



Press Release | 16 December 2021

7 out of 10 citizens say doing business in Kenya is difficult

Citizens also see economic issues as the largest challenges facing their area and the country

Thursday 16 December 2021, Nairobi: Seven out of ten Kenyans say that doing business in Kenya is hard while one out of ten say it is easy. This is consistent among those who own businesses and those who do not, across different social groups and geographies and across different sectors. The six most critical challenges faced by businesses, as identified by citizens, are the high cost of inputs (37%), a lack of working capital (32%), low demand (31%), high competition (26%), Covid-19 (23%) and the high cost of permits and taxes (19%).

Citizens are slightly more optimistic about the prospects of future success for their own businesses: 3 out of 10 business owners say their business is growing (30%) or staying the same (29%), although more business owners say their business is currently declining (41%).

When it comes to the economy more broadly, citizens are concerned. When asked to name the biggest challenges at national and local level, citizens put economic concerns at the top of the list. Locally, four out of ten citizens (41%) point to the lack of jobs / income opportunities, and a similar number (39%) point to the high cost of living and inflation.

The picture is the same at the national level: lack of jobs and income opportunities (46%) and the high cost of living and inflation (44%) are cited as challenges by significant numbers of citizens.

Across a range of economic policy areas, citizens are dissatisfied with the country's direction. Just one out of ten citizens (10%) are satisfied with the country's direction on the creation of jobs and income opportunities, compared to almost eight out of ten (78%) who are dissatisfied. Similar dissatisfaction applies across management of the economy (76% dissatisfied), addressing corruption (74% dissatisfied), managing public funds (71% dissatisfied) and creating a favourable business environment (60% dissatisfied).

Satisfaction with Kenya's direction on key policy areas has declined in recent years. On economic management, satisfaction has been low since 2017 (16%) and remains low in 2021 (13%). On job creation, satisfaction has been falling over the past five years (from 41% in 2016 to 10% in 2020).

These findings were released by Twaweza and the National Taxpayers' Association in three research briefs titled *Being in Business*, *The State of Kenya*, and *Taxing Matters*.

The briefs are based on data from *Sauti za Wananchi*, Africa's first nationally representative high-frequency mobile phone survey. The panel for this research was established through random sampling from a database of contacts from previous surveys to establish a new representative panel of the country's population. For this brief, data were collected from 3,000 respondents in the fifth round of the special *Sauti za Wananchi* panel, conducted between 11 and 24 September 2021.

Business owners are most concerned about the lack of capital, named by close to half of them (45%). The next most-cited challenge is mentioned by half as many business owners (Covid-19 – 25%). Other challenges include high interest rates on loans (22%), high rates of tax / cost of permits (20%), transportation challenges

(16%) and difficulty in sourcing supplies (11%). One out of ten business owners (10%) have sought but been denied a loan to support the running of their business (separate from those who sought funding to start their business). These difficulties in securing capital for business owners – who represent one out of three of the population (34%) – can contribute to negative ratings of the country's economic direction.

Another critical aspect of the business environment is taxation. The vast majority of Kenyans (85%) see taxes as critical to the success of the country and the economy, and a significant proportion of Kenyans (66%) say they and others pay taxes to support service delivery.

At the same time, citizens have more complex views when it comes to tax avoidance: 2 out of 3 Kenyans (68%) say taxes are so high that tax avoidance is necessary for survival, and 1 out of 2 (48%) believe that tax avoidance is understandable if services are poor. Despite high awareness of the importance of taxes, citizens are divided when it comes to whether the tax regime is fair and well-enforced. Around half of Kenyans (48%) say the tax system has increased inequality and a similar proportion (45%) do not agree or disagree when asked if the current tax system is fair.

The situation is worse when it comes to citizens' views on public expenditure. Around one out of four Kenyans (28%) agree that citizens' voices are always included in the Finance Bill, that they have a good idea on what their tax money is spent on, or that they are always confident that tax funds are spent well.

Dr James Ciera, Country Lead for Twaweza in Kenya, said: *"The insights provided by citizens' views on the economy, business environment and the tax regime are critical as we continue to grapple with the economic consequences of Covid-19 and move towards the election cycle. Citizens are deeply concerned about the economy, locally and nationally. They have key questions on whether the tax regime is fair and whether their tax shillings achieve expected goals. At the same time, there is inherent optimism about the future – for their own businesses and lives as well as (less strongly) for the country. However, this optimism may not endure if our government is not able to answer their basic concerns by improving their efforts to include citizen voices in decisions around public spending, to make information about public spending and tax revenue use available and accessible, and to hold tax evaders to account."*

Irene Otieno, National Coordinator of the National Taxpayers Association said: *"It is positive to see such strong agreement and understanding of taxes as the basis of our social contract with government. Citizens are unequivocal that taxes are important for the success of the country, that they pay taxes to ensure service delivery, and that they would pay even without enforcement. This is a huge amount of goodwill from Kenyans to their government. We call on government to meet this goodwill with greater transparency and participation, and a strong focus on service delivery."*

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Notes to Editors

- This brief and the data contained can be accessed at www.twaweza.org / www.twaweza.org/sauti
- Twaweza works to address limited citizen agency and shrinking civic space in Tanzania, Kenya and Uganda. @TwawezaKe (Facebook), @Twaweza_Ke (Twitter), Twaweza East Africa (Instagram).
- NTA works to advocate for government accountability in the delivery of services and to influence policy through engagements, partnerships and tax-payer transforming information and research www.nta.or.ke