

THE BUSINESS



ADVOCACY FUND

Supporting Private Public Dialogue



Annual Report 2012





Introduction

History

The Business Advocacy Fund (BAF) was launched in 2006 as an innovative initiative for the improvement of the business environment in Kenya.

Other donor programmes had supported attempts within government to guide private sector policy change from within government itself with limited success. BAF was the first attempt to support private sector institutions to take ownership and responsibility for the improvement of the business climate and to involve themselves more closely in public private dialogue. A first phase of support lasted until 2010.

A second phase of support commenced on 1 October 2011 and will continue to 31 December 2015. The objectives remain broadly similar but have expanded and have been divided into four outputs, namely, building capacity of business associations to engage in dialogue and advocacy; supporting dialogue and advocacy with funding as required; building the sustainability of business associations and raising awareness via the media of the importance of the private sector for wealth and job creation and thus the importance of ensuring a conducive business enabling environment.

Objective

The principal rationale of BAF is to enable Business Membership Organisations (BMOs) to develop policy positions which they can then advocate to government. The belief is that government is more inclined to change public policy as a result of dialogue and informed advocacy – and thus improve the enabling environment, particularly for MSMEs – in the expectation that an improved enabling environment will lead to a more vibrant and competitive private sector, investing more



and creating more jobs, and stimulating more men, women and young people to start in business.

More businesses, generating more profit, will lead to increased tax revenue, so this will reinforce the government's desire to make a difference by delivering more and higher quality services.

Advocacy works

The first phase of BAF demonstrated that a strategy such as this can be successful in Kenya and can result in policy change that improves the business climate and thereby encourages business confidence, both domestically and internationally. Milestones achieved include:

- awarded 58 grants totalling KShs 98m to 37 BMOs to finance advocacy activities, supporting some 419 dialogues and consultations with government, the preparation of 52 research reports and policy position papers and the bringing of 167 issues to the attention of the government, resulting in 56 policy wins;
- met with a significant proportion of the 380+ formally registered BMOs to build awareness of the Five Step Approach to Advocacy;
- trained 515 participants representing 117 BMOs in targeted dialogue and advocacy;
- trained 114 participants representing 27 BMOs in institution building;
- increased BMOs' understanding that press & media coverage is important to their advocacy and who, with BAF technical and financial support, sought wider coverage in the media resulting in 487 newspaper articles since 2007 together with 322 radio appearances and 262 television appearances.

The challenge for the private sector is to translate these achievements into implemented legislation and regulation to deliver an improved business enabling environment.



Building capacity for dialogue and advocacy

Developing skills in advocacy

Engaging in advocacy requires that the staff and boards of BMOs are able to research and understand issues, to formulate policy positions which will improve the business environment and influence policy makers.

Most BMOs have too few, if any, people with these skills and so BAF provides support to build capacity.

Initial training takes the form of a two-day Introduction to Advocacy course which covers the basic skills necessary for advocacy along with introductions to communications and public relations and project management. Follow up courses, typically lasting one day, are provided to develop skills more deeply.

In 2012, BAF delivered four courses on introduction to advocacy and two advanced courses on media and public relations.

Formal training is augmented by mentoring and coaching advice. This is provided initially by the Fund Manager when reviewing a concept note. Mentoring can take the form of breaking down the advocacy into logical steps using the Five Step Approach; analysing advocacy targets or designing terms of reference for research.

Mentoring is also provided as BMOs implement their project, by specialist consultants trained by BAF. This advice can take the form of commissioning and evaluating research, advising on the preparation of policy positions and using the media.

Initial feedback suggests that BMOs' advocacy projects are more likely to be successful when they take up the mentoring support.

Sustainability and organisation development

BMOs may exist primarily to advocate change in public policy, but they need to earn an income to continue to exist – and can only do this by charging subscriptions to their members and by offering services for which businesses are willing to pay. In addition, BMOs can suffer from poor governance, weak management due to inability to attract and retain quality management talent and weak or non-existent systems. These weaknesses hinder effective interaction and service provision to members leading to apathy amongst many members. We have thus adopted an approach to help BMOs to:

- Identify their performance gaps in relation to their mission, policies and strategies;
- Identify their in-house capacities to deliver their mission;
- Develop prioritised action plans to address the gaps, engage members and promote a shared understanding and vision for growth of the association;
- Support BMOs to introduce income earning services.

In 2012, we engaged with 26 BMOs that had expressed an interest in being considered for sustainability support. BAF delivered 24 training courses on topics such as leadership & management, governance, project management, resource mobilization and financial management. In addition, BAF contracts mentors to work closely with BMOs to identify and resolve their leadership, management and systems weaknesses. Then the mentors support the BMOs to undertake an organisation needs assessment and to design interventions specific to each BMO. The benefit of external mentoring is that BMOs examine their organisation structure professionally and honestly, and thus have a higher probability of identifying appropriate action.

Other support

BAF has developed a number of 'toolkits' to support BMOs in their management roles. These include a governance manual for Boards of Directors, a strategic planning toolkit and resource mobilisation guidelines. In addition, BAF continues to publish and distribute fact sheets on a wide range of topics, on its website - www.businessadvocacy.org





Funding dialogue and advocacy

B *AF has worked with many of the 380+ formally registered BMOs in Kenya to build awareness of the Five Step Approach to Advocacy.*

The Fund is able to provide grants, improve a BMO's advocacy competence and provide mentoring to support dialogue and advocacy projects. BMOs must have as one of their primary objectives, advocacy or dialogue on behalf of their members.

In addition to the Danida funding, DFID provided the Fund in late 2011 with £250,000 (KShs 33 million) to support BMOs undertake advocacy on climate change issues.

Examples of projects supported in 2012

East African Tea Traders' Association (EATTA)

EATTA has engaged the Minister of Agriculture to reverse a gazette notice that unilaterally introduced a 1% Ad Valorem Levy on the tea prices achieved at the Mombasa tea auctions starting February 2012. According to EATTA,

this increased the effective tax burden by over 400 per cent. Although there has been little success so far in persuading the Ministry of Agriculture and the Tea Board of Kenya to enter into dialogue, EATTA is undertaking a vibrant media campaign to capture a wide target audience in government and the general public. This advocacy will be challenging as government will be reluctant to forego taxation collected in 2012. To overcome this BAF has provided advocacy grants funding to research and prepare forceful policy positions. The objective of this research is to demonstrate the extent of impact on Kenya's small scale tea farmers who bear the brunt of the levy and whose incomes will fall significantly in the event that tea auction prices fall.



Institute of Surveyors of Kenya (ISK)

ISK successfully engaged the Ministry of Lands and Parliament and, supported by an evidence based and credible policy position, was able to persuade the Government to adopt most of its revisions to three crucial Land Bills. The Ministry welcomed ISK's input and acknowledges that the Bills were improved by the redrafting. The Bills were successfully passed by Parliament in 2012 and promulgated by the President. The three land bills are the National Land Commission Act No.5 of 2012, the Land Act No.6 of 2012 and the Land Registration Act No.3 of 2012. BAF continues to provide support to ISK to develop the necessary subsidiary legislation to the three Land Acts.



Kenya Association of Hotelkeepers and Caterers (KAHC)

KAHC successfully lobbied the National Environment Management Authority (NEMA) to amend compliance regulations and to reduce the cost and process of and compliance with annual waste licensing to workable



and sensible levels. These regulations, which apply to the hospitality industry, include water treatment plants, water effluent and waste management. This advocacy project is a good example of a BMO entering into dialogue with a regulatory agency, not disputing what all agree is good legislation, but being able to show that the design of the associated regulations can have unnecessary and costly compliance costs on business.

Agriculture Industry Network (AIN)



BMOs in the agriculture sector proposed the formation of the Agricultural Industry Network (AIN), recognising that broadbased coalitions can demonstrate widespread support for a policy proposal and consequently secure the Government's attention. The Network is hosted by KENFAP and was formed to improve advocacy effectiveness as well as create a better learning and knowledge sharing environment for BMOs in the agriculture

sector. A key area of the Network's advocacy focus in 2013 will be on the Agriculture, Food and Fisheries Authority Act 2012 which represents the biggest reorganisation of the agriculture sector in 80 years. The initial objective of AIN is to engage government through a broad-based coalition representing all agriculture sector BMOs and persuade government that it has to consult.

Kenya Veterinary Association (KVA)

KVA has successfully engaged all stakeholders in the animal resources industry and the Ministry of Livestock Development (MoLD) to develop the National Veterinary Policy in accordance with the Constitution. The MoLD is a willing partner pursuing a common



objective. MoLD and KVA both recognise that regulation can be more effective if regulatory agencies are prepared to be 'coaches' rather than 'cops', though it is also agreed that effective regulation is required to reduce the incidence of fake medicine. The National Veterinary Policy, in the form of a draft Sessional Paper, is currently at the final stages of development for onward submission to the new Cabinet for approval and subsequent endorsement by the National Assembly. The new policy will be used to inform the drafting of a revised Veterinary Medicines Bill which will address the problem of widespread fake animal medicines in the Kenyan market.

Pyrethrum Growers' Association (PGA)

PGA successfully lobbied the Ministry of Agriculture, Ministry of Trade, Ministry of Industrialisation and the Parliamentary Committee on Agriculture on the need to liberalise the pyrethrum sub-sector. As a result, the Pyrethrum (amendment)

Act 2011 was passed by Parliament and assented in January 2013. The Act now provides for the liberalisation and privatisation of the sub-sector. As a consequence of the simultaneous enactment of the AFFA legislation however, there is confusion on the status of 2011 Pyrethrum Act. PGA will work through and with AIN to resolve this with the Ministry of Agriculture.



Sustainability support

Advocacy must be sustainable

Business environment reform is a long process requiring the business community to be effectively represented and engaged in dialogue and advocacy on a continuing basis.

This highlights the need for organisational sustainability among BMOs so that they are able effectively to serve their members and represent their interests. BAF has shown that the lack of sustainability among BMOs is one of the greatest threats to the long-term engagement by business in public private dialogue which would negate the success of BAF supported advocacy interventions.

In BAF's first phase, it became clear that many BMOs are unable to initiate and participate effectively in sustained dialogue and advocacy processes because they lack the financial and organisational capabilities. Of the 380+ BMOs in the BAF database, only 10-15 have the resources to manage their organisations at a financially sustainable level. BAF provides a mixture of support to address these resources gaps.

Firstly, mentors advise on strategic reviews and business plan preparation. BAF, can then provide partial funding in the form of Revenue Support Grants (RSGs) to launch new services. Finally, the mentors continue to advise and assist these BMOs implement their business plans.

The objective is to create a greater number of BMOs with the organisational base, the technical competence and the financial independence to represent their members' interests and to deliver value based services to them.




Examples of projects supported by BAF in 2012 include:

Mombasa Coast Tourism Association (MCTA)

MCTA is rebranding itself after a long period of dormancy. To appeal to members and build a strong base, MCTA planned to hold marketing and promotional meetings in the coast region covering Malindi, Mombasa, Voi and Ukunda. The Fund has supported MCTA to recruit two officers, organise promotional meetings, develop e-newsletters, revamp their website to enable MCTA play a key role as a focal point for networking, information and promotion of tourism services on behalf of members. Through this support, MCTA increased its membership by 41 per cent (from 85 to 120) by December 2012.

Kenya Chamber of Mines (KCM)



The Kenya Chamber of Mines was incorporated in 2000 as a company limited by guarantee. Its main goal is to unify the mining industry in Kenya to enhance its capacity to push forward regulatory changes. KCM's main source of revenue is member subscriptions. Despite a steady increase of membership revenue due to members' willingness to support the chamber, this has not been enough to support activities and sustain a secretariat. KCM set as its main goal, expansion and diversification of membership to attract more members. The

Fund supported KCM to recruit an additional staff member to support the CEO with coordination and member communication, enhance the website, and organise a mining conference that brought together key players. This visibility of KCM had the impact of increasing the membership by 53 per cent (from 101 to 155) in 12 months.

Media and raising awareness

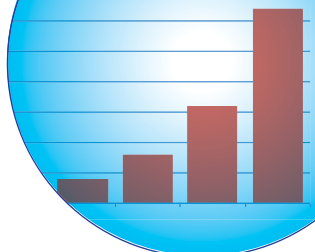
While BAF already provides advocacy grant support to individual BMOs that includes publicising their policy positions, it aims to expand media coverage of the business enabling environment.

It will specifically target the media to encourage more coverage of private sector business issues in general and particularly coverage of investment climate issues.

The express aims are to build wider understanding of the need for good and properly enforced regulation to improve the business enabling environment (BEE) and to create public debate on business policy.



BAF in figures



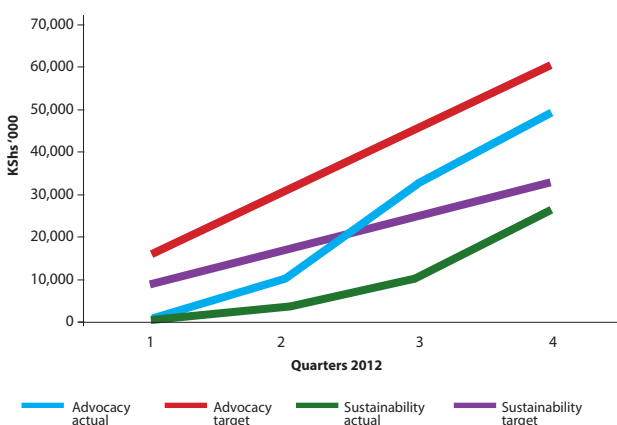
2012

Concept notes received	85
Advocacy project applications received	42
Advocacy project applications by value	KShs 97m
Advocacy projects approved	40
Advocacy project approvals by value	KShs 91m
Advocacy project disbursements	KShs 49m
BMOs supported with advocacy projects	26
Active dialogues & consultations by supported BMOs	120
Alliances & partnerships formed by supported BMOs	127
Research reports published	8
Policy position papers published by supported BMOs	6
Number of articles in press	110
Number of broadcasts on radio	68
Number of broadcasts on TV	77
Policy changes	8
Advocacy projects completed	2
Sustainability projects approved	13
Sustainability project approvals by value	KShs 44m
Sustainability project disbursements	KShs 26m
Increased subscription revenue	KShs 4m
Increased services revenue	KShs 12m
Capacity building expenditure	KShs 6m
Training courses	26
BMOs participating in training courses	75
Participants in training courses	408
Training places filled	673
BMOs with which BAF has had contact	101

In 2012, BAF committed KShs 91m to support 40 advocacy projects proposed by 26 BMOs and committed a further KShs 44m to support 13 BMOs with projects to increase their sustainability.

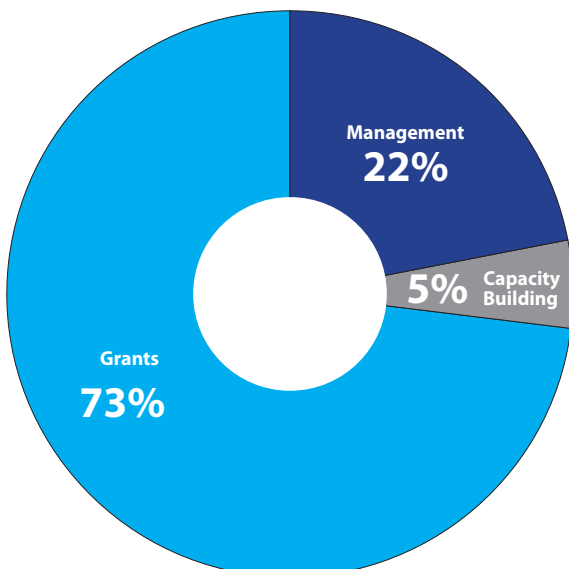
By the end of the year, BAF had disbursed KShs 49m for advocacy projects and KShs 26m for sustainability projects. A further KShs 6m was spent delivering capacity building support.

Figure 1:
Grant disbursements (cumulative)



In 2012, 73 per cent of the total budget was provided as grants to BMOs with a further 5 per cent spent on capacity building and just 22 per cent used for fund management.

Figure 2:
Split of funds based on commitments



Governance and fund management

Eight members have been approached and agreed to serve on the Board of BAF.

They are William (Bill) Lay, (Chairman); Isaac Awuondo, Group MD, Commercial Bank of Africa; Jennifer Barassa, CEO, Top Image Ltd; Lisa Karanja, Regional Director, Private Sector & Civil Society Trade Mark East Africa; Kiprono Kittony, CEO, Capital Real Time Ltd; Betty Maina, CEO, Kenya Association of Manufacturers; Dr Geoffrey Mwau, Economic Secretary, Ministry of Finance, Government of Kenya; and Joe Okudo, Programme Manager/DBP Partnerships, Royal Danish Embassy.

Danida contracted a partnership of Coffey International Development Ltd (Coffey) and Irwin Grayson Associates through an international tender process to manage BAF.

The Fund management team is based in the BAF offices at Brick Court, Corner of Mpaka Rd and Woodvale Grove, Westlands, Nairobi. Clive Davis is the Fund Manager with overall responsibility for the management of the Fund's activities. Mary Nyoike is the Organisation Development Manager with responsibility for capacity building and sustainability outputs, including advocacy training. Kariuki Waweru joined BAF as Advocacy Manager in June 2012 with responsibility for all advocacy projects. Ruth Gathee is the Finance and Accounting Manager with responsibility for contracting, grant and management expenses accounting and general administration. Eunice Kiondo Leshao is the Office Manager responsible for office management, enquiries management and communications.





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