

**Government of Kenya**

**Danish Ministry of Foreign Affairs**

**IMPROVEMENT OF THE BUSINESS ENVIRONMENT  
BUSINESS SECTOR PROGRAMME SUPPORT, PHASE II  
KENYA**

**COMPONENT DESCRIPTION**

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## **COVER PAGE**

Country	: Kenya
Programme	: Business Sector Programme Support, phase II
Component	: Improvement of the Business Environment
National Agencies	: Business Advocacy Fund (BAF) and Trademark Kenya Ltd.
Starting date	: January 2011
Budget	: DKK 163 million, of which the Danida contribution is DKK 110 million

### **Summary description of component elements**

The component objective is to improve the business environment through the reform of policies, laws and regulations that hinder private sector development.

#### ***Sub-component 1.1: Support for Business Advocacy — support to the BAF II***

Objective: To ensure Business Membership Organisations (BMO) in Kenya are more able to engage with the government in processes that lead to a sustainable improvement in the business environment.

Output 1: Funding dialogue and advocacy: BMOs will have prepared compelling policy proposals and will have actively engaged in dialogue and advocacy with government with support from the BAF.

Output 2: Building capabilities for dialogue and advocacy: BMOs will have demonstrated their (managerial, technical and financial) capabilities to effectively initiate and participate in dialogue and advocacy processes.

Output 3: Promoting sustainability: Selected BMOs are more likely to become financially sustainable.

Output 4: Promoting a culture conducive to public-private dialogue in business environment reform: Broad public awareness of the importance of a better business environment and the role of business associations can play in influencing reforms.

#### ***Sub-component 1.2: Support for a Better Regional Business Environment — support to the TradeMark East Africa Kenya programme***

Objective: Greater regional integration and trade competitiveness in Kenya.

Output 1: Strengthened leadership, negotiation and implementation of East African Community (EAC) regional integration in Kenya: Government Ministries, Departments, and Agencies integrate EAC issues into their plans and are able to provide timely and accurate information for action by cabinet and parliament.

Output 2: Improved trade policy framework and trade facilitation processes in Kenya: The Kenyan government trade policy and trade facilitation processes are in greater alignment in content and implementation with those of the EAC.

Output 3: Enhanced capacity and participation of Kenyan private sector and civil society to engage in regional integration processes: Government responds positively to advocacy and policy initiatives from Private Sector Organisations (PSO) and Civil Society Organisations (CSO).

Output 4: Improved monitoring, evaluation and impact assessment of regional integration and trade facilitation: Ministry of East African Community and PSOs and CSOs able to monitor progress and impact of EAC integration.

### **Signatures**

## **EXECUTIVE SUMMARY**

### **Component Objective**

1. The objective is to improve the business environment through the reform of policies, laws and regulations that hinder private sector development. This will be achieved through two sub-components: (1) support for business advocacy and (2) support for a better regional business environment.

### **Business advocacy sub-component**

2. The first sub-component builds on the experience and success of the Business Advocacy Fund (BAF), which was established in the first phase of the Business Sector Programme Support (BSPS). By supporting dialogue between government and the private sector, BAF II will better enable the government to prioritise its resources for business environment reform processes. BAF II will ensure Business Membership Organisations (BMO) in Kenya are more able to engage with the government in processes that lead to a sustainable improvement in the business environment, and it will strengthen the capabilities and capacities of the private sector to engage in reform processes.

### **Outputs**

3. Four outputs will be produced by this sub-component:
  - Funding dialogue and advocacy: BMOs will have prepared compelling policy proposals and will have actively engaged in dialogue and advocacy with government with support from the BAF.
  - Building capabilities for dialogue and advocacy: BMOs will have demonstrated their (managerial, technical and financial) capabilities to

effectively initiate and participate in dialogue and advocacy processes.

- Promoting sustainability: Selected BMOs are more likely to become financially sustainable.
- Promoting a culture conducive to public-private dialogue in business environment reform: Broad public awareness of the importance of a better business environment and the role of business associations can play in influencing reforms.

### **Basket fund mechanism**

4. Unlike its first phase, the BAF II has been designed as a basket mechanism for receiving funds from a range of donor and development agencies, and will be aligned with broader efforts to build the capabilities and capacities of BMOs. The redesign of the BAF will be shared with the PSD Donor Coordination Group and donors expressing an interest in financially contributing to the Fund will be invited to participate in, or receive regular updates on, the process through which the Fund Manager will be appointed. This will ensure all supporting donors are a part of the establishment process and enjoy a sense of shared-ownership of the Fund.

### **BAF II Board**

5. The governance structure will be altered to accommodate these changes. The BAF Board will contain a representative from the PSD Donor Coordination Group in order to ensure the donor community is fully aware of the activities of the BAF and to ensure coordination with other donor efforts targeting the business community. Half of the BAF II Board members will be appointed in their

individual capacities. This professionalisation of the BAF II Board entails the need for remuneration of Board members, where relevant.

### **Improved regional business environment sub-component**

6. The second sub-component focuses on improving the regional business environment. Because access to markets is one of the greatest impediments to private sector growth, it is essential that Kenyan businesses are able to trade beyond their national borders. This sub-component will support the national level interventions of a multi-donor programme designed to improve regional integration and facilitate regional trade. The TradeMark East Africa (TMEA) programme will support public and private actors in their reform efforts leading to greater regional integration and trade competitiveness in Kenya. Funding from BSPS II will only be provided to the TMEA Kenya programme.

### **Outputs**

7. Four outputs will be produced:
  - Strengthened leadership, negotiation and implementation of East African Community regional integration in Kenya.
  - Improved trade policy framework and trade facilitation processes in Kenya.
  - Enhanced capacity and participation of Kenyan private sector and civil society to engage in regional integration processes.
  - Improved monitoring, evaluation and impact assessment of regional integration and trade facilitation.

### **Linkages between two sub-components**

8. Opportunities have been identified to ensure that synergies can be produced and the two sub-components can interact with one another so as to reduce overall operating costs, avoid duplication,

promote harmonisation, and provide an opportunity for better information flows across the sub-components. To this end, the BAF and TMEA Kenya will establish a joint collaboration mechanism, which will include that the BAF will be sought located in the same premises as the TMEA Kenya programme, and the TMEA Kenya programme will participate in the board of the BAF. In addition, there will be a high degree of coordination and cooperation amongst the BAF and TMEA Kenya capacity building activities.

### **Cross-cutting issues**

9. While the formal business environment in Kenya appears to generally treat men and women equally, it is clear that businesswomen have a different experience of the business environment than their male counterparts. Thus, specific attention will be given to a gender analysis of business environment constraints and to ensuring businesswomen are better able to participate in dialogue and advocacy processes.
10. Furthermore, attention will be paid to the impact business has on the environment and the role of business environment reform in promoting a low-carbon, high-growth economy. Environmental impacts will be included in business environment assessments at local, national and regional levels.
11. This component also contributes to the promotion of democratisation in Kenya by supporting business engagement with government in public private dialogue. BAF II will also work with democratic governance structures in BMOs in the window for organisational strengthening, adding to the efforts to make Kenyan public institutions more inclusive.

**Priority themes**

12. While young women and men are the ultimate beneficiary of the second phase of the programme, this component will encourage youth participation in BMOs as well as in national, local and sectoral dialogue and advocacy processes. In addition, half of the awareness activities of BAF II will be allocated to the youth.
13. This component provides a direct contribution to enhancing trade and development in Kenya, and endeavours to create a greater opportunity for more donor and development partners to

support business advocacy and public private dialogue. Attention is also given to improving corporate governance and the promotion of business ethics.

**Contribution Agreement**

14. The implementation of the Danish support for the TMEA Kenya programme requires formulation of a “Contribution Agreement” between the Royal Danish Embassy (RDE) and TMEA Ltd. A similar agreement is already in place for funds provided by the RDE to the regional programme.

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## **ABBREVIATIONS**

AWP&B	Annual Workplans and Budgets
BAF	Business Advocacy Fund
BAF I	Business Advocacy Fund, Phase 1
BAF II	Business Advocacy Fund, Phase 2 (2011-2015)
BMO	Business membership organisation
BRRU	Business Regulation Reform Unit
BSPS	Business Sector Programme Support
BSPS I	Business Sector Programme Support, Phase 1
BSPS II	Business Sector Programme Support, Phase 2 (2011-2015)
BSPS II-BE	Business Sector Programme Support, Phase 2 (2011-2015), Business Environment Component
COMESA	Common Market for Eastern and Southern Africa
COMTRADE	United Nations Commodity Trade Statistics Database
COTU	Central Organisation of Trade Unions
CSO	Civil Society Organisation
Danida	Danish International Development Assistance
DKK	Danish Kroner
EAC	East African Community
ERS	Economic Recovery Strategy
FKE	Federation of Kenyan Employers
GBP	Great Britain Pounds
GDP	Gross Domestic Product
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit GmbH
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
KAM	Kenya Association of Manufacturers
KEPSA	Kenya Private Sector Alliance
KNNCI	Kenya National Chamber of Commerce and Industry
MEAC	Ministry of East African Community
M&E	Monitoring and Evaluation
NEMA	National Environment Management Authority
NGO	Non-government Organisation
PSC	Programme Steering Committee
PPD	Public-private dialogue
PSDG	Private Sector Development Group
PSDS	Private Sector Development Strategy
PSO	Private Sector Organisation
RDE	Royal Danish Embassy
SADC	Southern African Development Community
SQMT	Standards, Quality, Metrology and Testing
TAG	Tripartite Advisory Group
TMEA	TradeMark East Africa
TMEA–Kenya	TradeMark East Africa, Kenya national programme
TMSA	TradeMark Southern Africa
USD	United States Dollar
WEO	Women’s Enterprise Organisation

## **1. NATIONAL SECTOR CONTEXT**

The government has developed Vision 2030 as a broad framework for improving social and economic conditions in the country. This strategy, which was first published in 2007, anchors economic, social and political development on macroeconomic stability, continuity in governance reforms, enhanced equity and wealth creation opportunities for the poor, infrastructure, energy, science, technology and innovation, land reform, human resources development, security and public sector reforms. The strategy spells out the specific economic, social and political goals for transforming Kenya into a middle-income country, including its transition to the leading supplier of manufactured goods to east and central Africa, improving agricultural productivity, improving information and communication technology skills training and higher education, and promoting transparency and accountability in government.

Kenya's Gross Domestic Product (GDP) showed growth rates of 5.9 percent to 7.0 percent during the periods 2005-2007. However, after the disputed elections and post-election violence, these gains plummeted to 1.8 percent in 2008 and an estimated 2.6 percent in 2009.<sup>1</sup> The overall effect of the post election violence resulted in the loss of about 400,000 jobs, with the impact being differential across geographical regions.<sup>2</sup> The post election violence has had broad social and economic impacts, including the displacement of productive resources in the rich agricultural areas.

The 2010 World Bank *Doing Business* report ranked Kenya 95 out of 183 economies. This was a fall of eleven places from a ranking of 84 in 2009. In the last year, Kenya's performance worsened in eight out of the ten sub-categories of the report. Corruption remains a challenge in Kenya. Kenya ranked 146 out of 180 worldwide according to Transparency International's 2009 Corruption Perception Index. Compared with 2008, Kenya improved its worldwide ranking by one position in 2009 but remained in the 32nd position in sub-Saharan Africa.

The Private Sector Development Strategy 2006-2010 (PSDS) was formulated to enhance private-sector growth and competitiveness, and contribute to Kenya's medium-term objectives, outlined in the Economic Recovery Strategy (ERS) for Wealth and Employment Creation 2003-2007. The purpose of the PSDS is to "catalyse the provision of an enabling environment which will enhance private sector growth and competitiveness". The PSDS was the first private sector oriented strategy of its kind in Kenya, signalling the government's commitment to the development of the private sector.

The two strategic objectives of the PSDS are: (i) To create a conducive business environment for private sector growth by alleviating major constraints, and (ii) To enhance the growth and competitiveness of the private sector, especially the micro, small and medium enterprises (MSMEs). Five specific goals are pursued: (i) Improving Kenya's general business environment; (ii) Accelerating Public Sector institutional transformation; (iii) Facilitating economic growth through greater trade expansion; (iv) Improving the productivity of enterprises; and (v) Supporting entrepreneurship and indigenous enterprise development.

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1 *Kenya Economic Survey 2010*; Kenya National Bureau of Statistics.

2 *Report on Post Election Violence Crisis Damage and Needs Assessment*; Development Consultative Group 2008.

The Regulatory Reform Strategy for 2008-2012 was designed to set the stage for more transparent, fair and less burdensome regulatory regime in line with the broad government policies as set out in the Vision 2030, the Medium Term Plan for 2008-2012 and the PSDS. To achieve these reforms the government, through the Business Regulatory Reform Unit (BRRU) of the Ministry of Finance, has reviewed and assessed all existing licences to determine whether each is legal, necessary and business friendly. The report recommended that 195 business licences be retained, 367 eliminated and 737 simplified, with 48 licenses still pending review.

The key players in the improvement of business environment component can be subdivided into two distinct categories; private sector or non state actors and government or state agencies instrumental in for the legal and regulatory policy.

The following actors play key roles in the private sector:

- Kenya Private Sector Alliance (KEPSA) aims to advocate on behalf of the private sector on high-level issues and coordinate private sector engagement in public-private dialogue. The organisation is also mandated to identify gaps in sector representation, as well as capacity development of Business Membership Organisations (BMOs) where there are opportunities for improving advocacy.
- Kenya Association of Manufacturers (KAM) is the national umbrella body of manufacturers. It articulates issues on behalf of its members aimed at reducing costs of operations and making firms competitive in the market.
- The Kenya National Chamber of Commerce and Industry (KNCCI) was established in 1965 as the umbrella body of the private sector. It was set up as an amalgamation of three existing chambers of commerce: the Asian, African and European chambers of commerce. However, in recent years the KNCCI has suffered a number of organisational challenges that have undermined its legitimacy as a voice of the Kenyan business community. It has had its authority to issue the certificates of origin revoked and is in need of financial and organisational development support to re-establish and revitalise it as a legitimate and sustainable national chamber.

There are several government institutions that play a vital role in the improvement of business environment in Kenya:

- The Ministry of Finance, through the Privatisation Commission and BRRU is instrumental in the reviewing of regulatory requirements for business operations. The current reforms that are being undertaken by the body, in conjunction with the private sector, are geared to make lower the costs of doing business. Ministry of Trade houses the secretariat which coordinates the PSDS.
- The Office of the Prime Minister by engaging KEPSA through meetings on a quarterly basis to discuss national policies and strategies of concern to the private sector and to agree the way forward. These quarterly meetings has provided an opportunity for the private sector to engage the Prime Minister himself, and as the Coordinator of the Ministries, to amplify private sector issues, and review government progress on the establishment of an enabling business environment and the implementation of reforms. Following the results of the referendum in August 2010, the Office of the Prime Minister will cease to exist. The

Ministry of Planning, National Development and Vision 2030 is instrumental in the formulation of business friendly policies that benefits the business community.

- The National Economic and Social Council (NESC) was set up in 2004 and is the top advisory body of the government on policies required to accelerate social and economic development in the country.

The Kenya Joint Assistance Strategy was produced in 2007 and presents the core strategy of 17 development partners for 2007–12. It provides the basis for the partners’ support for the implementation of the government’s development strategy, including Vision 2030. The Kenya PSD Donor Coordination Group was formed under this strategy. The Private Sector Donor Group (PSDG) established a small administrative Donor Coordination Unit in 2008, which administers a “catalyst fund”, jointly funded by the PSDG members. This fund supports cross-donor activities (e.g., donor activity assessments).

## **2. DESCRIPTION OF THE COMPONENT**

### **2.1 SUMMARY STATEMENT**

The component objective is to improve the business environment through the reform of policies, laws and regulations that hinder private sector development. This will be achieved through two sub-components: support for business advocacy and support for a better regional business environment.

The first sub-component builds on the experience and success of the BAF, which was established in BSPS I. Because government alone cannot address the business environment constraints to private sector development, the BAF supports the Kenyan business community in the process of identifying reform priorities and discussing the options for reform. This sub-component provides financial and non-financial support to BMOs to help them research, organise and engage in advocacy and dialogue with government in order to improve the business environment. The BAF will also help selected BMOs to become more financially and technically sustainable over the long-term, while contributing to a stronger culture of public and private engagement in economic and social development issues.

Unlike its first phase, the BAF has been designed as a basket mechanism for receiving funds from a range of donor and development agencies, and will be aligned with broader efforts to build the capabilities and capacities of BMOs. The governance structure will be altered to accommodate these changes.

The second sub-component focuses on improving the regional business environment. Because access to markets is one of the greatest impediments to private sector growth, it is essential that Kenyan businesses are able to trade beyond their national borders. This sub-component will support the national level interventions of a multi-donor programme designed to improve regional integration and facilitate regional trade. The TMEA programme will support public and private actors in their reform efforts, which include the promotion of regional leadership, the implementation of national and regional agreements and the monitoring of the impact of these reforms on Kenyan businesses. In addition, the TMEA-Kenya programme will support Kenyan BMOs to participate in advocacy and dialogue processes that contribute to a better regional business environment. To this end, the programme will liaise closely with the BAF.

## **2.2 COMPONENT OBJECTIVE**

The Component Objective is to improve the business environment through the reform of policies, laws and regulations that hinder private sector development. This will be achieved by supporting the business community in its efforts to engage with all levels of government on these reforms and by supporting national reforms that encourage Kenya's integration with the East African Community (EAC) and open up new regional market opportunities for the Kenyan private sector.

Government alone cannot address the business environment constraints to private sector development. These reforms require the engagement of the Kenyan business community, which experiences the business environment on a daily basis and can contribute to the process of identifying reform priorities and discussing the options for reform. However, with the exception of a few well-established BMOs such as KAM, most BMOs lack the skills, experience and capacity to effectively engage in policy dialogue. This is true of the KNCCI, KEPSA and the Federation of Jua Kali Associations, among others. Thus, improving the business environment for private sector development in Kenya requires support to the business community and, particularly, to the organisations that represent and lobby on behalf of the business community.

Because access to markets is one of the greatest impediments to private sector growth, it is essential that Kenyan businesses are able to trade beyond the national borders. However, the legal and regulatory barriers to cross-border trade are a major business environment constraint to doing business in East Africa. Thus, in its second phase, this component of the BSPS will join up with other donor efforts aimed at supporting regional integration and a better regional business environment. This will focus on national reforms that the government can introduce, through regular discussions with the Kenyan business community and other relevant actors, to improve the access Kenya businesses have to regional markets.

## **2.3 COMPONENT STRATEGY TO REACH THE OBJECTIVE**

Two sub-components will be created to achieve the component objective: Support for business advocacy and support for a better regional business environment.

### **2.3.1 Support for Business Advocacy**

This sub-component will provide support to BMOs in Kenya so that they are more able to engage with the government in processes that lead to a sustainable improvement in the business environment. This will involve a continuation of the BAF, which was established during BSPS I.

The BAF was established to support BMOs in their efforts to engage in private public dialogue and to advocate for an improved business environment in Kenya. The BAF provides grants to eligible organisations and partnerships of eligible organisations to:

- Develop their capability to undertake and to support the research necessary to engage effectively in advocacy;
- Undertake and develop their capability to carry out advocacy activities;
- Monitor and evaluate actions by government that impact on the business environment;
- Create better public understanding of the role of BMOs in advocating for a better business climate; and

- Support the development and implementation of strategies and services designed to build long-term sustainability.

The BAF has only supported a limited number of BMOs since 2007 (i.e., 35 organisations by June 2010). However, this appears to be a result of its limited mandate and funding. While policy advocacy is still in its infancy in Kenya, this sub-component promotes and supports Public Private Dialogue (PPD) in order to improve the business environment and focuses its support on the business community, in the form of BMOs, Non-Government Organisations (NGOs) and Civil Society Organisations (CSOs).

Within the second phase of the programme, the BAF will be reconfigured to address issues that have emerged in programme reviews and consultations associated with the programme feasibility and design. The BAF will continue to provide financial support to BMOs to assist them in their efforts to prepare policy proposals, through research and consultation, which can be brought to government as a basis for dialogue leading to business environment reform. The BAF will broaden the range of clients it supports to include CSOs, NGOs, workers' organisations (e.g., the Central Organisation of Trade Unions in Kenya, (COTU) and employers' organisations (e.g., the Federation of Kenyan Employers (FKE)). While BAF has worked with some of these organisations, and others were participants in the BSPS I labour market component, further engagement is desirable in BAF II.

BAF II will also market its services and offer support, where relevant, to BMOs that represent businesswomen. It will also pay special attention to BMOs that represent micro and small enterprises, including those located in rural and semi-urban areas.

In the first phase of BAF it became clear that many BMOs are unable to effectively initiate and participate in sustained dialogue and advocacy processes because they lack the organisational capabilities and capacities. Thus, BAF II will provide specific interventions to development BMO skills and experiences in dialogue and advocacy, and will build the capacity of a selected number of BMOs.

BAF II will also support initiatives that create a broader public awareness through media and other forums available of the importance of participatory business environment reform processes and the ways the business community can partner with government and other actors in efforts to improve the business environment for private sector development. This will contribute to building a culture of dialogue and public-private engagement in business environment reform issues.

### 2.3.2 Support for a Better Regional Business Environment

This sub-component focuses on a major challenge and opportunity to the Kenyan private sector: the access to new regional markets through regional integration and an improved regional business environment. The barriers and burdens associated with cross-border trade and access to broader regional markets are among the major business environment hurdles facing the Kenyan business community. Both formal and informal Kenyan enterprises experience considerable challenges when trying to get their products and services into neighbouring countries. For example, the World Bank's Doing Business ranking for 2010 places Kenya at 147 in terms of ease of cross-border trade, below Tanzania (at 108) and well behind Mauritius (at 19).

This sub-component will provide support to the TMEA Kenya programme. This multi-donor programme support Kenya's implementation of the regional economic agreements agreed upon within the EAC. The programme has a long-term focus on building East African regional integration capacity and a platform for scaling-up Aid For Trade in trade-related infrastructure, corridor development, regional investment climate harmonisation, export development, trade facilitation and coping with the social and environmental adjustment costs of deeper integration and rapid export-led growth. Thus, this programme is clearly focused on business environment reform issues that will open new market opportunities for private enterprises in Kenya and will complement the other business environment reform issues that will be addressed through the BAF.

The TMEA programme has two dimensions: vertical support of regional activities (e.g., support to the EAC secretariat) and horizontal support addressing national issues in relation to integrating each of the member countries. Each national programme is designed to address that specific country's need for support towards implementation of the regional protocols at national level. Danida has already committed DKK 10 million to support the vertical TMEA programme.

The TMEA-Kenya programme engages public, private and civil society actors in business environment reform processes. It uses a mixture of technical assistance and financial aid. Key beneficiaries and implementing agencies will be the Ministry of the East African Community (MEAC), the Ministry of Trade, Ministry of Transport, Kenya Bureau of Standards, Kenya Revenue Authority, Kenya Ports Authority and BMOs.

The overall goal the TMEA-Kenya programme contributes to is "increased growth and poverty reduction in Kenya". The purpose of the programme is to facilitate more efficient and diversified trading across borders, in regional and global markets, and deepening regional integration.

Specifically this will involve the provision of regional integration advisory input and research support to reinforce Kenya's EAC strategy and regional leadership. TMEA-Kenya will recruit research and policy analysts and provide technical assistance to support EAC business process re-engineering across government and the Parliament and support human resource development through training and materials. TMEA-Kenya will establish a central coordination mechanism for trade facilitation across relevant government ministries, departments and agencies and key apex BMOs to drive forward reforms and investments. The programme will provide interventions aimed at reducing the time and number of documents required for importers and exports to obtain the permits they require. TMEA-Kenya will also help PSOs and CSOs to participate in EAC regional integration activities and to present the voice of Kenyan business in regional reform processes. This will include support the formulation of evidence-based advocacy and training and awareness-raising events related to EAC integration.

## **2.4 CROSSCUTTING ISSUES AND PRIORITY THEMES**

### **2.4.1 Gender**

The mainstreaming of gender within this component requires specific attention within each sub-component. While the formal business environment in Kenya appears to generally treat men and women equally, it is clear that businesswomen have a different experience of the business environment than their male counterparts. Thus, specific attention will be given to a gender analysis

of business environment constraints and to ensuring businesswomen are better able to participate in dialogue and advocacy processes.

In the case of the BAF, gender mainstreaming will be achieved by:

- Ensuring more BMOs representing businesswomen are supported by the BAF;
- Ensuring the businesswomen participate in all PPD processes;
- Developing and applying gender-sensitive tools of business environment analysis, and
- Disaggregating, thorough tracking of development of gender, and reporting Monitoring and Evaluation (M&E) indicators and data by gender.

The TMEA-Kenya programme document refers specifically to the importance of gender mainstreaming in the programme and its M&E framework. Within the TMEA-Kenya sub-component, gender mainstreaming will be achieved by:

- Disaggregating, thorough tracking of development on gender, and reporting M&E indicators and data by gender;
- Ensuring businesswomen participate in the dialogue associated with regional integration.

#### 2.4.2 Environment

The programme will not support any advocacy initiatives that could be considered detrimental to the environment. In addition, the BAF will actively engage BMOs to ensure their advocacy efforts promote a positive environmental impact wherever possible.

#### 2.4.3 Democratisation

This component provides a direct contribution to the promotion of democratisation in Kenya. It focuses on supporting business engagement with government in a pluralist society. While PPD in Kenya is a relatively new phenomenon, where it has occurred it has largely focused on elites, i.e., dialogue between government and big business and those with the necessary political contacts. The component supports the broadening of BMOs in dialogue and advocacy processes and helps those who have previously been excluded to become more involved in these. In addition, BAF II will work with democratic structures in BMOs in the window for organisational strengthening, adding to the efforts to make Kenyan public institutions more inclusive.

#### 2.4.4 Human rights

This component contributes to the promotion of human rights in Kenya by ensuring the legal and regulatory framework for business is more responsive to the needs of businesses and their workers.

#### 2.4.5 Youth

Young women and men are the ultimate beneficiary of the BAF II. While not all the employment opportunities for young men and women created by this programme will come from enterprises that are owned and managed by young people, the engagement of youth enterprises in PPD processes is important. This component will encourage youth participation in BMOs as well as in national, local and sectoral dialogue and advocacy processes. Further, half of the awareness activity funds of BAF II will be allocated towards activities for the youth.

#### 2.4.6 Addressing HIV/AIDS

The promotion of a national code of ethics for business in Kenya in the BAF subcomponent, provides the opportunity to highlight the impact of HIV/AIDS on the business community (i.e., owners, managers, workers, and customers) and to outline the responsibilities of business in responding to the HIV pandemic.

#### 2.4.7 Trade and development

This component provides a direct contribution to enhancing trade and development in Kenya. While the TMEA-Kenya sub-component focuses specifically on this issue, the BAF sub-component also contributes to this issue by improving the business environment in Kenya and the opportunity for Kenyan firms to participate in regional markets.

#### 2.4.8 Climate change

This component's contribution to climate change mitigation will be achieved through the support for business environment reform that recognises and reduces the negative impact business activity has on the environment and carbon emissions. While this has typically focused on environmental protection processes and standards, business environment reform can be used to encourage policy, legal and regulatory frameworks that encourage low-carbon economic growth and private sector development. This can be achieved through the integration of environmental issues in business environment assessments as well as through PPD that is focused on these issues.

#### 2.4.9 Addressing harmonisation and alignment

All interventions described in this component are aligned with the government's PSDS and the RDE is an active member of the PSDG. The BAF sub-component has been redesigned in this phase to create a greater opportunity for more development partners to participate in and coordinate with the fund. The TMEA-Kenya sub-component is a multi-agency facility. Participation in this facility is a direct contribution to donor harmonisation.

#### 2.4.10 Linkages to Other Danida Business Sector Instruments

This programme component endeavours to improve corporate governance and the promotion of business ethics in Kenya through training and capacity building interventions directed at BMOs. These interventions will incorporate corporate governance and business ethics and will highlight the role of business and national economic and social development. Wherever possible, these interventions will link up with the initiatives of the Global Compact, which is supported by the United Nations Development Programme and located in KAM.

#### 2.4.11 Cross-component Synergies

A better business environment will help maximise the impact of the other components of the BSPPS II. However, there are broader synergies that can be achieved through linkages with specific interventions of the other BSPPS II components.

Support will be provided to the Competitiveness of MSMEs component in its efforts to reform the business environments in selected sectors and value chains by drawing on the services provided by both the BAF and TMEA-Kenya. This will include the BAF and TMEA-Kenya support for BMO capacity building and public-private dialogue, which sector-specific BMOs can draw upon.

The component will also contribute to the Innovation and Piloting Green Energy component by linking BAF's support for public-private dialogue with processes that help BMOs to share their views with government on how to introduce a national innovation system and promote reforms encouraging innovation, such as the legal and regulatory framework for intellectual property, research and development, and standards.

## **2.5 OUTPUTS, ACTIVITIES AND APPROACH**

### **2.5.1 Support to Business Advocacy**

This sub-component will ensure BMOs in Kenya are more able to engage with the government in processes that lead to a sustainable improvement in the business environment. Thus, the support from BAF II for a better business environment in Kenya has been designed to strengthen the capabilities and capacities of the private sector to engage government in policy, legal and regulatory reform processes. While there are a number of other donor agencies supporting the government in its efforts to improve the policy, legal and regulatory framework, such as though support for the BRRU, very few agencies in comparison are supporting the business community in this field. Thus, the general thrust of this sub-component concerns the participation by the business community in business environment reform processes. This will be achieved through the four outputs described below.

*Output 1: Funding dialogue and advocacy: BMOs will have prepared compelling policy proposals and will have actively engaged in dialogue and advocacy with government with support from the BAF.*

BAF II will contain a window for funding BMO-initiated research, advocacy and policy proposals to inform PPD on business environment reform. These funds will also finance the facilitation of dialogue processes. This assistance will be provided on a competitive basis and in response to demand from the business community. Through BAF support, BMOs will be better able to provide well-researched, evidence-based reform proposals. Special attention will be to targeting and encouraging applications from BMOs that have not yet benefited from the fund, including women's enterprise organisations, employers' organisations (e.g., FKE), workers' organisations (e.g., COTU) and small enterprise associations.

There is a two-stage application process for the funds the BAF will offer to eligible BMOs, CSOs and NGOs. First applicants prepare a concept note to demonstrate they have a project proposal that will contribute toward improving the business environment as set out in the Government's ERS and meets the objectives of the BAF and that the organisation is eligible. The concept note describes the issue to be addressed, the possible outcomes of successful advocacy and reform, and the proposed activities. BAF staff will provide support to applicants where necessary to ensure their concept note is up to standard.

The second stage in the process begins with the approval of the concept note. Applicants will then complete a detailed application form, intended to provide information about how they will manage the project, the budget and progress milestones. In the case of emerging BMOs, the concept note will be used by the Fund Manager to determine whether they should be given a small grant to help them prepare their application.

The Fund Manager will assess all applications against specified criteria and provide feedback. Applicants whose applications meet the guidelines will be subject to detailed due diligence checks before the application is submitted to the BAF Board for a decision. Successful projects will then be monitored and supported by the BAF.

*Output 2: Building capabilities for dialogue and advocacy: BMOs will have demonstrated their (managerial, technical and financial) capabilities to effectively initiate and participate in dialogue and advocacy processes.*

The provision of funds to BMOs to support dialogue and advocacy will be complemented through non-financial assistance that the BAF will provide to develop dialogue and advocacy skills among BMOs and, where appropriate, their public sector counterparts.

The first phase of BAF has demonstrated the need for training and advisory services that help BAF clients, and potential clients, to better understand the role of dialogue and advocacy in the reform process, and to develop the skills and experience required to initiate, manage and follow through with a dialogue and advocacy programme. While doing dialogue and advocacy is often the best way of learning these skills, the BAF II will provide training and advisory services that will complement the funds provided to these organisations.

While BAF's primary focus is to support business engagement in dialogue and advocacy, it is recognised that the success of this engagement will depend, in part, on the capabilities of government to receive reform proposals and participate in dialogue process. This also requires government officials, at all levels, to understand and appreciate the importance of PPD in business environment reform. Thus, where appropriate, the BAF will open this training and advisory services up to government officials. By opening up its training and advisory services to government, the BAF will be ensuring business proposals are more likely to be effectively received and considered.

BAF will develop information resources (e.g., guides, fact sheets) for use in training, which will also be made available to the general public on the BAF website. While much of this information has already been developed in the first phase of the programme, it will be regularly updated and new information products produced as the need arises.

The BAF will also provide non-financial support to Kenyan BMOs engaged in advocacy and dialogue focussed on the regional business environment through the above measures as well as through close engagement with the TMEA PSO-CSO Programme Officer. (See Sections 2.5.2 and 2.5.3.)

*Output 3: Promoting sustainability: Selected BMOs are more likely to become financially 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 to effectively serve their members and represent their interests. The first phase of the BAF has shown that the lack of sustainability among BMOs is one of the greatest threats to the long-term engagement by business in reform processes and can undermine the success of BAF support interventions.

To address this, the BAF will introduce a funding window and support programme to support about 20 BMOs in their efforts to become independent, sustainable representatives of the business community. BAF's BMO sustainability support will focus on two critical aspects of financial sustainability: the development of membership and fee-based services, and the development of additional income streams for BMOs.

The funding window and support programme will allow interested BMOs to apply to the BAF for support. These organisations will be required to meet a series of criteria to ensure they are in a position to make optimal use of the Fund's interventions. It is anticipated that the BAF will manage two rounds of capacity building support to about ten selected BMOs in each round. The first round will begin in Programme Year 1 (2011) and conclude in Programme Year 3 (2013), the second round will begin in Programme Year 3 (2013) and conclude in Programme Year 5 (2015). The BAF will employ a BMO Capacity Building Officer to coordinate these interventions and to ensure there are links made with the training, mentorship and information products provided in Output 2 (described above).

The BAF BMO capacity building support will only be provided alongside funding for advocacy projects. BAF will not support capacity building programmes independently of advocacy. This support will comprise of a mix of consultancy support and funding. The funding window will allow participating BMOs to commission a BAF-accredited or endorsed consultant who would work with the organisation to undertake a detailed assessment of the organisation's potential for financial sustainability and prepare a detailed business plan. The BAF will appoint the consultant, who will report to both the BAF and the client BMO.

The second form of funds would allow the BMO to obtain seed funds, which could be used as establishment or working capital to develop new income streams. Where appropriate, these funds could also be used by the BMO to employ one or two staff members whose positions would be supported on a sliding scale (e.g., 80% subsidy for first year, 50% for second year). Thus, the BMO will contribute its own funds to these initiatives on an increasing scale until it eventually funds all these costs on a sustainable basis.

The BAF BMO capacity building support programme will establish rigorous milestones against which the performance of participating BMOs will be measured. Failure to meet these agreed upon milestones will result in the BMO being removed from the programme.

*Output 4: Promoting a culture conducive to public-private dialogue in business environment reform: Broad public awareness of the importance of a better business environment and the role of business associations can play in influencing reforms*

In its second phase, BAF will pursue initiatives that broaden the public awareness of the importance of a better business environment and the role of business associations can play in influencing

business environment reform. This will require BAF II to work more closely with the media in Kenya and to support BMOs in their efforts to more effectively engage the media in their dialogue and advocacy efforts.

The BAF will design and run a training programme for business journalists. This will be a two-week programme designed to teach journalists, as well as trainee journalists, about the role of the private sector in national economic development and the importance of the business environment. The course will highlight the importance of business advocacy and the central role of public-private dialogue in improving the business environment. The course will be offered twice a year over the five-year programme.

The BAF will ensure that all the advocacy and dialogue projects it supports (as outlined in Output 1, above) contain an element of engagement with the media. At the very least, all BMOs, CSOs and NGOs supported by the BAF will be required to issue a press release and conduct a press conference on their project. However, the BAF will also support its clients in their efforts to formulate and pursue a media strategy related to their dialogue and advocacy project.

The BAF will have access to funds that can be used to seed or kick-start new initiatives that engage the media more extensively in business environment reform matters. This may involve, for example, the initial sponsorship of a column in a national newspaper that tracks business environment issues, or a talk back radio programme that allows business people to air their views on the business environment. These seeding funds would allow these new initiatives to be piloted with the view to then opening them up to private sector sponsorship once their success has been demonstrated.

Considering that the objective of BAF II is to create employment for the youth, special efforts will be made to engage youth through the awareness activities.

### 2.5.2 Support for a Better Regional Business Environment

This sub-component will lead to greater regional integration and trade competitiveness in Kenya. While support for BMOs to participate in the business environment reform processes is furthered through this sub-component (especially in Output 3, described in detail below), the government also benefits directly from the interventions contained in this sub-component. Thus, improving the regional business environment involves the participation of a range of government and non-government or civil society actors.

A better regional business environment will be achieved through the outputs described below.

*Output 1: Strengthened leadership, negotiation and implementation of EAC regional integration in Kenya.*

The negotiation and management of the EAC agenda is a very broad and complex challenge, involving MEAC and a large number of government ministries, departments and agencies, private sector and civil society organisations. MEAC is the key ministry charged with coordinating these efforts, but as a young institution, it requires significant capacity strengthening. In addition, there is an ongoing need for carefully targeted external policy and research to support policymaking and negotiating positions taken by Kenya on strategic aspects of the EAC integration agenda.

The main activities within this output are to provide regional integration advisory input and research support to reinforce Kenya's EAC strategy and regional leadership. TMEA–Kenya will recruit research and policy analysts as TMEA Fellows in MEAC. It will provide technical assistance to support EAC business process re-engineering across government and the Parliament and support human resource development through training and materials on EAC topics for key stakeholders, including developing links with academia.

TMEA-Kenya will engage a communications strategy and public relations specialist to steer the development and rollout of the communications and public education programme on EAC issues in Kenya. The programme will contribute to a broader awareness of the importance of the EAC and regional integration to the Kenyan private sector.

#### *Output 2: Improved trade policy framework and trade facilitation processes in Kenya*

The Ministry of Trade has recently developed a new national trade policy, which will be an essential foundation for Kenya's trade expansion within the regional integration strategy. Recent reviews have highlighted the need to improve both intra-government coordination and the participation of non-state actors (e.g., KAM and other BMOs) in trade policymaking. The capacity to implement trade policies and commitments made in international negotiations also requires strengthening, including in the area of monitoring and elimination of non tariff barriers (an imperative for Kenya and other EAC partner states under the Customs Union).

Improving the pace and the pay-offs from trade facilitation reforms and investments is a high priority for Kenya's private sector and for the EAC region as a whole. Despite a pipeline of national and regional initiatives and support from multiple development partners, Kenya's performance across measures of international competitiveness has been very mixed.

Within this output, the key activity will be to establish a powerful, central coordination mechanism for trade facilitation across relevant government ministries, departments and agencies and key apex BMOs to drive forward reforms and investments, such as establishing one-stop-border-posts at Malaba, Busia and Namanga, implementing a risk management and cargo tracking system, and progressing further the commercialisation of the Mombasa Port. The programme will also provide technical support and training for introducing an integrated border management system for the streamlining of import and export clearance and administrative procedures at key ports of entry. The aims are to reduce powers of discretion and optimise the impact of considerable investments being made in automation of clearance processes at the ports.

A key priority for trade facilitation is to strengthen the capacity of Kenyan producers to comply with regional and international standards, and therefore enhance their ability to compete in regional and international markets. This output of the TMEA Kenya programme includes measures to update the standards legal regulatory framework and the institutional processes for standards management, to improve the institutional efficiency of standards bodies and to increase private sector participation.

The programme will provide interventions aimed at reducing the time and number of documents required for importers and exports to obtain the permits they require. It will also support the

establishment of one-stop border posts with integrated border management systems and the harmonisation of reforms with the EAC policy and legal framework.

*Output 3: Enhanced capacity and participation of Kenyan private sector and civil society to engage in regional integration processes*

This output has particular resonance with the BAF. It aims to strengthen private sector and civil society analysis, inputs and monitoring of East African regional integration by providing grants and other support to private sector organisations (PSOs) and CSOs. This is done to ensure PSOs and CSOs can actively and effectively engage in dialogue and advocacy related to regional integration at national and regional levels, and are able to demonstrate their competence and capacity to initiate dialogue and advocacy, are participate in national and regional business networks.

TMEA-Kenya will help PSOs and CSOs to participate in EAC regional integration activities and to present the voice of Kenyan business in regional reform processes. It will support the formulation of evidence-based advocacy campaigns related to EAC regional integration undertaken by PSOs and CSOs, as well as support PSOs and CSOs to provide training and awareness-raising events related to EAC integration.

There are areas where this Output links directly with the work of the BAF. These links should be strengthened wherever possible. Further details on this are provided in Section 2.5.3, below.

*Output 4: Improved monitoring, evaluation and impact assessment of regional integration and trade facilitation*

Under this output, the TMEA Kenya programme will enhance the quality and coverage of existing M&E frameworks for assessing the impacts of regional integration in Kenya. Such frameworks are of key importance in helping government, PSOs and CSOs to chart the progress and identify bottlenecks for key reforms and programmes. A major planned work stream under this output will be assessing the impact of regional integration on economic growth, trade performance, social development and the environment, as well as attributing the programme's contribution where possible. TMEA Kenya will provide dedicated research and analysis funds for the government, private sector and CSOs to conduct impact assessments reflecting their needs. The improved M&E systems will also link up with upgraded systems at the EAC Secretariat in Arusha.

TMEA-Kenya will invest in the establishment of a systemic monitoring, evaluation and impact assessment system. The programme will employ a specialist in this field.

The TMEA-Kenya programme will monitor the extent to which EAC decisions are implemented in Kenya and will conduct a series of studies on the impact of EAC integration, taking into account the gender and social development dimensions of integration. It will also work with PSOs and CSOs to help them monitor and evaluate trade and integration issues on behalf of their members.

### 2.5.3 Ensuring synergies across the sub-components

In order to achieve an optimal desired impact, care should be taken to find opportunities where the subcomponents described above can interact with one another. This would reduce overall operating costs, avoid the danger of duplication, and promote harmonisation. In addition to promoting better

information flows across the subcomponents, the improvement of the business environment component will pursue the following strategies:

- Coordination and collaboration: The TMEA Kenya *PSO-CSO Implementation Note* encourages the BAF II and the PSO-CSO Programme Officer to be co-located in the same building. This would require the BAF II to relocate to the TMEA office building in Nairobi if there is space and if suitable arrangements can be made;
- Collaborating on funding advocacy: TMEA Kenya will lead on the regional advocacy work through a staff member working partly within BAF II. TMEA's PIC is required to approve and oversee funding decisions made on applications to regional advocacy, with the TMEA regional advocacy staff responsible making use of BAF's structures and proposals as agreed between both programmes;
- BAF II Board membership: The TMEA Kenya programme have a representatives on the BAF II Board, and
- BMO/PSO capacity building: Both BAF II and the TMEA Kenya PSO-CSO Programme Officer appear to have funds allocated to the capacity building of BMOs, PSOs and CSOs. Thus, there appears to be the opportunity for synergies in the design and implementation of these interventions. However, it appears too early to specify how these can be defined. This might be better done during the inception phase of the BSPS II, with modalities to be agreed between them.

## **2.6 COMMUNICATION STRATEGY**

Each sub-component will develop its own communications strategy.

In the case of the Support for Business Advocacy, the BAF II will develop a strategy that focuses on the following target groups:

- BMOs that can benefit from the services offered by the BAF II: The second phase of the BAF will broaden the range of clients. Thus, there will be a need to ensure the full range of BMOs, CSOs and NGOs are aware of the BAF and its services, and
- Media: The BAF II will work much more closely with the media. This will include a specific output focussed on improving the public awareness on the value of PPD and the role of business in national economic and social development. However, it will also involve interventions that help client BMOs, CSOs and NGOs to more effectively use the media to get their message across.

The communication strategy will not be limited to Nairobi area, but will cover the entire country with specific focus to the semi-rural and rural areas where BMOs exist and are not adequately covered by the urban national BMO's. This will include provincial centres in Nakuru, Mombasa, Nakuru, Nyeri, Embu, Eldoret, and Kakamega. These centres should be the location for events that sensitise all BMOs to the work of the BAF. Assessment of the success of the communication strategy will be part of the semi-annual reports.

In the case of the Support for a Better Regional Business Environment, TMEA-Kenya will support the formulation of evidence-based advocacy campaigns related to EAC regional integration undertaken by PSOs and CSOs, as well as support PSOs and CSOs to provide training and awareness-raising events related to EAC integration. TMEA-Kenya will also engage a communications strategy and public relations specialist to steer the development and rollout of the communications and public education programme on EAC issues in Kenya. The programme will

contribute to a broader awareness of the importance of the EAC and regional integration to the Kenyan private sector.

### **3. INPUTS AND BUDGET**

#### **3.1 INPUTS**

To implement this component over the BSPS II period Danida will provide a grant of DKK 110 million, which tentatively will be used for covering the following items and activities:

##### **Sub-Component 1: Support to Business Advocacy**

- Output 1: Funds for advocacy and dialogue funding window  
Management fee to fund manager
- Output 2: Funds for training, advisory, mentor services and the preparation of information services  
Administration and management costs
- Output 3: Funds for capacity building grants  
Administration and management costs (including BMO Capacity Building Officer)
- Output 4: Funds for training courses  
Funds for seeding new media initiatives  
Administration and management costs

##### **Sub-Component 2: Support for a Better Regional Business Environment**

- Output 1: Funds for support and research on regional integration and leadership  
Capacity building (training and advisory services)  
Communications and public relations strategy
- Output 2: Coordination of relevant government ministries, departments and agencies  
Capacity building (training and advisory services)  
Legal and regulatory reforms
- Output 3: Capacity building (training and advisory services) for PSOs and CSOs  
Funds for advocacy and dialogue funding window
- Output 4: Monitoring levels of regional integration and impact  
Support for research and studies

#### **3.2 BUDGETS**

The Danish contribution to the component is estimated at DKK 110 million for the five-year period: DKK 50 million for the support to Business Advocacy and DKK 60 million for Support to the TMEA-Kenya programme. The summary budgets and annual cash flows are presented below and further details can be found in Appendix 2. The summary budgets for the two sub-components are presented below.

### 3.2.1 Output-based Budget

<b>Sub-component 1</b>	<b>Million DKK</b>	<b>Danida contribution</b>
Output 1.1	24.0	
Output 1.2	4.0	
Output 1.3	8.0	
Output 1.4*	4.0	
Technical Assistance	10.0	
<b>Subcomponent 1.1 Subtotal</b>	<b>50.0</b>	<b>50.0</b>
	<b>Total Multi-Donor Budget</b>	
<b>Subcomponent 1.2</b>	Million DKK	
Output 2.1	34.8	
Output 2.2	43.5	
Output 2.3	22.6	
Output 2.4	5.6	
Programme Management	6.5	
<b>Subcomponent 1.2 Subtotal**</b>	<b>113</b>	<b>60.0</b>
<b>Total Component Budget</b>	<b>163</b>	<b>110.0</b>

Notes:

\* 50% allocated to awareness towards the youth.

\*\* Danida funds for TMEA-Kenya are not earmarked to specific outputs.

## **4. IMPLEMENTATION ARRANGEMENTS**

### **4.1 JOINT FINANCING WITH OTHER DONORS**

In BAF II, the fund will be restructured as a basket-facility that is able to receive funds from a range of development partners and sponsors. The BAF will liaise closely with the PSD Donor Coordination Group, which will also be represented on the BAF Board (see 4.2.1 for further details).

The TMEA programme, including the national TMEA-Kenya programme, has been designed as a multi-donor facility.

## 4.2 MANAGEMENT AND ADMINISTRATION

### 4.2.1 Support for Business Advocacy

A Fund Manager will be appointed to run the BAF II. The Fund Manager will be appointed through an international competitive tender that will be open to the scrutiny and, where necessary, participation by other development partners that indicate a willingness to contribute to the BAF. The Fund Manager will be responsible for financial management of the BAF.

The BAF II Board will have overall responsibility for the Fund. It will ensure that the objectives and strategies are realised and that the fund remains fully aligned to and supportive of national policies and strategies. It will oversee the implementation of the Fund by the Fund Manager, which will include discussing and submitting the annual work plans and budgets to the BSPPS II Programme Steering Committee (PSC) for approval. The Board will be responsible for approving grants under the fund and for the overall monitoring of supported activities and outputs, and monitoring of auditing procedures and results. The BAF II Board will report to the BSPPS II PSC.

The BAF II Board is will expanded to eight members:

- Four prominent business leaders from the private sector, with the chairperson appointed from this group;
- A representative from the Ministry of Industrialisation;
- A representative of the TMEA-Kenya programme;
- A representative from the RDE, and
- A representative of the PSD Donor Coordination Group.

Half of the BAF II Board members will be appointed in their individual capacities. This professionalisation of the BAF II Board entails the need for remuneration of Board members, where relevant. Members of the BAF II Board will observe best practise business ethics principles in order to avoid possible conflict of interests.

As it is anticipated that other development partners are likely to contribute to the BAF, it is desirable to consider options for their participation on the BAF Board. For example, development partners that provide financial assistance of USD 5 million or more to the BAF could be invited to join the board, which would increase its size beyond a minimum of seven members to accommodate these new members. However, the challenge with this arrangement is that the BAF Board could potentially expand to a point where the development partners dominate it. Thus, it is proposed that the membership of the BAF II Board be reconsidered after the first two years of the programme with a view to streamlining the participation of the development partners. One way of achieving this is by ensuring all development partners, including the RDE, are represented by one person who also represents the PSDG.

The Fund Manager shall serve as secretary to the Board. See Appendix 4 for the terms of reference of the Board. BAF II will report to the BSPPS PSC on the approval of annual work plans and semi-annual progress reports. The RDE will appoint BAF II Board members through a formal letter of appointment, based on the recommendations of the BSPPS II PSC. Board members will typically be appointed for a period of two years and are eligible for reappointment upon the expiration of their first term.

BAF II will report to the BSPS II PSC on the following:

- Approval of annual work plans;
- Approval of semi-annual progress reports, and
- Progress on establishing synergies with other components and sub-components of BSPS II.

See Flow of Funds Chart in Appendix 5.

#### 4.2.2 Support for a Better Regional Business Environment

The structure of TMEA is based upon that used by the Financial Sector Deepening Trusts established in Kenya and Tanzania, which have proven to be successful models for multi-donor financed programme implementation. See Appendix 6 for a figure showing the TMEA organisational structure.

The TMEA-Kenya programme is managed as a part of the broader TMEA regional programme. A company limited by guarantee (TradeMark East Africa Ltd.) has been incorporated in Kenya and this company manages the TMEA-Kenya programme. A Kenya Country Director has been appointed. KPMG has been assigned as the Custodian of the company. Thus, KPMG is responsible for overseeing the financial management and programme administration to ensure fiduciary systems are of a high standard and risks are low. The Custodian provides a nominee Board of Directors, which ensures financial due-diligence, but delegates responsibility to the TMEA Chief Executive Officer (CEO).

The Programme Investment Committee (PIC) is responsible for high-level supervision of activities of TMEA. Its primary role is to provide strategic direction and fiduciary oversight to TMEA in order to ensure that it achieves its developmental goals and manages risks effectively. Taking advice from the TMEA CEO, the National Oversight Committees (NOCs), and other structures, the PIC will review and respond to each request from the Custodian, PIC members, or the Programme Director and will periodically evaluate the performance of TMEA. The membership of the PIC will consist of participating investors, external stakeholders and several technical advisers including the Director of TradeMark Southern Africa. Currently, DFID chairs the PIC and Danida is the vice chair.

In each partner state of the programme, NOCs have been established. NOCs are responsible for regular oversight and review of the performance of TMEA activities and programmes in the country. The NOCs will meet quarterly and will be composed of key partner institutions implementing TMEA programmes at a national level, private sector and civil society representatives from the relevant country, a member of the PIC and representatives of donors which have provided funding to be applied in respect of that country. NOCs will review national funding requests, work plans, budgets and reports for each country and may make recommendations to the PIC relating to these. While the NOCs' powers are largely overseeing progress, they will also have authority to re-allocate up to 20 percent of the funding allocated with the approval of the PIC under each 'national window' between the budget lines set out in the annual budget for such 'national window' without recourse to the PIC, although without exceeding the total amount allocated under that window. The RDE is a member of the Kenya NOC.

The TradeMark Stakeholder Forum will be a regular series of periodic issue-based and thematic consultations and strategic planning retreats with key regional partners such as the EAC to ensure

strong buy-in, ownership and information sharing for programme activities across all output areas of TMEA. The forum will also provide a chance for the programme to report on progress every six months. The forums and retreats will be organised around the work streams and outputs of the TradeMark programmes during start-up and implementation by TMEA. TradeMark Stakeholder Forum meetings and partner retreats are aimed at providing high-level input into programme strategy, increasing buy-in and ownership, and ensuring smooth information sharing and synergies with national and regional initiatives. Forum meetings can also provide an opportunity to engage regional stakeholders on challenging cross-cutting issues such as understanding drivers of change, and integrating objectives linked to inclusion, gender equity, HIV/AIDS and environment within regional Aid for Trade programmes.

In addition, TMEA will support regular high-level policy dialogue with the EAC, member states and partners on specific policy issues around the regional trade and integration agenda (“Arusha Roundtables”). Arusha Roundtables will be co-hosted and co-chaired by TMEA and the EAC Secretariat and will focus on an agreed agenda and background paper to foreground the specific issues for discussion.

The Tripartite Advisory Group (TAG) is an advisory group co-ordinating implementation and strategy for both TMEA and TradeMark Southern Africa (TMSA) in support to the Tripartite Task Force (composed of SADC, COMESA and EAC). The TAG will provide high-level dialogue and coordination with the Tripartite Joint Task Force and will seek to ensure that the work plans and activities of TMEA and TMSA are consistent with the Tripartite agenda in supporting Aid for Trade and regional integration initiatives in Eastern and Southern Africa.

See Flow of Funds Chart in Appendix 5.

#### 4.2.3 Working relationship between BAF II and TMEA Kenya

Both BAF and TMEA have different mandates with different scopes of work. Broadly, TMEA Kenya’s focus is promoting a better regional business environment through support of East African Community integration process, while BAF’s focus is promoting a better Kenyan business environment, through support of BMO-based advocacy.

The logic of TMEA’s overall regional strategy is built around support and integration of the roles of three critical players: a (1) National, Partner States, (2) EAC institutions, especially the Secretariat, and (3) Private Sector and Civil society. These three must be supported in an integrated manner to maximize on synergies and to achieve the strategic goals of TMEA. National programmes (including those involving PSOs/CSOs) are implemented in a way as to feed into a regional framework.

Though TMEA Kenya and BAF will implement and control their programmes and budgets separately, there is considerable scope for collaboration and synergy. Specifically, there is need for a mechanism:

- To minimize overlap, recognising that some proposals could be funded by either programme and, in some instances, may be jointly funded.
- To assess proposals from PSOs/CSOs to determine who, between BAF II and TMEA Kenya, offers the best fit for support – based on the different mandates and scopes of the two.
- To ensure that the approaches of the two are complementary rather than competitive.

## **Model of Collaboration**

BAF II and TMEA Kenya will create a joint assessment mechanism as the main operational tool for collaboration. This would work as follows:

- A Programme Officer recruited by TMEA Kenya Country Programme will be in charge of the PSO/CSO output of the TMEA Kenya Country Programme. S/he also serves as the liaison point between BAF II and TMEA Kenya;
- The PSO/CSO Programme Officer reports to the Kenya Country Director but splits his/her time between BAF II and TMEA Kenya offices. In the beginning s/he will be based fulltime at BAF II offices to understand BAF II, and to identify from BAF's records and database, which BMOs might be potential candidates for TMEA Kenya support;
- Later, as often as demand dictates, the TMEA Kenya Programme Officer joins the BAF II staff at their offices to review applications received (by both TMEA Kenya and BAF II) and decide which institution offers the best fit and therefore responsibility for follow-up and possible funding;
- Both BAF II and TMEA Kenya may use their own proposal application format and review criteria but seek to develop a common format. (This is not absolutely critical, but would facilitate the initial review);
- BAF II and TMEA Kenya market each other's programme and explore the scope for joint marketing, and
- BAF II and TMEA Kenya share the list of approved and funded applications (proposals), share progress reports and participate in each other's programme and project reviews.

TMEA Kenya and BAF II will strengthen the cross-representation to ensure, as far as possible, an integrated strategic oversight. Specifically,

- Provide for TMEA Kenya's representation at the BAF II Board.
- The RDE, the main financier of BAF II, is represented at both TMEA's NOC and the PIC.

BAF II and TMEA Kenya will formalise the collaboration through a Memorandum of Understanding.

In consideration of the aim to ensure that BMOs and organised labour have one entry point only to advocacy related funding in Kenya, the model of collaboration is an important step in that direction. The model will be revisited and revised as required during the inception period of BSPS II.

## **5. MONITORING, REPORTING, REVIEWS AND EVALUATION**

### **5.1 MONITORING**

Appendix 1 includes the Logical Framework Approach and contains a series of outputs and indicators against which the component will be monitored.

Within the Support to Business Advocacy sub-component, the BAF will establish a M&E system that will focus on the key information required for effective management of the BAF at each level of operation: BAF operations and individual projects supported by the BAF. The objectives of M&E will be to:

- Measure the effectiveness of the BAF in meeting its objectives and ensure informed decision making;

- Measure the achievement of objectives and assess their impacts on the development of target BMOs;
- Enhance organisational and development learning;
- Build capacity among staff and stakeholders so that they are able to assess their own progress, and
- Generate information to disseminate learning arising from the BAF II and stimulate replication among the BMOs as a whole.

M&E activities are divided into four main areas:

- (1) Monitoring BAF operations: M&E at the level of the BAF II itself will be derived primarily from the Fund Manager's reports to the BAF II Board. At individual project level, quarterly and project completion reports will be provided by the BMOs. Whilst it will be necessary to record inputs and outputs, the overall objective is to identify outcomes and impacts. Reporting on BAF II operations will be achieved through quarterly reports to the BAF II Board.
- (2) Evaluating the effectiveness and efficiency of BAF II operations: The evaluation of the effectiveness (i.e., impact) of the BAF II will be based on demonstrating the extent to which the Fund meets its strategic objectives. Evaluation of the efficiency of the BAF II will be based on the Fund Manager's quarterly progress reports.
- (3) Monitoring BAF II projects: The task of managing and monitoring BAF II funded projects is the responsibility of the Fund Manager. Monitoring BAF II funded projects will be based on the quarterly financial reports, quarterly progress reports prepared by each BMO and project completion reports, prepared by each BMO.
- (4) Evaluating the impact of BAF II supported projects: Evaluation of projects will be the responsibility of the Fund Manager, though in most cases the evaluation will be completed through the commissioning of a third party evaluator to prepare post completion reports.

Within the Support for a Better Regional Business Environment sub-component, TMEA will invest considerable resources and effort in developing an integrated and comprehensive M&E system in partnership with the EAC Secretariat and national governments. Initial activities will involve the design and establishment of a comprehensive results-based M&E system framework encompassing all of TMEA's five thematic areas. The current framework is contained in the Logical Framework Approach shown in Appendix 1.

As its headline M&E product, TMEA will produce annual reports, which will take an analytical approach to the measurement of TMEA's progress against the outputs and outcomes in the results framework for the Medium Term Strategic Plan. Quarterly progress and financial statements will be prepared to supplement the information in the annual report and provide a consistent stream of information on the development of TMEA's work across all of the major work streams.

The TMEA regional programme has appointed a Knowledge and Results Director to support national programmes in their M&E activities. The TMEA-Kenya Country Director will be responsible for preparing national M&E reports.

M&E data from the two sub-components will feed into the M&E system being established for BSPS II. KEPSA, which has the secretariat function to the BPS II, will manage the contracting out of the programme level M&E function to an independent service provider.

## **5.2 REPORTING**

The following reports will be produced:

- Inception report after 6 months of start of implementation. The inception report replaces the first progress report;
- Half yearly progress reports, including rolling Annual Workplans and Budgets (AWP&B), monitoring results and progress on reaching synergetic effects;
- Draft Completion Report 6 months before completion of BPS II. The final Completion Report will be uploaded in the Programme Data Base of Danida when the final BPS II financial report has been approved.

The reports will follow the formats as described in the Danida Aid Management Guidelines. In addition, the half yearly progress reports will specifically describe progress towards implementing the suggested synergetic effects between BPS II components and sub-components.

Within the Support for Business Advocacy sub-component, the Fund Manager will report to the PSC.

Within the Support for a Better Regional Business Environment sub-component, reporting will utilise the reporting systems established by TMEA. TMEA's reporting systems have been designed to assist management, investors and TMEA clients to track implementation of projects relative to objectives, measure the progress to the achievement of results, identifying problem areas and causes, and, where necessary, suggest remedial action or adjustments in implementation. These systems provide the information to subsequently evaluate the relevance and impact of each project. TMEA uses a "managing for results" approach in its reporting and monitoring processes. The TMEA-Kenya Country Director manager will be responsible for preparing all national reports.

The TMEA-Kenya Country Director will provide financial and narrative reports to the BPS II PSC as described in the BPS II programme Document. KEPSA will act as the secretariat to the BPS II PSC.

## **5.3 REVIEWS**

An inception review will be undertaken during the first half year of 2011 in order to provide recommendations to draft inception reports. The inception report will among other things provide the following:

- Refined indicators, targets and means of verification at the development objective, immediate objective, output and activity levels.
- An annex with the required baseline studies undertaken during the inception phase, and
- AWP&B for 2011.

A mid term technical review of BPS II will be carried out in the beginning of 2013. The mid-term technical review will assess the situation after the next presidential and parliamentary elections in

2012, and assess the relevance of the programme and component level risks, and propose mitigation measures as relevant. A joint BSPS II sector review will be undertaken in 2014, among others to assess the relevance of continued support to the sector.

Should it be decided by the participants in basket funding or other joint financing arrangements under BSPS II that there is a need for further reviews, Danida may decide to directly participate in carrying out these or rely on review reports prepared by other participating institutions.

## **5.4 EVALUATIONS**

During 2010, TMEA will develop its own detailed evaluation strategy for consideration by the PIC, including proposed processes and structures (what partners, roles, structures and decision-making mechanisms, what level of government capacity, which institutional home, information flows etc.) and the key foci beyond the results framework (performance against objectives, institutional effectiveness, harmonisation gains, Value for Money, government capacity, political engagement etc.). Subject to the agreement of the TMEA evaluation strategy by the PIC, it is provisionally proposed that in 2013 and 2015, external consultants will be commissioned to conduct independent, external evaluation of the TMEA progress and impact.

## **6. ASSUMPTIONS AND RISKS**

### **6.1 ASSUMPTIONS**

- The broad assumptions of the component are that the monetary and economic stability will exist in Kenya and the other EAC countries.
- There will be a stable political climate in Kenya and the EAC that is conducive to creating and enabling and improved business environment.
- The BMO's identified and supported will be able to flourish and achieve sustainability levels in the short and medium term.
- Donor harmonisation efforts within private sector development will continue, providing the foundation for BAF II to become a multi donor funding mechanism.

### **6.2 RISKS**

- The monetary and economic stability in Kenya is not adverse to the global shocks such as the financial crisis that affected the world financial markets and had a negative, though relatively mild impact on the business environment in Kenya. This risk is rated as medium. While it is difficult to mitigate against this risk, it is clear that an improved business environment will help Kenya survive such external shocks. Thus, improved public awareness and engagement by public and private actors on how to improve the business environment at local, national and regional levels, will encourage reforms that promote a more robust and enabling environment in turbulent financial and economic times.
- Kenya is currently going through the Agenda 4 of the National Accord that was signed after the disputed Presidential elections in 2007 and formed the basis of the broader reforms required in

steering the country to political and economic stability. The political situation is currently very fluid and polarized and with elections due in 2012. This risk is rated as medium. This risk is reduced through the component's strategy to enhance business efforts to engage with the government on necessary reforms. Business played an important role in contributing to the settlement that ended the post-election violence in 2008 and it is through continued dialogue and engagement between business and government that a foundation for political stability can be built.

- The ability for the government to enact and legislate all the pro-business legal and regulatory reforms due to capacity and capability constraints and the inherent bureaucracy that is in government systems. This risk is rated as medium. This can be mitigated through advocacy and dialogue that includes government and quasi-government institutions as well as the Kenya Parliament Speakers Round table forum with KEPSA, to expedite agreed reforms.
- The implementation of the East Africa customs union due to the nationalist orientation of officials in the member states may impact on the seamless pro-business implementation. This risk is rated as low. It is expected that there will be teething problems despite the fact that the protocols have been signed. With time, this risk is expected to reduce and with continuous dialogue between the governments and BMOs.
- Implementation of TMEA-Kenya, with its substantial budget and activities to be carried out, may result in crowding-out the private sector market for advisory services. This risk is rated as low. Through its involvement on the PIC, the RDE, as a mitigation measure should ask for early signs of this issue and support mitigation measures.

## **7. IMPLEMENTATION PLAN**

### **7.1 SUPPORT FOR BUSINESS ADVOCACY**

The current BAF management contract concludes on 31 December 2010. The time lag that could occur between the completion of BAF I (BAF I) and BAF II (BAF II) could severely disrupt the work of BAF and the opportunity to garner additional development partner support. To address this, the process of selecting a new contractor will commence immediately after completion of the Danida appraisal. This will require Danida to agree to the programme sub-component "subject to final approval by the relevant authorities" and to appoint a Contract Consultant by the end of 2010.

Upon the awarding of a contract to the Fund Manager, the BAF II Board will be appointed.

See Appendix 5 for terms of reference for the BAF II Fund Manager.

### **7.2 SUPPORT FOR A BETTER REGIONAL BUSINESS ENVIRONMENT**

The implementation of the Danish support for the TMEA-Kenya programme requires formulation of a "Contribution Agreement" between the RDE and TMEA Ltd. A similar agreement is already in place for funds provided by Denmark to the regional programme.

The detailed implementation plan, in the form of a rolling AWP&B, is being developed by TMEA-Kenya.

**APPENDIX 1: THE LOGICAL FRAMEWORK ANALYSIS MATRIX**

Objective	Assumptions	Objectively verifiable indicator and target	Means of verification
<b>Component Objective:</b> To improve the business environment through the reform of policies, laws and regulations that hinder private sector development			
<b>Subcomponent 1: Support for Business Advocacy</b>			
<p>Sub-component objective: To ensure BMOs in Kenya are more able to engage with the government in processes that lead to a sustainable improvement in the business environment.</p>	<p>BMOs are appropriate organisations to represent the business sector and engage with the government</p> <p>Public sector bodies are willing and able to engage BMOs in constructive reform-oriented dialogue</p> <p>Dialogue between BMOs and the government will lead to improvements in the business environment</p>	<p>Improvements in the competence of BMOs to participate effectively in PPD (based on a specified criteria for assessing competence). [2012 Target: At least 25 BMOs demonstrate an increased capacity to initiate and manage advocacy and dialogue processes] [2015 Target: At least 60 BMOs demonstrate an increased capacity to initiate and manage advocacy and dialogue processes]</p> <p>Number of policy changes initiated by business-led dialogue and advocacy processes. [2012 Target: 50 policy changes] [2015 Target: 120 policy changes]</p> <p>Government officials are more open and willing to engage in reform-oriented dialogue with BMOs.</p>	<p>M&amp;E systems of BAF + external review</p> <p>M&amp;E systems of BAF + Working sector group reports</p>
<b>Output 1.1</b>			
<p>Funding dialogue and advocacy: BMOs will have prepared compelling policy proposals and will</p>	<p>Public sector bodies are willing to engage with</p>	<p>Number of policy proposals prepared. [2012 Target: 60</p>	<p>BAF database</p> <p>Evaluative case</p>

<p>have actively engaged in dialogue and advocacy with government with support from the BAF</p>	<p>BMOs</p> <p>BMOs will submit compelling proposals for changes in, or enforcement of, public policy</p> <p>BMOs will have sufficient resources – financial and non-financial – to advocate effectively</p> <p>BMOs will have a sustained commitment to advocacy activity</p>	<p>proposals] [2015 Target: 150 proposals]</p> <p>Number of dialogue meetings conducted with the support of BAF (disaggregated by gender). [2012 Target: 100 dialogue meetings held, female participation at least 40%] [2015 Target: 250 dialogue meetings held, female participation at least 45%]</p> <p>Number of new BMOs supported by the BAF (disaggregated by Women Enterprise Organisations (WEO)) [2012 Target: 40, with at least 17 WEOs or gender-specific advocacy issues supported] [2015 Target: 100, with at least 40 WEOs or gender-specific advocacy issues supported]</p> <p>Improvements in the quality of policy and advocacy proposal prepared. Number of PPD platforms supported by BAF. [2012 Target: 100 dialogue meetings held, female participation at least 40%] [2015 Target: 250 dialogue meetings held, female participation at least 45%]</p>	<p>studies</p> <p>Mid-term and end of project reviews and evaluations</p> <p>Qualitative assessments of research reports and policy position papers</p> <p>Completion reports submitted by BMOs</p> <p>Advocacy competence and diagnostic tool</p>
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<b>Output 1.2</b>			
<p>Building capabilities for dialogue and advocacy: BMOs will have demonstrated their (managerial, technical and financial) capabilities to effectively initiate and participate in dialogue and advocacy processes</p>	<p>Training, mentoring and consultancy leads to an increase in advocacy and organisational competence</p> <p>BMOs send the most appropriate people to participate in training and mentoring</p> <p>Training one of two people in a BMO strengthens the capacity of the whole BMO</p>	<p>Number of BMOs supported by BAF in their dialogue and advocacy processes (disaggregated by WEOs).</p> <p>[2012 Target: 40, with at least 17 WEOs or gender-specific advocacy issues supported]</p> <p>[2015 Target: 100, with at least 40 WEOs or gender-specific advocacy issues supported]</p> <p>Improvements in the competence and credibility of BMOs to participate in PPD and advocacy.</p> <p>[2012 Target: At least 25 BMOs demonstrate an increased capacity to initiate and manage advocacy and dialogue processes]</p> <p>[2015 Target: At least 60 BMOs demonstrate an increased capacity to initiate and manage advocacy and dialogue processes]</p>	<p>BAF database</p> <p>Evaluative case studies</p> <p>Mid-term and end of project reviews and evaluations</p>
<b>Output 1.3</b>			
<p>Promoting sustainability: Selected BMOs are more likely to become financially sustainable.</p>	<p>BMOs can successfully launch and deliver fee-earning services</p> <p>Increased BMO success in delivering services will lead to greater willingness of members to pay their fees (and therefore greater sustainability)</p>	<p>Selected BMOs have introduced or improved fee-based services.</p> <p>[2012 Target: 8 BMOs]</p> <p>[2015 Target: 20 BMOs]</p> <p>Increase in the number of (paid-up) members in client-BMOs.</p> <p>[2012 Target: Paid up membership increases]</p>	

		more than 30% in at least 8 BMOs] [2015 Target: Paid up membership increases more than 30% in at least 20 BMOs]	
<b>Output 1.4</b>			
Promoting a culture conducive to public-private dialogue in business environment reform: Broad public awareness of the importance of a better business environment and the role of business associations can play in influencing reforms	Press coverage raises awareness amongst stakeholders	Quality and extent of public debate on key business environment reform issues. [2012 Target: At least 50 newspaper articles or media events related business environment reform issues] [2015 Target: At least 120 newspaper articles or media events related business environment reform issues]  Evidence that BMOs have worked with the media to achieve specific advocacy outcomes. [2012 Target: At least 40 client BMOs have issued press releases or conducted a media event] [2015 Target: At least 90 client BMOs have issued press releases or conducted a media event]  Youth will be the target in half of the activities	Coverage of business issues in the press and general media (i.e., number of articles and media events)  Coverage of BMO advocacy initiatives in the press and media (i.e., number of articles and media events)
<b>Subcomponent 2: Support for a Better Regional Business Environment</b>			
<b>Sub-Component Objective</b>	<b>Assumptions</b>	<b>Objectively Verifiable Indicators and targets</b>	<b>Means of Verification</b>
Greater regional integration and trade competitiveness in Kenya	The global economic slowdown has only a temporary impact on the Kenyan	Increase in annual exports of trade in goods and services above 2000-08 trend. [2010 Target: 2%	Kenya Export Promotion Council, Kenya National Bureau of Statistics, Global

	<p>economy and prospects for growth and employment in the longer term remain positive.</p> <p>National economic and political stability maintained.</p> <p>Conflict does not destabilise Kenya or the region.</p> <p>Economic growth and increased trade competitiveness benefits poor people.</p> <p>Environmental impacts do not have significant implications for GDP growth during the course of the programme.</p>	<p>above trend] [2012 Target: 5% above trend] [2014 Target: 10% above trend]</p> <p>Cost to import/export (USD) [2010 Target: 2080/1952] [2012 Target: 1971/1850] [2014 Target: 1861/1747]</p> <p>Percentage share of EAC intra-regional trade of total trade  [2010 Target: 10%] [2012 Target: 12%] [2014 Target: 15%]</p>	<p>Competitiveness Report, UN COMTRADE</p> <p>World Bank Doing Business database</p> <p>Kenya Export Promotion Council, Kenya National Bureau of Statistics, UN COMTRADE</p>
<b>Output 2.1</b>			
<p>Strengthened leadership, negotiation and implementation of regional integration in Kenya (25% Impact Weighting)</p> <p>2.1.1 Establish a Policy Coordination Unit - to provide leadership on EAC integration strategy and policy support.</p> <p>2.1.2. Staff development programme provided on EAC issues to Ministries, Departments and Agencies (MDA) focal points in Government</p> <p>2.1.3 Facilitate the integration of EAC</p>	<p>Other partner states are willing to continue regional integration.</p> <p>Continued political commitment in Kenya towards establishing an EAC and regional integration.</p>	<p>Implementation status of Kenya's national EAC Strategy [2012 Target: 25% of target in strategy met] [2014 Target: 50% of target in strategy met]</p> <p>EAC decisions adopted and implemented at national level [2011 Target: Customs Union protocol related measures implemented] [2013 Target: Common Market protocol related measures implemented] [2014 Target: Monetary Union protocol related measures implemented]</p>	<p>MEAC, TMEA Kenya programme progress reports, TMEA Annual Reports</p> <p>MEAC/EAC, TMEA Programme Progress Reports, TMEA Annual Reports</p> <p>Afrobarometer Surveys (gender disaggregated)</p>

<p>integration issues into the plans of MDAs.</p> <p>2.1.4 Facilitate the implementation of the EAC Communications Strategy in consultation with key stakeholders.</p> <p>2.1.5 Support MEAC to strengthen its fiduciary risk management systems.</p>			
<b>Output 2.2</b>			
<p>Improved trade policy framework and trade facilitation processes for Kenya (35% Impact Weighting)</p> <p>2.2.1: Facilitate legal and institutional reforms to implement new Kenya Trade Policy and EAC Common Market Protocol.</p> <p>2.2.3: Strengthened Government inter-agency trade facilitation co-ordination mechanism.</p> <p>2.2.5: Support regulatory reform to streamline import/export process at key entry ports.</p> <p>2.2.6: Facilitate the training of Kenya Revenue Authority, Kenya Port Authority and customs agents.</p> <p>2.2.7: Streamline charges related to Container Freight Charges and empty container depots with a view to reducing</p>	<p>Businesses are able to take advantage of reduced transport costs to increase their exports and competitiveness.</p> <p>Other partner states are able to implement reform to promote trade.</p> <p>Parliament will not delay enactment of SQMT legislation for over 6 months</p>	<p>Time to import/export (number of days) [2011 Target: 24/24] [2012 Target: 21/21] [2014 Target: 15/18]</p> <p>Number of one-stop border posts with integrated border management systems [2011 Target: 0] [2012 Target: 1] [2014 Target: 2]</p> <p>New SQMT regime harmonised with EAC policy and legal framework in place [2012 Target: New SQMT legislation prepared and enacted] [2014 Target: New SQMT regime adapted and institutional capacity in place]</p>	<p>World Bank Doing Business database</p> <p>World Bank Doing Business database</p> <p>Kenya Bureau of Standards and other standards agencies</p>

<p>transit costs.</p> <p>2.2.8: Establish Single Window and Integrated Border Management projects to harmonise and simplify import and export processes for specific value chains.</p> <p>2.2.9: Establish Transport Observatories to improve the quality of statistical data collection related to the performance of the northern transport corridor.</p> <p>2.2.10: Implement Traffic Flow Management Initiative and facilitate construction of roadside stations to reduce transit times and improve road safety.</p> <p>2.2.11. Support Kenya Shippers Council and Kenya Transporters' Association to build their capacity to advocate for customs reforms, corridor efficiency and safety.</p> <p>2.2.12: Conduct supply chain analysis for selected value chains (e.g. Tea) with a view to improving efficiency of conveyance from estate/factory to export points.</p> <p>2.2.13: Support provided for EAC Public Private Partnerships Development</p>			
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<p>infrastructure projects.</p> <p>2.2.14: Provided technical and material assistance for national Standards, Quality, Metrology and Testing (SQMT) policy &amp; legislative reform in conformity with an EAC-wide framework.</p> <p>2.2.15: Support institutional development and training on new SQMT regime.</p> <p>2.2.16: Support a programme to promote stakeholder awareness, outreach and education on new SQMT regime implemented.</p>			
<b>Output 2.3</b>			
<p>Enhanced capacity and participation of Kenyan private sector and civil society to engage in regional integration (25% Impact Weighting)</p> <p>2.3.1: Facilitate advocacy and media campaigns on regional integration by PSOs and CSOs.</p> <p>2.3.2: Facilitate the establishment of Kenyan Chapter of East African Civil Society Federation operational.</p> <p>2.3.4: Facilitate PSOs and CSOs to monitor progress of regional integration and trade facilitation through sector-specific surveys and impact</p>	<p>PSO and CSO campaigns promote economic gains from Kenya's integration into the EAC</p> <p>Positive opinions reflect improvements in Kenya's trade competitiveness, faster rates of economic growth and poverty reduction</p> <p>PSOs and CSOs can absorb technical assistance and contribute funds</p> <p>Sustainability of PSOs and CSOs</p>	<p>Number of evidence based advocacy campaigns related to EAC regional integration undertaken by PSOs and CSOs [2012 Target: 4] [2014 Target: 6]</p> <p>Number of training and awareness-raising events related to EAC integration undertaken by PSO and CSOs [2012 Target: 6] [2014 Target: 10]</p> <p>Percentage of population answering "better" or "much better" to the questions: "Would full federation of the EAC States make the availability of jobs,</p>	<p>BAF II, TMEA commissioned research.</p> <p>BAF II, TMEA commissioned research.</p> <p>Afrobarometer surveys (gender disaggregated)</p>

studies.  2.3.5: Commission baseline surveys and monitor the impact of PSO/CSO policy advocacy on trade and integration.	improves through improved services	marketing and trading opportunities better or worse?" [2010 Target: 65%] [2012 Target: 70%] [2014 Target: 75%]	
<b>Output 2.4</b>			
Improved monitoring, evaluation and impact assessments on regional integration and trade facilitation (15% Impact Weighting)  2.4.1: Commission baseline and longitudinal studies on impacts of the implementation of the EAC Common Market Protocol in particular and EAC integration in general.	M&E data are used by government and businesses to generate and take advantage of business opportunities  Government M&E systems link up with the systems implemented by the EAC.  Government acts on impact studies, which find negative effects upon women or particular social groups.	Percentage of EAC decisions of which implementation status is monitored by the Government [2012 Target: 60%] [2014 Target: 80%]  Number of studies conducted on the impact of EAC integration and take into account gender and social development dimensions [2012 Target: 5] [2014 Target: 10]  Number of PSOs and CSOs undertaking improved M&E of trade and integration [2012 Target: 2] [2014 Target: 4]	MEAC  MEAC, TMEA  TMEA Kenya, BAF II

**APPENDIX 2: DETAILED COMPONENT BUDGET**

**Subcomponent 1.1: Support to BAF II**

		<b>Million DKK</b>
<b>Output 1.1:</b> Funding dialogue and advocacy	Grants to policy proposals (DKK 120,000 per proposal x 150 proposals over five years)	18.0
	Grants to dialogue meetings (DKK 24,000 per meeting x 250 meetings over five years)	6
	<b>Output Total</b>	<b>24.0</b>
<b>Output 1.2:</b> Building capabilities for dialogue and advocacy	Training and information materials	4.0
	<b>Output Total</b>	<b>4.0</b>
<b>Output 1.3:</b> Promoting sustainability	BMO Capacity Building Officer	1.0
	Grants to BMOs (DKK 300,000 per BMO x 20 BMOs over five years)	6.0
	Other materials	1.0
	<b>Output Total</b>	<b>8.0</b>
<b>Output 1.4:</b> Promoting a culture conducive to public-private dialogue in business environment reform	Training programmes	2.0
	Sponsoring and seeding media initiatives	2.0
	<b>Output Total (50% for youth activities)</b>	<b>4.0</b>
Technical Assistance	Fund Management contract, auditing a.o.	10.0
<b>Subcomponent 1.1 Subtotal</b>		<b>50.0</b>

**Five-Year Cash Flow Summary: Sub-component 1 Support to Business Advocacy**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total DKK Million</b>
Denmark	10.0	10.0	10.0	10.0	10.0	50.0
Partners	0.0	0.0	0.0	0.0	0.0	0.0
Other donors	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	10.0	10.0	10.0	10.0	10.0	50.0

### Subcomponent 1.2: Support to TMEA-Kenya Programme

	Total Budget GBP (million)	Total Budget DKK (million)	Danida Contribution DKK (million)
<b>Output 2.1:</b> Strengthened leadership, negotiation and implementation of regional integration in Kenya	4.0	34.8	
<b>Output 2.2:</b> Improved trade policy framework and trade facilitation processes for Kenya	5.0	43.5	
<b>Output 2.3:</b> Enhanced capacity and participation of Kenyan private sector and civil society to engage in regional integration	2.6	22.6	
<b>Output 2.4:</b> Improved monitoring, evaluation and impact assessments on regional integration and trade facilitation	0.65	5.6	
Programme Management, including auditing	0.75	6.5	
<b>Subcomponent 1.2 Subtotal</b>	<b>13.0</b>	<b>113</b>	<b>60.0</b>

Note: GBP1 = DKK8.7

### Five-Year Cash Flow Summary: Sub-component 2 Support for a Better Regional Business Environment (TMEA-Kenya)

	2011	2012	2013	2014	2015	Total DKK Million
Denmark	12.0	12.0	12.0	12.0	12.0	60.0
Partners	0	0	0	0	0	0
Other donors	10.6	10.6	10.6	10.6	10.6	53.0
<b>Total</b>	<b>22.6</b>	<b>22.6</b>	<b>22.6</b>	<b>22.6</b>	<b>22.6</b>	<b>113.0</b>

### **APPENDIX 3: LIST OF DOCUMENTS CONSULTED**

- Business Advocacy Fund (2007) *Annual Report 2007*, Nairobi
- Business Advocacy Fund (2008) *Annual Report 2008*, Nairobi
- Business Advocacy Fund (2009) *Annual Report 2009*, Nairobi
- COWI (2009) *Alignment study of donor assistance to government systems, Final Report, October*, Royal Danish Embassy, Nairobi
- Development Consultative Group (2008) *Report on Post Election Violence; Crisis Damage and Needs Assessment*
- GTZ (2009) Country Report, Kenya Partnership Landscape
- International Finance Corporation/World Bank Report; *Voices of Women Entrepreneurs in Kenya*
- Kenya National Chamber of Commerce and Industry (2009) *Background information*, Nairobi
- Kenya Private Sector Alliance website; [www.kepsa.or.ke](http://www.kepsa.or.ke)
- Government of Kenya (2007) *Vision 2030: The Popular Version*
- Government of Kenya (2007) *Kenya Joint Assistance Strategy*
- Government of Kenya (2009) *Regulatory Reform Strategy 2008-2012*, January, Nairobi
- Government of Kenya (2009) *National Reporting Framework of Indicators: The Vision 2030 First Medium-Term Plan*, Ministry of State For Planning, National Development and Vision 2030, Nairobi
- Government of Kenya (2010) *Kenya Economic Survey*, Kenya National Bureau of Statistics, Nairobi
- Investment Climate Advisory Services (2010) *Kenya Investment Climate Programme*, Nairobi
- Republic of Kenya-European Community; *Country Strategy Paper and Indicative Programme for Period 2008-2013*
- Republic of Kenya (2010) *Business Regulation Bill 2010*
- TradeMark East Africa (2010) *Support to Kenya's Private Sector Development Strategy Goal 3 and EAC Regional Integration Strategy, January 2010 – January 2015, Programme Document*, January, Nairobi
- Business Advocacy Fund "Fact Sheets":

- Private Sector Advocacy
- Advocacy – a five step approach
- Principles of Good Regulation
- Understanding the Public Sector
- Identifying issues
- Undertaking research
- Commissioning research
- Using surveys to generate data about your issue
- Using focus group discussions
- Writing policy position papers
- Model contract
- Model terms of reference
- Alternatives to regulation
- Regulatory impact assessment
- Cost benefit analysis
- Public relations
- Effective communication skills
- Writing press releases
- Influencing skills
- Negotiating skills
- Building coalitions
- Mobilising grass roots support
- Networking
- Institutional competence
- Role and purpose of BMOs
- BMOs and member services
- Model Code of Ethics
- Strategy
- Business planning
- Marketing
- Putting customers first
- Values and principles

- Effective governance
- Code of ethics (for use by BMOs)
- Ethics in staff recruitment
- Discount cash flow
- Personal development plans: a guide
- Personal development plans: a template to prepare your own
- Managing teams
- Project management
- Gantt charts
- Critical path analysis
- Project costing
- Understanding financial statements
- Using ratios to interpret financial statements
- Exercising financial control
- Simple financial control for emerging BMOs - accounts in an envelope
- Raising sponsorship - a guide to writing funding proposals
- SWOT analysis
- Task list - a simple 'to do' list to help you organise yourself more effectively

## **APPENDIX 4:**

# **DRAFT TERMS OF REFERENCE FOR THE FUND MANAGEMENT OF THE BUSINESS ADVOCACY FUND, PHASE II BUSINESS SECTOR PROGRAMME SUPPORT, PHASE II, KENYA**

## **1. Background**

The Business Advocacy Fund (BAF II) is a sub-component of a larger component of the Business Sector Programme Support (BSPS), phase II designed to improve the business environment through the reform of policies, laws and regulations that hinder private sector development.

The BAF was established in the first phase of the BSPS to support business membership organisations (BMOs) in their efforts to engage in private public dialogue and to advocate for an improved business environment in Kenya. The BAF provides grants to eligible organisations and partnerships of eligible organisations to:

- Develop their capability to undertake and to support the research necessary to engage effectively in advocacy;
- Undertake and develop their capability to carry out advocacy activities;
- Monitor and evaluate actions by government that impact on the business environment;
- Create better public understanding of the role of BMOs in advocating for a better business climate; and
- Support the development and implementation of strategies and services designed to build long-term sustainability.

While policy advocacy is still in its infancy in Kenya, the BAF II promotes and supports business advocacy and dialogue in order to improve the business environment. The target market for BAF II services are BMOs, non-government organisations (NGOs) and civil society organisations (CSOs).

Within the second phase of the BSPS (2011 to 2015), the BAF will continue to provide financial support to BMOs to assist them in their efforts to prepare policy proposals, through research and consultation, which can be brought to government as a basis for dialogue leading to business environment reform. However, the BAF II will broaden the range of clients it supports to include CSOs, NGOs, workers' organisations (e.g., the Central Organisation of Trade Unions in Kenya, COTU) and employers' organisations (e.g., the Federation of Kenyan Employers, FKE). The BAF II will also market its services and offer support, where relevant, to BMOs that represent businesswomen. It will also pay special attention to BMOs that represent micro and small enterprises, including those located in rural and semi-urban areas.

There will be a close cooperation with other sub-components and components of BSPS II in order to enhance synergetic effects, including regular discussions with other components and sub-components, as agreed with KEPSA, which is acting as the secretariat to the BSPS II Programme Steering Committee (PSC).

## 2 Key Outputs and Activities

The BAF II will produce four outputs described below.

***Output 1: Funding dialogue and advocacy: BMOs will have prepared compelling policy proposals and will have actively engaged in dialogue and advocacy with government with support from the BAF.***

### Advocacy Support Grants

The objective of the advocacy support grants is to finance eligible organisations in their advocacy and dialogue efforts by providing grants to help clients identify issues, research issues, develop policy positions, promote policy proposals to the public sector and seek to influence public policy, and monitor implementation when agreement has been achieved. Advocacy Support Grants will be made available for initiatives designed to improved business sector engagement in dialogue on policy formulation and implementation. Examples of the type of initiative that may be funded are:

- Surveys and studies to gather evidence in support of business sector policy negotiations with central or local government;
- Monitoring and evaluating the implementation of central or local government policies which affect the business sector; and
- Seminars, workshops and meetings to facilitate policy dialogue within the business sector and between the business sector and central or local government.

There is a two-stage application process for the funds the BAF II will offer to eligible BMOs, CSOs and NGOs.

First, applicants will prepare a concept note to demonstrate they have a project proposal that will contribute toward improving the business environment as set out in the Government's Economic Recovery Strategy and meets the objectives of the BAF II and that the organisation is eligible. The concept note describes the issue to be addressed, the possible outcomes of successful advocacy and reform, and the proposed activities. BAF II staff will provide support to applicants where necessary to ensure their concept note is up to standard.

Second, once the concept note has been approved, applicants will complete a detailed application form, intended to provide information about how they will manage the project, the budget and progress milestones. In the case of emerging BMOs, the concept note will be used by the Fund Manager to determine whether they should be given a small grant to help them prepare their application

The Fund Manager will assess all applications against specified criteria and provide feedback. Applicants whose applications meet the guidelines will be subject to detailed due diligence checks before the application is submitted to the BAF II Board for a decision. Successful projects will then be monitored and supported by the BAF II.

The BAF II will establish a close collaboration with the TMEA-Kenya programme (i.e., the second sub-component of the Improvement of the Business Environment component) according to agreed collaboration arrangements.

BAF II support for advocacy and dialogue should ensure no adverse environmental impacts will result from the proposed reforms. Specific attention should be given to the issues facing women in business and issues raised by women's enterprise organisations (WEOs).

***Output 2: Building capabilities for dialogue and advocacy: BMOs will have demonstrated their (managerial, technical and financial) capabilities to effectively initiate and participate in dialogue and advocacy processes.***

#### Non-financial support services

In addition to its Advocacy Support Grants, the BAF II will provide training, mentor support and information services to BMOs that have received financial support for business advocacy and dialogue. Examples of these types of initiatives include: skills training in areas such as policy analysis, advocacy, communication, research, documentation and public relations; and developing and strengthening networks and consortia of business sector organisations.

While BAF's primary focus is to support business engagement in dialogue and advocacy, it is recognised that the success of this engagement will depend, in part, on the capabilities of government to receive reform proposals and participate in dialogue process. This also requires government officials, at all levels, to understand and appreciate the importance of Public Private Dialogue in business environment reform. Thus, where appropriate, the BAF II will open this training and advisory services up to government officials. By opening up its training and advisory services to government, the BAF II will be ensuring business proposals are more likely to be effectively received and considered.

BAF II will develop information resources (e.g., guides, fact sheets) for use in training, which will also be made available to the general public on the fund website. While much of this information has already been developed in the first phase of the programme, it will be regularly updated and new information products produced as the need arises.

The BAF II will also provide non-financial support to Kenyan BMOs engaged in advocacy and dialogue focussed on the regional business environment through the above measures as well as through close engagement with the TMEA PSO-CSO Programme Officer.

***Output 3: Promoting sustainability: Selected BMOs are more likely to become financially sustainable.***

#### Sustainability support grants and services

The BAF II will introduce a funding window and support programme to support about twenty BMOs in their efforts to become independent, sustainable representatives of the business community. BAF's BMO sustainability support will focus on two critical aspects of financial sustainability: the development of membership and fee-based services, and the development of additional income streams for BMOs.

The funding window and support programme will allow interested BMOs to apply to the BAF for support. These organisations will be required to meet a series of criteria to ensure they are in a position to make optimal use of the Fund's interventions. It is anticipated that the BAF II will manage two rounds of capacity building support to about ten selected BMOs in each round. The first round will begin in Programme Year 1 (2011) and conclude in Programme Year 3 (2013), the

second round will begin in Programme Year 3 (2013) and conclude in Programme Year 5 (2015). The BAF II will employ a BMO Capacity Building Officer to coordinate these interventions and to ensure there are links made with the training, mentorship and information products provided in Output 2.

The BAF II BMO capacity building support will only be provided alongside funding for advocacy projects. BAF II will not support capacity building programmes independently of advocacy. This support will comprise of a mix of consultancy support and funding. The funding window will allow participating BMOs to commission a BAF II-accredited or endorsed consultant who would work with the organisation to undertake a detailed assessment of the organisation's potential for financial sustainability and prepare a detailed business plan. The BAF II will appoint the consultant, who will report to both the BAF II and the client BMO.

The second form of funds would allow the BMO to obtain seed funds, which could be used as establishment or working capital to develop new income streams. Where appropriate, these funds could also be used by the BMO to employ one or two staff members whose positions would be supported on a sliding scale (e.g., 80% subsidy for first year, 50% for second year). Thus, the BMO will contribute its own funds to these initiatives on an increasing scale until it eventually funds all these costs on a sustainable basis.

The objective of the sustainability support grants and services is to help eligible organisations build their organisational, governance and management capacity which will ultimately enable them to undertake effective advocacy activities and develop and implement strategies to become financially self sufficient.

The BAF II BMO capacity building support programme will establish rigorous milestones against which the performance of participating BMOs will be measured. Failure to meet these agreed upon milestones will result in the BMO being removed from the programme.

***Output 4: Promoting a culture conducive to public-private dialogue in business environment reform: Broad public awareness of the importance of a better business environment and the role of business associations can play in influencing reforms***

**Media engagement**

BAF II will pursue initiatives that broaden the public awareness of the importance of a better business environment and the role of business associations can play in influencing business environment reform. This will require BAF II to work closely with the media in Kenya and to support BMOs in their efforts to more effectively engage the media in their dialogue and advocacy efforts.

The BAF II will design and run a training programme for business journalists. This will be a two-week programme designed to teach journalists, as well as trainee journalists, about the role of the private sector in national economic development and the importance of the business environment. The course will highlight the importance of business advocacy and the central role of public-private dialogue in improving the business environment. The course will be offered twice a year over the five-year programme.

The BAF II will ensure that all the advocacy and dialogue projects it supports (as outlined in Output 1, above) contain an element of engagement with the media. At the very least, all BMOs, CSOs and NGOs supported by the BAF will be required to issue a press release and conduct a press conference on their project. However, the BAF will also support its clients in their efforts to formulate and pursue a media strategy related to their dialogue and advocacy project.

The BAF II will have access to funds that can be used to seed or kick-start new initiatives that engage the media more extensively in business environment reform matters. This may involve, for example, the initial sponsorship of a column in a national newspaper that tracks business environment issues, or a talk back radio programme that allows business people to air their views on the business environment. These seeding funds would allow these new initiatives to be piloted with the view to then opening them up to private sector sponsorship once their success has been demonstrated.

### **3 Management and Administration**

A Fund Manager will be appointed through a EU tender process to administer and manage the BAF II. It is envisaged that other donors may agree to provide additional funds to support the BAF II and these donors may participate in overseeing the tendering process.

#### Objectives

The objective of engaging a firm or a consortium of firms to provide the technical assistance and the fund management is to ensure that the BAF II is managed in the most efficient and effective manner with an optimal impact on the strengthening of BMOs, CSO and NGOs participating in the programme and that financial management and controls adhere to the Danida Aid Management Guidelines and to internationally accepted accounting practices.

#### Scope of Work

The Business Advocacy Fund Manager will report to the BAF II Board and will provide the following services:

- Maintain the office in Nairobi;
- Periodically update the policies and procedures that govern the management of the fund and present these to the BAF II Board for approval;
- Ensure that the necessary financial management, accounting and reporting systems for the Fund are established and maintained;
- Actively market the fund to raise awareness among potential applicants and attract appropriate applications;
- Offer targeted assistance to enable BMOs, who might otherwise be unable to apply to the Fund, to prepare applications, particularly targeting priority groups, which are currently underrepresented in policy processes, recognising the need for proposals to complement the objectives set out in the Private Sector Development Strategy;
- Screen applications against the eligibility criteria;
- Submit applications that pass the screening process, together with (non-binding) recommendations, to the BAF II Board for approval;
- Notify successful applicants following Board decisions;
- Gather and consolidate monitoring information on utilisation of grants;

- Provide monitoring information on applications and on grants made as needed by the established M&E system and incorporate lessons learnt through evaluation and impact assessment;
- Prepare and submit work plans, budgets and reports on progress against agreed performance indicators;
- Build effective stakeholder relationships;
- Adjust and maintain the financial management, accounting and reporting systems for the Fund in accordance with the expanded scope of the BAF II and within Danish Aid Management Guidelines and with internationally accepted accounting standards and practices including setting up accounting, payments and administration system internal control procedures;
- Provide overall financial management supervision of the application of the Fund;
- Provide a bank guarantee for any funds advanced to it under the BSPS II programme;
- Maintain the dedicated BSPS II bank account for the Fund;
- Receive funds from the Royal Danish Embassy (RDE) and from other donors channelled through the RDE into the BSPS II account and issue grants directly to grantees identified and approved by the Fund. The Fund Manager will ensure that bank guarantees are issued for all funds received from the RDE;
- Prepare quarterly and annual financial reports. The financial reports should comprise of actual, budget and forecast expenditure;
- Prepare accounts for external audit;
- Maintain and provide all necessary documents and information including invoices from providers, suppliers, air ticket stubs etc, for the purpose of verification and audit;
- Refund to the RDE any amount spent contrary to the instructions and regulations issued by the BSPS II programme management, and
- Repay any unspent part of the BSPS II programme funds with any interest accrued to the RDE while submitting the final audited accounts in connection with the completion of the contract.

#### Organisational and Financial Issues

The Fund Manager will manage the BAF II through an independent office with easy access placed in Nairobi. It is anticipated that this office will be co-located in the office of the TradeMark East Africa Kenya programme. The Fund Manager will refer the Ministry of Foreign Affairs in Copenhagen on administrative issues related to his own contract with Danida. On professional issues, the Fund Manager will report to the BAF II Board that will be established to guide the work of the Fund Manager.

Funds will be managed according to the Danida Financial Management and Procurement guidelines, which follows internationally recognised accounting and auditing principles. When an application is approved the Fund Manager will disburse funds to the concerned organisation or business service provider. The Fund Manager will monitor that funds are utilised by the organisation/service provider that has received the support, whereas the concerned organisation/service provider will be responsible for managing the funds.

The Fund Manager will prepare detailed budgets for each financial year to be approved by the BSPS II PSC after recommendation from the BAF II Board.

#### Key personnel

While the staffing components of the BAF II will be contained in the proposals presented by the tendering parties, it is anticipated that the following key positions will be included:

1 Fund Manager: this person will be responsible for managing all operations of the BAF II. The manager will report to the BAF II Board.

2 BMO Capacity Building Officer: this is new position created in the BAF II to coordinate and oversee BAF's support for capacity building (Output 3). The incumbent will be responsible for recruiting and utilising a team of consultants, trainers and mentors who can provide one-on-one support, as well as delivering training courses addressing all of the development needs of supported BMOs. Key functions will include:

- Design of tools and processes for the selection of BMOs to participate in the capacity building programme;
- Design of training courses and mentor support services to selected BMOs;
- Field supervision of consultants, mentors, trainers and other capacity building activities;
- Organise review meetings and business processes;
- Implementation of internal and external milestones and monitoring and evaluation procedures, and
- Documentation of lessons learnt.

The BMO Capacity Building Officer will report to the Fund Manager and will be required to have a Master's Degree in Social Sciences, Economics, Business Administration or other related fields. Training and mentorship experience will be an added advantage.

The successful incumbent will have at least five years of relevant experience in micro, small and medium sized enterprise sector, project management and work with community based entrepreneurial groups especially around BMO formation, support and advocacy; experience in implementation of monitoring and evaluation tools and usage of office software packages; and project implementation experience in Kenya or East Africa. Fluency in English is required. Fluency in Swahili is an advantage.

#### **4 Monitoring and Evaluation**

The BAF II will establish a monitoring and evaluation system that will focus on the key information required for effective management of the BAF II at each level of operation: BAF II operations and individual projects supported by the BAF II. The objectives of monitoring and evaluation will be to:

- Measure the effectiveness of the BAF II in meeting its objectives and ensure informed decision making;
- Measure the achievement of objectives and assess their impacts on the development of target BMOs;
- Enhance organisational and development learning;
- Build capacity among staff and stakeholders so that they are able to assess their own progress; and
- Generate information to disseminate learning arising from the BAF II and stimulate replication among the BMOs as a whole.

Monitoring and evaluation activities should be divided into four main areas:

- (1) **Monitoring BAF II operations:** Monitoring and evaluation at the level of the BAF II itself will be derived primarily from the Fund Manager's reports to the BAF II Board. At individual project level, quarterly and project completion reports will be provided by the BMOs. Reporting on BAF operations will be achieved through quarterly reports to the BAF II Board.
- (2) **Evaluating the effectiveness and efficiency of BAF II operations:** The evaluation of the effectiveness (i.e., impact) of the BAF II will be based on demonstrating the extent to which the Fund meets its strategic objectives. Evaluation of the efficiency of the BAF II will be based on the Fund Manager's quarterly progress reports.
- (3) **Monitoring BAF II projects:** The task of managing and monitoring BAF II funded projects is the responsibility of the Fund Manager. Monitoring BAF II funded projects will be based on the quarterly financial reports, quarterly progress reports prepared by each BMO and project completion reports, prepared by each BMO.
- (4) **Evaluating the impact of BAF II supported projects:** Evaluation of projects will be the responsibility of the Fund Manager, though in most cases the evaluation will be completed through the commissioning of a third party evaluator to prepare post completion reports.

M&E data from the BAF II will feed into the M&E system being established for BSPS II. KEPSA, which has the secretariat function to the BSPS II, will manage the contracting out of the programme level M&E function to an independent service provider.

## **5 The BAF II Board**

The BAF II Board will have overall responsibility for the Fund. It will ensure that the objectives and strategies are realised and that the fund remains fully aligned to and supportive of national policies and strategies. It will oversee the implementation of the Fund by the fund managers, which will include approving annual work plans and budgets within the framework of the sub-component description. The board will be responsible for approving grants under the fund and for the overall monitoring of supported activities and outputs, and monitoring of auditing procedures and results. The BAF II Board will report to the BSPS II PSC.

The BAF II Board will be expanded to eight members:

- Four prominent business leaders from the private sector, with the chairperson appointed from this group;
- A representative from the Ministry of Industrialisation;
- A representative of the TMEA-Kenya programme;
- A representative from the RDE; and
- A representative of the PSD Donor Coordination Group.

Half of the BAF II Board members will be appointed in their individual capacities. This professionalisation of the BAF II Board entails the need for remuneration of Board members, where relevant. Members of the BAF II Board will observe best practise business ethics principles in order to avoid possible conflict of interests.

As it is anticipated that other development partners are likely to contribute to the BAF II, it is desirable to consider options for their participation on the BAF II Board. For example, development partners that provide financial assistance of USD 5 million or more to the BAF II could be invited to join the board, which would increase its size beyond a minimum of seven members to accommodate these new members. However, the challenge with this arrangement is that the BAF II Board could potentially expand to a point where the development partners dominate it. Thus, it is proposed that the membership of the BAF II Board be reconsidered after the first two years of the programme with a view to streamlining the participation of the development partners. One way of achieving this is by ensuring all development partners, including Danida, are represented by one person who also represents the PSD Donor Coordination Group.

The Fund Manager shall serve as secretary to the BAF II Board.

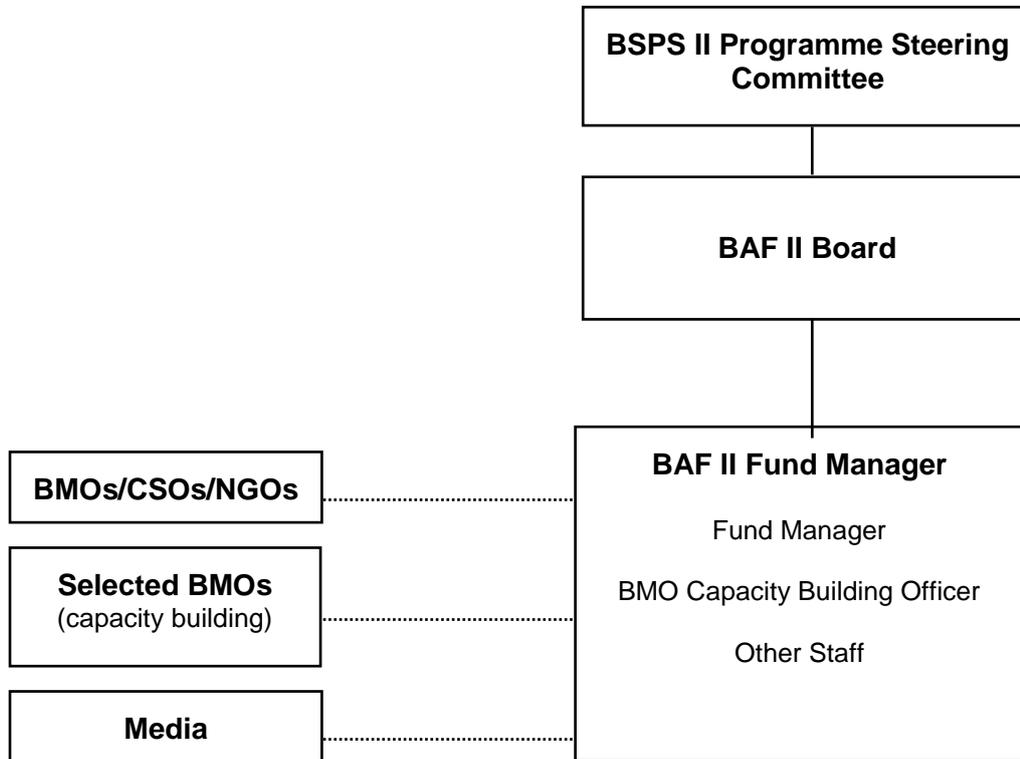
BAF II will report to the BSPS PSC on the approval of annual work plans and semi-annual progress reports. The RDE in Nairobi will appoint BAF II Board members through a formal letter of appointment, based on the recommendations of the BSPS PSC. Board members will typically be appointed for a period of two years and are eligible for reappointment upon the expiration of their first term.

BAF II will report to the BSPS PSC on the following:

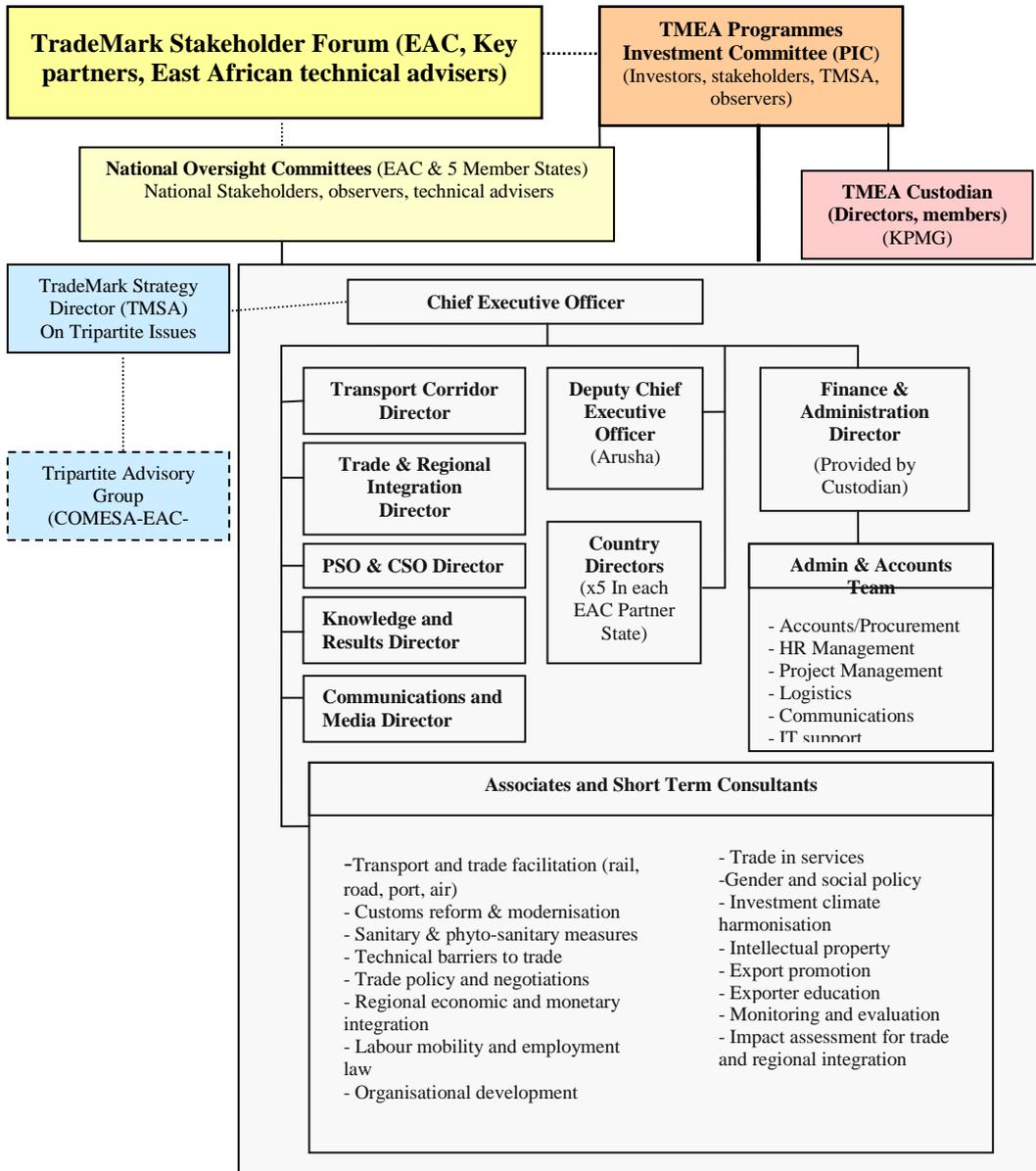
- Approval of annual work plans;
- Approval of semi-annual progress reports, and
- Progress on establishing synergies with other components and sub-components of BAF II.

**APPENDIX 5: ORGANISATIONAL CHARTS**

**BAF II Organisational Structure**



# TMEA Organisation Structure



**APPENDIX 6: FLOW OF FUNDS CHART**

- Legends:  
 Funds flow ———→  
 Reporting .....→  
 Liaison - - - ->

