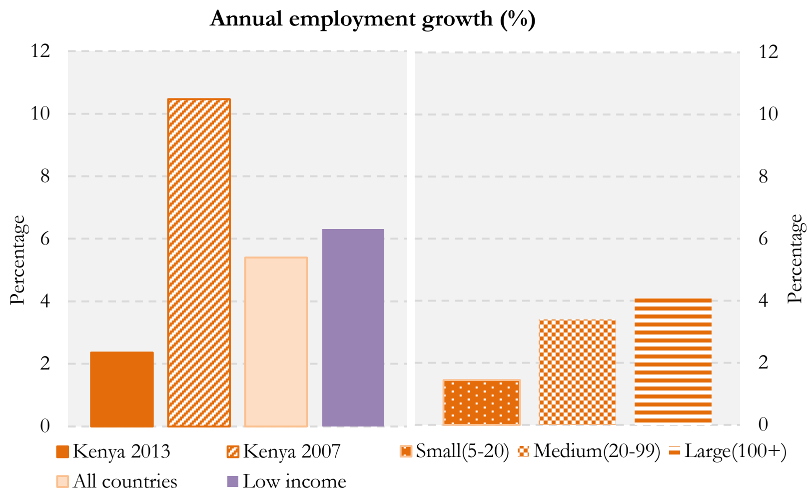
The World Bank interviewed a representative sample of the private sector in 5 of the most active economic regions in **Kenya**. The sample consisted of 781 business establishments surveyed from January 2013 through September 2014. The Enterprise Survey covers several topics of the business environment as well as performance measures for each firm. Below are the main highlights from the survey.

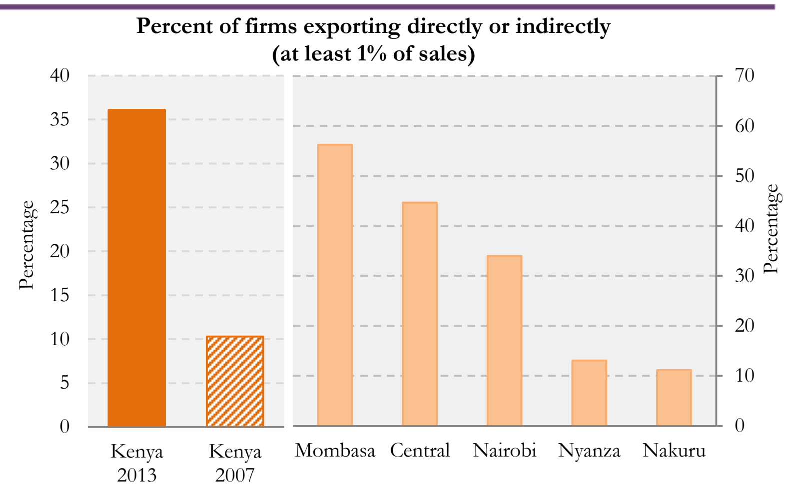
Firms in Kenya exhibit low employment growth

Between 2010 and 2012, firms in Kenya added jobs at an annual rate of 2.4%, which is below the average of 6.3% for countries with a similar income levels and 5.4% for all economies with ES data. Large firms grew the fastest, adding jobs at an annual rate of 4.1%, followed by medium firms at 3.4% and small firms at 1.5%. The process of job creation has slowed down over time. The **annual employment growth rate** in Kenya's private sector was remarkably lower between 2010 and 2012 than during the period 2005-2007.



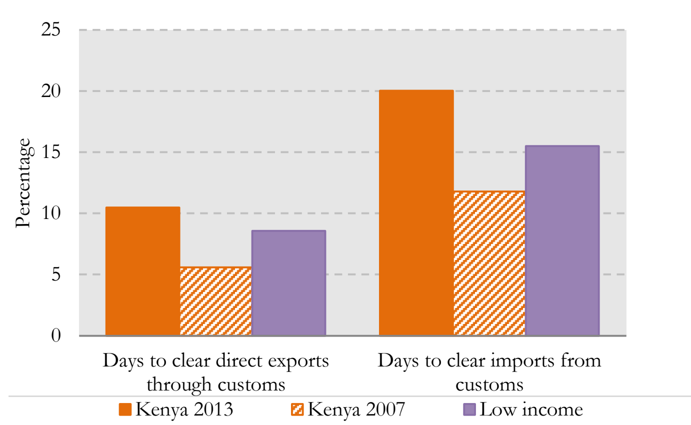
More firms export compared to six years ago

The percentage of Kenyan firms which **export, directly or indirectly**, has remarkably increased compared to six years ago. In 2013, 36% of firms exported at least 1% of their sales compared to 10% in 2007. In addition, the proportion of sales that is exported directly also increased, from 2% in 2007 to 11% in 2013. As expected, the level of involvement in exporting activities varies significantly across locations. It's the highest in Mombasa (56% of firms), followed by Central (45%) and Nairobi (34%), while only about 11% of firms located in Nyanza and Nakuru export directly or indirectly.



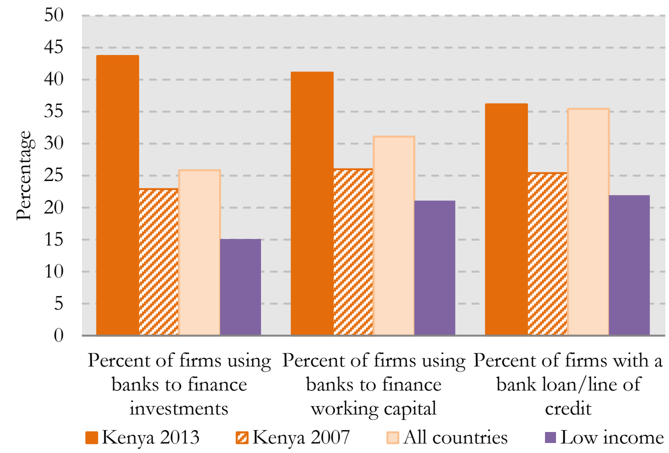
And more days are needed, compared to 2007, to clear direct exports and imports through customs

In addition to experiencing greater export intensity, Kenyan firms also face an increase in the number of days needed to clear direct exports through customs. In 2013, 10 days were needed on average for exported goods to **clear customs** compared to 6 days in 2007. The number of days needed to clear imports from customs also increased from 12 days to 20 days. While Kenya's performance in customs clearance delays for exports is at par with other countries at a similar income level, improving the effectiveness of customs is the key to supporting export growth. The results of the survey suggest that Kenya's installed capacity in customs volume is not keeping pace with its growing international engagement.



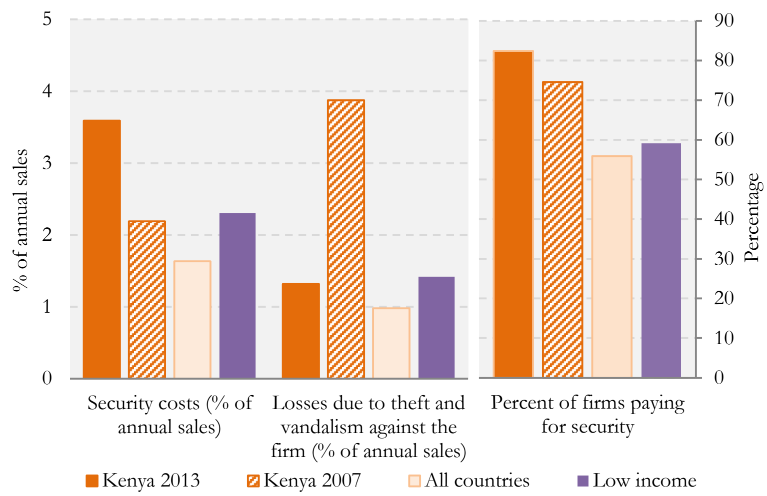
Firms in Kenya report an improvement in the use of financial services

Firms' **access to financial services** has remarkably improved in Kenya since 2007. On average, 44% and 41% of Kenyan firms use banks to finance investment and working capital, respectively. The corresponding figures six years ago were much lower at 23% and 26%. Moreover, the percent of firms with a bank loan in Kenya is 36% which is comparable to the global average and higher than the average of countries in the same income group. It is an encouraging signal that Kenyan firms are more likely to use formal financial services to support their businesses.



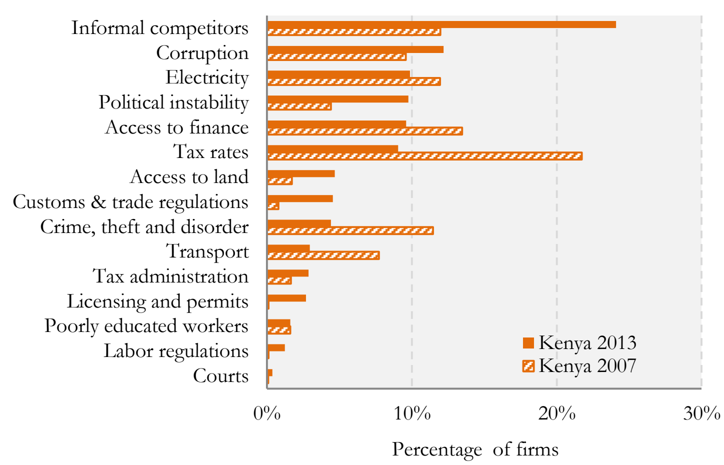
Losses due to crime have declined since 2007 but security expenses have become more burdensome

The usage and cost of **security** services in Kenya have both increased between 2007 and 2013. More firms pay for security and they also pay more: 2% of total annual sales in 2007 vs. 4% in 2013. Security expenses are higher in Kenya than in other countries at the same income level and in all countries with ES data. And more firms in Kenya pay for security services than everywhere else (82% of firms compared to an average of 60% for low income countries). On the other hand, losses due to theft and vandalism as a percentage of total annual sales have declined and are currently at par with other low income countries.



One out of four private sector firms in Kenya considers informal competition as the biggest obstacle

The improvement in firms' experience in dealing with crime and financial services is consistent with the change in firms' perception of the business environment. The percentage of firms choosing access to finance and crime as the most important **obstacle** for their day-to-day operations declined significantly from 2007 to 2013. The same holds for tax rates and transportation related obstacles. Currently, practice of competitors in the informal sector is the most commonly chosen top obstacle. About 24% of the firms chose this obstacle in 2013, a figure that is almost twice as high as the one in 2007.



The Enterprise Analysis Unit is a joint World Bank and IFC team of economists, survey experts specialized in private sector development. Surveys implemented by the team reveal what businesses and firms experience across the world by interviewing representative samples of the formal, non-agricultural, non-extractive, private sector with 5 employees or more. The resulting globally comparable firm-level data is used to construct business environment indicators and measure firm performance. The findings and recommendations help policy makers identify, prioritize, and implement policy reforms that support efficient private economic activity.

For more information on the survey visit http://www.enterprisesurveys.org