

THE BUSINESS



ADVOCACY FUND

Supporting Private Public Dialogue

# ANNUAL REPORT 2007



The Business Advocacy Fund  
is supported by  
the Danish Government



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The Business Advocacy Fund (BAF) is a component of the Business Sector Programme Support (BSPS) funded by the Danish Government. The BSPS is implemented through public and private organisations. Ministry of Trade and Industry is the coordinating Ministry. The programme has a total budget of DKK 155 million (US\$ 32 million) for 5 years.

The objective is to assist in alleviating poverty by improving the business enabling environment to stimulate economic growth, improve competitiveness and ensure long term employment generation as a means for sustainable poverty reduction.

The role of the Business Advocacy Fund is to leverage resources and build the capacity of business membership organisations so that they are better able to advocate improvements in the enabling environment leading, we hope, to a more vibrant private sector, thereby promoting investment and job creation. The Fund was launched in November 2006 and became fully operational early in 2007. DKK 20 million is allocated for the BAF.

The Danish Government is pleased to assist developing the private sector in Kenya and thereby make significant contribution to poverty alleviation.

*Bo Jensen*  
Bo Jensen, Ambassador

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Dialogue with the public sector is critical to private sector development. We appreciate recognition by Government of the importance of the private sector in its development strategies and its commitment to a more collaborative partnership as evidenced by the Private Sector Development Strategy. A central part of this strategy includes dialogue with the private sector.

BAF estimates that there are some 200+ business membership associations in Kenya, all of whom could contribute to that dialogue, but many do not have the resources or capacity.

We are delighted that DANIDA has recognised the need to provide additional resources to associations to encourage them to become more involved and to become more professional.

The evidence suggests that the government is more willing to listen and engage with the private sector. 2007 represents a solid start to BAF's grant and capacity building support for BMOs. We estimate that we have already engaged with around half of Kenya's business associations. However, we can support many more project proposals - so our message is clear: come to BAF and discuss your ideas for dialogue and advocacy.

On BAF's behalf, I would like to thank DANIDA and the Government of Kenya for their support for BAF. I would like, too, to thank the board and the staff for their dedication, guidance and hard work.

*[Signature]*  
Chair



# HIGHLIGHTS OF OUR WORK DURING THE YEAR

## SEED & PLANT VARIETIES ACT

It is believed by seed industry stakeholders that the Seed & Plant Varieties Act creates hindrances and distortions to the production, import and distribution of seeds in Kenya.

The Seed Trade Association of Kenya (STAK) represents the 23 seed trading companies in the seed industry. Seed importers are governed by the same legislation and regulations notwithstanding they import plant material for their own use.

BAF supported STAK with a grant of KSh 920,000 in 2007 to advocate the amendment of the Regulations, the finalisation of a national Seed Policy and the introduction of new legislation to replace Chapter 326.

A key objective is the accreditation of seed companies by the Regulator, KEPHIS, to enforce the distribution of seeds according to international standards of quality control and traceability. KEPHIS is in agreement on the need for this change.

STAK is also brokering consensus within the industry on the national Seed Policy and the draft new Bill amending the current Act. STAK will continue to lobby the Minister to act on these proposals.



## INTELLECTUAL PROPERTY



Protecting intellectual property rights is a big issue in Kenya.

There is extensive evidence that counterfeit imports cheat consumers, undermine domestic manufacturers who lose millions of shillings to counterfeiters, and evade taxation revenue to the government. This arises from lack of proper enforcement and collection of customs and import duties.

The unfair competition caused by infringement of IPR leads to lost sales and thus loss of revenue and less investment by business and costs the Governments of East Africa as much as US\$500 million annually in lost tax revenues, with Kenya recording the highest number of reported counterfeit cases .

The problem is exacerbated by the fact that over 50 per cent of business owners in Kenya lack confidence in the courts to uphold their property rights.

BAF has supported the Kenya Association of Manufacturers with a grant of KShs 1.8 million to advocate better protection for owners of intellectual property rights.

## ECONOMIC PARTNERSHIPS

Kenyan horticulture enjoys preferential market access into the EU. The EU imports over 95 per cent of Kenyan horticultural exports. The existing trade agreement, Lome Convention, was due to expire on 31 Dec and to be replaced by an Economic Partnership Agreement (EPA) negotiated between the European Union and 17 East & South African countries.

BAF supported Fresh Produce Exporters Association of Kenya (FPEAK) with a grant of KSh 8.5 million to provide a focal and coordination point for the horticulture export industry.



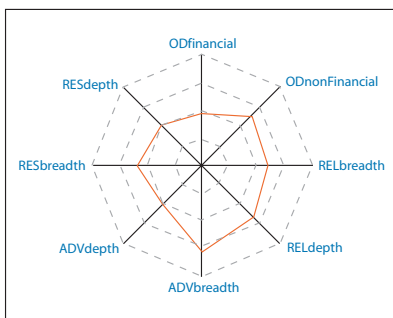
FPEAK carried out extensive consultations with industry players in the other ESA countries to secure consensus on the horticulture agenda.

FPEAK mobilised support from the retail sector for its members' products in Europe. It consulted with Ministries of Agriculture in the UK and the Netherlands – the two countries that account for the majority of produce from Kenya. The European Commission was approached to seek its support. FPEAK's advocacy formed a major part of the agreement of the agriculture agenda in the Transition Agreement signed in December by the EU and the 17 ESA countries – an agreement that safeguards 2 million Kenyan horticulture jobs.

## DEVELOPMENT NEEDS

The Business Advocacy Fund is using an advocacy competence assessment diagnostic test. Every BMO submitting a concept note is asked to undertake the test. This not only provides insights into the learning and development needs of the BMO but also provides us with baseline information showing the level of advocacy and institutional competence prior to receiving support. We hope that every BMO will show some improvement and we will be repeating the test after 12 and 24 months. The figure below shows the average position for the first 11 BMOs supported.

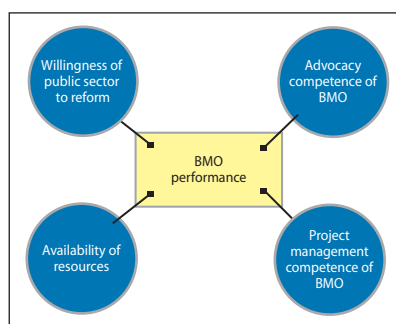
Specifically, the diagnostic looks at 8 areas – analysing breadth and depth for each of relationships, advocacy and results and also looking at financial and non-financial aspects of organisation development.



It will come as no surprise that the average profile suggests that BMOs are weak in all aspects of advocacy and in organisational management, but early results from the training programmes suggest that these weaknesses can be addressed effectively and we expect to see considerable improvements in the profile during the rest of the Fund's life.

## BUILDING COMPETENCE

Our early discussions with BMOs and the diagnostic testing led us to conclude that there was a need for capacity building in both advocacy competence and institutional competence. This complements the financial support provided and so, together, BAF can assist BMOs address three of the four factors (shown in the figure) that govern whether they can successfully influence the public sector.



BAF therefore launched a one day programme on advocacy awareness and two programmes for each of advocacy competence and institutional competence. Overall, the feedback has been extremely positive, though the advocacy awareness has now changed to a two hour breakfast seminar. The two day courses were each run twice during the year; we have received very positive feedback, but the programmes continue to evolve in response to the feedback.

We have launched a website ([www.businessadvocacy.org](http://www.businessadvocacy.org)) which not only provides information about BAF and the issues being tackled by BMOs but also has a comprehensive range of factsheets to provide additional information and resources for BMOs.

## THE ENABLING ENVIRONMENT

The private sector can make a huge difference in influencing regulatory reform – to ease the burden imposed by legislation and red tape.

During 2007, we supported 10 projects from 8 BMOs:

**STAK:** to advocate amending the Seed & Plant Varieties Act to bring it into line with international best practice.

**FPEAK:** to influence the proposed Economic Partnership Agreement being negotiated with the European Union.

**KAM:** to seek simplification of the tax regime; to reduce and simplify the 1,000+ licensing requirements; to promote better protection of intellectual property rights; and to reduce the barriers affecting international trade.

**KELA:** to advocate withdrawal of the Draft National Land Policy.

**KENFAP:** to advocate the removal of cess on the movement of agricultural produce.

**KEPSA:** to promote the widespread adoption of community policing as a way of improving security for business.

**MOA:** to persuade the Ministry of Transport to implement the agreed National Road Safety Action Plan.



# A NEW DAWN IN ENABLING ENVIRONMENT REFORM

Governments increasingly recognise that a supportive business environment is a prerequisite for the private sector to prosper. It instils confidence and encourages investment which, in turn, creates more wealth, more jobs and thus greater poverty alleviation. The Government of Kenya has embraced the notion that the private sector is the “engine for growth” and the Government has begun to listen to, and work with, the private sector to improve services and regulations.

The private sector is looking, amongst other things, for improved infrastructure – roads, power, water, ports and telecommunications. The quality of, and prices at which, these services are available are key determinants of the competitiveness of a country.

One area where the private and public sectors can engage in dialogue, and make an immediate difference, is regulatory reform. Regulations, when poorly considered or implemented, impose, in any economy, undue costs on business that are disincentives to investment and job creation. Businesses recognise the important role of government in balancing competing pressures, but also want to ensure that, as far as possible, the burdens are minimised. Whilst government has a responsibility to minimise the burden, inevitably it is up to business to persuade government that regulatory reform in many instances reduces costs to government as well as business. The improved competitiveness and “room for growth” that results will ultimately realise greater tax revenues to government and, therefore, its ability to deliver improved services and invest in infrastructure improvements.

## **LESSONS**

Kenya has been, and continues to be, an unnecessarily highly regulated economy. Good progress has been made with general market and trade licensing reforms, but the agriculture sector regulatory environment, in particular, stifles the potential output and productivity improvement that is unquestionably achievable. Embracing and supporting the productive capacity of the so-called “informal sector” (recognition of informal property rights, access to workspace and security of tenure among others) is surely another opportunity for public private dialogue to deliver poverty alleviation through low-cost policy reform.

The Business Advocacy Fund supports BMOs to advocate appropriate reforms at both national and local level. The culture of public private dialogue, however, is limited to a few capable BMOs and is new to many others. Consequently, the capacity of BMOs to engage government in dialogue and advocacy is relatively weak and BMOs have been slower to come forward than anticipated. The Boards and staff of BMOs undoubtedly need to invest time in the training programmes offered by the Business Advocacy Fund.

Access to information can be a hindrance so, through the website, we are striving to make information about the issues supported by the Fund more easily available. Demonstrating achievement of policy and regulatory reform by some BMOs will, hopefully, encourage more businesses to invest in their associations and encourage them to engage government on issues that concern them.

## **WHAT NEXT?**

Over the next year, we will continue to market the Fund widely to BMOs and to encourage more to identify issues on which they would like to act.

The Fund will continue to provide training courses for BMOs, assist them think through their issues and provide mentoring as they implement their advocacy strategies.

We will work with DANIDA and other development partners on proposals to expand the Fund to provide more extensive support for the institutional strengthening of business membership organisations that is required if the private sector is to continue to engage meaningfully with government on a sustainable basis.

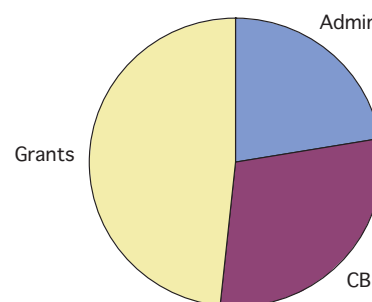
We will expand the information and materials available through the website.

# SUMMARY OF OUR ACHIEVEMENTS

From a standing start, we established an office in Nairobi, recruited local staff, wrote the systems and manuals, launched the fund, wrote a diagnostic assessment tool, prepared detailed capacity building materials, and have been promoting and marketing the fund ever since. We have created a website which not only provides information about the Fund and how to apply, but also offers a forum where people can learn more about the issues being advocated by BMOs supported by the fund.

The Fund had engaged with a total of 90 BMOs up to 31 December, considered 13 project applications, and approved 11 proposals from eight BMOs worth KSh 29 million, but one was overtaken by events.

Project applications by volume	13
Project applications by value	KSh 34 million
Approvals by number of projects	11
Approvals by value	KSh 29 million
Disbursements by value	KSh 17 million
Participants in training programmes	64



Based on commitments, about half the total fund is going to BMOs to support their advocacy projects. Rather more than a quarter is being devoted to capacity building and a little less than a quarter is required to manage the fund. This compares well with other similar funds.

## BAF BOARD

The Board represents the private and public sectors, though members serve in a personal capacity, and includes a representative of



Betty Maina



Bill Lay



Hans Henrik Madsen



Hezekiah Okeyo



Johnstone Nyagah

DANIDA. It has overall responsibility for the Fund. It ensures that our objectives and strategies are realised and that the Fund remains fully aligned to and supportive of national policies. The Board approves policies governing the management of the fund and approves grant applications.

## FUND MANAGEMENT

Fund management is provided by a partnership of Coffey International Development Ltd and Irwin Grayson Associates. They have appointed a Fund Manager, Clive Davis and, through him, report to the Board.

## BAF STAFF

BAF is managed on a day to day basis by a team of committed and hard working staff – Ruth Gathee, Eunice Kiondo and Philip Okello – all of whom are keen to maximise the support that they provide to business membership organisations. Staff provide considerable mentoring support to prospective and successful applicants.

Capacity building and development is provided by The Depot and Maer Associates.



## CONTACT DETAILS

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