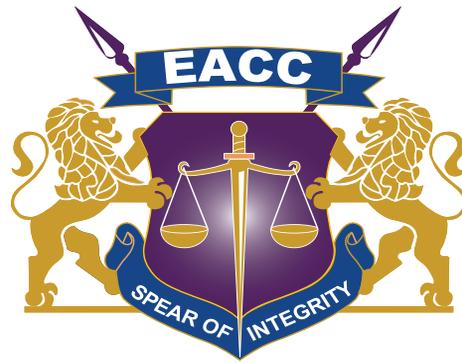


ETHICS AND ANTI-CORRUPTION COMMISSION



NATIONAL ENTERPRISE SURVEY REPORT

2017

EACC Research Report No. 7 of March 2019



EACC MISSION STATEMENT

MANDATE

To combat and prevent corruption, economic crime and unethical conduct in Kenya through law enforcement, prevention, public education, promotion of standards and practices of integrity, ethics and anti-corruption

VISION

An integrity driven Kenyan society

MISSION

To promote integrity and combat corruption through law enforcement, prevention and education

CORE VALUES

- Integrity
- Professionalism
- Fidelity to the Law
- Courage
- Teamwork

Tuangamize Ufisadi, Tuijenge Kenya!

National Enterprise Survey 2017



FOREWORD

Entrepreneurship promotes new industries, improves productivity and leads to large-scale job creation. However, corruption prevents the development of a country through its negative impact on private sector activity. Developing countries, Kenya included, that need high-impact entrepreneurship are often wracked with corruption which severely hinders growth in business activity. The effect of corruption on business activities is observed widely through bribery. Consequently, the cost of corruption is usually passed to consumers, stifles competition and subverts the free market.

The Survey findings established that corruption, unemployment and famine are the three major problems facing Kenya today. A majority of Enterprises believe corruption is very high in the country with greed being the major cause of corruption. High tax rates, government bureaucracies and the associated licenses involved in starting a business were the major obstacles experienced by Enterprises across all sectors hence fostering unfavourable business environment. Cumbersome process of acquiring the different permits/ licenses drives Enterprises to pay bribes to escape bureaucracies and therefore avoid delay. Bribery in turn increases operational costs of a business and creates unfair competition. Corruption, inordinate delay in public service provision and conflict of interest which results into unfair competition as government officials own companies through proxy and still do business with the same government are some of the challenges faced by entrepreneurs.

Corruption has resulted in Enterprises keeping away from increasing planned investment, termination of their participation in government tendering process, discouraged venture into entrepreneurship, changes the incentives to engage in entrepreneurship and requires utilisation of part of resources in non-productive activities such as bribery. Corruption is experienced in several public services including, the judicial, taxes and procurement which in turn distorts entrepreneurs' investment in human capital.

Enhancing transparency, increasing accountability and automation is vital to improvement of public procurement process in the country. Civic education on the right to public service and the negative effects of corruption, system reviews to seal corruption loopholes in public institutions and law enforcement are some of the initiatives the Commission will endeavour to undertake in order to improve public service delivery.

It is worth noting that a majority of Enterprises expressed confidence in anti-corruption efforts being undertaken by the Commission. Enhanced Partnership is crucial in intensifying the fight against corruption and promotion of sound ethical behaviour in public service delivery. The Survey Report thus provides a platform for private sector and government officials to come up



with appropriate policy and actionable measures to prevent and combat corruption within the public and the private sector establishments. I, therefore, encourage all stakeholders to play their rightful role in order to improve the business environment in the country.

Tuangamize Ufisadi, Tuijenge Kenya!

Rev. Rtd. Archbishop Eliud Wabukala, EBS
CHAIRPERSON
ETHICS AND ANTI-CORRUPTION COMMISSION



ACKNOWLEDGMENTS

This Survey gathered information from entrepreneurs on corruption perception and experiences while interacting with government officials. It maps out public service areas most prone to corruption and unethical conduct. These findings will in turn help the Commission to come up with targeted programmes to combat and prevent corruption and promote ethics in public service delivery and further improve business environment in our country.

I would like to thank all the Enterprises that participated in this Survey for their co-operation during the data collection process. I would also like to appreciate the county administration for their general support and offering a secure environment to conduct the Survey.

The Report would not have been complete without the team of researchers from the Ethics and Anti-Corruption Commission who provided technical input in planning, implementing and writing the Report. Particularly, Nancy Namenge, Meshak Collins Aluda, Naomi Monari, Daniel Kang'ethe, Jared Aduwo, Janet Bett, Idris Shidhe and Edward Oyunga. Their effort is highly appreciated.

Tuangamize Ufisadi, Tuijenge Kenya!

A handwritten signature in black ink, appearing to be 'Twalib Mbarak'.

Twalib Mbarak, EBS

SECRETARY/CHIEF EXECUTIVE OFFICER
ETHICS AND ANTI-CORRUPTION COMMISSION



TABLE OF CONTENTS

<i>FOREWORD</i>	<i>iii</i>
<i>ACKNOWLEDGMENTS</i>	<i>v</i>
<i>LIST OF TABLES</i>	<i>ix</i>
<i>LIST OF FIGURES</i>	<i>x</i>
<i>ACRONYMS</i>	<i>xii</i>
<i>EXECUTIVE SUMMARY</i>	<i>xiii</i>
CHAPTER ONE	1
BACKGROUND	1
1.1 Introduction	1
1.2 Objectives of the Survey	3
1.3 Organisation of the Report.....	3
CHAPTER TWO	4
METHODOLOGY.....	4
2.1 Introduction	4
2.2 Research Design	4
2.3 Target Sectors and Respondents	4
2.4 Sampling	6
2.5 Data Collection	5
2.6 Data Processing and Analysis	6
2.7 Data Weighting.....	6
CHAPTER THREE	7
SURVEY FINDINGS	7
3.1 Introduction	7
3.2 Firms Characteristics	7
3.2.1 Business Size.....	7
3.2.2 Legal Status	7
3.2.3 Nature of Business	8
3.2.4 Business Prediction	8
3.2.5 Membership to Business Associations	8
3.2.6 Major Problems Facing the Country Today	9
3.3 Status of Corruption	9
3.3.1 Perceived Level of Corruption.....	9



3.3.2 Payment of Bribes to Win Contracts.....	10
3.3.3 Initiators of Bribery.....	12
3.3.4 Management of Records.....	13
3.3.5 Size of a Bribe.....	13
3.3.6 Services Most Prone to Corruption.....	14
3.3.7 Ethics in Public Service.....	15
3.3.8 Service Areas Most Prone to Misconduct in Public Service.....	16
3.3.9 Reasons Cited for Unethical Conduct by Public Officers.....	17
3.4 Integrity in Public Procurement.....	17
3.4.1 Participation in Public Tenders.....	18
3.4.2 Termination of Participation in the Tender Process.....	19
3.4.3 Reasons for Termination of Participation in the Tendering Process.....	20
3.4.4 Evaluation of Tender Process.....	21
3.4.5 Frequency of Bid Rigging.....	21
3.4.6 Unofficial Payments in the Tender Process.....	22
3.4.7 Proportion of Tender Value paid as Unofficial Payment.....	23
3.4.8 Factors that Influence Winning of Government Tenders.....	24
3.4.9 Improvement of Public Procurement.....	24
3.5 Integrity in the Justice System.....	25
3.5.1 Attributes of the Court System.....	25
3.5.2 Methods of Dispute Resolution.....	25
3.5.3 Average Duration Taken to Resolve Court Case(s).....	26
3.5.4 Duration Court Case(s) have been Pending.....	27
3.5.5 Bribery in the Judicial System.....	27
3.5.6 Persons Involved in Corruption in the Judiciary.....	28
3.5.7 Average Bribe.....	29
3.5.8 Impediments in Using the Court.....	29
3.5.9 Judicial Reforms.....	30
3.6 Additional Costs Arising from Operations and Bureaucracy.....	31



3.6.1 Security	31
3.6.2 Service Interruptions	32
3.6.3 Loss of Goods in Transit.....	33
3.6.4 Losses from Robbery, Vandalism and Arson.....	33
3.6.5 Protection Fees against Organised Crime	34
3.7 Business Environment and Transparency of Requirements.....	35
3.7.1 Application of Rules and Regulations	35
3.7.2 Predictability of Policies.	36
3.7.3 Consistency and Consultations to Make Changes.....	36
3.7.4 Influence in change of laws and Regulations.....	37
3.7.5 Business Growth Obstacles	38
3.7.6 Registration of Businesses.....	39
3.7.6 .1 Number of Licenses and Permits	39
3.7.6.2 Average Bribe Paid to Obtain Licenses/Permits.....	39
3.7.7 Taxes and Use of Facilitators.....	41
3.7.8 Cancellation of Additional Investment.....	43
3.7.9 Clearance from the Port of Entry	43
3.7.10 Impact of government reforms	44
3.8 Impact of Anti-Corruption Efforts on Enterprises.....	46
3.8.1 Anti-Corruption Efforts in Kenya.....	46
3.8.2 Expected Change in Business’s Net Income If Corruption was to be Reduced	47
3.8.3 Suggestions to Combat Corruption.....	48
CHAPTER FOUR	49
CONCLUSION AND RECOMMENDATIONS.....	49
4.0 Introduction	49
4.1 Conclusion.....	49
4.2 Recommendations.....	50
REFERENCES.....	51
APPENDICES	52
<i>Appendix 1: Distribution of Firms Interviewed by County.....</i>	<i>52</i>
<i>Appendix 2: Designation and Education Level Attained by Entrepreneurs</i>	<i>53</i>



LIST OF TABLES

Table 1: Distribution of Respondents by Sector	4
Table 2: Management of Records	13
Table 3: Average Unofficial Payments in Kenya Shillings	14
Table 4: Evaluation of Tender Process	21
Table 5: Frequency of Bid Rigging within the last three years	22
Table 6: Proportion of Tender Value Paid as Unofficial Payment.....	23
Table 7: Factors that Influence Winning of Government Tenders	24
Table 8: Methods Used by Businesses to Resolve Dispute	26
Table 9: Average Bribe	29
Table 10: Average Amount of Bribe Paid to Persons in the Judicial System.....	29
Table 11: Impediments in Using the Court System	30
Table 12: Average Duration of Service Interruption and Cost of Essential Services	32
Table 13: Obstacles in Business Growth	38
Table 14: Number of Licenses and Permits required to Run a Business	39
Table 15: Average Bribe Paid to Obtain Licenses/Permits	40
Table 16: Suggestions to Attract and Retain Investors	45



LIST OF FIGURES

Figure 1: Legal Status of the Enterprises.....	7
Figure 2: Role of Business Associations.....	8
Figure 3: Major Problems Facing the Country Today.....	9
Figure 4: Perceived Level of Corruption.....	10
Figure 5: Change in Level of Corruption.....	10
Figure 6: Payment of Bribes to Win Contracts.....	11
Figure 7: Bribery With Regard to Customs Services.....	11
Figure 8: Knowledge on the Cost of Additional Payments.....	12
Figure 9: Initiators of bribery.....	12
Figure 10: Unofficial Payments to Public Officials.....	13
Figure 11: Services Most Prone to Corruption.....	15
Figure 12: Prevalent Forms of Misconduct Faced by Businesses.....	16
Figure 13: Service points most prone to unethical conduct as cited by enterprises.....	16
Figure 14: Reasons behind Unethical Behaviour by Public Officers.....	17
Figure 15: Proportion of Income that Comes from Public Tender.....	18
Figure 16: Services Provided By Enterprises To The Government.....	19
Figure 17: Termination of Participating in tendering Process.....	20
Figure 18: Reasons for Termination in the Tendering Process.....	20
Figure 19: Proportion of Tender Prices that go to Unofficial Payments.....	22
Figure 20: Suggestions to Improve Public Procurement in the Country.....	24
Figure 21: Assessment of Court System in Resolving Business Disputes.....	25
Figure 22: Average Duration it Took to Resolve Case(s) in Court.....	26
Figure 23: Duration Cases Have been Pending in Court.....	27
Figure 24: Unofficial Payment for Favourable Court Ruling.....	27
Figure 25: Proportion that Made the Unofficial Payment.....	28
Figure 26: Recipients of Bribes in the Justice Chain.....	28
Figure 27: Confidence in the Legal System to Enforce Orders.....	30
Figure 28: Impact of Judicial Reforms.....	31
Figure 29: Expenditure on Security (%).....	31
Figure 30: Increase/Decrease in Security Costs (%).....	32
Figure 31: Loss of Goods in Transit (%).....	33
Figure 32: Loss of Goods in Robbery, theft and Vandalism.....	34
Figure 33: Protection Fees Against Crime.....	34
Figure 34: Application and Enforcement of Rules and Regulations (%).....	35
Figure 35: Predictability of Policies (%).....	36
Figure 36: Consistency and Consultations to Make Changes (%).....	37
Figure 37: Business Influence of Enactment of Laws (%).....	37



Figure 38: Most Difficult Requirements to meet	41
Figure 39: Views on Taxation Levels	41
Figure 40: Use of Tax Facilitators.....	42
Figure 41: Awareness about Tax Evasion and Under Reporting	42
Figure 42: Reasons for not Making Additional Investment.....	43
Figure 43: Unofficial Payments to Clear Goods from the Port.....	44
Figure 44: Effect of Government Reforms on Corruption	44
Figure 45: Reasons for Retrenchment	45
Figure 46: Reasons Cited why Anti-Corruption Efforts will Succeed in Kenya.....	47
Figure 47: Expected Change in Business's Net Income If Corruption was to be Reduced	47
Figure 48: Suggestions to Combat Corruption.....	48



ACRONYMS

CSPRO	-	Census and Survey Processing System
EABL	-	East African Breweries Limited
EACC	-	Ethics and Anti-Corruption Commission
GDP	-	Gross Domestic Product
IBM	-	International Business Machines
KASNEB	-	Kenya Accountants and Secretaries National Examinations Board
KEBS	-	Kenya Bureau of Standards
KEPHIS	-	Kenya Plant Inspectorate Service
KEPSA	-	Kenya Private Sector Alliance
KRA	-	Kenya Revenue Authority
NSE	-	Nairobi Securities Exchange
ODPP	-	Office of the Director of Public Prosecutions
PRISK	-	Performance Rights Society of Kenya
SASRA	-	Sacco Societies Regulatory Authority
SPSS	-	Statistical Product and Services Solutions



EXECUTIVE SUMMARY

Corruption in Kenya is a major threat to businesses and investments. Corruption undermines policies designed to encourage entrepreneurship. A significant percentage of businesses pay bribes to public officials repeatedly over the course of the year. It is against this backdrop that the Ethics and Anti-Corruption Commission undertook the National Enterprise Survey, 2017.

The Survey aimed at mapping out public service points most prone to corruption and unethical conduct. The Survey gathered information from enterprises on corruption perception and experiences while interacting with government officials.

The Study findings revealed corruption was very high in the country and that it is increasing. The three main causes of corruption included greed, poverty and favouritism. According to entrepreneurs License Issuance, Security Services and Procurement are the top three government services most prone to corruption. Corruption, high taxes, inadequate access to finance and insecurity are the leading business growth obstacle in Kenya.

The highlights of the Survey findings are as follows:

(a) Status of Corruption

- (i) Over 90 per cent of the enterprises indicated the level of corruption in the country as very high compared to 76.5 per cent in 2009;
- (ii) The Survey revealed that 20.6 per cent of the firms typically pay unofficial payments to public officials to facilitate their businesses;
- (ii) There is a significant difference in perception with more firms perceived to pay to win public sector contracts in 2016 than 2013;
- (iv) About 13 per cent pay between 1 and 10 per cent of their revenues followed by 5.5 per cent who pay between 11 and 20 per cent, 1.8 per cent pay between 21 and 50 per cent while 0.4 per cent pay over 50 per cent; and
- (v) The results of the Survey specify that license issuance (24.9%), security services (10.2%) and procurement (9.5%) are the top most services prone to corruption.

(b) Integrity in Public Procurement

- (i) A majority, (89.6%), of businesses indicated non-participation in public tenders whilst 10.4% did;
- (ii) Corruption, delay in payment and untenable contract were the three main reasons cited by businesses for termination of their participation in the tendering process at 47%, 15.9% and 15.5% respectively;
- (ii) Over 50% of the firms had experienced bid rigging frequently in the last three years prior the Survey;



- (iv) The Survey revealed that in engaging with the government, 25.7 per cent of the firms did not make any unofficial payment while 21.6 per cent paid unofficial payments in the range of 6–10 per cent of the tender price;
- (v) A majority, 57.7%, of firms reported special connection as the most important factor in winning of government tender; and
- (vi) Enhancing transparency and accountability, automation of the procurement, effective rules and regulations to deal with cartels were the key suggestions cited to improve public procurement in the country according to 60.9 per cent, 12.9 per cent and 12.3 per cent of the respondents respectively.

(c) Integrity in the Justice System

- (i) Over 50 per cent of firms rated court services as moderate in resolving business dispute attributed to accessibility to services; ability to enforce decisions; just and honest; and fairness and impartiality;
- (ii) Over 24 per cent of the firms indicate that they do direct negotiations with the other party to resolve their disputes. Negotiations through a lawyer were preferred by 12.3% and negotiations through police by 12.1%. It is worth noting that only 8.9% utilise courts to resolve trade disputes;
- (iii) Forty seven per cent (47.6%) of the firms indicated that the duration courts cases have been pending are in the range of 0-6 months. Fifteen per cent (15.2%) indicated the cases have been pending between 7 and 12 months while 14.5% indicated that the cases have been pending between 13 and 24 months;
- (iv) The survey findings revealed that in a span of one year, 83 per cent of the firms sampled indicated they were not expected to make unofficial payment for favourable case decision while 17 per cent stated otherwise;
- (v) Of the firms that bribed to get favourable decisions, a majority, 56.3%, paid bribes to court clerks, while 37.3% of the firms paid to prosecutors and 18.8% paid to Lawyers and Judges; and
- (vi) Respondents identified impediments in using the court to resolve their disputes. The leading problem cited as very severe was the excessive amount of time taken by proceedings (57.5%) followed by inadequate judicial staff (40.1%) and judges lack of integrity (38.7%).

(d) Business Environment and Transparency of Requirements

- (i) Corruption, high taxes, inadequate access to finance and insecurity are the leading business growth obstacles in Kenya. 58.4 per cent of the businesses decried corruption



-
- followed by high taxes (49.1%), inadequate access to finances (49%) and insecurity (45.5%);
- (ii) A few, (8.9%), of the Enterprises run their businesses without the requisite licenses and permits. On average, one requires two licenses/permits to operate a business with the minimum being one license and a maximum of 37 licenses;
 - (iii) Advertisement on billboards attracts the highest average bribe of Kshs. 74,000 followed by National Construction Authority certificate of Registration (Kshs. 50,000) and Ministry of Education permit to run a school (Kshs. 27,040);
 - (iv) Accessing capital (59.9%) was cited as the most difficult requirement to meet followed by registration (33.7%), trade licenses (28.4%) and taxes (25.1%); and
 - (v) Close to 85 per cent of the businesses consider taxes in Kenya as a major problem in running a business in Kenya. Further, 47.4 per cent consider tax administration such as filing returns and audit as a major problem.

(e) Impact of Anti-Corruption Efforts on Enterprises

- (i) Fifty seven per cent (56.5%) of the Enterprises expressed confidence in anti-corruption efforts under implementation and 43.5 per cent thought otherwise;
- (ii) Enhancing partnership in the fight against corruption rated at 19 per cent, good governance rated at 18.1 per cent and effective laws and policies rated at 14.5 per cent were cited as the reasons why the anti-corruption efforts will succeed in the country; and
- (iii) Enterprises were asked if corruption in Kenya was to be reduced by half, what would be the expected change in their business's net income. Most of them, 23.3% reported that the net income would increase by more than 50% while 16.9% reported it would increase by between 40 and 50%.

The Report recommends the following:

- (i) Digitisation of Government Services: Reduction of human interface in public service delivery is key to reduction of corruption incidences and thus levels. It is imperative for the Government to continue with current reforms and upload virtually all services on the digital platform for enhanced service value to citizenry;
- (ii) Enforce the Bribery Act, 2016 to curb private sector inducement of corrupt acts to public officials;
- (iii) Constantly reviewing public officers terms and engagement including remuneration in tandem with prevailing economic conditions;
- (iv) Strictly enforce the terms of engagement with government contractors in service



-
- delivery to prevent delay in project implementation and thus further financial support;
- (v) Support the ongoing judicial reforms for speedy administration of justice and support entrepreneurship;
 - (vi) Simplify and ease business license acquisition;
 - (vii) Open a one-stop shop to obtain all these licenses or let there be one license that contains all other basic requirements with it for purposes of ease and quick access;
 - (viii) Reduce the high tax rates; and
 - (x) Come up with policies to avoid double taxation on business people, e.g., one is taxed in Nairobi County and in Machakos County again.





CHAPTER ONE

BACKGROUND

1.1 Introduction

Ease of doing business in Kenya has been a key reform agenda driving government policy, legal and regulatory framework in the past three years targeting small, medium and large enterprises. Key reforms in the recent past include merging of procedures required to start up and formally operate a business in all the sectors; investment in infrastructure that stimulates enterprise growth; access to credit information; and improvement of mode of payment and filing of taxes. Moreover, annual inflation rate has consistently fluctuated marginally from 9.4 per cent in 2012 to 5.7 per cent in 2013 to 6.9 per cent in 2014 to 6.6 per cent in 2015 to 6.3 per cent in 2016 and 8 per cent in 2017. These reforms with their addendum macro-economic factors have seen Kenya's Gross Domestic Product (GDP) steadily grow and slightly decline in the past six years from 4.5 per cent in 2012 to 5.9 per cent in 2013 to 5.4 per cent in 2014 to 5.7 per cent in 2015 to 5.9 per cent in 2016 and declined by a single digit in 2017 to settle at 4.9 per cent. The decline in GDP in 2017 was attributable to prolonged electioneering period, effects of adverse weather conditions and slow credit uptake to the private sector (Economic Survey, 2018).

Nevertheless, at least 25 companies mainly in manufacturing, transportation, financial intermediation and communication and information sectors in Kenya either shut down or lay off employees between 2014 and 2016. The Annual report data for 57 Nairobi Securities Exchange (NSE)-traded firms covering 2017 financial year shows that 29 cut back their workforce as economic growth dropped to a five-year low. Further, the Competition Authority handled one hundred and fifty (150) merger notifications from various sectors, majority of which were in manufacturing, healthcare services, logistics and property. A higher number (72%) of the mergers received had an international dimension compared to (44%) in the previous year. Of these, 16.13% involved private equity investments. The increase in the number of mergers with an international dimension was attributed to the country's improved business environment, favourable investment climate and the upgrading of the Kenya economic status to the middle income.

Conversely, corruption in public and private sector has been identified as one of the leading problems facing businesses all over the world. It creates an unfavourable business environment by undermining the operational efficiency of businesses and raising the costs and risks associated with doing business resulting in major administrative and financial burden. Enterprises cite corruption as a leading challenge that increases the cost of doing business, creates unfair competition, favours inefficient and larger businesses to the detriment of smaller players and generally impedes private sector investment. It has had a negative impact on Kenya's global perception with both the Global



Competitiveness Index 2015 and the World Bank's 2014 Enterprise survey on Kenya, ranking corruption as the top concern for businesses operating in Kenya.

According to African Development Bank Group, 2013, corruption has long been a challenge for private sector development in Kenya. It manifests itself profoundly in public procurement, licensing and land administration. The World Bank Kenya Economic Update (2016) that compares surveys conducted between 2007 and 2013 reveals that business climate is deteriorating with more experiencing higher financing costs, insecurity and more unreliable access to infrastructure. In addition, Kenya Private Sector Alliance (KEPSA) in its report, the business community reported in 2016 that graft has increased the cost of doing business and discourages foreign direct investments in the country. Further, a Survey by British Chamber of Commerce revealed that graft is the greatest challenge facing businesses in Kenya, compared to security, bureaucracy, and cost of doing business in addition to political and regulatory uncertainty.

Kenya Anti-Corruption Commission National Enterprise Survey on Corruption of 2009 revealed that the level of corruption in Kenya was high (76.5%) and there is a notable increase (67.2%). It further showed that on average, 34.9 per cent of the firms pay between 1 and 10 per cent of their revenues as unofficial payments to public officials per annum which is essentially included in the bid amount. The problem of corruption in government had pushed firms to prefer to resolve their disputes by direct negotiations with the other party (48.7%) and negotiations through the lawyer (24.7%) as opposed to use of the court (20.7%). Nearly two thirds (65.4%) of the respondents railed the unpredictable changes in the government's economic and financial policies while 13.8 per cent had sought to influence the content of laws and regulations enacted in the past 6 years that had substantial impact on their business. Major obstacles affecting enterprise growth and development mentioned in the survey include: political uncertainty (53.8%), corruption (53.4%), accessing affordable finance (52.8%), insecurity (51.5%), high fuel prices (50.5%), availability and price of inputs (50.1%), poor infrastructure (43.3%) and high taxes (41.2%)

Amid these negative indicators, 62.4 per cent were optimistic that the fight against corruption will succeed. Further, nearly a third (29%) of the respondents were sure that if corruption in Kenya were to be reduced by half, the net income of their business will increase by over 51%. The search for effective methods of combating corruption has led to an increasingly wide recognition that corruption is fundamentally a governance problem. However, there is no precise way to determine the extent of the effect of corruption on entrepreneurship in Kenya.

It is against this backdrop that the Ethics and Anti-Corruption Commission undertook the National Enterprise Survey, 2017 to scrutinise governance and corruption at firm level in



Kenya. The Survey aimed at establishing the country's perceived levels of corruption among enterprises and in turn map out public service areas that are most prone to corruption and unethical conduct. The Survey thus gathered information from entrepreneurs on corruption perception and experiences while interacting with government officials.

1.2 Objectives of the Survey

The Survey aimed at establishing the patterns, trends, effects and manifestation of corruption and unethical conduct in enterprises interaction with the public sector in Kenya. Specifically the survey sought information to:

- (i) Establish manifestations of bribery in enterprises;
- (ii) Find out challenges businesses experience in public procurement;
- (iii) Assess ease with which judiciary support business dispute resolutions;
- (iv) Establish obstacles to doing business in the country;
- (v) Relate the extent to which implementation of enacted laws and regulations affect business environment; and
- (vi) Establish service areas most prone to corruption and unethical conduct.

1.3 Organisation of the Report

This Report is structured into four parts. Part one, the background, lays the foundational basis of the Survey. Part two details the methodology applied in collecting data for the Survey. Part three presents the Survey findings, including perceived level of corruption, prevalence of bribery, service areas prone to corruption and unethical behaviour, challenges experienced by businesses participating in public procurement, among others. Part four provides conclusion and recommendations for the Study. Distribution of businesses by various counties and other demographics are provided in the appendices.



CHAPTER TWO

METHODOLOGY

2.1 Introduction

This part documents and presents practical steps in gathering data and information used to produce this Report. Particularly, it provides a design for data collection methods and data processing procedures employed in the Survey.

2.2 Research Design

Given the nature and scope of information sought in the Survey, a mixed design methodology was adopted. It bridges the problem of corruption and unethical practices experienced by various firms with the main objective of establishing and running a business enterprise. This design entailed use of a structured questionnaire and a discussion guide administered face to face with selected respondents and comparative review of literature related to enterprises locally and internationally positioned.

2.3 Target Sectors and Respondents

The Survey segregated sectors based on the System of National Accounting that provides GDP data. The International Standard of Industrial Classification of all the economic activities was applied in the selection of enterprises by sector. Consequently, 3,199 Enterprises were covered in all the counties in the country as presented in Table 1.

Table 1: Distribution of Respondents by Sector

Sector	Percentage Sample
Wholesale and retail trade; repair of motor vehicles and motorcycles	34.5
Education	23.3
Construction	8.7
Other service activities	6.5
Accommodation and food service activities	6.1
Manufacturing	4.3
Financial and insurance activities	3.3
Agriculture, forestry and fishing	3.2
Information and communication	2.8

National Enterprise Survey 2017



Sector	Percentage Sample
Real estate activities	2.8
Human health and social work activities	1.9
Transportation and storage	1.8
Arts, entertainment and recreation	0.4
Water supply; sewerage, waste management and remediation	0.3
Mining and quarrying	0.1
Electricity, gas, steam and air conditioning supply	0.1

The survey design focused on both licensed and unlicensed establishments. The target respondents were business managers and proprietors and in their absence, Director/Chief Executive Officers; General Managers; Chief Finance/Operational Officers and Company Secretaries were interviewed.

2.4 Sampling

Quota stratification multi-stage sampling method was utilised for the quantitative phase in order to take into consideration important variables, namely: county of residence and the key sectors of the economy. The comprehensive distribution of respondents per county is appended 1. Key Informants were purposively selected based on their apex position in influencing of policy, legal and regulatory decision making in their sectors.

2.5 Data Collection

The questionnaires and training manuals were developed through a consultative process. The previous research instruments were reviewed to accommodate recent development in the country regarding governance structures in line with the *Constitution of Kenya, 2010*. For continuity and comparison purposes, instruments used by other institutions including the World Bank and the European Bank of Reconstruction was reviewed and adapted appropriately to suit the local situation.

The Instrument was tailored to answer the objectives of the Survey as follows; enterprise business profile; problem of corruption, public procurement, justice system, additional costs from operation of bureaucracy, business environment and transparency of requirements and impact of anti-corruption efforts on enterprises.



Accordingly, data was collected in January and February 2017 with the aid of a pool of 23 Research Assistants grouped into six teams. The Research Assistants with expertise in business related courses were trained and subjected to practical interviewing to ensure uniformity in data collection regardless of enterprise and County.

2.6 Data Processing and Analysis

Upon completion of data collection, open ended questions from completed questionnaires were extracted and coded before keying in a controlled computerised template. The data was thereafter captured using the Census and Survey Processing System (CSPRO) software. The data was analysed using International Business Machines Statistical Product and Services Solutions (IBM SPSS) version 24

2.7 Data Weighting

Weighting of the data was necessary since the selected samples were not self-weighting due to varying probabilities of selection across different strata. Separate weights were, therefore, computed for the various sets of data. The weights were further adjusted to cater for non-responses.



CHAPTER THREE

SURVEY FINDINGS

3.1 Introduction

This section discusses the Survey findings focusing on business perception and experiences of corruption and unethical conduct while interacting with public officers. The section is further divided into six sub-sections covering: (i) Status of Corruption; (ii) Integrity in Public Procurement; (iii) Integrity in the Justice System; (iv) Additional Costs Arising from Operations and Bureaucracy; (v) Business Environment and Transparency of Requirements; and, (vi) Impact of Anti-Corruption Efforts on Enterprises.

3.2 Firms Characteristics

This sub-section presents the firm characteristics such as, number of employees, legal status of the firm including type of ownership, business growth and membership to business associations.

3.2.1 Business Size

The average number of full time male employees was significantly different between 2013 (14.2%) and 2016 (21.5%). Similarly, the average number of full time female employees stood at 14.9% and 18% in 2013 and 2016 respectively.

3.2.2 Legal Status

Locally owned companies comprised 97%, Foreign owned 1.5%, while the companies owned by both stood at 1%. Further, 45.9% of the enterprises were Sole proprietors, 30.4% were private limited company while 20.3% were partnerships as presented in Figure 1.

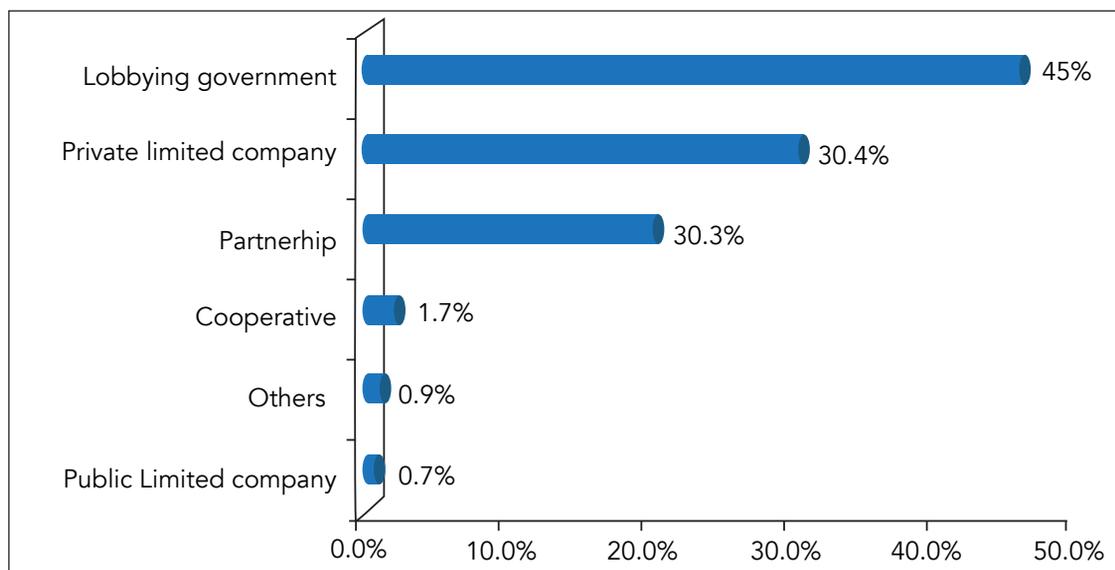


Figure 1: Legal status of the Enterprises
National Enterprise Survey 2017



3.2.3 Nature of Business

Two per cent (2.3%) of the firms were involved in export business that contributed 25% of their trade. It takes an average 16 days to clear direct exports and imports by customs in Kenya. Twenty two per cent (22.2%) of the firms reported to make unofficial payments to facilitate the exportation process. This is approximately 3.2% of the total export.

On whether the firm trades with the public sector, 16.7% indicated that they do conduct business with the public sector as opposed to 83.3% who indicated that they do not trade with the public sector.

3.2.4 Business Prediction

Respondents were also asked to predict the growth projection of their businesses in 2018 and 2019. Consequently, 9.3 % of the respondents predicted 30% growth of their business while 8 % predicted 50% growth in 2019 which was consistent with their 2018 predictions.

3.2.5 Membership to Business Associations

It was reported by 21.4 % of the firms that they belong to a business association or chamber of commerce. As shown in Figure 2, the business associations offer various services to their members such as lobbying government (58.8%), provide information on government regulations (55.4%), resolution of disputes with officials, workers or other firms (51%), accrediting standards or quality of products for reputation benefits (29.2%), information and contacts on domestic product and input markets (26.3%), information and contacts on international product and input markets (14%) and others (5.7%).

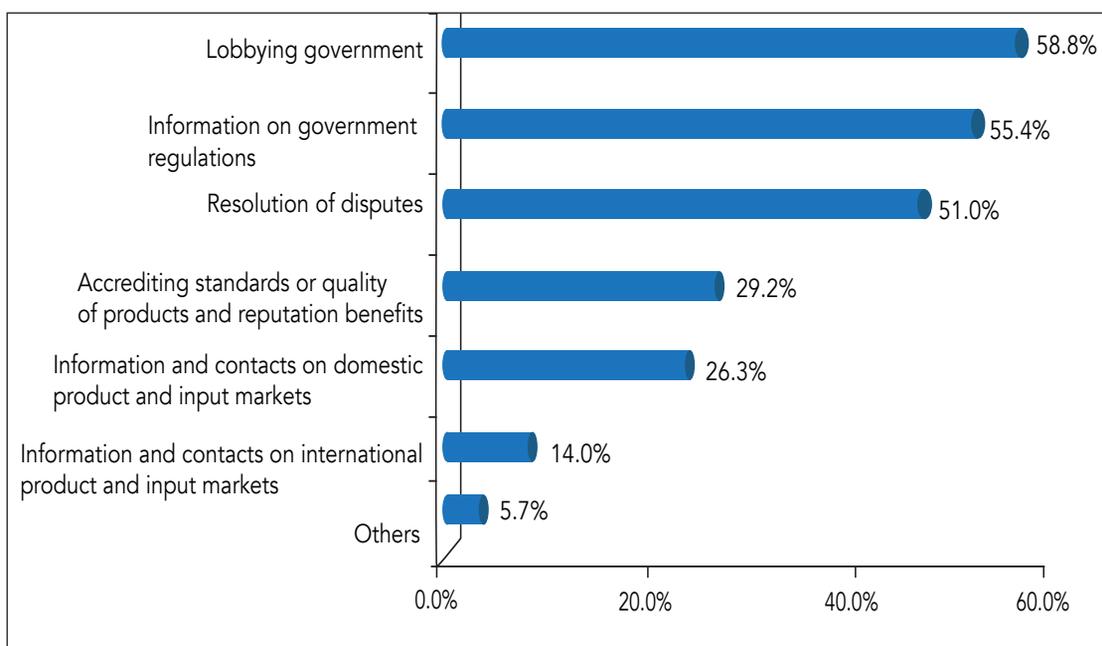


Figure 2: Role of business associations



3.2.6 Major Problems Facing the Country Today

Corruption, unemployment and favouritism are the three major challenges facing the country today according to entrepreneurs who were interviewed in the Survey. Other problems include famine, poverty, insecurity and economic instability as presented in Figure 3.

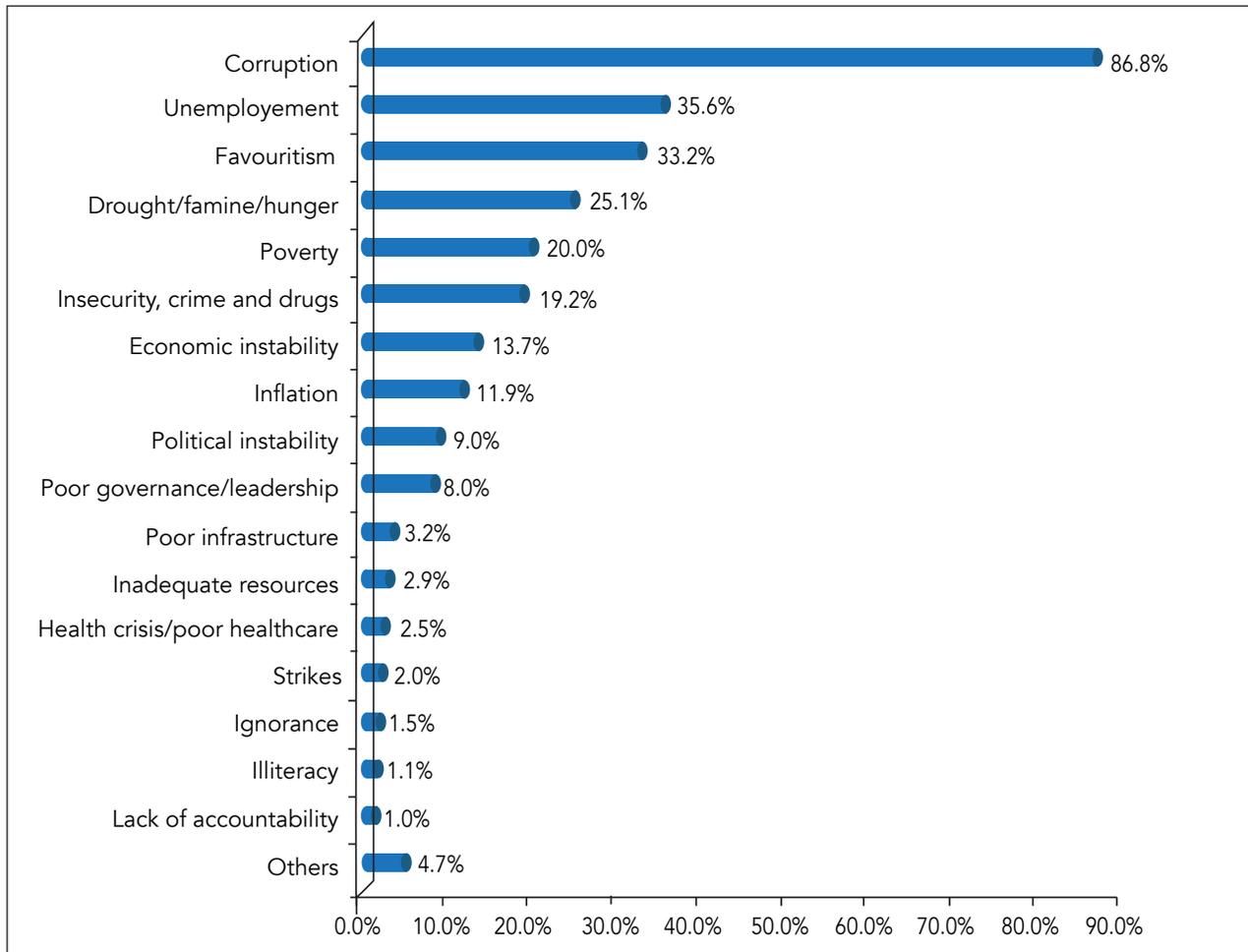


Figure 3: Major problems facing the country today

3.3 Status of Corruption

3.3.1 Perceived Level of Corruption

Over 90 per cent of the respondents rated the level of corruption very high compared to 76.5 per cent in the 2009 Survey as further presented in Figure 4. Similarly, the findings compare well with the National Ethics and Corruption Survey, 2016 by EACC where the perceived level of corruption was reported by 79.3 per cent to be high.

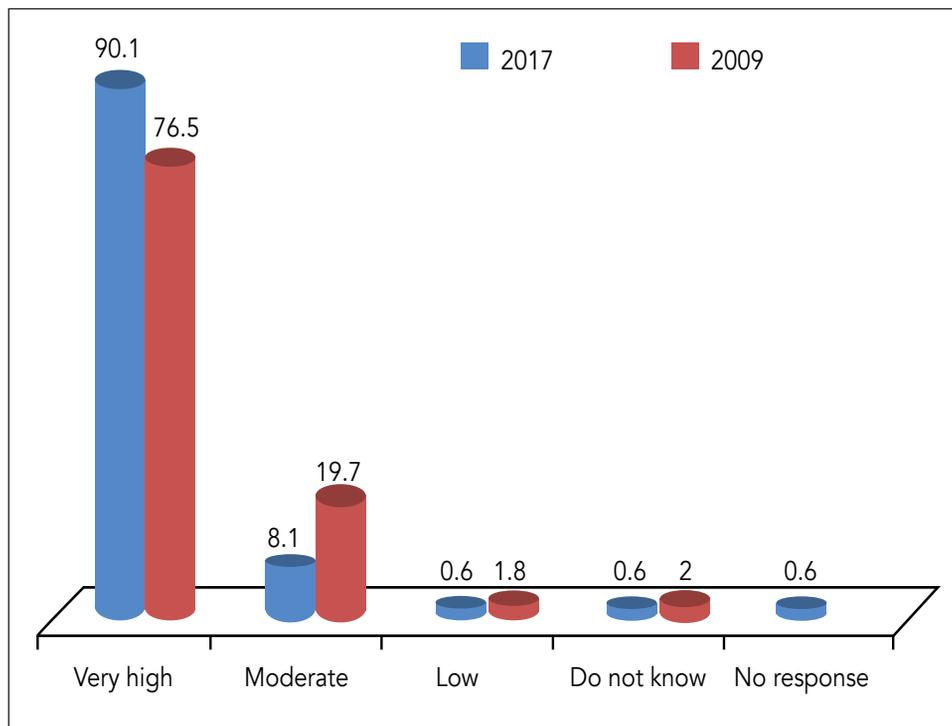


Figure 4: Perceived level of corruption

In addition, corruption was perceived to be increasing (79%) as shown in Figure 5.

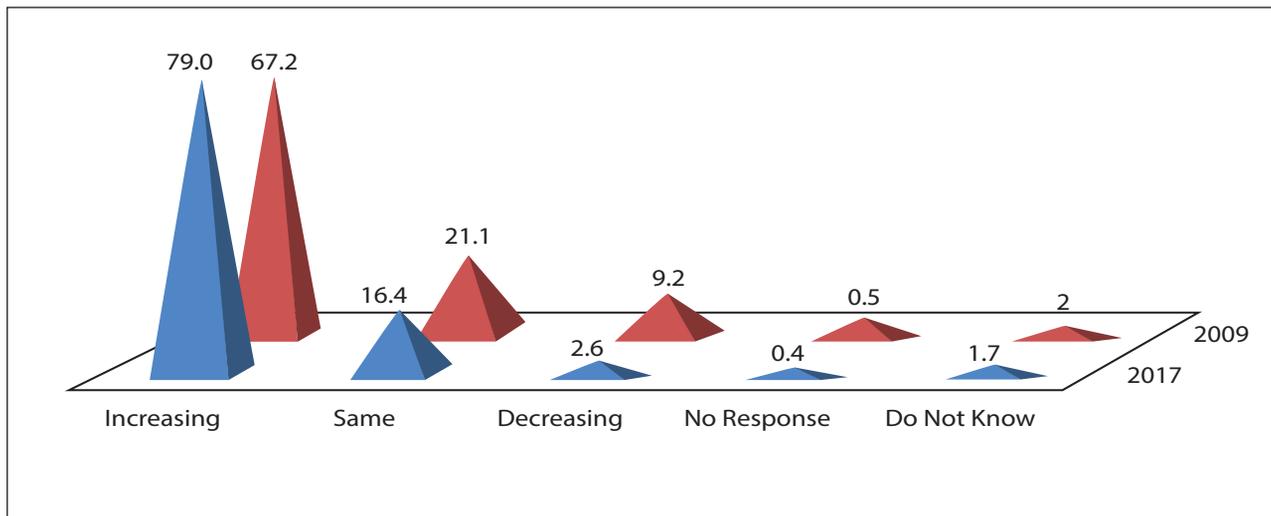


Figure 5: Change in level of corruption

3.3.2 Payment of Bribes to Win Contracts

Respondents were asked to indicate if firms paid bribes to win public sector and private sector contracts comparing 2013 and 2016. From Figure 6, there is a significant difference in perception with more firms perceived to pay to win public sector contracts in 2016 than 2013. Whereas 7.4 per cent perceive all businesses pay bribes to win public sector contracts, the proportion stands at 12.5 per cent for private sector contracts. Similarly, 56.4 per cent perceive that most firms pay bribes to win public sector contracts while the figure is 64.7 per cent for private sector dealings.

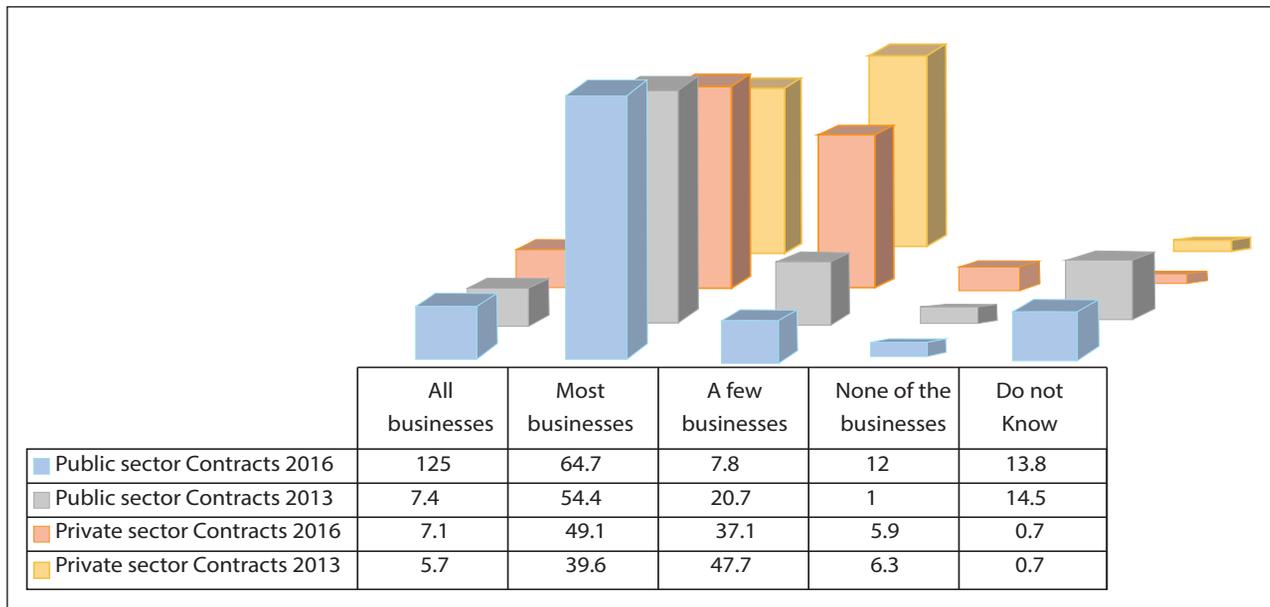


Figure 6: Payment of bribes to win contracts

In Figure 7, respondents were asked to state if it is common for firms in their line of business to have to pay some irregular, additional payments/gifts to get things done with regard to customs, taxes, licenses and regulations. Comparatively, there is a significant increase in firms that always (10.3%) and frequently (26.3%) pay for this facilitation in 2017 than 2009.

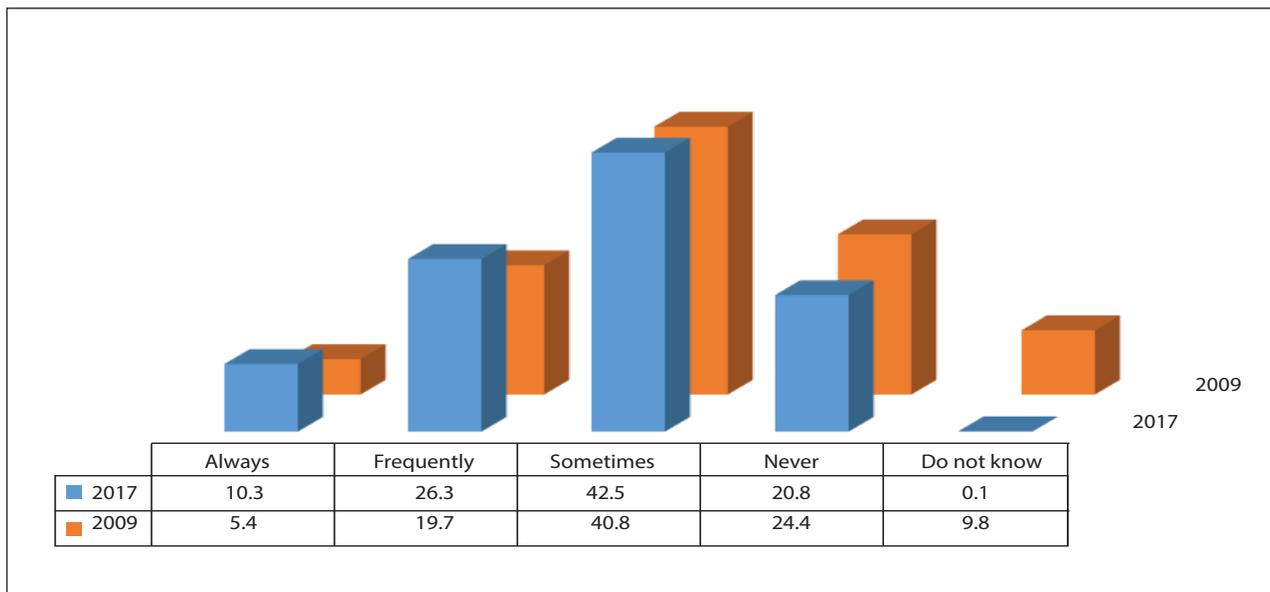


Figure 7: Bribery with regard to customs services

Moreover, respondents provided feedback on whether firms in their line of business usually know in advance the cost of these additional payments/gifts. Similarly, firms that always (7.5%), frequently (13.5%) and sometimes (41.1%) know the cost of the additional cost increased in 2017 compared to 2009 as shown in Figure 8.

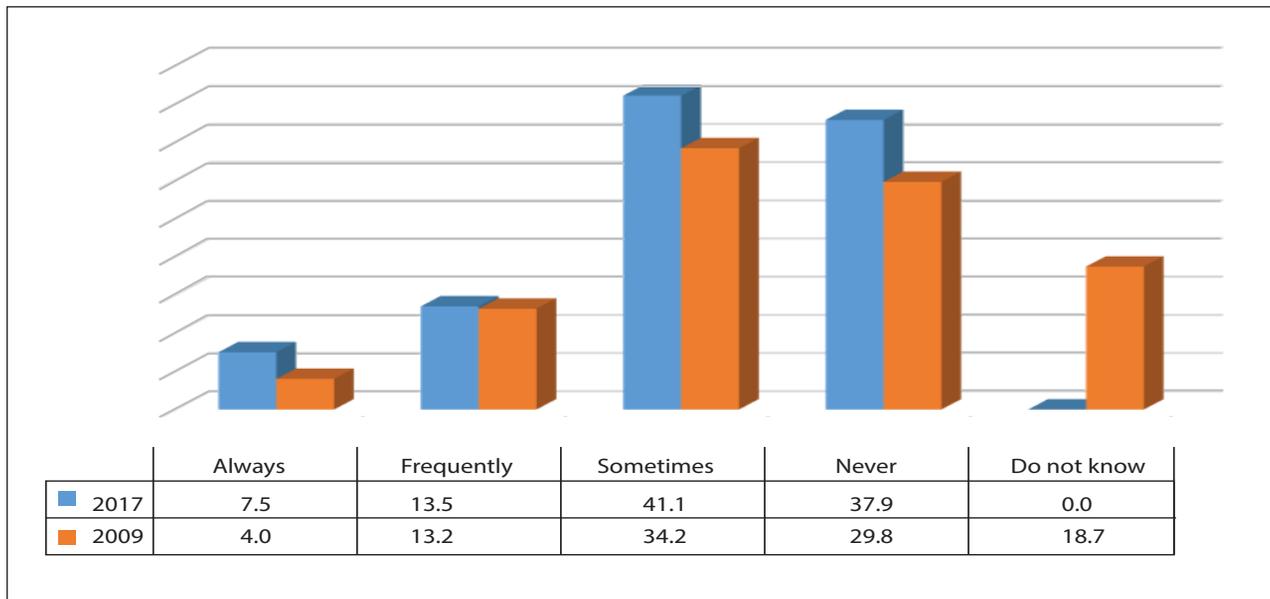


Figure 8: Knowledge on the cost of additional payments

3.3.3 Initiators of Bribery

Consistently over time, majority of the firms indicated that bribes are initiated by the service provider explicitly or implicitly as shown in Figure 9. About a tenth of the firms pay because it is known beforehand how and the much to pay in advance while 15.9 per cent of the firms voluntarily offered in 2017 compared to a relative 5% in the previous years.

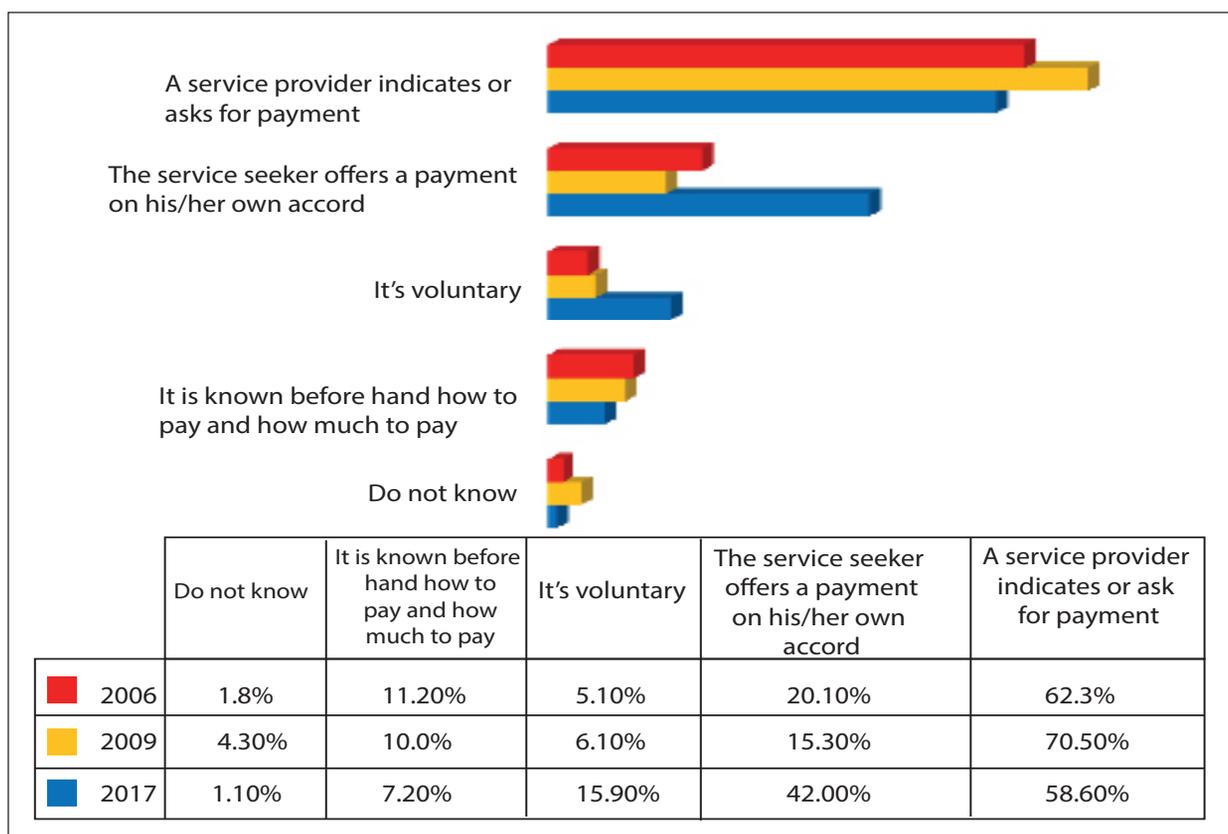


Figure 9: Initiators of bribery



3.3.4 Management of Records

Record keeping of business transactions in terms of issuance and demanding of receipts is the base of good management practices and fosters accountability. Table 2 indicates that management of records by firms is most often within the statutory requirements. Over 80 per cent of firms reported favourable compliance in: always demanded receipts; issued receipts; kept only one set of accounts; and paid taxes honestly.

Table 2: Management of Records

Categories	Most often			Rarely			Never		
	2006	2009	2017	2006	2009	2017	2006	2009	2017
Always demands receipts	80.8	84.5%	84.6%	15.4	12.3%	12.8%	3.8	3.2%	2.6%
Always issue receipts	81.5	80.2%	80.8%	15	16.1%	15.8%	3.6	3.7%	3.5%
Keep one set of accounts	83.7	84.2%	86.8%	12.1	9.3%	9.7%	4.2	6.5%	3.5%
Pay taxes honestly	83.4	87.3%	88.5%	12.5	7.1%	8.0%	4.2	5.6%	3.5%

3.3.5 Size of a Bribe

The Survey reveals that 20.6 per cent of the firms typically pay unofficial payments to public officials to facilitate their businesses. About 13 per cent pay between 1 and 10 per cent of their revenues followed by 5.5 per cent who pay between 11 and 20 per cent, 1.8 per cent pay between 21 and 50 per cent while 0.4 per cent pay over 50 per cent. The findings vary slightly from the previous Surveys in 2006 and 2009 as shown in Figure 10.

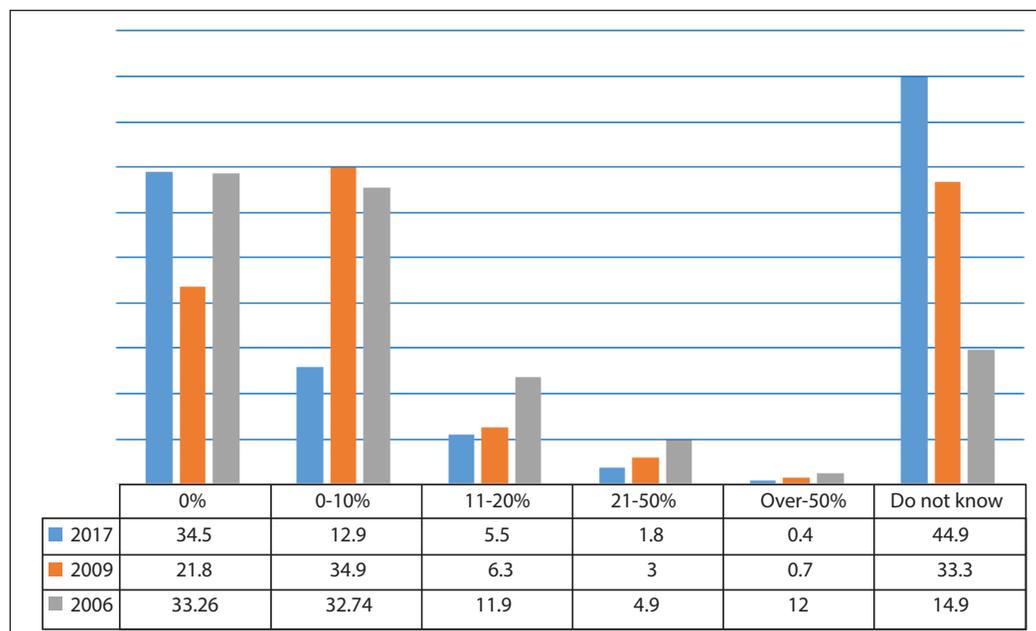


Figure 10: Unofficial payments to public officials

National Enterprise Survey 2017



Table 3 presents average unofficial payments in Kenya Shillings paid to facilitate day-to-day operations of firms by sector.

Table 3: Average Unofficial Payments in Kenya Shillings

Sector	Average (Ksh)
Water supply; sewerage, waste management and remediation	9,730
Arts, entertainment and recreation	16,659
Mining and quarrying	33,333
Real estate activities	101,751
Electricity, gas, steam and air conditioning supply	109,286
Financial and insurance activities	112,031
Transportation and storage	419,151
Agriculture, forestry and fishing	9,431,316
Education	27,451,146
Manufacturing	33,323,270
Information and communication	45,675,652
Wholesale and retail trade; repair of motor vehicles and motorcycles	46,909,391
Human health and social work activities	79,351,289
Other service activities	126,554,455
Accommodation and food service activities	208,645,499
Construction	249,840,980

3.3.6 Services Most Prone to Corruption

Government services are universally offered to all service seekers. The results of the Survey specify that license issuance (24.9%), security services (10.2%) and procurement (9.5%) are the top most services prone to corruption as illustrated in Figure 11.

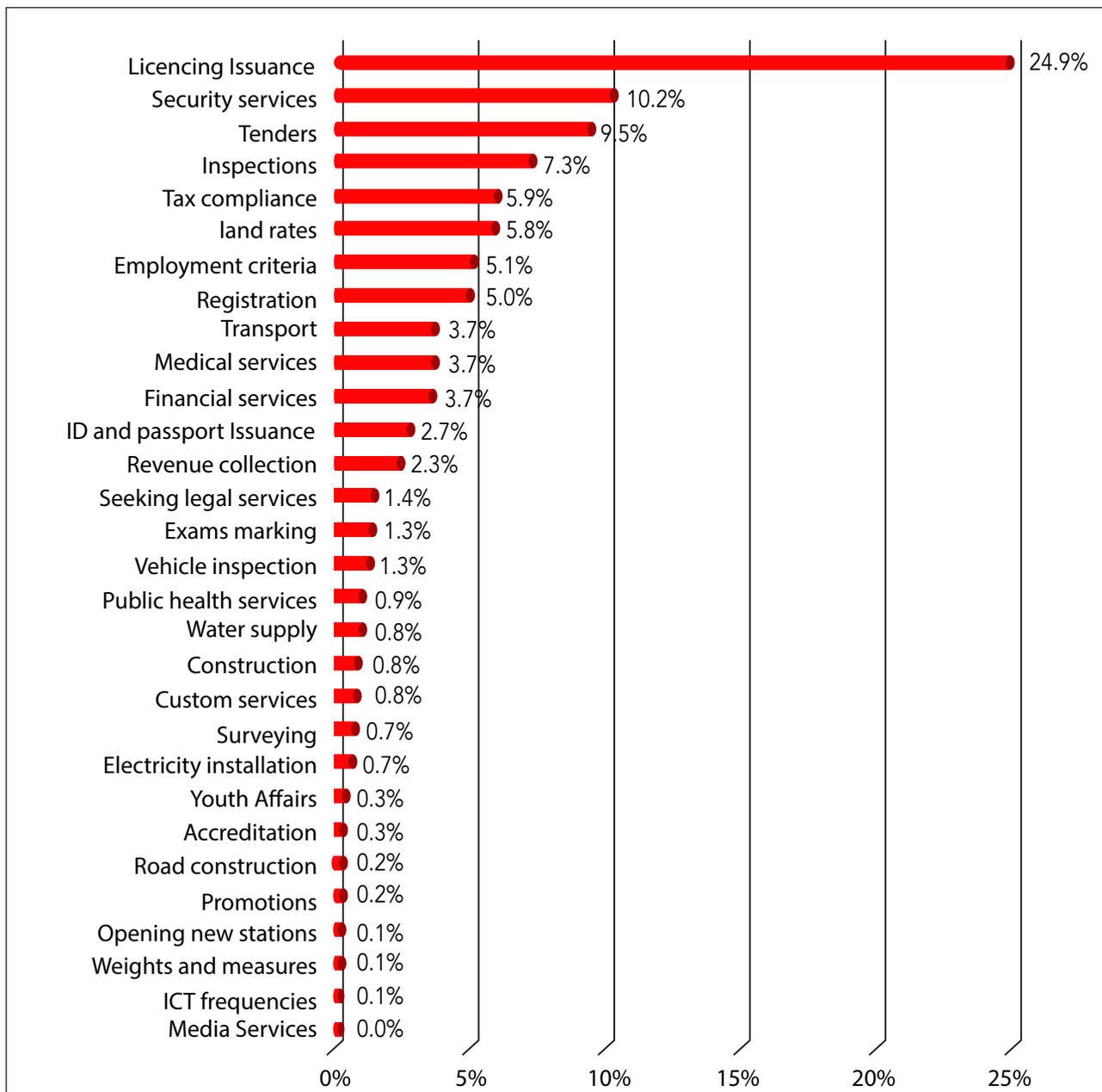


Figure 11: Services most prone to corruption

3.3.7 Ethics in Public Service

Slightly over seventy two per cent (72.4%) of business enterprises reported not witnessing violation of government ethical standards by public officers while 27.6 per cent did witness. Bribery, intimidation and tribalism are the three most prevalent forms of unethical conduct experienced by enterprises while interacting with public officers rated at 80.5%, 25.3% and 23% of the enterprises respectively. Other forms of misconduct are as presented in Figure 12.

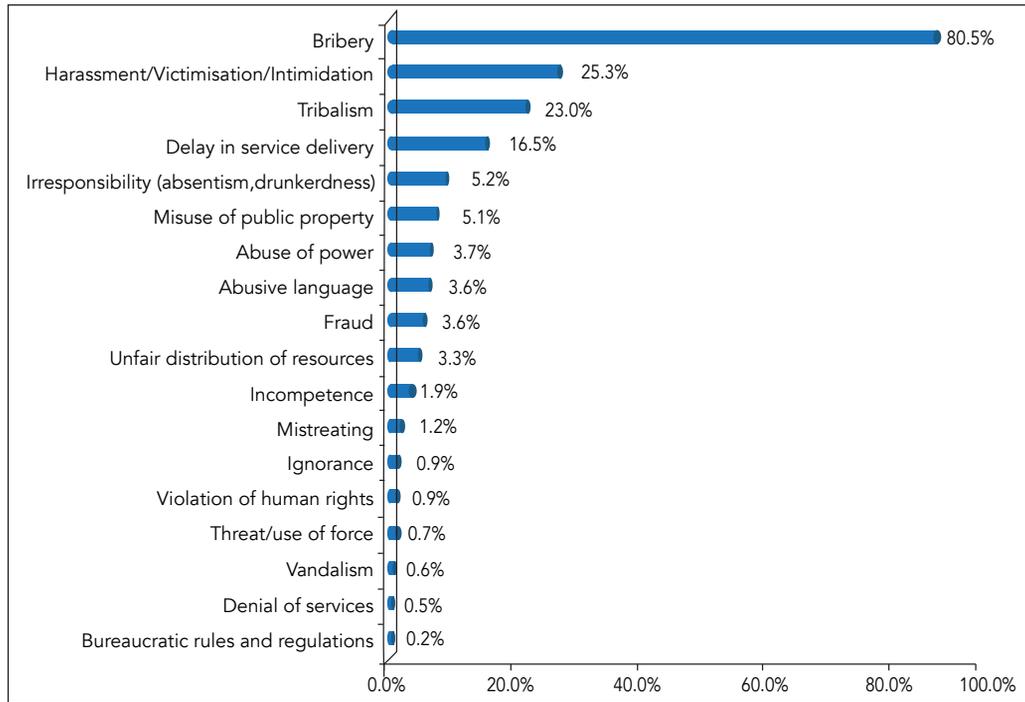


Figure 12: Prevalent forms of misconduct faced by businesses

3.3.8 Service Areas Most Prone to Misconduct in Public Service

Security services offered by the Police rated at 30.9%, tendering process rated at 28.4% and traffic police services rated at 21% are the three service areas most prone to unethical conduct as cited by Enterprises respectively. Other service areas prone to unethical conduct are as presented in Figure 13.

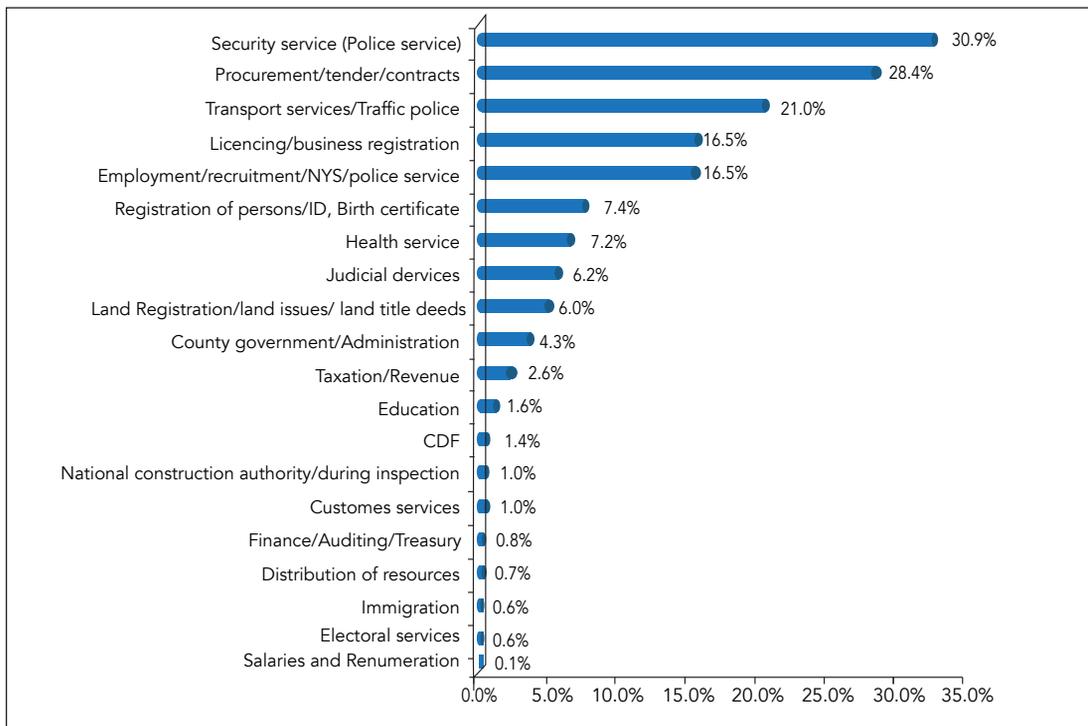


Figure 13: Service points most prone to unethical conduct as cited by enterprises

National Enterprise Survey 2017



3.3.9 Reasons Cited for Unethical Conduct by Public Officers

Greed rated at 53.2 per cent, poor remuneration at 11.2 per cent and poor management rated at 9.2 per cent are the three major reasons cited for unethical behaviour by public officers. Some of reasons are presented in Figure 14.

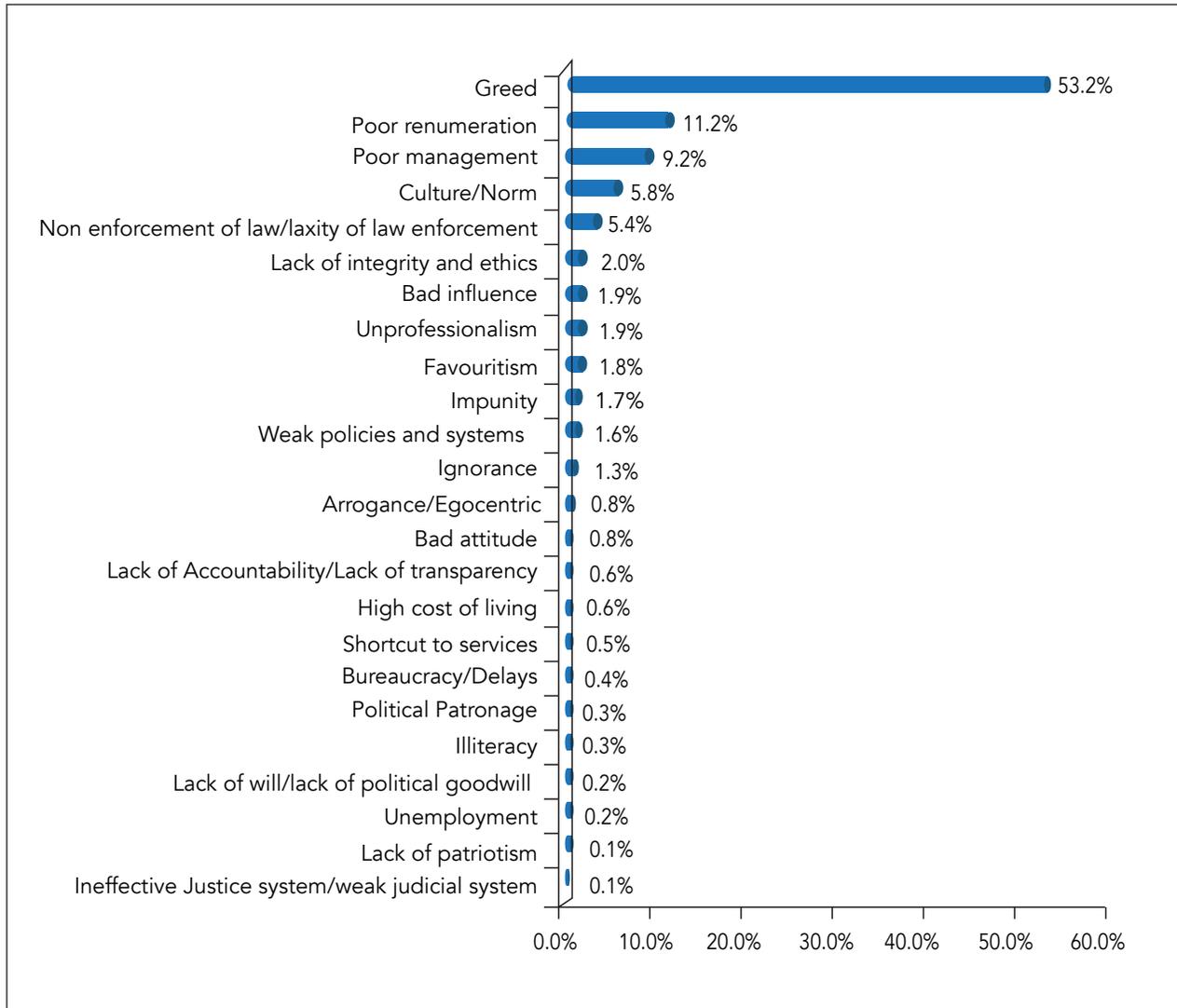


Figure 14: Reasons behind unethical behaviour by public officers

3.4 Integrity in Public Procurement

Public procurement frameworks in developed and developing countries alike are recognised as being characterised by an unstable tension between the public expectations of transparency and accountability and of efficiency and effectiveness of resource management (Mahmood, 2010). It is one of the government services that is most vulnerable to corruption, due to the large amounts of funds and the high levels of discretion and bureaucracy often involved in such processes that provide both incentives and opportunities for rent-seeking behaviour (Transparencia Mexicana, 2012).



In the area of public procurement, firms were asked to provide information on whether they participate in public tenders, the proportion of their income from public tenders, evaluate the tender process, assess various aspects of bid rigging, estimate the proportion of tender price that goes to unofficial payments and comment on the effectiveness of the Public Procurement and Disposal Act, 2005 as discussed.

3.4.1 Participation in Public Tenders

The Survey indicated 10.4% of Enterprises had participated in public tenders while in the 2009, 9.9 per cent of the respondents had participated in public tenders. Of those who had participated, 43.2 per cent of the entrepreneurs indicated it generates 1-10 per cent of their revenue followed by 24.7 per cent with 11–20 per cent, 16.9 per cent with 21–50 per cent of their income while 6.4 per cent had over 50 per cent of their income from public tenders. The findings vary slightly from the previous Surveys in 2009 as shown in Figure 15.

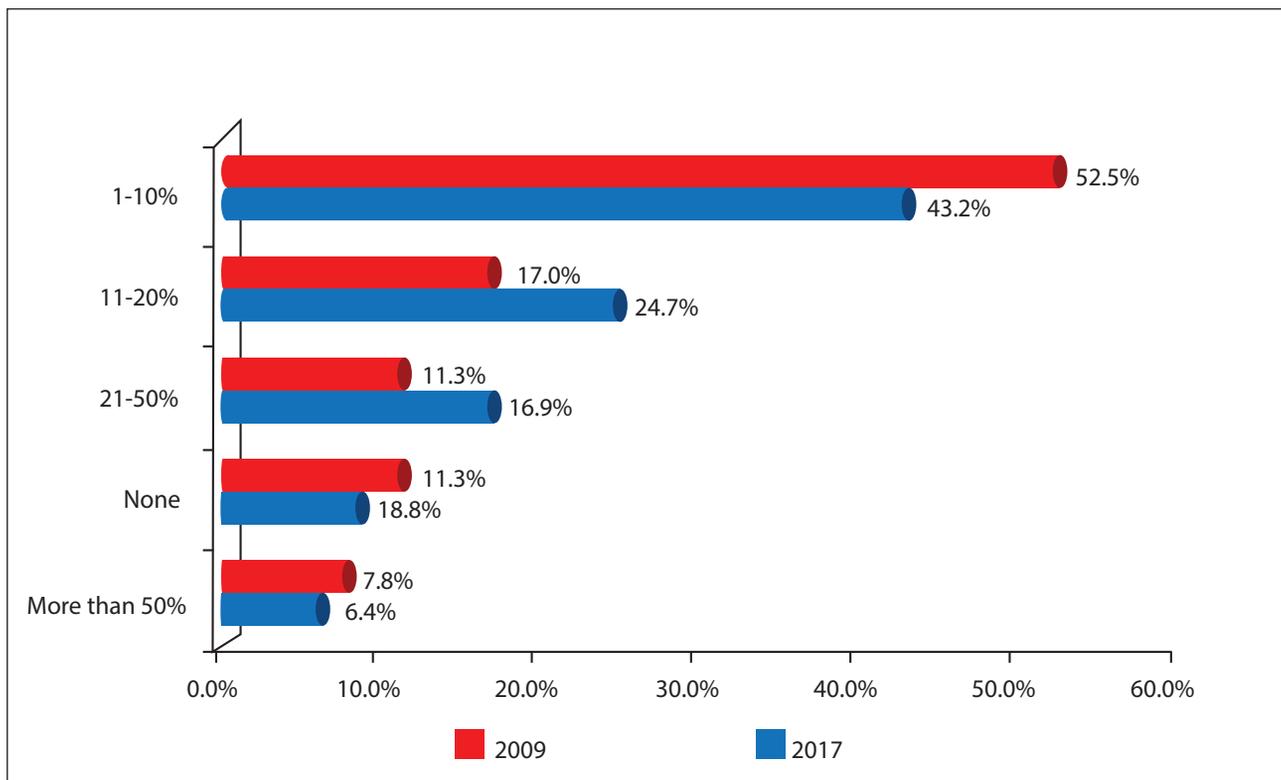


Figure 15: Proportion of income that comes from public tender

Some of the services rendered to the Government are construction mentioned by 22.6 per-cent, catering services by 20.4 per cent and provision of workshop facilities by 10 per cent as shown in Figure 16.

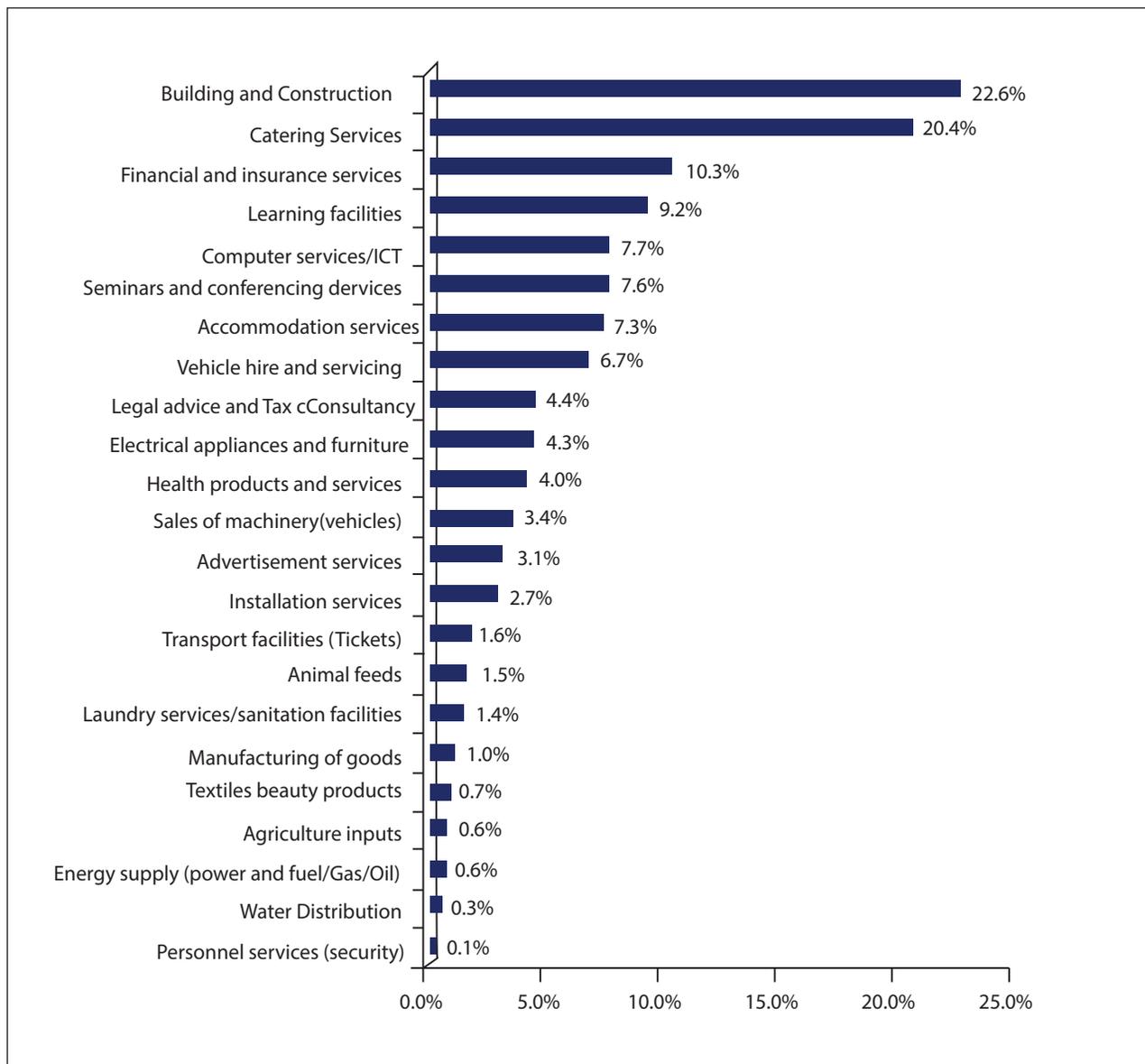


Figure 16: Services provided by enterprises to the government

3.4.2 Termination of Participation in the Tender Process

Arising from various issues pointed by firms, 31 per cent terminated participation in the tendering process in the last three years, while in 2009, 21 per cent terminated their participation in the tendering process. This shows an increase of 10% of the firms that are terminating tendering with the government as presented in Figure 17.

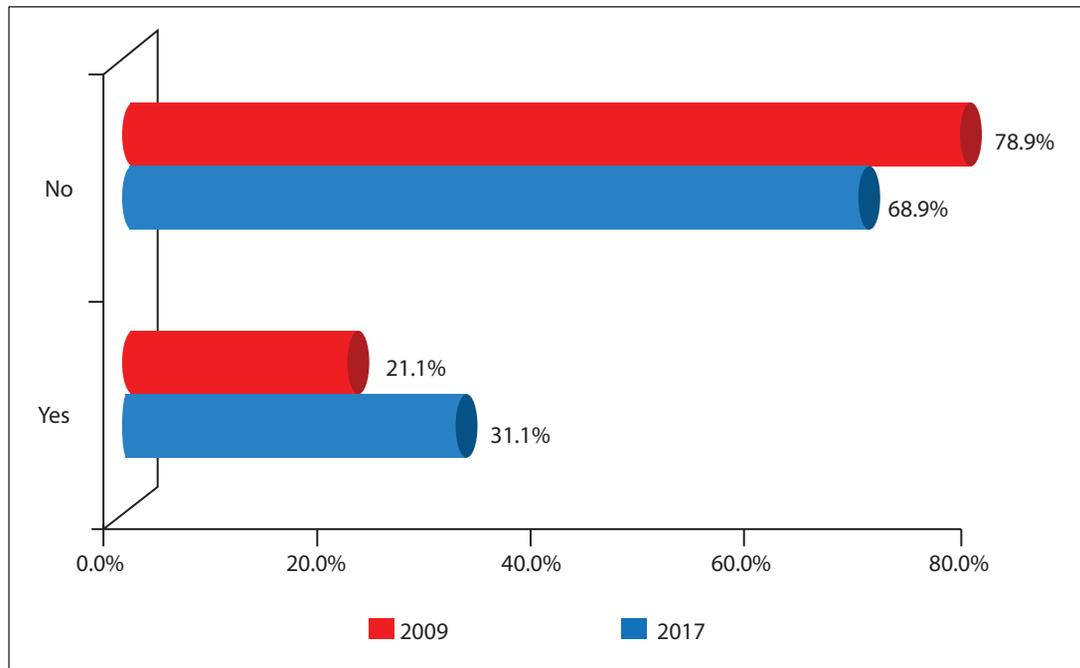


Figure 17: Termination participating in tendering of process

3.4.3 Reasons for Termination of Participation in the Tendering Process

Firms advanced various reasons for termination of their participation in the tendering process. Notably, corruption rated at 47%, delay in payment rated at 15.9%, untenable contract at 15.5% and poor quality of work at 6.4% respectively. Other reasons included unjustified complaints, breach of contract and business down turn, among others, see Figure 18.

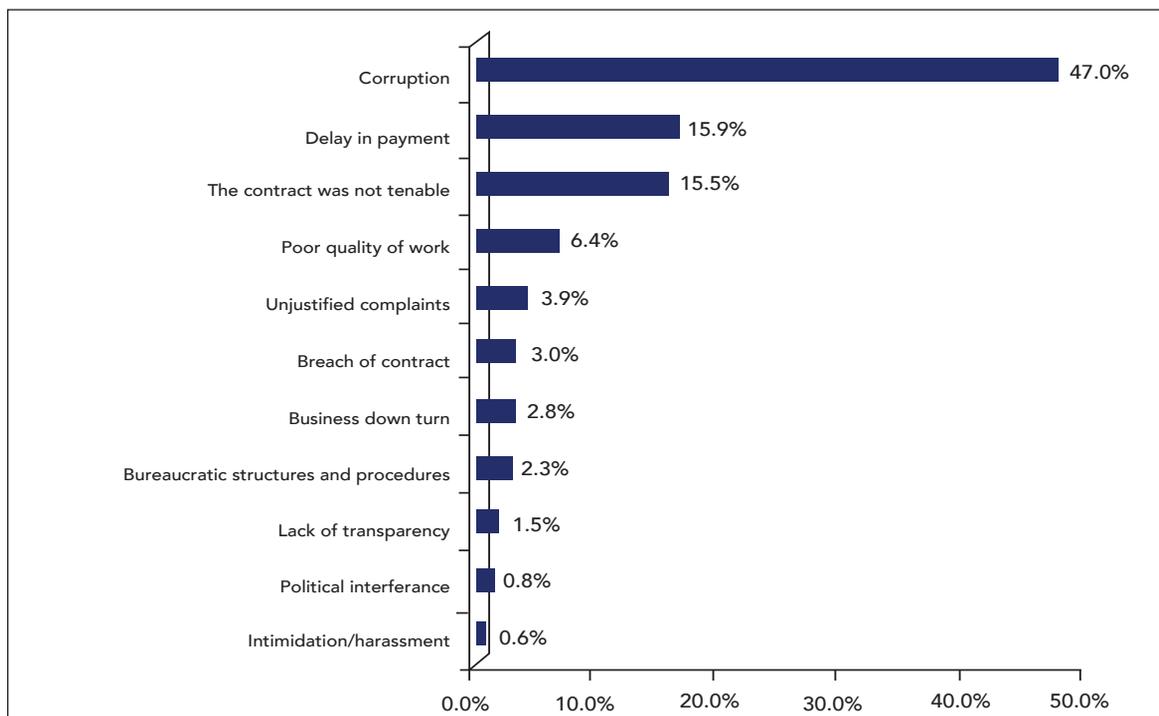


Figure 18: Reasons for termination in the tendering process



3.4.4 Evaluation of Tender Process

Firms rated private businesses, public corporations and government departments on transparency, honesty, clarity and simplicity and timeliness and completeness of the tender process they have participated in as presented in Table 4. From the table, private businesses are rated highly than both the public corporations and government departments on the way they conduct their tendering process.

Table 4: Evaluation of Tender Process in the Private Businesses, State Cooperations and Government Departments

Category	High	Moderate	low
Private Businesses			
Transparency	45.4%	42.0%	12.6%
Honesty	45.6%	41.8%	12.6%
Clarity and Simplicity	39.7%	40.9%	19.4%
Timeliness and Completeness	47.4%	37.2%	15.3%
State Corporations			
Transparency	12.8%	38.4%	48.8%
Honesty	13.7%	34.0%	52.3%
Clarity and Simplicity	21.2%	31.6%	47.2%
Timeliness and Completeness	22.5%	28.9%	48.6%
Government Departments			
Transparency	12.3%	23.9%	63.9%
Honesty	6.7%	28.1%	65.2%
Clarity and Simplicity	17.4%	23.0%	59.6%
Timeliness and Completeness	13.0%	13.6%	73.4%

3.4.5 Frequency of Bid Rigging

Table 5 presents the assessment of various aspects of bid rigging in the tendering process in the last three years. Over 50% of firms reported to have experienced bid rigging frequently as shown in Table 5. Clearly, cases of collusion by suppliers and disqualification of qualified bidders at pre-qualification stage due to bribery are rampant. It also shows that there are cases of unjustified complaints.



Table 5: Frequency of Bid Rigging Within the Last Three Years

Category	Frequently	Less Frequently	Not at All	Don't Know
Qualified bidder being disqualified at pre-qualification stage due to bribery	75.7%	18.7%	2.0%	3.5%
Adjusting specifications in favour of one business	69.3%	24.9%	3.4%	2.4%
Unjustified complaints	54.2%	36.2%	4.6%	5.0%
Collusion by suppliers	47.7%	39.2%	7.6%	5.5%
Bribery to win tenders	75.8%	13.7%	3.1%	7.4%

3.4.6 Unofficial Payments in the Tender Process

The Survey revealed that in engaging with the government, 25.7 per cent of the firms did not make any unofficial payment while 21.6 per cent paid unofficial payments in the range of 6–10 per cent of the tender price. Fourteen per cent (14.4%) of the firms paid in the range of 1–5%, 14.3% paid between 16 and 20%, 11.6% paid in the range of 21–50% and 7.1% paid over 50% of the value of the tender price. The findings vary slightly from the previous Surveys in 2009 as shown in Figure 19.

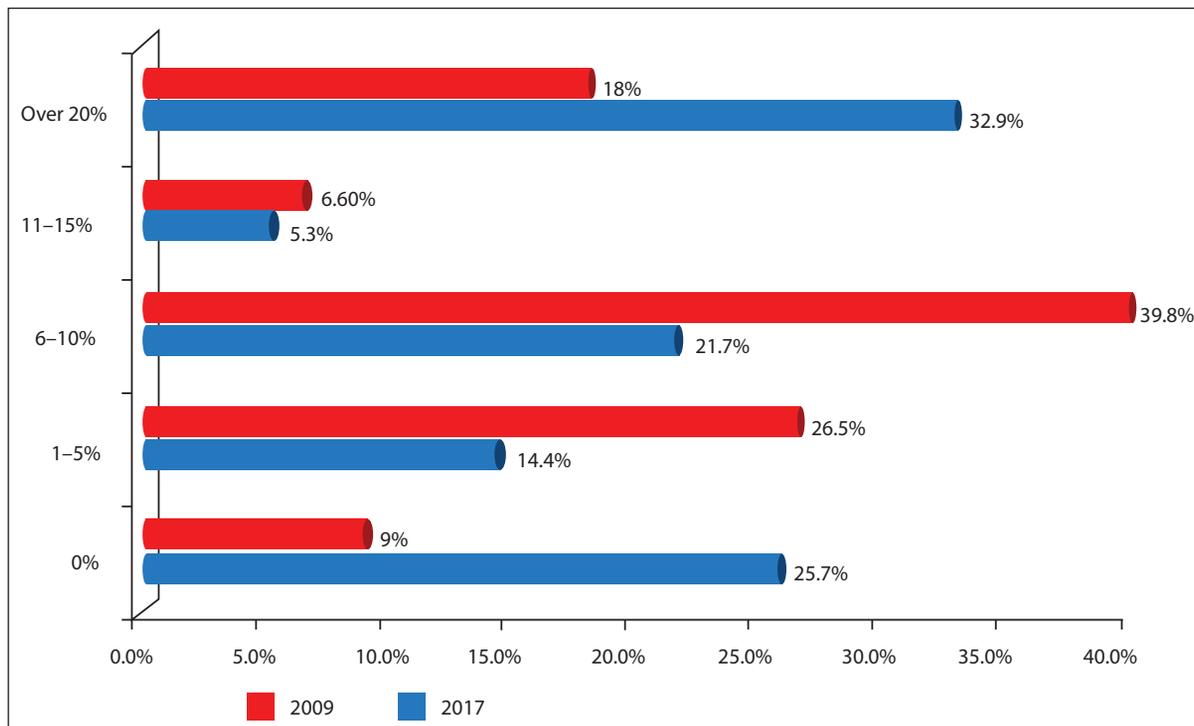


Figure 19: Proportion of tender prices that go to unofficial payments

National Enterprise Survey 2017



3.4.7 Proportion of Tender Value paid as Unofficial Payment

Table 6 presents type of services and proportion of the tender prices firms pay as unofficial payments. ICT services, insurance services, advertisement and conference facilities were listed as key culprits. Majority of the firms pay unofficial payments between 1 and 10% of the tender price.

Table 6: Proportion of Tender Value Paid as Unofficial Payment

Government Services/Products	Proportion of Tender Value paid as Unofficial Payment			
	1-10%	11-20%	21-50%	Over 50%
Computer services/ICT	92%	8%	0%	0%
Financial and insurance services	78%	11%	11%	0%
Catering services/Foodstuffs	61%	25%	11%	2%
Learning facilities	91%	5%	0%	5%
Laundry services/Sanitation facilities	50%	50%	0%	0%
Construction/Building	40%	25%	31%	4%
Vehicle hire and servicing	90%	10%	0%	0%
Advertisement services	100%	0%	0%	0%
Accommodation services	100%	0%	0%	0%
Health products and services	85%	0%	15%	0%
Animal feeds	100%	0%	0%	0%
Energy supply (power and fuel/Gas/Oil)	86%	0%	14%	0%
Electrical appliances, Furniture , Equipment and Cooking Gadgets	65%	12%	18%	6%
Seminars and conferencing halls	100%	0%	0%	0%
Audit, legal advice and tax consultancy services and Customs (KRA)	100%	0%	0%	0%
Manufacturing of goods/Processing/Steel making	33%	67%	0%	0%
Personnel services (security)	100%	0%	0%	0%
Installation services	0%	0%	100%	0%
Agriculture Inputs	50%	50%	0%	0%
Textiles (clothes and beauty products)	75%	0%	0%	25%
Sale of machinery (vehicles)	100%	0%	0%	0%
Water distribution	0%	100%	0%	0%
Transport facilities (Tickets)	67%	33%	0%	0%



3.4.8 Factors that Influence Winning of Government Tenders

A majority, 57.7%, of firms reported special connection as the most important factor in winning of government tender. Other important factors included pre-qualification and competitive bidding rated at 46.5% and 33.6% respectively as in Table 7.

Table 7: Factors that Influence Winning of Government Tenders

Factors	Very important	Important	Less important	Not Important
Pre-qualification	46.5%	36.7%	14.3%	2.4%
Special connections	57.7%	23.4%	14%	4.9%
Competitive bidding	33.6%	40.2%	22%	4.2%

3.4.9 Improvement of Public Procurement

Enhancing transparency and accountability was rated at 60.9% per cent, automation of the procurement process rated at 12.9 per cent, effective rules and regulations to deal with cartels rated at 12.3% were cited as key to improve public procurement in the country, see Figure 20.

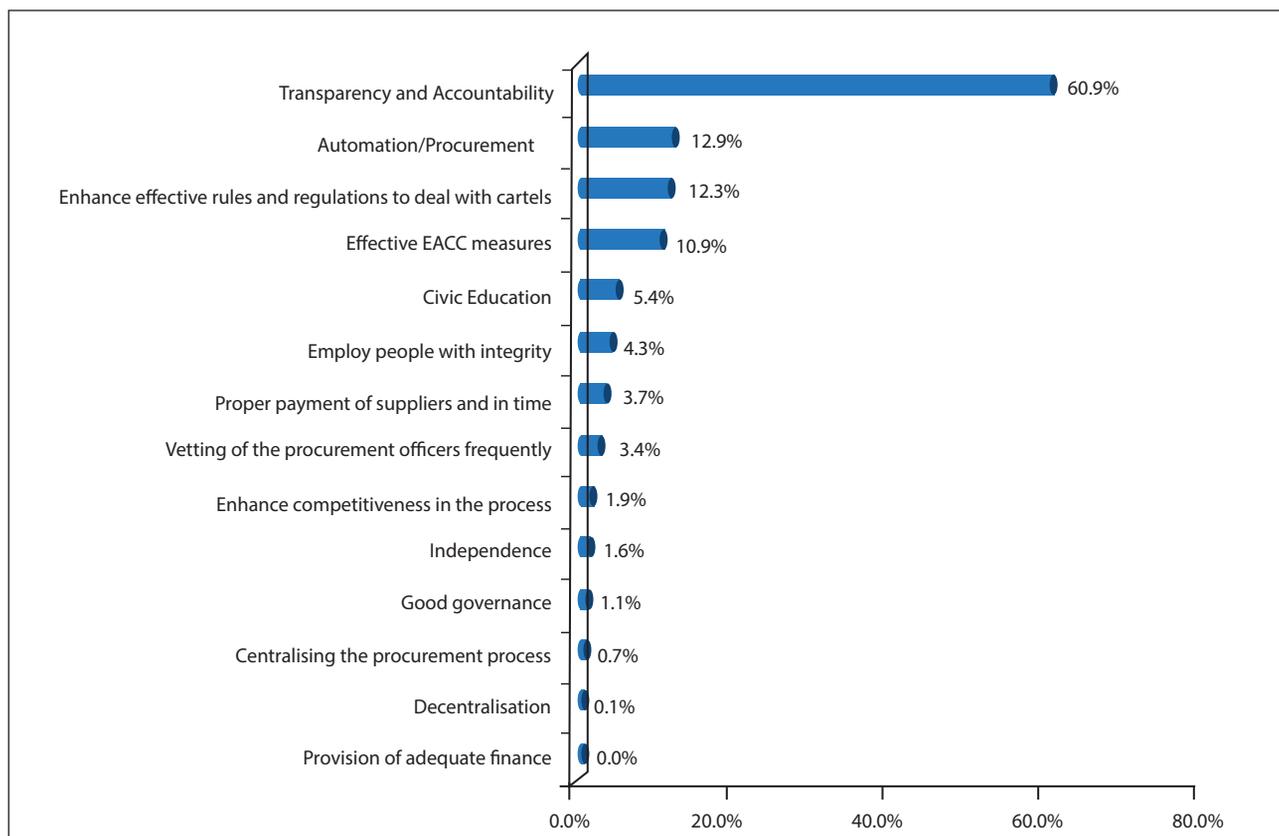


Figure 20: Suggestions to improve public procurement in the country



3.5 Integrity in the Justice System

The Surveys focused on the judicial system centred on firm’s use of the court system, confidence, disputes resolution and occurrences of incidences of bribery to get a ruling in their favour.

3.5.1 Attributes of the Court System

Over 50 per cent of firms rated court services as moderate in resolving business dispute attributed to accessibility to services; ability to enforce decisions; just and honest; and fairness and impartiality. Conversely, 63.2 per cent of the firms recorded that the courts were slow in decision making as shown in Figure 21.

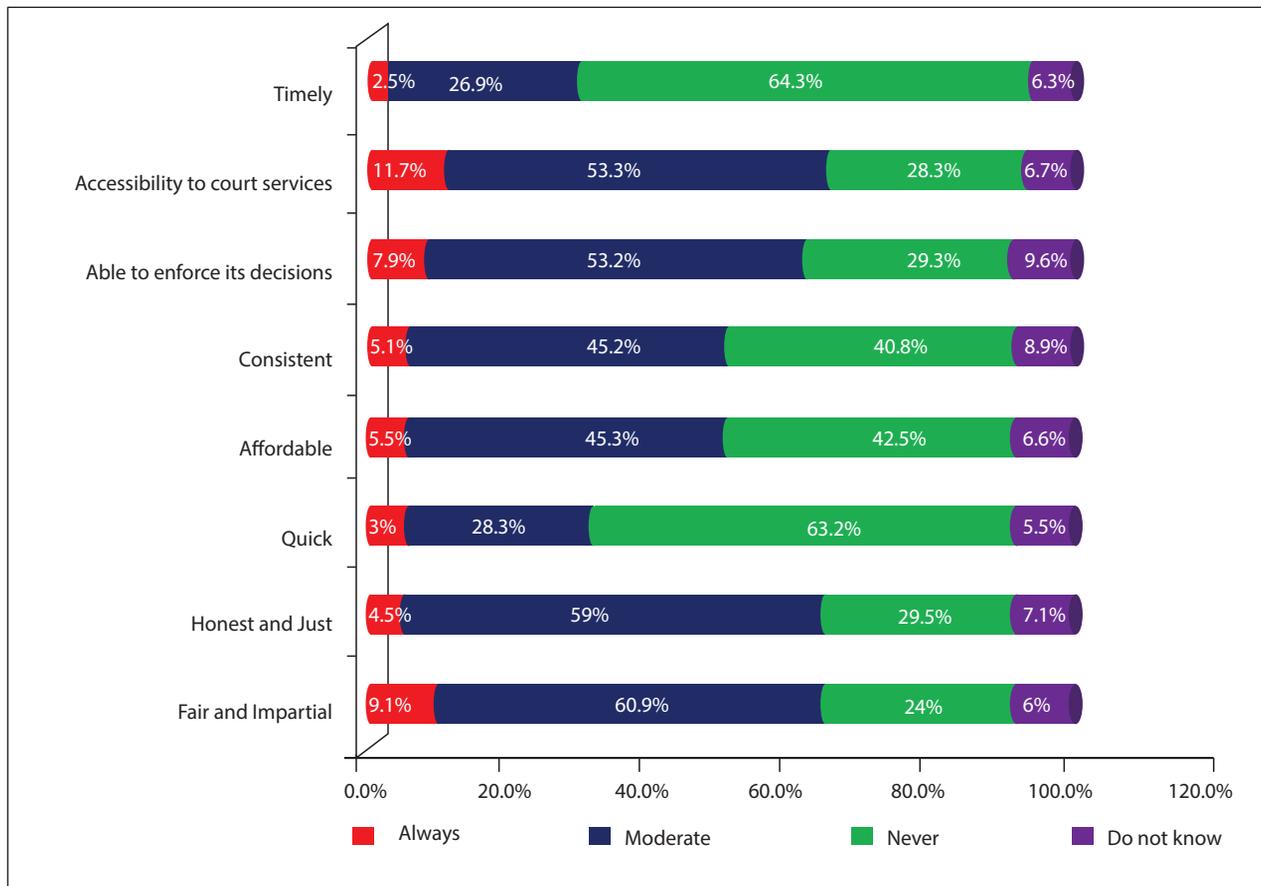


Figure 21: Assessment of court system in resolving business disputes

3.5.2 Methods of Dispute Resolution

Table 8 shows the various methods which firms use to resolve disputes. Over 24 per cent of the firms indicated that they do direct negotiations with the other party to resolve their disputes. Negotiations through a lawyer were preferred by 12.3% and negotiations through police by 12.1%. It is worth noting that only 8.9% utilise courts to resolve trade disputes.



Table 8: Methods Used by Businesses to Resolve Disputes

Method of Dispute Resolution	Used	Not Used
Court	8.9%	91.1%
Negotiations through AG	4.8%	95.2%
Negotiations through police	12.1%	87.9%
Negotiations through lawyers	12.3%	87.7%
Formal mediator/arbitrator	8.4%	91.6%
Business association	6.2%	93.8%
Direct negotiations with the other party	24.4%	75.6%
Threats or use of force	2.1%	97.9%
Family/friend	10.2%	89.8%
Trade unions	3.5%	96.5%
Others	1.5%	98.5%

3.5.3 Average Duration Taken to Resolve Court Case(s)

Forty four per cent (43.8%) of the firms reported a period of 0 to 6 months in resolving a business dispute. More so, 22.2 per cent of the cases recorded 7–12 months while 4.9 per cent recorded more than 50 months period as illustrated in Figure 22.

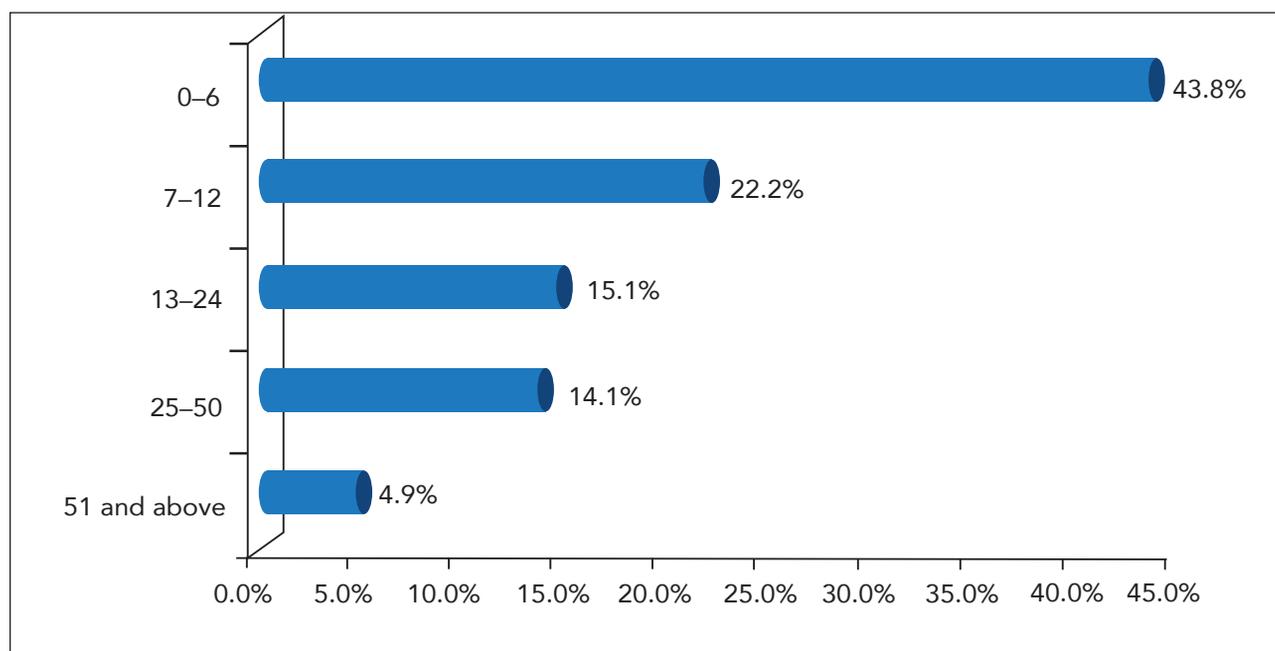


Figure 22: Average duration it took to resolve case(s) in court (Months)



3.5.4 Duration Court Case(s) have been Pending

Forty eight per cent (47.6%) of the firms indicated that the duration court cases have been pending are in the range of 0–6 months. In addition, 15.2% of cases have been pending between 7 and 12 months while 14.5% of the cases have been pending between 13 and 24 months as in Figure 23.

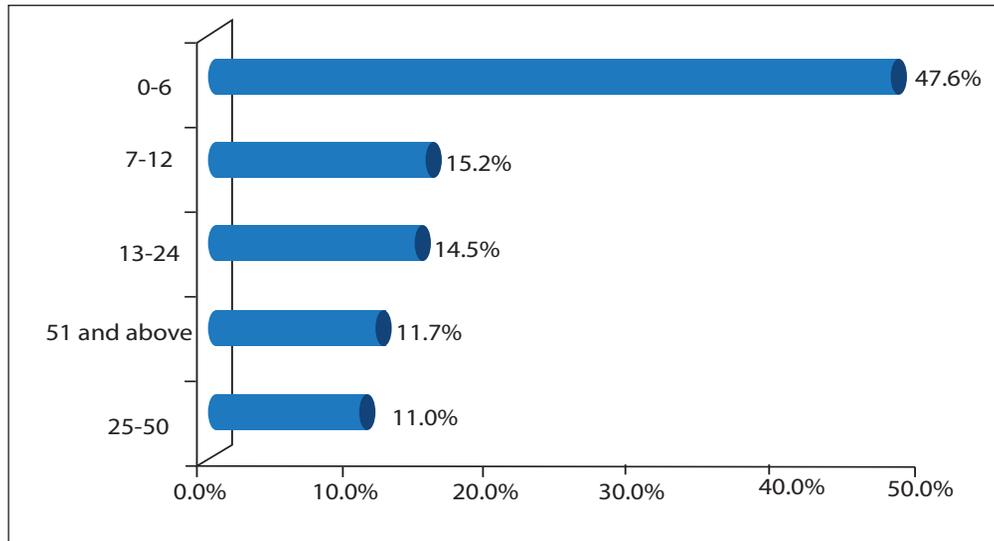


Figure 23: Duration cases have been pending in court (Months)

3.5.5 Bribery in the Judicial System

The survey findings revealed that in a span of one year, 83 per cent of the firms sampled indicated they were not expected to make unofficial payment for favourable case decision while 17 per cent stated otherwise, the findings vary slightly from the previous Survey in 2009 as shown in Figure 24.

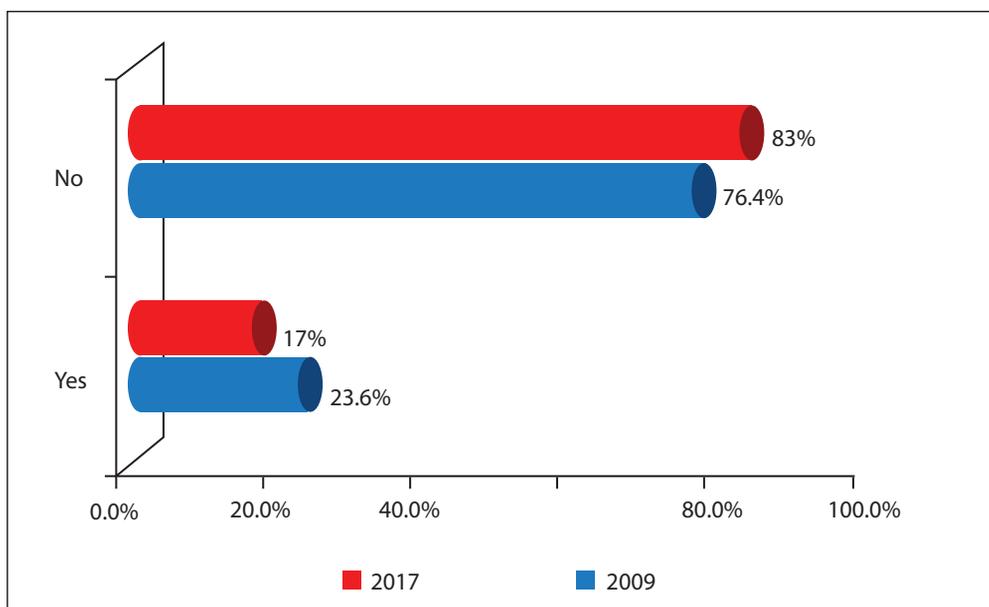


Figure 24: Unofficial payment for favourable court ruling
National Enterprise Survey 2017



Of the 17 % who stated that they were expected to make unofficial payment, 61.4% reported not engaging in making unofficial payment while 38.6% did, while in 2009, 34.3 % paid bribe as compared to 65.7 % who indicated that they did not pay the bribe in 2009 as illustrated in Figure 25.

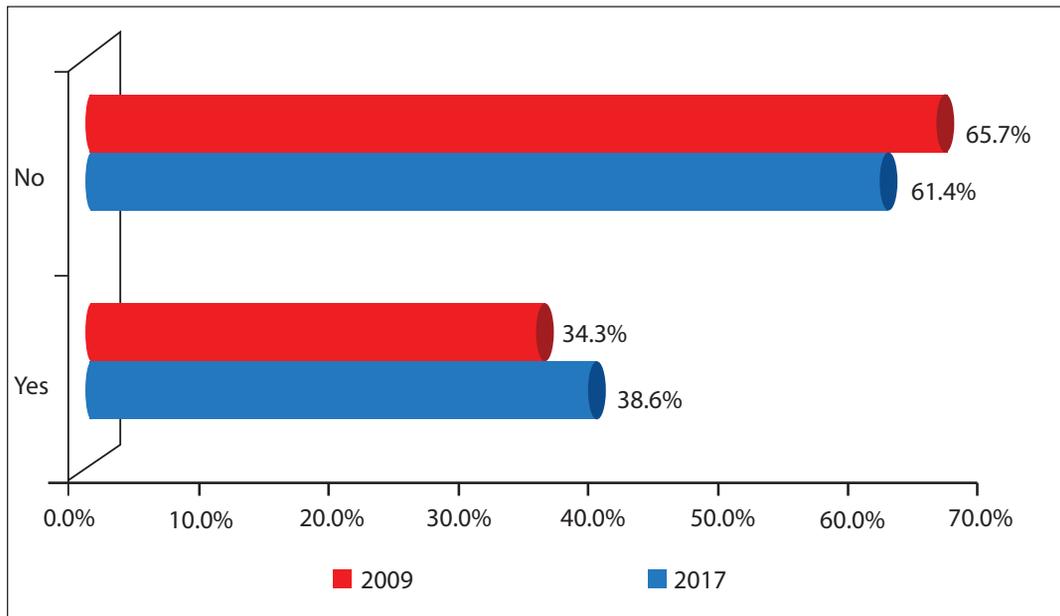


Figure 25: Proportion that made the unofficial payment

3.5.6 Persons Involved in Corruption in the Judiciary

Of the firms that bribed to get favourable decisions, a majority, 56.3%, paid bribes to court clerks, while 37.3% of the firms paid to prosecutors and 18.8% paid to lawyers and judges as shown in Figure 26.

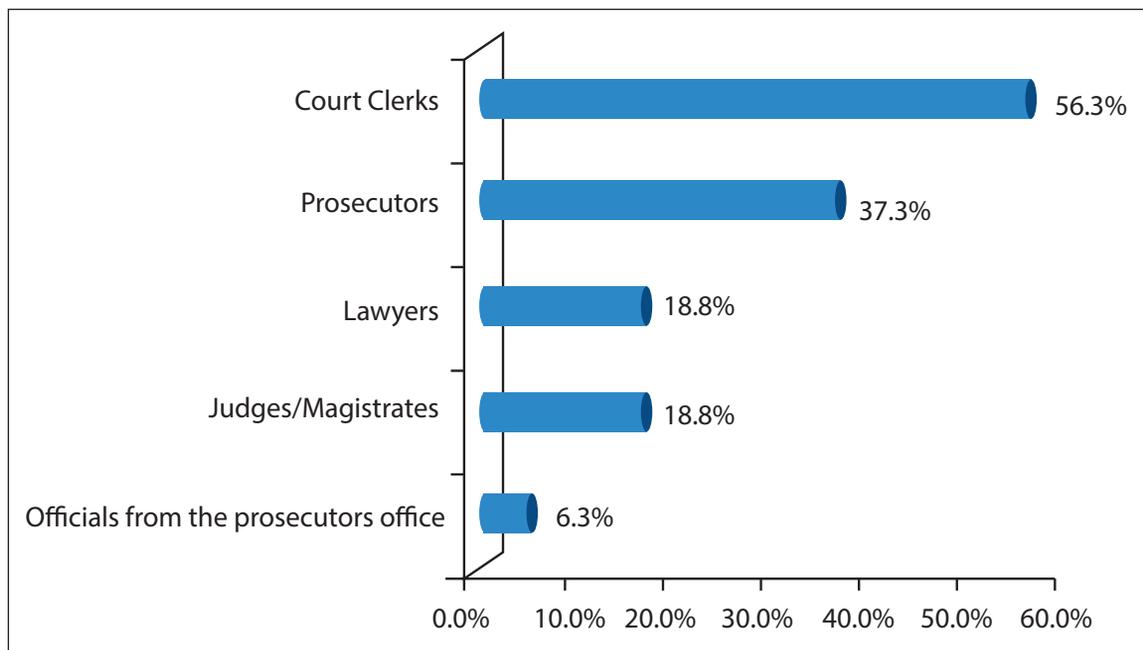


Figure 26: Recipients of bribes in the justice chain

National Enterprise Survey 2017



3.5.7 Average Bribe

The study revealed enterprises paid bribes on average 2.3 times annually. The average number of case(s) was approximately one (1.14) while the average bribe size amounted to Kshs. 39,625 per annum.

Table 9: Average Bribe

Average Times Enterprises Paid Bribe	Average Number of Cases	Average Amount Paid in All Cases (Kshs.)
2.31	1.14	39,625

Officials from the prosecutor’s office, prosecutors agents and court clerks are the three categories of persons that received the highest amount of bribes.

Table 10: Average Amount of Bribe Paid to Persons in the Judicial System

Persons in the Judicial System that are Bribed	Average Bribe Size (Kshs)
Judges/Magistrates/ Through Agents	10,000
Court Clerks	27,657
Lawyers	5,000
Prosecutors	23,143
Prosecution Agents	70,000
Others	5,000

3.5.8 Impediments in Using the Court

Respondents identified the following impediments in using the court to resolve their disputes. The leading problem cited as very severe was the excessive amount of time taken by proceedings (57.5%) followed by inadequate judicial staff (40.1%) and Judges and Magistrates lack of integrity (38.7%) as shown in Table 11.



Table 11: Impediments in Using the Court System

Severity of Problems in Using Courts	Very Severe	Moderately Severe	Not Severe	Don't Know
Legal costs involved in accessing justice	25.4%	63.3%	8.9%	2.5%
Court costs in accessing justice	32.9%	51.5%	12.0%	3.5%
Lack of reliable legal counsel	25.1%	41.7%	30.6%	2.7%
Judges and Magistrates lack of integrity	38.7%	30.6%	25.5%	5.3%
Inadequate judicial staff	40.1%	35.2%	20.7%	4.0%
The excessive amount of time taken by proceedings	57.5%	32.1%	5.3%	5.2%
Difficulties in sentence enforcement	22.5%	52.2%	17.2%	8.1%
Complex judicial process	30.7%	46.7%	14.7%	7.8%

Further, the respondents confidence on weather **“the legal system will enforce contract and protect property rights in business disputes”**, 47 per cent indicated that they were moderately confident, 24.7 per cent said they were confident, 24.4 per cent reported they were not confident while 3.9 per cent were very confident.

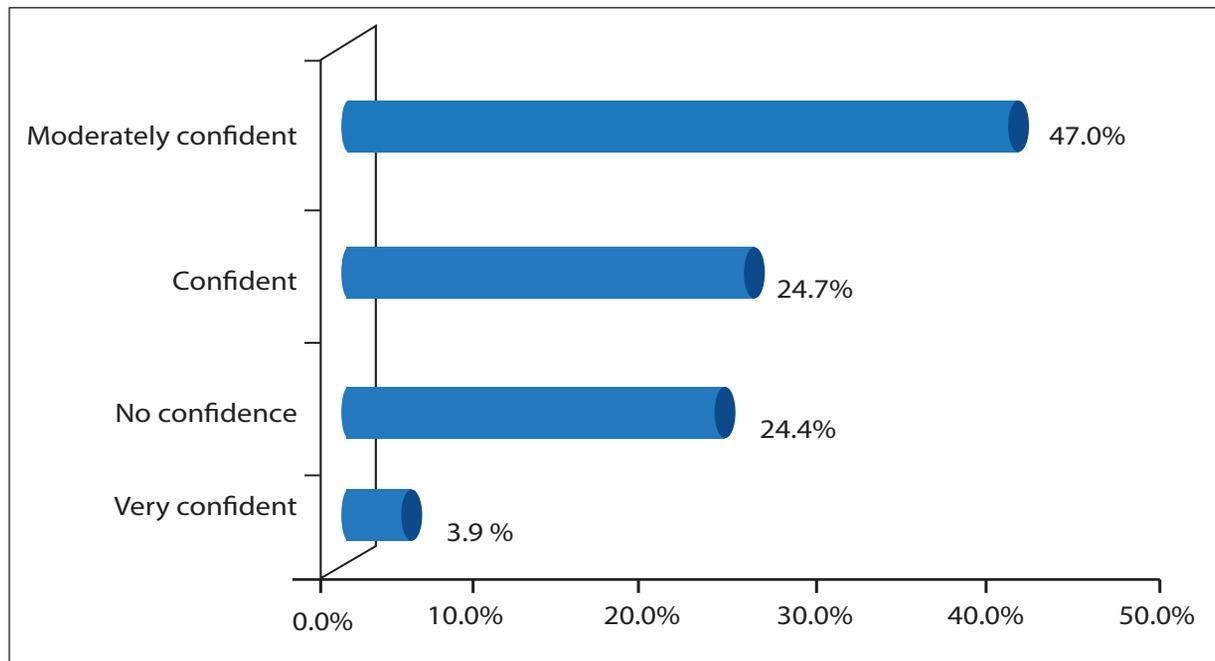


Figure 27: Confidence in the legal system to enforce orders

3.5.9 Judicial Reforms

Respondents were asked their awareness on judicial reforms. Those that reported awareness of the reforms were asked to indicate the impact.

The Survey revealed that 33% of the enterprises were aware of some judicial reforms in the country as compared to 67 per cent who were not aware. Of those who were aware, 87.4 per

National Enterprise Survey 2017



cent of firms said the reforms have improved service provision at the Judiciary while a negligible 1.9 per cent were of the view it had worsened as depicted in Figure 28.

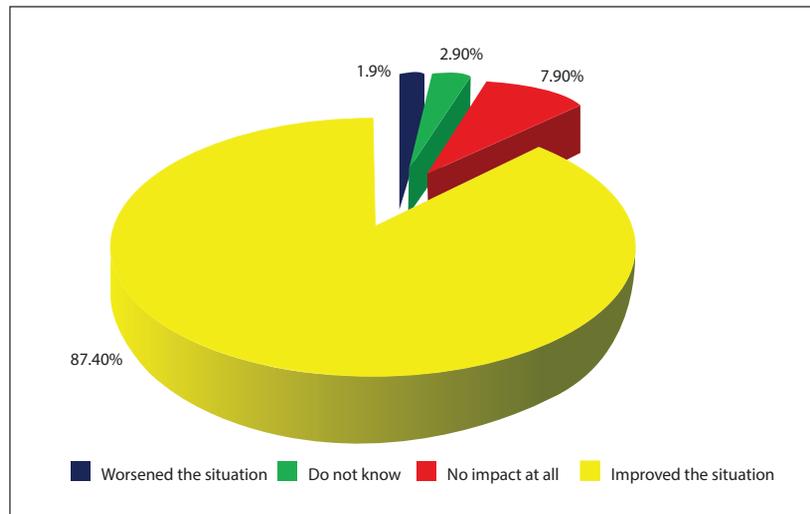


Figure 28: Impact of judicial reforms

3.6 Additional Costs Arising from Operations and Bureaucracy

3.6.1 Security

Firms were asked to indicate if they pay for security (equipment, personnel and professional security services) and what proportion do such payments constitute in their total annual sales. The survey revealed that on average 54.4% of the firms pay for security services to secure their businesses as shown in Figure 29.

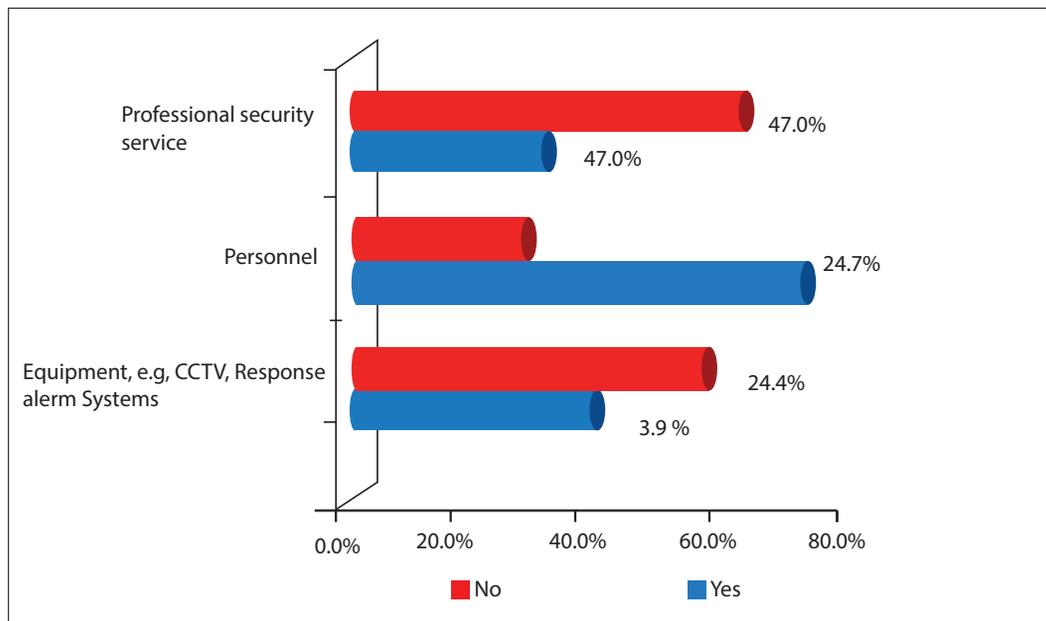


Figure 29: Expenditure on security (%)

Further, 60.9 per cent of the enterprise reported that physical security costs have increased in



the last one year while 34.8 per cent indicated that costs have remained the same in the same period. Only 4.3 per cent of the enterprises reported a decrease in security costs. Comparing with the 2009 enterprise Survey, Figure 30 shows an increase in number of firms that reported an increase in security cost, i.e., from 44.1 per cent to 62.9 per cent.

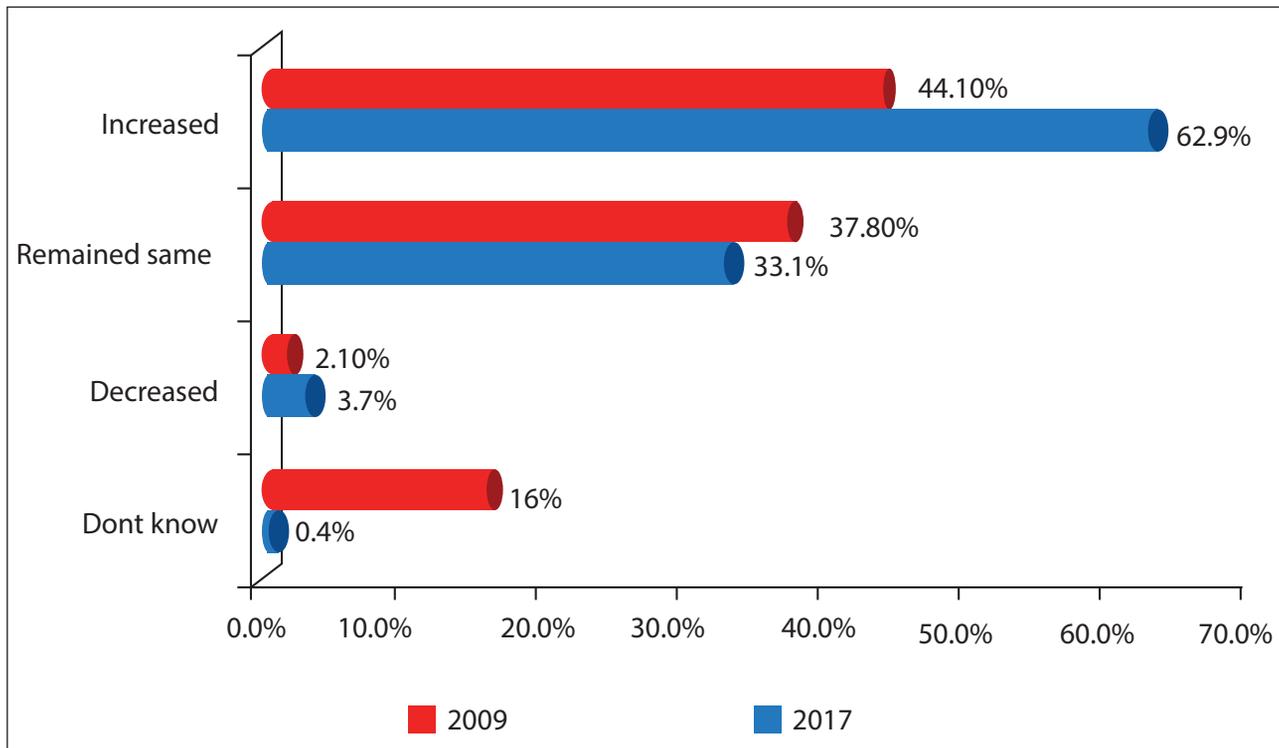


Figure 30: Increase/decrease in security costs (%)

3.6.2 Service Interruptions

Respondents were asked if their businesses experienced service interruptions, duration of the interruption and percentage of total annual sales they pay for the services. These services included electricity, water supply and landline. The Survey findings reveal that on average, a majority, (over 50%), experience service interruption between 0 and 30 days. Moreover, majority of the businesses utilise between 0 and 5 per cent of the total sales to pay for these essential services. This is as presented in Table 12.

Table 12: Average Duration of Service Interruption and Cost of Essential Services

Type of Service	Average Days				% of Total Sales Cost			
	0-30	31-60	61-110	111+	0-5%	6-10%	11-20%	21%+
Electricity	53%	18.9%	16.6%	11.6%	60.8%	13.1%	15%	11.1%
Insufficient Water Supply	98%	1.4%	0.6%	0%	68.9%	11.6%	9.8%	9.6%
Unavailable landline telephone	51.9%	12.3%	17.3%	18.4%	99.4%	0.6%	0%	0%



3.6.3 Loss of Goods in Transit

Those firms involved in export and import business were asked to report any loss of shipment in 2016. It sufficed that 81.3% reported 1–10 per cent loss of the value of their consignment during exportation while 97.7 per cent reported the same loss for the importers as shown in Figure 31.

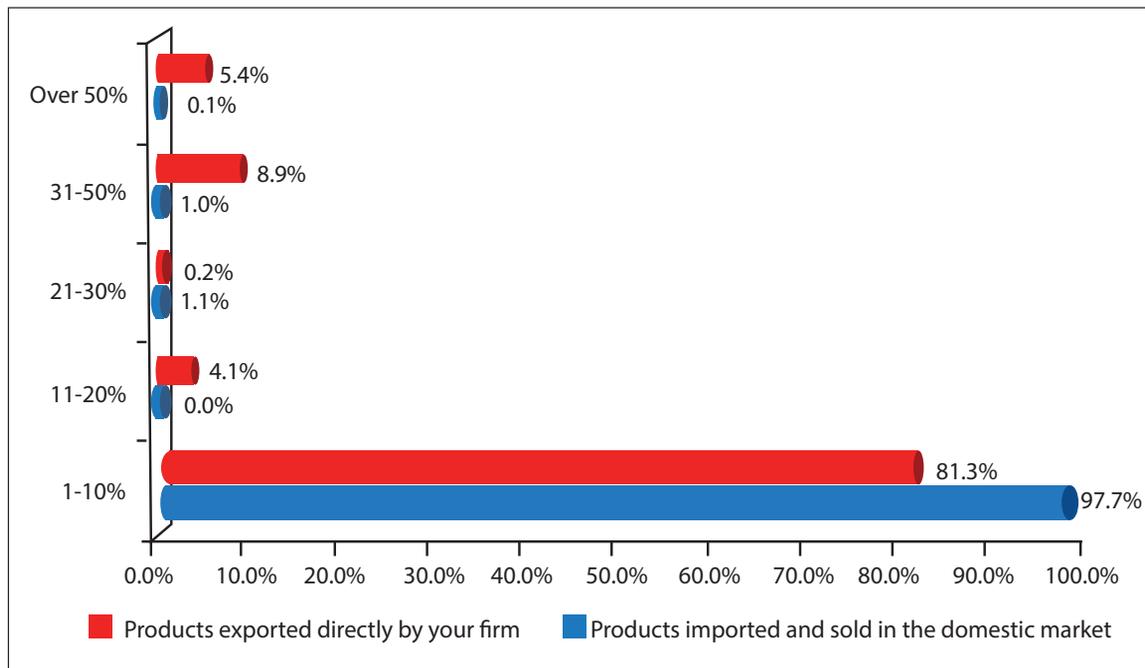


Figure 31: Loss of goods in transit (%)

3.6.4 Losses from Robbery, Vandalism and Arson

It was reported by 16 per cent of the firms that they have sustained losses as a result of theft, robbery, vandalism or arson in 2016 as opposed to 84 per cent who indicated that they had not experienced such loss.

Of the respondents who suffered robbery, vandalism or arson attacks, 66.8 per cent reported 1–10% loss as percentage of sales in 2016 down from 2009 Survey where 70.9 per cent of the firms reported they incurred 1–10% loss. Further 13.3% of the firms reported they incurred 11–20% loss in 2016 while 12.1% reported to have incurred 11–20% loss in 2009. The comparison in percentage loss incurred in the two Surveys is as illustrated in Figure 32.

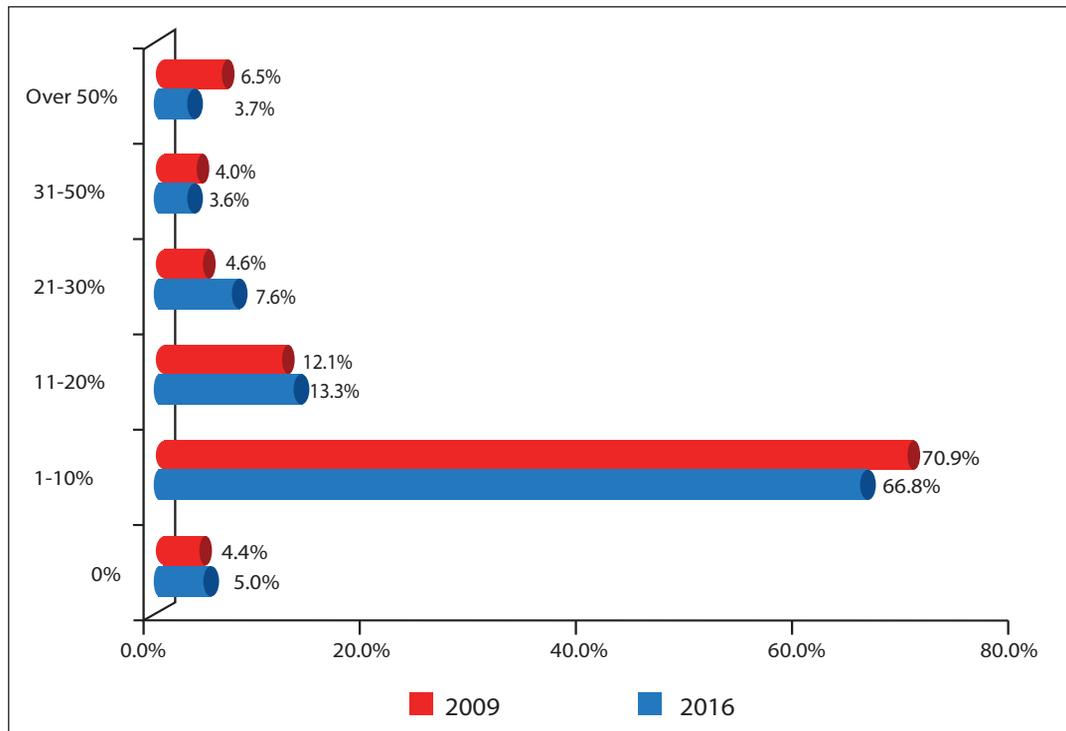


Figure 32: Loss of goods in robbery, theft and vandalism

3.6.5 Protection Fees against Organised Crime

Only 6.1 per cent of the enterprises indicated that they pay for protection to organised crime to prevent violence or property damage for their firms. Of these, 50.1% of the firms reported to pay for protection by 1–10% of their annual sales in 2017 while in 2009 85.8% reported to pay between 1 and 10%. This shows a decrease of approximately 35% of the firms that pay protection fees as in Figure 33.

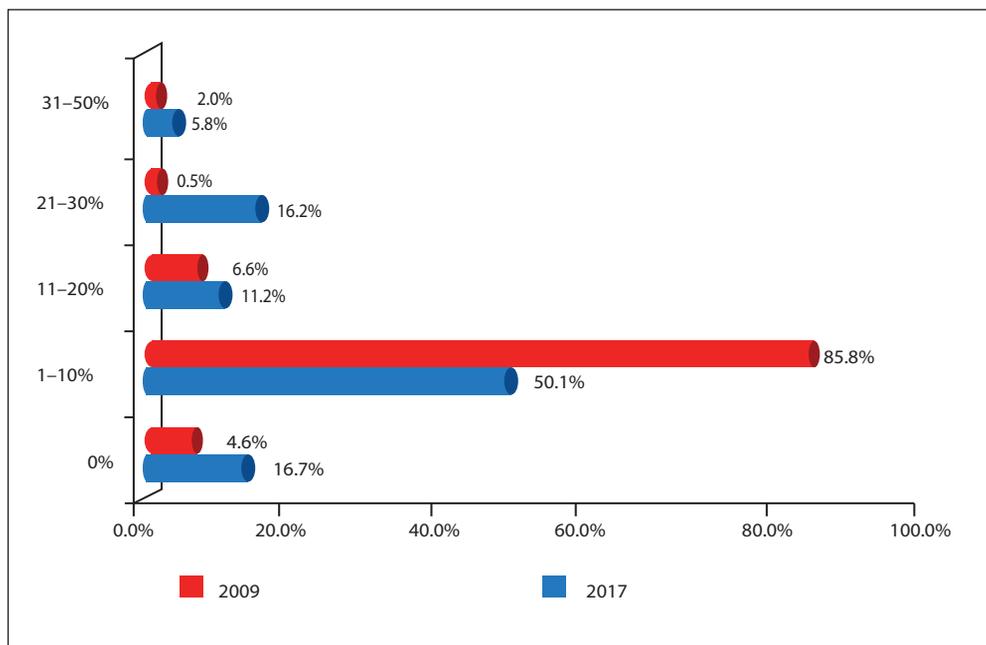


Figure 33: Protection fees against crime
National Enterprise Survey 2017



3.7 Business Environment and Transparency of Requirements

Laws and regulations contribute significantly to improving business environment. Effective regulations address market failure that inhibit productive investment and reconcile private and public interest. The existing legislation determines the mixed legal forms private firms take and determines the level of protection for investors thus affecting the incentives to invest. Inefficient regulations constrain firm's efficiency as they present opportunities for soliciting bribes where firms are required to make unofficial payments to public officials to get things done (World Bank Report, 2013).

The survey describes key critical aspects of rules and regulations that affect the business environment. These are: application of rules and regulations, influence of entrepreneurs in legislation, bureaucracies of registering a business, tax returns, cancellation of additional investments and unofficial payments in importation and exportation of goods and services. The World Bank Enterprise survey, 2007 revealed that the inefficient regulations constrain firm efficiency as they present opportunities for soliciting bribes where firms are required to make "unofficial" payments to public officials to get things done.

3.7.1 Application of Rules and Regulations

Figure 34 presents analysis of responses on application and enforcement of rules and regulations to businesses. Over half of Enterprises specified the applicable rules and regulations as favourable, while 46.3 per cent perceived the enforcement of the rules and regulations as average.

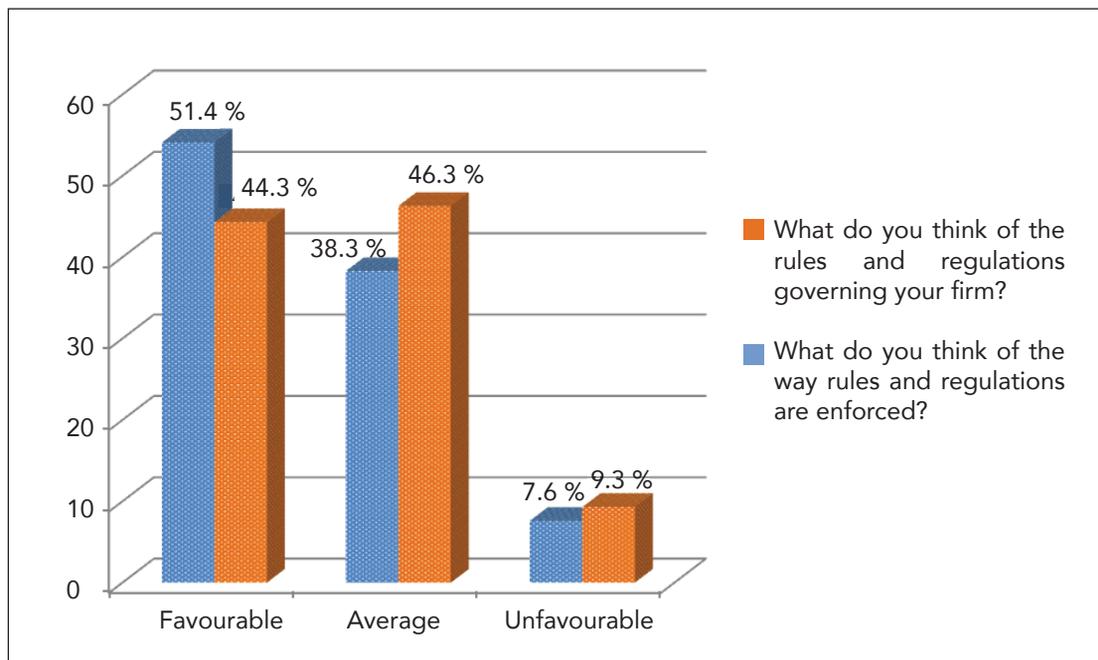


Figure 34: Application and enforcement of rules and regulations (%)



3.7.2 Predictability of Policies

A further analysis was undertaken to determine the predictability of application of Government rules and changes in Government economic and financial policies to the business environment. Sixty eight (68.4%) and 80.3 per cent of the Enterprises respectively indicated and predictable the application of rules and changes in the government economic and financial policies are unpredictable as illustrated in Figure 35.

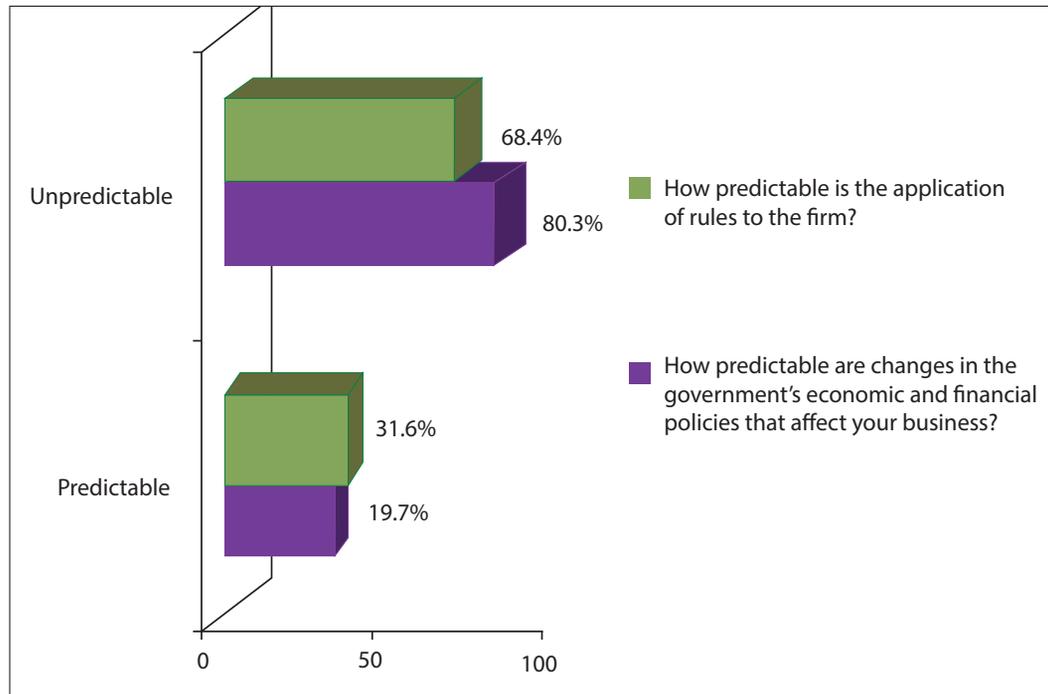


Figure 35: Predictability of policies (%)

3.7.3 Consistency and Consultations to Make Changes

About half of the firms are in support that the interpretation of the laws and regulations affecting their businesses are predictable and consistent while 33.5 per cent strongly disagree. Secondly, on ease of access to laws and regulations affecting their businesses, 55.8 per cent agreed compared to 24.8 per cent who strongly disagree. And lastly, for consultations on changes to laws and policies, 48.5 per cent were in agreement of concerns being considered through individuals, trade unions and business associations.

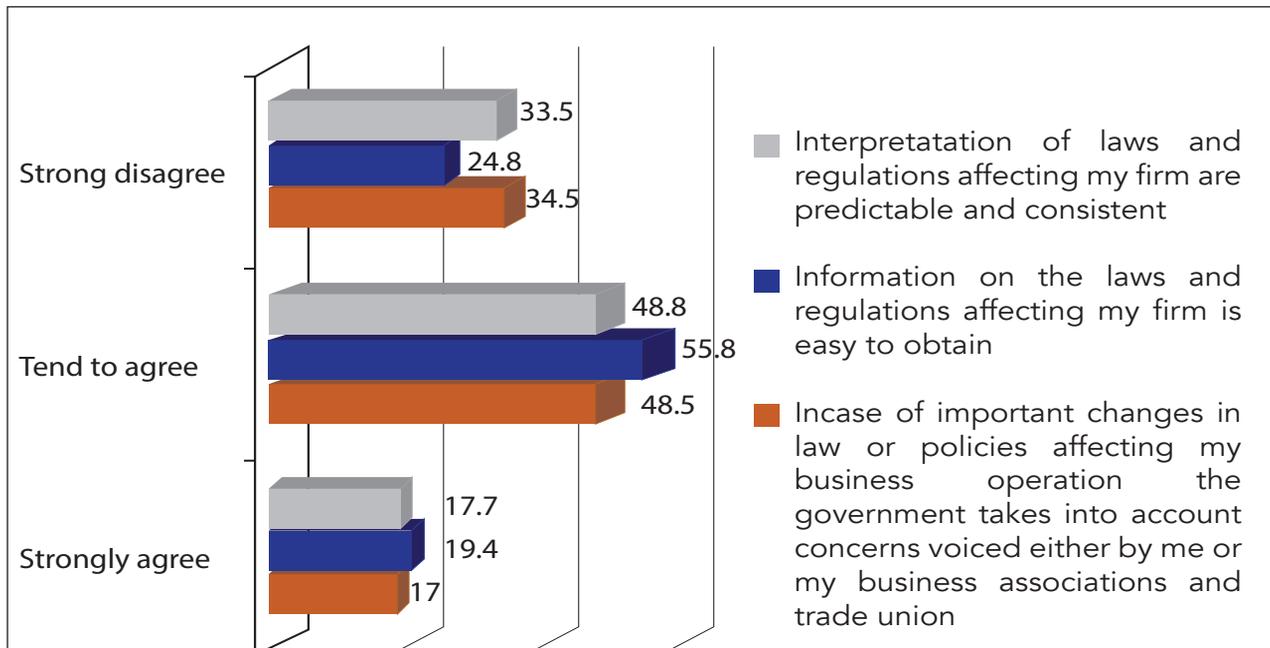


Figure 36: Consistency and consultations to make changes (%)

3.7.4 Influence to Change Laws and Regulations

Approximately 20 per cent of firms affirmed influence on the content of laws and regulations affecting their business in the national and county scale respectively as shown in Figure 37.

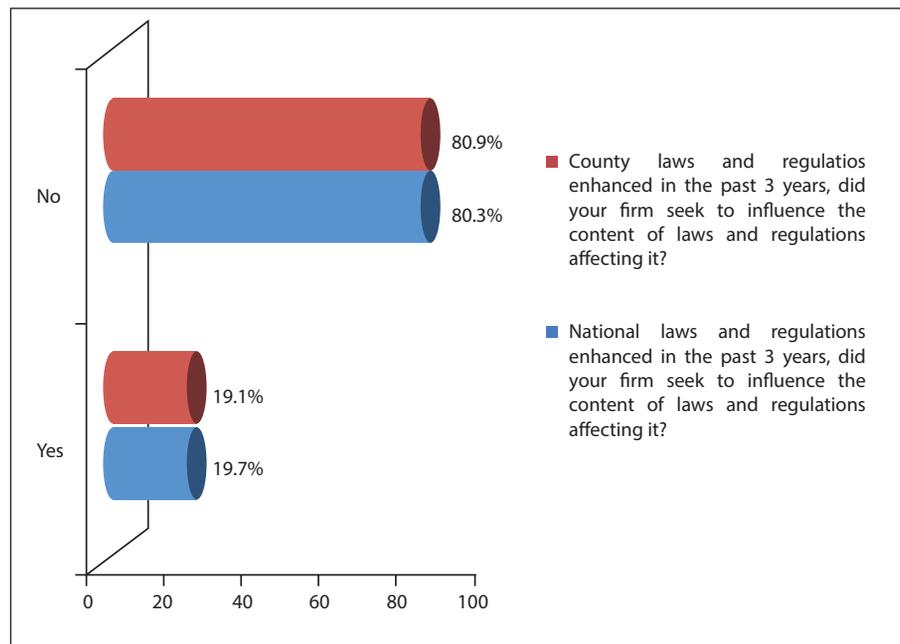


Figure 37: Business influence of enactment of laws (%)



3.7.5 Business growth obstacles

The World Bank Enterprise Survey, 2007 revealed that corruption creates unfavourable business environment by undermining the operational efficiency of firms and raising costs and risks associated with doing business.

Corruption, high taxes, inadequate access to finance and insecurity are the leading business growth obstacles in Kenya. A majority of the Enterprises (58.4%), decried corruption as the lead obstacle in the growth of their business followed by high taxes (49.1%), inadequate access to finances (49%) and insecurity (45.5%) as enumerated in Table 13.

Table 13: Obstacles in Business Growth

Obstacle	Major Obstacle	Moderate Obstacle	Minor Obstacle	No Obstacle
Corruption	58.4%	22.9%	12.8%	5.9%
High taxes	49.1%	26.0%	15.7%	9.2%
Inadequate access to finance	49.0%	32.3%	10.0%	8.7%
Insecurity	45.5%	26.1%	20.1%	8.3%
Poor infrastructure	32.2%	35.7%	17.8%	14.3%
Bribes paid to public officials to avoid taxes and regulations	31.9%	20.5%	25.8%	21.9%
Inadequate Availability and High price of inputs	30.6%	38.4%	18.6%	12.4%
Crime, theft and disorder	29.7%	30.6%	24.6%	15.1%
Political uncertainty/instability	29.1%	36.4%	22.6%	11.9%
Regulations and Policy instability	26.0%	40.4%	23.1%	10.6%
Bureaucracy in the Government	21.5%	29.7%	27.8%	21.0%
Nepotism	20.9%	26.9%	26.9%	25.3%
Requirements to conduct foreign trade operations	17.4%	18.4%	25.4%	38.7%
Legal Procedures to establish a business	16.3%	30.8%	29.3%	23.7%
Unfavourable Labour regulations	15.0%	29.6%	28.5%	26.9%
Difficulty in Business registration	14.0%	33.3%	31.4%	21.3%
Difficulty in Licensing and renewals	13.3%	44.4%	27.8%	14.5%
Ineffective courts	13.2%	32.9%	28.7%	25.2%
Contribution paid by private interests to political parties and election campaigns	12.1%	19.3%	30.5%	38.2%
Executive interference	11.7%	25.5%	29.8%	33.0%
Manipulation of the court process	9.1%	25.2%	33.5%	32.2%



3.7.6 Registration of Businesses

Good economic governance in areas such as regulations, business licensing and taxation is a fundamental pillar of a favourable business environment. Registered firms pay taxes and are supposed to comply with regulations (World Bank Report, 2017).

3.7.6.1 Number of Licenses and Permits

The survey found that on average, at least two licenses/permits are required to run a business. In addition, it was established that few Enterprises operate without the requisite licenses and permits. Table 14 presents both the minimum and maximum number of licenses and permits required per sector to run their businesses.

Table 14: Number of Licenses and Permits required to Run a Business

Sector	Mean	Minimum	Maximum
Agriculture, forestry and fishing	2.62	1	16
Electricity, gas, steam and air conditioning supply	2.74	1	10
Information and communication	1.51	1	10
Transport and storage	2.09	1	12
Wholesale and retail, repair of motor vehicle and motorcycles	1.73	1	30
Manufacturing	3.35	1	37
Education	2.74	1	32
Real Estate, renting and business service	2.48	1	24
Financial and insurance	2.83	1	11
Construction	1.67	1	7
Health and social service	2.82	1	10
Arts, entertainment and recreation	2.12	1	6
Other community, social and personal services	1.32	1	4
Water supply, sewerage, waste management and remediation	2.47	1	5
Mining and quarrying	2.00	1	3
Hotels and restaurant, accommodation	2.71	1	10

3.7.6.2 Average Bribe Paid to Obtain Licenses/Permits

In many economies, bribes are common and quite high and they add to the bureaucratic costs in obtaining required permits and licenses. They can be a serious impediment for firms' growth and development (World Bank Report, 2017).

Table 15 presents licenses/permits by average bribe paid to obtain. From the analysis, advertisement on billboards attracts the highest average bribe of Kshs. 74,000 followed by



acquisition of a National Construction Authority certificate of Registration (Kshs. 50,000) and acquisition of a permit to run a school from the Ministry of Education (Kshs. 27,040) respectively.

Table 15: Average Bribe Paid to Obtain Licenses/Permits

Permit	Average Bribe(Kshs)
Advertisement on billboards/branding	74,000.00
National Construction Authority Certificate of Registration	50,000.00
Ministry of Education permit	27,040.00
Music Copyright Society of Kenya license	23,850.00
Encroachment permit	10,000.00
Single business permit	8,303.98
Fire permit	5,833.33
Certificate of registration/incorporation from registrar of companies	5,555.78
Public health permit	5,284.86
National Environmental Management Authority permit	5,250.00
Kenya Medical Practitioners and Dentists Board	4,122.25
Kenya Revenue Authority Pin Certificate	3,800.00
Work permit for foreigners	2,500.00
Insurance Regulatory Authority License	1,000.00
Pest Control Board Permit	1,000.00
Public service vehicle license	366.00

Firms rated the most difficult requirements to surmount while establishing an enterprise. Access to capital (59.9%) was cited as the most profound followed by registration (33.7%), trade licenses (28.4%) and taxes (25.1%) in that order.

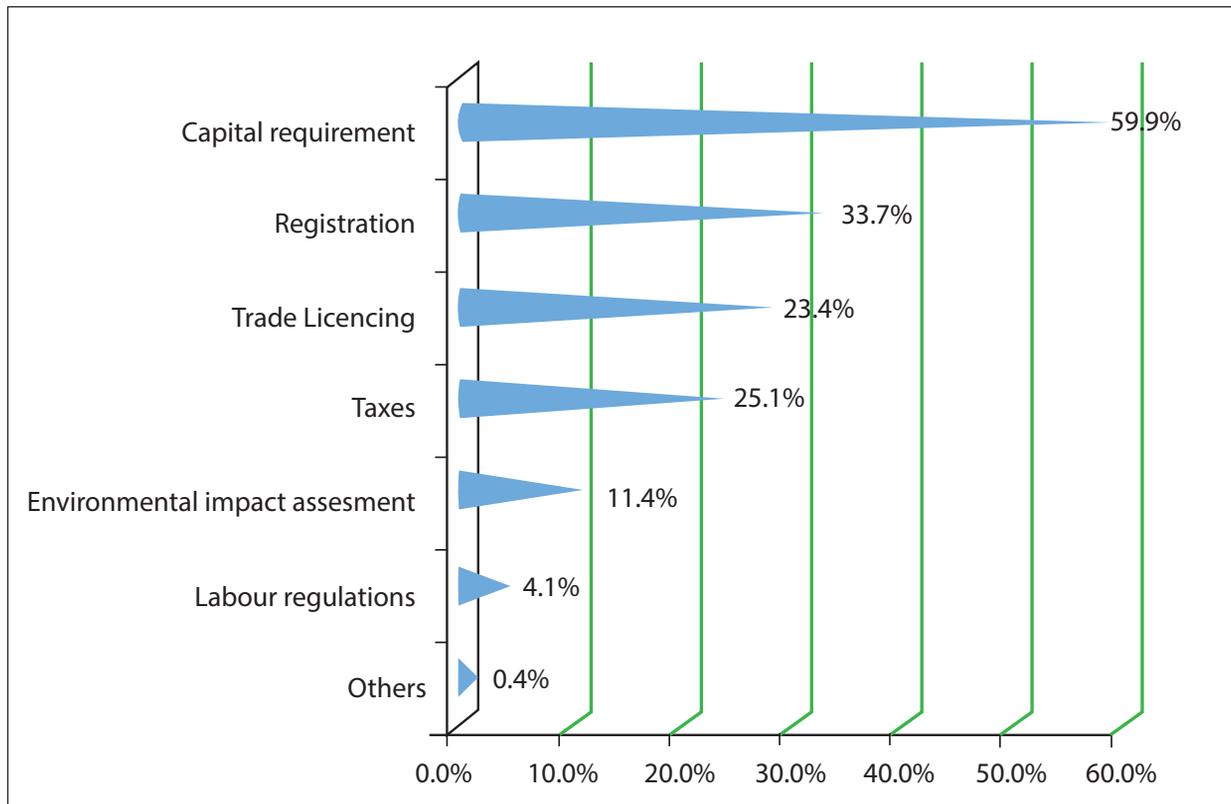


Figure 38: Most difficult requirements to meet

3.7.7 Taxes and Use of Facilitators

Nearly 85 Percent of the Enterprises consider taxes in Kenya as a major impediment in enterprise development. Moreover, 47.4 per-cent cited tax administration as a concern as well as shown in Figure 39.

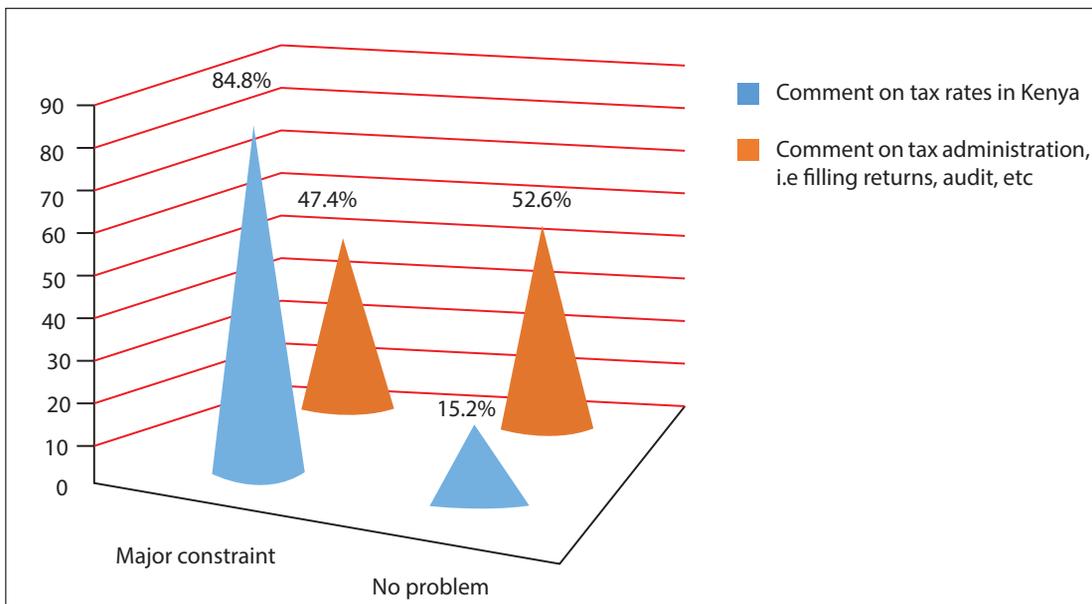


Figure 39: Views on taxation levels



Close to 20 per cent of the Enterprises use facilitators such as accountants, tax advisors, lawyers and other agents to assist comply with government regulations as shown in Figure 40. Consequently, this increases businesses cost to an annual average of Kshs. 324,086.13.

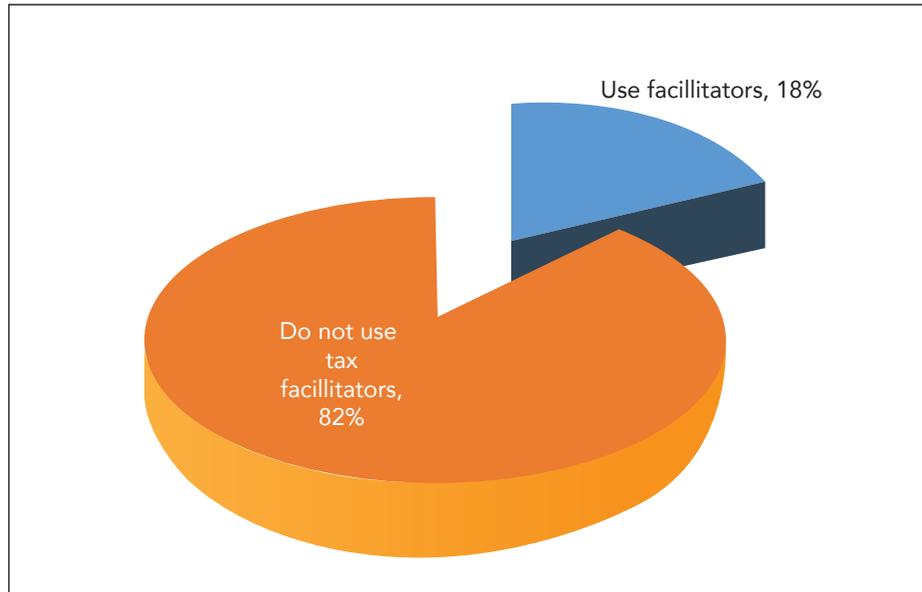


Figure 40: Use of tax facilitators

Tax Evasion and Alteration of Books of Accounts. Twenty eight per cent (28.7%) of the Enterprises get to know incidences of tax evasion in their line of business while 22.7 per cent Enterprises report less value of turnover for tax purposes.

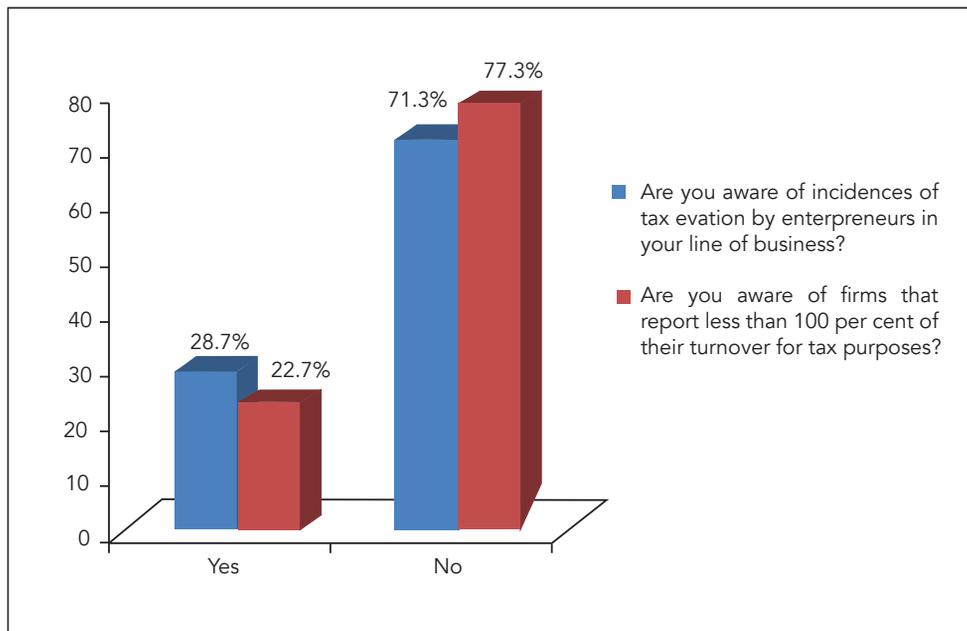


Figure 41: Awareness about tax evasion and under reporting



3.7.8 Cancellation of Additional Investment

Ten per cent (10.1%) of the firms kept away from increasing planned investment in the country. They cited economic uncertainty (53.3%), business down turn (41.7%), high cost of production (38.0%), corruption (21.8%) and political uncertainty (14.6%) as shown in Figure 42.

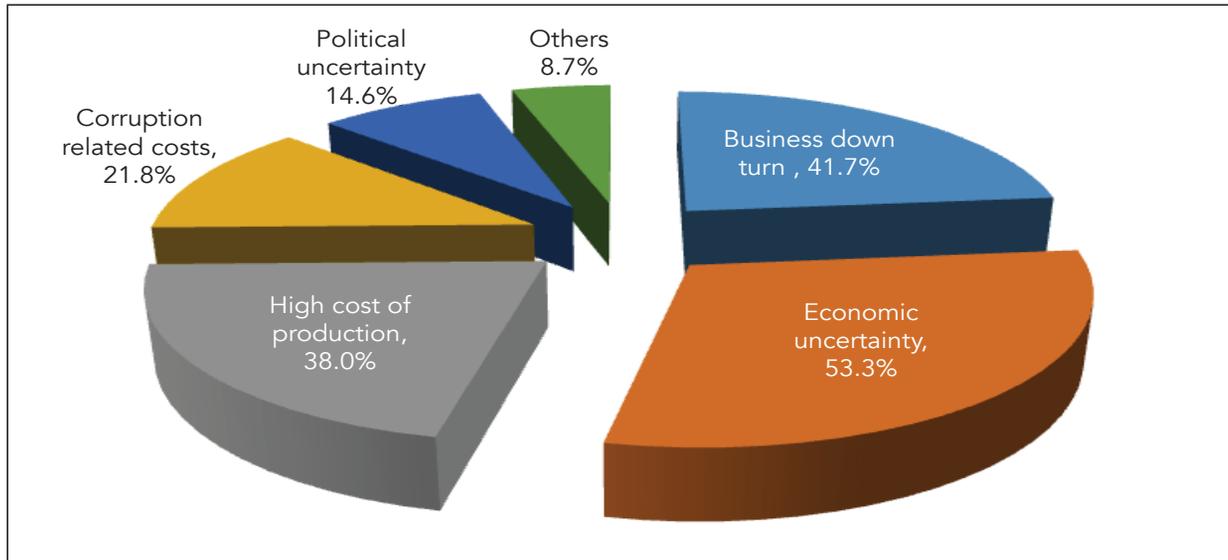


Figure 42: Reasons for not making additional investment

Some of these effects of unfavourable business environment in the country led to at least 25 companies in Kenya either shut down or laid off employees between the years 2014 and 2016 resulting in job losses.

3.7.9 Clearance from the Port of Entry

The Survey revealed 95.4% of firms sampled transact business locally while 4.6 per cent are engaged in import and export business. Further, 41 per cent specified goods are cleared within 5 days, 40 per cent within 4 weeks while 18.4 per cent takes over a month. Conversely, 43.3 per cent against 56.7 per cent of the importers and exporters are satisfied with the clearance time from the ports of entry and exit.

Twenty two per cent (22.3%) of firms reported making unofficial payments to custom officials to clear their goods from the port as illustrated in Figure 43.

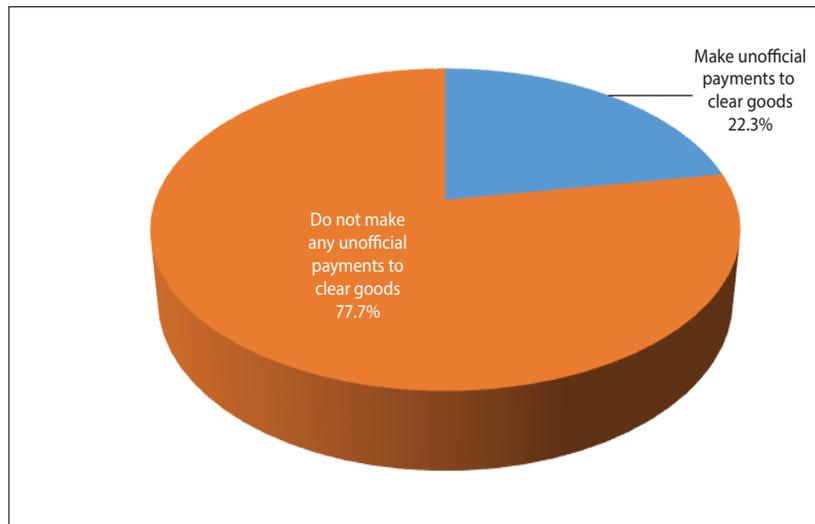


Figure 43: Unofficial payments to clear Goods from the port

3.7.10 Impact of Government Reforms

In the past three years, the Study revealed corruption increased at 65.4 per cent in spite of the various reforms undertaken by the government on business regulations, 26.4 per cent are of the view of no change while a paltry 5.9 per cent reported decreased incidences of corruption as shown in Figure 44.

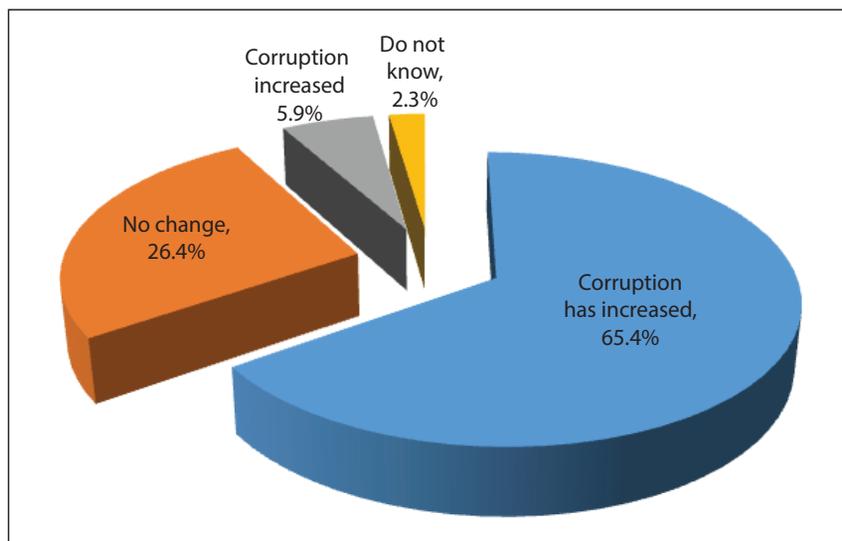


Figure 44: Effect of Government Reforms on Corruption

Thirteen per cent (13%) of the firms have retrenched staff in the past 3 years due to business down turn rated at 14.10%, cost reduction rated at 11.7%, redundancy rated at 11.5%, seeking alternative investment rated at 8.9% and merger rated at 8.1% as shown in Figure 45.

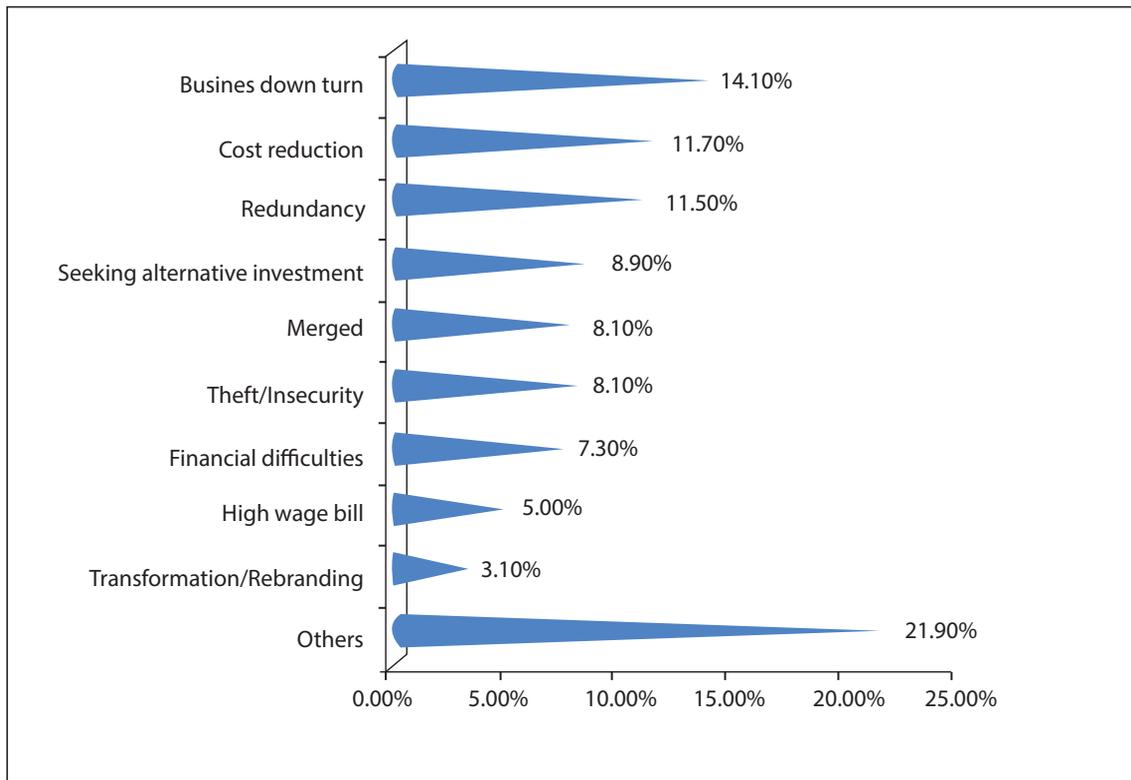


Figure 45: Reasons for retrenchment

Ease of the business environment enables attraction and retention of investors. This signifies reduced red tape in ease of doing business. The Survey revealed, cost of production at 27.4%, favourable licensing policies and regulations at 26.8%, provision of capital at 25.1% and improving the infrastructure at 20.9% as some of the key ingredients to improve business environment as in Table 16.

Table 16: Suggestions to Attract and Retain Investors

Suggestions	Proportion
Reduction of cost of production	27.40%
Favourable license policies and regulations	26.80%
Provision of capital/funds/finance	25.10%
Improve infrastructure	20.90%
Increase of security	9.80%
Minimise/eliminate corruption/tribalism/favouritism	8.60%
Improving living standards/economy/job opportunities/creation of employment	7.90%



Improve hygiene/working condition/environment	5.90%
Improving skills and knowledge/ provision of quality education	5.30%
Ease marketing costs	4.60%
Transparency/accountability/responsibility	2.40%
Digitisation/automation	1.60%
Involving employees/customers in decision making	1.20%
Reduce bureaucracy/frustrations	1.10%
Political stability	1.00%
Professionalism	0.90%
Good governance and leadership, proper management	0.90%
Centralisation of services	0.60%
Foreign investments	0.40%
Decongestion of towns	0.30%

3.8 Impact of Anti-Corruption Efforts on Enterprises

3.8.1 Anti-Corruption Efforts in Kenya

Fifty seven per cent (56.5%) of the Enterprises expressed confidence in anti-corruption efforts under implementation and 43.5 per cent thought otherwise. Enhancing partnership in the fight against corruption rated at 19 per cent, good governance rated at 18.1 per cent and effective laws and policies rated at 14.5 per cent were cited as the reasons why the anti-corruption efforts will succeed in the country, combined with other reasons stated in Figure 46.

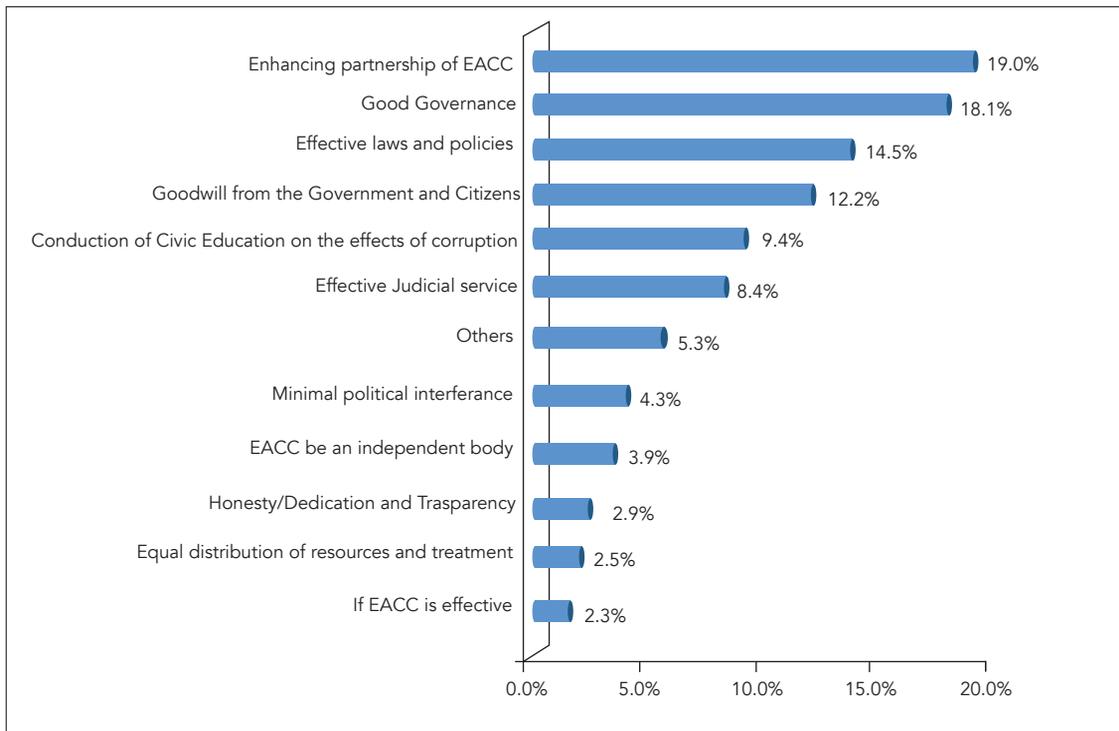


Figure 46: Reasons cited why anti-corruption efforts will succeed in Kenya

3.8.2 Expected Change in Business's Net Income If Corruption was to be Reduced

If corruption in Kenya was to be reduced by half, the net income of Enterprises would increase by more than 50% as rated by 23.3 per cent. Further, 16.9% reported it would increase by between 40 and 50%. This is as presented in Figure 47.

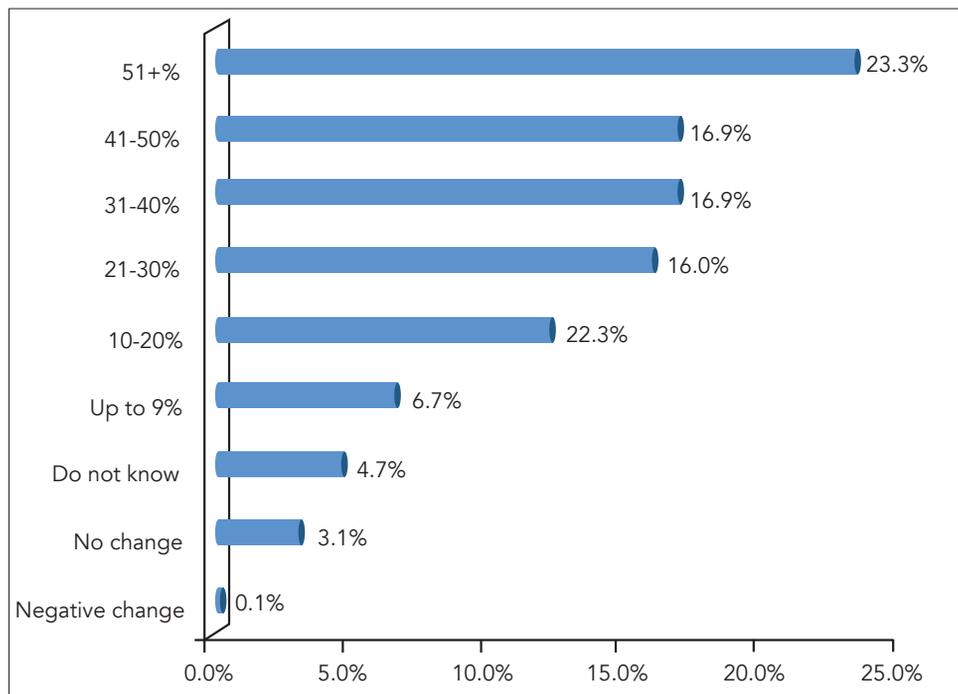


Figure 47: Expected change in business's net income if corruption was to be reduced



3.8.3 Suggestions to Combat Corruption

Strict adherence to the law rated at 26.1 per cent, sacking of corrupt government officials rated at 11.1 per cent, creating awareness on corruption rated at 10.2 per cent and overhaul of the public service system rated at 9.1 per cent were the four major reasons highlighted by business enterprises to enhance the fight against corruption in the public service and rated in Figure 48.

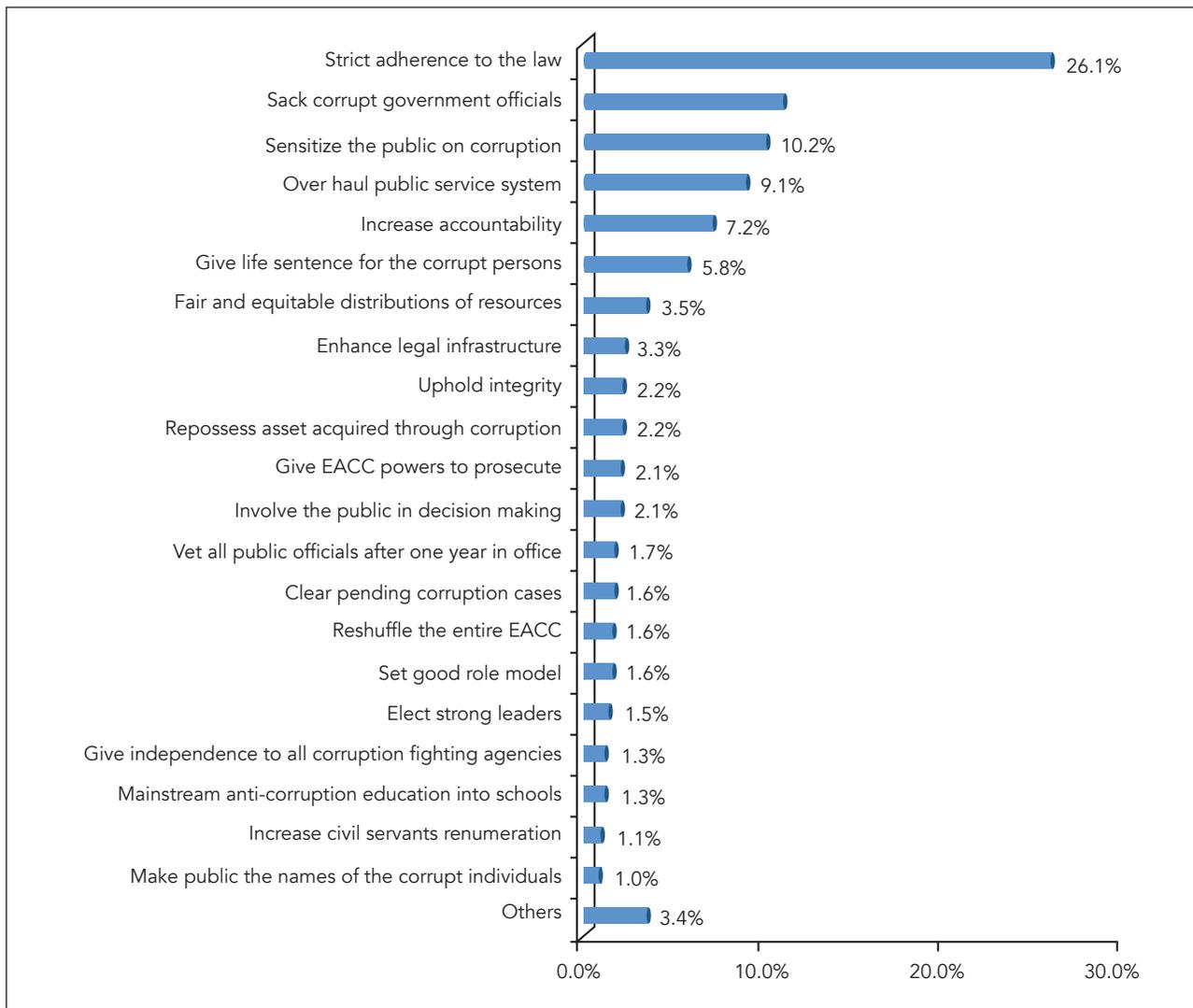


Figure 48: Suggestions to combat corruption



CHAPTER FOUR

CONCLUSION AND RECOMMENDATIONS

4.0 Introduction

This chapter summarises the Survey findings and presents recommendations derived from survey findings which when implemented will impact greatly in reducing the impact of corruption and unethical conduct.

4.1 Conclusion

The Survey Findings showed that corruption, unemployment and famine are the three major problems facing Kenya today. A majority believe corruption is very high in the country. Greed, poverty and favouritism are the three major causes of corruption.

License Issuance, Security Services and Procurement are the top three government services most prone to corruption. Corruption, high taxes, inadequate access to finance and insecurity are the leading business growth obstacles in Kenya. Advertisement on billboards attracts the highest average bribe, followed by National Construction Authority certificate of Registration and Ministry of Education permit to run a school respectively.

The most difficult requirements to meet while starting a business include accessing capital, registration, trade licenses and taxes. A majority of the respondents consider taxes in Kenya as a major problem in running a business in Kenya. Further, most businesses consider tax administration such as filing returns and audit to be a major problem. Respondents cited economic uncertainty, business down turn, high cost of production, corruption and political uncertainty, among others as the cause for cancellation of intended investments in Kenya.

According to most respondents in the Survey, in the past three years, corruption has increased in spite of the various reforms undertaken by the government on business regulations. Moreover slightly over 13 per cent of the Enterprises have retrenched staff in the past 3 years for the reasons such as business down turn, cost reduction, redundancy, seeking alternative investment and merged with another business.

A majority of respondents believe anti-corruption efforts will succeed in Kenya while the rest think otherwise. Good governance, enhancing partnership in combating corruption and effective laws and policies were the three major reasons cited as to why the anti-corruption efforts will succeed in Kenya.

Bribery, intimidation and tribalism are the three most prevalent forms of unethical conduct



experienced by respondents while interacting with public officers. Security services offered by the Police, tendering process and traffic police services are the three service areas most prone to unethical conduct. Greed, poor remuneration and poor management are the three major reasons cited for unethical behaviour by public officers.

If corruption in Kenya were to be reduced by half, most entrepreneurs believe that the net income would increase by more than 50%. Strict adherence to the law, sacking of corrupt government officials, creating awareness on corruption and overhaul of the public service system were the four major suggestions cited to enhance the fight against corruption in the public service.

4.2 Recommendations

In this regard, the Study recommends the following:

- (i) Digitisation of Government Services: Reduction of human interface in public service delivery is key to reduction of corruption incidences and thus levels. It is imperative for the Government to continue with current reforms and upload virtually all services on the digital platform for enhanced service value to citizenry;
- (ii) Enforce the Bribery Act, 2016 to curb private sector inducement of corrupt acts to public officials;
- (iii) Constantly reviewing public officers terms and engagement including remuneration in tandem with prevailing economic conditions;
- (iv) Strictly enforce the terms of engagement with government contractors in service delivery to prevent delay in project implementation and thus further financial support;
- (v) Support the ongoing judicial reforms for speedy administration of justice and support entrepreneurship;
- (vi) Reduce the number of licenses required to operate a business as the amount of time and money spent getting these licenses cut into profitability and encourage corruption;
- (vii) Open a one-stop shop to obtain all these licenses or let there be one license that contains all other basic requirements with it for purposes of ease and quick access;
- (viii) Reduce the high tax rates;
- (x) Simplify and ease business license acquisition; and
- (xi) Come up with policies to avoid double taxation on business people, e.g., one is taxed in Nairobi County and in Machakos County again.



REFERENCES

- African Development Bank Group (2013). *The State of Kenya's Private Sector*.
- Allafrica.com/stories/201605120327.html Electronic Referencing. Retrieved 12/09/2017 from <https://www.google.com>
- Audretsch, D.B, Keilbach, M. & Lehman, E. (2006). *Entrepreneurship and Economic Growth*. Oxford: Ox-ford University Press.
- Ethics and Anti-Corruption Commission (2016). "National Ethics and Corruption Survey".
- Sarkar, H. & Hasan, M. A. (2001). *Impact of Corruption on the Efficiency of Investment: Evidence from Cross Country Analysis* Asia-Pacific Development Journal Vol. 8, No. 2, December 2001.
- Kenya Anti-Corruption Commission (2007). "The National Enterprise Survey on Corruption".
- Kenya Anti-Corruption Commission (2009). "The National Enterprise Survey on Corruption".
- Mahmood, S.A.I. (2010). *Public Procurement and Corruption in Bangladesh Confronting the Challenges and Opportunities*, Journal of Public Administration and Policy Research Vol. 2(6) pp. 103-111 December 2010.
- Mauro, P. (1995). *Corruption and Growth*. Quarterly Journal of Economics, 110 (3), pp. 681-712.
- Rose-Ackerman, S. (1999). *Corruption and Government – Causes, Consequences, and Reform*, Cambridge, UK: Cambridge University Press.
- Mexicana, T. (2012). *A New Role For Citizens In Public Procurement*.
- Were A. (2016). *Manufacturing in Kenya: Features, Challenges and Opportunities*.
- World Bank (2007). *The Kenya Enterprise Survey*.
- World Bank (2013). *The Kenya Enterprise Survey*.
- World Bank (2017). *The Kenya Enterprise Survey*.
- World Bank (2016). *Kenya Economic Update*. Washington, DC: World Bank.
- Steer, L. (2006). *Business Licensing and one Stop Shops in Indonesia*.



Appendices

Appendix 1: Distribution of Firms Interviewed by County

S/No.	County	Number of firms		County	Number of firms
1.	Nairobi	283	24.	Kisii	56
2.	Kiambu	178	25.	Kwale	56
3.	Kakamega	154	26.	Garissa	56
4.	Nakuru	147	27.	Migori	53
5.	Meru	117	28.	West Pokot	52
6.	Bungoma	116	29.	Busia	48
7.	Kisumu	116	30.	Vihiga	47
8.	Murang'a	102	31.	Uasin Gishu	47
9.	Mandera	95	32.	Laikipia	46
10.	Kitui	86	33.	Kericho	44
11.	Siaya	82	34.	Embu	44
12.	Turkana	80	35.	Bomet	42
13.	Kilifi	78	36.	Narok	42
14.	Nandi	77	37.	Homa Bay	36
15.	Nyeri	76	38.	Elgeyo Marakwet	34
16.	Mombasa	70	39.	Tharaka Nithi	30
17.	Kajiado	70	40.	Makueni	26
18.	Machakos	69	41.	Taita Taveta	25
19.	Wajir	68	42.	Marsabit	24
20.	Trans Nzoia	66	43.	Samburu	24
21.	Nyandarua	59	44.	Nyamira	23
22.	Baringo	59	45.	Isiolo	13



23.	Kirinyaga	58	46.	Tana River	13
			47.	Lamu	11

Appendix 2: Designation and Education Level Attained by Entrepreneurs

Designation of Respondent	Per cent
Director/Chief Executive	5.8
Owner/Proprietor	39.4
General Manager	28.8
Chief Finance/Operational Officer	10.2
Company Secretary	6.0
Others	9.8
Highest Education Attained	Per cent
Tertiary	45.6
Bachelor degree (B.A, LLB., etc.)	23.8
Secondary	22.6
Primary	3.4
Post graduate degree (Masters, PhD)	2.7
None	1.9