

BAROMETER

ON THE STATE OF BUSINESS AND
INVESTMENT IN EAST AFRICA COMMUNITY
AMID COVID-19 PANDEMIC AND OUTLOOK

2022/2023



The Voice of the Private Sector
in East Africa

**EAST AFRICAN
BUSINESS COUNCIL**



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EXECUTIVE SUMMARY

This report on the barometer on the state of business and investment in East African community amid COVID -19 pandemic was commissioned by East Africa Business Council. The Corona virus disease 2019 (COVID -19) has had profound effect on businesses in the East African Community that led to among others: closure of borders, airspaces and ports thereby restricting movement of goods and persons. Some containment measures employed by states to curb the pandemic such as curfews and closure of certain businesses negatively affected businesses in various ways. However, other businesses thrived by taking advantage of the new opportunities provided by the COVID -19 pandemic. There is therefore need to develop a barometer to gauge the state of business and investment amid COVID-19 pandemic among EAC partner states. The main objective was to develop EAC Barometer on trade and investment amid COVID-19. Specific objectives were to: evaluate performance of business and investment, trends and identify key indicators for the investment and trade including challenges, factors responsible for the current EAC partner states performance amid COVID -19 and undertake a review of the COVID -19 related measures, stimulus packages and ensuing business and investment outlook. This covered the perceptions of the future businesses on the outlook for 2022 and 2023, planned investments, potential challenges, and critical interventions by partner states.

In order to achieve the above objectives, a methodology of conducting barometer on the state of EAC Business & Investment amid COVID-19 was developed. The study utilized a mixed methods approach which incorporated both quantitative and qualitative data collection approaches and the use of survey research design. The target population included business and key informants drawn from stakeholders in EAC partner states. Data was collected using structured questionnaire and interview guide both pretested. The questionnaires and interview guides were then issued to a sample of businesses and key informants within East Africa countries. Analysis of data utilized both univariate and multivariate analysis.

Accordingly, results of the business barometer were generated among others. The Business Barometer was generated from the sentiments of the business stakeholders with regard to how they see they see that business environment within the EAC during 2022 and 2023. The survey responses on expectations of the business outlook were collated to generate the index. Survey respondents were asked to indicate whether they agreed or not with statements on confidence that: business climate is improving post pandemic, confidence with the governments measures to support business recovery, expectation that businesses will perform well, confidence that the worst of the pandemic was over, confidence that the losses suffered during the pandemic will be recovered during 2022/2023 and plans to expand the businesses to other markets within the EAC post the pandemic. Furthermore, a balance value was created using weighted responses to five level Likert questions ranging from totally disagree to totally agree. The balance was calculated as the difference between the percentages of positive and negative responses. Balance values were then created for each of the six dimensions listed above for each of the six EAC countries covered by the survey. The balance values range from -100% to 100%. The balance values were then collated to generate a composite index that captures the overall outlook for 2022/2023 by the business community in the six EAC countries. The barometer had a value of 11% indicating slight optimism in the coming year, corroborating with the survey findings in the report regarding the impact of the pandemic on business and the perception of the business community on the effectiveness of the measures introduced by governments in response to the pandemic. Finally, how EAC partner states could implement a regional coordinated approach to build better businesses and economies was suggested and a matrix of actionable policy recommendations prepared and finally strategic measures the EAC partner states should adopt to recover from the COVID -19 Pandemic were identified.



List of Abbreviation

AfCFTA	African Continental Free Trade Area
AEO	Authorized Economic Operators
CP	Centralized platform
CMA	EAC Customs Management Act
ECTS	Electronic Cargo Tracking Systems
EABC	East African Business Council
GIZ	Gesellschaft für Internationale Zusammenarbeit
FDI	Foreign Direct Investment
STR	Simplified Trade Regime
SCT	Single Customs Territory
RCTGS	Regional Customs Transit Guarantee Scheme
OSPBs	One Stop Border Points
RoO	Rules of Origin
MRA	Mutual Recognition Agreement
NTBs	Non-Tariff Barrier
SDGs	Sustainable Development Goals (SDGs)
UNCTAD	UN Conference on Trade and Development
WHO	World Health Organization (WHO)
WCO	World Customs Organization



1.0 INTRODUCTION

The Corona virus disease 2019 (COVID -19) has had profound effect on businesses in the East African Community and globally. The pandemic led to the closure of borders, airspaces and ports thereby restricting movement of persons, goods and services. Some containment measures employed by EAC partner states to curb the pandemic such as curfews and closure of certain businesses negatively affected businesses in various ways.

On the other hand, other businesses thrived by taking advantage of the new opportunities provided by the COVID-19 pandemic for instance manufacture of protective equipment, medical care among others. As countries remove measures they had put in place to curb the pandemic, it is necessary to establish magnitude of the impact that the pandemic inflicted on businesses and economies. There are few empirical studies that have been conducted to examine the effect of the pandemic on business and investment on EAC businesses.

It is against this backdrop that this project has been carried out to develop an EAC Barometer on trade and investment amid COVID -19 and subsequently make recommendations for policymaking purposes.

1.1 Background

This study is an initiative of the East African Business Council (EABC) which is the apex advocacy body of Private Sector Associations and Corporates from the 6 East African Community (EAC) partner states (Burundi, Kenya, Rwanda, South Sudan, Tanzania, Uganda and DRC which is the newest partner state). It was established in 1997 to foster the interest of the private sector interests in the EAC integration process. EABC's vision is borderless East Africa for business and investment with primary mission of promoting sustainable private sector-driven growth. EABC has Observer Status at the EAC level which offers an authentic avenue for advocating for private sector interests in the EAC integration agenda with a view of promoting a conducive business environment in the region.

The Support to East African Market-Driven and People-Centred Integration programme (SEAMPEC) supports an East African Community (EAC) integration process that focuses on the needs of the private sector as well as on social aspects. It is steered by the EAC Secretariat and implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). SEAMPEC works to improve framework conditions for economic growth in the EAC by removing identified trade barriers or assisting the business sector in developing policy recommendations. The programme also assists several economic sectors in implementing regional agreements and improving framework conditions for increasing value-addition.

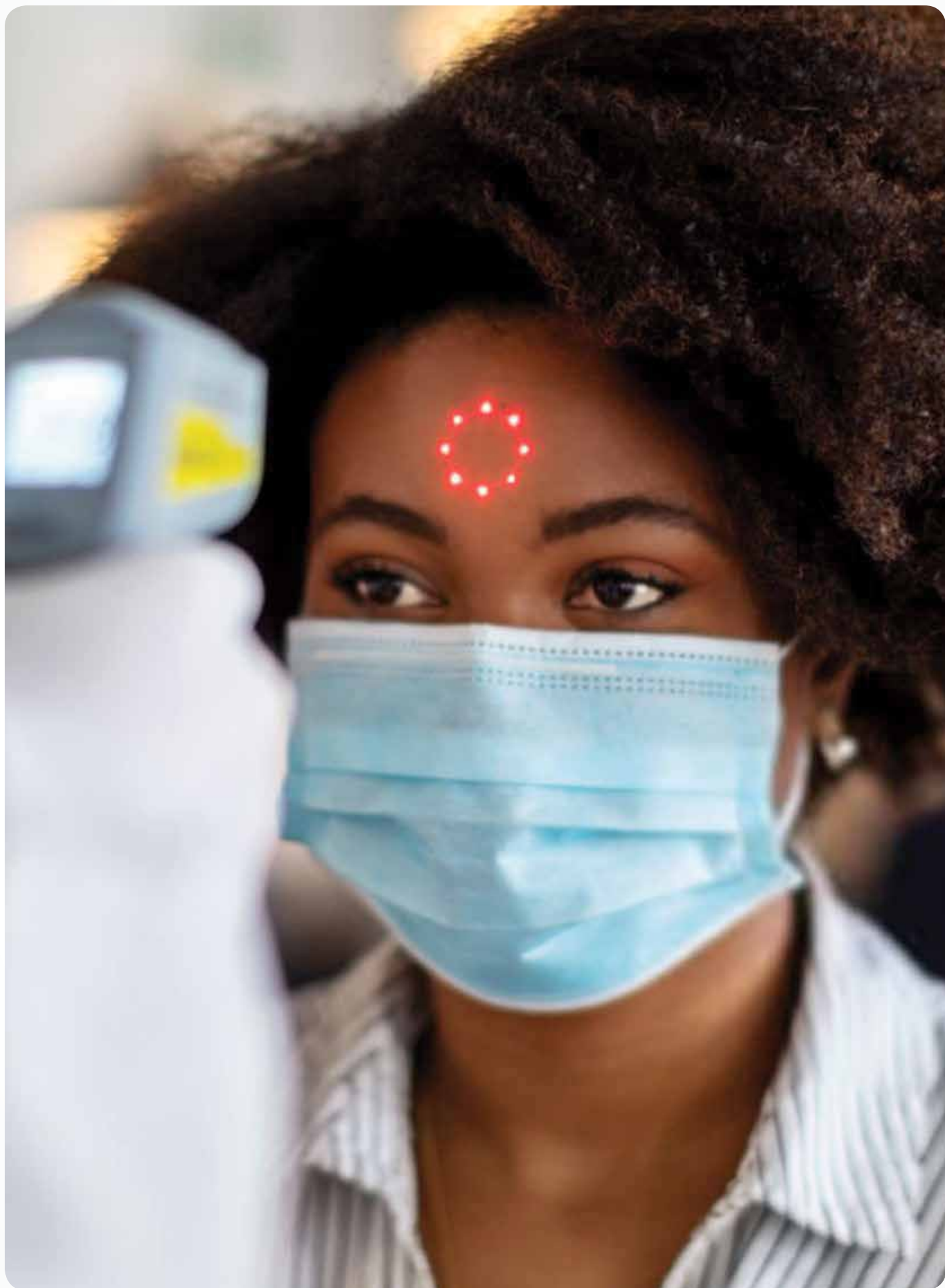
The main aim was to develop EAC Barometer on business and investment amid COVID -19 pandemic. This was done through conducting an analysis of the performance of EAC business and investment amid challenges brought by COVID -19 pandemic through quantitative and qualitative research methods.

The study identified key indicators for the investment, trade and business outlook, undertook a review of the COVID -19 related measures including stimulus packages and how best EAC partner states could implement a regional coordinated approach to build better businesses and economies. The study also sought to identify key challenges and factors responsible for the current EAC partner states performance amid COVID -19 and established views of businesses on key performances indicators (business outlook). Following the finding of the study, the study prepared a matrix of actionable policy recommendations and strategic measures the EAC partner states should adopt to recover from the COVID -19 pandemic.

1.2 Objectives of the study

Main Objective

To main objective of the study was to develop EAC Barometer on trade and investment amid COVID -19.



Specifically:

1. To evaluate the performance of EAC business and investment amid challenges brought by COVID -19 pandemic
2. To Identify, utilizing macroeconomic background analysis of the EAC, key indicators for the investment and trade including FDI stock and flows by partner states.
3. To analyse Identify key challenges and factors responsible for the current EAC partner states performance amid COVID -19.
4. To undertake a review of the COVID -19 related measures including stimulus packages
5. To analyse the performance, trends, views and confidence of EAC businesses and investors amid COVID -19.
6. To assess the impact of COVID -19 pandemic on businesses and investment in EAC including assessing how the COVID -19 pandemic has impacted business performance.
7. To identify profiles of businesses and establish their views on key performances indicators such as business outlook, business climate and their performance expectations for their activity levels, current and planned investments in EAC market
8. To evaluate the perceptions of business on the responses of partner states to mitigate the effects of the pandemic.
9. To Identify and assess business and Investment outlook for 2022 and 2023 including planned investments, potential challenges and critical interventions by partner states.
10. To determine how best EAC partner states may implement a regional coordinated approach to build better businesses and economies.
11. To identify strategic measures the EAC partner states should adopt to recover from the COVID -19 pandemic.
12. To prepare a matrix of actionable policy recommendations

1.3 Assignment scope and duties

In order to achieve the above objectives, a methodology of conducting barometer on the state of EAC Business and Investment amid COVID - 19 was developed. Furthermore, quantitative and qualitative data was collected and collated on myriad of indicators such as performance, trends, views and confidence of EAC businesses and investors during COVID -19 pandemic. In addition, the impact of COVID -19 pandemic on businesses and investment in EAC was also assessed. East African Business Council (EABC) policy brief on the impact of COVID -19 pandemic on businesses and investment in the region was developed.

Internal validation workshop will be organized, where the report of the Barometer on State of EAC Business and Investment amid COVID -19 will be presented; and a regional webinar will be facilitated to present the final report to the regional stakeholders.

2. LITERATURE REVIEW

Introduction

There are limited empirical studies that have been conducted to examine the effect of the COVID -19 pandemic on trade and investment on businesses within EAC and elsewhere. The main aim of this study is to develop Barometer on trade and investment amid COVID - 19 among EAC partner states and subsequently make relevant policy recommendations.

2.1 Overall performance of businesses during the COVID -19 pandemic

The COVID-19 pandemic significantly altered trade trends, leading to low performances of businesses and consequently adverse impacts on the economies. The projected impact of the pandemic on world economies varied depending on the country's level of economic development. Accordingly, while developed countries were projected to have V and U-shaped recovery in the short run, developing regions like the case of most African countries were projected to have an L-shaped recovery in the long run.

Oil-dependent countries faced a twin-shock: in addition to the COVID -19 outbreak, they also faced an oil price collapse. For instance, in Nigeria, the decline of global oil prices from an average of USD 70 per barrel at the beginning of the pandemic to historic lows of USD 18 per barrel by March 2020 compelled the government to devalue the naira by 15% (Ataguba, 2020). Low oil prices were also projected to have a significant impact on Angola and Algeria, the region's second and third largest oil producers, respectively. In Angola, where oil accounts for 90% of total export revenues, the value of oil exports fell by nearly 50% between April and May 2020, while in Algeria, where oil accounts for 90% of total export revenue and funds 60% of the budget, the government cut the 2020 national budget by 50% (Oxford Business Group, 2020).

Upon the onset of COVID -19, governments around the world conducted massive lockdowns in response to the pandemic. Depending on the length and scale of such measures, the effect on business performances differed across several countries. For example, lower levels of restriction in South Korea and Japan have resulted in less than 10% reduction in energy demand. On the other hand, China's highly controlled lockdowns across several hardest-hit provinces led to a 15% drop in the nation's weekly energy demand. Despite the initial isolated measures restricting movements in Hubei and neighbouring provinces, these containments quickly ramped up to include most regions in China. As Europe recorded major surges in the number of infections and deaths, the complete lockdowns in several countries resulted in an average of 17% drop in regional weekly energy demand during these social distancing periods.

In addition, India experienced a nearly 30% reduction in energy demand as a result of the national lockdown. According to International Energy Agency data, global oil production in 2020 was forecasted to decline by up to 9%, reaching a previous low only experienced in 2012. Electricity consumption dropped by 5% within the first year, the major coal-fired power plant experienced as much as a 10% decline in output, while coal production also reduced by 8%. Due to the temporary halt in major production and economic activities in China, coal production was heavily impacted by the sudden

drop in energy demand.

Although governments were able to record some success in the management of COVID -19 after the first wave of infections, the relaxation of public health protocols subsequently led to the outbreak of second wave of infections across Europe, America, Asia, Middle East, and Africa by December 2020 (Salzer et al., 2021). In Africa, some studies such as Anjorin (2020) highlighted the fear of the continent undergoing a third wave of infections which could have been more deadly than what had been experienced during the first wave between February and June 2020.

2.3 Overall global and continental outlook to recovery from COVID -19 pandemic

If the world is to be ready for the expected economic growth in trade in the coming century, the continents should have a renewed focus and seize the unique opportunities that COVID -19 presents. The African in particular, ought to indulge in introspection of its shortfalls in promoting regional trade and consciously make efforts that would ensure social and technological innovation and investment. The continent should also, under the AfCFTA, strategize on positioning itself as a trading block and harness the opportunities that come with a stronger bargaining power. This approach would help the continent achieve its AfCFTA vision of creating a single market for goods and services in order to deepen the economic integration of Africa. It is therefore imperative that the region seizes the opportunity to engage in collaboration and exploits its scale and potential capabilities to speed up the implementation of economic partnerships such as the AfCFTA. The harmonization of trade policies will have a great impact on strengthening intra-African commerce, increase the competitiveness of African goods and services, establish global export opportunities, and open up new market frontiers within the region. The region must therefore use post-COVID -19 recovery opportunity to pursue greater ambitions of more self-reliance such that the region becomes both a consumer and a producer of goods and services. This will not only support local economies, but also create significant employment opportunities.



Africa, and the world at large must also embrace digital technologies in its post-COVID -19 recovery agenda. To address the myriad of challenges facing the continent, it is important that the region embraced digital technology by providing adequate investment on digital infrastructure. Digital technology emerged at the tip of the COVID -19 response both from a health perspective and also by managing the socioeconomic crisis by enabling the continuity of business, education, communication, and access to justice through digital courts. Despite the increasing relevance of technology, Africa continues to lag behind with only approximately 28% of the continent's population able to access reliable internet.

Increased funding for the public health sector should be taken up as a matter of priority. Even though Africa has been exposed to various disease pandemics such as Ebola and Zika viruses in the past, COVID -19 perhaps had the biggest impact on the continent's fragile healthcare systems. This fragility was the outcome of the systematic failure of African governments to adequately invest in the healthcare system. The treatment and management costs associated with the COVID -19 offered important lessons on why governments need to significantly increase investments in the healthcare system. Several health experts highlighted that the best defence against the COVID -19 virus was achieving herd immunity. In other words, that majority of the population will have to be vaccinated. This emphasizes the importance of acquisition of COVID -19 vaccines.

It is critical for the continent to address the emerging debt crisis. Even before the outbreak of the pandemic, there were growing alarms over the rising public debts incurred by African governments. Governments of Kenya, Ethiopia, and Angola had, for instance, been involved in the implementation of debt-driven mega infrastructural development such as ports, highways, dams, railways, bridges, and airports. Many of these projects were funded by non-concessional loans, that is, loans from commercial markets that attach higher interest rates than alternative funding from international multilateral institutions such as the World Bank and IMF.

Finally, there is an urgent need for the continent to have a radical economic transformation. The continent already has an existing mini-vision 2030 and AU's Agenda 2063. To embark on this path in the post-COVID-19 era, African governments must come up with new programs and initiatives that can thrust the continent back into not only robust, but also inclusive economic growth (Maulani & Agwanda, 2020). In addition to containing the ballooning public debt problem, there will be the need for governments to find other innovative ways to mobilize resources and establish ways that can facilitate employment intensive growth both in the public and private sectors. This will not only address the issue of rising unemployment rates, but also expand the government tax base (Black, 2016).

2.4 Outlook of trade and investment in EAC partner states

The COVID-19 pandemic coupled with government measures to contain it has had an effect to businesses in the EAC and exposed the level of economic vulnerabilities across countries. The pandemic saw closure of borders, airspaces and ports thereby restricting movement of goods and persons. Measures employed by EAC partner states to curb the pandemic such as curfews, closure of certain businesses negatively affected some businesses. On the other hand, other businesses thrived by taking advantage of the new opportunities provided by the COVID-19 pandemic e.g., Manufacture of protective equipment, medical care among others. As countries uplift the measures, they had put in place to curb the pandemic, there are few empirical studies that have been conducted to examine the effect of the pandemic on business and investment on EAC businesses.

2.5 EAC businesses prior to the COVID -19 and the planned interventions by partner states

Prior to COVID -19 pandemic, the EAC had made advanced implementation levels of integration. The community had also made several post COVID -19 interventions to ensure full recovery for the affected businesses. This is evident on the increase on the number of MSMEs, improved welfare as a result of reduced poverty levels and consequently economy growth.

According to the 2017/2022 handover report, some of the major achievements for the EAC before and after the outbreak of COVID -19 pandemic were:

I. Common external tariff

With the main aim of Tariff harmonization and the adoption of a common external tariff, the EAC developed a four-tariff band structure of 0%, 10%, 25% and 30%. The review involved in-depth studies and analysis and this enhanced internal analytical capacity and led to policy decisions based on empirical research. To promote international transparency as per the WTO requirements, all decisions relating to changes on common external tariffs, amendments to the EAC Customs Management Act (CMA) 2004 and approvals for the duty remissions are published in EAC Gazettes and posted on the EAC and Revenue Authorities websites.

During the 2022/2023, the EAC common external tariff is expected to be aligned to Harmonised System version 2022 in accordance with the World Customs Organization (WCO) standards and guidelines. The transposition is undertaken every 5 years since 2007 to the current version 2022. An e-tool for tariff and duty remission scheme is also at its final stage.

II. EAC Rules of Origin (RoO)

In 2005, the EAC Rules of Origin was developed and reviewed in 2015 to make it more trade facilitative. A manual to guide application of the Rules of Origin was developed and reviewed.

During 2022/2023, the Directorate of Customs is expected to coordinate various verification missions to ascertain origin of goods and the findings is expected to facilitate resolution of many queries. The Electronic Certificates of Origin to allow confirmation of the authenticity in the destination partner states is ongoing and is in final stages of implementation by the Revenue Authorities. The Simplified Trade Regime (STR) for small-scale cross-border traders engaged in intra-regional trade has also been automated in the Customs Management Systems and has minimized paperwork.

III. Single Customs Territory and Trade Facilitation

The operationalization of the Single Customs Territory (SCT) was sustained based on the principle of clearing cargo at first point of entry and point of exit for intra-regional trade. This resulted into decrease in the containerized import cargo dwell time from 5.09 days in 2016 to 4.2 days in 2019. This was achieved despite the increase in the total cargo throughput at the port of Mombasa from 27 million metric tons in 2016 to 34 million metric tons in 2019 and at the Dar es Salaam port from about 14 million metric tons to 16 million metric tons over the same period. The transit time was reduced from 21 days in 2014 to 3-5 days in 2019 on average between the entry points to Kampala in Uganda, Kigali in Rwanda, and Bujumbura in Burundi. The average transit time from Dar es Salaam port to Tanzania exit borders (Rusumo and Kabanga) reduced from 86.16 hours (3.59 days) to 81.84 hours (3.41 days) in 2019.

As for 2022/2023 outlook, the institutional framework of customs administration is expected to be enhanced by deploying customs officers to other partner states to facilitate clearance under the Single Customs Territory. This has progressively led to reduced transit time from Dar es Salaam port to Tanzania exit borders (Rusumo and Kabanga) and the customs union has set a target transit time of 60 hours.

IV. ICT systems interconnectivity

The enhancement and development of information systems solutions had been undertaken including implementation of a Centralized Platform (CP) to support information sharing and coordination among Revenue, Port Authorities and other border agencies. Introduction of pre-arrival submission of manifests by shippers to Customs administrations at the entry points and destination within a span of 48 hours before docking of vessels increased efficiency of document processing and border crossing. Declaration and lodgement time shortened at the destination Customs Document Processing centres resulting in faster release



of goods at the entry points and exit points for intra – regional trade. Release and exit orders for cleared cargo were sent electronically through this arrangement.

Currently, interconnectivity of all systems is underway. A study on interconnectivity of Customs systems was undertaken in 2019 to analyse gaps and capabilities of existing information systems and related processes in use and proposed improvements for the optimization and integration of all current systems. The study covered the legal, technical and business requirements for interconnectivity of Customs systems including Ports and Customs management systems, Electronic Cargo Tracking System, Trade information portal, national single window systems, Risk-based management systems including scanners among others. The study came up with technical specifications for integration of the systems and the implementation is to commence in 2022 funded by the European Union.

V. Compliance and enforcement

The EAC had developed and adopted a monitoring and evaluation tool to monitor progress of the Single Customs Territory. The EAC deployed an electronic Cargo Tracking Systems (ECTS) on the Northern and Central Corridors to monitor goods electronically instead of physical escort of goods which had been tedious and often delayed movement of cargo. On the Northern corridor, the ECTS was been integrated with a corridor-wide 24/7 cargo tracking via Central Monitoring Centres (CMC) in Nairobi, Kampala and Kigali. A sustainability Strategy for Regional cargo Tracking System has been developed.

As for its 2022/2023 Outlook, movement of goods across corridors under Customs control using a single customs bond guarantee has continually been facilitated by use of the COMESA Regional Customs Transit Guarantee Scheme (RCTGS) which has minimized the use of multiple bonds. An EAC Bond is in the final stages of development. Rapid Response Units are also deployed to enhance the compliance measures.

VI. Capacity building and human resource development

The EAC Customs Training Curriculum at certificate and post-graduate level was developed and rolled out to all five partner states in 2012. To date all the Revenue Authority training institutions have mainstreamed the programme as the major training programme for Customs. The EAC Customs Curriculum has been accredited by partner state governments directly or through collaboration with national universities. A regional Customs clearing and freight forwarders training programme at certificate level was developed and is implemented in all the partner states. This greatly enhanced the competency and professionalism of the clearing agents. During this period regional approach to training was entrenched with the sole purpose of creating a common cadre of personnel that has an 'EAC Persona'. Some of the short-term training and sensitization programmes developed and implemented on included: Single Customs Territory, One Stop Border Posts, Authorized Economic Operator Programme, Simplified Trade Regime among others. Sensitization on COVID 19 Awareness and Preventive Measures was conducted at the borders in EAC. As for its 2022/2023 outlook, the regional customs capacity building has been fully harmonized and is continuously contributing to raising the technical capacity and awareness of the Customs Union.

VII. Establishment of One Stop Border Points (OSBP)

One Stop Border Points (OSPBs) were constructed and operationalized at; Taveta/Holili, Isabania/Sirari, Namanga, LungaLunga/Horohoro, Busia, Malaba, Mutukula, Gasenyi/Nemba, Ruhwa, Mirama Hills/Gakitumba, Katuna/Gatuna, , Kobero/Kabanga, Rusumo and Elegu/Nimule and Mugina/Manyovu. To enhance trade facilitation with non-EAC countries additional OSBPs have been constructed at Tunduma/Nakonde, Moyale, Rubavu/Goma, Moyale and Kasumulu. These OSBPs led to a reduction of clearance time across the borders by about 80%. The OSBP Act

and OSBP Regulations were enacted in 2017 and are operationalized in partner states. An OSBP Sustainability Strategy was developed in 2020 which ensures continuity in functioning once the donor support period ends.

VIII. Implementation of the WTO Trade Facilitation Agreement

All the partner states except the Republic of South Sudan ratified the agreement and notified categories A, B and C. National Trade Facilitation Committees and the Regional Sub Committee on Trade Facilitation were established and are operational. Over 127 members of the Committees received online training. Trade information Portals were also established in all partner states except RSS. The Portals provide relevant information to the traders and other users on import and clearance procedures and requirements for various products. The Trade Facilitation Reform Tracker was developed and piloted in Kenya and Rwanda and the Simplification of Procedures is ongoing in Kenya, Rwanda and Uganda.

IX. Regional Authorized Economic Operators (AEO) scheme

The EAC partnered with the World Customs Organization to implement a region wide AEO scheme. The EAC also signed a Mutual Recognition Agreement (MRA) action plan with South Korea and India Customs. This was intended to facilitate compliant operators in the three regions access AEO benefits accorded in each other's territory.

In regard to the above, the outlook for 2022/2023 is promising. The regional Authorized Economic Operators (AEO) program was initiated and is being progressively rolled out to cover more traders. 145 Authorized Economic Operators (AEOs) are under this scheme where they enjoy benefits that include; expedited processing of AEO declarations entries and no physical or document examination except for random or risk-based interventions on exceptional cases.

X. EAC Customs Management Act, 2004

A comprehensive review of the EAC Customs Management Act has been undertaken and the Bill is before EALA for consideration. The Bill caters for among others operationalization of Single Customs Territory, incorporation of the WTO Trade Facilitation Agreement and application of information Communication Technology. During the period under supervision, a number of amendments to the Act were made and are being implemented or are awaiting assent. The Act is fully implemented in all partner states except Republic of South Sudan.

XI. Customs strategy and its 2022/2023 outlook

Customs Directorate has been developing Five-year Customs Strategies since its establishment. The 3rd Customs Strategy (2021-2025) has been finalized is being published for circulation. The Customs Strategies guide the implementation of Customs programs by providing key strategic priorities for the Directorate of Customs together with Customs of partner states.

XII. Elimination of Non-Tariff Barrier (NTBs) and its 2022/2023 outlook

Elimination of NTBs underpins of the EAC Customs Union along with the elimination of internal tariff and application of a Common External Tariff. An NTB Bound Program has been implemented since 2005. The online NTB reporting mechanism has been rolled out under the Tripartite Free Trade Area (TFTA) and has been an area of benchmarking by the AfCFTA. An institutional mechanism constituting of National Reporting Committees and a Regional Reporting Committee has also been active in addressing reported NTBs on regular basis. An EAC NTB Act was enacted and is under review in order to make it more effective and enforceable in elimination of NTBs. Currently it is under consideration by the Legal and Judicial Council.


XIII. EAC Trade in services strategy 2022/2023 and its outlook

A 10-year strategy on trade in services has been drafted with the objective to enhance services sector integration in the EAC region and increase exports



of services regionally, continentally and globally. Regional consultations on the draft strategy on trade in services is ongoing. A validated draft strategy will be submitted to SCTIFI in May 2022 for consideration and adoption.

2.6 Potential challenges on the planned investments/critical interventions

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- i. The COVID 19 pandemic has caused disruptions in the trade and other economic sectors in the region hence affecting many of the programs under Customs and Trade. Some of the achievements affected were:
 - ii. Trade Facilitation including gains made by Single Customs Territory were eroded.
 - iii. Trade fair was not held in 2020.
 - iv. SME cross border trade nearly halted which led to collapse of some businesses.
 - v. Some sectors like tourism, air transport, interstate passenger transport, education, hospitality/entertainment were shut down leading to job losses.
 - vi. Recurring NTBs due to protectionism by the partner states.
 - vii. Limited awareness on EAC integration matters.
 - viii. Delays in adoption of key policies and Strategies due to prolonged partner states consultations processes has affected key areas such as the Export Processing Zones (EPZs)/ Special Economic Zones (SEZs) regimes and EAC-EU EPA.
 - ix. Partner states negotiation of Bilateral FTA Agreements is a threat to the Customs Union and the Common Market.
 - x. External factors such as policy shift by USA on multilateral versus bilateral trade affects EAC cohesive trade positions.
 - xi. Continued existence of national standards against similar EAC harmonised standards.
 - xii. Funding gaps for critical programs.
 - xiii. Unilateralism by partner states that conflicts with regional commitments.

2.7 Review of macroeconomic background analysis of the EAC countries

The macroeconomic context of East Africa Community partner states while largely similar has notable differences. Review of macroeconomic background analysis of the EAC countries (Burundi, Kenya, Rwanda, South Sudan, Tanzania, and Uganda) including FDI stock and flows by partner states are presented hereinafter.

The regional intergovernmental organisation of East African Community (EAC) of seven partner states comprising of Kenya, Tanzania, Rwanda, Burundi, South Sudan, Uganda and the DRC which is latest member to join. Its headquarters is in Arusha, Tanzania with a legislative council (parliament) to advance the economic and political integration within the region. The establishment of EAC emanated from various concerns that included the desire for industrialization, reduced unemployment, intent for high economic output, debts and poverty levels reduction (Ndung'u, 2000). The EAC countries had poor or limited infrastructural development, macroeconomic instability, poor health, low level of education, limited access to finance, high levels of corruption, excessive taxation and unequal technological readiness (Hartzenberg, 2011 & World Economic Forum 2010), which was key hindrances to business and investment in the EAC region that formed a categorised challenges of the East African Community as economic, political, social and financial (Kamala, 2006).

The partner countries of EAC have had an increasing role that regional integration agreements to the partner states aiming at widening and deepening co-operation in socio-political, security and economic integration to fast track the trade and investment development as they collectively face the globalization challenges with a motive of increasing the well-being of their citizens without being part of the global economy. The overriding regional integration agreements objectives is to facilitate trade within Regional Integration Areas (RTAs) with a view to maximizing trade gains which will lead to trade creation, thus fostering convergence in income levels within the trading block. With the establishment of regional integration agreements

hinged around the strengthening of the bargaining base in global trade and accelerating mutual benefit in economic growth and development, there has been tremendous achievement in trade through increased competitiveness, access to wider markets and attraction of investments into the RTA.

The expectations of partner states are not only on economic returns but to benefit on intra-regional trade and investments, creation, and expansion of regional Trade Agreements (RTA) opportunities for export and employment growth thus boosting socio-economic development of the partner states. The growth of regional trade and investment are major development in the international relations as the seek to maximize their collaborative relative gains in the region without exploiting each other, improve the welfare and shared benefits of the partner states. According to Dollar (1992), a custom union states operating in arrangement through comparative advantage principle and specialization are able to produce and enjoy benefits of economies of scale, spur productive efficiency that leads to a low unit cost of production, increase quality and quantity goods.

The EAC Development and Growth Strategy (2016) on the attainment of macroeconomic stability in all partner states as well as the macroeconomic convergence in fiscal and monetary harmonization of East Africa (Fondad, 2005) that sets a minimum annually attainment of a GDP growth of 7%, stable currency exchangeability, low inflation and interest rates as well as high national savings to the EAC states. EAC Development Strategy (2006-2010) established that cross-border trade clearance delays, lack of automated systems, bureaucracy and lack of cooperation are key challenges to effective trade and by extension economic development of the region resulting to poor trade logistics, intra-trade facilitation and business investment (World Bank report on the ease of doing business, 2010).

2.8 EAC trade and economic performance

The essence for the establishment of the cooperation protocol in the East African Community (EAC) was to ensure trade facilitation through removal of non-

tariff barriers and internal tariffs, free movement of labour, capital, goods, services and the rights of establishment and residence. These establishment brought forth implications of tariff reduction on trade flows, fiscal revenue performance, GDP growth and competitiveness of the productive sectors of the economy as industrial, agriculture and manufacturing, which is an evident towards implementations of intra-regional trade growth within the EAC. The provision of the macroeconomic indicators for economic-wide effect in performance of regional trade integration for EAC partner countries is key in assessing the progress of trade liberalization, during a period before the implementation of the EAC Customs Union (CU) on internal tariff reduction and estimate the effect of the EACCU on trade and welfare impact on growth patterns of revenue, trade, and sectoral growth. The East African Community (EAC) integration in the region boosts on economic growth through promotion of trade, investments, and industrial development decision by exploiting its vast resources in the region of over 170 million citizens of the partner states but with inclusion of the Democratic Republic of Congo (DRC), the estimated citizens are 300 million. The EAC integration created an economic block and the market size for raw materials, businesses and service destination which is attributed to the provisions of the EAC Custom Union and EAC Common Market Protocols. The EAC overall objective is to bolster initiatives towards improved standard of living for the partner state citizens through increased attractive trade investment and competitiveness, value added productivity, wealth and employment creation in Agro-processing, mining, manufacturing, services, tourism and energy (EAC Industrial Policy 2012-2032). The EAC integration initiatives have had far reaching benefit expected to facilitate market enlargement which in turn would enhance trade creation and creation of a favourable investment climate for both local and foreign investors.

The regional trade integration has had a tremendous economic growth of East African Community with effects on aggregated asymmetric tariff reduction on the macro variables and increased sectoral growth across East African countries under assumptions of unemployment and free movement of factors



of production on the industrial, agricultural and services sectors. Based on the provisions Article 75 of the Treaty and the Customs Union (CU) Protocol on EAC intra-trade and whose implementation would increase the value and volume of trade within the EAC has seen the GDP growth rate rising due to deepening common market integration. These have seen an average GDP growth improvement over the period 2008 – 2021. The reduction in tariffs to facilitate cross-border trade has had negative implications for tax revenue collections in the partner states with import duties.

The EAC Development strategies of (2011-16) aimed at high levels of economic growth to all its partner states due to high levels of cooperation and integration. According to EAC trade report (2021), analysis of trade patterns of the EAC countries in respect to their trade trends on intra-EAC trade, intra-EAC regional trade performance has been growing in form of trading volume in the range of 20-25% for the period between 2011 to 2021. This was in form of the total regional imports and export, intra-EAC total trade value between EAC countries and non-partner states. The rise in intra-trade to the EAC region leads to the trade equality and significant growth gains for agriculture, industry, and services sectors in the region. Therefore, the partner countries should optimise gains within the EAC regional integration framework through tariff reduction and free movement of factors of production within the EAC region.

2.9 EAC-EABC private sector development

The East African Community (EAC) and the East African Business Council (EABC) membership brings together private sector associations to spearhead beneficial initiatives of business and investment in East Africa. The Private Sector is a top priority for EAC affirmed commitment in driving the regional integration process in the region. The East Africa Community sees the private sector as a potential engine that drives the regional economy by creating wealth and employment for the people of East Africa thus need for the sector to establish the challenges they encounter as they seek to propel the region economy. This creates business synergies in various

sectors as it showcases the EAC as an ideal business destination for trade and investment. According to East African Community Private Sector Development Strategy its vision is to “achieve a competitive private sector in East Africa that will be an engine of economic growth with the region’s transformation, create jobs, create wealth and reduce poverty in the region” (EAC, 2020).

To achieve the aforementioned vision, the EAC developed overall strategy. According to this strategy, trade is expected to serve as an instrument to accelerate industrialization and structural transformation in the EAC region with Competitiveness playing a critical role.

Accordingly, the EAC private sector development must foster the regional economy’s structural transformation starting from the current position of the regional economy. Further, the proposed strategy is expected to facilitate a shift away from the current situation in the region where trade primarily serves to erode industrialization even when trade and industry are located in the same ministry. Thus, the structural transformation is expected to be driven by industrialization, although in some sectors entering a modern service economy can provide opportunities for structural transformation. EAC industrialization is expected to take advantage of its abundant and diverse resources, including agricultural and mineral resources, to create competitive advantages that will enable the region to engage in value addition and enter higher levels of global value chains through trade. This strategy will ensure that industrialization facilitates value addition and participation in Global Value Chains (GVCs). This is expected to facilitate trade at a higher level of value (value addition). Trade will also boost further industrialization and moving up the technology ladder to meet increasingly sophisticated global demands and sustain competitiveness in the global markets. The process of harnessing regional value chains will be a step toward deepening participation in the GVCs.

2.10 Strategic objectives

- Improve policy and institutional framework conditions for business development in the region
- Harmonize business laws and regulations

- Increasing space of an inclusive private sector in the economy
- To achieve private sector development through hubs, clusters and special economic zones
- Develop capacity building programmes for public institutions implementing PSD
- Facilitating development of markets and competitiveness.
- Realizing market development through enlarging the size of the market
- Stimulate market development through infrastructural linkages
- Stimulate market development through financial infrastructural linkages
- Boost the EAC private sector fund
- Stimulate market development through labour and skills linkages
- Strengthen the role of private sector organizations
- Promote public-private sector dialogue
- Achieve a significant share of PPPS in the regional economy
- Promote linkages between larger and MSMEs
- Promote private sector programmes that seeks opportunities in conserving the environment and promoting mitigation and adaptations to climate change
- Identifying needs of the private sector
- Achieve enterprise development with productive capacity and competitiveness

The EABC prospective desire is to exploit or take advantage of the expanded markets within the EAC which are signified by size and growth rate of the host economies, availability of natural resources, agricultural raw materials and cheap labour. This is to ensure that open trade policies and treating domestic market oriented and export-oriented firms

equally through subsidies and tariffs agreements to avert unfair competition. The EAC-EABC specific mandate is to promote activities that will raise the visibility of the EAC as well as providing a platform for addressing concerns raised by the business community in the region whether large or small as raised by stakeholders from the private sector which plays a crucial role in the strengthening of the regional integration process as outlined in the Treaty for the Establishment of the EAC. The private sector through EABC and the partnership between EAC is expected to work towards ensuring that the necessary legal and trade policy framework are in place to facilitate the development of business and investment sector in East Africa. The EAC provides the bilateral platform that the private sector engages with the partner states in unlocking trade barriers and promptly resolving trade disputes through harmonised trade agreement positions amongst the partner states at the national level engagements thus fast-tracking trade deliberations and implementation of regional trade policies. The East African Business Council (EABC) establishment is attributed for the business community push for Public-Private Partnerships, citing the increased cross border trading flows (trade volumes), between the partner states resulting from public and private bilateral dialogues and agreements. In improving cross border trade, the EAC is tasked to fully deploy an integrated One Stop Border Post(OSBP) systems working on a 24 hour at the border, among all partner states. This should also be reaffirmed to the commitment of pushing for the finalization of the comprehensive review of EAC Common External Tariff, harmonization of domestic taxes in EAC (excise taxes, value-added taxes and income taxes), elimination of Non-Tariff Barriers in the region and activation of the EAC disputes settlement mechanism among other treaties.

Since the Private sector is tasked to drive the trade and investment agenda, there is needs for them to move beyond advocacy and liaise with the Government by establishing partnerships to fast track infrastructure development and providing solutions to some of the trade issues being faced across EAC partner states. There is the urgent need for the private sector to improve the competitiveness of their firms, by embracing ICT and promote digital



trade in order to compete with other regions that are fully automated. The EABC continued collaboration in supporting the private sector to achieve the business goals and promote the region as an ideal place to invest and do business has created better and conducive climate investment in the EAC Common Market to attract viable investments they will boost the region economically. The EAC investment policy in the productive and social sectors envisages a transformed upper middle-income EAC that is a competitive common investment area with a more liberal, predictable and transparent investment environment. It seeks to lay ground for partner states to cooperate in investment promotion, facilitation, liberalization and protection of cross border investment to achieve streamlined and simplified administrative procedures related to investments, promoting and maintain dialogue with the private sector and exchange business information in the region. To ensure that EABC has good working relationship and request for further collaboration in supporting the private sector to achieve the business goals, the council will articulate and provide policy standards that promote a business environment conducive to business formation, growth, expansion. The EAC needs to prioritize collaborative approaches that will strengthened across borders supply chains and Governments laying the groundwork for the ease of movement of goods and people in the region.

To promote a favourable business environment in the EAC in the current dispensation of the COVID -19 pandemic, the private sector needs to take a leading role in initiating strategies for economic recovery by engaging the governments to roll out vaccination programs. A vaccinated region will provide an attractive ground for business and investments by attracting and retaining investors. This can be implored by the private sector needs to encourage partner state citizens to be open for vaccination. In strengthening of the public-private partnerships commitments in the EAC region, the private sector has expressed prioritised optimism in making steps towards recovery of their respective economic situations from COVID -19 pandemic by partnering with governments through a coordinated approach in handling COVID -19 in the region through a jointly establish investment in vaccine manufacturing

and supply to ensure the region can avail vaccines to East Africans. More so, the PPP commitment through stronger Public-Private Dialogues (PPD) by the EAC and Regional Development sought to review comprehensively the treaty and other legal instruments to provide mechanisms of resolving ongoing challenges through developing a harmonized framework for a collective response by partner states to COVID -19 in the region for improving the business climate in all EAC partner states. These plans spearheaded towards EAC economic recovery from COVID -19 will steer up the EAC trading bloc to greater heights by repositioning the bloc into opportunities availed by the African Continental Free Trade Area (AfCFTA).

To increase cross border trade, there is need for strengthened coordination on infrastructure spending to speed up development in the region. The business community (EABC) need not only look into intra-EAC challenges through the collective private sector commitment but also to avoid getting entangled in geo-politics and form a unified front. In terms of customs and trade, the EAC is developing an e-Commerce strategy and a centralized platform for trade facilitation agencies in order to ease intra-EAC trade. This will ensure the enhancement of a private sector-led integration & emerging opportunities in East Africa industry from the EABC such as Kenya Private Sector Alliance (KEPSA), the Kenya Association of Manufacturers (KAM) amongst others. The private sector support is critical towards the EAC commitment in the energized push for the comprehensive review of taxes in the region and adoption of the One Network Area to lower the cost of telecommunications. The business community sought to urge EAC partner states to push for elimination of Non-Tariff Barriers, harmonization of taxes and product standardisation in the region. These EAC deliberations is expected to improve the business and investment climate in the EAC in a bid to spur economic resilience, sustain jobs and revive cross border business operations.

2.11 Foreign Direct Investment (FDI) in East Africa

FDI is the largest source of external finance for developing nations with the potential to create

higher-skilled employment, facilitate the diffusion of technology, and improve access to international markets thus facilitating investment in sustainable business in the region. According to the UN Conference on Trade and Development (UNCTAD, 2018), Foreign Direct Investment (FDI) inflows to East Africa fell by significant 14% in 2018 compared to a global 19% fall in FDI inflows which made the region's competitiveness for investment projects more challenging.

There is an estimated annual investment gap of 2.5 trillion US dollars required to achieve the Sustainable Development Goals (SDGs) in developing countries mobilised towards creation of decent work, power generation, infrastructure, and water and sanitation in addition to food security, climate change mitigation, and adaptation, health and education. This is a case that the Private Sector Development and Investment Promotion of the EAC treaty in the region for a conducive investment destination, harmonized investment laws, policies and regulations to achieve predictable and facilitative cross border investments. Despite a lot of mitigative actions to FDI inflows decline in the region, there still existences of patent challenges that negatively affect its investment climate which include; non-tariff barriers (NTBs), affordable finance availability and appropriate quality infrastructure by the domestic private sector which still have a lot of handholding and unpredictable investment regimes.

Policy makers require facts on implications of these regional integration initiatives on the performance of FDI flows to formulate appropriate FDI policies. The EAC integration facilitated FDI inflows and outflows of the partner states through trade and diplomatic relationship due to several signed bilateral trading agreements.

2.12 The cost of doing business during COVID -19 pandemic

The COVID -19 pandemic across the EAC and globally generating restrictive public health concerns on economic and social life has created an increasing slew of prices in the form of additional costs for businesses due to the rising trends in economic fallout and

meltdown due to the virus. The businesses globally have experienced an upsurge in the spending cost of operations driving goods and service price charges upwards to cover the expensive business activities occasioned by restrictive and limited capacity of consumers attended. A major of the business cost expenditure comes from the containments and safety measures undertaken as purchase or payment of testing kits for their employees, PPE for wearing, stocking up of sanitizers for washing as well as wipes for wiping down high touch areas, gloves and deep cleaning especially with restaurants which attributed to a huge capital expenditure to help keep high safety concerns and avoid business closures as a result of non-compliance of the requirements thus ensuring business continuity during the pandemic.

The financial impact of COVID -19 pandemic on cost of doing business globally have been on an upward trajectory estimated to be more than 5% of usual expenses with the expected business revenue slumping to over 15% compared to a pre-COVID crisis. The varying COVID -19 restrictions in line with the intensity of the public health measures still in place across countries has had a substantial impact on economic outcomes of trade activities in terms of enterprise turnover and employment as well as policy response efficacy (Apendo A., 2020; Chetty et al., 2020; Barlett & Morse, 2020; Cirera et al., 2020). The major concerns in the ease of doing business during the COVID -19 is on the firms' investments in mitigation measures or public health expenditures that include premise changes, employee's personal protective equipment and separation kits, business considerations on capacity, expenditure financing and deployment of functions in order to remain on continued compliances towards the pandemic and safe operation of business activities. The operational adjustments cost that businesses experiences during the pandemic varies across countries and business characteristics in particular the EAC region. It is therefore important to financially quantify the impact of the pandemic on health compliance costs incurred in complying with the new health requirements on businesses within and across borders. The levels and amount of business expenditure was always proportionate to the number of employees, size, turnover level, diversification levels and the nature



of operations. The differences well outlined across sectors whether consumer-oriented interaction that are reliant on face-to-face transactions or industry-oriented that have limited contact transactions and can be conducted remotely or digitally.

Despite the pressures of COVID -19 related turnover reductions, investments expenditures by businesses were relatively small with their operational activities being entirely financed by existing internal funds accrued savings from previous profitability, reduced employee compensation and asset returns. The firms access to finance and indebtedness during the pandemic was unique across enterprises in different sectors since their operational performance and investment expenditures varied with the nature of business and the random pandemic shock. With changes to the business environment amid COVID -19, businesses have had differentiated investment plans and schedules that align to the changing operational dynamics of businesses that are in line with the public health guidelines and that are adaptive to the physical distancing, hand hygiene and reduce capacity. Firms spends considerable amount that are financed by internal funds, external finance from banks, trade credits, equity and other financing avenues that are provide by the economy through an open financial market system.

Firms differentiated investment expenditure distribution varies across sectoral activity, firm size and economic performance of a country in terms of GDP growth rate which is a kernel estimation of the total health-measure investments for a particular region, sector or possible investment drivers. The firm size in terms of the number of employees plays a vital role in scaling the per-employee cost for health spending in business. The distribution of health investments across the economic bloc of the EAC market is determined by the employee participation rate in the business. The health compliance investments expenditures for businesses varies by size, across sectors and the employee turnover. The expenditure levels for businesses varies from small-medium-large sized firms and across sectors, with the highest expenditures in human health, construction and hotels and restaurants.

2.13 Effects of COVID-19 on business and investment

Business and Investment have suffered adversely from COVID -19 induced effects on the global as well as the EAC partner states economies. In an effort to abate the distortionary effect of COVID -19, EAC partner states adopted various policies and strategy options with the rationale of devising future policy convergence areas with regard to pandemics. The COVID -19 pandemic has induced an unprecedented exogenous shock to business and investments bringing out headwinds that have extremely rattled the EAC partner states, whose effects have perpetuated the adoption of both domestic and global choices to remedy the distortionary effect exerted by the pandemic.

The exogenous shock by the virus was permeated through business and investment disruptions in form of supply chains, reduced trade activities, transport and travel restrictions, financial market volatility due to recession in trade and financial linkages restrictions of trading activities which have led to the sluggish economic growth; weak private sector credit growth in spite of record low lending rates; weakened external sector and weakened financial sector profitability and return on assets albeit total risk-weighted assets, and non-performing loans, high liquidity ratios above the regulatory requirements, despite a resilient financial sector. The combined effects of COVID -19 induced external and domestic shocks included rising morbidity and mortality necessitating appropriate measures to abate the spread of the virus globally and in each EAC partner state. The economic effect of the pandemic has been a subdued GDP growth of 1% in Tanzania while a GDP decline in Burundi, Kenya, Rwanda, South Sudan, and Uganda of -1.3%, -0.1%, -0.2%, -6.6% and -2.1%, respectively, with the EAC trading block experiencing an average 1.6% decline in Aggregate GDP in 2020. The COVID -19 also accounted for low export demand, inputs supply disruptions, restrictive border controls, economic lockdown, and business closure which undermined the goods and service sectors performance leading to a contraction in the aggregate demand and consequently almost crushing of the economies.

The weighted purchasing index for business in the

EAC partner states declined as follows; stock orders (30%), output (25%), employment (20%), Suppliers' delivery times (15%) and stock of purchases (10%) indicating worsening in the business conditions. In regard to the financial sector, the private sector was hardly affected by the demand for credit that included the reduction in the lending rates and restriction on the investment spheres. There was a reduced COVID -19 induced effect to the banking sector profitability and return on assets reflecting a weak business environment with regard to the external sector. For instance, both Tanzania and Uganda current account deficit narrowed by 2.3% and 1% of GDP respectively in Financial Year (FY) 2019/20 compared to FY2018/19. Kenya and Rwanda current account deficit as a percentage of GDP, the increased by 0.3% and 1.4%, respectively, in FY2019/20 compared to FY2018/19. For South Sudan, current account deficit worsened from US\$256.86 million in 2019 to US\$ -932.91 million in 2020 on account of weak oil demand and low oil prices. The weakening of current account balance (CAB) in Kenya and Rwanda was on account of disruptions in international travel and tourism which affected export earnings while the improved CAB in both Uganda and Tanzania was on account of a reduced import bill on one hand, the latter gold exports increased by US\$846.4 million resulting in a 28.3% increase in export earnings.

As a consequence, to the COVID-19 pandemic, the EAC partner states adopted policy options and strategies in combination with the containment measures in an effort towards averting the distortionary effects of the pandemic. An expansionary fiscal and monetary policy towards providing relief and increasing households' disposable income, job and businesses protection, businesses support kitty in terms of the tax relief and exemptions towards Value Added Tax (VAT), reduced Corporation Tax and deferred Pay as You Earn (PAYE) in Kenya, Uganda, Tanzania, Burundi, South Sudan and Rwanda. Uganda, Kenya, and Tanzania governments pledged to settle verified arrears in an effort to increase liquidity among businesses. Tanzania granted VAT and customs duties exemptions on imported medical equipment and medical supplies in an effort to support the health

sector as well as expanding social security schemes to meet the increase in pension withdrawals for retrenched staff due to COVID -19. In Kenya, they adopted direct cash transfers to the vulnerable households in an effort to supporting livelihood, while Uganda opted for free food distribution to vulnerable. The effect of the expansionary fiscal policy was weak in terms of tax revenue performance resulting in debt financing in Uganda, Kenya, and Tanzania.

In ensuring financial market stability during the advent of the pandemic, an expansionary monetary policy was adopted through a downwards revision of the policy rates across all EAC partner states with the rationale of inducing a reduction in lending rates. This policy strategy eased the financial sector liquidity constraints, the central banks of the partner states offered a multitude of options that included; lowering the Reserve Requirement Ratio (CBK, NBR, and BoU), buying back Bonds (NBR) and increasing the maximum tenor of Repurchase Agreements (BoU, CBK, and NBR). Furthermore, the Supervised Financial Institutions was advised by the central banks (CBK, NBR, BoU, and BSS) to restructure outstanding loans of borrowers facing COVID -19 induced temporary cash flow challenges on a case-by-case basis to abate credit risks. In Kenya, CBK temporary suspended the listing of negative credit information for borrowers whose loans were performing previously but have become non-performing due to COVID -19. In order ease capital constraints, Bank of South Sudan (BSS) suspended a nascent regulation of higher minimum paid-up capital for commercial banks. In Rwanda, Uganda, and Kenya effort to abate the spread of COVID -19, cashless transactions using the mobile money transactions were supported through reducing transaction charges to zero and increasing transaction limits.

The complementary undertaking of expansionary monetary and fiscal policy path choice convergence across the EAC partner states was evidently more intensive and extensive in Kenya, Rwanda, and Uganda in comparison to Tanzania, South Sudan, and Burundi which relied on stringent COVID -19 containment measures adopted in Burundi and Tanzania unlike Uganda, Rwanda, and Kenya.

For instance, in Rwanda and Uganda, the nationwide



lockdowns implied that both fiscal and monetary policies had to be deep cutting and wide enough to accommodate the COVID -19 induced economy-wide shutdowns which adversely affected businesses and livelihood in comparison to Tanzania and Burundi. Thus, there is need for the long-term optimal policy targeting strategies on the economic systems resumptions of economic activities of the EAC partner state.

The indicative data review for EABC is based on;

- Trade inflows/outflows across EAC partner states disaggregated sector wise.
- Review of guidelines given by partner states on businesses and investment during the COVID -19
- The incentives provided by the governments in the EAC partner states in form of taxes and exemptions to businesses and investment though were country specific
- Review of EAC Investment Policy for partner states in cooperating the investment promotion, facilitation, liberalization and protection of cross border investment focusing on private sectors and exchange of business information.
- Review of platform and succession plan or programme of the business community in presentation of their concerns to the EAC in ensuring a conducive business environment within the Community.
- A harmonised collective response framework by partner states to COVID -19 in the region for a guaranteed economic recovery in a post-COVID era and repositioning the bloc into a competitive position and opportunities availed by the African Continental Free Trade Area (AfCFTA).
- Identification and synthesize of issues impeding intra-EAC trade or the free movement of goods from private sector at various levels in the region. The appropriate solutions to resolve such matters on private sector development and implementation on agreed interventions for EAC prosperity.
- Review of EAC policy and standards on the private

sector opportunity for networking and supports information exchange in order to promote a business environment conducive to business formation, growth, expansion.

- Review of the EAC prioritized collaborative approaches that will strengthen supply chains channels across borders and governments laying groundwork for the ease of movement of goods and people in the region.

2.14 Outlook of trade and investment in EAC partner states

The outlook of trade and investment in the EAC partner states namely Kenya, Uganda, Tanzania, South Sudan, Rwanda and Burundi is discussed herein.

The COVID -19 pandemic coupled with government measures to contain it has had an effect to businesses in the EAC and exposed the level of economic vulnerabilities across countries. The pandemic saw closure of borders, airspaces and ports thereby restricting movement of goods and persons. Measures employed by EAC partner states to curb the pandemic such as curfews, closure of certain businesses negatively affected some businesses. On the other hand, other businesses thrived by taking advantage of the new opportunities provided by the COVID -19 pandemic e.g., Manufacture of protective equipment, medical care among others. As countries uplift the measures, they had put in place to curb the pandemic, there are few empirical studies that have been conducted to examine the effect of the pandemic on business and investment on EAC businesses.

2.15 Review of the COVID -19 related containment measures and effect on business

The COVID -19 related containment measures including stimuli packages and on how best EAC partner states can implement a regional coordinated approach to build better businesses and economies has been subject of intense discussion and scrutiny.

2.16 Review of trade and investment barometer in Africa and elsewhere

There are several barometers or indices that may be

used to determine impact on trade and investment of several internal or external interventions. These may include WTO Trade in Goods Barometer, World Bank Ease of Doing Business Index, EABC Index, OECD Investment Indexes, ease of doing business is being phased out (identify and review replacement)

In order to develop the barometer on trade and investment, we shall review several methodologies e.g., WTO Trade in Goods Barometer, World Bank Ease of Doing Business Index, EABC Index, OECD Investment Indexes amongst others. We shall draw best practices from the above indexes to formulate a barometer for trade and investment in the EAC amid COVID -19.

2.17 Overall performance of businesses during the COVID -19 pandemic

A barometer that captures the sentiments of the economic and business patterns and outlook has been a tool used by many institutions to track the behaviour of trade, business and industrial activity.

Versions of barometer indices have been created and used over time to measure trade fluctuations, fluctuations of stocks, commodity prices, investment patterns and other macro-economic phenomena. The tool has also been used to capture business sentiment on the dynamics of the business environment for specific categories of enterprises such as SMEs. An example is the EU craft and SME Barometer based on survey results from about 120,000 questionnaires undertaken all over Europe done two to four times annually (UEAPME, 2016). The barometer provides a picture of the developments and expectations of SME owners all over Europe. The barometer covering four economic sectors (manufacturing, construction, business, and personal services) provides balanced information that captures the following dimensions - overall situation, turnover, employment, prices, investment, and orders. The methodology used in constructing the barometer balances the responses by netting out negative answers from positive answers.

Driven by private sector associations to understand perspectives from business owners in order to better respond to business needs, a Business Barometer index was developed under the auspices of the

Benson Chamber of Commerce in the United States. The barometer provides insights on the business sentiments of the business owners on the state and outlook of the economic environment (Winchester et al 2004). Similarly, the Lloyds Bank Business Barometer tracks pricing expectations, pricing insights, business confidence, employment insights and sector insights. The barometer draws from a sample of 1,200 UK companies each month from all industry sectors, regions and firm sizes surveyed online. It is designed to provide information on confidence levels among UK businesses every month. It gives vital insight into emerging economic trends which can be useful for forecasting and forward planning. The barometer highlights confidence, expectations, and outlook of business on prices and the economy. The regional and sector insights provide specific information to better understand the economic environment relevant to the business sector and location (<https://www.lloydsbank.com/business/resource-centre/insight/business-barometer.html>).

In some cases, a barometer is designed to measure the direction of the growth of the economy. An example of such a barometer is the KOF Economic Barometer which measures the direction of GDP growth in the Swiss economy and produced monthly. It does this by comparing the Swiss GDP growth from the same quarter in the previous year. This provides insights to economists to gauge relative standing between any two years. The barometer is a multi-sectoral aggregation that combines over 500 individual indicators and measures 200 economic variables comprising three fundamentals' components - construction, banking and core GDP. The tool provides valuable insight that shapes investor sentiments (<https://corporatefinanceinstitute.com/resources/knowledge/economics/kof-economic-barometer/>).

The WTO uses trade barometers to identify turning points and gauge the momentum in world trade growth. The barometers that include the goods trade barometer released quarterly and the services trade barometer released two times a year depending on data availability. These are composite indices designed to signal current and near-term trade developments in world trade. Readings



above 100 indicate above-trend and below 100 indicate below-trend. The goods trade barometer combines information on several component indices representing trade-related variables including export orders, international air freight, container shipping, automobile sales and production, electronic components, and agricultural raw materials. The goods trade barometer anticipates changes in the trajectory of world merchandise trade volume relative to recent trends by three to four months on average. Recent trends are used as baselines for each index normalised to 100. The methodology used involves selection of data on variables chosen based on their temporal correlation with world merchandise trade in volume terms and their relevance to trade. The performance of the chosen each of the variables is re-evaluated from time to time to ensure they continue to perform as expected. Data is then collected for each of the variables (WTO, 2020). Similar to the goods trade barometer, the services trade barometer highlights turning points and illustrates patterns in world services trade. The services trade barometer combines component indices that include services purchasing managers, financial transactions, ICT, IATA, container throughput and construction (WTO, 2021).

Attempts have also been made to capture the sentiments from the perspective of the consumer. The OECD developed a Consumer Barometer that exploits and visualizes consumer confidence data. The barometer measures consumer sentiment by synthesizing and visualizing the developments in countries' consumer confidence over a period of six months (<https://www.oecd.org/sdd/leading-indicators/oecd-consumer-barometer.htm>).

The adverse effects of the COVID -19 pandemic have triggered interest in assessing business sentiment and outlook. To this end, The Economist Intelligence Unit launched a Global Business Barometer in 2022. The Barometer tracks a regional three-month outlook from top level business executives across different industries to gauge expectations on global economy, investment plans, operational and risk management strategies. The Barometer offers measurements at global, regional, country and company levels (<https://globalbusinessbarometer.economist.com>).

The design of the proposed barometer will draw insights from the barometers described and utilise information collected from survey data from business managers. The barometer will enable to tease the insights from the sentiments on the business environment amidst the COVID -19 pandemic and outlook by business owners in the EAC.

2.18 Review of policy and strategic measures that other regions have adopted to recover from the COVID -19 pandemic.

Review actionable policy recommendations and strategic measures that the other regions have adopted to recover from the COVID -19 pandemic.

Given the devastating effect of the pandemic on partner states economies, there is need for deliberate and sustained policy direction to strategically put the economies back on course.

The literature has centred this effort on the macro-level and micro level.

Fox and Signé (2020) highlight two strategies relevant to the continent as a whole: (a) using deregulation to create more formal wage employment opportunities by encouraging the development of medium and particularly large, exporting firms, and (b) supporting informal livelihoods – a source of resilience during the previous global recession – through investment in agriculture and in the agro-food system for export and domestic consumption. Both strategies would be enhanced by accelerated progress on the African Continental Free Trade Agreement (AfCFTA).

Other studies point country specific responses. According to OECD (2020), many countries have introduced SME specific policy measures for instance:

- Several countries have introduced measures related to working time shortening, temporary lay-off and sick leave, some targeted directly at SMEs. Similarly, governments provide wage and income support for employees temporarily laid off, or for companies to safeguard employment. In many cases, countries have introduced measures specifically focused on the self-employed.
- In order to ease liquidity constraints, many countries

have introduced measures towards the deferral of tax, social security payments, debt payments and rent and utility payments. In some cases, tax relief or a moratorium on debt repayments have been implemented. Also, some countries are taking measures regarding procedures for public procurement and late payments.

- Several countries have introduced, extended or simplified the provision of loan guarantees, to enable commercial banks to expand lending to SMEs.
- In some cases, countries have stepped up direct lending to SMEs through public institutions.
- Several countries are providing grants and subsidies to SMEs and other companies to bridge the drop in revenues.
- Countries increasingly use non-banking financial support intermediaries in their policy support mix.
- Increasingly, countries are putting in place structural policies to help SMEs adopt new working methods and (digital) technologies and to find new markets and sales channels to continue operations under the prevailing containment measures. These policies aim to address urgent short-term challenges, such as the introduction of teleworking, but also contribute to strengthening the resilience of SMEs in a more structural way and support their further growth.
- Some countries have introduced specific schemes to monitor the impact of the crisis on SMEs and enhance the governance of SME related policy responses.

3. STUDY METHODOLOGY

3.1 Our approach to the assignment included seven parts:

- I. The first part covered a macroeconomic background analysis of the EAC including FDI stock and flows by partner state and sector. Key challenges and factors responsible for the current EAC partner states performance amid the COVID -19 pandemic was reviewed. This component
- II. The second component of the assignment was a survey of the businesses in EAC to get their perceptions on their performance and investments made amid challenges brought by COVID -19 pandemic. The companies in EAC market were surveyed by means of an online questionnaire. The survey instrument captured a combination of questions related with the profiles of businesses, their assessments of the business climate in EAC and its performance their expectations for their activity levels, current and planned investments in EAC market and how the COVID -19 pandemic has impacted their performance, the perceptions of business on the responses of partner states to the pandemic to mitigate the effects. The responses to the questions were used to identify and generate key indicators for the investment and trade plus business outlook. Drawing from the field work responses, key challenges, and factors responsible for the current EAC partner states performance amid COVID -19 were identified.
- III. The third component of the assignment was to assess the outlook for investment in EAC. This covered the perceptions of the businesses on the outlook for 2022 and 2023, planned investments, potential challenges, and critical interventions by partner states. In this component a matrix of actionable policy recommendations and strategic measures the EAC partner states should adopt to recover from the COVID -19 pandemic was generated.
- IV. Upon conclusion of the study, a draft report on

included a review of the COVID -19 related measures including stimulate packages and discussion on how best EAC partner states can implement a regional coordinated approach to build better businesses and economies. In order to develop the barometer on trade and investment, the study reviewed several methodologies e.g., WTO Trade in Goods Barometer, World Bank Ease of Doing Business Index, EABC Index, OECD Investment Indexes amongst others. Then drew best practices from the above indexes to formulate a barometer for trade and investment in the EAC amid COVID -19



the EAC Barometer for Trade and Investment amid COVID -19 was generated. The draft report was subjected to internal validation through a workshop that was organized in collaboration with EABC, EAC and GIZ.

V. Following the validation of the draft report, any changes and recommendations from the validation workshop was incorporated and a final report that shall be presented to regional stakeholders at a webinar was prepared.

VI. Following the validation of the final report, a matrix of actionable policy recommendations and strategic measures the EAC partner states should adopt to recover from the COVID -19 pandemic was prepared.

VII. Policy briefs based on the final report were developed.

3.2 Research design

The study utilized a mixed methods approach which incorporated both quantitative and qualitative data collection approaches and the use of survey research design.

3.3 Target population

The target population of the study of Barometer on the State of EAC Business and Investment amid COVID -19 included the following business and other stakeholders drawn from EAC partner states namely Kenya, Uganda, Tanzania, South Sudan, Rwanda and Burundi;

- Businesses involved in trade and investment
- Business support associations
- Policy makers and government officials
- EAC secretariat
- Ministry of trade in partner countries
- EABC secretariat
- Statistical bureaus
- Ministries of health

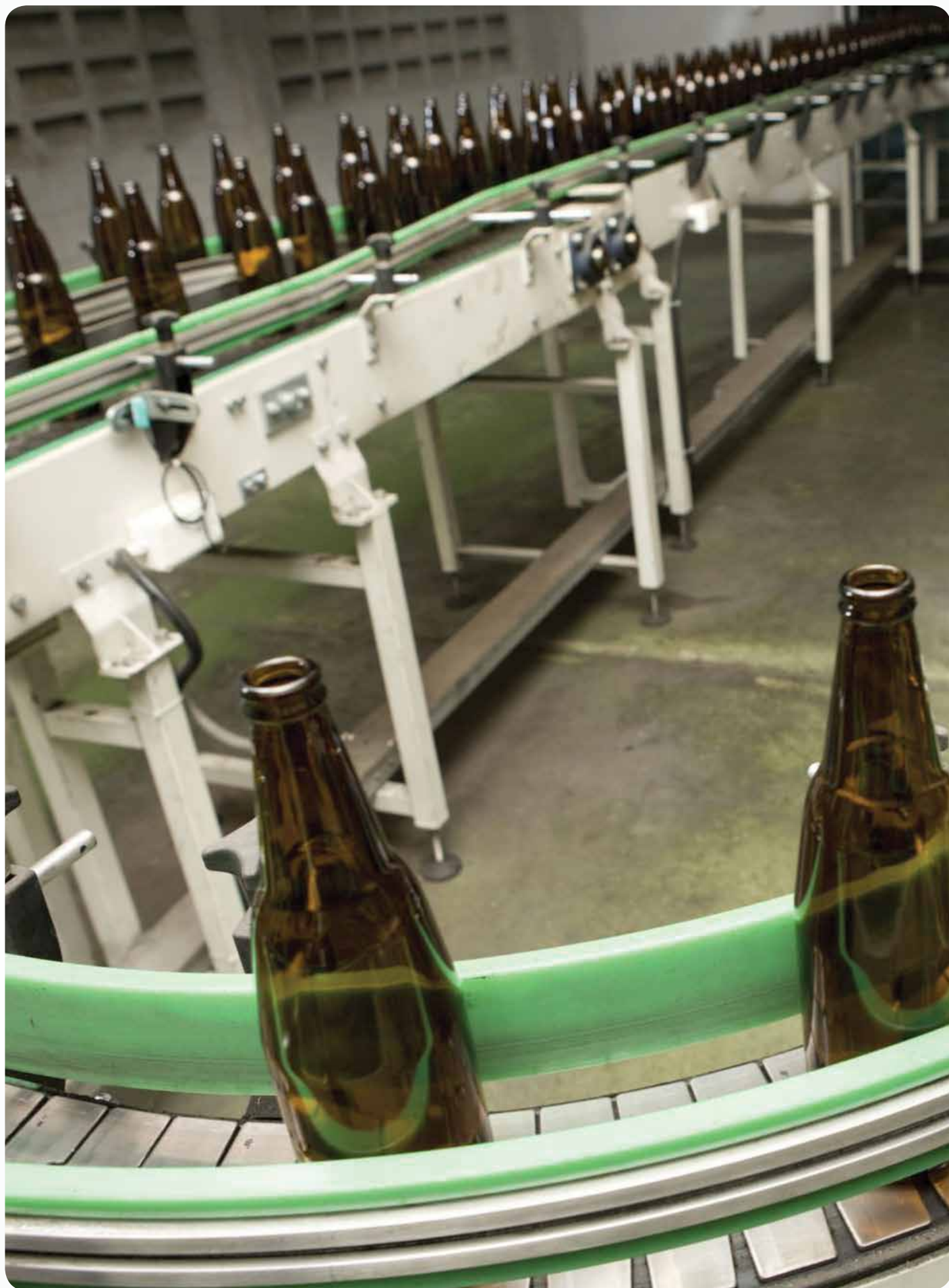
- Investment authorities
- Scholars and trade economists
- Development partners
- Revenue authorities
- Other relevant stakeholders

3.4 Sampling design and data collection instruments

The study undertook to identify and collaborate the business and investment platforms on the sectors by governments in the regulative mitigation against the pandemic for survey design, data collection, feedback management from the stakeholders, data analysis approaches and draft reporting of Barometer of EAC Business and Investment amid COVID -19. The data collection strategy proposes a mixed methodological approach on a designed survey instrument for the barometer concept testing and data Qualtrics. The data collection will be through a mixed approach of quantitative and qualitative using online survey tools as interviews through mobile, unless upon request for an in-person interview by the interviewees and questionnaire through emails to key stakeholders and participant to provide descriptive insights to market segmentation on the business and investment with the chosen indicators based on the economic rationale and representation of the various sectors as indicated for the EAC market. This will be facilitated by collaborating stakeholders as well as interviewees feedback and responses, on the detailed COVID -19 mitigation measures across the EAC Business and Investment. This will lead to proposing a well-designed measurement process for scoring and predicting the appropriate tailored trade barometer to meet the objectives of baseline indicators across the sector platform in order evaluate the impact of the COVID -19.

The study further:

- a) Developed data collection instruments and subjected the same to review by EABC before administering on the respondents.
- b) Requested for contacts that EABC had in EAC partner states to facilitate fast and efficient



collection of data.

- c) Requested for introduction letters to facilitate easy data collection. Utilized questionnaires, telephone interviews, key informant interviews and available secondary data.

3.5 Data analysis methods and procedures

Prior to data analysis, missing data guidelines were observed. The research aims to obtain data around a specific objective, data was then analysed and documented to establish viable and meaningful information upon which stakeholders can act and make tangible changes to organizational operations. Therefore, data processing and analysis entailed the inspection, organization, cleaning and modelling of data to reflect an informative perspective around the issues raised. The following data analysis methods were used;

- a) univariate (descriptive statistics) of variables were generated
- a) Further analysis of the data including comparative, trends and variance analysis.

3.6 Ethical considerations

In this study, an ethical approach to research was observed and formulated with two considerations. The first consideration was founded on the basis of a set of belief systems about what is deemed to be in the best interest of the respondents. In view of this consideration, the respondents were duly informed of the nature and purpose of the study, the procedures used and the expected benefits to the participants, the business community, government and society. The respondents were allowed to seek clarifications if any. Thus, the respondent's consent to participate in the research was obtained voluntarily. The principle of informed consent was therefore observed. Furthermore, in addition ethical consideration of this study entailed considering protection of research participants and shielding them from unnecessary and even damaging publicity. It guaranteed the quality, originality, and consistency of a research process that fully embraces ethics and integrity comprehensively.

3.7 Limitations of the study

The budget in this assignment was not sufficient



for physical interviews of respondents in the EAC Countries.

There were also language constraints relating to South Sudan, particularly the translation of the questionnaires to Arabic language.

The online data collection though it represented a great opportunity of reaching the respondents without having to physically meet them, it was a challenge to businesses located in regions with poor internet connectivity.

4. RESULTS, INTERPRETATION AND DISCUSSIONS

4.0 section overview

This section will provide results on the following:

- i. The profiles of businesses and respondents
- ii. The performance of EAC business and investment amid challenges brought by COVID -19 pandemic
- iii. Macroeconomic background analysis of the EAC, including key indicators for investment and trade, such as FDI stock and flows by partner states.
- iv. Key challenges and factors responsible for the current EAC partner states performance amid COVID -19.
- v. Review of the COVID -19 related measures including stimulus packages
- vi. The performance, trends, views and confidence of EAC businesses and investors amid COVID -19.
- vii. The impact of COVID -19 pandemic on businesses and investment in EAC including assessing how the COVID -19 pandemic has impacted business performance.
- viii. Perception of businesses on key performances indicators such as business outlook, business climate and their performance expectations for their activity levels, current and planned investments in EAC market.
- ix. Perceptions of business on the responses of partner states to mitigate the effects of the pandemic.



- x. Business and Investment outlook for 2022 and 2023 including planned investments, potential challenges and critical interventions by partner states.
- xi. How best EAC partner states may implement a regional coordinated approach to build better businesses and economies.
- xii. Strategic measures the EAC partner states should adopt to recover from the COVID -19 pandemic.
- xiii. Matrix of actionable policy recommendations

4.1 Macroeconomic background analysis for investment & trade of East Africa Community

Key indicators for the investment & trade

This involves a macroeconomic analysis of the EAC including, GDP, intra-trade and FDI flows by partner states.

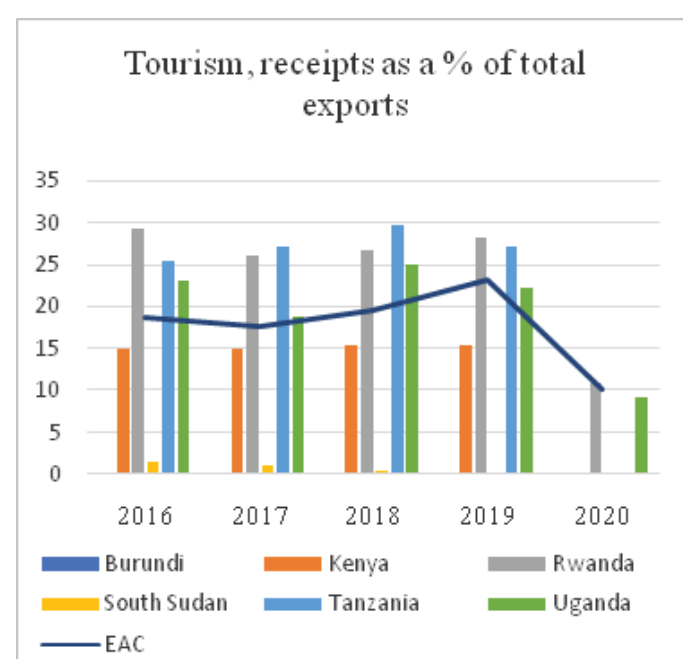
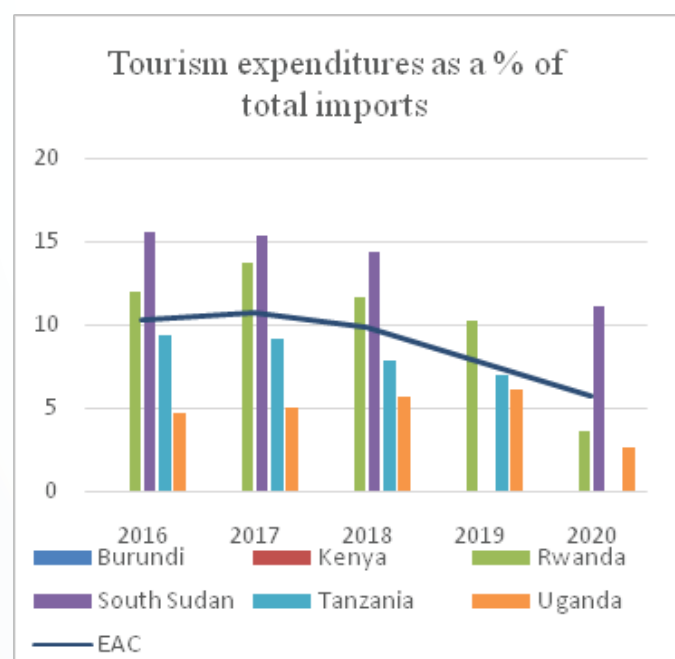
The investment and trade of the EAC community reflects on the FDI stock and flows in the partner union as well as the Intra-trade of goods and services

which comprises of Import and export of products from the agricultural, manufacturing and services sector such as tourism, ICT and financial services. The trade and FDI flows between partner states and to the rest of the world show their respective economic performance.

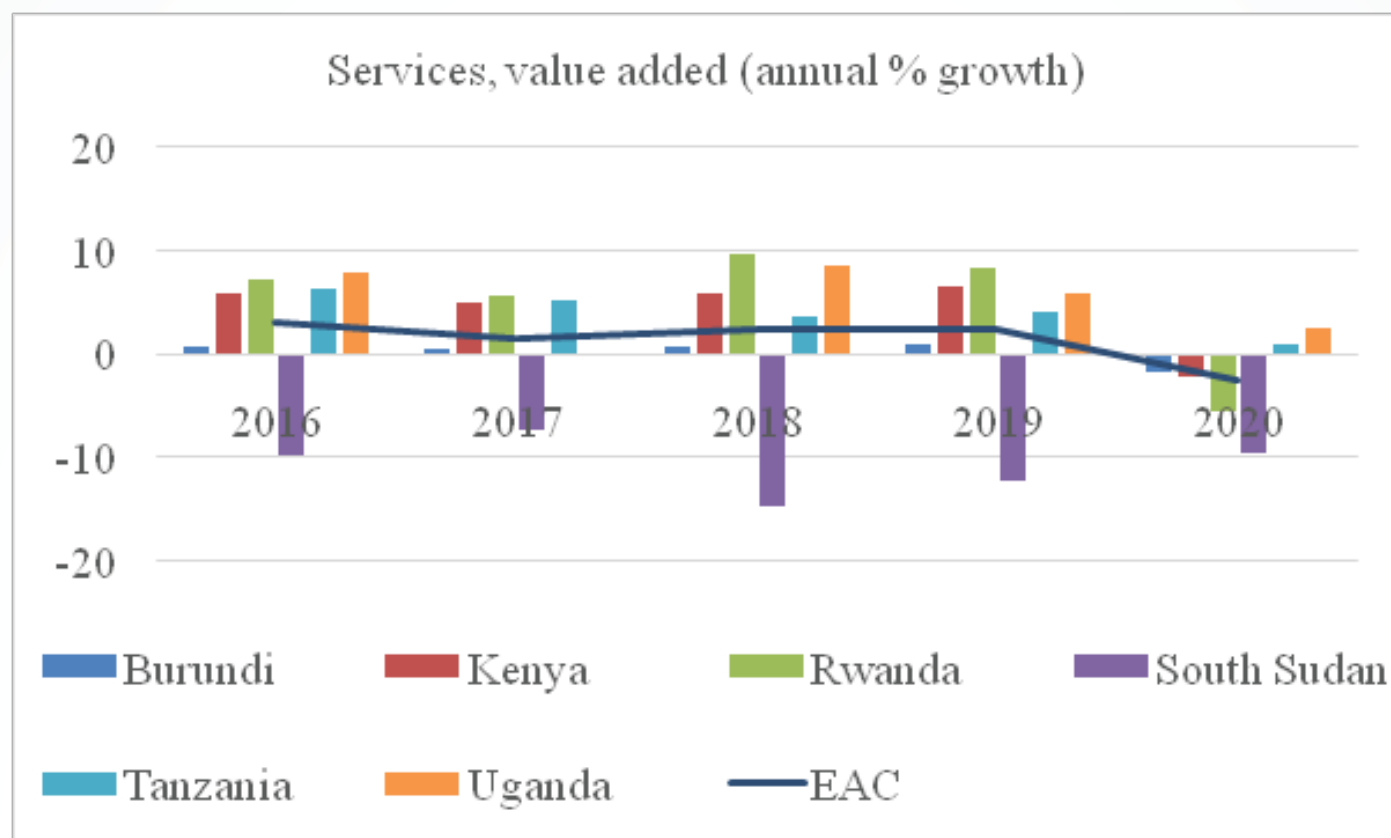
4.2 Sector performance of EAC partner states (2016-2020)

Tourism sector

Since the EAC partner states are the tourist destination globally and, in the region, the sector and its allied sectors has been performing well. The tourism sectors expenditure for the periods 2016 to 2017 declined and increasing to 2019 before a drastic decline in 2020 due to COVID -19 impacts on the sector for the EAC. With the restriction of movements, the complementary service sectors to tourism (Hotels, parks) declined leading to falling Tourism receipts in the partner states.



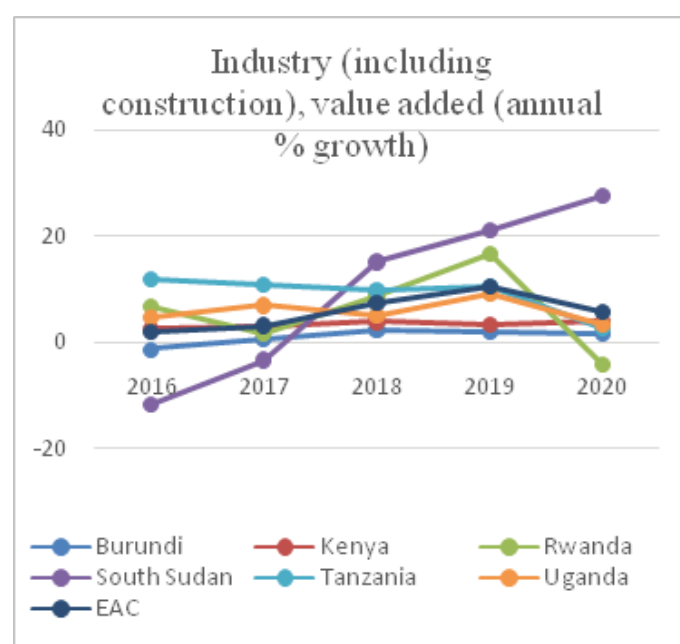
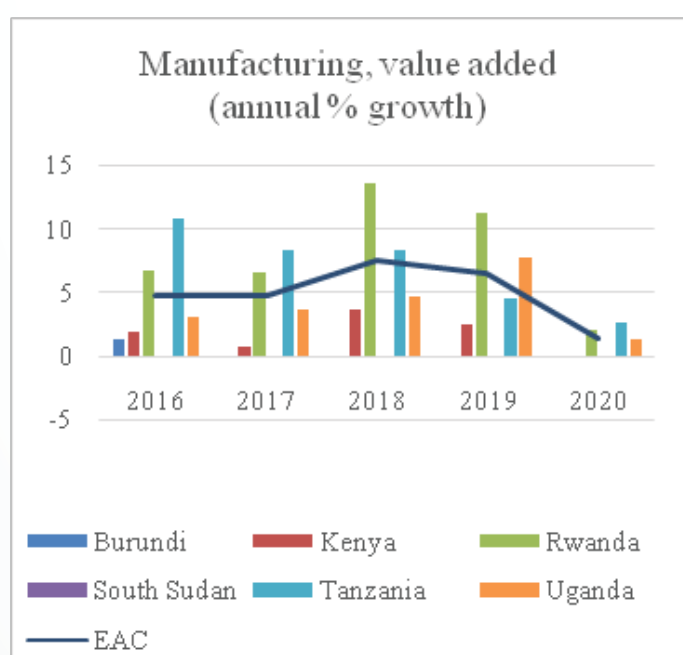
Source: (WDI, 2020)



Source: (WDI, 2020)

Manufacturing and industrial sector

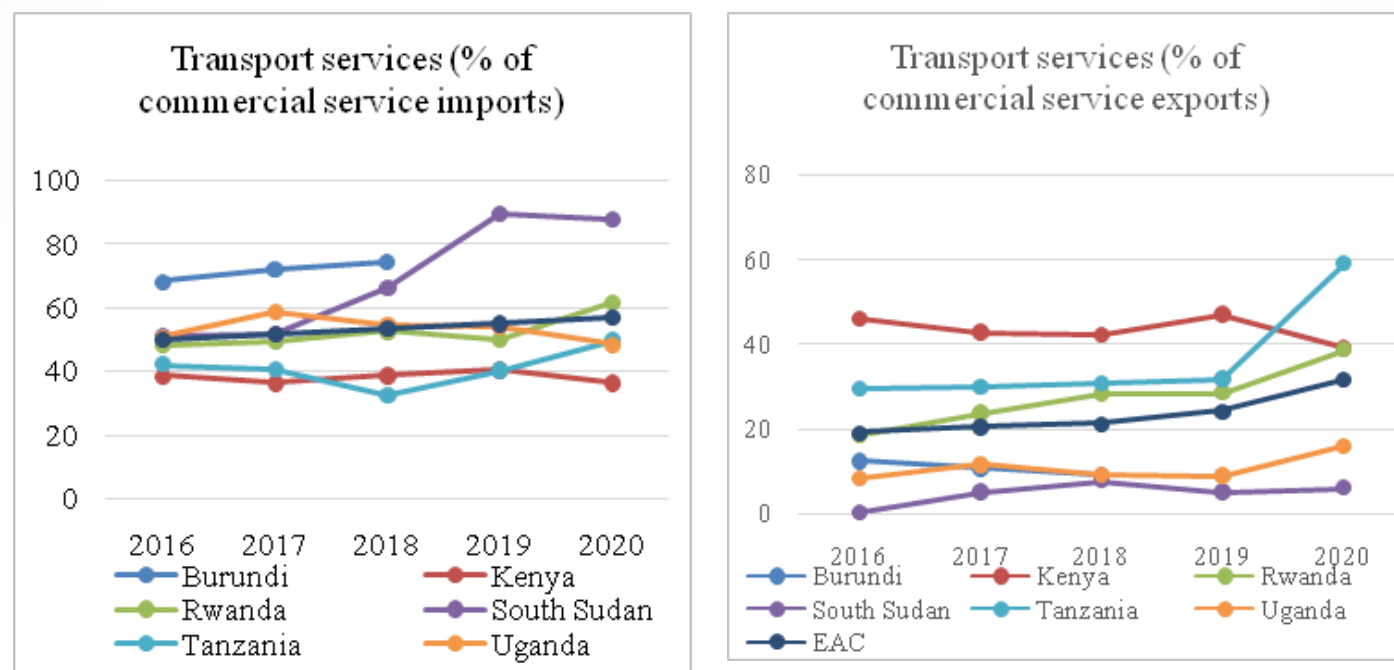
The average annual growth of manufacturing and industry (including construction) value added for the EAC partner states increased from 4.7% to 7.5% (2016-2018) and 2.05% to 10.4% (2016-2019) respectively. The EAC experienced a decline of 6.5% and 1.4% in 2019 and 2020 for manufacturing and 5.8% in 2020 for industrial sector due to impact of COVID -19.



Source: (WDI, 2020)

Transport sector

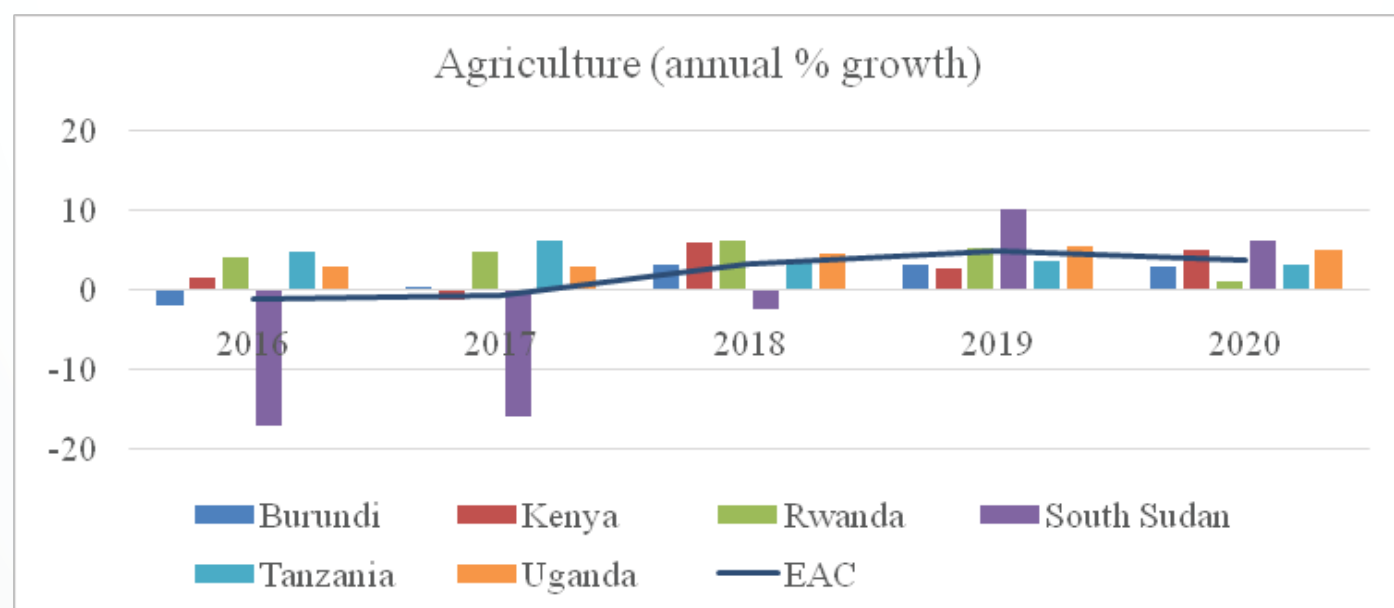
The sector focuses on access to road, air, rail, inland water ways and maritime transport in EAC partner states. The sector has had an increase in both investment and services to domestic and international passengers. From 2016 to 2019 the sector experienced a slight increase in transport services in all the partner states with a decline from 2019 to 2020 due to the restriction of movement due to COVID -19.



Source: (WDI, 2020)

Agricultural sector

The sector comprises of the crop and livestock, fishing, fruit and flower production. The annual growth in the sector in all partner states recorded significant rise in agricultural production in 2016 to 2018 except Burundi in 2016 and South Sudan which experiences a decline. Between 2018 and 2019, the partner states reported an aggregate increase in agricultural production from 3.5% to 4.9% before a surge to 3.7% in 2020 due to COVID -19 outbreak.



Source: (WDI, 2020)

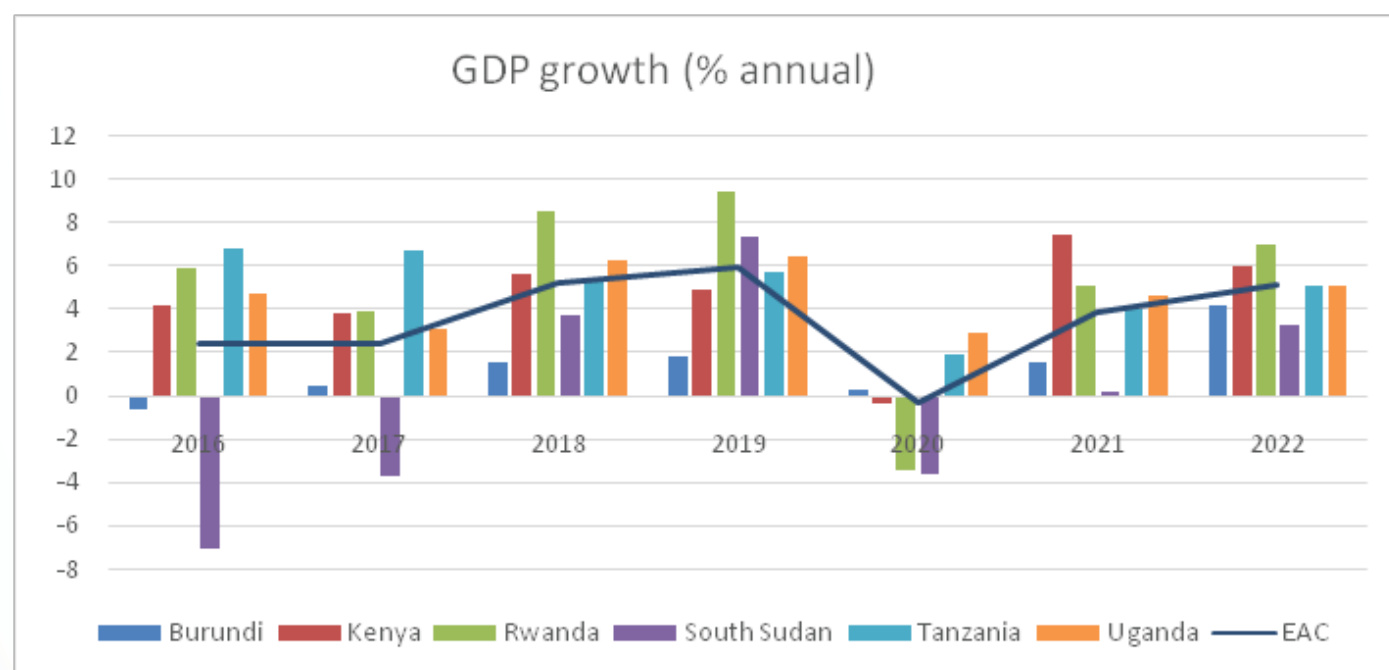
Gross Domestic Product(GDP) of East Africa Community partner countries

The East Africa Community GDP is estimated to have improved which is attributed to easing of COVID -19 containment measures which has led to increased trade and increased business activities in the region both the agriculture, industrial and service sectors. East Africa Community economy was growing below 1% during the pandemic period and is expected to grow by 4.9% in the current period (post containment). The EAC economic performance in respect to sector activities is expected to be on a growth trajectory after the successful containment of the COVID -19 pandemic by the partner states with a potential projection of robustness in 2022. The details of Real GDP (%) Growth Rates for EAC Countries (2016-2022) are shown in Table 1.

Table 1: Real GDP (%) Growth Rates for EAC Countries (2016-2022)

COUNTRY	2016	2017	2018	2019	2020	2021	2022
BURUNDI	-0.6	0.6	1.6	1.8	-1.0	1.6	4.2
KENYA	4.2	3.8	5.6	5.1	-0.3	7.5	6.0
RWANDA	6.0	6.2	8.6	9.5	-3.4	5.1	7.0
SOUTH SUDAN	-7.0	-3.7	3.8	7.4	-3.6	0.2	3.3
TANZANIA	6.9	6.8	7.0	7.0	4.8	4.0	5.1
UGANDA	4.3	5.0	6.3	7.7	-0.8	4.7	5.1
EAC		5.2	6.5	6.3	0.4	4.0	4.9

Source: OECD and Economic Survey (2022)



Source: (WDI, 2020)

Intra-trade among East Africa Community partner countries

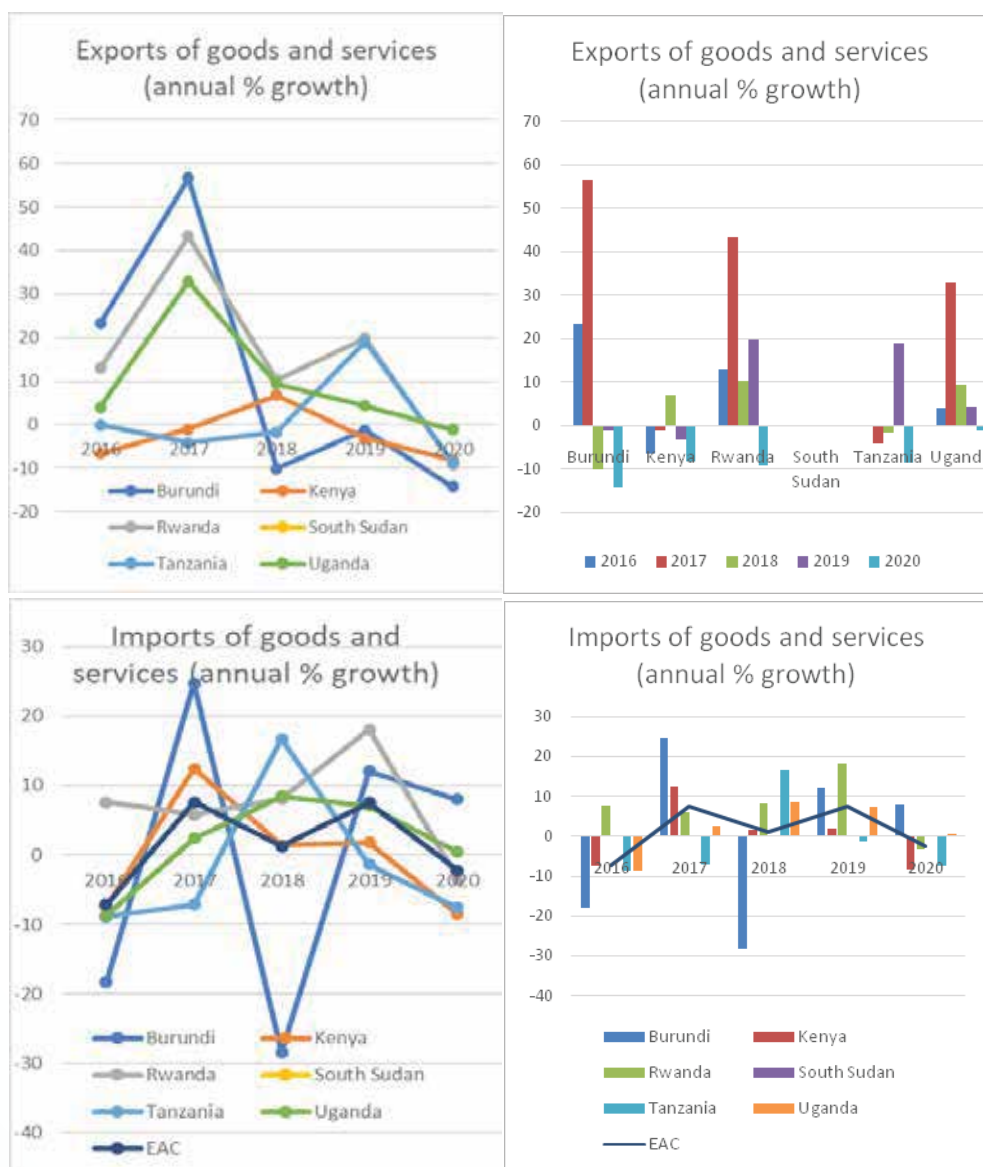
The East African Community's regional trade has always been boosted by Common Market Protocol through easing of cross-border movement of goods and people despite numerous non-tariff barriers (NTBs) holding back the region's potential.

The intra-regional trade growth was due to increased agricultural production, elimination of Non-Tariff Barriers and increased intra-trade in intermediate products which led to higher exports traded amongst partner states. The intra-regional trade volume amongst the EAC partner states has been increasing due to their preference to trading with each other to offset falling demand for the region's products in the international markets.

East Africa's intra-regional trade has always been hampered by persistent trade disputes among partner states over Rules of Origin, safety and quality of products traded in the region. According to the EAC (2018), the increase in trade between the partner

states are basically on agricultural commodities and manufactured goods as; coffee, tobacco, cotton, rice, maize, wheat, tea, cement, petroleum, textiles, sugar, confectionery, beer, salt fats and oils, steel and steel products, paper, plastics and pharmaceuticals. The EAC growth of intra-trade in the region indicates that imports grew by 13.9% from USD 2.5B to USD 2.8B and exports by 5.6% from USD 2.9B to USD 3.2B in 2018 from 2017. With the emergence of the COVID -19 pandemic the intra-EAC regional trade dropped by 5.5% in 2020 to USD 6.12B indicating a negative impact on trade. EAC imports declined to USD 3.74B in 2020 from USD 4.1B in 2019 while the exports increased by 3% from the bloc to USD 16.98B.

Exports and Imports (2016-2020) Annual % growth



Source: (WDI, 2020)

With the emergence of the COVID -19 pandemic, regional economies and trade have heavily been impacted due to slowed economic activities in trade and investment occasioned by border closure, restriction of movements and Airspace closure. These saw a rise in NTBs, which led to most manufacturers shifting attention to local markets.

The EAC total trade declined by 6.08% from US\$55,278.2 million in 2019 to US\$51,915 million in 2020 while EAC total exports increased by 3.15% from US\$15,760.8 million in 2019 to US\$16,257 million which was due to the increase in value of EAC exports to UAE, USA and UK. The total intra-EAC Exports declined by 7.37% was due to the COVID -19 pandemic that reduced manufacturing output and slowed down economic activities.

Total EAC imports declined by 9.77% from US\$39,517.50 million in 2019 to US\$35,658 million in 2020 as a result of the COVID -19 pandemic which reduced trading activities with import partners. The intra-EAC total imports also declined by 3.7% (EABC,

2020). The COVID -19 pandemic wrought havoc on intra-EAC trade and badly affected most businesses in the private sector leading to businesses to strategize for survival, diversify, relocate or shut down. EAC intra-trade by partner states has been increasing at 4.7% on account of increased business with each other.

The total trade between EAC members has grown in the range of 13.4% to 31.2% of the total business activities in the region. The agricultural and manufacturing products account for the major EAC's exports. The EAC region has remained as the import and export market destination for the region's production, commodities and services earning the region a considerable return from intra-trading. As the EAC region copes better with the COVID -19 pandemic, the trade in the region is gaining momentum and is expected to remain strong and supportive of the demand and supply for the region's goods and services. The details of trends of intra-trade among East African community partner countries between 2019 & 2020 are shown in table 2.

Table 2: Intra-trade among East African Community partner countries (2019-2020)

COUNTRY	Total Import (US\$ million)			Total Export (US million)			Total Trade (US million)		
	2019	2020	Trade Status	2019	2020	Trade Status	2019	2020	Trade Status
BURUNDI	934	909.81	Declined 2.59 %	203.40	153.42	Declined 24.57 %	913.2	840.1	Declined 7.9%
KENYA	17,646	15,406	Declined 1.27%	5,838	6,021	Increased 3.15%	23,483	21,427	Declined 8.76 %
RWANDA	2,574.2	2,632.82	In-creased 2.28%	1,166.7	958.4	Declined 17.85 %	3173.33	3,591.26	Increased 13.17%
SOUTH SUDAN	225.9	4.44	Declined 98.03 %	6.8	6.76	Declined 0.59 %	232.7	11.2	Declined 93.54%
TANZANIA	5,003.76	6,066.07	In-creased 21.23%	9,054.67	8,516.52	Declined 5.94 %	14,058.44	14,582.60	Increased 3.7%
UGANDA	7,753.79	8,250.51	In-creased 6.41%	4,095.66	4,147.82	Increased 1.13%	12,398.33	12,849.45	Increased 4.6%
EAC	39,517.50	35,658	Declined 9.77%	15,760.8	16,257	Increased 3.15%	55,278.2	51,915	Declined 6.08%

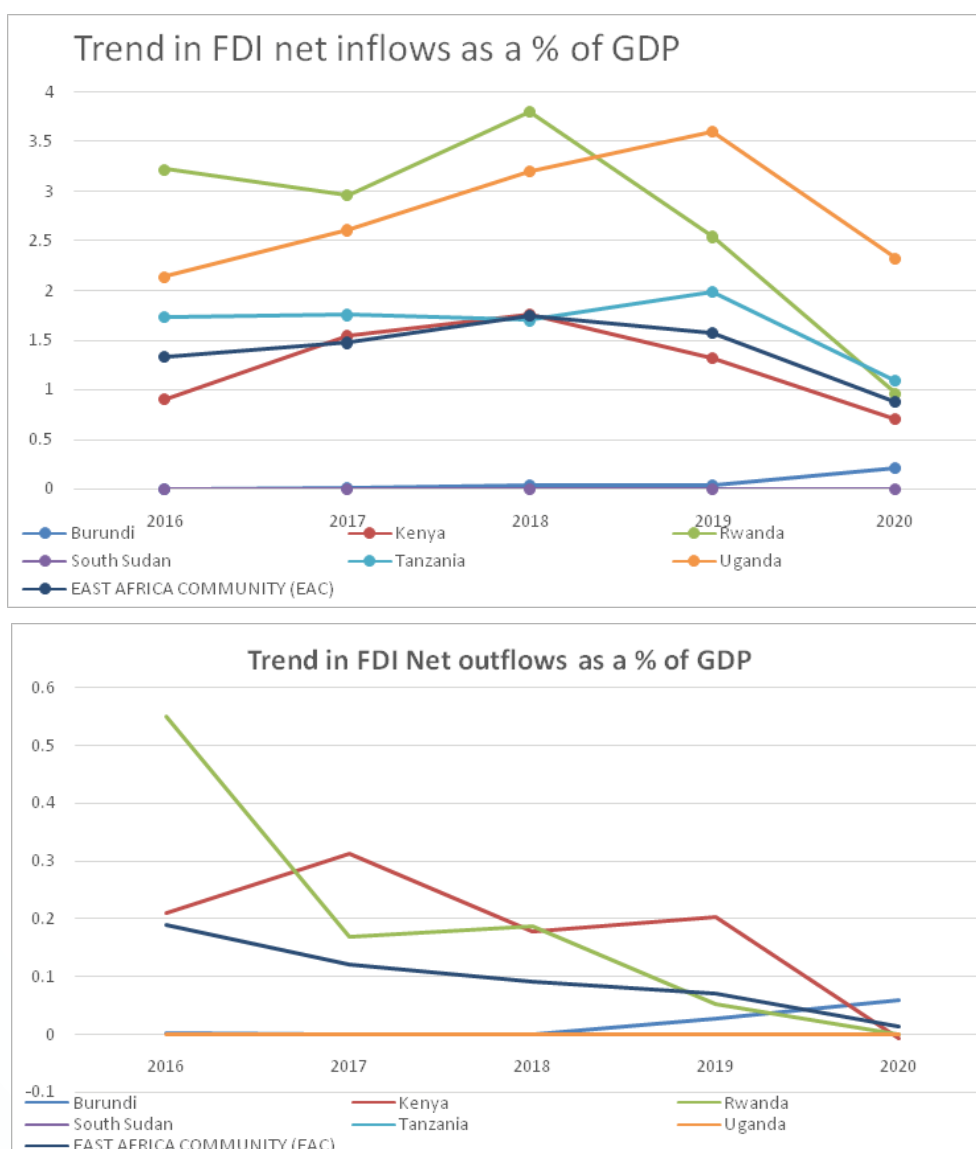
Source: EAC Trade Report (2020)

The EAC's partner states import and export is expected to grow due to the supportive and productive sectors. The growth of the service sectors such as the tourism oversees the revival of worst affect sector during the pandemic. The tourist arrivals that begun towards the end of 2021 after vaccination campaign globally continue to increase in 2022 thus boosting the hotel and hospitality industry through accommodation and food services that had been seriously constrained by the impacts of the COVID -19 pandemic.

Foreign Direct Investment (FDI) flows among EAC partner countries

Investment in domestic economy is key development strategy in EAC market. The FDI flows is a crucial instrument in transforming an economy to a more advanced level beyond industrialization. Investment

in the economy through sectors as in manufacturing, construction, agriculture, Tourism and financial services has sought to exploit its potentiality owing to abundant resources endowment as; oil in South Sudan and Uganda; minerals in Burundi, Rwanda, Tanzania and Uganda; tourism and financial services in the majority of the partner states. These states have always forged in undertaking reforms to improve the investment climate so as to promote industrial development and resource exploitations and consequently provide a conducive environment to attract FDI. The economic performance of the EAC States in 2020 declined owing to shutdown of economic activities because of COVID -19 outbreak. The shutdown led to a fall in total investment. Further, it led to a fall of 72.5% in job creation as a result of decreased FDI inflows.



Source: (WDI, 2020)

Table 3: Trends of FDI inflows among EAC states

COUNTRY	2019 US\$ 'Million'	2020 US\$ 'Million'	FDI growth status
BURUNDI	127.2	348.10	173.7%
KENYA	1,217.9	814.30	-33.14%
RWANDA	1,983.32	950.00	-52.13
SOUTH-SUDAN	3,315.9	1,183.20	-64.32%
TANZANIA	1,217.2	684.9	- 3.73%
UGANDA	807.00	927.10	14.88%
EAC	8,667.4	4,9125	-43.39%

Source: EAC Trade Report (2020)

4.2 General profile of respondents

The respondents were required to indicate their profile in terms of gender, age and level of education. The results were then reported in table 4. The observation show that majority of respondents were male (57.3%), while female constituted 42.0 %. Some few respondents were not willing to indicate their gender.

As for age, majority were middle aged 30-39 years (47.3 %) followed by young respondents of less than 30 years comprising 22.5% (middle aged). Those in the range of 40-49 were 16.4% and above 50 years were only 13.7 %.

On level of education, respondents with postgraduate and undergraduate degrees were 25.2% and 44.7% respectively. Those with diploma were 19.5%. The three categories constitute 89.5% of the total, indicating that majority were relatively educated group of respondents.

Table 4: Personal profile of respondents		
Gender	Frequency	Percent
Female	110	42.0
Male	150	57.3
Prefer not say	2	.8
Total	262	100.0
Age	Frequency	Percent
30 - 39 years	124	47.3
40 - 49 years	43	16.4
50 -above	36	13.7
Less than 30 years	59	22.5
Total	262	100.0
Highest level of education	Frequency	Percent
A-level	16	6.1
Degree	117	44.7
Diploma	51	19.5
O-level	6	2.3

Post Graduate Degree	66	25.2
Primary	6	2.3
Total	262	100.0
Position in the Business	Frequency	Percent
Owner	163	62.2
Manager	70	26.7
Others	29	11.1
Total	262	100

Source: Survey data (2022)

The respondents constituted owners (62.2%) and managers (26.7%). Other respondents comprised only 11.1%. Given that majority were owners of the businesses and managers, they are deemed to be highly knowledgeable on the state of performance and investment in the economy in general and their business in particular.

4.3 Profile of the selected enterprises

The respondents were required to indicate the profile of their business in terms of country of origin, location of business, number of employees and for how long they have been in operation. The results showed that the profile of the firms/ businesses that responded to the questionnaires is provided in table 5 and were as follows:

I. Country of origin

Majority of the responding firms were from Kenya and Rwanda, both 23.7%, followed by Burundi 17.9%, Uganda 17.6 % and Tanzania 15.6% respectively. South Sudan had only 1.5% of the respondents.

II. Location of business

Most of the businesses indicated that they are

based in an urban area only 45.0%, those that operated in both rural and urban area comprised 37.4%. Those businesses that operated in rural area only and border post were 10.7% and 6.9% respectively.

III. Number of employees

Micro enterprises with 0-9 employees were the majority of respondents 58.0%, small enterprises with 10-49 employees were 23.3%, medium enterprises with 50-99 employees comprised 7.6%, while those with 100-250 employees were 6.9 % and large firms with over 250 employees were only 4.2%.

IV. Length of operation

Majority of business have been in operation for between 1-5 years 48.9%, followed by those with more than 10 years 21.0%. Those in operation for between 5-10 years were 19.5% and those in operation for less than 1 year were 10.7%. The above points that majority of the businesses that responded were micro enterprises, operated in an urban area and had been in operation for less than five years.

Table 5: Profile of the selected Firms/Businesses		
Country of Origin	Frequency	Percent
Burundi	47	17.9
Kenya	62	23.7
Rwanda	62	23.7
South Sudan	4	1.5
Tanzania	41	15.6
Uganda	46	17.6

Total	262	100.0
Location of business	Frequency	Percent
Border Post	18	6.9
Both Rural and Urban	98	37.4
Rural Area	28	10.7
Urban Area	118	45.0
Total	262	100.0
Number of employees	Frequency	Percent
0-9	152	58.0
10-49	61	23.3
100-250	18	6.9
50-99	20	7.6
over 250	11	4.2
Total	262	100.0
Length of Operation	Frequency	Percent
1-5 years	128	48.9
5-10 years	51	19.5
less than 1 year	28	10.7
more than 10 years	55	21.0
Total	262	100.0

4.3 Country of Operation

The respondents were also required to indicate their country or countries of operation within the East African Community partner states. Those enterprises that operated in more than one EAC country were allowed to indicate set of countries. The results were reported in table 6.

The proportion of the sample firms operating in Kenya were 20.6 percent, Rwanda (18.7 percent), Uganda (16percent) Burundi (13.7percent), Tanzania (11.5 percent) and South Sudan had the least number of respondents (1.5 percent). 22 percent of the enterprises operated in two countries and 23 percent operated in more than three countries.

Table 6: Country of operation of the selected enterprises		
Country of Origin	Frequency	Percent
Burundi	36	13.7
Kenya	54	20.6
Rwanda	49	18.7
South Sudan	4	1.5
Tanzania,	30	11.5
Uganda	42	16.0
DRC	2	.8
Subtotal	217	82.8
Operating in two countries	23	8.7
Operating in three and more countries	22	8.4
Total	262	100.0

Thus, those firms engaging in international operations are 8.7%, while those that engage in multinational operations are 8.4%.

Turnover of Business

Most of The firms were found to have annual turnover of between 0-\$5000 constituting 42.4%, with between \$5,000- \$50,000 were 37.0% of the businesses. Those with annual turnover of \$ 50,000-US\$8 million were 16.0% and only 4.6 % of the businesses had annual turnover of over \$8 million. The results are reported in table 7.

Table 7: Annual turnover of the business	Frequency	Percent
0-\$5000	111	42.4
\$5,000- \$50,000	97	37.0
\$ 50,000-US\$8 million.	42	16.0
More than \$8 million	12	4.6
Total	262	100

4.4 Key business challenges and factors during COVID -19 pandemic

The respondents were required to identify from a list provided, top five key challenges that their businesses faced during COVID -19. The key challenges were derived from literature review of such challenges locally and globally. The list included lack of finance, self-doubt and fear among business owners/entrepreneurs, unfavourable laws, policies and regulations, reductions in employees/working hours, difficulties in adjusting to remote work and high financial losses.

Others were reduced sales volume, inability to meet contract terms, lack of customers, unavailability of skilled employees, inadequate networks and connections, lack of social support and lack of mentors who could guide business. There were also allowed to indicate any other key challenge that they faced even though it was not in the list. The result of business challenges during COVID -19 pandemic from the most significant to the least significant is provided in figure 1.

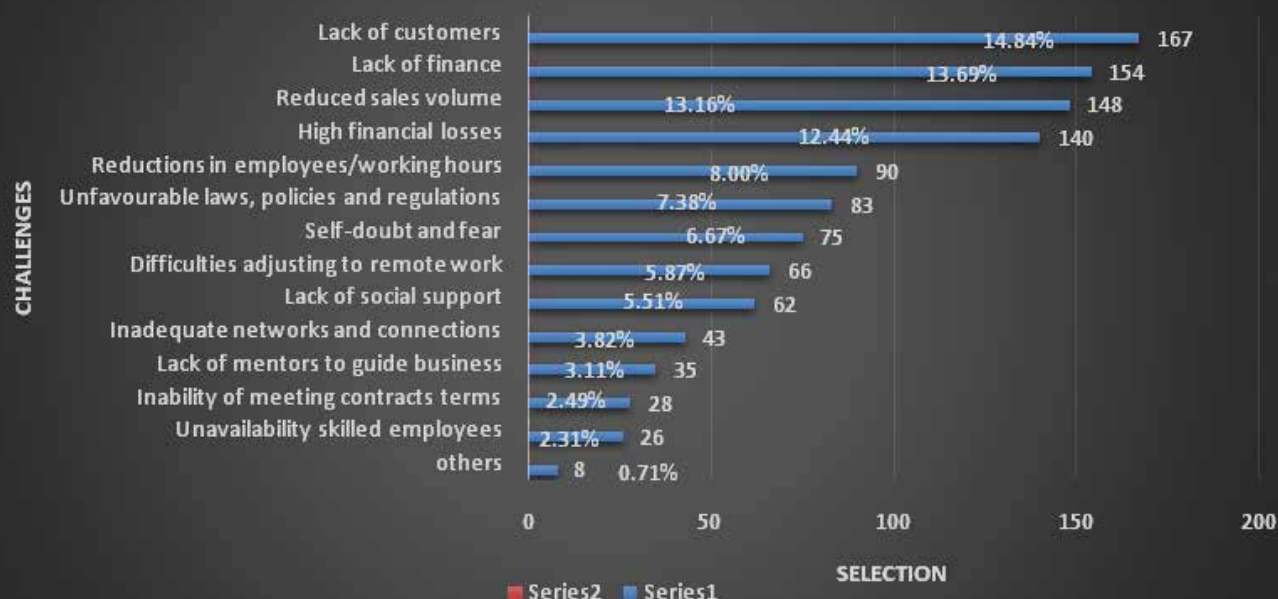
Other business challenges that the respondents identified included: lack of products and transport problem, high level of taxes, cheap imports of same produce into the country rendering local produce uncompetitive, climatic changes, poor cash flow

arising from late payment from clients, competition, high staff turnover, talent management and adaptation, mental wellness and lack of motivation for work, augmentation of thieves in the area of business, reduction of employees and unreliable employees.

The respondents identified the following five key business challenges in order of significance: lack of customers, lack of finance, reduced sales volume, high financial losses and reduction of employees working hours.

Furthermore, to complement the survey, the Key informants from the private sector (including leadership of private sector associations across EAC) indicated that business challenges during the pandemic included:

- Restricted movement of people and trucks that move goods
- High cost of the COVID -19 examination expenses
- Inadequate finances to run the pandemic programs
- Closure of borders for example Rwanda and Kenya

Figure 1: challenges business faced during COVID-19 pandemic

Table 8 : Key business challenges and factors during COVID -19 pandemic per country

Challenges and Factors	N	Percent	Kenya	Uganda	Tanzania	Burundi	Rwanda	South Sudan
Others	8	0.71%	25%	25%	0%	0%	38%	0%
Unavailability skilled employees	26	2.31%	12%	8%	23%	19%	38%	0%
Inability of meeting contracts terms	28	2.49%	21%	7%	18%	29%	25%	4%
Lack of mentors to guide business	35	3.11%	29%	17%	9%	11%	37%	0%
Inadequate networks and connections	43	3.82%	23%	23%	14%	19%	21%	0%
Lack of social support	62	5.51%	11%	15%	5%	21%	44%	3%
Difficulties adjusting to remote work	66	5.87%	18%	15%	23%	23%	20%	0%
Self-doubt and fear	75	6.67%	24%	8%	23%	20%	23%	1%
Unfavourable laws, policies and regulations	83	7.38%	27%	27%	8%	16%	22%	1%
Reductions in employees/working hours	90	8.00%	18%	17%	10%	18%	38%	2%
High financial losses	140	12.44%	23%	15%	15%	13%	30%	2%
Reduced sales volume	148	13.16%	30%	22%	12%	15%	20%	2%
Lack of finance	154	13.69%	18%	18%	13%	16%	34%	2%
Lack of customers	167	14.84%	20%	18%	11%	17%	31%	2%
TOTAL	1125							

While overall, lack of customers was the biggest challenge to businesses in East Africa Community during the pandemic, it was most pronounced in Rwanda, followed by Kenya and Uganda respectively. In Kenya, Uganda and Burundi the biggest challenges were reduced sales volume, unfavourable laws and policies and regulations and inability of meeting contract terms respectively. This shows that there was diversity on key challenges for each country in the East African community partner states. The business challenges and factors during COVID -19 pandemic per country are provided Table 8.

4.5 Key business survival strategies during the COVID -19 pandemic

The respondents were required to identify up to five key business survival strategies that your business used during the COVID -19 pandemic from a list prepared before-hand. The list included the following:

Temporary closure, relocation, changed operation schedules, remote work, expanding into new markets, new delivery ways of products and services and diversification. Others in the list were new ways to connect with customers, merging and buyouts, employee salary Pay-cut, restructuring of loans,

utilizing government stimulus packages, downsizing and restructuring, reduced prices of commodities and negotiation with suppliers.

They were also allowed to indicate any other survival strategy that they thought was important and was not provided in the list which generated other survival strategies such as: massive losses and not able to get back to same position, implemented a robust cash-flow structure to keep business going without loss of staff nor business, volunteer work ended creating new networks and enhanced old ones while favourably expanding reputation, improving employee's welfare.

The respondents identified the following key survival strategies, up to five per enterprise and organized in order of majority as follows:

- 1) New ways to connect with customers
- 2) Online or remote work
- 3) New delivery ways of products and services
- 4) Changed operation schedules
- 5) Temporary closure

Table 9: Key business survival strategies during the COVID -19 pandemic

Survival Strategy	N	Percent	KENYA	UGANDA	TANZANIA	BURUNDI	RWANDA	SOUTH SUDAN
Others	5	0.48%	40%	20%	20%	0%	20%	0%
Merging/Buyouts	11	1.06%	45%	18%	18%	18%	0%	0%
Utilizing Government Stimulus Packages	16	1.54%	19%	6%	13%	38%	25%	0%
Downsizing/Restructuring	41	3.93%	41%	20%	15%	5%	12%	7%
Relocation	42	4.03%	17%	31%	10%	19%	24%	0%
Restructuring of Loans	53	5.09%	11%	15%	21%	26%	28%	0%
Expanding Into New Markets	60	5.76%	25%	18%	17%	15%	27%	0%
Employees took Salary Pay cuts	61	5.85%	21%	18%	10%	11%	38%	3%
Diversification	62	5.95%	31%	13%	19%	21%	16%	2%
Reduced Prices Of Commodities	68	6.53%	18%	15%	13%	19%	31%	3%

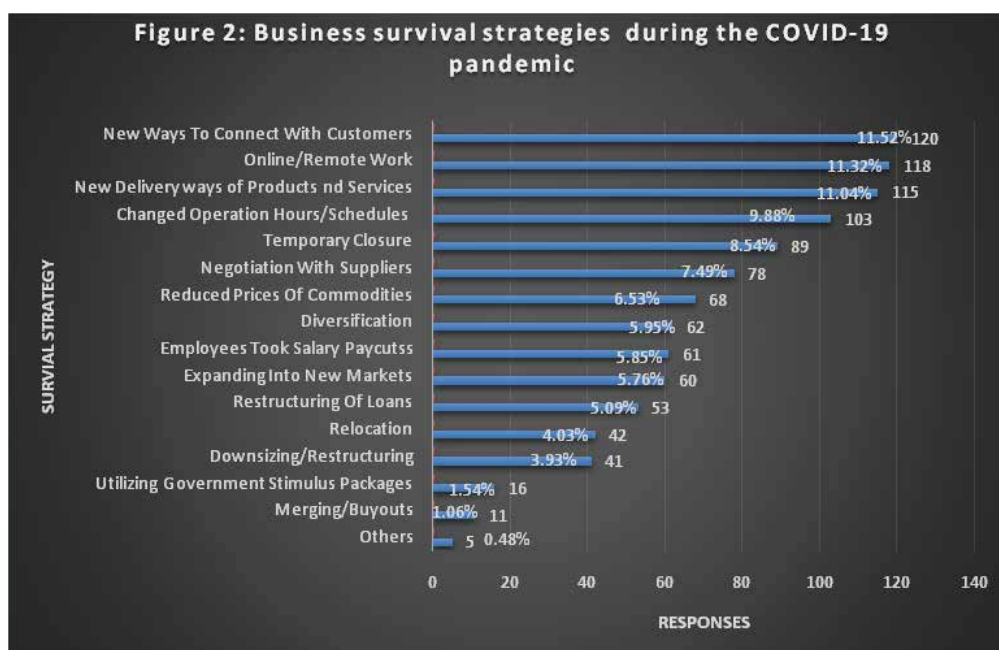
Negotiation With Suppliers	78	7.49%	17%	13%	12%	22%	35%	4%
Temporary Closure	89	8.54%	21%	15%	11%	13%	34%	4%
Changed Operation Hours/Schedules	103	9.88%	30%	19%	13%	17%	18%	1%
New Delivery ways of Products and Services	115	11.04%	23%	18%	11%	13%	36%	0%
Online/Remote Work	118	11.32%	27%	25%	14%	14%	19%	0%
New Ways To Connect With Customers	120	11.52%	18%	19%	13%	19%	28%	1%
TOTAL	1042							

The details of business survival strategies during the COVID -19 pandemic, including the distribution per country is provided in figure 2.

Furthermore, other survival strategies identified by key informants across the EAC included: massive losses and barely able to run, implementing a robust cash-flow structure to keep business going without loss of staff or business, volunteer work that end up creating new networks and enhancing old ones while favourably expanding reputation and improving employee's welfare.

In addition, cross country comparison was also performed. The findings showed that the most utilized survival strategy during the pandemic was new ways to connect with customers, followed by

remote or online work and new delivery ways of products and services. New ways to connect with customers was mentioned most by respondents from Rwanda, followed by Burundi and Uganda respectively. The most prominent survival strategy adopted by businesses in Kenya was merging/buyouts, followed by change operation hours. For Uganda, most prominent survival strategy was relocation, while in Tanzania businesses utilized restructuring of loans most, in Burundi the most mentioned survival strategy was utilizing government stimulus packages. The most mentioned by respondents from Rwanda was that employees took salary pay cuts. South Sudan was more about restructuring. Key business survival strategies during the COVID -19 pandemic are shown in table 9:



4.6 Impact of COVID -19 pandemic on business performance and investment among businesses in the East African Community

To assess the impact of COVID -19 pandemic on business performance and investment among businesses in the East African Community, views were sought from the businesses on their perceived overall performance before the pandemic, during the pandemic and during recovery from pandemic (post containment measures) periods. They were to indicate their overall performance as either low, moderate or high. The following were the indicators that the study sought to assess;

- overall operational/financial performance
- the number of employees
- cost of labour
- cost of cost of doing business
- cost of logistics (such as transport)
- cost of acquisition for Raw materials
- rate of investment in the business

I. Overall Business operational and Financial Performance

The respondents were requested to indicate the rate of their business's overall operational and/or financial performance before COVID -19 pandemic, during the pandemic and during the recovery from the COVID -19 pandemic (post containment measures). The results showed that 76.3% of respondents reported low overall business operational and financial performance compared to only 3.8 % who reported high operational performance during the COVID -19 pandemic. Furthermore, those who reported low performance prior to the pandemic were only 4.2 percent while those who reported high performance were 50.4 percent. Moderate performers before the pandemic were 45.4 percent compared to 19.8 during the pandemic. During the recovery period, low performers somewhat reduced to 35.9% while those reporting high performance were somewhat higher than the pandemic period at 8.4 percent. The results are not surprising given the devastating effect of the pandemic on business operations and performance. The results on perceived operational

and financial performance are provided in table 10.

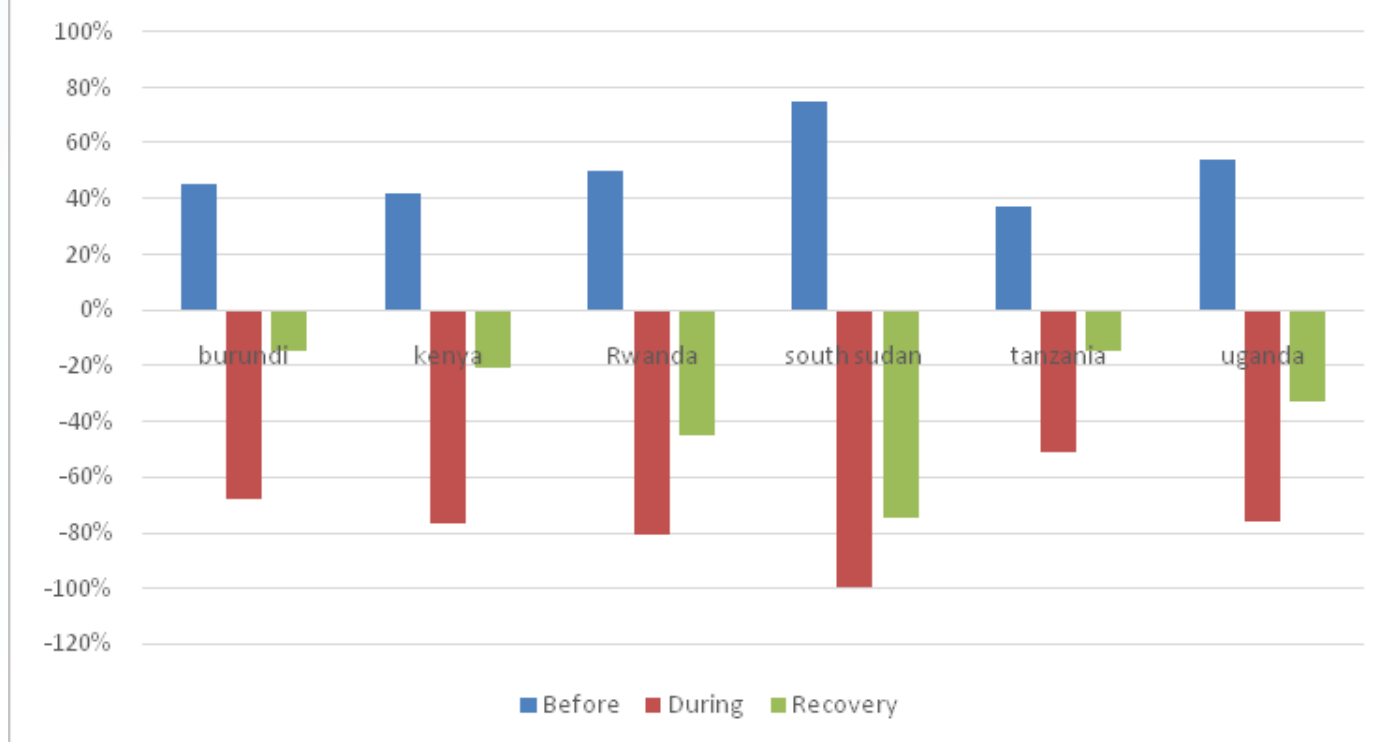
Table 10: Rate of overall business operational or financial performance			
	Low	Moderate	High
Before COVID -19 pandemic	11 (4.2%)	119 (45.4%)	132 (50.4%)
During COVID -19 pandemic	200 (76.3%)	52 (19.8%)	10 (3.8%)
During Recovery from COVID -19 pandemic	94 (35.9%)	146 (55.7%)	22 (8.4%)

Cross Country Comparisons on overall business operational or financial performance

As mentioned before, respondents were asked to indicate the operational and financial performance of the business before, during the pandemic and during recovery by rating low, moderate and high.

The results were then compared across the EAC partner states. The sentiment shows worsened performance during the pandemic and recovery across all the six EAC countries as illustrated in figure 3. The sentiment is equally low during recovery from the pandemic for all the countries with minor variations.

Fig 3: Operational/financial performance



II. COVID -19 pandemic and employment levels

The respondents were required to indicate the level of employment experienced before COVID -19 pandemic, during the pandemic and during the recovery from the COVID -19 pandemic (post containment measures). The results were reported in table 11. Those businesses reporting low employment during the pandemic were 66 percent compared to 7.7 percent prior to the pandemic. Only 10 percent reported high employment levels during the

pandemic compared to 40.5 percent before the onset of the pandemic. This is perhaps a reflection of the adverse effects of the pandemic and accompanying containment measures. During the recovery period those reporting low employment reduced to 38.6 percent. Further, businesses reporting high employment during recovery significantly increased to 47.7 percent. This increase has surpassed pre-COVID -19 period where businesses reporting high employment levels were at 40.5%.

Table 11: Level of Employment

	Low	Moderate	High
Before COVID -19 pandemic	20 (7.7%)	136 (51.9%)	106 (40.5%)
During COVID -19 pandemic	173(66%)	79(30.2%)	10 (3.8%)
During Recovery from the COVID -19 pandemic	101(38.6%)	36 (13.8%)	125 (47.7%)

This is consistent with key informants from the private sector (Leadership of Private Sector Associations) who indicated that COVID -19 pandemic affected employees of private sector businesses in the following ways:

- salary cuts
- massive lay offs
- Utilization of skills to offer individual services
- Depression due to unexpected salary cut-offs/unemployment

The massive layoffs are therefore being reversed with perhaps more businesses hiring more to cover for deficit of the COVID -19 period.

Cross country comparison on level of employment

Across the EAC, when the respondents were asked to indicate whether the number of employees decreased, remained the same or increased during the before the pandemic, during the pandemic and during recovery, the sentiment from all the six countries indicates a reduction during the pandemic and even during recovery.

The details on change in the number of employees are shown in figure 4.

III. Cost of labour

The respondents were required to rate the cost of labour incurred by their business before the COVID

-19 Pandemic, during the period of COVID -19 and during recovery from the COVID -19 pandemic. The details which were provided in table 12.

The cost of labour decreased during the pandemic as reported by 43.9 percent of the respondents as compared to 29.8 percent who reported increase in the cost of labour. The cost of labour has reportedly increased during recovery period since more activities were likely taking place and more employees were being absorbed. The respondents reported increased spending on labour during the recovery period from pandemic at 36.7 percent compared to 29.8 percent before the pandemic.

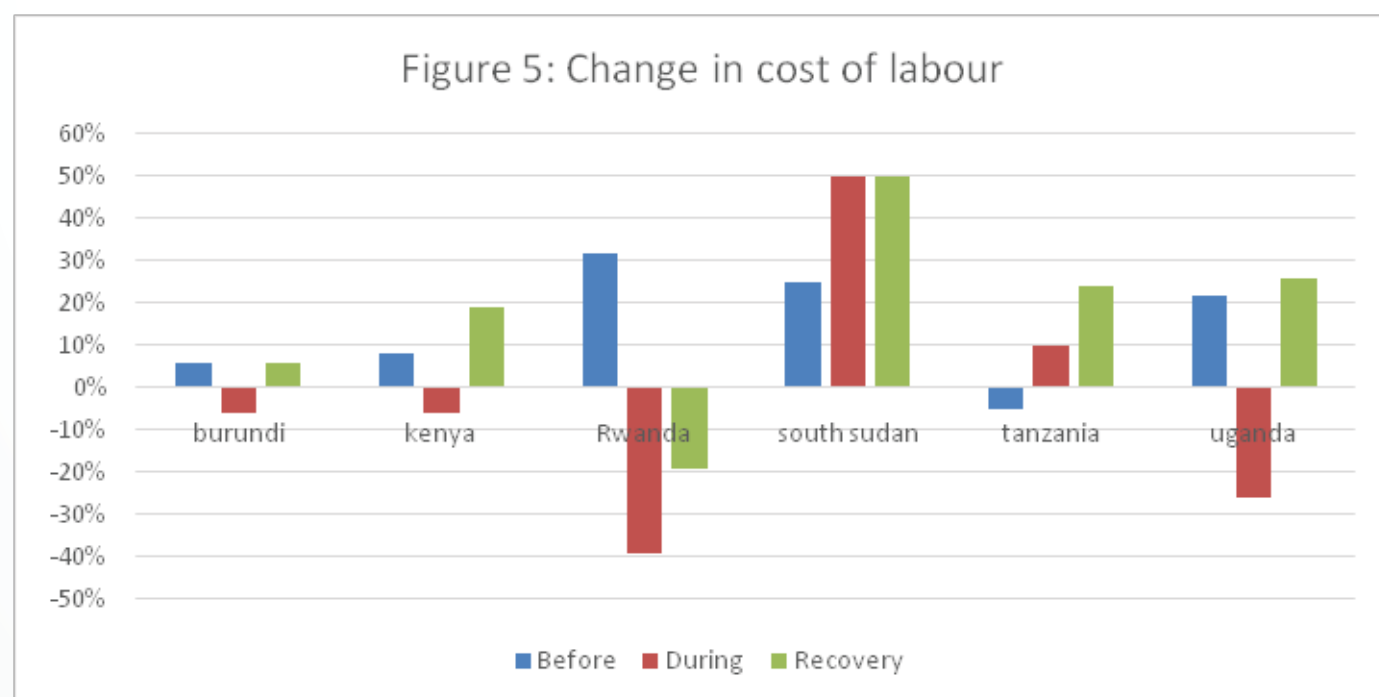
The findings are consistent with low levels of operational performance and low levels of employment during the pandemic, thus leading to labour cost savings.

Table 12: Rate of cost of labour Before During and During Recovery from COVID -19 Pandemic

	Decreased	No change/ Remain the same	Increased	Total
Before COVID -19 pandemic	47(18%)	131(50%)	84(32.1%)	262(100%)
During COVID -19 pandemic	115 (43.9%)	69(26.3%)	78(29.8%)	262(100%)
During Recovery from the COVID -19 pandemic	69(26.4%)	97(37.1%)	96(36.7%)	262(100%)

Cross country comparisons on the cost of labour shows that except for Rwanda, businesses from the other 5 countries felt the cost of labour has gone up during recovery. This is shown in figure 5.

Figure 5: Change in cost of labour



IV. Cost of obtaining finance and cost of doing business

The respondents were requested to rate the cost of obtaining finance and cost of doing business before COVID -19 pandemic, during the pandemic and during the recovery from the COVID -19 pandemic (post containment measures). The results (reported in table 13) showed that the cost of obtaining finance and the cost of doing business decreased as reported

by 48.5% of the respondents compared to 30.7% by those who reported that the cost of doing business and cost of finance increased.

32.5% of respondents reported decrease of cost of obtaining finance and cost of doing business during recovery from the COVID -19 pandemic as compared to 26.7% of respondents who reported increase in obtaining finance and cost of doing business.

Table 13: Rate the cost of obtaining finance or cost of doing business

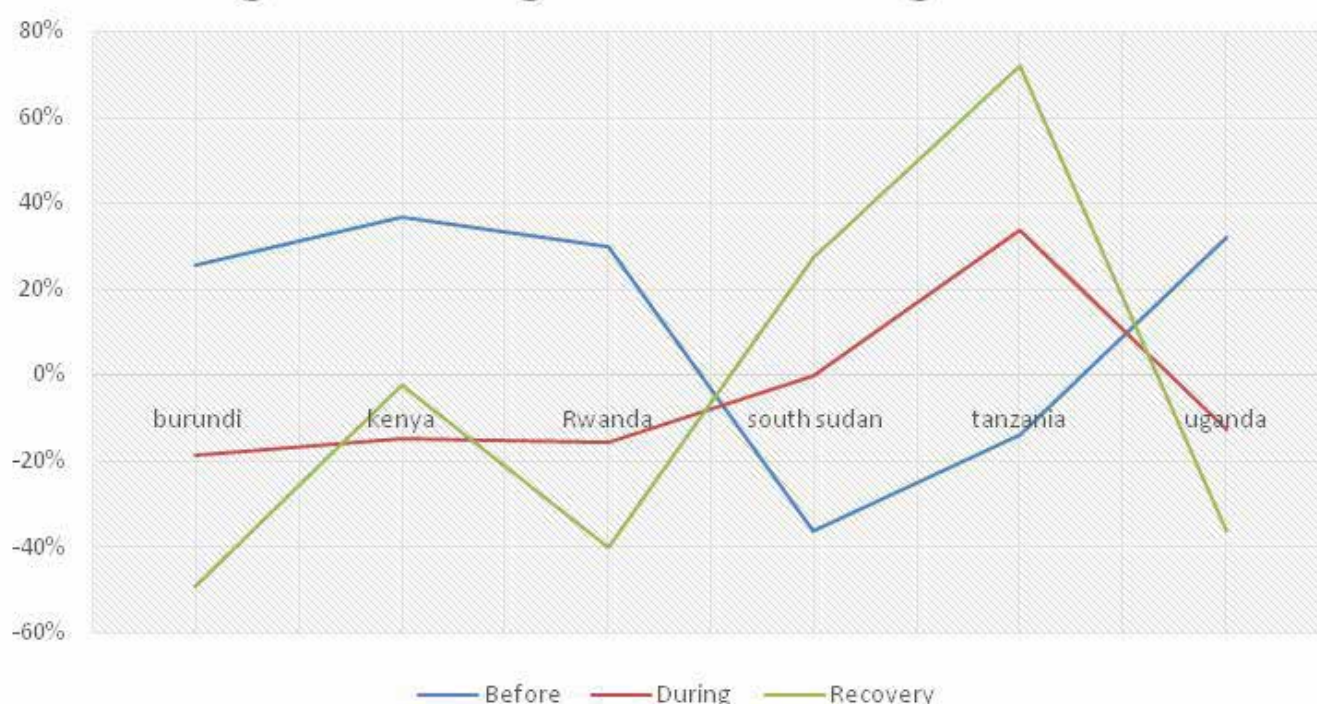
	Decreased	No change/ Remain the same	Increased	Total
Before COVID -19 pandemic	60 (22.9%)	107(40.9%)	95 (36.3%)	262(100%)
During COVID -19 pandemic	127(48.5%)	57 (21.8%)	78 (30.7%)	262(100%)
During Recovery from the COVID -19 pandemic	85(32.5%)	107(40.8%)	70(26.7%)	262(100%)

Cross country comparison on the cost of obtaining finance or the cost of doing business

When respondents were asked to indicate how the cost of doing business has changed as a result of the pandemic. Mixed sentiment across the six countries is reported and the details reported in figure 6. Businesses in Burundi, Kenya, Rwanda and Uganda

reported reduced cost of doing business while South Sudan and Tanzania felt the costs increased during the pandemic and recovery relative to before the pandemic. This could reflect differences in the containment measures across the six countries.

Figure 6: Change in Cost of Doing Business



V. Cost of transport and logistics

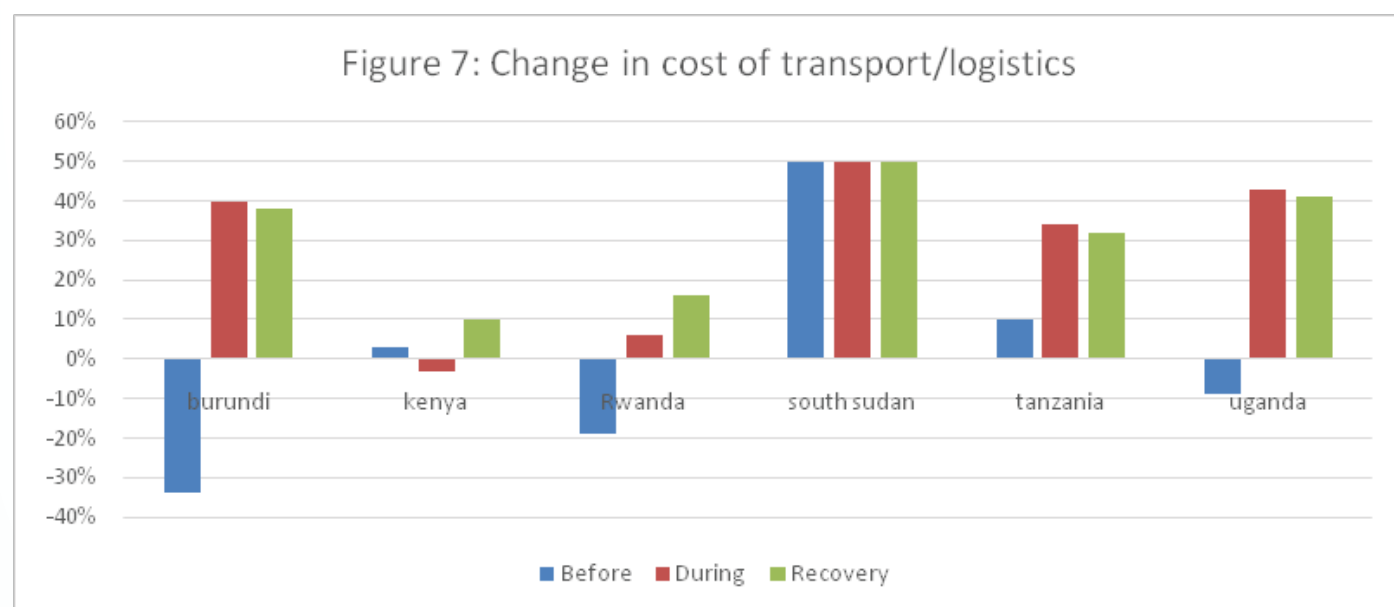
The respondents were asked to rate the cost of transport and logistics for their business before COVID -19 pandemic, during the pandemic and during the recovery from the COVID -19 pandemic (post containment measures). The results are reported in table 14. They were to rate whether the cost decreased, remained the same or increased during the respective periods. The cost of transport and logistics increased during the pandemic as reported by 51.6 percent of the respondents as compared to 29.8 percent who reported that the cost reduced during the pandemic, most likely arising from restricted activities due to travel and curfew restrictions.

Table 14: Rate the cost of transport and logistics for business

	Decreased	No change/ Remain the same	Increased	Total
Before COVID -19 pandemic	83(31.7%)	115(43.9%)	64(24.4%)	262(100%)
During COVID -19 pandemic	78 (29.8%)	44 (16.8%)	135 (51.6%)	262(100%)
During Recovery from the COVID -19 pandemic	56(21.4%)	78 (30.7%)	128(48.8%)	262(100%)

Cross country comparison on the cost of transport and logistics

With regard to the perceived changes in the cost of transport and logistics in general, the businesses felt the cost increased during the pandemic and recovery. The exception was South with relative no change in the perception on costs of transport/logistics before, during the pandemic and during recovery. Details of these are shown in figure 7.



Source: (WDI, 2020)

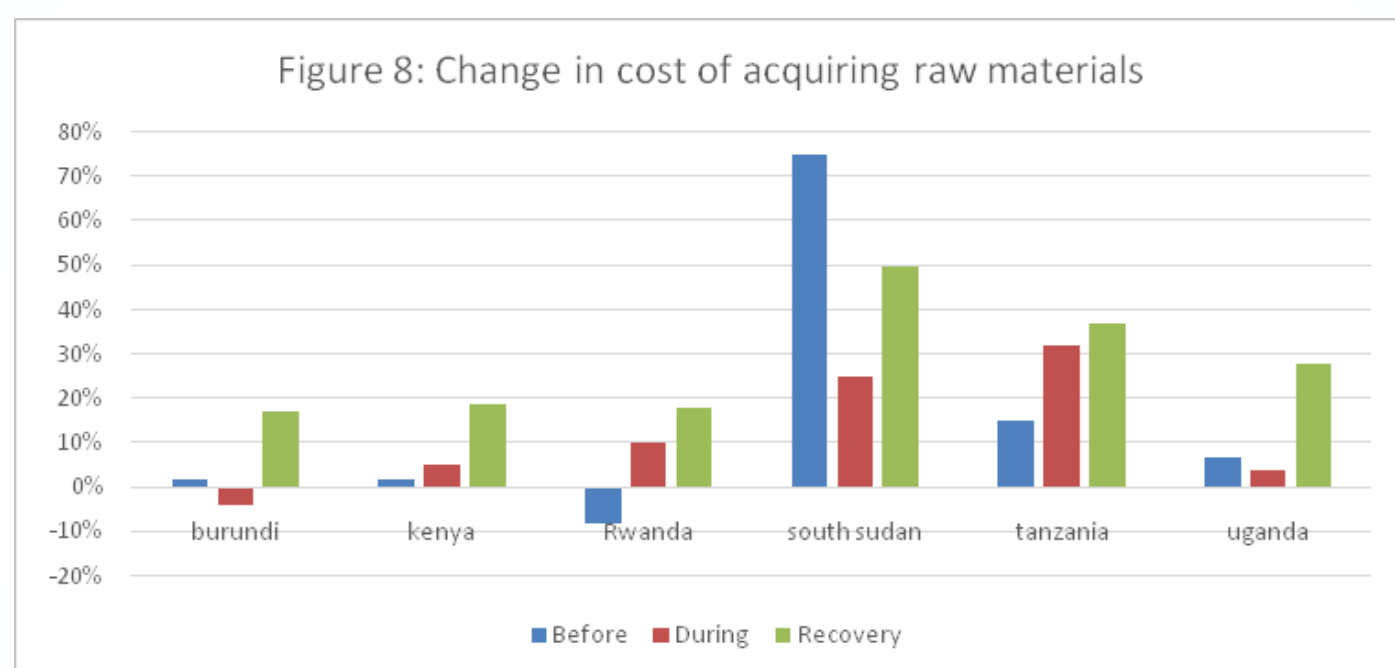
VI. Cost of acquisition of raw materials

The respondents were asked to rate cost of acquisition of raw materials by their business before the COVID -19 pandemic, during the pandemic and during the recovery from the pandemic or post containment measures. While increase in the cost of acquisition of raw materials existed even before pandemic has

indicated by 29% of the respondents, the increase was experienced by a much higher number of respondents during the pandemic reflected by 41.6%. The increase of the cost seems to have persisted to the period of recovery from the pandemic where even much higher number (45.1%) reported the cost

to have increased. The proportion of respondents reporting that the cost of raw materials has remained the same reduced from 45.5% to 25.6% during the pandemic and slightly increased to 33.2%. The details on the cost of acquisition of raw materials for business are shown in table 15.

Table 15: Rate of cost of acquisition of raw materials for business				
	Decreased	No change	Increased	Total
Before COVID -19 pandemic	67(25.6%)	119(45.5%)	76 (29%)	262(100%)
During COVID -19 pandemic	86(32.8%)	67(25.6%)	109(41.6%)	262(100%)
During Recovery from the COVID -19 pandemic	57 (21.8%)	87(33.2%)	118(45.1%)	262(100%)



Source: (WDI, 2020)

Across the East African community partner countries, the general sentiment on the cost of acquiring raw materials during the pandemic and recovery relative to before the pandemic indicates a perceived increase in the cost during recovery. There are minor variations across the EAC countries but the pattern is similar. The details on change in cost of acquiring raw materials are shown in figure 8.

VII. Rate of Investments

The respondents were asked to rate level of investment by their business before COVID -19 pandemic, during the pandemic and during the recovery from the COVID -19 pandemic (post containment measures).

The respondents were to indicating whether investment reduced, remain the same or increased. The results are provided in table 16.

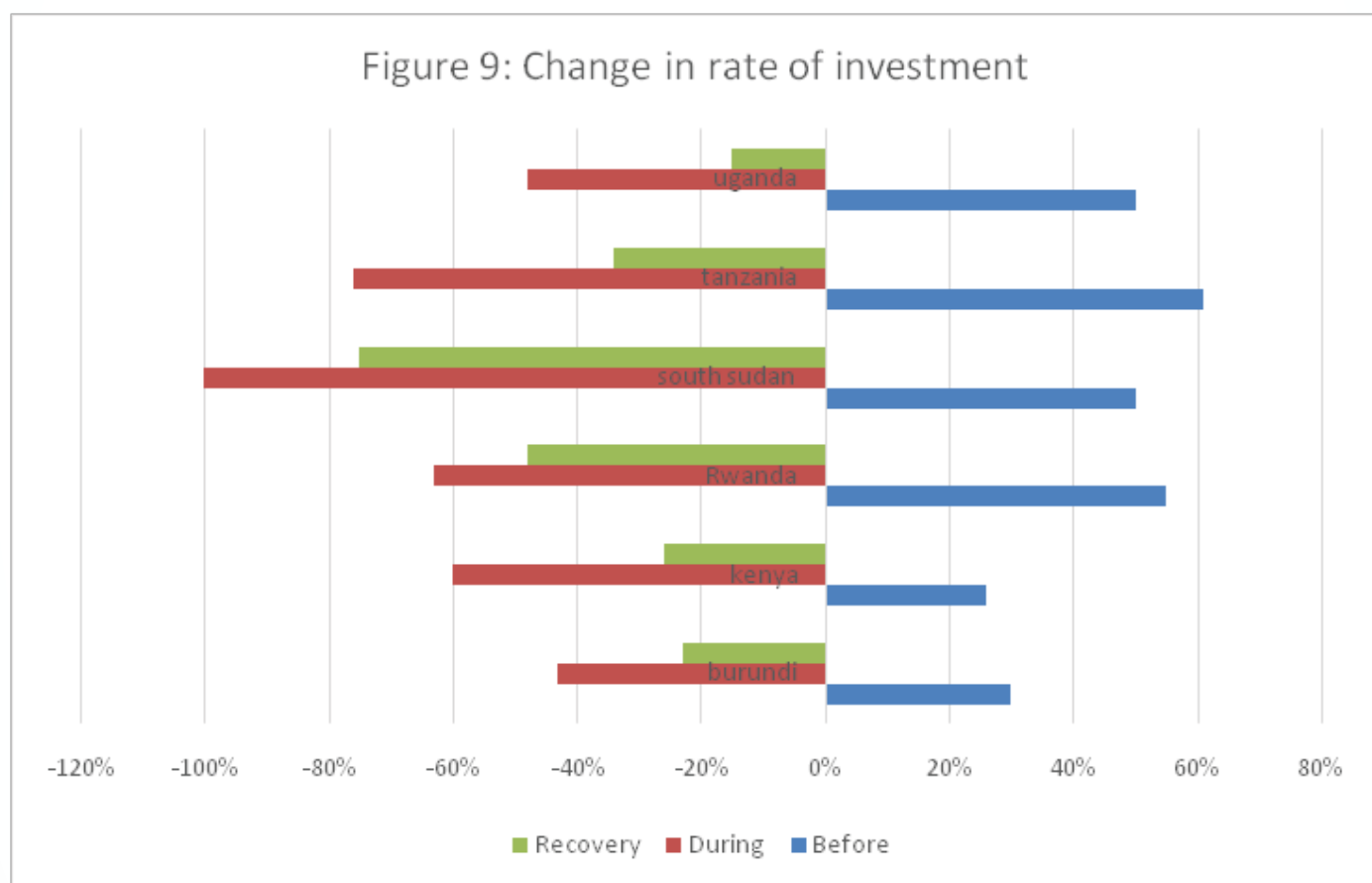
During the COVID -19 pandemic, the rate of investments was reported to have reduced by 69.4% of the respondents compared to only 11.1% of the respondents who reported increase in rate of investments.

During recovery period after the pandemic, 48.1% of the respondents reported decline in the rate of investments which was an improvement over the pandemic period, but still below levels prior to the pandemic which was reported by only 11.5%.

Table 16: Rate of investment in the business before during and after COVID -19 Pandemic

	Decreased	No change/ Remain the same	Increased	Total
Before COVID -19 pandemic	30 (11.5%)	88 (33.6%)	144 (55%)	262(100%)
During COVID -19 pandemic	182 (69.4%)	51 (19.5%)	29 (11.1%)	262(100%)
During Recovery from the COVID -19 pandemic	126(48.1%)	91(34.8%)	45 (17.2%)	262(100%)

An important sentiment is the extent to which businesses would be keen to increase investments given the ramifications of the pandemic. As illustrated below, all businesses indicate reduced investments during the pandemic and recovery across all the six countries. This highlights the perceived risk due to the pandemic to businesses dampening optimism. Details on change in rate of investment are shown in figure 9.

Figure 9: Change in rate of investment


Source: (WDI, 2020)

The study has shown that various aspects of the economy and sectors were affected variously for instance:

- The COVID -19 pandemic adversely affected Foreign Direct Investment (FDI) flow into several sectors as manufacturing and industry.
- The financial sector especially commercial banks had a decline in their investment due to reduced deposits, reduced loan interest and non-performances loans during the COVID -19 pandemic.
- The agriculture sector had its investment declined due to adverse effect of the COVID -19 through lack of market access, supply chain disruption as well as loss of employment.
- The COVID -19 impact across the East Africa

community has had notable decline in investment in the tourism, hospitality, and aviation, largely due to containment and restriction measures on movement which hugely affected these sectors.

- With the advent of COVID -19 and deterioration of the business environment, the ease of business registration and access to business license was affected.
- Transport and communication sector had its investment increased due to the digital technology adoption by working from home/ virtual improving access to information and efficiency of services. There was increased investment in telecommunication network and bandwidth to support education and business on their online activities/learning.

4.7 Perceptions of the COVID -19 related measures including stimulus packages

Containment and mitigation measures

The respondents were required to indicate the containment and mitigation measures that affected their business the most. The measures included but not limited to:

- Curfews
- Banning of public gatherings countrywide
- Banning of in-person meetings
- Wearing of masks
- Requirement for COVID-19 tests
- Requirements for temperature checks
- Social distancing
- Requirement for letters for provision of critical ... services
- Border Closures
- Airspace closures
- Inter-country movement restrictions

Table 17: COVID -19 measures that negatively affected businesses the most

Negative Measures	N	Percent	Kenya	Uganda	Tanzania	Burundi	Rwanda	South Sudan
Others	9	0.92%	44%	0%	22%	11%	22%	0%
Requirements for temperature checks	27	2.75%	33%	15%	11%	15%	26%	0%
Wearing of masks	33	3.36%	12%	9%	24%	27%	27%	0%
Requirement for letters for provision of critical services	57	5.80%	26%	25%	0%	7%	42%	0%
Airspace closures	63	6.41%	21%	10%	8%	29%	27%	5%
Requirement for COVID -19 tests	81	8.24%	14%	11%	26%	20%	28%	0%
Social distancing	84	8.55%	29%	10%	14%	19%	23%	4%
Ban public gatherings	97	9.87%	25%	15%	15%	13%	27%	2%
movement restrictions	114	11.60%	19%	14%	13%	18%	30%	4%
Banning of in-person meetings	118	12.00%	26%	18%	13%	17%	22%	2%
Border closures	146	14.85%	21%	12%	9%	21%	35%	2%
Curfews	154	15.67%	32%	25%	6%	5%	29%	2%
TOTAL	983	100%						

The others included: Transport closures, movements and association stigma, wasting time in quarantine and high cost in the hotel, cheap imports from neighbouring countries rendering produce useless, clients being on lockdown and closure of schools. However only 0.92 percent were in this category.

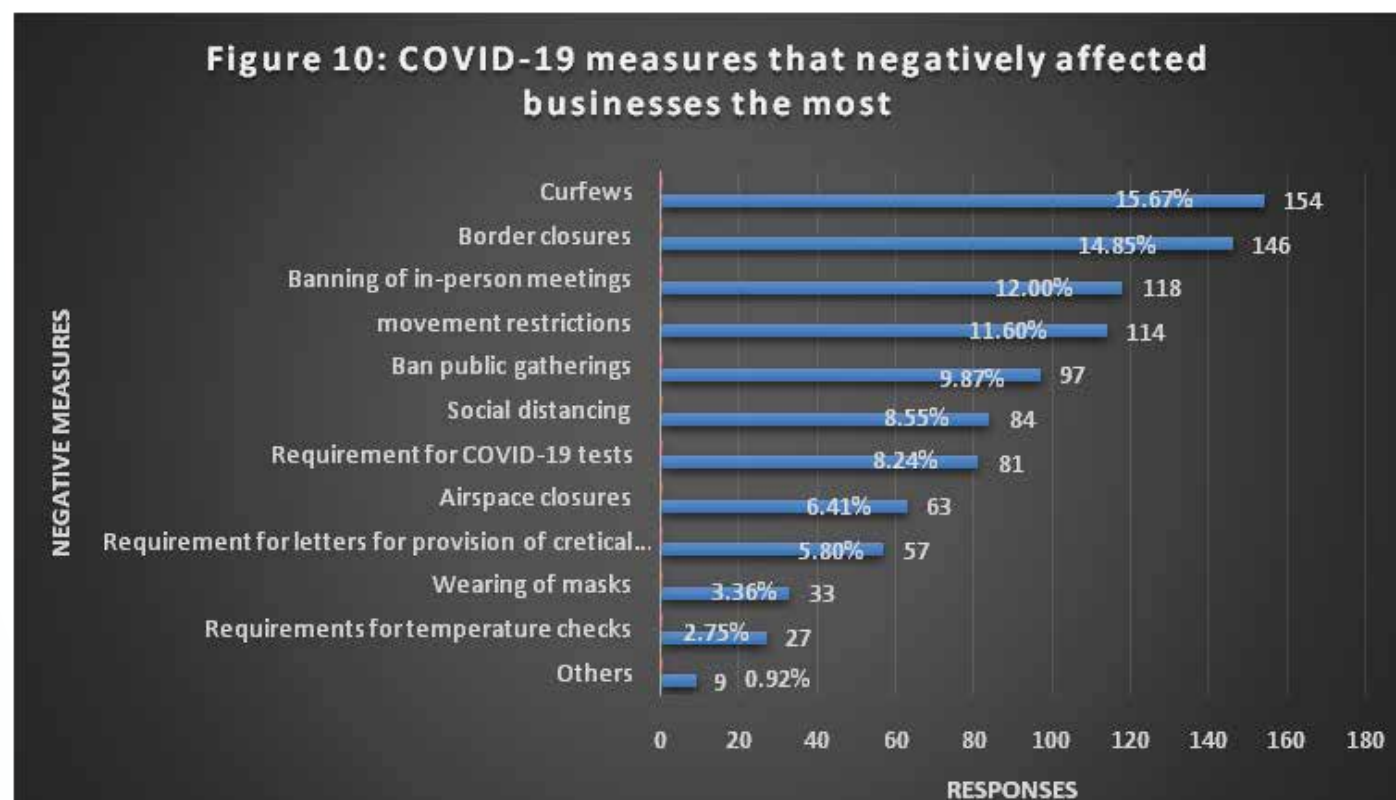
Respondents were required to indicate in order of the most negative to the least negative, measures as perceived by their business and the results are as indicated in figure 10.

Curfews had the most negative effect as indicated by 58.2% of the respondents, followed by border closures (54.4%), banning of in-person meetings (44.5%), inter-country movement restrictions (43%) and banning of public gatherings (36.5%). Others are social distancing (31.9%), requirements for COVID -19 tests (30.4%), airspace closures (24%), requirement for letters for provision of critical services (21.7%), wearing

of masks (12.5%) and requirements for temperature checks (10.3%).

Cross country comparison was also observed. The negative measure that was reported by most businesses across the EAC has having been the most serious was curfews followed by border closures and banning of in-person meetings respectively. Curfews were mostly reported by businesses from Kenya, followed by Rwanda and Uganda. Social distancing was the most negative measure for businesses from South Sudan. For Kenya others was the most serious, while for Uganda issue of curfews and requirement for letters for provision of critical services reigned as the most problematic. Negative containment measures most prominent in Tanzania and Rwanda were requirement for COVID -19 tests and requirement for letters for provision of critical services respectively.

Figure 10: COVID-19 measures that negatively affected businesses the most



Furthermore, key informants from the private sector (leadership of private sector associations) indicated that the COVID -19 related measures put in place by respective Governments include:

- Airport closures
- restriction of movement/border closures
- ban on social gatherings
- masks, hand washing, sanitizing
- social distancing
- working from home

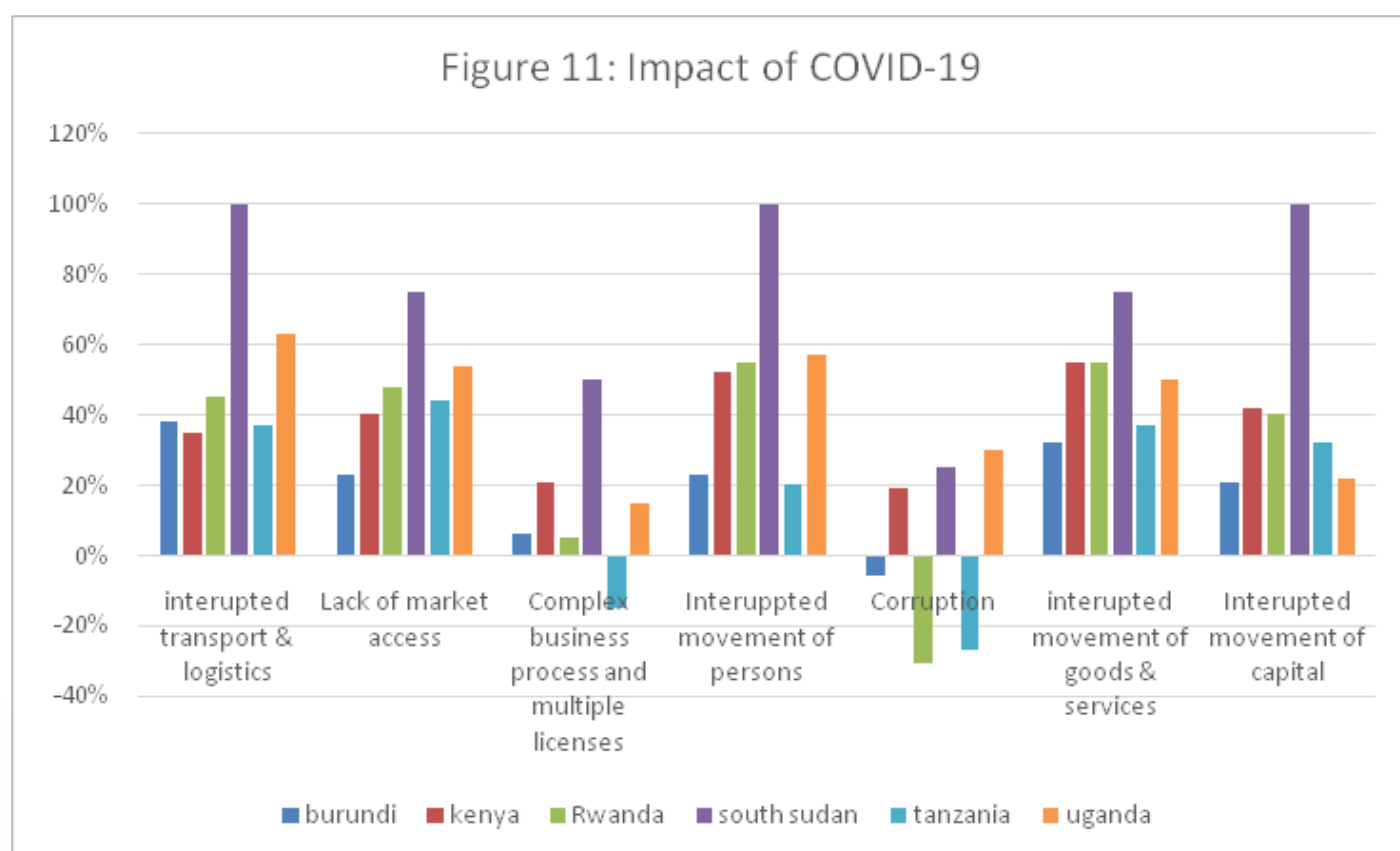
4.8 Impact of COVID -19 pandemic and containment measures on business

The key informants comprising of leadership of private sector associations indicated that the following were the impact of COVID -19 on private sector businesses in countries of operation:

- low productivity rates
- Increased cost of operation and productions
- lockdown affected the export market due to border closures
- massive loss of employment
- low payment, businesses operated on credit.

4.9 Cross county comparison of impact of COVID-19 on business operations

To gauge the impact of the pandemic on businesses, respondents were asked to indicate their perception as low, moderate and high on some of the key operation aspects of the business. Except mixed sentiments on corruption and business processes, all respondents reported heightened impact on businesses with respect to interruptions to transport. Logistics, movement of persons, movement of goods and services, and movement of capital. Given that operation implications of these dimensions, it is clear why the sentiment on the gravity of the impact of the pandemic is high from businesses. This is shown in figure 11.

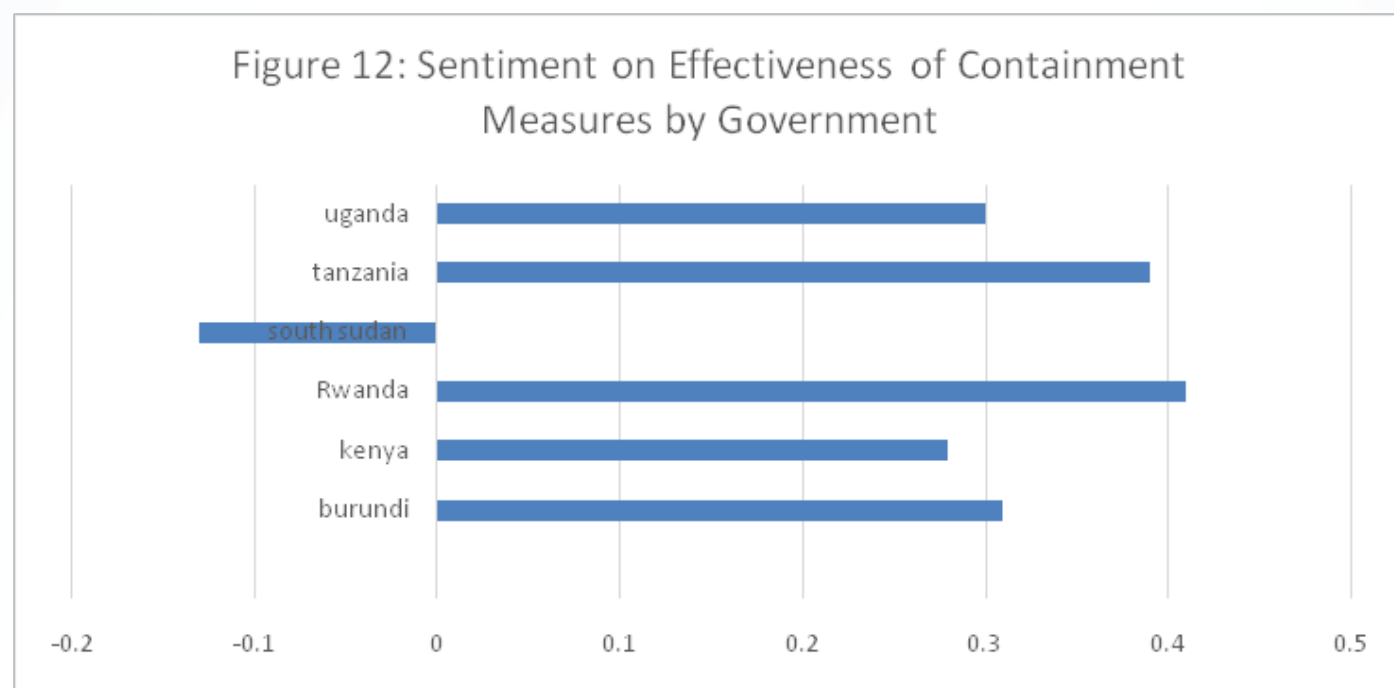


Source: (WDI, 2020)

4.10 Effectiveness of the containment measures in addressing the pandemic

Respondents were to indicate if the effectiveness of the containment measures instituted by respective governments were effective in addressing the pandemic. They were to indicate whether or not the measures were effective in addressing the pandemic.

To gauge the effectiveness of the containment measures, respondents were asked provide thoughts on the measures instituted. Except businesses in South Sudan, there was a general feeling by businesses that the measures were effective as illustrated in figure 12.



4.11 The perceptions on government interventions

The respondents were also requested to indicate their attitudes and perceptions on the intervention by the government during COVID -19 pandemic. The results of perceptions on government interventions are reported in table 18.

On consultation of business actors by government during COVID -19, the respondents were required to indicate their level of agreement or disagreement with the statement that “during the COVID -19 pandemic the government consulted the business community before instituting the COVID -19 measures”. The statement was not agreeable to the respondents with mean (2.42) and standard deviation (1.14). This indicated that the respondents felt that there was little if any consultation between the government and business community, and therefore government acted unilaterally.

On the place of the people in the whole COVID -19 space, the respondents were required to indicate their level of agreement or disagreement with the statement that “during the COVID -19 pandemic the government interventions were people centred”. Accordingly, the respondents registered their disagreement with the statement as reflected with mean (2.80) and standard deviation (1.14)

This indicated that the business community felt that the interventions by government were not pro people.

Furthermore, the respondents were required to respond to the issue of timeliness of the government interventions during the COVID -19 pandemic. They were therefore asked if they agree or disagree with the statement that “the government interventions were done in a timely manner”. The respondents reported disagreement with the statement with mean (2.78) and standard deviation (1.13). This means that the governments were seldom timely and not proactive in their interventions.

On whether or not the sectors are targeted for intervention during the COVID -19 pandemic

And if the Governments has so far recognized and identified those sectors and groups that were most severely impacted and are either already or likely to be left behind. There was disagreement with this statement as indicated by mean (2.73) and standard deviation (1.09). The Government interventions were therefore non-targeted and not focused as per the respondent's sentiments.

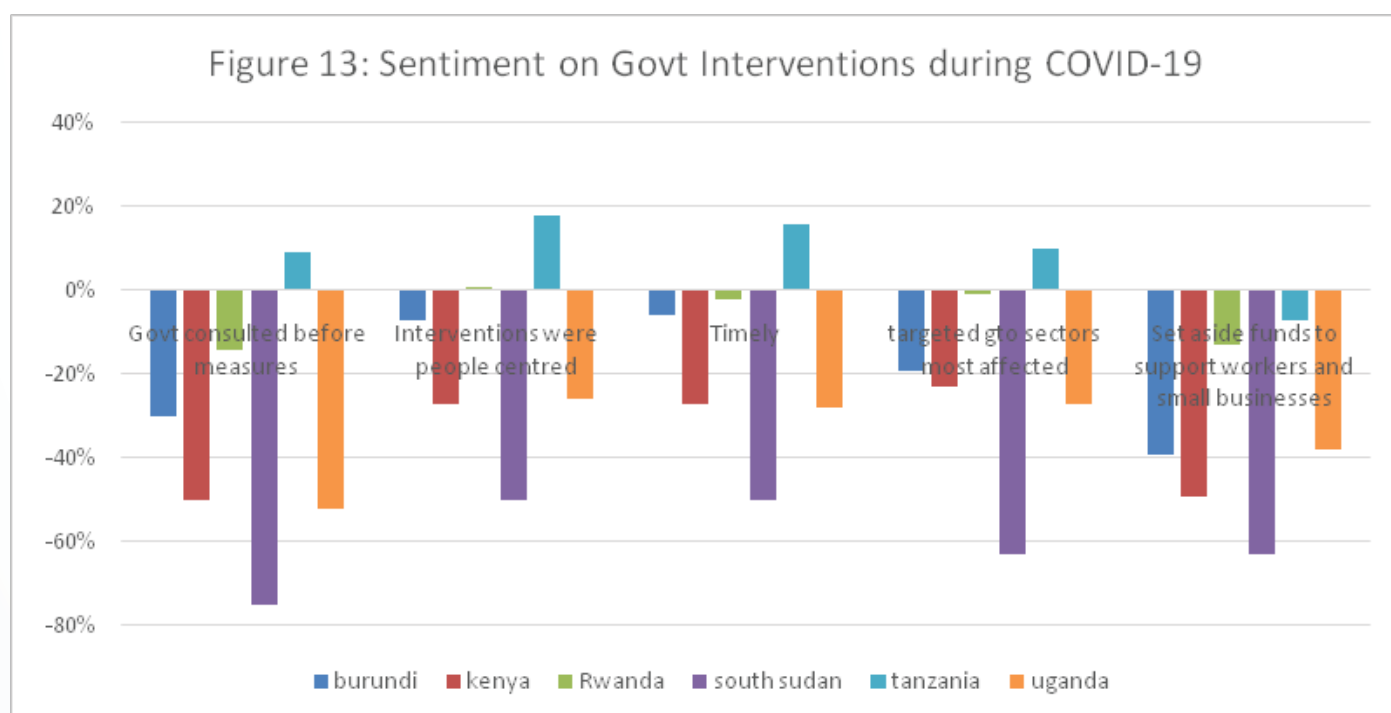
On income support by Government and whether the Government has put aside some income support for workers and small business firms who lost their jobs because of the pandemic and other related reasons. The statement was disagreed with mean (2.36) and standard deviation (1.13). This indicated that largely there were no funds to safeguard workers and small business welfare.

4.12 Cross country comparison of perception on government interventions during the COVID-19 pandemic

The outlook sentiments could be correlated with the sentiments regarding the effectiveness of the government interventions during the pandemic. Respondents were asked to indicate their perception on the effectiveness of the interventions in terms of consultation with the business before the measures were instituted, as to whether the interventions were people centred, timely, targeted sectors most affected and funds were set aside to support workers and small businesses. The sentiment is negative across all these dimensions and across the six countries. There was a slight positive sentiment for respondents from Tanzania on consultations, people centre, timeliness and targeting most affected sectors. The sentiments on government interventions is shown in figure 13.

Table 18: Perceptions on government interventions

<i>Intervention Items</i>	<i>Mean</i>	<i>s.e</i>	<i>sd</i>	<i>Var</i>
The government consulted the business community before instituting the COVID -19 measures (28.1)	2.42	0.071	1.144	1.309
The government interventions are people centred (28.2)	2.80	0.071	1.142	1.304
The government interventions were done in a timely manner (28.3)	2.78	0.070	1.126	1.269
The Government has so far recognized and targeted those sectors and groups that are most severely impacted and are either already or likely to be left behind	2.73	0.068	1.093	1.194
The Government has put aside some income support for workers and small business firms who lost their job because of different economical and other reasons	2.36	0.070	1.129	1.274



Source: (WDI, 2020)

4.13 Establishing perceived expectations and business outlook

In order to establish views of businesses on their outlook, key performances indicators among others were assessed. The survey instrument captured a combination of questions related to their assessments of the business climate in EAC and performance expectations for their activity levels. Others captured were current and planned investments in the EAC market and how the COVID -19 pandemic has impacted their performance and the perceptions of business on the responses of partner states to the pandemic to mitigate the effects.

Furthermore, assessment of the outlook for business and investment in EAC was explored. This covered the perceptions of the businesses on the outlook for 2022 and 2023, planned investments, potential challenges, and critical interventions by partner states.

The items were prepared using a five (5) point Likert scale from strongly Disagree on one extreme and strongly agree on the other.

The respondents were expected to select the business outlook that best describes their 2022/2023 expectations and beyond. The following were issues of concern:

- Effectiveness of containment measures
- Confidence on the government business recovery measures
- Confidence on the business climate
- Confidence on better post COVID -19 status
- Confidence of recovery
- Expected level of business activities
- Performance expectations in 2022/2023
- expected business performance (finance and operation)
- Expansion plans

On effectiveness of containment measures, the respondents were required to indicate their level of agreement with the statement that “the COVID -19 pandemic containment measures instituted by my government were effective”. The results showed

that the businesses thought that the containment measures were effective as shown by mean (3.66) and standard deviation (0.96).

In regard to confidence on the business climate, the respondents were required to indicate their level of agreement with the statement that “I’m confident that the business climate in my country is improving post COVID -19 Pandemic” the results in the affirmative show level of confidence improving. The agreement with the statement was with mean (3.28) and standard deviation (1.22), The details are provided in table 19.

As reflected by the sentiments that follow, despite the success of the containment measures, the confidence and trust on government recovery plans is still a big problem.

Further, on the confidence about better post COVID -19 status, the respondents were required to indicate their level of agreement with the statement that “I am confident that the worst of the COVID -19 pandemic is behind us” they seem neither to agree nor disagree, which is a split perception between the pessimistic group of businesses and optimistic group. This was reflected by mean (3.00) and standard deviation (1.21).

In regard to confidence of recovery, the respondents were required to indicate their level of agreement with the statement that “I’m confident that in 2022/2023 we shall recover on the losses incurred during the COVID -19 pandemic”. The respondents seem to be pessimistic and tended to disagree with the statement registering a mean (2.94) and standard deviation (1.19). This means that they belief that recovering of losses incurred within the short period was perhaps not realistic.

In regard to the confidence on the government business recovery measures the respondents were required to indicate their level of agreement with the statement that “I’m confident that the government is putting in place measures to help recovery of businesses post COVID -19 Pandemic” there is lack of confidence in the government effort to put in place measures to help recovery of businesses post COVID -19. This is reflected by the mean of 2.95 and standard deviation (1.21).

On expected level of business activities, the respondents were required to indicate their level of agreement with the statement that “we are expecting the levels of business activities to increase after the COVID -19” the results indicate that the statement is agreeable as shown by mean (3.76) and standard deviation (1.083).

Further, on the expected business performance in terms of finance and operations, the respondents were required to indicate their level of agreement with the statement that “we expect our business performance in terms of finance and operation to increase after the COVID -19”, the statement appeared to be agreeable with a mean of mean (3.82) and standard deviation (1.06).

On performance expectations in 2022/2023 the respondents were required to indicate their level of agreement with the statement that “I expect our business to perform well in 2022/2023”. The respondents seem to suggest that they agreed with the statement as reflected by mean (3.37) and standard deviation (1.17).

On expansion plans the respondents were required to indicate their level of agreement with the statement that “we are planning to expand to more markets in the EAC post the COVID -19 pandemic”. The response indicates some relative agreement with the statement but close to neither agree nor disagree. Which indicate some level of doubt on expansion plans? The statement had a mean (3.23) and standard deviation (1.163).

Table 19: Perceptions on interventions, outlook and COVID -19

Perception Items	Mean	S.E	S.D	VAR
We are expecting the levels of business activities to increase after the COVID -19	3.76	0.067	1.083	1.174
We expect our business performance (finance and operation) to increase after the COVID -19	3.82	0.065	1.056	1.116
The COVID -19 pandemic containment measures instituted by my government were effective (26)	3.66	0.059	0.960	0.921
I'm confident that the business climate in my country is improving post COVID -19 Pandemic (27.1)	3.28	0.075	1.218	1.483
I'm confident that the government is putting in place measures to help recovery of businesses post COVID -19 Pandemic (27.2)	2.95	0.075	1.210	1.465
I expect our business to perform well in 2022/2023 (27.3)	3.37	0.072	1.166	1.359
I'm confident that the worst of the COVID -19 pandemic is behind us (27.4)	3.00	0.075	1.208	1.460
I'm confident that in 2022/2023 businesses will recover on the losses incurred during the COVID -19 pandemic (27.5)	2.94	0.074	1.192	1.422
We are planning to expand to more markets in the EAC post the COVID -19 pandemic	3.23	0.072	1.163	1.352

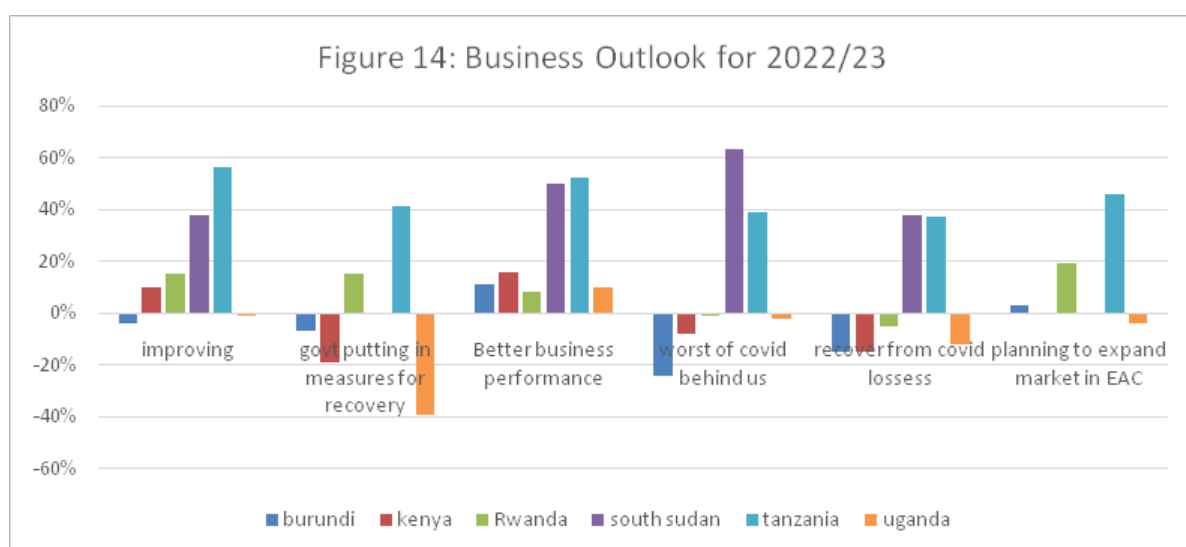


4.14 Perceptions of business expectations about outlook of 2022/2023 and beyond

Respondents were asked to indicate their sentiment on expectations on the business outlook during 2022 into 2023. The key dimensions of interest were whether businesses expect improvements in business climate, whether they expect the governments to put in place interventions for business recovery, whether they expect businesses to perform well, whether they expect the adverse effects of the pandemic are over

and whether they expect to recover from the losses suffered during the pandemic. They were also asked whether they expect to expand the businesses to other markets within the EAC post the pandemic.

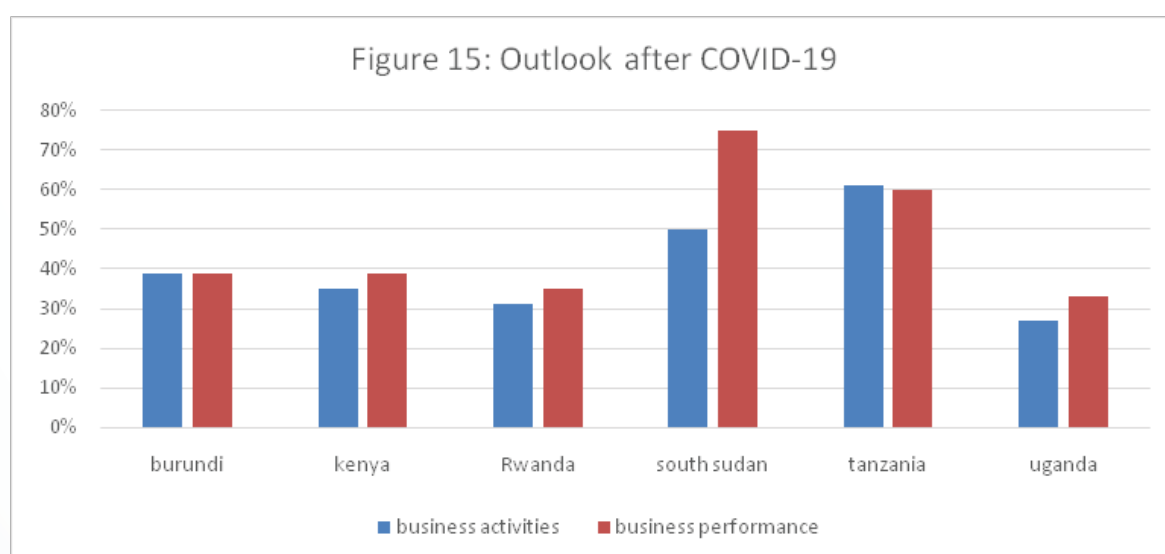
The sentiments were mixed. Most businesses in Rwanda, South Sudan and Tanzania are optimistic on most of these dimensions but not the other countries. It is notable that businesses in Tanzania stood out with an optimistic view of the outlook across all the dimensions. This is shown in figure 14.



Source: (WDI, 2020)

4.15 Expectations on the levels of business activities after the COVID-19

When respondents were asked about their outlook for the business after the pandemic, there was a general optimism across the six countries for both business activities and business performance. This is an important in that business appear keen to grow their business after the pandemic. This is shown in figure 15.



Source: (WDI, 2020)

4.16 Determinants of the future investment

The respondents were asked to indicate factors in the Business Environment are likely to impact on your future investment in the country. The factors included: Competition, cost of labour, availability of raw materials, political stability and technology among others. The factors likely to influence business investment decisions in future are shown in the table 20.

Table 20: Factors are likely to influence business investment decisions in future								
Factor	N	Percent	Kenya	Uganda	Tanzania	Burundi	Rwanda	South Sudan
Foreign Currency	1	0.09%	0%	0%	0%	100%	0%	0%
Legal Environment	59	5.36%	22%	5%	29%	17%	25%	0%
Trade Agreements	71	6.45%	20%	4%	10%	24%	39%	1%
Cost of Utilities e.g., Electricity	73	6.64%	30%	19%	10%	10%	27%	3%
Transparency	78	7.09%	21%	13%	12%	22%	32%	1%
Cost of labour	82	7.45%	29%	17%	6%	17%	21%	5%
Availability of raw materials	108	9.82%	19%	17%	15%	12%	34%	3%
Taxation regime	116	10.55%	28%	22%	14%	11%	23%	1%
Technology	121	11.00%	25%	16%	15%	13%	30%	0%
Business environment	123	11.18%	28%	14%	20%	15%	23%	2%
Competition	133	12.09%	23%	18%	11%	20%	29%	2%
Political stability	135	12.27%	29%	16%	12%	16%	24%	3%
Total	1100	100						

The impact of COVID 19 investment in EAC as per key informants (business associations) include:

- emergence of new small-scale businesses
- emergence of digital trading
- High interests imposed by financial institutions
- short term recruitment of employees
- increased working hours/working from home

Expected business recovery time

4.17 Expected business recovery time

The respondents were asked to indicate expected

recovery time after the effect of the pandemic. The options and respective responses are provided in table 21.

Furthermore, 35.5 % of the businesses expect to recover between 1-2 years, 21.8% expect to recover between 2-5 years. Only 7.3% expect to recover within six months and 16,8% expect to recover between 6 months and one year. 13% of businesses don't know when they will recover, 1.5% feel that they will never recover and some 4.2% expect that they will take over 5 years to recover.

Table 21: Expected business recovery time		
	Frequency	Percent
Between 1 year and 2 years	93	35.5
Between 2 to 5 Years	57	21.8
Between 6 months to 1 year	44	16.8
Don't Know	34	13.0
Less than 6 months	19	7.3
Never	4	1.5
Over 5 Years	11	4.2
Total	262	100.0

5 The Business Barometer

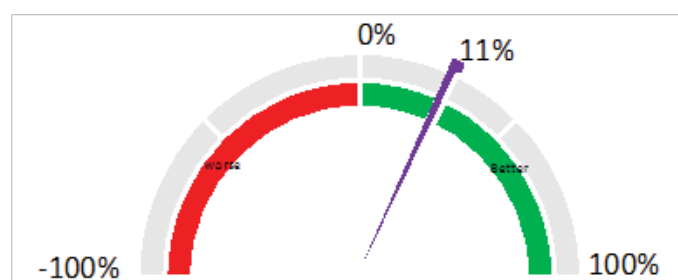
The Business Barometer is an index that captures the sentiment of the business stakeholders with regard to how they see they see that business environment within the EAC during 2022 and 2023. The survey responses on expectations of the business outlook were collated to generate the index. Survey respondents were asked to indicate whether they agreed or not with provide their expectations on the following key dimensions of interest:

- Confident that business climate is improving post pandemic
- Confident that the governments are putting in place measures to support business recovery,
- Expectation that businesses will perform well,
- Confident that the worst of the pandemic is over
- Confident that the losses suffered during the pandemic will be recovered during 2022/2023
- Planning to expand the businesses to other markets within the EAC post the pandemic.

A balance value was created using weighted responses to five level Likert questions ranging from totally disagree to totally agree. The balance is calculated as the difference between the percentages of positive and negative responses following the work of UNECE (2017). Balance values were then created for each of the six dimensions listed above for each of the six EAC countries covered by the survey. The balance values range from -100% to 100%. The balance values were then collated to generate a composite index that captures the overall outlook for 2022/2023 by the business community in the six EAC countries. This is illustrated in the figure below with a value of 11% indicating slight optimism in the coming year. This slight optimism corroborates the

survey findings in the report regarding the impact of the pandemic on business and the perception of the business community on the effectiveness of the measures introduced by governments in response to the pandemic.

Fig. EAC Business Outlook Barometer

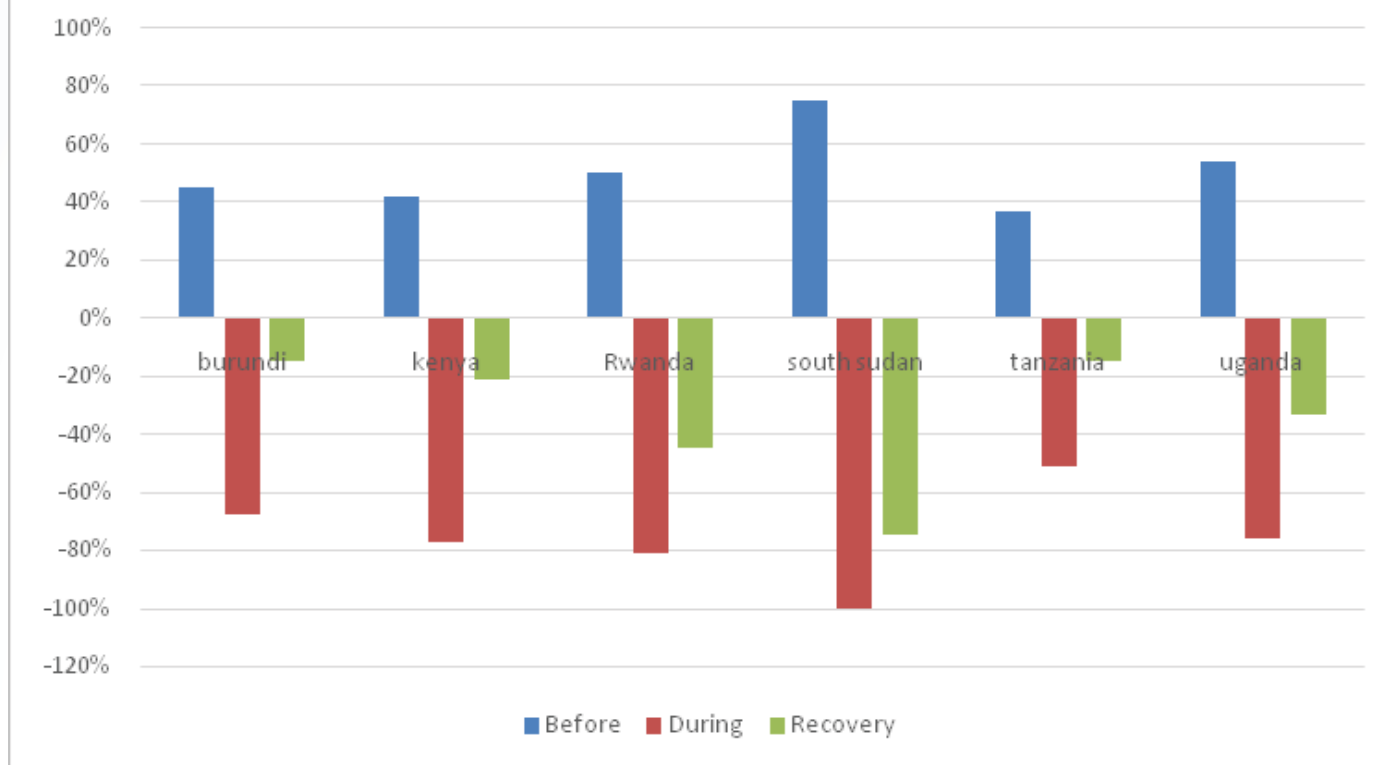


It should be noted that a barometer provides a richer insight in a comparator mode. However, since this is baseline, it is expected that subsequent barometer values can be compared with the baseline and inferences made regarding the dynamics of the business sentiment on overall business environment outlook in the community

5.1. The overall operational/financial performance of your business in these instances

Respondents were asked to indicate the operational and financial performance of the business before, during the pandemic and during recovery by rating low, moderate and high. The sentiment shows worsened performance during the pandemic and recovery across all the six EAC countries as illustrated in fig 1 below. The sentiment is equally low during recovery from the pandemic for all the countries with minor variations.

Fig 1: Operational/financial performance

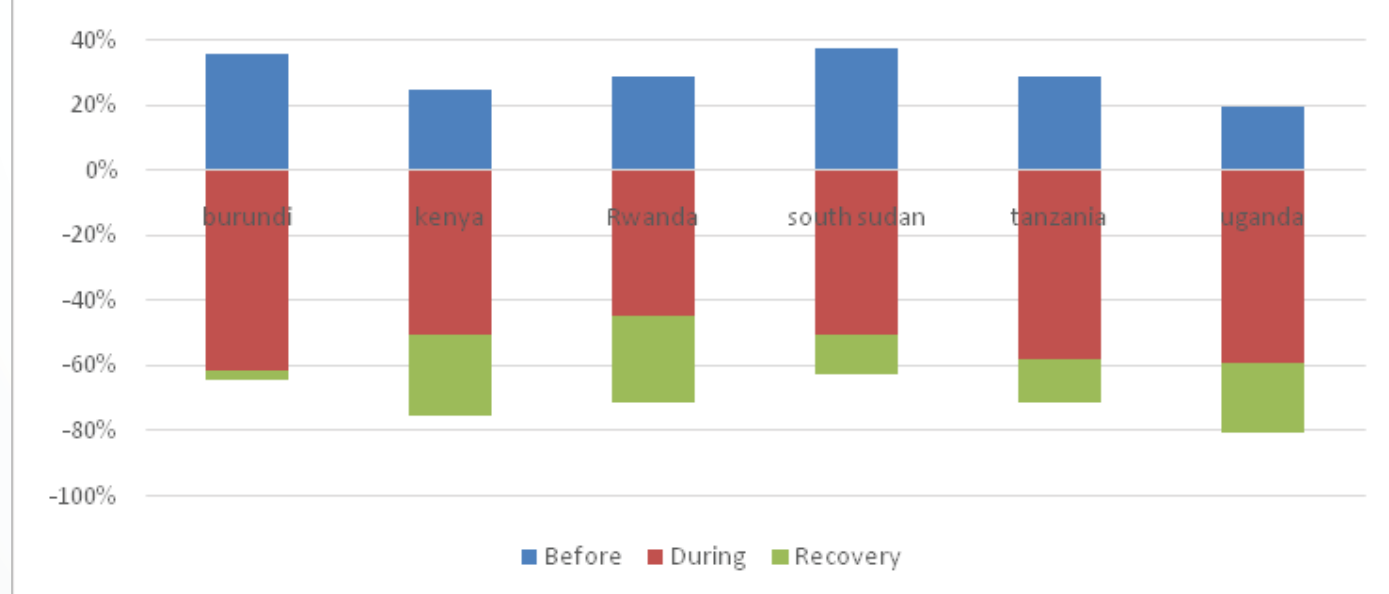


Source: (WDI, 2020)

Assessment of the number of employees in these instances

Respondents were asked to indicate whether the number of employees decreased, remained the same or increased during the before the pandemic, during the pandemic and during recovery. The sentiment from all the six countries indicates a reduction during the pandemic and even during recovery.

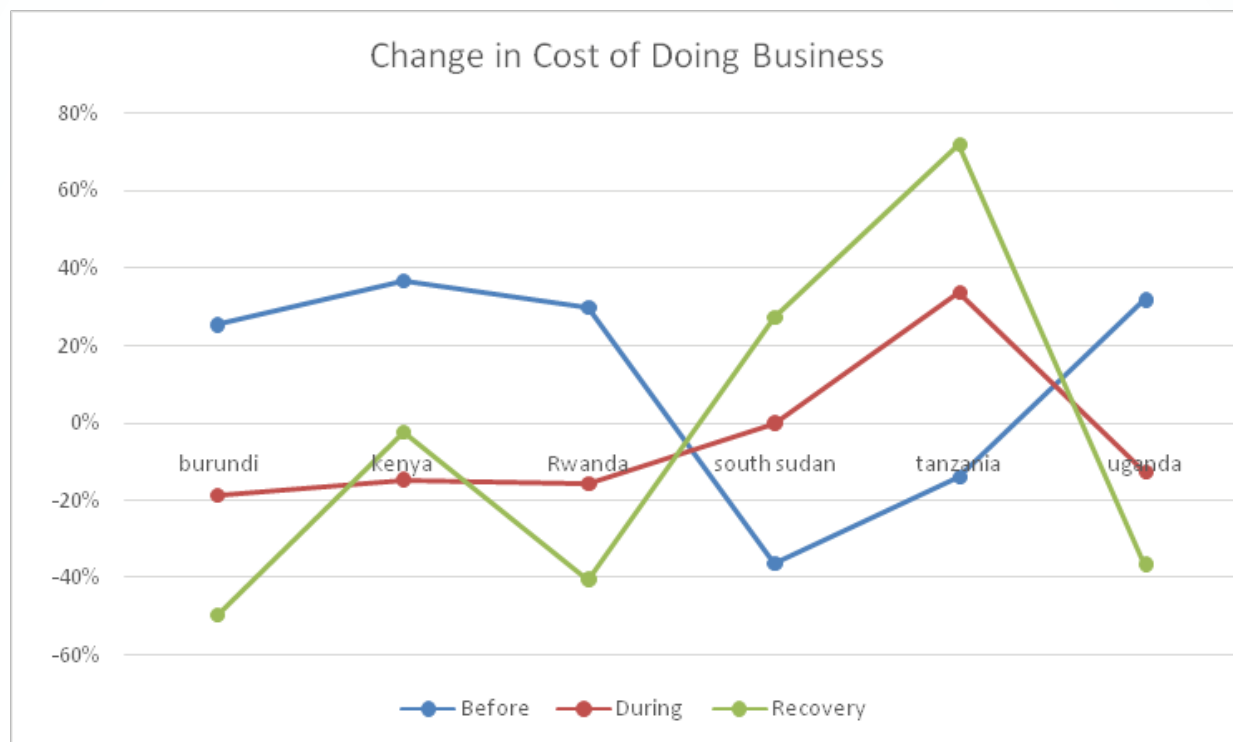
Change in the number of employees



Source: (WDI, 2020)

5.2. Cost of doing business in these instances

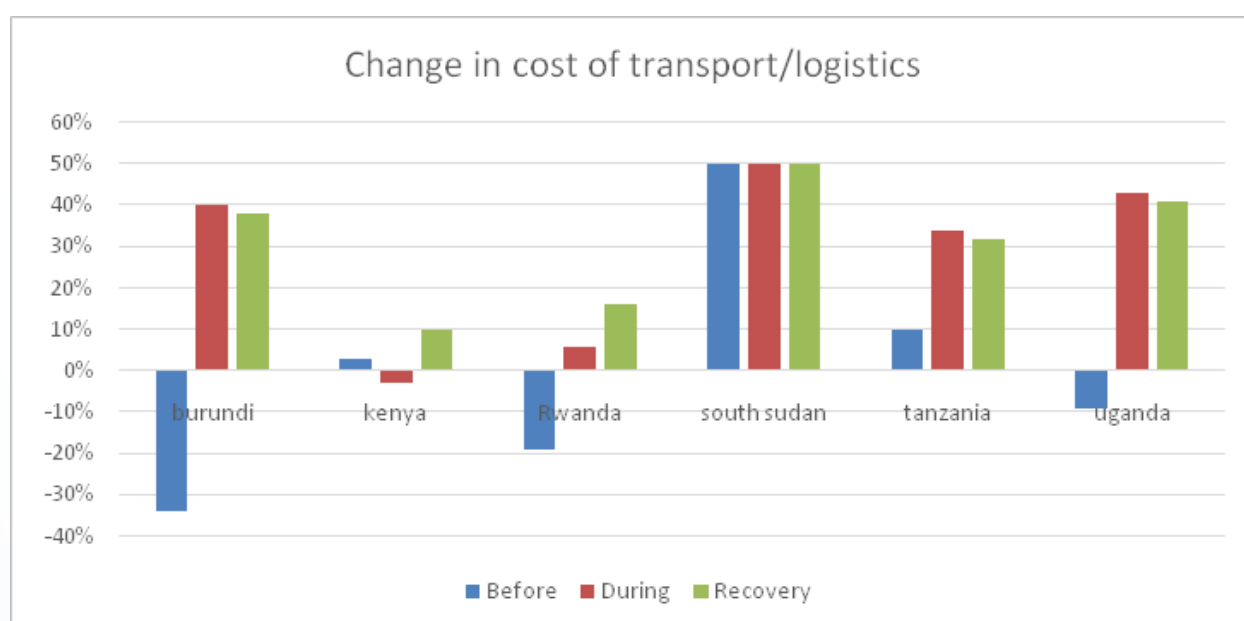
Respondents were asked to indicate how the cost of doing business has changed as a result of the pandemic. Mixed sentiment across the six countries is reported. Businesses in Burundi, Kenya, Rwanda and Uganda reported reduced cost of doing business while South Sudan and Tanzania felt the costs increased during the pandemic and recovery relative to before the pandemic. This could reflect differences in the containment measures across the six countries.



Source: (WDI, 2020)

5.3. Cost of transport and logistics for your business in these instances

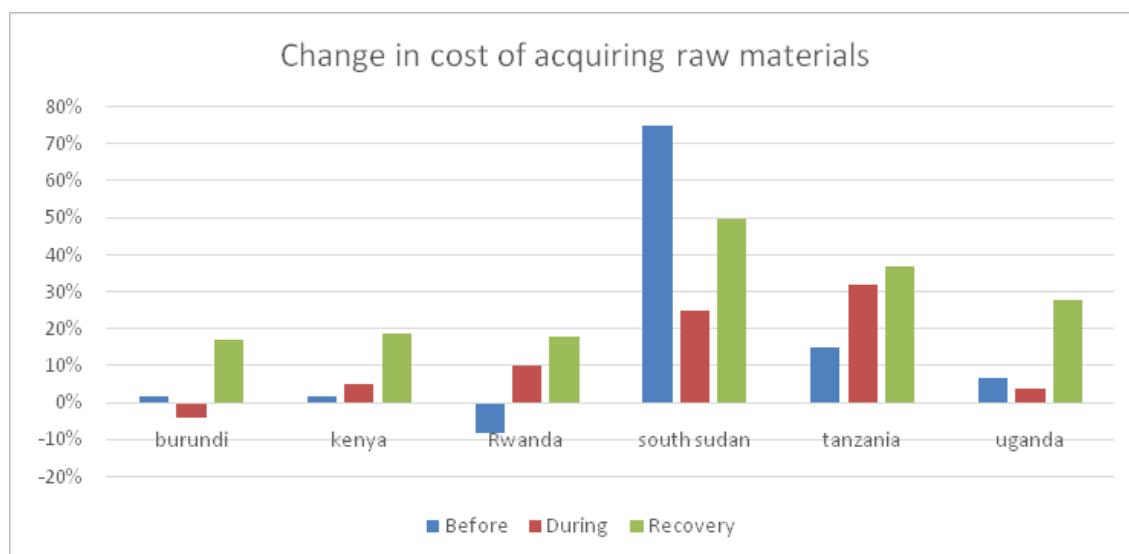
With regard to the perceived changes in the cost of transport and logistics in general, the businesses felt the cost increased during the pandemic and recovery. The exception was South with relative no change in the perception on costs of transport/logistics before, during the pandemic and during recovery.



Source: (WDI, 2020)

5.4. Cost of acquisition of raw materials in these instances

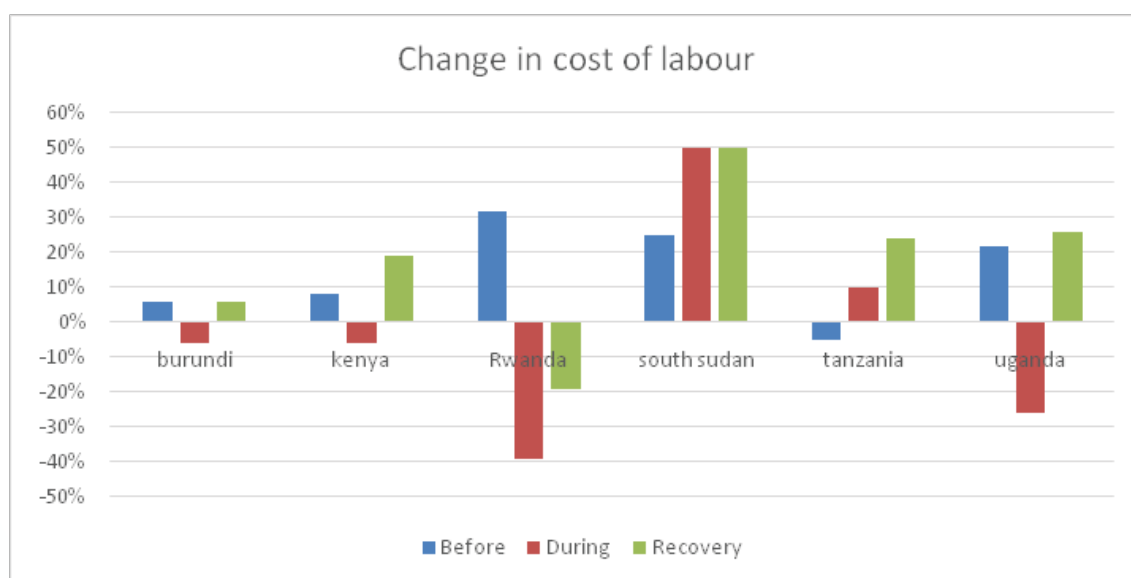
The general sentiment on the cost of acquiring raw materials during the pandemic and recovery relative to before the pandemic indicates a perceived increase in the cost during recovery. There are minor variations across the EAC countries but the pattern is similar.



Source: (WDI, 2020)

19. Cost of labour for your business in these instances

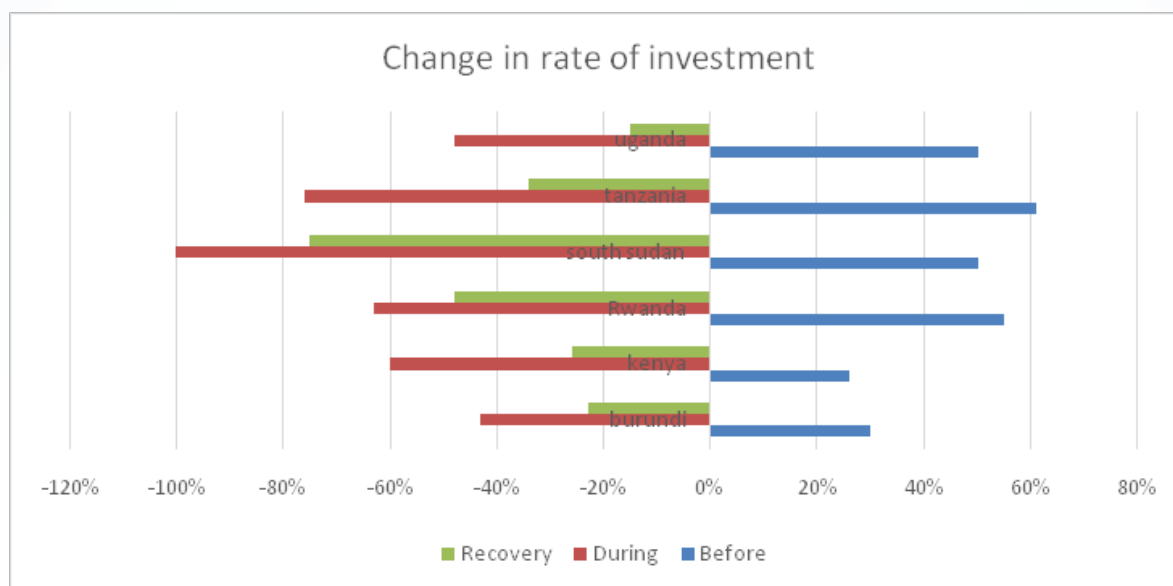
Except Rwanda, businesses from the other 5 countries feel the cost of labour has gone up during recovery.



Source: (WDI, 2020)

5.5. The rate of investment in the business

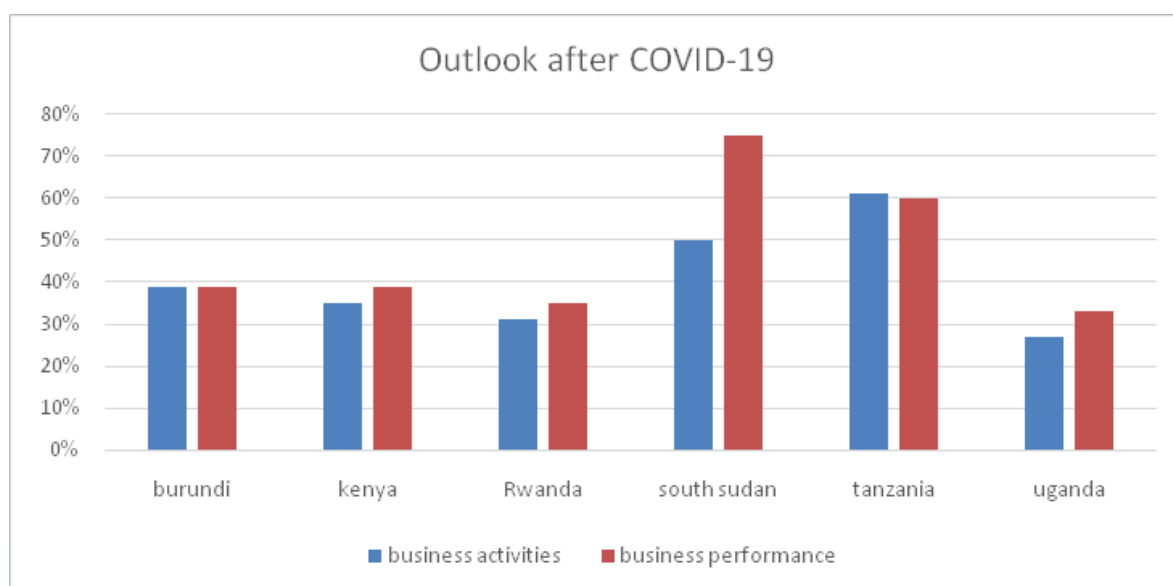
An important sentiment is the extent to which businesses would be keen to increase investments given the ramifications of the pandemic. As illustrated below, all businesses indicate reduced investments during the pandemic and recovery across all the six countries. This highlights the perceived risk due to the pandemic to businesses dampening optimism.



Source: (WDI, 2020)

21. Levels of our business activities to increase after the COVID -19

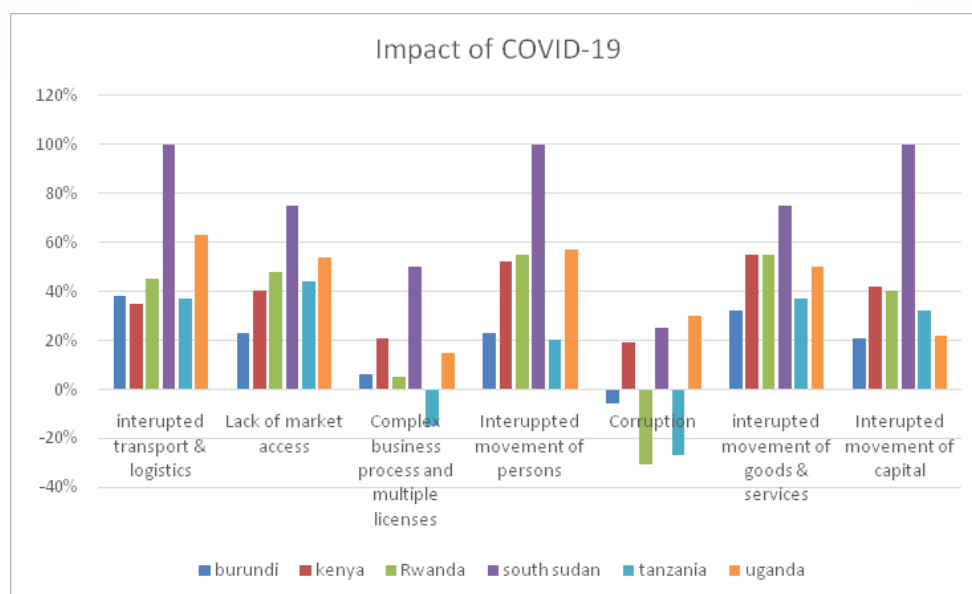
When respondents were asked about their outlook for the business after the pandemic, there was a general optimism across the six countries for both business activities and business performance. This is an important in that business appear keen to grow their business after the pandemic.



Source: (WDI, 2020)

5.6. The impact on business operations during the COVID -19 pandemic

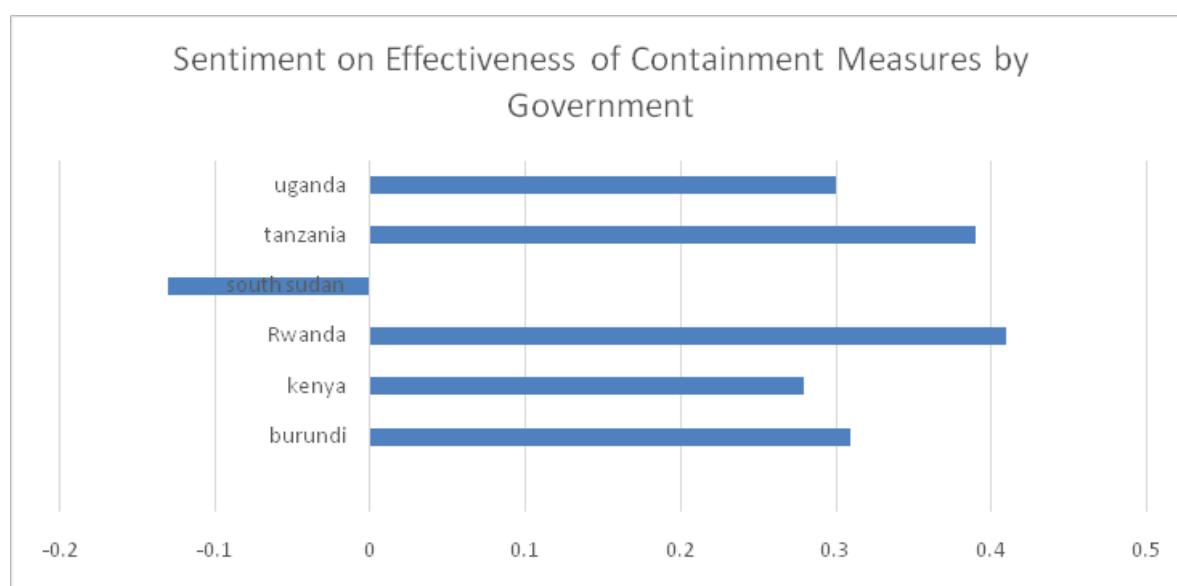
To gauge the impact of the pandemic on businesses, respondents were asked to indicate their perception as low, moderate and high on some of the key operation aspects of the business. Except mixed sentiments on corruption and business processes, all respondents reported heightened impact on businesses with respect to interruptions to transport. Logistics, movement of persons, movement of goods and services, and movement of capital. Given that operation implications of these dimensions, it is clear why the sentiment on the gravity of the impact of the pandemic is high from businesses.



Source: (WDI, 2020)

5.7. Effectiveness of COVID -19 pandemic containment measures instituted by my government

To gauge the effectiveness of the containment measures, respondents were asked provide thoughts on the measures instituted. Except businesses in South Sudan, there was a general feeling by businesses that the measures were effective as illustrated below.

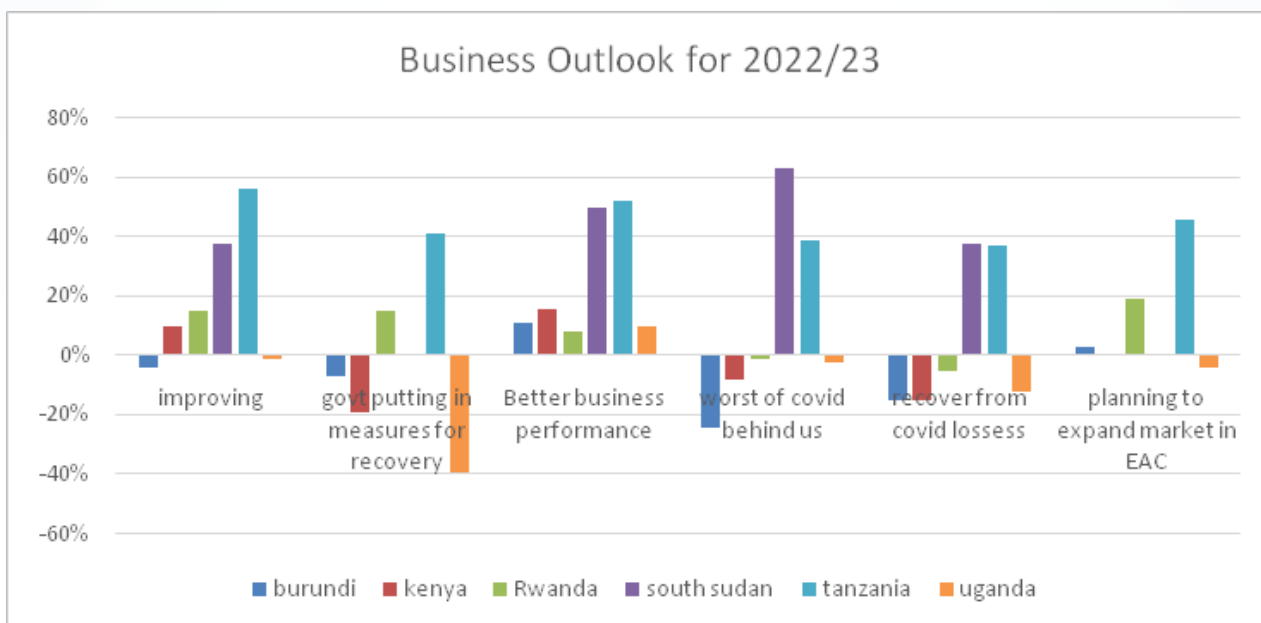


Source: (WDI, 2020)

5.8. The business outlook that best describes 2022/2023 expectations and beyond.

Respondents were asked to indicate their sentiment on expectations on the business outlook during 2022 into 2023. The key dimensions of interest were whether businesses expect improvements in business climate, whether they expect the governments to put in place interventions for business recovery, whether they expect businesses to perform well, whether they expect the adverse effects of the pandemic are over and whether they expect to recover from the losses suffered during the pandemic. They were also asked whether they expect to expand the businesses to other markets within the EAC post the pandemic.

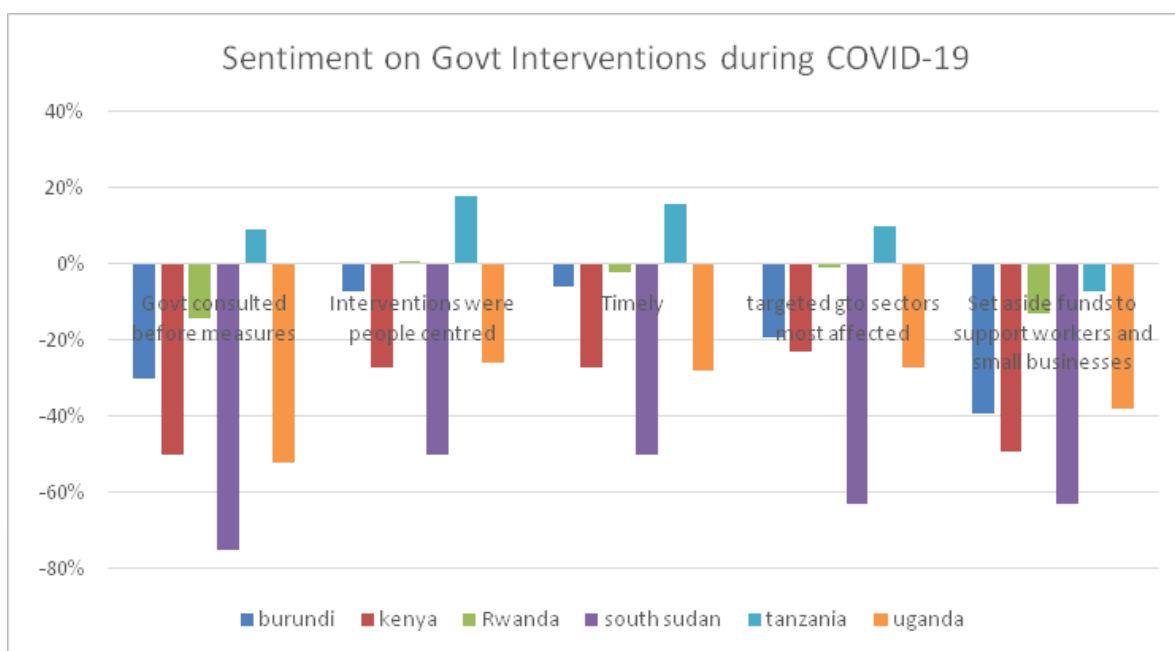
The sentiments were mixed. Most businesses in Rwanda, South Sudan and Tanzania are optimistic on most of these dimensions but not the other countries. It is notable that businesses in Tanzania stood out with an optimistic view of the outlook across all the dimensions.



Source: (WDI, 2020)

5.9. Thoughts on government interventions during the COVID -19 pandemic

The outlook sentiments could be correlated with the sentiments regarding the effectiveness of the government interventions during the pandemic. Respondents were asked to indicate their perception on the effectiveness of the interventions in terms of consultation with the business before the measures were instituted, as to whether the interventions were people centred, timely, targeted sectors most affected and funds were set aside to support workers and small businesses. The sentiment is negative across all these dimensions and across the six countries. There was a slight positive sentiment for respondents from Tanzania on consultations, people centre, timeliness and targeting most affected sectors.



Source: (WDI, 2020)

6. KEY POLICY RECOMMENDATIONS

6.1 Introduction

The Barometer on Business and Investment amid Covid-19 pandemic in the East Africa Community(EAC) seek to highlight the relevant policy issues, regulatory gaps, and recommendations. It also lay the foundation for the regional advocacy and the much needed reforms in the East Africa Community region by the East Africa Business Council(EABC). This section highlights key recommendations for the study. Some of the commonly suggested recommendations to the EAC partner states to cushion business against effects of the Covid-19 pandemic include;

6.2 Immediate recommendations

1. Quick resolution of non-tariff barriers.
2. Improved investment climate and favourable government policies.
3. Provision of corporate tax cuts and tax breaks.
4. Provision of low interest business loans and restructuring of current business loans.
5. Ensure rapid delivery of SME and entrepreneurship policy support by simplifying access to support and ensuring effective digital delivery systems, while safeguarding accountability and effectiveness.
6. Assistance to access additional markets.
7. Reduced income tax for employees.
8. Provision of subsidized business inputs or services.
9. Provision of business premises rental or utilities subsidies.
10. Provision of cash transfers and unemployment benefits to vulnerable communities and employees who lost their jobs during the pandemic.
11. Strengthen regional value chains, these will help to improve value addition increase competitiveness and reduce dependency on global value chains.
12. Setup competitive sectors.
13. Build economic resilience.
14. Enhance strong structural components on financial flows.
15. Harmonization of regulatory bodies by EAC partner states.

6.3 The key immediate intervention areas per county recommendations

COUNTRY	PRIORITY AREA
Kenya	Subsidized inputs and services followed by unemployment benefits
Uganda	Unemployment benefits and rental/utilities subsidies
Tanzania	Improved investment climate
Burundi	Improved investment climate and reduced employee's income tax
Rwanda	Cash transfer followed by assistance to additional markets
South Sudan	Cash transfers

6.4 Strategic recommendations

The following- in order of priority, are the possible strategic measures that the EAC partner states should adopt to recover from the COVID-19 pandemic:

- a. Harmonization of tax regimes across borders: This would mean that most basic laws affecting business would be the same across the countries something that will improve compliance and doing business.
- b. Resolution of political differences: It was pointed that that EAC countries had some political differences in trade in some goods like maize, sugar and the like, countries need to resolve these if business stability in those goods is guaranteed.
- c. Harmonization of the policies especially trade regimes: Each country operates a different tax regime and this adds discomfort to the already struggling business men, this should be dealt with.
- d. Implementation of the Monetary Union Protocol: The idea of a single currency will improve exchange of goods and trade among countries and Partner countries should explore this option.
- e. Key trade support areas with urgent attention: This includes support soft infrastructures that can make it easy to do business.
- f. Effective implementation or free movement of person's protocol within EAC partner states. This will foster business.
- g. EAC partner states to work on trade credits. This will work to boost international trade and offer support to traders to do business with limited constraints.
- h. Encouragement of business formalization of businesses. This can be done by encouraging business to register a putting up measures and incentives to register.
- i. Facilitation of easy access to funds. This can allow businesses to access finance and improve the accessibility of business needs.
4. A consolidated bilateral investment policy that minimizes investors risk should be rationalized to accelerate intra-trade development in the EAC partner states during and after the pandemic,
5. EAC partner states to boost trade within EAC by overcoming the financial and structural impediments of trade and investment in the region through strengthening of agreements that conform with the EAC treaty objectives covering economic, social-political collaboration, coordination and post Covid-19 pandemic recovery plans.
6. A review of regulations or restrictions on the covid-19 pandemic policies in order to regulate, reinforce and promote investment in all sectors even for the post-pandemic recovery and resilience in the region.
7. Promotion of health investment through building of productive capacities in health infrastructure and services to host adequate medical portfolios of medicines, vaccines and trained personnel.
8. Adoption of a more liberalized investment strategies to promote or facilitate investment in various sectors as agriculture, education, health, manufacturing and mining, tourism, security and defence, financial services, transportation and communication.
9. Encouragement of trade liberalization through elimination of trade barriers as tariffs and quotas on cross-border trade for the EAC partner states so as to lower the import prices which consequently allow for access of product and service variety in the domestic markets due to economies of scale in commodity and service.
10. Encourage on the adoption of new innovative technologies in the manufacturing and agricultural sectors in form of increased productive efficiency and market diversification to country competitive advantage on allocative resources which will contribute to deep structural transformation due to improved resource allocation, higher knowhow skill and technological content which will boost on intra-EAC trade through increased product and market diversification of exports.
11. Integration of informal trade into formal channels and trade agreements for the trade in goods and services in the EAC so as to strengthen and improve on productive, technological and local

6.5 Other recommendations

1. EAC partner states put in place disaster preparedness framework to reduce effect of such occurrences on businesses, investments and subsequently, a country GDP.
2. EAC partner states should put in place a coordinated approach towards disaster preparedness to reduce future impacts of such unforeseen occurrences.
3. EAC partner states should in future engage private sector before instituting measures that affect their businesses. Such interventions should

- value chain addition in order to tap investment opportunities and access technology for all the sectors.
12. Development of Harmonized integrated systems for the EAC tariff modalities for cross border trade on goods and services to enhance regional tariff revenues.
 13. Development of the complementary economic and trade policies on social protection, skills and infrastructural growth, regional trade liberalization strategies to encourage on resource movement and utilization across the EAC partner states.
 14. Focus on policies that deepen integration among partner states, promote EAC trade through a facilitative, harmonized and better coordinated custom treaty for trade regimes on cross-border trading in the region and on elimination of challenges associated with multiple and overlapping bilateral trade agreements among partner states. These will strengthen competitiveness through realization of economies of scale for domestic productivity per country, better allocation of resources and boost to trade and investments in the region.
 15. Initiation of intra-EAC collaboration programs and activities on investment promotion, development of regional value chains that will attract more investment opportunities, create employment and develop technologies that supports economic activities and trade in the region.
 16. Development of policy investment plans focusing on mitigating pandemics and climate change, while strengthening economic resilience in the EAC region to ensure that the welfare gains in terms of access to social and structural benefits through education, health care, market diversification and employment are widely shared amongst the partner states.
 17. The EAC partner states should undertake key economic policy reform frameworks measures and macroeconomic policy convergence on recovery investment plans through quantitative easing on trading and business operations, boosting of consumer spending and strengthening of regional integration to mitigate economic challenges experienced during the pandemic period in the region and boost regional development.
 18. Mobilization of large capital investment expenditure on both the product and service sectors that are transformative to economic revival and economic growth through regional infrastructure interconnection, financial, productive and trade integration e.g., medical services, aerospace and renewable energy.
 19. The EAC partner states should forge towards the protection of the national security and ownership of critical infrastructural assets and domestic business from collapse or exploitation.
 20. Tightening of the cross-border custom regulations to avert tax revenue loss through illicit trade, trade exploitation and unhealthy businesses competition, merger and acquisition of companies with foreign entities in strategic sectors.
 21. Embrace regional governments authorizations and participation in critical sectors, infrastructure, technologies and food security through various industries as insurance, telecommunication and ICT services.
 22. The EAC region should encourage the promotion of locally produced goods and services through an e-commerce businesses platform which in-turn will support government programs.
 23. The partner countries should amend or expand tax incentives to high-tech parks, manufacturing and industrial, export processing zone companies and management companies in the special economic zones. It should also introduce a special tax regime or concession for those business or investments that exceeds a certain yield.
 24. The EAC countries should identify eligible sectors and industries that their governments will be provide support investment incentives in order to promote regional development and employment.
 25. The partner states need to support key firms in priority sectors, talent attraction, innovation and economic diversification by providing investment incentive scheme to reduce operational costs for firms. Also, revision of the Investment Code to introduce new priority sectors and activities and by adopting

6.6 MSME's specific recommendations

In order to aid a quick recovery process for MSMEs, the respective EAC governments should put up effective strategies and policies such as;

- Ensure rapid delivery of MSME and entrepreneurship policy support by simplifying access to support and ensuring effective digital delivery systems, while safeguarding accountability and effectiveness.
- Ensure to the extent possible that policy support focuses on viable existing companies and start-ups.

- Reboot start-up policies to enhance the potential of innovative new ventures for recovery.
 - Ensure that support measures are inclusive and reach vulnerable segments of the SME population, including women and minority entrepreneurs.
 - Rethink policy approaches with regard to self-employed entrepreneurs.
 - Avoid MSME over-indebtedness and an MSME solvency crisis by exploring equity, quasi-equity and other non-debt support.
 - Ensure that recovery programmes to “build back better” reflect the circumstances and perspectives of MSMEs and entrepreneurs and are well-suited to support their recovery.
 - Include a strong focus on the digitalization of MSMEs and new firms as a cornerstone of recovery.
 - Strengthen the forward-looking capacity, resilience and responsiveness of MSME and entrepreneurship policy frameworks.
 - Ensure effective and inclusive multi-level governance mechanisms;
 - Ensure that SMEs and entrepreneurs, and the organizations that represent them, are consulted and included in government decision-making processes regarding policy responses to the pandemic and in the development of recovery plans.
- impact to the business when staff are unable to physically report to work
- 4) Businesses should also lobby through their associations to EAC Partner states to put in place a scheme for unemployment benefits to safeguard staff who are laid off from work.
 - 5) Businesses should also put in place policies relating to mental health wellness since the pandemic affected employees psychologically since some were laid off, others lost family members while others were infected by Covid-19
 - 6) Businesses should move fast and deploy digital and automated technologies that not only reduces cost on operations and loss of revenue but accelerates the pace of work-related activities especially with the advent of remote working and shift in consumer behaviour in purchasing and business operation models to persist in the advanced economies after the pandemic recedes.

6.7 Recommendations for businesses

On the issue of businesses in the EAC, pandemic was unexpected and most organisations, especially the MSMEs were caught off guard. There are however measures that these enterprises would have, and should put in place to avoid the levels of impact experienced in future. Some of which include;

- 1) Putting in place risk management and disaster recovery plans to held in the identification, evaluation and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor and control the probability or impact of unfortunate events or to maximize the realization of opportunities.
- 2) The private sector should advocate for better health services and businesses to provide health insurance covers for their employees.
- 3) Businesses should embrace remote working for their staff where possible to alleviate the negative

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Appendix 1: Questionnaire

TRADE AND INVESTMENT AMID COVID -19

TradeSmart Consult Limited is a private Limited Company registered under Kenya's Company Act 2015. We are a regional digital trade solutions hub situated at 330 drive Diani drive off Ole-Dume Road, Kilimani: Nairobi Kenya. In partnership with the East African Business Council (EABC), we're undertaking a barometer on the State of EAC business and investment amid COVID -19. EABC is the regional apex advocacy body of Private Sector Associations and Corporates from the 6 East African Community (EAC) partner states (Burundi, Kenya, Rwanda, South Sudan, Tanzania, and Uganda).







We would like to hear your perspectives on the questions below. This will help us make informed conclusions and recommendations on the above subject matter. The survey should only take 20 minutes, and your responses are completely anonymous.

* Required

Section A: Business Background.

Kindly tick where appropriate.

1. What is your Country of origin? *(Mark only one oval.)

-  Burundi
-  Kenya
-  Rwanda
-  South Sudan
-  Tanzania,
-  Uganda
- Other:

2. Which of the following EAC Countries best describes your business location? * (Check all that apply)

- Burundi
- Kenya
- Rwanda
- South Sudan
- Tanzania
- Uganda
- DRC

3. Which of the following describes the Location of your business? *Mark only one oval.

- Urban Area
- Rural Area

- Both Rural and Urban
- Border Post

4. What is your business Sector of operation? *(Mark only one oval)

- Agriculture; Plantations; Other Rural Sectors
- Basic Metal production
- Chemical Industries
- Commerce
- Construction
- Education
- Financial services; professional services
- Food; Drink Tobacco
- Forestry; Wood; Pulp and Paper
- Health Services
- Hotels; Tourism; Catering
- Mining (Coal; other mining)
- Mechanical and Electrical Engineering
- Media; Culture; Graphical
- Oil and Gas Production
- Postal and Telecommunications Services
- Public Service
- Shipping; Port; Fisheries; Inland waterways
- Textile; Clothing; Leather; Foot ware
- Transport (Including civil aviation; Railways; Road Transport)
- Transport Equipment manufacturing
- Utilities (Water; Gas; Electricity)
- Other:

5. How many employees does your business have? * (Mark only one oval).0-9

- 10-49
- 50-99
- 100-250
- over 250

6. For how long has your business been in operation? * (Mark only one oval)

- less than 1 year



- 1-5 years
- 5-10 years
- more than 10 years

7. What is the annual Turnover of the business *(Mark only one oval).

- Micro enterprises have a maximum annual turnover of Ksh 500,000 (\$5,000).
- Small enterprises have between \$5,000- \$50,000 annual turnovers.
- Medium enterprises turnover of between \$ 50,000-US\$8 million.

Section B:

8. What is your position in the business?

- Manager
- Owner
- Other.....

9. What is your Gender?

- Male
- Female
- Others
- Prefer not to say

10. What is your age?

- Less than 30 years
- 30 - 39 years
- 40 - 49 years
- 50 -above

11. What is your highest level of education? * (Mark only one oval.)

- Primary
- O-level
- A-level
- Diploma
- Degree
- Post Graduate
- Other:

12. Identify the top 5 key challenges your business faced during COVID -19 *(Check all that apply)

- Lack of finance
- Self-doubt and fear
- Unfavourable laws, policies and regulations
- Reductions in employees/working hours
- Difficulties adjusting to remote work
- High financial losses
- Reduced sales volume
- Inability of meeting contract terms
- Lack of customers
- Unavailability skilled employees
- Inadequate networks and connections
- Lack of Social support
- Lack of Mentors who can guide business

13. Kindly identify top 5 key business survival strategies that your business used during the pandemic * (Check all that apply)

- Temporary closure
- Relocation
- Changed operation hours/schedules
- Went into online/remote work
- Expanding into new markets
- Created new ways to deliver products and services
- Diversification
- Created new ways to connect with customers.
- Merging/Buyouts
- Employees took salary pay cuts
- Restructuring of loans
- Utilizing government stimulus packages
- Downsizing/Restructuring
- Reduced prices of commodities
- Negotiation with suppliers
- Other:

14. How would you rate your overall operational/financial performance of your business? * (Mark only one oval per row)

	Low	Moderate	High
Before COVID -19 pandemic			
During the pandemic			
During the recovery from pandemic (post containment measures)			

15. How do you best describe the number of employees? *(Mark only one oval per row)

	Decreased	No Change	Increased
Before COVID -19 pandemic			
During the pandemic			
During the recovery from pandemic (post containment measures)			

16. How do you rate your cost of finance/cost of doing business? * Mark only one oval per row.

	Decreased	No Change	Increased
Before COVID -19 pandemic			
During the pandemic			
During the recovery from pandemic (post containment measures)			

17. How do you rate your cost of logistics (i.e., transport)?

	Decreased	No Change	Increased
Before COVID -19 pandemic			
During the pandemic			
During the recovery from pandemic (post containment measures)			

18. How do you rate your cost of acquisition for Raw materials? *(Mark only one oval per row)

	Decreased	No Change	Increased
Before COVID -19 pandemic			
During the pandemic			
During the recovery from pandemic (post containment measures)			

19. How do you rate your cost of labour? * (Mark only one oval per row)

	Decreased	No Change	Increased
Before COVID -19 pandemic			
During the pandemic			
During the recovery from pandemic (post containment measures)			

20. How best would you describe the rate of investment in the business? * (Mark only one oval per row)

	Decreased	No Change	Increased
Before COVID -19 pandemic			
During the pandemic			
During the recovery from pandemic (post containment measures)			

21. We are expecting the levels of our business activities to increase post COVID -19 (Mark only one oval).

- Strongly Disagree
- Disagree
- Neither
- Agree
- Strongly Agree

22. We expect our business performance (finance and operation) to increase post COVID -19

*(Mark only one oval)

- Strongly Disagree
- Disagree
- Neither
- Agree
- Strongly Agree

23. Would describe the effects of challenges and factors on country performance amid COVID -19 the following areas: * (Mark only one oval per row.)

Effect	Low	Moderate	High
Transport and Logistics _____			
Market access _____			
Peace and security _____			
Simplifying business processes _____			
Corruption _____			
Free movement of goods _____			
Free movement of labour _____			
Free movement of services _____			
Free movement of capital _____			

Section C: Perceptions on the effects of the COVID -19 pandemic

Kindly tick where appropriate

24. How was the negative impact of the following aspects on business during the COVID -19 pandemic? * (Mark only one oval per row.)

Effect	No impact	Moderate impact	High impact
Restriction of movement of persons			
Restriction of movement of goods e.g., raw materials			
Cost of access to finance, capital and financial liquidity			
Interrupted international value chains			
Work absenteeism			
Demand of goods			

25. What containment and mitigation measures affected your business the most? *(Check all that apply)

- Curfews
- Banning of public gatherings countrywide
- Banning of in-person meetings
- Wearing of masks
- Requirement for COVI-19 tests
- Requirements for temperature checks
- Social distancing
- Requirement for letters for provision of critical services
- Border Closures
- Airspace closures
- Inter-country movement restrictions
- Other:

26. Were the containment measures instituted by respective governments were effective in addressing the pandemic * (Mark only one oval)

- Yes
- No



Section D: Business outlook and government interventions (Kindly tick where appropriate)

27. In relation to the options below, please select which business outlook best describes your 2022/2023 expectations and beyond. * (Mark only one oval per row)

Threat	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The Government has supported our business post COVID to regain our foothold					
My assessment of the business climate in our country post COVID -19 is great					
I perceive our business expectations for activity levels post COVID -19 as highly optimistic/High expectations					
I perceive our business performance expectations for our current activity as highly optimistic/High expectations					
We are planning to expand to more markets in the EAC in the near future					

28. Please comment on the intervention by the government during COVID -19 pandemic (Mark only one oval per row.)

Intervention	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The government interventions are people centred					
The Government has so far recognized and targeted those sectors and groups that are most severely impacted and are either already or likely to be left behind					
The Government has put aside some income support for workers and small business firms who lost their job because of different economical and other reasons					

29. Which factors in the Business Environment are likely to favour/attract/discourage your future investment in the country? *(Mark only one oval)

- Competition
- cost of labour
- Availability of raw materials
- Political Stability
- Technology
- Other:

30. What is your expected Business Recovery time? * (Mark only one oval)

- Less than 6 months
- Between 6 months to 1 year
- Between 1 year and 2 years
- Between 2 to 5 Years
- Over 5 Years
- Don't Know

31. What policy support would you recommended? * (Check all that apply)

- Subsidized business loans
- Restructuring of business loans
- Cash transfer
- Capacity building of SMEs on technology
- Rental or utilities subsidies
- Provision of subsidized inputs or services
- Tax cuts and tax breaks
- Reduced income tax for employees
- Unemployment benefits
- Favourable government policies and regulations
- Improved investment climate
- Assistance to get additional markets
- Other:



Appendix 2: Key Informant Interview Guide

Interview Guide (Leadership of Private Sector Associations)

1. What was the impact of COVID 19 on private sector businesses in your country?
2. What sectors were the most hit by the negative effects of COVID -19 pandemic?
3. What was the impact of COVID 19 investment in your country?
4. How did COVID -19 pandemic affect employees of your private sector businesses?
5. What are the key challenges and factors affecting EAC partner states performance amid COVID 19?
6. What are the COVID -19 related measures put in place by your government?
7. Were the measures put in place by the government effective?
8. Did the government consult the private sector on the measures put in place?
9. What new economic incentives/stimulus package have been put in place by the government in your country to assist business in economic recovery from the pandemic?
10. In your opinion are your private sector businesses planning to increase, reduce or maintained their level investment in the EAC market?
11. What are your recommendations on how best the EAC partner states can implement a regional coordinated approach to build better businesses and economies?
12. What are your recommendations to your members to build better businesses and economies?
13. What are the strategic measures EAC countries should adopt in order to recover faster from COVID 19?
14. What is your level of confidence on the performance of business going forward?
15. What is your level of confidence on new investment going forward?

Interview guide for Policy Makers

1. How did the country perform economically during the COVID -19pandemic (GDP, Investment performance)?
2. What sectors were most affected and why?
3. What are the interventions that the government put in place to prevent spread of COVID -19?
4. Was there any coordinated intervention as EAC partner states?
5. How effective were these interventions in preventing the spread of COVID -19?
6. Did these interventions/measures affect businesses?
7. If it affected business how did government support business during this difficult period of the pandemic?
8. What are some of the lessons drawn how the government handled the pandemic and how would you do things differently?
9. How is the government helping businesses recover from the effects of the COVID -19 pandemic?
10. Are there any recommendations for businesses or EAC partner states on how they can better handle such incidences in future?
11. What advice would you give the private sector businesses on how to rebound from the effects of the COVID -19 pandemic?
12. What is your outlook in terms of economic growth and recovery as a country and region?

Appendix 3: Work plan Schedule

Task	Month
Kick Off Meeting	March 2022
Preparation of Inception Report	March 2022
Presentation of the Inception Report and Incorporating Comments	April 1 st 2022
Literature review, preparation of data collection instruments, obtaining of lists of businesses in EAC countries, training of research assistants	April 1 st to 7 th 2022
Data Collection	April 8 th to May 8 th 2022
Development of draft report	May 9 th to 19 th 2022
Presentation of Draft Report and inclusion of comments on the draft report-Internal Validation	May 20 th 2022
Incorporation of Comments	May 23 rd to May 24 th 2022
Submission of final report and recommendations	May 25 th 2022
Webinar to present Final Report	May 26 th 2022
Development of Policy brief containing a summary of both findings of Barometer of EAC Business and Investment amid COVID -19 and key recommendations	May 26 th to May 30 th 2022
Project Closure	May 31 st 2022
Total Days	30 Billable Days





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