

Doing Business Report Kenya-2020 Note

The World Bank released the [Doing Business 2020 Report](#), which investigates the regulations that enhance business activity in a country and those that constrain it. The report covers regulations affecting 11 areas of the life of a business, which include: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labour market regulation.

Section I: Kenya's Overall Result

EASE OF DOING BUSINESS RANKING					
	2016	2017	2018	2019	2020
Ease of Doing Business Rank (1-190)	113	92	80	61	56
Ease of Doing Business Score (0-100)	58.1	62.4	65.2	70.3	73.2

Source: World Bank

Of the 190 countries reviewed, Kenya's ranking improved by 5 positions to #56 in the 2020 report with a score of 73.2, from #61 in the 2019 report. In Africa, Kenya's ranking declined by 1 position to #4, from #3 compared to the previous period, with Mauritius, Rwanda, and Morocco, rounding up the top 3Th. Kenya's global ranking improvement was primarily attributable to improvements in:

- i. **Dealing with Construction Permits:** This was made easier by making dealings of construction permits more transparent by making building permit requirements publicly available online, and also by reducing fees,
- ii. **Getting Electricity:** Kenya made strides to improve the reliability of electricity supply through modernizing existing infrastructure and by inaugurating a new substation in Nairobi,
- iii. **Getting Credit:** Kenya strengthened access to credit by introducing online registration, modification and cancellation of security interests, and public online searches of its collateral registry. Kenya also set up new credit bureaus and registries which has had positive effects within the economy by reducing interest rates, collateral, and default rates for loans at commercial banks,
- iv. **Protecting Minority Investors:** Kenya strengthened minority investor protections by requiring shareholders to approve the election and dismissal of an external auditor,
- v. **Paying Taxes:** Kenya made paying taxes easier by implementing an online filing and payment system for social security contributions, and,
- vi. **Resolving Insolvency:** Kenya made resolving insolvency easier by improving the continuation of the debtor's business during insolvency proceedings.

Below we breakdown the various metrics used under each of the area of focus highlighted, and how Kenya fared in each of them as compared to the past year;

I. Dealing with Construction Permits

DEALING WITH CUSTOMER PERMITS		
	2019	2020
Dealing with customer permits (rank)	124	105
Score for dealing with customer permits (0-100)	63.2	67.6
Procedures (number)	16	16
Time (days)	159	159
Cost (% of warehouse value)	5	2.8
Building quality control index (0-15)	9	10

Source: World Bank

Kenya's ranking improved to position 105 in 2020 from 124 in 2019 with the score improving by 4.4 points to 67.6 from 63.2 in the 2019 report. The World Bank acknowledged the following reforms as the cause of improvement;

Reform: Kenya made the process of dealing with construction permits more transparent by making building permit requirements publicly available online, and by reducing fees.

II. Getting Electricity

GETTING ELECTRICITY		
	2019	2020
Dealing with customer permits (rank)	71	70
Score for dealing with customer permits (0-100)	76.7	80.1
Procedures (number)	3	3
Time (days)	97	97
Cost (% of income per capita)	724.7	615.4
Reliability of supply and transparency of tariff index (0-8)	4	5

Source: World Bank

Kenya's ranking improved to #70 in 2020 from #71 in 2019 with the score improving by 3.4 points to 80.1 from 76.7 in the 2019 report. The World Bank acknowledged the following reforms as the cause of improvement;

Reform: Kenya strengthened access to credit by introducing online registration, modification and cancellation of security interests, and public online searches of its collateral registry.

III. Getting Credit

GETTING CREDIT		
	2019	2020
Getting credit (rank)	8	4
Score for getting credit (0-100)	90	95
Strength of legal rights index (0-12)	10	11
Depth of credit information index (0-8)	8	8
Credit bureau coverage (% of adults)	30	36.4
Credit registry coverage (% of adults)	0	0

Source: World Bank

Kenya's ranking improved to #4 in 2020 from #8 in 2019 with the score improving by 5 points to 95 from 90 in the 2019 report. The World Bank acknowledged the following reforms as the cause of improvement;

Reform: Kenya strengthened access to credit by introducing online registration, modification and cancellation of security interests, and public online searches of its collateral registry.

IV. Protecting Minority Interest

PROTECTING MINORITY INVESTORS		
	2019	2020
Protecting minority investors (rank)	11	1
Score for protecting minority investors (0-100)	78	92
Extent of disclosure index (0-10)	10	10
Extent of director liability index (0-10)	10	10
Ease of Shareholder suits index (0-10)	9	9

Extent of shareholder rights index (0-10)	7	6
Extent of ownership and control index (0-10)	6	6
Extent of corporate transparency index (0-10)	5	5

Source: World Bank

Kenya's ranking improved to #1 in 2020 from #11 in 2019 with the score improving by 14 points to 92 from 78 in the 2019 report. The World Bank acknowledged the following reform as the cause of improvement;

Reform: Kenya strengthened minority investor protections by requiring shareholders to approve the election and dismissal of an external auditor.

V. Paying Taxes

PAYING TAXES		
	2019	2020
Resolving Insolvency (rank)	91	94
Score for resolving insolvency (0-100)	72	72.8
Payments (number per year)	25	24
Time (hours per year)	180	180
Total tax and contribution rate (% of profit)	37	37.2
Post filing index (0-100)	62	62

Source: World Bank

Kenya's ranking improved to #94 in 2020 from #91 in 2019 with the score improving marginally by 0.8 points from 72 in 2019 to 72.8 in 2020.

Reforms: Although no major improvement in score was recorded, the World Bank acknowledged the fact that Kenya made a positive stride by easing up the payment of taxes process by implementing an online filing and payment system for social security contributions.

VI. Resolving Insolvency

RESOLVING INSOLVENCY		
	2019	2020
Resolving Insolvency (rank)	57	50
Score for resolving insolvency (0-100)	57	62.4
Time (years)	5	4.5
Cost (% of estate)	22	22
Recovery rate (cents on the dollar)	31	31.8
Strength of insolvency framework index (0-16)	13	14.5

Source: World Bank

Kenya's ranking improved to #50 in 2020 from #57 in 2019 with the score improving by 5.4 points to 62.4 from 57 in the 2019 report.

Reforms: Kenya made resolving insolvency easier by improving the continuation of the debtor's business during insolvency proceedings.

Section II: Areas of Improvement

- I. **Trading Across Borders:** Kenya's rank declined to #117 in the 2020 report from #106 in the 2019 report. Although the score declined marginally, by 0.2 points to 67.4 from 67.6 in 2019, we recommend improvement in the following areas;

- a. Time taken to import, which the World Bank approximates to be 194 hours against the Sub-Saharan African average of 126 hours, and
 - b. Cost of Import, which the World Bank reported to be USD 833.0 against the Sub-Saharan African average of USD 690.6.
- II. **Registration of Property:** Kenya's rank declined to #134 in the 2020 report from # 122 in the 2019 report. The score declined by 2.2 points to 53.8 to 56 in 2019, we recommend an improvement in the following areas;
- a. Number of procedures, which the World Bank approximates to be 10 against the sub-Saharan African average of 6.1, and
 - b. Quality of land administration index, which the World Bank approximates to be 15 points against the sub-Saharan African average of 9 points. This index shows transparency of information as well as land dispute resolutions. It also indicates whether there are equal property rights in the country.

Section III: Conclusion

Behind only Morocco (#53), Rwanda (#38) and Mauritius (#13) in the ranking, Kenya's economy remains one of the most attractive business environments in Africa. We expect continued improvement, as the government remains committed to pro-market reforms, adopting a robust regulatory framework and investing in systems that are aimed at improving the business environment much further, and thus, attract more investors. The World Bank also recognized Kenya's efforts in implementing reforms attributable to good leadership and coordination between agencies.

Download the full Report [here](#)

Appendix;

Metric	2019	2020
Ease of doing business rank (1-190)	61	56
Ease of doing business score (0-100)	70.3	73.2
Starting a business (rank)		
Score for starting a business (0-100)	126	129
Procedures (number)	7	7
Time (days)	23	23
Cost (% of income per capita)	25	22.4
Minimum capital (% of income per capita)	0.0	0.0
Dealing with customer permits (Rank)		
Score for dealing with customer permits (0-100)	63.2	67.6
Procedures (number)	16	16
Time (days)	159	159
Cost (% of warehouse value)	5	2.8
Building quality control index (0-15)	9	10
Getting Electricity (rank)		
Score for dealing with customer permits (0-100)	76.7	80.1
Procedures (number)	3	3
Time (days)	97	97
Cost (% of income per capita)	724.7	615.4
Reliability of supply and transparency of tariff index (0-8)	4	5
Getting Credit (rank)		
Score for getting credit (0-100)	8	4
Strength of legal rights index (0-12)	90	95
	10	11

Depth of credit information index (0-8)	8	8
Credit bureau coverage (% of adults)	30	36.4
Credit registry coverage (% of adults)	0	0
Protecting minority Investors (rank)	11	1
Score for protecting minority investors (0-100)	78	92
Extent of disclosure index (0-10)	10	10
Extent of director liability index (0-10)	10	10
Ease of Shareholder suits index (0-10)	9	9
Extent of shareholder rights index (0-10)	7	6
Extent of ownership and control index (0-10)	6	6
Extent of corporate transparency index (0-10)	5	5
Paying Taxes (rank)	91	94
Score for resolving insolvency (0-100)	72	72.8
Payments (number per year)	25	24
Time (hours per year)	180	180
Total tax and contribution rate (% of profit)	37	37.2
Post filing index (0-100)	62	62
Resolving Insolvency (rank)	57	50
Score for resolving insolvency (0-100)	57	62.4
Time (years)	5	4.5
Cost (% of estate)	22	22
Recovery rate (cents on the dollar)	31	31.8
Strength of insolvency framework index (0-16)	13	14.5
Registering Property (rank)	122	134
Score for registering property (0-100)	53.8	56
Procedures (number)	9	10
Time (days)	49	43.5
Cost(% of property value)	6	5.9
Quality of land administration index (0-30)	16	15
Trading across Borders (rank)	112	117
Score for trading across borders (0-100)	68	67.4
Time to export		
Documentary Compliance (hours)	19	19
Border compliance (hours)	16	16
Cost to export		
Documentary Compliance (USD)	191	191
Border compliance (USD)	143	143
Time to import		
Documentary compliance (hours)	60	60
Border compliance (hours)	180	184
Cost to import		
Documentary compliance (USD)	115	115
Border compliance (USD)	833	833
Enforcing Contracts (rank)	88	89
DTF score for resolving insolvency (0-100)	58	58.3
Time (days)	465	465
Cost(% of claim)	42	41.8

Quality of judicial processes index (0-18)	9	9
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