



# Obsolete Infrastructures, Bribery, Insufficient Road Governance: The Main Obstacles of Doing Business in ECOWAS

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This article describes the most important challenges that a German entrepreneur might encounter in the ECOWAS market. The main goal of this article is to increase the awareness of the German entrepreneurs.

## **The obsolete infrastructures in ECOWAS: an obstacle to trade**

There are still a lot of barriers that ECOWAS has to overcome to promote trade. One of the biggest challenges is the lack of infrastructure, such as the missing postal addresses, transport ways and the energy infrastructure.

## **A need to improve roads, railways and the postal system in West Africa**

Most railways in West Africa operate at the standard at which they were originally built. West African tracks can accommodate relatively lightweight and slow-moving trains.

However, overall, 73% of the regional road network is in good or fair condition. Nonetheless, the quality of their maintenance varies substantially within ECOWAS. There are five important exceptions to this pattern: Ivory Coast, Senegal, Togo, Guinea and Benin have allowed 30% to 60% of their regional networks to fall into poor condition.

Not only the bad quality of the road network is a problem but also the numbering of streets and buildings. The number of habitations with an official postal address is not important in ECOWAS. The visibility of the address is very bad and according to Mr Guenter Boehm, a German engineer in Liberia, "having no postal address system in West Africa is really a huge problem. It affects you in terms of administration with the bank because they think that is not a relevant company."

## Power outages and high costs of energy - a widespread problem in ECOWAS

“Electricity generation in the ECOWAS countries is mainly provided by thermal power plants (from oil). Hydroelectric power is also used in several member states, but only in Ghana do hydroelectric power stations constitute the country’s principal electricity supply source.”

In some countries, even more than 90% of the electricity generation is provided by expensive diesel or heavy fuel. As a result, the steadily increasing and fluctuating oil prices have a big impact on the electricity costs. Therefore, the costs of electricity in West Africa are among the highest in the world. “The ECREEE estimated the average consumer tariff per kWh at 0.18 USD/kWh in a report released in 2012, and also mentioned that this average covered wide disparities” (Econoler Report, 2013). The average consumer tariff per kWh in ECOWAS is similar to the one for the OECD members (around 0.16 USD/kWh in 2010).

Furthermore, the obsolete infrastructure in energy inflicts a lot of power outages upon the companies in ECOWAS (table 1). Therefore, the West African companies often resort to emergency energy solutions (generators), mainly driven by fossil-fuel energy. These are much more expensive compared to the cost of conventional generation.

The costs of emergency generation are in the range of US \$0.2 to US \$0.3 per kWh according to the African Development Bank Group.

Country	Total Installed Capacity (MW) <sup>24</sup>	Principal Sources of Electricity Operated in 2008 <sup>24</sup>	Electricity Generation in 2010 (GWh)	Number of Power Outages in Firms in a Typical Month (for 2009, unless otherwise noted) <sup>25</sup>
Benin	60	Thermal (98.3%), Hydro (1.7%)	142	8,0
Burkina Faso	252	Thermal (87.3%), Hydro (12.7%)	670	9.8
Cape Verde	116	Thermal (72%), Wind (22%), Solar (6%)	287	3.3
Côte d'Ivoire	1,218	Thermal (50.2%), Hydro (49.8%)	5,721	2.0
Gambia	53	Thermal (percentage unknown)	230	21.0 (2006)
Ghana	2,011	Hydro (60%), Thermal (40%)	8,213	9.5 (2007)
Guinea	331	Thermal (62.8%), Hydro (37.2%)	969	31.5 (2006)
Guinea-Bissau	21	Thermal (100%)	67	5.2 (2006)
Liberia	24.6	Thermal (percentage unknown)	335	1.7
Mali	330.6	Thermal (53.5%), Hydro (46.4%), Solar (0.1%)	520	2.7 (2010)
Niger	230	Thermal (100%)	250	18.5
Nigeria	8,644	Thermal (78%), Hydro (22%)	24,872	25.2 (2007)
Senegal	596.1	Thermal (88.9%), Hydro (11.1%)	2,769	11.5 (2007)
Sierra Leone	52	Thermal (93.3%), Hydro (7.7%)	145	13.7
Togo	85	Thermal (78.8%), Hydro (21.2%)	127	7.3
<b>TOTAL</b>	<b>14,024</b>	-	<b>45,318</b>	

Table 1: Electricity Generation in the ECOWAS Countries

## **The incessant controls along the roads**

The ECOWAS region is - in theory - one big free trade market but, there are still many barriers concerning market integration. Road governance is one of the most serious problems. Trade in ECOWAS and especially the transport of goods has to face incessant checkpoints, bribery and delays.

As has been explained in the article about market integration, the road blocks or checkpoints are widespread all over the ECOWAS region (figure 1). Customs agents and policemen are extremely present on the road, mostly at borders, ports and on main roads.

The 23rd road governance report written by the WAEMU indicates that a lot of trade barriers still exist on the roads. However, it also shows that significant progress has been achieved, for instance in Senegal and Benin. Nonetheless, countries like Ghana and Togo prove the opposite; they have a stable situation on the road and good traffic conditions (figures 1, 2, 3 and 4).

Where to find support to deal with the abusive power of customs and police?

The organization Borderless might be helpful to an entrepreneur on the ECOWAS market. Borderless is an organization that fights abnormal practices on the road in West Africa. This organization is the result of a multilateral partnership of private and public sector stakeholders that are working to increase trade in West Africa. Borderless provides information for truck drivers - the so called truck driver guide - for Benin, Togo, Ivory Coast, Ghana, Senegal, Burkina Faso and Mali. However, they are only available in French except for Ghana for which there is a truck driver guide in English. This organization also provides telephone numbers to call in case of problems with the customs in the seven countries mentioned above.

# BORDERLESS

Removing trade barriers in West Africa

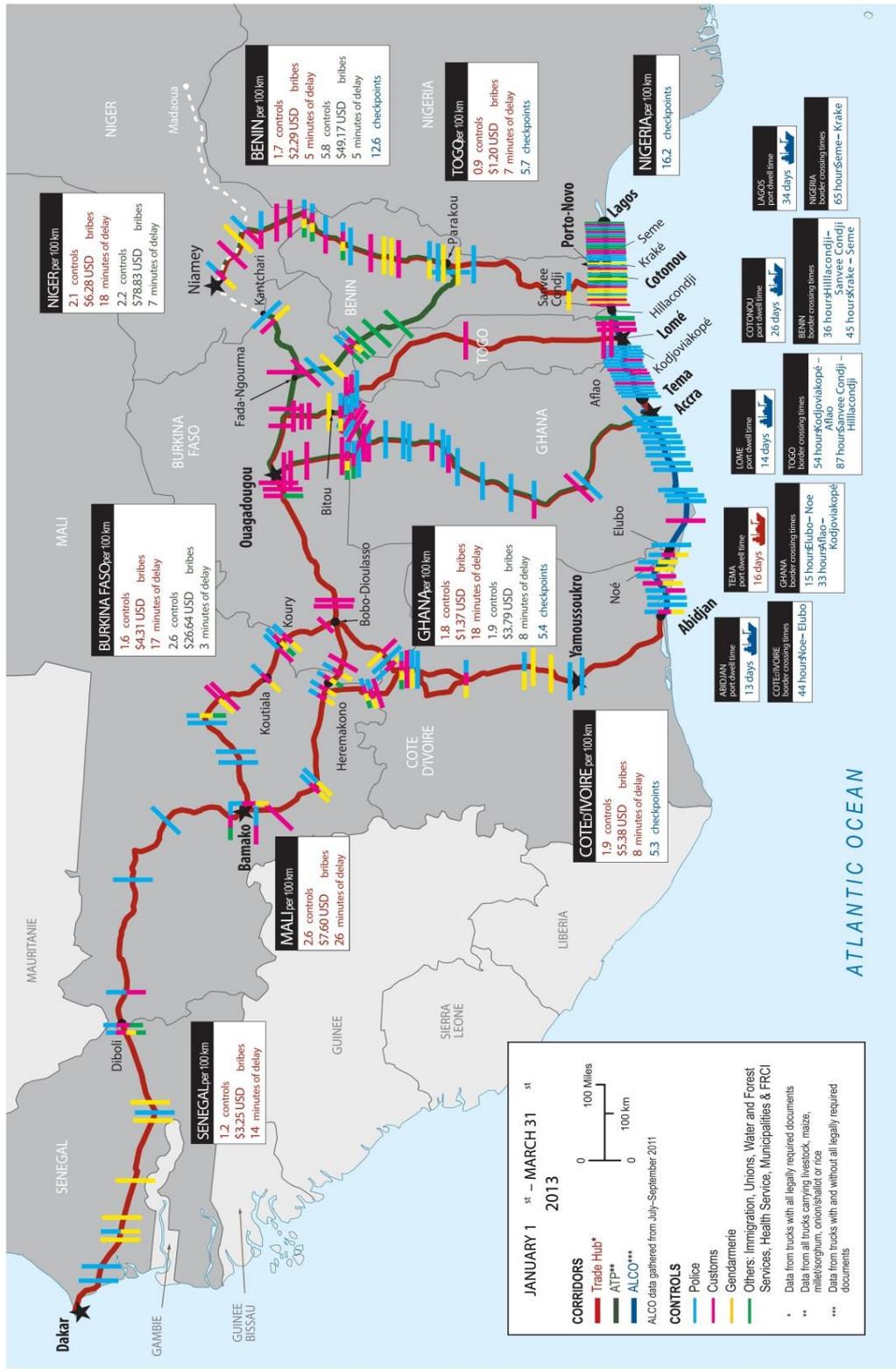


Figure 1: Road Governance Map



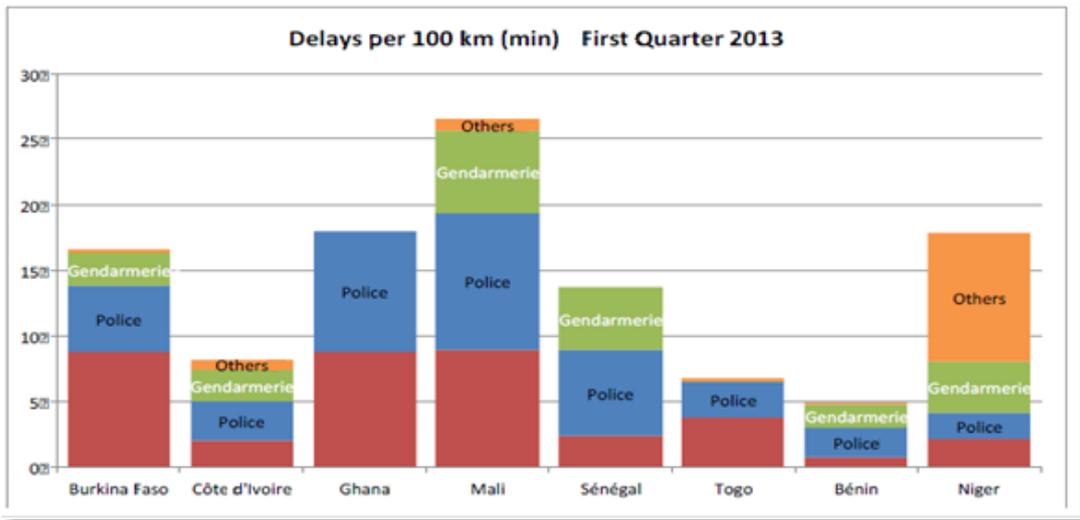


Figure 2: Density of delays by country and by uniformed service

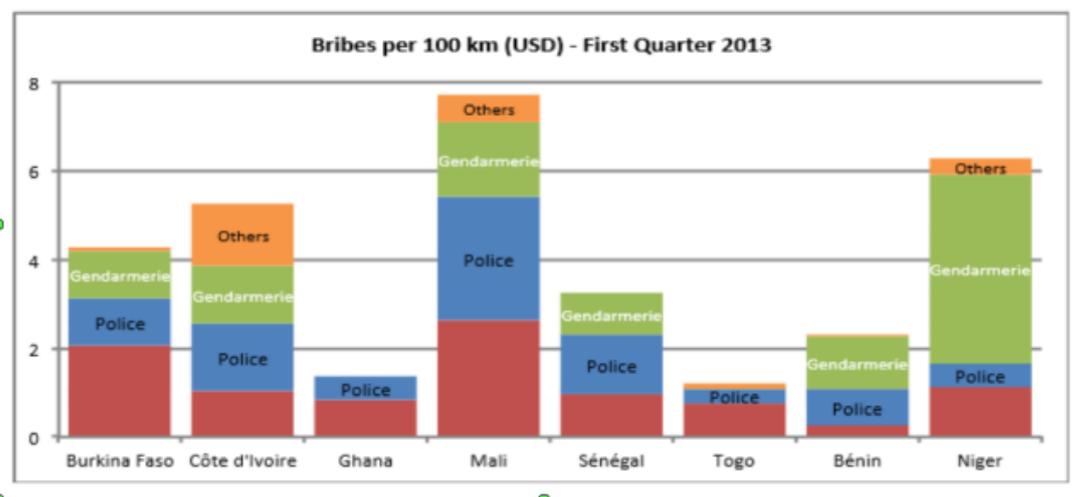


Figure 3: Density of checkpoints by country and uniformed service

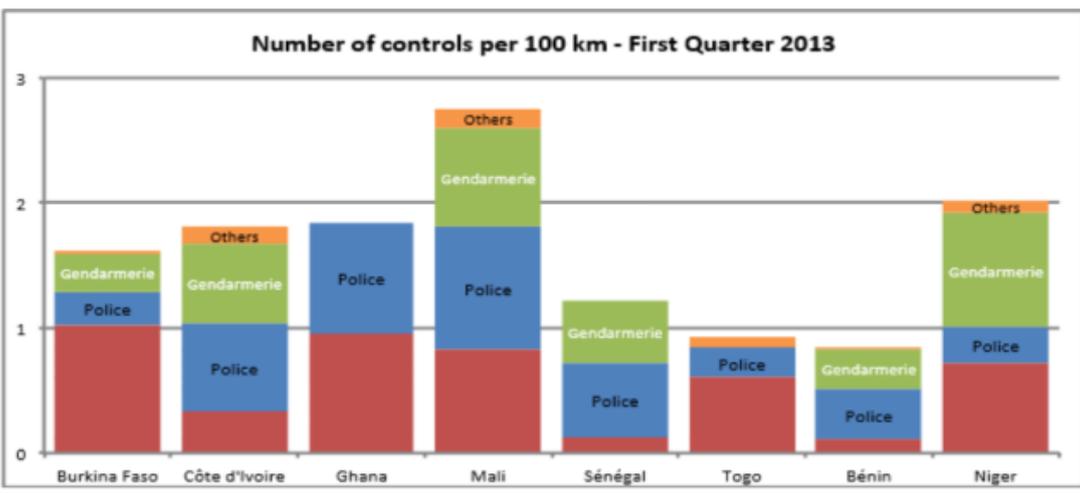


Figure 4: Density of bribes by country and by uniformed service

## **Petty corruption - a poison for business**

As previously explained, the corruption of customs on roads is common. Unfortunately, this is not the only type of informal payments one encounters in West Africa. Brokerage is also frequent in the administration.

## **Brokerage - a common practice in the administration**

The role of the brokers is to facilitate the negotiation and the circumvention of the state. Their designations are varied: touts, tax collectors (juuti), volunteers of justice and civil customs personnel. Their goal is to exploit the impatience or the ignorance of people so that they can obtain money for acts that are usually free.

Giorgio Blundo (2006) found that the entrances of law courts or registry offices are often used as work places for the brokers. They wait next to the entrance and, as soon as a visitor crosses the threshold, they try to intercept him/her and offer their services. They offer to accelerate the procurement of a document provided by the public administration, to simplify a procedure or even to replace the lawyer, assuring the client that he is more likely to win the case because of his contacts with the judge.

In ECOWAS "everyday life, the formal norms are replaced by pragmatic ones, which are in turn constantly negotiated and manipulated. The real functioning of the public administration is made up of compromises, negotiations, invention of new rules of the game and monetized powers [...] between over-regulation and under-regulation, laws and regulations are often applied using very extensive discretionary powers."

## **Advice from a German engineer in Liberia about corruption**

Guenter Boehm, engineer in Liberia, explained in an interview that being a foreigner in ECOWAS, you have to be very careful to not fall for bribery. Moreover, it is recommendable to have a trustworthy local contact.

## **The difficulty of managing human resources in ECOWAS**

The difficulty of managing human resources is present in every country, but this might be an even bigger obstacle in West Africa. Two small- and medium-scale enterprises (SMEs) interviewed by our team - encountered several challenges when managing staff in West Africa. SMEs wanting to enter the West African market have to cope with two main problems: the qualification of employees and the cultural gap between Europe and West Africa. For Guenter Boehm, "education and work behaviour of local staff are still a problem."

## **The skills shortages - a challenge for the entrepreneur**

The way of managing people in Africa is remarkably different from the European management style as has been highlighted in the article on cultural differences. In order to increase the efficiency of an organization, Alexandre Fabre (2011), co-founder and director of the recruitment firm Adexen, recommends choosing local employees for management positions such as sales or marketing. According to him, it might guarantee a better awareness of the local market's consumer codes as well as finer negotiation with the local authorities. Positions in which an expatriate would certainly fail. Furthermore, expatriate staff will be a lot more

expensive for the company than local staff; however, the difficulty in West Africa is to find qualified staff.

Qualification of workers in ECOWAS is one of the major obstacles for the entrepreneurs. In Africa, the population does not have sufficient access to education and generally their level of education does not match the labour market's needs. In a survey on 37 African countries, focused on the African workers' skills, it turned out that 41% of the job seekers were generally lacking qualifications. The other 54% failed to find employment because of a mismatch between offer and demand due to the education's poor quality and the absence of linkages between education systems and employers.

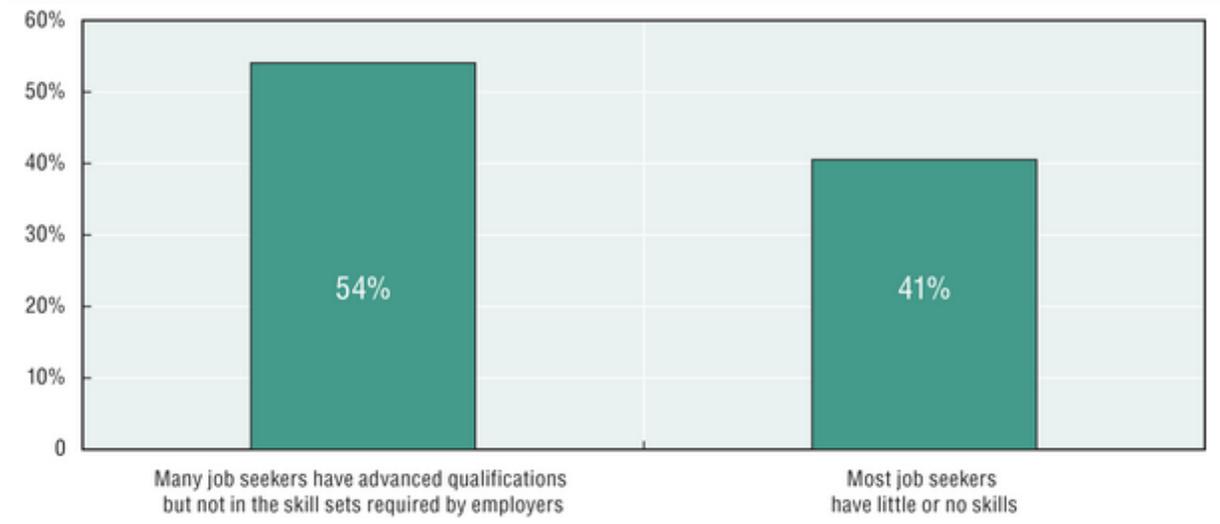


Figure 4: Lack of skills and skills mismatching

This survey shows the education situation in Africa from a global point of view. However, countries like Ghana are further developed than others in terms of education. Nevertheless, for a company in Liberia or in many other countries in the ECOWAS region, a big difficulty might be "the low training standard of craftsman and middle management staff", as Guenter Boehm (2014) has expounded. The ability to attract and retain sufficient local talent is crucial for a company.

## Conclusion

The ECOWAS market is a developing market with a lot of remaining problems as trade conditions are not excellent and trade barriers persist. However, German entrepreneurs are already in ECOWAS and are able to cope with these barriers. If you are interested in launching a business in ECOWAS, these are some points that you should remember:

- Obsolete infrastructures in the energy sector are a big obstacle but also an investment opportunity for German entrepreneurs.
- In Ghana, trade barriers as bribery or the lack of education are less important than in other countries and are decreasing with time.
- In Togo, the roads are well-managed compared to the other ECOWAS' countries.
- Bribery is a persisting and widespread practice in ECOWAS German entrepreneurs have to be aware of.

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