



## THE ESTABLISHMENT OF THE KENYA INSTITUTE FOR PUBLIC POLICY RESEARCH AND ANALYSIS (KIPPR)



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## BACKGROUND

One of the challenges that faced many African governments after independence was inadequate capacity to inform the public policy process. To make up for this, governments relied on expatriate advisers and small groups of experienced senior civil servants to provide the much-needed technical support and backstopping on policy matters that mainstream civil servants could not provide adequately.

In Kenya, the need to strengthen capacity for public policy research and analysis within the government was identified as early as 1980s. On 30<sup>th</sup> March 1982, His Excellency the President of the Republic of Kenya, Hon. Daniel Toroitich arap Moi appointed a taskforce on Strategies and Practical Measures for Combating the Problem of Unemployment in Kenya. In its report<sup>1</sup> (p228 para 806), the Committee concludes that:

*We have been struck by the little amount of time available to the policy makers to think in the future and to consult each other, not so much on the day-to-day issues, but on the long-term and broad issues facing the nation... We are convinced that there are people in the country with the necessary experience of insight to be able to play this role. We must not lose our capacity to dream and to see in the midst of the harsh realities of today, the vast opportunities of tomorrow.*

Although there were various agencies and organizations carrying out socio-economic and political research in Kenya, none had direct link with the government to respond to immediate policy needs and lay strategies for long term development. The existing consulting firms served a highly fragmented market and were quite small in scope and operations. Moreover, national research institutes and universities were engaged in highly technical and academic work without specific focus

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<sup>1</sup> Strategies and Practical Measures for Combating the Problem of Unemployment in Kenya.

on policy research and analysis. Finally, there was a conglomeration of non-governmental organizations (NGOs) generating information without the necessary analytical rigor. Thus, a niche market existed for a public policy think tank with direct link to the government, and one that would provide objective public policy advice and technical support for policy formulation to government.

The importance of rigorous economic policy research and analysis to inform and provide alternative views to policy makers came into increased focus following progressive openness and competitive politics in the early 1990s. As the government implemented structural adjustment programmes, which many African countries were experimenting on, new demands for policy opinions were emerging from diverse groups in the Kenyan community, including members of parliament, civil society, professional organizations, and interest groups. In January 1991, a Presidential Committee on Employment proposed the creation of an institute of policy research within the civil service. The Institute was to be autonomous but have an intimate working relationship with the government and private sector organizations. The anticipated Institute was expected to promote continuous economic and social research in supporting the public policy process.

At the time, it was observed that some of the elements of such an Institute already existed in the form of the Long-Range Planning Division in the Ministry of Planning.



# LONG-RANGE PLANNING DIVISION AND THE EMERGENCE OF KIPPRA<sup>2</sup>

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<sup>2</sup> KIPPRA Information Paper No. 1/97.

The Project first developed a Computable General Equilibrium model for identifying and analyzing long-term trends and impacts of policy choices. This was intended to complement the econometric models that were already in existence in government and which were predominantly used for budgetary and balance of payment analysis.<sup>3</sup> The model, which was a set of seven models that could be used for different purposes, was prepared in the first two phases of the CIDA project (1984-1990). By 1997 when the idea of a public policy think tank was crystallizing, none of these models seems to have been in use.

In the next two phases of the CIDA project, the emphasis shifted to policy analysis through a revised econometric model (MELT3) which was developed but does not appear to have been maintained.

One of the main difficulties identified with the Long-Range project was retention of expertise.<sup>4</sup> Despite training relatively large numbers of officers from the planning cadre, most of them moved to more lucrative assignments shortly after their return to the Long-Range

<sup>3</sup> The first task in the development of a Macroeconomic Model was to review all existing documentation (which included the "Chakrabati" model; the proposed Kenya MELT3 model; and other models that were in use in Kenya or which may be relevant, such as RMSM-X) and prepare a detailed proposal indicating weaknesses in the models and ways of designing and implementing a sustainable model which can be made available to users in the Ministry of Finance, the Ministry of Planning and National Development, and the Central Bank.

<sup>4</sup> Draft evaluation of the CIDA project, November 1992

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Planning Division. This experience was, however, not unique to the Division. Most reviews undertaken on the manpower situation in the government (for example Cohen and Peterson)<sup>5</sup> had indicated that the main factors leading many of those trained to leave their targeted units and ministries were low salaries, demoralizing working conditions, limited prospects for advancement, inadequate benefits, poor senior management leadership, and ample employment opportunities in the higher paying private sector.

Various reviews of the CIDA-funded Long-Range project noted that it was not effectively integrated into the policy making process, with the result that much useful work did not have the intended impact. The modelling exercise was inherently inappropriate to the Kenyan environment. Not only was the work far too complex technically (with excessive inputs of skilled technical assistance and demands on the database), but the rapidly changing economic and political circumstances meant that many of the specified relationships would not hold over the long term. This was implicitly acknowledged by the reversion to an econometric model in 1994, but by then the project was winding down.

The report of the Presidential Commission on Employment 1991 had stated that *"Many developing countries, including those now classified as newly industrializing economies, had such mechanisms under such names as national research institutes, think-tanks, advisory councils, etc. There was therefore no shortage of experience and examples from which to draw. Such an institution in Kenya, which should be autonomous though with intimate working relations with the Government and private sector organizations, should also be used to promote continuous economic and social research, such that the country might anticipate emerging problems rather than merely reacting to them"*. The Committee recommended establishment of

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<sup>5</sup> Cohen and Peterson (1999), Administrative Decentralization: Strategies for Developing Countries Paperback, page 32, August, 1999 by John M. Cohen and Stephen B. Peterson. Examines administrative decentralization strategies in developing countries. Case studies include Ethiopia, Kenya, and Mexico; Written in cooperation with the United Nations.

<sup>6</sup> Development and Employment in Kenya. Report of the Presidential Commission on Employment, page 15.

such a mechanism, with the suggested name of *Kenya Institute for Economic and Social Research*, under an Act of Parliament.<sup>6</sup>

This recommendation was supported by participants at a Capacity Building Workshop in September 1991 and endorsed in *Sessional Paper No. 1 of 1992 on Development and Employment in Kenya*. The Long-Range Planning Division produced a Draft Proposal for a *Centre for Public Policy Analysis* in June 1992 and this was used as the basis for a Cabinet Memorandum. Cabinet approved the concept in principle at its meeting on 9th September 1992 as recorded through Minute 99/92.<sup>7</sup> The Ministry of Planning was mandated to negotiate for funding with relevant donors including the African Capacity Building Foundation, and the Canadian International Development Agency which was funding the Long-Range project. Unfortunately, there was a freeze on new CIDA projects from November 1991 and an overall re-orientation of CIDA's Kenya programme in 1993, such that CIDA's support was no longer forthcoming.<sup>8</sup>

Funding proposals were prepared for consideration by the European Union, ACBF, and USAID, among other potential donors. There were discussions with potential donors throughout 1993 to 1995.<sup>9</sup>

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<sup>7</sup> It is still not clear how the name of the Institute came to be the Kenya Institute for Public Policy Research and Analysis

<sup>8</sup> Geoffrey West, who became the Economic Adviser in the establishment of KIPPRA, was working in the Long Range Planning Division.

<sup>9</sup> While the European Commission came on Board quite early, there was apparently delay on commitment by ACBF and USAID. This was attributed to the concurrent consideration by both ACBF and USAID of the proposals to establish the Institute for Policy Analysis and Research (IPAR), which was intended to be a wholly private sector but complementary body.

# KIPPRA LEGISLATION

**A**s part of the preparatory planning work, legislation for fully establishing KIPPRA was initiated through the Ministry of Planning, and Office of the Attorney General.

The initial KIPPRA Project Proposal indicated that *“The strategy for setting up the Institute was for the government to pass the enabling legislation which would provide the legal mandate for its existence. The legislation would lay out its terms of reference, its organizational structure, its reporting relationships and the degree of autonomy that the Institute would enjoy...”* The legislation would spell out precisely the functional responsibilities of the Permanent Secretary and the Board vis a vis the Institute and its Director.

However, because of the need to consult widely, it became apparent that enactment of KIPPRA legislation would face delays. Thus, a decision was taken to reduce further delays by seeking Cabinet approval to establish KIPPRA under the State Corporations Act. A Presidential Statement was issued on 14<sup>th</sup> November 1996 and Kenya Gazette Supplement No. 36 dated 9<sup>th</sup> May 1997 gave effect to the organization structure of KIPPRA. Meanwhile, development partners were assured that progress would continue with separate legislation, after which KIPPRA would be exempted from the provisions of the State Corporations Act.

The Gazette Notice of 9<sup>th</sup> May 1997 formally established the Kenya Institute for Public Policy Research and Analysis (KIPPRA) and paved way for appointment of the Board. The Institute was later exempted from the provisions of the State Corporations Act through Legal Notice No. 114 published in the Kenya Gazette of 21<sup>st</sup> August 1998, allowing it to

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<sup>10</sup> It would seem the State Corporations Act was therefore “repealed” so far as KIPPRA is concerned. According to a legal opinion from the AG, it was not proper for KIPPRA to have been exempted from all the provision of the very Act under which it was established. In any case, there was no other enabling legislation under which KIPPRA could operate when the total exemption was given. Moreover, the provisions of the State Corporations Act raised concerns that critical areas (including recruitment, terms and conditions and the annual budget) would be subject to oversight by the State Corporations Advisory Committee. However, the then Vice President, Prof. George Saitoti, had given donor agencies assurances that KIPPRA will have considerable managerial autonomy, thus enabling it to operate independently even though it will receive financial and logistic support through the Office of the Vice President and the Ministry of Planning and National Development.

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operate as an independent agency.<sup>10</sup> This reflecting the desire to have a legislation formally establishing KIPPRA as an autonomous body but with an intimate working relationship with the government and private sector organizations.<sup>11</sup>

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<sup>11</sup> After many years of delay, the KIPPRA Bill sailed through the Second Reading in Parliament on 5<sup>th</sup> October 2006. The Bill received overwhelming support from both the Government and Opposition benches with a general feeling that KIPPRA as an Institute was doing an excellent job in policy research and support to government. His Excellency the President of Kenya finally assented to the KIPPRA Act of 2006, which became operational on 1<sup>st</sup> February 2007.



## APPOINTMENT OF THE BOARD

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On 29<sup>th</sup> January 1998, the late Prof. George Saitoti, then Minister for Planning and National Development named in a Gazette Notice No. 582, the following as members of the first KIPPRA Board: Prof. Francis Gichaga, Prof. Justin Irina, Kassim Owango and Dick Evans.<sup>12</sup>



**Prof. Francis Gichaga**  
First Chairman of the Board

The Board held its first meeting on 18<sup>th</sup> of March 1998 at the Conference Room on the 14<sup>th</sup> Floor of the Treasury Building. The Board was officially inaugurated by the late Prof. George Saitoti, then Minister for Planning and National Development. Prof. Francis Gichaga was formally appointed as Chairman of the Board through Gazette Notice No. 2445 of 22<sup>nd</sup> May 1998.

In the initial deliberations of the Board, considerations were made for all non-government Board members to complete their term of office at the same time. It was also agreed that the Executive Director should function as the Secretary to the Board and would not be a member.

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<sup>12</sup> Government representation was from the Head of Civil Service (Office of the President), Ministry of Finance and Planning, Ministry of Trade and Industry, Ministry of Labour and Human Resource Development, as well as representation from the private sector.



## FIRST KIPPRA BOARD



**Prof. Francis Gichaga**  
Chairman of the Board



**Prof. Mwangi S. Kimenyi**  
Executive Director  
Secretary to the Board



**Dr. Sally Kosgei**  
Permanent Secretary, Secretary to the Cabinet and Head of the Public Service, Office of the President



**Joseph Kinyua**  
Permanent Secretary,  
Ministry of Finance and Planning



**Margaret Chemengich**  
Permanent Secretary,  
Ministry of Trade and Industry



**Joshua K. Terer**  
Permanent Secretary,  
Ministry of Labour & Human Resource Development



**R. G. R. Evans**  
Chief Executive  
Homegrown (K) Ltd



**Prof. J. Irina**  
Commission Secretary,  
Commission for Higher Education



**Peter Gakuru**  
Economic Secretary  
Director of Planning, Ministry of Finance & Planning



**Moses Mwendwa**  
Accountant  
BDO Githongo & Associates



**Kassim Owango**  
Executive/Vice President,  
East & Southern Africa Business Organisation



**W. M. Deche**  
Chief Economist, Office of the President (Alternate)



**Eng. John M. Masila**  
Director of Industry  
Ministry of Trade and Industry (Alternate)



**J. S. Ogai**  
Principal Economist  
Ministry of Finance and Planning (Alternate)

# OFFICIAL LAUNCH OF KIPPRA

During its meeting of 8th December 1999, the Board of KIPPRA was informed that the Minister for Planning had requested the President to officiate the launching of KIPPRA. During the Board meeting of 19<sup>th</sup> January 2000, the Executive Director presented Information Paper 1/2000 that detailed preparations for the official launch of KIPPRA by H.E. the President. The letter by the Minister requesting the President to launch KIPPRA had been signed by the Minister and forwarded to the Presidency in November 1999. In a letter dated 29<sup>th</sup> November 1999, Dr Leakey confirmed that he had discussed the matter with the President who had in principle accepted to launch KIPPRA.

A taskforce to organize the launch was established by the PS Ministry of Finance and Planning and included representatives from the Ministry and KIPPRA. The proposed date of launch was February 2000. While most arrangements had been put in place, including the tentative programme, presentations, speeches, etc, the matter fizzled out thereafter and KIPPRA never benefitted from an official launch as envisaged.

## INSTITUTIONAL STATUS OF KIPPRA<sup>13</sup>

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<sup>13</sup> KIPPRA Information Paper No. 1/97.

The primary mandate of the Institute was outlined as to develop human and institutional capacities to assist in formulation of a long-term strategic perspective. To achieve this, the Institute was expected to develop adequate research programmes in human resource development, social welfare, environment and natural resources, agriculture and rural development, trade and industry, public finance, money and finance, and macroeconomic modeling. The Institute was also expected to develop capacity in public policy analysis to assist the Government of Kenya in policy formulation and implementation.

The Gazette Notice establishing KIPPRA listed its main functions as being:

- To develop capacities in public research and analysis and assist the Government in the process of policy formulation and implementation;
- To develop adequate analysis and research programming in areas such as human resources, agriculture and rural development; trade and industry; public finance; money and finance and macro-economic modelling; and
- To establish a mechanism for close working relationship between the Institute and other institutions interested in utilizing its policy output.

The intention was to create an institution which is not part of the normal bureaucratic system (and is therefore not under pressure to deal with short-term problems) but which is able to analyze topics directly relevant to long-term national development objectives and to influence the policy making process.



**Dr Kang'ethe Githu**  
Founder, KIPPRA



## **RECRUITMENT OF EXECUTIVE DIRECTOR**

In searching for an Executive Director, the Board agreed that the Institute needed to recruit the best. During its meeting of 3<sup>rd</sup> July 1998, the Board agreed that the recruitment process should not be restricted exclusively to Kenya nationals, although experience in the local policy environment was an essential requirement. It was agreed that other than the *Daily Nation* and *The East African*, an advertisement should be placed in *The Economist* as this reached all professionals across the globe.

Deloitte & Touche was identified to undertake the search process. The advert for the position of Executive Director appeared in the *Daily Nation* of 18<sup>th</sup> September 1998, *The East African* of September 21<sup>st</sup> - 27<sup>th</sup> 1998, and *The Economist* on 25<sup>th</sup> September 1998. Thirty-nine (39) applications were received by the closing date of 23<sup>rd</sup> October 1998 that showed a good spread of nationalities indicating that the job advertisements had reached the intended target audience. A shortlist of 6 candidates was done, and five were successfully interviewed. Three candidates were recommended for interview by the full Board. The interviews were conducted on Tuesday 12<sup>th</sup> January 1999, in the small conference room, 14<sup>th</sup> floor, Treasury Building. The late Prof. Samson Mwangi Kimenyi emerged as the leading contender for the position of Executive Director. A contract was prepared and discussed with him on 22<sup>nd</sup> January 1999, with reporting date agreed as June 1999. KIPPRA formally commenced operations in June 1999 when the first Executive Director, the late Prof. Mwangi S. Kimenyi, joined the Institute.



**Prof. Mwangi S. Kimenyi**  
First Executive Director,  
KIPPRA

## INITIAL STAFFING <sup>14</sup>

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<sup>14</sup> This is articulated in detail in KIPPRA Board Policy Paper No. 3/97 of 9th July 1997.

The organizational structure of KIPPRA was expected to reflect a clear vision, on the part of the Board and staff, of the role the Institute was expected to play.

The original KIPPRA project proposal which was finalized in August 1994 envisaged a staff complement of 33 (22 professional and 11 support). However, this was later deemed unrealistic because it would require a large recruitment campaign with danger of poaching the best available personnel from Government (to the detriment of the performance of their existing duties) rather than adding capacity to public policy analysis (which was KIPPRA's stated intention). It was therefore recommended that KIPPRA starts with a small organizational structure with a small professional core staff while making use of local consultants.

To facilitate recruitment of staff, Deloitte & Touche was commissioned to prepare the first guidelines for remuneration of KIPPRA staff. It used six (6) comparator institutions to prepare a consolidated salary structure for KIPPRA staff. The Board approved "the principle of a 'clean pay', which excludes most allowances, pensions and gratuities but which could be supplemented by performance-linked bonuses." The Board noted that the salary range should not be binding but would vary with employees' experience and past income record. It was essential that KIPPRA was able to pay enough to attract the requisite quality personnel.

Interviews for initial KIPPRA staff were done in August 1998. Geoff Osinde (KIP# 1) took up the position of Finance and Administration Manager with effect from 4<sup>th</sup> November 1998 while other research and administrative staff joined at various dates. These included Ishmael Kinoti - driver (KIP#3); Prof. Njuguna Ndung'u – Policy Analyst (KIP#4); Mary Wangare – Office Assistant (KIP#5); Wambui Wagacha - Librarian (KIP#6); Stephen Njuguna Karingi – Policy Analyst (KIP#7); Scholastica Mutunga – Receptionist (KIP#8); Hezron Nyangito – Policy Analyst (KIP#9); and Hilda Basa - Secretary (KIP#10).

## INITIAL FUNDING

## European Commission (EC)



Between 1990 and 1993, Kenya qualified for annual transfers totaling ECU 85.7 million under the European Union system of compensation for loss of export earnings (STABEX). These aid proceeds were traditionally allocated to the cereal sub-sector but in 1997, a systematic re-definition of the objectives and modalities for the use

of STABEX resources was undertaken. The result was re-programming the 1990 and 1991 resources to the agriculture and rural development sector while the 1992 and 1993 allocations were allocated towards support for Government efforts to diversify the export base and strengthen capacity to earn foreign exchange.

To address the principles of diversification and support for economic and policy reforms, four main initiatives were agreed between the Government and the European Commission in the Framework of Mutual Obligations (FMO) covering the 1992/93 programme totalling Euro 45 million. These were: Tourism; Export Promotion; Public Sector Reforms; and provision of Euro 5 million for the KIPPRA Endowment Fund, which was intended to “strengthen capacity for improved policy analysis and formulation by providing KIPPRA with access to a dependable and predictable source of complementary revenue”.<sup>15</sup>

Following approval of the FMO for 1992/93, a Memorandum of Understanding was prepared which confirmed that Euro 500,000 would be allocated to finance the operation of KIPPRA during the financial year 2000/01 while the remaining Euro 4,500,000 would be placed in the KIPPRA Endowment Fund, to be drawn down over the subsequent ten (10) financial years.<sup>16</sup>

<sup>15</sup> KIPPRA Information Paper No. 08/00 of 31st May 2000, pages 2.

<sup>16</sup> The establishment of the KIPPRA Endowment Fund and the operating rules are contained in the approved MOU of year 200. Commercial Bank of Africa was identified as the investment manager of the fund.

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Formalities for the establishment of the KIPPRA Endowment Fund were finalized on 14th December 2000 when KIPPRA Endowment Fund Investment Committee held a meeting with representatives of Commercial Bank of Africa (the contracted Bank) and AIG Global Investment Company.

During the meeting, CBA/AIG presented to KIPPRA Endowment Fund Investment Committee the recommended investment strategy and Portfolio Implementation of the fund. CBA/AIG spelled out the major objective in the preservation of the fund capital by actively managing the portfolio to achieve some income with capital appreciation over the 10-year life of the fund. The strategy aimed to achieve a return of 7.9% per year, in Euros before charging CBA fees.

The CBA designated bank in Germany received the Euro 4.5 million from the EC on 17th January 2001. The investment started in February 2001. The first draw down from the Fund was in July 2001 to finance KIPPRA operation for July 2001 to June 2002. The draw down was at Ksh 45 million per annum (but not exceed 33% of KIPPRA's annual budget).

The activities financed through the EU funding were primarily in three groups:

- i. Technical assistance which was initially provided to the Ministry of Planning and National Development from September 1996 and which was subsequently assigned to KIPPRA on a full-time basis until the end of the Economic Adviser's (Geoffrey West) contract in September 2000.
- ii. Consultancy and training activities provided by the Institute of Social Studies, The Hague, which was selected as the link partner in the development of the KIPPRA Treasury Macroeconomic Model (KTMM).
- iii. Recurrent and capital expenditures related to the establishment of the Institute directly funded through annual Work Plans and Cost Estimates.



### *African Capacity Building Foundation*



In the early stages of the establishment of KIPPRA, the ACBF was identified as a potential fund for KIPPRA because Kenya is a member of the ACBF. The Ministry of Planning prepared and submitted a funding proposal for KIPPRA to ACBF, and the KIPPRA Project was approved by the African Capacity Building Foundation in May 1995.

A grant agreement of US\$ 1,630,000 was signed between ACBF and Government of Kenya in November 1997 for the establishment of KIPPRA and became effective in 1999. The budget lines for ACBF grant were Training (US\$ 405,000), Salaries (US\$ 733,000) and Operating Expenses (US\$ 488,000).

The conditions prior to grant approval included, among others: Recruitment of an Executive Director; Government commitment to counterpart funding; enabling legislation for establishment of KIPPRA as an autonomous public policy think tank for the Government of Kenya; signing of a lease agreement for KIPPRA premises and opening necessary bank accounts.

During its third meeting held on 28<sup>th</sup> April 1998, the Board reviewed all items required for “Fulfilment of the ACBF Conditions precedent to Grant Effectiveness”. The Executive Secretary of ACBF wrote in June 1998 confirming that the conditions precedent to grant effectiveness had been met and gave KIPPRA six (6) months to recruit an Executive Director and secure adequate office accommodation.

The Grant Agreement was negotiated and signed in November 1997 and became effective in May 1998.

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As part of the Grant Agreement with ACBF, the Government had committed to provide counterpart funding of Kenya Pounds 2 million over four years (or Ksh 500,000 per year over four years) beginning 1998/1999. However, no provision was included in the Estimates for 1998/1999. This may have been the cause of delay in disbursements of funds. Actual disbursements commenced in June 1999.

## USAID



In 1999, USAID had agreed to set aside US\$ 400,000 under the Micro-Private Enterprises Development project to support KIPPRA. However, delays in the establishment of KIPPRA affected release of funds towards the project until early 2000 when the programme of activities and budgetary requirements were agreed upon between USAID, KIPPRA and Government of Kenya that the funds were provided in the Printed Estimates of 2000/2001 fiscal year.

## Deregulation Project



Up to around 1996, the Ministry of Finance and Planning was implementing a DfID-funded project titled Deregulation Project. The project had been established in the Office of the Vice President and Ministry of Planning and National Development in May 1996. Further, a Deregulation Section had been set up in the Small Scale and Jua Kali Enterprise (SSJKE) Division of the Ministry. The project was relocated to the Ministry of Labour and Human Resource Development following the reorganization of Government in September 1999.

Once KIPPRA was up and running, it was agreed between the Ministry, DfID and KIPPRA that management of the project could be relocated to KIPPRA.

The project was funded by DfID through Phase 1 and 2. Phase 3 was to commence on 1 August 2000 for three years. It was envisaged that Phase 3 will be carried out through two contracts. One with Price-Waterhouse Coopers for Technical Support, and the second by KIPPRA to cover an overhead contribution, Project management, research fees and outlay expenses (all estimated at Sterling Pounds 1.2 million). DfID in 2001 did a project Memorandum for a three-year project titled *“Umbrella Project for Improving the Enabling Environment for Business in Kenya”*. The project had three components: Simplifying the regulatory environment for business (SREB); Private Sector Advocacy (PSA); and Capacity Building for Government to Respond to demand for Reforms in the Business Environment.

The SREB component was designed to assist the government and the private sector to prioritize the steps involved in implementation of the poverty reduction strategy and the economic recovery strategy and involved research on policies, legislation and regulations that impede the development of a robust market-oriented private sector in Kenya. The PSA component was vested in the Private Sector Forum (PSF), which was then a loose conglomeration of private sector associations. The component aimed at positioning the private sector to inform and lobby government on issues that constrain the operations and businesses of private sector companies in Kenya. It ensured that the private sector remained engaged in policy implementation. One of the major successes of this component was that it led to reorganization of the private sector in Kenya through a more rejuvenated and well-informed Kenya Private Sector Association (KEPSA), which KIPPRA incubated in its early stages of establishment and growth.

The capacity building component was designed to assist the government in understanding and implementing policies necessary to improve the regulatory environment governing the private sector.

KIPPRA was the implementing agency of the first and third components while the Private Sector Forum implemented the advocacy component. The Umbrella project provide essential initial funding of KIPPRA. Even as it was relocated to KIPPRA reporting continued to be through the Head, Small Scale and Jua Kali Division in the Ministry of Labour.

## Government of Kenya



In the 2001/2002 Estimates of Development Expenditure for the Republic of Kenya (p.85), KIPPRA was for the first time allocated under Vote Item 188 of the Ministry of Finance and Planning Ksh 30 million for its operations. In addition, Vote 189 of the same report allocated Ksh 10 million for the KIPPRA Endowment Fund. In the subsequent year, 2002/2003, Vote 188 was allocated Ksh 14.3 million while Vote 189 was allocated Ksh 35 million. A new vote 187, KIPPRA GOK Matching Funds for Policy Research was allocated Ksh 1 million.

321	Capacity 21 Projects	18,200,000	19,000,000	15,000,000	11,000,000
	<b>GROSS EXPENDITURE</b>	<b>18,200,000</b>	<b>19,000,000</b>	<b>15,000,000</b>	<b>11,000,000</b>
	<b>Appropriations in Aid</b>				
941	Direct Payment - UNDP	-	19,000,000	-	-
	<b>Total Appropriations in Aid</b>	<b>-</b>	<b>19,000,000</b>	<b>-</b>	<b>-</b>
	<b>NET EXPENDITURE HEAD 211 .. .. KShs</b>	<b>18,200,000</b>	<b>-</b>	<b>15,000,000</b>	<b>11,000,000</b>
212	<b>212 Macro Economic Planning</b>				
186	9th National Development Plan	5,590,380	8,000,000	-	-
188	Kenyan Institute of Public Policy and Research Analysis	30,000,000	14,300,000	14,300,000	14,300,000
189	KIPPRA Endowment Fund	10,000,000	35,000,000	35,000,000	35,000,000
302	Private Micro Enterprise Development	5,000,000	-	-	-

212	<b>212 Macro Economic Planning</b>				
186	9th National Development Plan	8,000,000	-	-	-
187	KIPPRA GOK Matching Funds For Policy Research	1,000,000	-	2,000,000	2,000,000
188	Kenyan Institute of Public Policy and Research Analysis	14,300,000	16,300,000	14,300,000	15,000,000
189	KIPPRA Endowment Fund	35,000,000	-	-	-
303	Good Governance and Poverty Eradication	100,000,000	80,000,000	-	-
	<b>GROSS EXPENDITURE</b>	<b>158,300,000</b>	<b>96,300,000</b>	<b>16,300,000</b>	<b>17,000,000</b>

## KIPPRA PREMISES



*Treasury Building*

KIPPRA started operations from the 7<sup>th</sup> Floor of Treasury building, Room 723 and 719. However, the Board was of the view that KIPPRA should not retain permanent office space within the Treasury in the long term unless it was demonstrated that it was necessary for operational reasons.<sup>17</sup> In this regard, the search for KIPPRA premises was initiated. The Finance and Administrative Manager was given the responsibility to scout and recommend suitable premises in consultation with Board members who had insights on some suitable premises.

During the Board meeting of 17<sup>th</sup> December 1998, the Finance and Administrative Manager presented to the Board Policy Paper No. 16/98 describing the procedure that had been used to identify suitable office accommodation for KIPPRA. The starting point was to determine the space requirements for the expected establishment and functions to be undertaken by KIPPRA on the assumption that 'macroeconomic unit' would be based in the Treasury. Possible sites were evaluated against criteria which included: central location; absence of congestion; good telephone access; adequate car parking for staff and visitors; suitable external and internal decoration; and affordable rental rates. Fourteen (14) properties were visited, of which four appeared to

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<sup>17</sup> In a letter dated 8<sup>th</sup> July 1999 by Dr Kang'ethe W. Gitu then Permanent Secretary Ministry of Planning and National Development, he confirms to the Chairman of the KIPPRA Board that KIPPRA will continue occupation of three offices which comprise suite 719 on the 7<sup>th</sup> Floor of the Treasury Building for the purpose of undertaking macroeconomic modelling with mutual liaison with the Ministry.



Room 719



Room 723

meet all or most of the criteria. A comparative assessment of their main features and inclusive annual cost was prepared.

The Board considered the arguments for and against each property and concluded that Bishops Garden Towers “appeared to represent the best compromise between facilities, location and cost”. The Finance and Administrative Manager was mandated to pursue the option of a lease agreement for the East Wing of the 2nd floor of Bishops Garden Towers. The floor space was determined as 3,495 square feet of office space and 583 square feet to common areas.

The lease formally commenced on 1<sup>st</sup> April 1999. The Board approved the award of the tender for partitioning and other building works to Chirag Builders Ltd and electrical works to Pwani Electrical Systems Ltd. The premises were formally handed over to KIPPRA on 28<sup>th</sup> May 1999.



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At around the same time, there was uncertainty about the future occupation of Treasury offices. However, the Permanent Secretary, Ministry of Finance confirmed that KIPPRA would retain the use of Suite 719 and could have an extra office if required for ancillary staff.

The Board in April 2001 authorized the acquisition of 5<sup>th</sup> floor western wing at an annual rent of Ksh 2.1 million inclusive of service charge.

## OTHER OPERATIONAL TOOLS

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**L**ogo: After advertising for tender to design KIPPRA logo, three design organizations expressed interest. However, in its meeting of 26<sup>th</sup> January 1999, the Board indicated that they wished other firms with a good local reputation to have an opportunity to design the logo. Several companies would be asked to prepare outline design which would be assessed by the Board. The winner would then be asked to complete all the necessary design work (including for letterheads, envelopes, seal and official stamp) for a fixed fee of Ksh 30,000.

Nine (9) organizations were finally invited to participate in the design competition, but only one initially responded. It would appear that the financial limit (which had been determined in an arbitrary manner) had discouraged firms from producing concept designs. The Board decided to ask for proposals from the nine (9) companies, indicating their fees for preparation of a company logo and providing examples of their services. Based on these submissions, one organization would be invited to develop the final design in consultation with the Board and submit the final output with the specifications to the Board for approval.

By the closing date of 12<sup>th</sup> March 1999, only two companies had responded. The Board finally awarded Communications Concepts Ltd the assignment. The company presented 21 options for the KIPPRA logo and the Board in its meeting of 29<sup>th</sup> April 1999 agreed on the KIPPRA logo which combined the national colours, the Board's preferred typeface and lowercase type. However, in finalization of letterheads, concerns were raised on the appearance of the selected logo when reduced in size for the letterhead, complimentary slips, envelopes and business cards. Minor amendments were experimented with, including elongation of the acronym KIPPRA and using uppercase characters for the name. The Board considered these revised options and selected the original typeface but with uppercase printing of the name. A green line was to be inserted under the letterhead.

**Post office Box:** During the meeting of 26<sup>th</sup> January 1999, Dr Kang'ethe Gitu (then Director of Planning) confirmed to the Board that KIPPRA had been assigned P. O. Box No. 56445 Nairobi.

**ICT infrastructure:** Specifications for KIPPRA computer network were developed from early January 1999. The Board approved the award of the tender for computer procurement to Fintech Kenya Ltd.

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**Payroll:** Staff Master Payroll Management system was procured and installed in December 1998 and in January 1999 KIPPRA registered for the statutory institutions (NHIF, NSSF, KRA (PAYE); NCC (service charge) and KIPPRA's PIN Number for the compliance of monthly deductions and returns effective January 1999.

**Transport:** Toyota Hiace Van (Ksh 2.4m) was procured through USAID funding in May 2001 and a Peugeot 404 for Ksh 1.8 m using Government of Kenya and project funds. The latter vehicle was for the Executive Director.

The background is a solid green color with a complex pattern of thin, white, concentric circles and lines of varying radii. Some lines are straight, while others are curved, creating a sense of depth and movement. The pattern is dense and covers the entire page.

## **DEFINING THE EARLY RESEARCH AGENDA AND APPROACHES**

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## *Quality and Relevance*

The early KIPPRA agenda was outlined in KIPPRA Information Paper No. 1/97. The Board paper indicates that the functions assigned to KIPPRA have their origin in the work that was being undertaken by the Long-Range Planning Division. The emphasis of that Division in its early years was on the preparation of a comprehensive economic model. It was recognized that this modelling work failed to have significant impact on policy making.

It was recognized that Kenya already had institutions that collected plenty of primary data and that it would be wasteful of scarce human resources for KIPPRA to undertake much original data collection, although there may be some topics on which some additional information or further analysis of existing data may be required). It was recommended that KIPPRA activities should focus on policy analysis. Policy analysis must convince technical officials who are familiar with the detailed subject under review. All KIPPRA reports would therefore need to be well researched and it is essential that everything that KIPPRA produces is recognized as being relevant, professional, reliable and timely.

It was noted that lawmaker, policy makers and senior bureaucrats would be willing to act upon the recommendations made by KIPPRA only if they trust the quality of analysis. Further, the analysis would be most effective if it is carried out before any formal decision is taken by Cabinet. Taken together, it was vital that all work produced by KIPPRA undergoes detailed scrutiny to ensure that it is accurate, logical and internally consistent. Quality assurance must therefore be an integral aspect of all KIPPRA activities. Towards this end, it was recommended that to ensure the quality of all work produced by KIPPRA, a technical committee is established which will have oversight of work in progress. This would meet in advance of each Board meeting and produce a summary report on the research programmes.

## *Influencing the Policy Making Process*

It was recognized right from the beginning that the Institute will only be effective if it pays explicit attention to the integration of its activities into the decision-making process. Resources must be allocated not only to the investigation of relevant topics and production of good quality reports but also to ensuring that its outputs influence decision-making. This means that findings must be presented in ways which are easily accessible to non-technical personnel.

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The Long-Range project had great difficulty in ensuring that its products actually influenced the policy framework. As early as 1988, therefore, it had identified several mechanisms for improving the integration of the project into policy making so that its analysis would become more effective. These include:<sup>18</sup>

- Preparation and submission of Cabinet Memoranda.
- Participation in the budget preparation process (particularly through the presentation of papers on relevant policy topics to the Budget Steering Committee).
- Involvement in preparation of the periodic national development plans (through the drafting of a long-term framework).
- Presentation of research and policy papers to the Technical Steering Committee.
- Preparation of both a “themes” chapter and a chapter on economic prospects for inclusion in the annual Economic Survey
- Hosting periodic conferences on selected policy topics.

To achieve these endeavours, it was pointed out that the Board will need to play an active role both in determining the overall direction of KIPPRA’s activities and in disseminating its main findings. It was essential that the Board which combines representatives of both the public and private sectors, develop an effective set of formal and informal networking relationships which ensures that KIPPRA secures information in a timely manner on those topics under policy consideration to influence decision-making. To strengthen this network, the Board Information Paper suggested that the Board holds regular briefing sessions with the Cabinet.

The Indicative Research and Analysis Agenda of KIPPRA was outlined in KIPPRA Information Paper No. 2/97.<sup>19</sup> It was recommended that KIPPRA would commission consultants to carry out work in areas where it did not have in-house capacity.<sup>20</sup>

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<sup>18</sup> Report to the 7<sup>th</sup> Steering Committee, 1988.

<sup>19</sup> Although no details are available, this research agenda borrowed from a UNECA report that had identified 41 subject areas within eight broad areas for KIPPRA.

<sup>20</sup> Mission Report on the Evaluation of the Proposal for the Establishment of KIPPRA, August 1996



A key area that was identified for KIPPRA to focus on upon starting its operations was developing a macroeconomic model for Kenya (later known as KIPPRA-Treasury Macroeconomic Model – KTMM). This arose from the gaps identified through the Long-Range Project that Kenya lacked capacity for analysis of long-term development needs.

The development of the KIPPRA-Treasury Macroeconomic Model (KTMM) was achieved through EC Link Agreement with Institute of Social Studies (ISS) at The Hague, Netherlands. A team comprising ISS (technical expertise), the producers of data (including Central Bureau of Statistics (now Kenya National Bureau of Statistics) and Central Bank of Kenya, and potential users of the model (principally Ministry of Finance and Planning) shepherd the development of the KTMM.



The team produced a theoretical outline of the proposed model and a draft inception report summarizing progress and setting out a work programme on all aspects of the project. The draft inception report was discussed with KIPPRA and a revised draft produced on 31<sup>st</sup> January 2000. A follow up mission took place between 26<sup>th</sup> February and 5<sup>th</sup> March 2000. The resident economist became a full time member of the KIPPRA staff.

The third mission by the Link Institution took place between 24<sup>th</sup> April and 6<sup>th</sup> May 2000 during which pilot version of the econometric forecasting model was presented. It was agreed that the operation version of the model would be presented in August 2000 after the team participated in a training programme in The Hague.

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Another mission by the Link team took place in August 2000. This time, an operational version of the model was presented at a non-technical session at the Treasury and a technical session held at the Kenya School of Monetary Studies.

KIPPRA staff organized the first formal training workshop for officials of the Ministry of Finance and Planning between 19th February and 2nd March 2001. This workshop focused on macro modeling using the KTMM.

The model has continued to be used to support budget formulation and preparation process especially through inputs in the macroeconomic framework for the Fiscal Strategy Paper (FSP) and its successors Budget Review and Outlook Paper (BROPA) and Budget Strategy Paper (BSP).

The initial simulation runs from the model provided the basis for the macroeconomic framework for the 8th National Development Plan and the Economic Recovery Strategy for Wealth and Employment Creation (ERSWEC 2003-2007). In addition, important policy issues have often been analyzed using the model under different alternative policy scenarios. The model has also been used for KIPPRA capacity building for macro-modeling courses and training for Young Professionals and economists serving within the government and the private sector.

## **Conclusion**

The establishment of KIPPRA arose out of the need from the Government of Kenya for technical support and backstopping on public policy matters and more so on long term perspectives that ordinary government technocrats did not have adequate time and capacity to dwell into. It was expected that KIPPRA would focus on generating non-technical and non-academic evidence-based policy research and analysis outputs with quality analytical rigour. Further, direct link with government would enable such an institution provide the needed support for public policy, and with effective integration into the policy making process make meaningful impact. A public policy think tank of the envisaged status would require enabling legislation, administrative autonomy, sustainable funding, appropriate infrastructural and governance structures, and attract the best of the best human resources.

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