

THE BUSINESS



ADVOCACY FUND

Supporting Private Public Dialogue

2010

ANNUAL REPORT



Introduction

Studies show that countries that focus on introducing policies that reduce the regulatory burden on business, and on small businesses in particular, have better prospects of economic growth and thus poverty reduction. Business regulations generally have a bigger impact on small businesses in terms of compliance and financial cost and discourage the formation and growth of business.

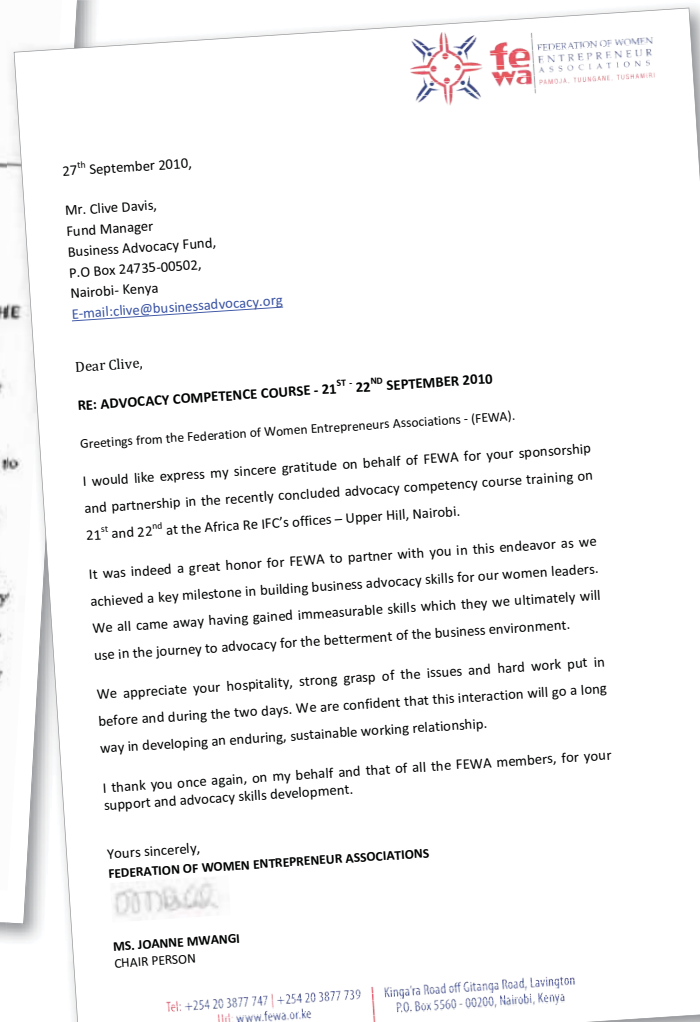
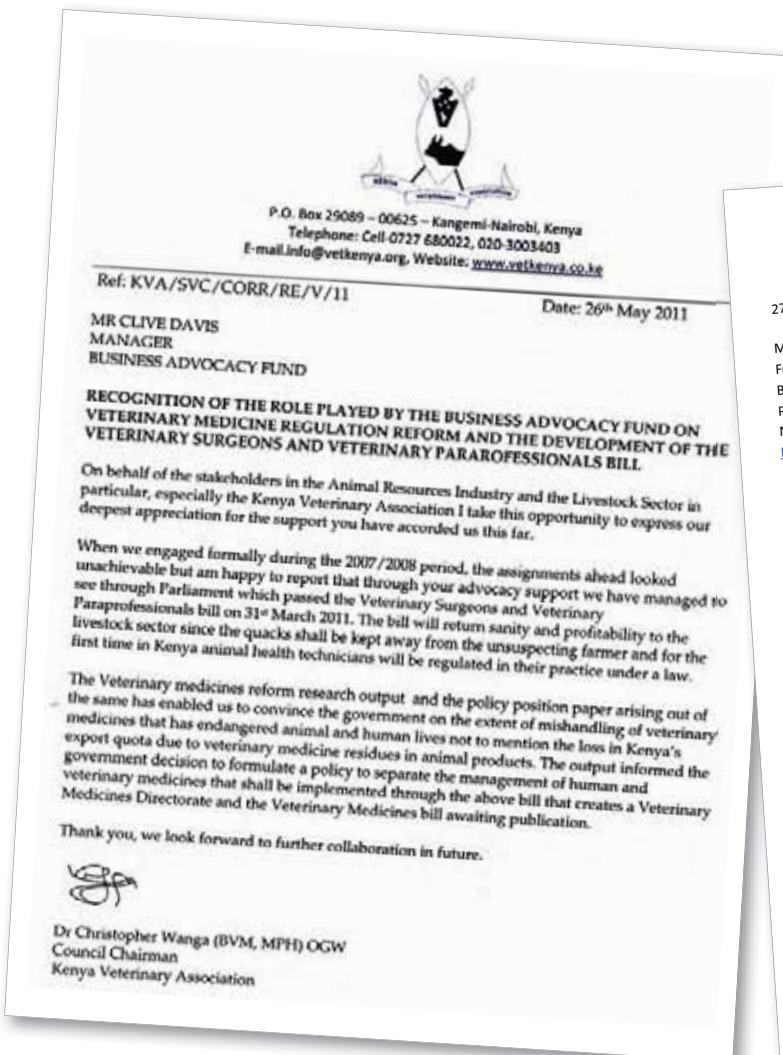
The Business Advocacy Fund was launched in November 2006 under a four year agreement between the Governments of Kenya and Denmark. The purpose of the Fund is to make a contribution to the improvement of the Kenyan business and investment

climate, often called the enabling environment. This is achieved by equipping business membership organizations (BMOs) such as business and trade associations with the skills to engage in public private dialogue and to advocate policies intended to improve the business climate. More recently, BAF has also provided support aimed at creating sustainability of the BMOs themselves so that they can continue to engage in advocacy after BAF support ceases.

The BAF is an initiative to improve the dialogue and engagement between the main stakeholders in the economy – government and the private sector. A key role of government is to provide

a regulatory framework for business that creates investor confidence whilst balancing the needs of other stakeholders such as consumers and employees. It needs to raise taxes in order to deliver essential public services. The objective of private business is simply to create wealth but, in doing so, it also creates employment and generates the tax revenues that pay for services supplied by the government. Ensuring a stable environment that is conducive to business will maximise investment, economic growth and poverty alleviation.

This report highlights the main achievements and lessons learned over the last four years of the Fund's operations and gives pointers to the future of public-private sector dialogue and private sector advocacy.



The logic is proven: advocacy does work

The Fund provided 58 grants (2010 – 16) to support advocacy by 37 BMOs (2010 – 10) in the period 2006-2010. The total grants disbursed amounted to KShs. 98 million. This resulted in 56 “policy wins” (2010 – 20), i.e. the changes in rules, regulations and legislation agreed with the Government of Kenya as a result of their successful advocacy. In an environment where, previously, the responsibility for the regulatory environment was considered the exclusive prerogative of the government, this is a highly encouraging result. It shows a considerable change in behaviour by both the public sector and the private sector. Government has demonstrated a significant change in policy by its willingness to include

the private sector in dialogue on the business climate. Not only that, the government has been seen to take action as a result by approving policy changes. This is based on the realisation that, if economic growth and employment creation targets are to be achieved, then it must look to, and work with, the private sector to be the engine of growth.

Similarly, the private sector has understood that it is necessary to put forward well researched policy proposals and advocate clear policy positions if it is going to be taken seriously. It has also realised that, to be effective, something more than “making representations” to the government during the preparation of the annual Budget is required.

There is evidence that dialogue and engagement activity is increasing. In 2010, some 181 active dialogues were recorded and there were a total of 419 dialogues between supported BMOs and the Government in the four years to 2010. The approach of the Fund has been to provide capacity building and grants to BMOs. While there is no guarantee of a positive result, the chances of success do increase with an evidenced based, professional approach to advocacy. The evidence from the policy changes agreed with government shows that the intervention is working. The BAF initiative has created a sea change in the way the government deals with the private sector.

EAC double tax removal opens doors to investors

Partner states agree to end separate levies on companies operating across the borders, paving way for expansion and job creation

Pyrethrum producers upbeat about new law

Pyrethrum producers are optimistic that a new law to liberalise the sector will spur growth. The Pyrethrum Growers Association said the new Pyrethrum Act would accelerate recovery and ensure better and quicker returns. Association chairman Justus Monda said the new law would boost the sector which, in the 1990s produced over 17,710 tonnes but slumped to only 776 tonnes in 2007 and 2008 due to late payments to farmers.

Cabinet approves key livestock sector reforms

BY JAMES WATHAKA

The livestock sector is set for a major boost following Tuesday's approval of four key policy reforms by the Cabinet in addition to the National Livestock Policy passed last year.

The Cabinet passed the Bee-Keeping Industry Development Policy, Dairy Industry Development Bill, Poultry Industry Development Policy and the Veterinary Surgeons and Para-Professionals Bill 2009

which are expected to streamline the livestock industry and propel it to achieve increased market accessibility and improved product standards.

“These sub-sector policies will provide broad and general directions in the livestock industry and bring the various players together in order to provide the legal and institutional framework needed,” said the Minister for Livestock Development, Dr. Mohammed Kuti, at a Press briefing yesterday.

The Veterinary Surgeons and Para-Professionals policy will bring on board the Veterinary Practitioners and Poisons Board which will put in place necessary measures to vet practitioners getting into the sector.

The poultry policy, which is a precedent in the sector, will provide a legal and institutional framework that will set standards for sector players. The policy now recognizes the free-range chicken and requires that they be well managed.

The need for professional advocacy

When a government excludes the private sector from economic policy formulation a number of results are probable. Firstly, the private sector's ability to argue the collective interest of business is likely to weaken. In addition, if the organisations representing business do not offer services for which their members and others are willing to pay, then their financial bases are likely to be considerably weakened. This appears to be the case in Kenya.

From the beginning the Business Advocacy Fund has provided training courses to BMO boards, committees and staff to build understanding of the function of BMOs and the expertise and capability adequately to act in the interests of their members. BAF has seen 580 participants (2010 – 227) participate in various capacity building courses over the last four years. The feedback we receive is that "eyes have been opened" to the possibilities and opportunities available to BMOs. These courses have created understanding about the current government's economic policy stance, the decision making process and how to intervene at each stage of policy formulation. The skills required are then dealt with – research, preparation of policy position papers, dialogue, influencing, and the follow-up necessary – to ensure that policy changes agreed are actually implemented. The aim is to create a body of advocacy professionals with the capability to undertake and manage professional and effective advocacy strategies.



Evaluating results

While it has been relatively easy to chart the number of advocacy successes in terms of policy change, it is much more difficult to show the outcome. The impact of a policy change is, typically, the increase in profitability or reduction in costs arising from the policy change. For most businesses, however, it is very hard to say that a change in public policy directly resulted in reduced costs, unless the change is to a licensing requirement. So demonstrating impact is hard.

During the last four years, we have carried out a number of assessments of the impact from successful advocacy. The common thread is that change is not always felt at firm level. The cause is lack of implementation, or enforcement, or both. So, while advocacy strategies have been able to demonstrate change for the better in the policy environment, the challenge has been to

show demonstrable change at individual business level.

The Fund's response has been to support BMOs to continue engaging with and lobbying government until the government is seen to take concrete steps to implement and enforce change. This is a normal part of the advocacy process around the world.

The challenge is increased in Kenya as government is either unwilling, or unable, to follow through credibly with agreed policy change. This is a difficult problem to resolve and we will derive techniques and approaches to bring out and respond to these challenges as they are uncovered.



Advocacy work on behalf of the East African Tea Trade Association (EATTA) members has been a key mandate of the Association since its inception.

It is recognized that a membership organization is more successful in getting positive results from its work than would an individual organization.

To enable EATTA carry out this mandate, it sought and obtained funding from the Business Advocacy Fund (BAF) which is a Fund that supports Business Membership Organisations such as EATTA to carry out advocacy work on behalf of their members to bring about changes in three areas:

1. The regulation of the tea industry and specifically the Tea Regulations of 2006, The Tea Amendment Bill 2010 and The Tea Amendment (No. 2) Bill 2010
2. Multiple levies and taxes
3. Incentives for value addition

There are also a myriad of regulations covering the tea industry that have been introduced

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in the recent past like the Tea Regulation which introduces requirement for annual certificates of registration without which a company in the tea industry cannot transact.

This requirement for annual registration is a barrier to investment for tea industry players as providers of credit have no assurance that a company seeking a credit facility will be in operation when the time for renewing registration comes about.

The Tea Amendment Bill 2010 has contentious clauses including the structure proposed for the Directors of Tea Board. The Bill proposes that the Minister of Agriculture will appoint 5 Directors in addition to the 3 representing the government. For a Board of 11 members it is unfair for the government to have 8 representatives and the owners of the tea (i.e. producers, factories and the trade share 3 seats.

In addition the Bill does not have seat for EATTA that represents the interests of the players in the industry. The major issue with t



The Kenya Automotive Repairs Association (KARA) has been in existence since 2002 when it was incorporated and represents the interests of the vast majority of the formal motor body repairers market in Kenya. Its mission is to bring together all established organisations in the automotive repair business for the advancement of their welfare with a vision of being an institution that provides expertise, advice, information and proactive business support to the motor industry.

KARA trains members and their staff to develop and improve skills and other capacities, commissions studies, and researches matters concerning the industry through partnerships with the Government and other stakeholders.

KARA also provides a central forum to discuss common issues and represents industry interests and establish linkages and work with other persons or bodies to further the objectives of the association.

KARA is a lobby group, KARA is engaged in consultations as well as discussions with different stakeholders in the industry. KARA include the Ministry of Industry, National Planning and Vision 2030, Bureau of Standards and Motor Association of Kenya (MAAK).

Others are the Association of Kenya Insurers (AKI), the National Association of Kenya Investigators (NAKI), the Business Advocacy Fund (BAF), and other professional bodies.

One of the linkages KARA has with Government agencies is Kenya Bureau of Standards (KEBS) Technical Committee on road vehicles (TC-122).

This committee is involved with developing standards on road vehicle industry. KARA was invited to sit in TC-122 when the committee participated in the development of code of practice on importation of used automotive spare parts referred to as Kenya standard dks2190-2009. KARA also plans to partner with KEBS in order to develop standards for body shop repairers. The development of these standards will help streamline the industry and ensure only qualified personnel run garage businesses. This will enhance the industry and public confidence in the industry.

KARA is working together with other stakeholders in the industry to develop good work ethics and to ensure that there is professionalism. Working groups have been developed and regular meetings take place to discuss issues that affect the different stakeholders. This has led to the signing of the Memorandum of Understanding (MoU) between KARA, MAAK, NAKI and AKI.

The document gives guidelines towards

The development of these standards will help streamline the industry and ensure that only qualified personnel run garage businesses.



the Kenya national chamber of commerce & industry

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Business Advocacy Fund
P.O.Box 24735/00502
Nairobi

RE: IMPLEMENTATION OF SINGLE BUSINESS PERMIT

Reference is made to the above matter. We have made effort on several discussions and workshops, finally came out with signing of Memorandum of Understanding.

We appreciate the effort you made in this process until its success. We are looking forward to work with the Local Authority in this region to harmonize our businesses together and also to continue working with Business Advocacy Fund.

Thank you once again and God bless you.

Yours Sincerely,



Ben Odhiambo Kitoto
EXECUTIVE OFFICER.

Advocacy must be sustainable

There are just under 300 BMOs in Kenya. The Business Advocacy Fund has met 80 per cent of them and learnt about their viability. Our analysis shows that 10-15 of these BMOs only are sustainable financially.

As we continued to engage BMOs and supported their advocacy strategies (with a demonstrable success ratio), and showed that advocacy capability is improving, we realised that unless the Fund supports the institutional rebuilding of BMOs they will continue to rely on external support (such as the Fund, or other similar interventions) for additional financing that should be more properly be financed by the members.

The remit of the Fund was therefore expanded in 2010 to include piloting a support mechanism to develop sustainability. We selected a cohort of 20 BMOs and invited them to participate in a rigorous self examination of their organisations. This involved a review of the current state of the organisation, and a strategic and business planning process to develop proposals for partial support to rebuild their revenue bases. This resulted in the Fund approving and disbursing three Revenue Support Grants (RSGs) where the BMO planned either to increase membership or to introduce new services for which members were willing to pay on top of their annual subscriptions.

Unlike other approaches to institutional support, the Fund will not approve support unless the business plan has a reasonable chance of being successful, and the BMO can show it can generate

additional revenues on top of the Fund's RSG support. This approach is deliberate. The evidence from the past is that other donor initiatives have been happy to make "contributions to overhead" as long as the donor initiative is in place so that the latter's objectives (as distinct from the BMOs') can be met. The results have tended to be that the financial situations of the recipients of such support have not been improved by the end of the donor programme.

The approach of the Business Advocacy Fund is different. It is demand-led. The Fund will support those who are genuinely interested in improving their own situation. And, they must show a level of commitment that is convincing to the Fund.

Our approach has been to develop capability financially as would be expected from any business. The difference is that BMOs are normally "not for profit". This does not mean however,

that they should not generate a surplus to develop and expand their range of services. For this to be done successfully, the business skills of the staff, and the committees/boards need to be enhanced. The Fund has responded by developing and delivering a set of specially designed training courses that will complement financial support in the form of the RSGs, and will embed skills in BMOs that will enhance their sustainability to deliver a wider range of services professionally to members.

The pilot has proved to be a different but effective approach. It is intended that it will be expanded in 2011.

The objective is that BMOs become financially sustainable themselves so that advocacy continues long after the Business Advocacy Fund ceases to exist. Professional advocacy is a continuing process, not an event and the Fund will support effective advocacy and practical organisation rebuilding.

The Board of the Fund

The members of the Board of the Fund are drawn from the public and private sectors. The Governments of Kenya and Denmark are represented by Mr. Hezekiah Okeyo and Mr. Kim Kristmoen respectively. The private sector is represented by Mr. William Lay (Chairman), Ms. Betty Maina, Mr. Johnstone Nyagah and Mr. Steve Smith.

The Fund is managed by a partnership of Coffey International Development Ltd and Irwin Grayson Associates. The day to day management team is provided by Clive Davis, Fund Manager, Mary Nyoike, Capacity Building Manager and Ruth Gathee, Fund Administrator, supported by Eunice Kiondo.

Financial report

Advocacy

In 2010 the Fund approved KShs.27 million in support of advocacy projects, bringing the total approvals over four years to KShs. 121 million. Of this KShs.36 million was disbursed to 10 BMOs in 2010 (KShs.98 million to 37 BMOs over the four years). The chart shows the annual and cumulative performance of the advocacy fund.

Sustainability Support

The year 2010 marked a widening of BAF's support activities to include the Sustainability Support initiative. This comprises support for BMOs to complete organisation reviews, prepare strategic and business plans as part of the process of applying to BAF for a Revenue Support Grant (RSG). When an RSG is approved, further mentoring, coaching and implementation support is provided by consultants contracted by the Fund.

During 2010, 20 BMOs carried out organisation reviews. Of these 15 prepared strategic plans, from which 8 business plans were prepared. Of these, three Revenue Support Grants were approved totalling KShs. 2.4 million. The total funds approved amounted to KShs.11.4 million, all of which was disbursed in 2010.

The Sustainability Support programme also entails training support. During the year six training courses were developed. These included financial governance, strategy, project management, business planning, marketing, and customer service. A total of 96 participants attended these courses during the year making a total of 227 attending both the advocacy and the sustainability training courses in 2010.

The Fund at a Glance

The Fund engaged with a total of 281 BMOs during Phase I of BAF from 2006 to 2010, considered 64 project applications, and approved 58 proposals from 37 BMOs worth KSh 121 million.

	2007 (includes 5 months of 2006)	2008	2009	2010	Total
Concept notes received	30	29	48	34	141
Project applications by volume	14	14	19	17	64
Project applications by value	KSh 37 m	KSh 38 m	KSh 39 m	KSh 29 m	KSh 143m
Approvals by number of projects	11	15	16	16	58
Approvals by value	KSh 29 m	KSh 38 m	KSh 27 m	KSh 27 m	KSh 121m
Disbursements by value	KSh 17 m	KSh 18 m	KSh 27 m	KSh 36 m	KSh 98m
BMOs supported	6	12	9	10	37
Projects completed	1	2	8	8	19
Participants in training programmes	64	192	97	227	580
Active dialogues and consultations by supported BMOs	33	92	113	181	419
Research carried out	0	18	10	24	52
Policy proposals published by supported BMOs	8	10	14	20	52
Alliances & partnerships developed	9	75	88	115	287
Number of articles in the press	65	124	98	200	487
Number of radio broadcasts	51	71	49	151	322
Number of TV broadcasts	46	57	50	109	262
BMOs with whom BAF has met	97	68	69	47	281
Concept notes received	30	29	48	34	141
Policy changes	1	12	23	20	56

Developers will be required to present building plans for approval before they start any construction work.

Planning and Building Authority, which will address the issue of poor and inadequate planning," the Housing minister said, adding, it will ensure professional masqueraders are punished.

During the... Hoteliers big winners in new alcohol control rules

New Bill to catch veterinary quacks

...said the Bill will be presented to Parliament... Kuti said the new Bill will regulate the production, dispensation of vet and spell education facilities... Other policies were, national beef policy, dairy development bill and poultry policy.

Kenya races to woo investors with new Bills

...The two Bills - the Partnership Bill and the Limited Liability Bill - were approved on Thursday... they are meant to attract investors...

...The high demand for housing in urban areas has attracted rogue investors who have taken advantage of the situation to build houses that are designed and supervised by unqualified persons...

Hoteliers big winners in new alcohol control rules... Big hotel chains have supported the newly-published guidelines to the Alcoholic Drinks Control Act...

East Africa tourism ranked top

Travellers around the world place the region among best to visit in Africa... By PHILIP MUYANGA



Tourists takes pictures of a lion in the Masai...

East Africa tourism destinations have been ranked top by travellers from around the world who visited from the areas, ratings conducted by TripAdvisor.com, a website that features at least 70,000 hotels worldwide... Set up account for royalties, says mining lobby

Set up account for royalties, says mining lobby

...The mining industry has called for the setting up of a special account in which cash collected as royalties is to be deposited instead of being paid to Treasury... Were attacked: The National Environment Planning and Building Authority...

BY ALLAN ODHIAMBO AND WANGUI MAINA... Hotels, restaurants and membership-only clubs will be allowed to sell alcohol round the clock...

Lobby seeks finance for gems mining

The Kenya Chamber of Mines (KCM) negotiating with banks to finance small gemstone prospectors acquire modern equipment to improve production working environment... Acting chief executive Joyce Misoi...

New building Bill to tame rogue developers

By ANTHONY KITIMO... All developers will now be required to present building plans for approval before they start any construction work... Housing minister Soita Shitanda said...

...The high demand for housing in urban areas has attracted rogue investors who have taken advantage of the situation to build houses that are designed and supervised by quacks...

...The Bill will establish the National Planning and Building Authority, which will address the issue of poor and inadequate planning... During the seminar, which was attended by members of the Architectural Association of Kenya and the Institute of Surveyors of Kenya...

Association will inspect buildings all over the country

...The proposed Tea Bill will see farmers uproot the crop if they do wish to deliver their produce to a factory of their choice...

Kenya's textile sector to gain from rising US demand

EXPORTS Africa's cheaper textiles attracting more cash-strapped American consumers... The industry's growth is expected to be boosted by the new trade agreement...

...The Bill will establish the National Planning and Building Authority, which will address the issue of poor and inadequate planning... During the seminar, which was attended by members of the Architectural Association of Kenya and the Institute of Surveyors of Kenya...

Tea farmers can uproot bushes under new Bill

The proposed Tea Bill will see farmers uproot the crop if they do wish to deliver their produce to a factory of their choice... The Bill comes almost two years after a section of tea farmers in Central Province were given their crop over what they saw as poor support...

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