

BUSINESS LEADER PERCEPTIONS OF THE INVESTMENT CLIMATE IN EAST AFRICA

MAY 2010



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The purpose of the East Africa Business Council is to represent and voice the interests of the business community of East Africa to the EAC policy makers.

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1. SUMMARY

This report has been prepared to highlight the factors external to business that inhibit the private sector in East Africa from achieving its full potential in creating jobs and wealth. It focuses on the perceptions of business leaders, since they make decisions based on how they perceive the environment and their expectations of how it might change. Understanding those perceptions can help policy makers to focus on the factors that are important to business, so the report also suggests priorities for action. The report has been commissioned by East Africa Business Council whose role is to represent and voice the concerns of the business community, with a view to creating a constituency for change that will lead to sustainable policy reform and an environment conducive to the private sector who wish to make a sufficient return on their investment but who will also then create many more jobs and consequently distribute wealth more equitably. Specifically, business leaders were asked about:

- The enabling environment factors that are important to their business;
- The factors that make it difficult to do business;
- The non-tariff barriers that are relevant to their business;
- The non-tariff barriers that cause problems for their business;
- Their perception of whether government is addressing each factor and, if so, whether it is making a difference;
- Their view of whether each factor would be likely to deter future investment; and
- An assessment of the costs involved in meeting the requirement of regulation and red tape.

The external factors that make it difficult for businesses to get on with running and growing their business for each country, in order, are shown in the table:

Table 1: Factors that make business difficult				
Burundi	Kenya	Rwanda	Tanzania	Uganda
Roads	Corruption	Power	Power	Corruption
Ports & airports	Security	Water	Corruption	Power
Access to skilled labour	Power	Level of taxation	Access to finance	Roads
Security	Roads	Tax administration	Roads	Access to finance
Contract enforcement	Level of taxation	Access to skilled labour	Level of taxation	Level of taxation
			Tax administration	

Factors that make business very difficult are shown in red; factors that make business somewhat difficult are shown in blue

Whilst there is some commonality, it is also clear that each country will need to focus on rather different priorities.

There was considerable variation in businesses' perceptions of the efforts being made by government. In Rwanda, for example, the government was felt to be making a real effort to address every factor. This may in part be due to positive press coverage about Rwanda's performance last year in the World

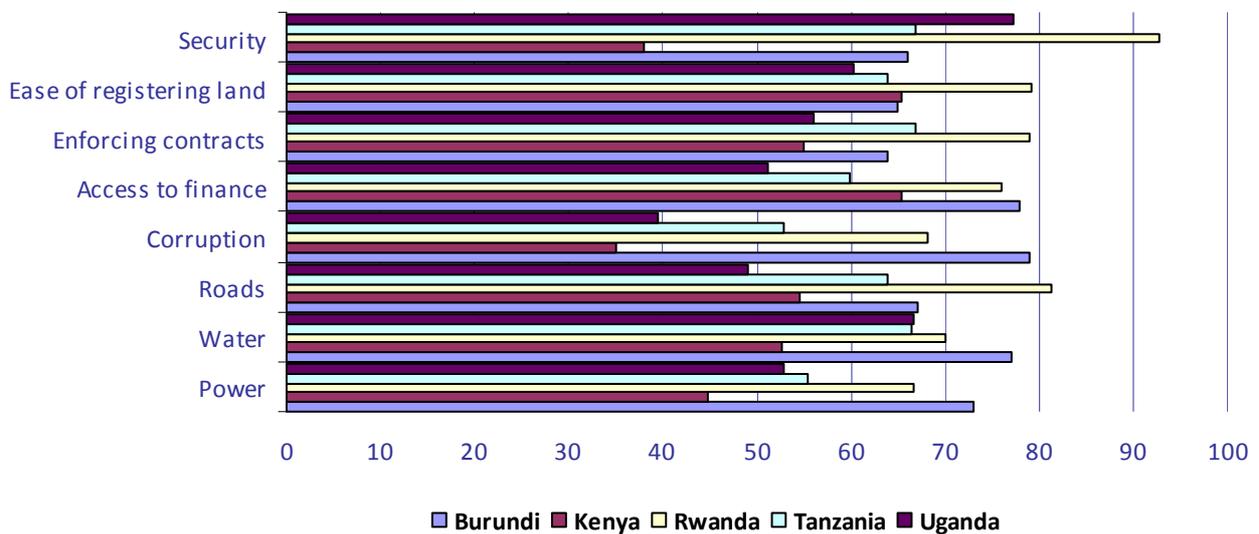
Bank's Doing Business survey – but it is positive media coverage that drives perceptions and makes businesses feel more confident about the future – and it would seem that in Rwanda's case the perceptions reflect the reality.

The issues that are the biggest deterrent to investment are shown in the table. Whilst there are some factors particular to each country, such as telecommunications in Burundi and access to finance in Uganda, it is clear that corruption is a major deterrent in every country.

Table 2: Factors that deter investment				
Burundi	Kenya	Rwanda	Tanzania	Uganda
Registering land	Corruption	Corruption	Corruption	Corruption
Corruption	Power	Level of tax	Power	Contract enforcement
Telecoms	Security	Tax administration	Level of tax	Access to finance

We have prepared an 'enabling environment priority index' based on the level of difficulty perceived by respondents combined with their perception of effort being made by government to address each issue. A selection of factors is shown in the chart – which also shows the variation between respondents in each country. Note that the factors which detract the most from an environment conducive to doing business are those with the lowest score; the factors that contribute the most to a supportive environment have the highest score. Security, for example, is not a priority in Rwanda but, along with corruption, it is a priority in Kenya.

Figure 1: Enabling environment priority index: country comparisons



Note: The higher the score the greater the contribution to a conducive business environment

There is more commonality on the priority issues – with corruption and power both a high priority in four countries and tax administration (which probably includes corrupt practices) a high priority in three countries. The top priorities for each country are shown in the next table.

Table 3: Enabling environment priority index

Burundi	Kenya	Rwanda	Tanzania	Uganda
Access to skilled labour	Corruption	Level of tax	Corruption	Corruption
Ports & airports	Security	Power	Power	Roads
Enforcing contracts	Power	Corruption	Access to finance	Access to finance
Registering land	Level of tax	Water	Level of tax	Level of tax
Telecoms	Tax administration	Tax administration	Tax administration	Power

So, for governments to make a difference, and for those efforts to be recognised by the private sector, these are the issues that each government should prioritise – and publicise through good quality media coverage – if they wish not only to make a difference to the enabling environment but also to the perceptions held by business leaders.

Whilst it is difficult to combine all views into a single figure, we recognise that having a single figure makes it easy to see at a glance whether the private sector perceives that the enabling environment has improved or deteriorated and to see how states compare. We have therefore calculated a single figure which, for the EAC, is 64 with Burundi at 71, Kenya at 56, Rwanda at 76, Tanzania at 65 and Uganda at 59. Remember, the higher the figure, the better the perception of the enabling environment.

In some countries, the cost of complying with regulation – through the cost of licences, the cost of the associated paperwork and the cost of dealing with enforcers – takes a high proportion of businesses’ expenditure. If it were possible to reduce this, then it would free up resources – both financial and managerial – which the businesses could then use for investment leading to job creation and, ultimately, poverty alleviation.

There is a role here for the East African Community. The Treaty sets out a vision for a prosperous, competitive, secure and politically united East Africa. This requires, inter alia, that the countries work together to broaden markets, to harmonise policies and enhance their competitiveness, to increase regional and global trade, and thus to accelerate growth. This will need considerable improvement in the enabling environment for business and, indeed, the Treaty supports the “creation of an enabling environment”. Specifically, it says that the Partner States undertake to “promote a continuous dialogue with the private sector and civil society at the national level and at that of the Community to help create an improved business environment”.¹

This survey follows up previous surveys which looked at business leaders’ perceptions in East Africa and EABC’s business confidence surveys.

¹ EAC Treaty, Chapter 25, The Private Sector and the Civil Society, Article 127

2. ENABLING ENVIRONMENT ASSESSMENTS

The World Bank asserts that improvements in the enabling environment lead to greater levels of investment by the private sector, more wealth and job creation, and ultimately more poverty alleviation. There is little doubt that the best way for governments to understand how to improve the enabling environment is to involve the private sector through consultation and dialogue and, in particular, to understand and address the private sector's needs and priorities.

The World Bank researches a number of indicators and publishes its "Doing Business" reports annually.²

The Doing Business reports highlight a small number of indicators. Many countries are responding to the conclusions of the reports and aiming to cut bureaucracy and make a difference. Inevitably, it is possible for a country to focus on just two or three of the indicators used by the World Bank – and make a big difference to their specific ranking but not make much difference to the overall ease of doing business (that is, to their rating) and so the perception of the private sector may be that not much has happened. On the other hand, the Doing Business reports attract considerable attention and encourage countries to do at least something.

Doing Business 2010 reports that Rwanda, which has been making efforts to reform since 2001, was the world's best reformer in 2009 and improved its ranking from 143 to 67, a rise of 76 places. Kenya, Tanzania and Uganda all fell. Burundi was almost static – but very close to the bottom of the table of 183 countries.

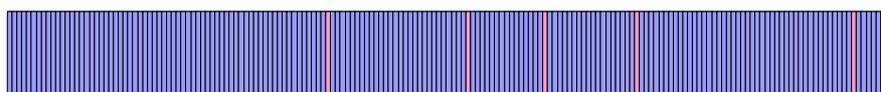
Table 4: East Africa: Doing Business (2010) rankings

	Burundi	Kenya	Rwanda	Tanzania	Uganda
Ease of doing business	176	95	67	131	112
Starting a business	130	124	11	120	129
Dealing with licences	172	34	89	178	84
Employing workers	88	78	30	131	7
Registering property	118	125	38	145	149
Paying taxes	116	164	60	119	66
Enforcing contracts	172	126	40	31	116
Trading across borders		147	170	108	145

Source: World Bank (2009) *Doing Business 2010: reforming through difficult times*

Figure 2 shows the relative positions of the five countries of the EAC

Figure 2: Doing business rankings: ease of doing business

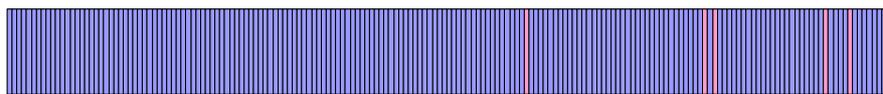


Source: World Bank (2009) *Doing Business 2010: reforming through difficult times*

And figure 3 shows their relative positions specifically for ease of trading across borders – which is a priority for TradeMark East Africa.

² World Bank, Doing Business: see www.doingbusiness.org

Figure 3: Doing business rankings: trading across borders



Source: World Bank (2009) *Doing Business 2010: reforming through difficult times*

Whilst the World Bank's work is valuable to policy makers in highlighting areas worthy of reform and promoting debate, it does not offer a holistic view in that it focuses on a selection of indicators, rather than on the total impact on business, and in that not all indicators impact on every business. Furthermore, encouraging more people to start in business or encouraging more people to join the formal economy or encouraging more investment will be far more dependent on a broader perception of the ease of doing business rather than on the narrower score reported in Doing Business.

3. RATIONALE FOR THIS STUDY

With organisations such as the World Bank and World Economic Forum undertaking research to assess the problems faced by business, it may seem that there is no need for further studies. This study is different, however:

- Perception and reality are highly likely to be different and people act on the basis of what they perceive to be the case, even if that is not wholly accurate. Having an understanding of perceptions may not only convince policy makers that more needs to be done but also, particularly where there is a big gap between perception and reality, provide clues to governments about how to communicate messages about reality.
- This research identifies factors that are important to broad sectors such as manufacturing or agriculture. There are a wide range of factors which together comprise the enabling environment, though not all are important to every business, and not all make business more difficult. A self-employed consultant, for example, will not be concerned about employment law or the availability of skilled labour, but may be very concerned about taxation and the ease of enforcing contracts. A factor that is important to a business may not necessarily make doing business difficult, though we might expect to see some correlation.
- This survey not only asked about the factors that are problematic but also, unlike other surveys, asked business leaders to identify the factors where the government is perceived to be making a positive effort.
- It also asked about the factors that may deter future investment. There is a danger that governments just assume that businesses will carry on investing irrespective of the enabling environment, but the results in this survey suggest that may not be the case.
- It has attempted to quantify the costs to business of meeting the regulatory requirements imposed on them.

4. METHODOLOGY

The fieldwork was undertaken between August 2009 and March 2010 by Kenya Private Sector Alliance, Business Care Services (Tanzania), Private Sector Federation (Rwanda), Natukunda Jennifer (Uganda), Association des Industrielles du Burundi (Burundi) and EABC (who surveyed their own corporate members).

The survey was conducted using a questionnaire designed by David Irwin (of Irwin Grayson Associates) in close collaboration with EABC. The questionnaires were administered electronically and face to face and results for each respondent transcribed to a specially designed spreadsheet. The sample consisted of CEOs of businesses drawn from a range of sectors and from all sizes, though not all sectors were covered uniformly in all countries. The sample population comprised 376 businesses. The composition of the sample is shown in table 5.

Table 5: Sample population

Sector		Location		Size (employees)	
Services	115	Burundi	14	0-9	70
Manufacturing	101	Kenya	74	10-24	70
Finance	43	Rwanda	83	25-49	49
Agriculture	38	Tanzania	133	50-99	39
Retail	27	Uganda	72	100-250	54
Other	52			>250	65
				Did not say	29

5. OVERVIEW

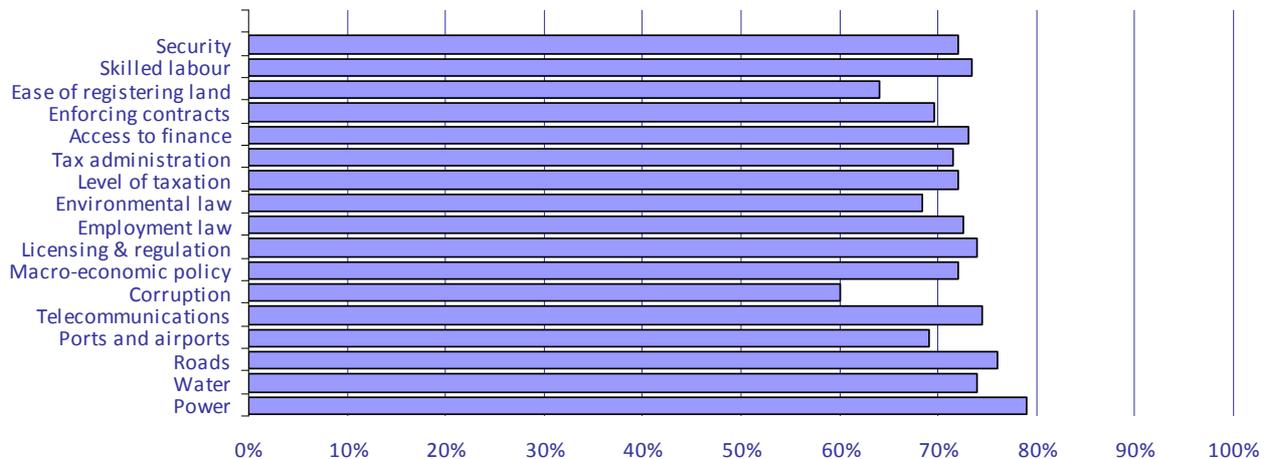
In the first question, respondents were asked to indicate which of a range of factors were important to the success of their business and were then asked to indicate whether those factors made doing business very difficult, somewhat difficult, had room for improvement or were not a problem at all. The reason for splitting the results is that it is quite possible for a factor to be important – a manufacturer might need a reliable source of electric power for example or a service business might rely on effective telecommunications – but for that factor not to cause problems – power or telecommunications might be reliably available. Similarly some factors may be considered to be unimportant – we might anticipate for example corruption would score low in importance unless businesses rely on corruption for their success – but may interfere in the effective management and success of the business and, even if it does not make business difficult, may deter investment.

The survey covered 17 factors that were considered by EABC to be important or to be barriers to businesses' effectiveness.

5.1 FACTORS IMPORTANT TO BUSINESS

The results for whether issues were important are shown in figure 4. The main factor, identified by all respondents, was (electric) power. However, this was closely followed by roads, telecommunications, licensing & regulation, access to skilled labour and access to finance.

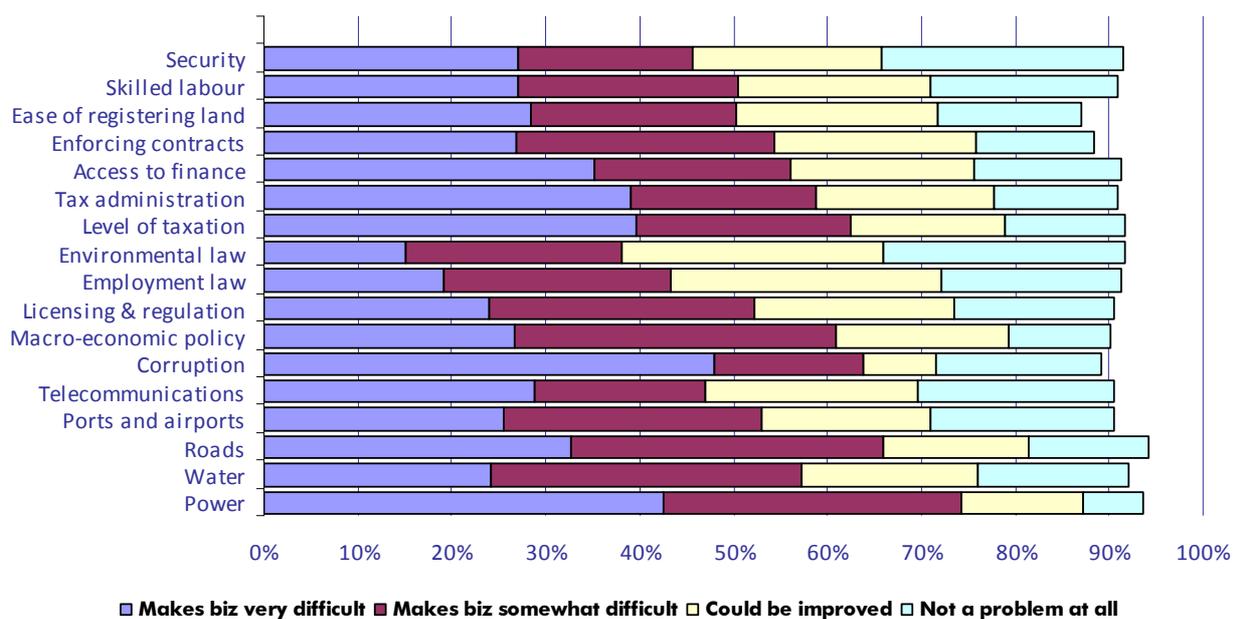
Figure 4: Importance of factors (all respondents)



5.2 FACTORS WHICH MAKE BUSINESS DIFFICULT

Figure 5 shows the factors that businesses perceive to make life difficult. The factors that 'make business very difficult' (the blue part the bar) are, in order, corruption, power, level of taxation, tax administration and access to finance. It is worth noting that this survey did not seek to do anything more than identify which factors make business difficult and the relative extent of the difficulty. This may well prompt some areas that will be worthy of more detailed examination in order to understand better the issue and impact.

Figure 5: Factors which make business difficult



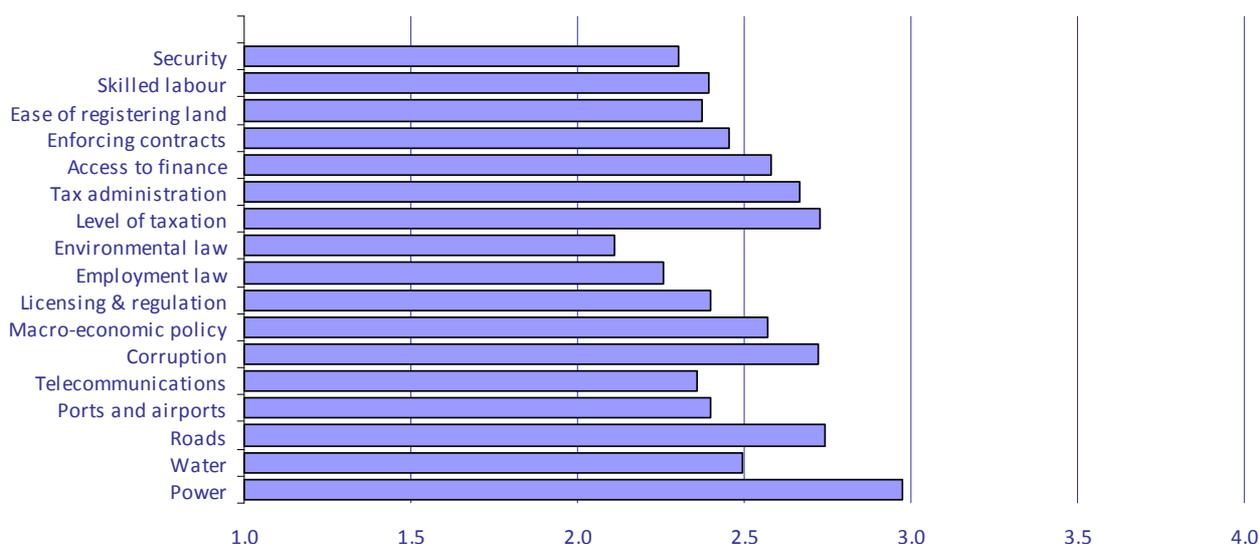
It is not always easy to assimilate the data when responses are summarised in this way, so the chart below shows the results by allocating a 'score' for each response. The score ranges from 1: not a problem to 4: makes doing business very difficult. Because we are averaging the responses, a score of 1 would mean that every respondent thinks that the issue is not a problem at all, a score between 1 and 2 indicates that, on average, respondents think that the position could be improved, a score between 2 and 3 indicates that, on average, respondents think that the issue makes business somewhat difficult and a score between 3 and 4 indicates that, on average, respondents think that the issue makes business very difficult. A score of 4 would mean that every respondent thinks that the issue makes business very difficult. So note that the scale on these charts runs from 1 to 4.

Figure 6 reveals that the key issue, across the EAC, that makes business somewhat difficult is power, followed by corruption, roads and level of taxation.

No issue is seen to make business very difficult, on average, though power comes very close. This is probably not surprising given that the price of electricity is 5 to 10 times higher than in competitor countries such as Egypt and South Africa. Worse than the price, though, is the unreliability of supply – meaning that most businesses invest in their generators.

Roads are also problematic, not only because they are in disrepair but also because of illegal check points and corrupt practices. The result is that transport costs account for as much as 48 per cent of the price of exports from Rwanda compared to 9 per cent for developed countries.

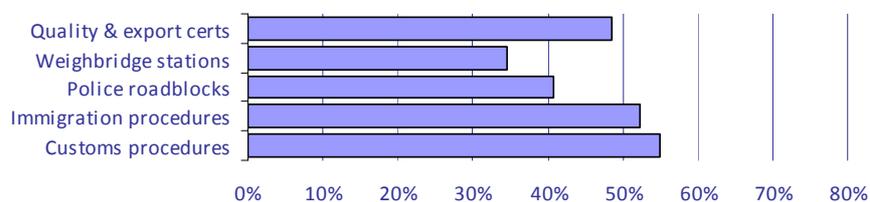
Figure 6: Factors which make business difficult



5.3 NON TARIFF BARRIERS

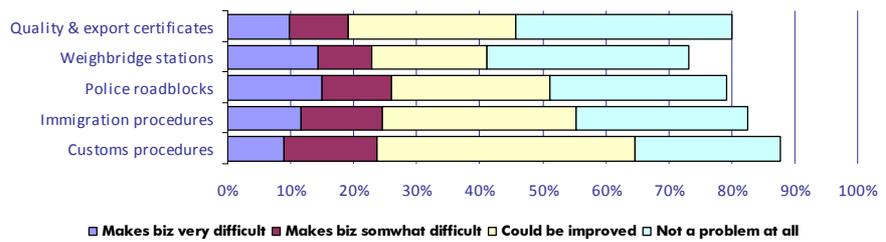
Non tariff barriers may be a requirement of government that add to the complexity and cost of doing business – such as the need for export certificates or to follow customs procedures – or may arise for other reasons – such as ‘illegal’ road blocks intended to extort money.

Figure 7: Relevance of non-tariff barriers (all respondents)



Barely half of respondents think that non-tariff barriers are important – and most respondents are largely unconcerned thinking that either they are not a problem at all or that they could be improved. It has been suggested that this corresponds with the norm along the corridor routes: bribes benefit all actors – police, customs officials, truck owners and cargo owners – and it has been suggested that NTB related costs are transferable so do not matter. However, corruption ultimately leads to higher costs, less competition, lower efficiency and lower productivity in practice all the actors lose rather than benefit.

Figure 8: Non-tariff barriers which make business difficult



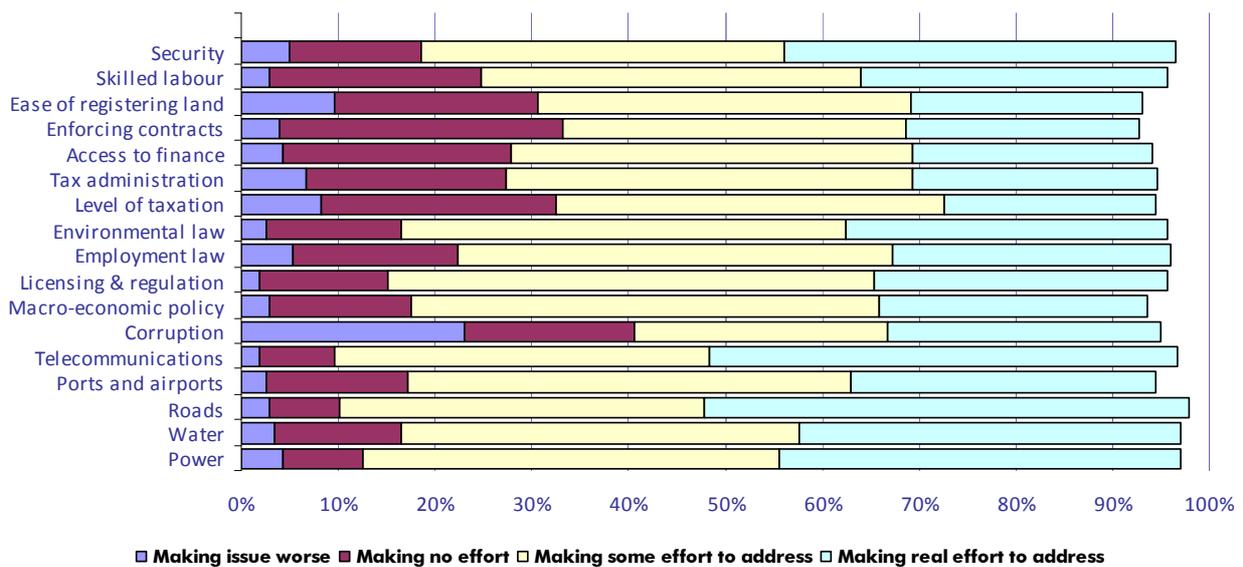
It is important to remember, however, that whilst NTBs may only be a problem for a small number of businesses, they can prove to be a real headache for those businesses and there can also be a knock-on effect – for example barriers which impede road distribution may cause delays for manufacturers or processors but they may not pick this up in their own assessment of the environment though they will end up paying for it through higher costs and, if they are willing to pay those higher costs, then the businesses who suffer the problems may not worry too much about them. They will also tend to have a disproportionate impact on businesses that are trading internationally.

There is a challenge here for policy makers in that some large companies can use non-tariff barriers as a competitive advantage and some companies and individuals have vested interests in maintaining these barriers. It is incumbent on the wider private sector therefore to identify areas where reform is needed.

5.4 GOVERNMENT PERFORMANCE

The third question asked respondents about their perception of government efforts to address these aspects of the enabling environment. Answers ranged from ‘the government is making real efforts to address the issue’ (coded 1), through ‘some effort’ and ‘no effort’, to ‘government actions are making this issue worse’ (coded 4). Figure 9 shows the results.

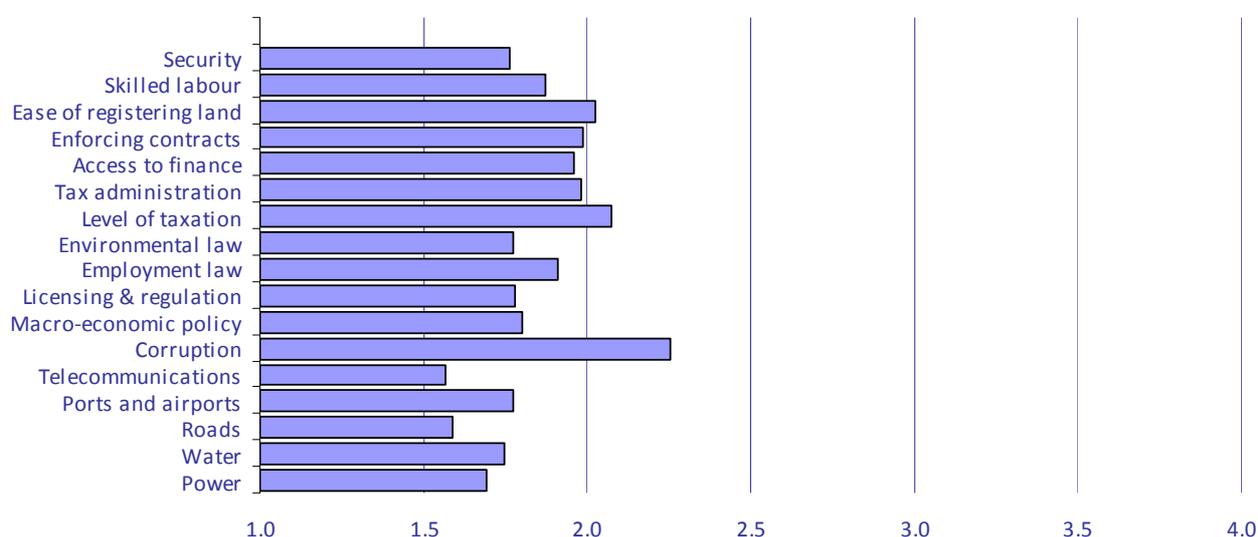
Figure 9: Government performance in addressing key factors



As with the responses on which issues make doing business difficult, we have combined all the results into a single score. The score ranges from 1: government is making a real effort to address the issue to 4: government is making the issue worse. So, a score of 1 would mean that every respondent thinks that the government is making a real effort to address the issue, a score between 1 and 2 indicates that, on average, respondents think that government is making some effort to address the issue, a score between 2 and 3 indicates that, on average, respondents think that the government is making no effort and a score between 3 and 4 indicates that, on average, respondents think that the government is making the issue worse. A score of 4 would mean that every respondent thinks that the government is making the issue worse.

Across the EAC, it seems that governments do quite well. Government is not believed to be making any issue worse, and it is really only corruption where respondents think that government is making no effort.

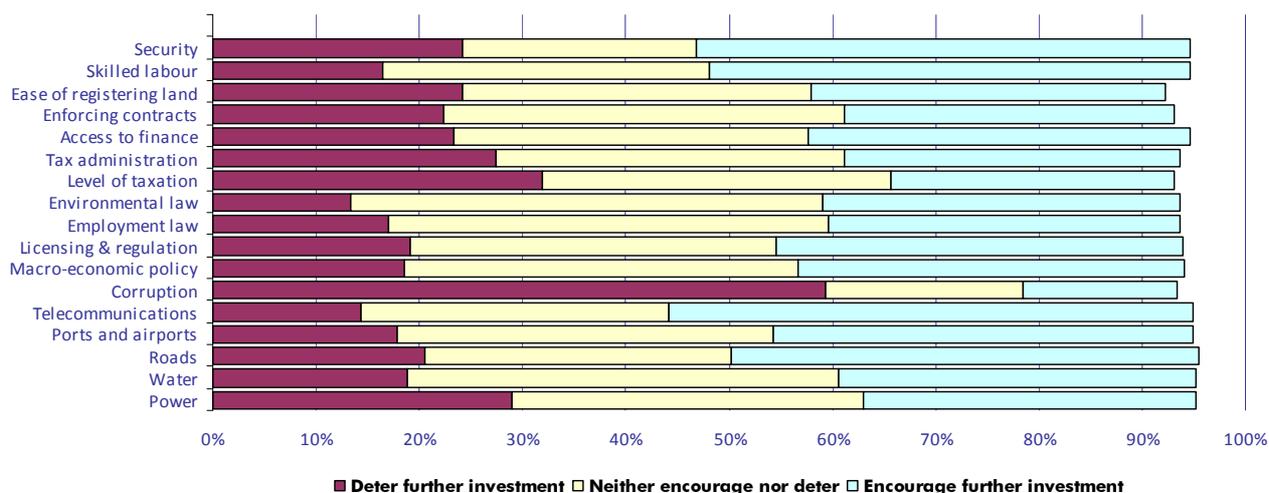
Figure 10: Government performance in addressing key factors



5.5 INFLUENCE ON INVESTMENT

The fourth question asked respondents which factors were likely to influence investment decisions and how (scored 1: encourage further investment; 2: neither encourage nor deter; 3: deter further investment). Despite corruption not figuring as a major barrier, it is seen as the biggest deterrent to investment, perhaps suggesting that businesses have put in place mechanisms to deal with corruption but that they would still rather not have to battle it all the time.

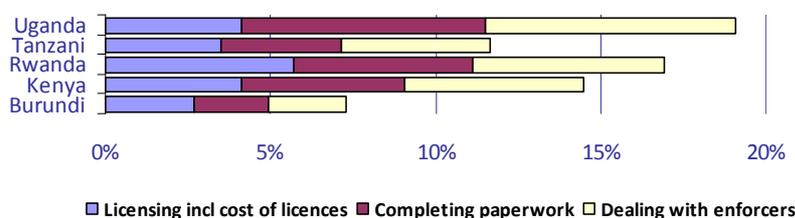
Figure 11: Factors which affect investment decisions



5.6 COST OF LICENSING

We looked at the cost of licensing asking respondents to tell us the approximate percentage of their expenditure required for all aspects of licensing and red tape, split into three aspects: the actual cost of licences; the effective cost of completing the paperwork associated with obtaining and retaining the licences; and the cost of dealing with the people who enforce the licensing requirements. There is quite some variation between countries – and even more variation between sectors in each of the countries.

Figure 12: Cost of red tape



Reducing the total cost of licensing would free up considerable resources that the businesses could then invest in their growth. This could be done by reducing the number of requirements – fewer licences, perhaps. But, importantly, it could also be achieved by reducing the burden – not being required to renew a licence annually, say, in those instances where a licence is deemed necessary. Countries should undertake regulatory impact assessments before introducing new licensing requirements.

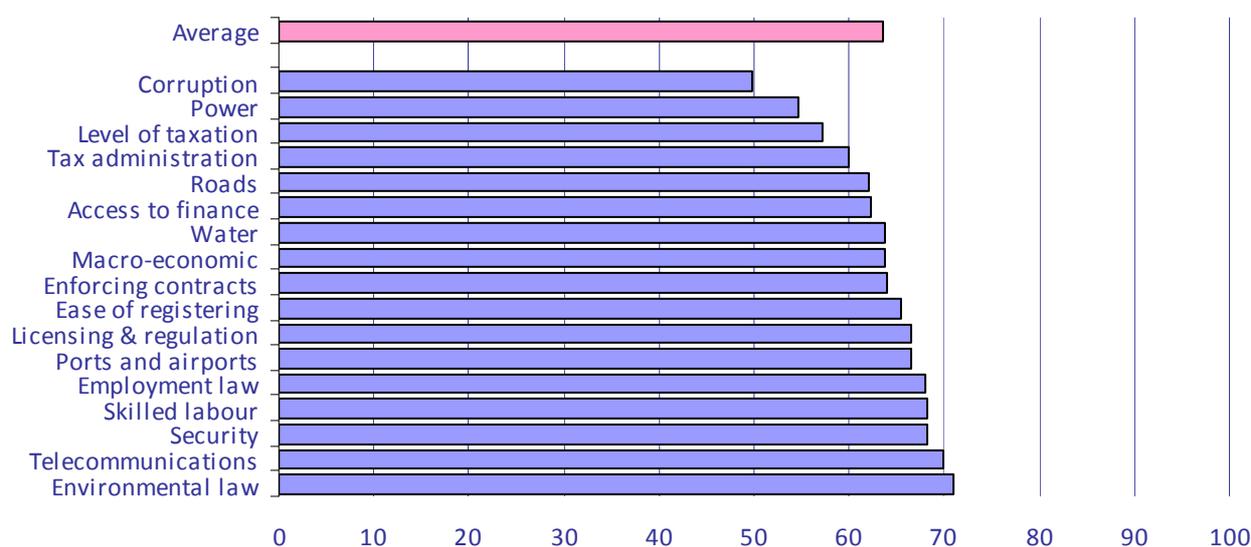
5.7 ENABLING ENVIRONMENT PRIORITIES

We have prepared an ‘enabling environment priority index’ based on the level of difficulty imposed by the issue combined with the perception of how the government is addressing the issue.

The chart below shows the combined views for all of our issues. Note that the scale on this chart is designed so that a factor that causes the most difficulty

for business and in which the government is making the problem worse will be shown as zero and a factor that causes the least difficulty for business and in which the government is making a real effort to improve the position is shown as 100. This reveals that environmental law is the least problematic of any issue and that priorities for action should be corruption, power, level of taxation, tax administration and roads.

Figure 13: Enabling environment priority index



Whilst it is difficult to combine all views into a single figure, we recognise that having a single figure makes it easy to see at a glance whether the private sector perceives that the enabling environment has improved or deteriorated and allows for comparisons between countries.

We have therefore calculated a single figure. Remember that the higher the figure, the more the environment is perceived to be conducive to business. We have data for 2008 for three countries – and these show that, based on perceptions, Kenya and Tanzania have improved a little and that Uganda has deteriorated. They also show that Rwanda is perceived to be the best place to do business in East Africa – reflecting its performance in the Doing Business report and that Kenya is the worst place to do business. Burundi, given its poor result in the Doing Business report, does remarkably well, though this may be a consequence of the relatively small sample size.

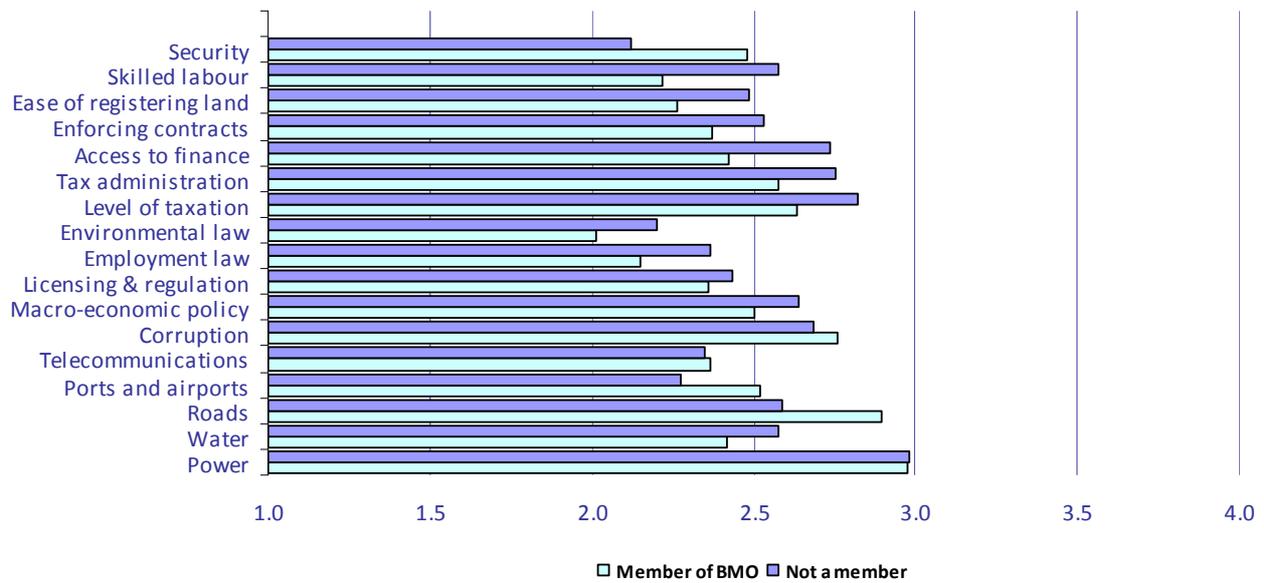
Table 6: Enabling environment perception index

	2008	2009/10
EAC average		64
Burundi		71
Kenya	52	56
Rwanda		76
Tanzania	57	65
Uganda	63	59
Nigeria		62

6. REVIEW BY MEMBERSHIP OF BMO

It might be expected that members of Business Membership Organisations would be more concerned about the impact of the issues on their business and, perhaps, more critical of the government. Indeed, it may well be that they joined the BMO precisely to add their weight to those lobbying for changes in public policy.

Figure 14: Review by membership of BMO



(Some 188 respondents were members of a BMO; 188 respondents were not members of a BMO)

It transpires that this is not the case. With the exceptions of roads, corruption and security, where members are more concerned, it seems that generally businesses that are not members of a BMO are actually more concerned about the issues. BMOs may want to consider how they can utilise this concern to attract more members.

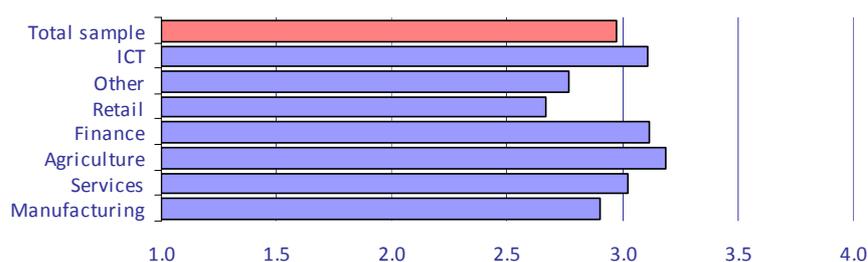
7. REVIEW BY ISSUE

In this section we review the priority issues, looking at the relative importance to each of the sectors.

7.1 POWER

Power is generally perceived to be the issue that makes doing business difficult. One might have expected manufacturing to be the sector most concerned about power, but it turns out that agriculture, finance and ICT all think that it makes doing business very difficult.

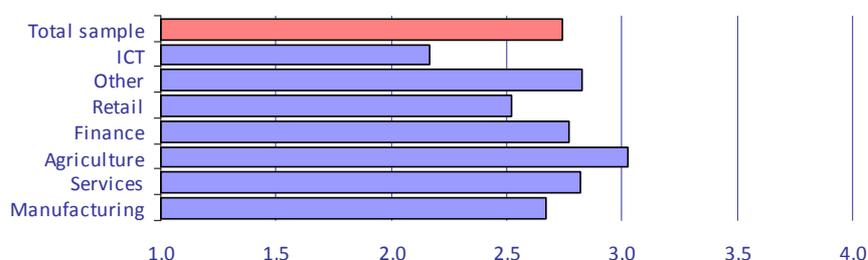
Figure 15: Power makes business difficult for...



7.2 ROADS

Roads make business very difficult for agriculture with every other sector saying that they make doing business somewhat difficult.

Figure 16: Roads make business difficult for...



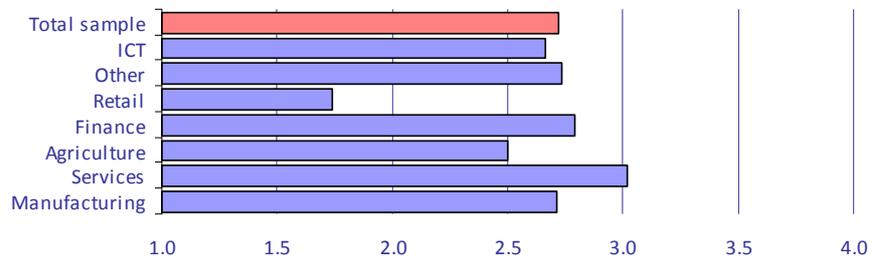
7.3 CORRUPTION

Corruption is generally regarded as a problem and, as we will see later, is a big deterrent to investment. It is interesting to compare countries in Africa. Of the 47 countries reviewed in Africa by Transparency International, 31 scored less than 3 (out of 10) indicating that corruption is perceived as rampant. A score between 3 and 5 indicates that corruption is perceived as a serious challenge. Only one scored more than 5.

Table 7: Index of perceived corruption

	Rank	Score (out of 10)
Botswana	37	5.6
Ghana	69	3.9
Rwanda	89	3.3
Tanzania	126	2.6
Nigeria	130	2.5
Uganda	130	2.5
Kenya	146	2.2
Burundi	168	1.8

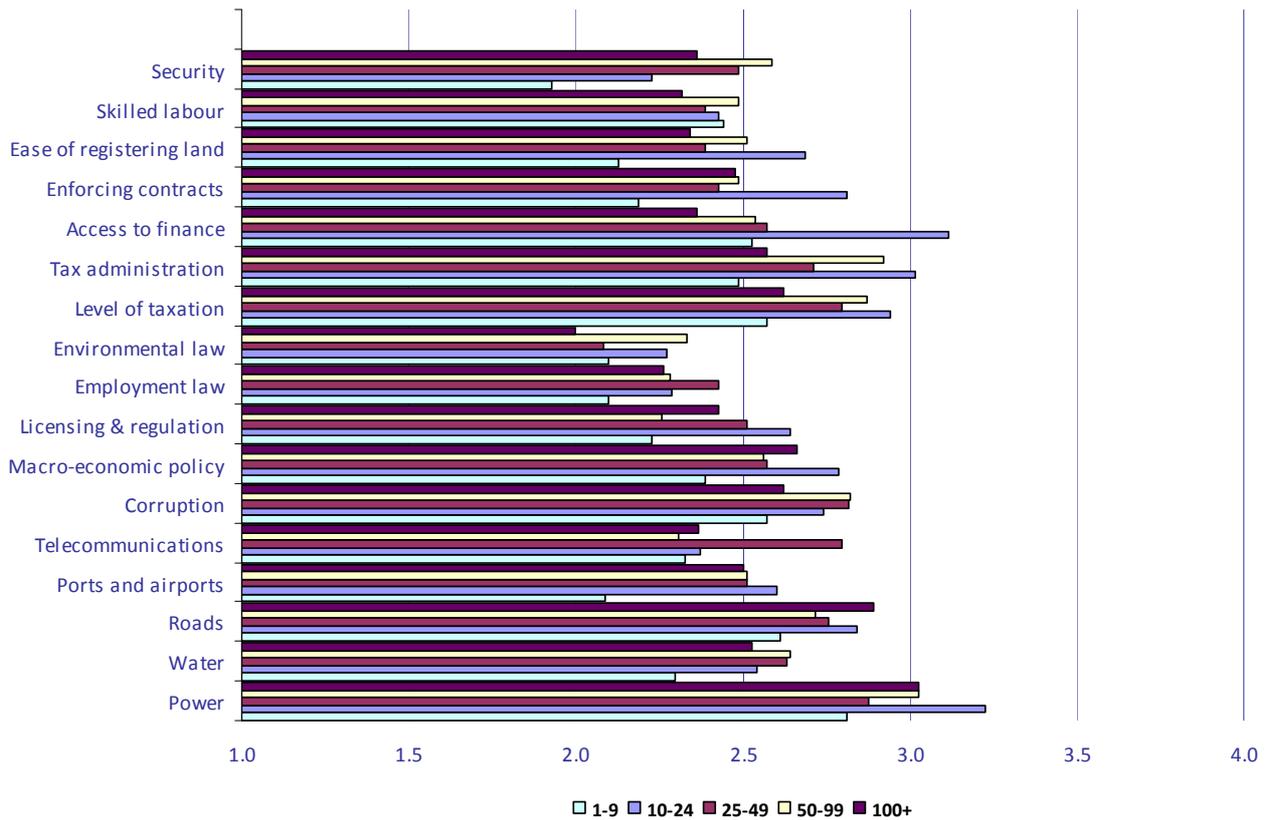
In our survey, the services sector says that corruption makes doing business very difficult. All other sectors except retail say that corruption makes doing business somewhat difficult.

Figure 17: Corruption makes business difficult for...

8. REVIEW BY BUSINESS SIZE

Respondents were asked to state how many staff they employed – so we can analyse problems by business size. In most cases, there is not much to choose between responses, though businesses employing 10-24 people seem to have greater difficulty with issues such as power, access to finance, tax, land registration and enforcing contracts.

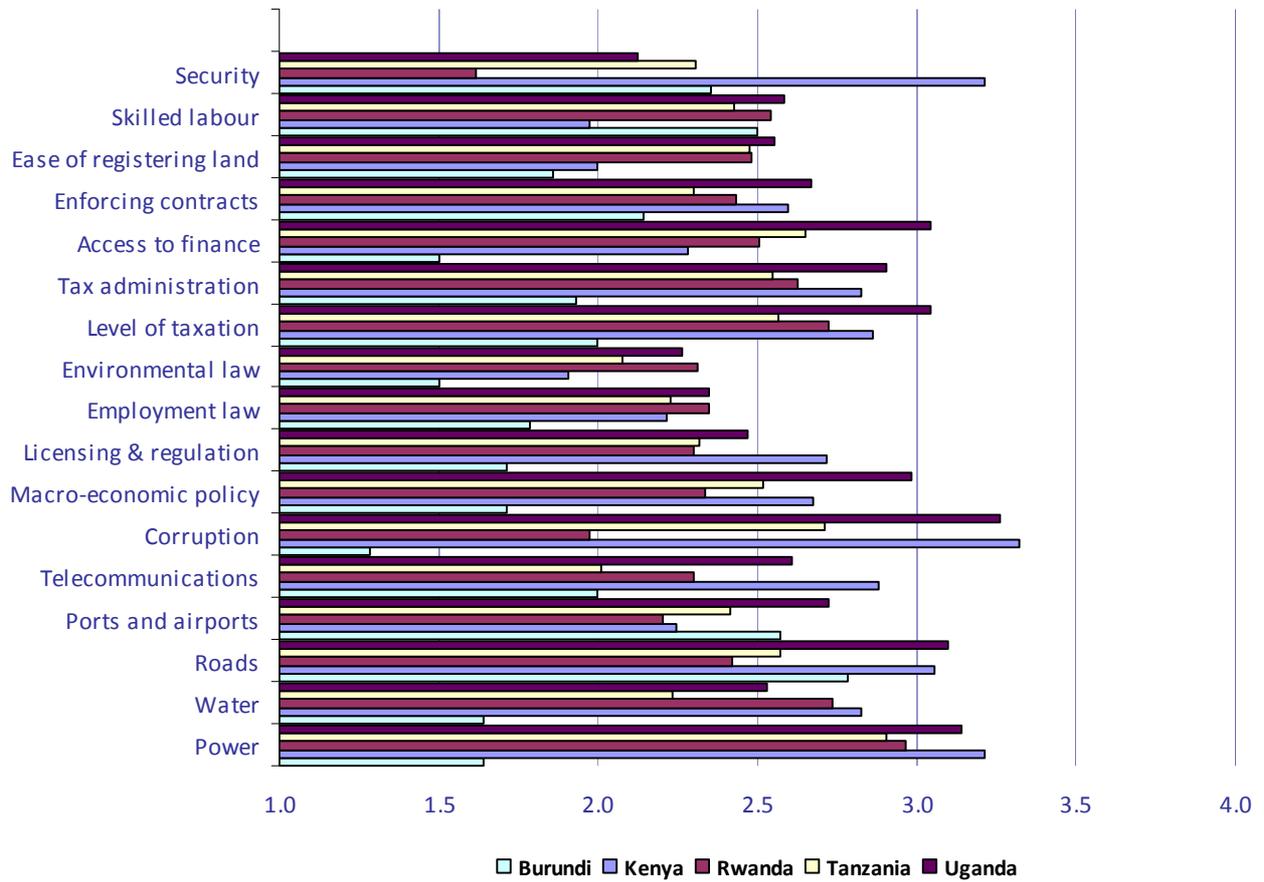
Figure 18: Factors that make business difficult: by size of business



9. REVIEW BY LOCATION

Looking at results for the whole of East Africa does not tell us very much about any individual country, so the rest of this report looks in some detail at results on a country by country basis. A glance at the summary in the chart below reveals that it is generally Kenya and Uganda who perceive the greatest difficulties with each of the factors.

Figure 19: Factors which make business difficult: by location

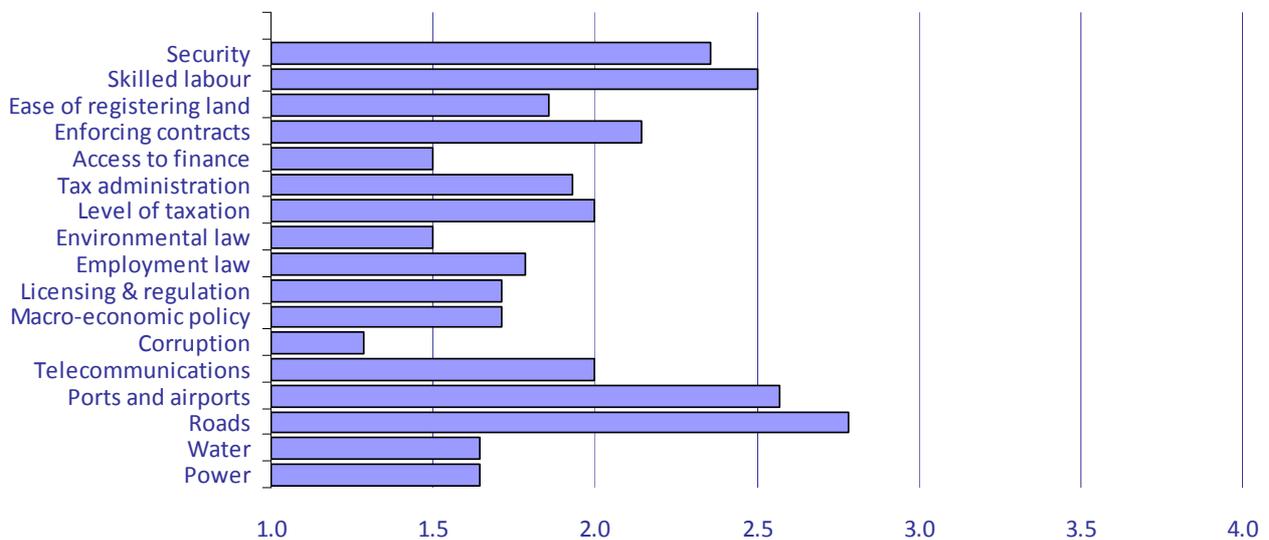


10. BURUNDI

10.1 ISSUES THAT MAKE BUSINESS DIFFICULT

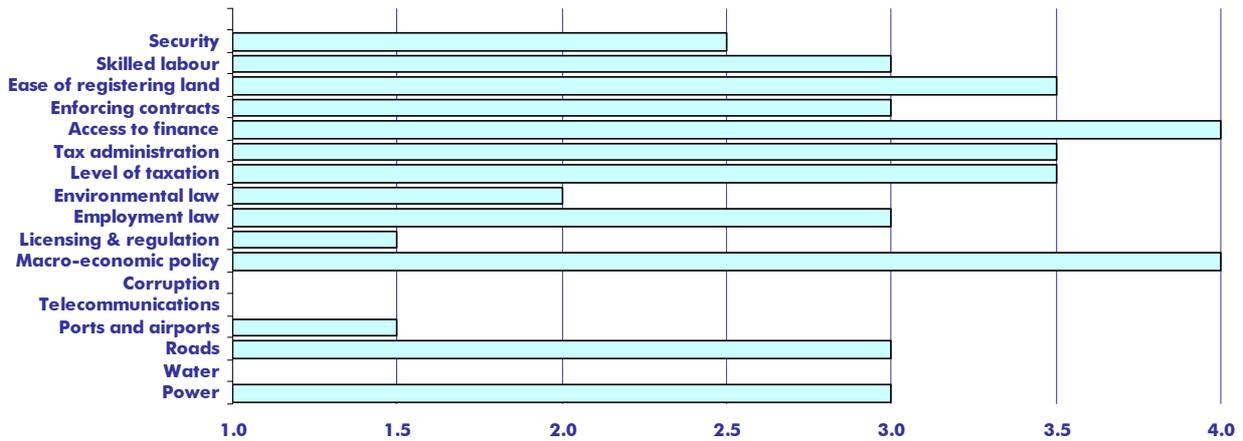
Burundi ranks 176 in Doing Business 2010, so we might have expected that most, if not all, of the enabling environment factors would make business very difficult. The sample size in Burundi was a little smaller than might have been desirable so may not be entirely representative. It is also worth noting that Burundi is at a different stage of its economic and social development. However, no factors were perceived as making business very difficult and only five factors – roads, ports, access to skilled labour, security and contract enforcement – were perceived to make business somewhat difficult. A further two – telecommunications and level of taxation – were on the cusp of making business somewhat difficult.

Figure 20: Factors which making business difficult



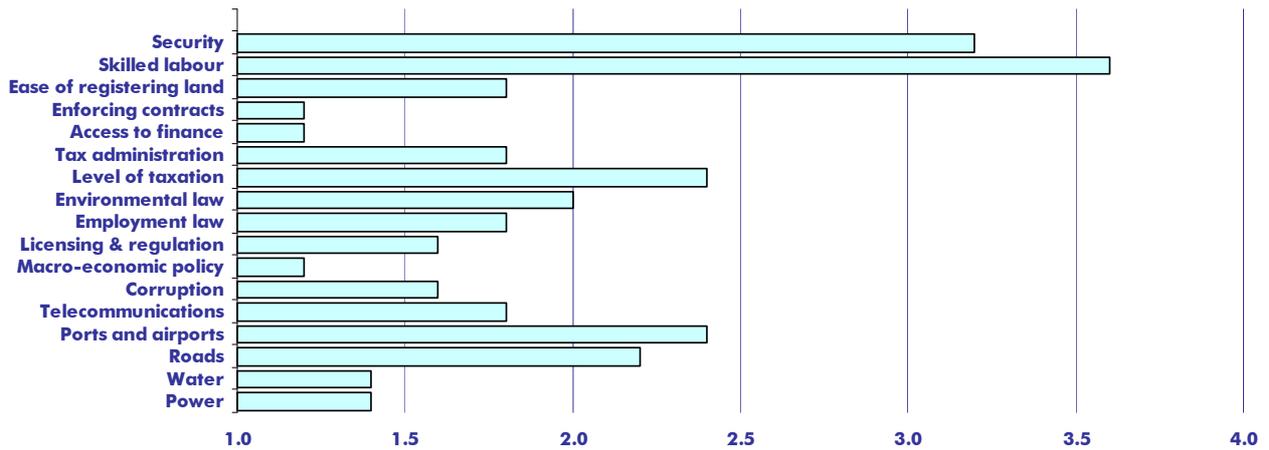
However, the average hides some key problem areas. The agricultural sector perceives that access to finance, macro-economic policy, level of tax & tax administration and ease of registering land all make business very difficult, with several more factors on the cusp. Interestingly, they don't think that corruption or telecommunications cause any difficulties at all.

Figure 21: Factors which make business difficult for agriculture



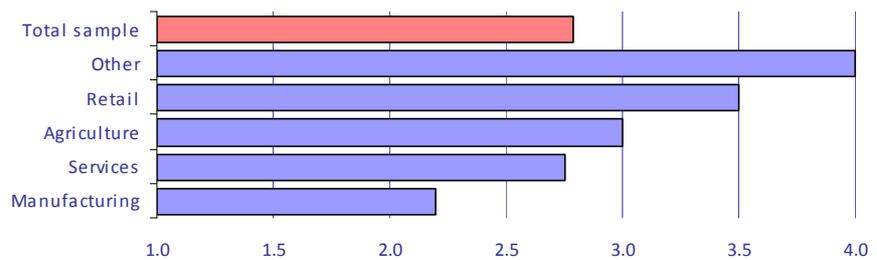
The manufacturing sector says that access to skilled labour and security make doing business very difficult.

Figure 22: Factors which make business difficult for the manufacturing sector



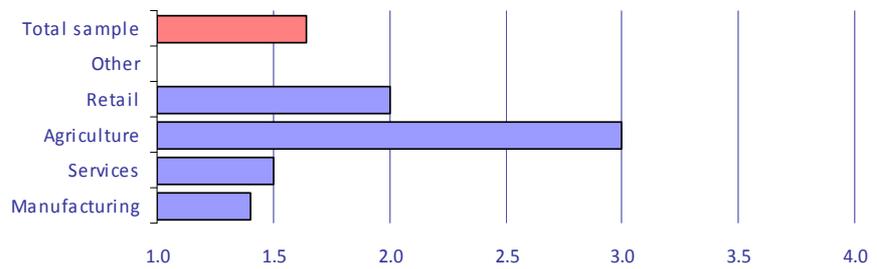
Roads is the worst problem, with retail and agriculture saying that they make business very difficult.

Figure 23: Roads makes business difficult for...



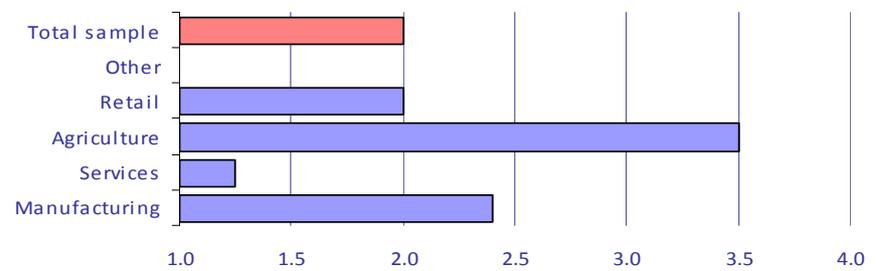
On the whole, power is not a problem area, except for agriculture.

Figure 24: Power makes business difficult for...



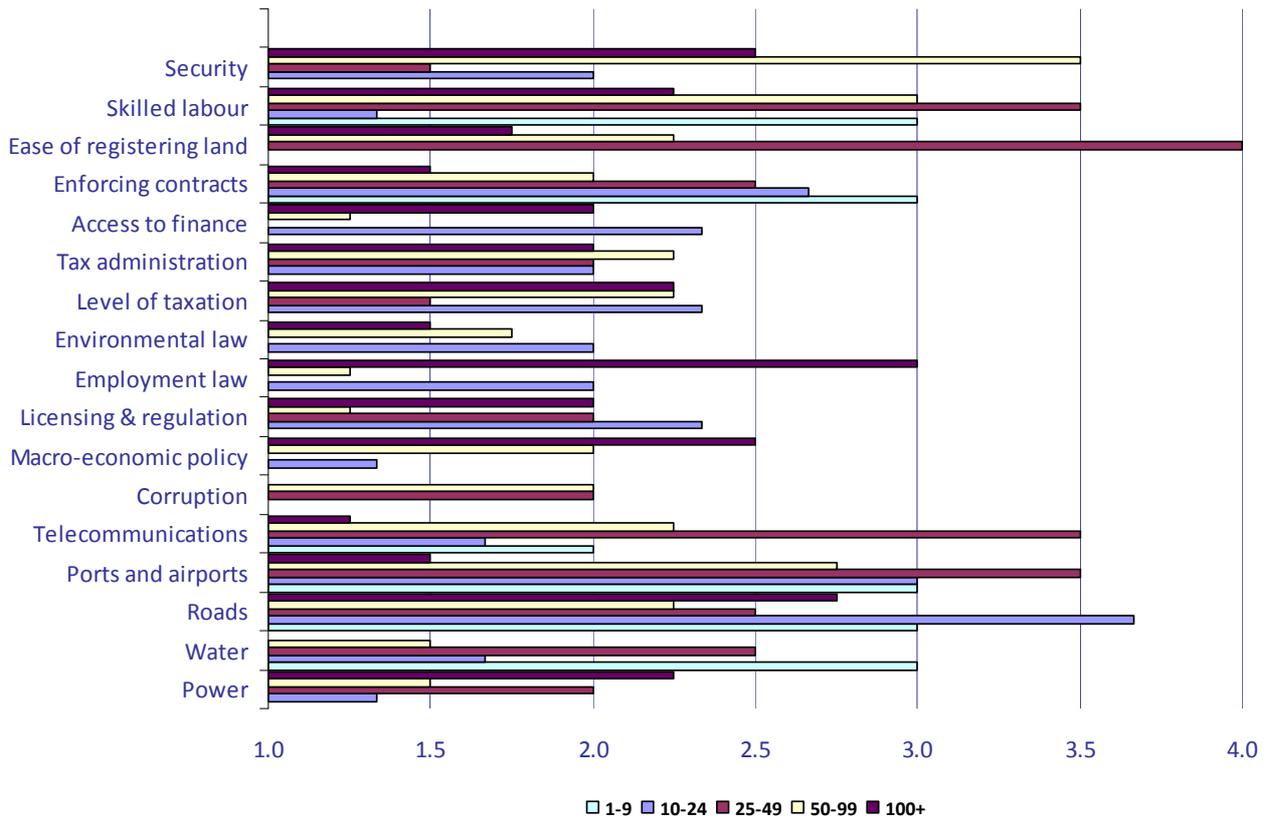
Agriculture is the only sector that complains about the level of taxation.

Figure 25: Level of taxation makes business difficult for...



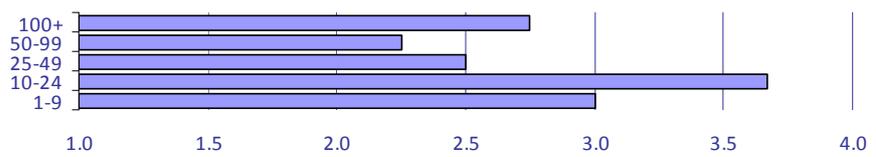
There is some variation with size of business in the perception of what makes business difficult. Businesses employing 10-24 people have the biggest problem with the roads; businesses employing 25-49 complain the most about the ease of registering land, access to skilled labour, the ports and airports and telecommunications. Businesses employing more than 100 complain the most about employment law.

Figure 26: Review of problems by business size



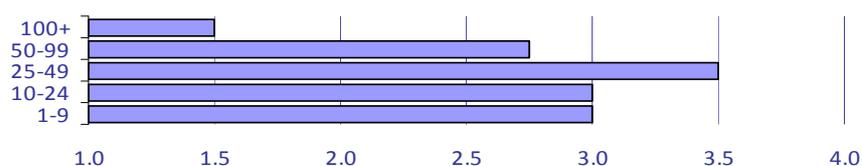
Roads are a problem for all businesses employing 1-9 people and an even bigger problem for businesses employing 10-24 who say that they make doing business very difficult.

Figure 27: Roads make business difficult for...



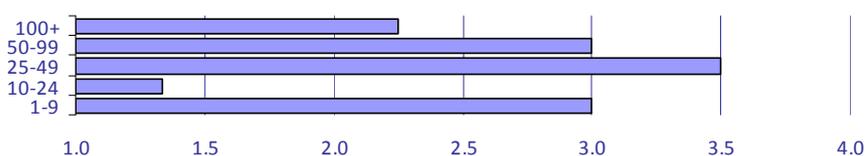
Businesses employing 1-49 all say that ports and airports make doing business very difficult. This almost certainly reflects the problem of relying on other countries to provide port access and a perception that it is the inland countries that suffer when there are problems. It is only businesses employing more than 100 who say that it the ports are not really a problem.

Figure 28: Ports & airports makes business difficult for...



Businesses employing 25-49 say that access to skilled labour makes business very difficult, with businesses employing 1-9 and 50-99 not far behind. Curiously businesses employing 10-24 do not see this as a big problem though, if they are starting to grow, one might have expected it to be more of a problem.

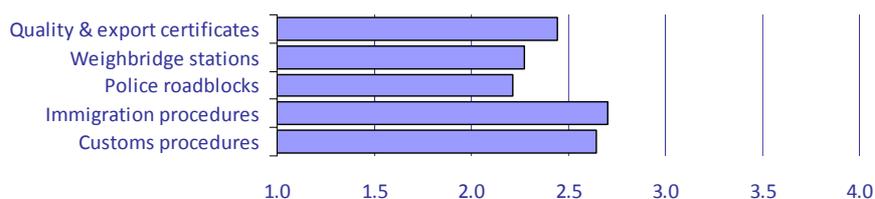
Figure 29: Skilled labour makes business difficult for...



10.2 NON TARIFF BARRIERS

On the whole, businesses in Burundi do not think that non-tariff barriers are important. For the businesses that do see NTBs as a problem, only two – immigration procedures and customs procedures – are seen as making business somewhat difficult and none as making business very difficult.

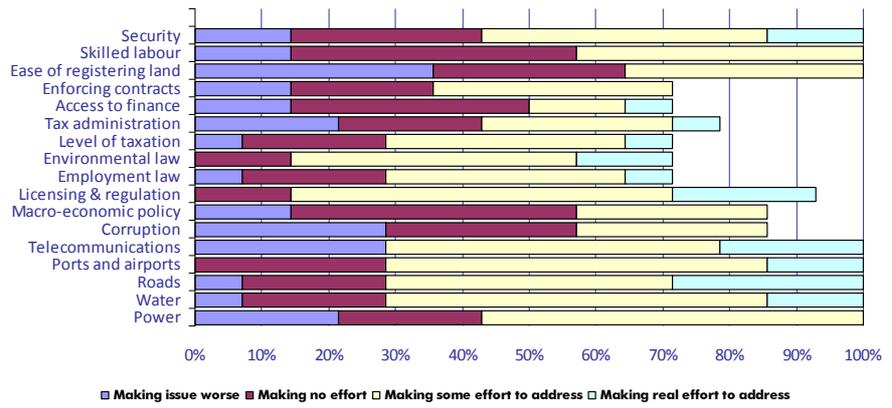
Figure 30: Differing perceptions of how NTBs make business difficult



10.3 PERCEPTION OF GOVERNMENT

The general view in Burundi is that government is making at least some effort to address most issues. The issues where there was some concern that government was either making the issue worse or making no effort to address was ease of registering land, corruption and telecommunications. This is particularly noteworthy given that most businesses did not report corruption as a problem area.

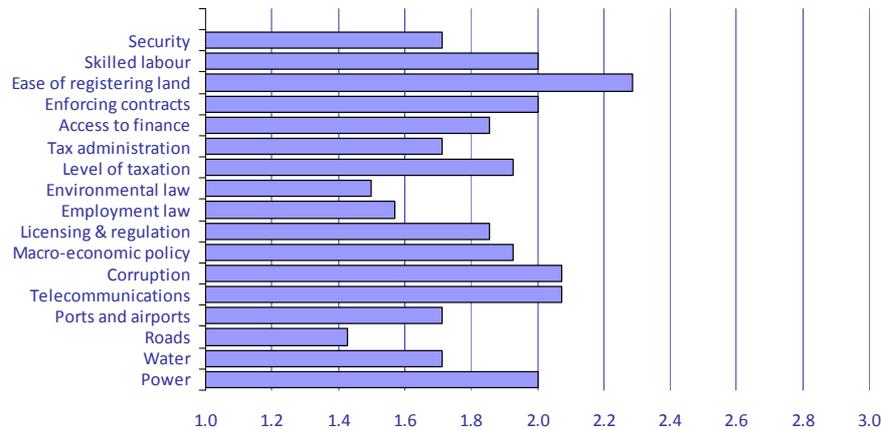
Figure 31: Government performance in addressing key factors



10.4 ENCOURAGING INVESTMENT

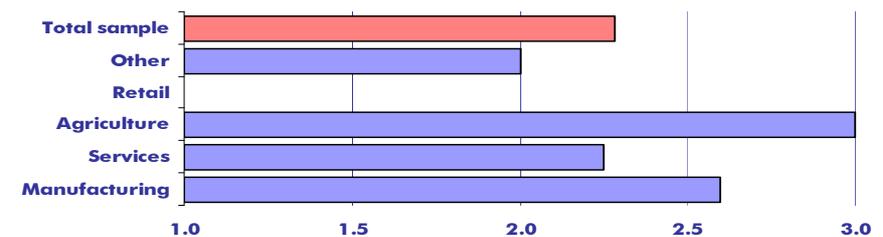
The issue most likely to deter respondents from making further investment is ease of registering land, though corruption and telecommunications are also deterrents. Power, contract enforcement and access to skilled labour are on the cusp of deterrence.

Figure 32: Factors which affect investment decisions



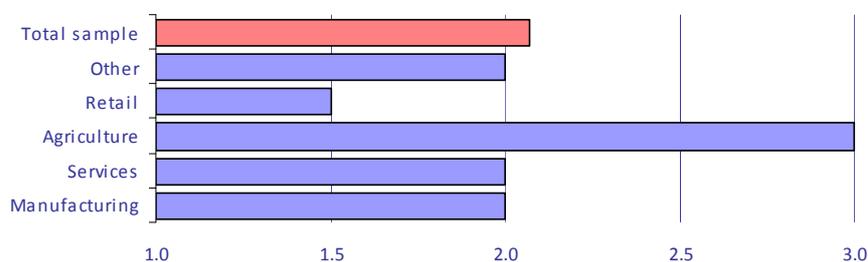
Agriculture, manufacturing and services all say that ease of land registration would deter investment.

Figure 33: Ease of land registration would deter investment...



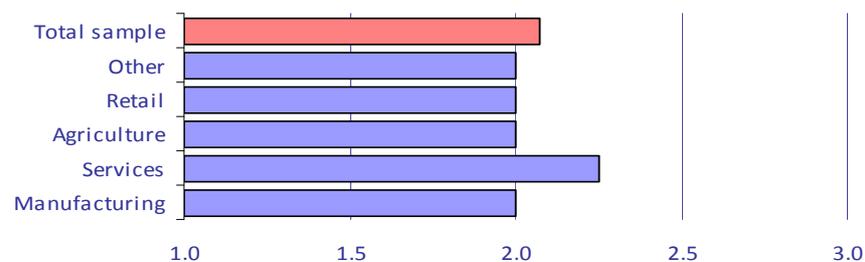
Agriculture says that corruption would definitely deter investment, though services and manufacturing are also likely to be deterred to some extent.

Figure 34: Corruption would deter investment...



Telecommunications is also regarded, by most sectors, as a deterrent to investment.

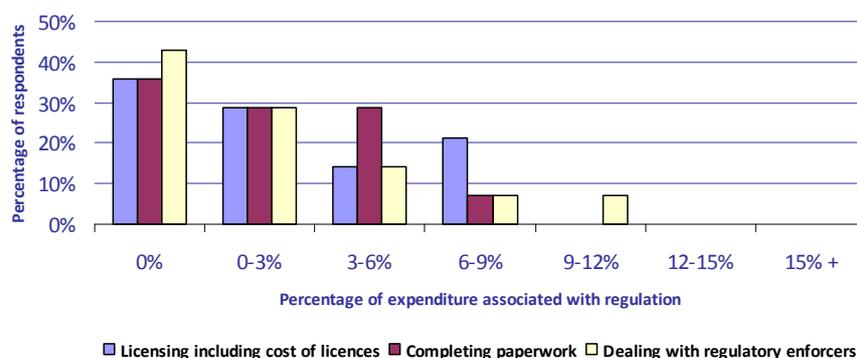
Figure 35: Telecommunications would deter investment...



10.5 COST OF LICENSING

Unlike the other countries of East Africa the cost of licensing and red tape is relatively low with most respondents saying that the cost of licences, the cost of completing the paperwork and the cost of enforcement are each less than three per cent of turnover – and with a third of the sample saying that there is no cost at all.

Figure 36: Cost of licensing and red tape

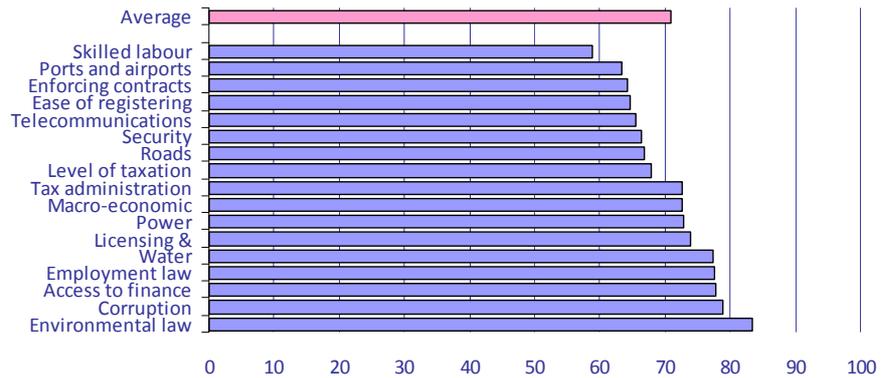


10.6 PRIORITIES

The priorities to be addressed by government are access to skilled labour, ports & airports, ease of enforcing contracts and ease of registering land.

Perhaps curiously, given that corruption is a deterrent in investment, it does quite well in the priorities index. This is because it is not seen to make business especially difficult, presumably due to businesses being able to live with it, rather than because it does not impact them.

Figure 37: Enabling environment priority index



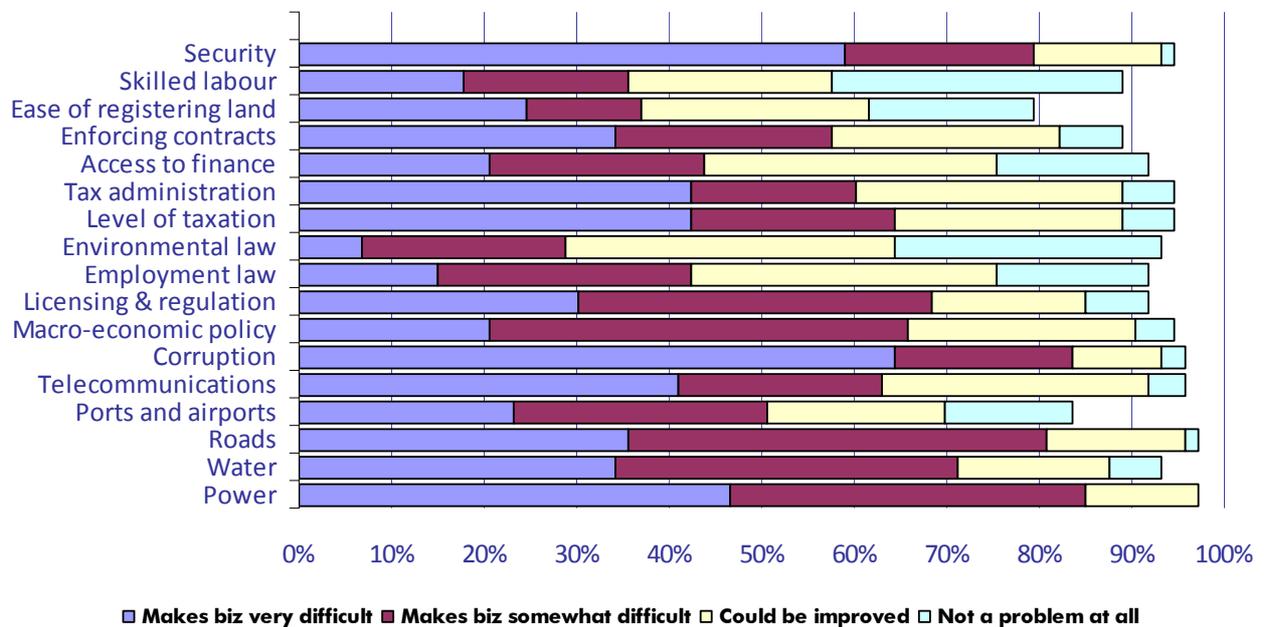
11. KENYA

11.1 ISSUES THAT MAKE BUSINESS DIFFICULT

Kenya ranked 95th in the Doing Business 2010 report, a fall of 11 places, though it is still ahead of the rest of East Africa with the exception of Rwanda. The impression that one gains as a visitor to Kenya talking to businesses is that the environment is getting less conducive for business and that is borne out by this survey as well as by the DB survey.

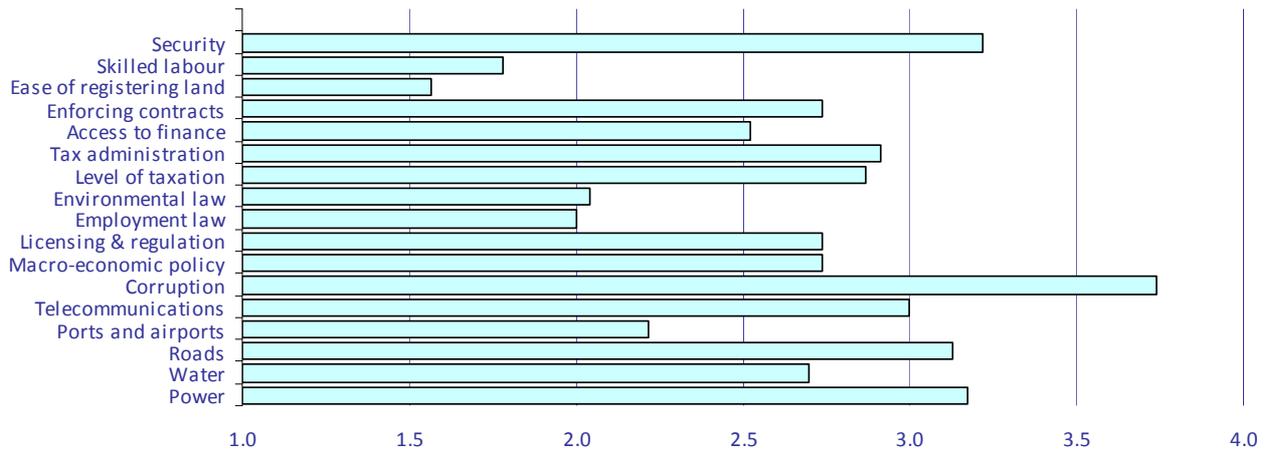
The issues that are seen as making business very difficult are corruption, security, power, telecommunications and tax. It is noteworthy that telecommunications is seen to be a problem and this should, perhaps, be investigated further. One possible explanation is that businesses want to rely more on the internet yet and, whilst improving, Kenya is still hampered by slow and unreliable internet access.

Figure 38: Factors which making business difficult



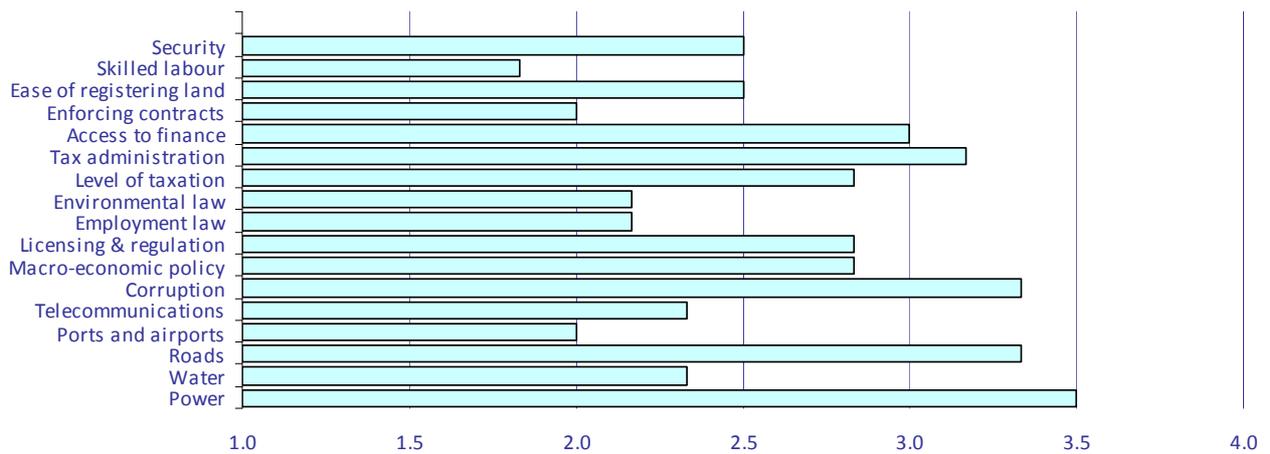
The manufacturing sector is most concerned about corruption, security, power and roads all of which make business very difficult, with telecommunications on the cusp.

Figure 39: Factors which make business difficult for the manufacturing sector



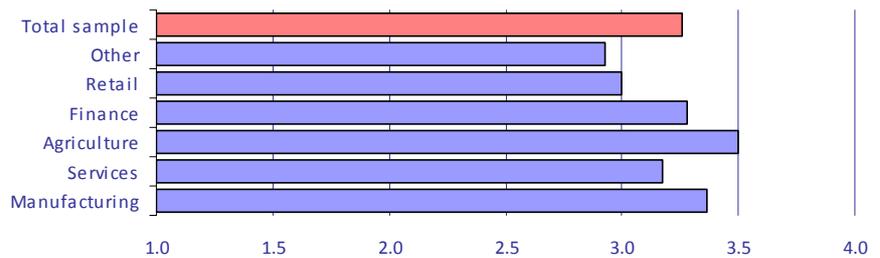
Agriculture says that the issues that make business very difficult are power, corruption, roads and tax administration.

Figure 40: Factors which makes business difficult for agriculture



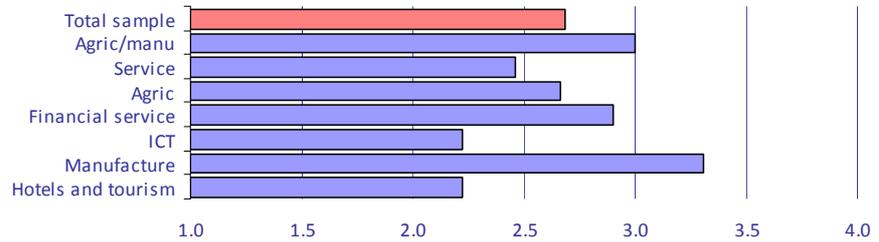
The agriculture, manufacturing, finance and services sector all report that power make business very difficult, with retail on the cusp.

Figure 41: Power makes business difficult for...



This is a considerable deterioration compared to 2008, when it was only manufacturing that thought power made doing business very difficult.

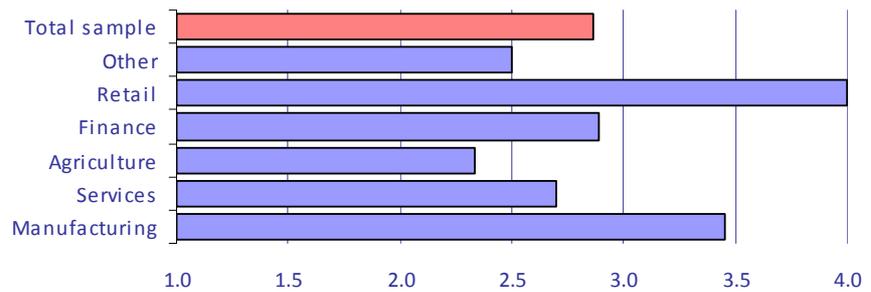
Figure 42: Power made business difficult in 2008 for...



Source: Irwin, D, (2008) "Business Leader Perceptions of the Investment Climate in Kenya", BAF

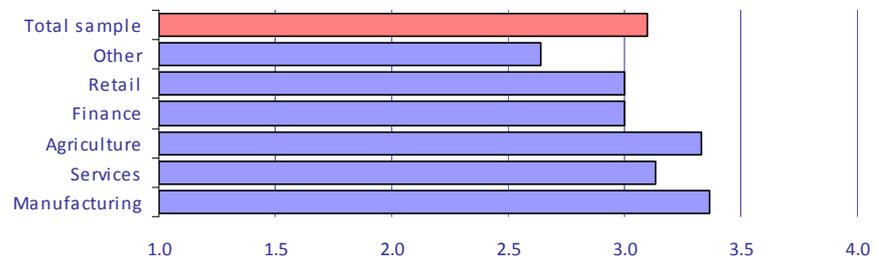
Interestingly, the retail sector says that water makes doing business very difficult, as does the manufacturing sector. One might have expected agriculture to say this, but in fact they only say that it makes business somewhat difficult. Every business says that it is problematic.

Figure 43: Water makes business difficult for...



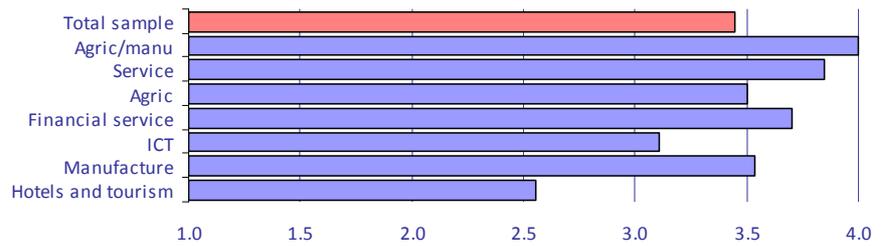
Roads are also a problem for almost every business. Manufacturing, agriculture and services say that it makes doing business very difficult. Retail and finance are on the cusp.

Figure 44: Roads makes business difficult for...



It seems, however, that roads are perceived to be less of a problem than in 2008 when every business, except for hotels and tourism, said that they made doing business very difficult.

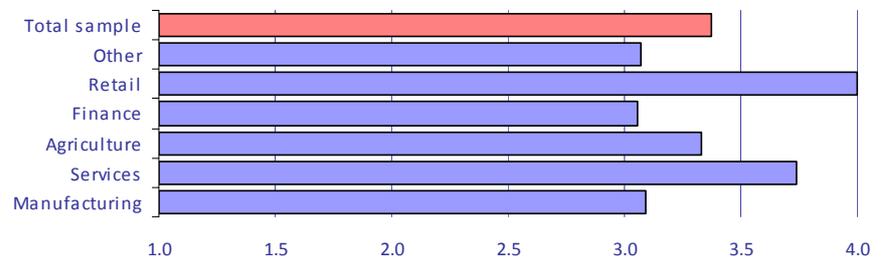
Figure 45: Roads made business difficult in 2008 for...



Source: Irwin, D, (2008) "Business Leader Perceptions of the Investment Climate in Kenya", BAF

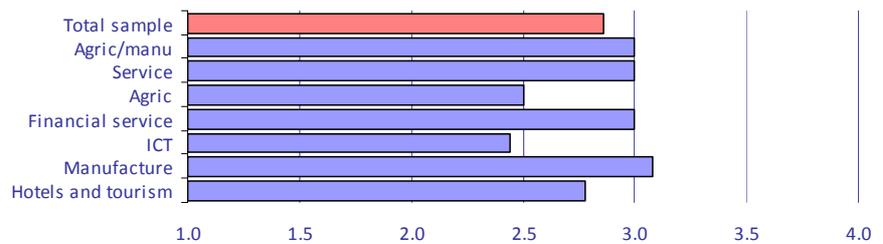
Corruption is a major problem with all respondents saying that it makes doing business very difficult.

Figure 46: Corruption makes business difficult for...



Whilst most businesses in 2008 said that corruption made doing business very difficult, the results suggest that corruption is now a much bigger problem.

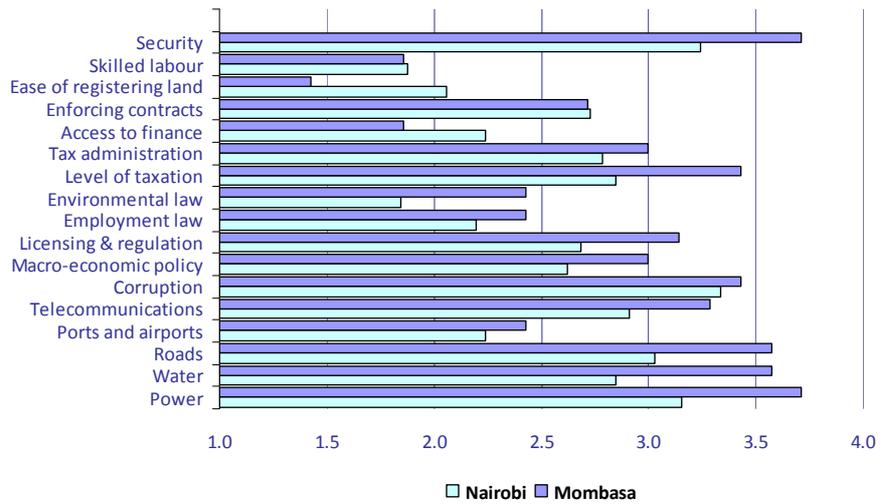
Figure 47: Corruption made business difficult in 2008 for...



Source: Irwin, D, (2008) "Business Leader Perceptions of the Investment Climate in Kenya", BAF

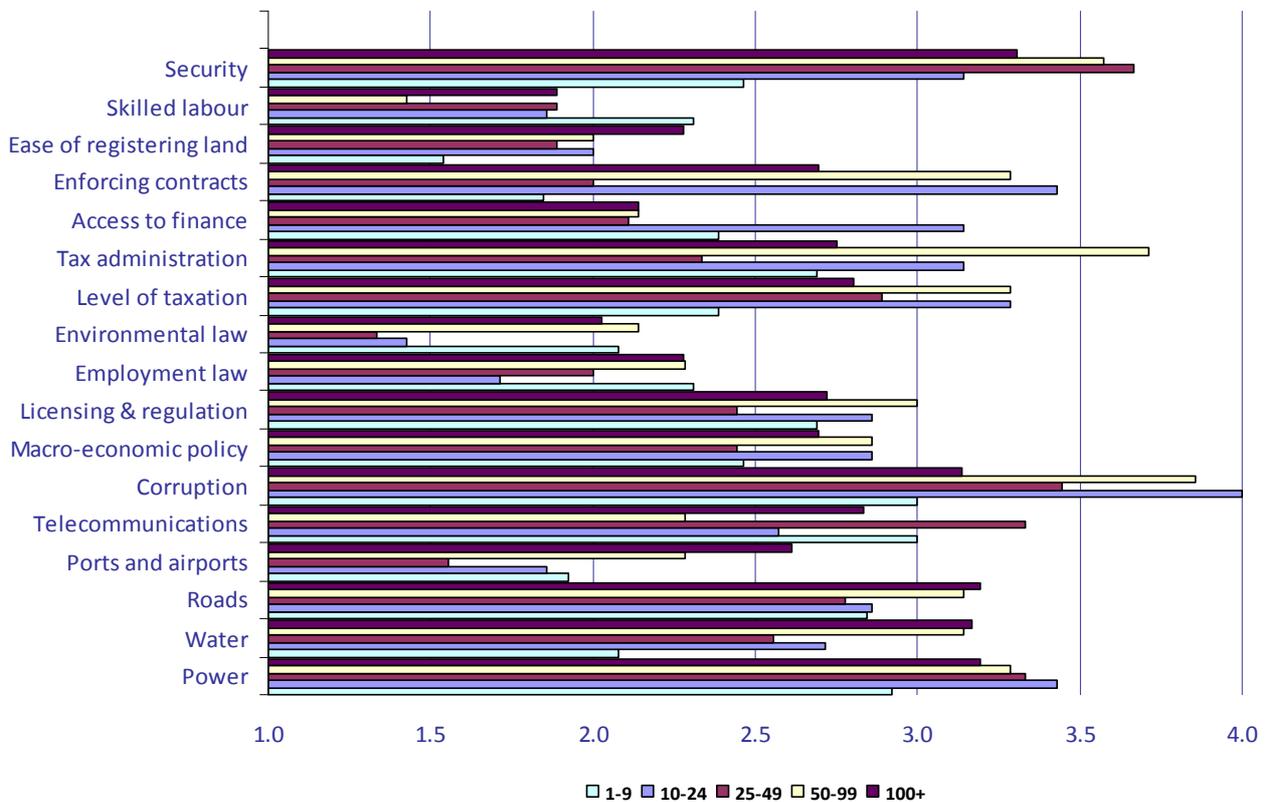
For most issues – one notable exception is the ease of registering land – it seems that issues are generally more of a problem in Mombasa than in Nairobi.

Figure 48: Review of problems by location



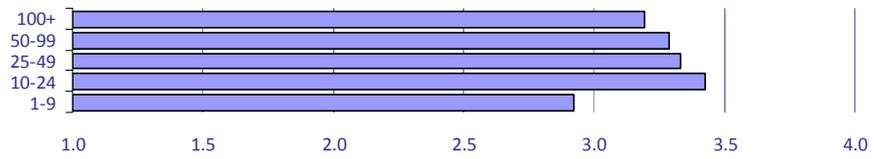
There is some variation with size of business in the perception of what makes business difficult. Businesses employing 10-24 have problems with corruption and enforcing contracts. Businesses employing 50-99 highlight tax administration, corruption, security and enforcing contracts. Businesses employing 25-49 have the most problem with security, corruption, power and telecommunications. No one size band sticks out, however, as suffering more than the others across all factors.

Figure 49: Review of problems by business size



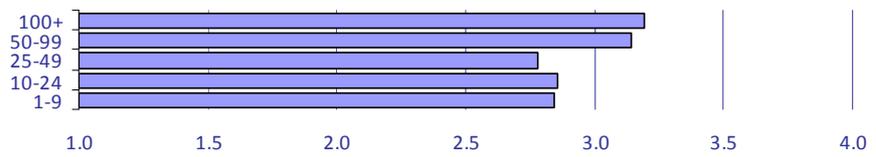
We can look at the difference size makes on the problems caused by the issues in a little more detail. All businesses employing more than 9 people say that power makes doing business very difficult – and the smallest businesses come close to saying that as well.

Figure 50: Power makes business difficult for...



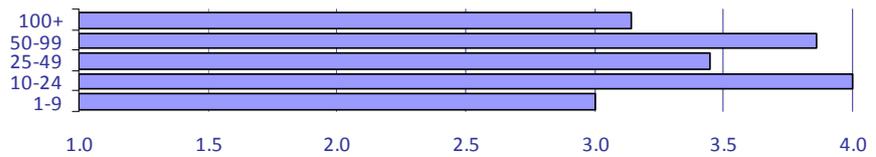
Roads make doing business very difficult for business employing more than 50 people, though businesses employing fewer than 50 are come close to saying the same.

Figure 51: Roads make business difficult for...



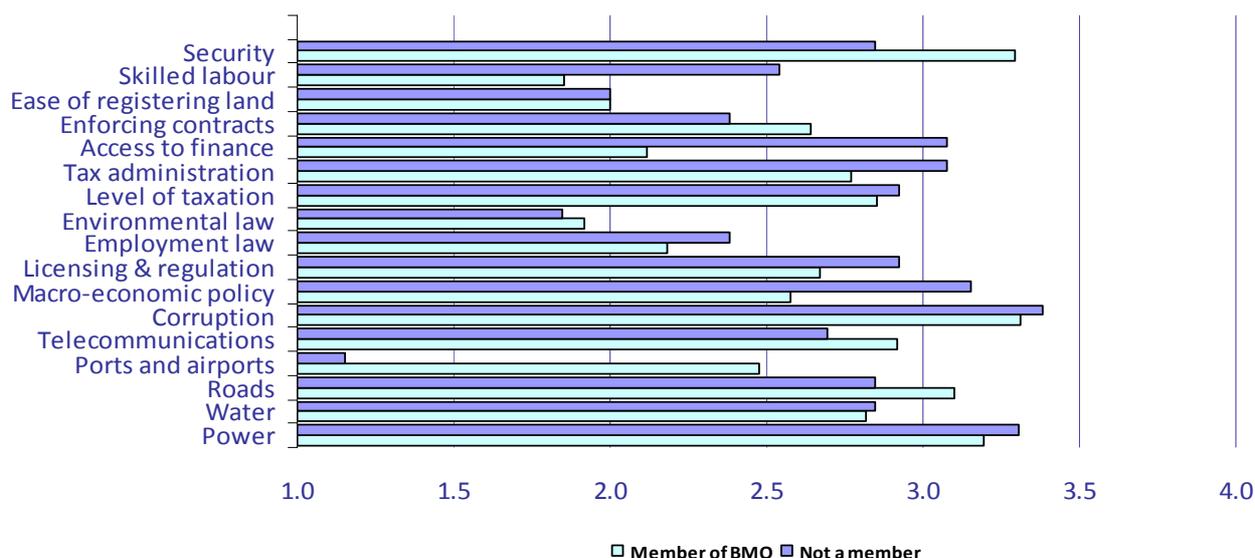
Businesses of all sizes say that corruption makes doing business very difficult. Note that every respondent in the 10-24 size band said this as did almost every respondent in the 50-99 size band.

Figure 52: Corruption makes business difficult for...



There seems to be little difference between the way that issues are perceived by businesses that are members of a BMO and businesses that aren't. Members complain more about security; non-members complain more about access to finance and access to skilled labour. It is interesting that these two, in particular, should be much less of an issue for those businesses that are members of BMOs. Despite the fact that most businesses think that they get little benefit from being in a BMO, perhaps one benefit is that of networking, which would potentially help in finding both finance and skilled labour.

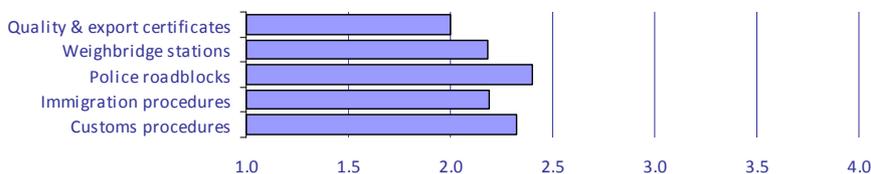
Figure 53: Review by membership of BMO



11.2 NON TARIFF BARRIERS

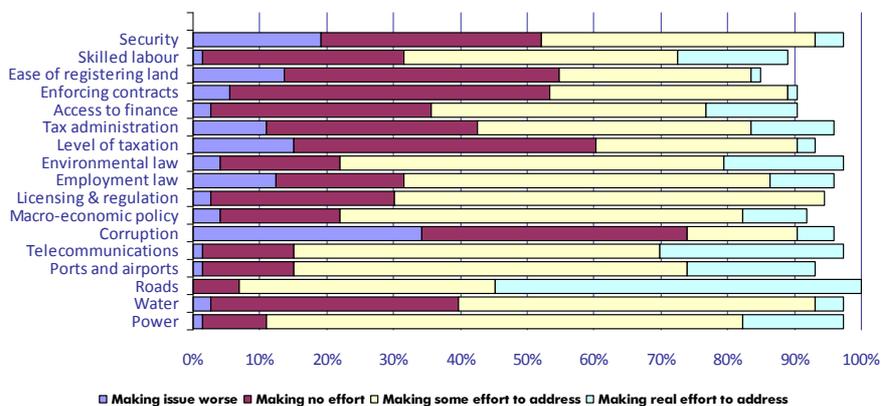
Most businesses in Kenya are unconcerned by non-tariff barriers. And those businesses that thought that they were important felt that they made doing business somewhat difficult.

Figure 54: NTBs make business difficult



11.3 PERCEPTION OF GOVERNMENT

Figure 55: Government performance in addressing key factors

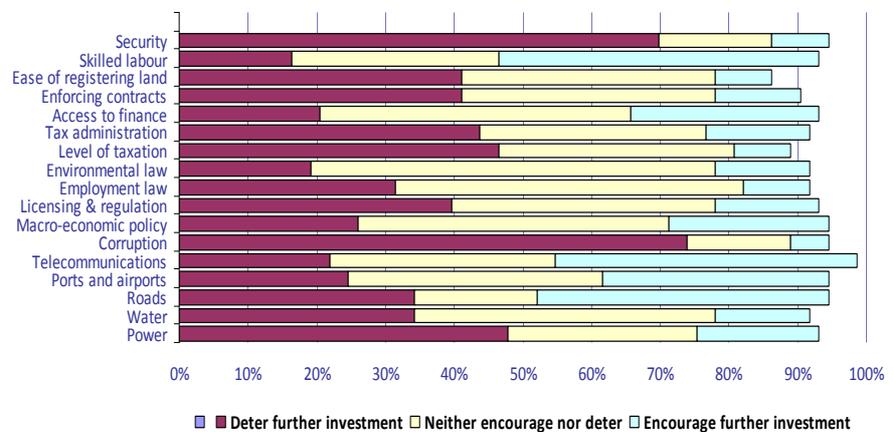


The general view is that government is making no effort to address most issues. There is no issue where respondents thought, overall, that the government was making the issue worse, though corruption comes very close. The issues where government is perceived to be making the least effort, after corruption, are security, level of taxation and water. There are only four issues where government is perceived to be making a real effort to address: roads, telecommunications, ports & airports and access to skilled labour. In general, government is seen to be making more effort this year than it was in 2008.

11.4 ENCOURAGING INVESTMENT

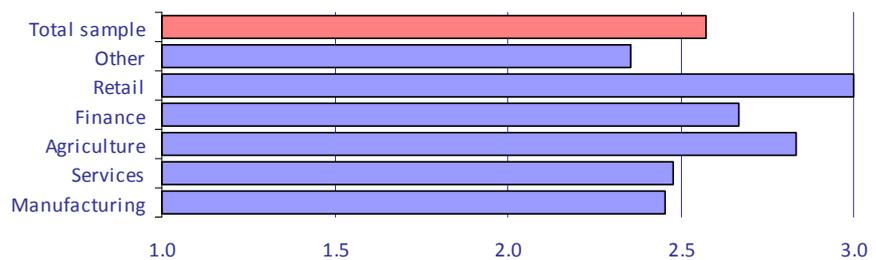
The issues likely to deter respondents from making further investment are, by a long way, corruption and security. However, there are a number of other issues all of which would deter investment, including tax, power, licensing & regulation and enforcing contracts.

Figure 56: Factors which affect investment decisions



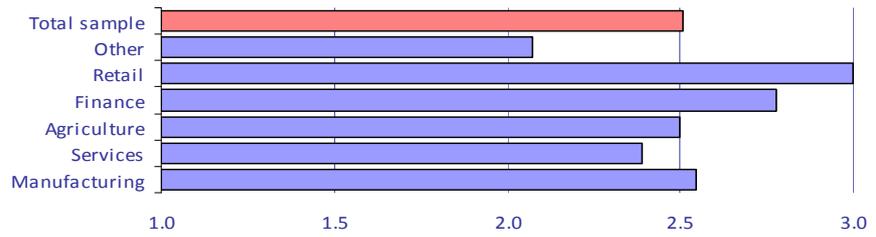
Every sector reports that corruption would deter investment, with every respondent in the retail sector saying this.

Figure 57: Corruption would deter investment...



Security is also an issue likely to deter investment, again with every retail respondent saying this, but with finance, manufacturing and agriculture all saying that it would deter investment.

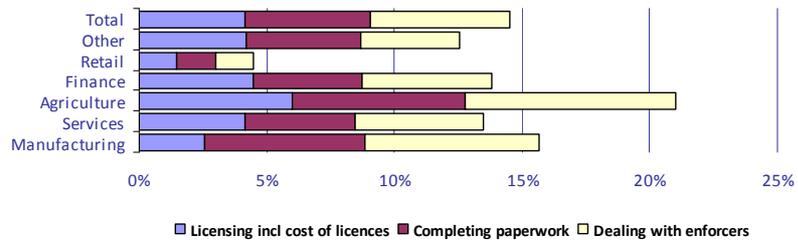
Figure 58: Security would deter investment...



11.5 COST OF LICENSING

The cost of licensing and red tape is high, particularly for agriculture. It is lowest in the retail sector, at under five per cent of turnover, which is very good. Reducing the cost of red tape could free up a significant amount of money for further investment by businesses.

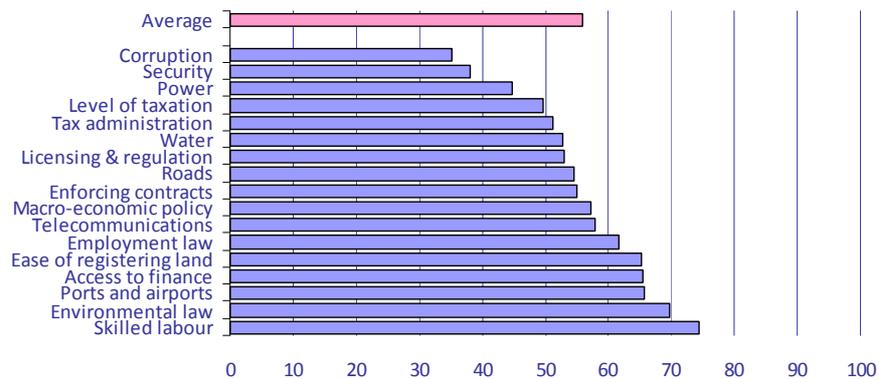
Figure 59: Cost of licensing and red tape



11.6 PRIORITIES

The priorities to be addressed by government, as shown by the enabling environment priority index, are corruption, security, power and level of tax.

Figure 60: Enabling environment priority index



There is little doubt that a serious effort by the Government of Kenya to tackle corruption and security would not only make an enormous difference to the way that government is perceived by business but also lead, almost certainly, to considerable new investment by business.

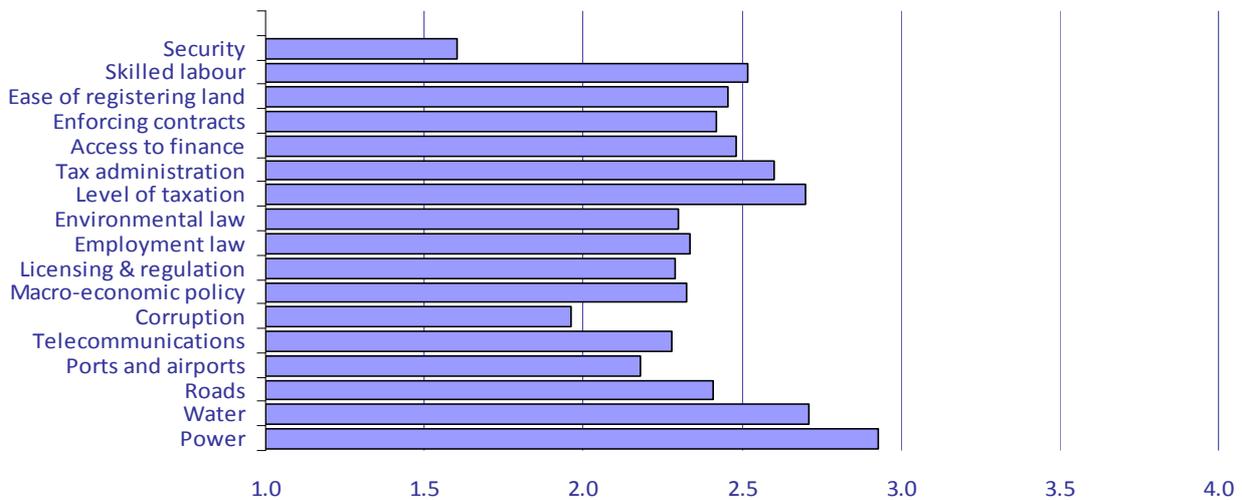
12. RWANDA

12.1 ISSUES THAT MAKE BUSINESS DIFFICULT

Rwanda did particularly well in improving the enabling environment in 2009, rising some 76 places in the ranking to become the world's top reformer according to the Doing Business report. It is important, however, that the government continues to address the issues that make doing business difficult.

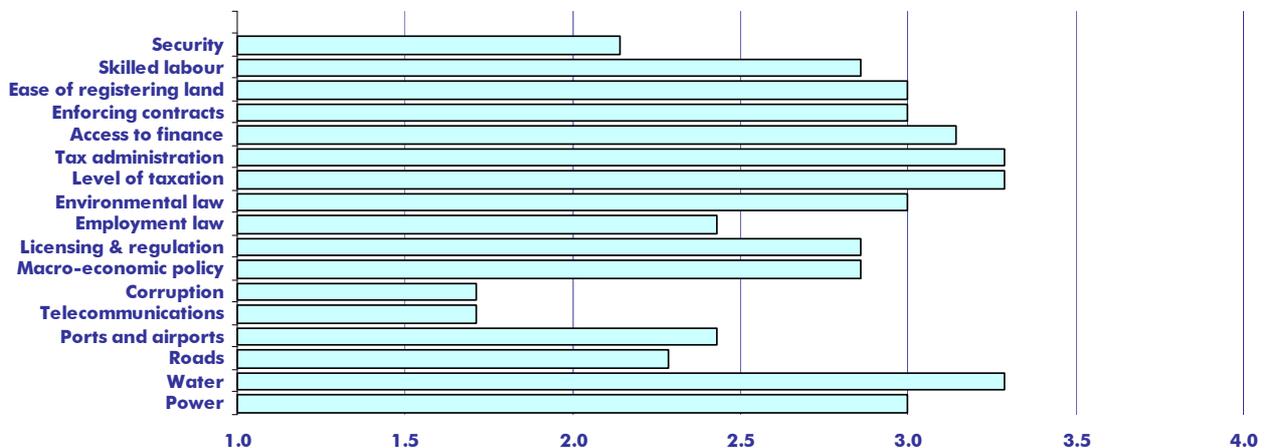
Whilst corruption and security are the worst issues in Kenya, in Rwanda they are the least of its problems. In fact, every issue except corruption and security is seen as making business somewhat difficult. The worst are power, water, tax (both the level of tax and the administration) and access to skilled labour.

Figure 61: Factors which making business difficult



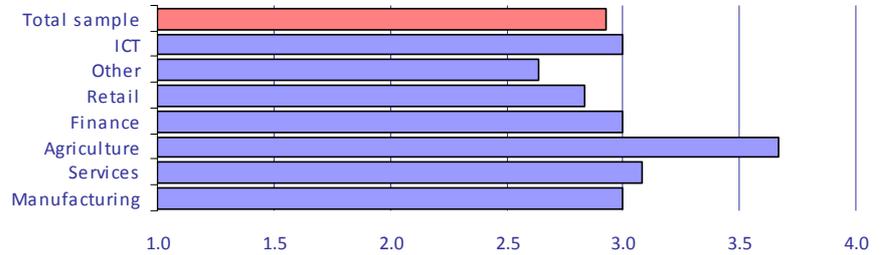
However, the average hides some key problem areas. The manufacturing sector, for example, says that water, tax, access to finance, power, enforcing contracts and ease of registering land all make doing business very difficult.

Figure 62: Factors which make business difficult for the manufacturing sector



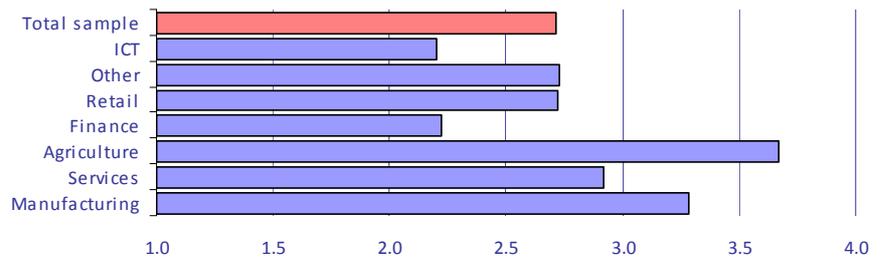
The agricultural and the services sectors report that power make business very difficult, though every sector says that, at best, it makes business somewhat difficult.

Figure 63: Power makes business difficult for...



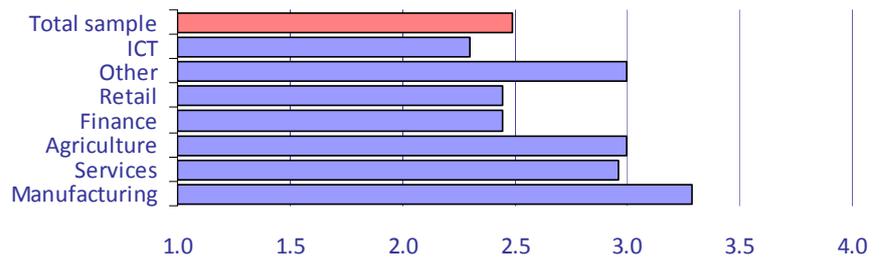
Water is also a major problem for agriculture but manufacturing, too, says that water makes doing business very difficult.

Figure 64: Water makes business difficult for...



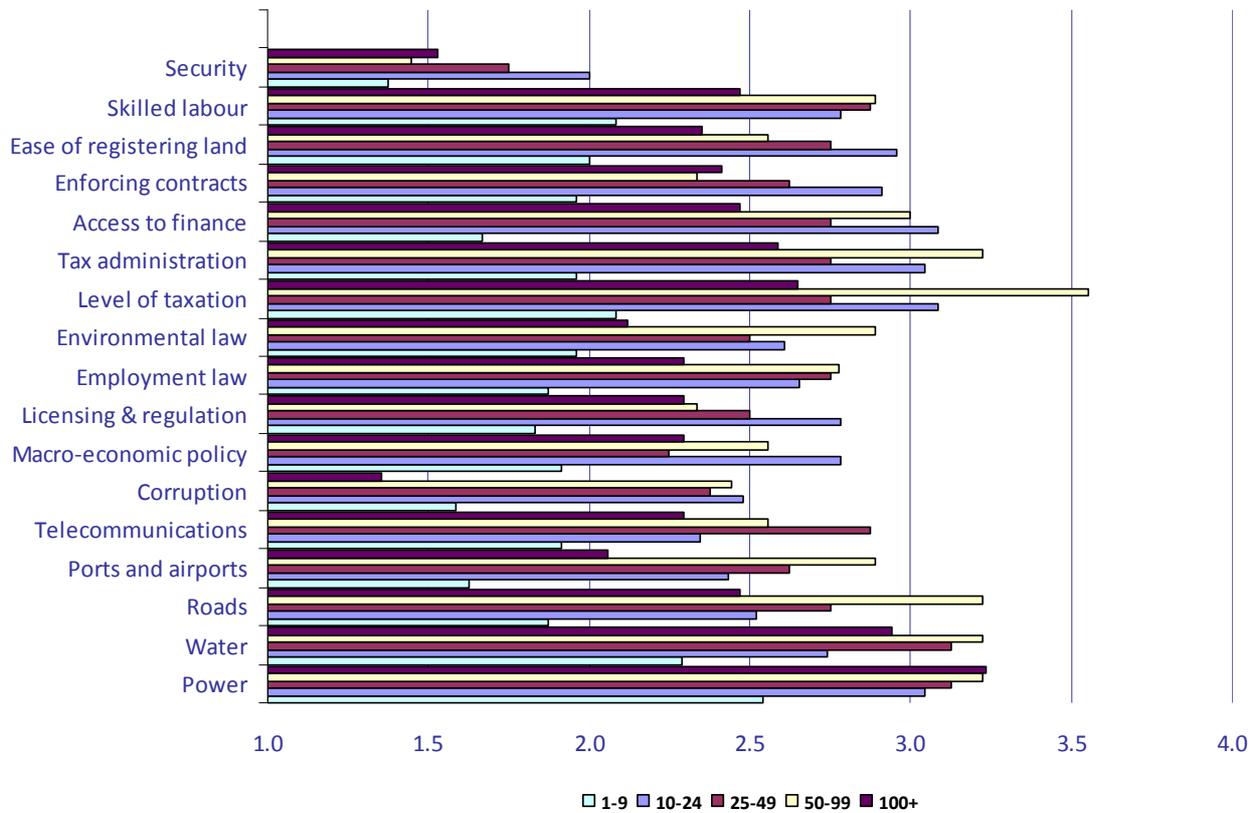
Manufacturing is also concerned by the level of taxation which they say makes doing business very difficult.

Figure 65: Level of taxation makes business difficult for...



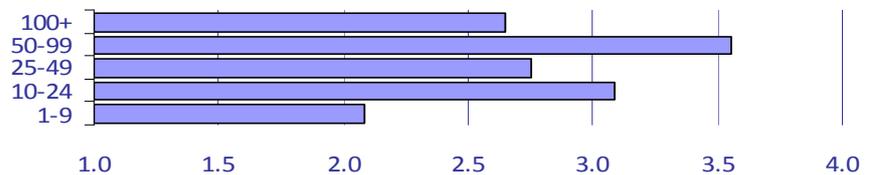
There is some variation with size of business in the perception of what makes business difficult, as can be seen in the chart below, with businesses employing 50-99 people generally finding all issues are more of a problem than other business sizes.

Figure 66: Review of problems by business size



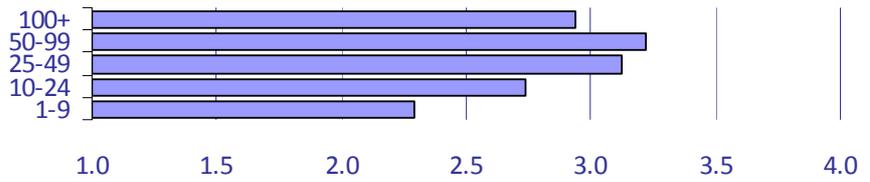
Businesses of all sizes say that the level of taxation at least makes business somewhat difficult with those employing 50-99 and 10-24 saying that it makes business very difficult. This is a challenge for governments who need to raise revenue through taxation – almost certainly simplifying the tax regime would ease the concern of business. Spreading the net wider – and thus reducing the tax rates – would be even better if that were possible.

Figure 67: Level of taxation makes business difficult for...



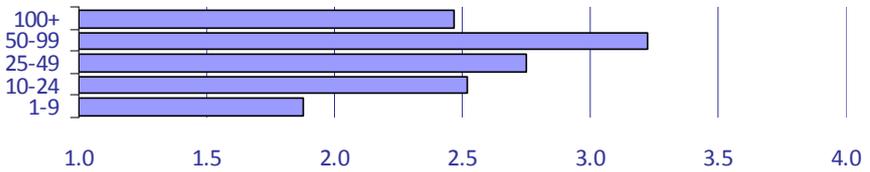
Water is a problem for all with businesses employing 25-99 saying that it makes business very difficult.

Figure 68: Water makes business difficult for...



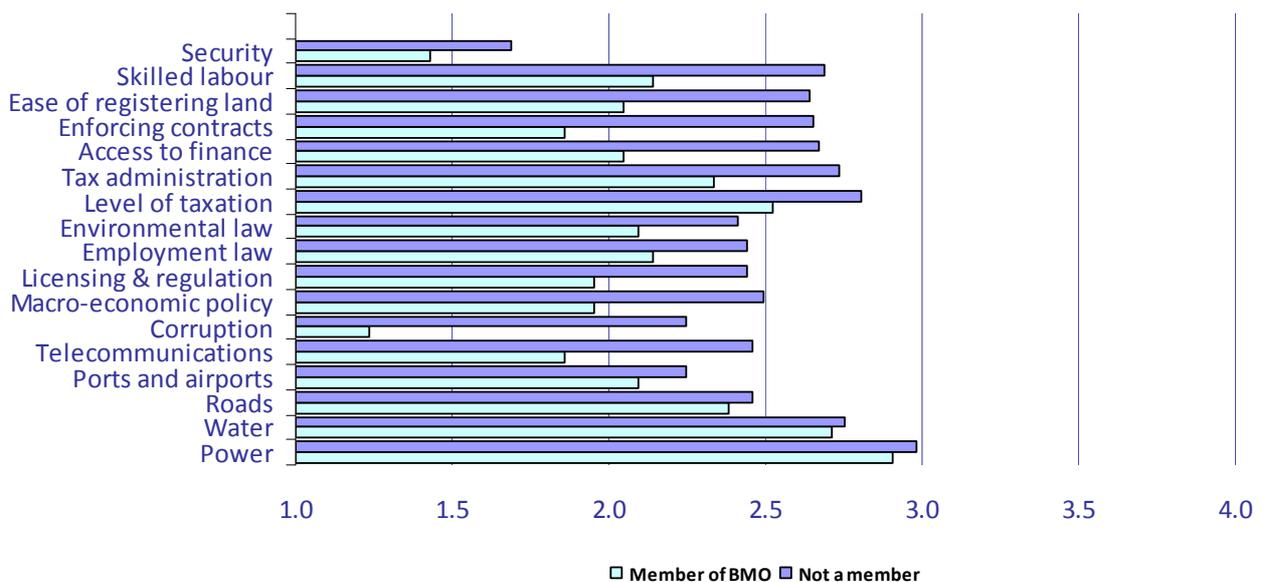
Roads are a problem for all businesses employing more than 9 people, with those employing 50-99 saying that they make doing business very difficult. It is interesting to note that micro-businesses do not see roads as a problem, possibly because they are mostly local services so are not directly affected.

Figure 69: Roads make business difficult for...



With the exception of power, water and roads, there is a real difference in the way that BMO members and non-member businesses perceive the issues. Businesses that are members of a BMO generally see the issues as less of a problem. It should be noted, however, that only one quarter of the total sample were members of a BMO and a large number of those were all in the same BMO, so this result may not be entirely reliable.

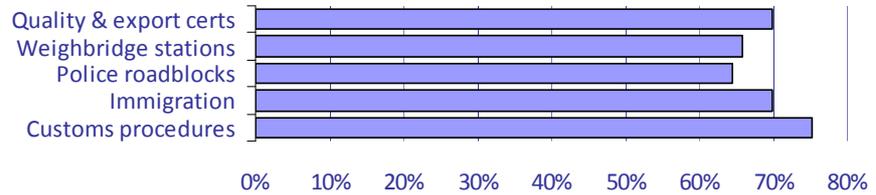
Figure 70: Review by membership of BMO



12.2 NON TARIFF BARRIERS

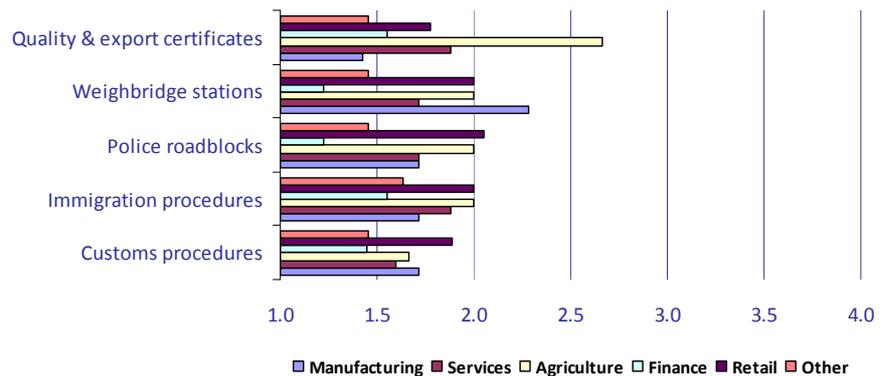
Most businesses in Rwanda think that non-tariff barriers are important.

Figure 71: Importance of non-tariff barriers



Interestingly, however, NTBs were generally not perceived as making business difficult. The agricultural sector has the most problem with quality and export certificates, which make business somewhat difficult. The manufacturing sector felt that weighbridges made business somewhat difficult. However, the general view of all sectors is that NTBs could be improved but on the whole did not cause problems.

Figure 72: Differing perceptions of how NTBs make business difficult

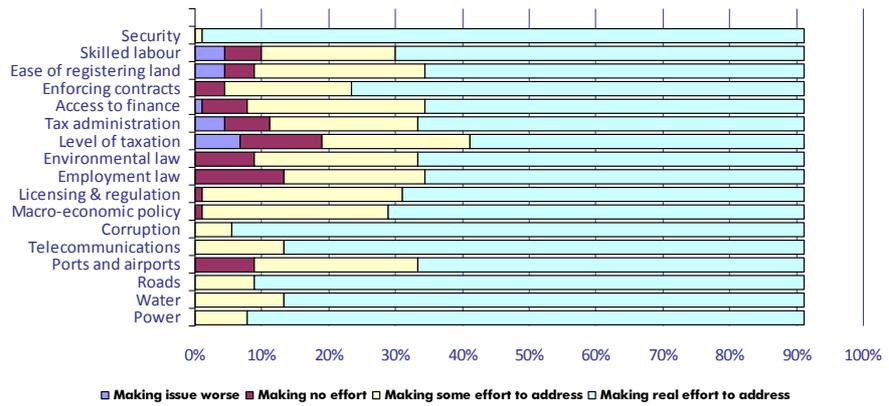


12.3 PERCEPTION OF GOVERNMENT

The overwhelming view was that government is making real efforts to address every issue. Indeed, there were only five issues where any respondent thought that government was making the problem worse – including level of taxation and access to skilled labour. Rwanda has the most relaxed rules on labour migration, so this is interesting. The survey was not designed to ask follow-up questions, but this might be an area for further investigation.

Most respondents, however, thought that government was making real efforts to address the issues or at least making some effort to address the issues. As will be seen in a moment, however, this does not entirely square with the expectations regarding investment.

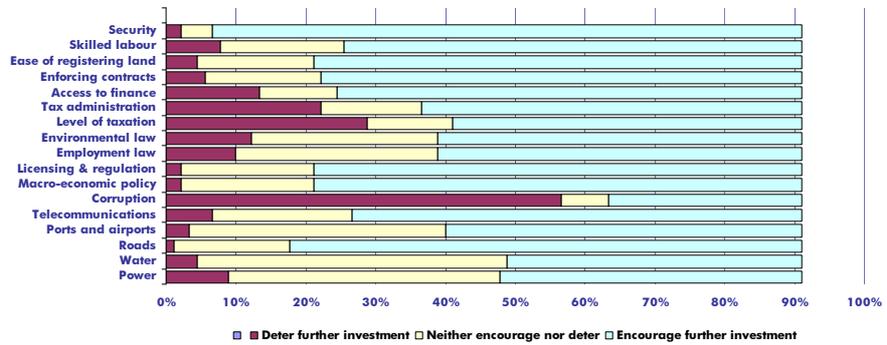
Figure 73: Government performance in addressing key factors



12.4 ENCOURAGING INVESTMENT

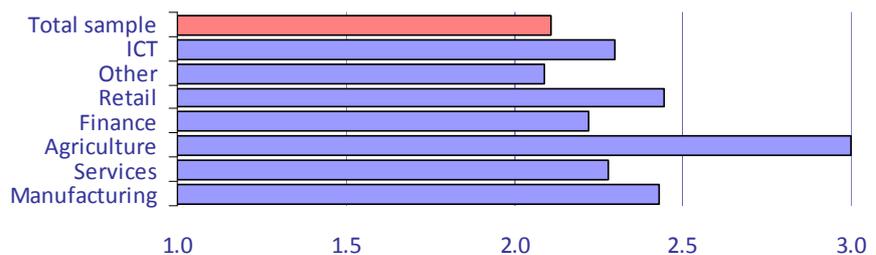
The only issue likely to deter respondents from making further investment is corruption. Given that corruption is not regarded as an issue that makes business difficult, this is an interesting result, suggesting that corruption is rife, but that businesses are able to live with it. Clearly, however, given the choice, and even though Rwanda does reasonably well in the TI index of perceived corruption, businesses would rather not have to cope with corruption.

Figure 74: Factors which affect investment decisions



Every sector reports that corruption would deter investment, with every respondent in the agricultural sector saying this.

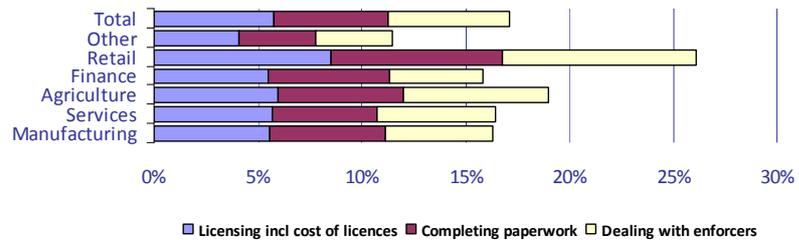
Figure 75: Corruption would deter investment...



12.5 COST OF LICENSING

The cost of licensing and red tape is high. It appears to be lowest in the other services sector, though is still over 10 per cent of turnover. In retail it apparently costs as much as 25 per cent of turnover, more than five times the cost in Kenya. Reducing the cost of red tape could free up a significant amount of money for further investment by businesses.

Figure 76: Cost of licensing and red tape



12.6 PRIORITIES

The enabling environment priority index shows the issues that are contributing to an environment conducive to business and those that need to be addressed. The priorities to be addressed by government are level of taxation, power, corruption and then water and tax administration.

Figure 77: Enabling environment priority index



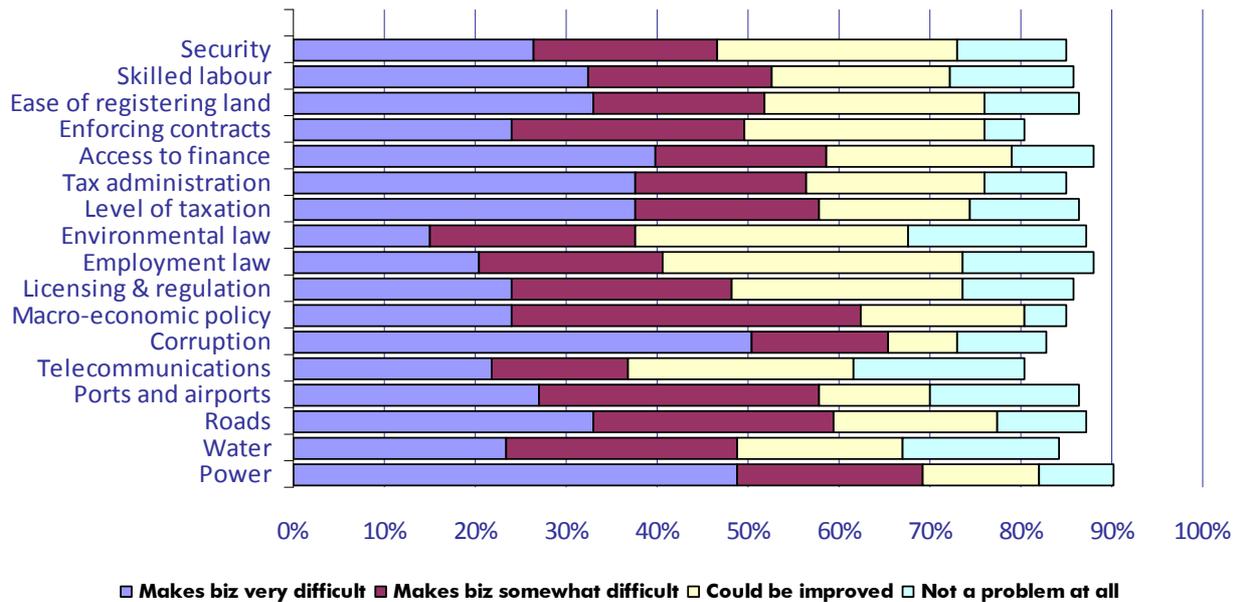
13. TANZANIA

13.1 ISSUES THAT MAKE BUSINESS DIFFICULT

Tanzania is placed 131 in the DB ranking, down from 126 in 2008, so it has been more or less static. The Government is hoping to change this and so we might expect dramatic improvements over the next two to three years.

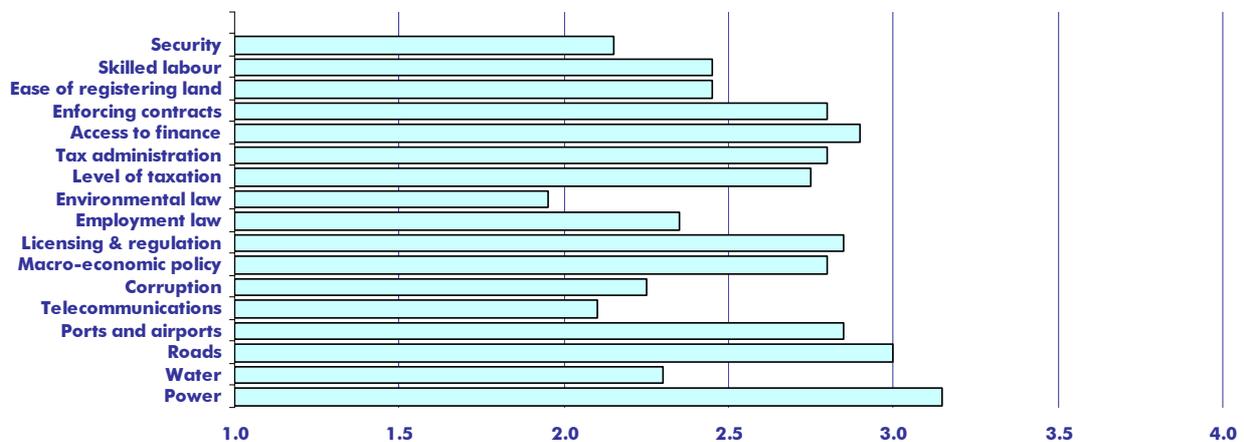
The main issues which make doing business very difficult are power, corruption and access to finance.

Figure 78: Factors which making business difficult



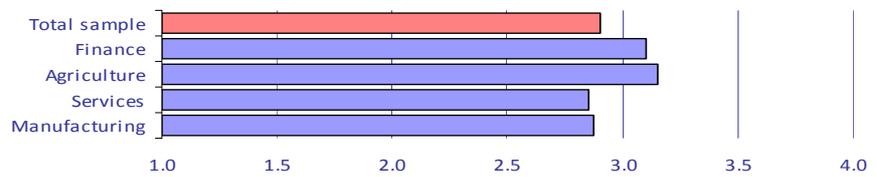
As with every other country, the average hides some key problem areas. The agricultural sector, for example, says that power and roads make doing very difficult with access to finance, ports & airports and licensing & regulation not far behind.

Figure 79: Factors which make business difficult for the agricultural sector



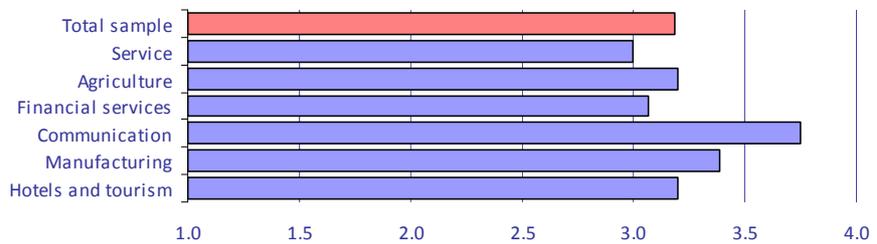
The agricultural and finance sectors say that power makes business very difficult, though manufacturing and services are close to saying that as well.

Figure 80: Power makes business difficult for...



This is, however, a modest improvement on 2008 when every sector said that power made doing business very difficult.

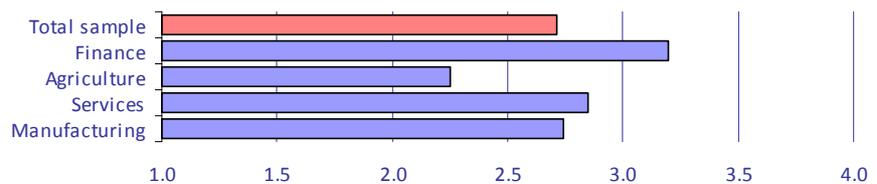
Figure 81: Power made business difficult in 2008 for...



Source: Irwin, D, (2008) "Business Leader Perceptions of the Investment Climate in Tanzania", BEST-AC

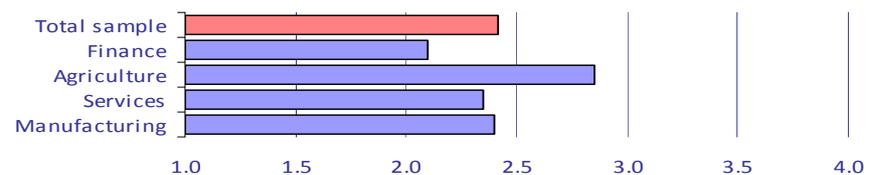
The finance sector says that corruption makes doing business very difficult with all other sectors saying that it makes business somewhat difficult.

Figure 82: Corruption makes business difficult for...



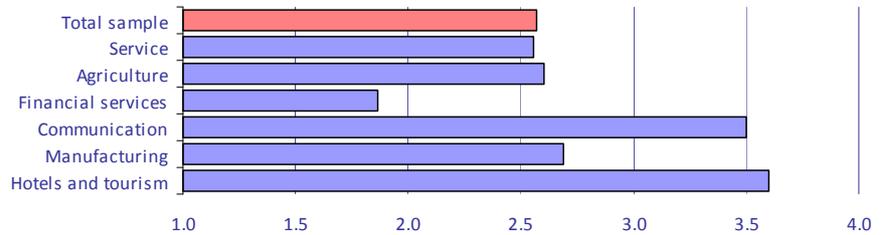
All sectors say that the ports and airports make doing business somewhat difficult.

Figure 83: Ports & airports make business difficult for...



This is also an improvement on 2008 when communications and hotels & tourism both said that the ports and airports made doing business very difficult. The Port Authority says that there has been no drop in volumes due the global recession, so they must be getting better at moving goods through the port quicker which is very positive.

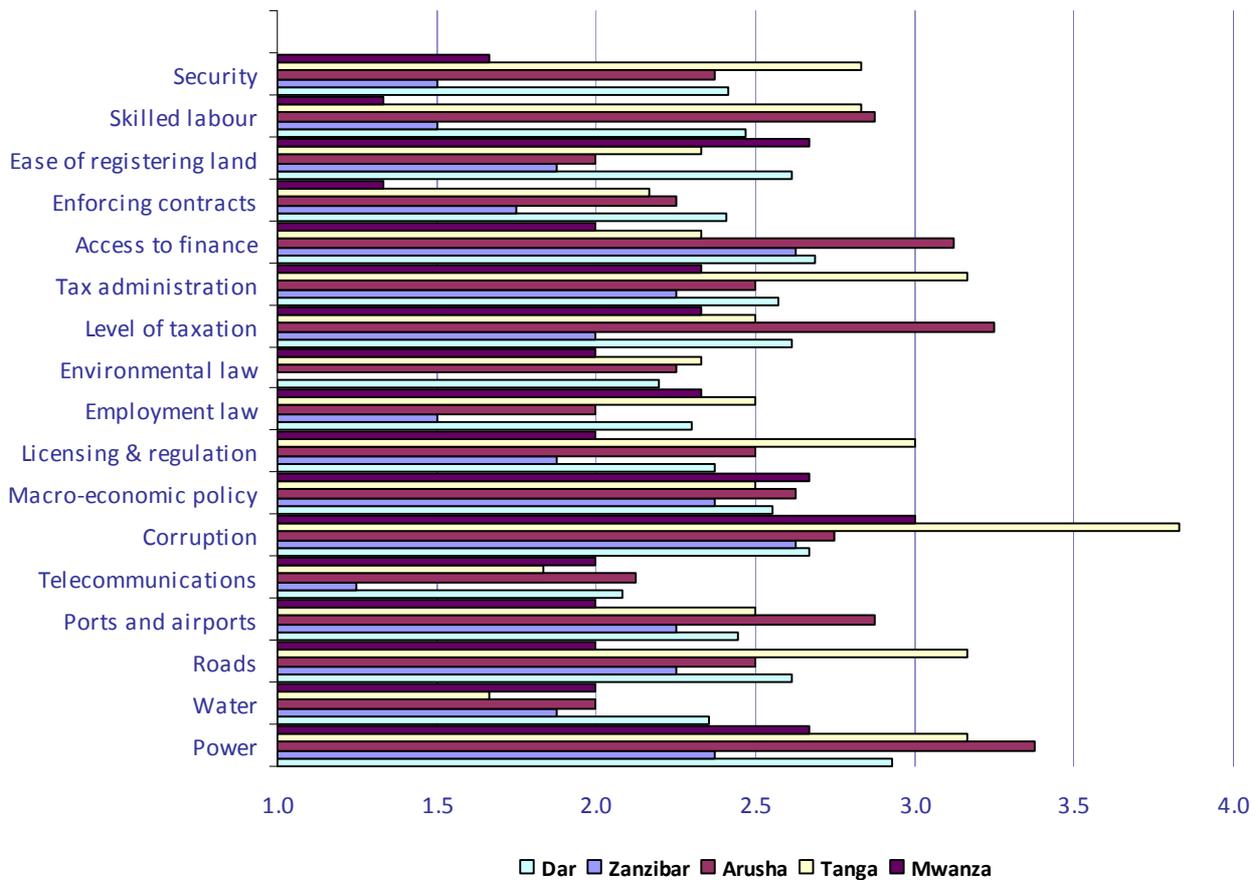
Figure 84: Ports & airports made business difficult in 2008 for...



Source: Irwin, D, (2008) "Business Leader Perceptions of the Investment Climate in Tanzania", BEST-AC

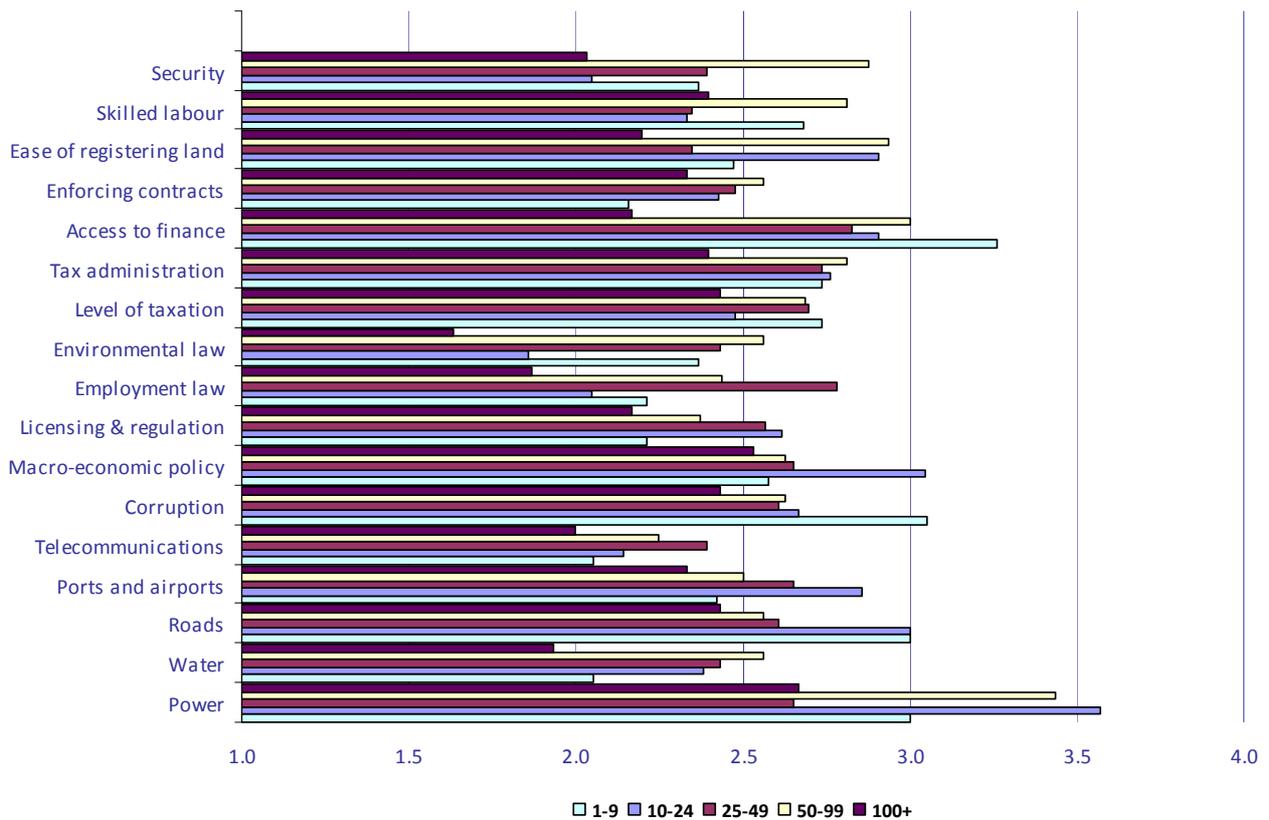
Businesses in Arusha and Tanga seem to have more difficulty with most of the issues. Businesses in Tanga have particular problems with corruption. Businesses in Zanzibar and Mwanza seem to have the least problems.

Figure 85: Factors that make business difficult: by location



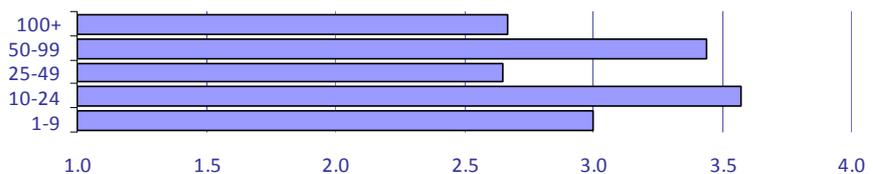
There is considerable variation in problem by business size with no one size band doing worse than others across all the factors. Businesses employing 10-24 find that power is the issue that makes doing business most difficult, though it seems that they also complain about macro-economic policy. Businesses employing 50-99 have problems with power, access to finance, ease of registering land, security and access to skilled labour. Perhaps not surprisingly, the biggest problem faced by businesses employing 1-9 is access to finance, followed by corruption and roads. For businesses employing more than 100, it seems that every factor is less of a problem than for smaller businesses, presumably because they have learnt to live with – and overcome – all the problems.

Figure 86: Review of problems by business size



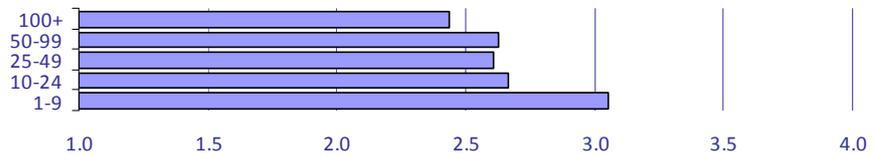
Every business size says that power at least makes business somewhat difficult with those employing 1-24 and 50-99 saying that it makes business very difficult.

Figure 87: Power makes business difficult for...



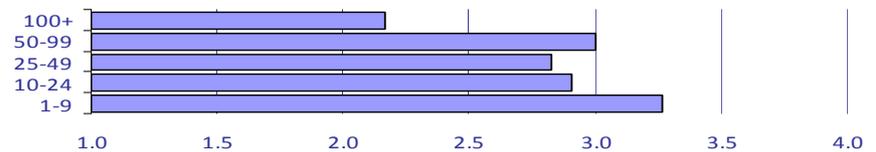
Corruption makes doing business very difficult for businesses employing fewer than 10 people – all other size bands merely say that it makes doing business somewhat difficult, presumably because they have learnt to live with it as they have grown rather than because it has diminished.

Figure 88: Corruption make business difficult for...



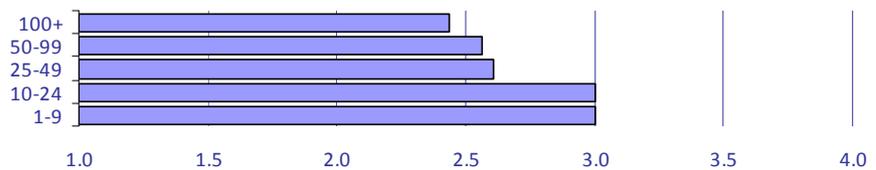
Access to finance is a problem for businesses of all sizes, with those employing 1-9 saying that it makes doing business very difficult.

Figure 89: Access to finance makes business difficult for...



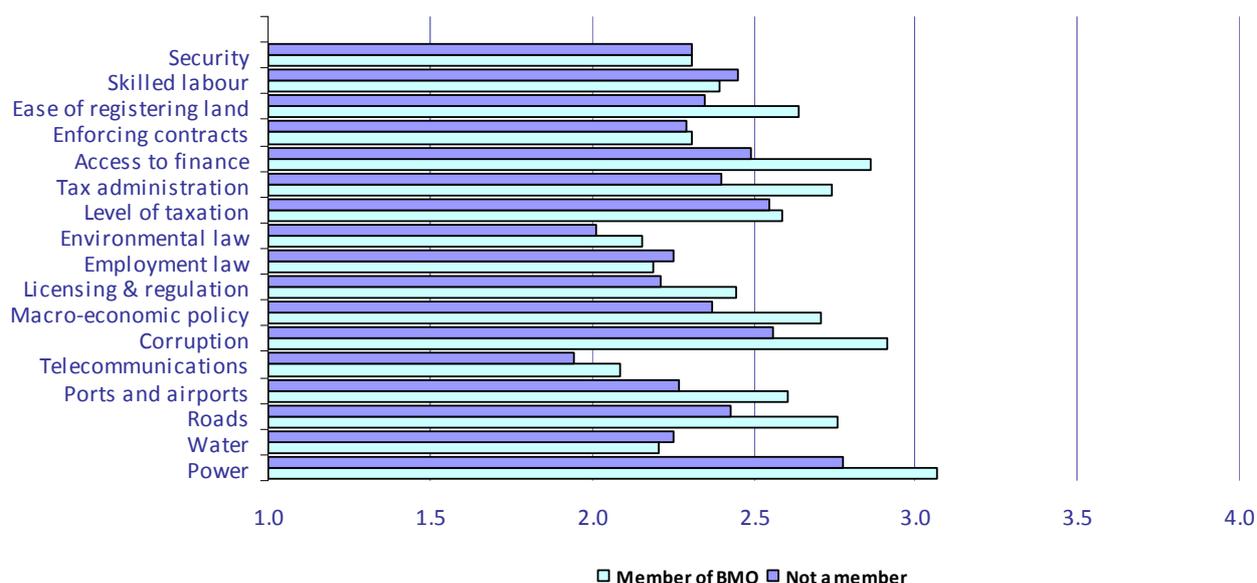
Roads make doing business very difficult for those employing 1-24, but other businesses say that they make doing business somewhat difficult.

Figure 90: Roads make business difficult for...



It seems that businesses who are members of a BMO generally see the problems as worse, or at least no better, than businesses that are not members of a BMO. In particular, they complain more about power, corruption, access to finance, roads, tax administration and ease of registering land. Whilst this was not the case in other countries of East Africa, this is what we may have intuitively guessed on the grounds that businesses with particular grievances might come together in associations in an effort to lobby for public policy changes.

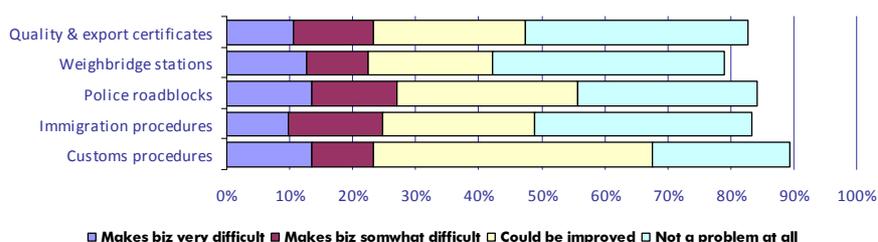
Figure 91: Review by membership of BMO



13.2 NON TARIFF BARRIERS

Fewer than 50 per cent of respondents in Tanzania thought that non-tariff barriers were important. Amongst those that did, only about one fifth thought that they made doing business somewhat or very difficult. Most said that they were not a problem at all or that they could be improved.

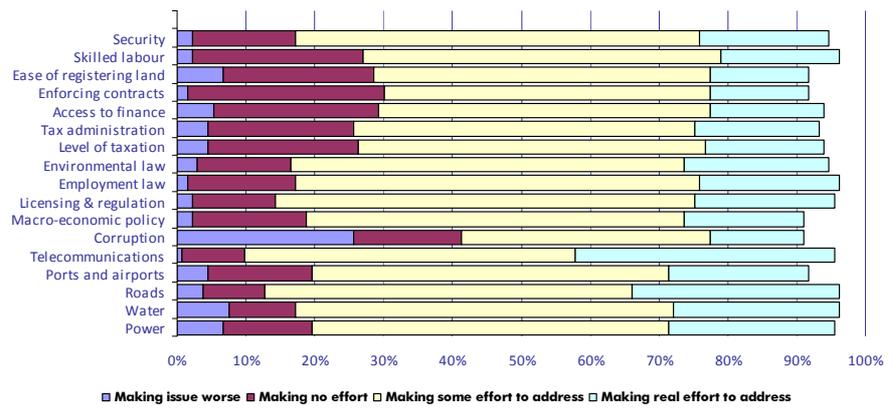
Figure 92: Differing perceptions of how NTBs make business difficult



13.3 PERCEPTION OF GOVERNMENT

Positively for the government, most businesses think that it is making some effort to address all of the issues. In some issues, such as telecommunications, there is a view that the government is making a real effort to improve. Corruption, however, is the key issue where a significant number of respondents think that the government is making the position worse. This is a key area that the government needs to address.

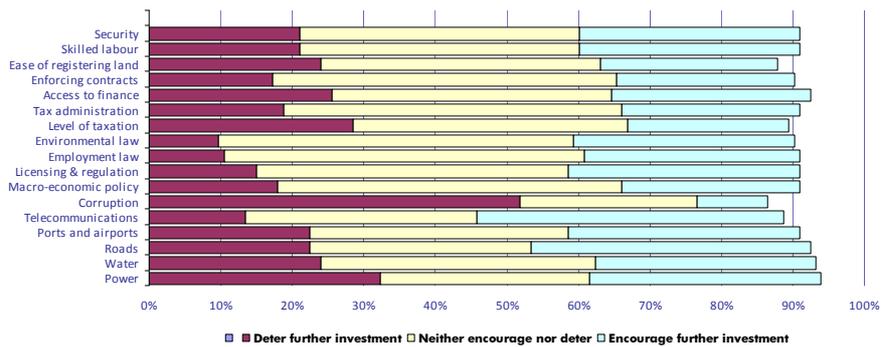
Figure 93: Government performance in addressing key factors



13.4 ENCOURAGING INVESTMENT

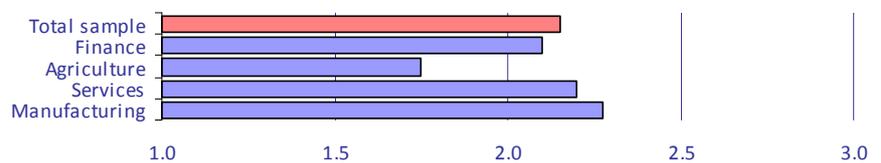
It is perhaps not surprising therefore that the issue that is most likely to deter respondents from making further investment is corruption.

Figure 94: Factors which affect investment decisions



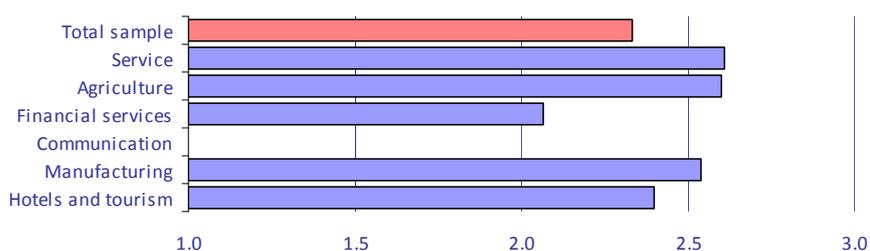
Every sector except agriculture says that corruption would deter further investment.

Figure 95: Corruption would deter investment...



It should be noted, however, that this is an improvement on the perception in 2008 when every sector said that corruption would deter investment.

Figure 96: Corruption would deter investment in 2008 for...

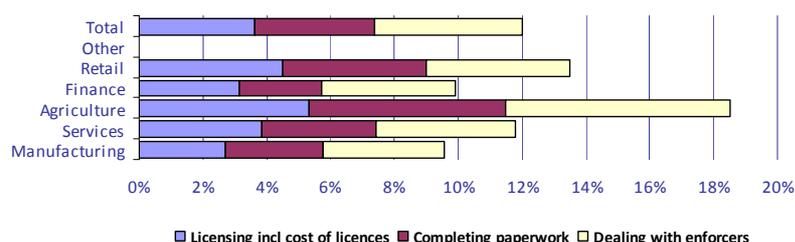


Source: Irwin, D, (2008) "Business Leader Perceptions of the Investment Climate in Tanzania", BEST-AC

13.5 COST OF LICENSING

The cost of licensing and red tape is high. It appears to be lowest in the manufacturing sector, though is still almost 10 per cent of turnover. In agriculture, it costs as much as 18 per cent of turnover. The average across all sectors is around 12 per cent – if it was possible to halve the cost of red tape, that would free considerable additional resources that could be reinvested by the businesses – thus reducing their need to access external finance.

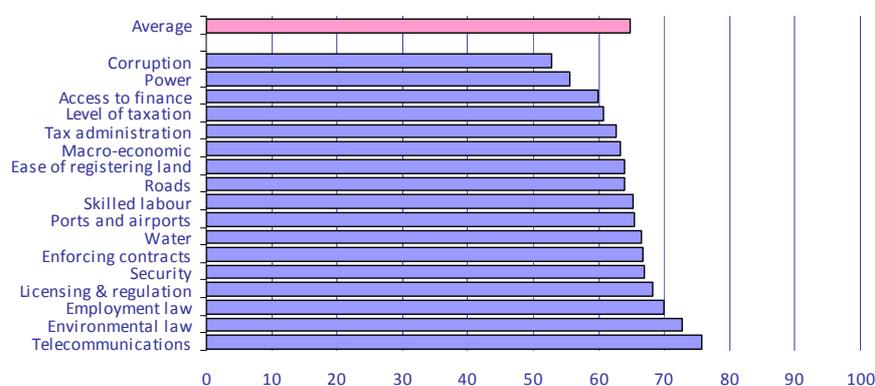
Figure 97: Cost of licensing and red tape



13.6 PRIORITIES

The enabling environment priority index highlights the need to address corruption, power, access to finance and level of taxation.

Figure 98: Enabling environment priority index



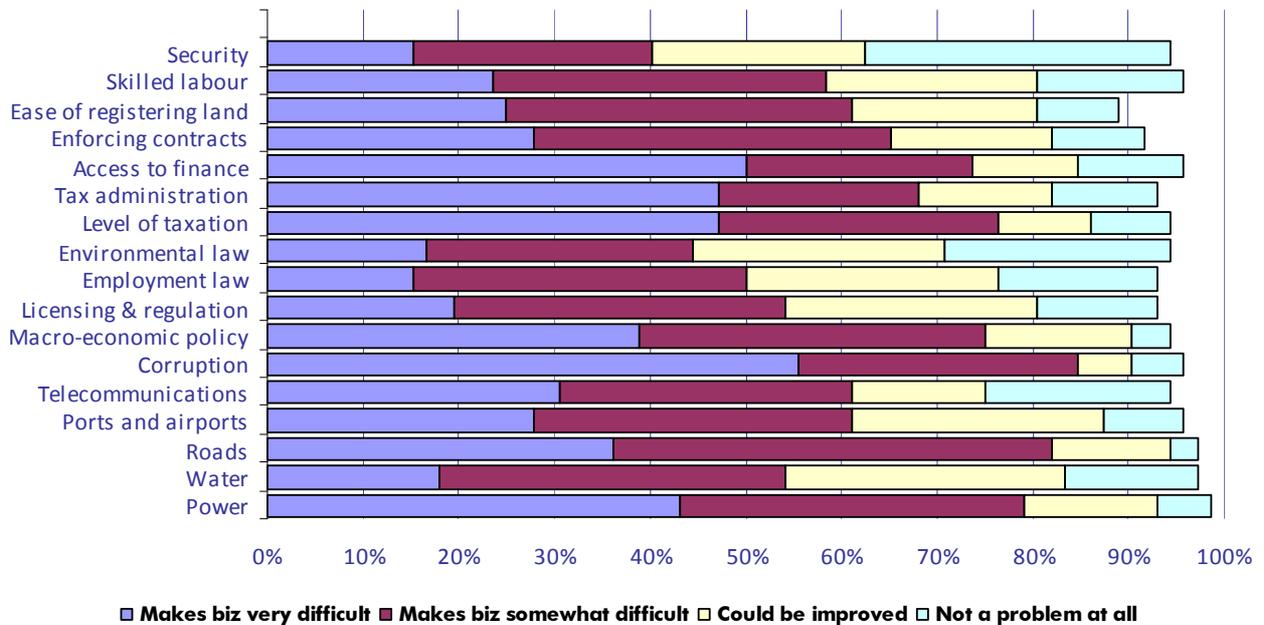
14. UGANDA

14.1 ISSUES THAT MAKE BUSINESS DIFFICULT

Uganda

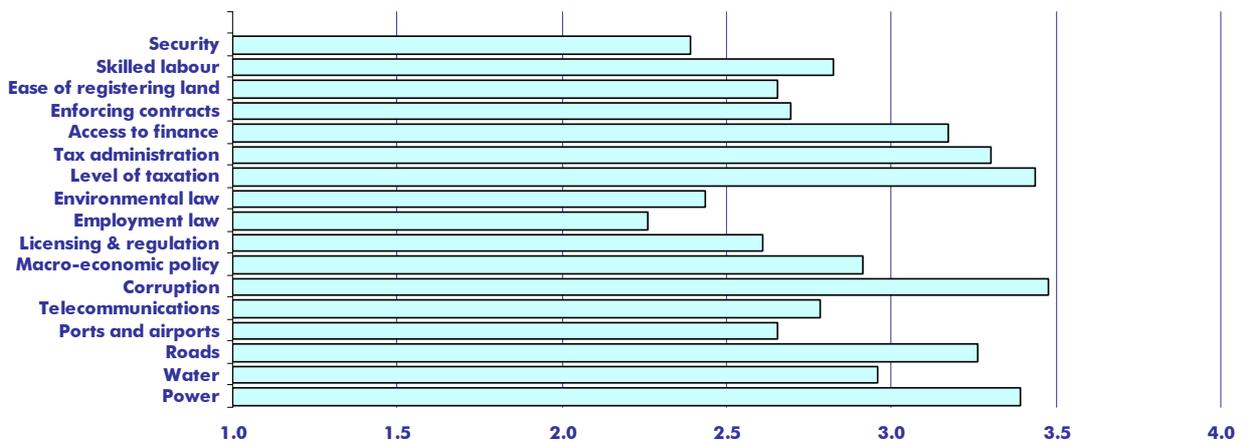
The issues that make doing business very difficult are corruption, power, roads, access to finance and level of taxation.

Figure 99: Factors which making business difficult



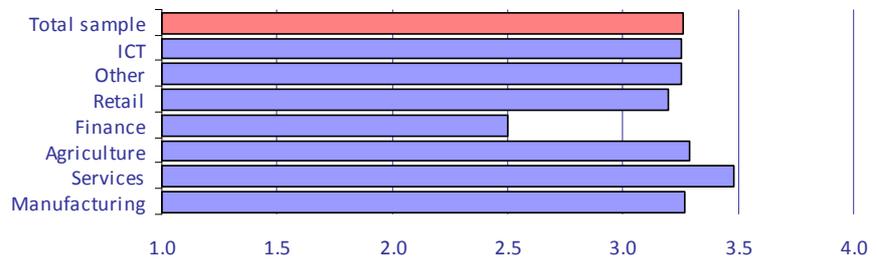
The services sector says that corruption, level of taxation, power, tax administration, roads and access to finance all make doing business very difficult.

Figure 100: Factors which make business difficult for the services sector



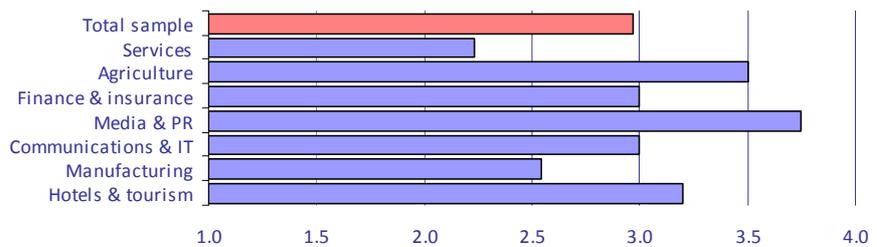
Indeed, every sector except finance says that corruption makes doing business very difficult and this is also the average for all respondents.

Figure 101: Corruption makes business difficult for...



This is a deterioration from 2008 when the average, whilst pretty bad, was a fraction under the very difficult level. Manufacturing, in particular, thinks that corruption has become much worse.

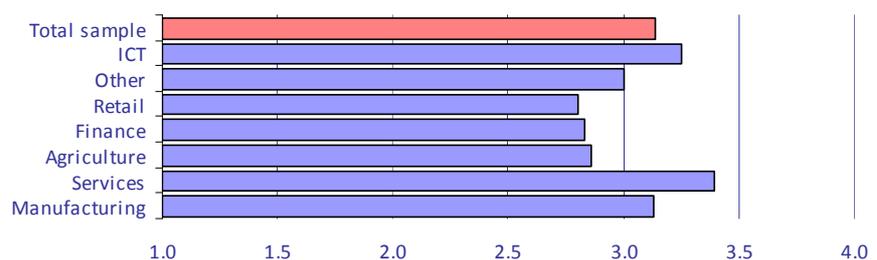
Figure 102: Corruption made business difficult in 2008 for...



Source: unpublished data gathered for Irwin, D (2008), "Business Leader Perceptions of the Investment Climate in East Africa", Irwin Grayson Associates & Steadman

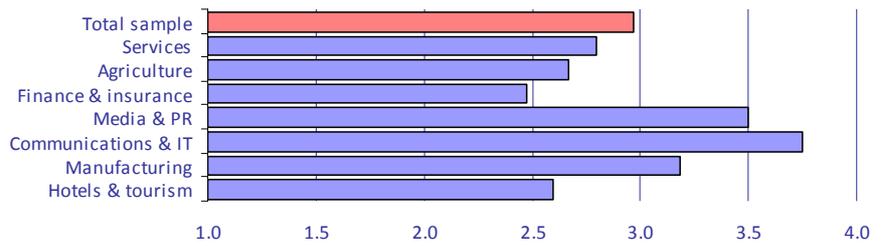
Power makes doing business very difficult for services, manufacturing and ICT.

Figure 103: Power makes business difficult for...



This is also a deterioration from 2008 when power also had an average that was just below very difficult even though several sectors said that it made doing business very difficult.

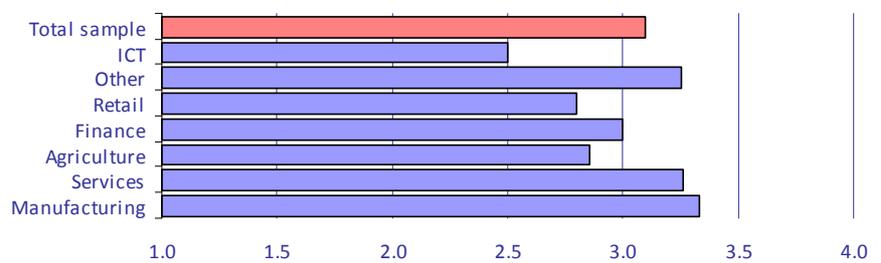
Figure 104: Power made business difficult in 2008 for...



Source: unpublished data gathered for Irwin, D (2008), "Business Leader Perceptions of the Investment Climate in East Africa", Irwin Grayson Associates & Steadman

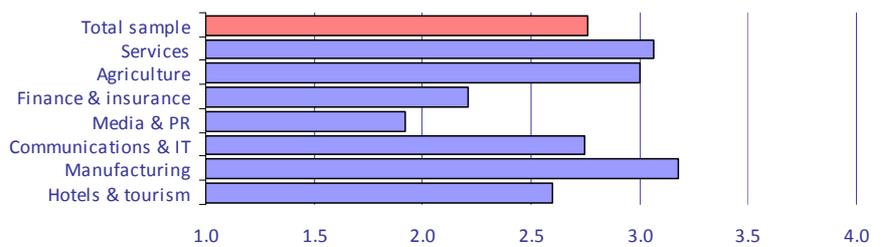
Roads also make doing business very difficult – for manufacturing, service, other and finance.

Figure 105: Roads makes business difficult for...



Again, this is a deterioration compared to 2008

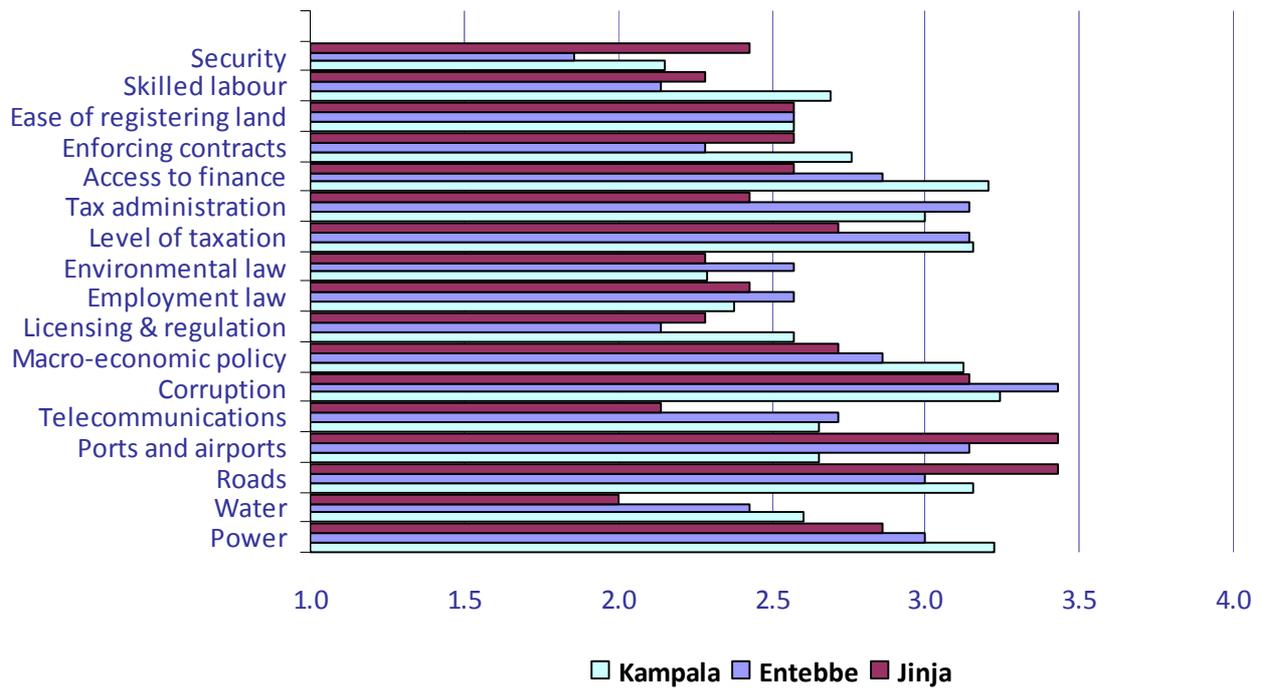
Figure 106: Roads made business difficult in 2008 for...



Source: unpublished data gathered for Irwin, D (2008), "Business Leader Perceptions of the Investment Climate in East Africa", Irwin Grayson Associates & Steadman

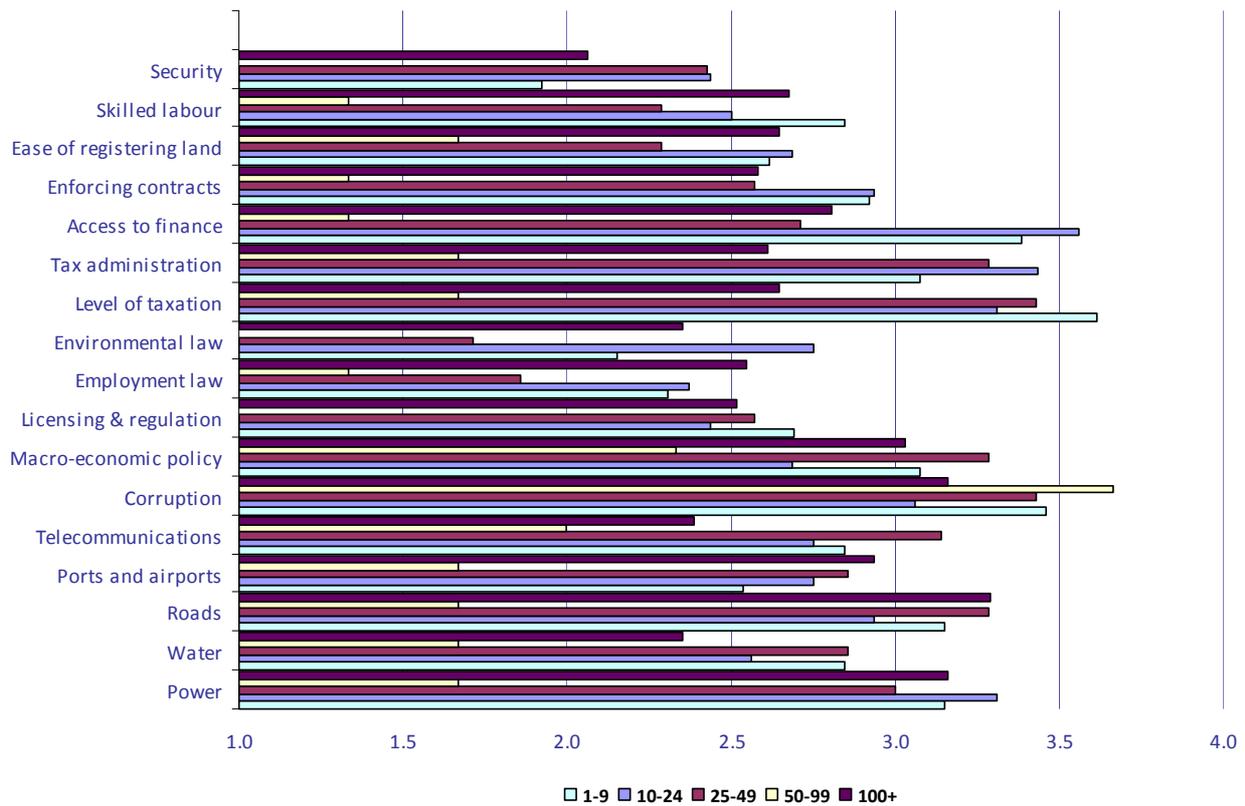
There is variation by location for individual factors but no location stands out as being much worse – or much better – as a place to do business. Jinja, for example, seems to be the worst place for ports & airports and roads but the best for water and telecommunications. Entebbe seems to be the worst for corruption but the best for security.

Figure 107: review of problems by location



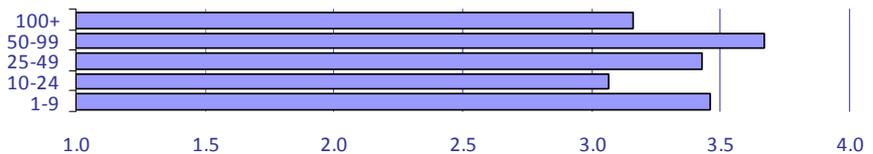
Similarly, whilst there is variation with business size in the factors that cause the most problems, it seems that no size band stands out as suffering more than the others. It is perhaps worth noting, however, that it is businesses employing 1-24 that have the biggest problems with access to finance. Slightly curiously, it seems that it is businesses employing 50-99 who have the biggest problems with corruption and that roads, water and power are not big issues. This is almost certainly due to the relatively small number of businesses in this size band in the sample and probably means that the results for this size band should be ignored.

Figure 108: Review of problems by business size



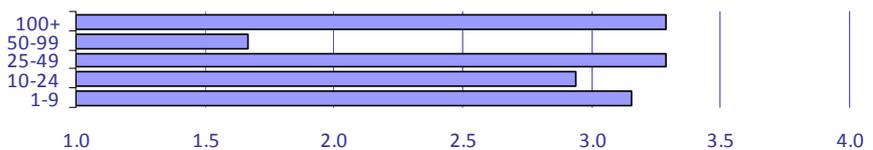
Every business size says that corruption makes doing business very difficult.

Figure 109: Corruption makes business difficult for...



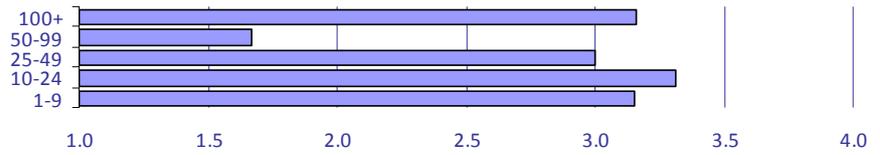
Roads make doing business very difficult for all businesses (except those employing 50-99).

Figure 110: Roads make business difficult for...



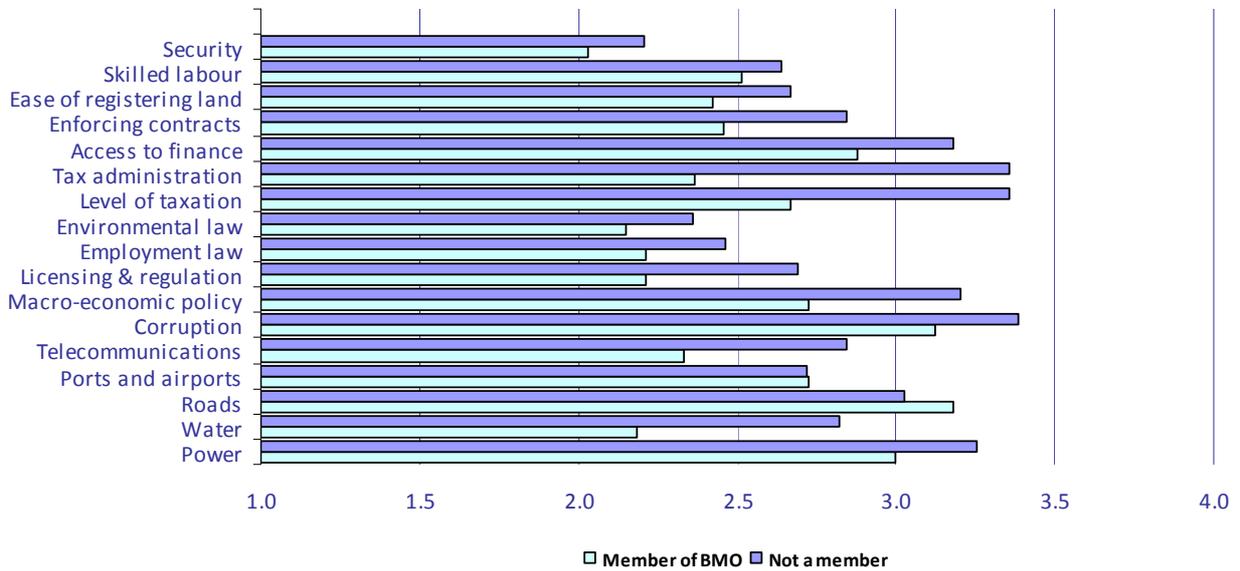
Power also makes doing business very difficult for all businesses (except those employing 50-99).

Figure 111: Power makes business difficult for...



Businesses who are not members of a BMO generally find every issue more problematic than those who are members. This could be worth exploring further since one might have expected the opposite result, as in Tanzania for example, with businesses complaining more joining a BMO in order to lobby for change in public policy.

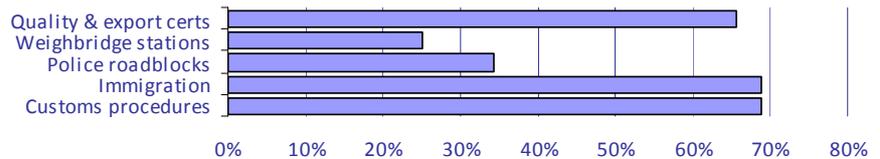
Figure 112: Review by membership of BMO



14.2 NON TARIFF BARRIERS

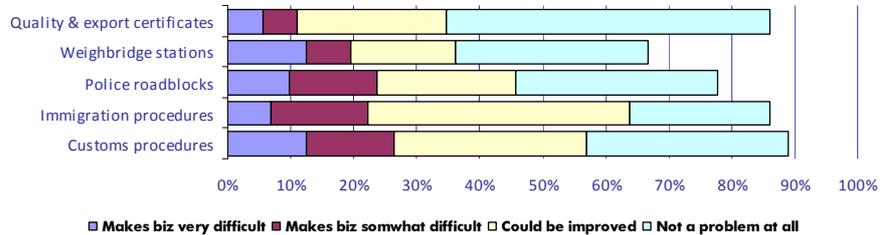
Most businesses think that three no-tariff barriers are important

Figure 113: Importance of non-tariff barriers



In general, however, none of the non-tariff barriers were seen as making business especially difficult. Most respondents thought that they were not a problem at all or could be improved.

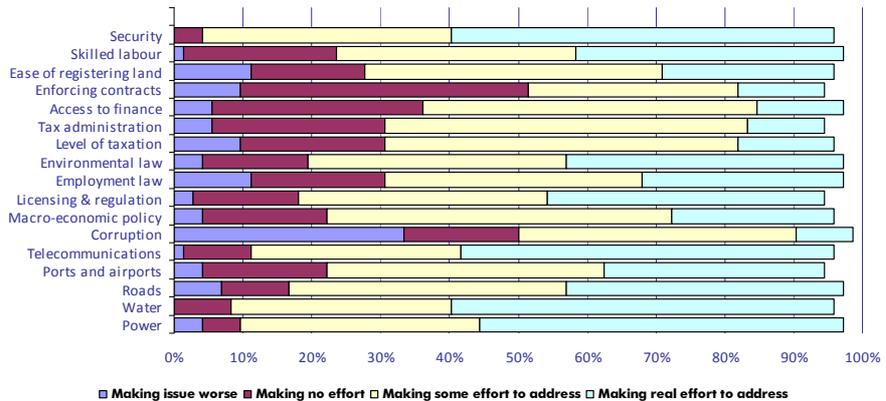
Figure 114: Differing perceptions of how NTBs make business difficult



14.3 PERCEPTION OF GOVERNMENT

There is considerable variation across factors in the way that government is perceived. In some cases, government is seen to be making a real effort, such as water, telecommunications and security. Corruption stands out as the issue where government is seen to be making the problem worse, though there is also a perception that it is making insufficient effort to improve the ability to enforce contracts.

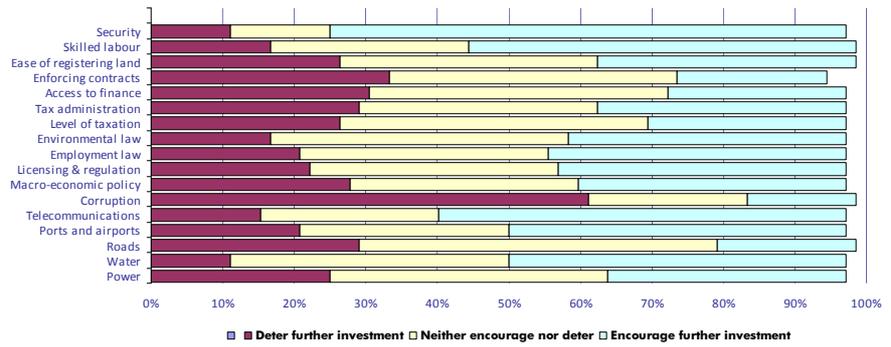
Figure 115: Government performance in addressing key factors



14.4 ENCOURAGING INVESTMENT

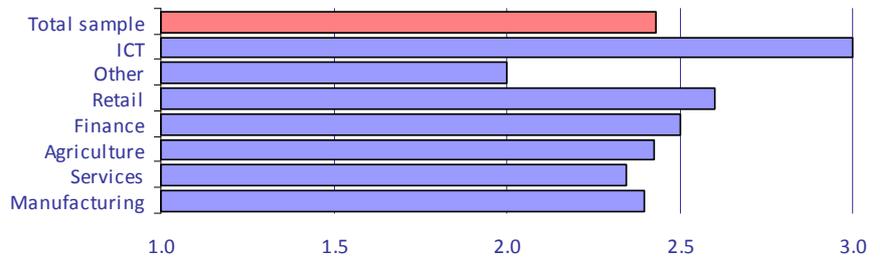
The issue that is most likely to deter respondents from making further investment is corruption. Security, telecommunications and even access to skilled labour are seen positively.

Figure 116: Factors which affect investment decisions



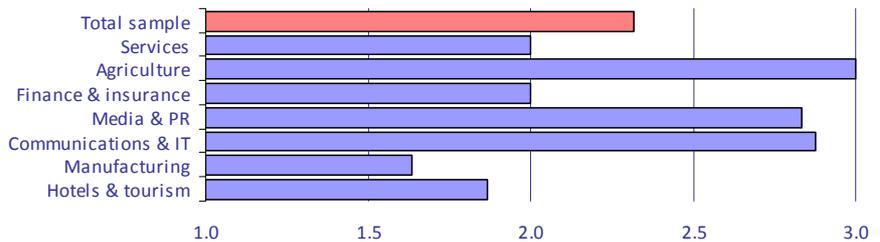
Every sector reports that corruption would deter investment, with every respondent in the ICT sector saying this.

Figure 117: Corruption would deter investment...



This is a deterioration in the overall view since 2008 though there is a slight improvement in the view of the agricultural sector. The view of manufacturing, however, has become much more gloomy.

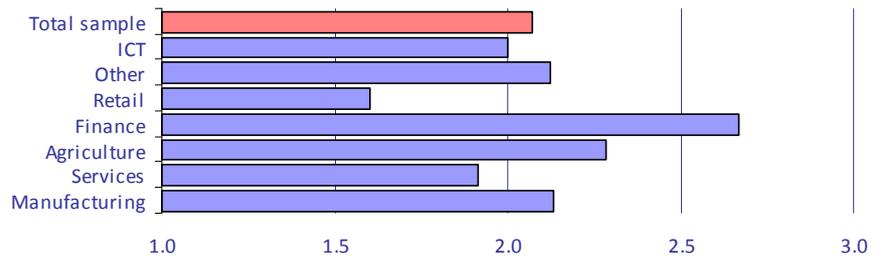
Figure 118: Corruption deterred investment in 2008 for...



Source: unpublished data gathered for Irwin, D (2008), "Business Leader Perceptions of the Investment Climate in East Africa", Irwin Grayson Associates & Steadman

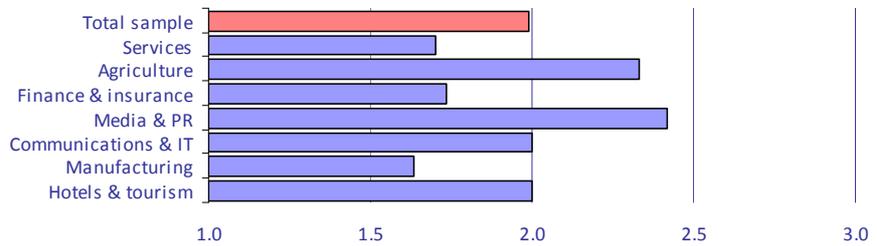
Most sectors say that roads would also deter investment.

Figure 119: Roads would deter investment...



This also shows some deterioration since 2008.

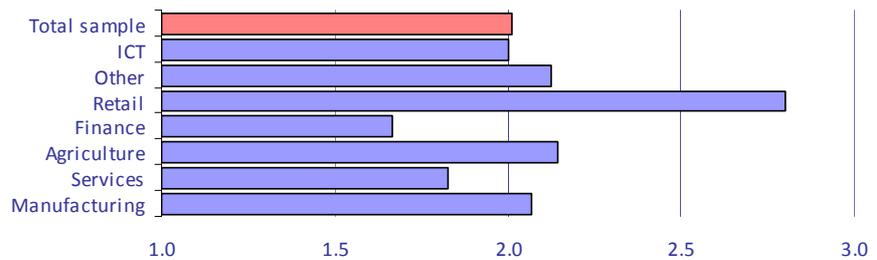
Figure 120: Roads deterred investment in 2008 for...



Source: unpublished data gathered for Irwin, D (2008), "Business Leader Perceptions of the Investment Climate in East Africa", Irwin Grayson Associates & Steadman

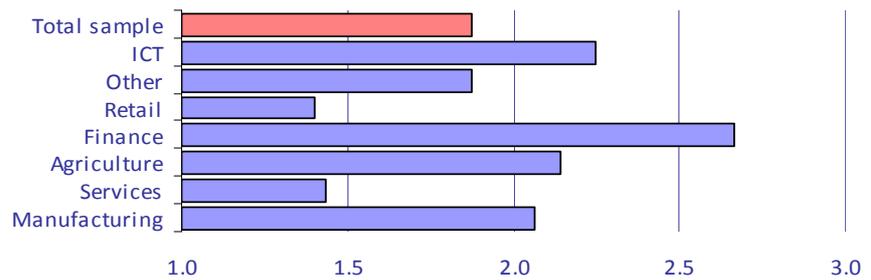
The ease of enforcing contracts is seen by most sectors as a deterrent to investment

Figure 121: Ease of enforcing contracts deters investment for...



And so is the ease of registering land, though the overall average is that this is just neither an incentive nor a deterrent.

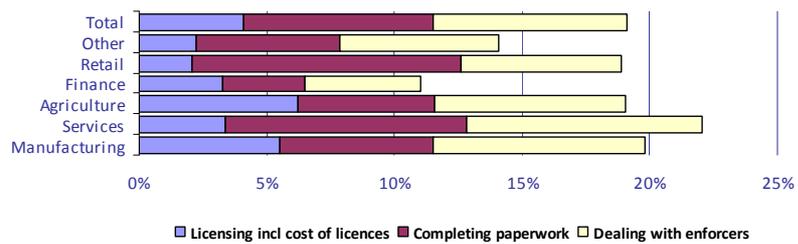
Figure 122: Ease of registering land deters investment for...



14.5 COST OF LICENSING

The cost of licensing and red tape is high for all sectors. It is lowest in the finance sector, though is still over 10 per cent of turnover. In service it costs more than 20 per cent of turnover. As in the other countries of East Africa, reducing the cost of licensing and red tape could make a significant difference to the availability of resources that businesses could devote to growing their business

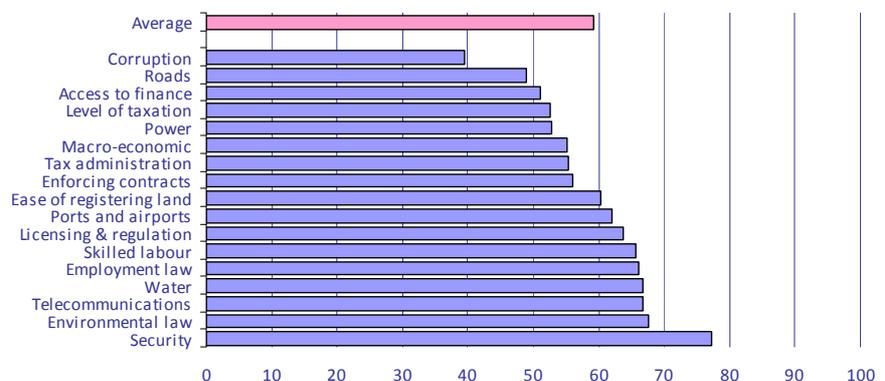
Figure 123: Cost of licensing and red tape



14.6 PRIORITIES

The enabling environment priority index shows that the issues on which Uganda should concentrate are corruption, roads, access to finance, level of taxation and power.

Figure 124: Enabling environment priority index



15. CONCLUSION

Article 7 (a) of the EAC Treaty stresses a principle of the Community as “people centred and market driven” and places the private sector at the heart of its strategy for accelerating regional growth, creating wealth and reducing poverty. The Council of Ministers has now instructed the Secretariat to operationalise article 127 (4) through creating a broad forum to improve consultation with the private sector, civil society and other interest groups. EABC welcomes this initiative and believes that the issues identified in this survey can provide an agenda for early dialogue.

Many of the issues reviewed appear to reduce the likelihood of private sector investment. It is important that EAC governments are seen to address these issues if they are to attract new investors and encourage expansion of existing investments. In particular, effort should be put towards addressing infrastructure needs such as power and telecommunication as they contribute to the region’s lack of competitiveness.

EAC governments need to be seen to address the issue of corruption, perhaps through clamping down on those involved in corrupt practices be they from public or private sector. Improving the provision of regulation and licensing will also contribute to reducing corruption as it is often inefficient systems that provide the opportunity for rent seeking. Improving transparency in taxation levels and tax administration would also serve to reduce opportunities for corrupt practices.

Whilst most businesses were not too concerned about NTBs, they do have a significant knock-on effect and many could be eliminated or eased at little cost and with a high return. EABC advocates the NTB monitoring mechanism is made more effective through institutionalising it within the EAC Secretariat and ensuring regular meetings of the National and Regional Monitoring Committees.

As EAC governments continue with efforts to improve the investment climate, it should be remembered that the private sector seeks predictability of policy. EABC recommends that regular consultation is maintained to ensure not only that the private sector is on board with the efforts but also that damaging impacts, perhaps not foreseen by policy makers, are avoided. EABC therefore calls on the EAC, and member governments, to put in place mechanisms to ensure adequate consultation in advance of all policy changes likely to impact on the private sector.