Doing Business

THE WORLD BANK IFC

2012

Economy Profile:

Kenya

Doing business in a
more transparent world

COMPARING REGULATION FOR DOMESTIC FIRMS IN 183 ECONOMIES

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INTRODUCTION

Doing Business sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 10 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

In a series of annual reports *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time. The data set covers 46 economies in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 24 in East Asia and the Pacific, 24 in Eastern Europe and Central Asia, 18 in the Middle East and North Africa and 8 in South Asia, as well as 31 OECD high-income economies. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

This economy profile presents the *Doing Business* indicators for Kenya. To allow useful comparison, it also provides data for other selected economies (comparator economies) for each indicator. The data in this report are current as of June 1, 2011 (except for the paying taxes indicators, which cover the period January–December 2010).

The *Doing Business* methodology has limitations. Other areas important to business—such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders and getting electricity), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions—are not directly studied by *Doing Business*. The indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policy makers in designing regulatory reform.

More information is available in the full report. *Doing Business 2012* presents the indicators, analyzes their relationship with economic outcomes and recommends regulatory reforms. The data, along with information on ordering *Doing Business 2012*, are available on the *Doing Business* website at http://www.doingbusiness.org.

THE BUSINESS ENVIRONMENT

For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. *Doing Business* provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 183 by the ease of doing business index. For each economy the index is calculated as the ranking on the simple average of its percentile rankings on each of the 10 topics included in the index in *Doing Business 2012*: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The ranking on each topic is the simple average of the percentile rankings on its component indicators (see the data notes for more details).[1]

The aggregate ranking on the ease of doing business benchmarks each economy's performance on the indicators against that of all other economies in the *Doing Business* sample (figure 1.1). While this ranking tells much about the business environment in an economy, it does not tell the whole story. The ranking on the ease of doing business, and the underlying indicators, do not measure all aspects of the business environment that matter to firms and investors or that affect the competitiveness of the economy. Still, a high ranking does mean that the government has created a regulatory environment conducive to operating a business.

ECONOMY OVERVIEW

Region: Sub-Saharan Africa

Income category: Low income

Population: 40,862,900

GNI per capita (US$): 780.00

DB2012 rank: 109

DB2011 rank: 106

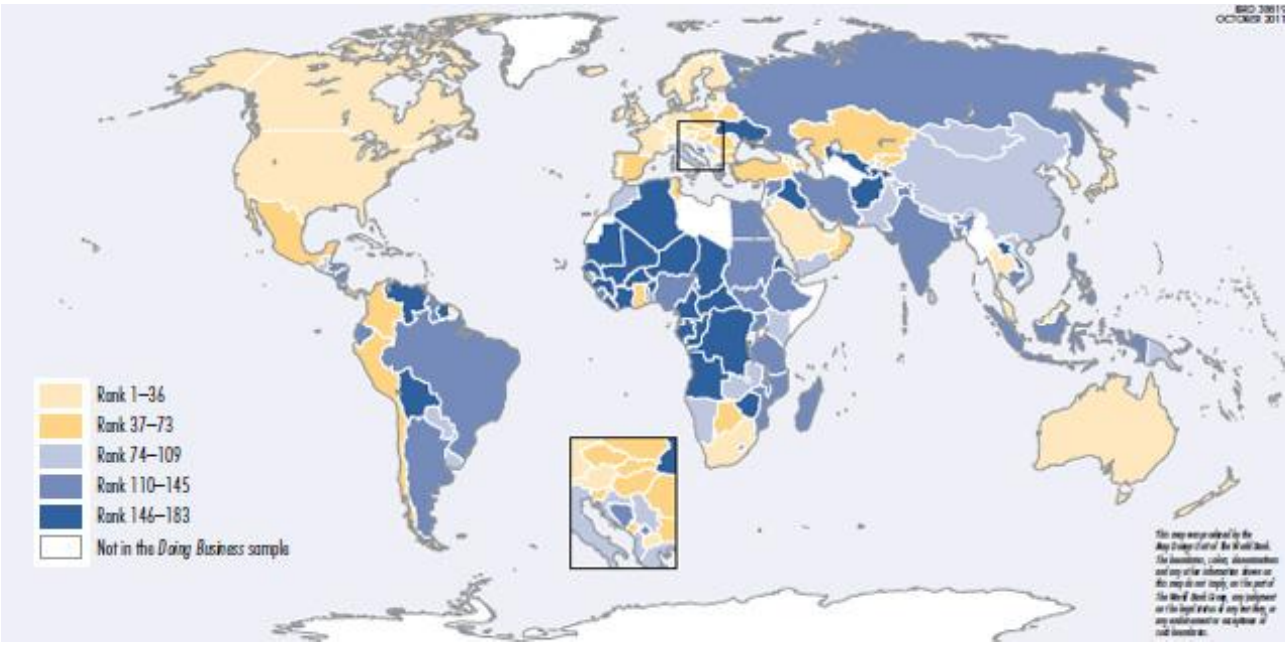
Change in rank: -3

Note: See the data notes for sources and definitions.

[1] Except for the ease of getting credit, for which the percentile rankings on its component indicators are weighted, the depth of credit information index at 37.5% and the strength of legal rights index at 62.5%.

THE BUSINESS ENVIRONMENT

Figure 1.1 Where economies stand in the global ranking on the ease of doing business

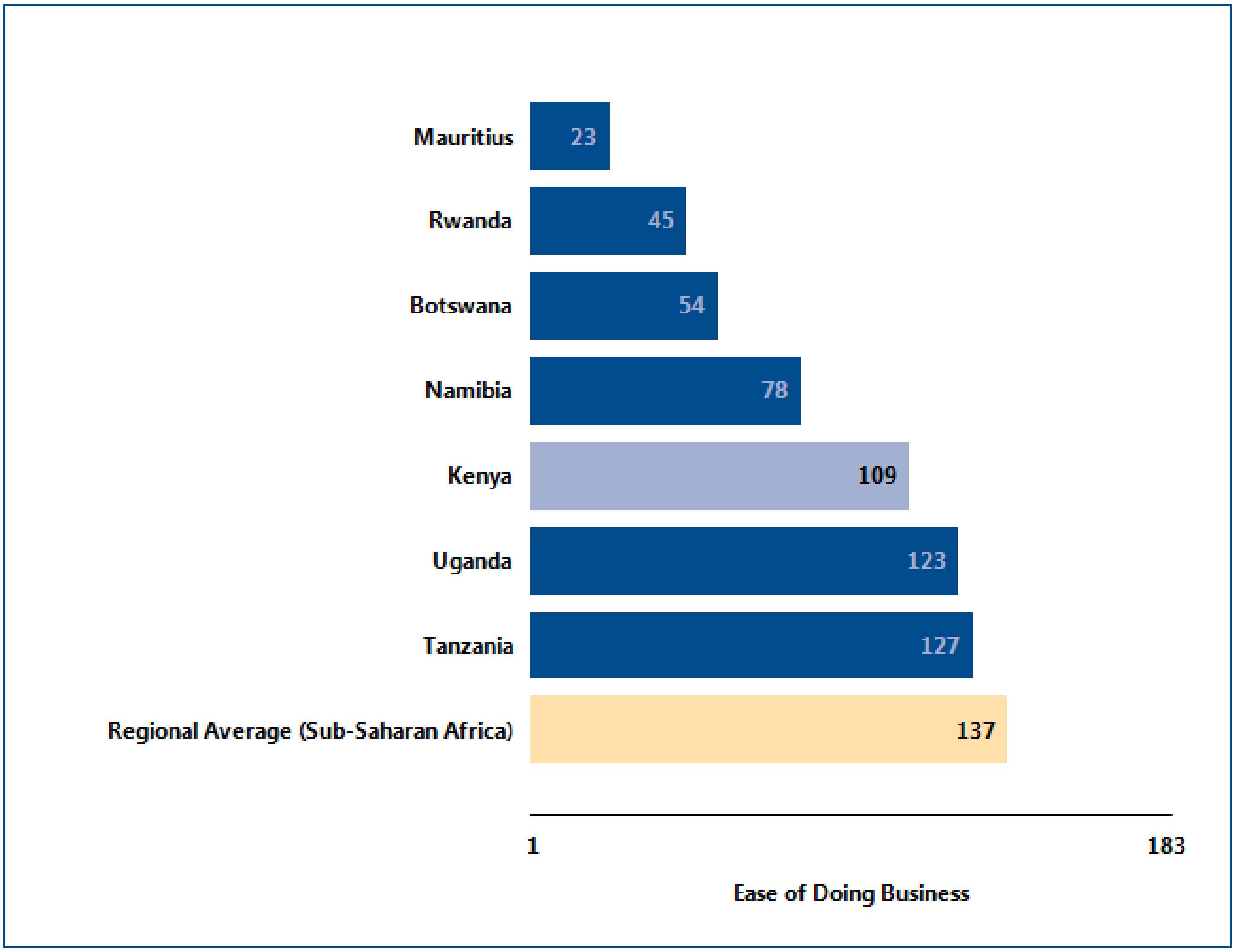


Source: Doing Business database.

THE BUSINESS ENVIRONMENT

For policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful. Also useful is to know how it ranks compared with other economies and compared with the regional average (figure 1.2). The economy's rankings on the topics included in the ease of doing business index provide another perspective (figure 1.3).

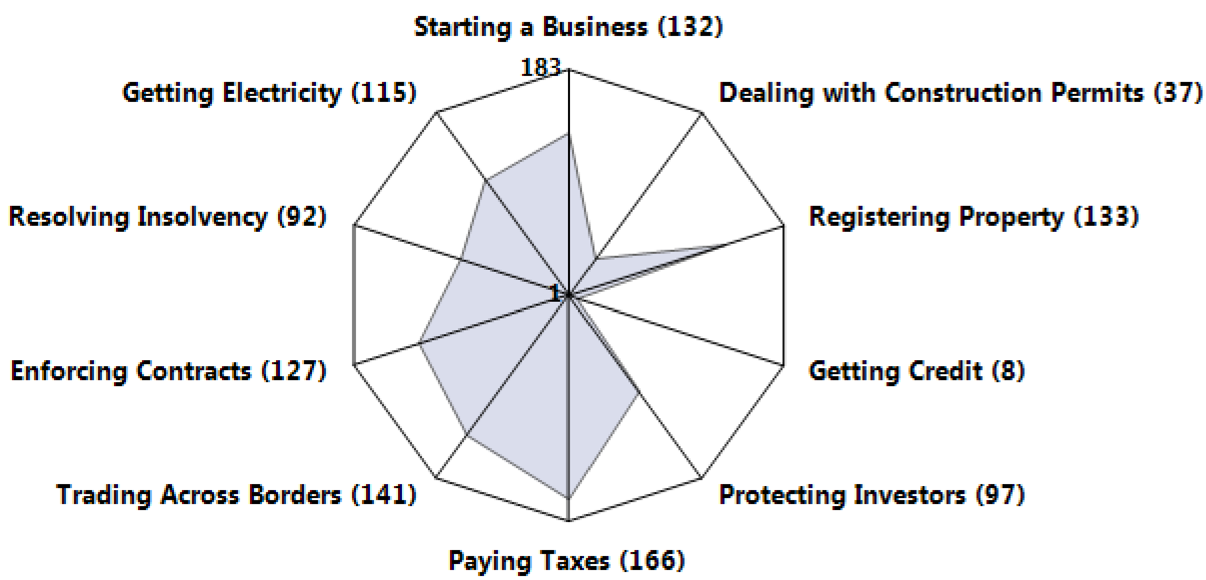
Figure 1.2 How Kenya and comparator economies rank on the ease of doing business



Source: Doing Business database.

THE BUSINESS ENVIRONMENT

Figure 1.3 How Kenya ranks on *Doing Business* topics



Source: Doing Business database.

THE BUSINESS ENVIRONMENT

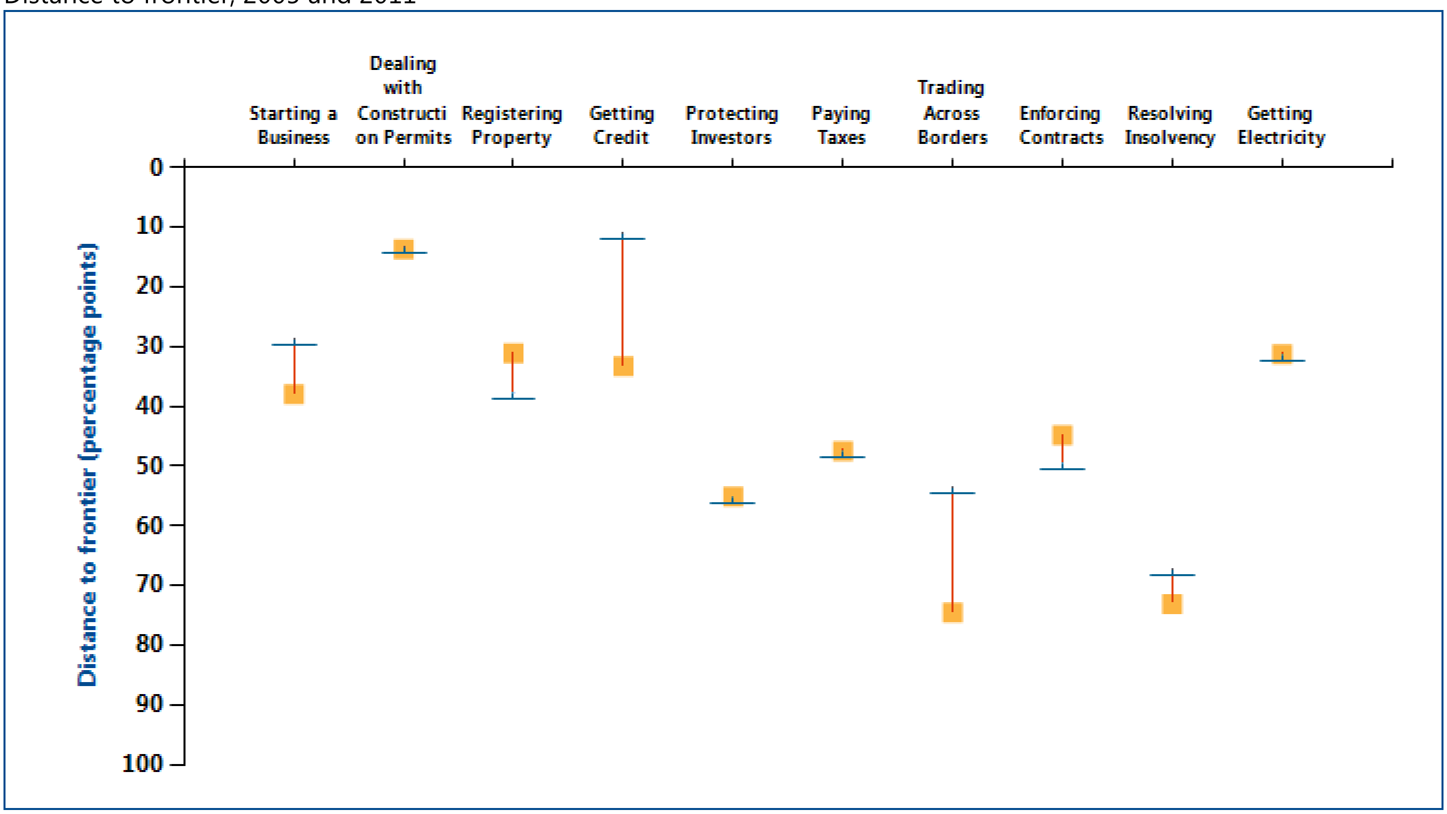
Just as the overall ranking on the ease of doing business tells only part of the story, so do changes in that ranking. Yearly movements in rankings can provide some indication of changes in an economy's regulatory environment for firms, but they are always relative. An economy's ranking might change because of developments in other economies. An economy that implemented business regulation reforms may fail to rise in the rankings (or may even drop) if it is passed by others whose business regulation reforms had a more significant impact as measured by *Doing Business*.

Moreover, year-to-year changes in the overall rankings do not reflect how the business regulatory environment in an economy has changed over time—or how it has changed in different areas. To aid in assessing such changes, *Doing Business 2012* introduces the distance to frontier measure.

This measure shows the distance of each economy to the "frontier," a synthetic measure based on the most efficient practice or highest score observed for each *Doing Business* indicator across all economies and years included in the *Doing Business* sample since 2005. Nine areas of business regulation are covered.

Comparing the measure for an economy at 2 points in time allows users to assess how much the economy's regulatory environment as measured by *Doing Business* has changed over time—how far it has moved toward (or away from) the most efficient practices and strongest regulations in areas covered by *Doing Business* (figure 1.4). The results may show that the pace of change varies widely across the areas measured. They also may show that an economy is relatively close to the frontier in some areas and relatively far from it in others.

Figure 1.4 How far has Kenya come in the areas measured by *Doing Business*?
Distance to frontier, 2005 and 2011



Note: For economies added to the *Doing Business* sample after 2005, the starting point is the year in which they were added: 2006 for Montenegro; 2007 for Brunei Darussalam, Liberia and Luxembourg; 2008 for The Bahamas, Bahrain and Qatar; and 2009 for Cyprus and Kosovo. See the data notes for more details on the distance to frontier measure.
Source: Doing Business database.

THE BUSINESS ENVIRONMENT

The absolute values of the indicators tell another part of the story (table 1.1). The indicators, on their own or in comparison with the indicators of a good practice economy or those of comparator economies in the region, may reveal bottlenecks reflected in large numbers of procedures, long delays or high costs. Or they may reveal unexpected strengths in an area of business regulation—such as a regulatory process that can be completed with a small number of procedures in a few days and at a low cost. Comparison of the economy's indicators today with those in the previous year may show where substantial bottlenecks persist—and where they are diminishing.

Table 1.1 Summary of *Doing Business* indicators for Kenya

Indicator	Kenya DB2012	Kenya DB2011	Botswana DB2012	Mauritius DB2012	Namibia DB2012	Rwanda DB2012	Tanzania DB2012	Uganda DB2012	Best performer globally DB2012
Starting a Business (rank)	132	128	90	15	125	8	123	143	New Zealand (1)
Procedures (number)	11	11	10	5	10	2	12	16	Canada (1)*
Time (days)	33	33	61	6	66	3	29	34	New Zealand (1)
Cost (% of income per capita)	37.8	38.3	1.8	3.6	17.2	4.7	28.8	84.5	Denmark (0.0)*
Paid-in Min. Capital (% of income per capita)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	82 Economies (0.0)*
Dealing with Construction Permits (rank)	37	38	132	53	52	84	176	109	Hong Kong SAR, China (1)
Procedures (number)	8	8	22	16	12	12	19	15	Denmark (5)
Time (days)	125	125	145	136	139	164	303	125	Singapore (26)*
Cost (% of income per capita)	160.9	164.4	203.0	30.6	103.0	312.0	1170.1	946.8	Qatar (1.1)

Indicator	Kenya DB2012	Kenya DB2011	Botswana DB2012	Mauritius DB2012	Namibia DB2012	Rwanda DB2012	Tanzania DB2012	Uganda DB2012	Best performer globally DB2012
Getting Electricity (rank)	115	111	91	44	105	50	78	129	Iceland (1)
Procedures (number)	4	4	5	4	7	4	4	5	Germany (3)*
Time (days)	163	163	121	91	55	30	109	91	Germany (17)
Cost (% of income per capita)	1419.2	1449.6	408.9	328.5	525.8	4696.8	1040.5	5130.1	Japan (0.0)
Registering Property (rank)	133	133	50	67	145	61	158	127	New Zealand (3)
Procedures (number)	8	8	5	4	7	5	9	13	Portugal (1)*
Time (days)	64	64	16	22	39	25	73	48	Portugal (1)
Cost (% of property value)	4.3	4.2	5.0	10.6	13.7	6.3	4.4	2.9	Slovak Republic (0.0)
Getting Credit (rank)	8	8	48	78	24	8	98	48	United Kingdom (1)*
Strength of legal rights index (0-10)	10	10	7	6	8	8	8	7	New Zealand (10)*
Depth of credit information index (0-6)	4	4	4	3	5	6	0	4	Japan (6)*
Public registry coverage (% of adults)	0.0	0.0	0.0	49.8	0.0	1.4	0.0	0.0	Portugal (86.2)
Private bureau coverage (% of adults)	4.5	3.3	59.6	0.0	61.5	0.0	0.0	3.0	New Zealand (100.0)*
Protecting Investors (rank)	97	93	46	13	79	29	97	133	New Zealand (1)
Extent of disclosure index (0-10)	3	3	7	6	5	7	3	2	France (10)*

Indicator	Kenya DB2012	Kenya DB2011	Botswana DB2012	Mauritius DB2012	Namibia DB2012	Rwanda DB2012	Tanzania DB2012	Uganda DB2012	Best performer globally DB2012
Extent of director liability index (0-10)	2	2	8	8	5	9	4	5	Singapore (9)*
Ease of shareholder suits index (0-10)	10	10	3	9	6	3	8	5	New Zealand (10)*
Strength of investor protection index (0-10)	5.0	5.0	6.0	7.7	5.3	6.3	5.0	4.0	New Zealand (9.7)
Paying Taxes (rank)	166	163	22	11	102	19	129	93	Canada (8)
Payments (number per year)	41	41	19	7	37	18	48	32	Norway (4)
Time (hours per year)	393	393	152	161	375	148	172	213	Luxembourg (59)
Trading Across Borders (rank)	141	141	150	21	142	155	92	158	Singapore (1)
Documents to export (number)	8	8	6	5	9	8	6	7	France (2)
Time to export (days)	26	26	28	13	29	29	18	37	Hong Kong SAR, China (5)*
Cost to export (US$ per container)	2055	2055	3185	737	1800	3275	1255	2880	Malaysia (450)
Documents to import (number)	7	7	8	6	7	8	6	9	France (2)
Time to import (days)	24	24	41	13	24	31	24	34	Singapore (4)
Cost to import (US$ per container)	2190	2190	3420	689	1905	4990	1430	3015	Malaysia (435)
Enforcing Contracts (rank)	127	126	65	61	40	39	36	116	Luxembourg (1)

Indicator	Kenya DB2012	Kenya DB2011	Botswana DB2012	Mauritius DB2012	Namibia DB2012	Rwanda DB2012	Tanzania DB2012	Uganda DB2012	Best performer globally DB2012
Time (days)	465	465	625	645	270	230	462	490	Singapore (150)
Cost (% of claim)	47.2	47.2	28.1	17.4	35.8	78.7	14.3	44.9	Bhutan (0.1)
Procedures (number)	40	40	28	36	33	24	38	38	Ireland (21)*
Resolving Insolvency (rank)	92	90	28	79	56	165	122	63	Japan (1)
Time (years)	4.5	4.5	1.7	1.7	1.5	3.0	3.0	2.2	Ireland (0.4)
Cost (% of estate)	22	22	15	15	15	50	22	30	Singapore (1)*
Recovery rate (cents on the dollar)	30.9	29.8	64.5	35.1	41.9	3.2	22.0	40.2	Japan (92.7)

Note: The methodology for the paying taxes indicators changed in *Doing Business 2012*; see the data notes for details. For these indicators, the best performer globally is the economy that has implemented the most efficient practices in its tax system and is not necessarily the one with the highest ranking. For more information on “no practice” marks, see the data notes for details.
* Two or more economies share the top ranking on this indicator. A number shown in place of an economy’s name indicates the number of economies that share the top ranking on the indicator. For a list of these economies, see the *Doing Business* website (http://www.doingbusiness.org).
Source: Doing Business database.

STARTING A BUSINESS

Formal registration of companies has many immediate benefits for the companies and for business owners and employees. Legal entities can outlive their founders. Resources are pooled as several shareholders join forces to start a company. Formally registered companies have access to services and institutions from courts to banks as well as to new markets. And their employees can benefit from protections provided by the law. An additional benefit comes with limited liability companies. These limit the financial liability of company owners to their investments, so personal assets of the owners are not put at risk. Where governments make registration easy, more entrepreneurs start businesses in the formal sector, creating more good jobs and generating more revenue for the government.

What do the indicators cover?

Doing Business measures the ease of starting a business in an economy by recording all procedures that are officially required or commonly done in practice by an entrepreneur to start up and formally operate an industrial or commercial business—as well as the time and cost required to complete these procedures. It also records the paid-in minimum capital that companies must deposit before registration (or within 3 months). The ranking on the ease of starting a business is the simple average of the percentile rankings on the 4 component indicators: procedures, time, cost and paid-in minimum capital requirement.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the procedures. It assumes that all information is readily available to the entrepreneur and that there has been no prior contact with officials. It also assumes that all government and nongovernment entities involved in the process function without corruption. And it assumes that the business:

- Is a limited liability company, located in the largest business city.
- Conducts general commercial or industrial activities.
- Has a start-up capital of 10 times income per capita.
- Has a turnover of at least 100 times income per capita.
- Does not qualify for any special benefits.
- Does not own real estate.
- Is 100% domestically owned.

WHAT THE STARTING A BUSINESS INDICATORS MEASURE

Procedures to legally start and operate a company (number)

Preregistration (for example, name verification or reservation, notarization)

Registration in the economy's largest business city

Postregistration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day

Procedure completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of income per capita)

Official costs only, no bribes

No professional fees unless services required by law

Paid-in minimum capital (% of income per capita)

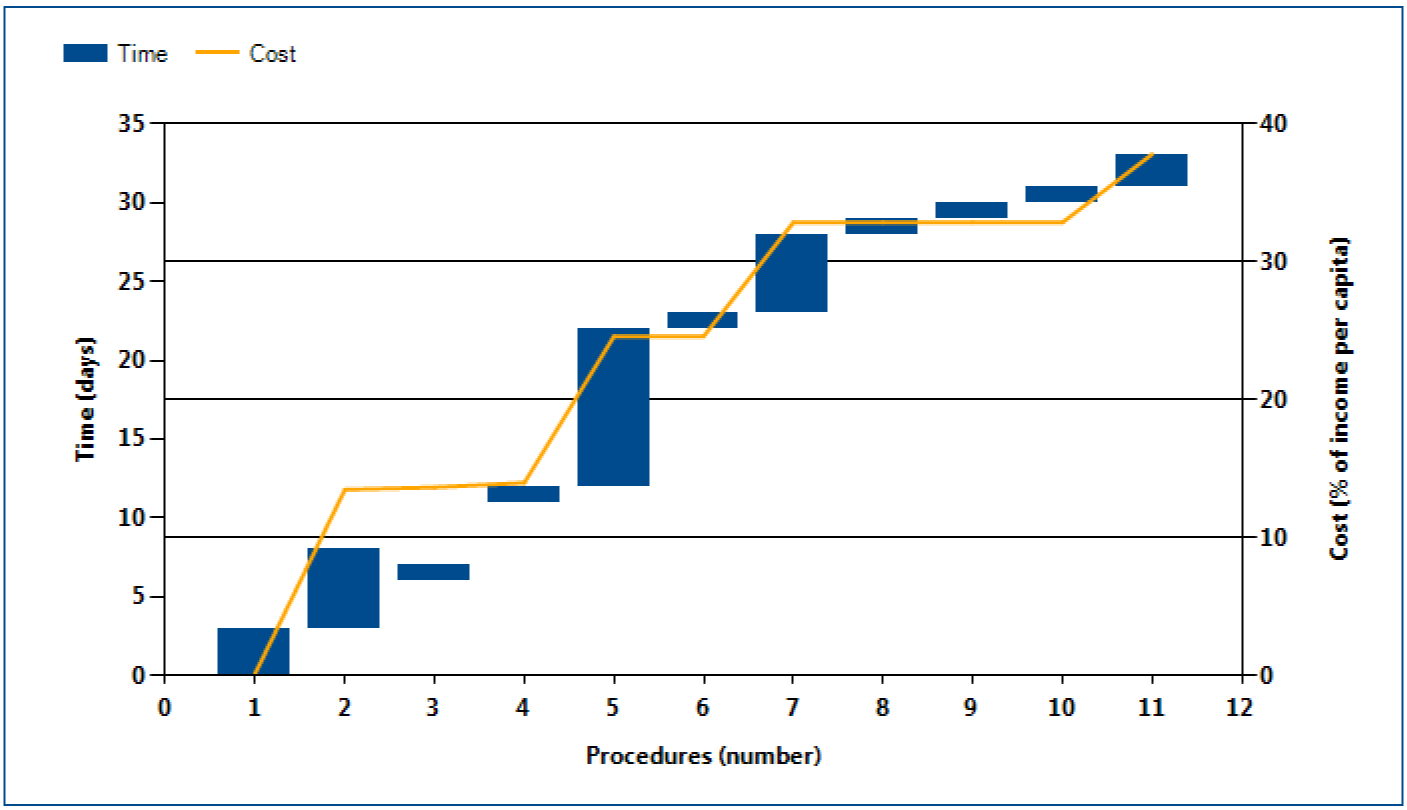
Deposited in a bank or with a notary before registration (or within 3 months)

STARTING A BUSINESS

Where does the economy stand today?

What does it take to start a business in Kenya? According to data collected by *Doing Business*, starting a business there requires 11 procedures, takes 33 days, costs 37.8% of income per capita and requires paid-in minimum capital of 0.0% of income per capita (figure 2.1).

Figure 2.1 What it takes to start a business in Kenya
Paid-in minimum capital (% of income per capita): 0.0

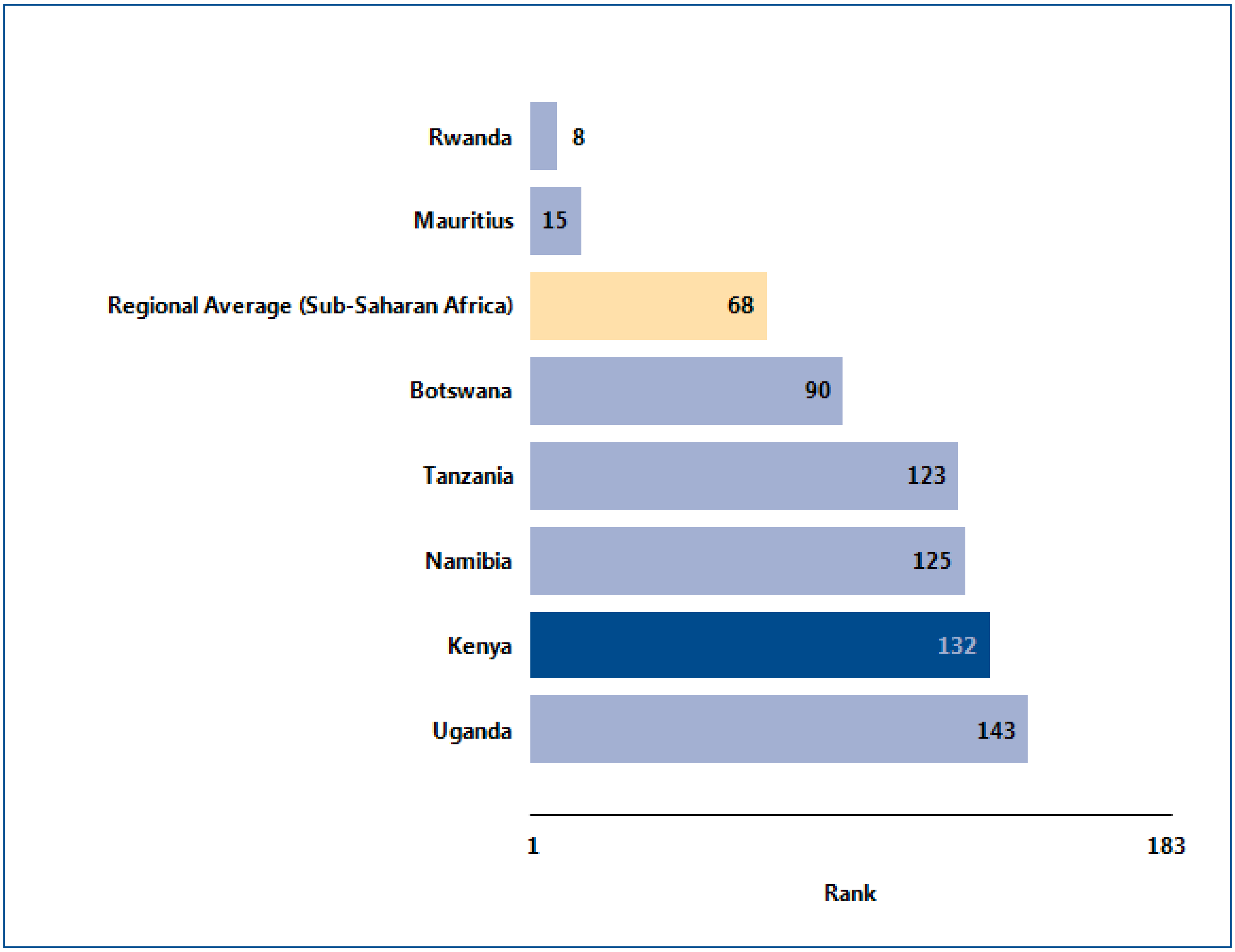


Note: For details on the procedures reflected here, see the summary at the end of this chapter.
Source: Doing Business database.

STARTING A BUSINESS

Globally, Kenya stands at 132 in the ranking of 183 economies on the ease of starting a business (figure 2.2). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Kenya to start a business.

Figure 2.2 How Kenya and comparator economies rank on the ease of starting a business



Source: Doing Business database.

STARTING A BUSINESS

What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to start a business in Kenya today, data over time show which aspects of the process have changed—and which have not (table 2.1). That can help identify where the potential for improvement is greatest.

Table 2.1 The ease of starting a business in Kenya over time
By *Doing Business* report year

Indicator	DB2004	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	..	128	132
Procedures (number)	12	12	13	13	12	12	12	11	11
Time (days)	60	47	54	54	44	30	34	33	33
Cost (% of income per capita)	51.7	53.4	48.2	46.3	46.1	39.7	36.5	38.3	37.8
Paid-in Min. Capital (% of income per capita)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

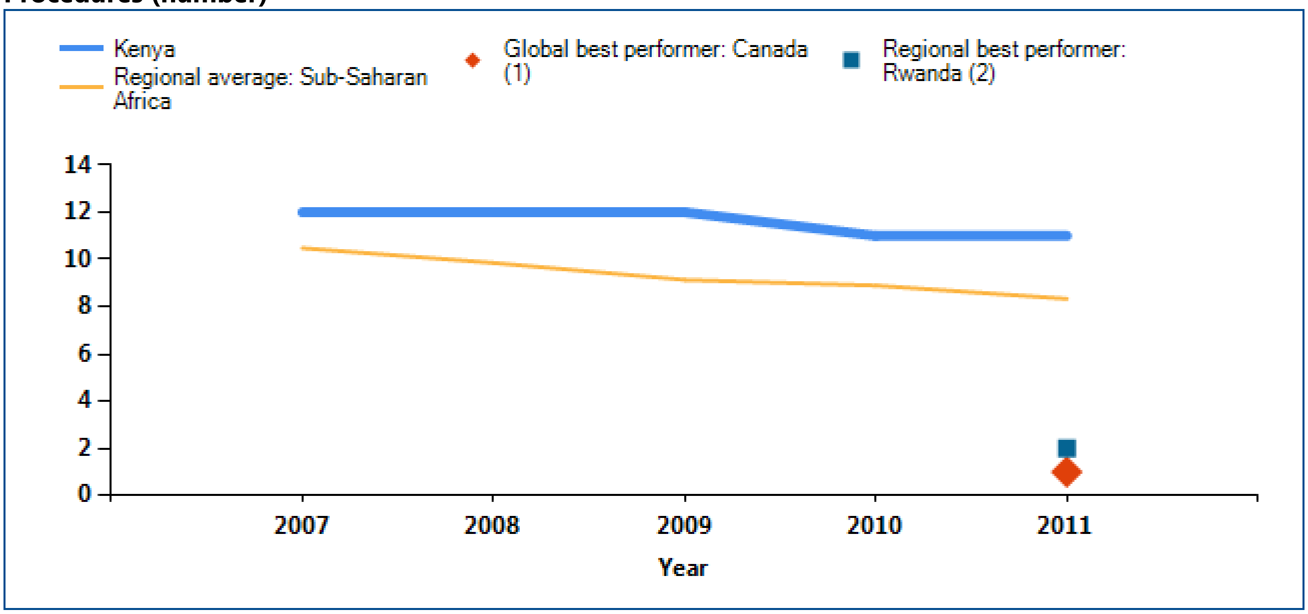
Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.
Source: Doing Business database.

STARTING A BUSINESS

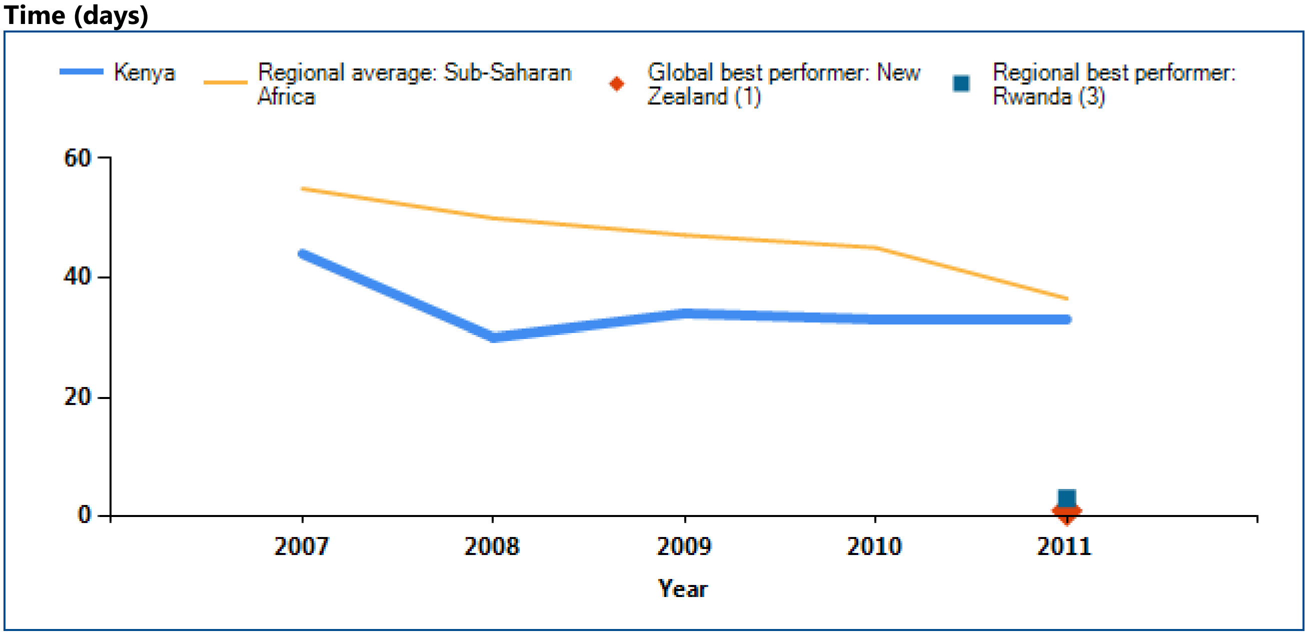
Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the procedures, time, cost or paid-in minimum capital required to start a business (figure 2.3). These economies may provide a model for Kenya on ways to improve the ease of starting a business. And changes in regional averages can show where Kenya is keeping up—and where it is falling behind.

Figure 2.3 Has starting a business become easier over time?

Procedures (number)

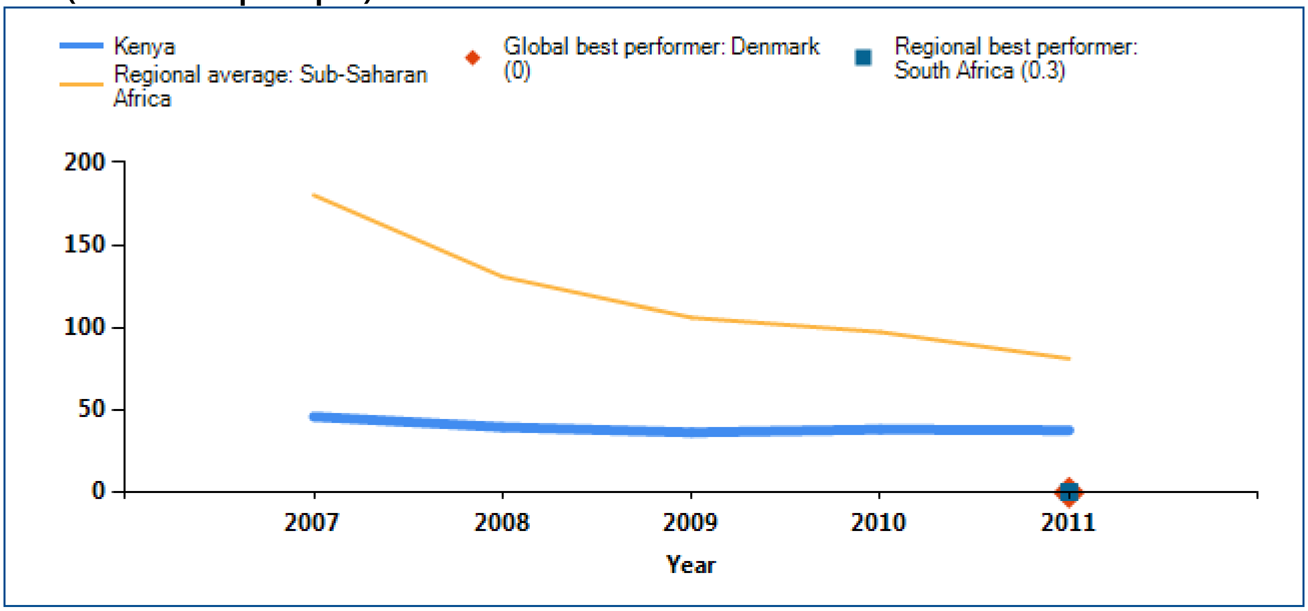


Time (days)

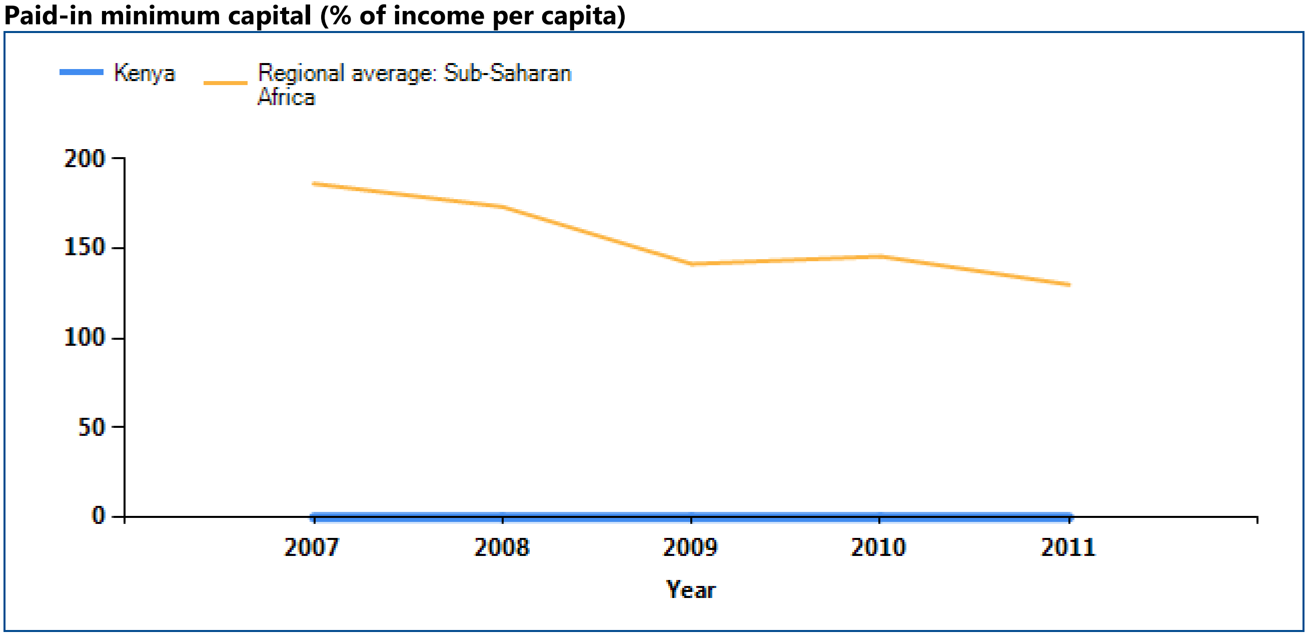


STARTING A BUSINESS

Cost (% of income per capita)



Paid-in minimum capital (% of income per capita)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator. In the case of paid-in minimum capital, 82 economies globally and economies in Sub-Saharan Africa have no paid-in minimum capital.

Source: Doing Business database.

STARTING A BUSINESS

Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages—and they often are part of a larger regulatory reform program. Among the benefits have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities.

What business registration reforms has *Doing Business* recorded in Kenya (table 2.2)?

Table 2.2 How has Kenya made starting a business easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	Kenya eased business start-up by reducing the time it takes to get the memorandum and articles of association stamped, merging the tax and value added tax registration procedures and digitizing records at the registrar.
DB2010	No reform.
DB2009	The time required to open a business was reduced, thanks to improvements in communication between agencies and the upgrading of the registry.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

STARTING A BUSINESS

What are the details?

Underlying the indicators shown in this chapter for Kenya is a set of specific procedures—the bureaucratic and legal steps that an entrepreneur must complete to incorporate and register a new firm. These are identified by *Doing Business* through collaboration with relevant local professionals and the study of laws, regulations and publicly available information on business entry in that economy. Following is a detailed summary of those procedures, along with the associated time and cost. These procedures are those that apply to a company matching the standard assumptions (the "standardized company") used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators measure).

STANDARDIZED COMPANY

City: Nairobi

Legal Form: Private Corporation

Start-up capital: 10 times GNI per capita

Paid-in minimum capital (% of income per capita): 0.0

Summary of procedures for starting a business in Kenya—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	**State registration of legal entity, statistical, and tax registration with the Center for Public Registration** The company name reservation lasts 30 days but can be renewed for a similar period.	3 days	KES 100 per name reservation
2	**Stamp the memorandum and articles and a statement of the nominal capital** Effective January 1, 2005, the Kenya Revenue Authority (KRA) took over stamp duty collection from the Ministry of Lands and Housing. As an administrative requirement, the KRA now requires the personal identification numbers (PINs) of all parties on whose behalf duty-stamped documents are submitted. Documents must be first assessed by the Stamp Duty Office before payment can be processed by the KRA-designated banks. The process has lengthened initially to about 2 weeks because the Stamp Duty Office waited to receive confirmation of bank payment after clearance of funds. However, the time has reduced in 2008 as a result of better communication between the Ministry of Lands and housing and Kenya Revenue Authority (KRA) to 5-10 days. Bank handling charges of KES 100 for each transaction are also due.	5 days	1% of nominal capital + KES 2,020, stamp duty on Memorandum and Articles of Association
3	**Pay stamp duty at bank**	1 day	KES 100 bank commission
4	**Declaration of compliance (Form 208) is signed before a Commissioner of Oaths /notary public** According to the Companies Act (Cap. 486), An advocate engaged in	1 day	KES 200

No.	Procedure	Time to complete	Cost to complete
	the formation of the company or a director or company secretary named in the Articles must sign Form 208, the declaration of compliance, which accompanies the registration documents to be submitted to the Registrar of Companies. (Simuletanous with procedure 2)		
5	**File deed and details with the Registrar of Companies at the Attorney General's Chambers in Nairobi** The founder must file the incorporation deed and the required documents and forms (listed below) with the Registrar of Companies, which includes: - Stamped memorandum and articles of association. - Statement of capital. - Form 201, Notice of Situation of Registered Office. - Form 203, Particulars of Directors and Secretary. - Form 208, Declaration of compliance with the Companies Act. - Copy of the company name approval Fee schedule for registration: - For the first KES 100,000: KES 2,800. - For every KES 20,000 after the first KES 100,000: KES 120, subject to a maximum of KES 60,000. - Filing fee for three forms: KES 600.	7- 14 days	KES 6,436
6	**Register with the Tax Department for a PIN and VAT online** Registration for a personal and a company identification number (PIN) is required to register for the VAT (PIN certificates of at least two directors or 2 shareholders or a director and the secretary are required), the local service tax, and the pay-as-you-earn (PAYE) tax. The founder must file the certificate of registration and a copy of the memorandum and articles of association. IDue to new online reforms, the application for a PIN and VAT registration can now be done concurrently on-line. Unless the KRA has already received confirmation of incorporation of the company from the Companies Registry, one must still submit the Certificate of Incorporation and receive log-in details from the KRA for the purpose of applying for a PIN and VAT registration.	1 - 2 days	no charge
7	**Apply for a business permit** The fee to apply for a business permit varies by type of business, number of employees, and size of the company's premises. The fee is payable to the Nairobi City Council, Licensing Department. The City Council will issue a business permit. Fee schedule for business permit: - Medium trader, shop, or retail service from 5 to 20 employees and/or premises 50–300 sq. m. (fair location): KES 5,000. -Mid-size business of 50 employees and premises 300 sq. m.: about KES 20,000 to KES 50,000, depending on the nature of the business. The Licensing Laws (Repeals and Amendments) Act , 2006 (enacted in December of 2006 and came into effect on May, first, 2007), amends	5 days	KES 5,000

No.	Procedure	Time to complete	Cost to complete
	the Local Government Act (Cap. 265) by reducing the number of business permits required for a distributor of goods or provider of services to carry on its business activities. Applicants having obtained a business permit to operate from one local authority will not be required to obtain another business permit in another local authority. In addition, business permit applicants will have an opportunity to elect whether to apply for a 1- or 2-year permit. The 2006 law also eliminated the requirement to obtain a trading license in addition to the permit.		
8	**Register with the National Social Security Fund (NSSF)** The National Social Security Fund provides the employee with a lump-sum retirement benefit. Historically, the rate of return paid by the state is considerably less than that achieved by private schemes, but participation is mandatory. The employer pays a standard contribution of about 1% of salary, subject to a maximum of KES 400 per month. Half the contribution is deductible from the employee's salary. The precise amount of the contribution (where less than the maximum) is determined by reference to salary bands.	1 day	no charge
9	**Register with the National Hospital Insurance Fund (NHIF)** The employee contributes a fixed sum to the National Hospital Insurance Fund (NHIF), which must be deducted by the employer from the employees' salary. The maximum contribution is KES 320 per month. The contributions are used to offset the costs of medical treatment, but they only cover a fraction of actual costs. Hence, most companies provide employees with medical insurance.	1 day	no charge
10	**Register for PAYE**	1 day	no charge
11	**Make a company seal after a certificate of incorporation has been issued** seals are made by private entities who require sight of a copy of the certificate of incorporation	2 days	between KES 2,500 and KES 3,500

* Takes place simultaneously with another procedure.
Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

Regulation of construction is critical to protect the public. But it needs to be efficient, to avoid excessive constraints on a sector that plays an important part in every economy. Where complying with building regulations is excessively costly in time and money, many builders opt out. They may pay bribes to pass inspections or simply build illegally, leading to hazardous construction that puts public safety at risk. Where compliance is simple, straightforward and inexpensive, everyone is better off.

What do the indicators cover?

Doing Business records the procedures, time and cost for a business to obtain all the necessary approvals to build a simple commercial warehouse in the economy's largest business city, connect it to basic utilities and register the property so that it can be used as collateral or transferred to another entity.

The ranking on the ease of dealing with construction permits is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the warehouse, including the utility connections.

The business:

- Is a limited liability company operating in the construction business and located in the largest business city.
- Is domestically owned and operated.
- Has 60 builders and other employees.

The warehouse:

- Is a new construction (there was no previous construction on the land).
- Has complete architectural and technical plans prepared by a licensed architect.
- Will be connected to water, sewerage (sewage system, septic tank or their equivalent) and a fixed telephone line. The connection to each utility network will be 10 meters (32 feet, 10 inches) long.
- Will be used for general storage, such as of books or stationery (not for goods requiring special conditions).
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

WHAT THE DEALING WITH CONSTRUCTION PERMITS INDICATORS MEASURE

Procedures to legally build a warehouse (number)

Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates

Completing all required notifications and receiving all necessary inspections

Obtaining utility connections for water, sewerage and a fixed telephone line

Registering the warehouse after its completion (if required for use as collateral or for transfer of the warehouse)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day

Procedure completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of income per capita)

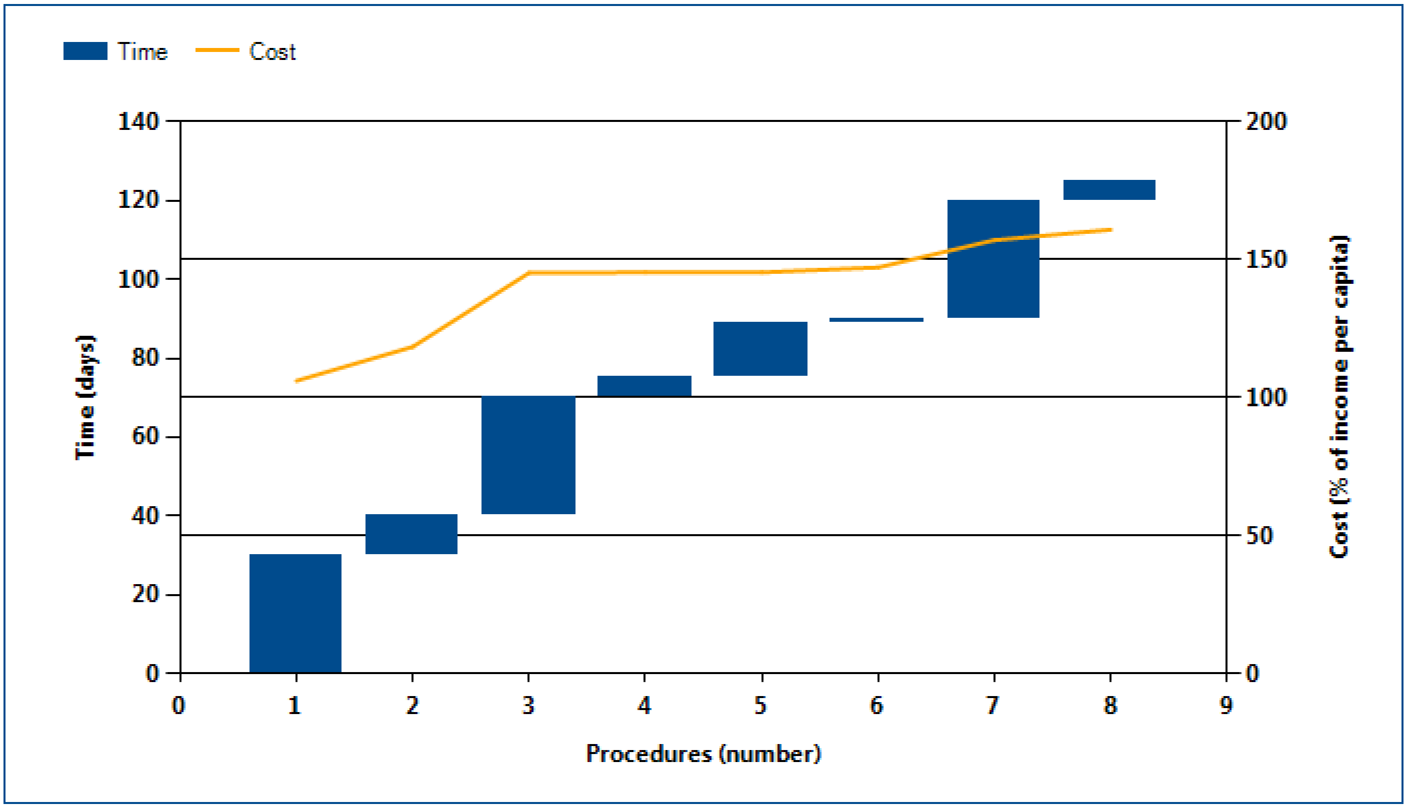
Official costs only, no bribes

DEALING WITH CONSTRUCTION PERMITS

Where does the economy stand today?

What does it take to comply with the formalities to build a warehouse in Kenya? According to data collected by *Doing Business*, dealing with construction permits there requires 8 procedures, takes 125 days and costs 160.9% of income per capita (figure 3.1).

Figure 3.1 What it takes to comply with formalities to build a warehouse in Kenya

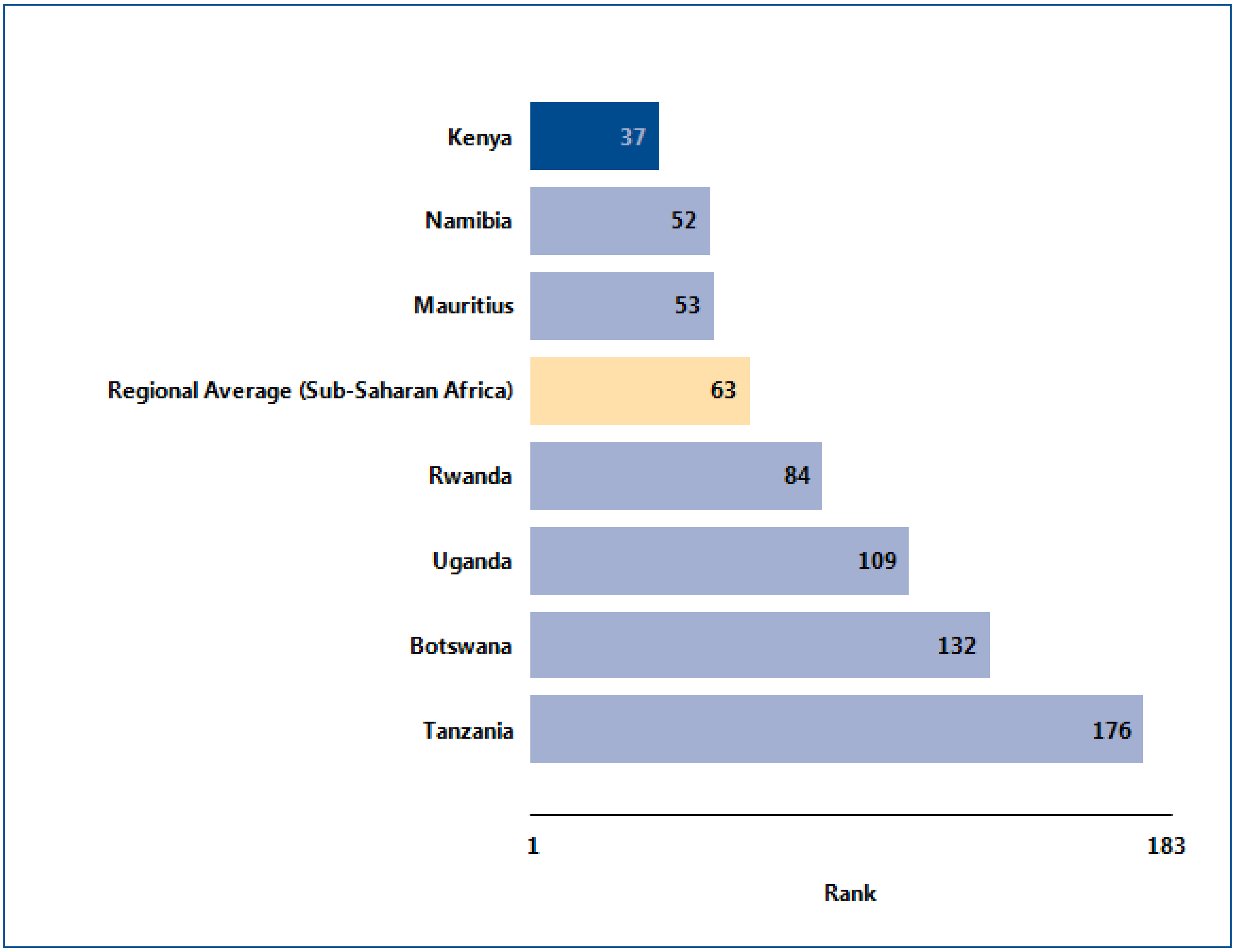


Note: For details on the procedures reflected here, see the summary at the end of this chapter.
Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

Globally, Kenya stands at 37 in the ranking of 183 economies on the ease of dealing with construction permits (figure 3.2). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Kenya to legally build a warehouse.

Figure 3.2 How Kenya and comparator economies rank on the ease of dealing with construction permits



Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to deal with construction permits in Kenya today, data over time show which aspects of the process have changed—and which have not (table 3.1). That can help identify where the potential for improvement is greatest.

Table 3.1 The ease of dealing with construction permits in Kenya over time
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	38	37
Procedures (number)	7	7	7	7	8	8	8
Time (days)	163	163	130	105	125	125	125
Cost (% of income per capita)	65.5	61.6	54.0	42.5	158.4	164.4	160.9

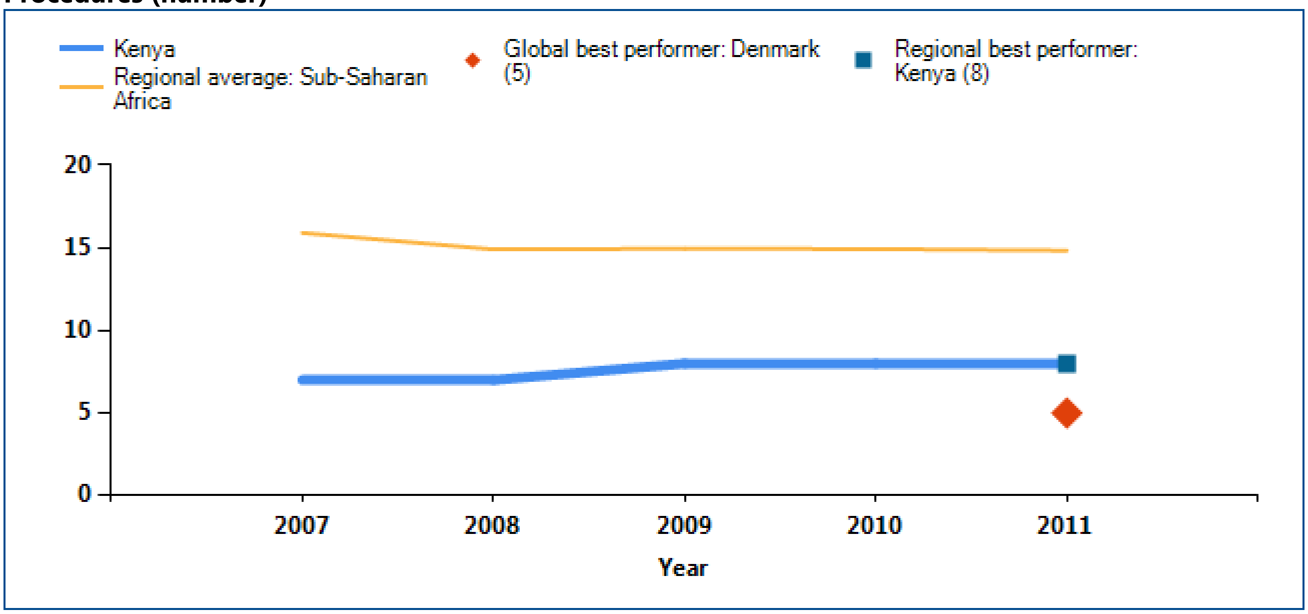
Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology. For more information on "no practice" marks, see the data notes for details.
Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

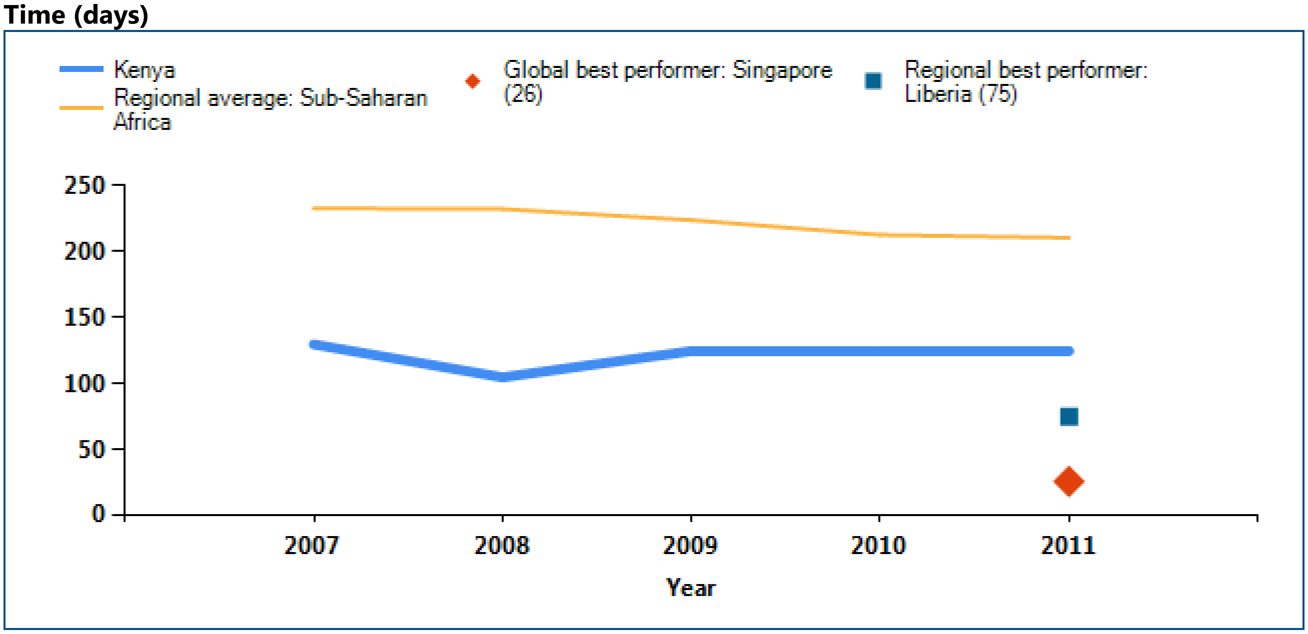
Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the procedures, time or cost required to deal with construction permits (figure 3.3). These economies may provide a model for Kenya on ways to improve the ease of dealing with construction permits. And changes in regional averages can show where Kenya is keeping up—and where it is falling behind.

Figure 3.3 Has dealing with construction permits become easier over time?

Procedures (number)

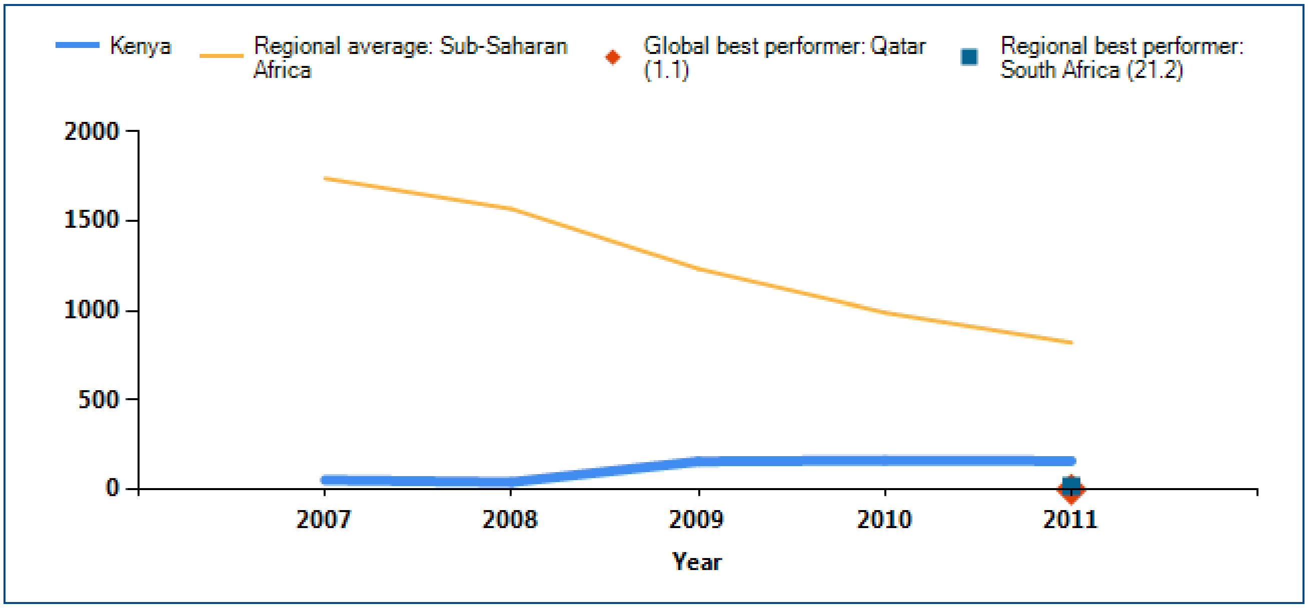


Time (days)



DEALING WITH CONSTRUCTION PERMITS

Cost (% of income per capita)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator. In cases where no data are displayed above for the economy, this indicates that the economy has received a "no practice" mark; see the data notes for details.
Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

Smart regulation ensures that standards are met while making compliance easy and accessible to all. Coherent and transparent rules, efficient processes and adequate allocation of resources are especially important in sectors where safety is at stake. Construction is one of them. In an effort to ensure building safety while keeping compliance costs reasonable, governments around the world have worked on consolidating permitting requirements. What construction permitting reforms has *Doing Business* recorded in Kenya (table 3.2)?

Table 3.2 How has Kenya made dealing with construction permits easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	The cost of getting construction permits was increased.
DB2009	No reform.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

What are the details?

The indicators reported here for Kenya are based on a set of specific procedures—the steps that a company must complete to legally build a warehouse—identified by *Doing Business* through information collected from experts in construction licensing, including architects, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations. These procedures are those that apply to a company and structure matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

BUILDING A WAREHOUSE	
City :	Nairobi
Estimated Warehouse Value :	KES 32,500,000

The procedures, along with the associated time and cost, are summarized below.

Summary of procedures for dealing with construction permits in Kenya —and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	**Submit architectural plan for approval and obtain provisional building permit** BuildCo would approach the City Development Department, of City Council of Nairobi (CCN) to get its architectural plans approved first. Before submitting the application, BuildCo needs to make payment of relevant fees. Once payment is made, BuildCo submits the receipt to the City Development Department. The application must contain the architectural drawings and plans, land title, copy of main architect's license. The application then gets forwarded to various departments: Physical Planning, Road Department, Public Health, Fire Department, Water Authority, and Electricity Authority. Each department takes at least one week to clear the respective section of the plans, and grants separate permits for the plumbing, sewerage, and electrical activities that BuildCo will be involved in during the construction of the warehouse. Thereafter, the application is forwarded for approval to Technical Committee that convenes twice a week and issues the approvals. As a result of the approval of architectural drawings BuildCo will receive the building permit. Building permit is granted only provisionally, until the structural segment is approved. After that the building permit is obtained BuildCo needs to submit its structural project separately. Since 2006, CCN has been reforming under Rapid Results Initiative (RRI), trying to reduce the number of days and eliminate the bottlenecks. Since 2008 the architectural project approvals is done by Technical Committee that convenes twice a week and issues the approvals. Previously, the approving body was City Council itself. However, due to its busy schedule and backlog, it was decided to transfer the responsibility from the City Council to the Technical	30 days	KES 64,303

No.	Procedure	Time to complete	Cost to complete
	Committee. Because of various reforms it takes on average 30 days to obtain this part of approval as opposed to 50 days before. However, approval time varies because it depends on the diligence of the architect. As of November 2008, occupancy certificate fee must be paid at this stage. According to updated fee schedule of City Council of Nairobi, as of 31 October 2009 in the Kenya Gazette, the following changes are introduced: - design inspection fee first 930 m2 is KES 12,850 + for every 93m2 above original 930 m2 is KES 1,500 x 4 = KES 6,000. Total KES 18,850 for 1300.6 sqm - construction sign board fee KES 15,000. - application fee –KES 2,000. - infrastructure development levy fee - which is 0,5% of estimated development cost of building. According to CCN methodology current building cost for warehouses in Central Region (Nairobi) is KES 21,000 sq.m. (excluding VAT). Total is KES 27312,600x0.05%=KES 13,656.3 - occupancy fee for warehouse -930 sqm - KES14,000 and for additional 93 sqm its KES 200. Total KES 14,796.9 Total: KES 64,303.2		
2	**Submit and obtain structural plan approval and final building permit** Once the architectural plans and drawings are approved and comments and changes were made, BuildCo has to incorporate them into the structural plans and re-submit the application to CCN for approval. This is done as common practice for submitting both plans together is impossible. One other reason why these two steps happen separately is because the architectural drawings and plans are checked by Structural Department at stage when structural plans are approved. Construction works begin only after this approval. Since beginning this year due to RRI programme and internal process of simplification in the CCN it takes now 10 days to obtain the structural approval compared to previous 25 days. The company must have the following items approved: project plans, architectural drawings, location survey of property documents and others. According to updated fee schedule, as of October 31, 2008, the structural plan approval fee is calculated as follows: 930 sq.m.- KES 14,000, and for each additional 93 sq.m.- KES 200. Total: KES 7,475.5	10 days	KES 7,476
3	**Obtain approval from National Environmental Authority** Following the enactment of new Environmental Management and Co-ordination Act on 27 February 2009, companies now have to obtain approval of project from National Environment Management Authority.	30 days	KES 16,250

No.	Procedure	Time to complete	Cost to complete
	Projects of all risk categories are subject to approval and environmental impact assessment (EIA), including the BuildCo warehouse. It would take 30 days. The cost is set at 0.05% of warehouse value (KES 32,500,000). Prior to 11 February 2009, the fee rate was 0.1% of warehouse value. The regulation regarding environmental impact assessment approval for Kenya has been in place since 1999. However, in recent years NEMA started enforcing the rules more vigorously. NEMA conducts periodic inspections during the construction. If new projects at the moment of inspection do not have an environmental impact assessment they may order the project be closed and erected objects demolished. Therefore, construction companies are now obtaining the environmental approval before the building is completed. Although, the legislation is not clear on what categories of building this regulation would apply.		
4	**Request and receive on-site inspection by the municipal authority after construction** BuildCo must inform the municipality that the building has been completed in order to start the inspections.	5 days	KES 100
5	**Obtain occupancy certificate** Once the construction is completed and inspected, BuildCo submits an application for an occupancy certificate. The occupancy certificate is given when the City Council deems the building is in compliance with the approved architectural drawings.	14 days	no charge
6	**Apply for water and sewerage connection**	1 day	KES 1,100
7	**Pay water and sewerage installation costs and obtain connection** The applicant is required to submit an "application for water and sewerage supply form" obtained from the Nairobi City Water and Sewerage Company. Thereafter, the applicant is required to pay KES 1,100 for a survey and estimates fees and attach the receipt of payment to the application form. The applicant is also required to attach the company's certificate of registration and its PIN number. The Nairobi Water Company may approve the application after all these documents have been submitted. After approval, applicant is required to pay KES 6,000. The applicant is responsible for payment of all water, meter rent, sewer, conservancy, and refuse collection charges. The process usually takes a month.	30 days	KES 6,000
8	**Apply and pay for telephone connection** Telkom Kenya and Bell Western Telecommunication Ltd are the lauthorised fixed telophone operators. The latter is in charge of rural telecommunication operations.	5 days	KES 2,300

* Takes place simultaneously with another procedure.
Source: Doing Business database.

GETTING ELECTRICITY

Access to reliable and affordable electricity is vital for businesses. To counter weak electricity supply, many firms in developing economies have to rely on self-supply, often at a prohibitively high cost. Whether electricity is reliably available or not, the first step for a customer is always to gain access by obtaining a connection.

What do the indicators cover?

Doing Business records all procedures required for a local business to obtain a permanent electricity connection and supply for a standardized warehouse, as well as the time and cost to complete them. These procedures include applications and contracts with electricity utilities, clearances from other agencies and the external and final connection works. The ranking on the ease of getting electricity is the simple average of the percentile rankings on its component indicators: procedures, time and cost. To make the data comparable across economies, several assumptions are used.

The warehouse:

- Is located in the economy's largest business city, in an area where other warehouses are located.
- Is not in a special economic zone where the connection would be eligible for subsidization or faster service.
- Has road access. The connection works involve the crossing of a road or roads but are carried out on public land.
- Is a new construction being connected to electricity for the first time.
- Has 2 stories, both above ground, with a total surface of about 1,300.6 square meters (14,000 square feet), and is built on a plot of 929 square meters (10,000 square feet).

The electricity connection:

- Is a 3-phase, 4-wire Y, 140-kilovolt-ampere (kVA) (subscribed capacity) connection.
- Is 150 meters long.
- Is to either the low-voltage or the medium-voltage distribution network and either overhead or underground, whichever is more common in the economy and in the area where the warehouse is located. The length of any connection in the customer's private domain is negligible.
- Involves installing one electricity meter. The monthly electricity consumption will be 0.07 gigawatt-hour (GWh). The internal electrical wiring has been completed.

WHAT THE GETTING ELECTRICITY INDICATORS MEASURE

Procedures to obtain an electricity connection (number)

Submitting all relevant documents and obtaining all necessary clearances and permits

Completing all required notifications and receiving all necessary inspections

Obtaining external installation works and possibly purchasing material for these works

Concluding any necessary supply contract and obtaining final supply

Time required to complete each procedure (calendar days)

Is at least 1 calendar day

Each procedure starts on a separate day

Does not include time spent gathering information

Reflects the time spent in practice, with little follow-up and no prior contact with officials

Cost required to complete each procedure (% of income per capita)

Official costs only, no bribes

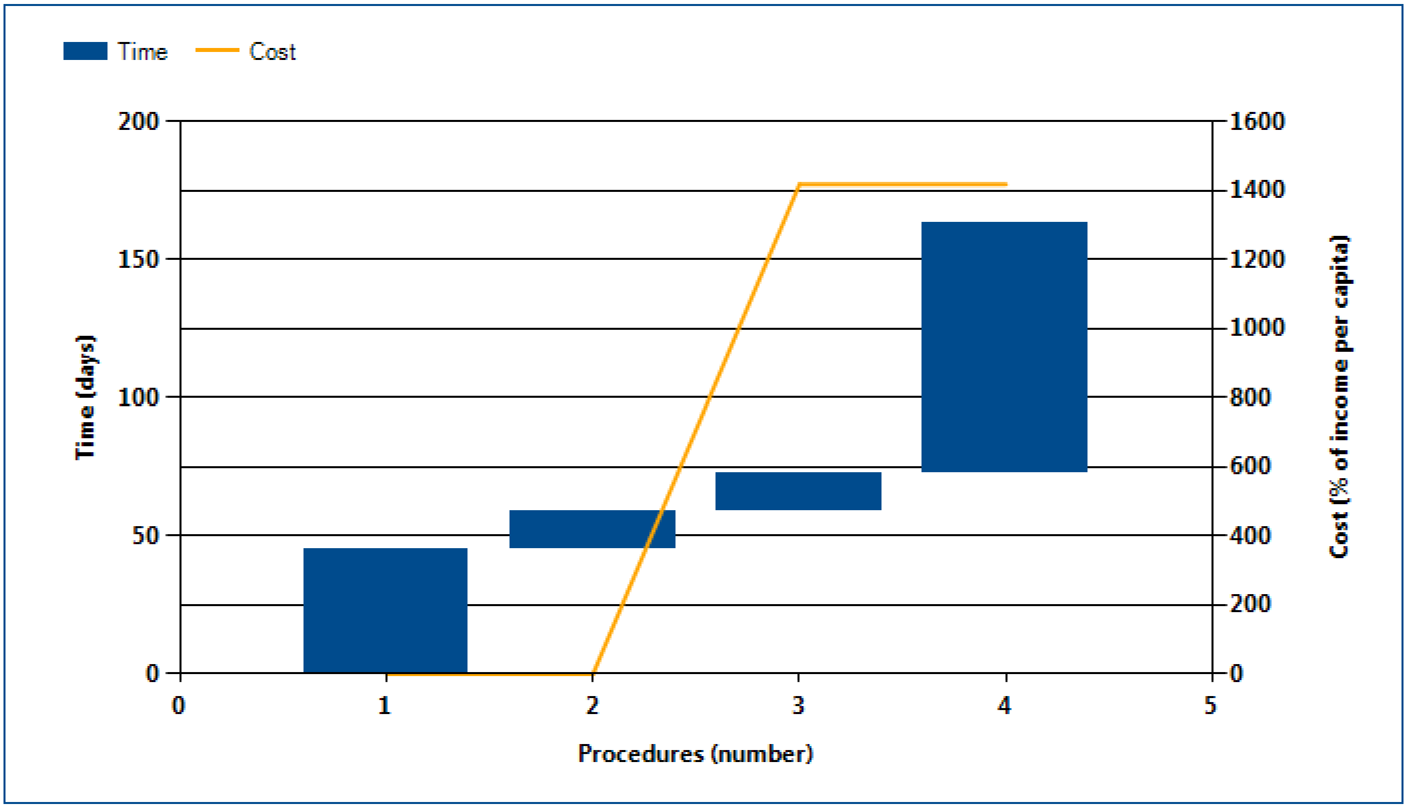
Excludes value added tax

GETTING ELECTRICITY

Where does the economy stand today?

What does it take to obtain a new electricity connection in Kenya? According to data collected by *Doing Business,* getting electricity there requires 4 procedures, takes 163 days and costs 1419.2% of income per capita (figure 4.1).

Figure 4.1 What it takes to obtain an electricity connection in Kenya

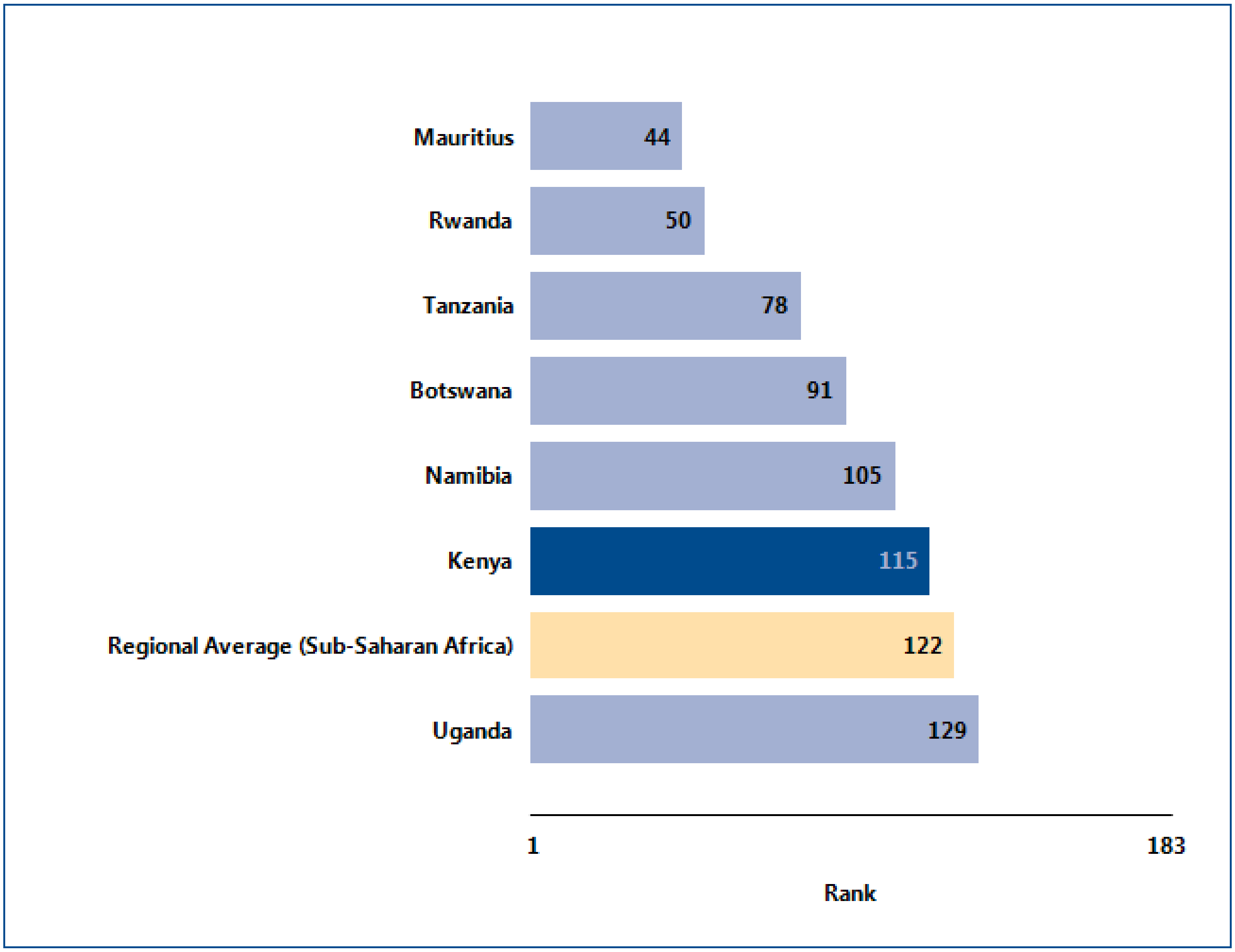


Note: For details on the procedures reflected here, see the summary at the end of this chapter.
Source: Doing Business database.

GETTING ELECTRICITY

Globally, Kenya stands at 115 in the ranking of 183 economies on the ease of getting electricity (figure 4.2). The rankings for comparator economies and the regional average ranking provide another perspective in assessing how easy it is for an entrepreneur in Kenya to connect a warehouse to electricity.

Figure 4.2 How Kenya and comparator economies rank on the ease of getting electricity



Source: Doing Business database.

GETTING ELECTRICITY

Even more helpful than rankings for other economies may be the indicators underlying those rankings (table 4.1). If obtaining a new electricity connection requires fewer procedures, less time or less cost in other economies, the practices of their utilities may provide a model for Kenya on ways to improve the ease of getting electricity. Regional and global averages on these indicators may provide useful benchmarks.

Table 4.1 The ease of getting electricity in Kenya and comparator economies

Indicator	Kenya	Botswana	Mauritius	Namibia	Rwanda	Tanzania	Uganda	Sub-Saharan Africa average	Global average
Rank	115	91	44	105	50	78	129	122	..
Procedures (number)	4	5	4	7	4	4	5	5	5
Time (days)	163	121	91	55	30	109	91	137	111
Cost (% of income per capita)	1419.2	408.9	328.5	525.8	4696.8	1040.5	5130.1	5,429.8	1,942.3

Source: Doing Business database.

GETTING ELECTRICITY

What are the details?

The indicators reported here for Kenya are based on a set of specific procedures—the steps that an entrepreneur must complete to get a warehouse connected to electricity by the local distribution utility—identified by *Doing Business*. Data are collected from the distribution utility, then completed and verified by electricity regulatory agencies and independent professionals such as electrical engineers, electrical contractors and construction companies. The electricity distribution utility surveyed is the one serving the area (or areas) in which warehouses are located. If there is a choice of distribution utilities, the one serving the largest number of customers is selected.

OBTAINING AN ELECTRICITY CONNECTION	
City:	**Nairobi**
Name of Utility:	**Kenya Power and Lighting Co. Ltd**

The procedures are those that apply to a warehouse and electricity connection matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). The procedures, along with the associated time and cost, are summarized below.

Summary of procedures for getting electricity in Kenya—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	**Submit application to Kenya Power and Lighting Company Ltd (KPLC) and await site inspection** The client submits the following documents: • Enquiry for supply of electricity form –Collected from KPLC and duly filled out • Copy of Certificate of registration • Copy of PIN Certificate • Sketch Map to the Premises KPLC conducts external site inspection during this period and gives recommendations if client has not met standard requirements or price estimate/quote if all standards are met and procedures for set-up can proceed. During this inspection period KPLC looks at some key aspects that also determine the price estimate that the client will receive. • Amount of power required for the building. • Existing infrastructure (Poles and transformers) and their proximity to the premises. It is important to note that if the premise is within 600m of existing infrastructure, this considerably lowers the cost. • Way leaves clearance –Pathways for laying down infrastructure and any permits or notifications needed to facilitate this.	45 calendar days	no charge
2	**Receive site visit from KPLC and await estimate** KPLC conducts external site inspection and gives recommendations if client has not met standard requirements or price estimate/quote if all standards are met and procedures for set-up can proceed. During this inspection period KPLC looks at some key aspects that also determine	14 calendar days	no charge

No.	Procedure	Time to complete	Cost to complete
	the price estimate that the client will receive.		
3	**Customer pays estimate, submits supply contract and collects meter and meter number from KPLC** Connection costs include capital contribution charges for network reinforcement for upto 1000 meters. Customer fills in Supply Contract form and submits to the Meter Installation section through the customer service department. Customer also submits internal wiring clearance certificate from electrician.	14 calendar days	KES 860,000.0
4	**KPLC conducts external connection, meter installation and electricity starts flowing** External connection works are done by Distribution Department, and while reaching completion, they inform the Meter Installation Section in Customer Service Department to complete metering. This is an internal procedure, and the customer is not involved.	90 calendar days	no charge

* Takes place simultaneously with another procedure.

Source: Doing Business database.

REGISTERING PROPERTY

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. And where property is informal or poorly administered, it has little chance of being accepted as collateral for loans—limiting access to finance.

What do the indicators cover?

Doing Business records the full sequence of procedures necessary for a business to purchase property from another business and transfer the property title to the buyer's name. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it. The ranking on the ease of registering property is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in the periurban area of the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Consists of 557.4 square meters (6,000 square feet) of land and a 10-year-old, 2-story warehouse of 929 square meters (10,000 square feet). The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

WHAT THE REGISTERING PROPERTY INDICATORS MEASURE

Procedures to legally transfer title on immovable property (number)

Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)

Registration in the economy's largest business city

Postregistration (for example, filing title with the municipality)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day

Procedure completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of property value)

Official costs only, no bribes

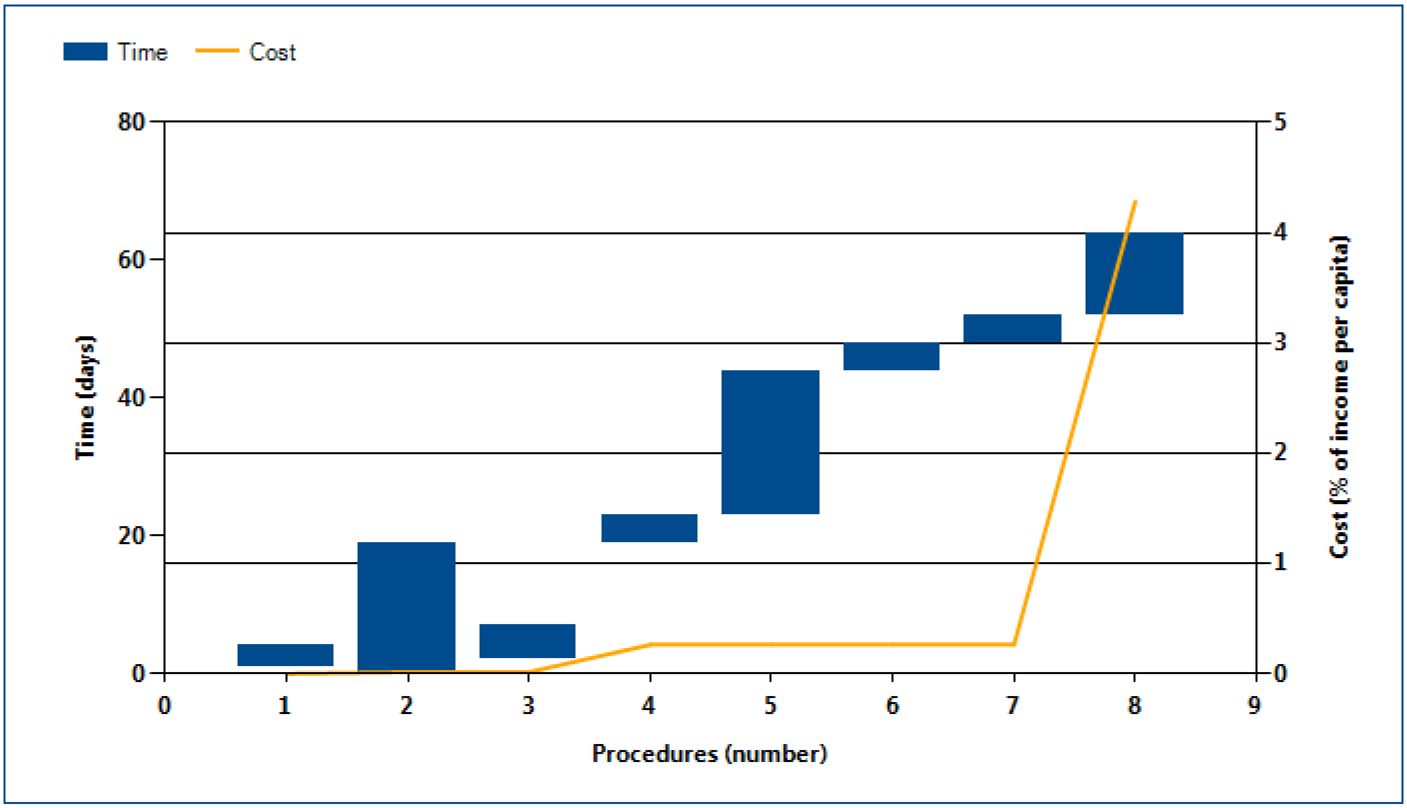
No value added or capital gains taxes included

REGISTERING PROPERTY

Where does the economy stand today?

What does it take to complete a property transfer in Kenya? According to data collected by *Doing Business*, registering property there requires 8 procedures, takes 64 days and costs 4.3% of the property value (figure 5.1).

Figure 5.1 What it takes to register property in Kenya

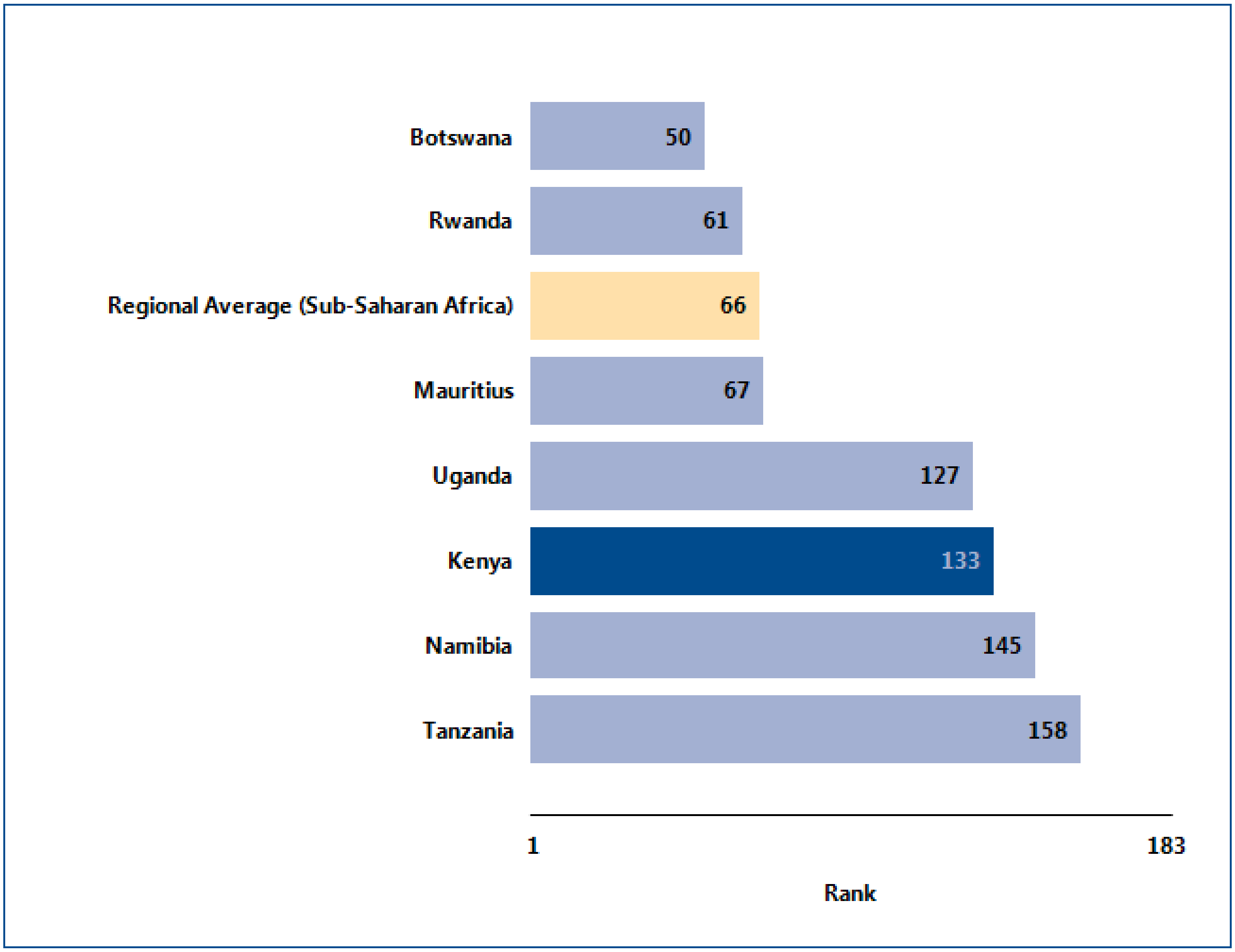


Note: For details on the procedures reflected here, see the summary at the end of this chapter.
Source: Doing Business database.

REGISTERING PROPERTY

Globally, Kenya stands at 133 in the ranking of 183 economies on the ease of registering property (figure 5.2). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Kenya to transfer property.

Figure 5.2 How Kenya and comparator economies rank on the ease of registering property



Source: Doing Business database.

REGISTERING PROPERTY

What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to register property in Kenya today, data over time show which aspects of the process have changed—and which have not (table 5.1). That can help identify where the potential for improvement is greatest.

Table 5.1 The ease of registering property in Kenya over time
By *Doing Business* report year

Indicator	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	133	133
Procedures (number)	7	8	8	8	8	8	8	8
Time (days)	39	73	73	64	64	64	64	64
Cost (% of property value)	4.0	4.1	4.1	4.2	4.1	4.2	4.2	4.3

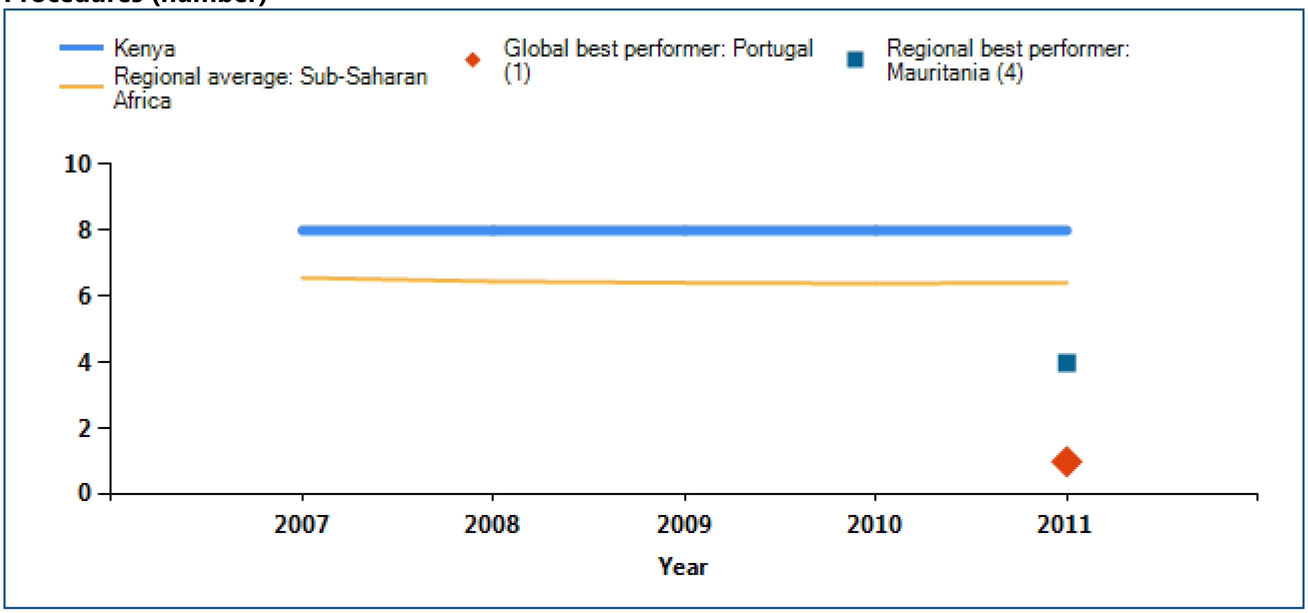
Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology. For more information on “no practice” marks, see the data notes for details.
Source: Doing Business database.

REGISTERING PROPERTY

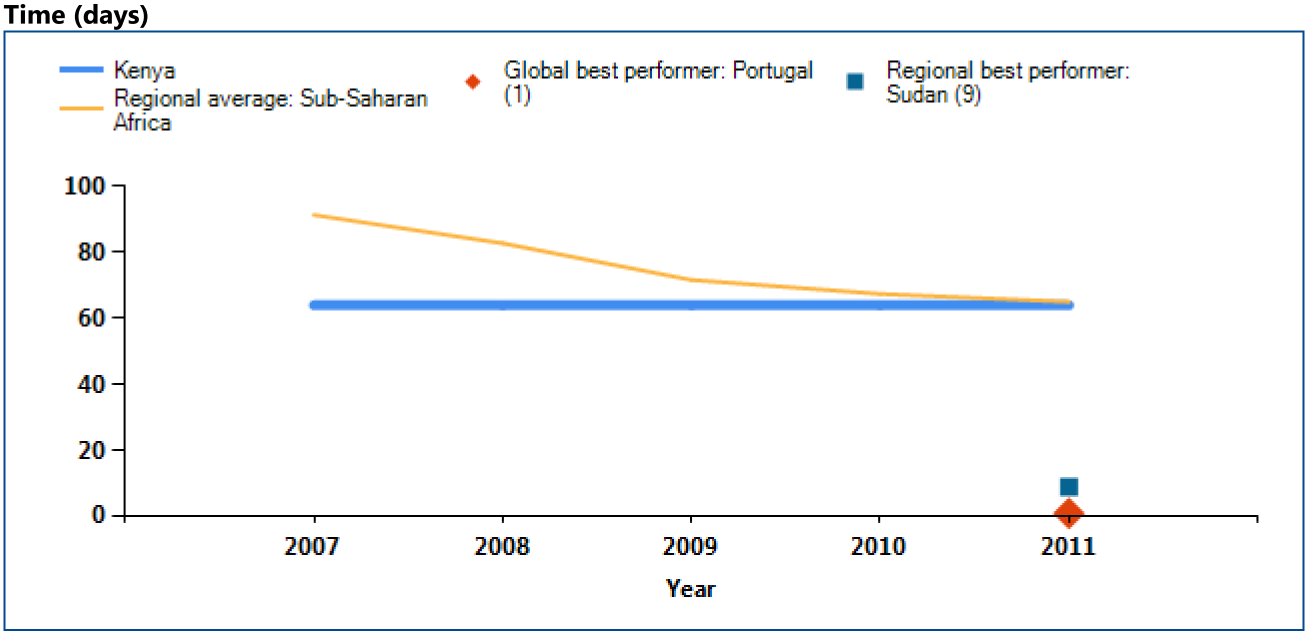
Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the procedures, time or cost required to complete a property transfer (figure 5.3). These economies may provide a model for Kenya on ways to improve the ease of registering property. And changes in regional averages can show where Kenya is keeping up—and where it is falling behind.

Figure 5.3 Has registering property become easier over time?

Procedures (number)

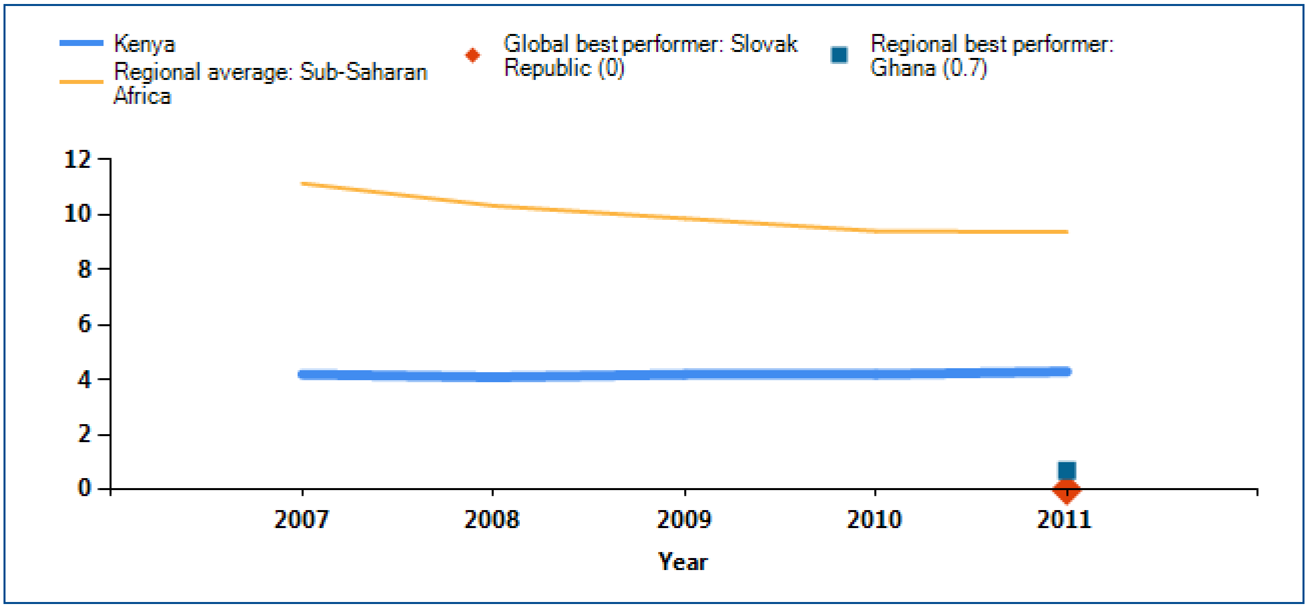


Time (days)



REGISTERING PROPERTY

Cost (% of property value)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator. In cases where no data are displayed above for the economy, this indicates that the economy has received a "no practice" mark; see the data notes for details.
Source: Doing Business database.

REGISTERING PROPERTY

Economies worldwide have been making it easier for entrepreneurs to register and transfer property—such as by computerizing land registries, introducing time limits for procedures and setting low fixed fees. Many have cut the time required substantially—enabling buyers to use or mortgage their property earlier. What property registration reforms has *Doing Business* recorded in Kenya (table 5.2)?

Table 5.2 How has Kenya made registering property easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	No reform.
DB2009	No reform.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

REGISTERING PROPERTY

What are the details?

The indicators reported here are based on a set of specific procedures—the steps that a buyer and seller must complete to transfer the property to the buyer's name—identified by *Doing Business* through information collected from local property lawyers, notaries and property registries. These procedures are those that apply to a transaction matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

STANDARD PROPERTY TRANSFER

City:	**Nairobi**
Property Value:	**3,029,823.0**

The procedures, along with the associated time and cost, are summarized below.

Summary of procedures for registering property in Kenya—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	*** Apply for a search on the Title** In respect of searches on property registered under the Registered Land Act, a copy of the title document is required to be submitted at the time of applying for the search. Also, one cannot carry out a personal search but must instead apply for an official search.	3 days (simultaneous with procedure 2 & 3)	KES 500
2	*** Apply and Obtain Land Rent Clearance Certificate from the Commissioner of Lands** Seller's lawyer obtains the Land Rent Clearance Certificate from the Commissioner of Lands at no cost.	19 days (simultaneous with procedure 1 & 3)	no cost
3	*** Apply, pay and obtain Rates Clearance Certificate from the Nairobi City Council** Seller's lawyer obtains the Rates Clearance Certificate from the Nairobi City Council. This certificate is important proof that there are no outstanding fees to be paid to the Municipality. Lawyers are not required to be involved in the registration process. Lawyers' fees are calculated based on a fixed scale depending on the value of the property.	5 days (simultaneous with procedure 1 & 2)	KES 7500
4	**File the transfer instrument at the Lands Office and obtain appointment for valuation** The draft transfer is prepared by the buyer's lawyers and needs to be approved by the seller's counterpart. The transfer instrument is filed at the Land office to be assessed for Stamp duty.	5 days	no cost
5	**Receive site inspection by Government valuer and obtain valuation report** Once the draft transfer has been filed at the land office, an inspector visits the site to verify the development and state of the property. Due to lack of transport, in practice, the inspector often has to be picked up	21 days	no cost

No.	Procedure	Time to complete	Cost to complete
	in person and driven to the site. Previously, such inspections were conducted on a random basis, but now every transaction requires such an inspection. The issues involved are similar to the inspections by the land officer and, therefore, may happen within 1 day to up to over one month. Once the valuer has inspected the property to assess its value, a report is compiled after which the value is endorsed on the transfer and then it is submitted for assessment of the Stamp duty.		
6	**Endorsement of value for stamp duty purposes and assessment of Stamp duty** The Stamp Duty Assessment form is completed including the purchase price (in quadruplet). The stamp duty assessment officer stationed at the Ministry of Lands banking hall will then assess the stamp duty payable and indicate the amount on the Forms. Stamping of the document takes on average 3 days.	4 days	no cost
7	**Payment of Stamp Duty at Commercial Bank and receive confirmation of payment from Kenya Revenue Authority** Payment of Stamp Duty is made at a Commercial Banks designated by the Ministry of Land. If the amount exceed k.shs. 1 million, payment is made by RTGS bank transfer. It takes about 4 days for the Kenya Revenue Authority to confirm receipt of payment after which the transfer agreement can be franked or embossed evidencing payment of stamp duty.	4 days	KES 600 (charge for Banker's check) + 4% of property value (stamp Duty)
8	**Lodge stamped transfer document for registration and receive duly registered documents** The stamped transfer documents are lodged for registration at the Lands Office. These documents are generally obtained from seller's lawyers, these being original Certificate of Title, Rates Clearance Certificate, Land Rent Clearance Certificate, and the Consent Transfer. Inform seller's lawyers of registration and pay balance of the purchase price. The certificate of the registered transfer is collected at the Lands Office.	12days	KES 500

* Takes place simultaneously with another procedure.
Source: Doing Business database.

GETTING CREDIT

Two types of frameworks can facilitate access to credit and improve its allocation: credit information systems and the legal rights of borrowers and lenders in collateral and bankruptcy laws. Credit information systems enable lenders to view a potential borrower's financial history (positive or negative)—valuable information to consider when assessing risk. And they permit borrowers to establish a good credit history that will allow easier access to credit. Sound collateral laws enable businesses to use their assets, especially movable property, as security to generate capital—while strong creditors' rights have been associated with higher ratios of private sector credit to GDP.

What do the indicators cover?

Doing Business assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a public credit registry or a private credit bureau. The strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. *Doing Business* uses case scenarios to determine the scope of the secured transactions system, involving a secured borrower and a secured lender and examining legal restrictions on the use of movable collateral. These scenarios assume that the borrower:

- Is a private, limited liability company.
- Has its headquarters and only base of operations in the largest business city.
- Has 100 employees.
- Is 100% domestically owned, as is the lender.

The ranking on the ease of getting credit is based on the percentile rankings on its component indicators: the depth of credit information index (weighted at 37.5%) and the strength of legal rights index (weighted at 62.5%).

WHAT THE GETTING CREDIT INDICATORS MEASURE

Strength of legal rights index (0–10)

Protection of rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

Depth of credit information index (0–6)

Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

Public credit registry coverage (% of adults)

Number of individuals and firms listed in public credit registry as percentage of adult population

Private credit bureau coverage (% of adults)

Number of individuals and firms listed in largest private credit bureau as percentage of adult population

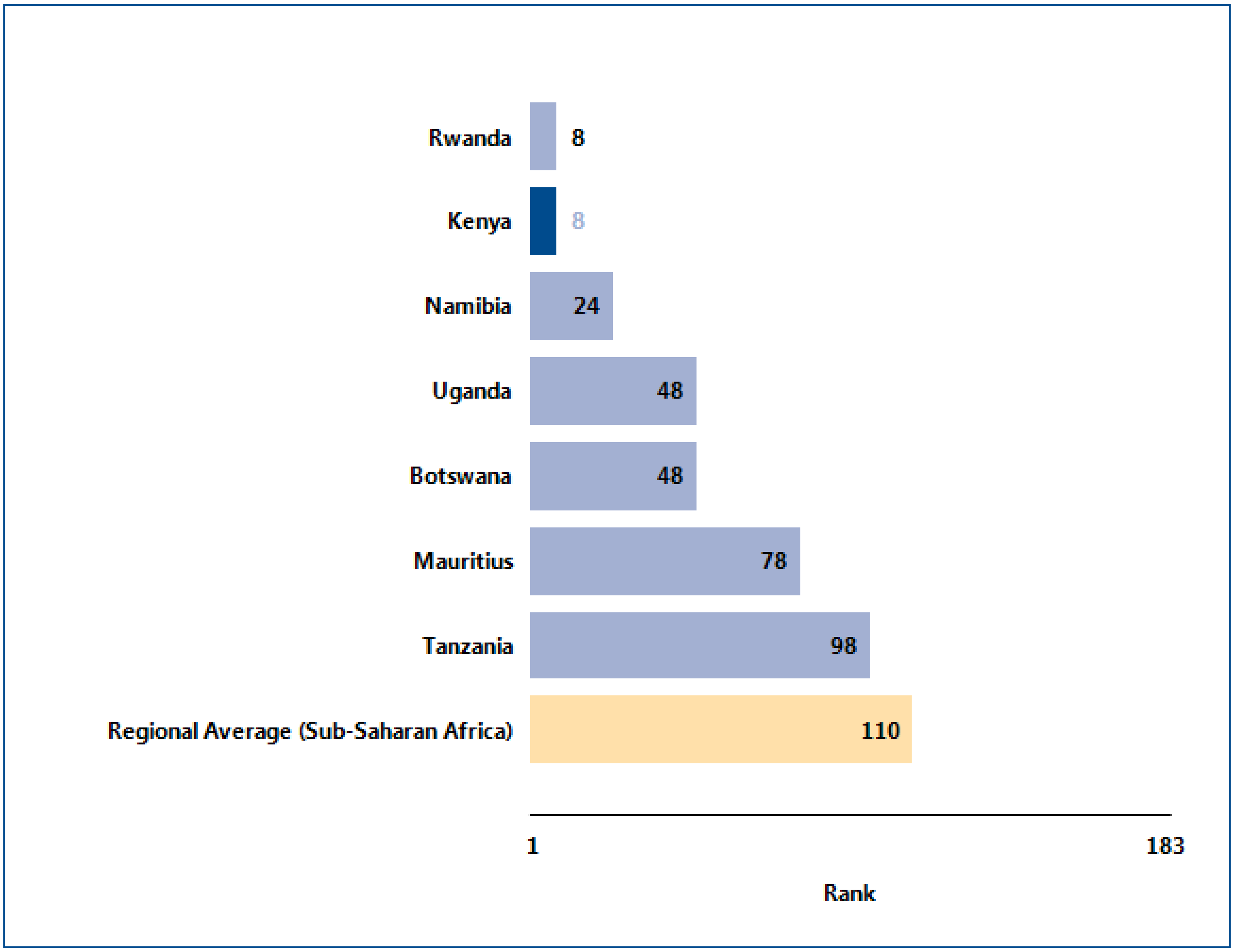
GETTING CREDIT

Where does the economy stand today?

How well do the credit information system and collateral and bankruptcy laws in Kenya facilitate access to credit? The economy has a score of 4 on the depth of credit information index and a score of 10 on the strength of legal rights index (see the summary of scoring at the end of this chapter for details). Higher scores indicate more credit information and stronger legal rights for borrowers and lenders.

Globally, Kenya stands at 8 in the ranking of 183 economies on the ease of getting credit (figure 6.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how well regulations and institutions in Kenya support lending and borrowing.

Figure 6.1 How Kenya and comparator economies rank on the ease of getting credit



Source: Doing Business database.

GETTING CREDIT

What are the changes over time?

While the most recent *Doing Business* data reflect how well the credit information system and collateral and bankruptcy laws in Kenya support lending and borrowing today, data over time can help show where institutions and regulations have been strengthened—and where they have not (table 6.1). That can help identify where the potential for improvement is greatest.

Table 6.1 The ease of getting credit in Kenya over time
By *Doing Business* report year

Indicator	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	8	8
Strength of legal rights index (0-10)	10	10	10	10	10	10	10	10
Depth of credit information index (0-6)	0	2	2	4	4	4	4	4
Public registry coverage (% of adults)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private bureau coverage (% of adults)	0.1	0.1	0.1	1.5	2.1	2.3	3.3	4.5

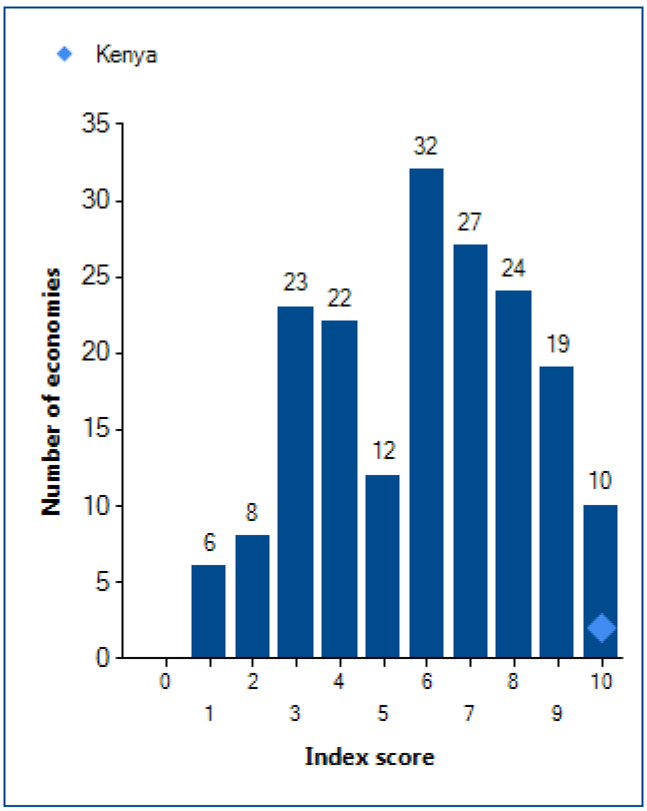
Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.
Source: Doing Business database.

GETTING CREDIT

One way to put an economy's getting credit indicators into context is to see where the economy stands in the distribution of scores across other economies. Figure 6.2 highlights the score on the strength of legal rights index for Kenya in 2011 and shows the number of other economies having the same score in 2011. Figure 6.3 shows the same thing for the depth of credit information index.

Figure 6.2 Have legal rights for borrowers and lenders become stronger?

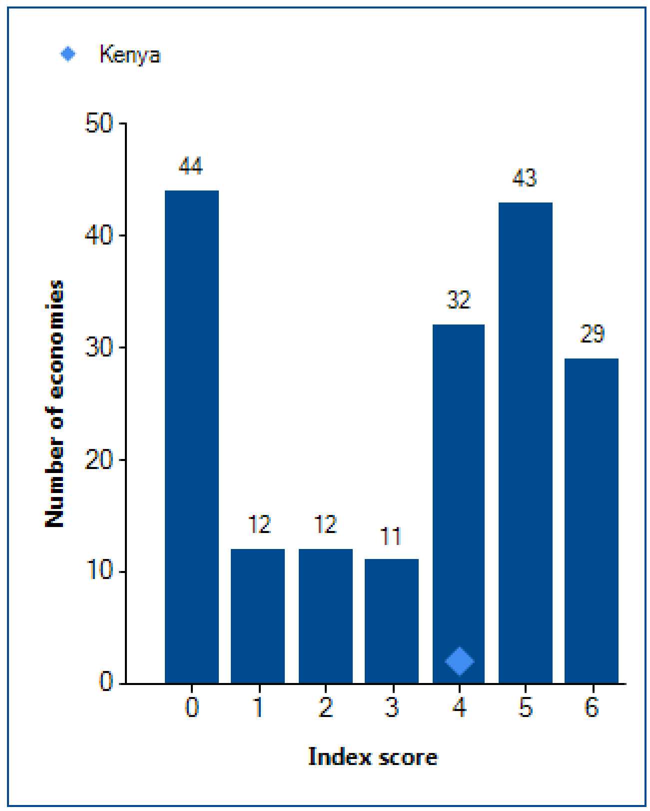
Number of economies with each score on strength of legal rights index (0–10), 2011



Source: Doing Business database.

Figure 6.3 Have the coverage and accessibility of credit information grown?

Number of economies with each score on depth of credit information index (0–6), 2011



Source: Doing Business database.

GETTING CREDIT

When economies strengthen the legal rights of lenders and borrowers under collateral and bankruptcy laws, and increase the scope, coverage and accessibility of credit information, they can increase entrepreneurs' access to credit. What credit reforms has *Doing Business* recorded in Kenya (table 6.2)?

Table 6.2 How has Kenya made getting credit easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	Access to credit was improved by implementing a law on credit bureaus that will provide a framework for a regulated, reliable system of sharing credit information.
DB2009	No reform.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

GETTING CREDIT

What are the details?

The getting credit indicators reported here for Kenya are based on detailed information collected in that economy. The data on credit information sharing are collected through a survey of a public credit registry or private credit bureau (if one exists). To construct the depth of credit information index, a score of 1 is assigned for each of 6 features of the public credit registry or private credit bureau (see summary of scoring below).

The data on the legal rights of borrowers and lenders are gathered through a survey of financial lawyers and verified through analysis of laws and regulations as well as public sources of information on collateral and bankruptcy laws. For the strength of legal rights index, a score of 1 is assigned for each of 8 aspects related to legal rights in collateral law and 2 aspects in bankruptcy law.

Summary of scoring for the getting credit indicators in Kenya

Indicator	Kenya	Sub-Saharan Africa	OECD high income
Strength of legal rights index (0-10)	10	6	7
Depth of credit information index (0-6)	4	2	5
Public registry coverage (% of adults)	0.0	3.2	9.5
Private bureau coverage (% of adults)	4.5	5.0	63.9

Strength of legal rights index (0–10)	Index score: 10
Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?	Yes
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	Yes
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	Yes
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?	Yes
Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	Yes
Is a collateral registry in operation, that is unified geographically and by asset type, with an electronic database indexed by debtor's names?	Yes
Are secured creditors paid first (i.e. before general tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	Yes

Strength of legal rights index (0–10)	Index score: 10
Are secured creditors paid first (i.e. before general tax claims and employee claims) when a business is liquidated?	Yes
Are secured creditors either not subject to an automatic stay or moratorium on enforcement procedures when a debtor enters a court-supervised reorganization procedure, or the law provides secured creditors with grounds for relief from an automatic stay or	Yes
Does the law allow parties to agree in a collateral agreement that the lender may enforce its security right out of court, at the time a security interest is created?	Yes

Depth of credit information index (0–6)	Private credit bureau	Public credit registry	Index score: 4
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative data distributed?	No	No	0
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	Yes	No	1
Are more than 2 years of historical credit information distributed?	No	No	0
Is data on all loans below 1% of income per capita distributed?	Yes	No	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	Yes	No	1

Note: An economy receives a score of 1 if there is a "yes" to either private bureau or public registry.

Coverage	Private credit bureau	Public credit registry
Number of firms	210,000	0
Number of individuals	800,000	0

Source: Doing Business database.

PROTECTING INVESTORS

Investor protections matter for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. If the laws do not provide such protections, investors may be reluctant to invest unless they become the controlling shareholders. Strong regulations clearly define related-party transactions, promote clear and efficient disclosure requirements, require shareholder participation in major decisions of the company and set clear standards of accountability for company insiders.

What do the indicators cover?

Doing Business measures the strength of minority shareholder protections against directors' use of corporate assets for personal gain—or self-dealing. The indicators distinguish 3 dimensions of investor protections: transparency of related-party transactions (extent of disclosure index), liability for self-dealing (extent of director liability index) and shareholders' ability to sue officers and directors for misconduct (ease of shareholder suits index). The ranking on the strength of investor protection index is the simple average of the percentile rankings on these 3 indices. To make the data comparable across economies, a case study uses several assumptions about the business and the transaction.

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders).
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

The transaction involves the following details:

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.
- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to Buyer.
- Shareholders sue the interested parties and the members of the board of directors.

WHAT THE PROTECTING INVESTORS INDICATORS MEASURE

Extent of disclosure index (0–10)

Who can approve related-party transactions

Disclosure requirements in case of related-party transactions

Extent of director liability index (0–10)

Ability of shareholders to hold interested parties and members of the approving body liable in case of related-party transactions

Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)

Ability of shareholders to sue directly or derivatively

Ease of shareholder suits index (0–10)

Access to internal corporate documents (directly or through a government inspector)

Documents and information available during trial

Strength of investor protection index (0–10)

Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices

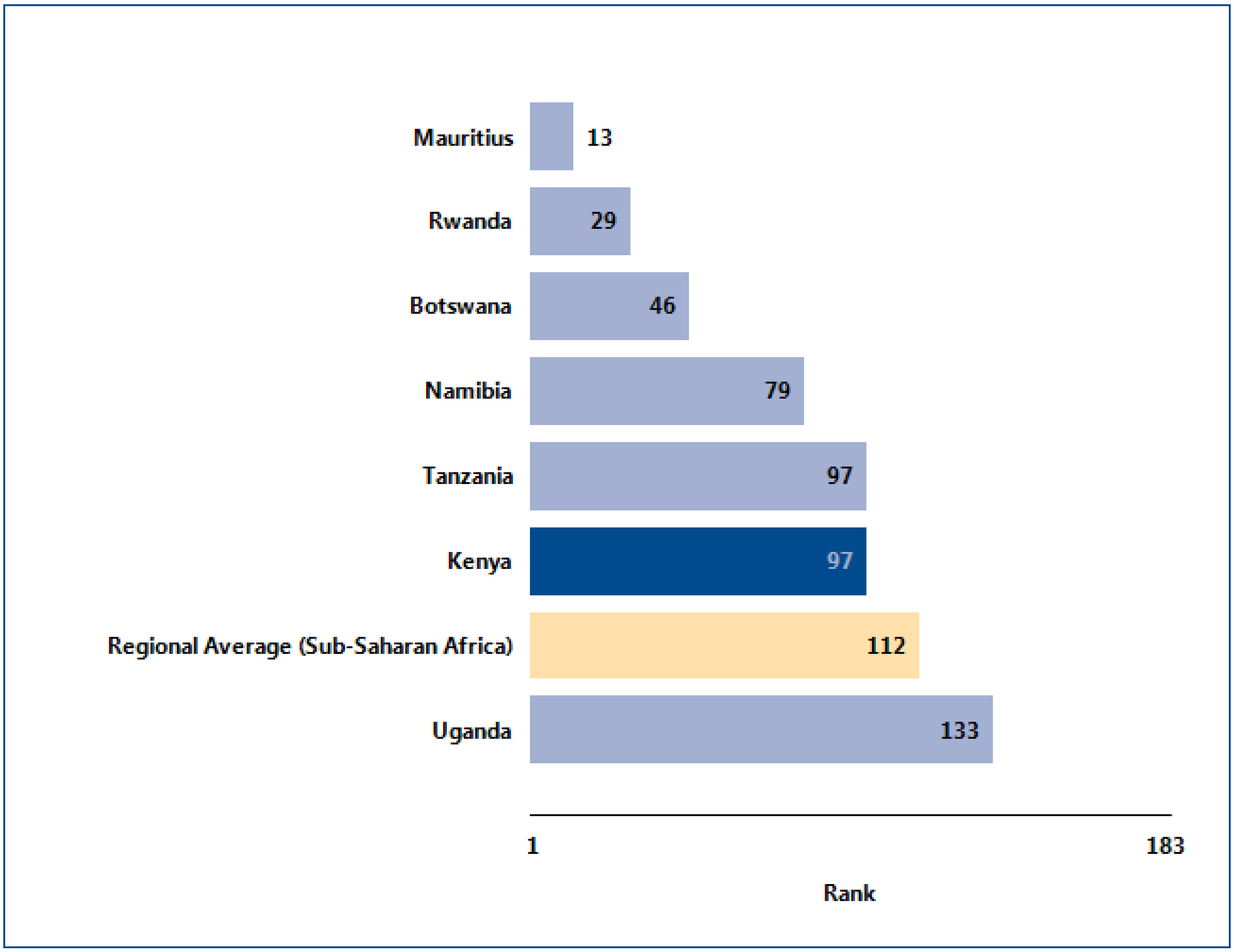
PROTECTING INVESTORS

Where does the economy stand today?

How strong are investor protections in Kenya? The economy has a score of 5.0 on the strength of investor protection index, with a higher score indicating stronger protections (see the summary of scoring at the end of this chapter for details).

Globally, Kenya stands at 97 in the ranking of 183 economies on the strength of investor protection index (figure 7.1). While the indicator does not measure all aspects related to the protection of minority investors, a higher ranking does indicate that an economy's regulations offer stronger investor protections against self-dealing in the areas measured.

Figure 7.1 How Kenya and comparator economies rank on the strength of investor protection index



Source: Doing Business database.

PROTECTING INVESTORS

What are the changes over time?

While the most recent *Doing Business* data reflect how well regulations in Kenya protect minority investors today, data over time show whether the protections have been strengthened (table 7.1). And the global ranking on the strength of investor protection index over time shows whether the economy is slipping behind other economies in investor protections—or surpassing them.

Table 7.1 The strength of investor protections in Kenya over time
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	93	97
Extent of disclosure index (0-10)	3	3	3	3	3	3	3
Extent of director liability index (0-10)	2	2	2	2	2	2	2
Ease of shareholder suits index (0-10)	10	10	10	10	10	10	10
Strength of investor protection index (0-10)	5.0	5.0	5.0	5.0	5.0	5.0	5.0

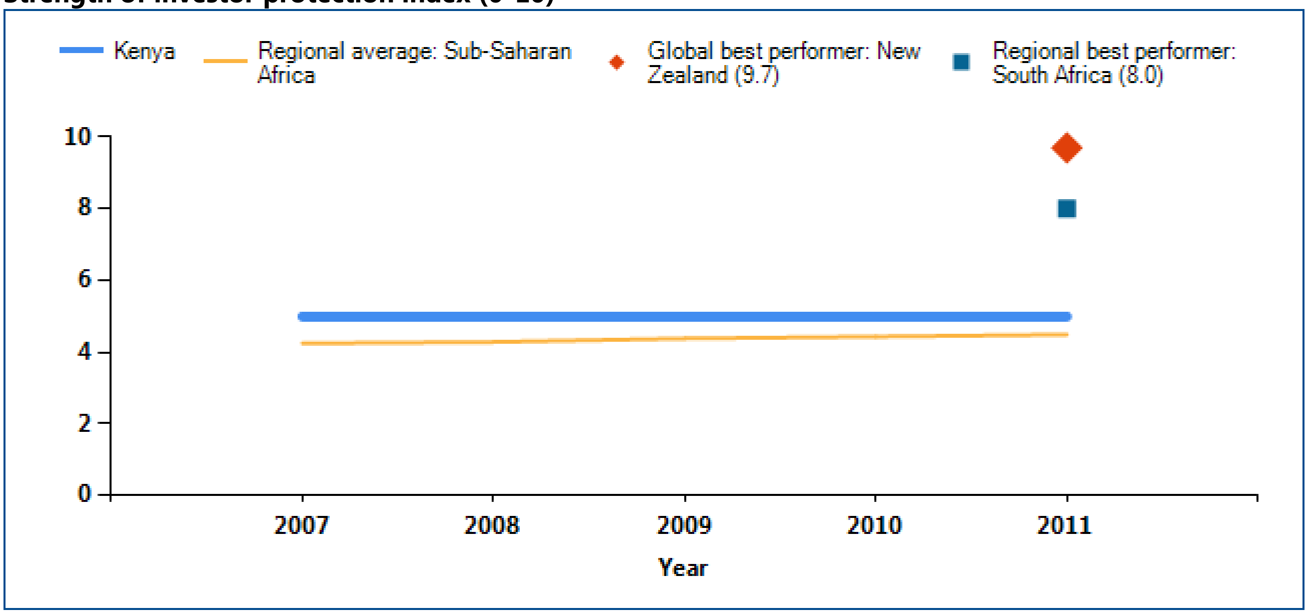
Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.
Source: Doing Business database.

PROTECTING INVESTORS

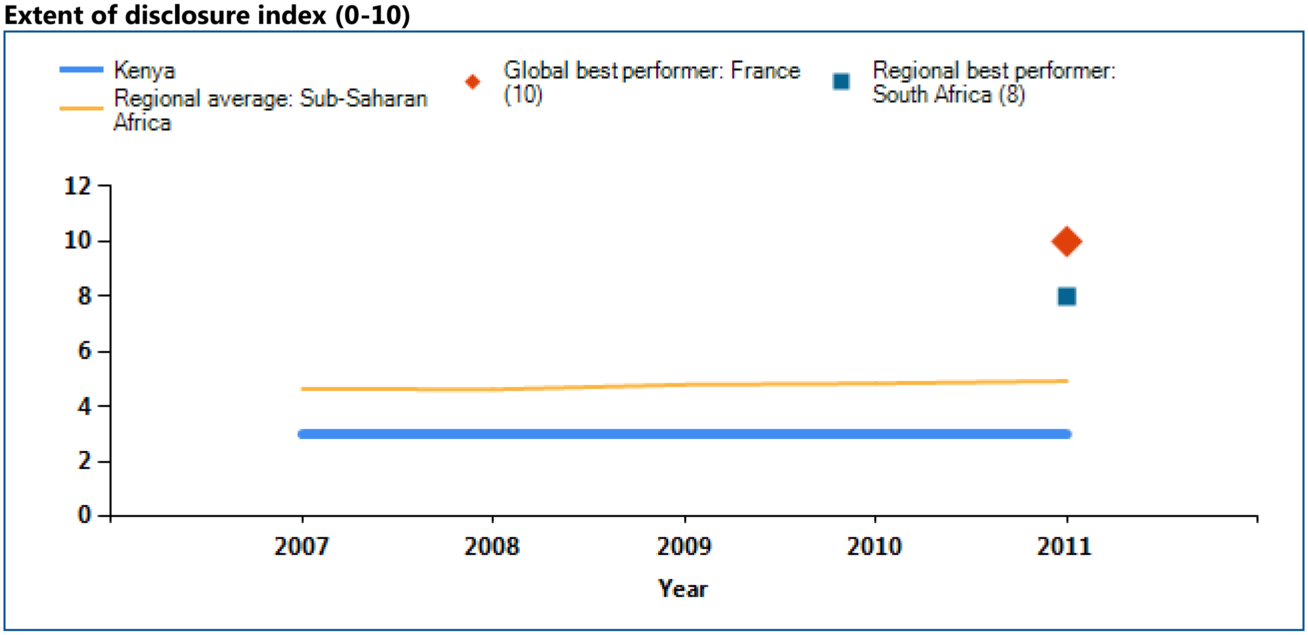
But the overall ranking on the strength of investor protection index tells only part of the story. Economies may offer strong protections in some areas but not others. So the scores recorded over time for Kenya on the extent of disclosure, extent of director liability and ease of shareholder suits indices may also be revealing (figure 7.2). Equally interesting may be the changes over time in the regional average scores for those indices.

Figure 7.2 Have investor protections become stronger?

Strength of investor protection index (0-10)

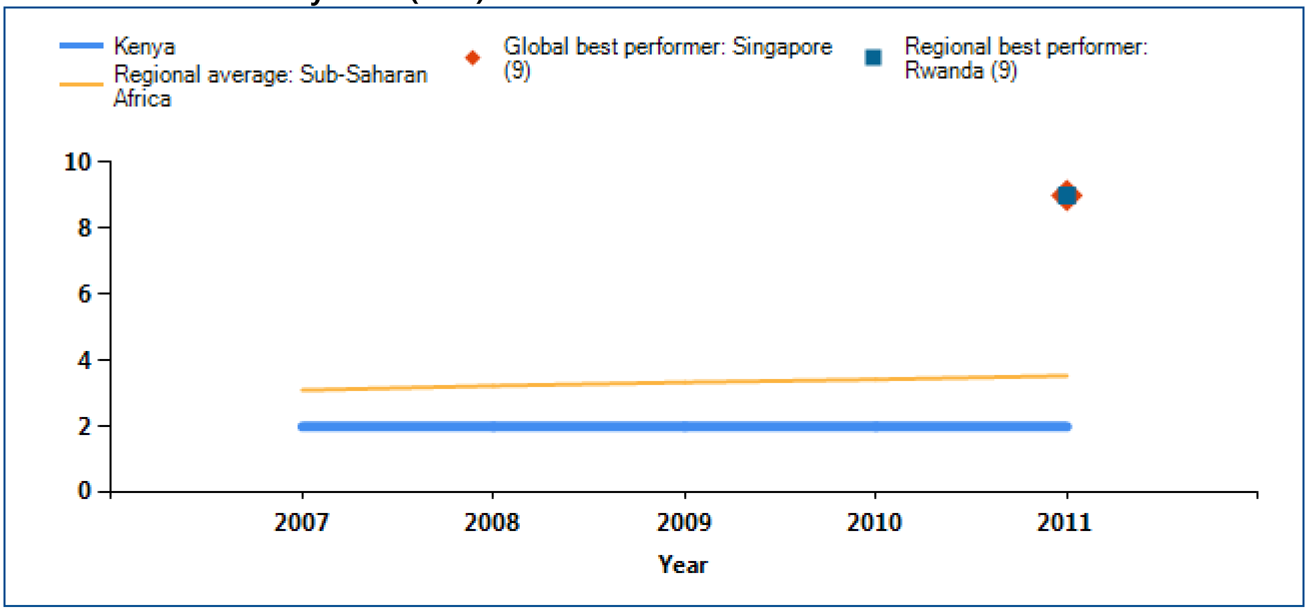


Extent of disclosure index (0-10)

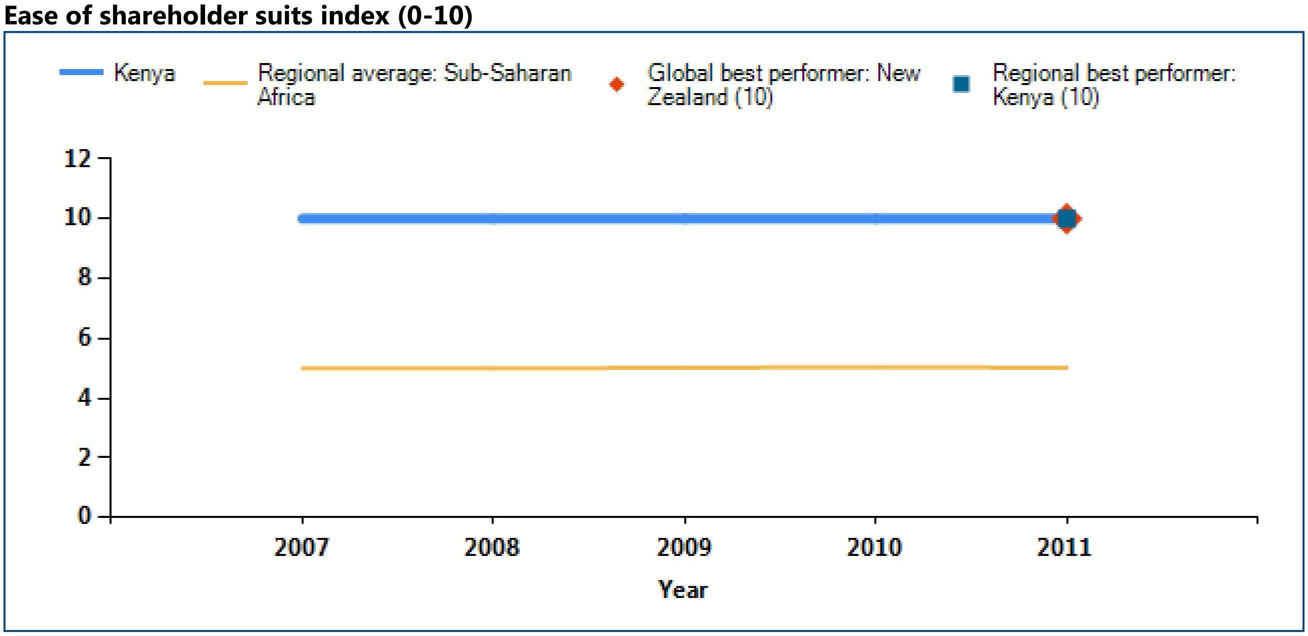


PROTECTING INVESTORS

Extent of director liability index (0-10)



Ease of shareholder suits index (0-10)



Note: The higher the score, the stronger the investor protections. The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator.

Source: Doing Business database.

PROTECTING INVESTORS

Economies with the strongest protections of minority investors from self-dealing require more disclosure and define clear duties for directors. They also have well-functioning courts and up-to-date procedural rules that give minority investors the means to prove their case and obtain a judgment within a reasonable time. So reforms to strengthen investor protections may move ahead on different fronts—such as through new or amended company laws or civil procedure rules. What investor protection reforms has *Doing Business* recorded in Kenya (table 7.2)?

Table 7.2 How has Kenya strengthened investor protections—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	No reform.
DB2009	No reform.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

PROTECTING INVESTORS

What are the details?

The protecting investors indicators reported here for Kenya are based on detailed information collected through a survey of corporate and securities lawyers and are based on securities regulations, company laws and court rules of evidence. To construct the extent of disclosure, extent of director liability and ease of shareholder suits indices, a score is assigned for each of a range of conditions relating to disclosure, director liability and shareholder suits in a standard case study transaction (see the notes at the end of this chapter). The summary below shows the details underlying the scores for Kenya.

Summary of scoring for the protecting investors indicators in Kenya

Indicator	Kenya	Sub-Saharan Africa	OECD high income
Extent of disclosure index (0-10)	3	5	6
Extent of director liability index (0-10)	2	4	5
Ease of shareholder suits index (0-10)	10	5	7
Strength of investor protection index (0-10)	5.0	4.5	6.0

	Score
Extent of disclosure index (0-10)	3
What corporate body provides legally sufficient approval for the transaction?	1
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	2
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	0
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	0
Whether an external body must review the terms of the transaction before it takes place?	0
Extent of director liability index (0-10)	2
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	0
Whether shareholders can hold members of the approving body liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	0

	Score
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	0
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	0
Whether fines and imprisonment can be applied against Mr. James?	0
Ease of shareholder suits index (0-10)	10
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	1
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	1
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	4
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	1
Whether the plaintiff can directly question the defendant and witnesses during trial?	2
Whether the level of proof required for civil suits is lower than that of criminal cases?	1
Strength of investor protection index (0-10)	5.0

Source: Doing Business database.

Notes:

Extent of disclosure index (0–10)

Scoring for the extent of disclosure index is based on 5 components:

Which corporate body can provide legally sufficient approval for the transaction
0 = CEO or managing director alone; 1 = shareholders or board of directors vote and Mr. James can vote; 2 = board of directors votes and Mr. James cannot vote; 3 = shareholders vote and Mr. James cannot vote.

Whether disclosure of the conflict of interest by Mr. James to the board of directors is required
0 = no disclosure; 1 = disclosure of the existence of a conflict without any specifics; 2 = full disclosure of all material facts.

Whether immediate disclosure of the transaction to the public, the regulator or the shareholders is required
0 = no disclosure; 1 = disclosure on the transaction only; 2 = disclosure on the transaction and Mr. James's conflict of interest.

Whether disclosure of the transaction in the annual report is required
0 = no disclosure; 1 = disclosure on the transaction only; 2 = disclosure on the transaction and Mr. James's conflict of interest.

Whether it is required that an external body (for example, an external auditor) review the transaction before it takes place
0 = no; 1 = yes.

Extent of director liability index (0–10)

Scoring for the extent of director liability index is based on 7 components:

Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company
0 = suits are unavailable or available only for shareholders holding more than 10% of the company's share capital; 1 = direct or derivative suits available for shareholders holding 10% of share capital or less.

Whether shareholders can hold Mr. James liable for the damage that the transaction causes to the company
0 = Mr. James is not liable or is liable only if he acted fraudulently or in bad faith; 1 = Mr. James is liable if he influenced the approval or was negligent; 2 = Mr. James is liable if the transaction is unfair or prejudicial to the other shareholders.

Whether shareholders can hold the approving body (the CEO or members of the board of directors) liable for the damage that the transaction causes to the company
0 = members of the approving body are either not liable or liable only if they acted fraudulently or in bad faith; 1 = liable for negligence in the approval of the transaction; 2 = liable if the transaction is unfair or prejudicial to the other shareholders.

Whether a court can void the transaction upon a successful claim by a shareholder plaintiff
0 = rescission is unavailable or available only in case of Seller's fraud or bad faith; 1 = rescission is available when the transaction is oppressive or prejudicial to the other shareholders; 2 = rescission is available when the transaction is unfair or entails a conflict of interest.

Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff
0 = no; 1 = yes.

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff
0 = no; 1 = yes.

Whether both fines and imprisonment can be applied against Mr. James
0 = no; 1 = yes.

Ease of shareholder suits index (0–10)

Scoring for the ease of shareholder suits index is based on 6 components:

What range of documents is available to the plaintiff from the defendant and witnesses during trial
Score of 1 for each of the following: information that the defendant has indicated he intends to rely on for his defense; information that directly proves specific facts in the plaintiff's claim; any information relevant to the subject matter of the claim; and any information that may lead to the discovery of relevant information.

Whether the plaintiff can directly examine the defendant and witnesses during trial
0 = no; 1 = yes, with prior approval by the court of the questions posed; 2 = yes, without prior approval.

Whether the plaintiff can obtain categories of relevant documents from the defendant without identifying each document specifically
0 = no; 1 = yes.

Whether shareholders owning 10% or less of the company's share capital can request that a government inspector investigate the transaction without filing suit in court
0 = no; 1 = yes.

Whether shareholders owning 10% or less of the company's share capital have the right to inspect the transaction documents before filing suit
0 = no; 1 = yes.

Whether the standard of proof for civil suits is lower than that for a criminal case
0 = no; 1 = yes.

Strength of investor protection index (0–10)

Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices.

PAYING TAXES

Taxes are essential. They fund the public amenities, infrastructure and services that are crucial for a properly functioning economy. But the level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. According to *Doing Business* data, in economies where it is more difficult and costly to pay taxes, larger shares of economic activity end up in the informal sector—where businesses pay no taxes at all.

What do the indicators cover?

Using a case scenario, *Doing Business* measures the taxes and mandatory contributions that a medium-size company must pay in a given year as well as the administrative burden of paying taxes and contributions. This case scenario uses a set of financial statements and assumptions about transactions made over the year. Information is also compiled on the frequency of filing and payments as well as time taken to comply with tax laws. The ranking on the ease of paying taxes is the simple average of the percentile rankings on its component indicators: number of annual payments, time and total tax rate, with a threshold being applied to the total tax rate.[2] To make the data comparable across economies, several assumptions about the business and the taxes and contributions are used.

- TaxpayerCo is a medium-size business that started operations on January 1, 2009.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government.

WHAT THE PAYING TAXES INDICATORS MEASURE

Tax payments for a manufacturing company in 2010 (number per year adjusted for electronic or joint filing and payment)

Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)

Method and frequency of filing and payment

Time required to comply with 3 major taxes (hours per year)

Collecting information and computing the tax payable

Completing tax return forms, filing with proper agencies

Arranging payment or withholding

Preparing separate tax accounting books, if required

Total tax rate (% of profit before all taxes)

Profit or corporate income tax

Social contributions and labor taxes paid by the employer

Property and property transfer taxes

Dividend, capital gains and financial transactions taxes

Waste collection, vehicle, road and other taxes

- Taxes and mandatory contributions include corporate income tax, turnover tax and all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

[2] The threshold is defined as the highest total tax rate among the top 30% of economies in the ranking on the total tax rate. It will be calculated and adjusted on a yearly basis. The threshold is not based on any underlying theory. Instead, it is intended to mitigate the effect of very low tax rates on the ranking on the ease of paying taxes.

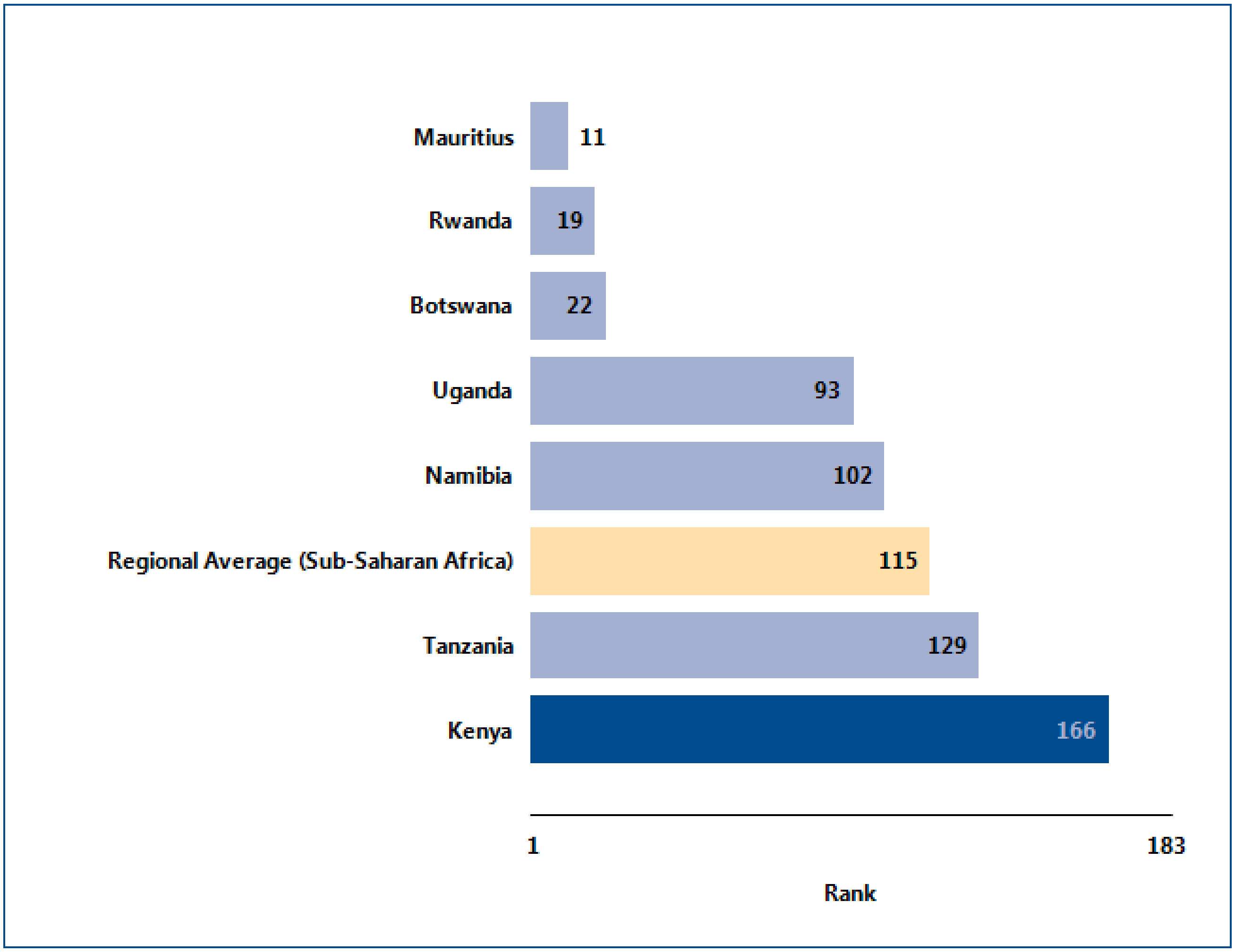
PAYING TAXES

Where does the economy stand today?

What is the administrative burden of complying with taxes in Kenya—and how much do firms pay in taxes? On average, firms make 41 tax payments a year, spend 393 hours a year filing, preparing and paying taxes and pay total taxes amounting to 33.1% of profit (see the summary at the end of this chapter for details).

Globally, Kenya stands at 166 in the ranking of 183 economies on the ease of paying taxes (figure 8.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing the tax compliance burden for businesses in Kenya.

Figure 8.1 How Kenya and comparator economies rank on the ease of paying taxes



Note: DB2012 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 32.5% applied in DB2012, the total tax rate is set at 32.5% for the purpose of calculating the ranking on the ease of paying taxes.
Source: Doing Business database.

PAYING TAXES

What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to comply with tax rules in Kenya today, data over time show which aspects of the process have changed — and which have not (table 8.1). That can help identify where the potential for easing tax compliance is greatest.

Table 8.1 The ease of paying taxes in Kenya over time
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	163	166
Payments (number per year)	42	42	41	41	41	41	41
Time (hours per year)	372	432	432	417	417	393	393
Total tax rate (% profit)	50.2	50.2	49.7	49.7	49.7	49.7	49.6

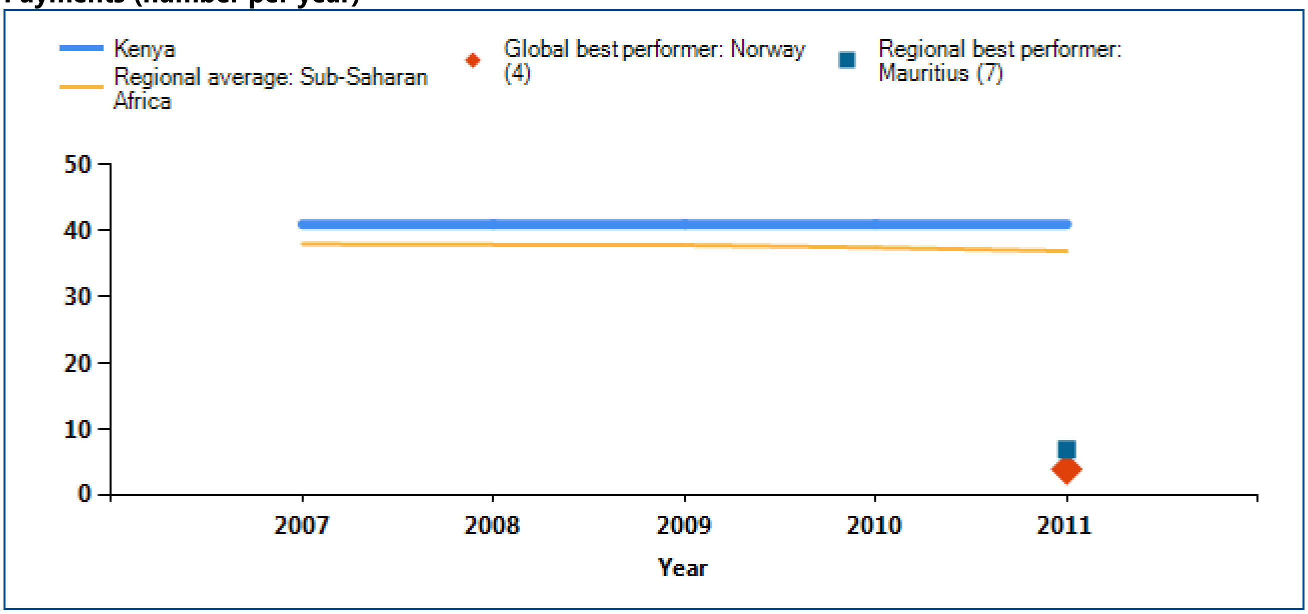
Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 32.5% applied in DB2012, the total tax rate is set at 32.5% for the purpose of calculating the rank on the ease of paying taxes.
Source: Doing Business database.

PAYING TAXES

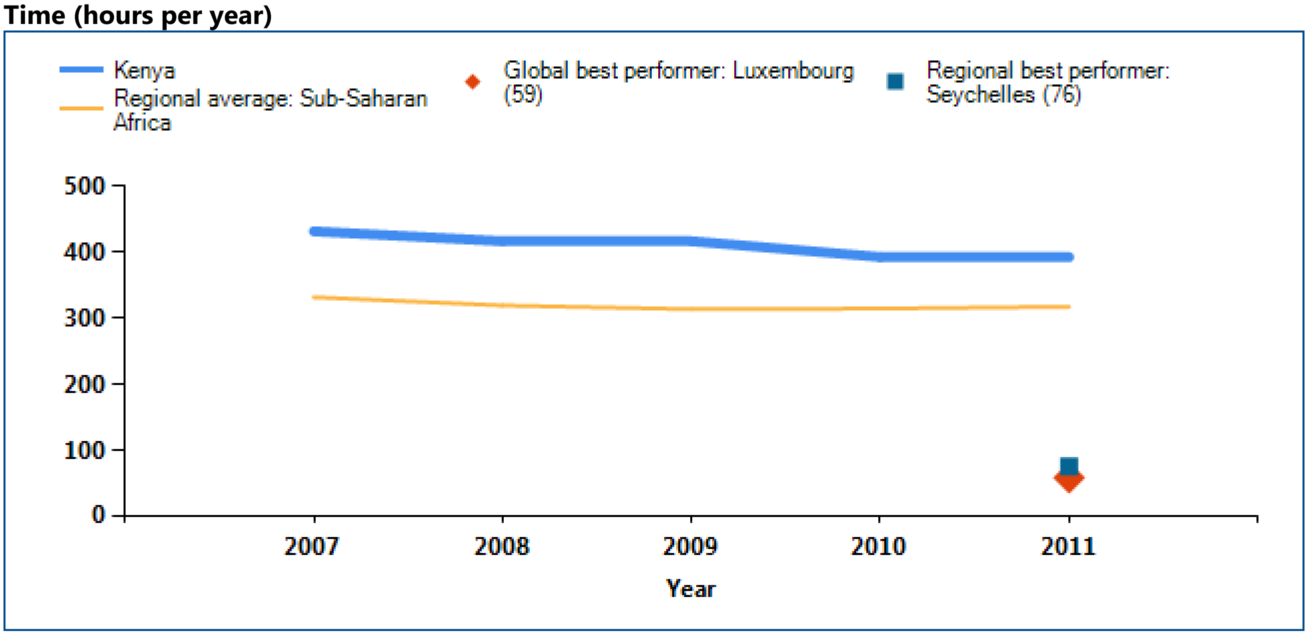
Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the number of payments or the time required to prepare and file taxes (figure 8.2). These economies may provide a model for Kenya on ways to ease the administrative burden of tax compliance. And changes in regional averages can show where Kenya is keeping up—and where it is falling behind.

Figure 8.2 Has paying taxes become easier over time?

Payments (number per year)

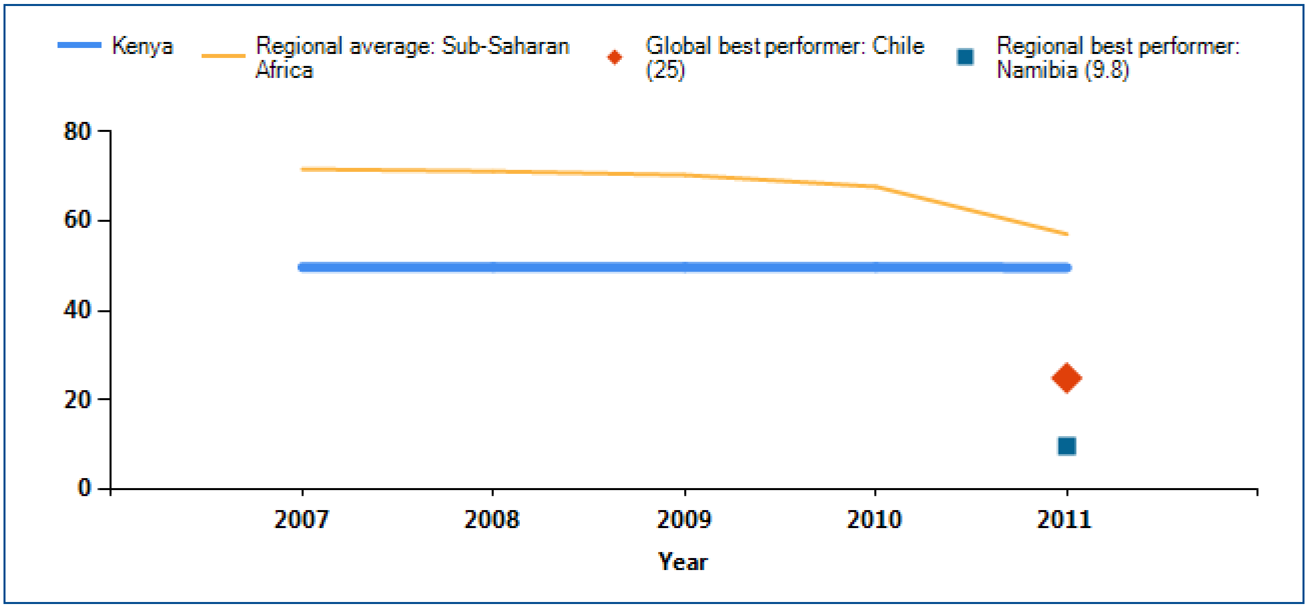


Time (hours per year)



PAYING TAXES

Total tax rate (% of profit)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. The best performer globally on an indicator has implemented the most efficient practices in its tax system but is not necessarily the one with the highest ranking on the indicator. In some cases 2 or more economies share the top regional ranking on an indicator. DB2012 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 32.5% applied in DB2012, the total tax rate is set at 32.5% for the purpose of calculating the ranking on the ease of paying taxes.
Source: Doing Business database.

PAYING TAXES

Economies around the world have made paying taxes faster and easier for businesses—such as by consolidating filings, reducing the frequency of payments or offering electronic filing and payment. Many have lowered tax rates. Changes have brought concrete results. Some economies simplifying tax payment and reducing rates have seen tax revenue rise. What tax reforms has *Doing Business* recorded in Kenya (table 8.2)?

Table 8.2 How has Kenya made paying taxes easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	Kenya increased the administrative burden of paying taxes by requiring quarterly filing of payroll taxes.
DB2010	No reform.
DB2009	No reform.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

PAYING TAXES

What are the details?

The indicators reported here for Kenya are based on a standard set of taxes and contributions that would be paid by the case study company used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). Tax practitioners are asked to review standard financial statements as well as a standard list of transactions that the company completed during the year. Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so. The taxes and contributions paid are listed in the summary below, along with the associated number of payments, time and tax rate.

Summary of tax rates and administrative burden in Kenya

Indicator	Kenya	Sub-Saharan Africa	OECD high income
Payments (number per year)	41	37	13
Time (hours per year)	393	318	186
Profit tax (%)	33.1	18.1	15.4
Labor tax and contributions (%)	6.8	13.5	24.0
Other taxes (%)	9.7	25.5	3.2
Total tax rate (% profit)	49.6	57.1	42.7

Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Corporate Income tax	5		60	30.0%	taxable profits	33.1	
Social Security (NSSF)	12		57	5.0%	gross salaries	5.3	
Single business permit - manufacturer	1		0	fixed fee (KES 100,000)		4.2	
Standards levy	2		0	0.2%	net sales	3.5	
Training or apprentice tax	2		0	KES 600 per employee	number of employees	1.5	
Advance Motor Vehicle tax	1		0	KES 1,500 per ton	vehicle's weight	1	included in other taxes

Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Single business permit - trader	1		0	fixed fee (KES 20,000)		0.8	
Fuel tax - excise duty	1		0	KES 10.31 per liter	fuel consumption	0.4	
Tax on interest	0		0	15.0%	interest income	0.4	included in other taxes
Road maintenance levy	0	paid jointly	0	KES 9 per liter	fuel consumption	0.4	
Land Rates	1		0	0.6%	land value	0.3	
Land Rent	1		0	various rates		0	
Tax on check transactions	1		0	KES 2 per check	number of checks	0	
Petroleum development duty	0	paid jointly	0	KES 0.4 per liter	fuel consumption	0	
Stamp duty on contracts	1		0	various rates	type of contract	0	small amount
Value added tax (VAT)	12		276	16.0%	value added	0	not included
Totals	**41**		**393**			**49.6**	

Note: DB2012 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 32.5% applied in DB2012, the total tax rate is set at 32.5% for the purpose of calculating the ranking on the ease of paying taxes.
Source: Doing Business database.

TRADING ACROSS BORDERS

In today's globalized world, making trade between economies easier is increasingly important for business. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Research shows that exporters in developing countries gain more from a 10% drop in their trading costs than from a similar reduction in the tariffs applied to their products in global markets.

What do the indicators cover?

Doing Business measures the time and cost (excluding tariffs) associated with exporting and importing a standard shipment of goods by ocean transport, and the number of documents necessary to complete the transaction. The indicators cover procedural requirements such as documentation requirements and procedures at customs and other regulatory agencies as well as at the port. They also cover trade logistics, including the time and cost of inland transport to the largest business city. The ranking on the ease of trading across borders is the simple average of the percentile rankings on its component indicators: documents, time and cost to export and import.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the traded goods.

The business:

- Is of medium size and employs 60 people.
- Is located in the periurban area of the economy's largest business city.
- Is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the economy.

The traded goods:

- Are not hazardous nor do they include military items.
- Do not require refrigeration or any other special environment.
- Do not require any special phytosanitary or environmental safety standards other than accepted international standards.
- Are one of the economy's leading export or import products.
- Are transported in a dry-cargo, 20-foot full container load.

WHAT THE TRADING ACROSS BORDERS INDICATORS MEASURE

Documents required to export and import (number)

Bank documents

Customs clearance documents

Port and terminal handling documents

Transport documents

Time required to export and import (days)

Obtaining all the documents

Inland transport and handling

Customs clearance and inspections

Port and terminal handling

Does not include ocean transport time

Cost required to export and import (US$ per container)

All documentation

Inland transport and handling

Customs clearance and inspections

Port and terminal handling

Official costs only, no bribes

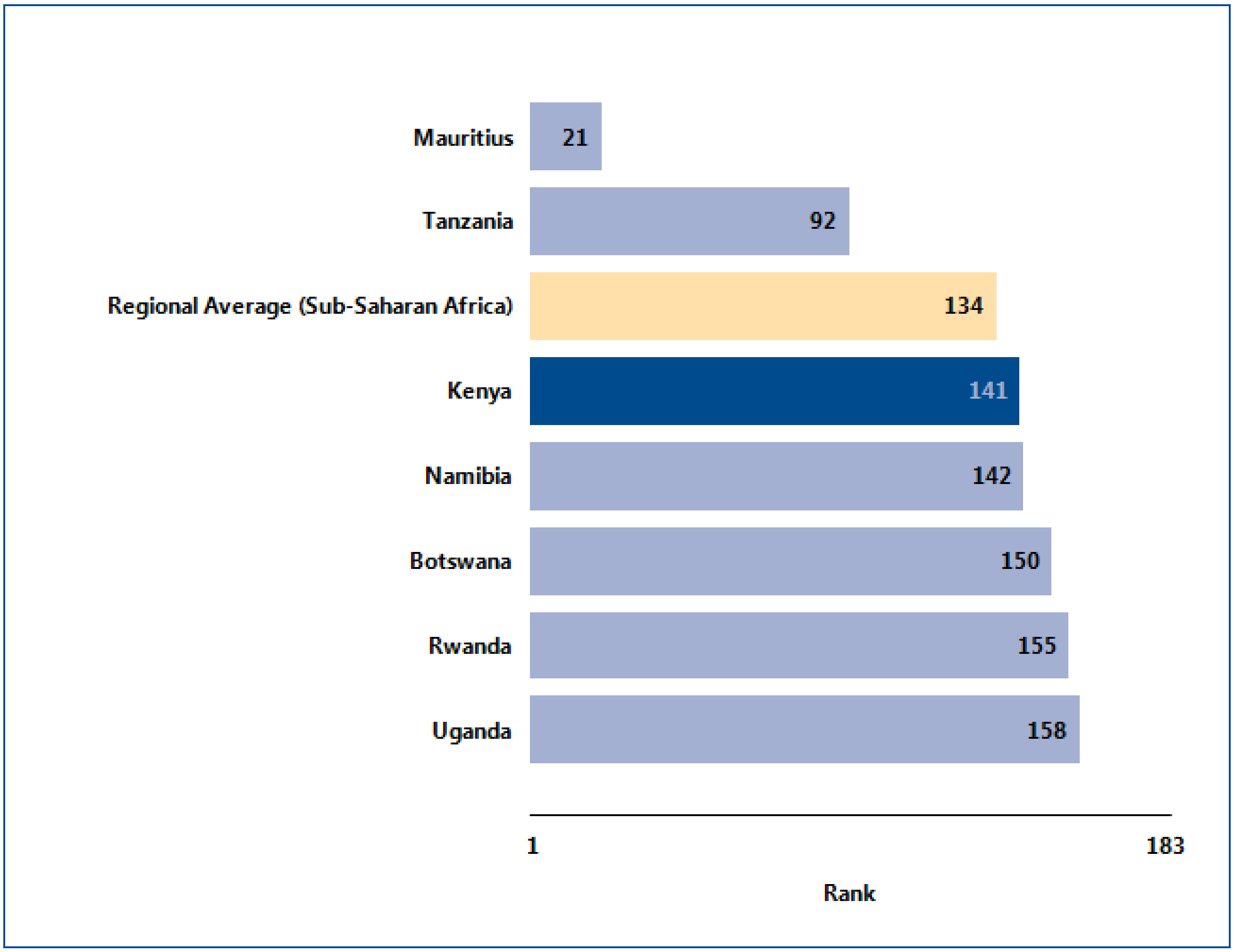
TRADING ACROSS BORDERS

Where does the economy stand today?

What does it take to export or import in Kenya? According to data collected by *Doing Business*, exporting a standard container of goods requires 8 documents, takes 26 days and costs $2055. Importing the same container of goods requires 7 documents, takes 24 days and costs $2190 (see the summary of procedures and documents at the end of this chapter for details).

Globally, Kenya stands at 141 in the ranking of 183 economies on the ease of trading across borders (figure 9.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for a business in Kenya to export and import goods.

Figure 9.1 How Kenya and comparator economies rank on the ease of trading across borders



Source: Doing Business database.

TRADING ACROSS BORDERS

What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to export or import in Kenya today, data over time show which aspects of the process have changed—and which have not (table 9.1). That can help identify where the potential for improvement is greatest.

Table 9.1 The ease of trading across borders in Kenya over time
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	141	141
Documents to export (number)	7	8	8	8	8	8	8
Time to export (days)	45	29	29	29	27	26	26
Cost to export (US$ per container)	1,980	1,955	1,955	2,055	2,055	2,055	2,055
Documents to import (number)	12	7	7	7	7	7	7
Time to import (days)	62	37	37	26	25	24	24
Cost to import (US$ per container)	2,325	1,995	1,995	2,190	2,190	2,190	2,190

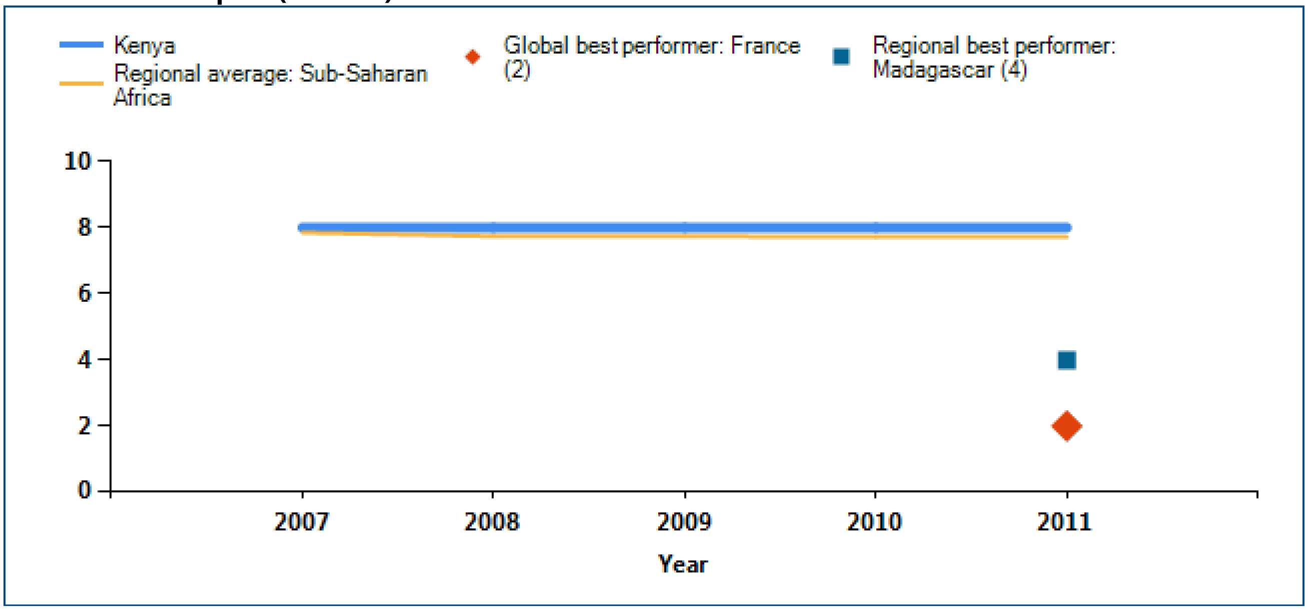
Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.
Source: Doing Business database.

Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the documents, time or cost required to export or import (figure 9.2). These economies may provide a model for Kenya on ways to improve the ease of trading across borders. And changes in regional averages can show where Kenya is keeping up—and where it is falling behind.

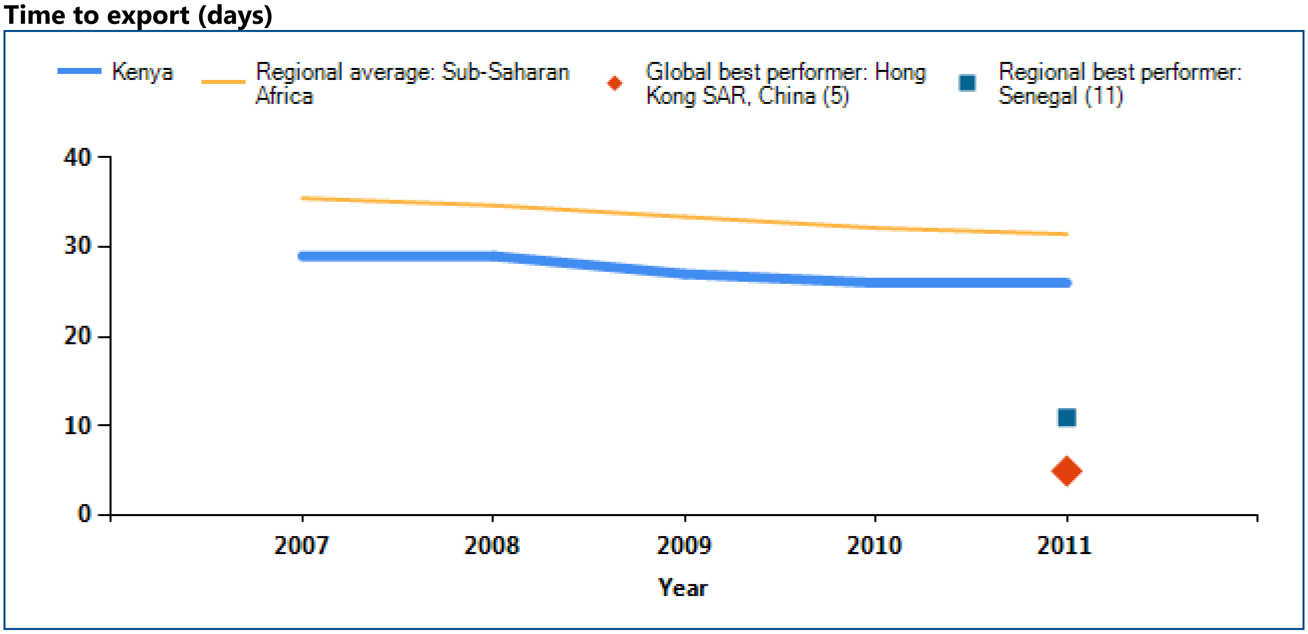
TRADING ACROSS BORDERS

Figure 9.2 Has trading across borders become easier over time?

Documents to export (number)

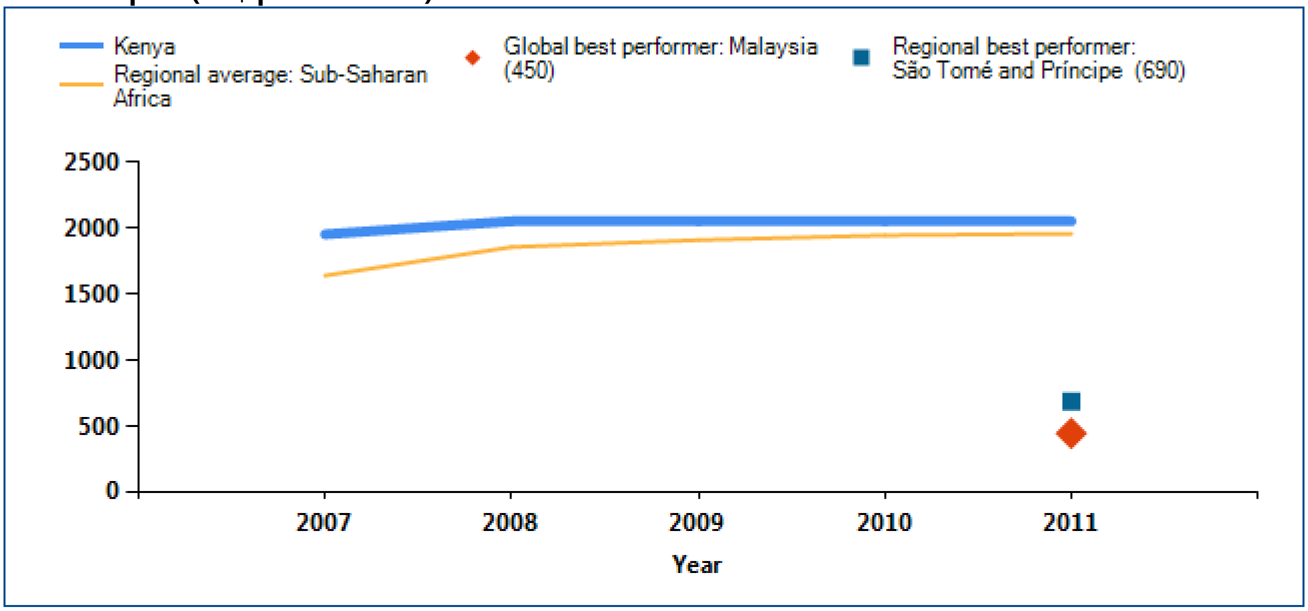


Time to export (days)

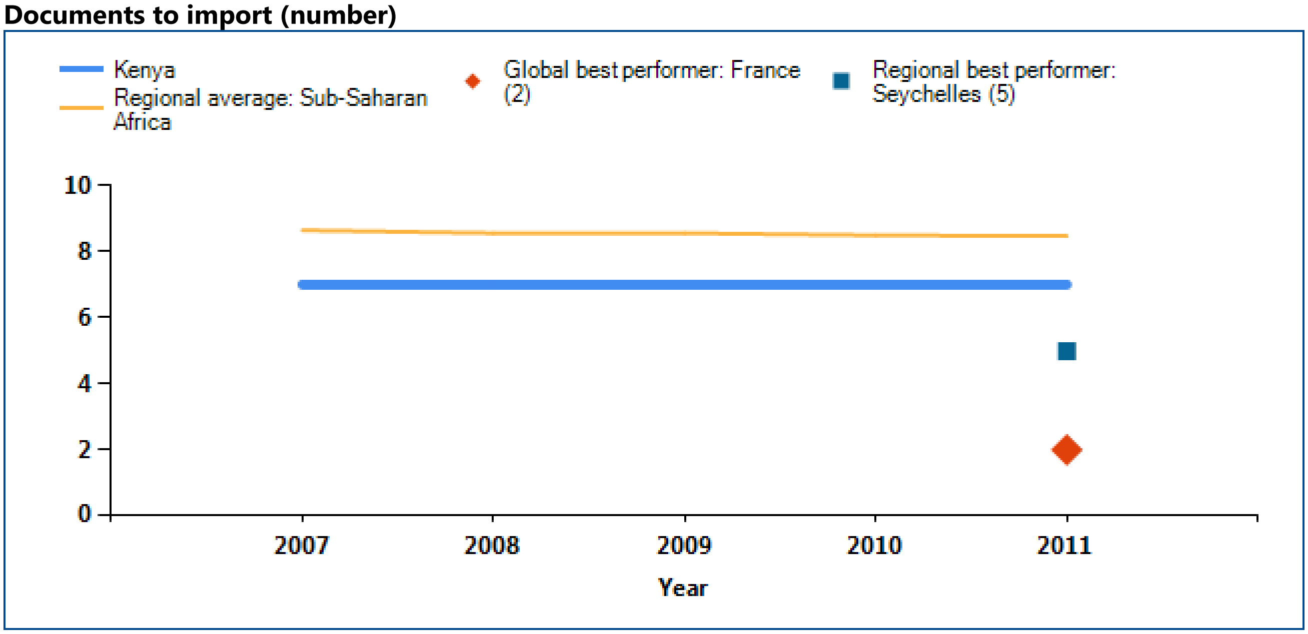


TRADING ACROSS BORDERS

Cost to export (US$ per container)

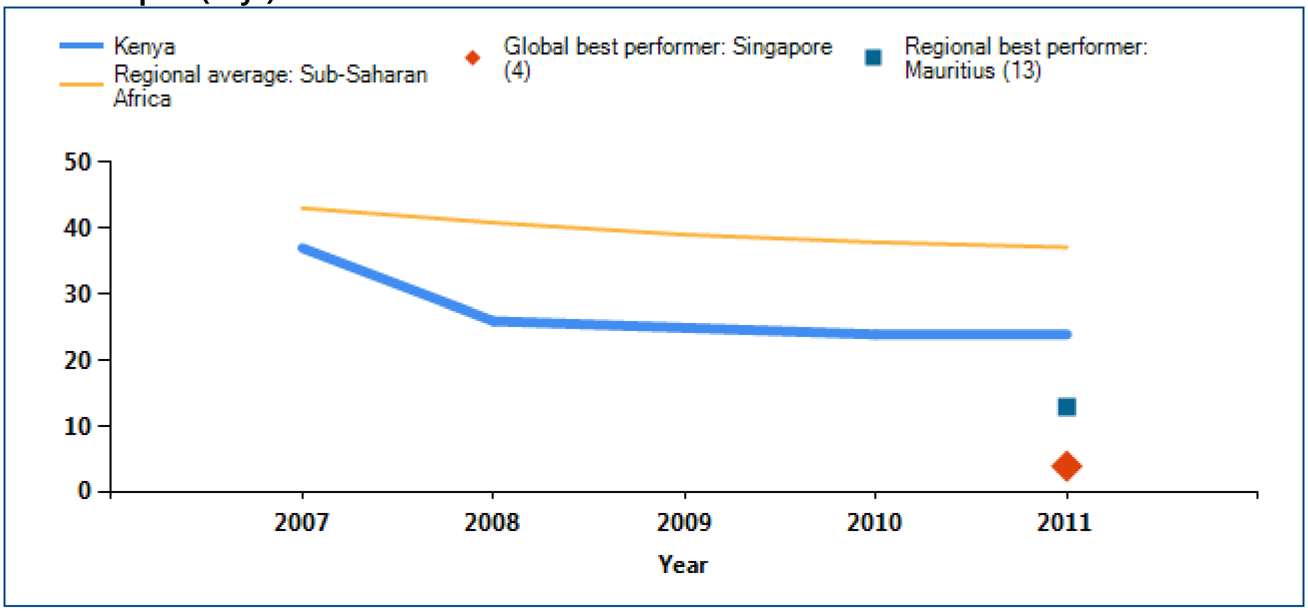


Documents to import (number)

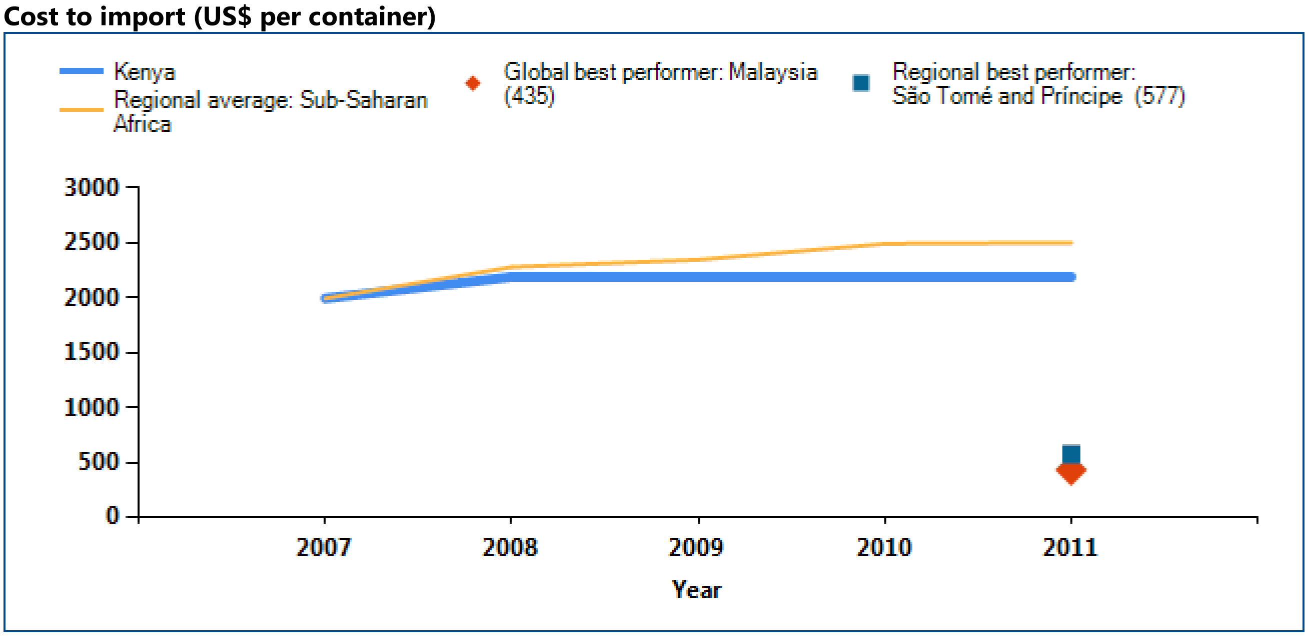


TRADING ACROSS BORDERS

Time to import (days)



Cost to import (US$ per container)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator.
Source: Doing Business database.

TRADING ACROSS BORDERS

In economies around the world, trading across borders as measured by *Doing Business* has become faster and easier over the years. Governments have introduced tools to facilitate trade—including single windows, risk-based inspections and electronic data interchange systems. These changes help improve the trading environment and boost firms' international competitiveness. What trade reforms has *Doing Business* recorded in Kenya (table 9.2)?

Table 9.2 How has Kenya made trading across borders easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	Kenya speeded up trade by implementing an electronic cargo tracking system and linking this system to the Kenya Revenue Authority's electronic data interchange system for customs clearance.
DB2010	No reform.
DB2009	Major trade reforms were implemented, reducing the overall time to import. The opening hours of customs and port authorities were extended, and the number of inspection points between Nairobi and Mombasa port reduced. Kenya also introduced an electronic system allowing traders to submit their documents online.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

TRADING ACROSS BORDERS

What are the details?

The indicators reported here for Kenya are based on a set of specific procedural requirements for trading a standard shipment of goods by ocean transport (see the section in this chapter on what the indicators cover). Information on the procedures as well as the required documents and the time and cost to complete each procedure is collected from local freight forwarders, shipping lines, customs brokers, port officials and banks. The procedural requirements, and the associated time and cost, for exporting and importing a standard shipment of goods are listed in the summary below, along with the required documents.

Summary of procedures and documents for trading across borders in Kenya

Indicator	Kenya	Sub-Saharan Africa	OECD high income
Documents to export (number)	8	8	4
Time to export (days)	26	31	10
Cost to export (US$ per container)	2055	1,960	1,032
Documents to import (number)	7	8	5
Time to import (days)	24	37	11
Cost to import (US$ per container)	2190	2,502	1,085

Procedures to export	Time (days)	Cost (US$)
Documents preparation	12	305
Customs clearance and technical control	4	375
Ports and terminal handling	6	375
Inland transportation and handling	4	1000
Totals	26	2055

Procedures to import	Time (days)	Cost (US$)
Documents preparation	11	250
Customs clearance and technical control	3	430
Ports and terminal handling	6	390
Inland transportation and handling	4	1120
Totals	24	2190

TRADING ACROSS BORDERS

Documents to export
Bill of lading
Cargo delivery order
Certificate of origin
Customs export declaration
Commercial Invoice
Inspection report
Packing List
Terminal Handling receipts

Documents to import
Bill of lading
Certificate of origin
Commercial invoice
Customs import declaration
Inspection report
Packing list
Terminal handling receipts

ENFORCING CONTRACTS

Well-functioning courts help businesses expand their network and markets. Without effective contract enforcement, people might well do business only with family, friends and others with whom they have established relationships. Where contract enforcement is efficient, firms are more likely to engage with new borrowers or customers, and they have greater access to credit.

What do the indicators cover?

Doing Business measures the efficiency of the judicial system in resolving a commercial dispute before local courts. Following the step-by-step evolution of a standardized case study, it collects data relating to the time, cost and procedural complexity of resolving a commercial lawsuit. The ranking on the ease of enforcing contracts is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

The dispute in the case study involves the breach of a sales contract between 2 domestic businesses. The case study assumes that the court hears an expert on the quality of the goods in dispute. This distinguishes the case from simple debt enforcement. To make the data comparable across economies, *Doing Business* uses several assumptions about the case:

- The seller and buyer are located in the economy's largest business city.
- The buyer orders custom-made goods, then fails to pay.
- The seller sues the buyer before a competent court.
- The value of the claim is 200% of income per capita.
- The seller requests a pretrial attachment to secure the claim.
- The dispute on the quality of the goods requires an expert opinion.
- The judge decides in favor of the seller; there is no appeal.
- The seller enforces the judgment through a public sale of the buyer's movable assets.

WHAT THE ENFORCING CONTRACTS INDICATORS MEASURE

Procedures to enforce a contract through the courts (number)

Any interaction between the parties in a commercial dispute, or between them and the judge or court officer

Steps to file and serve the case

Steps for trial and judgment

Steps to enforce the judgment

Time required to complete procedures (calendar days)

Time to file and serve the case

Time for trial and obtaining judgment

Time to enforce the judgment

Cost required to complete procedures (% of claim)

No bribes

Average attorney fees

Court costs, including expert fees

Enforcement costs

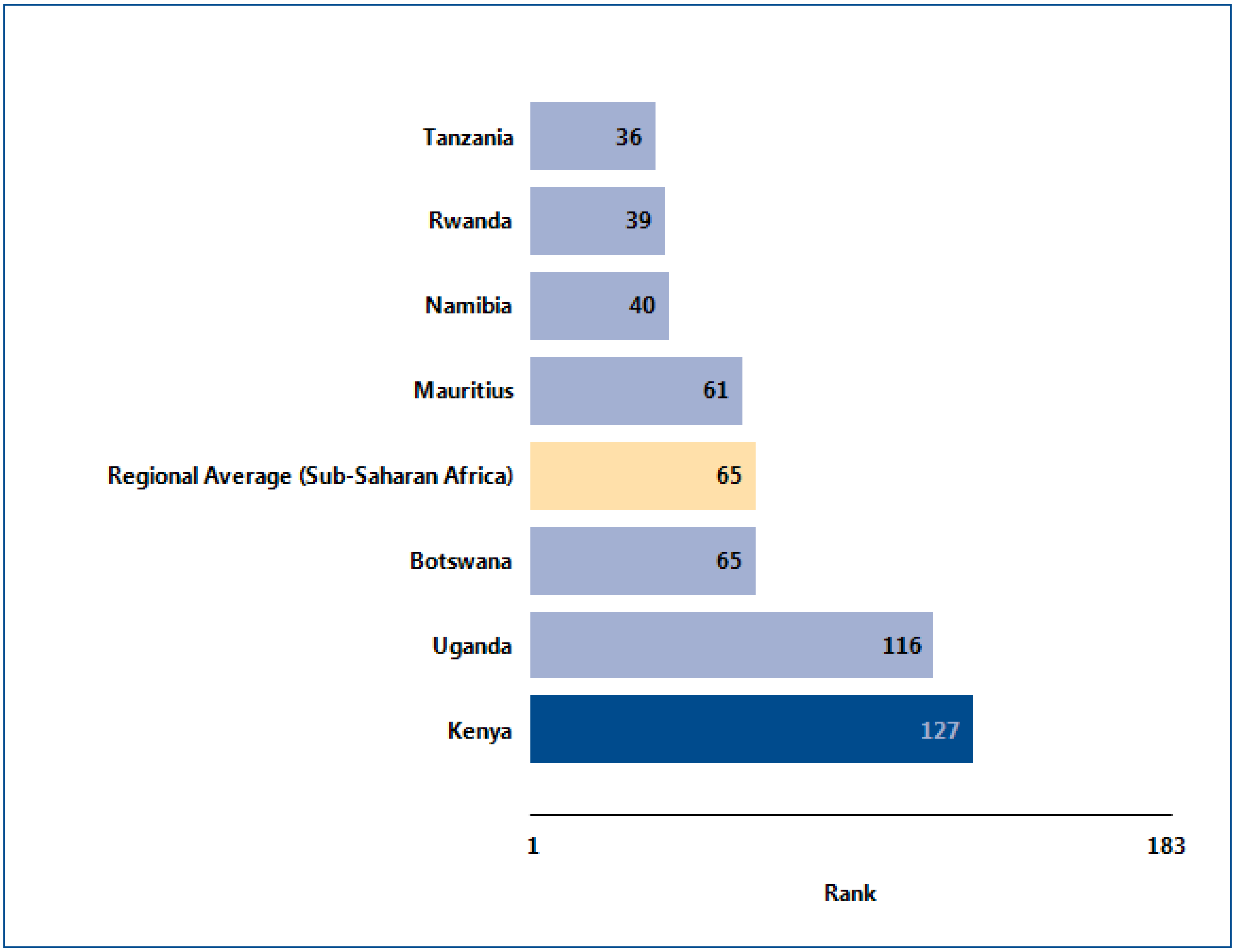
ENFORCING CONTRACTS

Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in Kenya? According to data collected by *Doing Business*, enforcing a contract requires 40 procedures, takes 465 days and costs 47.2% of the value of the claim (see the summary at the end of this chapter for details).

Globally, Kenya stands at 127 in the ranking of 183 economies on the ease of enforcing contracts (figure 10.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of contract enforcement in Kenya.

Figure 10.1 How Kenya and comparator economies rank on the ease of enforcing contracts



Source: Doing Business database.

ENFORCING CONTRACTS

What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to enforce a contract in Kenya today, data on the underlying indicators over time help identify which areas have changed and where the potential for improvement is greatest (table 10.1).

Table 10.1 The ease of enforcing contracts in Kenya over time
By *Doing Business* report year

Indicator	DB2004	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	..	126	127
Time (days)	465	465	465	465	465	465	465	465	465
Cost (% of claim)	34.2	34.2	34.2	34.2	34.2	34.2	47.2	47.2	47.2
Procedures (number)	40	40	40	40	40	40	40	40	40

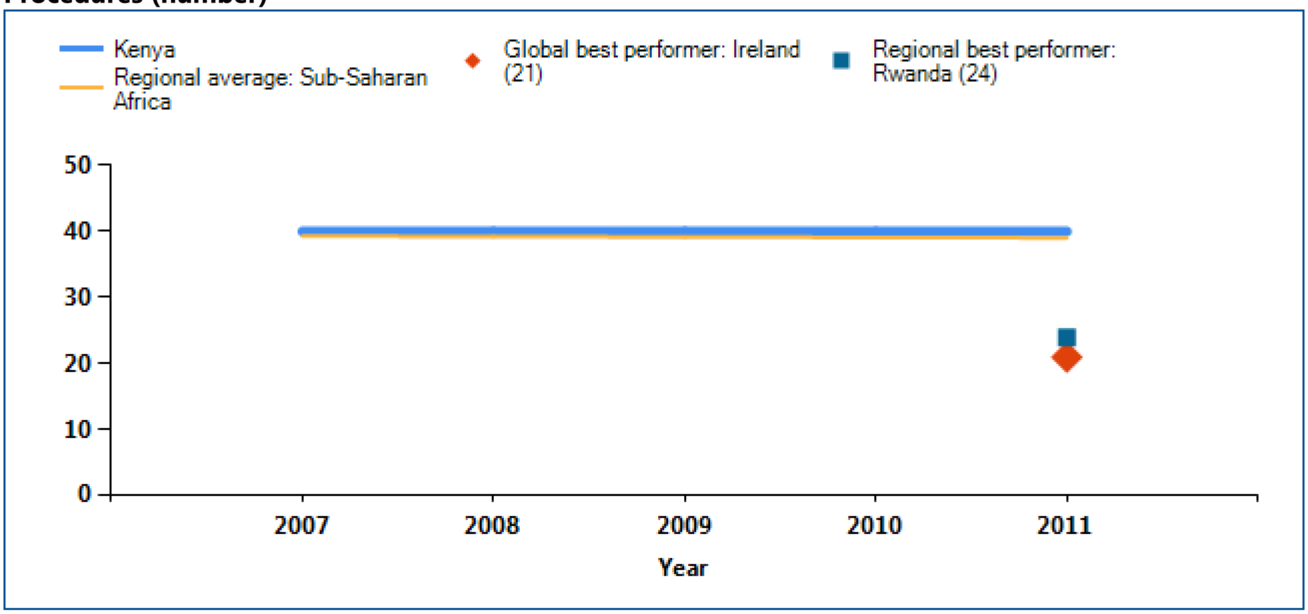
Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology.
Source: Doing Business database.

ENFORCING CONTRACTS

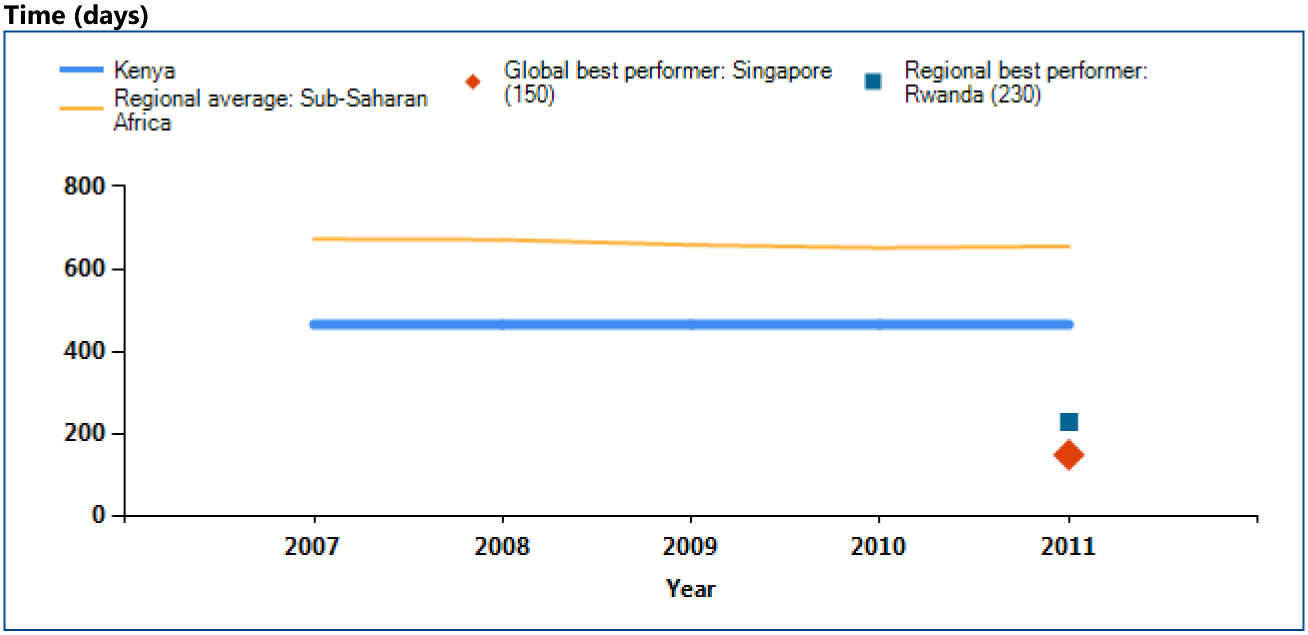
Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the number of steps, time or cost required to enforce a contract through the courts (figure 10.2). These economies may provide a model for Kenya on ways to improve the efficiency of contract enforcement. And changes in regional averages can show where Kenya is keeping up—and where it is falling behind.

Figure 10.2 Has enforcing contracts become easier over time?

Procedures (number)

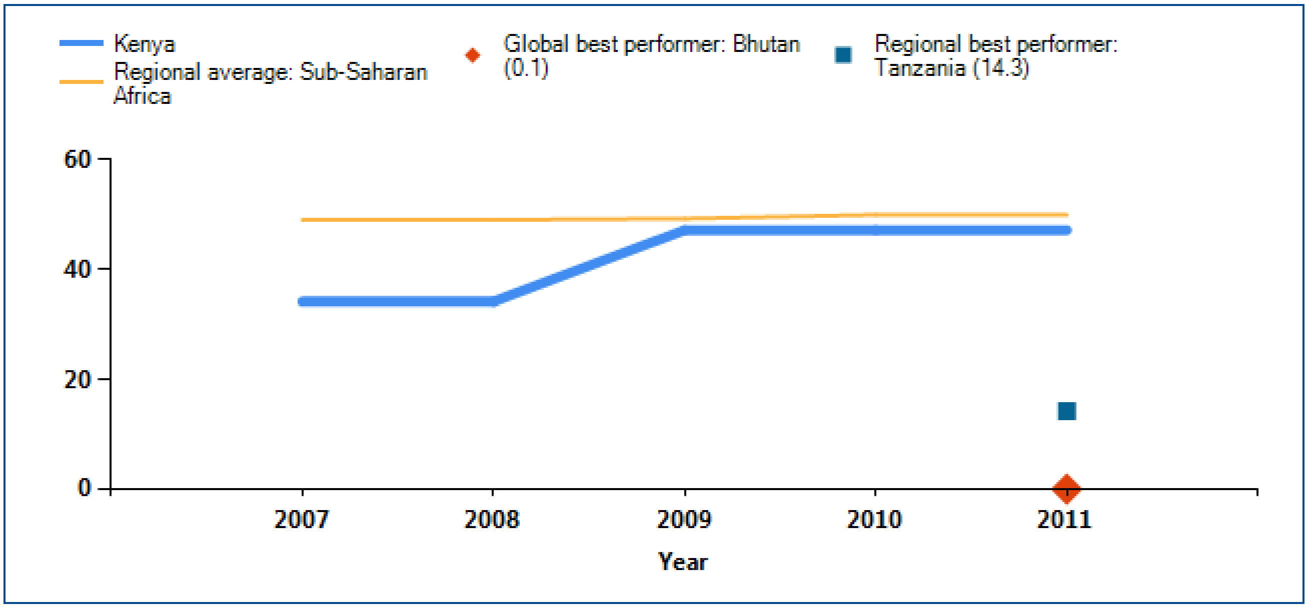


Time (days)



ENFORCING CONTRACTS

Cost (% of claim)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator.
Source: Doing Business database.

ENFORCING CONTRACTS

Economies in all regions have improved contract enforcement in recent years. A judiciary can be improved in different ways. Higher-income economies tend to look for ways to enhance efficiency by introducing new technology. Lower-income economies often work on reducing backlogs by introducing periodic reviews to clear inactive cases from the docket and by making procedures faster. What reforms making it easier (or more difficult) to enforce contracts has *Doing Business* recorded in Kenya (table 10.2)?

Table 10.2 How has Kenya made enforcing contracts easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	Kenya introduced a case management system that will help increase the efficiency and cost-effectiveness of commercial dispute resolution.
DB2011	No reform.
DB2010	No reform.
DB2009	No reform.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

ENFORCING CONTRACTS

What are the details?

The indicators reported here for Kenya are based on a set of specific procedural steps required to resolve a standardized commercial dispute through the courts (see the section in this chapter on what the indicators cover). These procedures, and the time and cost of completing them, are identified through study of the codes of civil procedure and other court regulations, as well as through surveys completed by local litigation lawyers (and, in a quarter of the economies covered by *Doing Business*, by judges as well). The procedures for resolving a commercial lawsuit, and the associated time and cost, are listed in the summary below.

Summary of procedures for enforcing a contract in Kenya—and the time and cost

Indicator	Kenya	Sub-Saharan Africa	OECD high income
Time (days)	465	654.80	518.03
Filing and service	40		
Trial and judgment	365		
Enforcement of judgment	60		
Cost (% of claim)	47.2	49.96	19.71
Attorney cost (% of claim)	27.52		
Court cost (% of claim)	12.93		
Enforcement Cost (% of claim)	6.71		
Procedures (number)	40	39.02	31.42

Source: Doing Business database.

RESOLVING INSOLVENCY

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in the speedy return of businesses to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses and thereby improve growth and sustainability in the economy overall.

What do the indicators cover?

Doing Business studies the time, cost and outcome of insolvency proceedings involving domestic entities. It does not measure insolvency proceedings of individuals and financial institutions. The data are derived from survey responses by local insolvency practitioners and verified through a study of laws and regulations as well as public information on bankruptcy systems.

The ranking on the ease of resolving insolvency is based on the recovery rate, which is recorded as cents on the dollar recouped by creditors through reorganization, liquidation or debt enforcement (foreclosure) proceedings. The recovery rate is a function of time, cost and other factors, such as lending rate and the likelihood of the company continuing to operate.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the case. It assumes that the company:

- Is a domestically owned, limited liability company operating a hotel.
- Operates in the economy's largest business city.
- Has 201 employees, 1 main secured creditor and 50 unsecured creditors.
- Has a higher value as a going concern—and the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation.

WHAT THE RESOLVING INSOLVENCY INDICATORS MEASURE

Time required to recover debt (years)

Measured in calendar years

Appeals and requests for extension are included

Cost required to recover debt (% of debtor's estate)

Measured as percentage of estate value

Court fees

Fees of insolvency administrators

Lawyers' fees

Assessors' and auctioneers' fees

Other related fees

Recovery rate for creditors (cents on the dollar)

Measures the cents on the dollar recovered by creditors

Present value of debt recovered

Official costs of the insolvency proceedings are deducted

Depreciation of furniture is taken into account

Outcome for the business (survival or not) affects the maximum value that can be recovered

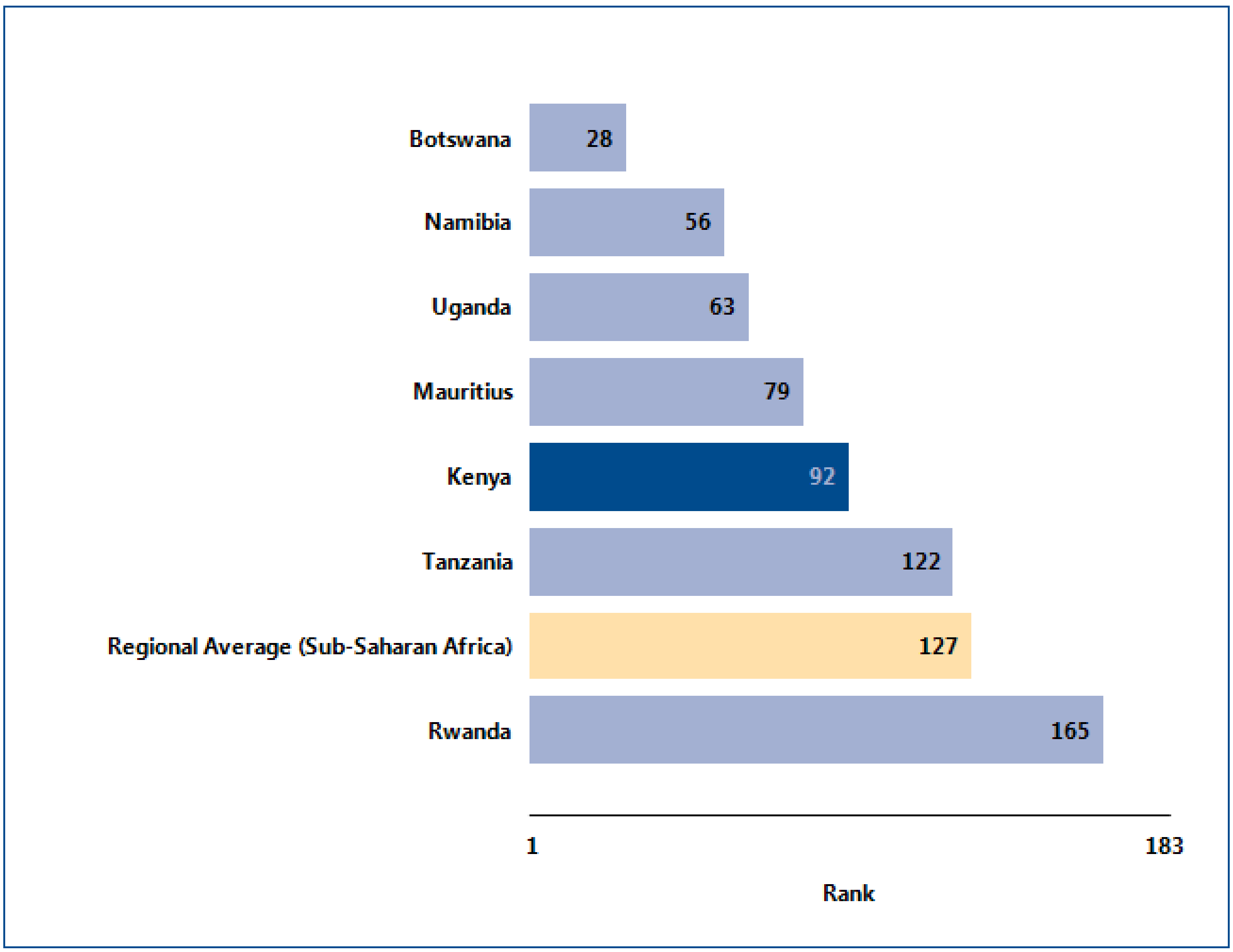
RESOLVING INSOLVENCY

Where does the economy stand today?

Speed, low costs and continuation of viable businesses characterize the top-performing economies. How efficient are insolvency proceedings in Kenya? According to data collected by *Doing Business*, resolving insolvency takes 4.5 years on average and costs 22% of the debtor's estate. The average recovery rate is 30.9 cents on the dollar.

Globally, Kenya stands at 92 in the ranking of 183 economies on the ease of resolving insolvency (figure 11.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of insolvency proceedings in Kenya.

Figure 11.1 How Kenya and comparator economies rank on the ease of resolving insolvency



Source: Doing Business database.

RESOLVING INSOLVENCY

What are the changes over time?

While the most recent *Doing Business* data reflect the efficiency of insolvency proceedings in Kenya today, data over time show where the efficiency has changed—and where it has not (table 11.1). That can help identify where the potential for improvement is greatest.

Table 11.1 The ease of resolving insolvency in Kenya over time
By *Doing Business* report year

Indicator	DB2004	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012
Rank	..	..	..	..	..	..	..	90	92
Time (years)	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Cost (% of estate)	22	22	22	22	22	22	22	22	22
Recovery rate (cents on the dollar)	25.4	27.8	32.6	31.8	31.0	31.6	31.6	29.8	30.9

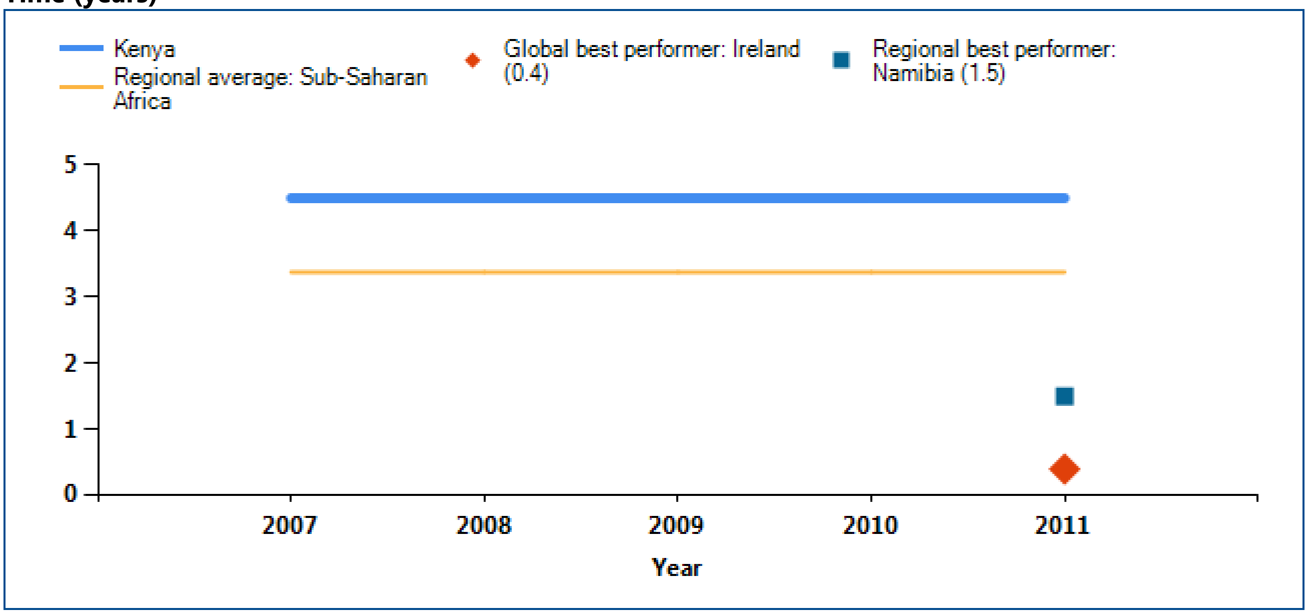
Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings reflect changes to the methodology. "No practice" indicates that in each of the previous 5 years the economy had no cases involving a judicial reorganization, judicial liquidation or debt enforcement procedure (foreclosure). This means that creditors are unlikely to recover their money through a formal legal process (in or out of court). The recovery rate for "no practice" economies is 0.
Source: Doing Business database.

RESOLVING INSOLVENCY

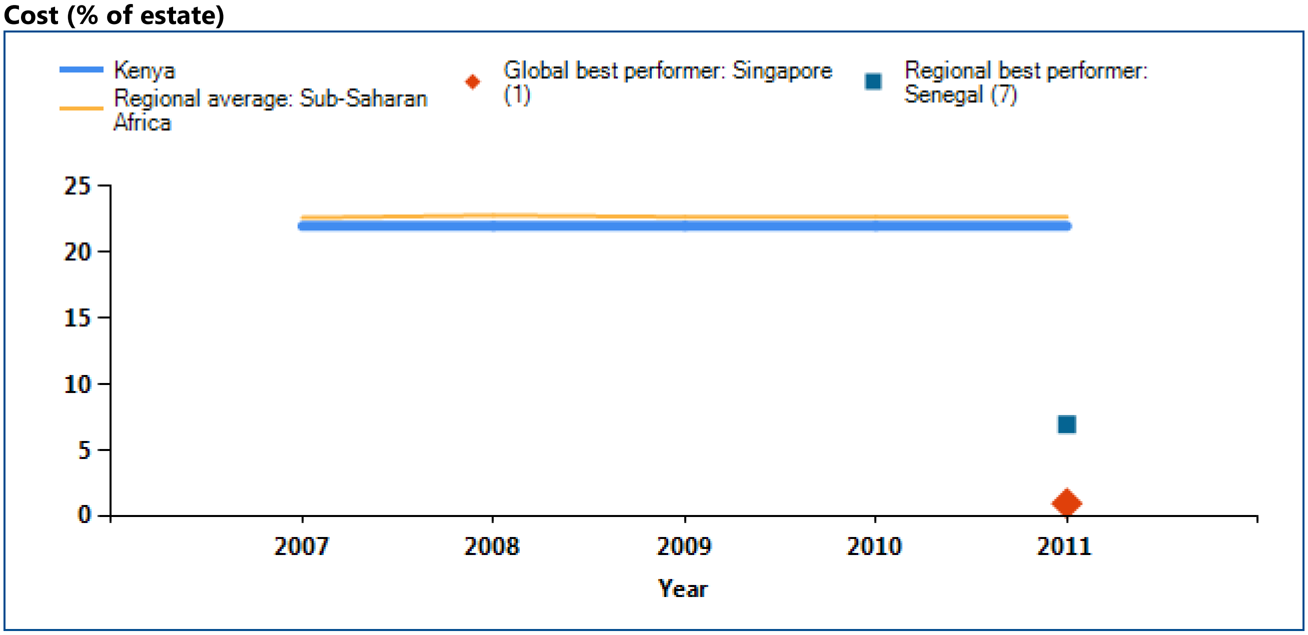
Equally helpful may be the benchmarks provided by the economies that today have the best performance regionally or globally on the time or cost of insolvency proceedings or on the recovery rate (figure 11.2). These economies may provide a model for Kenya on ways to improve the efficiency of insolvency proceedings. And changes in regional averages can show where Kenya is keeping up—and where it is falling behind.

Figure 11.2 Has resolving insolvency become easier over time?

Time (years)

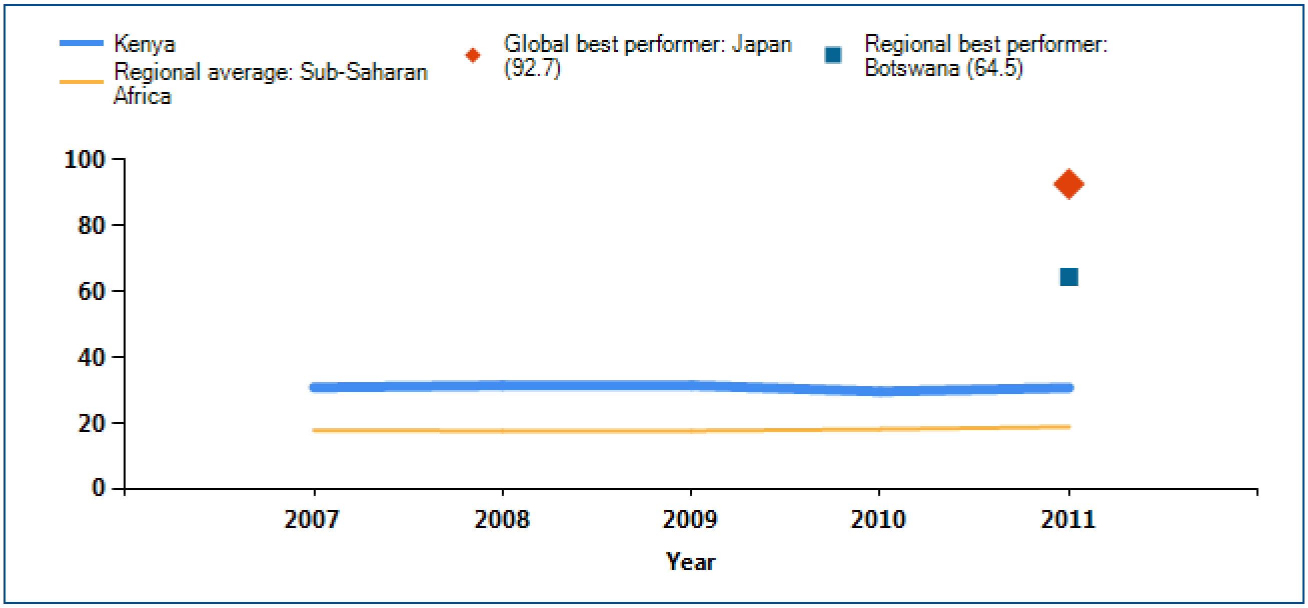


Cost (% of estate)



RESOLVING INSOLVENCY

Recovery rate (cents on the dollar)



Note: The economy with the best performance regionally on each indicator, and the economy with the best performance globally, are included as benchmarks. In some cases 2 or more economies share the top regional or global ranking on an indicator. In cases where no data are displayed above for the economy, this indicates that the economy has received a "no practice" mark; see the data notes for details.
Source: Doing Business database.

RESOLVING INSOLVENCY

A well-balanced bankruptcy system distinguishes companies that are financially distressed but economically viable from inefficient companies that should be liquidated. But in some insolvency systems even viable businesses are liquidated. This is starting to change. Many recent reforms of bankruptcy laws have been aimed at helping more of the viable businesses survive. What insolvency reforms has *Doing Business* recorded in Kenya (table 11.2)?

Table 11.2 How has Kenya made resolving insolvency easier—or not?
By *Doing Business* report year

DB Year	Reform
DB2012	No reform.
DB2011	No reform.
DB2010	No reform.
DB2009	No reform.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.
Source: Doing Business database.

DATA NOTES

The indicators presented and analyzed in *Doing Business* measure business regulation and the protection of property rights—and their effect on businesses, especially small and medium-size domestic firms. First, the indicators document the complexity of regulation, such as the number of procedures to start a business or to register and transfer commercial property. Second, they gauge the time and cost of achieving a regulatory goal or complying with regulation, such as the time and cost to enforce a contract, go through bankruptcy or trade across borders. Third, they measure the extent of legal protections of property, for example, the protections of investors against looting by company directors or the range of assets that can be used as collateral according to secured transactions laws. Fourth, a set of indicators documents the tax burden on businesses. Finally, a set of data covers different aspects of employment regulation.

The data for all sets of indicators in *Doing Business 2012* are for June 2011.[3]

Methodology

The *Doing Business* data are collected in a standardized way. To start, the *Doing Business* team, with academic advisers, designs a questionnaire. The questionnaire uses a simple business case to ensure comparability across economies and over time—with assumptions about the legal form of the business, its size, its location and the nature of its operations. Questionnaires are administered through more than 9,028 local experts, including lawyers, business consultants, accountants, freight forwarders, government officials and other professionals routinely administering or advising on legal and regulatory requirements. These experts have several rounds of interaction with the *Doing Business* team, involving conference calls, written correspondence and visits by the team. For *Doing Business 2012* team members visited 40 economies to verify data and recruit respondents. The data from questionnaires are subjected to numerous rounds of verification, leading to revisions or expansions of the information collected.

ECONOMY CHARACTERISTICS

Gross national income (GNI) per capita

Doing Business 2012 reports 2010 income per capita as published in the World Bank's *World Development Indicators 2011*. Income is calculated using the Atlas method (current US$). For cost indicators expressed as a percentage of income per capita, 2010 GNI in U.S. dollars is used as the denominator. Data were not available from the World Bank for Afghanistan; Australia; The Bahamas; Bahrain; Brunei Darussalam; Canada; Cyprus; Djibouti; the Islamic Republic of Iran; Kuwait; New Zealand; Oman; Puerto Rico (territory of the United States); Qatar; Saudi Arabia; Suriname; Taiwan, China; the United Arab Emirates; West Bank and Gaza; and the Republic of Yemen. In these cases GDP or GNP per capita data and growth rates from the International Monetary Fund's World Economic Outlook database and the Economist Intelligence Unit were used.

Region and income group

Doing Business uses the World Bank regional and income group classifications, available at http://www.worldbank.org/data/countryclass. The World Bank does not assign regional classifications to high-income economies. For the purpose of the *Doing Business* report, high-income OECD economies are assigned the "regional" classification *OECD high income*. Figures and tables presenting regional averages include economies from all income groups (low, lower middle, upper middle and high income).

Population

Doing Business 2012 reports midyear 2010 population statistics as published in *World Development Indicators 2011*.

The *Doing Business* methodology offers several advantages. It is transparent, using factual information about what laws and regulations say and allowing multiple interactions with local respondents to clarify potential misinterpretations of questions. Having representative samples of respondents is not an issue;

[3] The data for paying taxes refer to January – December 2010.

Doing Business is not a statistical survey, and the texts of the relevant laws and regulations are collected and answers checked for accuracy. The methodology is inexpensive and easily replicable, so data can be collected in a large sample of economies. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. Finally, the data not only highlight the extent of specific regulatory obstacles to business but also identify their source and point to what might be reformed.

Information on the methodology for each *Doing Business* topic can be found on the *Doing Business* website at http://www.doingbusiness.org/methodology/.

Limits to what is measured

The *Doing Business* methodology has 5 limitations that should be considered when interpreting the data. First, the collected data refer to businesses in the economy's largest business city and may not be representative of regulation in other parts of the economy. To address this limitation, subnational *Doing Business* indicators were created (see the section on subnational *Doing Business* indicators). Second, the data often focus on a specific business form—generally a limited liability company (or its legal equivalent) of a specified size—and may not be representative of the regulation on other businesses, for example, sole proprietorships. Third, transactions described in a standardized case scenario refer to a specific set of issues and may not represent the full set of issues a business encounters. Fourth, the measures of time involve an element of judgment by the expert respondents. When sources indicate different estimates, the time indicators reported in *Doing Business* represent the median values of several responses given under the assumptions of the standardized case.

Finally, the methodology assumes that a business has full information on what is required and does not waste time when completing procedures. In practice, completing a procedure may take longer if the business lacks information or is unable to follow up promptly. Alternatively, the business may choose to disregard some burdensome procedures. For both reasons the time delays reported in *Doing Business 2012* would differ from the recollection of entrepreneurs reported in the World Bank Enterprise Surveys or other perception surveys.

Subnational *Doing Business* indicators

This year *Doing Business* published a subnational study for the Philippines and a regional report for Southeast Europe covering 7 economies (Albania, Bosnia and Herzegovina, Kosovo, the former Yugoslav Republic of Macedonia, Moldova, Montenegro and Serbia) and 22 cities. It also published a city profile for Juba, in the Republic of South Sudan.

The subnational studies point to differences in business regulation and its implementation—as well as in the pace of regulatory reform—across cities in the same economy. For several economies subnational studies are now periodically updated to measure change over time or to expand geographic coverage to additional cities. This year that is the case for the subnational studies in the Philippines; the regional report in Southeast Europe; the ongoing studies in Italy, Kenya and the United Arab Emirates; and the projects implemented jointly with local think tanks in Indonesia, Mexico and the Russian Federation.

Besides the subnational *Doing Business* indicators, *Doing Business* conducted a pilot study this year on the second largest city in 3 large economies to assess within-country variations. The study collected data for Rio de Janeiro in addition to São Paulo in Brazil, for Beijing in addition to Shanghai in China and for St. Petersburg in addition to Moscow in Russia.

Changes in what is measured

The methodology for 3 of the *Doing Business* topics was updated this year—getting credit, dealing with construction permits and paying taxes.

First, for getting credit, the scoring of one of the 10 components of the strength of legal rights index was amended to recognize additional protections of secured creditors and borrowers. Previously the highest score of 1 was assigned if secured creditors were not subject to an automatic stay or moratorium on enforcement procedures when a debtor entered a court-supervised reorganization procedure. Now the highest score of 1 is also assigned if the law provides secured creditors with grounds for relief from an automatic stay or moratorium (for example, if the movable property is in danger) or sets a time limit for the automatic stay.

Second, because the ease of doing business index now includes the getting electricity indicators, procedures, time and cost related to obtaining an electricity connection were removed from the dealing with construction permits indicators.

Third, a threshold has been introduced for the total tax rate for the purpose of calculating the ranking on the ease of paying taxes. All economies with a total tax rate below the threshold (which will be calculated and adjusted on a yearly basis) will now receive the same ranking on the total tax rate indicator. The threshold is not based on any underlying theory. Instead, it is meant to emphasize the purpose of the indicator: to highlight economies where the tax burden on business is high relative to the tax burden in other economies. Giving the same ranking to all economies whose total tax rate is below the threshold avoids awarding economies in the scoring for having an unusually low total tax rate, often for reasons unrelated to government policies toward enterprises. For example, economies that are very small or that are rich in natural resources do not need to levy broad-based taxes.

Data challenges and revisions

Most laws and regulations underlying the *Doing Business* data are available on the *Doing Business* website at http://www.doingbusiness.org. All the sample questionnaires and the details underlying the indicators are also published on the website. Questions on the methodology and challenges to data can be submitted through the website's "Ask a Question" function at http://www.doingbusiness.org.

Ease of doing business and distance to frontier

This year's report presents results for 2 aggregate measures: the aggregate ranking on the ease of doing business and a new measure, the "distance to frontier." While the ease of doing business ranking compares economies with one another at a point in time, the distance to frontier measure shows how much the regulatory environment for local entrepreneurs in each economy has changed over time.

Ease of doing business

The ease of doing business index ranks economies from 1 to 183. For each economy the ranking is calculated as the simple average of the percentile rankings on each of the 10 topics included in the index in *Doing Business 2012*: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and, new this year, getting electricity. The employing workers indicators are not included in this year's aggregate ease of doing business ranking. In addition to this year's ranking, *Doing Business* presents a comparable ranking for the previous year, adjusted for any changes in methodology as well as additions of economies or topics.[4]

Construction of the ease of doing business index

Here is one example of how the ease of doing business index is constructed. In the Republic of Korea it takes 5 procedures, 7 days and 14.6% of annual income per capita in fees to open a business. There is no minimum capital required. On these 4 indicators Korea ranks in the 18th, 14th, 53rd and 0 percentiles. So on average Korea ranks in the 21st percentile on the ease of starting a business. It ranks in the 12th percentile on getting credit, 25th percentile on paying taxes, 8th percentile on enforcing contracts, 7th percentile on resolving insolvency and so on. Higher rankings indicate simpler regulation and stronger protection of property rights. The simple average of Korea's percentile rankings on all topics is 21st. When all economies are ordered by their average percentile rankings, Korea stands at 8 in the aggregate ranking on the ease of doing business.

More complex aggregation methods—such as principal components and unobserved components—

[4] In case of revisions to the methodology or corrections to the underlying data, the data are back-calculated to provide a comparable time series since the year the relevant economy or topic was first included in the data set. The time series is available on the *Doing Business* website (http://www.doingbusiness.org). The *Doing Business* report publishes yearly rankings for the year of publication as well as the previous year to shed light on year-to-year developments. Six topics and more than 50 economies have been added since the inception of the project. Earlier rankings on the ease of doing business are therefore not comparable.

yield a ranking nearly identical to the simple average used by *Doing Business*.[5] Thus, *Doing Business* uses the simplest method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components.[6]

If an economy has no laws or regulations covering a specific area—for example, insolvency—it receives a "no practice" mark. Similarly, an economy receives a "no practice" or "not possible" mark if regulation exists but is never used in practice or if a competing regulation prohibits such practice. Either way, a "no practice" mark puts the economy at the bottom of the ranking on the relevant indicator.

The ease of doing business index is limited in scope. It does not account for an economy's proximity to large markets, the quality of its infrastructure services (other than services related to trading across borders and getting electricity), the strength of its financial system, the security of property from theft and looting, its macroeconomic conditions or the strength of underlying institutions.

Variability of economies' rankings across topics

Each indicator set measures a different aspect of the business regulatory environment. The rankings of an economy can vary, sometimes significantly, across indicator sets. The average correlation coefficient between the 10 indicator sets included in the aggregate ranking is 0.36, and the coefficients between any 2 sets of indicators range from 0.17 (between protecting investors and getting electricity) to 0.57 (between starting a business and protecting investors). These correlations suggest that economies rarely score universally well or universally badly on the indicators.

Consider the example of Canada. It stands at 12 in the aggregate ranking on the ease of doing business. Its ranking is 3 on both starting a business and resolving insolvency, and 5 on protecting investors. But its ranking is only 59 on enforcing contracts, 42 on trading across borders and 156 on getting electricity.

Variation in performance across the indicator sets is not at all unusual. It reflects differences in the degree of priority that government authorities give to particular areas of business regulation reform and the ability of different government agencies to deliver tangible results in their area of responsibility.

Economies that improved the most across 3 or more Doing Business *topics in 2010/11*

Doing Business 2012 uses a simple method to calculate which economies improved the most in the ease of doing business. First, it selects the economies that in 2010/11 implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year's ease of doing business ranking.[7] Thirty economies meet this criterion: Armenia, Burkina Faso, Burundi, Cape Verde, the Central African Republic, Chile, Colombia, the Democratic Republic of Congo, Côte d'Ivoire, The Gambia, Georgia, Korea, Latvia, Liberia, FYR Macedonia, Mexico, Moldova, Montenegro, Morocco, Nicaragua, Oman, Peru, Russia, São Tomé and Príncipe, Senegal, Sierra Leone, Slovenia, the Solomon Islands, South Africa and Ukraine. Second, *Doing Business* ranks these economies on the increase in their ranking on the ease of doing business from the previous year using comparable rankings.

Selecting the economies that implemented regulatory reforms in at least 3 topics and improved the most in the aggregate ranking is intended to highlight economies with ongoing, broad-based reform programs.

Distance to frontier measure

This year's report introduces a new measure to illustrate how the regulatory environment for local businesses in each economy has changed over time. The distance to frontier measure illustrates the distance of an economy to the "frontier" and shows

[5] See Simeon Djankov, Darshini Manraj, Caralee McLiesh and Rita Ramalho, "*Doing Business* Indicators: Why Aggregate, and How to Do It" (World Bank, Washington, DC, 2005). Principal components and unobserved components methods yield a ranking nearly identical to that from the simple average method because both these methods assign roughly equal weights to the topics, since the pairwise correlations among indicators do not differ much. An alternative to the simple average method is to give different weights to the topics, depending on which are considered of more or less importance in the context of a specific economy.

[6] A technical note on the different aggregation and weighting methods is available on the *Doing Business* website (http://www.doingbusiness.org).

[7] *Doing Business* reforms making it more difficult to do business are subtracted from the total number of those making it easier to do business.

the extent to which the economy has closed this gap over time. The frontier is a score derived from the most efficient practice or highest score achieved on each of the component indicators in 9 *Doing Business* indicator sets (excluding the employing workers and getting electricity indicators) by any economy since 2005. In starting a business, for example, New Zealand has achieved the highest performance on the time (1 day), Canada and New Zealand on the number of procedures required (1), Denmark and Slovenia on the cost (0% of income per capita) and Australia on the paid-in minimum capital requirement (0% of income per capita).

Calculating the distance to frontier for each economy involves 2 main steps. First, individual indicator scores are normalized to a common unit. To do so, each of the 32 component indicators *y* is rescaled to (*y* − min)/(max − min), with the minimum value (min) representing the frontier—the highest performance on that indicator across all economies since 2005. Second, for each economy the scores obtained for individual indicators are aggregated through simple averaging into one distance to frontier score. An economy's distance to the frontier is indicated on a scale from 0 to 100, where 0 represents the frontier and 100 the lowest performance.

The difference between an economy's distance to frontier score in 2005 and its score in 2011 illustrates the extent to which the economy has closed the gap to the frontier over time.

The maximum (max) and minimum (min) observed values are computed for the 174 economies included in the *Doing Business* sample since 2005 and for all years (from 2005 to 2011). The year 2005 was chosen as the baseline for the economy sample because it was the first year in which data were available for the majority of economies (a total of 174) and for all 9 indicator sets included in the measure. To mitigate the effects of extreme outliers in the distributions of the rescaled data (very few economies need 694 days to complete the procedures to start a business, but many need 9 days), the maximum (max) is defined as the 95th percentile of the pooled data for all economies and all years for each indicator.

Take Colombia, which has a score of 0.21 on the distance to frontier measure for 2011. This score indicates that the economy is 21 percentage points away from the frontier constructed from the best performances across all economies and all years. Colombia was further from the frontier in 2005, with a score of 0.43. The difference between the scores shows an improvement over time.

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