

Doing Business Report Kenya-2019 Note

The World Bank Group released the Doing Business 2019 report, which investigates the regulations that enhance business activity in a country and those that constrain it. The report analyses survey results across 190 economies. 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 labor market regulation.

Overall Result:

	Ease of Doing Business Kenya Ranking			
	2016	2017	2018	2019
Ease of doing business rank (1-190)	113	92	80	61
Ease of doing business Score (0-100)	58.1	62.4	65.2	70.3

Source: World Bank

Of the 190 countries, Kenya’s ranking improved by 19 positions to # 61 from # 80 in the 2018 report. Kenya also ranked # 3 in Africa. The score improved by 5.1 points to 70.3 from 65.2 in the 2018 report. Kenya was the 7th most improved country in terms of comprehensive ranking in ease of doing business, with a total of 5 reforms implemented among the 11 areas of focus. The reforms highlighted include:

- I. **Registering property:** This was through the introduction an online system to clear land rent rates making registering of property easier
- II. **Getting credit:** Kenya strengthened access to credit through the creation of a unified secured transactions legal framework, and establishment of a new unified and notice-based collateral registry
- III. **Protecting minority investors:** This was achieved by: (i) placing more emphasis on corporate disclosures and increasing directors’ liability for better accountability and (ii) increasing regulation on the approval of transactions with interested parties, as well as an increment in the available remedies if said transactions are detrimental, thus increasing shareholders’ rights and role in the major corporate decisions
- IV. **Resolving insolvency:** This was made easier by facilitating the continuation of the debtor’s business during insolvency proceedings, as well as the provision of equal treatment to creditors and granting them participation in reorganization proceedings,
- V. **Paying taxes** by merging all permits into a single unified business permit and by simplifying the value added tax schedule on its iTax platform.

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

I. Registering Property

Registration of Property		
	2018	2019
Registering property (rank)	125	122
Score for registering property (0-100)	54	56
Procedures (number)	9	9
Time (days)	61	49
Cost (% of property value)	6	6

Quality of land administration index (0-30)	16	16
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Source: World Bank

Kenya's ranking Improved to position 122 in 2019 from #125 in 2018 with the score improving by 2 points to 56 from 54 in the 2018 report. The World Bank acknowledged the following reforms as the cause of improvement;

Reforms: Kenya made registering property easier by introducing an online system to clear land rent rates. The Ministry of Lands and Physical Planning implemented an online land rent financial management system on the eCitizen portal, enabling property owners to determine the amount owed in land rent, make an online payment and obtain the land rates clearance certificate digitally

II. Getting credit

Getting Credit		
	2018	2019
Getting credit (rank)	29	8
Score for getting credit (0-100)	75	90
Strength of legal rights index (0-12)	7	10
Depth of credit information index (0-8)	8	8
Credit bureau coverage (% of adults)	30	30
Credit registry coverage (% of adults)	0	0

Source: World Bank

Kenya's ranking Improved to #8 in 2019 from #29 in 2018 with the score improving by 15 points to 90 from 75 in the 2018 report. The World Bank acknowledged the enactment of the Movable Property Security Rights Act, 2017 as a major step and the main cause of improvement;

Reform: Kenya strengthened access to credit by introducing a new secured transactions law 'The Movable Property Security Rights Act, 2017' which creates a unified secured transactions legal framework, and establishes a new unified collateral registry. This new law facilitates the use of movable property as collateral for credit facilities, establishes the office of the Registrar of Security Rights and provide for the registration of security rights in movable property. This Act also benefits small and medium-sized enterprises, which experience difficulty in accessing finance from the formal sector.

III. Protecting minority investors

Protecting minority investors		
	2018	2019
Protecting minority investors (rank)	62	11
Score for protecting minority investors (0-100)	58	78
Extent of disclosure index (0-10)	6	10
Extent of director liability index (0-10)	5	10
Ease of shareholder suits index (0-10)	9	9
Extent of shareholder rights index (0-10)	5	7
Extent of ownership and control index (0-10)	6	6
Extent of corporate transparency index (0-10)	4	5

Source: World Bank

Kenya's ranking Improved to #11 in 2019 from #62 in 2018 with the score improving by 20 points to 78 from 65 in the 2018 report. The CMA's code of corporate governance was the primary reason for this improvement. The code is strict on the required levels of disclosure and pushes for more transparency by Kenyan companies;

Reforms: Kenya strengthened minority investor protections by increasing disclosure requirements, regulating the approval of transactions with interested parties and increasing available remedies if said transactions are prejudicial, increasing shareholders' rights and role in major corporate decisions and requiring greater corporate transparency.

Kenya enacted the Companies Amendment Act 2017, which holds directors liable for transactions with interested parties valued at 10% or more of a company's assets and that cause damages to the company. Directors involved in prejudicial transactions are now required to pay damages, disgorge profits and may be disqualified from holding similar office for up to five years.

IV. Resolving insolvency

Resolving Insolvency		
	2018	2019
Resolving insolvency (rank)	95	57
Score for resolving insolvency (0-100)	43	57
Time (years)	5	5
Cost (% of estate)	22	22
Recovery rate (cents on the dollar)	28	31
Strength of insolvency framework index (0-16)	9	13

Source: World Bank

Kenya's ranking Improved to #57 in 2019 from #95 in 2018 with the score improving by 14 points to 57 from 43 in the 2018 report.

Reforms: Kenya made resolving insolvency easier by facilitating the continuation of the debtor's business during insolvency proceedings, providing for equal treatment of creditors in reorganization proceedings and granting creditors greater participation in the insolvency proceedings.

V. Paying taxes

Paying Taxes		
	2018	2019
Paying taxes (rank)	92	91
Score for paying taxes (0-100)	72	72
Payments (number per year)	26	25
Time (hours per year)	186	180
Total tax and contribution rate (% of profit)	37	37
Post filing index (0-100)	62	62

Source: World Bank

Kenya's ranking Improved slightly to #91 in 2019 from #92 in 2018 with the score remaining flat at 72 points. Although no improvement in score was recorded, the World Bank acknowledged the fact that Kenya made a positive stride by streamlining the tax paying process through merging of all permits into a single unified business permit and by simplifying the value added tax schedule on its iTax platform.

Areas of Improvement:

- I. **Trading Across Borders:** Kenya's rank declined to #112 from #106 in in the 2018 report. Although the score remained the same at 68 points, we recommend improvement in the following areas;
 - a. Time taken to import, which the World Bank approximates to be 180 hours against the sub-Saharan African average of 126 hours
 - b. Cost of Import, which the World Bank reported to be USD 833.0 against the sub-Saharan African average of USD 684.3

- II. **Dealing with Construction Permits:** Kenya's rank declined to #128 from #124 in in the 2018 report with the score remaining the same at 63 points. The areas of this metric that need improvement in our view are;
 - a. The number of procedures required to obtain a permit, which currently stand at 16.0 against the sub-Saharan African average of 14.7
 - b. The number of days required to obtain a permit, which the World Bank reported to be approximately 159.0 days against the sub-Saharan African average of 145.7 days

Conclusion:

Behind only Rwanda (#29) and Mauritius (#20) in the ranking, Kenya's economy remains the most attractive business environments in Africa. We expect continued improvement, as the government remains committed to pro-market reforms and the formation of public-private partnerships, especially in infrastructure.

Download the full report [here](#)

Appendix;

Metric	2018	2019
Ease of doing business rank (1-190)	80	61
Ease of doing business Score (0-100)	65.2	70.3
Starting a business (rank)	117	126
Score for starting a business (0-100)	83	82
Procedures (number)	6	7
Time (days)	6	23
Cost (% of income per capita)	26	25
Minimum capital (% of income per capita)	0	0
Dealing with construction permits (Rank)	124	128
Score for dealing with construction permits (0-100)	63	63
Procedures (number)	16	16
Time (days)	159	159
Cost (% of warehouse value)	5	5
Building quality control index (0-15)	9	9
Getting electricity (rank)	71	75
Score for getting electricity (0-100)	77	77
Procedures (number)	3	3

Time (days)	97	97
Cost (% of income per capita)	725	686
Reliability of supply and transparency of tariffs index (0-8)	4	4
Registering property (rank)	125	122
Score for registering property (0-100)	54	56
Procedures (number)	9	9
Time (days)	61	49
Cost (% of property value)	6	6
Quality of land administration index (0-30)	16	16
Getting credit (rank)	29	8
Score for getting credit (0-100)	75	90
Strength of legal rights index (0-12)	7	10
Depth of credit information index (0-8)	8	8
Credit bureau coverage (% of adults)	30	30
Credit registry coverage (% of adults)	0	0
Protecting minority investors (rank)	62	11
Score for protecting minority investors (0-100)	58	78
Extent of disclosure index (0-10)	6	10
Extent of director liability index (0-10)	5	10
Ease of shareholder suits index (0-10)	9	9
Extent of shareholder rights index (0-10)	5	7
Extent of ownership and control index (0-10)	6	6
Extent of corporate transparency index (0-10)	4	5
Paying taxes (rank)	92	91
Score for paying taxes (0-100)	72	72
Payments (number per year)	26	25
Time (hours per year)	186	180
Total tax and contribution rate (% of profit)	37	37
Postfiling index (0-100)	62	62
Trading across borders (rank)	106	112
Score for trading across borders (0-100)	68	68
Time to export		
Documentary compliance (hours)	19	19
Border compliance (hours)	21	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	180
Cost to import		
Documentary compliance (USD)	115	115
Border compliance (USD)	833	833
Enforcing contracts (rank)	90	88
DTF score for enforcing contracts (0-100)	58	58
Time (days)	465	465
Cost (% of claim)	42	42
Quality of judicial processes index (0-18)	9	9
Resolving insolvency (rank)	95	57
DTF score for resolving insolvency (0-100)	43	57
Time (years)	5	5
Cost (% of estate)	22	22
Recovery rate (cents on the dollar)	28	31
Strength of insolvency framework index (0-16)	9	13

Source: World Bank



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