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REPORT

ON THE EASE OF DOING BUSINESS IN THE EAST AFRICAN COMMUNITY (EAC) 2023

AUGUST 2023

SUBMITTED BY: EAST AFRICAN BUSINESS COUNCIL

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This study was carried out by the East African Business Council (EABC) on behalf of the GIZ Programme 'Support to East African Integration'. Its contents do not necessarily reflect the views of the German Development Cooperation.

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LIST OF ABBREVIATIONS

AEO	Authorized Economic Operator
AfCFTA	African Continental Free Trade Area
BCS	Business Climate Survey
BIF	Burundian Franc
BMZ	German Federal Ministry for Economic Cooperation and Development
CDF	Congolese Franc
CET	Common External Tariff
COMESA	Common Market for Eastern & Southern Africa
CU	Customs Union
DRC	Democratic Republic of the Congo
EABC	East African Business Council
EAC	East African Community
ECTS	Electronic Cargo Tracking System
FDI	Foreign Direct Investment
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
ICT	Information and Communication Technology
KShs	Kenya Shilling
MARKUP	Market Access Upgrade Programme
MDAs	Ministries, Departments and Agencies
MENA	Middle East and North Africa
MSMEs	Micro Small and Medium Enterprises
NTBs	Non-Tariff Barriers
OSBPs	One-Stop Border Posts
PPD	Public Private Dialogue
PPP	Public Private Partnership
PTB	Physikalisch-Technische Bundesanstalt (German National Metrology Institute)
RCTGS	Regional Cargo Tracking and Transit System
RECs	Regional Economic Communities
RSS	Republic of South Sudan
RWF	Rwandese Franc
SADC	Southern African Development Community
SCT	Single Customs Territory
SEAMPEC II	Support to East African Integration Programme
SOAPs	Stay of Applications
SSP	South Sudanese Pound
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TShs	Tanzania Shilling
UGX	Uganda Shilling
VAT	Valued Added Tax

WB World Bank
WTO World Trade Organisation

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EXECUTIVE SUMMARY

This report is organized into seven (7) sections:

Section 1: Introduction: This section briefly outlines the progress on EAC integration, provides background information on SEAMPEEC II, and discusses the objectives and rationale of the survey.

Section 2: Literature Review: This section focuses on providing a comprehensive background on the ease of doing business in the EAC and the implementation of business reforms by EAC Partner States.

Section 3: Scope of Work and Methodology: This section deals with the methodology for conducting a survey on the ease of doing business and data collection.

Section 4: Analysis of the Survey: This section focuses on the analysis of the survey indicators and provides a summary of the findings.

Section 5: Recommendations: This section contains recommendations to improve the ease of doing business in the EAC.

Section 6: Limitations of the Survey: This section covers the limitations of the survey on the ease of doing business in the EAC.

The report concludes with Section 7, which provides the report's overall conclusion.

A total of 252 respondents participated in the survey. Further review of the responses revealed that 52% of all the respondents, equivalent to 133 companies, were from Trade in Goods, while 47% of all the respondents, equivalent to 119 companies, were from Trade in Services. Based on the analysis of 252 companies that fully responded to the questionnaire in Trade in Goods and Trade in Services, the perceived ease of doing business within the region was overall ranked as Moderate (Rank 3.09). The surveyed EAC companies ranked all eight indicators as moderate.

The ranking of the eight indicators was as follows paying taxes (Rank 3.21), regulations for starting and operating a business (Rank 2.66), government operations (Rank 3.41), infrastructure development (Rank 2.76), trading across borders (Rank 3.12), making cross-border payments (Rank 2.73), Removal of trade restrictions (3.37), and trade finance (Rank 3.46). Starting and operating a business was ranked as the moderate with a rank of 2.66, while trade finance was ranked as the hardest with a rank of 3.46.

The positive progress companies perceived in the ease of doing business in the region includes starting and operating a business and the ease of money remittance across the region.

Companies also mentioned the following positive initiatives that have eased doing business in the region: continuous government reforms, commitment to enact business-friendly laws, the existence of favorable political and economic stability in the region, enhanced government collaboration with the private sector in policy formulation and investments through Public-Private Partnerships (PPPs), increased investment and development of infrastructure and human capital through education, and government participation in regional and continental integration processes.

Companies identified the main challenges to the ease of doing business in the EAC. These challenges include trade finance, specifically the availability of foreign currency, affordability of interest rates, and access to loans/credit. Another significant challenge is government operations, particularly related to receiving payments from the government for supplied goods and services, securing government tenders, and obtaining tax refunds, tax appeals, rulings, and customs valuation.

Additionally, the removal of trade restrictions, including the elimination of trade barriers and the resolution of tariff and non-tariff barriers, and trading across borders pose challenges. These challenges encompass the recognition of professional qualifications and the mobility of workers across borders, the application of harmonized EAC quality standards, and the movement of temporary service providers and clearance of goods at the border.

Companies also highlighted persistent cross-border restrictions and high trading costs as significant challenges to the ease of doing business in the region.

To improve the ease of doing business in the region, EAC should address the afore-mentioned challenges. The companies also recommended that EAC Partner States should: enhance border efficiency to facilitate trade processes on the movement of goods and people; RSS and DRC should expedite the implementation of EAC commitments such as the Single Customs Territory (SCT), EAC Common External Tariff (CET), and Common Market commitments; further invest in infrastructure, especially transport and communications networks; address language barriers by translating official documents into French; and establish sector-specific Public-Private Dialogues (PPDs) to tackle trade and investment constraints more effectively.

1 INTRODUCTION

According to the 2019 Africa Regional Integration Index (ARII), the EAC is the most integrated economic bloc among the eight regional economic communities (RECs) recognized by the African Union (AU). The ARII assesses African regional integration based on five indicators: free movement of people, infrastructure integration, macroeconomic integration, productive integration, and trade integration. Notably, the EAC scores the highest in the free movement of people indicator, macroeconomic integration, and infrastructure integration more than other regions. However, the region did not perform well on trade integration and productive integration indicators due to low intra-EAC trade and investment.

Nevertheless, following the decline of COVID-19, the region has begun to experience steady increases in intra-EAC trade. Intra-EAC trade, accounting for imports and exports in the seven EAC Partner States, grew from 13% in 2019, valued at USD 7.1 billion, to 15% in 2021, valued at USD 9.5 billion. By September 2022, EAC's trade value reached USD 10.17 billion, representing a 20% share of intra-trade within global trade, which stood at USD 62 billion. The region also displayed resilience through increased public investment in 2021, driven mainly by the service and industry sectors on the supply side. Overall, Foreign Direct Investment (FDI) in the region (USD 4.7 billion) exceeded investments by its citizens outside the region (USD 160 million) in 2021.

Despite this progress, persistent Non-Tariff Barriers (NTBs) and protectionist tendencies by EAC Partner States have been identified as key factors hindering the growth of intra-EAC trade. Consequently, the EAC private sector has called for effective mechanisms to eliminate NTBs in the region.

The "Support to East African Integration"(SEAMPEC II) programme 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). The programme aims to improve framework conditions for economic growth in the EAC, including removing identified trade barriers and providing game-changing policy recommendations to inform government decisions and foster a more conducive business environment. Additionally, the programme supports selected economic sectors in implementing regional agreements that enhance conditions for increased value addition. To assess the ease of doing business within the region, GIZ in collaboration with EABC conducted a survey for 200 hundred companies from the Trade in Goods and Trade in Services sectors in the seven EAC Partner States. The survey was guided by the following rationale:

- i. Measurement of Current Status: A survey was conducted to establish the then-current level of ease of doing business within the region. Data was collected from the selected companies to provide a comprehensive understanding of the existing challenges and

barriers faced by businesses operating in the Trade in Goods and Trade in Services sectors. This information served as a reference point for future assessments and interventions.

- ii. **Policy Formulation and Decision-Making:** The survey findings provided valuable insights for policymakers, government agencies, and other stakeholders involved in enhancing the business environment within the region. By identifying specific challenges and areas requiring improvement, the survey significantly contributed to evidence-based policy formulation and decision-making processes. It enabled stakeholders to prioritize interventions, effectively allocate resources, and design targeted initiatives.
- iii. **Stakeholder Engagement and Collaboration:** The survey facilitated stakeholder engagement and collaboration. Through data collection and consultations, the survey involved the participation of 252 companies operating in the Trade in Goods and Trade in Services sectors across the EAC region. Engaging these stakeholders created a sense of ownership, ensuring their perspectives and experiences were considered in the assessment. Regular communication and collaboration enhanced the effectiveness and relevance of the survey process and subsequent interventions in the future.
- iv. The survey's findings could be used for private-public dialogue and provide relevant inputs for policy advocacy in the reform process within the region. It motivated the government and stakeholders to pursue reforms.

1.1 Objectives of the Survey

The main objective of the survey was to establish the current status of doing business in the EAC region. The survey was guided by the following specific objective: 200 companies from the Trade in Goods and Trade in Services sectors have confirmed that the ease of doing business within the region has improved by 1 point on a scale from 1 (very easy) to 5 (very hard).

Other objectives included:

- i. **Determine the extent of improvement required:** By comparing the score with the target of improving the ease of doing business by 1 point, the survey aimed to identify the gap that needed to be addressed. This objective helped in setting realistic and achievable goals for improving the business environment in the region.
- ii. **Identify key challenges and barriers:** The survey intended to identify the major obstacles and challenges faced by companies operating in the Trade in Goods and Trade in Services sectors within the region. This objective involved gathering data on specific areas such as regulatory frameworks, access to finance, infrastructure, trade facilitation, and other relevant factors influencing the ease of doing business.
- iii. **Assess the impact of existing policies and initiatives:** The survey sought to evaluate the effectiveness of existing policies and initiatives aimed at improving the business environment within the region. This objective provided insights into the strengths and

weaknesses of current interventions, enabling stakeholders to make informed decisions on potential adjustments.

- iv. Provide recommendations for enhancing the ease of doing business: Based on the findings of the survey, the report aimed to provide actionable recommendations to ease doing business in EAC by policymakers, government agencies, and other relevant stakeholders.

2 LITERATURE REVIEW

2.1 Ease of Doing Business in EAC

From 2003 to 2020, the World Bank's annual publications in the Doing Business Report have been used to provide objective measures of business regulations and their enforcement across 190 economies and selected cities at the subnational and regional levels. The World Bank's Doing Business Reports focused on domestic small and medium-sized companies and measured the regulations applying to them throughout their life cycle. The reports are used to capture dimensions of the regulatory environment as they apply to local firms. They provided quantitative indicators on regulations for starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency.

By comparing business regulation environments across economies and over time, the Doing Business Reports inspired nations or regions to undertake various reforms aiming to create a conducive business environment and hence ease of doing business. Many economies were competing to achieve more efficient regulations, as the Doing Business Reports were considered important benchmarks for reform, and countries that were ranked highly were seen as attractive for investment.

In addition to the aggregate ranking of economies on the ease of doing business, the reports provided regional average rankings on the topics included in the ease of doing business ranking and the ease of doing business score. The ease of doing business score captures the gap of each economy from the best regulatory performance observed on each of the indicators across all economies in the Doing Business sample since 2005. An economy's ease of doing business score was reflected on a scale from 0 to 100, where 0 represented the lowest and 100 represented the best performance. The ease of doing business ranking ranged from 1 to 190.

Regarding regional average ranking, the Doing Business Reports have compared the EAC's average with averages from other Regional Economic Communities (RECs). For example, the comparison of the EAC's average with the averages of the Southern African Development Community (SADC) and the Middle East and North Africa (MENA) for 2018 shows the EAC region as an attractive investment destination due to several key business reforms it has undertaken, as demonstrated by the rankings.

Table 1: How EAC Partner States Rank on the Ease of Doing Business

S/N	Country	Rank	Score *
1	Rwanda	29	77.88%
2	Kenya	61	70.31%
3	Uganda	127	57.06%
4	Tanzania	144	53.63%
5	Burundi	168	47.41%
6	South Sudan	185	35.34%

Source: Doing Business 2019 Regional Profile EAC

Note:

(i) *The ranking and Scoring here do not capture analysis from the Democratic Republic of Congo (DRC) as in 2019 it was not a member of EAC but rather a member of SADC.*

**(ii) The ease of doing business score captures the gap of each economy from the best regulatory performance observed on each of the indicators across all economies in the Doing Business sample since 2005. An economy's ease of doing business score is reflected on a scale from 0 to 100, where 0 represents the lowest and 100 represents the best performance. The ease of doing business ranking ranges from 1 to 190.*

Table 2: How on Average EAC Economy Ranks on Ease of Doing Business in Comparison with SADC & MENA

Regional (Avg)	EAC (Avg)	SADC (Avg)	MENA (Avg)
Rank	119	121	112
Ease of Doing Business Score (%)	56.94	57.25	58.30

Source: Doing Business Report 2019, Regional Profile of EAC, SADC and MENA, World Bank Group.

Table 3: How EAC Ranks on all Topics/Indicators against SADC & MENA

10 Topics	Ranking and Score	EAC (Avg)	SADC (Avg)	MENA (Avg)
Starting a Business	Rank	116	133	113
	Score (%)	79.82%	78.58%	82%
Dealing with Construction	Rank	143	109	98
	Score (%)	59.07%	63.89%	59.17%
Getting Electricity	Rank	129	130	94
	Score (%)	48.45%	57.62%	69.54%
Registering Property	Rank	112	118	90
	Score (%)	59.02%	56.22%	62.11%
Getting Credit	Rank	83	93	129
	Score (%)	55.00%	51.88%	36.00%
Protecting Minority Investors.	Rank	96	104	101
	Score%	53.33%	51%	51.83%
Paying Taxes	Rank	97	97	83
	Score	69.75%	69.10%	74.52%
Trading Across Border	Rank	142	119	121
	Score	50.59%	61.46%	60.17%
Enforcing Contract	Rank	91	131	105
	Score	57.01%	47.59%	55.04%
Resolving Insolvency	Rank	110	117	121
	Score	37.36%	34.85%	32.69%

Source: Doing Business Report 2019: Regional Profile of EAC, SADC & MENA, World Bank Group

Based on the above analysis of the World Bank's Doing Business findings, it is evident that the EAC average rank as a bloc was performing very well in terms of ease of doing business. In fact, in 2019, the EAC emerged as the best Regional Economic Community (REC) when compared with SADC and MENA. The average scores for the three regions in 2019 for EAC, SADC, and MENA were 56.94%, 57.25%, and 58.30%, respectively. The good ranking of the EAC was mainly attributed to the strong performance of Rwanda and Kenya. For a number of years, Rwanda consistently emerged as the best-ranked country in the EAC and was one of only two countries in Africa to be among the top 50 in the world. The other country that used to have the best ranking in Africa was Mauritius, which is grouped within SADC.

2.2 Implementation of Business Reforms by EAC Partner States

For several years, the EAC Partner States have been implementing business reforms to create a conducive business environment for investment, competitiveness, and wealth creation. Some of the business reforms have been inspired by the WB Doing Business Report, while others were carried out to comply with regional and international commitments. More

importantly, certain reforms were undertaken in response to private sector advocacy or the initiatives of respective governments.

Noting that the WB Doing Business Report was discontinued in 2021, it is evident that most of the business reforms inspired by the Report were those recorded in the last Business Doing Report of 2020. Other business reforms, especially those related to fiscal changes, can be discerned by assessing the National Budgets of Partner States. Many of these relate to trade and compliance with regional and international commitments, as reported in both EAC and national reports.

In summary, the 2023/24 National Budgets of EAC Partner States contain certain tax measures that influence the ease or difficulty of doing business. Specific tax measures from the 2023/23 National budgets of some EAC Partner States are attached to this report as Annex I.

Some of the reforms adopted by EAC Partner States in compliance with regional or international commitments may broadly encompass the following areas:

- i. Adoption and implementation of the new EAC Common External Tariff (CET) 2022 Version with four bands.
- ii. Progressive implementation of the EAC Single Customs Territory (SCT) Framework.
- iii. Deployment of the Electronic Cargo Tracking System (ECTS) along the Northern and Central Transport Corridors.
- iv. Usage of the COMESA Regional Customs Transit Guarantee Scheme (RCTGS) as a single customs bond guarantee along the Northern and Central Corridors.
- v. Sustained operation of One-Stop Border Posts (OSBPs) in EAC Borders.
- vi. Implementation of the WTO Trade Facilitation Agreement. vii. Liberalized 90.2% of EAC Trade with the Rest of African Countries under AfCFTA: EAC Tariff Concession for Category A Products was Gazetted on 30th May 2023.
- vii. Upscaling the uptake of the EAC Authorised Economic Operators (AEO) Scheme.
- viii. Progress on the Elimination of Non-Tariff Barriers (NTBs).
- ix. Adoption of Harmonized EAC Product Standards.
- x. Adoption of the EAC Strategy on Trade in Services and Workplan on Implementation of Trade in Services.

In principle, the World Bank Doing Business surveys were considered notable regulatory baselines and have been valuable sources of information for both public and private stakeholders regarding the measurement of the ease of doing business across the world. However, after data irregularities in the Doing Business reports for 2018 and 2020 were reported internally in June 2020, the World Bank published the next Doing Business Report in 2021 before deciding to discontinue the Doing Business Report in September 2021.

To address the information gap created by the discontinuation of the WB Doing Business Reports and related challenges in computing the indicators, many institutions opted to conduct enterprise baselines. Such an enterprise baseline is complementary to a regulatory baseline and provides firsthand accounts of the challenges faced by entrepreneurs in firms of various sizes and sectors, which might not be captured in existing national studies. Data on processes and perceptions can be directly collected from a sample of firms. This is commonly referred to as a Business Climate Survey (BCS) or an enterprise survey, often used to capture the experiences and perceptions of MSMEs.

3 SCOPE OF WORK AND METHODOLOGY

3.1 Methodology and Data collection

3.1.1 Methodology for Conducting a Survey of the Ease of Doing Business

The survey targeted 252 selected companies from the Trade in Goods and Trade in Services sectors as a representative sample across the seven EAC Partner States. The survey was conducted from 13th June to 21st July 2023. The Partner States involved in the survey are Burundi, the Democratic Republic of the Congo (DRC), Kenya, Rwanda, South Sudan, Tanzania, and Uganda. Most companies included members of EABC and/or National Apex Associations of the respective countries. The selection considers factors such as company size, sector's representatives and the size of economies to ensure diversity and true representativeness.

The survey was designed to measure a set of regulations and procedures that apply to the selected 252 companies when doing business. It focused on providing qualitative indicators on regulation and procedures for eight (8) selected main indicators. The survey looked at the perception of the representatives of the selected companies on the ease of doing business across the EAC Partner States. The selected indicators of the ease of doing business among others related to the specific objective of the survey as well as the EAC and AfCFTA integration process were:

- Ease of Payment of Taxes
- Regulations for Starting and Operating a business.
- Government Operations
- Removal Trade Restrictions
- Infrastructure Development
- Access to Finance
- Trading Across Borders
- Cross-Border Payment

Aiming to gather relevant and credible information regarding ease of doing business, a structured questionnaire was developed.

In measuring the ease of doing business in the EAC Partner States, the selected eight indicators were divided into various sub-indicators, and the scale of ranking against the indicator was from 1 to 5 points, starting with Scale 1 as Very Easy to 5 as Very Hard.

To rank the responses as either 1 - Very Easy, 2 - Easy, 3 - Moderate, 4 - Hard, or 5 - Very Hard, the weighted average method was used. This was done by adding the responses provided on an indicator against a rank and then dividing by the total number of responses as the sum of all weights. For this purpose, the rank on the scale from 1 – Very Easy to 5 – Very Hard was treated as weights.

The formula for calculating the weighted average using the rank-based weights is as follows:

$$\text{Weighted Average (WA)} = (\sum (\text{Response} \times \text{Rank})) / \sum \text{Response}$$

Where:

- WA = Weighted Average
- Σ = Summation symbol (sum of values)
- Response = The numerical value of the response for a specific indicator
- Rank = The rank assigned to the response on the scale (1 for Very Easy, 2 for Easy, 3 for Moderate, 4 for Hard, and 5 for Very Hard)

The same approach was used to calculate the weighted average response rank for the proposed indicators on the ease of doing business in the sub-sections of the analysis. **Table 4** below demonstrates how the indicators were ranked.

Table 4: Indicators used in the Survey

S/N	Indicator	Description	Measure
1.	Ease of Payment of Taxes	This indicator has five (5) proposed sub-indicators to measure the perception of the companies on taxation. These include: a) Comply with tax requirements. b) Obtaining refunds on taxes from revenue authorities. c) Tax assessments. d) Access to information on taxes. e) Tax rulings and appeals f) Other Specify.	Companies were required to rank this indicator on the Scale from 1 – Very Easy, 2 – Easy, 3 – Moderate, 4 – Hard, to 5 – Very Hard. The rank on the five (5) proposed sub-indicators was used to assess the overall ease of business environment with regards to payment of taxes in the region. To enrich the qualitative analysis of this indicator companies were given the opportunity to specify other

			concerns not identified in the indicators.
2.	Regulations for Starting and Operating a Business.	The indicator has the following five (5) proposed sub-indicators: a) Starting a business b) Business registration c) Issuance of business licence d) Access to information on business fees, levies, and charges e) securing work and residence permits f) Other specify	Companies were required to rank this indicator on the scale from 1 – Very Easy, 2 – Easy, 3 – Moderate, 4 – Hard, to 5 – Very Hard. The rank on the five (5) proposed sub-indicators was used to assess the overall ease of business environment with regards to regulations for starting and operating a business. In addition to the five sub-indicators companies were allowed to specify other concerns which are important to this indicator.
3.	Government Operations	The indicator has the following three (3) proposed sub-indicators: a) Engagement with relevant government Ministries, Departments, and Agencies b) Securing Public/Government tenders c) Receiving payments from the government for goods and services supplied d) Other Specify	Companies were required to rank this indicator on the scale from 1 – Very Easy, 2 – Easy, 3 – Moderate, 4 – Hard, to 5 – Very Hard. The rank on the three (3) proposed sub-indicators was used to assess the overall ease of business environment with regards to government operations. In addition to the three sub-indicators companies were allowed to specify other concerns which are important to this indicator.
4.	Removal of Trade Restrictions	The indicator has the following three (3) proposed sub-indicators: a) Resolution of Non-Tariff Barriers (NTBs) b) Resolution of Tariff Barriers c) Elimination of trade restrictions d) Other Specify	Companies were required to rank this indicator on the scale from 1 – Very Easy, 2 – Easy, 3 – Moderate, 4 – Hard, to 5 – Very Hard. The rank on the three (3) proposed sub-indicators was used to assess the overall ease of business environment with regards to removal of trade restrictions.

			In addition to the three sub-indicators companies are allowed to specify other concerns which are important to this indicator.
5.	Infrastructure Development	<p>The indicator has the following six (6) proposed sub-indicators:</p> <ul style="list-style-type: none"> a) Access to main transport infrastructures: port, roads, railway, and ICT (Information and Communication Technologies) b) Access to trade facilitation services (single window for payment) c) Access to freight and logistics services d) Access to reliable electricity e) Access to the internet f) Access to affordable voice and data calls g) Others specify 	<p>Companies were required to rank this indicator on the scale from 1 – Very Easy, 2 – Easy, 3 – Moderate, 4 – Hard, to 5 – Very Hard. The rank on the six (6) proposed sub-indicators was used to assess the overall ease of business environment with regards to infrastructure development.</p> <p>In addition to the six sub-indicators companies are allowed to specify other concerns which are important to this indicator.</p>
6.	Access to Finance	<p>The indicator has the following three (3) proposed sub-indicators:</p> <ul style="list-style-type: none"> a) Access to credits/loans b) Affordability of interest rate c) Availability of foreign currency (USD). d) Other Specify 	<p>Companies were required to rank this indicator on the scale from 1 – Very Easy, 2 – Easy, 3 – Moderate, 4 – Hard, to 5 – Very Hard. The rank on the three (3) proposed sub-indicators was used to assess the overall ease of business environment with regards to access to finance.</p> <p>In addition to the three sub-indicators companies are allowed to specify other concerns which are important to this indicator.</p>
7.	Trading Across Borders	<p>The indicator has the following eight (8) proposed sub-indicators:</p> <ul style="list-style-type: none"> a) Import and Export documentation b) Import and Export procedures 	<p>Companies were required to rank this indicator on the scale from 1 – Very Easy, 2 – Easy, 3 – Moderate, 4 – Hard, to 5 – Very Hard. The rank on the eight (8) proposed sub-indicators was used to assess the</p>

		<p>c) Clearance of goods at the Border</p> <p>d) Movement of Temporary Service Providers across the Region</p> <p>e) Recognition of Professional Qualification Across the Region</p> <p>f) Mobility of workers across the border</p> <p>g) Application of harmonised EAC quality standards</p> <p>h) Implementation of the EAC Common External Tariff (CET).</p>	<p>overall ease of business environment with regards to trading across borders.</p>
8.	Cross-Border Payment	<p>The indicator has the following three (3) proposed sub-indicators:</p> <p>a) Money transfer/remittance across the Region</p> <p>b) Local currency convertibility (TShs, UGX, KShs, RWF, SSP, BIF, CDF)</p> <p>c) Access to payment platform/system for the Regional transaction (EAC).</p>	<p>Companies were required to rank this indicator on the scale from 1 – Very Easy, 2 – Easy, 3 – Moderate, 4 – Hard, to 5 – Very Hard. The rank on the three (3) proposed sub-indicators was used to assess the overall ease of business environment with regards to making cross-border payment.</p>

3.1.2 Data collection

The survey was undertaken through two main channels:

- a) Secondary data, which was mainly obtained from reviewing literature from credible sources, including, but not limited to, the various reports from EABC, EAC, GIZ, and World Bank (WB) Doing Business Reports. A comprehensive desk review of existing literature was conducted, reports, and data sources related to the ease of doing business in the region, and integration processes in the EAC. The literature review provided background information on the program in relation to EAC and African integration processes, as well as insights into the regulatory frameworks, business environment, and challenges faced by companies in the EAC.
- b) Primary data were obtained by administering questionnaires to 252 companies involved in trade in goods and services across the EAC region. The administration of the questionnaire used different data collection methods, including online surveys using Survey Monkey, and face-to-face interviews. Follow-up on non-response and further clarifications on the survey questions were done through emails and phone calls.

Though this survey has drawn inspiration from the WB Doing Business Report, it is structured as an enterprise baseline survey targeting sample companies across the EAC Partner States. This approach was suitable to establish the current status for the ease of doing business in the EAC. The findings of the survey could be used by the EAC as a baseline or reference for conducting a follow up survey. The report could also be used as a source of secondary data for developing indicators for ranking ease of doing business in the region.

4 ANALYSIS OF THE SURVEY INDICATORS

This section provides an overview of the ease of doing business in the EAC based on the proposed indicators, as reported by companies in the Trade in Goods and Trade in Services sectors. The companies' perceptions are ranked on a scale from 1 (Very Easy) to 5 (Very Hard).

More specifically, the survey covers aspects related to the removal of barriers to trade in goods and services, the reduction of which is pursued at the EAC level (e.g., simplification of border procedures, harmonization of quality standards, harmonization of domestic tax regimes, uniform implementation of the Common External Tariff), and improvement in standards and quality infrastructure.

EABC shared the survey through email circulars and social media with the aim of reaching 300 companies in the goods and services sectors in the EAC. The results of the survey are presented in the subsequent sub-sections.

4.1 Responses to survey questionnaires

A total of 252 respondents participated in the survey.

4.2 Sector Participation:

Analysis of the 252 responses provided to this question found that 53% of all the respondents representing 133 companies were from Trade in Goods and 47% of all the respondents equivalent to 119 companies were from Trade in Services. The overview of the responses according to sector representation is provided in **Figure 1** below:

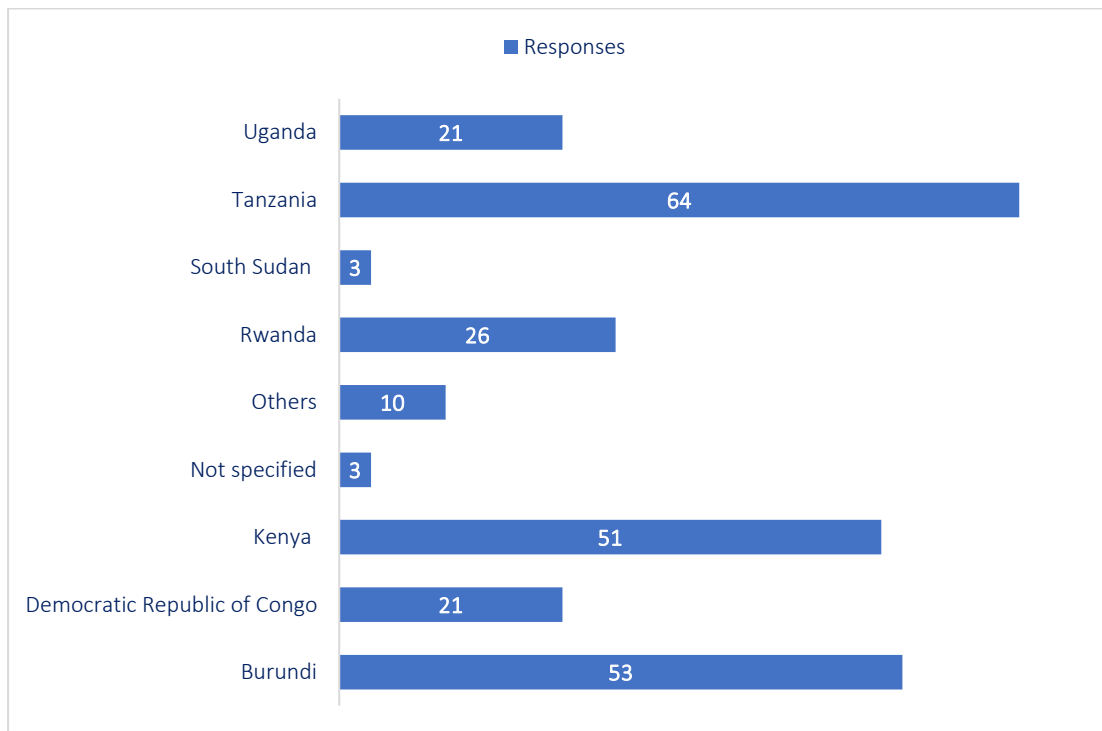
Figure 1: Sectoral Participation in the Survey



4.3 Country representation:

Based on 252 responses collected from the EAC Partner States, most of the respondents were from Tanzania (64 companies), Burundi (53 companies), Kenya (51 companies), Rwanda (26 companies), Uganda (21 companies), Democratic Republic of Congo (21 companies), and South Sudan (3 companies). However, ten (10) responses from other countries such as Belgium (1 company), Denmark (1 company), Ethiopia (2 companies), India (2 companies), Sri Lanka (1 company), Mozambique (1 company), and Nigeria (2 companies) were also received. In addition, three (3) respondents did not specify the name of the country. The distribution of the responses according to countries is provided in **Figure 2** below:

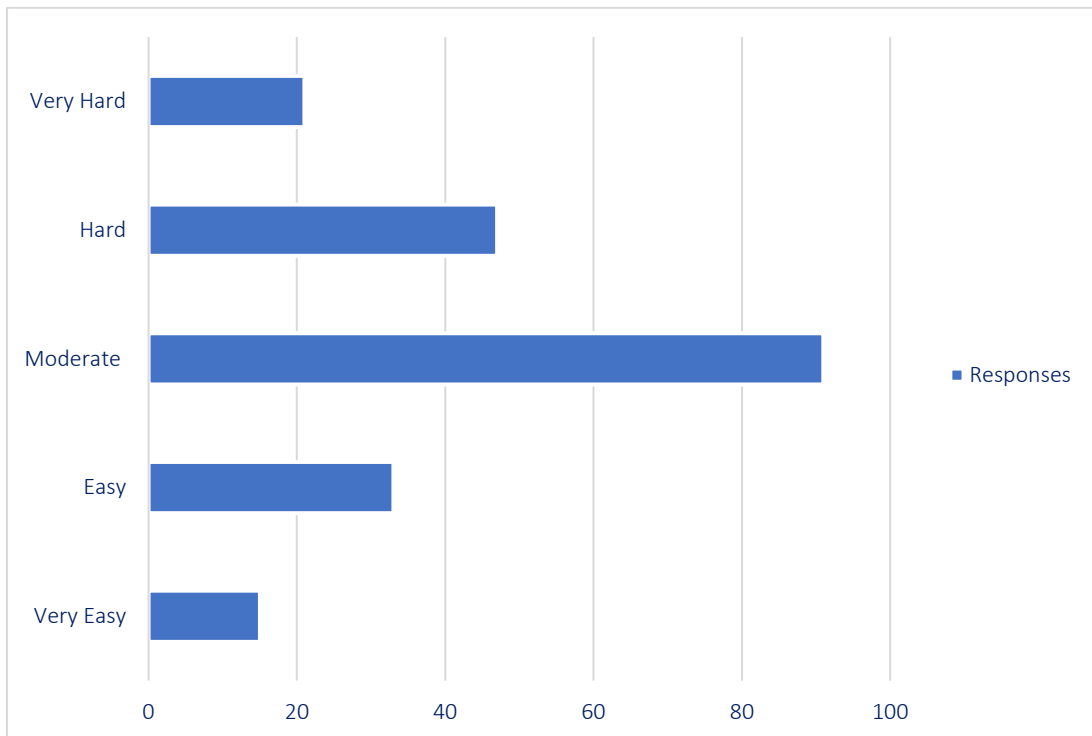
Figure 2: Country Representation in the Survey



4.4 General perception on the Ease of Doing Business in EAC

The respondents were asked to rank their perception of the overall ease of doing business in their countries on a scale of 1 - Very Easy to 5 - Very Hard. The responses of companies from specific Partner States were cumulated to provide the rank of the regional perception of the ease of doing business. Based on the responses provided companies in Trade in Goods and Trade in Services 91 companies perceived the ease of doing business as 3 – Moderate and 47 companies as 4 – Hard, and 21 companies as 5 – Very Hard. Therefore, the general perception of the ease of doing business within the region was reported by companies as Moderate (Rank 3.13). The general responses on the ease of doing business in the region are depicted in **Figure 3** below:

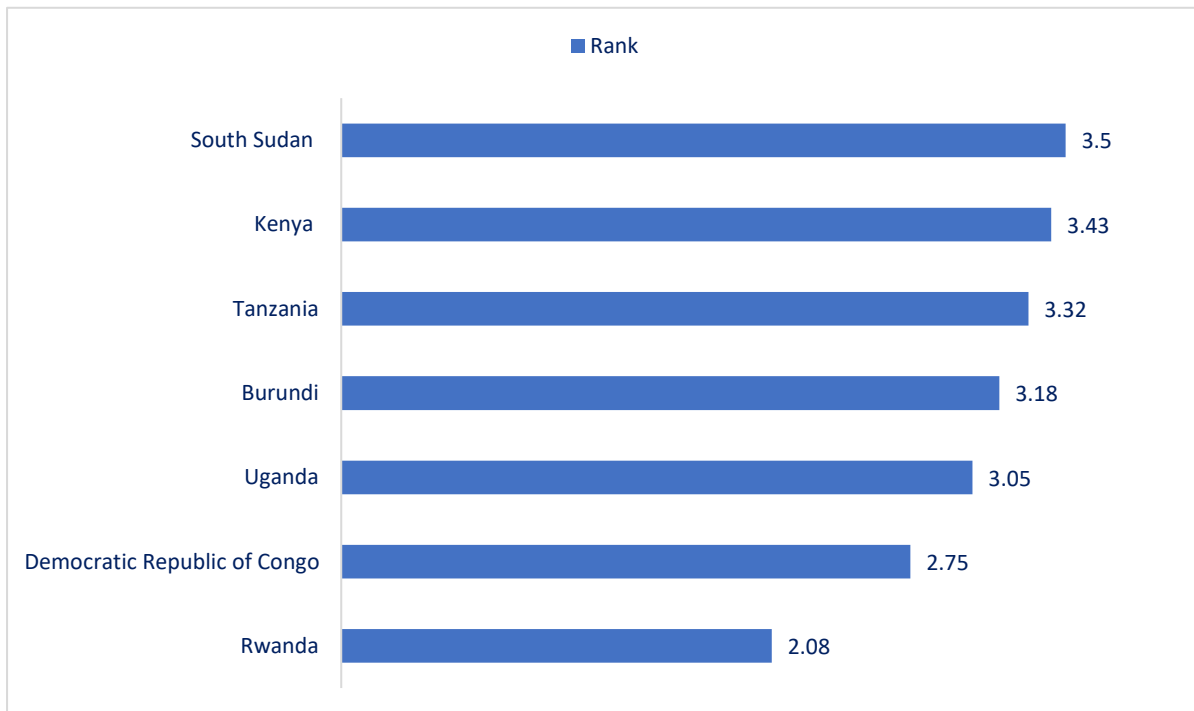
Figure 3: General Rank on the Ease of Doing Business Environment in EAC



4.5 The Ease of Doing Business in the EAC Partner States

The respondents were asked to rank their perception of the ease of doing business in their countries from 1 - Very Easy to 5 - Very Hard. Based on the analysis of the responses, companies from Trade in Goods and Trade in Service ranked the ease of doing business within their countries, notably Rwanda as Easy (Rank 2.08), DRC as Moderate (Rank 2.75), Uganda as Moderate (Rank 3.05), Burundi as Moderate (Rank 3.18), Tanzania as Moderate (Rank 3.32), and Kenya as Moderate (Rank 3.43). However, companies in South Sudan reported the ease of doing business as Hard (Rank 3.5). The perception of the ease of doing business within the EAC Partner States is depicted in **Figure 4** below:

Figure 4: Rank of the Ease of Doing Business in Specific Partner States

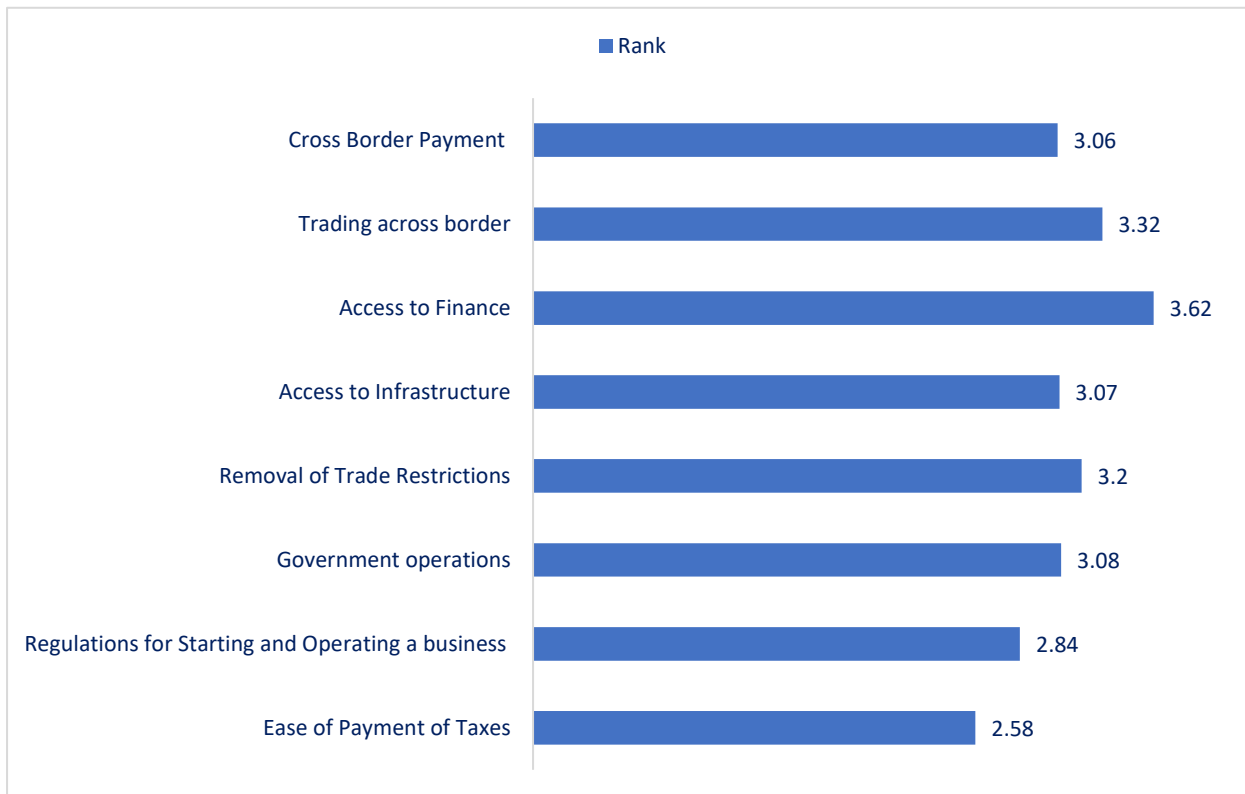


**DRC and South Sudan responses were low to make a conclusive assessment on ease of doing business in the countries.

4.6 General Perception of the Ease of Doing Business in EAC Based on Indicators

252 responses were analyzed to determine the general perception of companies on the business environment in EAC based on the proposed indicators. The ranking of the eight indicators was as follows: paying taxes (rank 2.58), regulations for starting and operating a business (rank 2.84), government operations (rank 3.08), infrastructure (rank 3.07), trading across borders (rank 3.32), making cross-border payments (rank 3.06), Removal of trade restrictions (3.20), and trade finance (rank 3.62). Paying taxes was ranked as moderate 2.58, while trade finance was ranked as the hardest with a rank of 3.62 in ease of doing business. The general perception of the ease of doing business in the EAC based on indicators is provided in **Figure 5** below:

Figure 5: General perception on the ease of doing business in EAC based proposed indicators



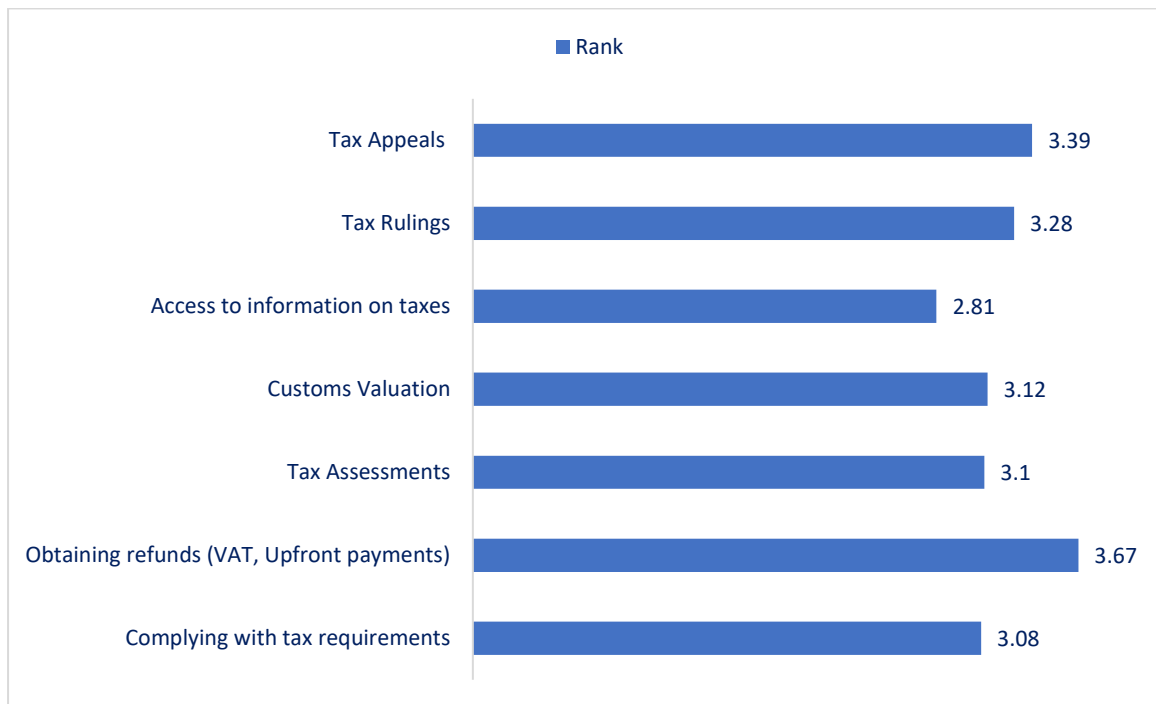
4.7 Specific Business Environment

Respondents provided their perceptions against the provided indicators on the ease of doing business in EAC. The responses are as presented below:

4.7.1 Ease of Paying Taxes

Based on the responses it is perceived that the overall ease of paying taxes was Moderate (Rank 3.21). More specifically accessing information on taxes (Rank 2.81), complying with tax requirements (Rank 3.08), obtaining Tax Assessments (Rank 3.10), obtaining Customs valuation (Rank 3.12), obtaining Tax Rulings (Rank 3.28), and getting Tax Appeals (Rank 3.39) was Moderate. However, companies reported that Paying taxes was Hard (Rank 3.67) in terms of obtaining Tax Refunds (VAT, Upfront payments). The responses on the ease of paying taxes against proposed indicators are as illustrated in **Figure 6** below:

Figure 6: Ease of Paying Taxes in EAC



Companies also stated the ease of doing business in terms of paying taxes shows improvements due to the introduction of *online applications to facilitate tax payments* by businesses across the region. Some of the respondents also noted that through the *application of the EAC Common External Tariff (CET)* basic industrial inputs such as machines and equipment are charged a zero import duty rate thus promoting industrialization.

Companies stated the following challenges in the ease of paying taxes including *a lengthy customs approval processes leading to delays in the release of cargo, arbitrary decisions by customs officials, delays in approval of tax payments, corruption, lengthy refund process and reconciliation of ledgers, denial of self-assessment by traders, and revenue motive by revenue authorities which contravenes with trade facilitation role.*

4.7.2 Regulations for Starting and Operating a Business

Businesses perceive the overall ease of doing business with regards to regulations for starting and operating business as Moderate (Rank 2.66). Specifically, according to the respondents, it was Easy to register businesses in the region (Rank 2.28). However, companies reported the business environment for starting and operating a business in the region as Moderate in regards to acquire a business license (Rank 2.57), start a business (Rank 2.57), access to information on business fees, levies, and charges (Rank 2.80) and secure work and resident permits (Rank 3.09). The respondents' perception of the ease of confirming with government operations is as depicted in **Figure 7** below:

Figure 7: Regulations for Starting and Operating a Business in EAC

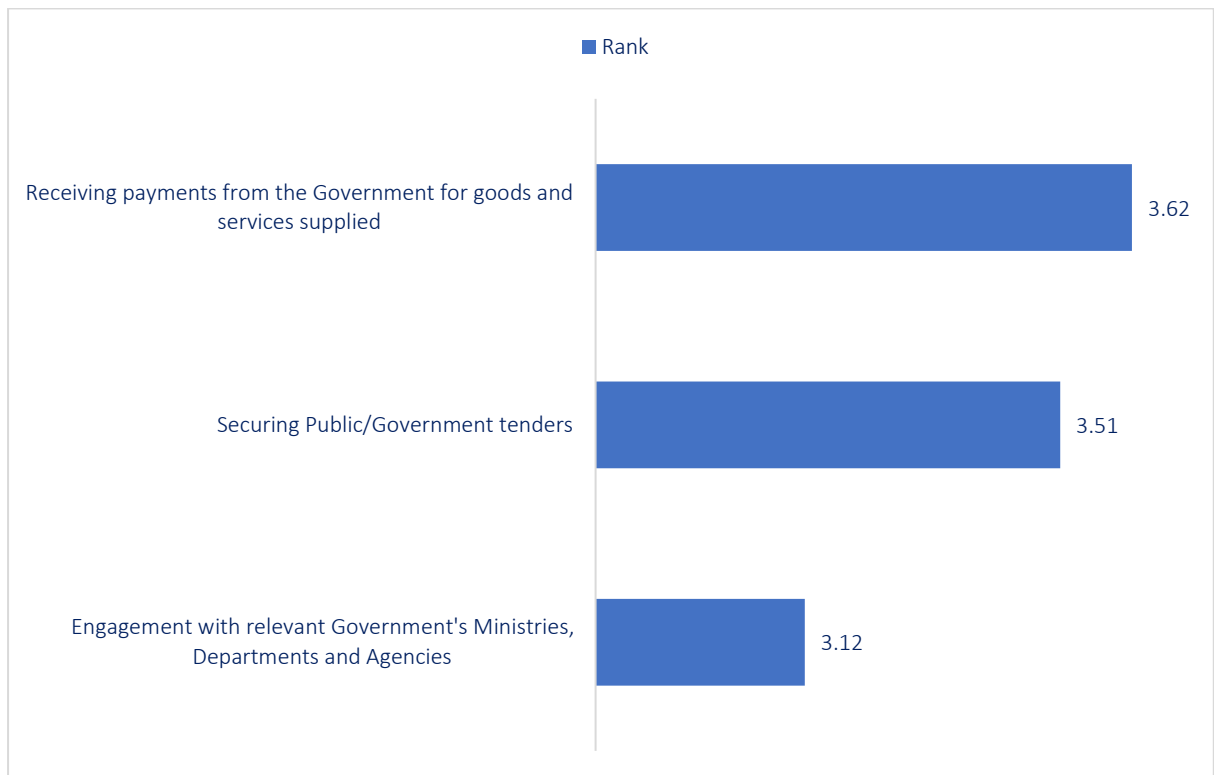


Companies stated improvements on *register businesses including using online mechanisms*. Companies reported the environment for starting and operating is challenged by *Stringent business registration regulation requiring estimates of earnings/turnover before the start of business operations, corruption, acquiring work permits, complex regulations for starting and operating a business for especially MSMEs, the existence of requirements to acquiring a business license and work permit, and licensing is not automated*.

4.7.3 Government Operations

Responses show that companies find the overall ease of doing business in terms of conformity to government operations as Moderate (Rank 3.41). Specifically, engaging with relevant government Ministries, Departments, and Agencies (MDAs) was Moderate (Rank 3.12). However, companies were of the view that the business environment was Hard in relation to securing public/government tenders (Rank 3.51) and receiving payments from the Government for goods and services supplied (Rank 3.62). The respondents' perception of the ease of government operations is as depicted in **Figure 8** below:

Figure 8: Government Operations in EAC

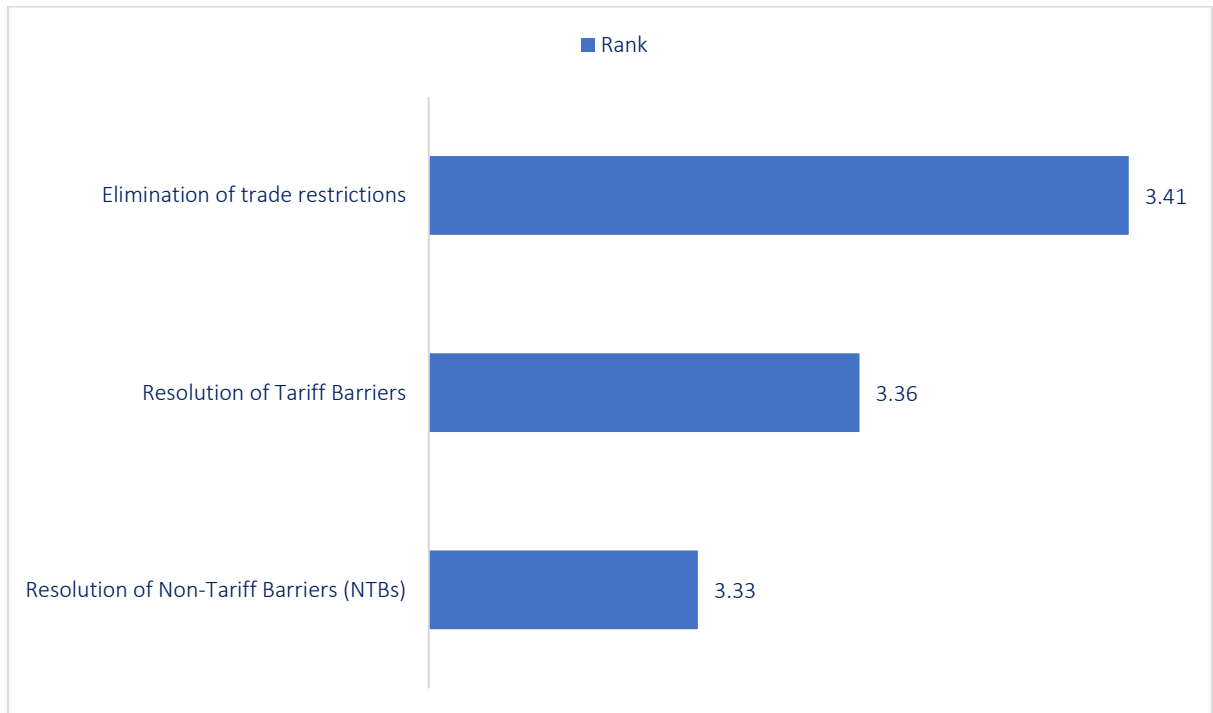


Companies' common challenges on the ease of government operations in the region are such as corruption, inadequate feedback from government MDAs on issues raised by the private sector, government overdue bills exceeding 12 months on average, payment duration being scheduled within 45 days which affects bank interest to suppliers, long outstanding debts on supplies made to MDAs while also still demanding more supplies to be made, unfavorable tendering process, and bureaucracy among government organs.

4.7.4 Removal of Trade Restrictions

Overall companies provided their perception of the ease of doing business with regards to removing trade restrictions in EAC as Moderate (Rank 3.37). Notably, companies specifically reported that the resolution of Non-Tariff Barriers (NTBs) (Rank 3.33), resolution of Tariff Barriers (Rank 3.36), and elimination of trade restrictions (Rank 3.41) as Moderate. The responses to the ease of doing business regarding removal of trade restrictions are depicted in Figure 9 below:

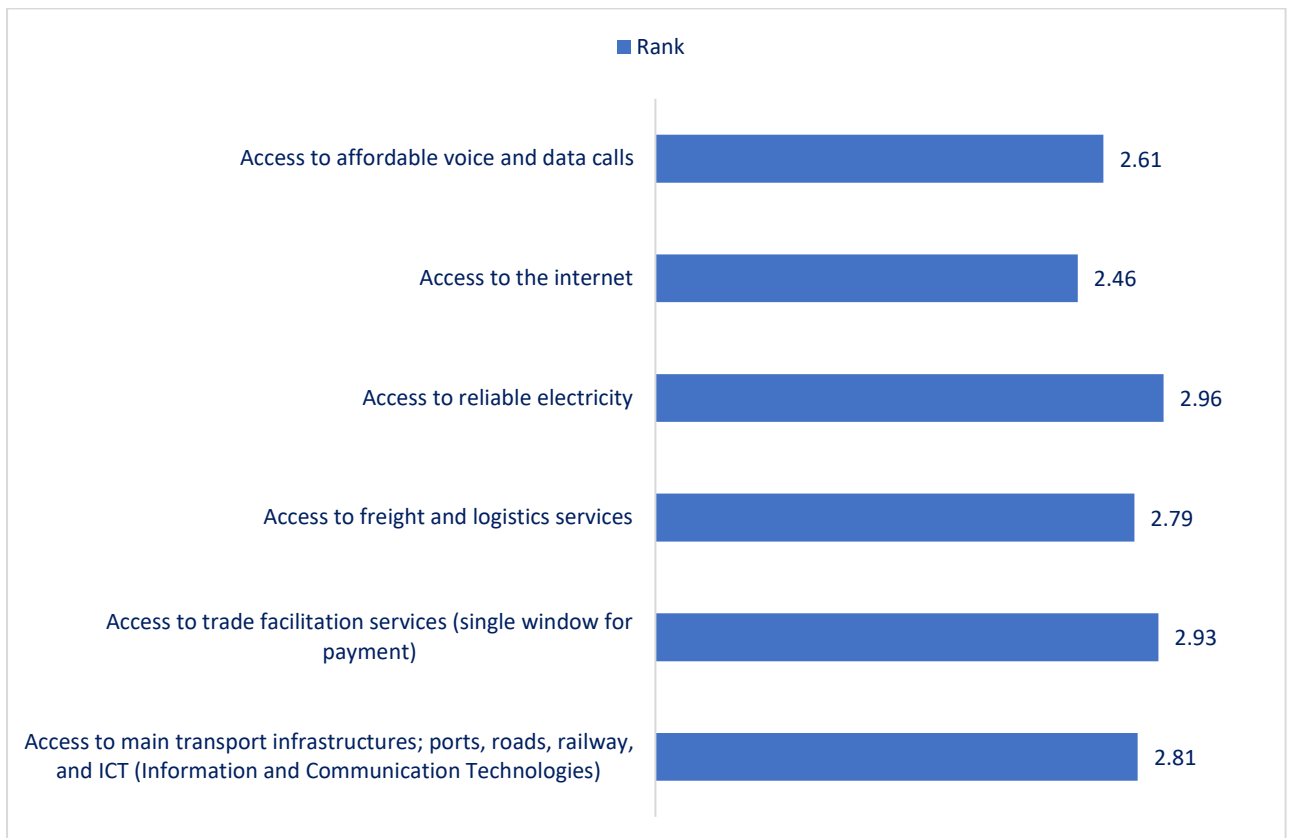
Figure 9: Removal of Trade Restrictions in EAC



4.7.5 Infrastructure development

Companies provided their overall perception of the ease of doing business measured by infrastructure development in the region as Moderate (Rank 2.76). Specifically, companies reported that it was Easy to access the internet (Rank 2.46). However, most of the companies perceived that the ease of doing business was Moderate with regard to affording voice and data calls (Rank 2.61), accessing freight and logistics services (Rank 2.79), accessing main transport infrastructures i.e., ports, roads, railway, and ICT (Information and Communication Technologies) (Rank 2.81), accessing trade facilitation services (single window for payment) (Rank 2.93), and accessing affordable electricity (Rank 2.96). The perception of the companies on the ease of doing with regard to infrastructure development is as depicted in **Figure 10** below:

Figure 10: Infrastructure Development in EAC

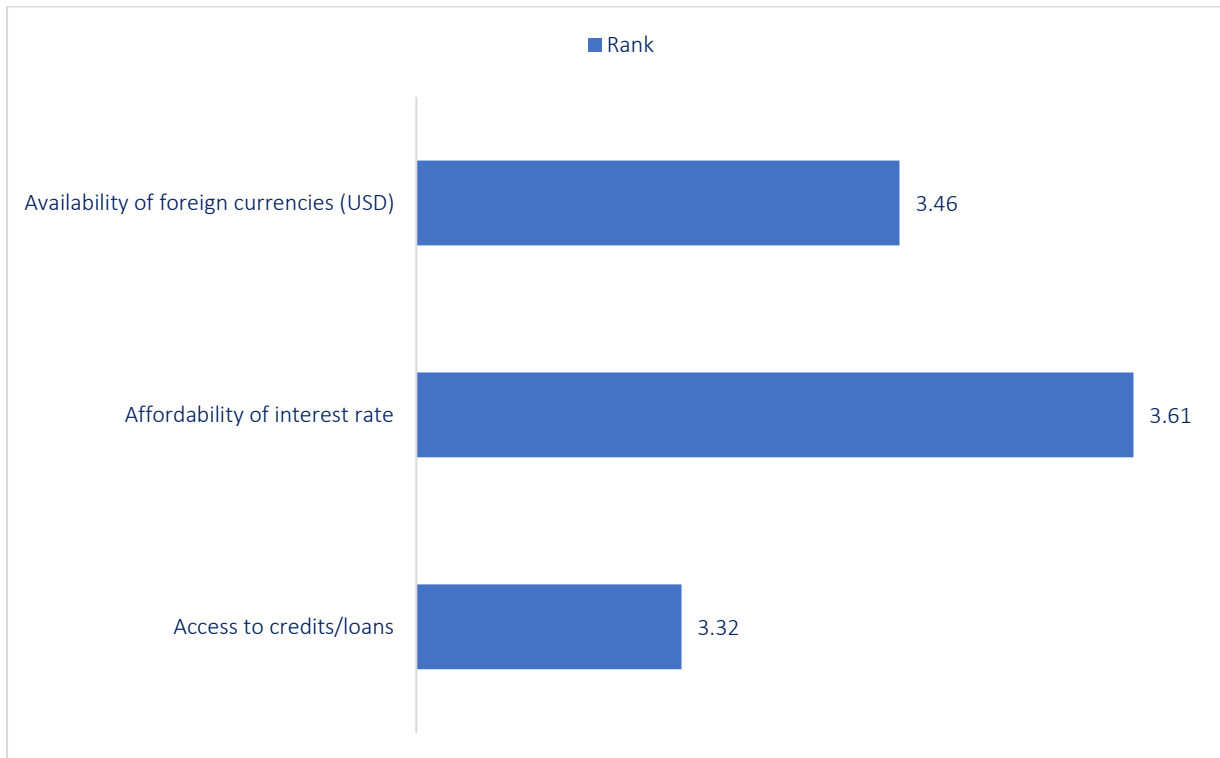


Companies also stated the following challenges: *inadequate information and capacity to understand the legal framework on transport and slow and costly internet connectivity.*

4.7.6 Trade Finance

Regarding the overall ease of doing business as measured in terms of access to trade finance, the companies' perception was Moderate (Rank 3.46). Against proposed indicators, companies specifically reported that it was Moderate to access credit/loans (Rank 3.32) and availability of foreign currencies (USD) (Rank 3.46) in the region. However, Companies perceive the ease of doing business in relation to the affordability of interest rates in the region as Hard (Rank 3.61). The companies' perception of the ease of doing business in relation to trade finance is shown in **Figure 11** below:

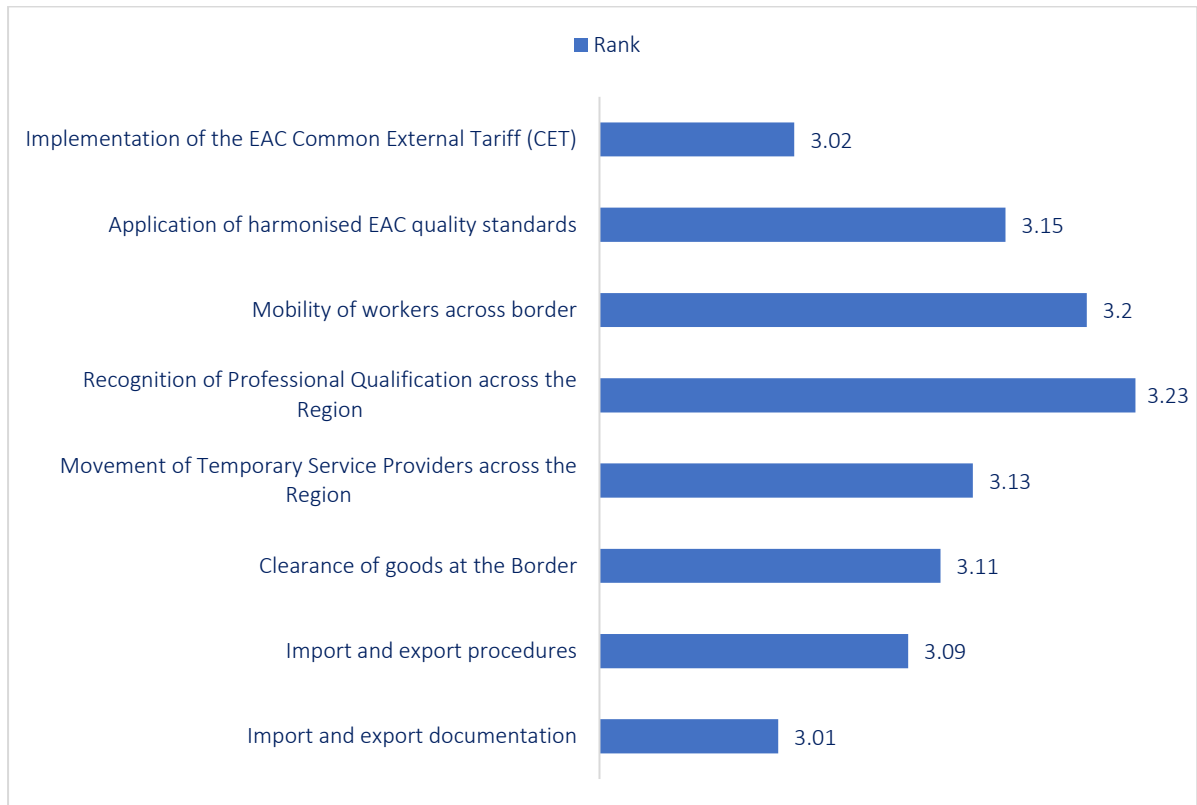
Figure 11: Trade Finance in EAC



4.7.7 Trading Across Borders

The overall ease of doing business in trading across borders was perceived to be Moderate (Rank 3.12). Specifically, the ease of doing business in relation to the implementation of the EAC Common External Tariff (CET) (Rank 3.02), Import and export procedures (Rank 3.09), Import and export documentation (Rank 3.01), Clearance of goods at the Border (Rank 3.11), Application of harmonised EAC quality standards (Rank 3.15), Movement of Temporary Service Providers across the Region (Rank 3.13), Recognition of Professional Qualification across the Region (Rank 3.23), and Mobility of workers across the border (Rank 3.20). The perception of the ease of doing business in relation to trading across borders is shown in **Figure 12** below:

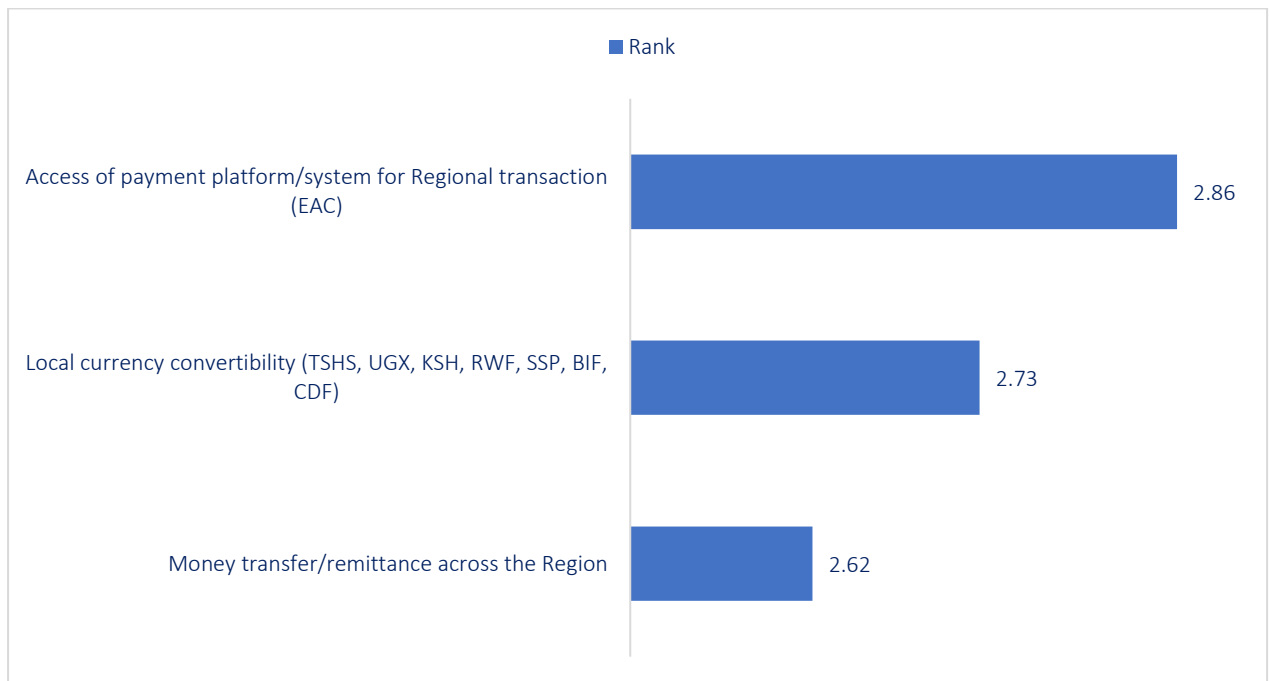
Figure 12: Trading Across Borders in EAC



4.7.8 Cross-Border Payments

Ease of doing business in terms of making cross-border payments was ranked as Moderate (Rank 2.73) on the overall. Specifically, companies perceived making money transfers/remittances across the region (Rank 2.62), local currencies convertibility (TSHS, UGX, KSH, RWF, SSP, BIF, CDF) (Rank 2.73), and access of payment platform/system for the regional transaction (Rank 2.86) as Moderate. The perception of the ease of doing business in relation to cross-border payment is as shown in **Figure 13** below:

Figure 13: Cross-Border Payments



4.8 Overall Ranking of Ease of Doing Business in EAC Region

The ranking of the eight indicators was as follows: paying taxes (rank 3.21), regulations for starting and operating a business (rank 2.66), government operations (rank 3.41), infrastructure (rank 2.76), trading across borders (rank 3.12), making cross-border payments (rank 2.73), Removal of trade restrictions (3.37), and trade finance (rank 3.46). Starting and operating a business was ranked as the moderate with a rank of 2.66, while trade finance was ranked as the hardest with a rank of 3.46.

Therefore, on the overall companies perceive the ease of doing business in the EAC as moderate (Rank 3.09). The overall companies' perception on the ease of doing business in the region is depicted in Figure 14 below:

Figure 14: Overall Ease of Doing Business in EAC



4.9 Positive Perception on Ease of Doing Business

Companies shared open question answers on positive areas on ease of doing business as follows:

- i. **Government reform:** continuous reforms to improve the business environment through the enactment of business-friendly laws and commitment to resolving trade barriers; the existence of favourable political and economic stability in the region; easy business registration requirements (e.g., online company registration within one day); and establishment of trade facilitation platforms that are available electronically and automated.
- ii. **Government's enhanced engagement and collaboration with the private sector** in policy formulation and investments through PPP.
- iii. Increased **investment and development of infrastructure and human capital** through education; vocational; and entrepreneurial training.
- iv. Increased **participation in regional and economic integration processes.**

4.10 Challenges on Ease of Doing Business

Companies shared open question answers on challenges on ease of doing business as follows:

- i. **Persistent Cross-border restrictions** due to high levels of corruption; bureaucracy; traffic congestion; persistent trade restrictions; political instability; and uncertainty due to unpredictable government policies, civil unrest, and security concerns; inadequate

legal and regulatory information specifically on fees, charges, and taxes; difficulty market entry requirements for MSMEs and startups; unfair tax estimates; complex procedures for closing a business; limited market access and expansion due to barriers such as high transport costs; inadequate awareness of regional trade modalities by business, stakeholders, and actors; and restrictions on cross border payments.

- ii. **High trading cost** due to difficulty in making cross-border payments; multiple taxes and fees; local government levies/cess and harassment; most government regulatory authorities are motivated towards tax collection; multiple regulatory authorities; lack of coordination between regulatory authorities; inadequate business support services from government regulatory authorities; high internet costs; lengthy and cumbersome procedures coupled with inadequate Information Technology and Communication (ITC) facilities for starting and/or registering a business, especially for SMEs and Startups; inadequate, unreliable, and costly water and electricity infrastructure for industries; high taxes on imports; inadequate access to forex coupled with high exchange rates specifically on USD for imports; high banking rates on loans with stringent collateral requirements; lack of access to capital/credit for new companies and MSMEs; high penalties for non-compliance; and lengthy and costly procedures for obtaining permits, high skills gaps.
- iii. **Government participation in trade**, unfair competition in bidding for government tenders and limited implementation of regional integration commitments.
- iv. **Other social-economic challenges** due to the impact of food, fuel and energy crises due to global shocks, pandemics, and climate change.

4.11 Other Issues Related to the Ease of Doing Business:

Companies provided their perceptions on other issues related to ease of doing business in the EAC including:

- i. Inadequate information on government policies and regulations,
- ii. Imbalance in regional infrastructure development,
- iii. Difficulties in the interpretation of some documents related to customs administration,
- iv. Poor of clarity and application on intellectual property rights,
- v. Lack of a single payment system/platform across EAC,
- vi. Inadequate trading information for businesses in the EAC and Sub-Saharan region,
- vii. Language barriers,
- viii. Variations in the economic contribution of value chains across EAC Countries,
- ix. Unregulated foreign exchange market at the border,
- x. Non-uniform application of EAC CET,
- xi. Disparate of domestic tax regime in EAC i.e Excise Duties, Value Added Tax (VAT) Regimes, and Income Taxes (i.e Withholding Taxes).
- xii. Unharmonised application of Quality Standards, and Customs Procedures,
- xiii. Challenges related to application of EAC Rules of Origin 2015,

- xiv. Difficulty in employing experts from other EAC Partner States
- xv. Unfair competition from similar imported goods notably Rice from India/Pakistan and Sugar from South Africa,
- xvi. Burdensome cross-border requirements on imported goods,
- xvii. Inadequate application of sustainable practices by businesses in relation to consideration for human rights and gender balance,
- xviii. Challenges on pre-shipment inspection by appointed companies that are not uniform across the region,
- xix. Cross-cutting challenges such as effects of climate change, waste management, waste reduction, and pollution,
- xx. Inadequate mechanisms for cooperation and information sharing among cross-border agencies,
- xxi. Difficulties in obtaining duty drawbacks,
- xxii. Inadequate information on the procedures and requirements for obtaining tax exemptions for local businesses,
- xxiii. Challenges to transfer and develop technology coupled with inadequate facilitation to research and development (R&D) and low human resource development,
- xxiv. Land ownership challenges due to land grabbing during political tensions and conflicts without compensation to businesses,
- xxv. Unharmonised of axle load and road safety regulations in the region,
- xxvi. Limitations in marine transport across the region, and
- xxvii. Distrust between regulatory authorities in the region.

5 RECOMMENDATIONS TO IMPROVE EASE OF DOING BUSINESS IN EAC

Companies provided the following recommendations to improve the ease of doing business in the region:

1. Partner States to enhance the capacity of the border agencies to facilitate trade through the implementation of harmonised and automated systems for clearance; standards; and procedures, improve border infrastructure, professionalism in border officials, enforcement of client charters, harmonised working hours (24/7), accreditation of laboratories, and help desks to serve as inquiry points at border posts.
2. EAC Partner States should have a clear time framework (roadmap) for RSS and DRC in terms of implementing EAC commitments and instruments under the Customs Union and Common Market such as the SCT commitments, EAC CET, liberalisation of services, movement.
3. EAC Partner States to implement regional integration commitments under the Customs Union and Common Market.
4. Further, Partner States are urged to establish a single currency to facilitate cross-border payments and trading and expedite the abolition of Non-Tariff Barriers (NTBs), and limitations on the free movement of goods and persons. Notably Partner States should resolve tariff barriers especially related to issues of Rules of Origin implement reforms to

- allow National Identification (ID) Cards as formal travel documents, fully implement the One Network Area (ONA), facilitate joint regulatory collaboration at border posts, liberalisation of air-transport, facilitate mediation on political conflicts and tensions with emphasis on implementation of regional peace and security, and review the tax regime to provide for reduced taxes burden and procedures for MSMEs.
5. EAC Secretariat and EABC to enhance the capacity of local businesses to engage and participate in the regional, continental, and global markets through tailor-made training. More training and information on regional/cross-border trade requirements and policies. Further sensitisation on diversity, equity, and inclusivity among stakeholders should be enhanced. Private-sector associations to create business support services such as formalisation of business operations, access to loans; packaging; food processing, and sector-specific dialogues to address barriers to regional trade and investment.
 6. Partner States to strengthen regional regulations for intellectual property rights to promote entrepreneurship and innovation in the region.
 7. Relevant agencies in the EAC Partner States to increase security on trade routes to de-risk cross-border trade.
 8. EAC Secretariat and EABC to build on existing business digital platforms to promote business interaction, showcase, and share opportunities. The platforms should be used to enhance access to real-time trade information including government tenders, and foreign exchange to facilitate payments and provide all relevant information about starting a business.
 9. Partner States to improve the ease of doing business through simplified and coordinated legislations for business registrations, access to finance, contract enforcement, payment of taxes, access to infrastructure, transparency and accountability, and investment in human capital. The reforms should be aligned with regional commitments and the WTO Trade Facilitation Agreement.
 10. Partner States to harmonise banking systems in the region to allow local payments without passing through the SWIFT systems. For instance, KCB and CRDB banks make transfers using RTGS instead of SWIFT.
 11. Partner States to improve infrastructure access specifically water, energy, and internet. Investment should be made to support regional multimodal transport and modernise ports, roads, railways, and warehouse facilities necessary to support the logistic value chain in the region.
 12. Partner States to harmonise government tendering systems and encourage local sourcing agreements by governments.
 13. Partner States to invest in local value chains as the means to mitigate global shocks emanating from conflicts, pandemics, and inflation. This should include strategic investments in strengthening regional capacity to provide reliable energy and fuel.
 14. Partner States should introduce French as an official language to address language barriers. Specifically French language should be integrated into legal documents and regulations to enable francophone countries to adopt EAC systems.

15. EAC Secretariat and EABC to establish sector-specific Public–Private Dialogue (PPD) forums to resolve constraints to trade and investment in the region.

6 LIMITATION OF SURVEY

The analysis of the ease of doing business was limited by:

1. Low responses from DRC and RSS. DRC acceded to the EAC Treaty on 8th April 2022 and became a full member on 11th July 2022. RSS became a full member of the EAC on 5th September 2016. The two countries have not started implementing EAC Commitments on Customs Union and Common Market which are key in stimulating business environment reforms hence improving ease of doing business.
2. The second limitation was language barriers, especially in DRC and Burundi are francophone while the other countries are using English as an official language. This reduced the number of responses and compelled us to redesign the questionnaire in French in order to attract more responses. Further follow-up calls to get responses from companies in the Trade in Services sectors in South Sudan was not successful as most respondents stated they needed Government approval as information was deemed as sensitive.

7 CONCLUSION

252 companies in seven EAC Partner States perceived the ease of doing business in the region as moderate ranked of 3.09. The positive progress companies perceived in the ease of doing business in the region includes starting and operating a business and the ease of money remittance across the region. Companies also mentioned the following positive initiatives that have eased doing business in the region: continuous government reforms, commitment to enact business-friendly laws, the existence of favorable political and economic stability in the region, enhanced government collaboration with the private sector in policy formulation and investments through Public-Private Partnerships (PPPs), increased investment and development of infrastructure and human capital through education, and government participation in regional and continental integration processes.

Companies identified the main challenges to the ease of doing business in the EAC. These challenges include trade finance issues, specifically the availability of foreign currency, affordability of interest rates, and access to loans/credit. Another significant challenge is related to Government Operations, particularly the processes of receiving payments from the government for goods and services supplied, securing government tenders, and obtaining tax refunds, tax appeals, rulings, and customs valuation. Additionally, the removal of trade restrictions, particularly the elimination of trade barriers and the resolution of tariff barriers and non-tariff barriers, along with challenges in trading across borders, such as the recognition of professional qualifications, mobility of workers across borders, application of harmonized EAC quality standards, and the movement of temporary service providers and clearance of goods at the border, were also highlighted as obstacles to the ease of doing business in the EAC. Companies further mentioned persistent cross-border restrictions and high trading costs as additional challenges in conducting business in the region.

The findings presented in this report should be used to strengthen the support to EAC and continental integration processes. More emphasis should be placed on designing strategic interventions to address the availability of foreign currencies, affordability of interest rates, access to loans/credit, receiving payments from the government for goods and services supplied, securing government tenders, obtaining tax refunds, accessing tax appeals, rulings & easing custom valuation, elimination of trade restrictions and resolving tariff barriers and non-tariff barriers, recognition of professional qualifications & mobility of workers across the border, application of harmonized EAC quality standards, free movement of temporary service providers & facilitating clearance of goods at the border.

The companies also recommended that EAC Partner States to: enhance border efficiency to facilitate trade processes on the movement of goods and people; RSS and DRC should expedite the implementation of EAC commitments such as the Single Customs Territory (SCT), EAC CET, and Common Market commitments; further invest in infrastructure, especially transport and communications networks; address language barriers by translating official documents into French; and establish sector-specific Public-Private Dialogues (PPDs) to tackle trade and investment constraints more effectively.