

FUNDING
SUSTAINABILITY SUPPORT
MEDIA AND RAISING AWARENESS

THE BUSINESS



ADVOCACY FUND

Supporting Private Public Dialogue

2015

annual report

DIALOGUE AND ADVOCACY
GOVERNANCE AND FUND MANAGEMENT
TACKLING ILLICIT TRADE
TRAINING
MANAGEMENT





The Business Advocacy Fund (BAF) was established in 2006, with the objective of supporting Business Membership Organisations (BMOs), to advocate policy reforms and private-public dialogue which would lead to improvement in the business environment.

With effective dialogue, the Fund expects that the proposals it supports will lead to policy and regulatory reform that improves the business environment. A conducive and enabling business environment will encourage investment and private sector development. This should in turn lead to the creation of more employment, a reduction in poverty and increased participation of women and youth in establishing their own businesses. This impact is however realised only when these policy and regulatory reforms are implemented and enforced effectively.



The Business Advocacy Fund provides support in four areas:

1. **Advocacy support:** we provide grant funding to support dialogue and advocacy;
2. **Capacity building:** we deliver training and mentoring to build the capacity of business associations to engage in effective dialogue;
3. **Sustainability support:** we provide grants and mentoring to build long term sustainability of associations;
4. **Media awareness:** we reach out to the media to raise their awareness and encourage quality coverage of the importance of creating an enabling environment for business.

The Business Advocacy Fund is supported by the Embassy of Denmark. BAF has directly met and supported more than 300 business associations. The Fund's support to the private sector in 2015 resulted in 99 reforms of national and county level policy, legislation and regulations.

1. ADVOCACY SUPPORT



The Fund offers support through advocacy grants based on the Five Step Approach to Advocacy (5SAA). The first three steps are geared towards identifying an issue, gathering sufficient evidence to support the issue through research, and developing a compelling policy proposal. The fourth and fifth steps involve active engagement with the government through sustained private-public dialogue in pursuit of delivering and implementing policy change.

As BMOs implement their advocacy projects, some require one-on-one coaching and mentoring of their staff in research, preparation of policy papers and development of advocacy strategies. This support is offered through mentors that provide advice and guidance on aspects of advocacy projects along the 5SAA.

Advocacy grants

In 2015, 15 advocacy projects were approved by BAF. These projects were approved to 11 BMOs mainly to support advocacy through coalitions with other county-level and national BMOs. In total, more than 300 BMOs were involved in BAF-supported advocacy projects across the country. By the end of 2015, 61 active engagements led by 53 BMOs were underway with the government. These BMOs engaged in 420 dialogues, and were invited to consult with government on 399 occasions both with the legislature and executive at the national and county levels, and with the judiciary.

As a result of the various advocacy efforts supported during the year, 99 policy reforms were reported by these BMOs. These reforms span across changes in legislation, policy, interpretation of regulation and changes in administrative arrangements, all geared

towards an improved business environment. A larger number of reforms have been achieved in the counties where BAF has supported the establishment of county private-public dialogue platforms. Some examples are shared in this report.

BMO Networks

BAF has made significant attempts to support industry networks. These networks are sector based with the intent of addressing issues that may significantly affect business in a particular sector. BAF sees industry networks as a way of promoting effective sharing of information among BMOs; encouraging BMOs to support each other and to share experiences on various advocacy activities being undertaken. In time, and where appropriate, these networks transform into a coalition of BMOs to evidence critical mass and

support in the sector for a set of policy proposals. By the end of 2015, five industry networks had been supported:

- Tourism Network (TN) hosted by the Kenya Tourism Federation (KTF) for the tourism sector;
- Agricultural Industry Network (AIN), now an independent legally registered membership body for the agricultural sector;
- Kenya Property Industry Network (KEPIN) hosted by the Kenya Property Developers' Association (KPDPA) for the property sector;
- Professionals' Network (PN) hosted by the Association of Professional Societies of East Africa (APSEA) for professional societies; and

- Climate Business Information Network (CBIN) hosted by the Kenya Private Sector Alliance (KEPSA) on climate change advocacy relating to the private sector.

The Tourism Network, the Professional Network and the Agricultural Industry Network have remained active since their establishment. The Agricultural Industry Network, in particular, has continuously engaged government on agricultural sector reforms.

NETWORKS DELIVER FOR BMOs

The Tourism Network has helped several member BMOs make proposals to the national government on ways to revive the struggling tourism sector. A significant number of these proposals have been implemented by the Ministry of Tourism and the President has announced key government interventions aimed at invigorating the sector.

2. CAPACITY BUILDING SUPPORT



The Fund has developed a suite of training programmes to improve the advocacy and institutional competence of staff and Board members in BMOs. The advocacy competence courses cover five modules based on BAF's advocacy framework the Five Steps Approach to Advocacy (5SAA). The modules cover different steps of the advocacy process, and the skills, tools and tactics that BMOs need to adopt to advance their advocacy. Given that the core mandate of BMOs is advocacy, this training programme is the most widely requested by BMOs and BAF has delivered it to all the BMOs with which it has interacted.

The institutional competence courses cover 11 modules on the different aspects of organisational development. The key

objective is to address skills gaps needed to ensure that BMOs are run professionally to deliver value for their members. Although the specific needs of BMOs vary based on the size of the BMO, most of them will require skills building on leadership and management, governance, financial management, resource mobilisation, for both the staff within the BMO secretariat and their Boards.

In 2015, 25 training programmes were conducted for a total of 446 participants (275 unique participants) from 77 organisations. By the end of 2015, courses had been conducted in 40 counties reaching 102 unique BMOs based in counties other than Nairobi City County with an approval rating in excess of 90 per cent.

3. SUSTAINABILITY SUPPORT



BAF defines sustainability as *“the ability of an organisation to service and respond effectively to the needs of its members while, generating sufficient income through a range of sources (including external donor project funding), to cover all of its costs and to continue to do so such that the BMO would find the resources to engage in advocacy”*.

The Fund has provided sustainability support to BMOs at a number of levels. Specifically, it assisted BMOs to think about broader strategy, financial strategy and the scope for introducing new or growing existing fee-earning services. Additional support has been provided through Revenue Support Grants (RSGs). The RSG mechanism recognises that BMOs commonly charge what the market (business sector) can accommodate. This acknowledges that time is needed for BMOs to attract sufficient fee-paying

membership that can cover the cost of providing services.

BMOs receiving RSGs raise inadequate funds from membership subscriptions and renewals, service fees, donations and rental income (where applicable). The objective has been to make BMOs attractive to prospective members that will pay subscriptions and fees for services received that will sustain the BMOs.

By the end of 2015 the overall target of increasing revenues from subscriptions and services fees by 30 per cent in at least 16 BMOs was achieved. Despite this initial success, this growth was not sustained. The objective of any institutional support should be an improvement in viability. The lesson learnt is that BMOs must adopt improved strategies to deliver advocacy and other services and to control their costs effectively.

4. RAISING MEDIA AWARENESS

BAF has implemented various interventions aimed at improving journalists' coverage of the enabling business environment (balance, independence and accuracy). BAF has linked journalists with BMOs and other industry experts that include policy makers that can explain their industry and sector issues.

BAF has also supported BMOs to develop media knowledge and skills (press release writing skills and media interview skills). BMOs can thus be a credible source of information to the media and enhance their advocacy ability.

By the end of 2015, media training had been delivered to 22 BMOs on both press release writing and interview skills. Media breakfast meetings were initiated in 2015 focusing on topics related to the business environment and targeted at business journalists. The *Policy*

Breakfast for Journalists Series is an initiative between the Strathmore Business School (SBS) and BAF. Aware of the crucial role that the media plays in society and democracy, the series offers an interactive session for journalists to enhance their knowledge on policy related to the business environment in Kenya. The journalists can interact with key policy makers and business leaders on areas they can pursue in their coverage as they seek to create awareness on challenges and opportunities in the private sector.

The *Policy Breakfast for Journalists Series* was expected to be attended by 25 journalists, but this target was surpassed by close to 30 per cent with 60 per cent of the journalists being drawn from various local media houses. The remainder are active writers on business issues representing both the public and private sectors.



Improving Kenya's business environment in the counties



The 2010 constitution created a 47 county based system of devolved government in Kenya replacing the previous 173 Local Authorities. The counties came into being in March 2013 and are responsible for devolved functions previously the preserve of national government. National economic policy is still set by the national government and National Assembly. The private sector's concerns were that the business climate could vary from county to county because of new and different regulations that county administrations could introduce. There was a particular concern about new taxation and licensing which would impose more compliance costs and administrative burdens.

Responding to these concerns BAF designed and rolled out a programme to engage all 47 county administrations through county level business BMO coalitions. By the end of 2015 dialogue platforms in the form of Governors' Round Tables (GRTs) had



been established in 36 counties, and 22 such coalitions had prepared and submitted business agendas to these GRTs.

In 2015 BAF also supported Kenya Association of Manufacturers (KAM) in partnership with the Commission of Revenue Allocation (CRA) to develop county-specific revenue laws for all 47 counties. This resulted in 220 county laws being drafted, authorising and empowering revenue raising. In addition, two policy guidelines were prepared: the *Economic Policy Framework Guidebook* and the *Constitutional and Legislative Policy Guidebook*, guiding the drafting of county revenue laws in Kenya. By the end of the year the GRT fora and the partnership with CRA were beginning to change the interaction between county governments and the private sector. The objective is the common goal of sustainable economic growth.

Advocacy achievements in the counties

Governors' Round Tables Effective Platforms for County Dialogue

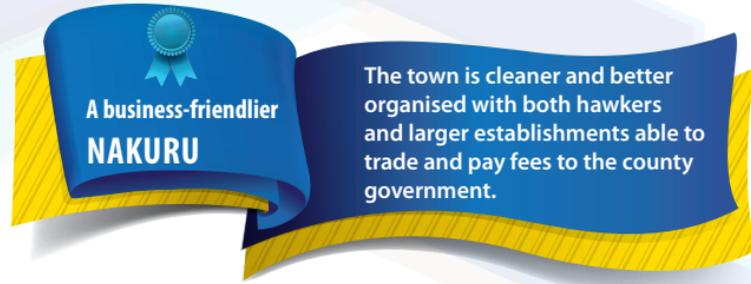
Since 2013, the Fund has supported five lead BMOs to manage the formation of business coalitions in all 47 counties that would engage with county governments through Governors' Round Tables (GRTs).

The Private sector organised itself into county business coalitions to engage the Governors and their County Executive Committees (CECs) on a range of business issues. The GRTs also provided fora to publicise budgets, strategies and development plans.

As a result of all these county engagements, out of the 99 Policy wins that BAF has achieved there were more than 81 policy wins realised in the counties ranging across changes in county budgets, legislation, interpretation of regulation, administrative arrangements and enforcement of regulation. A selection of these wins are documented in this report.

This private-public dialogue (PPD) mechanism has shown that private sector advocacy can make a difference at county level. It has also put county administrations on notice that they are subject to scrutiny.

Nakuru County



Business friendlier Nakuru town

Like many towns in Kenya, informal businesses (hawkers) were operating outside the premises of formal (rent paying) businesses causing congestion and creating an unequal playing field as they operated without any overhead costs. The Nakuru Business Coalition was successful in lobbying for the relocation of all hawkers from the Central Business District to two organised and structured markets

in the town. The hawkers are now able to operate from these new markets and pay fees to the council. Larger businesses are also able to trade without the congestion and unfair competition.

Successful revision of County Finance Bill saves costs to businesses in Nakuru

The Nakuru County 2013/14 Finance Bill was enacted without sufficient public participation raising fees and charges significantly. The Nakuru Business Coalition succeeded in obtaining two key changes:

- Cess on flowers was changed from 1 per cent of sales turnover to KShs. 0.20 per kilo which reduced the proposed taxation of floriculture production from an estimated KShs. 367 million per year to KShs. 18 million per year.

- All proposed county fees to access national parks were scrapped. This saved visitors to the parks additional entrance fees as national government already charged fees. Using Kenya National Bureau of Statistics (KNBS) data on visitors accessing Lake Nakuru and Hell's Gate national parks, the total savings to visitors is estimated to amount to KShs. 935 million per year.

Kisumu County



Improved PPD

The formation of the business coalition in Kisumu County has enabled the county administration consult with a cohesive private sector to address important legislative issues. The Kisumu County Business Coalition comprises 11 BMOs. The first GRT in Kisumu was in April 2013. Some of the resulting successes include:

Private sector contributes to county policies in Kisumu

- There is now a private sector desk at the Kisumu Governors' office to facilitate PPD. The coordinator of cabinet affairs sits at that desk and has provided easy access to County Executive Committee (CEC) members.
- The coalition was invited to send three representatives to the County Economic Budget Forum who are now represented

by KAM, KNCCI and a youth representative. This has enabled the private sector to input into the budget prior to the tabling in the County Assembly of the Finance Bill and the County Appropriations Bill.

- The Kisumu County Government involved the business coalition in the development of a County Spatial Plan. The plan will provide clarity on available land for development and its intended use.



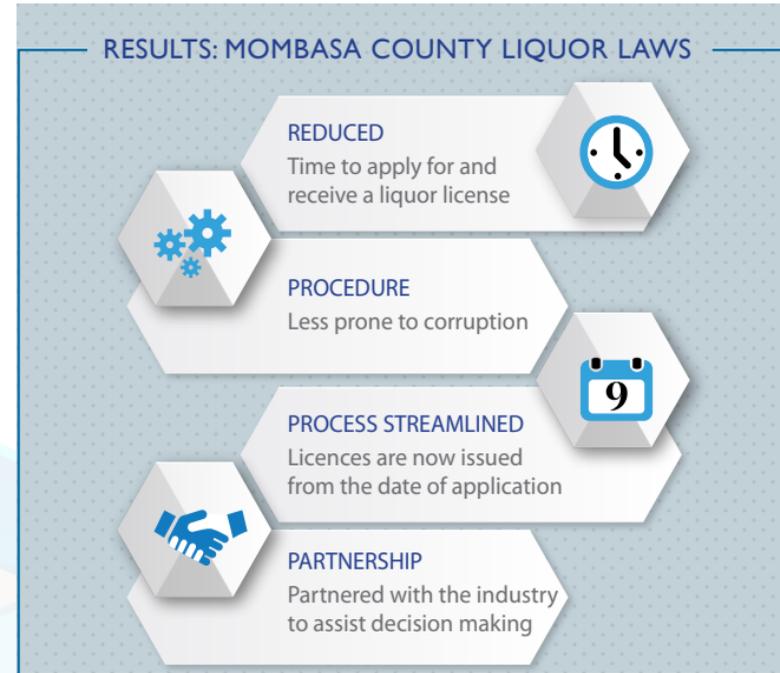
County Liquor Laws

In 2010, the Alcoholic Drinks Control Bill was enacted by Parliament in an attempt to harmonise and coordinate alcohol regulation and licensing in the country. The Kenya Association of Hotelkeepers and Caterers (KAHC) saw it as an attempt to restrict business. The implementation of the 2010 constitution in 2013 devolved alcoholic drinks control and licensing to the counties.

KAHC subsequently and in partnership with the Pubs and Restaurants' Association of Kenya (PERAK) and the Kenya Coast Tourism Association (KCTA) engaged various county governments to develop and enact county liquor laws. Engagements of stakeholders followed in Mombasa and Kiambu counties. The Mombasa engagement was successful leading to the enactment of the Mombasa County Liquor Licensing Act, 2014.

The results are:

- The time to apply for and receive a liquor license was reduced significantly.
- The procedure involved is less prone to corruption.
- Licences are now issued from the date of application, not on a calendar year basis thus streamlining the renewal process.
- For the first time, the Mombasa County Government has partnered with the industry thus gaining from the knowledge of the market players in decision making. It is expected that this partnership will build trust between government and private sector, increasing compliance and revenue collection for the county.



5. BAF IN FIGURES

	2012	2013	2014	2015	TOTAL
BMOs funded	26	14	24	11	57 (unique)
ADVOCACY 					
Advocacy project applications by volume	42	40	32	15	129
Advocacy approvals by number of projects	40	37	32	15	124
Advocacy approvals by value (KShs)	91m	154m	113m	35m	393m
Consultations with government	146	296	324	399	1165
Policy proposals published by supported BMOs	26	32	28	47	133
Policy changes	5	20	14	99*	138
Alliances & partnerships developed	127	302	214	172	815

*These policy changes include 18 reported by BMOs receiving direct BAF support and 81 other successes identified during the impact assessment process reported by BMOs working in coalitions with the principal BAF grantees.

	2012	2013	2014	2015	TOTAL
CAPACITY BUILDING 					
Capacity building expenditure (KShs)	6m	6m	22.5m	7.5m	42m
Participants in training programmes	325	304	833	244	1706
SUSTAINABILITY 					
Sustainability projects approved	13	16	5	-	34
Sustainability projects approvals by value (KShs)	27m	101m	40m	-	168m
Increased subscription revenue (KShs)	4m	10m	14m	7m	35m
Increased services revenue (KShs)	12m	74m	36m	8m	130m
MEDIA 					
Number of articles in the press	110	277	112	76	575
Participants in media training	-	-	17	31	48



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