



Review of Donor-Supported Business Environment Reforms Programmes and Practices in Kenya

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Executive Summary

This report details the findings of a review into the practice of supporting business environment reform (BER) in Kenya. The review was conducted on behalf of the Donor Committee for Enterprise Development (DCED) and was designed to contribute to the improvement of donor and development agencies' policies and practices in private sector development (PSD) in general and business environment reform in particular, as well as to encourage a better understanding of the various approaches, processes and mechanisms donor and development agencies use to support PSD-BER.

The review was guided by the 2008 DCED publication, entitled *Supporting business environment reforms: practical guidance for development agencies*, which contains a distillation of the lessons learned by donor and development agencies in their support of business environment reforms in developing countries.

The Review Team's findings are presented within four main themes of donor-supported BER programmes, summarised below.

1 Frameworks for the support of PSD-BER

This theme of the review focused on the national frameworks that shape PSD-BER interventions. The Review Team sought to identify the major frameworks that were used to guide donor-supported PSD-BER programmes and to understand how agencies work within these.

Most donor and development agencies supporting BER in Kenya exhibited an understanding of the systems in which private enterprises in Kenya operate. Support of BER was typically part of a broader PSD programme. Agencies typically responded to requests from government and there is increasing evidence that the specific concerns of the business community are being incorporated in BER support programmes.

Where the momentum for reform was found to wane or political crisis within government emerged, agencies tended to increase their support to the private sector through its representative structures. Peer-to-peer learning such as study tours and the use of international benchmarks, such as the Global Competitiveness Index and the World Bank's Doing Business reports were also tools donors used to stimulate the demand for reform.

The political dimensions for reform are pronounced in Kenya. The 2008 post-election violence, the formation of the Grand Coalition Government, and the adoption of the new Constitution have all been major political events that have had a direct influence on the ways donors support BER. These upheavals have slowed the pace of reform, but have also helped donors to position BER within a broader framework of democracy and governance. One direct outcome of these events has been the increased attention given by the government, the business community and civil society to the importance of public-private dialogue (PPD). There has been a range of national, sectoral and local PPD processes and structures established in recent years, with support from the donor community. Weaknesses within the Kenya National Chamber of Commerce and Industry has led to problems with effective national business representation in PPD. To address this a number of donor agencies have supported a business intermediary agency, the Kenya Private Sector Alliance, to facilitate and support PPD processes. However,

effective representation and the business community and the sustainability of business membership organisations remains a challenge.

Many donor and development agencies participate in the Public Sector Donor Group (PSDG), which has provided a valuable platform for the exchange of information and the sharing of draft programmes and strategies. Evidence was found of an increasing number of joint donor funding mechanisms, such as basket funds, and collaborative programmes in the field of PSD-BER.

2 Designing PSD-BER programmes

This theme examined the ways in which agencies designed their PSD-BER support programmes. It examined the ways agencies responded to requests from government and other actors, and sought to identify the information and processes they used in the programme design phase.

While many programmes appeared to be focused on supporting the “quick wins” in BER, respondents to the review indicated that the long-term focus of their programmes was on the more difficult, binding constraints to enterprise and economic growth. Supporting the reform of immediate and somewhat easier reform priorities built up trust between donor agencies, government and other programme partners, as well as developing skills and confidence among domestic reformers.

The Government of Kenya has established a number of development frameworks to guide government and to which donor agencies can align their programmes. This includes the Economic Recovery Strategy for Wealth and Employment Creation (2003-2007), the Joint Assistance Strategy, and Vision 2030. The Private Sector Development Strategy (PSDS 2006-2010) has been the framework for guiding PSD in Kenya. This led to the creation of a PSDS Secretariat in the Ministry of Trade and Industry, now the Ministry of Trade, and the establishment of the PSDG.

While government and the business community have praised donor alignment to these frameworks, some respondents highlighted the need for greater flexibility within donor programmes to respond to new and emerging priorities. The Catalyst Fund, a basket fund established to support immediate, short-term PSD-BER efforts under the PSDS, was recognised as a useful instrument for this purpose.

While donors were found to sequence their BER support programmes in order to combine short-term goals with longer-term visions, such as addressing the binding constraints to growth, the political shifts within many agencies was found to disrupt this process. This was particularly noticeable among bilateral agencies that have experienced a recent change in political leadership. However, increasing bilateral agency support for joint programmes was found to moderate the impact of these disruptions to some extent and promoted greater long-term continuity and programme sequencing.

3 Managing PSD-BER support programmes and projects

This theme examined the way agencies manage their BER programmes. It sought to understand the ways in which agencies promoted local ownership and accountability, and the extent to which sustainability was ensured.

Almost all of the agencies consulted described how local programme partners, such as government and the business community, participated in programme management structure and processes. In some cases agencies embedded international or national experts within strategic agencies. Many agencies expressed a frustration with the high

number of government ministries, departments and agencies they are required to work with. While government has appointed lead agencies within specific policy fields, in practice, not all of these agencies have the political clout or organisational capacity to lead.

Many donor agencies were able to cite examples of how they support capacity building within key government ministries, departments and agencies in order to ensure reforms are implemented and sustained. An effective reform support strategy used by some donors is to showcase successful reforms and the agencies that have implemented them. This creates a healthy rivalry among government agencies to show how effective they have been. Increasing attention is also given to the “human face of reform” within government bureaucracies, where staff performance agreements are revised to ensure they include incentives for officials who successfully manage reforms within the bureaucracy.

Donor support of the Kenyan business community’s involvement in BER is a key to ensuring local ownership and the sustainability of reform efforts. A number of interesting and effective efforts to support business advocacy and PPD are cited in the report. However, a common weakness among almost all agencies reviewed was the limited attention given to investing in communication strategies that promote the benefits of reform to the broader public and raise awareness among the business community and government official at all levels of the improvements that have been made to the business environment.

Government and business respondents to the review called on donor agencies to get out of their offices more often and see, first-hand, the conditions in which reform is occurring. Some believe that donors rely too much on intermediaries to do their consulting for them and this removes them from understanding the realities of BER in Kenya.

4 Monitoring and evaluating PSD-BER support programmes

This theme considered the use of monitoring and evaluation mechanisms and processes within PSD-BER programmes. It sought to understand how agencies monitored and evaluated their programmes, the extent to which they involved programme partners in these processes and how they attempted to measure the impact of their programmes.

All agencies described how monitoring and evaluation frameworks were an integral part of their PSD-BER support programmes. However, there is some variation in the kinds of measures that are used to monitor change in the business environment. These ranged from the use of international benchmark assessments, to changes in firm-level productivity, to estimating economy-wide savings and investments. All agencies described how they involve programme partners in their monitoring and evaluation processes.

Very few agencies were able to describe how the impacts of their programmes are measured. While the problems of attribution were often cited, very little evidence was found of long-term impact assessment. It was interesting to note how many agencies became more interested in designing the second phase of their programme, than in assessing the impacts of earlier phases. Changes in agency priorities also provided less incentive for a retrospective investigation into the impacts of old programmes.

Table of contents

Executive Summary	ii
List of text boxes	vi
List of acronyms	vii
1 Introduction	1
1.1 Defining BER-support programmes and practices	1
1.2 Purpose of the review	2
1.3 Review approach and methodology	3
2 Frameworks for donor support	5
2.1 Systemic approaches to supporting BER	5
2.2 Responding to local demand	6
2.3 Stimulating a demand for reform	8
2.4 Incorporating the political dimensions of reform	9
2.5 Supporting and responding to public-private dialogue	10
2.6 Promoting donor coordination	11
3 Designing PSD-BER programmes	13
3.1 Focus on the binding constraints	13
3.2 Align with national development plans	14
3.3 Sequence reforms over sufficient time	15
4 Managing PSD-BER support programmes and projects	17
4.1 Communicating to programme partners and the public	17
4.2 Ensuring domestic ownership	18
4.3 Working with government as the lead agency	19
4.4 Addressing the implementation gap—making reforms a reality	19
4.5 Strengthening the role and capacity of key stakeholders	20
4.6 Balancing the use of international and national consultants	21
5 Monitoring and evaluating PSD-BER support programmes	23
5.1 Monitoring and evaluation frameworks	23
5.2 Linking indicators to the demands for reform	24
5.3 Involving local stakeholders	25
5.4 Measuring long-term impacts	25
5.5 Ensuring quality	26
5.6 Telling the impact story	26
Annex 1: Summary of Kenya BER-support programmes	27
Annex 2: List of Respondents	32
Annex 3: Kenya BER review; approach and methodology	35

List of text boxes

Box 1:	Function level of business environment reform	2
Box 2:	DCED Donor Guidance Principle 1: Adopt a systemic approach to reform.....	6
Box 3:	National Business Agenda: 12 Priority Challenges	7
Box 4:	DCED Donor Guidance Principle 3: Respond to and stimulate the demand for reform and drivers of change	7
Box 5:	DCED Donor Guidance Principle 2: Understand and respond to the political economy of reform	9
Box 6:	DCED Donor Guidance Principle 6: Focus on what the private sector needs through public-private dialogue	10
Box 7:	DCED Donor Guidance Principle 13: Ensure good donor coordination	12
Box 8:	DCED Donor Guidance Principle 7: Focus on the binding constraints to business growth and scope reforms accordingly	13
Box 9:	DCED Donor Guidance Principle 12: Align business environment reforms with national development plans	14
Box 10:	Key policy framework that align donor-supported PSD-BER in Kenya.....	15
Box 11:	Five Pillars of Kenya’s Private Sector Development Strategy	15
Box 12:	DCED Donor Guidance Principle 10: Formulate a communication strategy and use media strategically	18
Box 13:	DCED Donor Guidance Principle 4: Ensure domestic ownership and oversight of reform efforts	18
Box 14:	DCED Donor Guidance Principle 11: Work with government as the lead agent.....	19
Box 15:	DCED Donor Guidance Principle 9: Address the implementation gap	20
Box 16:	DCED Donor Guidance Principle 5: Strengthen the role and capacity of key stakeholders.....	20
Box 17:	DCED Donor Guidance Principle 14: Balance international and national expertise	22
Box 18:	Measuring Impacts: Monitoring and Evaluation of the Government of Kenya’s Business Licensing Reform	24
Box 19:	DCED Donor Guidance Principle 15: Promote quality assurance in development agency support of business environment reform	26

List of acronyms

BAF	Business Advocacy Fund (Danida funded)
BER	Business environment reform
BEWG	Business Environment Working Group (DCED)
BMO	Business membership organisation
CIDA	Canadian International Development Agency
Danida	Danish International Development Agency
DCED	Donor Committee for Enterprise Development
DCU	Donor Coordination Unit (PSDG)
DFID	Department for International Development (United Kingdom)
GTZ	German Technical Cooperation
IFC	International Finance Corporation
JICA	Japan International Cooperation Agency
KAM	Kenya Association of Manufacturers
KNCCI	Kenya National Chamber of Commerce and Industry
KEPSA	Kenya Private Sector Alliance
KICP	Kenyan Investment Climate Programme
PMRT	Prime Minister's Round Table
PPD	Public-private dialogue
PSD	Private sector development
PSDG	Private Sector Development Group
PSDS	Private Sector Development Strategy (Government of Kenya)
TMEA	TradeMark East Africa
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organisation
USAID	United States Agency for International Development

1 Introduction

Development agencies support the programmes of partner governments. While there are diverse views regarding the role development agencies can play in reducing poverty through private sector development, much can be gained by coming to agreement on key principles and practices.

– Donor Committee for Enterprise Development (2008) *Supporting Business Environment Reforms: Practical Guidance for Development Agencies*, p. 1.

Supporting economic growth, employment creation and poverty reduction through private sector development (PSD) has become a major focus of many donor and development agencies. Within this field, increasing attention has been given to supporting developing-country governments in their efforts to improve the business environment in which private enterprises operate. To this end, the Donor Committee for Enterprise Development (DCEd) established the Business Environment Working Group (BEWG) in 2001 to examine the ways in which donor-supported business environment reform (BER) programmes are designed, implemented and monitored. This led to the publication of guidelines for donor and development agencies in 2008. The donor guidance, entitled *Supporting business environment reforms: practical guidance for development agencies* (hereafter referred to as the “Donor Guidance”), presents a distillation of the lessons learned by donor and development agencies in their support of business environment reforms in developing countries.¹

In 2010, the DCEd initiated a pilot project to review BER support programmes and practices in three countries: Bangladesh, Kenya and Rwanda. This report presents the findings of the Kenya BER programme and practice review—the first of the three reviews.

Simon White, a consultant to the BEWG, Liz Winton, a PSD Adviser in the UK Department for International Development (DFID) in London, and Stefan Engels from the United Nations Development Programme in Nairobi formed the Review Team and prepared this report. The Review Team is grateful for the support of the Kenya Private Sector Donor Group (PSDG) in organising the review and commenting on its findings. It is hoped that the review and its findings will be of practical assistance to the future work of PSDG members and other development partners in Kenya.

1.1 Defining BER-support programmes and practices

BER-support programmes are donor and development agency programmes that help developing country governments, and other programme partners, to improve the business environment in which private enterprises operate. The DCEd donor guidance defines the business environment as “a complex of policy, legal, institutional, and regulatory conditions that govern business activities. It is a sub-set of the investment climate and includes the administration and enforcement mechanisms established to

1 The guidance is available in [English](#), [French](#), [Spanish](#) and [Arabic](#).

implement government policy, as well as the institutional arrangements that influence the way key actors operate (e.g., government agencies, regulatory authorities, and business membership organisations including businesswomen associations, civil society organisations, trade unions, etc.)”. Along with other PSD initiatives, the business environment affects the performance of private enterprises in both the formal and informal economies. BER promotes the development of markets that encourage competition and enhance the effectiveness and sustainability of other development interventions.

A conducive business environment is one of the pre-requisites for economic growth and poverty reduction. While poverty reduction requires more than just economic growth, growth is an essential ingredient. However, in many developing and transition countries, the business environment is hostile to market-led growth; private enterprises suffer excessive regulatory barriers and in most respects regulatory costs are higher than in developed economies. Poor business environments are also more likely to have a disproportional negative impact on women-owned businesses, which are more likely to remain informal. However, it is recognised that good regulations are necessary to secure benefits, protect workers, consumers and the environment and to promote the rule of law and for the efficient functioning of market economies.

There are four levels at which business environment reform can be supported (i.e., regional, national, sub-national and sectoral). Reforms can also address key functional areas that affect business activity, see Box 1.

Box 1: Function level of business environment reform
Reforms can also address key functional areas that affect business activity, including: <ul style="list-style-type: none">• Simplifying business registration and licensing procedures;• Improving tax policies and administration;• Enabling better access to finance;• Improving labour laws and administration;• Improving the overall quality of regulatory governance;• Improving land titles, registers and administration;• Simplifying and speeding up access to commercial courts and to alternative dispute resolution mechanisms;• Broadening public-private dialogue processes with a particular focus on including informal operators, especially women; and• Improving access to market information.
Source: DCED (2008) Donor Guidance

1.2 Purpose of the review

The Kenya BER programme and practice review was conducted for two reasons:

- 1 To improve donor and development agencies’ policies and practices in private sector development in general and business environment reform in particular; and
- 2 To improve donor coordination through a better understanding of the various approaches, processes and mechanisms donor and development agencies use to support PSD-BER.

The review aims to benefit participating donor and development agencies at headquarter and field levels. At the field level, the review highlights the challenges faced in supporting BER, identify best practices and lessons learned, and improve collaboration between agencies and with programme partners, such as government partners and business representatives.

The review is not considered an evaluation of BER programmes or specific donor agencies. Where an evaluation would typically examine the outcome and impact of a BER-support programme and measure this against the resources contributed to the programme, this review focussed on the practice of supporting reform in developing countries. Thus, the focus of the review was on *how* donor and development agencies go about the processes associated with:

- Assessing the business environment and identifying reform priorities;
- Designing and managing business environment reform programmes; and
- Monitoring and evaluating BER outcomes and impacts.

While examining these practices, the review endeavoured to identify how donor and development agencies are:

- Working with programme partner, such as developing country governments, business membership organisations and other civil society organisations;
- Collaborating with other donor and development agencies engaged in BER at the country level;
- Harmonising their programme interventions with key national development plans and frameworks;
- Measuring the results of their programme interventions and benchmarking change; and
- Promoting sustainability of reform efforts.

While the central focus of this review was on the donor programmes and practices in supporting BER, there are times when the broader issue of donor support for PSD was included. Some agencies believe it is not useful to distinguish too much between BER and PSD. PSD is a broader development theme for many agencies in which support for BER is but one approach. It is for this reason that reference is sometimes made to PSD-BER.

1.3 Review approach and methodology

The Review Team visited Nairobi for one week (15-19 November 2010) and met with a wide range of donor and development agencies, as well as their programme partners, such as representatives of the Government of Kenya and various business membership organisations (BMOs). Prior to the review week, members of the PSDG provided background information on their BER-support programmes. This information is summarised in Annex 1.

The Review Team first met with the PSDG on the first morning of the review week. This provided the opportunity for the team to outline in detail the purpose and process of the review and to discuss with the PSDG some of the major issues affecting PSD-BER in

Kenya. Following the week of consultations, the team met again with the PSDG on the last day to present and discuss their findings.

Annex 2 contains a list of all the respondents to the review.

The review focused on four main themes of donor-supported BER derived from the DCED donor guidance:

- 1 Frameworks for the support of PSD-BER
This theme of the review focused on the national frameworks that shape PSD-BER interventions. The Review Team sought to identify the major frameworks that were used to guide donor-supported PSD-BER programmes and to understand how agencies work within these. This included frameworks for promotion donor coordination and collaboration.
- 2 Designing PSD-BER programmes
This theme examined the ways in which agencies designed their PSD-BER support programmes. Did the agencies respond to requests from government or other actors? What information did they use and how did they go about the process of design?
- 3 Managing PSD-BER support programmes and projects
This theme examined the way agencies manage their BER programmes. It sought to understand the ways in which agencies promoted local ownership and accountability, and the extent to which sustainability was ensured.
- 4 Monitoring and evaluating PSD-BER support programmes
This theme considered the use of monitoring and evaluation mechanisms and processes within PSD-BER programmes. It sought to understand how agencies monitored and evaluated their programmes, the extent to which they involved programme partners in these processes and how they attempted to measure the impact of their programmes.

In all the above themes, the Review Team attempted to assess the practice of donor-supported BER against the principles contained in the Donor Guidance. Annex 3 contains a description of the approach and methodology used and a list of the questions asked of respondents.

This report is organised around the four main themes of the review. The next chapter, deals with the framework for the support of PSD-BER.

Chapter 3 deals with designing PSD-BER programmes.

Chapter 4 deals with managing PSD-BER support programmes and projects.

Chapter 5 deals with monitoring and evaluating PSD-BER support programmes.

2 Frameworks for donor support

This chapter focuses on the national frameworks that shape PSD and BER interventions. The Review Team sought to identify the major frameworks that were used to guide donor-supported PSD-BER programmes and to understand how agencies work within these.

To investigate this issue, six questions were asked:

- 1 To what extent does the agency adopt a systemic approach to reform (refer to DCED Principle 1)?
- 2 To what extent do the agency's programmes respond to local demands for reform (refer to the first part of DCED Principle 3)?
- 3 To what extent does the agency's programmes stimulate a demand for reform and work with drivers of change (refer to the second part of DCED Principle 3)?
- 4 To what extent does the agency's programmes demonstrate an understanding of the political economy of reform and the capacity to respond to it (refer to DCED Principle 2)?
- 5 To what extent does the agency focus on what the private sector needs through public-private dialogue (refer to DCED Principle 6)?
- 6 To what extent does the agency participate in donor coordination mechanisms at headquarter and field levels (refer to DCED Principle 13)?

The findings are presented below.

2.1 Systemic approaches to supporting BER

Many respondents reflected a general understanding of the systems in which PSD and BER was being undertaken. There appeared to be a clear understanding that BER was but one element of a broader approach to supporting PSD. This was especially apparent among those agencies that support PSD within specific value chains (e.g., World Bank, GTZ, USAID).

A number of respondents highlighted the cross-cutting nature of BER and indicated that while BER is focused on business issues, such as those listed in Box 1 in the previous chapter, this is simply a lens through which the broader issues of governance and government responsiveness can be viewed. The business environment reflects a range of other issues concerning democracy and government administration. Thus, BER is part of a system of broader reforms.

There were a number of cases where pilot programmes were supported with the aim of expanding these should they prove successful. For example, the World Bank has supported local, sub-national, *Doing Business* assessments in 11 municipalities. This has helped to identify a number of common local business environment concerns and has helped to formulate reform strategies that focus on major local constraints.

There also appears to be a growing awareness of the need for reforms to move beyond the local and national levels to address regional concerns. This is based on an appreciation of the ways in which regional markets and the regional business

environment affects Kenyan firms. Some examples of the movement into regional BER support programmes include TradeMark East Africa (TMEA), which is currently supported by DFID and the Danish International Development Agency (Danida) with other donors expected to participate soon. The Canadian International Development Agency (CIDA) supports PSD at the regional level, although does not support BER.

Box 2: DCED Donor Guidance Principle 1: Adopt a systemic approach to reform

As far as possible, development agencies should adopt a systemic approach to business environment reform. They should consider the whole system, including all the relevant formal and informal institutions, the “rules of the game”, cultural and social norms and other key elements, such as the existing stock of regulations and the processes of reform in each case. In an interactive system of reform change in one area influences the possibilities of reform in other areas. Reform is not a one-off act, but a process of adapting to new challenges and changes. Such reform includes relatively specific or narrowly focused reforms, those that involve a degree of trial and error (e.g., pilot reforms), as well as more comprehensive reforms of a grander scale. There is often pressure on development agencies to reform one part of this system in order to achieve rapid and measurable outcomes, yet in reality, other parts of the system may be just as important. The implementation and enforcement of reforms is an important element that is often not emphasised enough in support programmes. While development agency support for reforms that achieve quick wins can be useful to build support for larger reforms, these piecemeal efforts are wasted if they do not take into account a systemic and integrated approach. Success and sustainability in reform is often the product of an integrated approach to dealing with the problems faced by the private sector.

2.2 Responding to local demand

Most respondents indicated that their programmes were based on local demand. Most commonly, donors described how programmes were formulated based on a request from government. In some cases, the business community has requested support through business membership organisations or through their participation in various public-private dialogue (PPD) events, such as through the Prime Minister’s Roundtables (see Section 2.5).

Programmes respond to local demands from business as well as government. Donors in the PSDG responded to the Government of Kenya’s Private Sector Development Strategy (PSDS) by identifying the pillars of the strategy they would help address and followed this up with dialogue with the government in order to develop programmes. Some respondent agencies expressed a frustration with the “shopping lists” for financial support presented to them by government or the business community. However, most agree that the PSDS has been a useful framework for prioritising and organising PSD-BER efforts. See Section 3.2 for further information of government frameworks to which donors align their programmes.

Many respondent agencies also expressed a frustration with the myriad of government ministries, departments and agents they are often required to deal with and who will often approach them with requests. This trend became more challenging with the formation of the Grand Coalition Government, which led to a further increase to 42 ministries.

In 2008, the Kenya Private Sector Alliance (KEPSA) submitted a *National Business Agenda* to the Government of Kenya on behalf of the business community. The *National Business Agenda* sought to provide government with a set of clear business priorities

that apply to ensuring the private sector plays its role in wealth and employment creation.² See the box below.

Box 3: National Business Agenda: 12 Priority Challenges
<ol style="list-style-type: none">1. Fix and Improve Physical Infrastructure2. Fighting Crime and Insecurity3. Achieve Meaningful and Less Burdensome Business Regulation4. Ensure That Labour Market Regulations Incentivise Creation and Expansion of Employment5. Expand External Trade Through Improved Facilitation and Market Access6. Create Tax and Tax Administration Conducive to Business Growth7. Development and Transformation of Micro and Small Enterprises8. Revitalisation And Transformation of Agriculture9. Protection of Intellectual Property Rights and Dealing With Counterfeits and Piracy10. Unleash ICT Potential to Drive Innovation and Growth11. Building Efficient Public Service12. Enhanced government/Private Sector engagement and coordination
Kenya Private Sector Alliance (2008) <i>National Business Agenda; Realising the Potential of the Private Sector in Kenya</i> , KEPSA, Nairobi

Donors typically respond to requests or proposals for assistance by engaging an expert in the field, either an official from headquarters or an international consultant, who can assess the proposal and consider its merits and feasibility.

There is evidence that some donors have consulted with government and the private sector, as well as with other donor and development agencies that are part of the PSDG, when they are designing their PSD-BER support programmes.

Box 4: DCED Donor Guidance Principle 3: Respond to and stimulate the demand for reform and drivers of change
<p>Development agencies respond to domestic demand for reform by adding value to reform processes through technical assistance, financing, training and other forms of skills transfer, as well as information and experience sharing. They can also influence the direction and pace of change by mobilizing and exploiting drivers of change. These are forces that expand the opportunity for reform within the political economy of the country. Drivers of change include strong political leadership, the emergence of political or economic crisis, the processes of globalization, and the demand for increasing competitiveness. In most cases, there is a mix of drivers that contribute to change and not a single event. The strategic exploitation of successive drivers of change is key to the success of sustainable reform.</p> <p>Reform support programmes should maximise the opportunities that stem from broader calls for reform, such as when a new government has been elected. Indeed, political change and some forms of political crisis can provide opportunities to push through bold business environment reforms. However, there are times when this demand is not apparent or weak. In such a situation, development agencies can stimulate a demand. However, they must be careful not to be too prescriptive or imposing. Some of the most effective ways of stimulating a greater demand for reform include:</p> <ul style="list-style-type: none">• Commissioning research and assessments of the business environment and facilitating

2 Kenya Private Sector Alliance (2008) *National Business Agenda; Realising the Potential of the Private Sector in Kenya*, KEPSA, Nairobi

broad public discussion of the results;

- Benchmarking and comparing business environments across countries as well as across sub-national areas (e.g., cities) - creating a competitive environment that highlights the need for reform;
- Building the capacity of domestic stakeholders such as private sector representative organizations, consulting firms and research agencies to identify priorities for reform in the business environment and advocate for change;
- Identifying the economic impact of business environment defects can add tremendous leverage to informing the policy dialogue process, while supporting the prioritization of the policy reform agenda;
- Helping policy makers to learn from the experiences of other countries through study tours, training programmes, regional networking and the exchange of information;
- Creating opportunities for public-private dialogue that allow the business community to describe their experiences of the business environment; and
- Creating opportunities for foreign investors to present their experience of the business environment to government policy makers.

It is often necessary for development agencies to recognise the importance of individuals as change agents, whether they be representatives of the government or the private sector. Working with individuals who can motivate and mobilise reform efforts is important, but it is advisable to broaden and institutionalise this engagement as quickly as possible.

2.3 Stimulating a demand for reform

A number of donor and development agencies working in Kenya exhibit a willingness to stimulate the demand for BER. For example, Danida supports for the Business Advocacy Fund (BAF), which provides grants to business membership organisations (BMOs) in their efforts to advocate to government for reform and to participate in PPD. The BAF also supports building of capacity among selected BMOs in order to promote sustainability of these organisations and enhance their involvement in BER over the long-term.

Many agencies referred to the increasing importance assigned to international benchmarks and assessments such as the annual Global Competitiveness Index and Doing Business reports. These promoted competition among neighbouring countries and created a stimulus for reform.

The International Finance Corporation (IFC) has used the private sector to stimulate the demand for reform especially through its support of the Prime Minister's Round Tables (PMRT). The IFC funds the position of the chief executive office in the Kenya Private Sector Alliance (KEPSA) as well as a consultant in KEPSA.

The IFC have also supported a number of peer-to-peer learning events, such as a study tour to Rwanda to see how the country undertook reforms that led to its rapid rise up the *Doing Business* index in 2009. In addition, the IFC's Kenya Investment Climate Reform Programme (KICP) attempted to showcase government agencies that had successfully completed a reform and helped "blow their trumpet". This created a healthy competition between government ministries, departments and agencies and built up the momentum for reform across government.

The United Nations Industrial Development Organisation (UNIDO) also supports study tours and recently sponsored a group of producer associations to visit Italy to understand how to meet international standards in leather processing.

Box 5: DCED Donor Guidance Principle 2: Understand and respond to the political economy of reform

Business environment reform processes are intimately connected with the political economy of change. This includes the system of accountability and governance exercised within and on the state, the extent to which the state is open or captured, and the extent to which its policy-making processes are open to influence. Because business environment reform is fundamentally a process of political contestation, there are no formulas that may be imported from elsewhere. Each society needs to determine the political settlement that best accommodates its competing interests and then find the appropriate technical solution that suits that political settlement. Development agencies can support these processes with lessons from other countries that can be adapted, as well as by encouraging the process to be transparent (i.e., no secret policy making), evidence-based and equitable so that those who represent the interests of the poor are able to influence it as much as those who represent the interests of the rich and powerful.

There will be times when key local stakeholders resist proposals for reform because they do not understand the benefits of the proposed reform, are used to things as they are and fear change, or because they benefit from the status quo. Thus, the challenge of the reform is building effective reform coalitions to get the best possible reform past that opposition. Development agencies can respond to resistance to reform by understanding where the resistance comes from and why; raising awareness and promoting the benefits of reform; recognising that those who are doing well in a poor business environment (e.g., where competition is reduced) may have something to lose; promoting coalitions of those who support reform – that is building constituencies for change; using regional organisations to support change; and promoting broader and deeper levels of public-private dialogue. Activities to discuss and design reforms should be seen in the wider context of the political economy – they release reform energies and reinforce a growing demand for reform. These kinds of changes help developing and transition country governments overcome governance bottlenecks. While development agencies cannot change the political economy of a country, a better understanding of these issues will improve the design and execution of reform programmes.

2.4 Incorporating the political dimensions of reform

The political dimensions of reform are extremely significant in Kenya. The post-election violence that erupted in 2008 was a major disruption in Kenya’s programme of reform. The subsequent creation the Grand Coalition Government and the passing of the new Constitution have all been political processes that have direct, immediate and long-term repercussions for BER support programmes.

After the election in 2008 the Ministry of Trade and Industry split into two ministries: the Ministry of Trade and the Ministry of Industrialisation. Donors observed a lot of in fighting between the two ministries, which has slowed down the speed of implementation of programmes. With the adoption of the new Constitution there are plans to significantly reduce the number government ministries, which is likely to lead to a merging of the two ministries. There is likely to be a lot of positioning for key roles in the build up towards a newly merged ministry, which again is slowing down programme implementation.

There is a sense of donor “paralysis” between now and the implementation of the new Constitution as there is a lot of uncertainty about the impacts the new Constitution will

have. For example, the new Constitution will see the devolution of national power. This will have an impact on BE reforms for example, the national government may decide to abolish a certain license, but the Mombasa City Council could then decide to introduce a new similar license.

In programme implementation there is a good understanding of political economy issues, for example the KICP has funded a consultant in the Prime Minister's Office to coordinate between ministries and United Nations Development Programme (UNDP) is funding an international expert as a consultant on private-public partnerships in the Office of the Prime Minister.

2.5 Supporting and responding to public-private dialogue

There are a number of BMOs in Kenya. However, the national representation of business has been fractured and troubled in recent years. 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.

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.

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 BMOs where there are opportunities for improving advocacy.

Since 2008 there has been an increase in the attention given to PPD, both within government and in society in general. A number of PPD structures have been established. These include the PMRT, the President's Round Table and various sector and locally-based PPD. KEPSA has taken the lead in facilitating and supporting many of these PPD processes and has received substantial donor support to this end.

Other donor programmes have provided support to PPD at different levels. This includes Danida's support of the BAF, and the World Bank and UNIDO's support of BMOs in the leather sector.

Box 6: DCED Donor Guidance Principle 6: Focus on what the private sector needs through public-private dialogue

Reform programmes should focus on the private sector, since they can create demand for reform and can contribute to the design of reform programmes and provide feedback on proposed reforms (e.g., through regulatory impact assessments); it can also provide technical expertise, and organisational and management support. Many private firms express their views through their representative organizations. However, these representative organizations rarely represent the entire private sector and are predominately made up of larger, formal enterprises. Small and/or informal firms, including women-owned enterprises, are often less involved in these kinds

of structures; consequently, their views are often systematically neglected. Development agencies can support private sector representative organisations in their efforts to reform the business environment, but care should be taken not to interfere directly in domestic politics. They can also make use of formal facilities established to make possible the involvement of different development agencies and the private sector in the support of business environment reforms.

Public-private dialogue is an essential ingredient to effective and sustained business environment reform. The quality and depth of effective business environment reform is related to the intensity and institutionalization of public-private dialogue. While many developing and transition countries have little tradition of constructive dialogue and cooperation between the government and the private sector, such dialogue changes the political economy by empowering allies of reform and enlarging the “reform space” by increasing awareness of the scope and depth of the problem. While dialogue can take both formal and informal forms, it is important for dialogue to be linked to specific reform agendas. In its early stages, public-private dialogue takes time to develop. It is important to build trust and confidence in the process and all parties need to see the benefits of regular, structured dialogue. Development agencies should support public-private dialogue, but should not drive the process.

It is particularly important for development agencies to help small and informal enterprises find a “voice” in the processes that support public-private dialogue. Public-private dialogue processes that are facilitated or supported by development agencies should include a wide range of the private sector representatives and, where possible, endeavour to obtain the views of the less organized business sector.

2.6 Promoting donor coordination

While many of the respondents are members of Kenya’s PSDG, this is likely because the review was organised with support of this group. Despite this skewed sampling, it is clear that the PSDG enjoys the participation and support of many donor and development agencies engaged in supporting BER in Kenya. Many members of the PSDG described how the group is a valuable mechanism for sharing information and experiences, as well as for seeking comments on draft programmes.

There is clear evidence that the PSDG has led to establishment of joint donor projects and facilities. Over the last three years there has been a move towards joint funded or basket funded programmes. SIDA, CIDA, Denmark, DFID, Finland and UNDP have all contributed to a basket fund, worth \$11m, which goes to support public sector reforms within Pillar 2 of the PSDS.

The World Bank has a parallel support programme and sits on the monthly programme meetings. This programme addresses cross cutting areas of reform which all affect the Doing Business Indicators. The programme has been designed because public sector reform issues are best addressed together rather than standalone pillars since the final outcomes affect all areas.

The biggest challenge to donor coordination appears to be with donors that are not members of the PSDG. Non-resident donor and development agencies, in particular, appear to be least likely to invest in donor coordination efforts.

Finally, there is evidence to suggest that donor coordination is improved when agencies share their ideas and draft programmes in the early stages of programme design, rather than leaving this kind of consultation to the end of the design process.

Box 7: DCED Donor Guidance Principle 13: Ensure good donor coordination

Development agencies should avoid duplication of reform efforts and coordinate their programmes with other development agencies. Collaboration among development agencies engaged in business environment reform shares risks and provides access to a larger pool of expertise. Even small steps, such as information sharing, can contribute to the more effective delivery of development resources. Where possible, multi-agency mechanisms should be used to support business environment reform and to promote agency coordination. Key elements to successful coordination are:

- A commitment by all parties to coordination and collaboration;
- Recognition at headquarter-level of the importance of coordination in the field - to allow country offices to participate meaningfully in local coordination processes;
- Regular processes and mechanisms for information sharing;
- Leadership and facilitation - this can be provided by the host government or by a nominated development agency;
- Identifying agency competencies and capabilities, and using this as a basis for a clear division of agency responsibilities; and
- Reporting on experiences in the field - successes, challenges, emerging lessons.

Developing and transition country governments can work with the development community to support, enhance and, where necessary, lead coordination and collaboration efforts. In some countries, a high-level government ministry convenes and chairs a development coordination committee; in other countries this role is rotated amongst members. In addition, development agencies should recognise the importance of supporting regional organisations. These organisations demonstrate the value of regional coordination and information sharing that can be used to enhance national reform efforts.

3 Designing PSD-BER programmes

This chapter examines the ways in which agencies in Kenya design their PSD-BER support programmes. It seeks to understand the extent to which agencies respond to local demands and how they go about the design process.

Three questions were asked of respondents:

- 1 To what extent does the agency focus on the binding constraints to business growth and scope reforms accordingly (refer to DCED Principle 7)?
- 2 To what extent does the agency align reforms with national development plans (refer to DCED Principle 12)?
- 3 To what extent does the agency sequence business environment reform measures and allow sufficient time for these to be realised (refer to DCED Principle 8)?

The responses to these questions are presented below.

3.1 Focus on the binding constraints

The Review Team found that no comprehensive growth diagnostic had been prepared for Kenya. However, there have been a number of sector diagnostics identifying the key constraints to growth within each sector and the preparatory work for Kenya's *Vision 2030* involved the identification of a number of sectors as key sectors in need of reform to secure Kenya's long-term growth. Most respondents identified infrastructure, energy and governance as the key binding constraints to business growth in Kenya.

Box 8: DCED Donor Guidance Principle 7: Focus on the binding constraints to business growth and scope reforms accordingly

The success of business environment reforms is not determined by how the government does in reaching an artificial goal such as adopting a law, but by the effect reforms have on the behaviour of existing and potential businesses. Steady focus is needed if firms are actually to see material changes in their environment that induce more risk-taking, more investment, more innovation, and other desirable behaviours. Because there may be many areas of the business environment that require reform, the impact of reform is enhanced by assigning a high priority to those that have a strong bearing on the cost of doing business and the effective functioning of markets. These priorities vary from country to country, as well as across local business environments within the same country and between men and women. The greatest impact of reform will come from focusing on the most binding constraints to business activity. Development agencies often focus on the symptoms – the instruments themselves – of bad regulatory systems only to find that the system is resilient, adjusts and reverses the reform in a myriad of ways. If the same problems are created over and over again, development agencies should take a broad approach that changes wrong incentives facing governments and businesses. Governments that exhibit a pattern of poor regulation require changes to the system of producing regulation, whereas governments that are doing generally well, but have isolated and significant problems could benefit from narrow or one-off reforms in those areas.

The general consensus between donors was that current BER programmes have been designed to address binding constraints in the long run, but most programmes tended to focus on the “low hanging fruit”. A number of donor programmes focus on achieving “quick-wins” to gain the trust of government and other programme partners. The

achievement of these quick wins, which have benefited both the government and the business, have helped accelerate PPD. There was a strong recognition among donors that achieving quick-wins opens up opportunities through increased trust and government capacity to tackle the bigger, more binding items.

A number of donors stated that tight budgets limit the focus on attempting to tackle binding constraints to growth. Programme cutbacks mean that donors often focus on easier targets, which often represents greater value for money.

Donors often focus their support in areas where they have a comparative advantage, and binding constraints, such as infrastructure, do not tend to be a comparative advantage of the majority of bilateral donor agencies. It was also observed that the focus of donor programmes is often dependent on the priorities of the donor agency, which is often set by the donor's headquarters or the "home" government, rather than at country level.

3.2 Align with national development plans

Box 9: DCED Donor Guidance Principle 12: Align business environment reforms with national development plans
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Development agencies should align private sector development with broader economic, social and environmental policies and include business environment reforms in their efforts to promote private sector development, economic growth, gender equity, and poverty reduction. Similarly, support for reform of the business environment should be integrated into national planning instruments, development policies and global agendas (e.g., Poverty Reduction Strategy Papers, Private Sector Development Strategies, and the Millennium Development Goals). However, care should be taken when applying generic programme planning frameworks as many of these are based on broad poverty reduction perspectives that can be limited in terms of the role of the private sector and the importance of the business environment. Moreover, reform packages that are supported by development agencies should support the integration of policy, legal, regulatory, institutional, procedural, and technological and social solutions. Addressing one element alone (e.g., a new policy) is rarely good enough. While it is not possible to change all elements of the system at once, careful attention must be given to the ways changes in one area (e.g., the review of labour laws and regulations) will affect other areas (e.g., the role of regulatory authorities).

There are a number of documents and strategies in place (see Box 10) that outline the Government of Kenya's priorities and strategies on BER. The most relevant of these is the Private Sector Development Strategy (PSDS). See Box 11. All donors stated that their programmes are aligned to the PSDS and there is clear evidence of alignment. However, it was generally agreed by donors that the PSDS was overly ambitious and there remain a number of unsupported pillars within the strategy and unfulfilled commitments both on the donor side and from government.

The downside of alignment to national plans is a lack of flexibility by donors to respond to emerging issues once these frameworks are in place. A number of government strategies were written prior to 2008, so have been overtaken by new government priorities that aren't outlined in national development plans. Government officials interviewed during the review called for donors to provide more flexible funding. The Catalyst Fund was seen as a useful tool in this regard.

Box 10: Key policy framework that align donor-supported PSD-BER in Kenya
<ol style="list-style-type: none"> 1. Kenya Joint Assistance Strategy 2. Economic Recovery Strategy for Wealth and Employment Creation 2003-2007 3. Vision 2030 4. Private Sector Development Strategy 2006-2010 5. Regulatory Reform Strategy for 2008-2012

Box 11: Five Pillars of Kenya’s Private Sector Development Strategy
Pillar 1: Improve Kenya’s business environment
Pillar 2: Accelerate public sector institutional transformation
Pillar 3: Facilitate economic growth through greater trade expansion
Pillar 4: Improve productivity of enterprises
Pillar 5: Support entrepreneurship and indigenous enterprise development
SOURCE: Government of Kenya (2006) <i>Private Sector Development Strategy 2006-2010</i>

3.3 Sequence reforms over sufficient time

There was good evidence of sequencing in programmes. In particular there was clear evidence of sequencing programmes in order to establish support and ownership by key stakeholders through achieving quick wins at the early stage of a programme in order to tackle more complex BER issues in the long run.

It was clear that to be able to properly sequence, programmes need long timeframes. There is evidence of this through Danida’s BAF 1 and 2 programmes and DFID’s Regional East Africa Integration Programme (REAP)—REAP 1 and 2. However, changes in donor governments often lessen the ability to carry out long-term sequencing. Sequencing of new programmes is often difficult to plan because of donor government political cycles, at the time of the review the government’s of both the UK and the Netherlands are currently carrying out a review of bilateral aid programmes following a recent change of government.

Changes in the Kenyan government also lessen donor’s ability to carry out long-term sequencing. For example, after the election in 2008 and the introduction of the Grand Coalition the Ministry of Trade and Industry was split into two ministries. This slowed down the speed of implementation of BER programmes. It also meant that key individuals in government, who donors were engaging with in order to build support for certain reforms, were no longer in position. This meant that any sequencing, which was occurring in order to buy-in key stakeholders had to start all over again.

DCED Donor Guidance Principle 8:
Sequence business environment reforms and allow time
While a focus on the binding constraints to business growth is essential, the design of reform support programmes may not necessarily begin with these. It is often important to consider first-stage reform support programmes that build experience and confidence among reform

stakeholders by focussing on those reforms that are the easiest or have the most immediate impact on the business environment and the performance of the private sector. If properly selected and designed, these reforms will demonstrate how reform can create improvements for business, while building competencies and confidence among programme partners. Development agencies should accept that systemic reform takes a long time. They need to be realistic when setting targets and timeframes for business environment reforms, particularly in a country context where the understanding and capacity for good governance are limited.

4 Managing PSD-BER support programmes and projects

This chapter reports on the ways donor and development agencies manage their PSD-BER support programmes. It seeks to better understand the ways in which agencies promote local ownership and accountability, and the extent to which sustainability is ensured.

Six questions were asked of respondents:

- 1 To what extent does the agency apply a clear communication strategy and make strategic use of the media (refer to DCED Principle 10)?
- 2 To what extent does the agency ensure domestic ownership of reform efforts (refer to the first part of DCED Principle 4)?
- 3 To what extent does the agency work with government as the lead agent (refer to DCED Principle 11)?
- 4 To what extent do agency programmes address the implementation gap by ensuring new or revised policies, laws and regulations are realised (refer to DCED Principle 9)?
- 5 To what extent do agency programmes strengthen the role and capacity of key stakeholders to engage in and manage PSD-BER (refer to DCED Principle 5)?
- 6 To what extent do the agency's programmes appear to balance international and national expertise in PSD-BER (refer to DCED Principle 14)?

The responses to these questions are presented below.

4.1 Communicating to programme partners and the public

This question was focussed on donor efforts and communication strategies to encourage the uptake and ensure the sustainability of reforms. There was a general consensus that communication strategies have not been developed as well as they could have been. It is generally left up to the relevant ministry to communicate changes in reforms. However, there was little evidence that donors follow up with the relevant ministry to see if this has been done.

Donors recognised the need to identify key stakeholders in government and business in order to communicate reforms. For example, the BAF supports the efforts of BMOs to communicate changes in reforms to their membership.

In general, donors tended to use conventional methods to disseminate key messages (e.g., through newsletters, steering committees and workshops). A number of donors use BMOs such as KEPSA as communication channels to disseminate key policy papers.

It was observed that there is often a communication gap within ministries where junior officials are often not aware of regulatory changes which have been made. Donors were aware of this and have taken some efforts to address it. For example, "service charters" are posted on the walls of municipal buildings, which inform both the public and junior officials.

Box 12: DCED Donor Guidance Principle 10: Formulate a communication strategy and use media strategically

Business environment reform processes should include an assessment of the role communication plays when a new way of doing things is being adopted. Planning a communication strategy requires answers to three key questions: Why is the work important? Which people should be made aware of it? What are the issues that need to be tackled? A sound communication strategy is crucial to developing and maintaining public awareness of business environment reforms and relevant issues. Communication should focus on the benefits of change, rather than on the costs of the status quo; a clear vision of the future system should be presented. Special attention should be given to working with the media. Print and electronic media can become powerful allies for development agencies in their efforts to raise awareness of the need for business environment reform and communicate the broader purpose of reform programmes.

4.2 Ensuring domestic ownership

There was good evidence that donors try to ensure domestic ownership of reform efforts. The way in which programme reporting mechanisms are set tends to reinforce domestic oversight. The BAF ensures domestic private sector ownership of reforms by supporting the capacity of BMOs to lobby for reform. The BAF tries to keep a low profile to ensure that the reforms it supports are fully owned by the private sector.

The Review Team found that a lack of capacity in the government often affects the extent that the government can own all reforms. For example, following a design phase five years ago, the ownership of the implementation of Kenya’s Investment One Stop Shop was transferred from the World Bank to the Kenyan Investment Authority and the Ministry of Industrialisation. However this has had a number of challenges, as after five years only 16 percent of funding has been disbursed.

There was a strong view from government representatives that “home-grown solutions” are essential. Government is unlikely to feel ownership of a reform that has been lifted out of another country, as opposed to a reform, which has been tailored to the local Kenyan economy.

Although activities are agreed with government, government representatives consulted for this review were concerned that they were not given sufficient information on the funding inputs of donors into BER programmes. This information helps the government know whether donors are meeting the commitments they signed up to when the PSDS was launched.

Box 13: DCED Donor Guidance Principle 4: Ensure domestic ownership and oversight of reform efforts

Development agencies should be unbiased brokers that bring together different stakeholders in the reform of the business environment. Domestic stakeholders should take full responsibility for the design and management of business environment reform programmes. While development agencies will support and work with these stakeholders, they should refrain from leading reform efforts themselves or usurping the responsibility of their programme partners. To ensure sustainable results in the long run, it is important that the national government and private sector have full ownership of the business environment reform process.

Organisational oversight is key to ensuring domestic ownership of reform efforts. While the presence of a high-level official at the centre of government or a high-level committee accountable to the centre has proved to be a success factor for business environment reform, it is also important that the designated oversight and management authority cuts across the whole

of government. Involving representatives of the private sector (including representatives of businesswomen) and other key stakeholders in oversight structures and processes is also important.

4.3 Working with government as the lead agency

Government is the designated lead agent in a number of programmes such as the KICP and the Public Sector Reform Programme. However, there was a general view that the government is “amorphous” and the lead government agency on a certain issue is not always obvious. For example, when dealing with a food standards issue, donors need to liaise with the ministries of trade, industrialisation, agriculture and health, as well the Kenya Bureau of Standards and the Food Safety Agency.

Government officials responded to this point by stating that there is always an allocated lead agency for each reform and that donors simply need to make sure they are liaising with the lead agency. However, many donor agencies have indicated that dealing with only the lead agency is often insufficient, since some agencies often don’t have the political clout to lead reforms and there are often turf wars between government ministries, departments and agencies.

It was recognised that the government doesn’t always have the capacity to be the lead agent. To overcome this, a number of programmes provide technical expertise to the key government offices involved with reforms, especially in the units which are coordinating reform. For example, the KICP finances a consultant embedded in the Office of the Prime Minister.

Box 14: DCED Donor Guidance Principle 11: Work with government as the lead agent

Unlike other private sector development interventions, government is a primary actor in the process of business environment reform. Government and the other organs of the state enact laws and regulations that govern the behaviour of the private sector. It protects the interests of consumers, workers, owners of property, providers of finance, other businesses, and the environment; and it is responsible for discharging the rule of law and raising taxes to invest in public goods. The relationship that is formed between government and the private sector is of critical interest in business environment reform, as is the way government goes about regulating business activities. It can do this in ways that are transparent, predictable and equitable while reducing the burden on business.

Successful reform support requires a close working partnership with government in which development support adds value to government reform efforts. Development agencies should provide flexible support, information and guidance, and encourage government to take full ownership of reform efforts. This is consistent with the Paris Declaration on Aid Effectiveness; Ownership, Harmonisation, Alignment, Results and Mutual Accountability. In situations where government leadership is weak or unresponsive, it may be necessary to support processes that encourage leaders to pay more attention to reform, such as through the support of government think tanks or public-private dialogue.

4.4 Addressing the implementation gap—making reforms a reality

For a number of programmes it was too early to assess the implementation gap. However, it was observed that there are a number of donor efforts in place to address implementation issues especially through the capacity building of ministry staff. For example, donors have provided funding to train inspectors. However, a number of

donors mentioned that it can often be hard for ministries to retain these staff in position once they have been trained.

Donors recognised the need to keep the momentum and energy going around each reform in order to overcome implementation challenges. There were good examples of donors creating a sense of competition between ministries through showcasing good reform processes in order to reward success and “name and shame” under performing ministries. There was a good understanding among donors that to secure effective implementation of reforms, good relationships need to be established between programme implementers and the relevant ministers, permanent secretaries, directors, and junior officials. There was some evidence that when reform implementation slowed, donors worked with BMOs to build their capacity to push for reforms. The commitment matrixes from the PMRTs were seen as a useful tool for the private sector to publicly hold government to account on any implementation issues concerning a particular ministry.

The key request from government in response to donor views of slow implementation, was for donors to go out and see how projects are implemented on the ground in order to better understand implementation issues.

Box 15: DCED Donor Guidance Principle 9: Address the implementation gap

Often, business environment reforms focus on policies, laws and regulations, but overlook the specific challenges associated with ensuring reforms are enforced and implemented. Development agencies should emphasise the importance of implementation. This includes a commitment to developing the competencies and capacities of development agencies and their partners to make reforms work – emphasising the need to address the often more complex issues associated with poor governance, organisational weaknesses and corruption.

4.5 Strengthening the role and capacity of key stakeholders

Government capacity is strengthened through a number of donor programmes. For example the IFC support to the Business Regulatory Reform Unit in Treasury and to the Public Transformation Unit in the Office of the Prime Minister. UNDP fund a public-private partnerships adviser in Office of the Prime Minister. It was recognised that simply placing technical experts in government agencies strengthens the ability for reforms to be managed and implemented, but is unlikely to lead to a long-term increase in technical capacity once the technical expert has left.

The BAF ensures that the relevant Kenyan BMO are able to own the reform effort by providing the capacity (through the hiring of technical expertise) to effectively engage with the government in order to lobby for and implement reforms. A number of donors strengthen business capacity to engage in BER issues through support to BMOs such as KEPSA and KAM.

Box 16: DCED Donor Guidance Principle 5: Strengthen the role and capacity of key stakeholders

Recognising local stakeholders and developing their capacity to participate in business environment reform is critical for successful and sustainable reforms. This can include strengthening the role and capacity of state agencies, the private sector and other civil society structures, as well as supporting better dialogue and advocacy, and building the capacity or ability of state agencies to manage reform programmes. While capacity development among state agencies can be a legitimate and useful response to the situations created by failed or weak

states, working with other programme partners such as the private sector is equally important. Similarly, overly strong and interventionist states often require a counter-balance that is created by the private sector and other civil society groups. It is often necessary to support the embedding of regulatory reform processes into the systems of government or parliament. However, while capacity development is important, agencies should not support the reform of state agencies that artificially substitute self-regulatory market based mechanisms (e.g., accreditation, certification, membership of professional bodies). Development agencies should support a change in the culture in which business reforms occur, such as through the introduction of a client-oriented culture that encourages public agencies to treat their private sector clients in a more professional, accountable and transparent manner.

When building local capacity, development agencies need to disseminate relevant information on the developmental experiences of middle income and developed countries so that developing countries can draw upon historical evidence to make more informed choices about policies and organisations. Development agencies can also learn from the experiences of other agencies and other programme partners located abroad. However, it is always important to remember that solutions that work in one context need to be adapted to suit another.

4.6 Balancing the use of international and national consultants

Many agencies are trying to achieve a balance between international and national expertise. However, some donors are restricted from hiring local consultants because of the processes through which their agency procures consultants. Agencies reported that the best consultant was usually chosen for the job, be that international or local, and that hiring local consultants was not used as a capacity building exercise.

It is recognised that international and national consultants have different strengths and weaknesses – international consultants bring knowledge of international best practice, whereas local consultants tend to have a greater understanding of the general political and economic climate in Kenya and of the national context.

The Review Team observed a difference of opinion as to whether Kenya has a sufficient pool of consultants to meet the needs of donors. In particular, some donors expressed the view that Kenya does not have sufficient local monitoring and evaluation expertise.

Very few donors use local consultants as part of a capacity building approach, but in some cases there is the twinning of an international consultant with a local consultant. Depending on the length of experience of both consultants there may be some capacity building as a result of this process. However, international consultants tend to take the lead in a paired relationship, which often undermines the local consultant. Local consultants are also paid significantly less than international consultants, which can cause difficulties in the relationship between them.

The government view was that international expertise is valued, but that “home grown solutions” are also important and can often be more effective. International consultants are not always able to solve issues, as a greater understanding of the local economy and dynamics is important.

It was also observed that many agencies draw on their own “in house” expertise, for example from PSD advisers who have previously worked on BER in other countries and are then posted in Kenya and able to apply their experience to programme design in their new posting.

Box 17: DCED Donor Guidance Principle 14: Balance international and national expertise

In order to build national capacity, development agencies should encourage and assist their programme partners to work with expert international bodies and consultants that are knowledgeable about good practices used in countries facing similar problems. While development agencies can facilitate access to best practices and cross-country experiences, care should be taken to balance the involvement of international consultants with national consultants. Development agencies and their programme partners should be prepared to spend the time and effort to guide consultants in the local context. They should ensure skilled nationals are engaged in reform programmes and provide incentives to keep them in the country and engaged in reform efforts. However, development agencies should take care to avoid hiring staff from the very ministries or agencies that are trying to lead reforms.

5 Monitoring and evaluating PSD-BER support programmes

This chapter reports on the use of monitoring and evaluation mechanisms and processes within PSD-BER support programmes. It seeks to better understand how agencies monitor and evaluate their programmes, the extent to which they involved programme partners in these processes and how they attempted to measure the impact of their programmes.

Six questions were asked of respondents on this topic:

- 1 To what extent does the agency ensure that a clear monitoring and evaluation framework is in place for all its PSD-BER support programmes?
- 2 To what extent are monitoring and evaluation indicators linked to identified needs and demands for reform?
- 3 To what extent does the agency ensure participation by domestic stakeholders in the monitoring and oversight of reform efforts (refer to the second part of DCED Principle 4b)?
- 4 To what extent does the agency attempt to measure the long-term impact of its PSD-BER support programmes?
- 5 To what extent is the agency able to exert quality control and influence on its PSD-BER support programmes and projects (refer to DCED Principle 15)?
- 6 Do you have any good examples or case studies concerning the effectiveness or impact of your BER support programmes?

The responses to these questions are presented below.

5.1 Monitoring and evaluation frameworks

All respondent agencies described how monitoring and evaluation frameworks are an integral part of their PSD-BER support programmes. While some confessed to struggling with these issues, in terms of how to effectively monitor and evaluate reform programmes, all indicated that these frameworks are in place.

Three general types of monitoring and evaluation were described:

1. Use of baseline benchmarks, such as changes in the Doing Business and Global Competitiveness Index rankings;
2. Regular monitoring activities, such as the use of consultants or headquarter specialists to undertake mid-term programme reviews; and
3. End-of-programme reviews and evaluations, which are typically performed by international consultants or headquarter specialists.

The growth in the number of joint-funding mechanisms and programmes exhibited a shared approach to monitoring and evaluation frameworks. These frameworks are typically prepared to suit the needs of all participating agencies, rather than creating multiple frameworks for each donor. Thus, common reporting and assessment procedures were developed to suit the need of all stakeholders.

5.2 Linking indicators to the demands for reform

This area of investigation sought to determine the extent to which agencies measured the performance of their programmes against the initial requests or demand for reform. Most respondents indicated that the indicators they used to measure outputs and outcomes tended to match the initially defined needs and demands. For example, a programme designed to support the reduction of compliance cost was typically measured in terms of the extent to which these costs were reduced for business.

Respondents described a range of indicators they used to measure output and outcome:

1. Firm-level productivity—where, for example, UNIDO described how a sample of firms were chosen to measure how specific reforms had improved the profitability within these firms. This was sometimes compared with measures of firm-level productivity within a control group.
2. Firm-level cost savings—this is where, for example, a reduction in the cost of compliance was treated as an increase in firm profits.
3. Economy-wide savings and investments—similar to firm-level costs savings, this method takes the savings of a typical firm and extrapolates these across the number of similar businesses to come up with an economy-wide estimate. For example, the reduction in customs processing times could be measured as savings at the firm level, which are then multiplied by the number of firms engaging in export and import trade.

Box 18: Measuring Impacts: Monitoring and Evaluation of the Government of Kenya's Business Licensing Reform

The Study "Measuring Impacts: Monitoring and Evaluation of the Government of Kenya's Business Licensing Reform" was commissioned by FIAS under the Regulatory Performance and Capacity Building project in Kenya and prepared by Jacobs & Associates at the end of 2008. The purpose of the Study was to measure and assess the realized and potential reductions in compliance costs for businesses resulting from the Government of Kenya's business licensing reforms undertaken between 2006 and 2007. The methodology was based on the standard cost model widely used in OECD countries, but adapted to Kenya specifics.

The Government of Kenya's reform has so far led to a reduction in licensing costs by 19 percent from the 2006 baseline. The study estimates that if all proposed reforms are to be implemented, the total reduction in licensing costs will amount to a reduction in costs for businesses of around 48 percent.

The total licensing costs (administrative costs plus direct financial costs) in Kenya is calculated as follows:

- Before reforms: KShs 22.9 billion
- Now: KShs 18.5 billion
- After implementation of all reforms: KShs 11.9 billion

This means that businesses have so far saved more than KShs 4.4 billion per year and should save nearly KShs 11 billion per year if all reforms are implemented. In terms of GDP, licensing costs accounted for the 1.3 percent before reform, which has now been reduced to one percent, and should be reduced to 0.7 percent if all reforms are implemented.

Eighty-three percent of the reductions achieved so far are due to reductions in license fees. This has been achieved both by eliminating licenses, but also by reducing fees for selected licenses.

SOURCE: Jacobs & Associates (2008) *Measuring Impacts: Monitoring and Evaluation of the Government of*

5.3 Involving local stakeholders

Many BER support programmes in Kenya were found to have structures and processes in place where government and business jointly receive progress reports and evaluations and discuss these with the programme staff and the supporting donors. Quarterly or six-monthly reporting meetings are often held with all programme partners where the progress reports are presented and programme management issues discussed.

As indicated previously, there is some concern of the representative nature of the business community in these processes. Most business representatives are from large, Nairobi-based BMOs, which may not necessarily reflect the diverse views of the Kenyan business community. However, it is acknowledged that this is a difficult concern to address and it is clear that donors and BMOs are aware of it and doing what they can to broaden business representation. The recent efforts to rejuvenate the KNCCI and its local branches is a good example of this.

It was interesting to find projects that were funded by the BAF, which supported rural producer groups to monitor reforms in their specific sectors. This allowed local producers to keep a track of changes in their regulatory framework and how this affects their business.

5.4 Measuring long-term impacts

The Review Team found that very few respondent agencies attempted to measure impact in terms of increased investment, economic growth, employment creation, or poverty reduction. Most focused on the outputs and outcomes of their programme interventions. Very few respondents were aware of the DCED's recent work on results measurement and the establishment of DCED Standard as a practical framework for measuring results according to good practice.³

While the difficulty of attributing impact to a specific programme's intervention was often cited as the main reason for this, there appeared to be others. Many donors found that the time-lag between the end of a programme and the time required to measure its impact caused problems.

However, it is also clear that many priorities for donor agencies change over time. A number of agencies consulted during the interview week were in the process of restructuring or redefining their priorities. In these cases, donor staff were more interested in formulating new programmes and setting new directions than they were in stopping to measure the impact of a programme, which may have been finished two or three years ago.

Indeed, regardless of whether agencies were in the process of restructuring or re-prioritising, many donor agencies exhibited a greater interest in designing new programmes or new programme phases, than investing in measuring the impact of an old programme.

3 For more information go to: <https://www.enterprise-development.org/measuring-results-the-dced-standard/>

5.5 Ensuring quality

Many agencies described how they used international experts or headquarter-based specialists to check on the quality of their PSD-BER support programmes. This was typically done through mid-term reviews or other assessment processes.

A number of agencies referred to international benchmark assessments, such as the Global Competitive Report and the Doing Business reports as ways of comparing progress.

A few agencies described how they involve international standards or professional bodies in their programmes to ensure quality. JICA, for example, described the annual involvement of the World Customs Organization in their customs reform programme.

Some agencies again referred to the use of study tours and other forms of peer-to-peer learning that were used to ensure quality. While these forms of learning and information sharing can be extremely useful, such interventions do not in themselves ensure quality.

Overall, there was very little evidence that donor or development agencies are integrating quality assurance processes in their PSD-BER support programmes.

Box 19: DCED Donor Guidance Principle 15: Promote quality assurance in development agency support of business environment reform

Development agencies should ensure they provide the best possible advice and assistance to their partners when supporting reforms that lead to a better business environment. This requires agencies at headquarter and field-office levels to be familiar with current international best practice and responsive to the needs, capacities and expectations of their public, private and civic partners. Development agencies should encourage the transparent review and assessment of their programmes in collaboration with government, the private sector and other development agencies; they should support and participate in peer review processes and contribute to the improvement of business environment reform programmes through knowledge management, training and seminars, study tours and any other activities that promote the exchange of information and experience toward more effective support programmes.

5.6 Telling the impact story

Finally, respondent agencies were asked to describe any effective means they have found to describe the impact PSD-BER support programmes have on economic growth, employment creation and poverty reduction. On the whole, most agencies were unable to cite any examples. However, a few agencies referred to the value of combining international benchmark assessments (such as Doing Business), with a human interest story, which showed how, for example, improvements in the customs regime have helped Kenyan traders to sell their products to outside markets.

Annex 1: Summary of Kenya BER-support programmes

Below is a brief some of the major BER-support programmes currently in operation in Kenya.

European Commission

Support to the **Kenya Investment Climate Programme (KICP)** — see below under IFC.

Agreement with IFC 2010-2014: 3.4 Million Euros

For further information contact: Sunita Kapila

Danish Agency for International Development (Danida)

Programme name: Business Sector Promotion Programme (BSPS)

Brief programme description: The goal of the BSPS, which is also the goal of the ERS, is to assist the Government of Kenya to restore economic growth through wealth and employment creation as means of poverty reduction. The development objective of the programme, which is derived from the Private Sector Development Strategy, is to assist in alleviating poverty by creating an enabling environment for the private business sector to facilitate economic growth, to improve competitiveness and to ensure long-term employment generation as means of sustainable poverty reduction.

The BSPS consists of three components, each with its own intermediate and immediate objectives:

- 1 Improved Business Environment
- 2 Enhanced Competitiveness of Micro, Small and Medium Enterprises
- 3 Improved Labour Market

The business environment component has included support for the establishment of the Business Advocacy Fund (BAF).

Danida is has designed a second phase of the BSPS, which, if approved, will run from 2011 to 2015. This includes a substantial component on supporting an improved business environment, which contains continued support to the BAF as well as support to the TradeMark East Africa programme.

Programme Start Year: 2006

Programme End Year: 2010

Total cost of programme: 150 million Danish Krone

For further information contact: Kim Kristmoen

International Finance Corporation

Programme name: Kenya Investment Climate Programme (KICP)

Brief programme description: The overall objective of the KICP is to attract investment and spur trade and economic growth in Kenya through improvements of the regulatory environment for businesses. The programme focuses on reducing regulatory costs and

risks for businesses and on building regulatory reform capacities in the public and private sectors. It consists of three work streams:

- 1 Regulatory Reform, including Regulatory Simplification, Doing Business Indicators, Sub-National Regulatory Reform;
- 2 Investment Generation (Special Economic Zones and Investment Policy and Promotion); and
- 3 Trade Logistics.

Programme Start Year: 2008

Programme End Year: 2012

Total cost of programme: USD 11.7 Million

For further information contact: Fred Zake, Task Team Leader

Japan International Cooperation Agency

Programme/project name: One Village One Product (OVOP)

Brief programme description: OVOP Programme establishes a system in the national and district levels to support small businesses that use local endowments.

Programme/Project Start Year: 2009

Programme/Project End Year: 2011 (planned to continue)

For further information contact: Tomo Ishikawa

Japan International Cooperation Agency

Programme/project name: Trade Training Programme for SME Exporters

Brief programme description: This project aims to develop capacity of Export Promotion Council to provide trade training to SMEs. Kenya Institute of Business Training has joined in the second phase to strengthen its capacity to provide business management training and consulting services.

Programme/Project Start Year: 2007

Programme/Project End Year: 2012 (1st Phase 2007-10; 2nd Phase 2010-12)

For further information contact: Tomo Ishikawa

Japan International Cooperation Agency

Programme/project name: Project for Capacity Building for the Customs Administrations of the Eastern African Region

Brief programme description: This is a regional project with five revenue authorities and freight forwarders associations in EAC as counterparts. This project aims to achieve smooth and efficient customs clearance with support of proper operation of OSBP by each customs administration and through establishing constructive relationships with the customs agents.

Outputs are:

- 1 The capacity of customs administration is enhanced: and

- 2 Compliance level and capacity of customs agents are enhanced through the strengthened functions of customs agents associations.

Programme/Project Start Year: 2007

Programme/Project End Year: 2012 (1st Phase 2007-09; 2nd Phase 2009-13)

For further information contact: Tomo Ishikawa

Netherlands Ministry of Foreign Affairs

Support to the **Kenya Investment Climate Programme (KICP)** — see below under IFC.
Programme name within the Netherlands ministry: “Regulatory Performance And Capacity Building Project (KRPCBP)”.

Agreement with IFC 1 July 2008 to 30 June 2011: 1.5 Million Euros

For further information contact: Corinne Abbas

United Nations Development Programme

Programme/Project Name: Catalyst Fund

Brief description: UNDP manages the Catalyst Fund on behalf of the Private Sector Donor Group. This is a pooled fund for “quick wins” in implementing the PSD Strategy. The Catalyst Fund is often used to fund small-scale disbursements (generally between \$30,000 and \$140,000) that donors would find difficult to finance directly, hence this structure reduces transaction costs. Recent activities include capacity building, research and in the case of the PSDS Secretariat, temporary support with overheads while government funding was being arranged.

The Catalyst Fund, initially funded by Danida, UNDP and the EU, now also receives financial contributions from DFID.

Programme/Project Start Year: 2007

Programme/Project End Year: 2012

Total cost of programme: about US\$1 million per year

For further information contact: Boniface Kitili

U.K. Department for International Development

Programme: PRIME (Promoting better Regulation, Investment, Markets and Employment)

Brief programme description: Promoting better Regulation, Investment, Markets and Employment in Kenya programme (PRIME) is DFID’s contribution over five years to a wider multi-donor sector approach to support the Government of Kenya’s Private Sector Development Strategy. The programme purpose is “To facilitate better functioning and regionally integrated markets with wider participation of the poor in domestic and international trade”. It has four components:

- 1 Improving the investment climate;
- 2 Promoting efficient and diversified trade across borders;
- 3 Developing key market systems; and
- 4 Private sector coordination.

Programme Start Year: Nov 2009

Programme End Year: Dec 2014

Total cost of programme: £9 million

For further information contact: Gitau Mburu

U.K. Department for International Development

Programme/project name: TradeMark East Africa (TMEA)

Brief programme description: While TradeMark East Africa (TMEA) was initiated by DFID, it is a 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.

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.

The TMEA-Kenya programme engages public, private and civil society actors in business environment reform processes. It uses a blend of technical assistance and financial aid. Key beneficiaries and implementing agencies will be the Ministry of Trade, Ministry of Transport, the Ministry of the East African Community, 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.

It is anticipated that Danida will contribute to this programme in the second phase of the BSPS, see above.

Programme Start Year: 2010

Programme End Year: 2015

Total cost of programme: £13 million

For further information contact: Gitau Mburu

U.K. Department for International Development

Programme/project name: FSD (Financial Sector Deepening Trust)

Brief programme description: FSD aims at promoting financial access among the Kenyan poor. It works directly with banks, MFIs and other providers of financial services. It operates at the policy level (macro), service provider level (meso) and works with direct beneficiaries (micro). Its work is also geared toward improving the overall policy and regulatory environment for increasing financial access for poverty reduction.

Programme/Project Start Year: Aug 2001 (as a DFID programme); Jan 2005 (as a Trust)

Programme/Project End Year: Aug 2010

Total cost of programme: £13.8 million

For further information contact: David Ferrand

World Bank

Programme/project name: FLSTAP (Financial and Legal Sector Technical Assistance Project, Kenya)

Brief programme description: FLSTAP is aimed at creating a sound financial systems and strengthened judicial capacity that will ensure bread access to financial and related legal services. The project is led by the World Bank, is based at the Ministry of Finance and works with over 20 implementation agencies for activities spread in seven components.

Programme/Project Start Year: Aug 2004

Programme/Project End Year: Sep 2011

Total cost of programme: £6 million (DFID contribution)

For further information contact: Yira Mascaro

Annex 2: List of Respondents

The Review Team met with the following respondents during the review week (15-19 November 2010):

Corinne Abbas
Netherlands Ministry of Foreign Affairs

Ismail Chemjor
Regulatory Reform Consultant: Investment Climate Advisory Services
International Finance Corporation

Clive Davis
Fund Manager: Business Advocacy Fund

Andrew Edewa
United Nations Industrial Development Organization

Stefan Engles
United Nations Development Programme

Sachin Gathani
Finance and Private Sector Development
World Bank

Reimund Hoffmann
GTZ

Tomo Ishikawa
Project Formulation Advisor (Economic Infrastructure)
Japan International Cooperation Agency

John Kabutha
CIDA Regional Program: Economic Growth and Trade Advisor
Canadian International Development Agency

Sunita Kapila
Programme Manager: PSD and Trade
European Union Delegation to Kenya

Carole Kariuki
Chief Executive Officer
Kenya Private Sector Alliance

Romana Kimende
Finance Specialist: Private Sector Development Strategy
Ministry of Trade, Government of Kenya

G.M. Kionano
Deputy Director External Trade
Private Sector Development Strategy Secretariat
Ministry of Trade, Government of Kenya

Kim Kristmoen
Counsellor, Business Sector Programme Support
Royal Danish Embassy

Tim Lamont
UK Department for International Development

E.A. Lubembe
Head, Public Service Transformation Department
Office of the Prime Minister, Government of Kenya

Gladys N. Maingi
Chief Technical Advisor
GTZ

Kato Mari
Japan International Cooperation Agency

Yira J. Mascaro
World Bank

Gitau Mburu
UK Department for International Development

Lillian Mbogo
United Nations Development Programme

Sarah Ochieng
Programme Coordinator: Public Service Transformation Department
Office of the Prime Minister, Government of Kenya

Joe Okudo
Business Sector Programme Support
Royal Danish Embassy

Paul Okwi
Senior Programme Officer: Globalisation, Growth and Poverty
International Development Research Centre

David Otieno Ongolo
Economist
Embassy of the Kingdom of the Netherlands

Hellen Oriaro
Development Officer
Canadian International Development Agency

Pharesh Ratego
United States Agency for International Development

Stuart Tibbs
UK Department for International Development

Fred Zake
Coordinator: Kenya Investment Climate Program
Investment Climate Advisory Services
International Finance Corporation

Annex 3: Kenya BER review; approach and methodology

Purpose of the review

There are two broad reasons for conducting a review of BER-support programmes and practices at the country level:

- 1 To improve donor and development agencies' policies and practices in private sector development in general and business environment reform in particular; and
- 2 To improve donor coordination through a better understanding of the various approaches, processes and mechanisms donor and development agencies use to support private sector development and business environment reform.

The review will benefit participating donor and development agencies at headquarter and field levels. At the field level, the review will highlight the challenges faced in supporting BER, identify best practices and lessons learned, and improve collaboration between agencies and with programme partners, such as government partners and business representatives.

A review of BER-support programmes is not considered an evaluation of these programmes. Where an evaluation would typically examine the outcome and impact of a BER-support programme and measure this against the resources contributed to the programme, this review will focus on the practice of supporting reform in developing countries. Thus, the focus of the review is on how donor and development agencies go about the processes associated with:

- Assessing the business environment and identifying reform priorities;
- Designing and managing business environment reform programmes; and
- Monitoring and evaluating business environment reform outcomes and impacts.

While examining these practices, the review will identify how donor and development agencies are:

- Working with programme partner, such as developing country governments, business membership organisations and other civil society organisations;
- Collaborating with other donor and development agencies engaged in BER at the country level;
- Harmonising their programme interventions with key national development plans and frameworks;
- Measuring the results of their programme interventions and benchmarking change; and
- Promoting sustainability of reform efforts.

The above points are just some of the challenges agencies face when supporting BER in developing countries. The 2008 DCED donor guidance lists a wide range of these challenges, which will form the basis of the review.

Criteria for reviewing strategic sectors within participating agencies

The Review Team will meet with donor and development agencies and their programme partners to discuss BER support programmes and practices. The questions below will be used as a guide for these consultations.

1 Frameworks for the support of PSD-BER

The frameworks the agency adopts for its support of PSD-BER will be assessed with the following criteria:

- 1.1 To what extent does the agency adopt a systemic approach to reform (DCED Principle 1)?
- 1.2 To what extent do the agency's programmes respond to local demands for reform (DCED Principle 3a)?
- 1.3 To what extent does the agency's programmes stimulate a demand for reform and work with drivers of change (DCED Principle 3b)?
- 1.4 To what extent does the agency's programmes demonstrate an understanding of the political economy of reform and the capacity to respond to it (DCED Principle 2)?
- 1.5 To what extent does the agency focus on what the private sector needs through public-private dialogue (DCED Principle 6)?
- 1.6 To what extent does the agency participate in donor coordination mechanisms at headquarter and field levels (DCED Principle 13)?

2 Designing PSD-BER programmes

The way the agency designs its PSD-BER programmes will be assessed with the following criteria:

- 2.1 To what extent does the agency focus on the binding constraints to business growth and scope reforms accordingly (DCED Principle 7)?
- 2.2 To what extent does the agency align reforms with national development plans (DCED Principle 12)?
- 2.3 To what extent does the agency sequence business environment reform measures and allow sufficient time for these to be realised (DCED Principle 8)?

3 Managing PSD-BER support programmes and projects

The way the agency manages its PSD-BER support programmes and projects will be assessed with the following criteria:

- 3.1 To what extent does the agency apply a clear communication strategy and make strategic use of the media (DCED Principle 10)?
- 3.2 To what extent does the agency ensure domestic ownership of reform efforts (DCED Principle 4a)?
- 3.3 To what extent does the agency work with government as the lead agent (DCED Principle 11)?

- 3.4 To what extent do agency programmes address the implementation gap by ensuring new or revised policies, laws and regulations are realised (DCED Principle 9)?
- 3.5 To what extent do agency programmes strengthen the role and capacity of key stakeholders to engage in and manage PSD-BER (DCED Principle 5)?
- 3.6 To what extent do the agency's programmes appear to balance international and national expertise in PSD-BER (DCED Principle 14)?

4 Monitoring and evaluating PSD-BER support programmes

The agency's use of monitoring and evaluation in PSD-BER support will be assessed with the following criteria:

- 4.1 To what extent does the agency ensure that a clear monitoring and evaluation framework is in place for all its PSD-BER support programmes?
- 4.2 To what extent are monitoring and evaluation indicators linked to identified needs and demands for reform?
- 4.3 To what extent does the agency ensure participation by domestic stakeholders in the monitoring and oversight of reform efforts (DCED Principle 4b)?
- 4.4 To what extent does the agency attempt to measure the long-term impact of its PSD-BER support programmes?
- 4.5 To what extent is the agency able to exert quality control and influence on its PSD-BER support programmes and projects (DCED Principle 15)?
- 4.6 Do you have any good examples or case studies concerning the effectiveness or impact of your BER support programmes?