



Institute of Economic Affairs

Strategic Plan 2004-2008

VOLUME 1: STRATEGIC AGENDA

*Celebrating 10 Years of legal recognition in
2004*

March 2004

Published by the Institute of Economic Affairs

P O Box 53989
00200 Nairobi GPO
Kenya

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INTRODUCING THE INSTITUTE OF ECONOMIC AFFAIRS

The Institute of Economic Affairs (IEA) is a Kenyan civic forum that seeks to promote pluralism of ideas through open, active and informed debate on public policy issues. The IEA is independent of political parties, pressure groups, lobbies or any other partisan interests. The IEA is recognised as Kenya's first public affairs dialogue forum.

Non-partisan and liberal in orientation, the IEA's mandate is to promote an informed discourse on key policy issues - both economic and political - and to examine and promote feasible policy alternatives in these areas. In addition, the IEA provides important research backup and analytical support to policy makers and implementers drawn from the three arms of government - the executive, the legislature and the judiciary.

The IEA is registered under the Companies Act - Cap 486 of the Laws of Kenya - as a company not having a share capital and limited by the guarantee of its members. Under Memorandum and Articles of Association, a non-executive board of directors governs the IEA.

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FOREWORD

I am deeply privileged to write this foreword as the Institute of Economic Affairs (IEA) begins its tenth statutory year, even though we began our exciting work in 1992. As you, our members, partners and supporters will recall, the dawn of the multi-party era was a volatile time in Kenya. After two years as a civic forum, we found formal recognition as a company limited by guarantee in 1994.

In the past decade, we have established ourselves firmly in the public domain as a credible knowledge broker and a forum for professionals to articulate diverse views on public policy in Kenya. Our genesis in the form of the **Post Election Action Programme** was, during the height of the 1992 election campaign, the first initiative by committed professionals to back political actors and interest the public in informed and open policy debate. Research-driven policy debate served us well in our formative years, providing a public platform to engage the Executive, as did our post-PEAP "state of the nation reports" - **People, Economic Affairs and Politics** in 1994, and **Our Problems, Our Solutions** in 1998. The feedback we received persuaded us of our important role in Kenya. By 1998, we recognised that legislative influence was necessary to widen our impact in Kenya.

Our shift since 1998 to a thematic programme focus has allowed us to achieve both policy and legislative impact. Even as we continue to objectively engage with the Executive, we have established a powerful rapport with Parliament, who appreciate the research backup and analytical support we provide. Evidence shows that we contributed to almost 20% of the laws passed in the Eighth Parliament, as well as invaluable support to the Constitutional Review Commission of Kenya on economics, finance and public management issues.

As we begin 2004, we recognise that we must continue to remain relevant to Kenya's own development. The popular political transition of 2003 portends great change for Kenya. We are persuaded that the new administration seeks "constructive partnership" to lift Kenya out of the doldrums. This is a challenge we now face.

Concurrently, and without diverting from our non-partisan stance, we must graduate to the next level in our own development path. Our programmes seek long-term sustainability, beyond project-level success. Sound governance, institutional, financial and knowledge management structures and systems must underpin programme growth. These opportunities and challenges define our agenda for the coming five years. As the IEA board and staff, with generous financial and moral support from our partners, we have mapped the agenda into this strategic plan. The plan is based on three strategic themes: **upstream influence, downstream participation and institutional sustainability**. We have then located our programmatic framework within these goals, through **four core programme areas and one programme "incubator"**.

At this point, I welcome you to study the plan and support us - in any way you can - in contributing to realising the vision we subscribe to: **"A Kenyan society with a well managed economy that allows for an informed public participation where national interest, justice and dignity of all citizens are upheld"**.

James Karuga
Chairman, Board of Directors

ACKNOWLEDGEMENTS

It is with much excitement that we celebrate the completion of our first formal decade in March 2004. The unfailing support of many has given the IEA the creativity and character to face our many challenges with an open, informed mind.

As an organisation working with development partners, we are eternally grateful for the financial, technical and moral support we have received since our inception, including the *Friedrich Neumann Foundation*, *The Westminster Foundation for Democracy*, *Rockefeller Foundation*, *Royal Danish Embassy*, *Royal Netherlands Embassy*, *United States Agency for International Development (USAID)*, the *Swedish International Development Agency (SIDA)*, *Embassy of Finland*, *British Council*, *Department for International Development (DFID)*, *International Development Research Centre (IDRC)*, *Ford Foundation*, *Oxfam Netherlands (NOVIB)*, *Friedrich Ebert Stiftung*, *Hanns Seidel Foundation*, *Centre for International Private Enterprise (CIPE)* and *Consumer Unity and Trust Society (CUTS - India)*. We acknowledge deeply the lessons and experiences we have shared during this collaboration, which we look forward to expanding in the future through this strategic plan.

It would be unfair not to extend similar acknowledgement to all the organisations we have worked with over the past decade, in partnership, collaboration and networks. Modesty does not permit a full listing of names in this limited space, yet honesty demands that we look forward to broader and deeper relationships with you during the period of this plan.

As an organisation “owned” by the personal guarantee of our members, we express our profound gratitude for your support as loyal members. Many of you will remember days bygone, when we were often under threat for holding “secret meetings”, even as we debated issues of public policy. You have remained faithful to our cause, and we would not be where we are today without your timely ideas and suggestions. This strategic plan promises to create a more active, involved role for members. We shall also count on your continued support in achieving our objectives under the plan.

If our members are our “eyes”, then our “heart” has been the IEA board and staff. For both past and present, words cannot express our deep appreciation to you all for the boundless energy and commitment that has brought us to the point we are today. At this point we also acknowledge with gratitude the selfless effort and inspired guidance that our consultants in this process, Maer Associates, provided at our planning retreat, while the IEA team finalised the plan.

We remain convinced that our “upstream” work will continue to garner respect and build our credibility in the national policy arena. We strongly believe that the introduction of “downstream” work to improve public participation in policy making will situate us at the nucleus of Kenya’s democratic evolution. Chiefly, we know we can rely on you all to help us realise our dream.

Indeed, this entire acknowledgement goes to all who we may erroneously have failed to mention here, yet are inspired by our own *raison d’etre*: **“To help Kenyans influence decisions that affect them by creating knowledge and space for them to review policy and public affairs”**.

ACRONYMS AND ABBREVIATIONS

| | |
|-------------------|---|
| ABP | Annual Budget Plan |
| ACEG | African Centre for Economic Growth |
| AGOA | Africa Growth and Opportunity Act |
| AU | African Union |
| BIP | Budget Information Programme |
| CGD | Centre for Governance and Development |
| CKRC | Constitution of Kenya Review Commission |
| CRD | Constitution Reform Debates |
| CSO's | Civil Society Organisation |
| CUTS | Consumer Unity and Trusts Society |
| DFID | Department for International Development |
| EAC | East Africa Community |
| ECA | Economic Commission for Africa |
| EU/ACP | European Union/African Caribbean Pacific |
| GATS | General Agreement on Trade in Services |
| HBF International | Heinrich Böll Foundation International |
| ICPAK | Institute of Certified Public Accountants of Kenya |
| IDASA | Institute of Democracy in South Africa |
| IEA | Institute of Economic Affairs |
| IPAR | Institute of Policy Analysis and Research |
| KIPPRA | Kenya Institute of Public Policy Research and Analysis |
| LSK | Law Society of Kenya |
| M&E | Monitoring and Evaluation |
| MPs | Members of Parliament |
| NCC | Nairobi City Council |
| OMPU | Oxford Management Policy Unit |
| PBO | Parliamentary Budget Office |
| PESP | Parliamentary Economic Support Programme |
| PSC | Parliamentary Service Commission |
| RODI | Resource Orientated Development Office |
| SID | Society for International Development |
| TI | Transparency International |
| TWN Africa | Third World Network Africa |
| GBI | Gender Budget Initiative |
| WTO | World Trade Organization |
| KAM | Kenya Association of Manufacturers |
| COMESA | Common Market for Eastern and Southern Africa |
| Fy's | For the Year's |
| NGO's | Non- Governmental Organization's |
| CBO's | Community Based Organization's |
| ERSWEC | Economic Recovery Strategy for Wealth Employment Creation |
| PRSP | Poverty Reduction Strategy Paper |
| NARC | National Rainbow Coalition |

**2004-2008 STRATEGIC PLAN
VOLUME I – STRATEGIC AGENDA**

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EXECUTIVE SUMMARY

This strategic plan for 2004-2008 has been prepared to guide the Institute's work during the years of transition following the election of a new president and party for the first time in Kenya's 40 years in 2002. It is anticipated that these years will be characterised by initiatives intended to revive the economy and build sustainable institutions of democracy. The IEA intends to play a significant role in this process and hence the preparation of this strategic plan.

The IEA started operations in 1994 and until 1999 it operated 2 distinct projects – the topical debates and the agenda series. In 1999 the organisation adopted a thematic approach to its topical debates. This was the forerunner to the diversification of the Institutes activities and programmes, and was captured in the strategic plan prepared for the period 2002-2004, in 2001.

This plan covering the period 2004 – 2008 has been prepared to position the Institute to make a significant contribution to the institutionalisation of democratisation and engagement during this period of transition. It is prepared one year into the transition. Unlike the heady first days early 2003 characterised by high expectations, Kenyans are now more conscious of the depth and breadth of required institutional reforms for the emergence of an accountable government that is kept in check by robust institutions and alert citizens.

In pursuit of our vision of *“An open Kenyan Society with a well managed economy that allows for an informed public participation where national interest, justice and dignity for all citizens are upheld”*, the IEA has prepared this strategic plan to foster its mission in the realisation of this vision. *In this regard the IEA has designed strategies that will enable the organisation to work with other Kenyans, within their national institutions and other organisations to influence decisions on the basis of knowledge and evidence.*

The strategic plan builds on the experience of the IEA since inception as well as responds to challenges thrown at the Institution following reviews undertaken in 2002. This plan is anchored on 2 main strategic thrusts:

- Continuing policy influence at the national level. This is the area in which the IEA has worked within in the past. This has involved working with national level actors such as Parliament, the organisations of the private sector and national lobbies (e.g. KAM), the constitution of Kenya review commission and national network of NGOs. In this strategic plan period the IEA will continue to work at this level.
- Promotion of public participation in policy influence at lower levels. Past reviews have observed that while IEA does very good work, it has confined its operations to the centre and national level institutions. While we shall continue to lay emphasis on this work at the national centre, during this plan period, the Institute intends to work with networks and groups that have broad national outreach. *The IEA will not develop the infrastructure itself but will work with networks of civil society organisations and CBO's who have an interest and stake in the areas of focus that the IEA has developed.*

The Strategic plan is designed to serve a dual purpose:

- Present and lay out conceptual and operational framework for dialogue with the partners and stakeholders of Institute of Economic Affairs. It lays out the strategic direction the IEA

intends to take over the next 5 years. In this strategic plan period, the IEA will build on its experiences over the last 10 years and responds to observations and challenges made by partners and stakeholders.

- Serve as an instrument for mobilising resources (technical, informational and financial) among partners of the Institute.

Consistent with this dual purpose, the Strategic Plan outlines objectives, activities, partnerships, institutional framework and indicative budget.

Following this introduction, the document:

- Provides a contextual analysis,
- Outlines the strategic orientation of the IEA over the next 5 years
- Identifies the themes for programme concentration within this strategic plan,
- Provides a (results framework) logframe, along with risks and assumptions associated to it,
- Discusses the institutional framework required for the efficient delivery of this Plan
- Outlines an indicative budget.

While applying IEA's strategic direction, we will work on a limited number of areas/themes. These are chosen because the IEA cannot apply itself to every subject. In our view the main challenges for the country lay in the areas:

1. Public finance management and institutional reform to reflect priorities of the population. This will be signified by the use of public resource.
2. Promotion of economic recovery, increased investment and broader participation. The framework for economic regulation will determine this.
3. Development of shared perspectives of the desired future for the country.
4. Building sustainable institutions for democracy to mature.
5. Ensuring that Kenya benefits from ongoing integration and regional development initiatives.

These challenges provide an opportunity for the IEA to continue working on areas that it has developed in the past and for which it has significant knowledge/information/material/resources etc. In this plan period we shall ensure that these activities and programmes reflect the strategic thrust discussed above.

The IEA's programme work will be organised under the following thematic areas:

1. Economic Regulation and Promotion of Competition.
2. Management of public finances in the country.
3. Trade policy development and reform.
4. Building common futures.
5. Special Projects.

1.0 EXTERNAL STRATEGIC CONTEXT: SCANNING THE ENVIRONMENT

Introduction

In 1963, Kenya emerged from colonialism, a nation of diversity with a simple yet profound unifying vision situated in the eradication of three ills - **poverty, ignorance and disease**. The country was unable to sustain this vigour beyond the first decade of independence. Kenya entered the 21st century as a nation in distress, and perceptibly at risk of a downward spiral towards economic collapse and social disintegration. The country experienced steady growth and improvements in living standards during the first decade following independence. This declined in the 1970s following the oil crisis and by the 1980s the country was grappling with adjustment and reform. Following economic liberalisation, Kenya experienced a period of short-lived positive growth in the mid-90s, but this trend had been reversed by the end of the decade. Since then, the country has experienced constant decline and worsening living conditions, for the majority of the people and increased poverty. As it stands today the country faces a number of challenges that explain the current state of affairs. Below we analyse some of these challenges.

The Challenge of Political Uncertainty

Though the country has since 1992 embraced multiparty democracy, the exit of KANU and entry of a coalition government under the banner of National Rainbow Coalition (NARC) poses a new challenge. NARC is a coalition political party that draws corporate membership from several political parties. The cohesion of the ruling party, NARC has been threatened by wrangling, pitting the Liberal Democratic Party (LDP) faction and the National Alliance Party of Kenya (NAK). There are no signs of the battles stopping indeed the recent cabinet reshuffle (June 30th, 2004), which appeared to favour the NAK faction will only serve to fuel the rivalry. It is obvious that government business transacted in parliament will also suffer since the government side will not be able to garner the necessary support. In addition, rigid positions taken by both factions on the constitution might result in demonstrations and riots and thus disruption of business and public affairs, which is disastrous for an economy struggling to recover from a long spell of recession.

1.1 The Economic Governance Challenge

The issue of governance poses serious challenges to the implementation of government programmes, particularly in light of the impending decentralisation of services to district and community levels. However, this is happening at a time when local authorities are weak and dogged by corruption and incompetence. Notably, the government has in record time passed a number of Bills into law in a bid to improve discipline in public sector management, stem corruption and facilitate efficient and effective public service delivery. These include; the Government Financial Management Act, the Public Audit Act, the Anti-Corruption and Economic Crimes

Act and Public Officers Ethics Act. Others like Public Procurement Bill and Privatisation Bill have received Cabinet approval but are yet to be enacted in law. Certain reforms such as the overhaul of the Judiciary, the shake-up of government procurement officers, declaration of wealth by senior personalities in government, including parliamentarians have sent clear signals that the new government is committed to fight corruption. However, the key challenge in governance lies in the public management and institutional reforms

We also note that Parliament is becoming increasingly assertive but lacks the necessary technical support in addition to a consistent policy message.

A legacy Challenge in Economic Decline & High Poverty Prevalence

The country witnessed economic decline of magnitudes not recorded in the past, registering just over 2 percent growth rates in the 1990s and negative growth in 2000. There was markedly inefficient use of public resources, characterised by a high wage bill and substantial reduction in budgetary allocations to physical infrastructure, including strategic ones like the ports, and social services like health and education. Introduction of cost sharing in the social services sector did not help the situation; rather it kept the services out of the reach of many citizens. Virtually all sectors of the economy suffered low productivity and loss of competitiveness due to the rising costs of doing business. Insecurity, including threats from terrorism also kept off potential investors while withdrawal of external financing to government affected the delivery of public services and subsequently economic performance.

Nevertheless, improved economic governance has yielded some positive impact. Private sector has shown signs of increasing their investment in the economy. The stock market has in the recent past also witnessed vibrancy (with Nairobi Stock Exchange Index rising from a low of 1000 in September 2002 to over 2800 in January 2004) and donors have committed substantial resources for the support of development programmes in Kenya.

Statistics available indicate that more Kenyans live below the internationally indicative "dollar-a-day" poverty line today than in the 1980s. This is evident in the income "trend" which has been deteriorating, with the number of people in Kenya living in poverty increasing from 11 million people in 1990 to 17 million in 2001¹.

The biggest challenge for the country therefore is in putting back the economy on the path of a sustainable economic recovery.

Open unemployment today stands at almost 2 million people, or 15% of the total labour force, with almost half the unemployed being youth. Disguised

¹ Government of Kenya, June 2003. "Economic Recovery Strategy for Wealth and Employment Creation, 2003 - 2007", Nairobi, Kenya.

underemployment, particularly within the relatively inefficient public sector further exacerbates Kenya's challenge.

1.2 The Fiscal Challenge

Despite the positive progress made, there are some factors that still threaten economic revival. First, is the threat to cohesion of the coalition government, particularly in the light of the stalemate in the Constitutional Review Process. Second, is the tourism sector, which is still struggling to recover from the after-effects of the travel advisory, occasioned by the fears of terrorism. Third, is in the high demand for public spending on education (universal free primary education) and health that might ultimately limit the ability of the government to spend on other key sectors like economic infrastructure (both physical and financial). Fifth, is the high level of domestic debt estimated at 22 percent of GDP expected to increase demand on the exchequer too. Finally, we note that the high public sector wage bill estimated to be 9 percent of GDP² coupled with the increasing demand for higher wages from civil service employees and university lecturers will also pose serious challenges to the NARC administration.

1.2.1 The integration challenge

There is widespread concern that globalisation has not worked as widely as expected, especially in poorer nations such as Kenya. The extended fear of the negative effects on producers in countries that liberalise markets, when policy, institutions and infrastructure are weak, has increased the clamour for protectionism. Yet, in many cases it is argued that the resulting price regimes for food-deficient countries have tended to impact those with the least purchasing power.

On the other hand, developing countries such as Kenya are rightly concerned that wholesale liberalisation, and privatisation, will result in the transfer of ownership and control of national assets and economic sovereignty to foreign nations and corporations. This fear is at the core of the present WTO debate, as is the fear of increasing pressure for increased market access from the same nations with which Kenya seeks to enter into development partnership.

Further, we note that, even in Africa, Kenya is not an island. Regional economic integration proceeds apace, with a strong pro-people intent evident in initiatives supporting the EAC, COMESA, and, most recently following the rebirth of the African Union, the New African Partnership for Development (NEPAD). Kenya's challenge is clear - this country must lead from the front on all of these initiatives, whether it is in terms of good governance, cutting-edge ideas for fostering economic development or deeper democracy.

² Government of Kenya, Public Expenditure Review, 2003

1.2.2 The Inequality Challenge

Statistics published in the recent past by the Central Bureau of Statistics (e.g. in the Economic Survey, 2004; Poverty Maps etc.) indicate that Kenya is a country of great inequalities, both regional and gender, with some constituencies (e.g. Ganze) registering poverty prevalence of 81.8% while others (e.g. Kabete) registered poverty prevalence level of 16.9%. It is also evident that urban areas enjoy better access to essential services than rural areas, in terms of spread, reach and quality. Evidence of inequalities can also be seen in employment and wage levels, status of infrastructure, literacy levels, disease prevalence, infant mortality, access to health service, school enrolments and direct access to education opportunities etc. Most poignant, however, is the strong gender dimension to Kenya's poverty, whose greatest prevalence is in female-headed households within a society that accords unequal power status to men and women, and spreads opportunity asymmetrically between boys and girls.

We are also concerned that our patterns of growth are exacerbating income inequalities. We note that sectors on which majority of Kenyans depend on continue to perform dismally while those with fewer dependents have tended to perform better. For example, over 80 percent of the country's rural population is still dependent on the agricultural sector which has in the recent past registered lower growth rates estimated at negative 2.1 percent in 2000 rising gradually to a paltry 1.5 percent in 2003. In contrast, a sector such as the banking sector, which employs approximately 3.8 percent of the country's labour force, has been growing at higher rates, reaching 3 percent in 2003. This demands that institutions like the IEA investigate our growth patterns and the existing inequalities with a view to informing our development plans.

The challenge to Enhance Quality of Life

The quality of service and level of access of public service has been deteriorating in the recent past. This has resulted in high disease prevalence, high infant mortality, high levels of insecurity. HIV/AIDS has also taken its toll on the citizens, with women and girls at higher risk of contracting the disease. Connectivity to the national electric power grid and telephony is still very low and expensive relative to other economies. In addition, statistics indicate only slightly over 30 percent households have access to clean piped water. Public sector reforms and the improvement of infrastructure must go hand in hand as the country attempts to maintain levels of growth while getting its citizens out of poverty.

2.0 INTERNAL STRATEGIC CONTEXT: IEA PAST AND PRESENT

2.1 History and Mandate

Until Kenya's return to plural politics in December 1991, there was hardly any space for alternative views on public policy. Years of authoritarian single-party rule had silenced all but the most determined dissenting voices. By then, however, the culture of active and open debate had been so suppressed that innovative and creative ideas would not reach a public forum where they could be tapped for the benefit of the country and its people. Kenya's internal brain drain had taken a heavy toll on the utilization of existing professional capacities.

The Post Election Action Programme (PEAP) was, during the height of the 1992 multi-party election campaign, the first initiative by committed professionals to back up political actors and the interested public for an informed and open policy debate. PEAP anticipated a reform minded government would emerge after the 1992 elections.

The success of PEAP in mobilizing committed and responsible professionals in exposing well-researched and proactive policy options prompted discussions across a wide spectrum of interested parties. They supported the need of maintaining the momentum the PEAP had created by institutionalising this initiative.

It was decided to set up an independent organization to be called **The Institute of Economic Affairs (IEA)**. The IEA was therefore formally established in 1994. The mandate of the institute straddles both economic and political issues as the two are inextricably linked.

The IEA was conceived on the basis of professional commitment and integrity as opposed to commercial motives, which more often than not infringe upon quality, independence and sustainability.

2.2 Vision, Mission and Core Values

2.2.1 *The Vision of the IEA*

"A Kenyan society with a well managed economy that allows for an informed public participation where national interest, justice and dignity of all citizens are upheld"

The vision of the IEA captures the aspirations that the professionals who pioneered it had for the country. It is a vision informed by the history of mismanagement of public resources, absence of an environment conducive for enterprise and violation of citizen rights and dignity. Our vision seeks to reverse these trends to create economic and political space for Kenyans to realize their potential.

2.2.2. The Mission of the IEA

“The Mission of the IEA is to facilitate the review of policy and public affairs by Kenyans in order to inform decision making processes”.

The Mission of the IEA captures the overriding purpose for our existence in line with the value and expectations of both the internal and external stakeholders. The focus on public affairs remains.

2.2.3 IEA's Core values

- ⇒ Centrality of Knowledge
- ⇒ Good Governance
- ⇒ Excellence
- ⇒ Justice and Fairness
- ⇒ Equity
- ⇒ Accountability
- ⇒ Commitment
- ⇒ Teamwork
- ⇒ Relevance
- ⇒ Professionalism
- ⇒ Corporate social responsibility

2.3 Notable Strides and Achievements since inception

The feedback we receive indicates that the Institute has made good its intentions to promote public participation in the formulation of policies and is considered a credible knowledge broker. We are justifiably proud of what we have achieved over the years, as we describe below.

2.3.1 Increased popularity of Public Debates

We have experienced an increase in the quantity and quality of debates and the interest shown by Kenyan professionals in participating (see attached list of public forums in Vol. ii). The number of attendees has also increased over time. In earlier times, when it was still considered ‘dangerous’ to have public debates, attendance at the debates averaged 20. Current attendance now averages over 100 persons, with some forums registering attendance of over 500 persons.

Since 1999, the IEA's debates and forums have focussed on the issues identified within three thematic areas i.e. legal and institutional framework governing economic activity, trade and public expenditure as well as other topical issues traversing energy, communication and financial sectors.

2.3.2 Influencing Legislation

Ten years since its formation, the IEA has become recognised for its contribution to policy dialogue and as both a knowledge broker and also a source of knowledge. IEA debates have already established their usefulness in influencing public discussion and policies as well as legislation.

In recent years, Parliament has enacted new legislation and amended others covering various sectors. These are the **Retirements Benefits Act, 1997**; the **Kenya Communications Bill 1997**; the **Capital Markets Authority Act** and the **Electric Power Bill** to which we contributed in one way or the other.

Our influence over legislation continues to be felt. In March 2003, Parliament passed a motion allowing a Bill to establish a **Parliamentary Budget Office** to be brought before the

house. The IEA, working with several reform-minded legislators, were centrally involved in the drafting of this draft bill, as well as subsequent revision to **Parliamentary Standing Orders** to enhance the role and effectiveness of Parliament in the monitoring of public finances. We are presently advising the 9th Parliament on possible changes that would need to be made to the PBO Bill in light of the wider changes envisaged by the draft constitution.

23.3 Facilitating Public Participation

IEA has also demonstrated that its knowledge brokerage role is not limited to dealings with the government alone. It has also facilitated discussions on what players in different industries can do to both influence government and also to promote themselves. Following the IEA debate on the Insurance Sector and needed reforms, the Association of Insurers continued to lobby for changes to the Act and win concessions in every budget speech. In addition this sector has been spurred to further collective action following participation in IEA debates on the Retirement Benefits Legislation. In early 1999, following the IEA's public forum on corruption, the local chapter of Transparency was finally registered. The IEA is also credited with moving the debate on Tea Industry management decisively forward during its forum. This spurred actors to work towards the establishment of the agency now in place and the expanded role of farmers in the management of Industry matters.

Following the talks on the tourism industry, the sector moved to organise itself better by the formation of the Kenya Tourism Federation a coalition of all actors in the industry.

During an IEA organized forum in April 1999 on the implications of the changes in Post Lome regime proposed by the EU in the green paper it revealed that on the proposed options, Kenya would be a loser. It was most disheartening that key players in the private sector who were likely to be affected by these changes, were uninformed and hence had not sought, prior to that meeting to influence the Kenya country position. The same operators, incensed at how uninformed they were, and concerned that the government had developed a position without consulting them, have been key players in the consultative forum charged with developing Kenya's position during the transition phase negotiations. This is to be welcomed.

2.3.4 Media support

The IEA continues to be a reputable source of knowledge. Panellists to IEA discussions are increasingly being called upon to further discuss the subject in media especially television. The press regularly uses publications and contents of presentations at the popular IEA forums for business and economic analysis.

2.3.5 Government Participation

The IEA has also seen increased interest and willingness to participate by government officials. Invariably this varies with different dispensations in the public sector and perception by the civil service of the space and freedom to participate.

2.3.6 Parliamentary Support

The Budget Information Programme (BIP) and the Constitution Law and the Economy Programme have opened up opportunities for direct communication and relation with parliament as they touch on areas of interest to parliamentarians. The BIP has been quite successful in this regard and we shall seek to deepen our work with parliament through a structured relationship and assist in building up the required analytical capacity to ensure that parliament is a strong institution.

Parliament appreciates the analytical support provided by the IEA. Parliamentarians who have been part of IEA events have played a catalytic role in improving and promoting the focus of debates to key policy concerns and are assisting the Institution grow in its role of checking the Executive. Parliamentary committees increasingly request the IEA to assist them in the analysis of issues raised by Ministries and departments under their review.

2.3.7 *Informing the Public*

IEA activities and products are useful reference guides on policy questions in Kenya. *Kenya at the Cross-Roads-Research Compendium*, published in 2001, *Kenya at the Cross Roads-Scenarios for Our Future* – published in 2000, *Our Problems Our Solutions*, published in 1998, *AGENDA 94* and *PEAP* continue to be a source of background material for different people including journalists and researchers. *Our Problems, Our Solutions*, was prepared within a backdrop of an economic crisis that was occasioned by government's fiscal indiscipline. It is instructive (and also of concern) that, in the midst of such a crisis, the Finance minister admitted publicly that the government was broke and various key officials in the ministry of finance expressed the state of the economy in the most dismal terms, the only publicly available publication on what the economy needed for a turn-around was this IEA publication.

The **Kenya Scenarios Project Products** have continued to play this informational role. Both the *Scenarios Booklets* and the *Scenarios Presentation* have been considered seminal in their presentation of alternative futures and are increasingly utilised for planning purposes by leading companies, organisations and Strategic institutions. The *Research Compendium* is the source of much analytic information for the research community and the media. Feedback left on the Website informs us that those who have been in contact with this work find it invaluable and useful for proactive debates on Kenya's future.

Other IEA publications that have been sought include, the *Telecommunications Policy in Transition: Mainstreaming Kenya into the Global Information Economy* – July 2002, *Integrating Innovation and Intellectual Property into Kenya's Constitution* – July 2002, *Strengthening the Role of Parliament in the Budget Process* – May 2001, *The Little Fact Book: The Socio-Economic and Political Profiles of Kenya's Districts* – 2002, *the Citizen's Handbook on the Budget; A Guide to the Budget Process in Kenya* - 2002 and recently *Budget Transparency: Kenyan Perspective* – October 2003.

2.4 **Performance Review under our First Strategic Plan (2002-2004)**

With the launch of our first multi-year (strategic) plan in 2000, the programme thrusts listed herein below were selected. Naturally, we will continue to use our own experiences, as well as changing external demands and interests, to fine-tune these core areas. Following the launch of our first strategic plan in 2002, six thematic programmes were established at IEA.

- Economic and Law Research Programme – This programme aimed at facilitating public participation in the development of proposals for policy, legal and regulatory reform with regard to economic management in Kenya. The current focus of this programme is on research into issues of regulation, competition, market structures and privatization in so far as they affect the following selected sectors – utilities, telecommunications, capital markets and retirement benefits.
- Democracy and Governance Programme – The programme contributed to building a culture of issue based debates/campaigns and electoral processes in Kenya, and

informing the constitutional reform process. A project on Issue-Based Elections (and Post-Election Monitoring) came to an end in June 2003. A further programme supporting the constitutional reform process ended in March 2003.

- Budget Information Programme - The aim of the programme is to promote participatory, equitable and transparent management of public finances in Kenya. The core project within this programme was support to Parliament, to which IEA acted as a research back-up facility on budget-related issues. A further project focused on building an advocacy constituency via civil society and the media ended in February 2003.
- Trade Information Programme - The programme was established to facilitate the participation of state and non-state actors in trade policy formulation and negotiation in Kenya. The key objective of this programme was to facilitate the participation of non-state actors in Kenya trade policy formulation and trade negotiations. Areas of focus include WTO, EU/ACP, COMESA, EAC and AGOA, and their implications for Kenya.
- Building Common Futures Project - The core objective of this programme was to initiate a sense of long-term thinking in the Kenyan public and to explore ways of facing them. It included the recently concluded National Vision project, which is presently at the dissemination stage.
- AGENDA Series - This programme was intended to provide a comprehensive "State of the Nation" report. Although two such reports were prepared, in 1994 and 1998, the process is yet to be formally institutionalised.

2.4.1. Accomplishments

Economic Law and Regulation Project

- Several public forums were organised
- Encounters with parliamentary committees
- Publications on competition policy and other areas
- Created opportunities for public commentary on policy areas
- Information brokerage
- Impending research reports/rapport with Monopolies and Prices Commission.

Budget Information Programme - Parliament

- Capacity Building for Members of Parliament
- Organised Pre/Post Budget Workshops, both at national and regional levels.
- Published:
 - Annual Budget Plan (ABP)
 - Analysis of Budget Estimates
 - Members of Parliament Budget Guide
 - Analysis of Appropriations and Finance Bills
 - Parliamentary rulings handbook.
- Conducted Research and provided research assistance to Parliament
- Conducted seminars for Service to money committees
- Provided relevant fiscal/policy information through collaboration with other IEA programmes
- Carried out Fiscal transparency study
- Reviewed Standing Orders
- Parliament Budget Office - motion passed

Budget Information Programme – Civil Society Organisations (CSOs) and Media

- Held five meetings with the CSOs on the budget analysis for social advocacy. Meetings were attended by CSOs representatives drawn from CARE, Elimu Yetu Coalition, Kenya Alliance for the Advancement of Children (KAACR), Action Aid Kenya, Centre for Minority Rights, NGO Council, Social Development Network (SODNET), Collaborative Centre for Gender and Development (CCGD), Matatu Welfare Association, Kenya Aids NGO's Consortium (KANCO), PACODEO and Ministry of Finance and Planning.
- Public hearings both at national and sub-national level
- Encounters with the media including KTN, Nation TV, Kiss FM, KBC, People, Daily Nation, East African Standard, Citizen and Market Intelligence
- Public forums.
- Published The Citizen's Handbook on the Budget
- Supported the establishment of a National Budget Network.

Building Common Futures for Kenya (Scenarios) Programme

- The demand for scenarios work saw many requests for more presentations countrywide and discussions come in, an indicator of demand for this type of work.
- The continuous demand by the media for analysis of events particularly after elections signified the relevance and credibility of the scenarios work.
- Replicability: The Kenya scenarios project was launched by IEA and SID as a pilot initiative and has since, formed the basis for the development of similar projects in Tanzania and Uganda. We hope to continue working in partnership in developing the East African Scenarios.
- The continuous support and interest shown by donors has enabled IEA to carry on the scenarios work.
- Following tremendous interest in the scenarios, IEA has chosen to influence sectors and national initiatives by institutionalising futures work as an IEA programme.
- Elicited debate on policy issues countrywide
- Scenarios building is now being used to inform decisions and strategies
- There has been public request for further work and more specifically sector specific scenarios as the scenarios previously built were national.

Trade and Information Programme

- Organised several public forums – East Africa Community, Cotonou Agreement, Africa Growth Opportunity Act (AGOA), Trade and Investment, General Agreement on Trade in Services (GATS), etc
- Carried out research on dumping in agriculture, investment agreements and Kenya's economy.
- Networked with local and international organisations e.g. Local: Econews, ActionAid, Oxfam, RODI, Heinrich Böll Foundation International (HBF); International: United Nation Economic Commission for Africa (UNECA), African Union (AU), Consumer Unity and Trusts Society (CUTS), Department for International Development (DFID), Oxford Management Policy Unit (OMPU), Third World Network Africa (TWN)

Constitution Reform Debates Project

- The identification of constitutional issues with direct links to livelihoods and the conduct of wealth creation:
- Consultations with and support for the Constitution of Kenya Review Commission
- Carried out two comprehensive studies on the Constitution, Public Finance and Intellectual Property
- Discussion of the draft Constitution at numerous forums including those at Palacina Hotel
- Interaction with delegates during the Constitutional Conference
- Publication of a revised Chapter 10 of the Draft Constitution on devolution
- Provision of forums for the public discussion of livelihood and economic issues considered to be pertinent to the Constitution reform process
- An economic sensitisation workshop for Constitution of Kenya Review Commission (CKRC) commissioners
- Several public forums on devolution, the Constitution and the economy (annual lecture by Prof Yash Ghai, Chairman of CKRC), and the Constitution and Minorities.
- Publication of bulletins on devolution, law and the economy, intellectual property
- Provision of opportunities for groups of organised Kenyans and key actors to present their views and subject them to broad debate
- Collaboration with the private sector culminating in the presentation of a Private Sector Memorandum to the CKRC
- Presentation of deliberations at public forums to the CKRC, most importantly on devolution and Minorities. Leading the ICPAK deliberations to prepare a memorandum on the draft Constitution for presentation at the constitutional conference.

Elections Economic Agenda (Elections) Project

- Articulation of economic growth and development challenges by:
 - The publication of the Little Fact Book and its widespread dissemination and presentation at different fora
 - A media briefing on socio economic issues facing Kenya in the run up to the election
 - Publication of two bulletins and a newspaper insert
- Audit of party manifestos by interrogating the National Alliance of Kenya (NAK) economic blueprint
- Several public forums in which Party representatives were interrogated by experts and the public on a broad range of socio economic issues
- Involvement of the private sector and civil society with election concerns.

Finance and Administration Function

- A Human Resources Manual was developed and approved.
- A Finance and Administration Manual was developed and approved.
- Expanded membership.

2.5 Programme Impact and Organisational Assessment

In June and July 2002, the IEA underwent 2 institutional reviews. One was commissioned by the Ford Foundation on all its partners and conducted by KPMG. This followed a decision by Ford Foundation to find a basis for technical support for its partners to assure better

delivery and attainment of Mission. The other one was commissioned by the IEA with the support of USAID and DFID in March 2002.

2.5.1. Programme Evaluation and Impact

The IEA is a widely respected institution that engages different actors in the public policy debate. It is a leader in this field in Kenya and has achieved a lot. The IEA delivers competently in its programmes and the organisations reputation and that of its staff and programmes is strong. The areas for improvement are in terms of impact monitoring and quality assurance.

2.5.2. Institutional Structure and Systems

The reports found that with the growth of the organisation, there was need to make internal systems more robust. These include systems and methods of financial management and human resource management. This also includes systems of engagement of the board in the organisation and its activities and that of members.

2.6 Lessons and Opportunities

Broadly, several lessons emerged from implementation of the first strategic plan:

In the programming context, we learnt that:

- The first plan set ambitious strategic targets for the resources available; IEA lacked leverage and long-term programming
- Individual projects became programme thrusts; there is need to find “sustainable” project thrusts. Elections and Constitutional Reform Debates were event-driven projects, and we faced difficulty in exciting our constituencies and donors as to their long-term potential. Economic Law and Regulation was still largely project-based, while Common Futures was still a collection of individual projects rather than a cohesive programme, and it had not yet been mainstreamed within IEA
- Only the Budget and Trade Information Programmes had been conceptualised as long-term programmes

We also found that the Agenda Series never took off because no project was found to build on.

From a financing context, we learnt that:

- The IEA financial top-line growth is insufficient if it is to be mainly donor funded as it:
 - Has limited financial flexibility
 - Constrained against making HR investments in training and learning
 - Delayed badly-needed knowledge and ICT investment
- The cost-mix of 65:35 needs to be improved (to 75:25 Pareto norm)
- Cost recovery needs to be converted into margins through income generation such as consultancy
- Membership revenue is negligible perhaps because the benefits offered to members by the IEA are not adequate.
- Accountability is key to new funding.

3.0 STRATEGIC DIRECTION: OUR FORWARD AGENDA

3.1 Driving Forces in IEA Context

Driving forces are the critical underlying external factors that shape the environment in which we operate. Depending on how we respond to them, they will determine the Institute's overall performance irrespective of how well or poorly we carry out our daily activities. Driving forces therefore will dictate the "what" and "how" of the Institute's strategic direction. Driving forces play an important guiding role in enabling management pursue a given direction that helps address organisational goals.

Our agreed driving forces are as follows:

- Increased public and other expectations due to increased democratic space and the increasingly urgent need for effective poverty alleviation
- Competition of ideas from other organisations similar to IEA and competition to access resources
- Regional integration.

These driving forces were applied in developing the matrix of IEA strategic goals and objectives for FYs 2004 to 2008 (see the table below for details).

Table 1:

| Driving Forces | Evidence | How IEA Must Respond to Excel in its Mission |
|--|---|--|
| <p>1 Increased expectations due to increased democratic space</p> <ul style="list-style-type: none"> • Increased expectations from and participation in policy formation by the clientele of government, professionals, constituents • Empowerment of the general population in decision making, particularly on policies that specifically affect them. | <ul style="list-style-type: none"> • Requests from IEA clientele at both the highest level (executive, national assembly, private clients, and the grass roots). • 56% of population live below the poverty line • The content development and process of Kenya's Economic Recovery Strategy | <ul style="list-style-type: none"> • Downstream Nationally by sector, theme, and region (<i>specifically down streaming here means dissemination (of information) and deepening of research</i>) • Disseminate information and achieve more effective outreach • Design and conceptualise IEA programmes to focus on poverty and inequality |
| <p>2 Competition in ideas from other organisations similar to IEA, and competition to access resources</p> | <ul style="list-style-type: none"> • Increased proliferation of NGOs dealing in sectors similar to IEA's leading to rapid dilution of IEA's unique ideas and competition for funding • Increased volume and quality of information reaching government from | <ul style="list-style-type: none"> • Refine the Vision and Mission, and in programming be creative, proactive and focus on strengths. • Enhance outreach, knowledge brokerage, and critical analysis at the basic level |

| Driving Forces | Evidence | How IEA Must Respond to Excel in its Mission |
|--|--|--|
| | <p>many sources including IEA</p> <ul style="list-style-type: none"> • Increased demand for IEA services • A national budget with a large deficit • New government i.e. one that is expected to be accountable and has a focus on good governance and empowerment • Increasingly legitimate clout of the private sector • Many other institutions competing for space in national dialogue, policy contributions and government watch dog roles | <ul style="list-style-type: none"> • Resource mobilisation of staff, institutional capacity, ICT. • Strengthen Monitoring and Evaluation, knowledge harvesting and learning • Design a resource mobilisation strategy • Develop alternative sources of funding • Specialise in clearly identifiable programme work areas • Develop longer term relationships with partners • Institutionalise design and conceptualisation of new ideas, innovation, learning and self critique |
| <p>3 Regional integration for example on trade, tax policies, etc.</p> | <ul style="list-style-type: none"> • Greater collaboration in policy making between governments both regional and continental – collaboration between institutes • Increased cross country studies | <ul style="list-style-type: none"> • Network effectively • Keep at pace with regional policy initiatives • Spread networking to international levels to enhance sustainability – finance, information, and skills • Systemise HR collaboration with other regions, institutions, researchers, professors for knowledge sharing to increase IEA’s credibility |

3.2 Lessons and Opportunities

What the foregoing suggests is that Kenya continues to face a very challenging environment in the coming years. Whether or not the economy starts to revive and thrive depends a lot on the policy environment and other functions of government to create an enabling environment. The constitutional review process should be harnessed and used as an avenue to engage in debate about the appropriate framework for management of a liberal economy and concerns about the global and regional realities, where Kenya finds itself need to be addressed.

All that we have described above as the environment in which the IEA is working, leads to a bigger and broader question: *will the new political leadership that has emerged implement a progressive vision of Kenya rooted in addressing gross inequalities in the country and maintaining a key role in the affairs of the region and global economy?*

3.3 Fundamental Assumptions

From the foregoing, we make the following fundamental assumptions.

- That IEA is perceived as non-partisan.
- The environment in which the IEA operates is supportive and conducive for public engagement.
- The government is committed to economic, institutional and legal reforms.
- Willingness by government to partner with non-state actors and that non-state actors are willing to collaborate with each other.
- The Kenyans adopt and sustain a culture of debate.

3.4 IEA's Positioning

Given the challenges and opportunities available in the environment that we operate, we have chosen for ourselves the following strategic focus areas:

- Research and policy Analysis
- Networks and Partnerships
- Advocacy
- Professional Associations

Our *outputs* shall be:

- **Innovative**
- **Responsive** – ensuring timely response to events and opportunities.
- **Relevant** to issues of the day.
- **Practical** – where the result is “easy to consume” products.
- Offering **Options** – where the focus will be on the ability to provide alternative, informed choices and solutions.
- Focus on developing **Thought Leaders** through growth of in-house capacity to remain proactive in the provision of leadership on issues of current or future public concern.
- Remain a **Learning Organisation** with proficiency at taking advantage of past achievements for future credibility and effectiveness.

3.5 Long-Term Objectives

i. To promote and facilitate public awareness on public policy issues in Kenya and the provision of alternative public policy choices.

As mentioned earlier, one of the core concerns of the Institute is the need to promote public awareness on policy issues. An informed public is a prerequisite for participation and democracy. At the same time it is important to bring the knowledge and expertise of Kenyans to play in the search for realistic and alternative public policy choices. This pillar of IEA's work seeks to expand the participation of Kenyans in the provision of alternatives while encouraging more people to remain interested in the evolution of public policy.

ii. To promote sustainable institutional and economic policy reform in Kenya which enhances social justice and dignity,

Over the last 2 decades the government has engaged in fundamental economic reform that sought to reduce the role of the state in the production of goods and services. However, many of these reforms were not well sequenced and in many instances have not led to the expected results in the medium term. In many instances, the institutional and legislative frameworks have not been reorganized to meet the challenges of the management of a liberalized economy. At the same time, the precise role of the state in managing a liberalized economy has not been well articulated. This pillar of IEA's work intends to promote institutional and legislative changes intended to harness economic reforms and work

iii. To realize increased participation of the public in policy dialogue and formulation,

All over the world, increased participation in policy development is encouraged. Kenya requires the assistance and participation of all actors whether in government or out in the formulation of policies. This will not only improve policy acceptance but will also improve the quality of the decisions made. The IEA intends to promote the participation of Kenyans in policy development in Kenya.

iv. To promote pluralism of ideas and a culture of open and active debate in Kenya

One of the legacies of the one-party state was intolerance of diversity of views. The one party state insisted on unanimity of opinion on crucial policy issues and compelled unification of the opinions of the members into the "one correct view". While this might have played a role in sustaining the one-party state, it is not healthy in a democracy and must be challenged. It is critical that the country develops a culture of tolerance for diversity of opinion and openly debates issues before adoption of any preferred position.

3.6 Target Stakeholder Map

During this strategy period, IEA will primarily target sections and groups within the Kenyan society with a defined interest in public policy. These include the following:

Political Interest: The IEA offers research and analysis back-up to parliament, political parties and individual politicians at the national levels. The professional support comprises facts, figures and arguments on strictly non-partisan and public basis.

Business Interest: The IEA offers research and analysis with regard to implication of policy for different businesses both in the rural and urban economy. The IEA also seeks to work with business groups and collectives who wish to pursue policy analysis and participation in the development of policy and positions adopted by Kenya.

Civic Interests: Professional, business organizations and non-governmental and voluntary organizations are invited to subscribe to the IEA'S programmes. The knowledge brokerage role of the IEA extends to organized groups in civil society who wish to engage in policy analysis and the pursuit of certain positions and interests in their interaction with the executive and the legislature.

The Media: The IEA engages the print and electronic media in an informed public policy exposure for the benefit of the public.

External Interests: The IEA provides new directions and alternative approaches to the donor and international community through its well-researched and informed publications and forums.

Students: The IEA provides an opportunity for University Students to listen to professionals engaged in public policy debate. Further to this, the IEA provides opportunities for training and internship for interested students.

Building Synergies in Programmes

In implementing the programmes, IEA will strive to build synergy between the programmes by facilitating the sharing of resources, including human resources. This will not only help to reduce costs but also ensure that staff members are provided with

opportunities to learn and acquire skills in many fields. Programmes will also share platforms in the form of roundtables, half-day meetings, workshops and conferences organised for dissemination of research findings or training of certain target groups e.g. parliamentarians. It is also envisaged that research will be covering issues that are cross cutting and as such would be relevant to more than just one programme or target group.

3.7 Our Strategies

3.7.1 *Strategic Goal 1: UPSTREAM POLICY INFLUENCE*
Goal: Facilitate Kenyan, regional and sectoral economic policy formulation and analysis.

Objectives

- 1 Improve understanding and raise awareness of economic policy formulation processes.
- 2 To ensure that economic policies are consistent, predictable, economically rational and fair to all.
- 3 To collaborate with institutions in Kenya and the East, Central and Southern Africa for information and learning exchange.

Strategies and Activities/Means

- Work with the media to prepare and present relevant articles and discussions on economic policy formulation and analysis. The illustrative activities under this strategy will include:
 - a) Media inserts
 - b) Interviews
 - c) Commentaries
- Work with elected officials in identifying critical economic policy issues and how to address them. The illustrative activities under this strategy will include:
 - a. One to one discussions with individual MPs
 - b. Discussions and debates with parliamentary committees
 - c. Discussions with local authorities' officials
- Creation of a pool of credible economic information. The illustrative activities under this strategy will include:
 - a. Constructing a database of key economic policy issues
 - b. Preparing economic publications and fact books
 - c. Facilitating policy debates on key economic issues
 - d. Carrying out policy reviews
 - e. Carrying out budget reviews

- Build networks with credible organisations. The illustrative activities under this strategy will include:
 - a. Memorandum of Understanding with partners
 - b. Cross-country studies
 - c. Research
 - d. Exchange programmes
 - e. Study visits
- Establish formal presence in regional economic institutions. The illustrative activities under this strategy will include:
 - a. Identify institutions
 - b. Establish contact
 - c. Share results
 - d. Memorandum of Understanding with partners
- Incorporate training within individual programme plans. The illustrative activities under this strategy will include:
 - a. Exchange programmes with reputable public policy research institutions
 - b. Develop capacity for in-house research and knowledge sharing

Expected Outcomes

The illustrative outcomes will include:

- Gender issues mainstreamed in government policy and budgets.
- Inequality issues addressed in government policy and budgets.
- Increased public participation in policy formulation and monitoring of implementation.
- Reliable research outputs available in key Kenyan economic sectors
- Analysis available on the coherence and consistency of public budget with stated policy
- Improved quality of economic policy
- Improved relationship between IEA and policy makers

Indicators

The illustrative indicators under this strategy will include:

- Consistency of policy pronouncements with objective realities
- Quantity of interaction between the public and government
- Change in economic standards of living

3.7.2 Strategic Goal 2: DOWNSTREAM PUBLIC PARTICIPATION
Goal: Facilitate effective public participation in economic decision-making processes.

Objectives

1. Deepen knowledge and increase participation with existing constituencies by 2008
2. Have at least one demand led project per IEA Programme by 2008
3. Activate collaborative agreements with network organisations by 2008
4. Widen participation among new partners by 2008
5. Facilitate human resource development within IEA to meet programme requirements by 2008.

Strategies and Activities/Means

- Thematic research in economic policy analysis. The illustrative activities under this strategy will include:
 - a. Commissioned studies
 - b. Biannual programme publications based on interest of Programme Officers
- Expert consensus on thematic issues prior to public debates. The illustrative activities under this strategy will include:
 - a. Commissioned studies
 - b. Quarterly expert roundtables
- Sharing knowledge amongst people more in touch with constituencies e.g. sharing the vision with parliament. The illustrative activities under this strategy will include:
 - a. Dissemination
 - b. Holding roundtable meetings with resource persons; sharing consensus arrived at in forums
 - c. Keep abreast with economic trends
- Increase networks with IEA partners and peer organisations. The illustrative activities under this strategy will include:
 - a. Develop a media network
 - b. Develop and sustain a National Budget Network
 - c. Attend other organisations workshops and meetings
- Be proactive in keeping abreast with prevailing economic trends. The illustrative activities under this strategy will include consultation with possible partners.
- Each proposal to have a provision for training. The illustrative activities under this strategy will include staff training

Expected Outcomes

The illustrative outcomes will include:

- National economic policy reflects local needs
- Participatory economic governance – empowerment of citizens
- Improved capacity of communities to absorb and utilise funds
- Down-streamed management of knowledge

Indicators

The illustrative indicators will include:

- Budgetary allocation commensurate to national needs
- Criteria for assessment of government
- Institutionalised, functional and efficient devolution
- Allocation of resources driven by local priority
- Efficient utilization of public resources and efficient public service delivery
- More issue oriented electoral campaigns
- Increased demand for IEA information at District Information Documentation Centres, partner and grassroots organisations
- IEA website number of hits

3.7.3 Strategic Goal 3: INSTITUTIONALISATION

Goal: *Develop sustainable institutional capacity*

Objectives

1. Enhance IEA's capacity to deliver superior and timely products that meet stakeholders' expectations
2. Enhance IEA's brand through more innovative products
3. Maintain and improve IEA's capacity to deliver innovative products cost effectively
4. Create the capacity to effectively collaborate and network with regional and international organisations.

Strategies and Activities/Means

- Improve delivery of products. The illustrative activities under this strategy will include:
 - a. Better management of ICT resources
 - b. Developing a good comprehensive Public Relations strategy
 - c. Continuous upgrading of staff skills
 - d. Enhancing networks with appropriate institutions
 - e. Improving and diversification of IEA collaboration with other institutions
 - f. Improve operational systems
 - g. Increasing the variety of dissemination channels
- Assure financial resources to maintain IEA on a longer-term basis. The illustrative activities under this strategy will include:
 - a. Training staff to fund raise
 - b. Establishing an endowment fund
 - c. Expanding the capacity and scope to manage programme and projects for others
 - d. Institutionalising an exchange programme (fellowships, internships)
 - e. Acquiring own offices
- Employ competent, motivated and efficient staff. The illustrative activities under this strategy will include:
 - a. Developing a staff training and development programme
 - b. Regularly reviewing staff welfare and remuneration policies
- Retain effective leadership and governance. The illustrative activities under this strategy will include:
 - a. Training IEA Directors on corporate governance
 - b. Regularly reviewing IEA Articles of Association to ensure that they are relevant and up to date
 - c. Ensuring that IEA keeps to statutory requirements
 - d. Regularly reviewing membership policies
 - e. Enlightening members on the articles of association.

Expected Outcomes

The illustrative outcomes will include the following.

- Improved delivery of the IEA's products. The illustrative indicators under this outcome will include:
 - Timely and efficient delivery of IEA's products
 - Cost effectiveness in delivery of products
- Assured financial resources to sustain the IEA on a long-term basis. The illustrative indicators under this outcome will include:
 - Establishment and sustenance of an endowment fund
 - Obtaining funding on an institutional rather than programme basis
- Competent, motivated and efficient staff. The illustrative indicators under this outcome will include:
 - Maintenance of IEA's reputation and credibility across its programme of work
 - Quality of products
 - Unqualified programme and financial audit performance
- Effective leadership and governance. The illustrative indicators under this outcome will include:
 - Increased membership
 - Unqualified financial and performance audit

3.8 Programme Outlines

3.8.1 REGULATION AND COMPETITION POLICY PROGRAMME³

Main goal: To facilitate the development of appropriate economic regulation and competition policy in Kenya and the region.

Objectives

- To identify on a regular basis regulatory and competition policy challenges in the economic sectors in Kenya.
- To review and facilitate debate on a regular basis in the regulatory and competition policy in financial sectors and general service sectors.
- To prepare policy proposals for legal, regulatory and competition policy reforms in chosen areas.
- To facilitate the participation of the government, private sector, civil society and academia in the review of regulatory and competition policy.

³ In this strategic plan the project on Economic Law and Regulation has been transformed into a programme and the title changed to "Regulation and Competition Policy Programme".

Rationale

The Institute of Economic Affairs (IEA-Kenya) has undertaken activities to examine the fitness of the regulatory institutions and related policies in Kenya. The regulatory policy review has concentrated on the laws and institutions that regulated certain economic sectors. In the initial design of the programme it was intended that it would focus on the areas in which the connection between the law and the economy would be most evident. Thus the four chosen areas were the financial services, the utilities, general services and competition policy.

The foregoing strategic plan was predicated on identifying the main policy challenges from which to create a knowledge base that would allow for the identification of the common regulatory policy challenges. It was anticipated that from this regulatory policy audits, the research would yield an understanding of the peculiar challenges that would then require legal or institutional reforms. Research work was conducted in four main industries where regulatory institutions had been established and whose performance could be audited against international best practice. These areas were the retirement benefits and pensions and equities covered under the broad arm of the financial services sectors on the one hand and the electric energy and the telecommunications industries, which were covered under utilities sectors. In addition, competition policy was considered as a cross-cutting issue because of its particular significance in ongoing liberalization activities throughout the world.

The main results of the regulatory policy work has yielded information that has provided a fairly accurate understanding of the regulatory policy landscape in Kenya. *First*, it is evident that the regulatory reforms in Kenya must be undertaken as part of the ongoing economic reforms in the country. Hence there is the opportunity to identify the issues and engage in research and advocacy for their inclusion in the larger economic reform agenda. *Second*, the institutional design of regulatory policy seems to be improving with time and this suggests that there is inherent learning. We therefore anticipate that objective policy research and advocacy may be used to guide the debates on reforms. *Thirdly*, it is evident that in the establishment of the main regulatory institutions, both the legislature and the executive have consistently failed to appreciate the role that the competition agency (Monopolies and Prices Commission) should play. However, since the competition law is undergoing reforms, it is expected that its cross-cutting role in all sectors will become evident. The role of the IEA-Kenya is therefore to ensure that economic reforms must realize the significance of competition policy as enforced by the agency. *Fourthly*, the regulatory policy in Kenya is not shaped by consistent principles and this leads to differential treatment of institutions that regulate markets. This has resulted from the fact that the executive has granted varying levels of autonomy to the institutions. All economic actors in Kenya are concerned that regulatory institutions should be insulated from political pressure. This programme therefore starts with the premise that the extent of autonomy of regulators will facilitate more competent and professional regulation.

Among the most apparent characteristics of the Kenyan economy is the extent of economic inequality among individual citizens and the regions of the country. This fact has become significant because it is as an enduring and legitimate public policy concern. Therefore, this programme will undertake to purposely assess the effects of the regulatory institutions in existence and how they affect economic inequality. More fundamentally, the policy reform proposals will not only seek to ensure economic efficiency but also direct the attention of government and Kenyan public to the need to consider the effects of policy in the reduction of inequality.

Finally, the development of the regulatory policy should increasingly involve *the legislature as an avenue for policy reform*. This may be accomplished through the parliamentary committees in particular and parliament in general. Most of the parliamentary committees have made progress in their involvement with policy and legislative issues through the willingness to listen to public policy commentaries based on credible and rigorous research. Therefore, the IEA-Kenya well placed to leverage on this opportunity to make firm policy reform and policy development proposals. All arms of government must be made to understand the costs of the regulatory policies that they initiate. This naturally calls for regular engagement with the legislature in addition to the executive and the regulatory institutions.

Activities

This programme therefore carries forward the quest to ensure that the economic regulatory reforms underpin the economic and political liberalization that the country is committed to. It will therefore aim to achieve this by creating *debates* around topical regulatory issues, conducting research on regulatory and competition policy, demonstrating the value of regulatory institutions and the policies that they enforce and publication of *bulletins* and *policy briefs*.

The lessons from the last strategic plan show that *research output* will form the basis of subsequent activities. From the researches will emanate the research papers on regulatory policy and competition policy. In addition, the programme will undertake activities such as *public forums* and *roundtable meetings to peer review the research* and to make the research inform public debate. As part of linking the research to policy makers, we anticipate *regular meetings with parliament* either through the parliamentary retreat or the more focused meetings with the legislative committees. Through the programme, we will strengthen *participation in select networks* both at the international level and facilitate the formation of a network on competition policy in the country.

Expected Results

Activities anticipated under this programme are intended to *bring cutting edge knowledge on competition and regulatory policy to bear on policy making* in Kenya by using these principles to audit public policies and to propose alternative approaches. In particular, the Institute of Economic Affairs (IEA-Kenya) will produce research and analyses that will inform regulatory policy, Kenyan professionals and policy makers of the proven regulatory measures and principles that must inform economic reform in the country. In accomplishing these tasks, we expect the quality of regulatory policy to improve and be reflected in *improving performance by the regulatory agencies*.

Means to achieve the stated goals and objectives:

- Researches
- Public forums
- Publishing Bulletins
- Encounter/roundtables with parliamentary committees
- Working group meetings
- Peer review meetings
- Using an E-list
- Conferences
- Networking with other organisations

3.8.2 BUDGET INFORMATION PROGRAMME

Main Goal: To enhance and sustain a transparent and participatory engagement of key institutions in effective and efficient management of public finances and connected economic policies in Kenya.

Objectives

- To build a knowledge base on issues of public finance management
- To strengthen key institutions that engage in public finance management
- To enhance transparency in public finance management through effective public finance Monitoring, evaluation and reporting
- To develop an appropriate framework of diverse analysis of budgets

The programme comprises of the following four **Components**:

1. Parliamentary Support
2. Budget Network Initiative
3. Gender Budgeting
4. Local Authorities Support

1. *Parliamentary Support*

The Budget Information Programme aims to achieve the broad organizational goals of IEA. Pursuant to the broad purpose of the organization, the BIP purposes to strengthen parliament in its role in the management of public finances.

In terms of specific activities, the Parliamentary Support component of BIP intends to present an analysis and understanding of the budgetary process and proposals in Kenya in a comparative perspective through research. It also aims at monitoring the implementation of the national budget process, to organize frequent encounters with Members of Parliament. In addition, the programme intends to contribute towards the advocacy and policymaking efforts of parliament in the budget making process. Central to the programme is the goal of strengthening parliament's institutional capacity in public finance management with special emphasis on the budgetary process. Further, the programme shall work on building strong linkages between parliament, the executive (both central and local governments), CSOs, development partners through public forums to discuss matters touching on public policy and in particular issues that have direct or indirect implication on the national budget.

Activities

IEA recognizes that following the passing of the Motion in Parliament, seeking leave of the House to introduce the Budget Bill, which will among other things facilitate the establishment of the PBO, it is now apparent that the office might become a reality. In any case in the event that the Budget Law is not passed by parliament, Parliamentary Service Commission (PSC) has already secured authority to set up the office within the PSC office. It is in this regard that the Institute is proposing some activities that will ensure smooth setting up of the office. The Institute proposes to hold consultative meetings with the Members of Parliament to build consensus and refine the Draft Budget Bill. In addition, we shall support the process of *designing the organisational structure and staffing* of the Parliamentary Budget Office. To that end, the IEA will provide technical advice on the design of an appropriate organisation structure that will ensure that the office performs the envisaged role effectively and efficiently. Further, the Institute shall facilitate, through a competitive recruitment process and in close collaboration with the relevant offices within Parliament,

the identification, recruitment and training of competent staff to execute the mandate of the PBO.

We propose to support the *setting up of a website and a resource centre* at parliament for use by the PBO and other Members of Parliament. These will be open for use by the PBO and other Members of Parliament including the parliamentary support staff.

PBO being a new creation, many stakeholders in the budget-making process e.g. private sector, media, civil society organisation etc. might not understand what the PBO is all about. Others may be well informed about the PBO but may be keen on the updates of progress made in setting up the office. In order to disseminate information regarding the rationale and role of the PBO, including progress made towards the establishment of the office, the Institute proposes to *sponsor newspaper inserts and/or publication of Newsletters and media encounters*. We chose these avenues since they provide a good opportunity to reach a wider section of the Kenyan populace. We shall use these channels to educate Kenyans about this new institution and opportunities it provides towards increasing efficiency in public finance management.

As highlighted above, it is unlikely that the proposed PBO might come to fruition before next years Budget. In order to maintain the tempo and to ensure that the MPs do not lose focus on budget related matters we are proposing to undertake some of the activities that were very popular with the MPs. Among the activities that we intend to continue undertaking, are *Pre-Budget Encounters with MPs (Money Committees), analysis of budget implementation (including Supplementary Estimates), publication of the MPs Budget Guide and MPs Post Budget Briefings and providing research backup support* to compliment the work of Parliamentary Budget Office. We shall still provide the link between citizens and their elected officials.

In addition, we shall embark on *assessment of Public Service Delivery and connected policies in selected sectors through surveys*. The findings of these studies will be disseminated to parliamentarians through *roundtable meetings and conferences* with parliamentary departmental committees and through *publications*. We shall also continue *offering advisory services on public policy* and *build adequate capacity* among MPs to effectively monitor and evaluate public spending, service delivery and engage in informed debates on public policy.

In addition, IEA will continue to provide *simple and succinct analysis* on budget processes, public service delivery mechanisms and other matters touching on public finance, particularly in areas that IEA has comparative advantage. IEA will also lobby parliament through frequent engagements on new opportunities for improving public finance management, through *in-depth research and regular encounters* with parliamentary money committees.

Expected Results

- Sustainable parliamentary capacity to effectively engage in public finance management and monitoring of public service is enhanced.
- Better collaboration between parliament, the executive, CSOs, Research Organisations and other stakeholders in public finance management and monitoring of public service delivery.

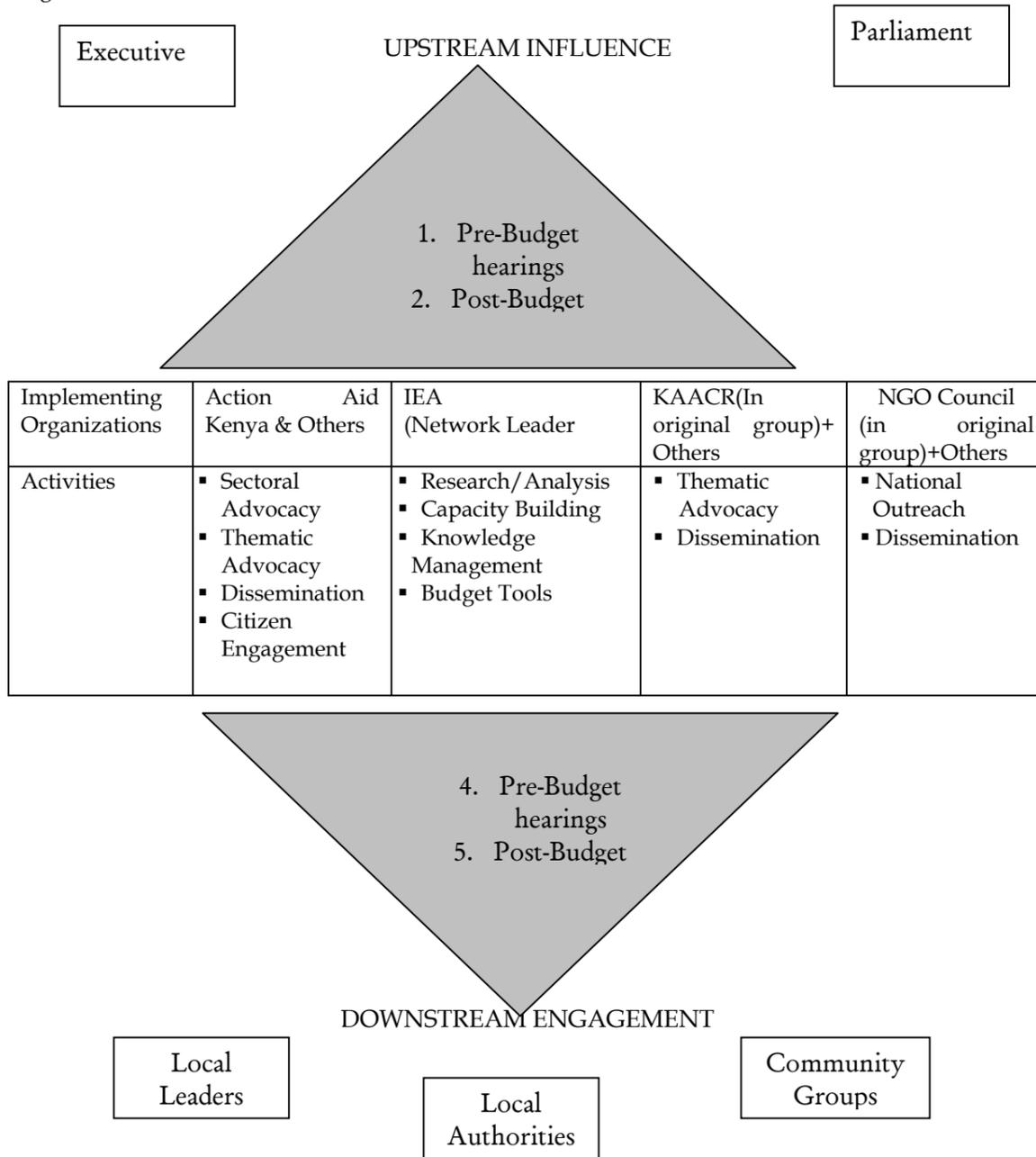
2. Budget Network Initiative

The Kenya Budget Network is an exciting initiative, the first of its kind in Kenya that a group of civil society organizations, led by the Institute of Economic Affairs (IEA), has established. The idea for a budget network was muted in a workshop on "CSOs and the Budget" held by the IEA in October 2002.

THE CONCEPTUAL FRAMEWORK

Kenya Budget Network: Democratising the Budget through Public Participation

Figure 1



Over the years, the IEA, as well as Ministry of Finance officials, have observed that corporate sector budget submissions are, in terms of quality, focus and relevance, far superior to those of the social sector. Further, Government has in the past tended to listen

more carefully to the needs of the tax paying corporate sector than it does to the expenditure focused social sector.

Indeed the CSOs workshop held in October 2002⁴, recognized the need for more coherent budget submissions by the social sector and a better organized social sector speaking in one voice, supported by effective advocacy and lobbying capacity.

If the corporate sector is the “voice of business”, then the social sector represents the “voice of the people”, particularly the poor. The need for a social sector network”, which we have branded the *Kenya Budget Network*, is therefore really a need for more effective popular participation in the national budget process. Such participation shall ensure that democratic choices achieve their true representation in the budget, but also that the budget shall give people the democratic opportunity to better themselves. And that is the sure way to make Kenya’s national budget a better budget.

Equity and Empowerment are the key elements of the *raison d’être* for the Kenya Budget Network.

Specific Objectives

- To strengthen public participation in the budget planning and monitoring process.
- To intensify CSO influence on national economic and budgetary policy.
- To achieve a coordinated CSO engagement in “upstream” and “downstream” budgetary processes.
- To develop and institutionalize a national body of knowledge on “people-driven” budget processes and issues.

Activities

IEA and members of the Budget Network recognize that the initial point of entry must be the existing national processes. In this context, the activities that we propose to undertake within the network are carefully integrated within Kenya’s national budget calendar. We shall therefore undertake the following activities:

- Regional and National Pre-Budget Hearings
- Regional and National Post budget Analysis and publication of the findings.
- Budget network forum to disseminate the findings of the post budget analysis
- Hold an Alternative (people’s) Budget Day
- Conduct Sectoral/Thematic tracking studies in areas of interest to the network membership.
- Hold dissemination workshops to communicate the findings of the studies

Expected Results

This network seeks to achieve three fundamental results:

- Better Coordination of CSOs: Upstream and Downstream engagement of CSOs in the budgetary process is effective, well coordinated, all inclusive and participatory.
- Better budgets and better budget execution: “Pro-people” national budgets for Kenya, driven by rational socio-economic policy and suitably reflective of the needs of diverse groups, including the disadvantaged and the vulnerable are developed and executed in a manner that yields positive changes in people’s lives.

⁴ IEA, Report on CSOs and the Budget Workshop held at the AFC Training Institute in October 2002.

- Comparative analysis of the National Budgets and the Budgetary Process in Kenya is produced, discussed and widely disseminated.

3. *Gender Budgeting Initiative (GBI)*

As with most countries in Africa and many parts of the world, Kenya's national planning and budgetary process has made little systematic effort to institutionalize and translate gender commitments into practical reality.

National budget is the gender neutral policy instrument which sets out in terms of financial aggregates, totals and subtotals of expenditure and revenue and the resulting budget deficits or surplus. This kind of "gender neutrality" is more accurately described as gender blindness. The presence of gender differences and inequalities means that a gender blind budget in practice tends to have different impacts on men and women, boys and girls; and they have *different responses to the budget*. Depending on how the budget and public services that it finances are structured, the outcomes for men and women can be *unequal*.

IEA has been doing analysis of the budgets since 1999, but have not analysed the resource allocations by gender. Gender disparities persist everywhere and remain acute in developing countries including Kenya. Gender disparities exist in education, health, political participation and financial access.

IEA will identify strategies to include a gendered component in the key sectors and contribute to research on gender differences. GBI offers a promising response to economic management and priority-setting. As well as ensuring that women are more equitable beneficiaries with men in national resource allocations, they are an effective strategy for enhancing women's engagement in economic decision making that shapes their lives.

Activities

- Consultative stakeholder meetings, including meetings with Parliamentarians.
- Capacity building training workshops for civil society players and policy makers.
- Research and analyses of national budget data from a gender perspective.
- Development of sustainable methods and tools for gender budgeting.
- Support to formal national processes, such as budget-led sector working groups, in devising gender-responsive budgets.
- Specific advocacy-related activities, in conjunction with selected national media (including electronic media) and civil society groups.
- Ongoing advocacy through publication of occasional papers and briefing notes.
- Ongoing sectoral analysis and tracking, from a gender viewpoint, of budgets and budget execution. This will be performed for selected sectors.

Expected Results

- A diversity approach, including gender balance is applied in medium-term budget and related economic policy formulation.
- Gender-disaggregated tools for tracking government commitment (at the planning stage) and accountability (at the execution stage) in specific sectors developed and in use.
- Development of a consultative framework, through networks and knowledge base to support a continual, institutionalized process of advocacy.

- An outline gender aware medium-term economic policy framework, duly influenced by research papers and all project outputs, which would inform the national budget process for 2005/2006 onwards.

4. *Local Authorities Support*

Sub-national finance and intergovernmental fiscal relations have of late become increasingly important in many countries, whether formally federal, such as Mexico, or unitary such as Kenya. Indeed in the ongoing Constitutional review process, there is a proposal to decentralise fiscal management in Kenya⁵. The draft constitution still under debate proposes to give local governments more responsibility in public finance management. It is therefore important to prepare the citizens and local government managers and educate them on the actual and potential impact of intergovernmental relationships on such key questions as the ability of central government to conduct sound macroeconomic policies, the incentives for sub-national governments to operate in a fiscally responsible way, and efficient and accountable delivery of public services.

Fiscal decentralisation may take the form of “*delegation*”- where local governments act as agents for the central government, executing certain functions on its behalf through a “top-down” approach or “*devolution*” - where local governments decide on development programme and implement the same through a “bottom-up” approach.

We advocate for fiscal devolution for a number of reasons. *First*, we argue that the local decision making process must be fully democratic and electoral democracy is not sufficient to ensure efficient fiscal management. The costs and benefits of decisions must be transparent, and everyone affected must have an equal opportunity to influence the decision.

Second, even though the costs of local decisions are fully borne by those who take the decisions with no possibility of “*tax export*”, the benefits accruing from the decisions made are almost exclusively enjoyed at the local level with minimal or no “spill over” unless backed by explicit and transparent compensation.

Finally, fiscal devolution is more likely to yield a more *efficient and equitable* pattern of public service delivery than the centralised and unresponsive public sectors prevalent in many developing countries, including Kenya.

Activities

To democratise the local governments’ budget management and service delivery, we propose to undertake the following activities:

- First, IEA acting as an intermediary between citizens and governments at all levels shall at the local level conduct a community needs assessment by collecting and collating information about the citizens’ demands, for selected local authorities, through *surveys and public fora* and communicate them to the budget making authorities.
- Second, the Institute will also conduct *in-depth analysis* of selected local government budgets with a view to demystifying the inaccessible aspects of local governments’ budget by the citizens and to highlight the underlying policy implications of the

⁵ Government of Kenya, Draft Constitution, 2004

budgets for objectives such as poverty alleviation and improving the status of the disadvantaged and the vulnerable (less inequality).

- Third, we note that in Kenya the opportunities for rent seeking, capacity limitations in the flow of resources mean that only a fraction of funds targeted for poverty reduction are actually applied to that purpose. In this connection, we propose to undertake activities, acting independently of local governments or in collaboration with them, to *track* the flow of funds to ensure that disbursed amounts reach the intended beneficiaries, the citizens.
- Finally, we propose to empower citizens to participate in the *monitoring and evaluation (M & E)* of the performance of local government in the delivery of public services that the budgets fund. The critical participatory element M & E is citizens' feedback about the quality of, access to and satisfaction with the services they receive from local governments. IEA will use "*citizens' report cards*" which are a summary of findings from surveys that focus on the citizens', particularly the poor on their assessment of local government performance in service delivery. IEA's contribution will be geared towards complimenting Government's efforts in M&E by facilitating effective citizen's participation in the process.

Expected Results

- Citizens M & E tools for monitoring public finance utilization by Selected Local Authorities developed, widely and effectively utilized to monitor the implementation of Local Authorities development programmes.
- Sustainable Local Authorities' capacity to effectively engage in public finance management is enhanced.
- Implementation of National Budget and the National Budget Process collectively and effectively monitored.

3.8.3 TRADE INFORMATION PROGRAMME

Main goal: To facilitate effective participation of key actors in Kenya's trade negotiations and trade policy formulation and reform.

Objectives

- To facilitate the participation of media, private sector, civil society and parliamentarians in trade policy debates.
- To identify the impact of multi-lateral, bi-lateral and regional trade agreements in Kenya and the region.
- To monitor and report the development of multilateral, bi-lateral or regional trade agreements.
- To facilitate the development of an appropriate trade policy in Kenya.
- To strengthen and sustain partnerships with relevant government departments and ministries engaged in the formulation of trade policy.

Rationale

Kenya is engaged simultaneously in a number of trade regulations processes that cover a wide variety of issues and countries. In this regard it has been important to strike a balance between Kenya's rights and obligations. Besides the bilateral negotiations Kenya is involved in, perhaps the most important processes are those that involve the majority of countries worldwide in the context of the WTO, those that involve different country groupings such as the EU, COMESA and EAC. The same issues are dealt with in these various forums, because the negotiations cover a variety of issues such as the *lifting of tariff and non-tariff barriers*

applied at national borders to the implementation of a wide range of domestic policies that cover *investment, defence of competition, government procurement and trade facilitation*.

Over the last two years the work of the IEA has attempted to influence and spur the interests of non-state actors in trade negotiations and positions adopted by Kenya. The key focus has been to examine what preparations and positions Kenya has adopted since the Doha Negotiations were launched in 2001, as well as look at the factors that have negated Kenya and other African countries incapable of deriving benefit created by the World Trade Organisation's multilateral negotiations. The programme has also attempted to shed some light on some of the challenges that the Kenyan negotiators face in global negotiations. The analysis has enabled Kenyan negotiators and policy makers to be better informed of the possible impact of the implementation of the WTO proposed activities which require commitment on technical cooperation and capacity building.

Activities

The programme will attempt through *research, forums and encounters with parliamentarians and policy makers* to raise key concerns that need to be addressed by the international community and Kenya. The aim is to facilitate the establishment of linkages between trade liberalisation, social and economic development. These are some of the crucial issues at stake for the Kenyan economy due to its small size, issues of special and differentiated treatment, relationship between trade, debt and finance; the relationship between trade and transfer of technology, as well as the relationship between technical cooperation and institutional capacity building

The trade programme in the coming years will continue to try and achieve the objectives outlined above through mounting *debates* around topical international trade issues, conducting *research* on some of these key areas that may require more in depth analysis, to give credence to the notion of the benefits free trade and liberalisation will have for the Kenyan economy. These findings will then be made available to the public through the publication of *bulletins, policy briefs* and the *research papers*. The IEA will work in *collaboration with other research organisations and collectives* within the private sector to facilitate this work. In addition the IEA will link up with such *groups and networks* in Kenya and other groups and initiatives both regionally and outside regional initiatives.

To facilitate the collaboration with other research organizations and collectives in the private sector the IEA envisages having one *regional meeting* every year. The aim is to collate views from our partners in the region to help boost the public policy work that we do and in addition draw guidance from international best practices in the trade discourse. This will also serve to improve the networking objectives of the IEA.

A new trade and gender programme will be developed to provide a holistic framework to the trade debate and the work that the IEA undertakes. The gender component is important so that we may develop an understanding of the root causes of poverty. To understand better the lot of women and how they can benefit from trade, one needs to understand the social context in which women engage in the economy in order to *assess how trade arrangements influence poor women and men*. There has been little research on gender and trade in Kenya and this is the anomaly the IEA will attempt to fill and inform the process of policy formulation within a concrete context.

Expected Results

- Increased participation of media, private sector, civil society and parliamentarians in trade policy debates
- The Impact of multi-lateral, bi-lateral and regional trade agreements in Kenya and the region are regularly assessed or monitored
- The development of multilateral, bi-lateral or regional trade agreements is debated and effectively monitored, with a view to informing Kenya's position.
- The development of an appropriate trade policy in Kenya
- Existing partnerships with relevant government departments and ministries engaged in the formulation of trade policy are strengthened and sustained.

Means to achieve the stated goals and objectives:

- Forum
- Encounters with parliament
- Bulletins
- Research
- Reports
- Regional meetings/conferences
- E-list
- Exchange programmes i.e. provide leadership on trade to civil society to bridge the information asymmetry

3.8.4 FUTURES PROGRAMME⁶

Main Goal: To facilitate increased utilization of futures methodologies in decision making for sustainable development in Kenya and the region.

Objectives

- To initiate the effective use of futures methodologies for long term planning in Kenya.
- Introduce the technique of scenario building and its application to civil society groups in the Kenya as well as train local people on how to manage and apply this technology;
- To review and facilitate debate on the effectiveness and transparency of the current planning methodologies used by government e.g. incremental budgeting
- Stimulate and guide change towards the desired goal for different sectors and provide the development of consistent frameworks;
- Provide a banner for evaluating the efforts of different sectors.
- To disseminate and facilitate debate on alternative policy proposals.

Components

- Scenarios through future search conferences
- National vision
- Other futures methodologies

Rationale

At independence, Kenya emerged from colonialism; a nation of diverse people with a simple yet profound unifying vision of eradicating poverty, ignorance and disease in order to

⁶ Scenarios/Futures projects have now been transformed into a fully fledged programme entitled "Futures Programme" and is essentially intended to explore alternative planning methodologies and audit Government plans and planning processes.

achieve social justice, human dignity and prosperity for all. Inspired by this vision, Kenyans embarked on nationhood looking into the future with confidence and expectation of shared economic progress. The country experienced steady growth and improvements in living standards during the first decade following independence. This declined in the 70s following the oil crisis and by the 1980s the country was grappling with adjustment and reform. Following liberalization, there was some short lived positive growth in the mid-90s, but this was reversed by the end of the decade. Since then, the country has experienced constant decline and worsening living conditions for the majority of the people. The early 90's also saw the adoption of multi-party politics which marked a sudden burst of democracy as the new driving force to propel development and libertarian virtues. However, Kenya has not yet developed an inclusive and tolerant society where all Kenyans believe they have an equal stake. It is also evident that we have not followed a consistent development path successful in turning this country into a prosperous nation. Instead we have made ad hoc decisions through short term plans, centralized within government and characterized by external interference and lack of proper implementation strategies.

As Kenyans embark on the journey into the 21st Century, we recognize that we are caught up in a historic challenge indicating that the country has reached the limits of its chosen economic and institutional models and approaches. We are also in a period of rapid change both within the country and outside it which we need to adapt to. The conclusion is that this decline and stress is not temporary. It has deep structural causes and means that the country will face a succession of small crises and emergencies in the coming years. These need to be creatively and purposefully confronted as they are beyond the resources of a single individual, sector, group, region or tribal experience.

The needed change cannot be effected without the leadership demonstrating the creativity and desire to work towards addressing those problems. Since the problems extend beyond them, the productive partnership between the government, private sector, and civil society organizations will be key in effecting these changes. Beyond this, a broad consensus around the goals we are seeking to attain as a country as well as a strategic implementation plan to move the system in the right direction at an appropriate pace needs to be articulated.

This situation calls for focus and clarity of shared vision of the desired outcomes. No one can know in advance what will work and what will not. However, with resolve and vision we can at least embark on changes we desire in the country as a nation's vision at any given time will mobilize the intensions and aspiration of its leadership and its population. It will provide a conceptual framework that gives direction and consistency essential to sustain any long-term process. It is also given that the vision must be a tool for learning, acknowledging and responding to unprecedented challenges and problems.

Work that IEA has done before in this regard

Between October 1998 and March 2000, IEA in collaboration with Society for International Development (SID), embarked on implementing the Kenyan Scenarios project. This project sort to use the scenarios building methodology as a means of catalyzing dialogue on *what possible futures* Kenya could face in the next two decades. By doing this, the project intended to contribute to the development of a greater sense of collective vision of Kenya's future and how it might unfold given the complex realities and the challenges it faces as well as facilitate greater participation by the public in processes that shape policies. The outcomes were used to challenge and influence the thinking and the action of those who came in contact with the scenarios.

The Kenya scenarios identified⁷ captured the possible pathways of the interplay between political and economic reforms or lack thereof. Following successful nationwide dissemination using various media, feedback revolved around the following:

1. *A quest for additional Information* to buttress/reinforce an agenda for shared growth or challenge the existing inequality in Kenya that was captured succinctly in the Picture of Now. In addition, there were requests for additional information on policy implications and decisions required should the leadership in Kenya decide to pursue one of the scenarios.
2. Beyond the agreement on the desired future, were the attendant policy and leadership imperatives. The typical question asked of the team is *"So where do we go from here?" or "What do we need to get to Flying Geese?"*
3. *Development of a Shared Vision for Kenya*: There has been frequent demands that the team lead the effort towards the development of a collective national vision which evidently lacks in this country. In particular there has been a request for the development of pillars of Flying Geese.
4. The analytical unit for the Kenya scenarios was the nation as a whole. The Kenyan scenarios made no attempt to draw scenarios for different issues, sectors or geographical areas which was deemed important.

In order for the IEA to build on this feedback, a group of young 42 young Kenyans under the auspices of the institute resulted to outline a proposed National Vision for Kenya in 2002. It was envisaged that the project would be important to inspire a collective effort of pursuing a shared national vision, and would help to devise a leadership culture and institutions that would buttress this desired future. The team met over a period of 6 months and in small working groups focused on different areas namely socio-cultural, political, institutional and economic and were later consolidated into one. The team was assisted by a larger group of individuals and institutions. The draft proposal was shared with a diverse number of young Kenyans from all walks of life in the 1st quarter of 2003 through presentations to more than 30 groups, a youth survey and essay/poetry competition that indicated the aspirations of young Kenyans. This process confirmed that the draft vision reflected the wishes and aspirations of a broad spectrum of Kenyan youth. These views were incorporated and the vision published in a booklet, *'The Promise of Our Generation – A Proposal for a National Vision for Kenya'*⁸. The vision was placed in public domain on 28th March 2003 through the public launch of the Booklet and the website, www.kenyavision.org.

With the broad/emerging consensus on the value of this type of activity, we believe that intensified research and specific policy work with sectors, groups of people and the region as well as broadened outreach will go a long way in concretizing the implementation of the desired goals and objectives.

Activities

It is in this regard that IEA in the next five years will continue with the *countrywide dissemination of the proposed Vision* for broader ownership and consensus.

⁷ "El Nino", "Maendeleo", "Katiba" and "Flying Geese".

⁸ In this book we identify the major challenges that face the country currently, that need to be met in order to realize the vision. The book also outlines some elements of the strategy that will make the vision a reality. It has to be stressed however, that this booklet is not about the strategy but is principally about the vision.

Using scenarios building methodology for future search work, IEA shall *help relevant constituencies to develop the strategy* to realize this vision. Priority areas identified include analysing trends of corruption (within 'an ethical society and a leadership with integrity' pillar), inequality (within 'an economically just society' pillar) and specific trade issues (within 'a Responsible African Member of the Global Community of Nations' pillar).

Following demands for sector specific scenarios this work will include the *development of sectoral scenarios* on key issues, to further deepen the work. Some target sectors that have been suggested as subject of sectoral visions include health, education, Natural Resource Management, Water, and Pastoral Livelihoods.

We will seek to respond to the demands for *scenarios for different geographical areas* of Kenya. After establishing the criteria for the identification of the region, we shall construct the Economic profiles of the regions from existing documents. This is important to further define the picture of now and draw out regional and thematic challenges that need to be addressed

Intense *background research* will be carried out to establish past trends, draw an appreciation of dominant forces in the past and an outline of possible driving forces of the future.

The IEA will also *initiate the effective use of other futures methodologies* for long term planning in Kenya. Through this, we will *review and facilitate debate on the effectiveness and transparency of the current planning methodologies* used by government e.g. incremental budgeting. This is aimed at helping government through the relevant ministries to effectively plan and develop consistent frameworks for economic development in the country. The process will also help initiate beneficial partnerships with private sector and civil society groups.

Through a wide dissemination of the futures work undertaken in the programme, we will facilitate *debate on alternative policy proposals* suitable for economic development in the country. *Project evaluation* to monitor the extent to which action plans have been implemented and impact of the futures work in the country and the region will be key in the programme.

The futures programme will engage itself in *spearheading and coordinating an East Africa regional scenarios project*. This is in view of the development of regionalism through the revival of the East African Community where opportunities have presented themselves for consideration of an East African scenario project. Groups such as *Africa Futures* – based in Abidjan as well as Society for International Development have been keen in pursuing this regional dimension.

In supporting the work in the region, the role of IEA will be confined to *sharing our experiences and lessons* on what worked in Kenya with other countries that are pursuing a similar agenda. This will provide useful lessons for the groups engaged in this activity in terms of process and product.

Expected Results

It is envisaged that the futures programme in IEA will:

- Create a culture of trust and partnership between stakeholders, with particular reference to policy making/influence groups and civil society groups through the interactive process of building scenarios;
- Encourage wide spread participation of stakeholders in policy issues.
- Initiate long-term thinking and planning around issues of mutual concern,
- Help catalyze action towards agreed goals and visions.
- Enable stakeholders to think strategically as they set priorities for action.

Means to achieve the stated goals and objectives:

- Research and analysis
- Workshops and future search conferences
- Forums + Launch of studies
- Reports and other publications
- Bulletins
- Regional meetings
- Futures networks
- Trainings
- E-list
- Resource centre

3.8.5 SPECIAL PROJECTS

Main Goal: Apply IEA resource base to respond to information gaps in the public policy space.

Objectives

- To produce a bi-annual state of nation assessment
- To disseminate and facilitate debate on the research conducted by the IEA
- To conduct economic research and facilitate debates in response to short term demands of key partner organizations
- To build an internal pool of skills to conduct economic research.

Components

- State of the nation assessment – AGENDA series
- Judicial reforms project
- Fact books and statistical bulletin
- Consultancy & Research

State of the Nation assessment – AGENDA series: It is felt that IEA should institutionalize the AGENDA series into a regular product as it provides in-depth analysis and policy challenges for a particular issue i.e. Education, Infrastructure, Health etc. The AGENDA publication is anticipated as a state of Nation report that will be published bi-annually. AGENDA series never took off in the past because no project/opportunity was identified to build on.

Judicial Reform Project: This project is aimed at facilitating judicial reforms in Kenya. The project will undertake activities focusing on the implication of the judicial structure on accountability and service delivery. This is being treated as an “incubator project” since it’s a new area that IEA has ventured into recently.

Fact Books & Statistical Bulletins: Under the special projects IEA will endeavour to consolidate both primary and secondary data/information available from various sources into easy to read fact books or statistical bulletins. These easy to read publications will cover issues that cut across different sectors and regions. Introduction of this new product within the IEA programmatic framework is informed by the popularity of the *“Little Fact Book: The Socio-Economic and Political Profiles of Kenya’s Districts”*.

Consultancy & Research: Other work that IEA is contracted to undertake by other organizations will be incorporated under special projects. This will aim at building *institutional sustainability* and provide the necessary resources for the expansion of IEA activities into new areas as opportunities arise.

“NOTE: See the logical framework matrix in the ‘Institutional Annex; Volume II for detailed analysis of programme activities and expected results”.

4.0 INSTITUTIONAL DEVELOPMENT: THROUGH STAFF, STRUCTURE, SYSTEMS & STYLE

4.1 Core Principles

In order to operationalise the strategic plan, IEA must put in place good *systems, structures, staff and style* (ways of working) that will ensure operational efficiency and effectiveness. In arriving at the planned actions on all the four operational issues, we first identify the desired attributes and existing limitations which then informs our decision on the action plan.

4.2 Organisational Structure

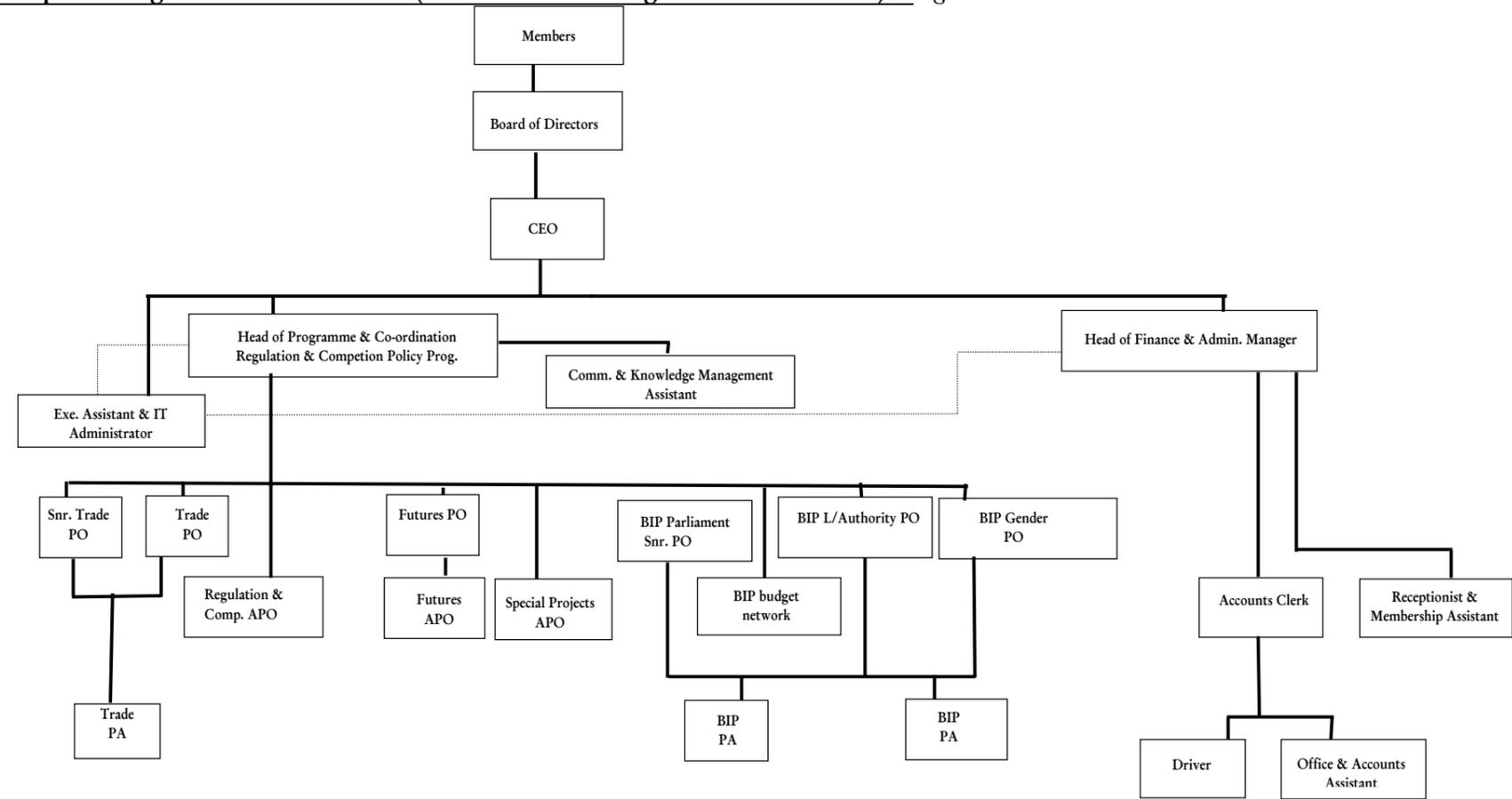
Following a strategic planning meeting and after careful consideration of the IEA's vision and mission, it was resolved that IEA's organisational structure should be more *functional, horizontal, collegial and less hierarchical*. Further, it was noted that the structure should have clear accountability and reporting relationships and spans of controls. It was also agreed that the structure should facilitate the institutionalisation of the programme work away from the Chief Executive.

To implement the proposed activities the IEA staff will be split into two main functions, that is, the **Programme Function** and the **Finance and Administration Function**, headed by a Head of Programmes and a Head of Finance and Administration respectively. These two offices shall report directly to the Chief Executive. The programmes will be implemented under the leadership of a Programme Officer with the support of Assistant Programme Officers and/or Programme Assistants, with the numbers varying with the volume of work (see the organisation chart below for more details).

Table 2

| Analysis of IEA's Organisational Structure | |
|--|---|
| <p>Desired Attributes</p> <ul style="list-style-type: none"> ○ Versatility ○ Flexibility ○ Adaptability to change ○ Mobility i.e. individuals are able to work back and forth in different roles ○ Organic i.e. not rigid | <p>Current Limitations</p> <ul style="list-style-type: none"> ○ Inadequate staff ○ Inadequate finances ○ Inappropriate recruitment and remuneration policies ○ Scarcity of requisite skills in the job market ○ High staff turnover ○ Structure inadequate in assigning responsibilities for all objectives that are set to be achieved. |
| <p>Planned Action</p> <ul style="list-style-type: none"> ○ Incorporate a mentorship programme ○ Systemise programme coordination among programmes staff. ○ Make the structure more flexible to allow for mobility and staff retention i.e. create opportunities for career progression. ○ Institutionalise staff transition mechanisms for smooth handover in case staff exits. | |

Proposed Organisational Structure (Ideal for the Strategic Plan 2004 – 2008) – Figure 2



4.3 Systems

Table 3

| Analysis of IEA's Systems | | |
|-------------------------------------|---|---|
| System | Desired Attributes | Current Limitations |
| Human Resource | <ul style="list-style-type: none"> ○ Updated human resources policies reflecting current market requirements, including recruitment, remuneration etc. ○ Organised centralised, accessible and secure records. ○ Automated HR information management. | <ul style="list-style-type: none"> ○ Current manual nature of systems compromises confidentiality and integrity of HR records. |
| | Planned Action <ul style="list-style-type: none"> ○ Complete ICT review. ○ Automate HR processes. | |
| Finance | <ul style="list-style-type: none"> ○ Efficient and reliable management information systems. ○ Sufficient controls | <ul style="list-style-type: none"> ○ Inflexible system. ○ Weak reporting capability ○ Weak data management capability. |
| | Planned Action <ul style="list-style-type: none"> ○ Replace existing accounting system ○ Train staff to use new system | |
| Office Administration | <ul style="list-style-type: none"> ○ Efficient office management ○ Security of assets | <ul style="list-style-type: none"> ○ Manual system ○ Processes not document |
| | Planned Action <ul style="list-style-type: none"> ○ Automate administrative system ○ Implement existing procedures | |
| Programme Concept and Design | <ul style="list-style-type: none"> ○ Creative and innovative programme conceptualisation and design ○ Standardised programme design and implementation management ○ Unique style of presentations and proposals | <ul style="list-style-type: none"> ○ Variety of designs and presentations of proposals |
| | Planned Action <ul style="list-style-type: none"> ○ Review how to deliberately foster creativity and innovation in programme conception, design and implementation. ○ Develop unique design of programme concept presentations ○ Standardise programme design and proposals | |

| | | |
|---|--|---|
| Fund raising | <ul style="list-style-type: none"> ○ Programme funding as opposed to projects | <ul style="list-style-type: none"> ○ Short-term funding ○ Slow disbursements of funds |
| | Planned Action <ul style="list-style-type: none"> ○ Establish sustainable funding sources ○ Negotiate seamless disbursement ○ Implement internal accountability procedures to support 2 above | |
| Programme Planning | <ul style="list-style-type: none"> ○ Integrated work plans ○ Synergies among programmes | <ul style="list-style-type: none"> ○ Plans do not always feed from other programmes |
| | Planned Action <ul style="list-style-type: none"> ○ Establish integrated programme plans | |
| Programme implementation | <ul style="list-style-type: none"> ○ Efficient and Cost effective methods of implementation ○ Inbuilt learning and sharing mechanisms for continuous improvement of implementation effectiveness | <ul style="list-style-type: none"> ○ Sometimes expensive methods used ○ Weak coordination between administration and programmes |
| | Planned Action <ul style="list-style-type: none"> ○ Strengthen programme coordination by establishing, standardising and following through with coordination procedures | |
| Monitoring and Evaluation (M & E) | <ul style="list-style-type: none"> ○ Relevant and timely feedback | <ul style="list-style-type: none"> ○ Weak M & E systems |
| | Planned Action <ul style="list-style-type: none"> ○ Institutionalise M & E ○ Establish responsive systems and processes after ICT review. | |
| Communication & Knowledge management | <ul style="list-style-type: none"> ○ Effective and user friendly systems for communication and knowledge capture and exchange ○ Efficient means of keeping knowledge continuously updated with new internal and external information | <ul style="list-style-type: none"> ○ The existing systems are inadequate |
| | Planned Action <ul style="list-style-type: none"> ○ Establish responsive systems and processes after ICT & Knowledge management reviews. | |

4.4 Staff

Table 4

| Analysis of IEA's Staff | |
|--|---|
| <p>Desired Performance</p> <ul style="list-style-type: none"> ○ Knowledge in IEA's core competence areas of economic policy analysis and research ○ Deep analytical skills ○ Ability to work in multiple teams for synergy. ○ Effective communication - public speaking & writing skills ○ Innovativeness and initiative ○ Professionalism (work attitude, grooming and presentation) ○ Receptive to alternative opinions ○ Integrity ○ Computer literacy ○ Passion/commitment to IEA's vision and work ○ Diligence ○ Self confidence | <p>Current Limitations</p> <ul style="list-style-type: none"> ○ Depth of analysis is inadequate ○ Staff are at times overstretched ○ High turnover ○ Inadequate team work ○ Weakness in communication ○ Inadequacy of formal problem solving mechanisms. |
| <p>Planned Action</p> <ul style="list-style-type: none"> ○ Regular review of terms and conditions for staff. ○ Identify areas of expertise that can be outsourced. ○ Timely recruitment of staff to fill in gaps ○ Revise recruitment procedures to fit within desired attributes. ○ Institutionalise and have regular team building activities. | |

4.5 Style and Culture

Table 5

| Analysis of IEA's Style and Culture | |
|---|---|
| <p>Desired Attributes</p> <ul style="list-style-type: none"> ○ Production of quality work/excellence ○ Team work ○ Professionalism ○ Effective time management ○ Good house keeping i.e. pursue good practices in furtherance of safe and healthy environment ○ Corporate social responsibility ○ Corporate identity and branding management. | <p>Current Limitations</p> <ul style="list-style-type: none"> ○ Inadequate interaction between board and staff. ○ No social responsibility programme ○ No formalised corporate identity i.e. colours, documents, templates etc. |
| <p>Planned Action</p> <ul style="list-style-type: none"> ○ Organise informal meetings with IEA Directors e.g. team building ○ Quarterly meetings between board and staff to discuss programme plans. ○ Hold annual planning and evaluation workshop. | |

- Develop formal plan to develop and manage IEA's corporate identity i.e. colours, documents, templates etc.

5.0 RESOURCING: VALUE FOR MONEY WITHIN A SUSTAINABLE MIX

5.1 Historical Financial Snapshot

The IEA's financial position has improved over the years as we expanded the range of programme activities, with income increasing from Ksh. 3.4 million in 1995 to Ksh. 40 million in 2002 before dropping slightly to Ksh. 34 million in 2003. The drop in 2003 was mainly because a number of our projects/programmes for the period 2002 – 2004 were coming to an end in 2003.

Table 6

| IEA Financial Performance Summary from Inception to 2003 | | | | | | | | | | |
|--|------------------|--------------------|------------------|--------------------|--------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| Year to 31 December | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | CUMULATIVE |
| Reporting period in months | 16 | 17 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | |
| INCOME | | | | | | | | | | |
| Grants, Donations and Income in Kind | 3,409,490 | 7,896,333 | 7,790,000 | 7,559,858 | 16,133,206 | 16,148,943 | 24,774,643 | 40,473,895 | 34,765,129 | 158,951,497 |
| Membership Subscriptions | 3,000 | 10,000 | - | - | 262,000 | 233,000 | 150,000 | 212,000 | 292,000 | 1,162,000 |
| Internally-Generated and Other Income | 124,095 | - | 196,666 | 290,393 | 372,311 | 848,403 | 1,421,525 | 792,676 | 1,555,443 | 5,601,512 |
| TOTAL INCOME | 3,536,585 | 7,906,333 | 7,986,666 | 7,850,251 | 16,767,517 | 17,230,346 | 26,346,168 | 41,478,571 | 36,612,572 | 165,715,009 |
| Core Staff Costs | 1,459,100 | 2,654,121 | 2,234,107 | 2,135,254 | 2,635,874 | 3,641,682 | 4,469,355 | 7,660,946 | 7,307,382 | 34,197,821 |
| Establishment Costs | 2,286,468 | 5,301,229 | 4,453,849 | 4,175,950 | 4,685,048 | 3,119,681 | 5,579,522 | 9,905,245 | 7,797,958 | 47,304,950 |
| Programme Activity Costs | 119,192 | 976,139 | 1,585,643 | 2,646,361 | 10,448,264 | 10,640,995 | 16,428,553 | 22,951,561 | 22,322,262 | 88,118,970 |
| TOTAL | 3,864,760 | 8,931,489 | 8,273,599 | 8,957,565 | 17,769,186 | 17,402,358 | 26,477,430 | 40,517,752 | 37,427,602 | 169,621,741 |
| SURPLUS/(DEFICIT) | (328,175) | (1,025,156) | (286,933) | (1,107,314) | (1,001,669) | (172,012) | (131,262) | 960,819 | (815,030) | (3,906,732) |

5.2 Lessons from Past Fundraising Activities

In fundraising for our current activities we learnt that:

- Our strategic targets were ambitious for the resources available and that IEA lacked leverage and long-term programming.
- The Institution lacked a sustainable resource mobilisation strategy.
- IEA's membership revenue is negligible suggesting that IEA is not offering sufficient benefits to attract members. There is need to identify innovative ways of recruiting and maintaining a large and diverse IEA membership.
- Accountability is key to attracting new funding and sustaining current funding.
- IEA might not be able to optimise its financial top-line growth if it is to be mainly donor funded because this line of finance has limited flexibility, is constrained against making HR investment in training and skills building and delayed the necessary knowledge and ICT investment. This suggests to us that we need to aggressively pursue cost recovery needs through margins from income generating activities (consultancy).
- IEA needs to improve its cost-mix (programmes to administration) of 65:35 to 75:25.
- Individual projects became programme thrust e.g. budget, CLE and trade programmes. We realised that in the long-run we must find sustainable programme thrust and transform certain projects such as the Economic Law and Regulation and Common futures into programmes with long-term planning framework.

- Some projects were event-driven e.g. elections and CRD projects and it was noted that these will be treated as special projects.

5.3 Consolidated Resource Requirement

IEA's resource requirements is expected to increase given the demands on us to expand our activities "downstream" and into other new areas such as Gender Budgeting, Local Authorities and the Judiciary. The need to support our programme activities with sound systems, structure and staff will also require substantial financial resources to actualise. Our financial estimates for institutional development are based on the findings and recommendations of organisational reviews recently undertaken by independent consultants i.e. MAER Associates and KPMG.

Institute of Economic Affairs: 2004-2008 Strategic Plan

Below we present our Consolidated Budget for the period in which the Strategic Plan will be in force i.e. 2004 – 2008.
(See breakdown in the attached Annex, Volume II – Institutional Annex)

Table 7

1 US \$ = Ksh. 78

| | Year 1 | | Year 2 | | Year 3 | | Year 4 | | Year 5 | |
|--|--------|-------|--------|-------|--------|-------|--------|-------|--------|-------|
| | Ksh. | US \$ |
| | | | | | | | | | | |
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NOTE: Assumes 10% adjustment for inflation in year 2005 then 5% for the other subsequent years.

6.0 MONITORING AND EVALUATION (M&E): BUILDING A LEARNING CULTURE

6.1 M&E History

6.1.1 Recent Independent Reviews

- **Human Resource Review (2001):** Work was undertaken by TAABCO Research and Development Consultants in 2001. The terms of reference for this assignment included reviewing tasks and activities of staff with a view to making recommendations on the organisational structure, job description, to propose a remuneration and reward structure, and to prepare a Human Resource Manual.
- **Organisational Review (2002):** Work was undertaken by KPMG and the objective of the review was to assist in improving the effectiveness and efficiency of the IEA in meeting its goals and ensuring efficient use of grant funds. KPMG were also to make recommendations on how to improve the IEA's efficiency and effectiveness.
- **IT Strategy Review (2003):** KPMG was contracted to carry out the review of the IEA's IT strategy following the recommendations made after the organisational Review. The terms of reference for the IT strategy Review included the review of the existing and future IT environment, assess management information needs, test the compliance and adequacy of the systems vis-à-vis the management information requirements, conduct a staff IT skills assessment, establish future IT needs of IEA, perform a gaps analysis and prepare an IT strategy next 5 years.
- **Knowledge Management Review (on-going):** This aims at assessing the systems, structure and processes applied to knowledge management and make appropriate recommendations on how to improve on the same. This work is being undertaken by KPMG.
- **Accounting Procedures Review:** This was carried out by an independent consulting firm and involved the development of an accounting procedures manual which is still being implemented.
- **Annual Audits:** Currently IEA engages KPMG to audit the Institutes accounts.
- **Other M & E Activities:** Organisational Review by MAER Consultants (focused on the Programmes and Financial Management) and several project based evaluations.

6.1.2 Internal IEA M & E Activities

- **Staff Programme Review Meetings:** The IEA programme team, comprising of staff only holds monthly meetings to review progress in programme implementation. These meetings are normally chaired by the Chief Executive and in his absence the Programmes Coordinator. This provides opportunities for early identification of handicaps in programme implementation. The Programmes Coordinator maintains a file of the programme implementation reports.
- **Board Meetings:** The IEA Board meets at least every two months and in every board meeting a programmes update and financial reports are reviewed by the board and recommendations relating to programmes and financial management made. Records of proceedings in the board meeting are maintained in a board file and minutes book.

- **Board Programme Committee Meetings:** The Board Programmes Sub-Committee normally convenes every quarter for in-depth review of the programmes. The briefing is normally done by the programmes team.
- **Board Finance Committee Meetings:** Similarly the Board Finance Sub-Committee meets every quarter to review progress made in fundraising and appropriation of funds.
- **Staff Appraisal:** the staff appraisals also provide opportunities for evaluating the performance of IEA and the individual staff members.
- **Regular Donor Reports:** The programme team normally prepares reports for donors at regular intervals as stipulated in the contract agreements. Also prepared are the corresponding financial reports. Copies are then filed in a central file for ease of reference.
- **Annual Reports:** IEA also publishes annual reports of activities of undertaken, highlighting the successes and failures and lessons learnt. These reports are circulated to members and partners of the Institute.

6.1.3 Feedback from External Parties

- **Questionnaires:** The IEA has in the past solicited feedback through questionnaires which we circulate during our meetings. This serves as a useful tool for assessing our performance.
- **Attendance Logs:** We maintain an attendance log for the attendance to our meetings.
- **Media Records** (newspaper cuttings, CDs etc)
- **Parliamentary Hansard:** The Hansard provides useful feedback on the success of our work with parliament.
- **Peer Review Mechanisms:** IEA maintains a peer programme reference group that is drawn from the partner organisations that IEA works closely with e.g. Academic and Research Institutions (e.g. KIPPRA, IPAR, Tegemeo Institute etc.), Professional Organisation (e.g. ICPAK), Parliament, Government Ministries and Departments, Civil Society Organisations etc. This group is used in the peer review of IEA's products to ensure objectivity, relevance and quality.

6.2 Core Principles

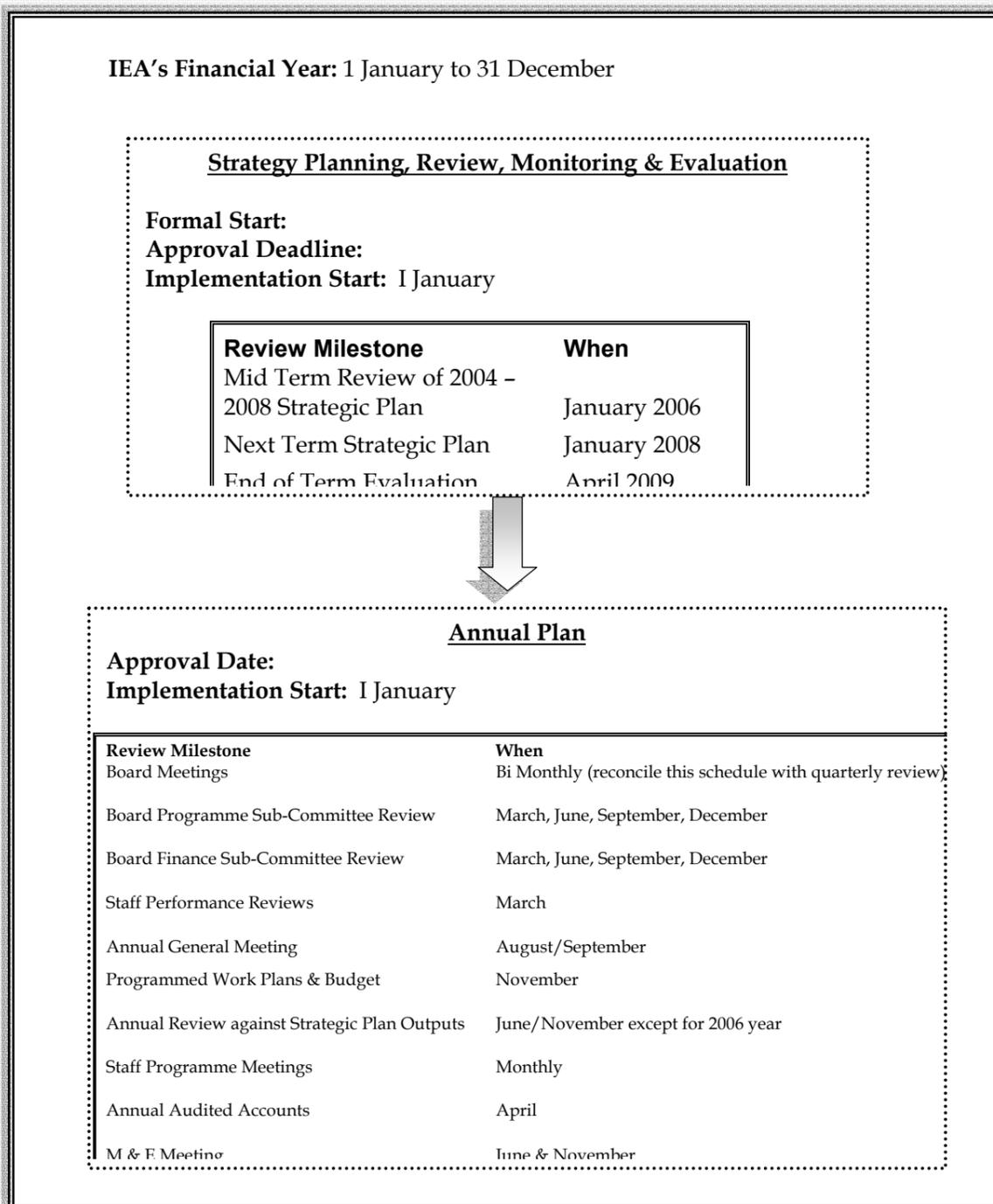
In designing our M & E system the following principles guided us:

- **Transparency** - this will be realised through availability of comprehensive, accurate, timely and useful information on programme activities, finances and other administrative activities.
- **Efficiency** - ensuring that the system provides the necessary feedback within the resource constraints of time, money and human capacity.
- **Relevance** - the system should generate information that is beneficial and meaningful to all (staff, board, members, donors and other partners)
- **Accessibility** - ensures that all interested parties are able and willing to participate. It also provides for continuous engagement between the parties internal and external to the IEA.
- **Responsiveness** - the system should be responsive at all levels:
 - With the Content containing detailed information regarding outputs/outcomes/impacts i.e. what has or has not been delivered.
 - While providing information pertaining to the Process i.e. what worked for IEA and what didn't.

6.3 M&E Cycle for the Future

The IEA strategic planning cycle is summarised in below.

Figure 3



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