

## Summary of Main Findings

### 1. Introduction

- In meeting its objectives as a lobby group for the private sector, The East African Business Council (EABC) launched the EA Business Climate Index (BCI) survey in 2005. The overall objective of the BCI is to give a platform for the business community to provide necessary inputs leading to the elimination of Non Tariff Barriers (NTB's) and improvements of other business climate factors.
- This latest survey was conducted by The Steadman Group (now part of Synovate) on behalf of EABC between July and September 2008. It comprises interviews with 240 business leaders: Uganda (25%), Kenya (21%), Tanzania (20%), Rwanda (18%) and Burundi (15%); 140 truck drivers through self completion diaries (collected at the point of exit from the country of departure) and 187 Clearing and Forwarding Agents (CFA's).

### 2. Business climate

- The overall *Business Climate Index* across the East African region has declined to **44 points in 2008 from 51 points in 2007**. Ugandans are the most positive business leaders with an index of 55, followed by Kenyans and Rwandans (45), Tanzanians (42) and trailing some way behind are Burundi's business leaders with an index of 32.
- The majority of business leaders single out access to affordable and reliable telecommunications as of primary importance in business, access to water and security are in second and third place respectively. Transport and energy are also important business factors which are currently underperforming across the region.
- As far as *future business climate expectations* are concerned, business leaders deliver a similar verdict in 2008 as they did in 2007 - 56 plays 59. Ugandan and Tanzanian business leaders are more optimistic than their regional counterparts registering indices of 61 and 60 respectively .

### 3. Summary of time and financial loss

- In all three components of the survey the business leaders, truck drivers and CFS's were asked to estimate the amount of time and money lost as goods were in transit from one country to another through the various customs and other check points along the route.
- Interestingly, most of the business leaders did not consider the losses too great, but those closer to the ground - the truck drivers and CFA's were able to estimate the actual time and money lost and the analysts have grossed these up to give an annual picture.
- It can be seen, from the summary table below that some 172,236 days are lost each year as a result of delays at Weighbridges, roadblocks and customs - with Weighbridges causing almost half of those delays.
- In terms of money - paid in the form of bribes, some 9.8 million USD are paid over per year - with Weighbridges again taking the largest share

#### **Total time loss Financial Loss**

#### **Time in Days Share Total Bribes in USD Share**

**Weighbridges 73,666 43% 5,460,000 56%**

**Roadblocks 53,083 31% 2,402,400 25%**

**Customs 45,487 26% 1,930,000 20%**

**Total 172,236 100% 9,792,400 100%**

### 4. Customs

- **Delays caused by Customs:**

Over one half (54%) of business leaders in East Africa expressed high levels of discontent with the length of time for customs clearance. Kenya customs was found to be the slowest in East Africa with 76% of business leaders indicating that the process was slow. Kenya was followed in order by Burundi (60%), Uganda (50%), Tanzania (45%) and Rwanda (42%).

Those with direct experience at the customs posts were also highly critical as many as 70% of the CFA's said that customs were slow and congested and a third of truck drivers reported unfair treatment.

Extrapolating the reported delays experienced by truck drivers clearing customs results in an annual figure of some 45,000 lost days

- **Corruption at Customs:**

Over one third (35%) of business leaders indicated that corruption at customs is a major obstacle. Moreover, this is a significant year over year increase from 22% expressing similar sentiments in 2007.

The number of business leaders who stated that bribery at customs was a major obstacle in business was highest in Burundi at 68% and the lowest in Uganda (26%) and Kenya (28%).

While each individual bribe is low (average 1.9 USD), aggregated for all trucks and annualised amounts to bribes to customs of some 2 million USD

## **5. Roadblocks**

- **Corruption at Roadblocks**

Four in ten business leaders interviewed cited bribery at roadblocks as a major obstacle. With the extent of the problem cited more by business leaders in Tanzania and Burundi than in the neighbouring countries.

Most truck drivers(72%) report high levels of bribe solicitation at roadblock encounters, although the actual payment reported was relatively low Bribe solicitation and payment is significantly higher at roadblocks in Kenya compared to the other countries.

The estimated amount paid in bribes per truck per year is just over 1,000 USD which aggregates to some 5 million USD for all truck traffic per year.

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- **Time loses at Roadblocks**

Huge amounts of time are lost at roadblocks according to the truck drivers. Each truck will loose up to 15 minutes per roadblock, given an average of 19 roadblocks per trip, this equates to a loss of 5 hours per trip per truck and 260 hours (approx 11 days) in a year.

Working on the basis of 5000 truck trips per year, the losses equate to more than 50,000 days per year.

## **6. Weighbridges**

- **Estimated Cost of Bribery at Weighbridges**

The overall number of Weighbridges is lower than that of roadblocks (an average of 4.4 weighbridge points per trip compared with 19 roadblocks), but the average amount of bribe paid per encounter is higher.

On average 2.1 USD was paid at each weighbridge encountered, equating to USD 9.2 per truck per week and USD 480 annually. Extrapolated to the bigger universe of 5000 trucks yields a spend of 2.4 million USD annually on bribes at weighbridges

- **Time lost at Weighbridges**

On average a truck will lose up to 92 minutes per each weighbridge encountered.

This equates to 6.8 hours per trip for each truck driver at weighbridges, yielding total time loss of 353 hours (approx 15 days) annually.

Aggregating to the figure of 5000 trucks per year results in 73,000 days lost per year at Weighbridges.

## **7. Work Permits**

- Experience of Kenyans in East Africa On average it takes a Kenyan 1-5 months to acquire a work permit to work in Uganda and Tanzania. 62% of business leaders in Uganda claimed that it took them more than 2 months to acquire a work permit for Kenyan workers in Uganda.
- Experience of Ugandans in East Africa Ugandans claimed that it took the least amount of time to acquire work permits in Rwanda. 45% of Kenyan business