



Ease of Doing Business Initiative (EDBI)
Conference, May 3-6, 2016, Nairobi, Kenya

Rapporteurs' Report
Day 2, Wednesday 4th May 2016

Day 2: Wednesday 4th May 2016

Session 10 | 9.30am – 10.20 am

This session was moderated by Mr. Korir and involved remarks by Mr. Nick Hailey the British High Commissioner to Kenya, CS Adan Mohamed and the reading of the President's speech by the CS treasury, Mr. Henry Rotich

Key highlights;

- The excitement of doing business in Africa is palpable
- EDBI 2016 is 7th Conference and it is rightly held in Kenya since Kenya is the 3rd most improved country in the most recent EDB report
- The DB index over the past 13 years has catalyzed the business growth of Africa
- Increased stability, young and growing nation, increased connectivity to ICT has increased business opportunities for Africa
- As a region, Africa needs to do more in order to reach to where other developed regions are
- In this conference we have representatives of 26 countries and this is more than half of the countries in Africa which is laudable
- To achieve ease to do business we need to solve the problems of unemployment, depreciating currencies, corruption, insecurity and access to energy issues
- There is need to strengthen the private sector since it will steer growth in all other sectors
- Conferences are an opportunity for African countries to review their reform processes

Key highlights of the President's Speech as read by Henry Rotich CS, Finance

- The government and people of Kenya want to thank World Bank for choosing Kenya as the host this conference. We want also to thank world Bank for partnering with us on many development projects
- The continent renaissance will be fostered by such survey index for ease to doing business
- Although Africa faced a very challenging year, the year 2015 due to economic turmoil characterized by the devaluing of its currencies, there has been still high returns for investors in Africa
- Major countries in Africa have implemented reforms on how to do business
- The outcome of this conference will touch on major structural reforms such as energy reforms that are necessary in ensuring that Africa becomes the next business frontier
- The EDB report 2016 lists countries that have been performing well but at the same time there are many African countries still lagging behind
- 30% of 210 reforms documented in the last EDB report were taken up by African countries such as getting access to electricity, cross border trading reforms and tax payment reforms which are dealing with the top challenges that Africa is facing
- African countries not taking in reforms are at the bottom of the list
- Mauritania, Kenya, Rwanda and Senegal have been performing well
- There is need to close gaps that limit the ease of doing business

- Countries in Africa needs to work together in order to ensure that all reforms have been achieved together because synergy is important
- Digitizing government business is an important economic tool as it enhances efficiency in service delivery
- There is need to create an enabling environment that will leverage the gains made in ICT
- The reduction of electricity costs are making the country more competitive for production
- In the last 3 months, over 389,000 Kenyans have been connected to the power grid
- To ease transport, Kenya has invested largely in the Mombasa port whereby modernization of the sea port to unlock interregional cost has been implemented. Cargo clearance timelines reduced to 2 days from 4days at the port Kenya launched trade net whereby the President was joined by his regional counterparts and this is important for business. An electronic platform has been created to ensure that services in port are easy to access
- Regional integration is important in reinforcing competitiveness in the country

Parting shots

- We have not attained the necessary regional integration for competitiveness. Regional integration is important in reinforcing competitiveness in the country.
- World Bank has improved the ease to do business in Africa and we appreciate it for this as it will contribute to vibrant economies in Africa.

Presentation by Mr. Peter Ngatagize on the criteria used to select the host of the next conference

- A country that has demonstrated leadership capabilities
- A country that is well known as a reformer
- Evidence of participation in previous EDB conferences
- Evidence of the country's willingness to host

Session 11: 11am – 12:45pm

Reform DNA: A Cocktail of leadership, Championing and Communications to achieve sustainable reforms

The sessions was moderated by Mr. Desmond Dodd, Head of communications for IFC, Trade & Competitiveness, Africa, World Bank Group and involved panelists from Kenya and Zimbabwe

- Africa is making great strides in improving the investment climate
- The level of participation in this conference is a testament of the changing investment climate in Africa
- 10 years ago investment climate reforms could not be done in Africa because of the dull mood at the time; the momentum towards enhancing a great investment climate in Africa has improved greatly
- Beyond the nuts and bolts of the technical aspects of reforms, there are important issues that are needed such as leadership and communication forums for the sustainability of the investment climate reforms

The challenges of implementing reforms

- Poor understanding of the reforms by the intended beneficiaries
- Entrenched special interests of the stakeholders involved
- Lack of local ownership
- Weak communication transmission channels
- Inertia & low capacity to deliver reforms

What needs to be entrenched in the reform agenda?

- Leadership to give vision
- Champions to maintain momentum
- Addressing technical obstacles
- Effective communication to get the stake holders buy in: Coordinating communication and building and improving information transmission & dissemination channels
- Leadership is critical in driving success in business
- Leadership unlocks the silo mentality and it brings into view, the big picture
- Leadership is crucial in maintaining momentum by cutting across the time frame so as to ensure sustainability in the reforms that are happening
- Ensuring communication is an integral part of the reform process is critical; communication is a two way street; hence the intended audiences should also be provided with an opportunity to communicate their expectations so as to avoid disappointments

Session 12: 2:00pm – 4:30pm

Facilitating regional trade as a way to enhance regional growth and integration

Presentation: Leveraging on ICT to enhancing trade and competitiveness across the region

The session was moderated by Dr. Chris Kiptoo, Principal Secretary State Department of Trade, Kenya with Presenters & Panelists from Tanzania, Zambia, The World Bank Group and Madagascar

- Intra-regional trade in Africa generally is low at the level of 10% while regional trade in Europe is 70% and thus there is a lot to be done
- The cost of doing business in Africa is still high
- Along the borders, Tanzania has established one stop shops with border ports shared by Kenya , Rwanda, Burundi, Malawi; 2 are ready and the 3 is in its final completion stages
- Non-tariff barriers in Tanzania were close to 58 in number, but through EAC tariffs they have been reduced to 15 and we are looking to getting to 5.
- In Madagascar, reforms started in 2005 when customs put the first strategy of reforms in place
- Madagascar has a multi-media office at the customs office that updates everyone on necessary operations within the port
- Reforms in Zambia need to ensure that the cross border agencies have access to all readily available

information

- Zambia is working on a cross border trade portal that will offer all information regarding the ease of doing business in the country
- Zambia has bilateral agreements with many countries even those that are not under IFTA and this is done through leveraging business through ICT
- Senegal has eliminated paper work in all port operations
- The Private sector in Senegal had no much difficulty in adopting ICT but in the Public Sector, there were challenges as most employees were resisting the changes necessitated by the adoption of ICT. We ensured that we have OSS that handle export and import clearance. The system has all information for all the goods under consideration
- In 2005, a Baseline survey supported by World Bank was undertaken on how to come up with single window system in Kenya in order to ensure that service delivery has been increased through complying with ICT
- We have 29 government agencies that were manual and now are using single window system
- Multiple channels of payments have been created such as M-pesa and this enhances the ease of doing business
- Special economic zones (SEZs) are demarcated geographical areas where the rules of business are different from those that prevail in the national territory
- SEZ attract investment , promote exports , create jobs and can be used to pilot reforms
- There 4,000 SEZs in the world
- What is the point of SEZ? Why focus on SEZ? Creation of jobs, balance of trade/exports , technology transfer and the piloting of reforms
- We need to focus on the capacity of infrastructure for SEZ to succeed
- Remove manual processes through automation to enjoy ICT benefits
- Ensure coordination to create synergy

Session 13: 5:00pm – 7:00pm

Simplifying tax administration procedures to enhance private sector growth and competitiveness
Presentation: Revolutionizing tax administration regime by increasing transparency and compliance through ICT Measures.

The sessions was moderated by Mr. Simon Nyamiramo, Commissioner General, Uganda Revenue Authority with panelists from Kenya, Rwanda, Botswana and Zambia

- In Uganda, many reforms have been done; reforms on taxation have been massive.
- Effective tax administration is about: timely payment, accurate reporting etc
- The benefits of effective tax administration are; reducing clearance times, enabling businesses to grow, enhancing integrity, improving communications and feedback management, reducing

turnaround

- Some innovations by Government tax agencies are often inward looking and don't appropriately address taxpayer needs. "One size fits all" leading to low uptake of ICT enabled services
- Botswana has introduced reforms in filing of VAT returns online and this has been undergoing for a year.
- The challenge has been that uptake of the online reforms has been low, thus making Botswana rank very low as the World Bank does not recognize a reform without proper uptake.
- Botswana has additionally enabled the online submission of company tax returns, PAYE online and individual tax return submissions online.
- Individual tax return submission was introduced recently with the inclusion of internal staff members in the pilot testing project.
- Additionally, services such as tax clearance certificate, compliance certificates, and tax clearance summary are available online and done electronically.
- The initiatives Zambia has undertaken include : ICT development, tax policy changes, and structural reorganization
- Structural reorganization- The structure in Zambia was not fit for purpose, thus creation of Revenue Authority for domestic inland taxes and customs for Border taxes.
- There has been Government encouragement on Zambia to participate in one stop shops through establishment of accredited clients program under customs offices
- Background on Rwanda: Rwanda has segmented tax payers into four groups, large, medium, small and micro tax payers. All segments have their unique need with a challenge in the small and micro segments.
- RRA implemented an online filing and payment of taxes system in 2011. It focused mainly on the need to reduce the cost incurred by taxpayers while dealing with RRA to honor their tax obligations. RRA immediately realized that the e-filing & e payment was not working well with small and micro tax payers
- M-Declaration project- a mobile based platform was created to help deal with the small and micro segment in complying with the tax laws.
- The Major reform in Kenya is the iTax system
- National targets through the system are: Improve business climate, promote regional integration, Enhance integrity in tax administration, enhance border control, security and trade facilitation.
- The Focus of iTax is for KRA to become the single tax collector
- Major reforms made through iTax are: Full electronic customer service, enhanced payment gateways, intelligence gathering system, use of relevant third party systems, ETR management, implementation of virtual services
- Gaps bridged through the system are: in-efficient customer service delivery and exposure of noncompliance
- Reforms that are enabling investors and businesses thrive include: Mobile payment platforms, integration with CBK/IFMIS, increased transparency of tax administration, annual average VAT returns filing times reduction, the flexibility to pay taxes in 40 banks out of the 33 in Kenya, one stop shop for all domestic tax services.