CORPORATE PHILANTHROPY IN KENYA

A Report on Nature, Trends and Engagements By Corporates In Philanthropy

yetu

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Abbreviations and Acronyms

AKF	Aga Khan Foundation
CBO	Community Based Organization
CGT	Capital Gains Tax
COYA	Company of the Year Awards
CSR	Corporate Social Responsibility
GRI	Global Reporting Initiative
ICPAK	Institute of Certified Public Accountants of Kenya
ITA	Income Tax Act
KAM	Kenya Association of Manufacturers
KBA	Kenya Bankers Association
MNC	Multi-National Company
NGO	Non-Governmental Organization
NSE	Nairobi Securities Exchange
PBO	Public Benefit Organization
SDG	Sustainable Development Goals
SIM	Social Issues Management
SME	Small and Medium Enterprises
TOR	Terms of Reference
USAID	United States Agency for International Development
VAT	Value Added Tax
WBCSD	World Business Council for Sustainable Development

Commonly Used Terminology

Corporate Social Responsibility (CSR)	An organization's long-term commitment to social, economic, legal and environmental rights and responsible outcomes for the sustainability of humanity.[1]
Corporate Sustainability	A company's delivery of long-term value in financial, environmental, social and ethical terms.[2]
Philanthropy	Voluntary giving by an individual or group to promote the common good
Corporate Philanthropy	The act of a corporation or business promoting the welfare of others, generally via charitable donations of funds.
Harambee	A Kenyan tradition of community self-help events, e.g. fundraising or development activities, it literally means "all pull together" in Swahili.
Triple Bottom Line	The broadened focus on the financial bottom line by businesses to include social and environmental responsibilities. A triple bottom line measures a company's degree of social responsibility, its economic value and its environmental impact.[3]
Corporate Ethics	Business ethics (also known as corporate ethics) is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations.
Corporate Citizenship	Involves the social responsibility of businesses and the extent to which they meet legal, ethical and economic responsibilities, as established by shareholders.[4]
Corporate Governance	The system of rules, practices and processes by which a company is directed and controlled. Corporate governance essentially involves balancing the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government and the community.[5]

[1] Vertigans. S, et al (2016)
[2] UN Global Compact Guide to Corporate Sustainability (2014)
[3] Elkington, John (1997(Cannibals With Forks: The Triple Bottom Line Of 21st Century Business
[4] Investopedia, 2017
[5] Ibid

Corporate Social Investment (CSI)	Contributions (either monetary, employee time and resources, or gifts in kind), which bring benefits over and above those directly associated with our core business activities.[6]
Responsible Business	To mean the same as CSR[7]

[6] Mondi Group, 2017
[7] Organization for Responsible Business, 2017

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Executive Summary

Corporate contribution to the community has come a long way over the years – from one-off charity giving to more business/corporate philanthropy, and to some extent, a more strategic focus with an emphasis on selected partnerships with Civil Society Organizations/NGOs. The number of ways companies have practiced their giving to the community has increased as has the amount allocated through their Corporate Social Investments and Corporate Social Responsibility programs. This journey is an important one to understand, especially for local civil society organizations keen to diversify their resources and partner with the private sector to enable them to achieve their mission.

Corporate giving towards development and humanitarian assistance has become increasingly important and consequently moved up the agenda in many companies operating in Kenya both multinational, Small and Medium Enterprises. As shown in this study, companies support causes in health, education, environmental conservation, poverty reduction and humanitarian emergencies among others. The growing private sector giving has therefore attracted the attention of development agencies including civil society organizations particularly against a backdrop of economic downturn and shrinking donor support. This is viewed as a sustainable alternative to bridge the financial gap to meet increasing needs for responding to development work and humanitarian aid.

However, the Civil Society Organizations (CSOs) engagement with the private sector is fairlynew . Additionally, the two sectors have for a long time been perceived to have an ambivalent relationship occasioned by assumed lack of similar values or mutual interest in sustainable development, limited trust, and perceived CSOs limited capacity and expertise to effectively engage with the business sector. The rift is further deepened by limited information and understanding on how each sector engages in community development that has as a result hindered strategic partnerships.

As part of strengthening CSOs in Kenya, the Aga Khan Foundation and United States Agency for International Development (USAID) are partnering in implementing a project, the 'Yetu Initiative' which seeks to build a "Community of Practice" in which CSOs strengthen their assets and capacity. The initiative is envisaged to build trust necessary to cultivate a culture of community philanthropy as well as enhance proactive civic engagement in addressing community needs.

This report presents information on motivation to private sector giving, nature, and trends with special focus on corporate philanthropy in Kenya. It maps out players in corporate philanthropy in Kenya, outline key drivers and deterrents of corporate philanthropy to CSOs in Kenya, and assesses the processes and criteria employed by the private sector for corporate philanthropy. A cross-sectional research approach informed the study design in which qualitative and quantitative techniques were integrated to capture information from a sample of 60 companies operating in Kenya. The sector distribution of companies was as follows: Manufacturing (17%), Transport & Storage (13%), Money, Banking & Finance (13%), Tourism (12%), ICT (12%), Agriculture & Agro-processing (10%), Commercial Services & Retailers (10%), Environment & Natural Resources (7%), Energy (5%), and Building and Construction (2%).

Findings

Consistent with similar studies, Manufacturing, ICT, and Money, Banking and Finance sectors emerge the most notable players in Corporate Philanthropy having consistently given KES. 1 million and above between 2014-2016. However, there is limited reliable data to precisely show the amount of contributions annually. This is due to inconsistency in reporting on the expenditure of private aid funding that makes any attempt of tracking it difficult. Consequently, this hinders strategic planning by CSOs and other development agencies. In relation to size of the company, large companies emerged as key corporate givers and allocated more to social causes compared to small companies. It was established that large companies take a more strategic approach to their giving providing more clarity on their thematic focus of giving and structured reporting compared to small & medium-size companies. Local/Kenyan NPOs are notably the beneficiaries of corporate giving through partnerships established based on credibility of the organization, demonstrable impact on the underserved, governance of the NPO and track record on social causes engaged in. However, financial allocations to social causes are inconsistent and are often ad hoc in nature.

The key drivers to corporate philanthropy comprised of a combination of value-driven factors, performance-driven factors, stakeholder-driven factors and those relating to social- license-to operate. These factors moderately and influenced engagement in corporate philanthropy. Among companies that were not involved in corporate philanthropy, the key deterrents were largely due to drop in revenue, restructuring of internal management processes, and lack of internal corporate philanthropy policy framework. Many companies engaged in Corporate Philanthropy on the other hand cited credibility and accountability of CSO-partner organizations as well as lack or limited feedback on the impact achieved from supported initiatives as key deterrents of engaging in corporate giving.

In terms of processes and criteria employed by the private sector for corporate philanthropy, large companies and those with many years of operation have a specific strategy on corporate philanthropy. An equally significant number did not have a strategy and adopted ad hoc approaches to corporate philanthropy. Employee volunteering activities appear increasingly popular as these activities deepen the relationship with the community for both individual employees and the company. However, for many companies' active participation of employees is not anchored on an employee engagement policy.

Meanwhile, due to lack of a Corporate Philanthropy policy framework many companies do not out-rightly develop any alignment to local or international development frameworks like SDGs or Vision 2030 and therefore remaining ad hoc in their approach. For most companies, corporate philanthropy strategy is organized in departments under the leadership of a defined departmental head while a few others prefer to engage in corporate giving through their Foundations. In terms of forms of corporate philanthropy, there has been a paradigm shift in the way companies are navigating the social good space. Companies are finding ways to contribute more than money and are looking within their core competencies for example use of their technology or restructuring their advertising practice to better support and promote social issues. Specifically, majority of the companies engage in both in-kind and financial support. The report identifies three most supported thematic areas as poverty reduction; health and wellness; and skills development and education all coincidentally aligned to the country's development priorities and Vision 2030.

Budget allocations for corporate philanthropy vary across companies regardless of availability of a specific strategy. The budgets are set from a predetermined percentage of profits, the specific project financial or specific amount set aside annually. Approval of such budgets is mostly annual but in line with a company definition of financial year in the calendar months. In terms of reporting and disclosure of corporate philanthropy there was lack of uniformity with reporting usually done on multiple platforms across companies such as Annual reports, marketing and communications channel, social media, among others. Lastly, corporate philanthropy in Kenya is driven by altruism rather than guided by a legal or policy framework. Companies that have specific corporate philanthropy strategies rely on various pieces of legislation that remain unclear. Multinationals on the other hand reflect the strategy of the parent company with a hint of localizing the operations.

Considering the findings, the study makes the following recommendations for Civil Society Organizations, the private sector and for further studies.

Recommendations for Civil Society Organizations

- Need to understand and map out corporate givers and conduct background research on the key motivations of giving, the concerned department and focal person, thematic area of interest, values and missions, as well as processes and criteria for corporate philanthropy.
- CSOs need to get a better understanding of business issues and learn the corporate language of the company or the business sector of interest to them. CSOs need to consider how to reinterpret the business language the companies use in terms of what aligns with their mission. This helps CSOs communicate more successfully and enables the CSOs to establish alignment and mutual interests quickly.
- Host thematic forums in collaboration with business management organizations to draw the interest of companies to support specific issues, especially at county and sub county levels, reaching out to small and medium size companies and develop partnerships.
- CSOs to demonstrate useful skills, knowledge and competences that can complement the interests and skills of company staff responsible for corporate philanthropy delivery.
- CSOs are advised to view companies as partners and focus on the company's mission and business strategy and find where there's synergy / opportunity overlap. To achieve a win-win strategy, CSOs should keep in mind where their mission best fit into the company's strategy and bottom line.
- Companies are willing to give more than financial donations. Companies are keen to give goods or services as well as give out their expertise through their skilled employees. CSOs should creatively explore how they can incorporate the whole company i.e. its people expertise, assets- services, products, network and brand to solve a social problem.
- Address the deterrents of corporate-CSO partnership**s** and be more accountable for support received through feedback on the results and even impact or the interventions supported by companies.
- Invest in strategic communications that provides information of the organization's capability, capacity, program areas, partnerships, and impact in the community.
- Increase their visibility as credible partners through various private sector driven platforms such as The Global Compact UN platform for private sector involvement in the SDGs that is locally hosted by KAM, as well as associations like ICPAK and KBA that also engage their members on corporate philanthropy and broader CSR and sustainable development agenda.

- Draw from existing laws and policies that offer incentives to companies and ensure that their corporate partners benefit from these incentives.
- In the long-term, engage in collaborative lobbying for the establishment of a comprehensive legal and regulatory framework that creates an enabling environment for giving.
- Appreciate differences in approach and ideology, balancing development/social interest and the companies' interest that requires flexibility, open-mindedness and compromise.
- Invest in expertise especially in creating partnerships to better understand the relationship between corporate sector engagement, corporate philanthropy and shared value that ensures CSOs make better decisions about when and how to engage with private companies.
- Leverage resources from the private sector to ensure sustainability and scalability by exploring ways to combine more than one way of support
- CSOs need to think partnerships beyond large multinational companies and consider the opportunities available with small and medium tier companies who are looking for opportunities to make a social impact. CSOs can map out medium size companies who are active in their county and local communities to partner with.

Recommendations for Private Sector

- Development of corporate philanthropy strategies that ensures strategic and sustainable partnership with other actors with similar values and thematic areas of interest.
- Need to research on relevant legislative frameworks available to establish the thematic areas and activities applicable and incentive benefits in terms of tax deduction, tax exemption, capital gains

Recommendations for Further Studies

- Longitudinal studies as well as Industry/Sector-specific studies that provide insights on trends and patterns in corporate philanthropy in Kenya.

1. Introduction

1.1 Background to the Study

Corporate Philanthropy or corporate giving to development and humanitarian assistance has become increasingly an important subject of development debate in recent years. The Sustainable Development Goals adopted by the United Nations General Assembly in 2015 acknowledge the importance of partnership among actors both globally and locally in addressing development problems. Corporate players such as multinational corporations and medium sized companies regularly support causes in health, education, environment conservation, poverty reduction initiatives and humanitarian emergencies. The contribution to these noble causes is mainly channeled through Corporate Social Investment programmes, foundations and charitable trusts. The growing private sector giving has in turn attracted the attention of development agencies including civil society organizations particularly against a backdrop of economic downturn and shrinking donor support. The action is viewed as a sustainable alternative to bridge the financial gap to meet increasing needs for responding to development work and humanitarian aid.

However, the Civil Society Organizations (CSOs) and the private sector have for a long time been perceived to have an ambivalent relationship because of assumed lack of similar values or mutual interest in sustainable development. The rift is further deepened by limited information and understanding on how each sector operates and perceives their role in the community that has consequently hindered strategic planning by development agencies. It is this knowledge gap on corporate philanthropic behavior that underpins the study.

1.2 Purpose of the Study

The ‘Yetu Initiative’ a project of the Aga Khan Foundation and United States Agency for International Development (USAID) 2014-2018, is working to strengthen Civil Society Organizations (CSOs) to cultivate a culture of community philanthropy for citizens to take lead in addressing their communities needs by mobilizing their own capital, both financial and non-financial resources. The ‘Yetu Initiative’ is supporting Kenyan CSOs to develop a “Community of Practice” that strengthens their assets and capacity and supports them to build trust. Building trust between CSOs and the communities they serve provides a lasting foundation of local support into the future.

The underlying assumption of the ‘Yetu Initiative’ is that by improving communication and capacity, CSOs can encourage more support for their missions and better demonstrate that they have successfully used that support to impact issues that their communities care about. This includes their engagement with other stakeholders in their community such as the private sector.

Research and learning is one of the pre-eminent themes running throughout all components of the 'Yetu Initiative' contributing to the existing body of knowledge on community philanthropy. Therefore, this study is aimed at understanding corporate philanthropy in Kenya.

1.3 Study Objectives

The focus of this study was to assess the landscape of corporate giving in Kenya, assess whether there are factors that have prevented the private sector in Kenya from substantially contributing to local community development through corporate giving. The study was guided by three objectives:

a. To map out players in corporate philanthropy in Kenya
b. To establish key drivers and deterrents of corporate philanthropy to CSOs in Kenya
c. To assess the processes and criteria employed by the private sector for corporate philanthropy.

2. Literature Review

2.1 Introduction

This section presents a review of related studies on Corporate Philanthropy in Kenya to anchor the current study on the existing knowledge in this area in Kenya. The first sub-section briefly discusses its theoretical framework highlighting knowledge gaps in developing countries in Africa. The second sub-section reviews empirical literature in line with the specific study objectives focusing on players in corporate philanthropy, motivation for corporate philanthropy, decision-making processes on corporate philanthropy, reporting of corporate philanthropy, and finally, the legal framework for corporate philanthropy.

2.2 Concept of Corporate Philanthropy

Seminal work on corporate philanthropy is credited to Carroll (1979) who reviewed, consolidated and analyzed various publications, and theories and developed terminology to describe the action phase of corporate management responding to the social sphere. Carroll's Pyramid for Corporate Social Responsibility encapsulated and ranked the social responsibility of business, which encompassed the economic, legal, ethical and discretionary expectations that the society has of organizations at a point in time. Carroll argued that organization's socially responsible practice should in the end be linked to or be the source of profitability of the organization to make strategic sense. This is depicted by the economic responsibility that forms the base of Carroll's Pyramid. From this base arise other aspects of legal compatibility; ethical standards and finally philanthropy.

Visser (2012)[8] in studying the role of business in tackling issues of human development and environmental sustainability in developing countries later critiqued Carroll's Pyramid, arguing that it was based on Western notions and therefore not applicable to developing countries, like Kenya. For Visser, while economic responsibilities still had the most emphasis, philanthropy is then the second highest priority followed by legal and then ethical responsibilities. Visser proffered five reasons for this placement of philanthropic activities. First, corporate philanthropy in Africa tends to be discretionary rather than legislated due to strong indigenous traditions of giving. Secondly, there are such immense and pressing social needs where companies operate that it is simply "the right thing to do''. Thirdly, that it is a rationale that companies cannot succeed in societies that fail and philanthropy is therefore the most direct way to improve the prospects of the communities in which they operate. Fourth, the

[8] Visser, Wayne (2012), Corporate Social Responsibility in Developing Countries in CSR in the Global Context pp. 473 - 494 http://www.waynevisser.com/wp-content/uploads/2012/04/chapter_wvisser_csr_dev_countries.pdf

increased dependence on donors and donor aid in developing countries has resulted to an ingrained culture of philanthropy. Lastly, developing countries are still in the early stages of maturing in Corporate Social Responsibility, sometimes equating CSR and philanthropy. *Figure 2-1* demonstrates the more appropriate CSR Pyramid for Developing Countries.[9]

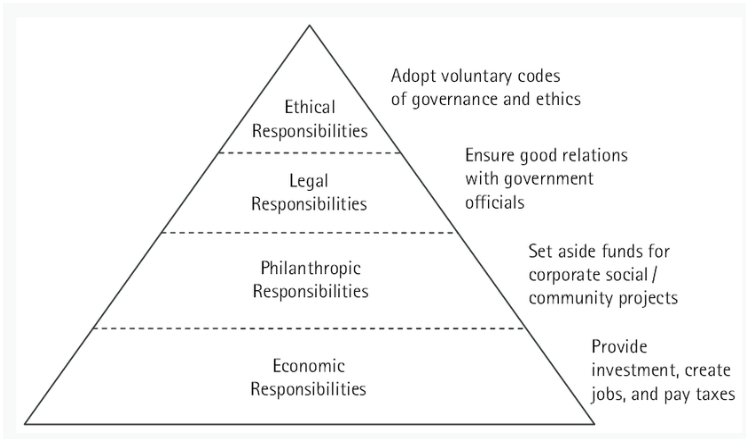

Figure 2-1 CSR Pyramid for Developing Countries (Visser, 2005)

Visser found that research focusing on developing countries remains scarce, and in Africa between 1995 and 2005, only 12 of 54 countries had any research published in core CSR journals, with 57% of all articles focused on South Africa and 16% in Nigeria. And even then, rather than be social-oriented, the research generally focused on business ethics[10].

2.3 Corporate Philanthropy in Kenya

Several studies have been undertaken on corporate philanthropy and Corporate Social Responsibility in Kenya. This subsection draws on these studies, and the issues they address in relation to this study. Locally, most studies have focused on the banking sector.

2.3.1 Players in Corporate Philanthropy

Studies have suggested that the firm size is directly proportional to firm investment in philanthropy and that the more a firm invests, the more profitable it becomes[11]. The World Business Council for Sustainable Development (WBCSD) (2002), for instance, determined that the way corporate giving is applied is highly dependent on the size of the company and the type of business being done. Analysis of

[9] Ibid p. 489
[10] Ibid
[11] Sweeney, Lorraine (2009), *A Study of Current Practice of Corporate Social Responsibility (CSR) and an Examination of the Relationship Between CSR and Financial Performance Using Structural Equation Modelling* (SEM), PhD thesis

differences in corporate giving practices of international, foreign and domestic companies found that less attention is given by companies operating solely within Kenya, compared to those with headquarters in other countries. This may be reflective of the developing country context where corporate giving is relatively new to the business agenda[12].

The practice of corporate philanthropy could be influenced by industry factors or that industry peers mimic each other's activities. Muthuri and Gilbert (2011) identified trends in Kenya that with the exception of the foreign companies, majority of companies in media, communications and transport displayed no references to corporate giving, which might suggest it is not a primary concern. Companies in technology, manufacturing, finance, and wholesale/retail mentioned corporate giving on their websites[13]. Research on Kenyan commercial banks found that they engage in different philanthropic initiatives based on their size. For instance, large network banks spent more compared to banks with less than 35 branches[14].

2.3.2 Motivation for Corporate Giving

Drivers for corporate giving can be categorized in various ways. According to Magian and Ralston (2002) motivation can be: i) value-driven, being part of the company's culture or as an expression of its core values; ii) performance-driven, an instrument to improve its financial performance and competitive posture or; iii) stakeholder-driven as a response to the pressure and scrutiny of one or more stakeholder groups. As observed, "Ubuntu" is a strong driver for corporate giving by African companies (Visser, 2006; Maweshi et al, 2006 and Phillips 2006).

Foreign companies on the other hand find themselves under international pressure from CSOs, industry associations and their home government to take responsibility for their actions in the communities in which they operate. Thus, they tend to "lead the way" both in industry sectors and in the Kenyan business environment in the attempt to keep up with their global competitors, maintain legitimacy and ensure their survival. The practice of corporate giving is largely driven by the need to have a "social license to operate".

[12] Muthuri and Gilbert (2011)
[13] Ibid
[14] Njoroge Jane Galena (May 2011), Factors Influencing Corporate Social Responsibility Programmes Among Commercial Banks in Kenya, unpublished MBA thesis

2.3.3 Decision-Making Processes and Criteria

The integration of corporate giving principles into core business practices range from centralized to decentralized perspectives. Across all organizations however, decisions on corporate philanthropy financing first consider the financial interests of the business and its stockholders, and in so doing then the interests of the society are served in the long-run[15]. Whereas some companies have a dedicated department or manager, others delegate responsibility across different functions within the organization. A study of Kenyan commercial banks for instance, indicates that decision making for corporate giving programs and policies are formulated largely through the board of directors. The board considers stakeholder value as important for their decision-making and therefore considers the customer, shareholders, return on investments as well as company performance, and quality of products[16].

A study on commercial banks in Kenya[17] recommended that shareholder views should be considered when deciding how much the firm should invest in social causes annually and the nature of activities to be undertaken. This is justified on the basis that shareholders have a national outlook as they are spread across the country and have vital information on what society needs and what will make them associate with the brand name. Management should conduct a cost-benefit analysis for the projects they choose to support and determine whether this will enable the company to achieve its objectives without constricting finances for the other core objectives. Thus, while being a good corporate citizen, the company will not lose out on the overarching goals of its responsibility to shareholders[18].

2.3.4 Corporate Philanthropy Disclosure and Reporting by Companies

A report by the African Philanthropy Network biennial assembly in 2012,[19] notes that companies often have Corporate Social Investment (CSI) interventions as a strategic business activity, but without effective monitoring and evaluation processes, they fail to resolve the specific problems they seek to address. The report highlights the need for policy guidelines to guide corporate participation in bringing about transformation.

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[15] See the Stockholder Theory (Theory of Maximized Profits): business firms are responsible only to their owners and stockholders with the responsibility to maximize wealth.

[16] Njoroge Jane Galena (May 2011), Factors Influencing Corporate Social Responsibility Programmes Among Commercial Banks in Kenya, unpublished MBA thesis

[17] ibid

[18] Kipruto, Daniel (2014), Effect of Corporate Social Responsibility in Financial Performance of Commercial Banks in Kenya, unpublished MBA thesis

[19] A report of the African Grantmakers Network (AGN) 2012 biennial assembly in Johannesburg, South Africa "Growing African Philanthropy: What's New, What's Now, What's Next" https://www.scribd.com/document/134858181/AGN-Assembly-Report-Final

Several empirical studies have verified that the size of the firm and CSR disclosures are positively related[20]. General sustainability reporting standards like the Global Reporting Initiative (GRI) tend to be used by larger organizations or by organizations with well-formed CSR departments/divisions or foundations. For the smaller organizations, a picture and caption form of reporting is adopted at least as is seen in Kenyan organizations and institutions. An example is the Kenya Bankers report (2015) showing different initiatives that banks have undertaken in Kenya. The initiatives are reported in a picture and caption mode.

A study conducted by Okoth et al[21] revealed that CSR disclosures are relatively high in Kenyan organizations listed on the Nairobi Securities Exchange (NSE). However, the disclosures contain little quantifiable data. The findings imply that companies in Kenya do have disclosures in their annual reports and websites (Okoth, 2009). Many companies have established Corporate Foundations to spearhead their CSR activities with emphasis on corporate philanthropy and CSI. These foundations have published numerous reports, publications and CSR related information using diverse media including websites. Kipruto (2014) points out that the reports lack uniformity and across the industry and as a result it is difficult to determine with precision what an institution has invested on corporate philanthropy. There is no common platform, nor procedure for reporting on corporate philanthropy or CSR among Kenyan companies. In many instances, CSR expenditure can only be discerned through reading the company's annual reports in entirety.

Kipruto (2014) further observed that most companies do not have direct budgetary allocations on corporate giving as reflected in their financial statements. Instead, most commercial institutions charged their corporate giving expenses under office expenses, marketing expenses or general expenses and reflect the total in their financial statements. Notes to the financial statements however did not disclose this fact. He recommended that companies should adequately report their CSR costs/expenses separately, rather than generalize with other expenses. He noted that some institutions treated CSR expenses as tax exempt while others considered it otherwise. In identifying reporting gaps in his research on commercial banks he recommended that the Institute of Certified Public Accountants of Kenya (ICPAK) design a uniform reporting framework for all companies to use while reporting their CSR engagement.

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[20] Drawing from Patten, 1991; Hackston et al.,1996

[21] Ponnu, Cyril H. & Okoth, Maurice O.A (2009) Corporate social responsibility disclosure in Kenya: The Nairobi Stock Exchange, Africa Journal of Business Management Volume 3 (10) pp. 601 - 608, October 2009 http://www.academicjournals.org/journal/AJBM/article-full-text-pdf/B6C757A18385

While a national or industry specific reporting framework does not exist in Kenya, some companies have adopted the GRI standards for reporting, producing an annual sustainability report to the public. GRI provides global standards for sustainability reporting which enables organizations to publicly report on the economic, environmental and social impacts showing how they contribute towards sustainable development. The GRI standards are a trusted reference for policy makers and regulators. In Kenya, Safaricom has presented a Sustainability Report based on GRI standards since 2012.

A global trends study on corporate responsibility reporting, "*Currents of Change"*[22] by KPMG, found that corporate responsibility reporting is standard practice among large companies in the World and growth has continued between 2013 and 2015, although the rate of growth has slowed down. To increase reporting would require mandatory reporting legislation and regulation for companies to publish their non-financial information, alongside their financial information. In Africa, South African companies have the highest reporting rate due to the introduction of legislation and regulation especially by the stock exchange. Companies are encouraged to use the King III Code of Governance Principles for corporate governance reporting, GRI for broader sustainability reporting or disclose why they do not do so.

2.3.5 Legal Framework for Corporate Philanthropy

Different studies around the world indicate that incentives for philanthropy are the norm rather than the exception. A global survey of the legal environment[23] found that more than three quarters (77%) of governments offer tax incentives for businesses and two thirds offer tax incentives for individual donors. This clearly demonstrates a global consensus that charitable activity is beneficial to society.

Legal provisions on corporate philanthropy standards and guidelines are found in the general law and sector-specific laws in Kenya. Presently, there are a variety of laws that encourage corporates to invest in specific fields. Most of these laws have set up mechanisms through which corporates can channel support to initiatives aligned to their core business interests. Notably, there is absence of a comprehensive or consolidate framework for corporate philanthropy in Kenya. Some laws mandate companies operating fields, for example, the mining sector, or betting and lottery, to invest a percentage of their profits in corporate social responsibility programs and activities.

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[22] Currents of Change: The KPMG Survey of Corporate Responsibility Reporting 2015, KPMG

[23] Nexus And Mcdermott Will & Emery Llp. Charities Aid Foundation, 2014, *Rules To Give By: A Global Philanthropy Legal Environment Index*

There are two notable laws that promote corporate philanthropy; The Income Tax (Charitable Donations) Regulations 2007 and the Companies Act. The Regulations give provision for claims to be made for donations on condition that the claim complies with laid out conditions. The Regulations do not distinguish between individual and corporate philanthropy. It makes the same tax incentives available for both. An assessment[24] on the implementation of the Regulations and implications for CSOs found that there is a general misconception that if one is registered as a public benefits organization then one is automatically exempt from liability to Kenyan tax and thus does not need to apply for exemption. The assessment further revealed that few organizations are familiar with the basic legal provisions regarding tax exemption and the process of applying tax exemption certificates, a pre-requisite for gaining tax benefits. For those CSOs aware few apply with some choosing not to apply for it for different reasons. For some, it was intentional so that they maintain a low profile and avoid scrutiny. For others, the investment of time and energy in the process of receiving tax exemptions was too demanding. The experience of those who had applied for the tax exemptions certificate indicated that it was a long, almost a year-long wait, for the application to be processed.

The new Companies Act (No. 17 of 2015) brought with it some landmark provisions to promote corporate philanthropy and the broader sustainability agenda, and the role of companies. This law makes it mandatory for directors of the company to consider including the interests of employees in the company, the need to foster business relationships with suppliers, customers and others, the impact of the company's operations on the community and the environment[25], and the long-term consequences of any decisions of the directors. Most provisions of this law came into effect in February 2017. It a requirement for companies to report on a wide range of issues, beyond the company's financial position. For example, the directors of companies are under the obligation to include a business review in certain directors' reports, which should contain a fair review of the company's business and a description of the principal risks and uncertainties facing the company[26].The specific laws, the provisions and incentives therein are summarized in *Table 2-1*.

[24] Creating an Enabling Environment for Philanthropy through Tax Incentives (2014), *Kenya Community Development Foundation and Strathmore Research Centre*, Nairobi

[25] Companies Act, section 143

[26] Companies Act, section 655 (1)-(3)

Table 2-1: Legal Provisions Facilitating Corporate Philanthropy

Law	**Corporate Philanthropy activity/theme Supported**	**Incentive available**
Income Tax Act	• Sponsorships • Sports sponsorship • Infrastructure • Social services • Qualifying CSOs and/or projects • National disasters	Tax deduction
VAT Act	• Emergency relief • Health facilities • Medical apparatus and equipment	Tax exemption
Persons with Disability Act	• In-kind donations (materials/equipment)	Tax exemption
Property laws (various)	• Land for wildlife conservation • Cash donations	Capital tax gains exemption (for land)
Betting, Lottery & Gaming Act	• Percentage of earnings donated to charitable funds	Mandatory
Energy sector laws (various)	• Promote education, training and research development in relation to overall work program and activities	Mandatory

Source: Corporate Philanthropy Study, 2017

3. Research Methodology

3.1 Introduction

This section presents the research methodology and approach. It describes the research design, target population, sample size and sampling procedures, data collection tools, data collection procedures, data processing and analysis, and finally, the study limitations.

3.2 Research Design

A cross-sectional research design was adopted in this study as it targeted a range of corporates in Kenya in terms of size and economic sectors. Qualitative and quantitative techniques were used to gather information from companies operating in Kenya. Quantitative primary data was collected first from the sampled companies. Thereafter qualitative data was collected from Key Informants to provide a deeper understanding of corporate philanthropy in Kenya and in the development of case studies.

3.3 Target Population

The study targeted the private sector companies across nine (9) economic sectors in Kenya: Information, Communication and Technology (ICT); Money, Banking and Finance; Manufacturing; Energy; Transport and Storage; Tourism; Environment and Natural Resources; Retailers; and Commercial Services *(Annex 7).*

3.4 Sample Size and Sampling Procedures

The survey adopted a non-probability purposive sampling approach to select a heterogeneous sample of companies across Kenya. This approach was justified based on lack of a sampling frame for companies involved in corporate philanthropy in Kenya. The 60 purposively sampled companies mainly comprised of firms that were in the practice of corporate philanthropy (52) and a few (8) that were not yet involved in corporate giving. All these were selected from a built-up sample frame of 147 companies drawn from several company databases.[27]

Convenient sampling was permitted in the selection of specific companies to interview based on their willingness and availability during the study period. Snowballing method was used to identify companies

[27] Databases: Winners of the Company of the Year Awards (2009 – 2016); Winners of the KPMG/Nation Media Group Top 100 mid-sized companies survey, Club 101 (2009 – 2016 approximately, Superbrands East Africa; online database of Kenyan signatories to the UN Global Compact; online building and construction companies database; and referrals.

to achieve the quota/ratio distribution where applicable. The cited sample size was considered sufficient to provide descriptive information on the landscape of corporate giving in Kenya.

Key informants were purposively selected based on their knowledge and expertise on corporate philanthropy in Kenya. They comprised of experts from professional associations, company legal advisors knowledgeable on the legal provision for corporate philanthropy, Investment Promotion Services (IPS), and part of the Aga Khan Development Network. In terms of scope, the survey profiled companies into four (4) categories. The first category was by company type where 25% were Multi-National Companies (MNCs), 47% were Regional companies with headquarters in Kenya and operating within the East African region, and 17% were Kenya-owned companies with operations within Kenya *(Table 2).*

Table 3-1: Company Profile by Type

Sector	**MNC**	**Regional**	**Kenyan**	**Total**
ICT	4	3	1	8
Money, Banking & Finance	2	2	3	7
Manufacturing	3	10	4	17
Energy	1	1	0	2
Transport &Storage	1	2	1	4
Tourism	1	3	3	7
Environment & Natural Resources	1	2	2	5
Retailers	1	4	1	6
Commercial Services	1	1	2	4
Total	**15**	**28**	**17**	**60**
	25%	**47%**	**28%**	**100%**

Source: Corporate Philanthropy Study, 2017

The second category was by listing on the Nairobi Stock Exchange (NSE). In this category, 80% (48) of the companies were not listed with Nairobi Stock Exchange. Only 20% were listed with NSE as shown in *Figure 3-1.*

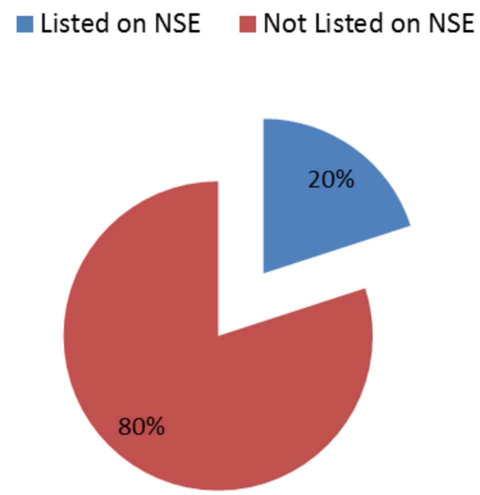

Figure 3-1: Company Listing on Nairobi Stock Exchange

The third category profiled companies by their years in operation. Majority of companies (68%) had been in operation for over 20 years, 12% had been in operation 6-10 years, 8% had been in operation 16-20 years, 7% had been in operation for 1-5 years, and 5% had been in operation for 11-15 years. This is summarized in *Table 3.*

Table 3-2: Company Profile by Years in Operation

Years in Operation	Tally	Percentage
1-5	4	7%
6-10	7	12%
11-15	3	5%
16-20	5	8%
Over 20	41	68%
Total	**60**	**100%**

Source: Corporate Philanthropy Survey, 2017

Finally, the fourth category of profiling was by company size. In this category, 22% (11) had a turnover of below KSh. 100 Million, 28% (14) had a turnover of below KSh. 1 billion, and 50% (25) had a turnover of over KSh. 1 billion as shown in *Table 4.*

Table 3-3: Company Profile by Size

Company Size	Tally	Percentage
Below 100 Million	11	22%
Below 1 Billion	14	28%
Above 1 Billion	25	50%
Total	**50**	**100%**

Source: Corporate Philanthropy Survey, 2017

3.5 Data Collection Tools

The study electronically collected primary data from the sampled companies using a semi-structured questionnaire *(Annex A6.1).* Key Informant Interview guide *(Annex A6.2)* guided the collection of data from Key informants.

3.6 Data Collection Procedures

The research team first contacted the companies to request for their participation in the study. Upon confirmation, appointments for interviews were made. The data collection team was recruited and subjected to one-day training on data collection for the study. The interviewers were briefed on the study objectives and methodology and more specifically on the data collection instruments and field implementation. Letters of introduction were prepared for each interviewer to present to the companies participating in the study. The interviewers were briefed at the beginning of data collection before dispersion to administer the survey face-to-face with the focal person at the participating companies. The semi-structured questionnaire was uploaded on android mobile devices for real time data capture which improved data quality and saved time. The interviewers were briefed and debriefed daily on data collection where experiences were shared, and field strategy refined. The data collected was later downloaded as Ms Excel files and imported into SPSS for processing and analysis.

3.7 Data Processing and Analysis

The quantitative primary data collected on mobile data collection tablets was downloaded as Ms Excel files. Open-ended responses were appropriately coded. Both sets of data were imported into SPSS for analysis. Data cleaning was performed using frequencies before analysis. Descriptive univariate analysis was used to summarize and find patterns in the data on corporate giving including mapping out players in corporate philanthropy. Bivariate and multivariate analyses were performed on the quantitative data to establish relationships between variables. Where applicable significance of relationship between variables were tested using Chi-Square test of independence at P-value of .05. Likelihood Ratio test was preferred due to the small sample size and cross tabulations with more that tow by two cells.

The Nvivo software was used to organize, analyse and find insights in qualitative data. The study adopted thematic analysis approach to establish emerging themes of interest including criteria and processes determining CSOs to support as well as drivers and deterrents of corporate giving to local CSOs. The themes were coded into nodes and sub nodes, which were then compared to establish similar and conflicting patterns, uncover issues, and generate new ideas.

3.8 Study Limitations

- The study managed a sample size of 60 companies sampled from a built sample frame of 147 companies across nine (9) industry sectors using non-probability sampling approaches. This limited the study to use non-parametric measures for tests of significance which is considered less powerful compared to parametric measures.

4. Findings

4.1 Introduction

This section presents findings on the specific study objectives. The first sub-section discusses players in corporate philanthropy specifically exploring corporate givers, beneficiaries of corporate giving and trends in corporate giving between 2014 and 2016. The second sub-section presents the key drivers and deterrents of corporate philanthropy in Kenya. The final sub-section discusses processes and criteria by private sector for corporate philanthropy including strategies, organization, forms, supported thematic areas, budget allocation criteria, frequency of approval of budgets and reporting on corporate philanthropy.

4.2 Players in Corporate Philanthropy in Kenya

4.2.1 Corporate Givers

The study mapped out corporate players to establish engagement in corporate philanthropy by the various industry sectors for the period between 2014 and 2016. For the year 2014, Manufacturing (20%), ICT (17%), and Banking and Finance (8%) emerged the three most popular givers of above KSh. 1 million. A similar trend is observed in 2015 where Manufacturing (18%), ICT (18%), and Banking and Finance (8%) emerged the three most popular givers of above KSh. 1 million. Similarly, in 2016, Manufacturing (18%), ICT (13%), and Banking and Finance (6%) were the three most popular givers of above KSh. 1 million despite a marginal drop in financial allocation for corporate philanthropy the across sectors *(Figure 4-1).*

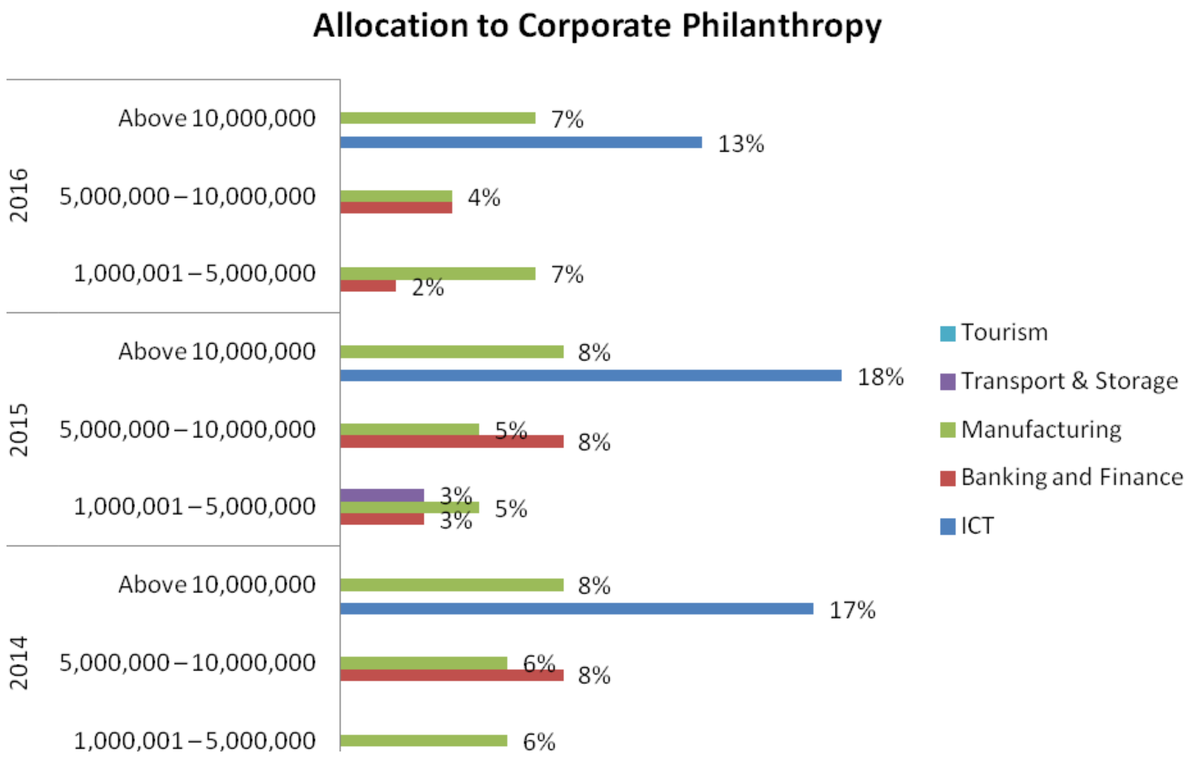

Figure 4-1 Allocation to Corporate Philanthropy 2014-2016

This trend supports the findings of Muthuri and Gilbert (2011) who found that technology, manufacturing and financial sectors as the most pronounced in corporate philanthropy. However, this study found no significant relationship between company sectors and allocation for corporate philanthropy in 2014[28], 2015[29], and 2016.[30] This implies that corporate giving across sectors is rather ad hoc, inconsistent across the years and varies from one company to the other.

The study found significant association between company size and budget allocation from 2014 to 2016.[31] Companies with high turnover are significantly more likely to allocate higher amounts for corporate philanthropy compared to companies with low turnover. This supports findings of Sweeney (2009), WBCSD (2002), and Njoroge (2011) who established that large companies allocate more to corporate philanthropy. In 2014 most givers were companies with turnover above KES. 1 billion (58%)

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[28] Likelihood Ratio 42.093; df 30; Asymp. Sig. (2-sided) .070(Alpha Value= .05)
[29] Likelihood Ratio 48.257; df 35; Asymp. Sig. (2-sided) .067(Alpha Value= .05)
[30] Likelihood Ratio 45.684; df 35; Asymp. Sig. (2-sided) .107(Alpha Value= .05)
[31] 2014 (Likelihood Ratio 21.722; df 10; Asymp. Sig. (2-sided) .017) 2015 (Likelihood Ratio -28.157; df 10; Asymp. Sig. (2-sided) .002) 2016 (Likelihood Ratio -23.083; df 10; Asymp. Sig. (2-sided) .010) (Alpha Value= .05)

followed by companies with turnover below KES. 1 billion (26%), and finally, companies with turnover below KES. 100 million (16%). This trend is observed in 2015 where companies with turnover above KES. 1 billion (51%) followed by companies with turnover below KES. 1 billion (29%), an increase from 26% the previous year, and finally, companies with turnover below KES. 100 million (20%), an increase from 16% in 2014. Companies with turnover of above KES. 1 billion increased marginally to 53% from 51% in 2015. Similarly, in 2016, companies with turnover below KES. 100 million increased marginally to 21% from 20% in 2015. However, giving by companies with turnover below KES. 1 billion reduced to 26% from 29% in 2015 as shown in *Table 6.*

Table 4-1: Engagement in Corporate Philanthropy by Company Size 2014-2016

Company Size	Engagement in Corporate Philanthropy		
	2014	2015	2016
Below 100million	16%	20%	21%
Below 1 Billion	26%	29%	26%
Above 1 Billion	58%	51%	53%

Source: Corporate Philanthropy Study, 2017

The study also established significant association between the type of company and budget allocation for corporate philanthropy in 2016.[32] Regional and multinational companies were significantly more likely to allocate a higher amount for corporate philanthropy compared to domestic companies. This supports Muthuri and Gilbert (2011) observation that most multinationals give more compared to local companies. However, there was no significant association between company's years of operation and budget allocation between 2014 and 2016.[33] See *Annex 3* for allocations by Company Size 2014-2016.

4.2.2 Partners in Corporate Giving

Companies in Kenya enter into partnerships with various organizations as part of the corporate philanthropy agenda. Notably though, majority of the companies (65%) engage Kenyan Non-Profit Organizations. This could be attributed to their perceived ability to create a greater impact , sound governance and management capacity. As shown in *Figure 4-2,* other organizations such as Faith-Based Organizations (10%) government agencies (8%) Community-Based Organization (6%), International Non-Profit Organizations (4%) and other for-profit companies (4%) and Business Membership Organizations (2%) were less popular partners and most would be engaged on ad hoc basis depending on the need.

32 2016 (Likelihood Ratio 10.350; df 10; Asymp. Sig. (2-sided) .006)(Alpha Value= .05)
33 2014(Likelihood Ratio 22.164; df 20; Asymp. Sig. (2-sided) .332) 2015 (Likelihood Ratio -20.601; df 20; Asymp. Sig. (2-sided) .421) 2016 (Likelihood Ratio -20.095; df 20; Asymp. Sig. (2-sided) .452) (Alpha Value= .05)

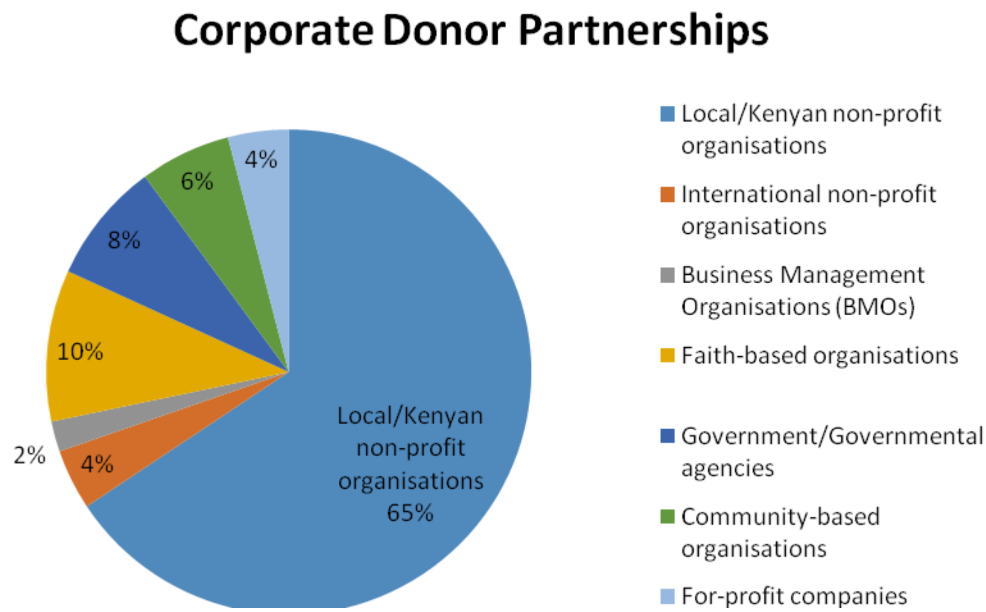

Figure 4-2: Corporate Donor Partnerships

The study established that 50% of companies with turnover below KES.100 million and 82% of companies with turnover above KES. 1 billion reported partnerships with local Kenyan nonprofit organizations. There was a significant association between company size and partner organizations.[34] This implies that the higher the company's turnover the higher the likelihood of partnering with local/ Kenyan nonprofit organizations compared to other organizations. However, there was no significant association between type of partner organization and company's years of operation[35] and between type of company and partner organizations.[36]

In the development of partnerships with Civil Society Organizations, corporate donors focus on three main criteria. Ability to impact on the underserved in the society emerged first criteria by 27% of the corporate. This relate to how CSO initiative improve the well-being of the marginalized and vulnerable communities. Credibility of the organization emerged the second criteria by 22% of the corporates. This is associated with trustworthiness and dependability of the CSO as a partner. As shown in *Figure 4-3,* Composition of the governing board and track record of the organization in implementing similar project emerged third each reported by 16%. Other criteria include: sustainability of the project (11%), anticipated impact of the project (9%), and brand benefits of the organization and alignment to

[34] Likelihood Ratio 21.165; df 24; Asymp. Sig. (2-sided) .002(Alpha Value= .05)
[35] Likelihood Ratio 21.165; df 24; Asymp. Sig. (2-sided) .629(Alpha Value= .05)
[36] Likelihood Ratio 19.141; df 12; Asymp. Sig. (2-sided) .085 (Alpha Value= .05)

company values each at 4%. There was no significant association between criteria for selecting CSOs to support and company size[37], company's years of operation[38], or type of company.[39] This implies that companies define their own criteria for establishing partnership with CSOs.

Figure 4-3: Criteria for Company-CSO Partnerships

Companies involved in corporate philanthropy expressed willingness to work with CSOs, especially those in direct contact with communities. Majority of the companies (77%) indicated high likelihood to recommend CSOs as partners while another 12% reported moderate likelihood. The high likelihood for recommending CSOs as partners to companies was based on the CSOs track record of accountability and transparency, their contribution to the greater good of society, perceived positive impact in the community, and their support for the underpriveleged. However, as shown in *Figure 4-4,* 11% of the companies reported that they were unlikely to recommend CSOs as partners. This could be attributed to credibility and accountability issues and would therefore prefer to implement the initiatives on their own.

[37] Likelihood Ratio 22.808; df 16; Asymp. Sig. (2-sided) .199(Alpha Value= .05)
[38] Likelihood Ratio 27.934; df 32; Asymp. Sig. (2-sided) .673(Alpha Value= .05)
[39] Likelihood Ratio 17.436; df 16; Asymp. Sig. (2-sided) .358(Alpha Value= .05)

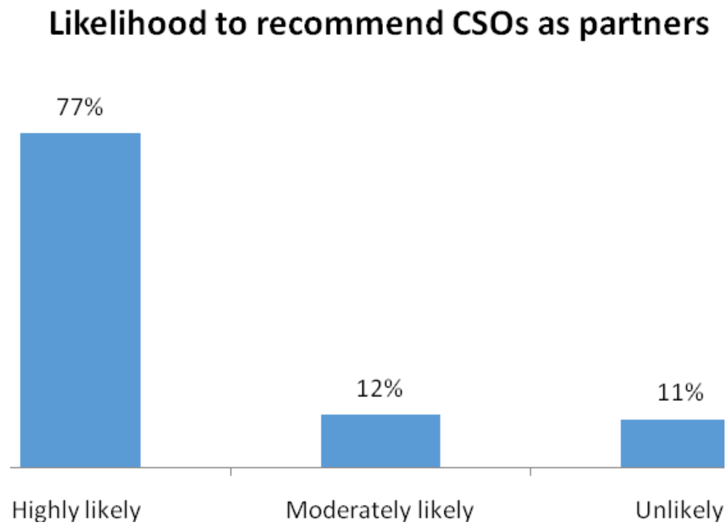

Figure 4-4: Recommendations for CSOs as Partners

Nevertheless, companies that partnered with CSO observed aspects that worked well for the partnership. Some of the emerging themes were sustained commitment to give back to the society, credibility of the CSO, sustainability of the projects, opportunity for knowledge sharing, communication and reporting feedback, and funding support.

4.2.3 Allocations for Corporate Philanthropy 2014-2016

Trend analyses of budget allocation for corporate philanthropy indicate that a significant number of companies spent above KES. 10,000,000 on corporate philanthropy despite the marginal drop across the years. In 2015 and 2016, there was marginal increase and decrease for companies spending between KES. 100,000-5,000,000. This could be explained by the ad hoc nature of allocation to social causes. However, as shown in *Figure 5-6.* there was a marginal decrease in allocation for companies giving less than KES.100,000 as well as those giving between KES.5,000,000-10,000,000 across the period. See *Annex 2* for allocations by sectors 2014-2016 and *Annex 3* for allocations by company size 2014-2016.

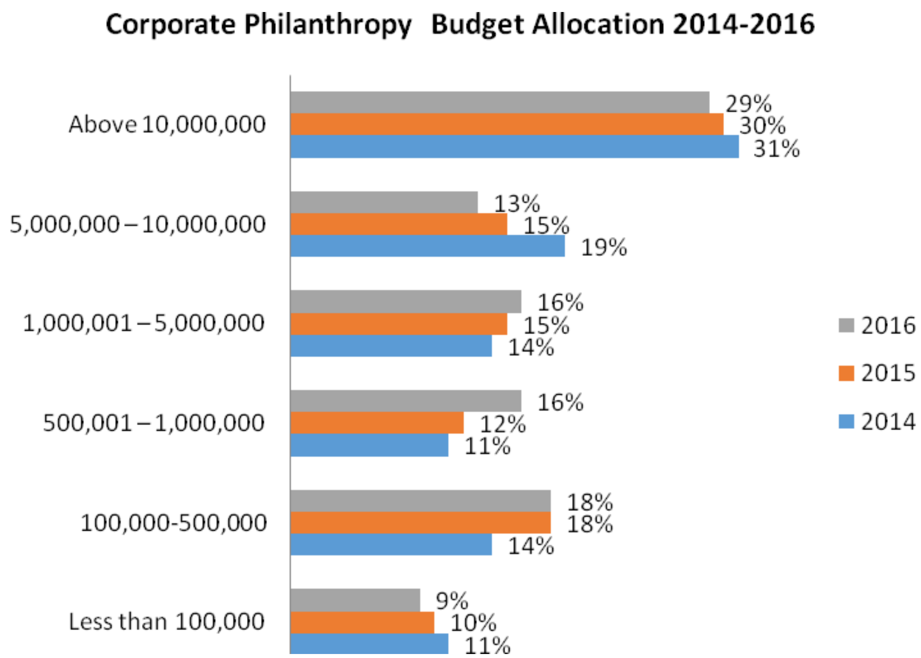

Figure 4-5: Corporate Philanthropy Budget Allocation 2014-2016

4.3 Key Drivers and Deterrents of Corporate Philanthropy in Kenya

4.3.1 Drivers of Corporate Philanthropy

The study asked participating companies to rate the extent[40] to which the four categories of drivers that Magiant and Ralston (2002) point out influenced their decision to participate in corporate philanthropy. These included value-driven factors (crisis response/helping the needy, and as tradition in the company), performance-driven factors (building business rapport, brand strengthening, maintaining corporate and public relations, strengthening the core business, enhance market access and improve financial performance), stakeholder-driven factors (to demonstrate accountability to our stakeholders as well as complying with required law/regulation) and finally, social-driven (to develop a social licence to operate). Findings show that these factors influenced 46% of companies, 35% companies to a moderate extent, and 15% to a minor extent. Only 4% of the companies were not influenced by the factors as shown in *Figure 4-6.*

[40] To interpret the data, the ordinal scales were tested for internal consistency (Cronbach's Alpha=.758) and summarized using the median for each scale. The scales were the transformed into a new variable- 'Motivation Factors.'

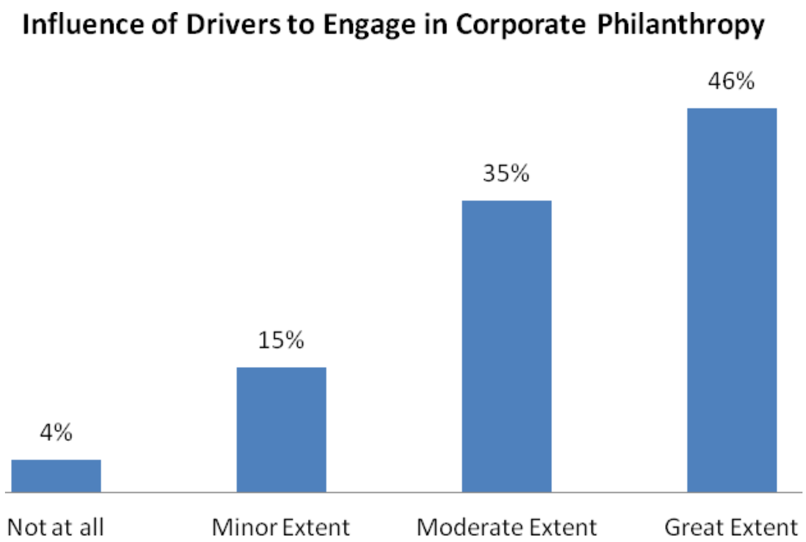

Figure 4-6: Influence of Motivation factors to engage in Corporate Philanthropy

Value-driven factors emerged the most influential motivators for corporate philanthropy with 65% reporting response to crisis/helping the needy, and 60% reporting giving as a company tradition. Performance-driven factors such as brand strengthening (60%) and maintaining corporate and public relations (56%) emerged second most influential motivators. Developing a social license to operate (46%) was another notable motivator. On the other hand, complying with the law/regulation was the least motivator to engaging in corporate philanthropy.[41]

Discussions with companies that are not involved in corporate philanthropy indicated that improvement in financial performance pegged to increase in sales turnover would be a key factor to engage in corporate philanthropy. Other reasons included improved cash flow status if creditors paid on time, increase in profit margins, company stability, improved customer relations “beyond business”, engagement of trained professionals and experts in corporate philanthropy, refining linkage of corporate responsibility strategy/priorities to sustainable development goals and company vision, and finally, developing partnership with established companies and organizations.

4.3.2 Deterrents of Corporate Philanthropy

The study further sought to establish deterrents of corporate philanthropy among companies that are not engaged in corporate philanthropy. Findings revealed that drop in sales revenue, small size of the company, internal restructuring in management, and lack of a corporate giving framework were some of

[41] See Annex 4.

the emerging themes. Discussions with companies in Corporate Philanthropy indicated that credibility and accountability of partner organizations and lack of feedback on impact of supported initiatives were emerging issues that impeded corporate giving.

4.4 Processes and Criteria by Private Sector for Corporate Philanthropy

4.4.1 Strategies on Corporate Philanthropy

The survey established that majority of the companies (54%) had a specific strategy for corporate philanthropy. However, for a significant percentage (46%) corporate giving was ad hoc as shown in *Figure 4-7.*

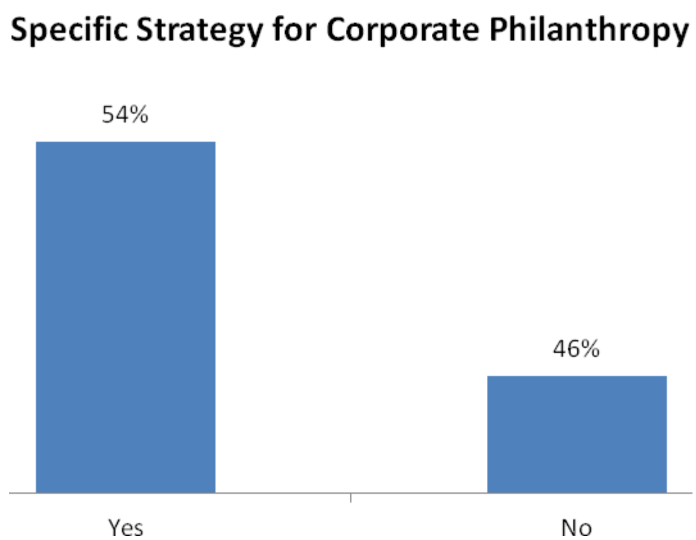

Figure 4-7: Availability of a specific Strategy for Corporate Philanthropy

This finding supports Kipruto (2014) who observed that most firms lack direct budgetary allocation to Corporate Philanthropy. The study also found a significant association between presence of a specific corporate philanthropy strategy and company's years of operation.[42] This implies the companies with more years of operation were significantly more likely to have a specific corporate philanthropy strategy compared to companies with fewer years of operation. This would generally relate to companies with a tradition of corporate giving. Similarly, there was significant association between presence of a specific corporate philanthropy strategy and company size.[43] This means that large companies are significantly more likely to have a specific corporate philanthropy strategy compared to small companies. This could be attributed to the large amounts allocated to corporate philanthropy.

[42] Likelihood Ratio 10.849; df 4; Asymp. Sig. (2-sided) .028(Alpha Value= .05)
[43] Likelihood Ratio 6.132; df 2; Asymp. Sig. (2-sided) .047 (Alpha Value= .05)

4.4.2 Alignment of Corporate Philanthropy to Business Strategy and Sustainable Development Goals

The companies with a corporate philanthropy strategy in place linked it to their overall business strategy. This enabled the company to implement activities that enabled direct product brand promotion; improved infrastructure to facilitate client access to market; and aligned activities to core business values.

In general, the study found that companies' corporate philanthropy strategies are not out- rightly aligned to the SDGs or Kenya's Vision 2030. However, the findings indicate that 24% of companies align corporate giving activities to SDG #3 on Health and SDG #4 on Inclusive & Equitable Education, 23% align SDG #13 on Climate Change, and another 21% align them to SDG #1 to end poverty. As shown in *Figure 4-8*, other common goals of focus include SDG#2 Food Security, SDG#6 Water and Sanitation, SDG#8 Economic Growth and Employment, and SDG#5 Gender Equality and women empowerment.

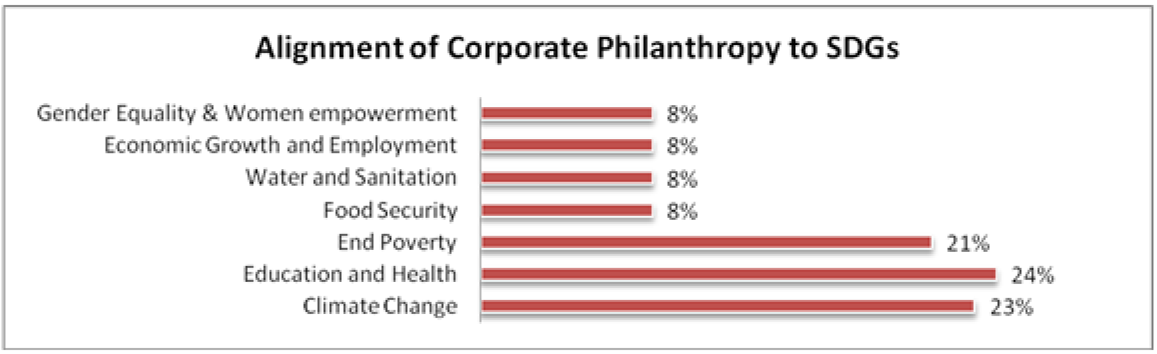

Figure 4-8: Alignment of Corporate Philanthropy to SDGs

4.4.3 Employee Involvement in Corporate Philanthropy

The study explored the specific forms of employee involvement in corporate philathropy. Findings established that 62% of companies reported volunteering in the project directly implemented by the company, 17% reported employee involvement in identifying beneficiaries/projects to support while 12% reported employee volunteering in non-company related projects. As shown in *Figure 4-9*, only 10% reported employee involvement through financial contributions. Ironically, majority of companies (69%) lacked an employee involvement policy. Additionally, the study found no significant association between presence of Employee Involvement Policy and company size[44], company's years of operation[45], or type of company.[46]

44 Likelihood Ratio 3.416; df 2; Asymp. Sig. (2-sided) .181 (Alpha Value= .05)
45 Likelihood Ratio 6.174; df 4; Asymp. Sig. (2-sided) .187(Alpha Value= .05)
46 Likelihood Ratio 3.335; df 2; Asymp. Sig. (2-sided) .189(Alpha Value= .05)

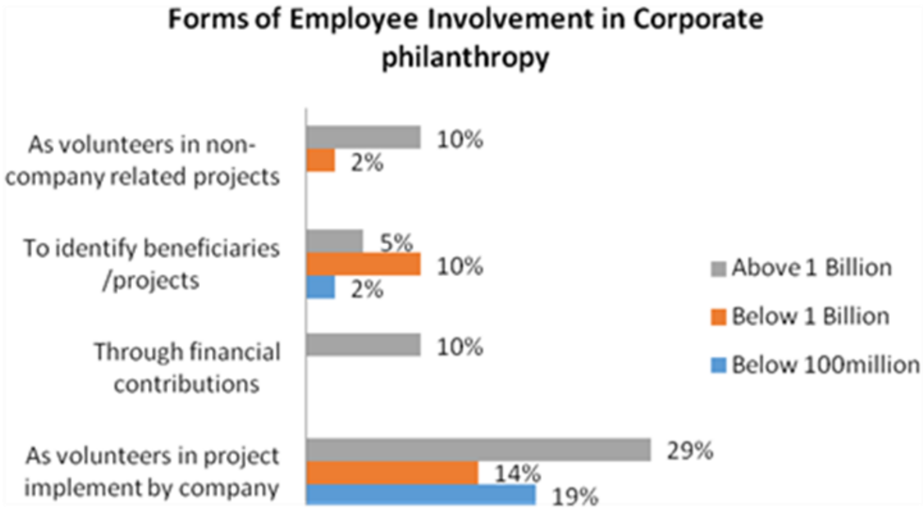

Figure 4-9: Forms of Employee Involvement in Corporate Philanthropy

4.4.4 Organization of Corporate Philanthropy in Companies

For majority of companies (61%), corporate philanthropy falls within the responsibility of a specific department. Another 23% reported that corporate philanthropy is managed in a corporate foundation, while 16% indicated that coordination and decision making is undertaken by a CSR committee. For companies with specific CSR departments, the key personnel to whom corporate philanthropy activities is assigned include Marketing/Sales Manager (20%), Chief Executive Officer (22%), Human Resource Manager (13%), Public Relations/Communications Manager (17%), Foundation Manager/Director (15%) Corporate Affairs Manager (11%), and Finance Manager (2%) as shown in *Figure 4-10*. There was no variation by company size, sector or years in operation.

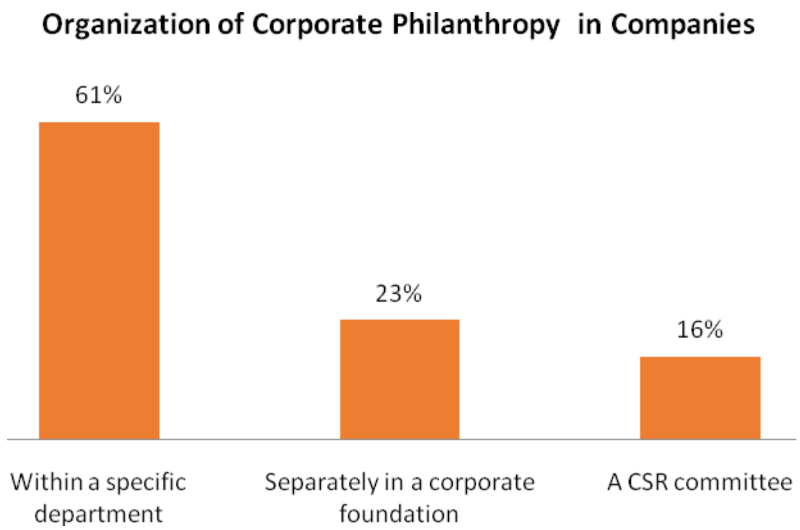

Figure 4-10: Organization of Corporate Philanthropy in Companies

4.4.5 Forms of Corporate Philanthropy

The survey established that majority of the companies (79%) engage in both financial and in-kind support while a few others (13%) engaged only in material/in kind support. Financial support was least popular as reported by 8% of the companies as shown in *Figure 4-11*. Findings show that there was no significant association between forms of corporate philanthropy and company size[47], company's years of operation[48], or type of company.[49] This implies that companies would give in any form depending on the nature of assistance at hand.

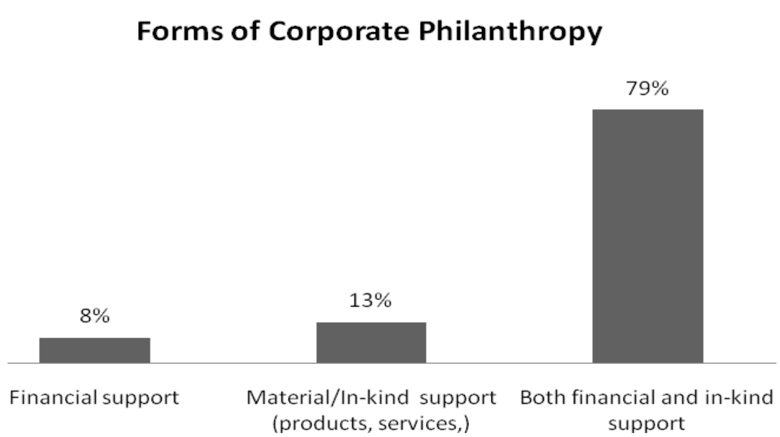

Figure 4-11: Forms of Corporate Philanthropy

[47] Likelihood Ratio 6.896; df 4; Asymp. Sig. (2-sided) .141 (Alpha Value= .05)
[48] Likelihood Ratio 7.099; df 8; Asymp. Sig. (2-sided) .526(Alpha Value= .05)
[49] Likelihood Ratio 6.796; df 4; Asymp. Sig. (2-sided) .147(Alpha Value= .05)

Specifically, emerging themes on in-kind support comprised of basic items such as food and water, provision of medical products and support, infrastructure support and educational material support. Technical training support and provision of staff time and expertise were other forms of in-kind support.

4.4.6 Supported Thematic Areas

In terms of thematic areas frequently supported, the three most popular are: Skills development and Education (49%), Health & Wellness (16%) and Poverty Reduction (14%) as shown in *Table 7.* The study also established that there was no significant association between most supported thematic areas and company size[50], company's years of operation[51], or type of company.[52]

Table 4-2: Most Supported Thematic Areas

Most Supported Thematic Areas	
Skills development and education	49%
Health & Wellness	16%
Poverty reduction	14%
Economic and Enterprise Development	8%
Youth development	4%
Emergency/Relief	4%
Corporate Development	2%
Environment	2%
Food security	2%

Source: Corporate Philanthropy Study 2017

4.5 Budget Allocation Criteria for Corporate Philanthropy

Decision making on budget allocation for corporate philanthropy varied across companies regardless of availability of specific strategy corporate philanthropy. Findings show that for 29% of companies, the budget is largely determined based on a pre-determined percentage of profits while for another 29% the budget was determined by the project financial requirements. Another 26% reported that a specific amount is set aside per annum while for 12%, the budget was determined by the Company Executive. Only 4% reported that the budget is determined through a matching grant as shown in *Figure 4-12*. However, the study found no significant association between the criteria for determining corporate philanthropy budget and company size[53], company's years of operation[54], or type of company.[55]

[50] Likelihood Ratio 17.537; df 16; Asymp. Sig. (2-sided) .352(Alpha Value= .05)
[51] Likelihood Ratio 30.749; df 32; Asymp. Sig. (2-sided) .530(Alpha Value= .05)
[52] Likelihood Ratio 20.976; df 16; Asymp. Sig. (2-sided) .179(Alpha Value= .05)
[53] Likelihood Ratio 12.774; df 8; Asymp. Sig. (2-sided) .120(Alpha Value= .05)
[54] Likelihood Ratio 14.093; df 16; Asymp. Sig. (2-sided) .592(Alpha Value= .05)

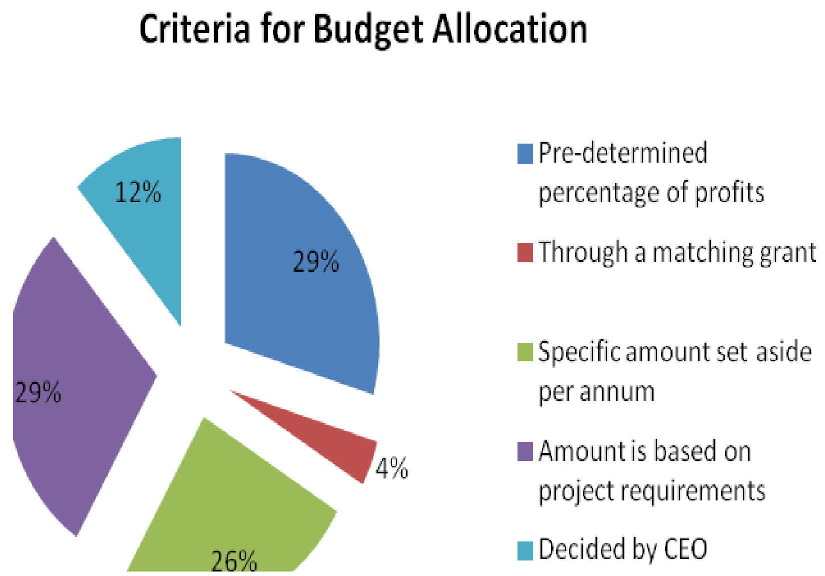

Figure 4-12: Criteria for Budget Allocation for Corporate Philanthropy

4.5.1 Frequency of Budget Approval

Further, the study established that in most companies (43%), approval of the budget for corporate philanthropy is annual depending on how companies define financial year on the calendar months. Another 18% reported quarterly approval while for others (17%) approval was ad hoc. Monthly and bi-Annual approvals was reported by 13% and 9% of companies respectively as shown in *Figure 4-13*. The decision on budgetary and other resources allocation for corporate philanthropy is made at the company headquarters centralized and usually by senior management or the Board. In some companies, decisions are made by the company owners or management committee.

[55] Likelihood Ratio 6.249; df 8; Asymp. Sig. (2-sided) .619(Alpha Value= .05)

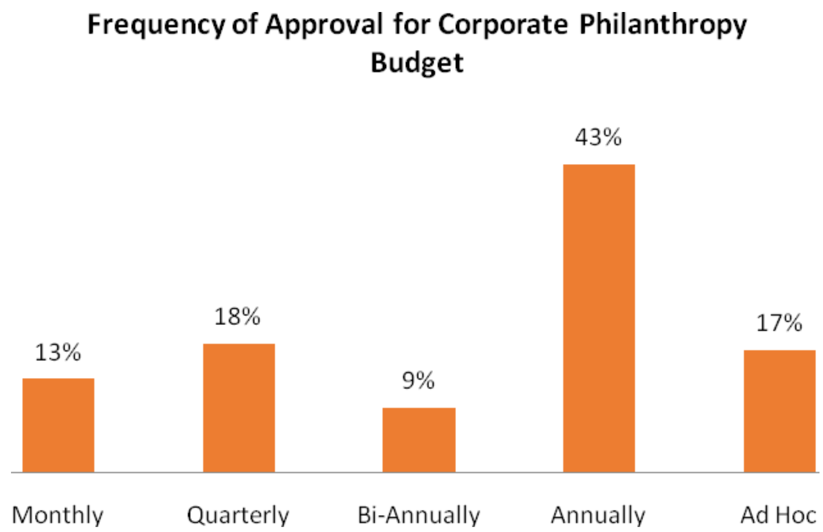

Figure 4-13: Frequency of Approval for Corporate Philanthropy Budget

4.5.2 Reporting on Corporate Philanthropy

Majority of the companies (71%) report their corporate philanthropy activities. Reporting through the company newsletter emerged the most popular (30%) closely followed by use of internal memo and messages (17%). Reporting through the CSR Report (19%) and posting in the company's digital platforms such as websites and social media (11%), the company's financial report (11%) were the other common approaches. Use of business pictorial (3%), radio announcement (3%) and newspaper advertisement (6%) were the least popular as shown in *Figure 4-14*. This finding supports Kipruto (2014) observation that there lacks uniformity in reporting on corporate philanthropy in Kenya. However, there was no significant association between company size[56], company's years of operation[57], or type of company.[58]

[56] Likelihood Ratio 5.124; df 2; Asymp. Sig. (2-sided) .077 (Alpha Value= .05)
[57] Likelihood Ratio 4.566; df 4; Asymp. Sig. (2-sided) .335(Alpha Value= .05)
[58] Likelihood Ratio .365; df 2; Asymp. Sig. (2-sided) .833(Alpha Value= .05)

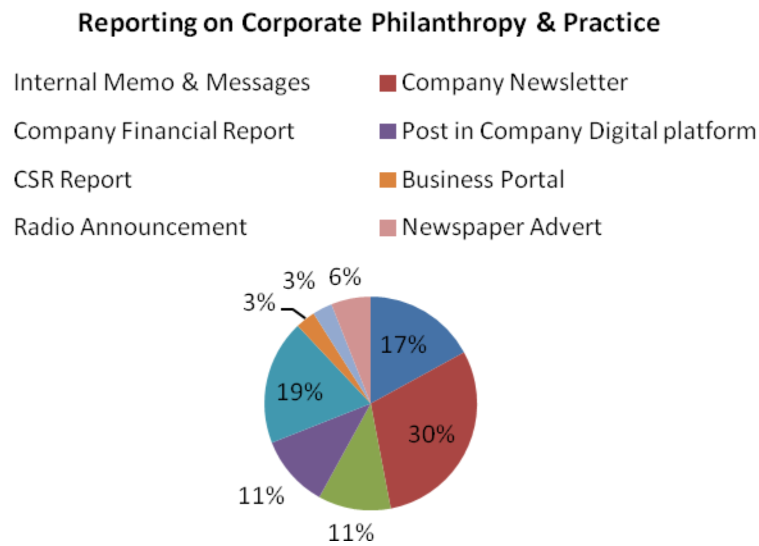

Figure 4-14: Reporting on Corporate Philanthropy and Practice

4.6 Case Studies

4.6.1 Case Study 1

Working with the Private Sector

A Case Study on Enhancing Dialogue between Salt Harvesting Companies and Host Communities in Malindi; Kilifi County

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1.1 Introduction and contextual background

Salt harvesting generates profits for investors and contributes towards Kenya's revenue margin at the national and county levels. Salt production also contributes towards local development by providing job opportunities to the local populations and Corporate Social Investment funds.

However, salt harvesting in Malindi; Kilifi County increasingly elicit sustainability concerns from lobby groups for ecological stress, environmental impacts, labour issues, dispossession of the community of their ancestral land among others. Different players has attempted to address the concerns through different initiatives including research and documentation, public inquiries, public interest litigation, dialogue processes and others. Some of these initiatives had been fairly successful while some had not. It is for this reason that the Kenya Association of Manufacturers (KAM) in partnership with Global Compact and the Federation of Danish Industries commissioned a multi-stakeholders dialogue process that was geared towards enhancing the relationship between the salt harvesting companies and the host communities. This not only gave the investors the "social licenses to operate" but also enables the host communities to air their various concerns and have them addressed in a coordinated manner.

Ufadhili Trust was commissioned by KAM to provide technical support to this process. This case outlines the objectives, structure and mechanisms of engagement, work undertaken by Ufadhili Trust, the achievements, and the lessons for CSO in working with private sector.

1.2 Implementation framework

This process of engagement was based on an operation framework between the salt harvesting companies, the host communities and other actors. The framework was developed through consultation with different stakeholders and actors including; The Salt Companies owners and representatives, the host community representatives, CSOs, relevant government departments, Kenya Association of Manufacturers, Global Compact and the Federation of Danish Industries.

2.0 Objectives of the engagement process

The engagement between the salt investment companies and the host communities was expected to achieve the following: -

a) Widen and deepen cooperation among the investors and the host communities to achieve sustainable socio-economic and political development.

b) Guide genuine dialogue between the investors and host communities in honesty and sincerity as well as humility and respect

c) Promote mutually beneficial investment codes and practices, protection of property rights and environmental protection.

d) Strengthen role of community groups and the community liaison office in the salt sub-sector

2.1 Principles of engagement

The engagement between the salt harvesting companies and the host communities with the participation of other stakeholders was guided by the following principles.

a) Honesty and sincerity

b) Humility and mutual respect

c) Participation and cooperation

d) Mutual understanding and acceptance of diverse points of view.

e) Openness, commitment and realistic expectations

f) Confidentiality

3.0 Structures and mechanisms for engagement

3.1 A Working Group

The Multi-Stakeholder Dialogue Forum adopted the use of a Working Group to guide operations and implement activities. The working group was an ad hoc group of subject-matter actors and experts working together to achieve specified goals. The working group was established for the following purposes.

a) To elaborate, consolidate, and build consensus on issues of concern amongst investors and the host communities and other stakeholders

b) To ensure (and improve) coordination among the various segments of actors in the dialogue process.

c) To achieve a shared commitment to agree on common aims that had been developed among the parties as they worked together so as to clarify issues, formulate strategies, and develop action plans.

3.2 The Technical Consultant

A Technical Consultant brought specific expertise to the design, instruction and operations of a process. Similarly, in this dialogue process, Ufadhili Trust, with expertise in investor-community relation continued to offer direction. The Technical Consultant was part of the working group and participated in all the forums.

3.3 Community-Based Committees

There was a Community Committee within a 50KM stretch of Malindi salt belt made up of three members from each of the salt harvesting company catchment communities. The role of this committee was to support the residents in making decisions about priorities for the area including issues pertaining to Corporate Social Responsibility or dialogue with the investors. These Community Committees held regular open meetings to ensure local communities can influence decisions about their area in the dialogue process. Their recommendations were then brought up during the Monthly Multi-Stakeholders

Forum as part of the agenda.

3.4 The Community Liaison Office

The Community Liaison Office was like a bridge linking the salt companies with their host communities and other actors. They shared information, providing feedback and carrying out community outreach to discuss issues of concern between the investors and host communities. In the dialogue process, the Community Liaison Office played a key role in organizing communities and enabled them to be part of the process by getting their views on the various issues and giving feedback from the stakeholders' forums. The Liason office also acted as an early arbiter to discuss emerging issues and early warning system to advise companies of impending challenges.

3.5 Mechanisms

The engagement between the salt harvesting companies and the host communities was both informal and formal. These included:

3.5.1. Monthly Stakeholders dialogue forums

The monthly stakeholders' dialogue forum provided the platform and space for the investors and communities to dialogue on the various issues of concern for both parties. The discussions was enriched by the participation of other stakeholders/actors and interest groups. These included the relevant government departments and regulating authorities, the civil society and business Membership organizations like KAM. These forums were used to build consensus on issues, shared experiences and best practices as well as feedback on milestones.

3.5.2. Community-Based Forums

The Community-Based Committees with the support of the salt-sub Sector Community Liaison Office was expected to host monthly community forums. These forums were used for identification of issues and concerns, monitoring and evaluation of progress and feedback from the multi-stakeholder's dialogue forums. These forums provided platforms for direct community participation in the dialogue process.

Social Audit and site visits

It is said ‘Seeing is believing”. stakeholders carry out sight visits to verify concerns or compliance by both parties. These visits will serve as accountability mechanisms and end the unpleasant trend of unverified claims by different actors that has characterized previous engagements.

Advocacy and lobbying

Previous work has shown that a huge part of the conflict between the salt companies and the host communities had been caused by negligence by the various government departments and authorities. These include tussles over land ownership, access and use; environmental degradation; investors-community conflict; labour and work environment among others. The working group therefore lobbied the relevant government institutions to play their role in addressing the issues at the Malindi Salt-belt through consultations and memorandums/issue papers/policy papers. This helped in addressing perennial concerns like land ownership which threatens to collapse the dialogue process as well.

Special meetings

As the dialogue process progressed, new issues kept on emerging thus derailing the engagements. Special meetings are organised and carried out whenever a new issue of concern arises to avoid clattering them with on-going processes.

4.0 Key Lessons for CSOs

a) This case study was responding to a community engagement process gap. Therefore, there is an opportunity for CSOs to work with private sector in social and environment issues that are faced by businesses.
b) CSOs area of expertise and past record is critical to working with businesses. Ufadhili was contracted to spearhead the engagement process because of its record of working with private sector in sustainable practices. CSOs can use their core area of expertise and align their work to provide services to businesses.
c) It is important to build trust with stakeholders. Impartiality and a working operation framework through a consultative process involving stakeholders builds trust
d) Time is money for businesses; they are concerned about the time they invest in a process. Thus, there is need to involve persons who can make fast decisions.

4.6.2 Case Study 2

Corporate Philanthropy in Kenya

Case Study of NIC Bank

Introduction

NIC Bank Group was incorporated in 1959 and progressively increased its market share to become one of the leading corporate banking institutions in Kenya, ranked among the top ten banks by the Central Bank of Kenya. It is a listed company on the Nairobi Securities Exchange (NSE). The bank views Corporate Social Responsibility (CSR), which they refer to as Corporate Citizenship, as a fundamental aspect of its business. The Bank's vision is "To create value and make a difference" which is one of the four pillars that the Bank upholds for its clients and shareholders. Within the organisational structure, CSR activities are driven by the Marketing, Communications and Citizenship Department, headed by a Director who is part of the Senior Management Team.

The development of the 2010-2014 CSR strategy was a milestone for the Bank. For the first time, it outlined and documented its view on the contribution to national economic development, value for shareholders beyond profit-making and contribution to societal and sustainable development. This strategy is faulted for not making clear connections between CSR priorities and the business strategy. Nonetheless, it focused the Bank's staff and resources on specific thematic areas.

The subsequent 2014-2017 CSR strategy made the connection between CSR and the business strategy. The Group MD, Mr John Gachora, believes that business succeeds where communities thrive. According to him, "The strength and sustainability of our business is directly related to our social license to operate, which we must earn daily by keeping our promises to our customers, employees, shareholders and communities". The Bank is currently developing the 2018-2020 Strategy alongside their core business strategy. This is a departure from previous practice and is significant in demonstrating the pace of CSR for the company.

Thematic Areas

NIC Bank has been consistent in supporting education and humanitarian assistance in their CSR for over 10 years. In the 2010-2014 period, the Bank included the environment as a key thematic area of focus. During this time, the Bank supported numerous initiatives in afforestation and forest conservation. This included; rehabilitation of 25 hectares of Lari Forest in partnership with the East Africa Wildlife Society (EAWLS) and the Lari Forest Community; and sponsored the Rhino Ark Charitable Trust events for conservation of the Aberdare ecosystem, the Mau Forest, Mt Eburu and Mt Kenya ecosystems.

At the end of the strategy period, the Bank undertook a strategic review of the direct impact of support to the environment. Assessed from the view point of how the Bank impacts or is impacted by environmental issues, as well as the big challenge of measuring impact and value for money to the company, the environment as a thematic area was dropped. In its place, the Bank is now focusing on Innovation as the fourth thematic area. As a Bank with a heritage of innovation, this thematic area aims to build an innovation pipeline, as well as use ICT to support the national agenda to tackle youth unemployment. This is in line with the thinking of business value – where social impact and business impact converge. While "dropping" environment may seem strange or even disappointing for observers, it is in fact a positive demonstration of a company that is conscious of linking CSR to its business strategy.

CSO Partnerships

Thematic areas guide the Bank in its identification of which partners to work with. In the 2010-2014 period the focus was on; education, environment and humanitarian assistance. The Bank partnered with CSO-partner organisations such as the Kenya Red Cross on humanitarian issues, Palmhouse Foundation, Edumed Trust, Junior Achievement Kenya, Mabati Medical Centre in Kaloleni (Mombasa) and Ahadi Trust Foundation.. The Bank was also involved in other initiatives such as the NSE Investment Challenge in collaboration with the NSE and also initiated its own NIC Entrepreneur Club targeting their SME clients, building their capacity through networking among themselves and with experts in their respective industry. In the 2014-2017 period, the Bank continued with the Education, Health and Humanitarian Assistance partners and extended partnerships to include those organisations supporting children/youth with disability and faith-based organisations. This is evidence of strong relationships built on shared values. As expected, the Bank also developed new partners on the Innovation agenda. With KRC, the Bank developed an NIC-Red Cross Card which enables clients to access medical services with ease during emergencies.

These partners fit clearly within the priority areas to support and provide youth with educational opportunities that provide skills to be self-reliant and financially empowered. The selection of partnerships is, however, not guided by a structured selection process but rather based on applications received from CSOs and assessed on their alignment to the Bank's thematic and priority areas. After initial assessment of alignment, they review organization's track record in similar areas of work. Once the partnership is ongoing, the Bank is keen on financial accountability, usually through review of audit reports and visits to the project sites.

One of the key recommendations to CSOs for effective partnerships with corporates is to be more forthcoming with information both during and after the end of the partnership: to communicate the results and impact of the support provided. In 2016 for instance, the Kenya Red Cross recognized NIC Bank for the "KRC Annual Humanitarian Award'' for continued support and contribution to their work of alleviating human suffering and saving lives.

In its approach, the Bank does provide both financial and in-kind support. There is no fixed amount allocated to CSR, and decisions are made on an annual basis determined by profits in the previous financial year. Notably, allocations to the different priority areas and to specific partners are determined at departmental level.

Employee Participation

Employee participation is a fundamental aspect of the Bank's CSR strategy. The Bank sees a need to create a culture of societal responsibility among its staff. For example, in the partnership with Junior Achievement Kenya, the Bank's staff are involved in mentorship of high school students and hosts them during a Job Shadow day where a student has the experience of being a banker for a day. In the partnership with Edumed Trust, employees are part of the selection panel to identify the recipients of financial support. In this way, Bank staff appreciate the real needs and challenges of the beneficiaries they support, building a sense of awareness and societal responsibility. Further, they offer support to their CSO partners and learn about processes and methods of work in a sector different from their own. However, as the study found, the Bank does not have a documented HR policy for staff participation in CSR activities. It relies heavily on the willingness of staff to volunteer their time, and the company supports this contribution of man hours.

Reporting

The progress on the Bank's CSR work and impact is shared with stakeholders through the financial reports and annual reports. Additionally, Social media platforms are also avenues through which the Bank shares its CSR work.

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NIC Bank Corporate Citizenship Agenda

Interview with NIC Bank Marketing and Citizenship Director, as part of respondents for this study .

5. Conclusions and Recommendations

5.0 Introduction

This section presents conclusions based on the study objectives in the first subsection. Recommendations for Civil Society Organizations, private sector companies and for further research are presented in the second subsection.

5.1 Conclusions

The study findings demonstrated the limited information on the role of the private sector in corporate philanthropy in Kenya as well as the partnerships between the private sector and Civil Society Organizations across the defined objectives of the study. First, the study sought to establish the key players in corporate philanthropy in Kenya. Whereas Manufacturing, ICT, and Money, Banking and Finance emerged as the most notable corporate givers across the economic sectors, the latter is not a determinant of corporate giving. Other factors internal to the specific company are important to note. The size of the company in terms of turnover is a key determinant to corporate giving and therefore, the larger the company, the higher the allocation to corporate philanthropy. However, allocations to social causes are inconsistent and many a times ad hoc based on need.

Secondly, the study sought to establish the key drivers and deterrent to engaging in corporate philanthropy by the private sector companies. The four categories of drivers comprised of value-driven factors, performance-driven factors, stakeholder-driven factors and social- license driven factors. These factors moderately and influenced engagement in corporate philanthropy. Although value-driven and performance-driven factors emerged as the key drivers to corporate giving, both are intertwined and interdependent and none operates in isolation. In relation to partnerships with CSOs, the key deterrents are mainly CSOs-related factors such as credibility; lack of accountability of partner organizations and lack of feedback on impact of supported initiatives.

Finally, the study sought to establish processes and criteria employed by the private sector for corporate philanthropy. Most companies adopted an ad hoc approach to corporate philanthropy and in turn alignment to corporate philanthropy to SDGs and Kenya Vision 2030 remains ad hoc. For most companies, corporate philanthropy is organized internally while in a few others to corporate giving is organized externally through foundations. In terms of forms of corporate philanthropy majority of the companies engage in a mix of in-kind and financial support. The three most supported thematic areas are: poverty reduction, health and wellness, and skills development and education. Budget allocations for corporate philanthropy vary across companies and are not related to availability of specific strategy. The budget is set from predetermined percentage of profits, the specific project financial requirement or specific amount set aside annually. Approval of such budgets is mostly annual but in line with a company definition of financial year in the calendar months. In terms of reporting and disclosure of corporate philanthropy there is lack of uniformity and usually done in multiple platforms across companies. Lastly, corporate philanthropy in Kenya is driven by altruism rather than guided by a legal or policy framework. Even for companies that have specific corporate philanthropy strategies, reliance on various legislations that remain unclear is still evident.

5.2 Recommendations for Civil Society Organizations

- *Need to map out corporate givers and conduct research:* Need to understand and map out corporate givers and conduct background research on the key motivations of giving, the concerned department and focal person, thematic area of interest, values and missions, as well as processes and criteria for corporate philanthropy.
- *CSOs better understanding of business:* CSOs need to get a better understanding of business issues and learn the corporate language of the company or the business sector of interest to them. CSOs need to consider how to reinterpret the business language the companies use in terms of what aligns with their mission. This helps CSOs communicate more successfully and enables the CSOs to establish alignment and mutual interests quickly.
- *CSOs to host thematic forums:* Host thematic forums in collaboration with business management organizations to draw the interest of companies to support specific issues, especially at county and sub county levels, reaching out to small and medium size companies and develop partnerships.
- *CSOs to complement corporate organizations skills CSOs* to demonstrate useful skills, knowledge and competences that can complement the interests and skills of company staff responsible for corporate philanthropy delivery.

- *CSOs to build corporate partnerships:* CSOs are advised to view companies as partners and focus on the company's mission and business strategy and find where there's synergy / opportunity overlap. To achieve a win-win strategy, CSOs should keep in mind where their mission best fit into the company's strategy and bottom line.
- Companies are also inclined to non-financial: Corporates are also willing to give more than cash donations. Companies are keen to give of their goods or services as well as give out their expertise through their skilled employees. CSOs should creatively explore how they can incorporate the whole company i.e. its people expertise, assets- services, products, network and brand to solve a social problem.
- *Addressing deterrents of CSO-corporate partnerships*: Address the deterrents of corporate-CSO partnership**s** and be more accountable for support received through feedback on the results and even impact or the interventions supported by companies.
- *Strategic Communications: Invest* in strategic communications that provides information of the organization's capability, capacity, program areas, partnerships, and impact in the community.
- *CSOs enhance visibility*: Increase their visibility as credible partners through various private sector driven platforms such as The Global Compact UN platform for private sector involvement in the SDGs that is locally hosted by KAM, as well as associations like ICPAK and KBA that also engage their members on corporate philanthropy and broader CSR and sustainable development agenda.
- *Benefit from existing laws and policies:* Draw from existing laws and policies that offer incentives to companies and ensure that their corporate partners benefit from these incentives.
- *Lobbying for comprehensive legal and regulatory framework:* In the long-term, engage in collaborative lobbying for the establishment of a comprehensive legal and regulatory framework that creates an enabling environment for giving.
- *Appreciation of different perspectives*: Appreciate differences in approach and ideology, balancing development/social interest and the companies' interest that requires flexibility, open-mindedness and compromise.
- *Invest in partnership expertise*: Invest in expertise especially in creating partnerships to better understand the relationship between corporate sector engagement, corporate philanthropy and shared value that ensures CSOs make better decisions about when and how to engage with private companies.
- *Resource Leverage*: Leverage resources from the private sector to ensure sustainability and scalability by exploring ways to combine more than one way of support

- *Enhance partnership across the corporates* CSOs need to think partnerships beyond large multinational companies and consider the opportunities available with small and medium tier companies who are looking for opportunities to make a social impact. CSOs can map out medium size companies who are active in their county and local communities to partner with.

- *Development of corporate strategies*: Development of corporate philanthropy strategies that ensures strategic and sustainable partnership with other actors with similar values and thematic areas of interest.
- *Research and development of legislative frameworks*: Need to research on relevant legislative frameworks available to establish the thematic areas and activities applicable and incentive benefits in terms of tax deduction, tax exemption, capital gains

Recommendations for Further Studies

Longitudinal studies as well as Industry/Sector-specific studies that provide insights on trends and patterns in corporate philanthropy in Kenya

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Annex 2: Legal Provisions Facilitating Corporate Philanthropy

i. Income Tax Act (ITA)59: This law provides for deductions for various activities that enhance corporate philanthropy practice. Under this law, companies can deduct any expenditure incurred as a cost of doing business, so long as the expenditure is intended to directly or indirectly advertise or promote the sale of the goods or services provided by that company60. Companies can therefore deduct monies for sponsoring CSOs as part of their advertising costs. Pegged on approval of the responsible Cabinet Secretary, ITA allows tax deductions from expenditures for the following:

- Sports sponsorship
- Social infrastructure i.e. construction of a public school, hospital road, or any similar kind of infrastructure

Secondly, the ITA allows tax deductions on interest income accruing from all listed bonds, notes or other similar securities that is used to raise funds for infrastructure and other social services provided they have a maturity period of at least three years.

To enjoy the benefits of tax-deductible donations, companies need to partner with qualifying CSOs. These are CSOs that are appropriately registered as an NGO or society or be exempt from registration under the Societies Act or the NGO Coordination Act of 1990 (now transitioning to the Public Benefits Organizations Act of 2013 but to come into effect) or have received exemption or have received income tax exemption status under paragraph 10 of the First Schedule of the Income Tax Act.

In this arrangement, if the donation is to a project the following must be done:

- Project must be approved by the Cabinet Secretary for Finance
- The CSO must give the company a written declaration that the donation shall be used exclusively for the objective approved
- The CSO must supply the company with a copy of their valid income tax exemption certificate issued by Kenya Revenue Authority (KRA), or with a copy of the approval of the project issued by the Cabinet Secretary of Finance.

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[59] Section 15(2)(w), Income Tax Act, Chapter 470, Laws of Kenya
[60] Section 15(2)(p) Income Tax Act

- For these to be applicable, the donations must be in cash or cheque, should not be repayable or refundable to the company, and must not in any way, apart from moral satisfaction, benefit the giver.61

These provisions of the ITA do not include institutions that mobilize, invest and give away resources in the form of charitable grants i.e. foundations. Hence, for example, cash donations from individuals and corporates to foundations are not tax deductible.62

The Finance Bill 2017 introduces a new section 15(2) (aa) to the ITA, which allows deductions for expenditure incurred on donations meant for alleviation of distress during national disasters, provided such donations are channeled through the Kenya Red Cross, the County Governments or any other institution responsible for the management of national disasters declared as such by the President.

ii. Value Added Tax (VAT) 63: Under the VAT Act, goods for emergency relief purposes are zero-rated when supplied or imported by a registered person by or on behalf of the Government, a non-governmental organization or a relief agency authorized by the Cabinet Secretary responsible for disaster management.

Goods that benefit from zero-rating under this provision include those:

- for use in areas where a natural disaster or calamity has occurred in Kenya and within the time specified in the Second Schedule of the Act;
- intended for use in officially recognized refugee camps in Kenya;
- household utensils, food stuffs, materials for provision of shelter or equipment and materials for health, sanitary or educational purposes; and
- imported within a stipulated period of occurrence of the natural disaster or calamity. The provision is 6-12 months the Commissioner for Domestic Taxes may permit in each case.

The Finance Act 2017 amended the Value Added Tax Act to expand the list of zero-rated goods and services to encourage support to health and wellness. The list, which originally covered taxable goods

[61] The Income Tax (Charitable Donations) Regulations, 2007

[62]A research conducted by Akiba Uhaki, (Felix Kyalo, Unpublished, 2012) sought to determine the adequacy of Kenya's legal and regulatory regime for foundations in facilitating and promoting philanthropy. It called for formulation and enactment of a foundation-specific law to cater for the unique needs of charitable or public benefit foundations.

[63] VAT Act, No. 35 of 2013, An Act of Parliament to review and update the law relating to value added tax; to provide for the imposition of value added tax on supplies made in, or imported into Kenya, and for connected purposes.

for the direct and exclusive use for construction of specialized hospitals with accommodation facilities, now includes medical apparatus and equipment for those that have a minimum bed capacity of 50 patients. This provision aims to encourage individuals and companies to support construction and equipping of public and private registered hospitals and clinics.

iii. Persons with Disabilities Act 2003: Under the Persons with Disabilities Act (No. 14 of 2003)64, all goods, items, implements or equipment donated to institutions or persons with disabilities are exempt from a variety of taxes that would in any way defeat the purposes of or increase the cost of the said donations. For companies that make donations to CSOs involved in the rehabilitation of persons with disabilities, the law permits deductions from their gross income before computing their income tax.

iv. National Volunteerism/Volunteers Bill:A draft law is at the introductory states in Parliament. The Bill was developed with an aim to support the coordination, management and sustenance of formal and informal volunteerism. If passed, this law could also inform employees volunteering programs within companies.

v. Property Laws: There are a variety of definitions of the term "property" by various Kenya's laws including the Interpretation and General Provisions Act, the Income Tax Act, Stamp Duty Act, Trustees Act and Chapter 167 of the Laws of Kenya. In general, however "property" includes money, goods, choses in action, land and every description of property, whether movable or immovable; and also obligations, easements and every description of estate, interest and profit65; also land, buildings and marketable securities66. Where marketable securities include securities capable of being sold on any stock exchange67, as well as 68stocks, funds and shares69.

These various laws provide incentives that make it possible and less costly for donations of various types of property including:

[64]An Act of Parliament to provide for the rights and rehabilitation of persons with disabilities; to achieve equalization of opportunities for persons with disabilities; to establish the National Council for Persons with Disabilities; and for connected purposes.
[65] Interpretation and General Provisions Act (CAP 2, Laws of Kenya)
[66] The Income Tax Act (Eighth Schedule)
[67] Section 2, Stamp Duty Act, CAP 480, Laws of Kenya
[68] The Trustees Act
[69] Chapter 167, Laws of Kenya

- Income gained from the transfer of securities (including by way of a gift) listed on the NSE, or transferred by a body exempted from Income Tax under Paragraph 10 of the First Schedule of the Income Tax Act is exempt from capital gains tax.
- Any property bequeathed absolutely to the Government or for a public purpose is not subject to estate duty. This requires Cabinet Secretary approval, as the CS has the leeway to declare what a public purpose is under the Estate Duty Act. A CSO can lobby the Cabinet Secretary to declare public benefit activities (as defined under the Public Benefit Organizations Act, (2013) as qualified to be public purposes under this provision.

Under the Wildlife Conservation and Management Act, companies with particular interest in promoting conservation (protecting endangered species, habitats or ecosystems) or facilitating community based wildlife initiatives, are encouraged to donate land to the national government, county government, community, an educational institution or an association for purposes of wildlife conservation. CSOs would need to establish partnerships with Government to access these funds through the Wildlife Endowment Fund. While the Fund provides a mechanism to facilitate donations and to support for community based initiatives and organizations involved in wildlife conservation and management, there are no specific incentives for those who donate land or other gifts for wildlife conservation.

v. Sector Specific Laws: There are three sectors that are regulated by laws that specifically promote corporate giving: Betting, Lotteries and Gaming, Tourism and Energy.

(a) Betting, Lotteries and Gaming Act (CAP 131) provides that industry players allocate financial resources for charitable purposes and in public interest. The current provision is for companies to allocate 25% of their revenue, (the Finance Bill (2016) increased this to 50% and is currently being negotiated at 35% by industry players). A final agreement is yet to be reached at the time of preparing this report. This legal provision provides opportunity for CSOs to seek collaboration with industry players.

(b) Tourism Act (No. 28 of 2011) gives the Cabinet Secretary for Finance leeway to propose tax and other fiscal incentives to induce or promote the development of sustainable tourism. This provision may be explored by CSOs to offer inducements to companies in the sector for increased investment in corporate philanthropy initiatives aligned to their business strategy.

(c) Various laws governing the energy sector promote corporate philanthropy, especially within the purview of sustainable development goals on education, training, research and development in the country in relation to the company’s work program and activities. More broadly the law touches on the corporate citizenship agenda linked to Global Compact principles on labour and human rights. For CSOs working on issues of employment, employability, livelihood issues, vocational training and entrepreneurship this offers an avenue to pursue those development goals.

Annex 3: Allocation for Corporate Philanthropy by Sector 2014-2016

Allocation for Corporate Philanthropy by Sector - 2014							
	Less than 100,000	100,000-500,000	500,001 – 1,000,000	1,000,001 – 5,000,000	5,000,000 – 10,000,000	Above 10,000,000	Total
Information, Communication and Technology (ICT)		3%			3%	17%	22%
Money, Banking and Finance		3%		3%	8%		14%
Manufacturing	6%		3%	6%	6%	8%	28%
Transport & Storage				3%			3%
Tourism	6%	3%	3%	3%		3%	17%
Environment & Natural Resources			3%		3%	3%	8%
Retailers		6%	3%				8%
Total	11%	14%	11%	14%	19%	31%	100%

Allocation for Corporate Philanthropy by Sector - 2015							
	Less than 100,000	100,000-500,000	500,001 – 1,000,000	1,000,001 – 5,000,000	5,000,000 – 10,000,000	Above 10,000,000	Total
Information, Communication and Technology (ICT)		3%				18%	20%
Money, Banking and Finance		3%		3%	8%		13%
Manufacturing	5%		5%	5%	5%	8%	28%
Transport & Storage				3%			3%
Tourism	3%	5%	3%	3%		3%	15%
Environment & Natural Resources		3%		3%	3%	3%	10%
Retailers	3%	3%	3%				8%
Commercial Services		3%	3%				5%

Total	10%	18%	13%	15%	15%	30%	100%

Allocation for Corporate Philanthropy by Sector - 2016							
	Less than 100,000	100,000 - 500,000	500,001 – 1,000,000	1,000,001 – 5,000,000	5,000,000 – 10,000,000	Above 10,000,000	Total
Information, Communication and Technology (ICT)		2%			2%	13%	18%
Money, Banking and Finance		2%		2%	4%	2%	11%
Manufacturing	4%	2%	2%	7%	4%	7%	27%
Transport & Storage			2%		2%		4%
Tourism	4%	4%	2%	2%		2%	16%
Environment & Natural Resources			4%	2%		2%	9%
Retailers		7%	2%				9%
Commercial Services			2%	2%		2%	7%
Total	9%	18%	16%	16%	13%	29%	100%

Annex 4: Allocations for corporate philanthropy by company Size 2014-2016

Allocation for Corporate Philanthropy by Company Size- 2014							
	Less than 100,000	100,000-500,000	500,001 – 1,000,000	1,000,001 – 5,000,000	5,000,000 – 10,000,000	Above 10,000,000	Total
Below 100million	6%	6%			3%		16%
Below 1 Billion	3%	10%	3%	3%		6%	26%
Above 1 Billion	3%		3%	13%	16%	23%	58%
Total	13%	16%	6%	16%	19%	29%	100%

Allocation for Corporate Philanthropy by Company Size-2015							
	Less than 100,000	100,000-500,000	500,001 – 1,000,000	1,000,001 – 5,000,000	5,000,000 – 10,000,000	Above 10,000,000	Total
Below 100million	6%	9%	3%		3%		20%
Below 1 Billion	6%	11%	3%	3%		6%	29%
Above 1 Billion			6%	11%	14%	20%	51%
Total	11%	20%	11%	14%	17%	26%	100%

Allocation for Corporate Philanthropy by Company Size-2016							
	Less than 100,000	100,000-500,000	500,001 – 1,000,000	1,000,001 – 5,000,000	5,000,000 – 10,000,000	Above 10,000,000	Total
Below 100million	5%	8%	5%	3%			21%
Below 1 Billion	5%	8%	5%	3%		5%	26%
Above 1 Billion		3%	8%	8%	13%	21%	53%
Total	11%	18%	18%	13%	13%	26%	100%

Annex 5. Motivation to Engage in Corporate Philanthropy

Motivation to Engage in Corporate Philanthropy				
	Not at all	**Minor Extent**	**Moderate Extent**	**Great Extent**
Crisis Response/Helping the needy	6%	14%	15%	65%
Company Tradition	15%	12%	14%	60%
Building Business rapport	14%	17%	29%	40%
Brand Strengthening	10%	6%	25%	60%
Maintain Corporate and public Relations	4%	8%	33%	56%
Strengthening the core business,	10%	17%	40%	33%
Enhance market access and improve financial performance	25%	23%	23%	29%
Demonstrate accountability to our stakeholders	24%	6%	31%	40%
Complying with required law/regulation	58%	12%	12%	19%
Develop a social licence to operate	31%	2%	21%	46%

Annex 6: Data Collection Tools

A6.1: Questionnaire

LANDSCAPE OF CORPORATE PHILANTHROPY IN KENYA

Date of interview	
Company Name	
Respondent's Name	
Designation in company	
Telephone number	
Email address	
Interviewer's Name/Code	
Beginning time	
End time	

A. Company Profile

1. How many years has the company been in operation in Kenya?				
1-5	6-10	11 - 15	16-20	Above20
1	2	3	4	5

2. Company Type (Prefilled)		
Multinational (Foreign-Owned)	Regional (Kenyan International)	National (Kenyan Domestic)
1	2	3

3. Company Geographic Coverage in Kenya/No of Office Sites	

4. Is your company listed with NSE?	
Listed in NSE	1
Not listed in NSE	2

5. What is your company annual turnover?	
Below 100 million	1
Below 1 Billion	2
Above 1 Billion	3

6. Company Sector (Prefilled)(but confirm with respondent)	
Information, Communication and Technology (ICT)	1
Money, Banking and Finance	2
Manufacturing	3
Energy	4
Transport & Storage	5

Agriculture	6
Tourism	7
Environment & Natural Resources	8
Retailers	9
Building & Construction	10
Commercial Services	11
Other…[specify]	12

7a. Does your company engage in corporate philanthropy?	Yes	1	No	2
7b. Does the company website describe CSR activities and programmes [Prefilled]	Yes	1	No	2
7c. If YES, what forms of corporate philanthropy does your company engage in? [Multi response][Read out options]				
Financial support	1			
Material/In-kind giving support (products, services,)	2			
Both financial and in-kind support	3			
Employee Volunteering (time)	4			
Stakeholder engagement/feedback sessions	5			
7d. If NO, what factors deter your company from engaging in corporate philanthropy?				
7e. What factors would motivate your company's engagement in corporate philanthropy?				
If answer to Q.7a. is No, Go to Q. 7e, and Q. 28 then End interview!				

B. Company Corporate Philanthropy Practice

8. To what extent do you agree with the following statements in relation to your company's motivation to engage in corporate philanthropy?
[Read Out options]

		Not at all	Minor	Moderate	Great
a	Crisis response / Helping the needy	1	2	3	4
b	Building business rapport	1	2	3	4
c	Developing a social licence to operate	1	2	3	4
d	Brand strengthening	1	2	3	4

e	Maintaining corporate & public relations	1	2	3	4
f	Strengthening the core business	1	2	3	4
g	Tradition in our company	1	2	3	4
h	Demonstrate accountability to our stakeholders	1	2	3	4
i	Enhance market access and improve financial performance	1	2	3	4
j	Comply with required law/regulation	1	2	3	4

9. What are the 3 most important priority areas of corporate philanthropy for your company?	
Poverty reduction	1
Health & Wellness	2
Skills development and education	3
Youth development	4
Corporate Development	5
Economic and Enterprise Development	6
Environment	7
Water and Sanitation	8
Sports	9
Human Rights	10
Corruption, governance and accountability	11
Women and girls	12
Culture and National Heritage	13
Food security	14
Emergency/Relief	15
Other (Specify)…	

10. What are the 3 key criteria for the company to identify beneficiaries/projects to receive support? [(Multi response)]-1ST MENTIONED	
Based on requests received	1

By seeking out beneficiaries to support	2
By engaging in popular campaigns	3
By involving staff members to identify projects	4
By responding to major emergencies	5
By following the example of other companies	6
Through calls for proposals or expression of interest	7
Consideration of company's strategic interests	8
Consideration of the company's geographic scope	9
Other (Specify)…	

11a. Does the company have a specific strategy for CSR? (Please explain)
11b. How does your company align corporate philanthropy activities to the business strategy?
11c. Does your company specifically align corporate philanthropy activities to the global Sustainable Development Goals (SDGs) by 2030? If yes, probe further

12a. How is corporate philanthropy organized?	
Within a specific department	1
Separately in a corporate foundation	2
A CSR committee	3
Other…[specify]	
12b. Who is responsible for corporate philanthropy function in your company?	
Chief Executive	1
Human Resources Manager	2
Marketing [Sales] Manager	3
Finance Manager	4
Corporate Affairs Manager	5
Public Relations/Communications Manager	6
Foundation Manager/Director	7
Other (Specify)..	

12c.What is their education background?	
Business	1
Social Sciences	2
CSR training	3
Other	4
Other (Specify)…	

C. Corporate Philanthropy Financing

13. How is corporate philanthropy funding decisions made? [Decision Cycle: Explore further if company has more than one site, if any activities are undertaken away from HQ, is decision-making de-centralized to branches?][Foundation or CSR Committee-who are the members][etc]

14. How is the budget for corporate philanthropy determined?	
Pre-determined percentage of profits	1
Through a matching grant	2
Specific amount set aside per annum	3
Amount is based on project requirements	4
Other (Specify)…	

15. a)When is the annual corporate philanthropy budget determined? [Budget Cycle]
b) How frequently are approvals to partners made? Monthly Quarterly Bi-annually Annually Adhoc

	16a. Indicate the amount given as part of the corporate philanthropy program as follows?						
	None	Less than 100,000	100,000-500,000	500,001 – 1,000,000	1,000,001 – 5,000,000	5,000,000 – 10,000,000	Above 10,000,000
2014							

2015							
2016							
	0	1	2	3	4	5	6

16b. In general, what in-kind support do you give?

17. What 3 challenges do you face in your corporate philanthropy financing?

D. Employee Involvement in Corporate Philanthropy

18. In what capacity are employees involved in corporate philanthropy programmes/activities? Multi-response (2 responses)	
None	1
As volunteers in project we implement directly	2
Through financial contributions	3
To identify beneficiaries/projects/causes	4
As volunteers in non-company related projects, company give them time off	5
Monitoring, tracking and evaluation	6
Other (Specify)	

19. Who is responsible for Employee Involvement in corporate philanthropy programmes/activities?

20. How do employees report their involvement in philanthropy programmes/activities?

21. Is there a Employee Involvement Policy?	
Yes	1
No	2
If NO, What efforts have been made to inculcate corporate philanthropy among members of staff?	

E. Partnerships

22. What types of institutions does the company engage as partners? [Multi response]	
Local/Kenyan non-profit organisations	1
International non-profit organisations	2

Business Management Organisations (BMOs)	3
Faith-based organisations	4
Government/Governmental agencies	5
Community-based organisations	6
Individuals	7
For-profit companies	8
None, company implements projects directly in the community *If this is response, skip and go to Q. 24*	9
Other (Specify)…	

23. What are the 3 key criteria for CSO beneficiaries to receive support? [Multi response]	
Track record of the organization in similar projects	1
Composition of governing board	2
Credibility of the organisation	3
Financial ability	4
Staff competence and experience	5
Sustainability of the project	6
Ability to impact on the underserved in society	7
Anticipated impact of the project	8
Potential for replication	9
Brand benefits for the company	10
None	11
Other (Specify)…	

24a. Who are the three key non-profit organisations/CSOs supported by the company?			
2014			
2015			

2016			
24b. What aspects of the partnership with CSOs have worked well?			

25a. How likely are you to recommend a CSO/NGO as a partner?	
Highly likely (excellent partner)	1
Likely (Moderate)	2
Unlikely	3
Other (Specify)...	
25b. Briefly explain why	
25c. What suggestions do you have for successful CSO partnerships with companies?	

26. What are the other ways that the company engages in corporate philanthropy activities other than funding beneficiaries and working with/through partners?***

F. Corporate Philanthropy Reporting

27a. Does your company measure and report on corporate philanthropy?	Yes	1	No	2
27b. If YES, What strategies does your company use in REPORTING on their giving? (multi response)				
Company Newsletter	1			
Newspaper advertisement	2			
Radio announcements	3			
Internal memos and messages	4			
TV documentary	5			
Business pictorial	6			
In the company's financial report	7			
Through a CSR report	8			
Through a sustainability report	9			
Media launch of projects	10			
Post in Company digital platform (Website/Social Media feeds)	11			
Other (Specify)...				
27c. If NO, briefly explain why?				

G. Lessons of Practice

27. Has the company won any recognition/award on corporate philanthropy or a CSR-related aspect? [Explain]

28. Are there specific skills or knowledge that company staff need for successful corporate philanthropy? [Explain]

29. Are there specific companies that you respect for their corporate philanthropy initiatives? [Give 2 examples and reasons why]

Thank you for your time!

A6.2 Key Informant Interview Guide

1.	Please share your view on corporate philanthropy in Kenya
2.	How do companies align their corporate philanthropy practice with SDGs?
3.	Describe factors that have led to the rise of corporate foundations?
4.	Please share your views on corporate compliance with regulations/policies on Corporate Responsibility in Kenya (*Probe which regulations? Policies?)*
5.	What are the drivers of corporate giving to local CSOs?
6.	What are the deterrents of corporate giving to local CSOs?
7.	How do companies align their corporate philanthropy practice with company strategy?
8.	In your view, what skills and/or knowledge gaps do companies need for more effective corporate philanthropy?

Annex 7: Participating Companies

	Name of Company
Information, Communication & Technology (ICT)	
1	Multichoice Kenya
2	Redhouse Group
3	Nation Media Group
4	IBM Kenya
5	Microsoft East Africa
6	Safaricom Foundation
Money, Banking & Finance	
7	NIC Bank
8	Diamond Trust Bank
9	Jubilee Insurance
10	Enwealth Financial Services
11	AAR
12	AON Kenya Insurance Brokers Limited
13	Citibank
14	Family Bank Group

15	KKCO East Africa
Manufacturing	
16	Sai pharmaceuticals
17	Mabati Rolling Mills
18	Tropical Heat
19	Trufoods Limited
20	East African Paper Mills
21	Heritage Foods Limited
22	Bidco
23	Spice World Ltd
24	GlaxoSmithKline
25	National Printing Press
Energy	
26	Hashi Energy
27	Vivo Energy
28	Base Titanium-Kwale
Agriculture	
29	Farmers' Choice
30	Kenchic Limited
31	Sony Sugar Company Ltd
32	United Millers limited
33	Kibos Sugar and Allied Industries
34	Tambuzi
Tourism	
35	May Fare Holdings - Imperial Hotel
36	Voyager Beach Resort
37	Ufanisi Resort
38	Traveller Beach Hotel and Club
39	Sarova Whitesands Beach Resort
40	Serena Hotel
41	Premier Travel
Transport & Storage	
42	Fournicks fork truck services
43	Car and General
44	Simba Corporation Limited
45	Sameer Africa Ltd
46	Motogari Ltd
47	Bradley Limited (Pambazuka National Lottery)
48	Basco products Kenya LTD.
49	Toyota Kenya
Environment and Natural Resources	
50	Kurawa Industries Limited

51	Krystalline Salt Limited
52	Malindi Salt Limited
53	Kensalt Limited
Commercial Services	
54	Deacons
55	Ouru Superstores
56	Woolworths
57	Moran East African publishers
58	Longhorn Publishers Limited
59	Father's Hand Limited
Building & Construction	
60	Trancentury Limited (East African Cables)