key role in the establishment of Bitcoin in Kenya and across the GHEA. With M-Pesa's 17 million users[8], Bitcoin will enjoy an established loyal customer base, which currently relies on expensive international money transfer companies such as Western Union and Money Gram.

Furthermore, Kipochi has developed technology that makes Bitcoin services available through SMS, USSD, HTML5[9], which makes it accessible through any mobile phone or computer. Bitcoin's mobile accessibility helps it avoid the restrictions of poor infrastructure in the region and allows it to reach those remote locations with no banking services. This virtual presence is perhaps its most important challenge to other international money transfer services, which operate from a number of physical locations in the country.

The future of complementary currencies in East Africa

East Africa is home to a population of low-income earners who rely on small scale farming and trading of agricultural goods and products within their communities. On the other hand, complementary currencies have proved to be one of

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the ways to combat a wide range of social and economic hurdles in communities.[10] From serving environmental and educational causes to healthcare provision and poverty alleviation, complementary currencies have an opportunity to flourish in East Africa. Given the high penetration of mobile phones in the region, mobile phone technology is undoubtedly the most compatible host for future complementary and alternative currencies.

Complementary currencies now operating in Kenya provide a new competitive approach to stimulating the Kenyan economy. Bangla-Pesa, 90% of whose users earn less than 2,000 KShs ($22) a day[11], focuses on empowering low-income earners. On the other hand, using Bitcoins, the Kipochi solution provides a cheaper alternative to money transfer. These currencies could uplift the majority of East Africans who live under the poverty line. Furthermore, complementary currencies could help reduce income inequality in East Africa by strengthening small businesses and local economy.

Nevertheless, complementary currencies have been a subject of mistrust and legal actions by governments in different countries around the world. In Bitcoin[12] and Liberty Reserve[13] had their accounts were seized and shut down respectively by the U.S. Government in May 2013. Across the world, the Central Bank of Thailand has banned Bitcoin from conducting its activities in Thailand[14], and lastly the story of Bangla-Pesa's arrested team mentioned above.

Kipochi's Chief Technical Officer (CTO) responds to questions from an online audience

Q: *To your knowledge, do people understand and trust Bitcoin in Africa?*

Chief Technical Officer (CTO): *There is some knowledge of it amongst more educated people. But ordinary people I explain it to instinctively understand the concept and benefits, without questioning the technical aspects too much. But no doubt our primary job is one of education in the beginning.*

Q: *Will using Bitcoin with M-Pesa offer cost savings to users over strictly using M-Pesa? Or is the focus on international transfer? I'm thinking if people use Bitcoin for international transfer they might realize they could just move into using Bitcoin directly on a smartphone and avoid M-Pesa's comparatively larger fees entirely, even for domestic transactions*?

CTO: *In a country like Kenya it doesn't make sense to compete directly with M-Pesa on what it does best. There is nothing better anywhere in the world for person-to-person payments as long as you're within Kenya and on the Safaricom network. Where we can make a difference in Kenya is with international and cross network transfers. We will support Airtel, Orange and Yu here in Kenya. Also you will be able to send funds to M-Pesa users in Tanzania from Kenya, which M-Pesa doesn't currently support.*

Q: *Does the app enable the user to trade local currency for Bitcoins through M-Pesa and convert as needed?*

CTO: *Currently an independent company receives M-Pesa from the Kenyan customer and instantly delivers Bitcoin back to them. We are working on streamlining this process even further and hope to partner with exchanges and mobile operators throughout the developing world.*

Q: *Is this a complete service for remittance? What I mean is, can someone in America send Bitcoins and have their Kenyan relatives receive local currency they can spend through M-Pesa? If so, are the total fees less than current providers?*

CTO: *That is absolutely a use case we are working with. Our goal is to be able to make the whole flow cheaper than current solutions.*

Q: *Excellent!! I look forward to when I can sign up from the US.*

CTO: *We are currently actively blocking both US IP addresses and phone numbers from the wallet. We may support US in the future but we don't want to risk our target audience by exposing ourselves to regulatory action by either the US or individual states.*

Excerpted from Reddit.com - online at: http://bit.ly/18D4ixJ. According to Kipochi, their service is "the first Bitcoin wallet service designed for the whole world". More information on Kipochi can be found on their site at www.kipochi.com.

(Continued)

Somalis Fear Barclays Closure of Remittance Accounts Will Cut Lifeline

Mark Tran

Somalis have expressed their fear that Barclays's decision to close its accounts with most remittance companies will cut a financial lifeline to millions of people in Somalia. Barclays says it doesn't want to do business with firms that lack adequate controls to monitor where their money is coming from and going to. Remittances that support an estimated 40% of the population of Somalia, about 3.8 million people, are at stake.

The Somali authorities last year said around $2bn – one-third of the country's GDP – is channeled to Somalia through "hawala" or small money transfer businesses. The letter, signed by more than 100 people, was sent to Simmonds after Barclays notified 75% of its money service businesses (MSBs) to find an alternative bank by 10 July.

Barclays's decision follows the imposition of a $1.9bn fine on HSBC last year by the US authorities for poor money laundering controls. HSBC said last autumn it would get out of the money-service sector entirely. Meanwhile, Royal Bank of Scotland has been reviewing customers more frequently to ensure they meet compliance standards.

[The Guardian, June 24, 2013. http://bit.ly/18DfZKY]

Official nervousness against informal and unregulated currencies is the result of concerns over of the possibility that they could facilitate illegal activities. Complementary currencies have been linked to financial crimes including financing of terror, money laundering, tax evasion, and illegal currency speculation. Furthermore, complementary currencies are the most popular medium of exchange in black markets such as in illicit drugs and guns trade. Such fears pollute the potential that complementary currencies have to deepen financial inclusion of the poor and vulnerable.

This trend is fascinating in the context of Barclays Bank's decision to close its accounts in Somalia by September 30, 2013. If formal means of banking and providing for livelihoods for the poorest and most vulnerable are shut, demonstrated by the impact of Barclays' closure in Somalia on remittances, people will be forced to embrace complementary currencies.

Meanwhile, British NGOs, aid agencies and money transfer operators continue to pile pressure on Barclays to rescind its decision. As of the time of writing, the bank had agreed to a 20-day extension of the deadline, but opponents say this is too short, as at least one year is required to put an alternative system in place.

East African countries should learn about and eventually encourage the development of complementary currencies in their markets. Their presence and activities will not only boost businesses and economy, but also support the effectiveness of current money systems. Central banks have to take urgent steps to ensure that there are adequate safeguards against the facilitation of criminal activity using complementary currencies, as well as forecasting its future forms.

Perhaps they could take a cue from Germany which has recognized Bitcoin as a 'private money' and designated it as a "unit of account", meaning it is can be used for tax and trading purposes in the country.[15]

Frank Schaeffler, a member of the German Parliament's Finance Committee who played a key role in getting Bitcoin recognized suggests that:

"The success for Bitcoin rests on regulatory fair-treatment and the existence of a level playing field with other currencies, and it would be bad if national authorities smeared Bitcoin as a criminal tool for money laundering, just because it makes anonymous transaction possible".[16]

In Kenya, the recently acquitted Bangla-Pesa team is preparing to relaunch their programme but hope, that this time around, they will have official government backing. They further hope to extend their experiences to the rest of the East Africa region, given the interest and demand that was generated in their product following the government clampdown.

Coda: Waiting for Ben Affleck...

One of the major factors that hampers sustainable peace is the lack of homegrown solutions. Although the central government may be weak in places like the DRC, it still has the capacity and capability to neutralize threats to its authority. Homegrown solutions require dialogue, freedom and certain liberties – which are absent where authoritative governments have a stronghold on freedoms. As a result, local NGOs are forced to partner up with foreign NGOs. For as long as local groups are handcuffed they will need foreign institutions to champion their cause – institutions like Save The Children; Invisible Children; Enough Project and individuals like George Clooney and Ben Affleck become the *de facto* spokespersons and saviors for the local causes.

In the end, one underlying trend the conflicts in the region have is the propensity for foreign actors to speak and act on behalf of local ones. The power of foreign lobbies and NGO groups comes at the expense of weakened internal liberties. While these groups may help in getting the word out and raising awareness, they do sometimes take sides, and that inevitably shapes international views, action and reactions, which risks neutralizing and discrediting homegrown solutions.

End Notes:

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4. A Two Speed East African Community: *The Citizen*, July 7, 2013. http://bit.ly/1a98HMa
5. Koru Kenya on Bangla-Pesa: http://koru.or.ke/bangla
6. Bangla-Pesa Survey Results: http://bit.ly/15HmD04
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