

BUSINESS ADVOCACY FUND / KENYA

BAF Case Studies

Key Wins for Kenya's Business Member Organisations



THE BUSINESS



ADVOCACY FUND
Supporting Private Public Dialogue



The Business Advocacy Fund

The Business Advocacy Fund (BAF) was established in 2006 with the aim of catalysing a better business environment in Kenya. The Danish International Development Agency (DANIDA) funded programme is currently in its third phase.

BAF helps business associations – known as Business Membership Organisations (BMO) – and civil society groups to identify policies and laws that constrain members' businesses. It then provides funding, training and mentoring to BMOs to research the issues, develop new policies and regulatory changes that will overcome the problem, and engage with Government to advocate for these improvements.

When changes are enacted, BAF provides further support to BMOs to monitor delivery of the changes in practice and assess whether member businesses' respond positively to the new environment.

Four key areas of support include:

- Advocacy support: grant funding to support dialogue and advocacy;
- Capacity building: training and mentoring to build the capacity of business associations to engage in effective dialogue and advocacy;
- Sustainability support: grants and mentoring to build long-term sustainability within associations;
- Media awareness: training on how to raise media awareness and encourage quality coverage of the importance of creating an enabling environment for business.

Case studies included in this publication showcase the programme's achievements from its second phase 2012-2016. They were carefully selected from over 145 reforms of policy, legislation and regulation BAF's supported resulted in at national and county level.



Nakuru County Governor's Round Table leads to reduced cess charges for flower farmers

Flowers are a major foreign exchange earner for Kenya. In 2014, Kenya exported more than 136,000 tonnes of cut flowers, worth KES 56 billion (USD 540 million). The Kenya Flower Council estimates that the sector employs half a million people, of which 100,000 are directly engaged in production.

Nakuru is the largest flower producing county, contributing an estimated 65% of national flower exports, according to Lake Naivasha Growers. The county's flower farms employ more than 50,000 production workers.

The County Government wished to introduce an additional transit tax - or 'cess' - to support the county budget. The proposed levy was to be 1% of turnover. With Nakuru producing around KES 37 billion (USD 355 million) of flowers every year, the proposed charge would have been KES 370 million (USD 3.5 million). This charge would have undermined the competitive advantage of Kenyan flowers over those from Tanzania and other countries.

The BAF-supported Governor's Round Table (GRT) in Nakuru used its regular meetings with the Governor and his executive team to discuss this new tax and demonstrate the negative impacts on the flower sector. At the same time, the Governor was also able to set out his plans and budgets for the development and growth of the county, including the need for additional tax revenues.

Outcome

The Nakuru GRT agreed to reduce the cess charge to KES 0.20 per kg annually for Nakuru - a saving of more than USD 2 million. The reduced levy enables the sector to remain competitive and raises new revenue for the county.

Kenya Coffee Producers Association improves representation and transparency in the sector

In 2012, the Kenya Coffee Producers Association (KCPA) sought BAF's support to advocate for more representation among producers, fairer taxes in the sector and a less restrictive regulatory environment with more opportunities for value addition.

KCPA's major concern was the number of statutory deductions made during coffee auctions. These taxes were used to run state organisations, including the Coffee Research Foundation (CRF), Coffee Board of Kenya (CBK) and Coffee Development Fund (CoDF).

While KCPA was advocating to reduce taxes, the Ministry of Agriculture (MoA) was forming a new board to handle coffee trading and published the (Nairobi) Coffee (Exchange Trading) Rules, 2012. Among other regulations, this established the Nairobi Coffee Exchange (NCE) Management Committee. KCPA successfully lobbied to secure five seats on the committee.

Outcome

KCPA's representation on the Nairobi Coffee Exchange (NCE) has led to significant changes in the way coffee is sold. The coffee sample size required per lot of coffee has been reduced by 35% from 14 to nine kilograms; and farmers are now paid for these samples. Coffee farmers now retain coffee beans worth USD 400,000 for sale each year and NCE pays USD 190,000 to farmers for their samples.

KCPA also successfully lobbied for the installation of screens at county level to enable farmers to follow proceedings at the NCE. This has improved transparency in the auctioning process, as farmers are now aware of when their coffee is presented for auction and the price offered.



Association of Biogas Contractors of Kenya drives for industry standards

The Government of Kenya provided a policy framework for cost effective sustainable energy from 2004 to 2024. This encouraged adoption of renewable energy in the country's energy supply mix. Despite this framework, the biogas sector was frustrated by Government's focus on conventional energy as opposed to renewable energy.

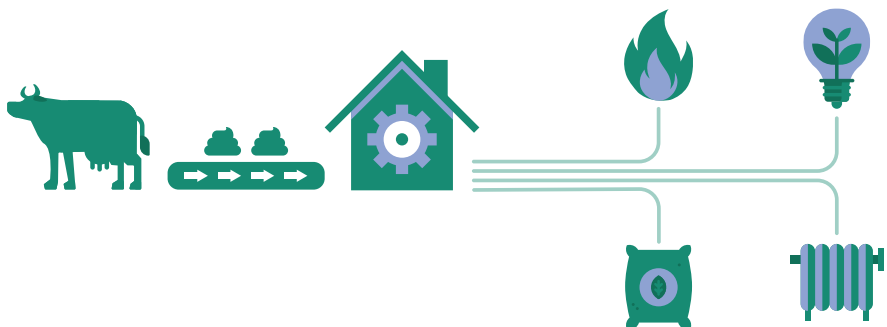
Biogas is an alternative low cost fuel source. It positively impacts on the lives of women and families who otherwise have to depend on wood and charcoal and reduces deforestation.

BAF's support to the Association of Biogas Contractors of Kenya (ABCK) has helped develop industry standards for the biogas sector. This has provided solid foundations upon which the sector has been able to grow its markets and provide renewable energy as a real alternative in Kenya. ABCK's initial interactions with the Ministry of Energy (MoE) highlighted the need for biogas standards prior to any regulatory changes, such as reducing tax on materials for biogas installation, listing certified practitioners and revisions to the policy framework to emphasise renewable energy.

Outcome

ABCK developed biogas standards in conjunction with the Kenya Bureau of Standards (KEBS) and other stakeholders. This led to the successful gazetting of the following standards by KEBS:

- Kenya Standard Domestic Biogas Stove - First edition
- Kenya Standard Domestic Biogas Lamps specification - First edition



Institute of Certified Public Accountants of Kenya

lobbies for revision of the Companies Act

Kenya's business community has been calling for revision of the Companies Act for more than 20 years. It was long agreed that the Act has, for years, discouraged local and international investors, and was in need of urgent revision.

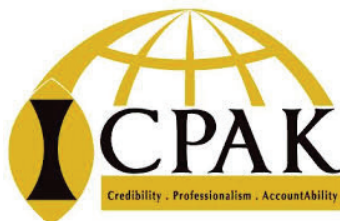
The Institute of Certified Public Accountants of Kenya (ICPAK), in partnership with Institute of Directors (IOD), received BAF support during the earliest work of the programme to lobby for the enactment of the Companies Bill 2008 and other business laws. This led to a process of continuing advocacy with the Ministry of Trade, Parliament and the State Law Office culminating in a new Companies Act of 2015.

Outcome

The new Companies Act delivers a comprehensive overhaul of the legislation, and a more supportive and enabling environment for Kenya's small and medium-sized enterprises (SMEs).

Individuals can now start companies and benefit from limited liability, which was not permissible under the previous Act. Private firms can readily re-register as public limited companies. Small firms are exempted from employing a Certified Public Secretary, creating substantial saving and do not need to hold an Annual General Meeting (AGM).

ICPAK continues to engage with Government and industry bodies to develop the regulations under the Act, and help ensure its smooth implementation.



Kisumu County Governor's Round Table

improves private-public dialogue

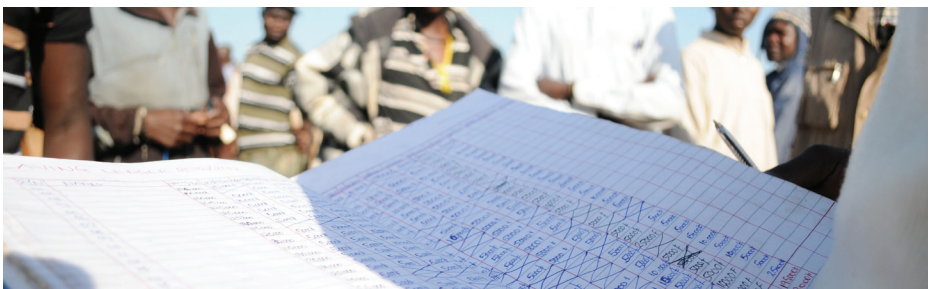
Kisumu County Governor's Round Table (GRT) is a strategic platform to engage and influence the government to make the county business friendly and improve relations between the county's leadership and its private sector. The GRT is chaired by the Governor and made up of the Deputy Governor, the Executive Committee, the County Police Commander and representatives of the Kisumu business community.

With support from BAF, a coalition of local business associations successfully leveraged the opportunity afforded by the GRT to discuss and influence a wide range of issues.

Outcome

The evidence of this influence can now be seen in key actions and structures now established for the governance of Kisumu County. These include:

- A private sector desk at the Governor's office providing easy access to County Executive Committees.
- The county's Chief Finance Officer includes business in discussions on annual budget proposals, giving the private sector the opportunity to review and interrogate the document and provide input. Business now sends three representatives to the County Economic Budget Forum, enabling the private sector to give their input on the budget prior to tabling the Bill in the County Assembly.
- The private sector now formally contributes to the County Spatial Plan.
- Key improvements have been made of physical infrastructure, including new feeder roads in the sugar belt and Kisumu industrial area.
- A pilot project has been launched to automate collection of parking fees and Single Business Permit fees.



Kiambu Governor's Round Table aligns the county business agenda with county priorities

The Governor's Round Table (GRT) in Kiambu was established in 2013. Prior to the first meeting, local private sector businesses formed a coalition to strengthen their lobbying power. The members organised themselves in their respective sectors: agriculture; land and infrastructure; service delivery; and commerce.

With technical support and guidance from BAF, the Kiambu business coalition compiled a county business agenda that listed the key issues in their sectors and made presentations during the GRT meeting held in September 2013.

Outcome

These lobbying efforts led to improvements in planning, transportation, agriculture and revenue collection.

The county government developed a Kiambu County Spatial Planning Bill, 2015 and a zoning strategy for Thika Sub County to ensure sustainable use of resources, designate land-use (commercial, residential, industrial), providing a basis for lower level planning and coordination of development.

In the transport sector, the coalition convinced the county government to rehabilitate several bus parks and refurbish roads in rural and urban parts of the county. This increased access to markets for rural dairy producers and urban based traders.

Kiambu launched a 'digitika' (Get Digital) programme, a cashless payment system. The pilot phase ran from December 2014 to April 2015 during which time, revenue collection increased by 60%.