PAN AFRICAN

EASE OF DOING BUSINESS IN THE EAST AFRICAN COMMUNITY

2024

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This study was carried out by APF PAN AFRICAN 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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ACKNOWLEDGEMENT

The development of the Report of the Mid-Term Survey on the Ease of Doing Business in the East African Community (EAC) 2024 has been made possible through concerted efforts of APF Pan African. We would like to acknowledge the APF Pan African Team led by Mr. Adrian R. Njau, the Lead Consultant for this assignment for providing strategic direction, oversight, creation of the content and the development of the findings of the report.

Special thanks go to Mr. Frank J. Dafa, for his dedicated efforts in identifying targeted respondents, conducting analysis, and refining the recommendations from the survey respondents. The report benefited from a special contribution from Mr. Patrick Moshi,. He was committed to reviewing and editing the entire report.

Sincere appreciation goes to the Captains of Industry and business leaders across the EAC region for taking their precious time to respond to the questionnaire despite their busy schedule. Their responses have reflected the private sector's perceptions of ease of doing business in the EAC region for 2024.

EXECUTIVE SUMMARY

This mid-term survey on the ease of doing business in the East African Community (EAC) for 2024 received a total of 300 responses, of which 201 were valid for analysis. The survey targeted companies involved in trade in goods and services across the EAC region. Out of the 201 responses, 113 were from companies engaged in trade in goods (56%), and 88 were from those involved in trade in services (44%).

Based on the responses from trade in goods and trade in services, the overall ease of doing business in the EAC was rated as Moderate, with an average rank of 3.22. This indicates a deterioration of 0.13 points compared to the 2023 rank of 3.09.

The enterprises' perception of the ease of doing business in 2024 shows a decline in all eight (8) indicators in comparison to 2023. The decline was as follows: Government Operations[1] by 0.19, Removal of Trade Restrictions[2] by 0.18, Regulations for Starting and Operating a Business[3] by 0.17, Trade Finance[4] by 0.14, Trading Across Borders[5] by 0.14, Making Cross border payments[6] by 0.14, Infrastructure Development[7] by 0.04 and Ease of Paying Taxes[8] by 0.02. The perceived decline in the ease of doing business across all the proposed indicators can be attributed to the emerging and ongoing issues that have had a significant impact on the ease of doing business in EAC. Notably, destructions caused by heavy rains in some of the Partner States (El Niño), global shocks caused by shortage of the dollar as the common currency of exchange; the ongoing Ukraine conflict; and the Red Sea attacks and the discontent with the budget / tax measures in Kenya and Tanzania.

In comparison to 2023, the following sub-indicators showed highest decline: Accessing information on business fees, levies, and charges for startups[3], Affordability of interest rates[4], Implementation of the EAC Common External Tariff (CET)[5], Ease Receiving payments from the Government[1], Securing public/government tender[1], Import and export procedures[5], Resolution of Non-Tariff Barriers (NTBs)[2] and Application of harmonised EAC quality standards[5].

The ranking of the eight indicators was as follows: Ease of Government Operations (Rank 3.60), Trade Finance (Rank 3.60), Removal of Trade Restrictions (Rank 3.55), Trading Across Borders (Rank 3.26), Ease of Paying Taxes (Rank 3.23), Making Cross-Border Payments (Rank 2.87), Regulations for Starting and Operating a Business (Rank 2.83), and Infrastructure Development (Rank 2.80). From the companies' rankings, Making Cross Border Payments and Regulations for Starting and Operating Businesses were Moderate, while it was Hard to Remove Trade Restrictions, obtain Trade Finance, and Government Operations. In comparison to 2023, the improvements of perceptions on ease of doing business in 2024 included Ease of Paying Taxes in particular Compliance with Tax Requirements improved by 0.26 points from 3.08 in 2023 to 2.82 in 2024, Infrastructure Development in particular Access to Affordable Voice and Data Calls slightly improved by 0.04 points from 2.61 in 2023 to 2.57 in 2024, Recognition of Professional Qualification across the region slightly improved by 0.05 points from 3.23 in 2023

to 3.18 in 2024, and Availability of Foreign Currencies (USD) improved by 0.02 points from 3.46 in 2023 to 3.44 in 2024. The improvements are likely driven by the automation of tax payment systems making it easier for businesses across the region to comply with tax requirements, Tanzania piloting the EAC One Network Area (ONA) for voice calls at the end of 2023 and monetary measure taken by the Kenyan Government to increase supply of the dollar thus, appreciation of Kenyan Shilling against the dollar in 2024.

Companies also reported positive progress in the business environment in the region, characterized by continuous government reforms and commitment to enacting business-friendly laws, favourable 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 in infrastructure and human capital, active government participation in regional and continental integration processes.

Companies also reported high costs and limited availability of trade finance particularly foreign currency for trading and affordable interest rates for loans, difficulties in government operations including securing government tenders and obtaining tax refunds, persistent trade restrictions including non-tariff barriers and administrative bans, limited access to infrastructure development particularly in transport and communication networks as the main constraints to the ease of doing business in the EAC.

The key recommendations to improve the ease of doing business in the region, include Public-Private Dialogue with the Government to fast-track payments to companies for goods and services procured, enhancing access to information on business fees, levies, and charges for startups, and the full implementation of the Common External Tariff. Improving the affordability of interest rates for loans, eliminating Non-Tariff Barriers and trade restrictions, harmonizing and adopting product standards, and enhancing border efficiency to facilitate trade processes. Additional recommendations include expediting the implementation of EAC commitments such as the Single Customs Territory (SCT) and Common Market commitments, investing in infrastructure, particularly transport and communications networks, addressing language barriers by translating official documents into French, and establishing sector-specific Public-Private Dialogues (PPDs) to tackle trade and investment constraints more effectively.

1.0. 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.

The EAC economy is projected to grow at 5.48% in 2024, increasing from 4.9% in 2023 (IMF 2023). EAC inflation is projected to reduce from 12.5% in 2023 to 7.9% in 2024, indicating a positive outlook for price stability. Inflation in East Africa is influenced by weather conditions that impact agricultural commodity output. East Africa accounted for the highest number of countries with GDP growth exceeding 5 percent in 2023, underscoring its continued strong performance and diversified economies. However, having a low share of savings and tax to GDP impacts national budget deficits and borrowing. There is a global shortage of dollars, leading to the depreciation of local currencies in the region. Global shocks, such as Climate change and geopolitical crises such as the Russia-Ukraine war, and the Red Sea risk impacting global and regional economic prospects. Intra-EAC trade grew by 13.1 percent to US$ 12.1 billion in 2023, up from US$ 10.6 billion in 2022. The percentage share of the intra-EAC trade to EAC total trade was 15 percent in 2023 (EAC Trade and Investment Report 2023).

In 2022, East Africa recorded increases in FDI flows of 3.5 percent to US$ 8.7 billion and accounted for 11 percent of the flows to Africa. Uganda registered an increase in 2022 where FDI increased by 39 percent to US$ 1.5 billion. In 2022, FDI flows to the United Republic of Tanzania increased by 8 percent to US$ 1.1 billion, and the number of announced greenfield projects in the country also increased by 60 percent (EAC Trade and Investment Report 2023).

Planned Intra – EAC investments in 2023 decreased by 5.6 percent to US$ 567.17 million from US$ 600.78 million in 2022. The number of projects also decreased in 2023 to 72 from 76 projects. The Republic of Uganda attracted the most of the Intra-EAC investments in 2023 and was worth US$ 280.75 million though it was a decrease from US$ 391 million in 2022. The Republic of Burundi was second in terms of intra–EAC investments and attracted US$ 155.18 million in 2023. Rwanda Intra – EAC investment increased to US$ 55.16 million from US$ 46.78 million. Kenya Intra – EAC investment decreased to US$ 1.32 million in 2023 from US$ 22.6 million in 2022. The United Republic of Tanzania Intra – EAC investments decreased in 2023 to US$ 74.77 million from US$ 138.5 million in 2022 (EAC Trade and Investment Report 2023).

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

1.1. Support to East African Integration (SEAMPEC II)

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 works to improve framework conditions for economic growth in the EAC, e.g., by removing identified trade barriers or assisting the business sector in developing game-changing policy recommendations to inform government policy-making decisions and for the creation of a more conducive business environment. Furthermore, the programme assists selected economic sectors in their implementation of regional agreements that improve framework conditions for increasing value-addition. SEAMPEC II supports EAC integration on three levels: (i) Supporting the regional and continental trade in products with the potential to foster sustainable economic transformation such as agriculture commodities. For this, it supports the implementation of regional agreements that improve framework conditions for increasing value addition in pharmaceuticals, fruits & vegetables as well as leather and leather products. (ii) It focuses on strengthening the regional and continental trade in services with the potential to support sustainable economic transformation, among them ICT, e-Commerce and tourism. The programme supports the private sector in developing policy positions and recommendations and jointly formulating harmonised positions in the negotiations for the African Continental Free Trade Area (AfCFTA). Finally; (iii) On the level of organizational development, SEAMPEC II aims at strengthening the capacities of the EAC Secretariat to implement the 6th EAC Development Strategy on the level of individual capacity development to push regional integration forward as depicted in the EAC Vision 2050. Additionally, the new project "LIFTED: Leveraging Integration Frameworks for Trade in Services and CSOs in the EAC" which is jointly co-financed by the European Union (EU) and the Federal Ministry for Economic Cooperation and Development (BMZ) is part of SEAMPEC II. In addition, SEAMPEC II is part of the updated German Development Cooperation Programme (DCP) on Regional Economic Integration. The DCP is an overarching framework for all German Development Cooperation projects that are implemented together with EABC in the field of regional economic integration. As of now, apart from SEAMPEC II, two other projects are part of the DCP – the DIGEAT project of GIZ and the Quality Infrastructure project of PTB. To evaluate the ease of doing business within the region, GIZ in collaboration with EABC assessed the Objective Indicator "***200 companies from Trade in Goods and Trade in Services sectors confirm the ease of doing business within the region has improved by 1 point on a scale from 1 (very easy) to 5 (very hard)"*** in the seven EAC Partner States.

The survey was guided by the following rationale:

i. **Measurement of Current Status:** The survey aimed to establish the current level of ease of doing business within the region in comparison to the findings of the 2023 Ease of Doing Business Survey. Data were collected from the selected companies to provide a perception of the improved business environment in the region for 2024. The perceptions were provided by at least 200 companies across the seven (7) EAC Partner States, which are Burundi, the Democratic Republic of Congo (DRC), Kenya, Rwanda, South Sudan, Tanzania, and Uganda.
ii. **Monitoring Programme Objectives:** The survey directly relates to the Programme Objective Indicators and aims to assess improvement in the ease of doing business. This information is crucial for monitoring and evaluating the effectiveness of the program's interventions and adjusting strategies accordingly.
iii. **Enhancing the Business Environment in the Region:** The survey established the state and progress of ease of doing business and identified key challenges and recommendations/reforms from the private sector. This information is important in designing future interventions to improve the business environment in the region. 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.
iv. **Platform for Stakeholder Engagement and Collaboration:** The survey facilitated stakeholder engagement and collaboration. Through data collection and consultations, the survey involved the participation of 201 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 the creation of a private sector platform for engagement and subsequent interventions in the future.
v. **Impact Evaluation and Learning:** The survey provides progress on impact evaluation and learning. The survey findings were informed and compared to the baseline survey conducted in 2023. This year’s survey finding serves as evidence-based information for decision-making, and a tool for EABC to advocate for a conducive business environment in the region. More importantly, the survey report informs improvements and interventions for the Programme Indicators.

1.2. Objectives of the Survey

The main objective of the survey is to assess the status of the Programme Objective which states that "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)." This assessment will be related to the planned interventions of the programme.

Additional (specific) objectives include:

i. **Mid-Term Review:** Utilize the survey findings for mid-term review and evaluation of the programme's effectiveness and progress.

ii. **Identify Key Challenges and Barriers:** Identify the major obstacles and challenges faced by companies operating in the Trade in Goods and Trade in Services sectors within the region.

iii. **Provide Recommendations for Enhancing the Ease of Doing Business:** Based on the survey findings, provide actionable recommendations for policymakers, government agencies, and other relevant stakeholders to ease doing business in the EAC.

iv. **Assess the Impact of Existing Policies and Initiatives:** Provide insights into the strengths and weaknesses of current interventions, enabling stakeholders to make informed decisions on potential adjustments.

2.0. LITERATURE REVIEW

2.1. EAC ECONOMIC OVERVIEW

The EAC economy is projected to grow at 5.48% in 2024, increasing from 4.9% in 2023 (IMF 2023). EAC inflation is projected to reduce from 12.5% in 2023 to 7.9% in 2024, indicating a positive outlook for price stability. Inflation in East Africa is influenced by weather conditions that impact agricultural commodity output. East Africa accounted for the highest number of countries with GDP growth exceeding 5 percent in 2023, underscoring its continued strong performance and diversified economies. However, having a low share of savings and tax to GDP impacts national budget deficits and borrowing. There is a global shortage of dollars, leading to the depreciation of local currencies in the region. Global shocks, such as Climate change and geopolitical crises such as the Russia-Ukraine war, and the Red Sea risk impacting global and regional economic prospects.

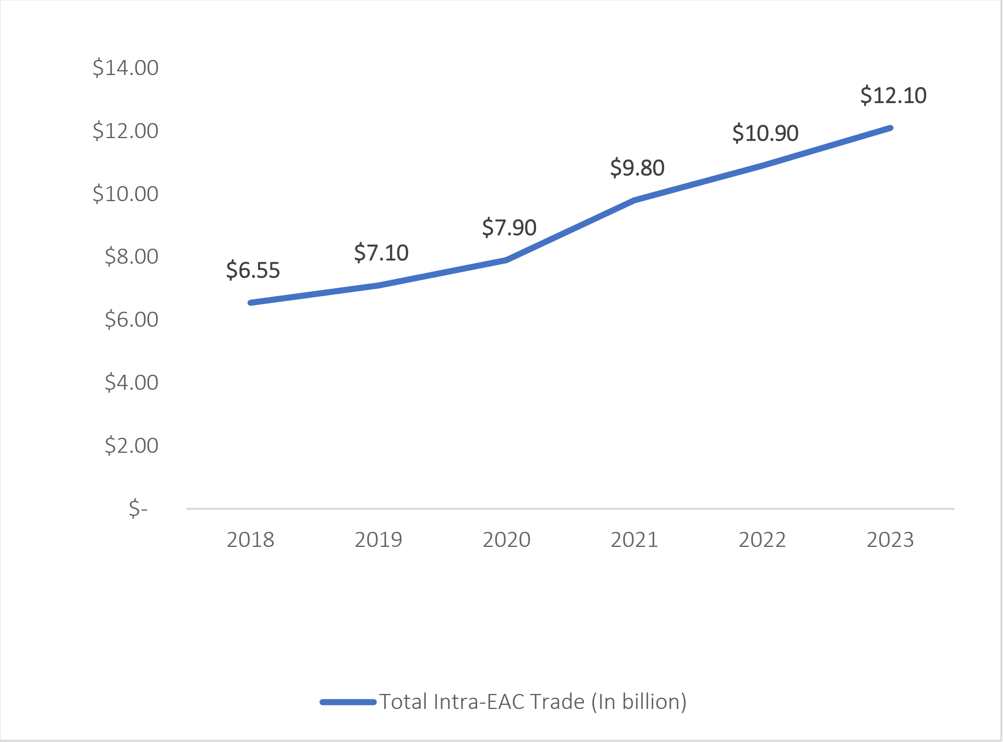
Table 1 EAC Economic Overview source RSM Eastern Africa

Country	Area size (Km2)	Population (Million)	Current GDP growth rate (%)	Tax to GDP (%)	Savings to GDP (%)	Headline inflation (%)	EAC FDI investment share (%)	Trade balance with EAC partner states (USD Million)	Gross forex reserve (USD Billion)
Burundi	28,000	13.23	….	….	8.6	29.9	2.0	(70.7)	…
Democratic Republic of Congo	2,345,000	102.26	….	….	….	….	-	(481.60)	….
Rwanda	26,000	14.09	6.2	15.0	12.4	11.0	19.0	-	1.4
South Sudan	644,000	11.08	….	….	5.2	3.8	-	(219.5)	….
Uganda	242,000	48.58	5.1	13.9	9.7	2.7	39.0	216.9	3.4
Kenya	580,000	55.10	5.9	14.3	10.2	6.9	-	408.3	8.5
Tanzania	947,000	67.43	5.3	11.9	8.1	3.3	40.0	146.6	4.2

2.2. Intra-EAC Trade and Investment

According to EAC Trade and Investment Report 2023, Intra-EAC trade grew by 13.1 percent to USD 12.1 billion in 2023 from USD 10.9 billion in 2022. Intra-EAC exports increased from USD 5.60 billion in 2021 to USD 6.40 billion in 2022, representing a growth of approximately 14.29%. Intra-EAC imports also experienced growth, rising from USD 4.2 billion in 2021 to $4.5 billion in 2022, an increase of about 7.14%.

Figure 1 Total Intra-EAC Trade



Source: *EAC 23rd Extra-Ordinary Summit of Heads of State.*

The share of intra-EAC trade remains at 15 percent in 2022. 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 total trade of the East African Community with the Rest of the World increased by 2.37 percent to US$ 80.6 billion in 2023, compared to US$ 78.7 billion in 2022. EAC Exports to the Rest of the World improved by 7.8% to US$26.9 billion in 2023, compared to US$25 billion in 2022. EAC total imports from the Rest of the World slightly declined by 0.1 percent to US$53.6 billion in 2023, compared to US$53.7 billion in 2022. Exports to Africa grew sluggishly by 0.3% to US$9.7 billion in 2023, a slight increase from US$9.6 billion in 2022 Total imports from Africa grew significantly by 22.5% to US$ 9.7 billion in 2023, up from US$7.9 billion in 2023, down from US$4.6 billion in 2022 (EAC Trade and Investment Report 2023).

2.3. WORLD BANK EASE OF DOING BUSINESS REPORT & BUSINESS READY (B-READY) SURVEY

From 2004 to 2020, the World Bank's Doing Business Reports provided objective measures of business regulations and their enforcement across 190 economies, focusing on domestic small and medium-sized companies. These reports assessed regulations throughout the business life cycle, offering quantitative indicators on starting a business, construction permits, electricity, property registration, credit, protecting minority investors, taxes, cross-border trading, contract enforcement, and insolvency. The reports spurred reforms aimed at improving business environments, with economies competing for better rankings to attract investment. They also provided regional rankings, comparing EAC with SADC and MENA, showcasing EAC's strong performance, driven by Rwanda and Kenya.

Table 2 EAC Partner States' Ease of Doing Business Rankings (2019)

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

In 2019, the EAC emerged as the best-performing Regional Economic Community (REC) compared to SADC and MENA, with strong contributions from Rwanda and Kenya.

Business Ready (B-READY) Survey is the World Bank's new flagship report benchmarking the business environment and investment climate in most economies worldwide. The report assesses the regulatory framework and public services directed at firms, and the efficiency with which regulatory framework and public services are combined in practice. With data that are comparable across economies and over time, B-READY provides actionable evidence to promote reforms for a stronger private sector. The first B-READY report will be launched on September 25, 2024.

2.4. EABC-GIZ SURVEY ON EASE OF DOING BUSINESS IN 2023

In 2023, the East African Business Council (EABC), with the support of GIZ through the 'Support to East African Integration' (SEAMPEC II) Programme, conducted a comprehensive survey to assess the status of doing business in the EAC region. The survey gathered responses from 252 businesses across all the EAC Partner States. Further review of the responses revealed that 52% of all respondents, equivalent to 133 companies, were from Trade in Goods, while 47%, equivalent to 119 companies, were from Trade in Services.

The ease of doing business within the region was ranked on a scale from 1 (Very Easy) to 5 (Very Hard) and was measured using eight indicators. The survey revealed that the overall ease of doing business within the EAC region was 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 (Rank 3.37)
- Trade finance (Rank 3.46)

Starting and operating a business was ranked as moderate with a rank of 2.66, while trade finance was ranked as the hardest with a rank of 3.46.

The survey identified positive progress that companies perceived in the ease of doing business in the region, as 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 favourable 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.

The companies identified the main challenges to the ease of doing business in the EAC as trade finance, specifically the availability of foreign currency, affordability of interest rates, and access to loans/credit. Another significant challenge was 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 posed challenges. These challenges encompassed 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, companies recommended that EAC Partner States: 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.

2.5. IMPLEMENTATION OF BUSINESS REFORMS BY EAC PARTNER STATES

The 44th EAC Sectoral Council on Trade, Industry, Finance, and Investment (SCTIFI) convened in May 2024 and made among others the following reforms:

i. Tanzania undertook the piloting of EAC One Network Area on Telecommunication
ii. Launching of e-Tariff Software aiming at enhancing customs efficiency, trade facilitation, access to trade information, management of duty remission, and simplification of processes in EAC. The initiative is being piloted by Rwanda.
iii. Granted a stay of application of the EAC Common External Tariff (CET) on originating goods imported from COMESA for the Republics of Burundi, Rwanda, Kenya, and Uganda from 1st July 2023 to 30th June 2024.
iv. Granted a stay of application of EAC CET on originating goods imported from SADC for the United Republic of Tanzania from 1st July 2023 to 30th June 2024.
v. Finalized the rollout of all import clearance of goods under the Single Customs Territory (SCT). These import clearances include sea manifest processes, maritime imports for home consumption, imports destined for warehousing in destination Partner States, temporary importation, and imports through land borders and border posts. These facilitate easy and fast clearance of cross-border imports.
vi. Finalized the development of the EAC Customs Bond with Partner States to start piloting the implementation of the bond on transit goods across the EAC Partner States.
vii. Approved the Rules of Procedures for the E-Commerce engagement platform.
viii. Adopted and implemented the new EAC Common External Tariff (CET) 2022 Version with four bands.
ix. Progressively implemented the EAC Single Customs Territory (SCT) Framework.
x. Deployed the Electronic Cargo Tracking System (ECTS) along the Northern and Central Transport Corridors.
xi. Used the COMESA Regional Customs Transit Guarantee Scheme (RCTGS) as a single customs bond guarantee along the Northern and Central Corridors.
xii. Sustained the operation of One-Stop Border Posts (OSBPs) in EAC Borders.
xiii. Implemented the WTO Trade Facilitation Agreement.
xiv. 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.

xv. Upscaled the uptake of the EAC Authorized Economic Operators (AEO) Scheme.
xvi. Made progress on the elimination of Non-Tariff Barriers (NTBs).
xvii. Adopted Harmonized EAC Product Standards.
xviii. Adopted the EAC Strategy on Trade in Services and Workplan on Implementation of Trade in Services.

2.6. OVERVIEW OF TAX REFORM IN EAC REGION

EAC Ministers of Finance and Economic Planning hold Pre-Budget Consultations to agree on various tax measures before jointly unveiling their national budgets. These consultations aim to harmonize the tax regime across the EAC, which remains incomplete, particularly concerning domestic taxes like VAT, Excise Duty, and Income Tax. Differing tax systems hinder the free movement of goods, services, capital, and workers, as well as the rights of establishment and residence within the EAC. Harmonization seeks to ensure tax systems do not discourage cross-border trade without necessitating identical tax laws and rates. Coordination aims to prevent national tax measures from negatively affecting the planned Common Market. The EAC Agreement for the Avoidance of Double Taxation, signed in 2010, has yet to come into force due to non-ratification by Tanzania and Burundi. The EAC Policy for Harmonisation of Domestic Taxes, adopted in 2018, urges Partner States to harmonize Excise Duty, followed by VAT, Income Tax, and Tax Incentives. Additionally, aligning the budgetary cycle across EAC partner states is needed to facilitate timely private sector engagement for fiscal proposals to enhance the trade and investment environment.

Table 3 Overview of EAC Taxes

Tax Obligations	Kenya	Tanzania	Uganda	Rwanda	Burundi
Corporate Income Tax (CIT):	30%	30%	30%	30%	30%
Tax on repatriated profits	15% - w.e.f January 2024	10% repatriation tax	15%	15% WHT on profits	N/A
Income tax (PAYE) top rate	35%	30%	40%	30%	30%
Withholding Taxes					
Dividends	5% & 15%	5% & 10%	10% & 15%	15%	15%
Interests	15%	10%	10% &20%	15%	15%
Royalty	5% & 20%	15%	15%	15%	30%

Management and professional fees	5% & 20%	5% & 15%	6% & 15%	15%	30%
Insurance premium	5% - non-resident	5% - non-resident	5% - non-resident	N/A	N/A
VAT					
VAT-rates	16%,0% and Nill	18%,0% and Nill	18%,0% and Nill	18%,0% and Nill	18% &10%
VAT-export	0%	0%	0%	0%	0% on exports and international transport

Source: EABC & RSM Eastern Africa

2.6.1. EAC PARTNER STATES 2024/25 BUDGET ANALYSES

The 2024/25 National Budgets of EAC Partner States contain certain tax measures that influence the ease or difficulty of doing business. In the Tanzania 2024/25 Budget Analysis positive measures include (1) VAT refunds to be processed within 30 days and (2) Tourism fees to be levied in TZS instead of USD.

Uganda 2024/25 Budget Analysis positive measures include: (1) Raises threshold for requesting VAT refunds from UGX 5 million to UGX 10 million and (2) Extending the waiver of interest and penalties for outstanding principal tax until 31st December 2024.

Rwanda 2024/25 Budget Analysis positive measures include: (1) The **Corporate Income Tax** rate was reduced from 30% to 28% (2) Prerequisites and procedures for VAT rewards for consumers (10% VAT rebate).

The Kenya Financial Bill 2024: On June 26, 2024, the Republic of Kenya withdrew the Finance Bill 2024 in response to widespread anti-tax protests. With the Bill withdrawn, the government faces a fiscal gap and must seek alternative revenue or cut spending. The Appropriation Bill passed on June 25, 2024, must be enacted by June 30, 2024, to avoid disrupting budget operations. Austerity measures and budget adjustments are expected.

3.0. SCOPE OF WORK AND METHODOLOGY

3.1. Methodology and Data Collection

3.1.1. Methodology for Conducting the Survey on Ease of Doing Business

The survey targeted 300 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 21 June to 12 July 2024. The Partner States involved in the survey were Burundi, the Democratic Republic of the Congo (DRC), Kenya, Rwanda, South Sudan, Tanzania, and Uganda. The selection considered factors such as company size, sector 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 200 companies doing business across the EAC Partner States. It focused on providing qualitative indicators on regulation and procedures for eight (8) selected main indicators. 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 in English and French language 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:

Weighted Average (WA) = (Σ (Response × Weight)) / Σ Response

Where:

- WA = Weighted Average
- Σ = Summation symbol (sum of values)
- Response = The numerical value of the response for a specific indicator
- Weight = 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 allowed 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 license 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 a 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 a 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 a 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 the 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	The indicator has the following six (6) proposed sub-indicators: 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	Companies were required to rank this indicator on a 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. In addition to the six sub-indicators companies are allowed to specify other

		e) Access to the internet f) Access to affordable voice and data calls g) Others specify	concerns which are important to this indicator.
6.	Access to Finance	The indicator has the following three (3) proposed sub-indicators: a) Access to credits/loans b) Affordability of interest rate c) Availability of foreign currency (USD). d) Other Specify	Companies were required to rank this indicator on a 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. In addition to the three sub-indicators companies are allowed to specify other concerns which are important to this indicator.
7.	Trading Across Borders	The indicator has the following eight (8) proposed sub-indicators: a) Import and Export documentation b) Import and Export procedures c) Clearance of goods at the Border d) Movement of Temporary Service Providers across the Region e) Recognition of Professional Qualification Across the Region f) Mobility of workers across the border g) Application of harmonised EAC quality standards h) Implementation of the EAC Common External Tariff (CET).	Companies were required to rank this indicator on a 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 overall ease of business environment with regard to trading across borders.
8.	Cross-Border Payment	The indicator has the following three (3) proposed sub-indicators: a) Money transfer/remittance across the Region b) Local currency convertibility (TShs, UGX, KShs, RWF, SSP, BIF, CDF) c) Access to payment platform/system for the Regional transaction (EAC).	Companies were required to rank this indicator on a 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 regard to making cross-border payments.

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 Government Reports. A comprehensive desk review of existing literature was conducted on reports and data related to the ease of doing business in the region and regional integration processes in the EAC. The literature review provided background information on the program concerning 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 English and French questionnaires to more than 300 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, Email Circulars, and Social Media posts. Follow-up on non-response and further clarifications on the survey questions were done through emails and phone calls.

This survey was structured as an enterprise mid-term survey targeting sample companies across the EAC Partner States. This approach was suitable to establish the status for the ease of doing business in the EAC as perceived by enterprises from the trade and services sector. The findings of the 2023 Baseline Survey were further compared with the ease of doing business in 2023 and 2024.

4.0. ANALYSIS OF THE SURVEY INDICATORS

4.1. Overview of the survey

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 English and French survey questions through email circulars and social media to reach 300 companies in the goods and services sectors in the EAC. The results of the survey are presented in the subsequent sub-sections.

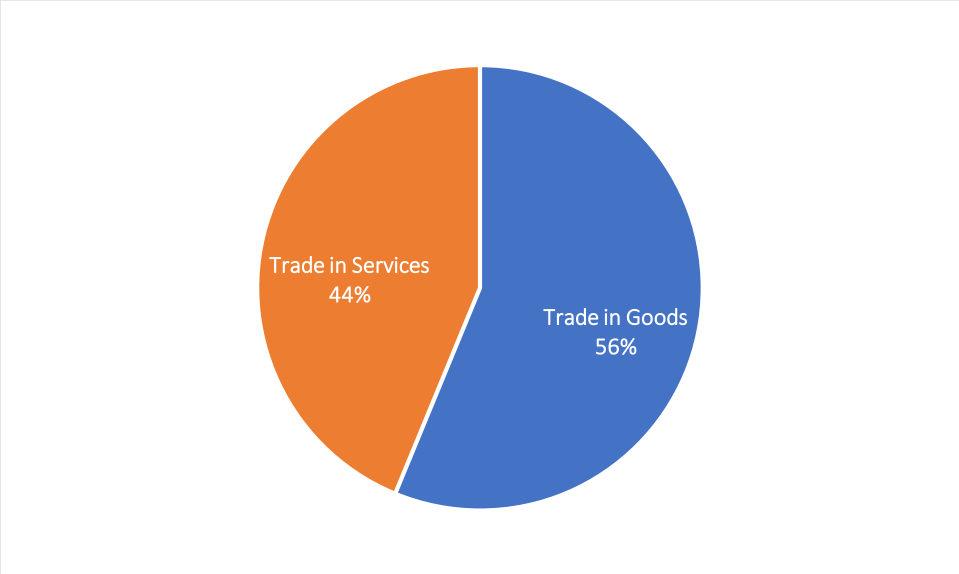
4.2. Responses to survey questionnaires

A total of 300 responses were received for analysis of which 248 and 52 respondents were in English and French questionnaires respectively. The survey responses were further reviewed to eliminate 99 responses as repetitions, partial responses, and unrelated. Therefore, the perception of the ease of doing business in 2024 was obtained from 201 enterprises/questionnaires from EAC and other countries that have direct trade relations with EAC.

4.3. Sector Participation:

Analysis of the 201 responses found that 113 companies were from Trade in Goods and 88 companies were from Trade in Services equivalent to 56% and 44% respectively. The overview of the responses according to sector representation is provided in **Figure 2** below:

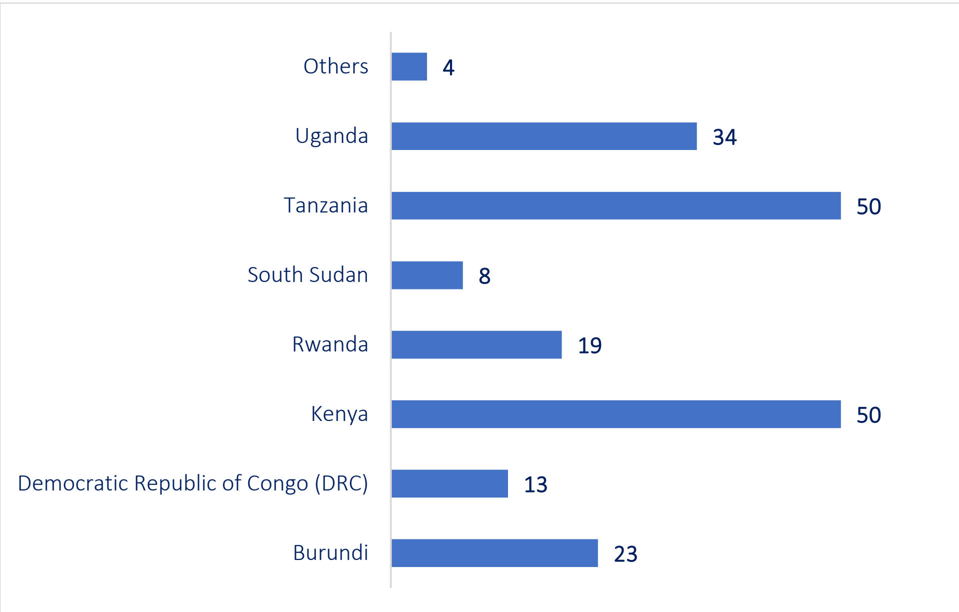
Figure 2 Sectoral Participation in the Survey



4.4. Country representation:

Analysis of respondents shows that the respondents were from Kenya (50 companies), Tanzania (50 companies), and Uganda (34 companies). Respondents from other countries were Burundi (23 companies), Rwanda (19 companies), the Democratic Republic of Congo (13 companies), South Sudan (8 companies), Nigeria (3 companies), and Ethiopia (1 company) [**Note:** the companies were registered in Nigeria and Ethiopia; however, they have operations in EAC, thus, considered for the survey]. The description of the responses according to countries is provided in **Figure 3** below:

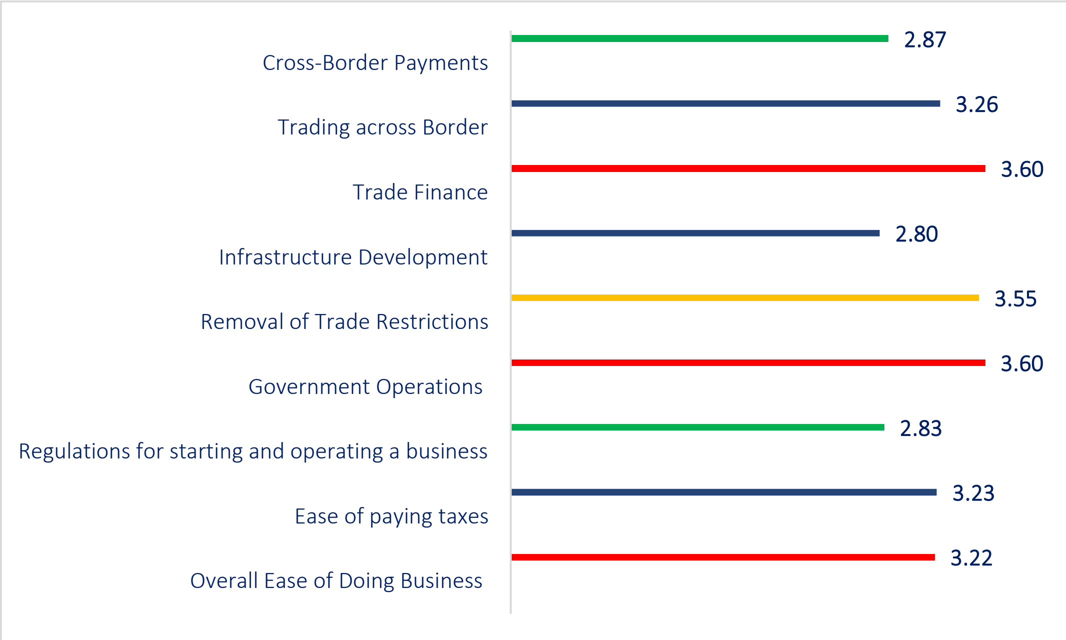
Figure 3: Country Representation in the Survey



4.5. Overall Perception of the Ease of Doing Business in EAC

The overall perception of the ease of doing business within the region was reported by companies as Moderate (Rank 3.22). Compared to the ranking of 3.09 in 2023, the current rank shows that companies perceive a slight deterioration by 0.13 points in the ease of doing business in the region. The perception of the ease of doing business in the region indicates that the removal of trade restrictions (3.55), government operations (rank 3.60), and trade finance (rank 3.60) ranked as Hard. Responses also show doing business was Moderate in infrastructure development (rank 2.80), regulations for starting and operating a business (rank 2.83), making cross-border payments (rank 2.87), ease of paying taxes (rank 3.23), and trading across borders (rank 3.26). The general responses on the ease of doing business in the region are depicted in **Figure 4** below:

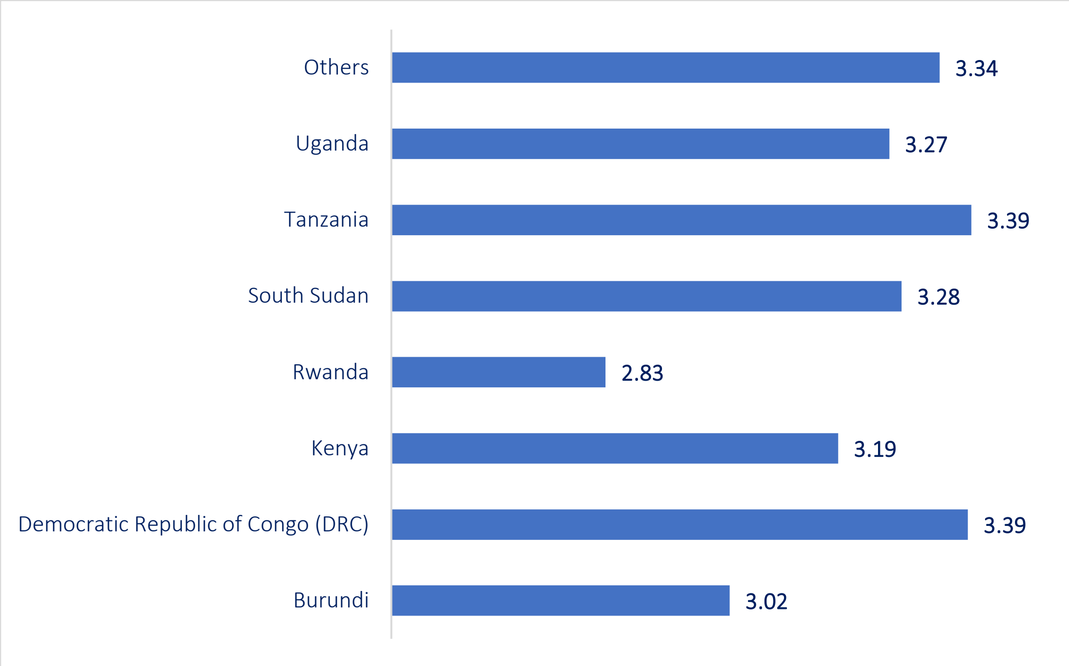
Figure 4: General Perception of the Ease of Doing Business in EAC 2024



4.6. The Ease of Doing Business in the EAC Partner States

The analysis of the responses shows that all companies from Trade in Goods and Trade in Service ranked the ease of doing business within their countries as **Moderate**, notably Rwanda ranked at the top (in terms of ease of doing business) with a Rank of 2.83 a slight deterioration from the Rank 2.08 in 2023 which was perceived as Easy. Companies in other EAC Partner States ranked the ease of doing business as **Moderate**: Burundi (Rank 3.02), Kenya (Rank 3.19), Uganda (Rank 3.27), and South Sudan (Rank 3.28). DRC (Rank 3.39) and Tanzania (Rank 3.39). The perception of the ease of doing business within the EAC is depicted in **Figure 5** below:

Figure 5: The Ease of Doing Business in the EAC Partner States



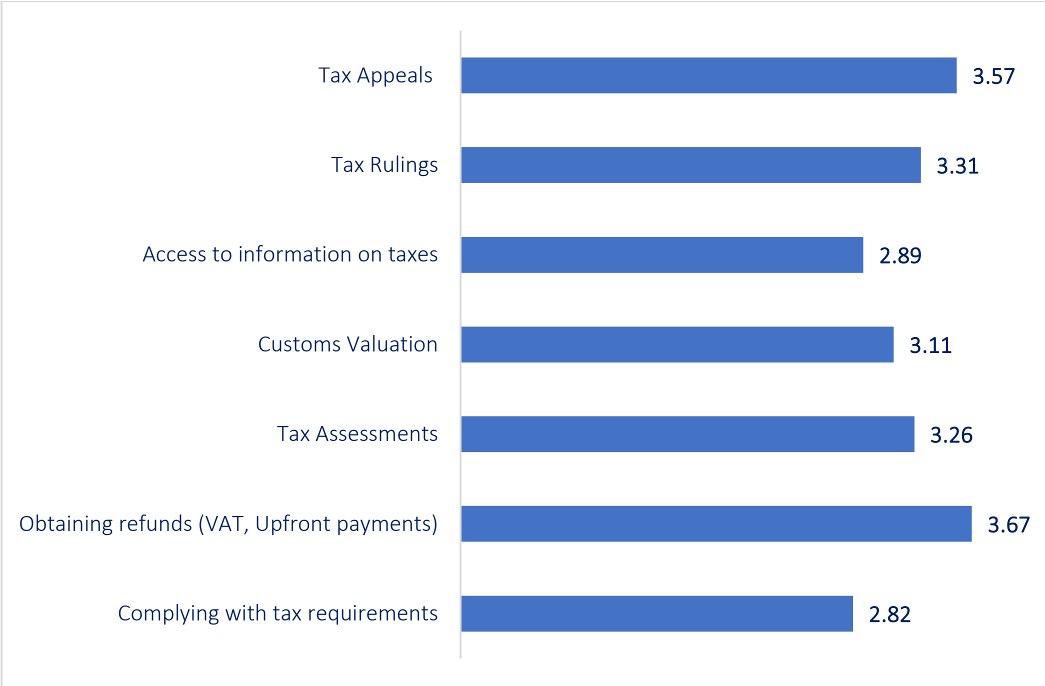
4.7. Specific Business Environment

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

The ease of paying taxes was Moderate (Rank 3.23) compared to the Rank 3.21 perceived in 2023. More specifically companies reported that complying with tax requirements (Rank 2.82), accessing information on taxes (Rank 2.89), obtaining Customs valuation (Rank 3.11), obtaining Tax Assessments (Rank 3.26), obtaining Tax Rulings (Rank 3.31) as Moderate. However, getting Tax Appeals (Rank 3.57) and Obtaining refunds (VAT, Upfront payment) (Rank 3.67) were perceived by companies as Hard. Further comparison of the responses to the 2023 ranking shows that companies perceived a similar rank in access to information on taxes, obtaining customs valuation, and obtaining tax refunds. In comparison to 2023 rankings, in 2024 companies perceive a deterioration in terms of obtaining tax appeals from 3.39 in 2023 rank to 3.57 in 2024 a deterioration of 0.18 points, tax rulings from 3.28 to 3.31, tax assessments from 3.10 to 3.26 a deterioration 0.16 points respectively. Positively, compliance with tax requirements improved by 0.26 points from 3.08 in 2023 to 2.82 in 2024. 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

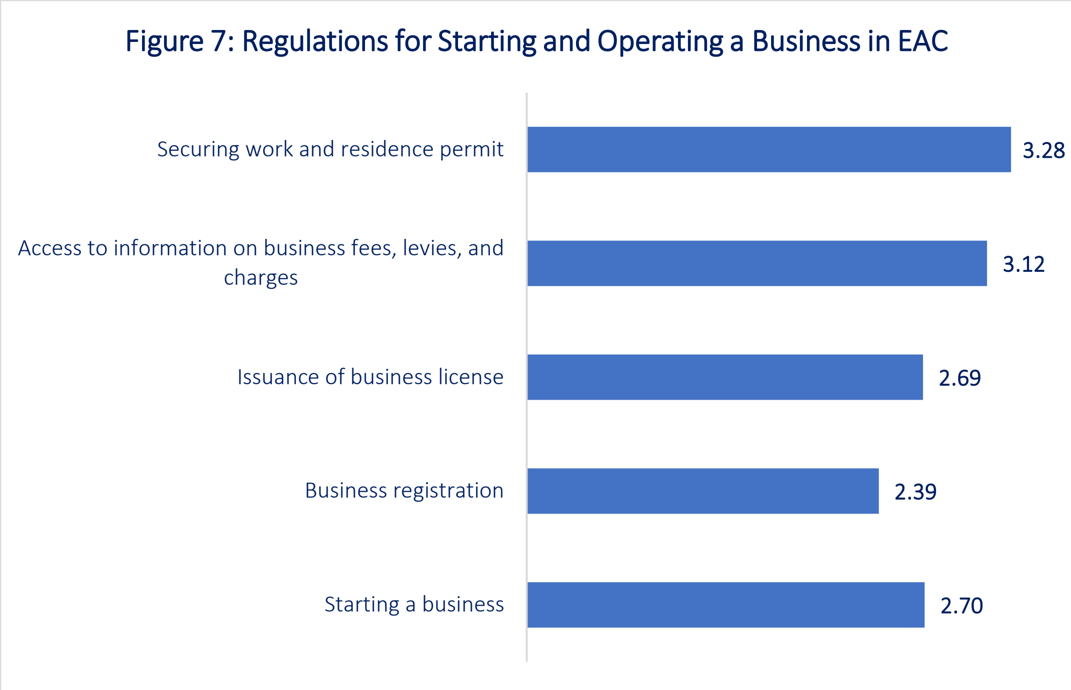


Companies also stated challenges of tax compliance such as, inconsistencies, and uncertainty in the ease of paying taxes due to *lack of transparency regarding Withholding Tax payments for non-Tanzanian entities, Uganda Revenue Authority (URA) issues tax assessments without prior discussion with the taxpayer, continuous inquiries from previous years create ongoing uncertainty for companies regarding their tax obligations, the tax system is complex and difficult to comprehend, the requirement for Tanzanian taxpayers to pay 1/3 of their disputed tax amount before their case is heard creates a financial burden and acts as a barrier to justice and fair treatment, and the reconciliation process for taxes on cross-border trade is complex and challenging.*

4.7.2. Regulations for Starting and Operating a Business

The perception of companies on the regulations for starting and operating a business in 2024 was ranked as Moderate (Rank 2.83) a deterioration of 0.17 compared to the rank of 2.66 in 2023. Specifically, according to the respondents, it was Moderate registering businesses (Rank 2.39), issuing of business licenses (Rank 2.69), starting a business (Rank 2.70), accessing information on business fees, levies, and charges (Rank 3.12) and to secure work and resident permits (Rank 3.28). In 2024 companies perceived a deterioration in the rank for registering businesses from 2.28 to 2.39, issuing business licenses from 2.57 to 2.69, starting a business from 2.57 to 2.70, secure work and resident permits from 3.09 to 3.28 a deterioration of 0.19 and accessing information on business fees, levies, and charges from 2.80 to 3.12 a deterioration of 0.32 in comparison to 2023 respectively. The respondents' perception of the regulations for starting and operating a business is depicted in **Figure 7** below:

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

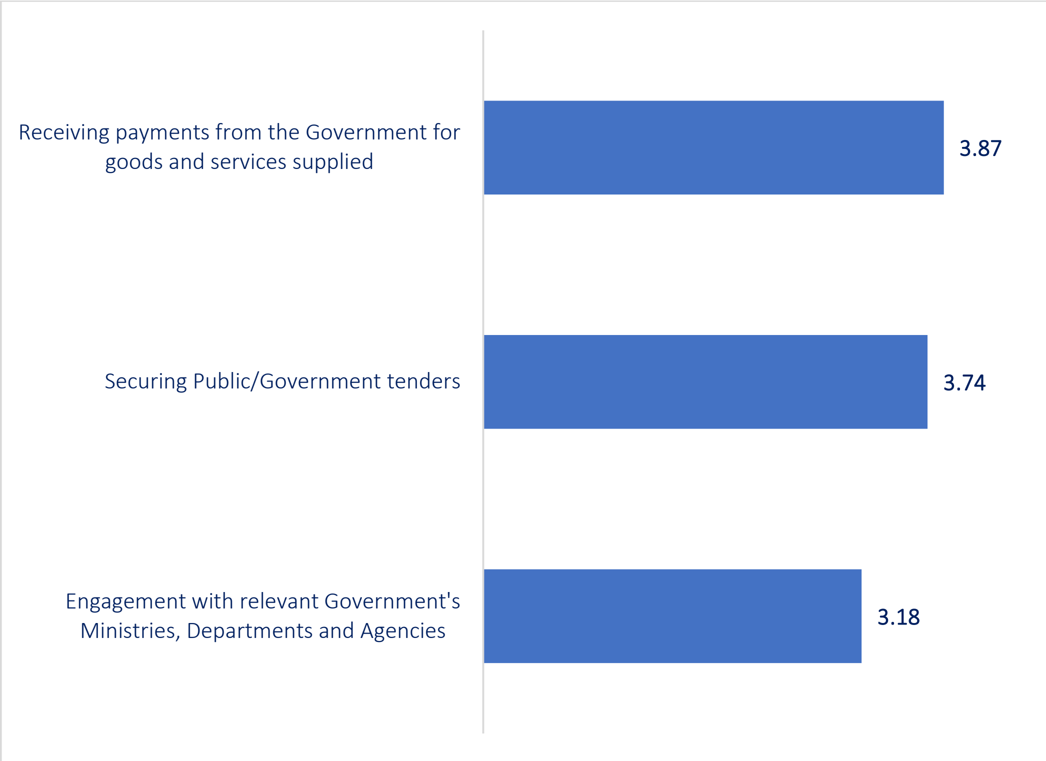


Companies stated improvements in *registering businesses including using online mechanisms.* Companies reported the environment for starting and operating is challenged by *Stringent business registration regulations requiring estimates of earnings/turnover before the start of business operations, corruption, 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 perceive conformity to government operations as Hard (Rank 3.60) in 2024 a deterioration of 0.19 compared to 2023 rank of 3.41. Specifically, companies perceive receiving payments from the Government for goods and services supplied (Rank 3.87) and securing public/government tenders (Rank 3.74) as Hard. However, engaging with relevant government Ministries, Departments, and Agencies (MDAs) was Moderate (Rank 3.18). A comparison of the companies' ranks on government operations in 2023 and 2024 shows a deterioration rank from 3.12 to 3.18, 3.51 to 3.74, and 3.62 to 3.87 on engaging with relevant government Ministries, Departments, and Agencies (MDAs), securing public/government tenders and receiving payments from the Government for goods and services supplied. Receiving payments from the Government for goods and services supplied: deteriorated from 3.62 to 3.87 in 2024 by 0.25 points and Securing public/government tenders: deteriorated from 3.51 to 3.74, by 0.23 points. The respondents' perception of the ease of government operations is as depicted in **Figure 8** below:

Figure 8: Government Operations in EAC

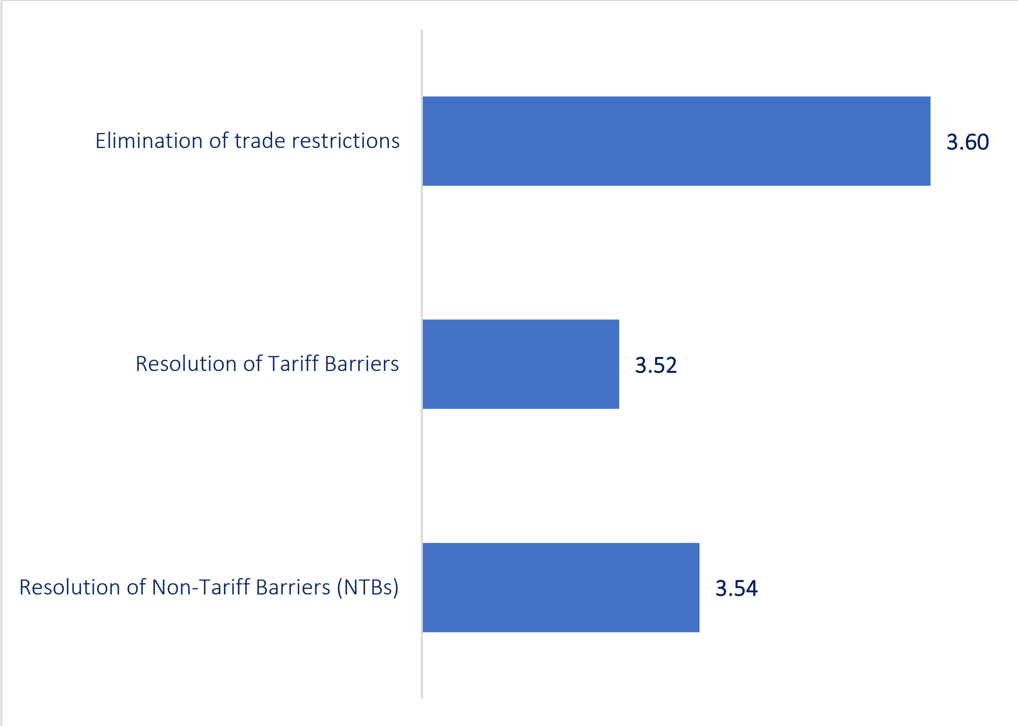


Companies' common challenges to the ease of government operations in the region are *delays in communications and payments* ***for instance:*** *Kenya Medical Supplies Authority (KEMSA) has outstanding payments to suppliers for more than 365 days, cashflow challenges in the implementation of government projects following delays, corruption in the issuance of tenders, and lack of transparency in government systems and processes.*

4.7.4. Removal of Trade Restrictions

Companies' perception of removing trade restrictions in EAC is Hard (Rank 3.55) slightly improved by 0.18 points compared to the Moderate rank of 3.37 in 2023. Companies perceived a deterioration from Moderate to Hard in the resolution of Tariff Barriers (Rank 3.52) compared to 3.36 a deterioration of 0.16 points, the resolution of Non-Tariff Barriers (NTBs) (Rank 3.54) compared to the ranking of 3.33 in 2023 a deterioration of 0.21 points, and the elimination of trade restrictions (Rank 3.52) a deterioration of 0.19 points compared to rank 3.41 in 2023. The responses to the ease of doing business regarding the removal of trade restrictions are depicted in **Figure 9** below:

Figure 9: Removal of Trade Restrictions in EAC

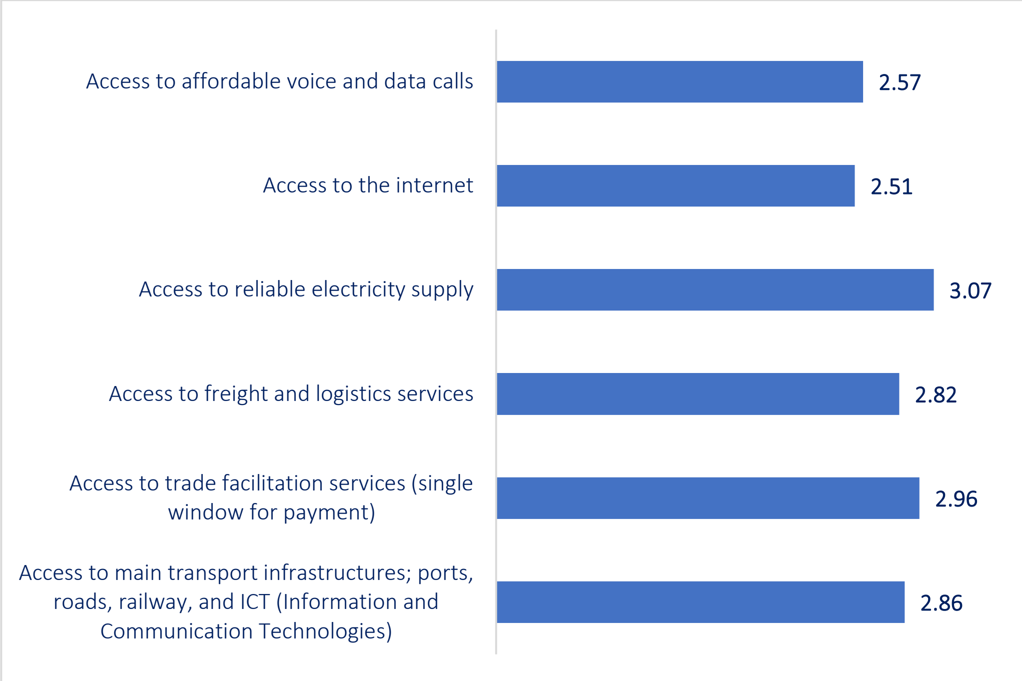


Companies also stated the following challenges related to the removal of trade restrictions: *fragmented rules across EAC countries protectionist rules leading to restricted flows of goods and services, imposition of administrative bans e.g., the ban of timber exports by Uganda, discriminatory practices, and restrictions on the movement of labour.*

4.7.5. Infrastructure development

Companies provided their perception of infrastructure development in the region as Moderate (Rank 2.80) in 2024 compared to rank 2.76 in 2023. The rank of companies' perception of infrastructure development was perceived to be slightly improved by 0.04 points to rank 2.57 compared to rank 2.61 in 2023 with regards to access to affordable voice and data calls. The perception further shows a deterioration in the 2023 rank in terms of accessing the internet from 2.46 to 2.51, accessing freight and logistics services from 2.79 to 2.82, accessing main transport infrastructures i.e., ports, roads, railway, and ICT (Information and Communication Technologies) from 2.81 to 2.86, accessing trade facilitation services (single window for payment) from 2.93 to 2.96, and accessing reliable electricity supply deteriorated by 0.11 points from 2.96 to 3.07 in 2024 respectively. The perception of the companies on the ease of doing regarding infrastructure development is as depicted in **Figure 10** below:

Figure 10: Infrastructure Development in EAC

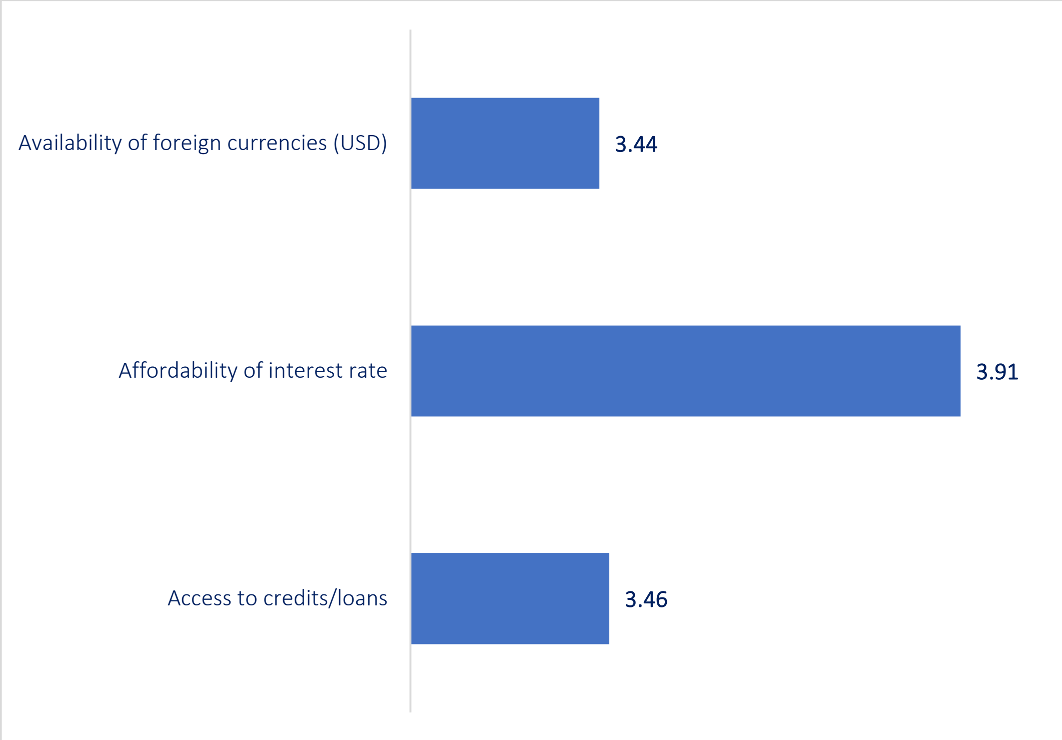


Companies also identified infrastructure development challenges such as a *lack of efficient and effective single-window systems, frequent power cuts and unreliable electricity supply that disrupt business operations, high cost of internet services making it difficult for businesses and individuals to access affordable and reliable connectivity, the lack of universal telephone services and unharmonized inter-country or African calls, high cost of mobile and internet customer premises equipment (CPE), and inadequate road network and logistics infrastructure.*

4.7.6. Trade Finance

Companies' perception on ease of access to trade finance, was Hard (Rank 3.60). The 2024 rating shows deterioration of in ease of access to trade finance compared to the Moderate ranking of 3.46 in 2023. Against proposed indicators, companies specifically reported that it was Hard to access affordability of interest rates (Rank 3.91). Companies' perception of the availability of foreign currencies (USD) (Rank 3.44) and of access to credit/loans (Rank 3.46) ranked as Moderate in the region. In comparison to 2023 findings, the companies reported the following: availability of foreign currencies (USD) improving by 0.02 from 3.46 to 3.44, accessing credit/loans from 3.32 to 3.46, and affordability of interest rate deteriorated by 0.30 points from 3.61 to 3.91 in 2024 respectively. The company's perception of the ease of doing business concerning trade finance is shown in Figure 11 below:

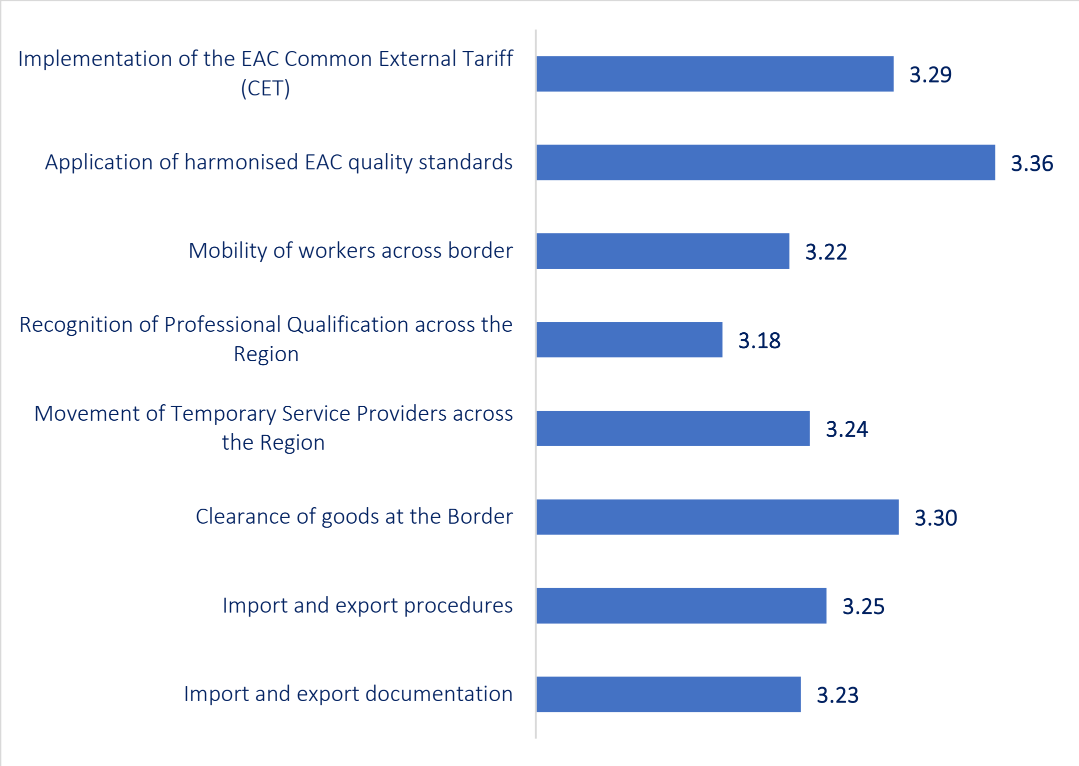
Figure 11: Trade Finance in EAC



4.7.7. Trading Across Borders

Trading across borders in 2024 was perceived to be Moderate (Rank 3.26) compared to the rank of 3.12 in 2023. Specifically, the ease of doing business with regards to the Recognition of Professional Qualification across the Region (Rank 3.18), Mobility of workers across the border (Rank 3.22), Import and export documentation (Rank 3.23), Movement of Temporary Service Providers across the Region (Rank 3.24), Import and export procedures (Rank 3.25), Clearance of goods at the Border (Rank 3.30), implementation of the EAC Common External Tariff (CET) (Rank 3.29), and Application of harmonised EAC quality standards (Rank 3.36) in the region was perceived as Moderate. The rating of the perception of companies on trading across borders in 2024 changed with regards to the Recognition of Professional Qualification across the Region improving by 0.05 points from 3.23 to 3.18. Import and export documentation deteriorated by 0.22 points from 3.01 to 3.23, Movement of Temporary Service Providers across the Region from 3.13 to 3.24, Import and export procedures deteriorated by 0.16 points from 3.09 to 3.25, Clearance of goods at the Border from 3.11 to 3.30 a deterioration of 0.19, implementation of the EAC Common External Tariff (CET) deteriorated by 0.27 points from 3.02 to 3.29, and Application of harmonised EAC quality standards deteriorated by 0.21 points from 3.15 to 3.36 in 2023 respectively. The perception of the ease of doing business concerning trading across borders is shown in **Figure 12** below:

Figure 12: Trading Across Borders in EAC

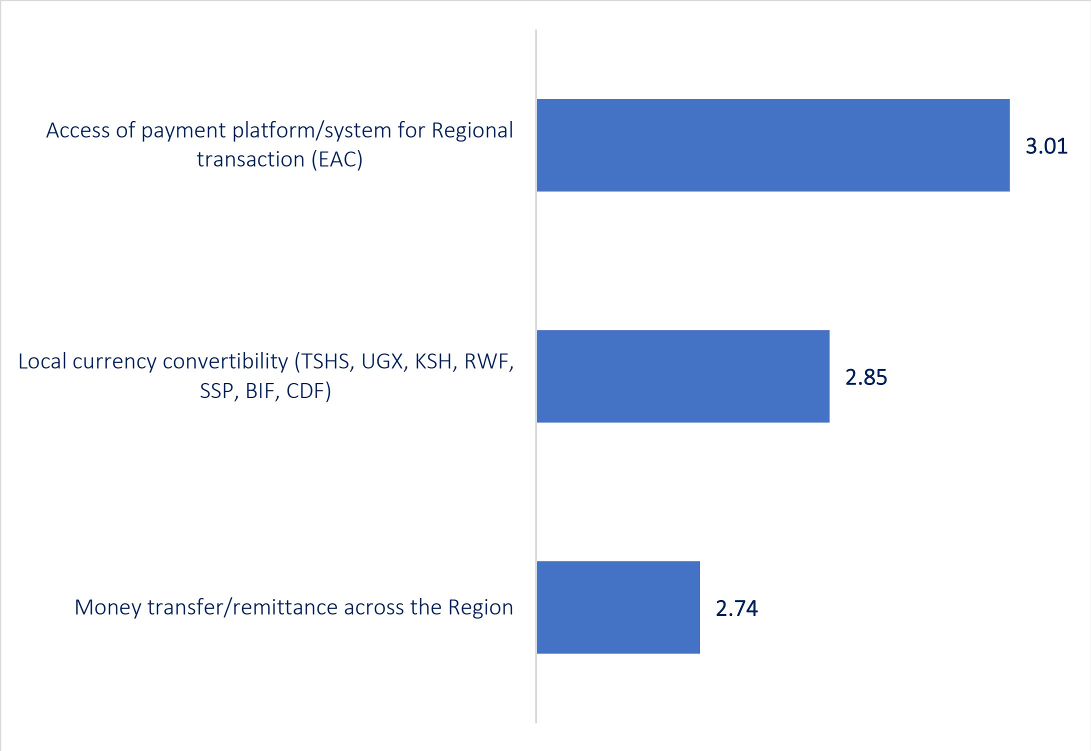


Companies also reported *conflicting national interests, complex export certification requirements, unharmonized standards for wooden products (wooden pallets), and inconsistent application of the EAC Common External Tariff (CET)* as challenges related to trade across borders in the region.

4.7.8. Cross-Border Payments

In 2024, the ease of doing business in terms of making cross-border payments was ranked as Moderate (Rank 2.87) by respondents compared to the Moderate Rank of 2.73. Specifically, companies perceived making money transfers/remittances across the region (Rank 2.74), local currencies convertibility (TSHS, UGX, KSH, RWF, SSP, BIF, CDF) (Rank 2.85), and access to payment platform/system for the regional transaction (Rank 3.01) as Moderate. In comparison to the 2023 rating, there was deterioration in the following: making money transfers/remittances across the region from 2.63 to 2.74, local currencies convertibility (TSHS, UGX, KSH, RWF, SSP, BIF, CDF) from 2.73 to 2.85, and access to payment platform/system for the regional transaction deteriorated by 0.15 points from 2.86 to 3.01 in 2024 respectively. The perception of the ease of doing business concerning cross-border payment is shown in **Figure 13** below:

Figure 13: Cross-Border Payments



Companies also reported there are robust payment systems in the region, however, challenges related to making cross-border payments in the region include *high transfer charges, the existence of a black market for some of the local currencies thus leading to unfair pricing, the absence of a single regional currency, and costly foreign currency bank accounts.*

4.8. Positive Perception of Ease of Doing Business

Based on the analysis, businesses perceived the following positive improvements in the ease of doing business across the region in 2024: increased automation of tax payment systems making it easier for businesses across the region to comply with tax requirements, Tanzania piloting the One Network Area (ONA) for voice calls at the end of 2023, and implementation of monetary measures by the Government of Kenya to increase supply of the dollar, thus appreciation of Kenyan Shilling against the dollar in 2024.

Companies also reported positive progress in the business environment in the region, characterized by continuous government reforms and commitment to enacting business-friendly laws, favourable 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 in infrastructure and human capital, active government participation in regional and continental integration processes.

Companies also shared other positive areas on ease of doing business in the region as follows:

i. Rwanda is **perceived positively** for its efforts and success in creating a conducive environment for starting up a business.
ii. **The existence of established payment systems** to facilitate cross-border payments.
iii. **Effective engagement of cross-border businesses through capacity building programmes.**
iv. **Timely payment of claims on goods and services** supplied to the government.
v. **Existence of unified and streamlined trade regulations** particularly on the harmonisation of quality standards.
vi. **Easier movement of businesspersons** facilitated by the removal of visa restrictions.
vii. **Progress in the level of economic convergence** towards a common currency.

4.9. Challenges on Ease of Doing Business

From the analysis, businesses in 2024 perceived challenges of high costs and limited availability of trade finance particularly foreign currency for trade in countries such as Burundi and affordability of interest rates for loans especially for startups, difficulties in government operations including securing government tenders and receiving payments on goods and services supplied to the government, obtaining tax refunds such as VAT and Upfront payment on taxes, persistent trade restrictions including non-tariff barriers and administrative bans, and limited access to infrastructure development particularly in transport and communication networks.

Companies also identified general challenges to the ease of doing business as follows:

i. **Economic and business support constraints.** Companies are faced with financial constraints, corruption and bribery, and inadequate government support specifically incentives for startups.
ii. **Unpredictable regulatory and policy challenges.** This is coupled with persistent changes in the tax regime, inconsistent and unharmonized standards; policies; and procedures, political differences and nationalism resulting in national interests that contravene with the regional aspirations, and low implementation of the East Africa Common Market protocol.
iii. **Persistent market and trade barriers** characterized by difficulty in cross-border trading, visa restrictions and high entry fees, lack of transparency in public procurement processes, high import taxes, and unfair competition from illicit trade.
iv. **Infrastructure and technology constraints** resulting from poor roads and logistics networks, difficulty in accessing land and business premises, unreliable supply of electricity and water, barriers to technological innovation and transfer, and poor access to information.
v. **Labour and skills development challenges.** The region is faced with difficulties in finding skilled labour, high training costs, stringent labour laws, lack of capacity building for SMEs, and retention of talent.

vi. **Trade facilitation and market access challenges** resulting from lack of access to foreign exchange, high transportation costs, inadequate market information, and difficulty in exporting and importing due to external factors such as the Red Sea attacks.

More specifically, companies identified the following challenges related to the ease of doing business in the region:

i. **Excessive levies and licenses.** Businesses are faced with a high number of levies and licenses required for them to operate.
ii. **Lack of access to affordable finance and financial instruments** especially for startups.
iii. **Inconstancies in tax administration**.
iv. **Delayed payments by governments** for projects and services rendered by private companies.
v. **Corrupt tendering process.**
vi. **Delayed responses and cumbersome bureaucracy in government processes.**
vii. **Persistent and recurring Non-Tariff Barriers (NTBs)** such as trade bans and denial of export documents such as certificates of origin.
viii. **Frequent power cuts and high cost of internet and mobile services.**
ix. **High taxation and complicated tax codes e.g.,** the requirement to pay 1/3 of the disputed tax amount upfront in a tax assessment objection.
x. **High charges for payments and money transfers.**
xi. **Cumbersome foreign exchange and currency issues** such as transactions in foreign currency, availability of major foreign currencies such as USD, and the existence of illegal foreign exchange markets.

5.0. RECOMMENDATIONS TO IMPROVE EASE OF DOING BUSINESS IN EAC.

Based on the analysis of the 2024 company responses it is recommended that Partner States to:

i. improve the ease of doing business in the region including the Government fast-tracking payments to companies for goods and services procured,
ii. enhancing access to information on business fees, levies, and charges for startups,
iii. fully implement the Common External Tariff to address Stays of Application and Country Specific Duty Remissions,
iv. improving the affordability of interest rates for loans, especially for startups,
v. eliminating non-tariff Barriers and trade restrictions,
vi. harmonizing and adopting product standards, and
vii. enhancing border efficiency to facilitate trade processes.

Additionally, Partner States should expedite the implementation of EAC commitments such as the Single Customs Territory (SCT) and Common Market commitments, invest in infrastructure, particularly 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.

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

5.1. Partner States to fully implement the regional economic integration commitments:

a) EAC Secretariat to coordinate implementation and monitor adherence to harmonized tariffs, trade policies, and standards.
b) Partner States should make deliberate efforts to implement the EAC-integrated payment system and monetary union commitments.
c) GIZ to continue supporting the harmonisation of tariffs, trade policies, and regulatory requirements across the EAC. GIZ should also facilitate dialogue among Partner States to ensure consistent implementation of EAC regional integration commitments.
d) EABC to continue advocating and monitoring the implementation of the agreed EAC integration commitments (Customs Union, Common Market, and Monetary Union).

5.2. Partner States to facilitate trade:

a) Partner States to continue simplifying and standardising documentation requirements on imports and exports.
b) Development Partners to continue providing technical assistance and capacity building for trade facilitation agencies.
c) EABC to continue building the capacity of businesses to comply with trade regulations and uptake of various trade facilitation initiatives such as Authorised Economic

Operators, Electronic Cargo Tracking Systems, and Track and Trace Systems for products.

5.3. Partner States to streamline policy and regulations:

a) Partner States to review and update trade instruments such as EAC Rules of Origin.
b) GIZ to continue supporting harmonisation of tax policies such as EAC Domestic tax regime, fees; levies; and charges of equivalent effect.
c) EABC to continue advocating for policy and regulatory reforms that are conducive for businesses and investment.

6.0. LIMITATION OF SURVEY

The analysis of the ease of doing business in 2024 faced the following limitations:

6.1. Accuracy of responses. Comparison between the 2024 and 2023 survey responses shows that the respondents for the survey are not 100% similar, however, as a perception survey, the collected responses were considered. This limited our comparison between 2024 and 2023 as the respondents were not necessarily similar.

6.2. Limited time for making follow-up and gathering adequate responses from Rwanda, the Democratic Republic of Congo, and the Republic of South Sudan thus, impacting the overall perception of the ease of doing business in EAC.

6.3. Limited scope of the survey responses. The responses fail to address some of the emerging and ongoing issues that have had a significant impact on the ease of doing business in EAC. Notably, the discontent related to the tax regime in Kenya that led to the withdrawal of the 2024/25 Finance Bill, protests by Tanzanian businesses against the tax administration, disruptions, and outages in internet services due to damages in the SEACOM and Eastern Africa Submarine Cable System (EASSy) and raising logistics and commodity prices due to Red Sea attacks.

7.0. CONCLUSION

The 2024 mid-term survey on the ease of doing business in the East African Community (EAC) received responses from 201 companies, with 113 involved in trade in goods and 88 in trade in services. The overall ease of doing business was ranked as moderate, with an average score of 3.22, indicating a slight deterioration compared to the 2023 rank of 3.09. Positive reforms and perceptions of businesses include continuous government reforms aimed at enacting business-friendly laws, favourable political and economic stability across the EAC, increased collaboration between the government and the private sector in policy formulation and investments through Public-Private Partnerships (PPPs), significant investments have been made in infrastructure and human capital, and active government and private sector participation in regional and continental integration processes.

However, the responses from companies in trade in goods and trade in services show that the ease of doing business in the region did not improve by one (1) point mainly due to the high costs and limited availability of trade finance, particularly foreign currency and affordable interest rates for businesses, difficulties in government operations, including securing government tenders and obtaining tax refunds, persistent trade restrictions such as non-tariff barriers and administrative bans, inadequate infrastructure development, particularly in transport and communication networks.

While significant progress has been made, substantial challenges remain. The companies perceive the business environment as moderately challenging. While there has been notable progress in certain areas to improve the ease of doing business in EAC, it is recommended that the EAC Partner States, Development Partners, and the EABC enhance border efficiency to facilitate trade processes, expedite the implementation of EAC commitments such as the Single Customs Territory (SCT) and Common Market commitments, invest in infrastructure, especially in transport and communication 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.

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