

Major reforms improve ease of doing business in many counties across Kenya, WBG report finds

NAIROBI, September 13, 2016 – Following Kenya’s national commitment to devolving local government, its newly-formed counties are enacting significant reforms to improve the investment climate, in a bid to spur economic growth and reduce poverty, says the World Bank Group’s *Doing Business in Kenya 2016* report, released today.

The establishment of one-stop shops for multiple government services—known as Huduma Centers; streamlined business start-up requirements; and increased transparency in property registration are among new measures being taken at the national and county level, finds the latest *Doing Business in Kenya* report, which covers 11 counties. The report examines business regulations affecting domestic firms across 4 indicators: starting a business; dealing with construction permits; registering property; and enforcing contracts.

National-level reforms noted in the report, which covers a four year period from 2012-2016, include the 2015 Companies Act. The Act eliminated the requirement to have registration documents notarized before the Commissioner of Oaths, thus reducing the procedural complexity and time for starting a business. The year 2016 saw another major improvement with the abolition of the stamp duty on the memorandum and articles of association and the statement of nominal capital.

Meanwhile, the Ministry of Land, Housing and Urban Development made its service charter available online this year, increasing transparency in registering property and giving clients access to critical information about the transactions they undertake at the Lands Offices.

These reforms have been matched at the county level with, for example, the opening of a Lands Office branch in Isiolo to facilitate property registration, and with the establishment of an electronic construction permit platform in Kisumu to speed up the process of obtaining a construction permit. By far, the boldest county-level initiative is the Huduma Kenya Program, which has opened one-stop shops in 10 of the 11 counties measured. Huduma Centers offer a myriad of services, some of which facilitate local company registration and property transfers.

Kenyan counties present a mixed picture of performance so far for entrepreneurs, who face an array of obstacles depending on where they do business. The report finds that no county does equally well in all four areas. It is easier to start a business in Uasin Gishu, deal with construction permits in Kisumu, register a property in Nairobi and enforce a contract in Busia.

With the exception of Narok and Kakamega, all counties rank in the top half and bottom half on at least one indicator. In Kiambu, for example, starting a business is easy because it is relatively fast and inexpensive to obtain a business permit but the county ranks near the bottom on enforcing contracts, mainly because the trial and judgment and enforcement phases combined take 14 months. Nonetheless, even in counties with lower rankings, good practices can be found to learn from.

The report finds no clear correlation between size (as measured by population) and the rankings. For example, Nairobi, the country’s capital and most populous county, ranks first on the registering property indicator but last on dealing with construction permits. Similarly, Mombasa, the other urban county, is doing well on registering property and enforcing contracts, but—like Nairobi—ranks in the bottom quarter on dealing with construction permits. Meanwhile, the much smaller Busia ranks first on enforcing contacts, but 7th on starting a business.

However, not all changes have made life easier for entrepreneurs, with seven counties introducing regulations or practices that have increased either the cost, time or complexity to do business. Busia, Isiolo and Kakamega significantly increased business permit fees for starting a business, while dealing with construction permits became more difficult in Busia, Kiambu, Mombasa, Nairobi and Uasin Gishu. This is despite the establishment of an electronic construction permit platform in Nairobi and Mombasa.

“The new initiatives in Kenya are encouraging but challenges remain. The success of reforms hinges on better implementation, coordination across tiers of government and sustained capacity building to empower counties to make it easier to do business,” said Augusto Lopez Claros, Director, Global Indicators Group, Development Economics, World Bank Group.

Doing Business in Kenya was carried out by the World Bank Group at the request of the Kenyan government, notably its Ministry of Industry, Trade and Cooperatives and the Kenya Private Sector Alliance. The study was funded by the Dutch and UK governments. It is the third such report, with previous editions published in 2012 and 2010.

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