



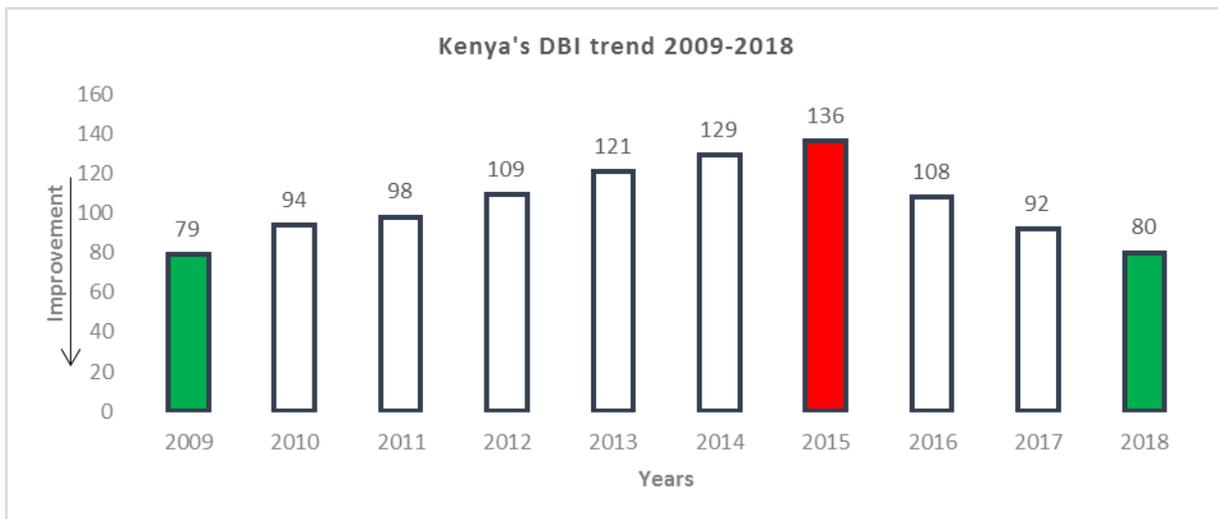
## Kenya DBI 2018 Report - Kenya's Performance of Indicators 'Equal opportunity for all'

### A. Introduction: Kenya's overall performance

The World Bank's *Doing Business* report is issued annually, benchmarking 190 countries globally against 10 indicators on how easy it is to do business. A high ranking on the ease of doing business index means the regulatory environment is more conducive to start and operate a local firm.

In the World Bank's *Doing Business 2018*, Kenya has moved up 12 spots in this year's global rankings in Doing Business, a clear manifestation of the concerted effort between Government and private sector efforts to improve the business environment is bearing positive results.

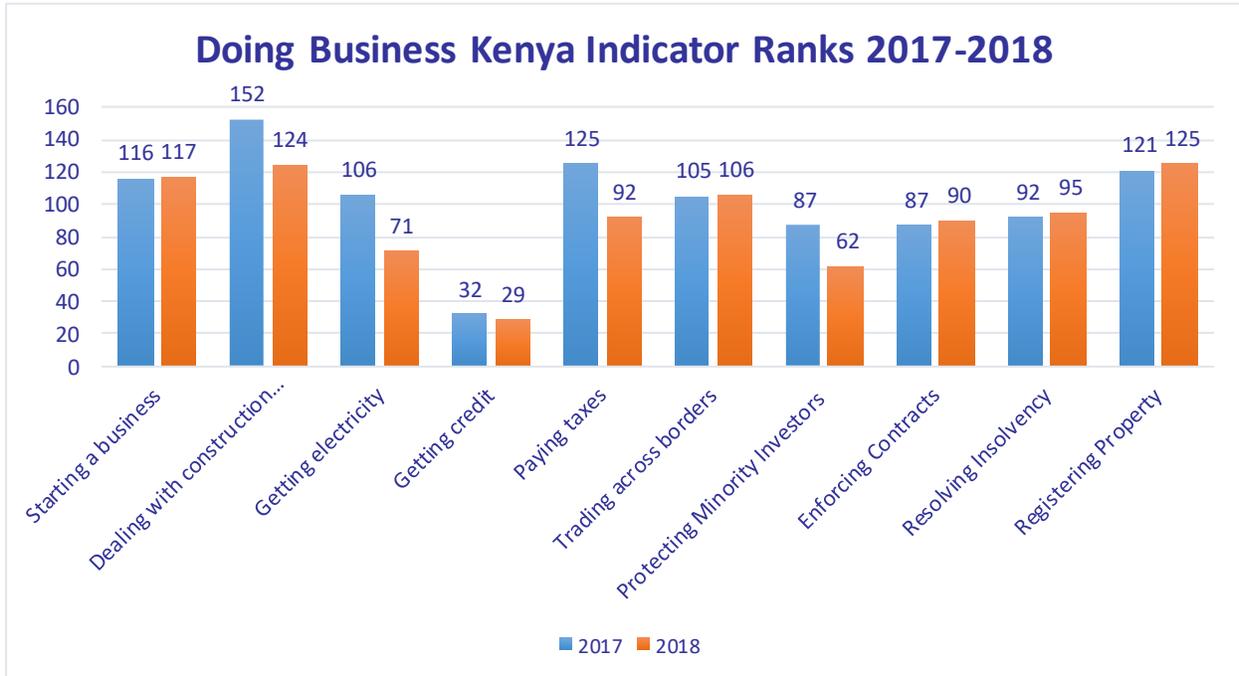
The 2018 report ranks Kenya at position 80 out of 190 countries globally, an improvement from last year's 92. Cumulatively, Kenya moved up global rankings 56 spots over the last three years, but the 2018 one is country's best in the last 15 years.



Sub-Saharan Africa economies adopted a record number of business reforms for a second consecutive year, says the 15<sup>th</sup> anniversary edition of the report. This year, Kenya rose to 3<sup>rd</sup> position in Sub-Saharan Africa only behind Rwanda and Mauritius. Kenya managed to make a

total of 32 reforms compared to 52 reforms made by Rwanda (leading in the region) in the period under review.

**B. The six propellers: Kenya’s improved indicators**



**1. Dealing with construction permits**

Kenya improved to position 124 compared to 152 in 2017. Kenya made dealings with construction permits less expensive by eliminating clearance fees from the National Environment Management Authority (NEMA) and the National Construction Authority (NCA) which was pegged at 0.5 per cent of the value of any commercial or residential building whose value exceeds Sh5 million.

**2. Getting electricity**

Getting electricity was made easier with Kenya rising up to position 71 as compared to 106 in 2017. Even though the number of procedures for getting electricity stagnated to 3, the number of days to get electricity reduced from 97 to 80 days.

The improvements in this area were driven by the streamlined process of getting electricity with the introduction of the geographic information system which eliminates the need to conduct a site visit, thereby reducing the time and interactions needed to obtain an electricity connection.

Similarly, Kenya improved the reliability of electricity by investing in its distribution lines and transformers and by setting up a specialized squad to restore power when outages occur.

### **3. Getting credit**

Kenya's access to credit ranking improved from position 32 in 2017 to 29<sup>th</sup> position in 2018. Kenya improved access to credit information by starting to distribute data from two utility companies. This data was included in the Credit Referencing Bureau/Registry (Scope) which assists in risk profiling of clients for the purpose of credit.

### **4. Paying taxes**

The implementation of an online platform, i-Tax, for filing and paying corporate income tax and the standards levies saw the country's Indicator move upwards to position 92 compared to position 125 in 2016. The KRA i-Tax system is fully operational and over 2 million users filled their returns using the system in 2017.

### **5. Trading across borders**

Kenya reduced the time for import documentary compliance by implementing its single window system, which allows for electronic submission of customs entries. This was further favored by the implementation of the Single Customs territory (SCT) for the most commonly traded goods across the borders.

### **6. Starting a business**

Kenya implementation of Business Registration Services Act provided for a one-stop shop for registration of businesses. Kenya made starting a business easier by merging the procedures required to operate formally, the Cost and number of procedures to start a business reduced from 35.3% (% of income per capita) to 21.1%, and 11 to 7 procedures while the time to start a business reduced from 26 to 22 days; and Cost of registering companies reduced to a flat rate of Ksh.10, 000/= The measures include: Automation of Business registry and online application of business registration through Huduma Centers; the removal of stamp duty fees required for the nominal capital, memorandum and articles of association; and the elimination of the requirements to sign the declaration of compliance before a commissioner of oaths.

### **7. Protecting Minority Investors**

Kenya strengthened minority investor protection by introducing greater requirements for disclosure of related party transactions to the board of directors, by making it easier to sue directors in cases of prejudicial related party transactions and by allowing the rescission of related-party transactions that are shown to harm the company. This way the Indicator improved from position 87 in 2017 to position 62.

### **C. The following Indicators registered a negative improvement**

#### **8. Enforcing Contracts**

Contract enforcement is still subjected through the judicial process as opposed to Alternative Dispute Resolution Mechanisms among them Arbitration. This process is costly, time consuming and sometimes lacks the technical expertise to resolve the disputes. In effect, the county dropped to position 90 from 87 in 2017.

#### **9. Resolving Insolvency**

Kenya adopted a new Insolvency Act which closely follows the insolvency framework of the United Kingdom. The new law introduced the mechanism of administration to allow insolvent companies to continue operating while negotiating a settlement with creditors. However, Commercial Disputes resolution and court process has slowed down the process of resolving in disputes. This made the Indicator drop from position 92<sup>nd</sup> to position 93 in 2018.

#### **10. Registering Property**

Registering Property registered a significant decline in ranking from position 121 in 2017 to position 125 in 2018. The time to register property and the number of procedures changed with increased bottleneck encountered in the devolved units namely the County Governments.

### **D. Impact of the Reforms to the Economy**

- a) Increased business confidence by the domestic and foreign investors. This, to a large extent, explains why Kenya has in the past three years experienced an influx of inbound business delegations and a steady increase in foreign direct investment
- b) Improved service delivery necessitated through efficiency and easier access to public services
- c) Improvement of Business Registration Services through means starting a business and other government services are much faster, simpler and cheaper. This leads to increased capital formation in the country as many businesses and investors set up in the country.

- d) The improved efficiency in service delivery leads to government savings and in return offering more and better services to citizens and facilitate private sector to create wealth and employment.