

REFORM Case Study

No. 0701 January 25, 2007

Jua Kali Associations in Kenya: A Force for Development and Reform

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In Kenya, the millions of entrepreneurs and workers in the informal sector have long been disorganized and without a voice. Known as the jua kali, the sector faces numerous challenges. Cumbersome laws and regulations tend to inhibit the growth of jua kali businesses, and as business owners are unable to secure ownership over their shops and land, it is difficult to access credit. To these numerous challenges, the government has given a mixed response, largely because of a lack of dialogue between the government and the informal sector.

In recent years, encouraging examples of local voluntary associations have emerged to advocate on behalf of informal businesses. Several of these associations have capitalized on the skills and strategies their leaders acquired during a workshop held by the Center for International Private Enterprise (CIPE) in Nairobi in 2004. They have subsequently improved the professionalism of their organizations and enhanced benefits for their membership. The associations serve to protect their members from government harassment, to improve access to business services, and to create other benefits, such as healthcare facilities. Yet perhaps the most important function of the associations has been to unite and organize the informal sector, giving it a single clear voice that truly represents the jua kali to the Kenyan government.



published by the
Center for International Private Enterprise
an affiliate of the U.S. Chamber of Commerce
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Introduction

In Kenya, entrepreneurs and workers in the informal sector have long been disorganized and without a voice. Although they make up a large percentage of Kenya's economy, their lack of rights, land, and education has stunted their growth and the growth of Kenya's economy as a whole. This is not a new story. For decades, the Kenyan Government and international organizations have devised programs to improve their situation, and yet neither their rights nor their economic opportunities have improved substantially.

In recent years, however, there have emerged encouraging examples of local voluntary associations becoming true advocates on behalf of informal businesses. While these associations faced tremendous disadvantages in establishing a basic level of organization, they are the best qualified to speak for their membership. Several associations capitalized on skills and strategies that their leaders acquired during a workshop held by the Center for International Private Enterprise (CIPE) in Nairobi in 2004. They have subsequently improved the professionalism of their organizations and enhanced benefits for their membership. In addition, the unity fostered by the workshop caused some associations to join together to form the National Informal Sector Coalition (NISCO), dedicated to giving a common voice to the sector.

Background

The term "informal sector" was popularized by a 1972 study of Kenya,¹ but Kenyans have another term for the sector: *jua kali*, literally "under the hot sun." It is indicative of the severe conditions under which micro-entrepreneurs and their employees labor. This unstructured sector has emerged as a result of the incapacity of formal, regulated industries to absorb new entrants. The *jua kali* sector encompasses small-scale entrepreneurs and workers who lack access to credit, property rights, training, and good working conditions. Originally restricted to artisans, the term has come to include a number of professions, including auto mechanics and market vendors. They

supply goods to local markets using predominantly manual labor and little capital, often making do with handmade tools. Their livelihoods are constantly threatened by arbitrary seizures and other forms of harassment by authorities.

Many Kenyans consider the *jua kali* to be the predominant – and most important – economic sector in Kenya, the one in which they all work. This is not far from the truth. According to the Economic Survey published by Kenya's Central Bureau of Statistics, employment within the sector increased from 4.2 million persons in 2000 to 5.1 million persons in 2002, accounting for 74.2% of total employment. The sector contributes 18.4% of the gross domestic product and provides goods and services, promotes creativity and innovation, and enhances entrepreneurial culture. A common statement heard throughout Kenya is "We're all *jua kali* nowadays."²

What Challenges Do the Jua Kali Face?

Although they constitute the majority of Kenya's economy, *jua kali* businesses face numerous challenges.

A number of cumbersome laws and regulations remain out of step with current realities and are hostile to the growth of the informal sector. The by-laws applied by many local authorities are not standardized and appear to be punitive instead of facilitative in most cases. Even worse, informal entrepreneurs generally do not know the laws and their rights. The role of the provincial administration in enforcement of regulations and its jurisdiction over land and utilities tend to overlap and conflict with those of the local authority. The bureaucratic, lengthy process of transacting business with government agencies adversely impacts informal traders by diverting their scarce resources from production to sheer housekeeping.

The *jua kali* are unable to secure ownership over their shops or land, as property rights are neither granted nor enforced. Developers frequently encroach

onto their workplaces. One of the main reasons why jua kali business owners have difficulty gaining access to credit is that they have no land or property to use as collateral.

Weak property rights are compounded by deficient infrastructure. The poor state of Kenya's roads adds to the cost of goods produced by the informal sector rendering them less competitive than imported goods. Their workshops and stands lack electricity and running water. The health care facilities available to them are inadequate at best, especially for a population with a high percentage of HIV infection.

Other challenges include a legal and policy framework for financial services that favors large over small borrowers, a shortage of information on markets, and inadequate access to skills training and technology.

The jua kali have received a mixed response to their needs from the government. On the surface, the government appears sensitive to the jua kali sector's needs; a number of policy papers produced by the government highlight the importance of the sector to job creation, poverty reduction, and meeting consumers' demands.³ The government has passed laws and allocated funds to facilitate small enterprise development, improve working conditions, and ease access to credit, basic utilities, and property rights. The government has also envisioned providing vending space to jua kali businesses, for instance by closing roads at certain times.

Despite the government's seemingly good intentions, these policy papers and laws have had a minimal impact due to implementation difficulties or unresponsiveness on the part of government officials. Policies have been formulated mainly by the government without consulting the jua kalis. As a result, policies failed to address the specific needs of the jua kali sector and lacked ownership by them. When commitments have been made, no organization has effectively monitored implementation. Local authorities continue to harass informal businesses by arbitrary arrests, chasing them from their temporary business locations, confiscating their goods and

other tools of trade, causing property damage, asking for bribes, and at times, even assaulting the entrepreneurs.

The Role of Independent Business Associations

To protect themselves from government abuse and improve the conditions under which they operate, jua kali businesses have banded together and formed their own associations. These associations, of varying size and institutional capacity, play a key role in pushing for measures that enhance market functions and provide direct benefits to individual members. Currently, there are over 600 registered jua kali associations in Kenya, with a further 300 jua kali associations awaiting registration.

These associations work in the community to identify problems, propose solutions, and act on them. Although each association is different and works at the local level to serve the needs of its members, they serve a number of basic functions:

- Protect members from government harassment
- Improve access to property and modern infrastructure
- Provide services to improve the business environment
- Offer training programs to members
- Increase access to credit through loans
- Create healthcare facilities

Most informal sector associations in Kenya, however, do not have the capacity to address the problems that their members face. Many exist in name only, hold infrequent meetings, and do not keep proper records of their members. In addition, their personnel lack leadership and financial skills.

This study describes the activities of four important associations that participated in the 2004 CIPE workshop.⁴ Kayole Jua Kali Association, based in Nairobi, is one of the most vibrant informal sector associations in Kenya. It was formed in 1992 to unite its members and stabilize their economic situation.

Its formation was prompted by a number of legal and regulatory inconsistencies that the Nairobi City Council used to harass jua kali.

Kamkunji Jua Kali Association is considered to be the pioneer of the jua kali movement in Kenya, having been formed in February 1986. The association received special recognition from the government for its contribution to economic growth and development in Kenya. Its main objectives are to promote unity among members to advocate for their needs; to provide the necessary infrastructure, including land, for developing businesses; and to help improve the technical and managerial skills of members through training.

The Mchanganyiko Craft Association of Kakamega, in western Kenya, was formed in 1987 and initially recruited members from sectors including auto repair, carpentry, shoemaking, brick-making, and tailoring. Its objectives were to increase members' awareness of local government policies, provide micro-loans to members, and create awareness of human rights.

The Kisumu Center Jua Kali Artisans Association was started in 1986. The reasons for its formation were basic: to end the wanton harassment by the Kisumu City Council and to improve the welfare of its members.

Governance and Management of the Associations

Effective leadership qualities exhibited by the chairmen of Kayole, Kamkunji, Mchanganyiko and Kisumu Jua Kali associations largely account for their success. These leaders are characterized by vision, commitment to service, and sense of purpose. Beyond such personal qualities, however, good leadership requires good governance and transparency.

Before the CIPE training, most associations never held any elections. A good example is the Federation of Jua Kali Associations, which had not held any elections for the last 20 years. Many jua kali association leaders are still insensitive to the need to step down or conduct elections.

CIPE Workshop on Association Governance and Management

To build the capacity of jua kali associations, CIPE organized a one-week professional and organizational development workshop for 40 association leaders in Nairobi in November 2004. During the workshop, participants acquired skills for leadership, finance, and budgeting; learned strategic planning, membership development, and marketing techniques; identified sources of non-dues income; and discussed the role of associations in democratic society. The training had a large impact: several associations were rejuvenated and are currently offering innovative services to their members.

Realizing they faced common problems and needed a united voice, participating associations joined together to form a new grassroots coalition, the National Informal Sector Coalition (NISCO). NISCO was created to replace the existing government-backed federation for the sector, the Kenya National Federation of Jua Kali Associations, which was ineffective and did not advocate on behalf of its members. By early 2006, NISCO was presenting a truly representative list of jua kalis' policy expectations to the highest level of the Kenyan Government.

Yet the associations cannot truly represent their members' interests if they do not hold elections when due. Most of the associations that were represented at the CIPE training in 2004 have since held regular elections. In fact, the leadership of the Kamkunji association was completely replaced after a March 2006 election.

While some associations observe internal transparency in the distribution of association resources and collective decision making, in other associations members wait for the leaders to carry out all activities and deliver benefits to them. Meetings are held at the convenience of the leaders. A key factor contributing to the latter scenario is illiteracy and limited knowledge among association members.

Leaders who attended the CIPE training learned how to clarify their associations' overall direction and involve the membership through strategic planning. The Kayole association drafted a three-year strategic plan in 2004 to capture the major items outlined in the association's objectives. The Kamkunji association is rewriting its constitution to take into account the needs of its members and the changing dynamics of the jua kali sector. Chairman Richard Okeng'o Awiti of the Kisumu Center Jua Kali Artisans Association lauds the training he received from the CIPE workshop that he says enabled his association to come up with a two-year strategic plan. He says, "From this training we learned how to develop work plans, create strategic plans, and write proposals."

Membership Development and Services

Some jua kali associations have increased their membership over the years. For instance, the artisans' association in Kisumu increased its membership from 684 in 1986 to 1,089 in 2006, of whom 500 are active, while the Kamkunji Jua Kali Association's membership grew from 376 in 1994 to 2,500 in 2006. Women constitute about a quarter of these associations' members. The Kayole association currently has 400 members, 75 percent women.

Other associations have stagnated as they have failed to retain members. The Mchanganyiko Craft

Association has only 70 members at present, of whom 40 are active. The membership slump occurred when the Friedrich-Ebert-Stiftung Foundation withdrew its support in 1993. However, activities resumed in 2002, thus reinvigorating the association.

Membership of these associations is through an annual subscription backed by monthly contributions of Ksh30–50. Collecting membership dues has been a significant challenge, especially for the Kisumu association. A good proportion of members may still default on their monthly dues. In addition to dues, the associations collect service charges, as much as Ksh360,000 (\$5,000) annually in the case of Kamkunji.

Maintaining large membership numbers within the association is mainly a function of benefits that attract members and effective intermediation of members' interests to keep them from leaving. Benefits compensate members for their investment in collective action in the association. This view is confirmed by Chairman Joshua Kasera of the Kayole Jua Kali Association who observed,

The most important lesson that I learned from the CIPE training program is that people want value for whatever they pay for. If you have to retain members, then you have to provide services, and I think that has been the key issue in Kenya. Thus, if the government is going to ask for taxes from taxpayers, then taxpayers have the right to demand services from the government, and that is exactly what I am seeing at Kayole Jua Kali Association. This is one of the key lessons I learned that has kept my association afloat.

The Kayole association offers financial services in the form of small loans of Ksh10,000–60,000 (\$130–800) or lower depending on the financial needs of individual members. The Kamkunji association has created a fund from which members can borrow in order to buy raw materials and other business necessities. The Kisumu association has formed a Savings and Credit Cooperative that serves as a revolving fund providing credit to members. The Mchanganyiko association issues small loans, which are three times the value of a member's share contribution.

Member Services Provided by Jua Kali Associations

Association	Loans & Credit	Information & Training	Licensing	Health
Kayole	✓	✓		✓
Kamkunji	✓	✓	✓	
Mchanganyiko	✓	✓	✓	✓
Kisumu	✓		✓	

Through associations, jua kali artisans have access to knowledge and skills to enable them to improve on their products and services. The Kayole association provides its members with information services through a fully fledged information center where members access internet services and train in computer applications, as well as print and photocopy documents. This initiative was started in 2003 with funding from the World Bank. The Mchanganyiko association has also improved its training programs, especially those that educate members about government policies and how such policies affect the growth of the jua kali sector.

After the CIPE workshop, the Mchanganyiko Craft Association approached the municipal council for a joint license for all its members to avoid harassment by local authorities. Normally, informal sector operators are expected to pay many taxes that they cannot afford, as well as obtain multiple licenses for the same business. Currently, the Mchanganyiko association collects money from its members to pay for one joint business license. Members can operate without harassment while local authorities are able to collect taxes from association members. The Kamkunji and Kisumu associations also successfully advocated for the issuance of joint business licenses for their members, to reduce members’ costs.

The Kayole association provides health services to its members, with HIV/AIDS as the primary focus. HIV/AIDS has been declared a national disaster in Kenya and the jua kali sector has not been spared; the association estimates that it loses a member almost every month to the disease. In response, it has

established a voluntary counseling and testing center with qualified staff that coordinate care for infected members. The center offers HIV testing, counseling services, and food supplements. This has led to reductions in the number of infections as members learn their HIV status and take appropriate steps to preserve their health and the health of others.

The level of service delivered to the Kayole association’s members has improved significantly, thus making it easier for the association to generate revenue through service charges. As the association expands, its level of professionalism and quality of services continue to increase. The association now has three main units: micro-finance, information technology, and a health unit staffed by qualified persons. As Chairman Kasera commented, “All our professional services are rendered by professional people because [while] the service itself is important, the way it’s delivered is even more important.”

Associations bargain for group insurance coverage for their members. The Mchanganyiko association has set up a hospital insurance fund after working with the Kayole Jua Kali Association, which has a well-established health facility. In addition, associations may offer a series of single-day workshops to inform jua kali workers about the hazards inherent to their jobs, how to use safety equipment, and how to seek help when severely affected by work conditions.

Thanks to the jua kali associations, individual informal businesses can access markets through joint marketing and supply of adequate volumes to meet demand. Associations have helped small businesses

to market their goods at national exhibitions. Many small businesses are able to use the internet to market their goods by using the Kayole association's website.

Advocacy and Coalition Building

Individual jua kali associations have recently enjoyed some success in winning the ears of authorities. The Mchanganyiko association convinced the municipal council to allocate about two acres of land for the jua kali sector. The Kisumu association, too, has advocated for more land on behalf of its members to the Kisumu City Council. The association provided significant input into the Sessional Paper No. 2 on Jua Kali (May 2005), a policy document prepared by the government through the Kenya Institute of Public Policy Research and Analysis. The paper sought to design a policy framework for the jua kali sector that would promote growth. As mentioned in the discussion of member services, several associations intercede with local governments on licensing and tax issues.

The various associations have been communicating and cooperating with one another, especially those that participated in the CIPE training program. As former chairman of the Kamkunji Jua Kali Association, Eliud M. Mbiyu, related, "We have been able to keep a close relationship with the other participants of the CIPE training program for the purpose of enhancing our associations. Whenever there is a trip or exhibition or any other opportunity we make sure that we inform one another so that we can all benefit." Moreover, successful associations demonstrate and spread good practice to weaker associations.

Most significantly, the local jua kali associations have joined forces to form the National Informal Sector Coalition (NISCO), registered in August 2005. The coalition is an umbrella body for the jua kali associations that will give the associations a common voice in addressing the problems inhibiting the development and growth of the jua kali sector. Several associations hope that most of their dealings with the government and donors will be handled through the coalition to give them greater scope and bargaining power.

NISCO was formed to take up the role initially played by the National Federation of Jua Kali Associations constituted in 1992. The federation has had leadership problems and at the moment is moribund. Some associations like the Kamkunji Jua Kali Association have ceased their membership with the federation and no longer make any contribution to it. Even the government does not recognize the federation any more. NISCO, on the other hand, has a high chance of success because its members have the drive to make it succeed. The difference is that NISCO is not a tool of the government; its members feel it represents their views and concerns.

The National Informal Sector Coalition is a multi-sectoral association that brings together all jua kali associations in Kenya. The coalition performs functions such as improving human resources, promoting networking, and influencing policies that affect its members. It also plays a key role in the survival of member associations as well as small enterprises by harnessing the power of joint action.

In a short amount of time, NISCO has generated an unprecedented level of recognition and engagement from the government. On May 10, 2006, a delegation from NISCO met with Kenya's Vice President and all the permanent secretaries, who were tasked by President Kibaki to come up with a clear strategy to help the country's small business sector. NISCO obtained a commitment from the government to set aside 10% of its procurement contracts for small businesses, which previously never had the opportunity to participate in government tenders. The government also agreed to take combined action with NISCO to enhance job creation. NISCO followed up by delivering a comprehensive proposal to the permanent secretaries for rapid reform.

Some of NISCO's other achievements to date include:

- Obtaining a large hawkers market in Nairobi, expected to be completed by the end of 2007. The President of Kenya presided over the ceremony launching the market.
- Advocating that the government allocate titled land to members, renovate shed structures housing jua kali businesses, and provide basic

utilities such as water and electricity. This will involve the services of the government, the Nairobi City Council, and NISCO.

- Obtaining a commitment from the government to allocate two billion shillings (approximately \$27 million) for a revolving loan fund. The fund will be administered jointly by NISCO, micro-finance institutions, and the government.
- Becoming a key member of the Private Sector Advisory Network on HIV/AIDS.
- Joining the National Taxpayers Association (NTA). NTA is mandated to make the government accountable for the taxes paid by jua kalis.

Conclusion

Three major goals realized by the jua kali associations were creating and registering the National Informal Sector Coalition (NISCO), gaining credibility and support from a broad membership base throughout Kenya, and effecting reforms that benefit members. The recognition of NISCO by the Government provided NISCO with access to government policymakers, with whom the organization could engage in productive public-private dialogue. NISCO is currently in the process of establishing a national secretariat to ensure coordination of activities such as membership drives in all provinces of Kenya and the creation of branch offices throughout the country.

Business is about risk-taking; collective action is about risk alleviation. Through collective action, business associations create additional competitive advantages and a better business environment to improve economic performance. For many informal sector associations, however, it had been business as usual until the CIPE training challenged them to take advantage of collective action. Now, they better appreciate the benefits of good association governance and member services, and have taken action to improve in these areas. Moreover, they have shown remarkable success to date in mounting a united grassroots advocacy campaign.

The issues that concern the growth and expansion of the jua kali sector represent some of the most important economic stumbling blocks in Kenya. The issues being addressed by the jua kali associations will not only aid in the development of the informal sector, but will help the Kenyan economy improve as a whole.

Notes

¹ International Labour Organization, "Employment, Incomes and Equity: A Strategy for Increasing Productive Employment in Kenya" (Geneva: ILO, 1972).

² Kenneth King, *Jua Kali Kenya: Change and Development in an Informal Economy, 1970-95* (London: James Curry, 1996) 25.

³ Such policy documents include: Sessional Paper No. 2 of 1992 on Small Enterprise and Jua Kali Development in Kenya and Sessional Paper No. 2 of 2005 on Development of Micro and Small Enterprise for Wealth Creation for Poverty Reduction.

⁴ The author conducted interviews with Wycliffe Amukoa, Chairman, Mchanganyiko Craft Association, Kakamega; Joshua Kasera, Chairman, Kayole Jua Kali Association, Nairobi; Richard Okeng'o Awiti, Chairman, Kisumu Center Jua Kali Artisans Association; Eliud M. Mbiyu, former official, Kamkunji Jua Kali Association.