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## KENYA

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# KENYA

## 1. INTRODUCTION

An increasing proportion of official assistance is being channelled through NGOs, a trend starting in the early 1980s. Major revisions in thinking about the justification and purpose of international aid in a post-Cold War era have resulted in an expectation that NGOs as civic actors are an important institutional system which can help governmental donors achieve both sustainable development and political goals. The effects of such a move in aid policy cannot be fully predicted. It is therefore necessary to review the experiences of greater official funding to NGOs in order to identify factors which enable or constrain their effectiveness.

This study investigates four key aspects of direct funding:

1. the changing relationship between official donors and Southern NGOs (SNGOs) and the implications of this change for both groups;
2. the development of direct funding relationships between official donors and SNGOs and the consequent implications for Southern and Northern NGOs (NNGOs);
3. the changing functions of NNGOs in their attempts to expand and improve their work at policy level rather than being predominantly engaged in operational programmes in the South;
4. the tension between the promotion by Official Agencies (OAs) of NGOs as a part of a plural civil society and the expansion of their engagement in a contract culture as both NNGOs and SNGOs become development suppliers for donor programmes.

The findings will enhance current understanding of direct funding trends generally, as well as provide insights into the principles and practice of OAs and both NNGOs and SNGOs in relation to direct funding, specifically with respect to Kenya. These should provide a needed basis for developing good practice guidelines for effective and ethical development funding.

The emergence, growth and role of NGOs within any national context is often seen by the wider society as a response to factors (social, economic and political) which deny popular access to basic livelihood enhancing provisions. This indeed has been the case in Kenya. While the history of NGOs in Kenya predates the post-colonial state, their massive proliferation in recent years attests to a growing state disability both to meet the basic needs of the majority of the Kenyan people and to guarantee an economic, social and political environment within which Kenyans themselves can pursue these needs. This introductory section reviews factors that have triggered the growth of and mainstreamed NGOs and other Civil Society Organisations (CSOs) as alternative actors within Kenya's development space and their efforts towards ensuring an enabling development environment. A dominant thesis is that Kenya's political economy and the changed international development context constitute the principal factors in forming this growth and role.

## 1.1. The Political Economy of Kenya

An understanding of Kenya's political economy provides a necessary basis for tracing the origins and subsequent entrenchment of structural differentiation and marginalisation in Kenya, as well as a framework within which to understand Kenya's post-independent development.

Kenya's colonial history is clearly a necessary starting-point. Colonialism set in motion a process of uneven and separatist development among Africans. The white settlers and colonial authorities concentrated economic resources and political attention in areas able to confer immediate returns and benefits to them and to the metropole. The high and middle lands of Kenya were particularly favoured on account of their ideal climate both for colonial settlement and for farming. This dualistic legacy was inherited and nurtured to the fullest bloom by the post-colonial state:

Although colonisation induced a rapid expansion of the cash economy in East Africa it has also left behind an economy characterised by continuing and perhaps intensifying structural imbalances, massive and growing inequalities, apparently irreducible dependence on external sources of technological innovation and a tendency towards political authoritarianism and instability. (Brett 1973: 305)

Kenya became independent in 1963, with Jomo Kenyatta as its first president. The immediate critical demands on Kenyatta included building political legitimacy, delivering on promises made at independence and creating a nation-state out of a diverse ethno-political factionalism. Efforts to satisfy these demands saw Kenyatta use state and international capital to create a patronage state based on rewards to, and reciprocal allegiance from, a select elite drawn largely from his Kikuyu ethnic community. A structure that allowed his regime control of access to and distribution of public and private goods (especially land) and positions to achieve this. A buoyant national economy provided the capital and employment base needed to achieve this. This was also coupled with increasing financial and project aid from international sources, keen to see a smooth transition to self-rule during this stage.

To gain nation-wide legitimacy, Kenyatta devised a development philosophy, 'Harambee' ('pulling together') as a redistributive mechanism between the rich and the poor. While appreciably successful in redistributing and mobilising resources for national development and gleaning a certain degree of popular support for Kenyatta, Harambee was less successful in 'less endowed' or opposition areas, resulting in further differentiation between regions. In some areas, Harambee bred huge projects with overheads which neither the government nor the local communities had planned. Harambee lost its supposed voluntary nature in the 1970s as leaders increasingly imposed it on local people, making it look more like a form of local taxation.

Meanwhile, state-sanctioned, elitist and ethnocentric accumulation of national wealth continued, widening the gap between the rich and the poor and between regions. Political detention and assassination contained political dissent. Political power became centralised around Kenyatta, weakening the parliament and the national party KANU. Civil space became increasingly constricted through co-optation or downright prohibition of CSOs formally opposed to the state's excesses such as the trade unions. Kenyatta also tacitly supported affective networks such as the ethnic Gikuyu Embu Meru Association (GEMA) and the Kikuyu-controlled

financial institutions that sought entrenchment of Kikuyu domination in both politics and in the economy. To ensure its own continuity a section of the Kikuyu political elite began to campaign for a constitutional amendment to avert a non-Kikuyu succession to the presidency. These events resulted in mounting nation-wide antipathy towards Kenyatta's regime, an antipathy enhanced by an ailing economy following the collapse of the 1977-78 coffee boom and the mini-oil crisis of 1979.

Kenyatta died in 1978, bequeathing his successor, Daniel arap Moi, an economy in decline and a society deeply divided ethnically and lacking in national accountability. Dismantling the Kikuyu hegemony would be a daunting task for Moi. It was deeply entrenched in every sector of the economy and polity, and reshaping the patron-client relations in his favour while ensuring political and economic stability would need continued donor confidence and support. A changing international context would make the marriage of these competing demands even more difficult. The Cold War was ending. In the North, a growing, multifaceted neo-liberal development orthodoxy influenced the political and economic policy, and the social choices of governments, donors and the public on development assistance. One product of this orthodoxy was the increased demand for plural democracy as the *sine qua non* for national economic advancement. A related product was a Structural Adjustment Programme (SAP) package, promoting the private sector as the purveyor of this growth. It demanded market liberalisation, reductions in public expenditure and a diminution of the role of the state in social and welfare provision. Within this framework the state was seen largely as a guarantor of the society and the economy. Another manifestation of this orthodoxy was a growing dissatisfaction by the northern public with the efficacy of official aid in the South and the demand that both their governments and the recipient countries become more effective, accountable and transparent in the way they used their money. This triggered two responses. First, increasing campaigns and searches for alternative structures and actors to channel development assistance to the South. NGOs emerged strongly as the favoured alternative partners on account of their supposed comparative advantage in micro-development, 'their ability to satisfy the expectations of what international assistance should do and how and ... their somehow representing a broadly acceptable, more democratic face of development' (Fowler 1995). Second (partly to maintain a determined neo-liberal course), aid was increasingly becoming a new tool for imposing political conditionalities to further democratic and government reforms and to punish non-compliance with these demands.

Like Kenyatta, Moi used ethnicity and both state and international capital to build a patronage state. Moi's first broad strategy entailed the dismantling of affective networks which had been formed to advance Kikuyu political and economic interests. The second strategy, effected simultaneously, entailed the construction of a new loyal coalition, drawn first and largely from members of his own ethnic Kalenjin community. Key government administration and parastatal positions previously occupied by Kikuyus were used to secure this coalition's allegiance. Members from the minority and other tribes marginalised during the Kenyatta regime, as well as from academia, would be drawn similarly into this coalition. The regime would also make a special effort to incorporate its protégés within strategic areas of the private sector. The third strategy entailed the revitalisation of KANU, through a constitutional amendment in 1982, into a monolithic institution for political brokerage.

As these partisan pursuits continued, the economy continued to degenerate, threatening state legitimacy and undermining the extent to which public resources could be redirected to support patronage needs. To obtain necessary additional capital Kenya turned to international donors, becoming one of the first countries in sub-Saharan Africa to receive a structurally adjusted loan from the IMF in 1981. In return, Kenya emphasised its commitment to the economic and geopolitical objectives of its western donors. But a combination of man-made and natural factors including rising inflation, a *coup d'etat* in 1982, the severe droughts of 1982-4, outright wrong policies and policy vacillations coupled with a half-hearted commitment to implement the required reforms and a high level mismanagement of public resources made it impossible for the economy to maximise benefits from additional resources and resulted in further borrowing. Meanwhile continued use of aid to develop patronage networks and the growing inability of the state to provide basic services triggered growing popular disaffection with the regime, with many CSOs coming out in open criticism of its excesses. In response, the regime intensified political repression and measures which resulted in the muzzling of the civil space. Internationally, Kenya came under sharp criticism for its overall poor performance and worsening human rights record, and its once privileged position became increasingly undermined. The increasing absence of genuine economic reforms became linked to political monolithism. Acting in alliance in 1991, international donors froze all aid to Kenya demanding radical political, economic and social reforms. These demands culminated in Kenya's first multiparty elections the following year.

In many respects Kenya's political economy has been a major factor in its impaired ability to generate an acceptable standard of living for its people. While yielding Kenya's best ever economic performance in the decade following independence, the new economic growth model was unable to deliver on the promise of 'high and growing per capita incomes, equitably distributed so that all are free from want disease and exploitation' made at independence. Subsequent development plans continued to point towards a growing degree of inequality in Kenya, outlining wide-ranging policies and measures to revamp the economy, generate employment and alleviate poverty. Yet the economy remained unsteady, mostly declining in the late 1970s, 1980s and 1990s. This decline took place as the country's population growth rate remained among the highest in the world, reaching 4% around the mid-1980s. The implication of this high population growth rate was negative growth rates in per capita income for a large part of the period after the mid-1970s [Table 1]. This resulted in a significant deterioration in the living standards of the people.

**Table 1 Average annual inflation and GDP growth per capita, Kenya, 1965-94**

<b>Period</b>	<b>1965-73</b>	<b>1973-80</b>	<b>1980-7</b>	<b>1990-4</b>
<b>Inflation rate (%)</b>	-	13.3	11.9	27.5
<b>GDP per capita (%)</b>	4.7	1.3	-0.9	-1.8

The lack of productive employment opportunities in the face of a rapidly growing labour force resulted in a fall in real wages in most sectors of the economy with urban unemployment rising from 11% in 1977 to 16% in 1986 and to 22% by 1992. An increase in urban poverty reflected this rising unemployment, estimated at 30% by 1992. In rural areas, the average per capita holding in the smallholder sector declined from 2 hectares to 1.6 hectares during 1982-92, increasing the percentage of households with little or no land, and maintaining the incidence of rural poverty at 47% during the same period. In overall terms some 10.25 million people (43% of the total population) were classified as poor in Kenya in 1992.

Reflecting the overall decline in the economy was a growing decline in private investment and in public spending on social services. Investment as a proportion of GDP fell from 26% to 22% between 1978 and 1988. Overall public expenditure in both education and health remained low in real terms throughout the 1980s.

To maintain these and other basic social services, the government was forced into further borrowing, in return pledging its commitment to continue with the implementation of SAP. This resulted in further government withdrawal from basic service provision. Increasingly it became necessary for other actors to fill the gap left by the retreating state. For the first time, the government publicly called on the private voluntary sector to come to its support, acknowledging its role in development and delineating specific socio-economic areas in which it was needed. Within this overall context, NGOs began to emerge as major players within Kenya's development and civic space.

## **1.2. The Kenyan NGO Sector**

Organised welfarism and voluntarism in Kenya predates the colonial state and was core to traditional African associational life as well as its socio-political and economic interaction. Although it embodies many elements of the traditional life, however, the growth and character of post-colonial Civil Society Organisations (CSOs) in Kenya are strongly shaped by colonialism, post-colonial politics of development, and the funding priorities and practices of northern development agencies. This influence gave rise to an NGO sector that contains both local and foreign elements.

In this study, 'NGO' is used to embrace a broad range of voluntary, non-profit development organisations constituted outside the state, but acting in the public sphere. A distinction is made between the formally constituted non-profit organisations providing development services to, or otherwise working on behalf of the needy, and the formal and informal organisations created by needy people themselves for their own benefits. In the latter case material gain, as opposed to organisational profit *per se* is the strong motivation for membership or organisation. Within this framework four broad classifications of such development organisations are identified in Kenya:

1. Service or Intermediary NGOs set up for, and not usually controlled by, the targeted beneficiaries. Commonly these are legally registered organisations with paid staff, providing development services in areas such as improved natural resource management, health care, information, education and credit. These include Kenyan indigenous

organisations such as Undugu Society of Kenya and Kenya Rural Enterprise Programme (K-REP) as well as indigenous and local branches of European NGOs such as ActionAid-Kenya and OXFAM respectively.

2. Horizontal NGOs not reaching down to community level, but acting as co-ordinators of, or providers to, other organisations. These include the National Council of NGOs and the National Council of women of Kenya. Other horizontal organisations are sectorally oriented, such as the Population Council and the FPAK. Functionally, horizontal organisations assist intermediaries or the NGO sphere overall in the following ways: providing funds or other services, providing technical support services, facilitating exchange of experience, brokering alliances and advocating sectoral interests in NGOs overall or for changes in policies, laws and institutions that constrain development or are inimical to social justice and human rights.
3. Community Membership-Based People's Organisations (POs) created and controlled by individuals to advance their own interests. These include the formal and the informal mutual assistance and self-help groups such as the women's groups, the youth clubs and the 'merry-go-rounds and mutual saving schemes'. These straddle urban and rural areas of Kenya and currently number between 30,000 and 40,000. Many of these groups grow into bigger organisations, acquiring staff and providing services to members and others. Examples of such membership service organisations include a host of co-operative and other professional associations.
4. Religious/church-based organisations operating as development departments and institutions under the various religious groups or as ecumenical bodies and providing similar development services. The development departments of the Catholic dioceses in Kenya and the National Council of Churches of Kenya fall within this category.

Alfred Stepan's definition of civil society is popular among writers on Kenya's Civil Society. Stepan defines civil society as:

an arena where manifold social movements ... and civic organisations from all classes attempt to constitute themselves in an ensemble of arrangements so that they can express themselves and advance their interests. (Stepan 1988: 3-4)

In their critique of Stepan's definition of civil society, Nyang'oro and Amin, note its modernist, strongly pro-capitalist sway. Within the modernising neo-liberal framework, the economy, polity and civil society exist as separate entities. The modernising framework entails the transformation of people or communities into individuals and the tearing down of systems and structures that impede the social emerging of 'the individual' and the individualist ethos. This exclusivist view of civil society is problematic and somewhat misplaced in an African social context where the social, political and economic interests of the individual have traditionally been merged with those of the society, and where, in situations of conflict between the individual and common good, the common good prevailed. A definition of civil society which confines it to economic relations therefore fails to reflect this associational complexity.

In this study civil society encompasses all organised informal and formal expressions of internal interests, outside of government and business, which articulate with the state and international interests. NGOs are a part of this civil society. While a general reference is made to People's Organisations (POs), this study is specific to service, horizontal and religious NGOs. In Kenya formal non-state western-styled welfare delivery began early in the century with the advent of

missionaries who accompanied the colonialists. The earliest of these included the Presbyterian Church of East Africa coming at the invitation of the British East African Imperial Company in 1891, the Salvation Army in 1921, and the YMCA and YWCA, founded in 1910 and 1920 respectively. The changes in Europe after World War II saw the emergence of a new class of similarly structured organisations with a service orientation increasingly shifting from charity and welfare towards relief and development. Examples of these included organisations such as OXFAM and CARE.

Returning stability in the North, and a rising wave of decolonisation in the South saw these organisations redirect their attention southward. They brought with them a new NGO model which was supportive of the colonial powers, but remained autonomous in its perspectives and actions. Towards independence, a number of Kenyan indigenous NGOs were founded in response to prevailing relief and development needs and based on this model. The African Medical and Research Foundation (AMREF) founded in 1957 which focused on providing health care was one such organisation. A number of church and church-based institutions also adopted this model, expanding their activities to include relief and other aspects of development. The Christian Council of Kenya (CCK), later renamed NCKK, not only provided relief and development services, but also lobbied the colonial state on justice and human rights issues. At independence, some 45 NGOs (20-30% of which were foreign) were operational in Kenya.

Independence ushered in a new era for NGOs in Kenya. The immediate post-independence development paradigm associated the problem of development with the lack of resources and knowledge. It adopted a basic needs approach in redressing these shortcomings that was consistent with the priorities and view of NGOs. For the new regime, NGOs were seen as apolitical and as sources of necessary additional capital to support patronage pursuits. The resulting accommodative attitude towards NGOs saw the sector grow four-fold in the decade following independence, with foreign NGOs growing more rapidly to form some 44% of the total.

Table 2 shows growth trends in the sector between 1952 and 1996. The period between 1978 and 1988 saw the sector double in size, with foreign NGOs growing at nearly double the rate of local NGOs. But this trend changed during the period 1988-96 with local NGOs growing by 131%, nearly tripling the rate experienced by foreign NGOs. It must be emphasised again that these figures represent only those NGOs officially registered and recognised by previous NGO co-ordination organs and the new NGO Bureau. Unofficially it is estimated that there are between 3,000 and 3,500 NGOs currently operating in Kenya.

**Table 2 Trends in NGO growth by origin, 1952-96**

	1952	1963	1978	1988	1996
LOCAL	-	-	74	133	307
INTERNATIONAL	-	-	58	134	204
TOTAL	12 a	45 a	132 a	267 b	511 c

**sources:** a: Fowler 1993: 116-18.

b: Fowler 1991: 4. Fowler indicates that this figure represents NGOs for which adequate data was available to allow an accurate analysis of the sector. The Kenya National Council of Social Services directory of 1988 gives the total number of legally registered private service organisations as 281.

c: The figures are based on data extracted from the National NGO Co-ordination Bureau. According to the Bureau a total of 555 NGOs were registered by March 1996. 44 NGOs are excluded from this study because their records could not be located at the bureau.

This growth in NGOs in Kenya must be seen within the purview of growing international efforts to enhance greater citizen responsibility, and the attendant diminishing role of the civil state in service provision through reduced funding and structural adjustment. This context also serves to explain the phenomenal growth in the number of self-help and other membership associations during the 1980s and 1990s. Changing international priorities and the competition for funds locally and internationally, may have resulted in many foreign NGOs either closing down their operations or relocating elsewhere in the region. Growing awareness around wide-ranging issues including the environment, human rights, and democratisation and gender (particularly following the 1985 Women's Decade meeting in Nairobi) are other factors contributing to the proliferation of NGOs during this period.

Although inadequate data limits an accurate quantification of the overall impact of NGOs in service provision, their role within Kenya's development space, particularly in the areas of education, health, welfare and relief, water and micro-enterprise development cannot be overemphasised. Statistics provide proof of their growing importance. NGOs in the health sector provided up to 40% of health facilities in 1989 and between 40-50% of all family planning services in the country. Some 45% of all the village polytechnics in the country have been initiated and are supported almost completely by NGOs. US\$125-230 million come to Kenya through NGOs annually, representing an estimated 12-25% of total external resource allocation to Kenya. This total includes an estimated US\$150 million coming through religious organisations. Meanwhile the over 30,000 membership groups and associations across the country remain increasingly important actors, mobilising resources, originating, implementing and managing wide-ranging development initiatives aimed at improving the standard and quality of life of Kenyans.

### 1.3. NGOs and the State in Kenya

The role of NGOs as civil actors again predates the post-colonial state. Colonialism saw the emergence of many ethnic and trans-ethnic associations, confronting and lobbying the colonial state on wide-ranging social, political and economic injustices to which Africans were subjected. It also saw consistent attempts by the colonial state to undermine and constrict this indigenous civil associational life as part of a broad strategy to consolidate its domination. Many of these associations, particularly those that were politically inclined were therefore either proscribed or relegated to the district levels. They continued to organise, however, albeit along ethnic lines, intensifying towards independence and providing the nurturing ground for many of the pre- and post-independence activist and nationalist movements. The labour movements, closely allied to the nationalist movement, were particularly notable for their role in challenging injustice and campaigning for social and economic reforms. The churches and church-based organisations generally played an anti-nationalist role, aligning with the colonialists and condemning any acts of local activism.

The post-independence era saw two parallel developments in the state-CSO relations in Kenya. The state recognised the social and economic benefits accruing to these organisations, but at the same time it grew wary of their growing presence within the development space and sought to control their role within certain defined notions of nationhood. Thus while welfare and development NGOs were promoted and grew in numbers during the Kenyatta regime, civil organisations formally opposed to the regime's excesses and seeking social, economic and political reforms were enfeebled through co-optation, reshaping or outright proscription. This was the case with the trade union movement, then the most powerful expression of civic organisation with any ability to keep state power under check. Its growing popular and political base at a time when the Kenyatta regime was gravitating towards a maximum leadership was seen as a threat. Consequently the entire trade union movement was collapsed into one Central Organisations of Trade Unions (COTU) and officially affiliated to the ruling party KANU.

This muzzling of civil associational life and the proscription in 1969 of the Kenya People's Union (KPU), made Kenya a *de facto* one party state. The 1970s and much of the early 1980s thus saw minimal challenge to state excesses. The unions of staff and students of the University of Nairobi, and other such clandestine organisations like the MWAKENYA, the December Twelve Movement (DTM), the Kenya Anti-Imperialist Front (KAIF) and the London-based Committee for the Release of Political Prisoners in Kenya proved to be the only active voices of civil disaffection. By 1985 growing incidences of political and human rights suppression, corruption and other forms of social abuses promoted other actors (notably the church, church-based institutions and professional bodies) to focus on issues of social, economic and political justice and to challenge the state for reforms. The Kenya Episcopal Conference, the NCCK and some of its affiliated churches such as the CPK and the Law Society of Kenya became notable activists for change during this period. Meanwhile the international community became unhappy with the performance of the state and keen to see an expanded non-state participation in socio-economic and political advancement and a more plural society. They increasingly made more resources available to NGOs while diminishing the role of the state through reduced bilateral funding. This resulted in further growth within the NGO sector with many of them extending their scope to incorporate democratic agendas, and intensifying the pressure on the

State for social, economic and political reforms.

The State became increasingly worried over its lack of access to and control over the resources and consequent power and autonomy available to these civil institutions. In 1986, in its first attempt to 'co-ordinate' the work of NGOs the state issued a requirement that NGOs at the local level clear their projects and budgets with the government-controlled local District Development Committees (DDC). NGOs at the national level were required to do the same with the Treasury and Ministry of Planning. The same year saw Maendeleo ya Wanawake, Kenya's largest organisation of women with enormous resources and a countrywide grassroots membership, become officially affiliated to the ruling party KANU. On the pretext that some NGOs were 'subversive' a presidential decree was then issued requiring future NGO funding to be channelled through the government. In the same vein an unsuccessful bid was made in the following year to require NGOs to register with the Treasury. Meanwhile NGOs separately continued to oppose these attempts to control them and the continuing government abuse of human rights and public resources. Fiery confrontations between the government and two NGOs - the NCKK in 1986 and the environmental NGO Greenbelt Movement in 1989 (over the queue-voting method and a government plan to build on public recreation ground respectively) - galvanised the government's resolve to strengthen its rule over NGOs. A presidential directorate was subsequently issued in 1989 to co-ordinate NGOs and to ensure that their activities were consistent with national interests. This culminated in the NGO Co-ordination Bill hurriedly conceived and tabled in Parliament in 1990 and made law the following year. What remained to put it into operation was the drafting of accompanying rules and regulations and a notice of commencement from the relevant ministry. The bill allowed for, among other things, the de-registration of errant NGOs, the establishment of a government NGO Bureau to oversee NGO administration (including their registration and co-ordination) and the setting up of a National Council of NGOs as a self-regulatory body for NGOs. Within the NGO community the bill was seen as fundamentally flawed and a tool to restrict and control rather than regulate or facilitate NGO work. It drew sharp criticism and for the first time pulled the sector together in a collective engagement with the state. The Institute of Development Studies of the University of Nairobi and the moribund NGO umbrella body, the Kenya National Council of Social Services (KNCSS) organised a seminar where some 130 NGOs constituted themselves into a loose network and formed a ten-member NGO Standing Committee (NGOSC). The committee mandated to present to the government a common sector position on the act, including its recommendations and rules to be formulated, and to dialogue with the government in regard of the act's implementation to ensure that NGOs interests were taken into consideration. A total of eight national consultative conventions (1991-3) during which the network, and specifically the committee, concertedly engaged the government ultimately yielded an acceptable degree of amendment, and saw the NGO Act become operational in March 1993. The NGO Co-ordination Bureau was launched as the legitimate body for registering NGOs under the act. The same year saw the birth of the National Council of NGOs as a legitimate interface between the NGO sector and the government and other local and international stakeholders. It is important to mention the crucial role played by the donor agencies, notably USAID, UNEP, UNDP, Ford Foundation and the World Bank in this process. These organisations not only shared the networks' concerns and provided the necessary material support to articulate these concerns, but also intensified pressure on the government to hasten the process as part of their broader agenda for plural democracy.

The NGO Co-ordination Act marked a major turning point in NGO-NGO and NGO-state relationships, providing for the first time an institutional framework within which the membership could not only register under a common legal regime but also engage with other stakeholders and advance shared goals. Prior to this, the sector had been unco-ordinated, operating under different legal regimes and hence identities - the Ministry of Culture and Social Services, companies, societies and trustees acts or under other protocol arrangements - with the Ministry of Foreign Affairs or Ministry of Planning. Earlier efforts at self-regulation had largely failed. The NGO Council's precursor, KNCSS set up in 1963 as an umbrella body for NGOs had poorly fulfilled this role, lacking clear operational policies. The Voluntary Agencies Development Assistance (VADA), financed by USAID, was a second attempt at providing a framework of support for NGO work. But questionable management and mounting NGO opposition to VADA's claim to overall NGO representation led to its rejection both by the constituency and the donor.

The NGO Co-ordination Act has by no means guaranteed full protection and autonomy of the NGO sector. Certain instruments of control and intimidation still contained in the Act place NGOs in a particularly vulnerable position *vis-à-vis* the state. For example the wide discretionary powers of the Registration Board to accept or refuse applications for registration, and to withdraw previously granted certifications of NGOs whose activities are deemed inconsistent with national interest (section 14 of the Act). Evidence of this has been seen in two recent cases of deregistration. In February 1995 the government deregulated the legal and human rights NGO, the Centre for Law and Research International (CLARION), on the grounds that it did not adhere to the conditions under which it was registered barely a year previously. Mwangaza Trust, another civic body was similarly deregistered only a month before CLARION's deregistration. These two cases indicate the still constricted space for civil society organisations, particularly those that represent views that are regarded as dissenting or otherwise inimical to the interests of the government.

## **2. FINDINGS**

### **2.1. Direct Funding**

Official aid to Kenya and to CSOs and NGOs in particular is inspired by the same neo-liberal development orthodoxy that has pervaded development thinking and practice since the demise of Cold War politics. Underpinning this orthodoxy has been the conviction that democratic politics facilitates a thriving free-market economy and that the political and economic freedom of the individual constitute the essential prerequisites for furthering development. Furthermore, there has been a progression beyond the promotion of economic liberalism to an insistence upon political liberalism in the form of democratisation. Within this context, CSOs and in particular NGOs have emerged strongly not only as the cutting edge of the effort to build a viable democratic order but also as the favoured alternative partners within the development space. This is on account of certain perceived notions of comparative advantage possessed by them *vis-à-vis* the state. The practical manifestation of this orthodoxy in Kenya has included a growing disillusionment with the capacity of the State to facilitate development and its subsequent diminution through SAP reforms and the advancement of the private sector and NGOs as the purveyors of economic growth. Subsequently, growing levels of direct official agency support and funding have been re-routed to NGOs of all types resulting in their massive proliferation and expanded presence within every sector of the development space. While the State has continued to retreat from the service role, these organisations have moved in to fill the widening gap left behind. This has particularly helped in mitigating the adverse effects and impacts of structural adjustments on the poor, and in the evolution of a strong civil society.

#### **2.1.1. Official aid allocations and disbursements**

Official donors encompass both bilateral and multilateral aid agencies. Although all the major official donors support development initiatives in Kenya, this study focused on bilateral aid agencies, in particular the United States Agency for International Development (USAID), the British Overseas Development Agency (ODA), the Swedish International Development Agency (SIDA), the Canadian International Development Agency (CIDA) and the Danish International Development Agency (DANIDA). These agencies have a long history of involvement in Kenya's development, dealing with the government, and with both local and Kenya-based foreign NGOs. The experiences resulting from this involvement, international elements notwithstanding, have been a major factor in informing their markedly reshaped outlook on co-operation with the Kenya government and their policy orientation which in recent years has increasingly favoured working with and directly supporting KNGOs. Other bilateral and multilateral donors have tended to be much less directly involved with local NGOs, preferring to channel their assistance to, and through, the government, or through their own or other NNGOs. This has been the position of Germany and Japan (respectively Kenya's first and second biggest bilateral donors) and the European Union (EU).

Direct funding to Kenyan NGOs is broadly either thematic or sectoral, and reflects specific donor interests and priorities: enhancing good governance, democratisation and human rights,

securing rapid private-sector-stewarded economic growth, and containing Kenya's rapid population growth and alleviating poverty.

USAID funding to Kenya focuses on the three thematic or sectoral priorities: controlling national population growth and promoting public health; increasing commercialisation of small-scale agriculture and creating an effective demand for sustainable political, constitutional and legal reform. The local USAID office delivers all the funding to Kenyan NGOs either directly or through the Kenya government and the US Private Voluntary Organisations (PVOS). The latter may also go directly to Washington for matching grants. There is also a small discretionary fund available to smaller Kenyan NGOs to assist community-based self-help groups, administered through the American ambassador's office.

ODA funding to Kenyan NGOs complements the British government's priority in Kenya, namely the advancement of economic reforms. Alongside this is an emphasis on channelling more resources to the poor and the poorest through a portfolio of NGO-delivered projects designed to alleviate poverty, enhance productive capacity, improve health and education and generate good governance. Kenyan NGOs are funded directly under respective programmes within the ODA or via the government, established Kenyan NGOs and local intermediaries of British NGOs. Kenyan NGOs with charitable status in the UK such as AMREF and SALTICK may also access ODA funding directly from the ODA in London. Tied closely to the British aid programme are two discretionary fund schemes; the British Partnership Scheme (BPS) funded through ODA and available for smaller development projects at village or local community level, and the Head of Missions Gift Scheme, also funded through ODA and administered by the British High Commissioner.

CIDA funding embraces wide-ranging sectoral and thematic priorities, including poverty alleviation, support for structural and economic adjustment, food security, environmental sustainability and the advancement of human rights including increased participation of women in development, democratisation and good governance. Partnership Africa Canada (PAC) was CIDA's vehicle for funding Kenyan NGOs until its dissolution in April 1995. Since then CIDA funds to Kenyan NGOs are channelled directly through the Canadian Embassy and the Canadian High Commission as Embassy Discretionary funds. The Canada Fund in Kenya is a one-off, non-thematic embassy-delivered direct fund for wide-ranging local initiatives. A new embassy thematic fund called Agenda Equity has become available since April 1996 for NGOs promoting women's initiatives.

SIDA assistance emphasises a sectoral approach to sustainable economic, social and political development in Kenya. SIDA's interventions seek the improvement of the living conditions of the poor in rural areas and the sustainable use of natural resources. SIDA invests substantial financial and human resources within four main sectors in Kenya, namely rural health, rural water and sanitation, soil conservation and minor roads. A small but growing proportion of Swedish funding towards human rights and democratisation and good governance reflects the importance that the Swedish government places upon them.

DANIDA funding to Kenyan NGOs has traditionally focused on poverty alleviation through small non-thematic grants to relevant projects, particularly within the small scale agriculture,

environment and health sectors. But like most other official donors, recent experiences in Kenya have seen DANIDA also increasingly emphasise human rights and good governance as a necessary basis for social and economic advance, choosing to work more closely with NGOs in projects of a political nature. Since the early 1990s there has been an overall progressive decline in total official bilateral assistance to Kenya. Table 3 shows the extent of this decline for the five bilateral aid agencies under review in this study.

**Table 3 Total official development assistance to Kenya, 1990-96**

AGENCY	FINANCIAL ALLOCATIONS / EXPENDITURES -000s (US\$- at prevailing exchange rate)					
	1990-1	1991-2	1992-3	1993-4	1994-5	1995-6
CIDA <sup>1</sup>	-	-	-	556 <sup>a</sup>	556 <sup>a</sup>	514 <sup>a</sup>
DANIDA <sup>1</sup>	46,250	37,280	20,730	17,120	20,060	22,690
ODA <sup>1</sup>	66,309	44,483	49,925	42,903	42,383	-
SIDA <sup>2</sup>	24,090	20,916	18,469	18,469	12,848	10,439
USAID <sup>2</sup>	FY 1990 44,206	FY 1991 35,000	FY 1992 28,014	FY 1993 32,380	FY 1994 34,510	FY 1995 34,410

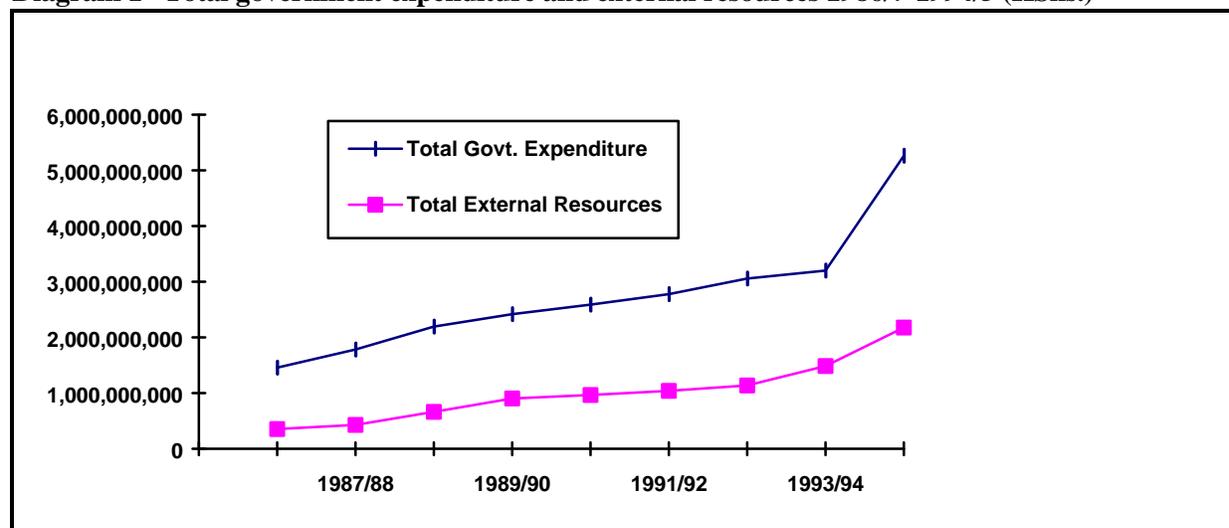
Notes: <sup>a</sup> CIDA's disbursements to KNGOs. CIDA stopped disbursements to GOK in 1993.

<sup>1</sup> Total expenditure during the stipulated periods.

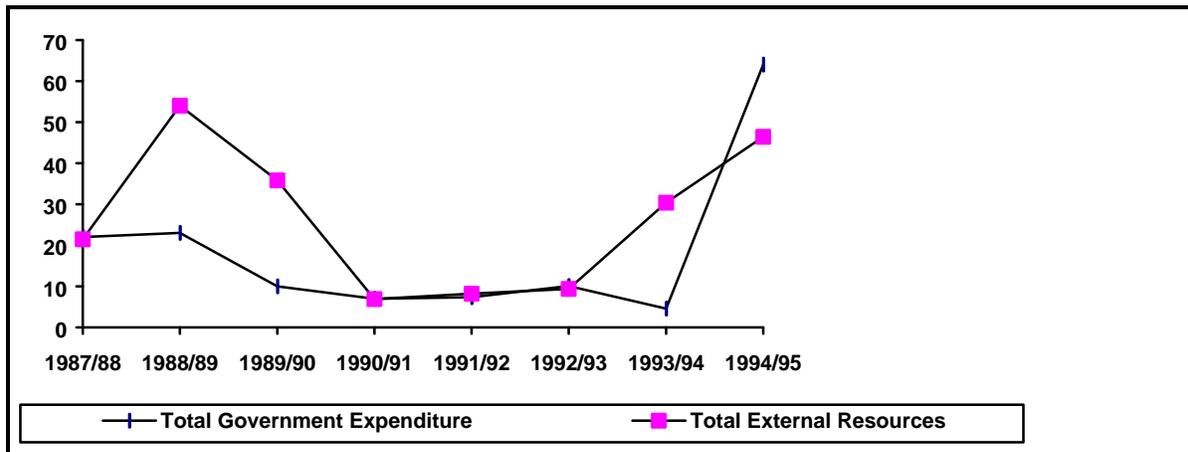
<sup>2</sup> Budget allocations to Kenya during the stipulated periods.

Total official bilateral and multilateral allocations directly to the Kenya government have declined during this period. The level of external resources in total government expenditure while rising in current prices, sharply declined in real terms between 1988 and 1992 and only began to pick up again in 1993 (see Diagrams 1 and 2).

**Diagram 1 Total government expenditure and external resources 1986/7-1994/5 (KShs.)**



**Diagram 2 Growth in government expenditure and external resources 1987-95 (%)**

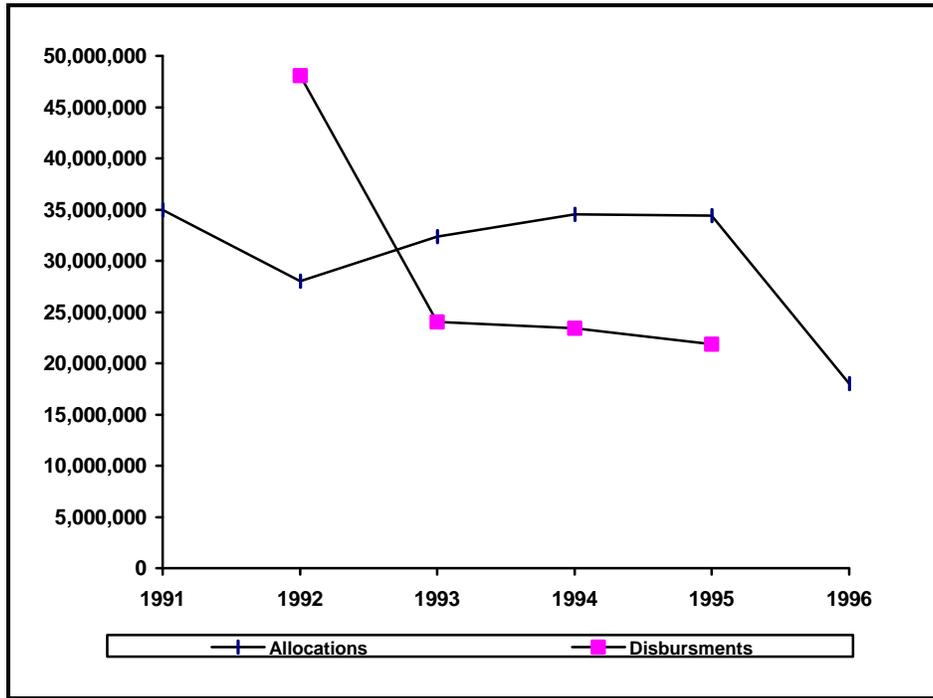


The underlying causes for this decline relate to factors that are both external and internal to Kenya. Externally, reduced funding to the government is consistent with the overall cuts in overseas development assistance. This results from the current global recessionary trends and the already mentioned logic of the prevailing neo-liberal development politics which seeks to diminish the role of the state within the development space, while supporting an expanded involvement of civil society within the same. Internally, Kenya's own poor performance politically, economically and socially in the late 1980s and early 1990s described in Section 1, has been a major factor. Another factor has been Kenya's own desire not to accept too much in terms of foreign aid, resulting in a large carry-over of unused funds from year to year. The government took up only 55% of the total of US\$2,572m pledged in foreign aid. The reasons for this are varied. Chief among them is Kenya's own desire to generate internal economic growth through reduced external borrowing to service debts, budget deficits and to reduce domestic inflation levels. Currently external debt servicing takes up almost 30% of all foreign exchange earned by Kenya, with the value of all official debt equalling 66% of GNP. Another reason is the government's own admitted lack of adequate capacity to implement and monitor efficiently all the various projects initiated through external aid. This has often resulted in bad projects and increased incidences of corruption for which the government has had to take the blame. The third reason relates to the practical difficulties encountered in dealing with the various aid agencies, each with their own bureaucracies and sets of conditionalities, regulations and disbursement procedures and different demands for reporting and accounting.

On the other hand due to the overall decline in official aid, direct official funding to Kenyan NGOs grew and in some instances (as in the case of USAID) even outstripped total disbursements to the government.

Diagrams 3-5 are based on data derived from the disbursements for USAID's Kenya programme, 1991-6. Total USAID operational year budget allocations have remained relatively steady between 1991 and 1995, declining only slightly between the years. But 1996 saw a drastic drop of 48% in total allocation to Kenya. Cumulative disbursements of programme funds on the other hand have progressively declined since 1992, falling by nearly 50% between 1992 and 1993 and remaining low during 1994 and 1995.

**Diagram 3 Yearly operational allocations and cumulative disbursements, 1991-6 (US\$)**



**Diagram 4 Cumulative disbursements by recipient, 1992-5 (%)**

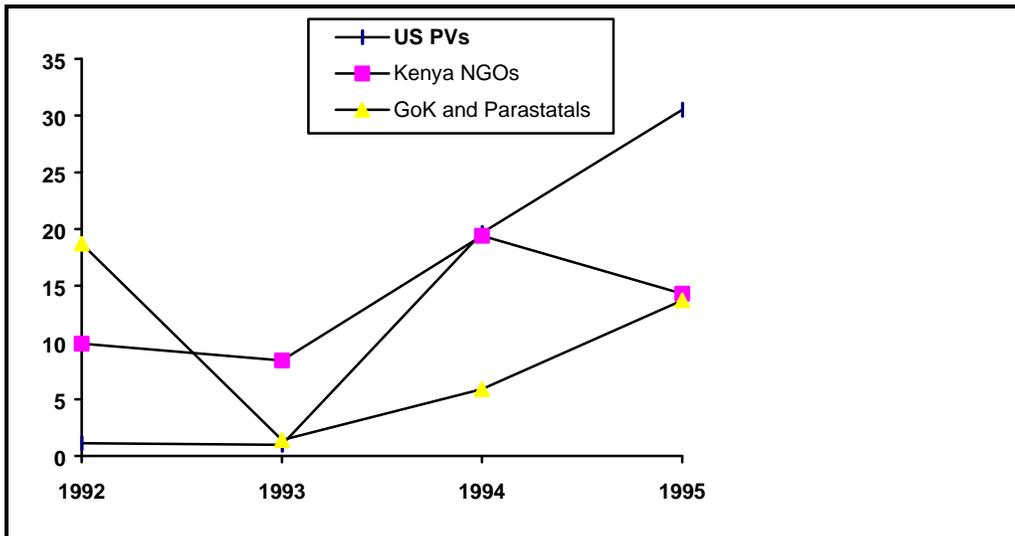


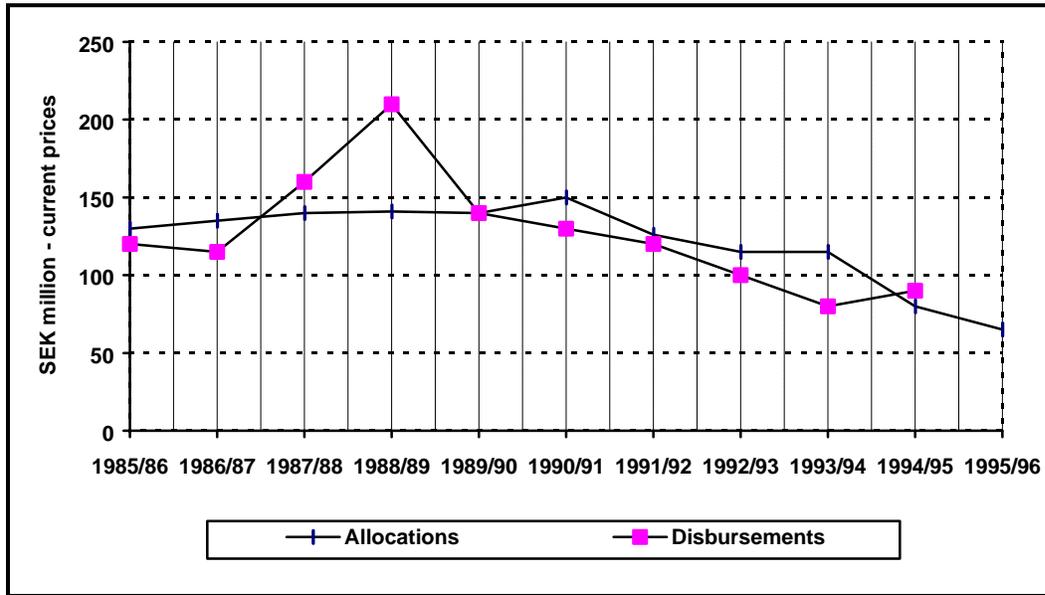
Diagram 4 relates total allocation to total disbursement for USAID's Kenya programme. Direct funding to the government declined sharply between 1992 (18.7%) and 1993 (1.3%) and only rose slightly in 1994 (5.85%). This decline followed the general freezing of aid to Kenya by bilateral donors in 1992. The rise to 13.17% in 1995 was as a result of a disbursement to the government of some US\$2 million in non-project assistance for the Kenya Healthcare Finance programme. The funds were a carry-over from the same programme in the fiscal year 1989 and therefore represented no real increase in funding to the government. But direct funding to Kenyan NGOs doubled between 1992 and 1994, from 9.91% to 19.42%, declining slightly to 14.3% in 1995.

Total disbursements to the private voluntary organisations PVOs/NGOs and the private sector have remained remarkably high since 1992, the decline in 1995 being due to the already mentioned disbursements to the Kenya Healthcare Finance programme. Total funding to American PVOs shows a remarkable rise, from only 1% in 1992 to 30.5% in 1995. Jointly with American private institutions and universities these organisations took up some 61% of total USAID cumulative programme disbursement in Kenya in 1995. The health and population sector since 1991 remains the lead recipient of USAID direct funding, followed by private enterprise and then democracy and governance.

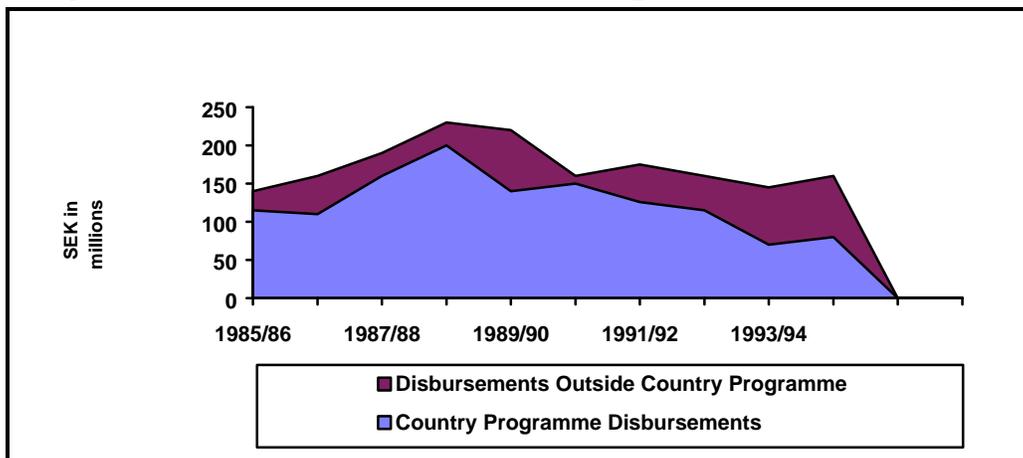
Democracy and governance is a theme of growing importance since 1994, with the highest percentage increase in total programme funding over the period 1994-6 (80%), from a mere US\$400,000 (1% of overall operational year budget (OYB)) in 1994 to US\$2 million (11% of OYB) in 1996. The programme is singled out as the lead determinant in the US relationship and the USAID bilateral funding to Kenya in the period leading to, and after, the 1997 general elections. In the event that the government of Kenya undertakes more than incremental progress towards reforms for the 1997 general elections, the mission proposes considering restoring some of the programme cuts in recent years to a level of at least US\$25 million per year. Funding within this theme has been and will continue to be administered largely through local NGOs. Further disbursements to Kenyan NGOs from the US government come through the Ambassador's Self-help Fund, which provides small grants to registered self-help groups and educational institutions to assist income-generating projects and vocational training. The fund supported 145 such projects in 1995 from a budget of US\$145,000 and this year's budget of US\$100,000 will benefit 38 projects.

SIDA direct funding shows similar trends of progressively declining total country allocations and disbursements (Diagram 5). The total country frame budget declined by 57% between 1990/1 and 1995 (from Swedish Kr150 million to SKr65 million) and is expected, under the current development agreement covering July 1995 to December 1998, to remain at SKr65 million annually. A large and increasing proportion of Sweden's official bilateral development co-operation is outside the country programme (Diagram 6). This support includes aid for specific purposes - research, the environment, disaster relief, human rights and advocacy - as well as official development assistance via Swedish NGOs. Total disbursements under this programme in 1994-5 was SKr61.1 million, of which Swedish NGOs took up some 42%.

#### **Diagram 5     Sweden's country programme in Kenya**



**Diagram 6 Swedish official bilateral development assistance to Kenya**



Although a growing inclination to work with and directly fund local NGOs is evident, this support is still small and the government remains the major recipient of SIDA funds in Kenya. For instance, under the 1995-8 development co-operation agreement with the GOK, only about SKr29.35 million (1.3%) of the SKr275 million planned allocation to Kenya is targeted for direct disbursement to NGOs. This percentage is low in relation to the total country frame budget, however it represents a significant rise in total allocation to NGOs and will, over the three-year planned period exceed total operational allocation to the government by about 3.2%. The recipients will be NGOs in the water sector where SIDA has enjoyed a longstanding relationship of working with and funding local NGOs directly. The increase in allocation to NGOs follows recent restructuring within SIDA's water sector, which has added a new pilot programme to the water component. The restructuring was prompted partly by SIDA's own admitted lack of adequate capacity to administer the NGO projects, and partly by the need to ensure consistency with a recently restructured Ministry of Water Development, which now seeks to transfer the responsibility for implementing and managing water resources to the

communities through self-help groups. SIDA has traditionally funded two community components under its water sector, one managed by the government and the other by NGOs, both on a 3:1 co-financing agreement, including local community contributions. The new programme will operate under the district focus framework, with the district-level administrative staff advising the community groups on management issues and on selection and presentation of suitable projects for funding.

The weight attached to human rights and democratisation by SIDA is reflected in the increased allocation to this theme of nearly 127% from SKr2.2 million to SKr5 million during 1993/94 and 1995/6 financial years respectively. All the funding goes to Kenyan NGOs working in different ways within this theme.

The British Development Division in East Africa (BDDEA) is the third highest bilateral donor to Kenya. Like other donors, its share of total official development assistance to Kenya has only shown a slight decline during the 1990s. The bulk of British aid to Kenya is channelled through the government to support wide-ranging public sector activities including the ongoing public sector reforms, the rehabilitation of infrastructure and the improvement of health, population and education. Direct funding to Kenya NGOs is a relatively recent phenomenon, started towards the end of 1993; it is therefore still largely experimental. Table 4 gives figures of ODA BDDEA direct funding to NGOs in Kenya.

The lack of a consolidated and reliable public record of total BDDEA official direct funding to KNGOs, and the fact that NGO funding is administered in tranches usually spanning several years, makes it difficult to present a precise, disaggregated picture of British ODA direct funding to NGOs in Kenya. The figures presented here are derived from sector reports and from a series of interviews and consultations with ODA BDDEA Nairobi staff and therefore very closely reflect the current trends in British ODA direct funding to NGOs in Kenya. Most of the disbursements have been made during the current and the last budget year. The major route of direct funding to Local NGOs is the British Aid to Small Enterprise Programme (BASE) started in 1993 to strengthen capacities within the Small Enterprise Development institutions and to promote direct growth by enhancing financial and advisory assistance to them. To date the programme has committed an estimated £9 million to local NGOs. This is about 64% of an estimated £15.5 million total BDDEA committed direct funding to NGOs in Kenya since 1994.

The bulk of the funding under the BASE programme (97%) has gone to the better established, medium to big KNGOs such as K-REP, KWFT and PRIDE. Smaller NGOs within the programme have been funded collectively under the Enterprise Initiative Projects (EIP) Scheme. Under the NGO-Initiated community-based Poverty Reduction Programme, the recipients of direct funding have largely been international NGOs (79%) and local NGOs with charity status in the UK such as AMREF and EPAG (21%). Direct funding to local NGOs under this component remains minimal having only begun very recently as knowledge of and relationship with these NGOs has developed. The total ODA direct funding to NGOs as a proportion of total ODA programme assistance to Kenya for the financial years 1993-4 and 1994-5 (about £57 million) is approximately 26%. Of this, the total direct funding to indigenous

**Table 4 ODA BDDEA Direct Assistance through NGOs in Kenya, 1994-6 (£s)\***

PROGRAMME	PROJECT/ CATEGORY	DISBURSE- MENTS (COMPLETED or ONGOING)	PROGRAMME TOTAL
BRITISH AID TO SMALL ENTERPRISES	Micro-Enterprise Credit Schemes- established, medium to big K-REP, KWFT, PRIDE type	9,038,620  (96.6%) <sup>1**</sup>	9,359,871 (64%) <sup>2</sup>
	Enterprise Initiative Projects (EIP) - small, emergent PFP, Jisaidie Cottage Industries type	161,609	
	Small Enterprise Award Scheme (SEAS) - Money towards training and capacity building within the SED projects	159,642	
NGO-INITIATED POVERTY REDUCTION	Local NGOs	4,200	5,161,237 (36%) <sup>2</sup>
	Local with charitable status in UK, e.g. EPAG, AMREF	1,093,100  (21%) <sup>1</sup>	
	International NGOs e.g. OXFAM, CARE, ActionAid, MSF Belgium+ France	4063937(78.7%) <sup>1</sup>	
GRAND TOTAL			14,521,108

**Notes:**

\* Excludes allocations through the British Partner Scheme and the High Commissioner's fund, both of which derive from official ODA budget allocation to Kenya. The figures represent total committed funding for the stipulated period.

\*\* Includes £2,776,475 disbursed by BASE directly to women under a CARE Women Economic Development (WED) Programme.

<sup>1</sup> Percentage of total programme.

<sup>2</sup> Percentage of grand total.

Kenyan NGOs excluding those also registered as charities in the UK is approximately 16%. Total direct funding to local NGOs annually is therefore approximately 8%. The two British

discretionary fund schemes constitute further complementary direct funding channels to local NGOs, particularly the smaller NGOs. The British Partnership Scheme (BPS) disburses small amounts of between Kshs500,000 and 1,000,000. This year some 15 projects have been funded through this scheme whose annual operational budget has increased from £125,000 in 1994/5 to £250,000 in the 1995/6. The Head of Mission Gift Scheme adds a further £20,000 to ODA's direct funding in Kenya.

Danish official funding to Kenya similarly shows a decline, of nearly 52% from Danish kroner 265m in 1990 to DKr128.4m in 1995 (US\$42.6m to US\$20.66). DANIDA's local grant authority to KNGOs is officially 10% of total Danish development assistance to Kenya. In the current financial year this amounted to about DKr13 million (US\$2.09m). DANIDA is, however, unable to use all the money set aside for NGOs due to its own lack of capacity to cope adequately with the resource demand in NGO work. Subsequently it has had to receive less money for disbursement to NGOs. Like the other donors, DANIDA has chosen to work very closely with Kenyan NGOs, particularly those involved in programmes of a political nature.

CIDA terminated official funding to the government of Kenya in 1993. The Partnership Africa Canada (PAC) until its dissolution in 1995, was CIDA's vehicle for channelling funds to international and local NGOs in Kenya. PAC's budget allocation to Kenya in the five year period preceding its dissolution was an estimated Canadian £2-3 million, disbursed on a 3:1 matching grant basis. Following its dissolution, CIDA, like most bilateral aid agencies has continued to administer small discretionary funds from its embassy to support small development initiatives of local NGOs. The Canada fund in Kenya is a £50,000-£100,000 per annum non-thematic fund for local NGO initiatives, which does not cover NGO running costs and is granted on a one-off basis although NGOs may re-apply after some years. This year CIDA has introduced a new embassy fund Agenda Equity with an allocation of Canadian £5 million over five years for NGOs promoting women's initiatives. CIDA's total disbursement to Kenyan NGOs since 1993 has been maintained at around Canadian \$700,000. An expanded CIDA involvement in Kenya is not envisioned in the immediate near future, in light of ongoing budgetary cuts to CIDA.

### 2.1.2. Kenyan NGOs

The general reticence by NGOs to furnish financial information constrains a serious quantitative analysis of direct funding trends in NGO budgets. A further constraint in analysing trends stems from the manner in which disbursements are made to NGOs, usually spanning anywhere between one and five years. This was the case with most of the NGOs encountered in this study. Only a handful of NGOs had audited accounts of annual budgets spanning two to three years backwards. Most of them were, however, able to give reasonable details of sources of funding and amounts for the financial year 1995-6 or for both years, as well as an account of trends in the levels of direct funding in their annual budgets over the years. These together provide the basis for the analysis that follows. All the indigenous NGOs interviewed with the exception of ICA reported having received direct funding either from an OA or from some

**Table 5 Levels of direct funding in indigenous NGO budgets by NGO size, 1995-6**

CATEGORY	NO. IN CATEGORY	DIRECT FUNDING IN NGO BUDGET (%)
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		0 TO 19	20 TO 39	40 TO 59	60 TO 79	80 TO 100
VERY BIG	5	1	1	0	2	1
BIG	6	3	2	1	0	0
MEDIUM	7	2	1	2	2	0
SMALL	10	5	1	2	0	2
TOTAL	28	11	5	5	4	3

**Table 6 Trends in level of direct funding in Kenyan NGO budgets by size**

NGO CATEGORY	LEVEL OF DIRECT FUNDING					
	INCREASED	DECREASED	NO CHANGE	TOTAL		
				CATEGORY	% INCREASE	DECREASE/NO CHANGE
VERY BIG	4	1	-	5	80	20
BIG	3	1	2	6	50	50
MEDIUM	4	0	3	7	57	43
SMALL	3	3	4	10	30	70
TOTAL	14	5	9	28	50	50
TOTAL (%)	50	18	32	100		

**Table 7 Levels and trends of direct funding to NGOs by sector and size, 1995-6**

SECTOR	LEVEL OF DF IN NGO BUDGET BY SIZE								TREND	
	LESS THAN 50%				50% -100%				INCREASED	DECREASED OR NO CHANGE
	VB	B	M	S	VB	B	M	S		
SMALL-SCALE ENTERPRISE DEVELOPMENT	-	1	0	1	1	1	2	0	5	1
DEMOCRACY GOVERNANCE & HUMAN RIGHTS	-	-	1	2	1	1	0	1	5	0
INTEGRATED AND GENERAL EDUCATIONAL AND INSTITUTIONAL DEVELOPMENT(Agriculture, Education, Environment, Institutional Development, Relief, Income generation)	1	4	3	4	2	-	1	2	5	12
POPULATION, HEALTH AND WATER	2	1	1	0	3	-	-	-	5	2

**Table 8 Degree of preference by funding route and NGO size**

FUNDING ROUTE	DEGREE OF PREFERENCE	NUMBER IN CATEGORY	TOTAL
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		VB	B	M	S	NUMBER	%
OA DIRECT FUNDING	STRONG DF PREFERENCE	3	2	6	2	13	46
INTERMEDIARY/NNGO FUNDING	STRONG NNGO PREFERENCE	0	3	1	5	10	36
	STRONGLY REJECTED DF				1		
	NEUTRAL	2	1	1	1	5	18

embassy source in the last four years. The highest incidence of direct funding was reportedly in the years following the 1991 withdrawal of OA funding from the government. Tables 5-7 show the levels and trends of direct funding in indigenous NGO budgets by NGO size and sector during the financial years of 1995-6. Table 8 gives the degree of preference of the two major routes of funding to Kenyan NGOs.

Small NGOs, with the exception of those in democracy and governance (D/G) and human rights activities, had the lowest levels of direct funding in their annual budgets and made up 50% of the total responses with 'decreased/no change' in the level of annual budget (Table 7). Sectorally, D/G and human rights NGOs reported the highest incidence of increase (100%) in the level of DF in the annual budget, followed by Small Enterprise Development (SED) NGOs and the population, health and water NGOs respectively (Table 7). NGOs in general integrated development work had the highest incidence of 'decreased/no change' in the level DF in the annual budget. The majority of them (10) were in the category small to medium. In terms of the proportion (amounts) of DF in the annual budget there were more big to very big NGOs (9) in the category '50%-100%' DF in the annual budget than there were small to medium NGOs (6). In the category 'less than 50%' DF in the annual budget, the small to medium NGOs (12) were more than the big to very big NGOs (9).

Regarding preference, the divide between preference for either DF or intermediary funding, while small, was skewed in favour of direct funding with 46% (13) of the local NGOs interviewed indicating a preference for DF, while 36% (10) either preferred Northern intermediary NGOs (9) or had rejected DF (1). The majority in the former category (9) were either in health, population and water sector (4) or in SED sector (5) and ranged in size between medium (6) to very big (3). Of the total indicating a preference for intermediaries, 70% (7) were involved in aspects of integrated development while 30% (3) were in D/G. 60% of the NGOs in this category were small in size. Some 5 NGOs (18%) declined to specify a particular preference citing DF as a reality with which SNGOs have to learn to cope, and indicating that preference for a particular route was a factor of both what that route offered in terms of relationship and how best it was suited to delivering a particular development objective or purpose.

### 2.1.3. Overall trends in direct funding

Three major trends are clearly discernible from the review and analysis presented so far in this chapter: the overall shrinkage in total official aid to Kenya; the general reduction in official aid directly to the government notably during the period 1989-92; and the increased involvement of and direct funding to local NGOs. The overall decline in total official aid allocation results primarily from the generalised recessionary trend in the North, which has increased pressure on development budgets, necessitating cuts in total country contribution to official development assistance. Subsequently total ODA from most donor countries has dropped to well below the 0.7% of annual Gross Domestic Product mark set for all developed member countries of the United Nations. The shrinkage in official funding to the government and the growing inclination towards working more closely with NGOs and funding them directly are interlinked and are explained by factors which are both external and internal to Kenya. Externally both trends are consistent with the logic of the prevailing neo-liberal development orthodoxy and the subsequent shift in development thinking within the official aid system. This increasingly sees developing southern and the transitional eastern states as having failed to deliver effectively and efficiently within the development space. The development thinking subsequently seeks and directly supports an expanded involvement of non-state actors in fostering socio-economic advance and political change, while emphasising a diminished role for the state. This shift has seen a growing amount of official development assistance previously spent on government-to-government programmes increasingly re-routed towards the private commercial and voluntary sector. Internal factors that have led to the shrinkage in development assistance to the government include the difficulties in disbursing and efficiently using donor funds, the large carry-over of unused funds from year to year, and the uncertainty and concerns about Kenya's political and social development. The growing internal official support for NGOs is owed partly to these difficulties encountered in working with and through the government, and partly to the NGOs' own demonstrated capacities and comparative advantage in specific areas of development. Their particular role as a countervailing force to the state has been a major factor in their bolstered profile among donors.

The above trends appear set to continue, with current indications pointing towards a stable or declining total official development assistance to Kenya, continued bilateral reductions to the government and a general increase in the level of overall direct funding to NGOs (both local and international). This is clearly the case with SIDA and USAID support. A current development co-operation agreement between Kenya and Sweden covering the country programme from July 1995 to December 1998 states that the country frame budget for Kenya will be SKr227.5 million (US\$36.5 million) for the agreed period or SKr65 million. The SKr65 million for the 1995-96 budget year represents a decline of 19% from SKr80 million (US\$12.848 million) the previous financial year. The total operational year budget allocations for USAID for the year 1996 of US\$18 million represents a decline of about 50% from the 1995 allocation of US\$34.4 million. This is expected to either stabilise at US\$18 million annually until 2000, or to decline further depending on Kenya's performance in the three critical areas of US interest and priority in Kenya. The ongoing restructuring and retrenchment at the CIDA Nairobi office are indicators that no changes are expected in the already minimal direct funding to Kenya by CIDA. Similar overall cuts are reportedly expected from DANIDA.

While recent improvements in Kenya's political and economic performance has rekindled donor interest, particularly the IMF and World Bank who have granted Kenya a 'clean bill of health' and resumed funding to previous high levels, most bilateral donors have taken a 'wait and see'

stance with their eyes focused on the events leading to and following the 1997 General Elections. The major immediate concern for most of them consists in ensuring free and fair elections and an expanded involvement of civil society actors in influencing the political process. A major thrust of their bilateral support to the government subsequently consists of securing legal and constitutional reforms and good governance through funding and technical support to the judiciary and the parliament, the electoral commission and the office of the Controller and Auditor General. Continued improvements within the health and population sector where the government traditionally has been the major recipient of bilateral funding remains an important strategic objective and an area for continued official support, as is ensuring continuity in the present path of economic reconstruction. But these trends are expected to occur within the broad framework of a generally declining total Official Development Assistance to Kenya.

Direct official support to NGOs on the other hand seems set to continue and increase proportionately, especially under the current Social Dimension of Development (SDD) framework adopted by the government of Kenya (Box 1). The SDD is a strategy devised both to enlist an expanded involvement of the poor in the ongoing private sector-led economic growth and to cushion them against likely adverse effects of structural adjustment reforms. It comprises six broad generic areas of poverty-focused investments aimed at enhancing the productive capacity of the poor to facilitate their integration into the market as well as to provide a social safety net for those unable to adjust immediately into the market economy. Although largely an initiative of the government, designed to be implemented within the framework of the government's district focus for Rural Development, its conceptual framework clearly identifies and mainstreams NGOs as key actors in its overall realisation. Under the SDD programme NGOs will be expected to provide advisory skills to the government and private sector and to act as watchdogs on behalf of the community. They will also act as channels through which other agencies link and interact with local grassroots communities. In their own right they will also continue as implementors of development projects.

## **Box 1 THE SOCIAL DIMENSIONS OF DEVELOPMENT PROGRAMME (SDD)**

Since independence in 1963 poverty eradication has remained an elusive target for the Kenya government with emphasis shifting variously, from a focus on economic growth alone to growth with equity, basic needs, poverty alleviation and structural adjustment. Kenya today ranks seventeenth among the world's poorest twenty nations, with a per capita income of US\$340 and an estimated 52% of its rural population (13m) and 30% of the urban population (1.25m) living below the absolute poverty line. The SAP reforms adopted in 1986 resulted in reduced provision of basic services, loss of jobs and erosion of purchasing power, a major contributing factor to this grim poverty picture. But other more fundamental causes of poverty relate to weaknesses in past poverty-focused interventions: an inability to properly target the poor, bad project design and selection, ineffective monitoring and evaluation systems, minimal involvement of key stakeholders in all stages of the project cycle, poor implementation, and misappropriation of funds and failure to punish offenders.

The SDD process was started in October 1994 under the Chairmanship of President Daniel arap Moi as an alternative policy response to the growing poverty and as a specific intervention to provide temporary redress to the many Kenyans unable to secure adequate livelihoods as a result of the ongoing SAP. SDD seeks to provide a social safety net to cushion these people against the adverse effects of structural changes. In the long term it seeks to enhance their capacities to productively fight poverty and integrate into a liberalised market system. Within this context the government's policy framework has been reviewed with respect to poverty reduction and in particular the macro-policy orientation, institutional arrangements for implementation and in terms of broad beneficiary participation to ensure sustainability. The programme emphasises a two-pronged approach based on rapid and sustained private-sector-stewarded economic growth and a public investment strategy based on investment in people to enhance their capacity to generate their own incomes and induce the private sector to participate in the delivery of SDD services.

### **Programme Areas**

Six key priority intervention areas encompass the broad policy areas identified as necessary for a comprehensive, effective and sustainable poverty removal programme:

1. Labour intensive public investment programmes which increase private sector involvement in the delivery of basic social service infrastructure to the poor and vulnerable to improve their human capital.
2. Promotional programmes for women and children, encompassing immunisation and supplementary nutrition support, education and literacy for women, equitable employment and empowerment of women and participatory population and welfare management programmes.
3. Employment creation programmes, especially self-employment for the youth and retrenched workers, such as small-scale industrial, agricultural and service sectors enterprises.
4. Sustainable environment resource conservation and management programmes, utilising participatory methodologies, such as community wildlife service and eco-tourism projects.
5. Programmes for social mobilisation and sensitisation and institutional capacity-building for effective poverty monitoring and evaluation, including grassroots level awareness campaigns and a national (within the SDD Secretariat) and a decentralised poverty MIS.
6. Programmes to rehabilitate and reintegrate displaced persons, promote good governance, human rights, security and crime prevention and provide emergency relief.

### **Implementation and Management**

The implementation of the SDD programme entails a broad-based participatory consultative process involving all key stakeholders including local civic authorities, NGOs, CBOs, donors and the private sector in all stages leading to the conceptualisation, identification, implementation and management of SDD programmes to ensure effective delivery and sustainable ownership by local communities. The government's District Focus for Rural Development (DFRD) is intended as the main delivery system for the SDD programme and will be revitalised and harmonised with the SDD institutional arrangements to make them more responsive, facilitative and accessible. Other well thought out alternatives and complementary delivery systems will, however, be considered. The institutional arrangements for SDD delivery comprise a National Steering and Co-ordinating Committee (NS&CC), a Secretariat, and technical/specialist and an *ad hoc* committees at the national level and a number of SDD committees as sub-committees of the District, Divisional, Locational and Sub-locational level DFRD committees. The national level institutions comprising 26 representatives from the government, NGOs and the private sector provide overall stewardship, including analysis and advise on SDD issues, co-ordination of SDD policy, programme implementation, delivery, monitoring and evaluations, as well as the management of a national level SDD database. They are also the clearing house for prioritising and rationalising SDD programmes

But an issue of greater interest is one of the direction and the extent of direct support and funding to NGOs. This issue is addressed later in this study and will only be highlighted here. While a general inclination towards working with and funding NGOs directly is evident, this support has not been and will not be applied invariably and the growth in the incidence of direct funding, as before, will not necessarily make more money available to all NGOs. Donor interests and priorities will continue to be the major determinants of how much, where and to whom direct funding is allocated. The major recipients of direct funding are set to remain those NGOs operating within the respective areas of donor interest and priority and having demonstrated capacities, both to deliver effectively and efficiently within these areas and to absorb the large volumes of money available through official aid. The majority of these, with the notable exception of a number of small and medium-sized professional organisations in the D/G and human rights area, have been and will remain, at least in the intermediate term, the larger NGOs, who already have a proven track record in relation to competence in service delivery and the corollary managerial and financial skills. In view of the currently limited number of indigenous NGOs that meet these criteria, it can be expected, at least in the short term, that a disproportionate level of direct funding will remain with overseas NGOs who have demonstrated these capacities. The USAID and the British ODA approach to direct funding is clearly inclined this way. The smaller bilateral donors such as SIDA, DANIDA and CIDA seem inclined towards operating within the existing government superstructure. This involves funding smaller NGOs and community-based organisations, and using government staff at the district and divisional levels, and the big NGOs, to provide advisory services to these organisations in the identification, appraisal, implementation, monitoring and evaluation of community-level projects.

## **2.2. Perspectives of OAs: KNGOs, NNGOs and GOK Compared**

The overall context within which direct funding has taken place has been described in the preceding sections. As already explained a shift in international thinking in the 1980s began to emphasise the shrinking of the state's role as an implementor of development and to promote NGOs as important alternative actors within the development space. This was on account of the state's failure or inability to deliver certain international expectations and the NGO's purported comparative advantage within the same. This section examines specific Kenyan factors that have determined the direction of direct funding. The three major recipients of direct funding - the government, NNGOs and Kenyan NGOs - are compared in terms of how they are perceived by the official donors. These perceptions provide the basis for the latter's principles of action and action plans.

When donors froze aid to Kenya in 1991, it symbolised their lack of faith in the ability of the government to deliver services to the Kenyan people. In 1995 donor dissatisfaction had reached the point where only 25% of total project aid to Kenya was passed through the government, with the bulk of the support going directly to donor-identified projects outside the government system. For the bilateral donors the figure was only 10%. Whilst noting the overall reduction in total bilateral aid available to Kenya, most OAs cite bad governance, continued muzzling of

civic and political liberties and human rights and lack of capacity as their reasons for choosing to work less with the government and collaborating more with the NGOs. Two specific aspects of bad governance often cited by donors include the government's lack of transparency and accountability in the conduct of its operations. Decisions on major public investments which do not reflect government priority are often made without parliamentary approval. The general tendency to divert development projects to 'politically correct' areas are symbolic of the problem of poor governance in Kenya.

The reluctance, sometimes inability, to avail or allow access to important public information, and the widespread and often unpunished incidences of corruption within public institutions are other indicators of bad governance cited by the donors in this study. Added to this are the excessive bureaucratic procedures which give rise to unacceptable delays in the implementation of donor funded projects, and the often poor project accounting and reporting. Continuing harassment of opposition political party representatives and repression of civic rights to free expression and association, and the intermittent attacks on the press have drawn the wrath of many bilateral donors. The lack of independence of the judiciary and the use of the power of the speaker of the national assembly to limit constructive engagement on controversial political issues came up as other factors in the strained government-donor relationship. The lack of capacity, and the attendant low levels of professionalism, resulting in poor project conception and execution and subsequent high failure rates of donor projects, was another factor cited by donors for avoiding funding the government directly. Some donors pointed to incidences where project managers were either politically appointed or not competitively selected and therefore lacked the relevant experience and training for particular projects.

Faced with these problems in their relationship with the government, most donors have chosen to channel their funds to and work more closely with NGOs. SIDA, for example, cites the government's lack of capacity to implement effectively at the micro-level as its reason for choosing to relocate its water sector operations and funds to NGOs. Other donors, particularly those funding projects in the health, population and micro-enterprise sectors, demand as part of their bilateral agreement with the government that creditable NGOs within these sectors be sub-contracted to implement projects for which they have funded the government. NGOs within these sectors have demonstrated clear comparative advantages *vis-à-vis* the government in the delivery of family planning and child survival services to most needy segments of the Kenyan population and in empowering women and increasingly allowing them the opportunity to participate in the development process. The biggest impact of NGOs, however, has been in the area of democracy, governance and human rights. The sector is vibrant and contributing substantially to the nature of the debate on democratisation and governance in Kenya. Nearly every one of the over 500 registered NGOs has a political agenda, making the sector a formidable force with which the government must deal.

But NGOs are under increasing challenge to demonstrate credibility in the same areas in which the government has been criticised for not delivering well. A recent USAID Democracy and Governance Assessment of Kenya points out certain fundamental weaknesses among NGOs in the D/G and human rights area. A large number of them have neither the roots in rural areas nor the established relationships with public sector actors. The human rights and legal sector NGOs are concentrated in Nairobi, dominated by a particular ethnic group and this ethnic bias makes

them lose both credibility and legitimacy among the general public and the government. The assessment also reveals that most NGOs have limited capacity, experience problems of transparency and accountability and have organisational and managerial weaknesses, which are further confirmed by other donor-commissioned. The feeling is strong and growing that NGOs are becoming just another form of private accumulation available to those who cannot successfully gain access to the market or the state.

While the government has in recent years sought an expanded involvement of NGOs in the development process, most donors view this more as an act of desperation, given its current unfavourable position with the donors and the ongoing structural adjustment reforms. The government is perceived as having always been hostile to direct funding generally and specifically to the funding of democracy and governance and the human rights NGOs, whom it has often branded as 'subversive' and 'servants of foreign masters'. In one extreme case the choice of one agency (NORAD) to focus on human rights resulted in a diplomatic breach and its subsequent expulsion from Kenya in 1990. The Norwegian government has not given a penny to the Kenya government since. The view of the government is that while direct funding to NGOs seems to work, it creates problems in that the government has little sense of 'ownership' of the projects, some for which it must assume responsibility. For the government officers, it is illegal to expend money outside government control and doing so under donor project conditions has tended to predispose it to incidences of corruption. The government further feels that there are certain functions that NGOs cannot perform, as many of them have limited capacities. Many of the financial accounting and control problems that beset government have reappeared in NGOs. A practical problem for the government lies in the variety of aid agencies with which it must deal, each having their own bureaucracy, sets of regulations, demands for reporting and accounting and different conditions for providing aid. The variety of systems for disbursing funds, the different forms required and the range of accounting systems are bewildering to officers attempting to implement projects. Furthermore, individual donors have their own perception of priority activities that should be funded (or should not be funded) and set their own criteria for designing and appraising projects. Preparatory work on donor-funded projects may well be carried out with little reference to government and institutions and the incidence of inappropriate designs and even 'white elephants' are more common than should be. Sometimes the imperative to move money and expend aid agency budgets overrules careful identification and preparation. But the government also admits that sometimes it has appeared too ready to sign agreements without adequately considering the longer-term implications or likely demands after implementation. Thus the problems of efficient implementation, which are basic to effective utilisation of donor funds, must be the subject of a major review and mutual resolution. Perhaps fewer projects that are more carefully considered and effectively implemented would have a more beneficial impact.

OA funding to local NGOs, as already observed, has been directed towards specific sectors and to those NGOs with demonstrated capacities to deliver effectively and efficiently within these sectors and to absorb the large volumes of money usually available through official aid. As stated previously the majority of these, with notable exceptions, have been the larger NGOs with proven track records in relation to competence in aid delivery and in having the requisite managerial and financial skills. Local NGOs who meet these criteria are few and the biggest task for official agencies has been one of screening to find reliable or fundable local NGOs. OAs often express shock at the level of administrative incompetence and corruption among

some local NGOs. One agency official from SIDA indicated that 75% of her time was spent administering Swedish SKr3 million among 10-15 local NGOs while the much larger health projects (to a total of SKr38 million) only took up about 20% of her time. Similar administrative pressures in dealing with local NGOs were expressed by USAID officials, particularly those dealing with NGOs in the D/G and human rights area. Often many of the actors were either new or unknown, accounting systems were not in place, the amounts involved were small and evaluation systems practically non-existent.

One consequence of this lack of capacity among most local NGOs is that nearly all the aid agencies encountered in this study report not being able to expend all the money allocated for local NGOs. As a result there is a tendency to overfund creditable NGOs. Many of these NGOs pointed to incidences where they had been wooed by donors into accepting more funds. Another consequence of the lack of capacity is that a disproportionate amount of official aid must still go through NNGOs, their local affiliates or through local NGOs affiliated in some way to the OAs such as those with charity status abroad. Linked to this is an observed tendency by some NNGOs to indigenise or form expedient relationships with local NGO counterparts in order to access official funding locally. Many of these NGOs have longstanding histories of involvement in their respective areas, hence the experience as well as the managerial and financial skills sought by official donors.

Although the NNGO's abilities are relatively superior in meeting the managerial and accounting demands of OAs, there are also compelling arguments against them which have formed the basis for direct funding of local NGOs. An often cited argument is that by removing an intervening level of bureaucracy (the NNGO), administrative costs are lower, freeing funds for development activities. This was the case cited by CIDA for breaking its relationship with PAC. Until its dissolution in 1995, PAC was CIDA's vehicle for direct funding to NGOs. It made funds available to Canadian NGOs on a 3:1 matching basis for institutional development of African counterpart NGOs. In 1993, PAC became a legally independent NGO, working under its own agreement with CIDA and having more than 100 NGO member agencies. In 1995 cuts in the CIDA budget included PAC which even had to return funds to CIDA. One reason cited for closing support for PAC was their rising administrative costs. A further argument advanced in favour of direct funding is that the removal of an intervening layer enhances closeness in the interaction between the local NGOs and the official aid agencies, facilitating the flow of accurate messages between the two and eliminating any likelihood of misinterpretation or misrepresentation. Possibilities for shared learning, necessary for improving the quality of the relationship, are enhanced through direct interaction.

A major criticism of NNGOs by official agencies lies in their not having country offices, making joint interaction to exchange ideas and co-ordinate activities difficult. This results in duplication and contradiction in activities, with many of them either supporting the same projects or the same geographic areas. SIDA and DANIDA feel that their NNGOs have not presented projects good enough to warrant funding locally. DANIDA appears to have a stronger presence in Kenya than the Danish NGOs and while wanting to work more closely with the Danish NGOs is dissatisfied with the latter's level of commitment and understanding of the country. SIDA is of the opinion that some Swedish NGOs are too conservative and behind SIDA in their development practice and had little to offer which SIDA could not do just as well.

A further criticism of NNGOs relates to the paternalistic ‘big brother’ attitude shown by NNGOs in dealing with their local partners. This created a dependency which official donors felt was stifling local capacities for self-learning, enterprise and spontaneous growth. One USAID officer related two scenarios of his experience of direct funding. In one scenario he secured a partnership where the beneficiary was a small local NGO, while a US PVO received the money, approved expenditure and accounted directly to the donor on its behalf. In another scenario the partnership entailed the local NGO receiving, making decisions on and accounting directly to USAID on the application of funds and the daily management of the project, while the US PVO's role was one of providing stewardship and helping develop key competencies needed for the effective running of the project. In the former case the local NGO emerged as an extreme underdog, often very passive at meetings with the donors involving both of them and tending to just go along with what big brother said. There was clearly no partnership. In the latter case the local NGO as the implementing agency was accountable for its decisions and clearly felt in charge. An incremental improvement in its capacity to run, discuss, innovate and make necessary adjustments in the course of implementation was clearly indicative of a maturing partnership relationship not only with USAID but also with the NNGO. This relationship went beyond the mere routing or transfer of funds. It was also consistent with the views expressed by a number of official donors that NNGOs were perhaps better placed to help in the strengthening of organisational and institutional capacities of local NGOs. This was on account of their extensive experience acquired from longstanding relationships with Kenyan NGOs (especially smaller, less experienced NGOs). It was also thought that they were better placed for helping OAs better understand and be more sensitive to specific and contextual issues relating to local NGO work.

Kenyan NGOs are considered by OAs to be better placed to become more effective development actors than either the government or the NNGOs. Their smallness, flexibility (hence ability to be innovative) and responsiveness clearly give them a comparative advantage in micro-development over the government, the NNGOs and the donors themselves. The small size also means that they have lower running costs and are more administratively manageable. It is also easier to monitor their impact on development and the effects of change, resulting from capacity-building. Their location within and hence familiarity with the local context also gives them a comparative advantage *vis-à-vis* NNGOs, OAs and the government in the design and implementation of projects that are responsive to the specific needs and circumstances of their local beneficiaries. It also puts them at an advantaged position to undertake a diagnostic function and to bring valuable insights into donor policies and project formulation. This role has clearly been identified by both donors and the government under the current SDD framework. The active involvement of NGOs has been identified as critical to the overall success of the strategy in forming both government and donor policies in poverty alleviation, as well as in facilitating the successful identification, execution and monitoring of poverty-focused interventions. On the issues of democracy governance and human rights, although vulnerable, local NGOs are seen as the best placed in the long term to press for and influence a broad-based agenda for sustainable reforms on account of their natural location within Kenya's civil society. This location, invigorated by an existing national ethos of voluntarism (the Harambee spirit), is seen, again in the long term, as conferring a particular comparative advantage in local resource mobilisation, including fund-raising for NGO development work.

Questions of organisational accountability and capacity arise in respect of the effectiveness of

Kenyan NGOs and their ability to deliver services. Corruption which resulted in the loss of faith in the government, is increasingly a marked phenomenon amongst local NGOs and was often cited as an aspect of lost value for local NGOs *vis-à-vis* NNGOs. Opportunistic or 'Briefcase NGOs', formed by individuals who see being an NGO as an expedient way to get money, have become a common feature of the sector in recent years, resulting in a further erosion of donor trust in local NGOs. Institutionally, local NGOs have a limited absorptive capacity, inadequate delivery mechanisms, lack adequate technical expertise and managerial effectiveness, and are unable to report satisfactorily on their performance and the use of project funds. Consequently they are unable to meet official donor demands for their services. As pointed out already these are the areas of comparative advantage that have traditionally endeared NNGOs to OAs. Furthermore local NGOs' ability to mobilise resources locally for their work is generally less developed compared to that of the NNGOs. The resulting overdependence on foreign donors subsequently weakens their bargaining base, making them dependent in terms of their agenda, and increasing their vulnerability to manipulation by some donors. NNGOs' abilities to access funding from multiple sources on the other hand, including locally places them in a better position to resist donor pressure, and to decide more independently on matters relating to project choice and execution. This is particularly true for NNGOs who derive a significant proportion of their funding from non-statutory sources. This independence, bolstered further by their location within a broader international context, grants them a certain level of immunity against local political influence, and constitutes an area of further comparative advantage. This makes NNGOs particularly suited to a lobbying and advocacy role, and to mobilising a broad support base for enhancing local NGO efforts around critical issues of good practice, such as donor policies, human rights and governance.

### **2.3. Principles and Plans of Action**

While a general inclination to support local NGOs directly is evident, also evident is the fact that this support has not been applied invariably and that the growth in the incidence of direct funding has not necessarily made more money available to all NGOs. Direct official support to NGOs in Kenya displays a number of clearly distinguishable features or characteristics.

First is its obvious alignment with donor interests and priorities. In Kenya, these have centred around the four specific areas stated previously. The anticipated outcomes include greater civic responsibility and involvement in national political and economic processes, increased internal economic self-reliance and improved standards of living, particularly for the poor and the poorest. This would promote greater social justice and political stability, and sustainable growth benefits for future generations. These outcomes are consistent with and fit broadly within the framework set for the new global order and the new mission of official development assistance in the 1990s.

Second, and linked to the first feature, is the increasingly contractual orientation of direct funding. This orientation is prompted by three factors, all of which relate in some way to the above framework. The first is the fact that official aid in the 1990s has become an instrument used by developed donor countries to homogenise development internationally to ensure outcomes that are consistent with the expectations of the new global order. The implication of this for official aid agencies has been an increasing inclination towards a blanket application of

often externally determined conditionalities and approaches to ensure success in development and the institution of common criteria in measuring the quality of that development. A second and related factor is the growing demand on the aid system, arising both from the respective donor governments and the northern taxpayers that these outcomes are achieved in ways that are accountable, effective, efficient, sustainable and as far as possible inclusive. The third factor is official donors' own often confessed lack of capacity as development implementors, to which may be added that of a vast majority of local counterpart NGOs.

Arising from these three factors are a number of trends which constitute the principles of action or policy implications for official aid agencies and direct funding in Kenya. The first trend is that direct funding has been directed towards those NGOs having demonstrated capacities not only to deliver effectively and efficiently around the specific areas of donor interest and priority, but also to absorb the large volumes of funds usually available through official aid. The major recipients of direct funding consequently have been those NGOs operating within these specified priority areas and who already have a proven track record in relation to competence in aid delivery as well as the requisite managerial and financial skills. The majority of these (with the notable exception of a number of small and medium professional NGOs in the D/G and human rights area) have tended to be big to very big NGOs concentrated largely within the health and population sector, and in the poverty-focused sectors such as the small and micro-enterprise development sector, and relief and rehabilitation.

The approaches of the British ODA and USAID serve as good examples. Within the BASE programme, currently British ODA's biggest channel for direct funding to local NGOs, over 90% of the total amount disbursed directly to local NGOs is going to fewer than five NGOs, namely K-REP, KWFT, FAULU and CARE-WED. Both K-REP and KWFT are lead intermediary NGOs in micro-financing in Kenya with an almost country-wide outreach. CARE is an international NGO with a long history of grassroots-level involvement in Kenya and well-established local offices in many parts of the country. Under the NGO-initiated poverty alleviation programme all NGOs currently receiving funding directly are either local NGOs with charitable status in the UK or international and specifically UK headquarters NGOs. This is due to what appears to be an internal policy for more open tendering of projects under this programme which, either deliberately or by chance, has apparently created a new window of direct funding to UK, UK-affiliated and other international NGOs. Most of the NGOs funded under this component, range in size from big to very big, are involved in either relief and rehabilitation or capacity building activities with local NGOs. They clearly possess the experience as well as the managerial and financial capacities necessary for delivering the desired outcomes within their respective areas.

Similarly direct funding by USAID is targeted towards NGOs with demonstrated capacities to deliver within the specific areas of US interests in Kenya. The majority of the recipients range in size from big to very big. Where small, as in the case of the D/G and human rights NGOs, they are clearly professional enough, at least in terms of technical competence, with the necessary potential to deliver effectively and efficiently within their respective areas of activity. A sizeable proportion of USAID's direct funding (10.23% in 1994 and 3.88% in 1995) is directed towards professional local private sector institutions. But the biggest recipients of USAID's direct funding remain American PVOs and private sector institutions. Total

allocations to these organisations during the financial years 1994 and 1995 were 19.67% and 30.52% and 32.45% and 30.27% respectively. The justification for this skew is twofold. First, USAID money is from the American taxpayers - American NGOs and private sector institutions therefore have a bigger right *vis-à-vis* local and other international NGOs to access it directly. Second, they have demonstrated relatively superior and more reliable managerial and accounting systems, and a greater capacity to utilise direct funding. Indications that this trend of increased direct funding to American PVOs is set to continue are found in official pronouncements made recently by America's vice-president at the March 1995 Copenhagen Summit meeting. He indicated that the American development financing will increasingly be channelled directly to and through NGOs and in particular American NGOs. Evidence of this trend is already visible in recent drastic cutbacks in funding to USAID, the decline in the level of funding to local NGOs, private institutions and the government, and the growth in the level of allocation to American PVOs for the financial year of 1996.

A second trend in direct funding is its growing emphasis on strengthening the institutional and organisational capacities of local NGOs as development implementing agents. This emphasis has two aspects; official aid agencies themselves feel constrained by their own lack of capacity in terms of both not having adequate personnel and in lacking the skills and competencies needed to deal directly with local and particularly smaller NGOs in facilitating effective and responsive development. A second aspect is that achieving a wider impact within their priority areas calls for the involvement of a wider NGO constituency. The apparent lack of a sufficient number of NGOs with the necessary capacities to deliver within these areas currently prevents this wider involvement.

A glaring consequence of this lack of capacity at both levels has been a donor scramble for 'reliable and fundable NGOs' and a situation where most donors, due to the lack of such NGOs, are unable to disburse all their annual NGO allocation. The implications of this for some of them, for example DANIDA and SIDA, has been a reduction in the official annual allocation to local NGOs. Thus most official donors have embraced capacity-building as a way of strengthening the abilities of local NGOs in order to utilise and account for their funds, and to contribute more effectively in enhancing the effectiveness of their programmes, and to achieve the wider objectives of strengthening civil society.

Another consequence of the above trends has been a reduction in the level of funding to (and a subsequent diminution of) smaller NGOs with less-developed capacities as well as those NGOs operating outside the areas of donor preference. While the former have enjoyed growing levels of direct funding often exceeding 50% of their annual budgets, funding for NGOs in the latter category has largely declined, with many of them having either to reduce their scale of operations drastically or to incorporate new donor agendas, often at the risk of diverting away from their initial objectives and losing their institutional identities. In extreme situations some of them have simply had to close down their operations. This has clearly been the case with many NGOs involved in general integrated development and in particular those in agriculture, environment and community social awareness and education activities, and those located in the rural areas. Many of these NGOs have traditionally received the bulk of their funding from NNGO partners. Growing pressure on the latter to show successfully operating projects in the South, coupled with the weakening public social morality and obligation towards private giving in the North has seen many of these NGOs, particularly the more conservative ones, increasingly contend with reduced funding or totally lose out to more dynamic NGOs. The

overall impact on the sector has been a tendency towards organisational convergence and a narrowing of the scope of local NGO activity. This has resulted in reduced diversity and innovation, and the emergence of an NGO sector that is donor-moulded and resource-led rather than socially responsive (hence legitimate). It is also dominated increasingly by large, service-delivery intermediary NGOs serving as sub-contractors of official development agency objectives. Inevitably there has been a shift in the locus of accountability of such NGOs, away from their constituencies and towards official donors, with the subsequent loss of the participatory and emancipatory ideals upon which their reputation has traditionally been built.

A clear ideological, strategic and operational distinction is observable in the approach adopted by the European Union and other smaller like-minded bilateral agencies, particularly SIDA and DANIDA. The distinction, broadly reflective of the NGO decentralised co-operation strategy advocated under the Lome Convention and the principles of the African Charter for Popular Participation in Development, lies in the latter's formal recognition of both the vital role of civil society actors in development (especially those at the grassroots level) and the synergistic role that the government must play in fostering decentralised civic action and in facilitating eventual civic ownership of the development process. Implicit in the decentralisation approach is the transfer of financial and administrative responsibility for launching and executing development programmes from central government to a range of non-state actors wishing to engage in, or already engaged in, social, economic and cultural development activities at the micro level. With its focus on the wider community, the approach represents a concrete attempt at qualitatively empowering civil society and not simply a means of financing worthy, isolated community or NGO initiatives (project mode). It seeks the collective establishment of principles and guidelines for decentralised co-operation, the creation of viable operational structures and the collective management of the political framework.

Three features distinguish and constitute the principles of action of this decentralised approach:

1. interaction between local NGOs/decentralised actors, their governments, donors and NNGOs establishing mutual respect for their autonomy and specific roles, establishing frameworks for collaboration which promotes a 'recipient driven' participatory model;
2. setting up institutional frameworks for all decentralised actors (methodology and mechanisms) to strengthen civil society, promote co-operation between decentralised actors themselves and between them and their governments; and
3. capacity building of decentralised actors, socio-economic and political empowerment, self-reliance and sustainable development.

A practical manifestation of this strategic and operational difference of approach consists of these agencies' strong support for grassroots-based NGO and group initiatives. An emphasis is placed on enhancing the capacities of these organisations in projects that directly address their day-to-day needs. There is also an emphasis on aligning this support within the existing government policies and established structures such as the decentralised district focus strategy and the local development committees.

Pursuant of the above principles of action and in a bid to resolve some of the issues arising from them, official donors have been thrown into the search for mechanisms and action points. While

broadly facilitating the advance of their own self-interests, they seek to enhance the impact of aid on the practical and pressing problems of growing poverty and marginalisation, as well as to create an environment within which locally sustainable solutions may evolve. A major immediate objective in this direction has consisted in ensuring the success of prioritised strategic programmes. As pointed out already efforts towards achieving this have entailed the involvement or contracting out of NGOs with proven capacity to deliver within these areas and the strengthening of the capacity of potential client NGOs to do the same.

Concern over local NGO capacity has centred around their having the relevant experience as well as the managerial and financial skills to deliver the desired outcomes. The approach adopted by official donors in dealing with the NGOs has subsequently depended on whether or not the particular NGOs possess these capabilities. Where these have been in place, as in the case of the bigger, well-established NGOs, donors have generally adopted a hands-off approach, engaging directly with them in terms of project delivery. The major thrust of capacity-building in such cases has consisted of strengthening their institutional abilities to impact widely, by engaging more effectively internally and in policy dialogue with official aid agencies and the government, and to evolve into replicable 'model' institutions. Within the Micro and Small Scale Enterprise sector (MSE), for example, the emphasis has been on developing a cadre of functionally specialised intermediary NGO institutions able to provide credit and corollary services, including marketing, bookkeeping, financial advice and business planning services as well as impact monitoring and evaluation. This is seen, for example, in the ongoing support to K-REP by leading official donors (USAID, British ODA and the World Bank) to facilitate its transition to a micro-enterprise lending bank - the first such transition in Africa. The Kenya Management Assistance Programme (K-MAP), another local NGO is receiving similar official support to develop its capacity to become a lead institution providing business advice and counselling services to micro- and small-scale entrepreneurs. Specific agency action pointed towards realising these objectives have included organising and supporting relevant NGO training activities both locally and abroad, joint sector/thematic studies and symposia, exchange visits and support for NGO networking.

Where these capacity components have been found inadequate, two approaches have been adopted; one approach, applied to a limited number of NGOs deemed as having the potential to scale up and deal directly with official aid agencies, but lacking certain key competencies has been that of 'substantial involvement'. This has entailed heavy official donor involvement in both the evolution of concept and the execution of respective NGO projects. A second approach has been applied mainly to NGOs considered either too small or lacking the necessary experience and confidence to deal directly with official agencies. This has entailed the contracting out of bigger, more established NGOs with a strong track record of local NGO institutional strengthening, to assist in developing the capacities of these NGOs as well as act as channels for official funding. In view of the current dearth of local NGOs able to effectively fulfil this function in addition to running their own field programmes, NNGOs - mainly those with in-country offices and a longstanding history of working with and funding local NGOs in projects of a capacity-building nature - have been encouraged to consider expanding their role in this direction. For example, the BDDEA has recently reached an agreement with ActionAid for support of a one-million-pound project to develop the organisational and programme capacity of some 25 small, locally based NGOs involved in poverty reduction activities. Similar inclinations are evident among the other official agencies. For example, USAID, through its

PVO Co-Financing Project, contracts a growing number of locally based American PVOs to provide programme and institutional capacity support to local NGOs working within their respective areas of interest. SIDA and DANIDA are also increasingly seeking intensified co-operation with their own locally based NGOs in projects of this nature.

From the NNGOs two responses are clearly emerging in relation to this trend; one is that an increasing number of NNGOs are setting up country offices in an attempt to tap official agency funding which is increasingly decentralising to country embassies and ODA field offices. In the case of the British ODA a new bond is evolving between its BDDEA NGO staff and these in-country NNGO offices with the two working very closely together in designing and developing projects. This has raised the question of the role of British NGO headquarters in this relationship and the added value, if any, that they bring to project design, preparation and delivery. The increasing direct contact between ODA and UK NGOs field offices will force those NNGOs, whose overseas offices now have considerable dealing with ODA in-country, to begin to redefine their roles and procedures in planning and managing projects.

Another response has consisted in a tendency by some NNGOs to 'package projects', selling OAs a total package of SNGOs and NNGOs; one form of this is joining together small projects - each individually unfundable by the OAs due to their small size - in a package which the OAs are then able to fund.

The emphasis on local NGO capacity-building has been welcomed and generally commended by many NNGOs as an important way forward in building genuine SNGO/NNGO partnerships and truly empowering local NGOs to take charge of their own development. A number of them, mostly the bigger ones with in-country offices, have moved away, or are considering or already moving away from direct programme implementation activities towards providing organisational and institutional capacity support for local NGOs. But a general concern remains among many NNGOs that the focus on larger, more established NGOs, may result in their having to focus on smaller, less developed and more risky NGOs and projects and hence fail to demonstrate consistent evidence of success and impact. This would have the effect of undermining public and official support to them locally and abroad. In their response official agencies argue that building strong SNGOs able to engage effectively internally and with the government and donors in both project delivery and in policy dialogue is consistent with NNGOs' commitment to empowering local NGOs for self-development and reliance.

While the focus on capacity-building has centred largely on strengthening local NGO abilities to deliver within specified donor interest areas, official aid agencies themselves, have instituted wide-ranging mechanisms and approaches aimed at enhancing their own abilities to impact broadly and consistently. One such mechanism has entailed the creation of alternative funding windows, operating alongside their mainstream programmes and targeted specifically at the smaller, less developed, largely rural-based NGOs and community groups. Broadly two categories of these windows are identifiable: one category comprises a growing number of small, embassy delegated (non-thematic) discretionary funds, variously titled, such as the Head of Mission Gift Scheme, the Partnership Scheme (both run by the British ODA) and a host of other small schemes operated from the various embassies. These windows were intended to enhance needed agency public profiles, but have also provided the experimental base for identifying worthy or innovative groups and/or projects for possible integration into mainstream

programmes. Critics of these schemes, however, have regarded them as tacit apologies for a general disinclination by these agencies to engender a wider community focus and to support initiatives that do not directly contribute towards the enhancement of their immediate objectives. The funds involved have been small and one-off, with the major criteria for project approval and funding being maximum local participation and a capacity for self-sustenance beyond the initial official funding phase.

The other mechanism is that of community development foundations or trust funds, exemplified by such initiatives as the Kenya Community Development Foundation (KCDF) of the Ford Foundation and the Community Development Trust Fund (CDTF) of the European Union. These initiatives (still largely in their formative and trial stages) are strongly focused on decentralised and broad-based participatory interaction at the grassroots level. They provide exemplary initial models for official aid agencies in their search for mechanisms and approaches that enable them to overcome their problem of inadequate capacity in terms of project delivery as well as to realise the broader objective of impacting widely on and strengthening civil society. The case of the GOK-EU Community Development Trust Fund (Box 2) serves as a good example.

## **Box 2 THE GOK-EU COMMUNITY DEVELOPMENT TRUST FUND (CDTF)**

This is a joint Kenya Government-European Union programme created under the SDD framework to provide grant and credit support to small scale, community-led initiatives aimed at promoting social and economic well-being to identified vulnerable groups in urban and rural areas of Kenya. Its conception follows a series of consultative discussions involving a wide cross-section of stakeholders, including rural beneficiaries themselves, religious organisations, local authorities, NGOs and CBOs and members of the private sector. Planned initially for four years and budgeted at ECU 9 million (Kshs 675 million) the programme comprises three components or facilities:

- 1. Small Scale Community Initiatives (SSCI) - Projected Expenditure ECU4 m (Kshs300 m)**
- 2. ASAL Community Initiatives (ASALCI) - Projected Expenditure ECU3 m (Kshs225m)**
- 3. Community Wildlife Initiatives (CWI) - Projected Expenditure ECU2 m (Kshs150m)**

The facilities encompass wide-ranging rural and urban concerns, including health, education, water and sanitation, agriculture and livestock production, wildlife, environment and natural resources, economic infrastructure and micro-enterprise activities and target well-organised local communities (committees, self-help groups or user associations) directly or through established NGOs. Women and women's groups are especially targeted.

### **Structure and Management**

Although it is a government initiative, with approved projects required to comply and conform with the broad policy guide-lines set out by the government for each relevant priority sector, the CDTF is not under government control. A key feature of the fund is constituted in its recognition of NGOs as an important link to the communities and their subsequent involvement at every stage of the programme execution. A Board of Trustees (BoT) comprising representatives from the EU, the government and the NGO community, including the NGO council, constitutes the main executive body with the final decision on matters relating to programme execution, including project approval and funding. Local communities are funded directly or through representative NGOs for all approved projects. A Project Management Unit (PMU), comprising employed professional and technical staff forms the secretariat to the BoT, with responsibilities for the day-to-day steering of the programme, including project appraisal, consolidation of approved applications for the BoT and progress monitoring. External Consultants are hired as required to provide technical and specialised support. At the district level (three initially), a District Technical Committee, comprising representatives from the NGOs, and the District Development Committee (DDC) constitutes the programme's direct link with the local communities.

### **Pre-conditions**

The participating communities are registered and well organised in committees, self-help groups or user associations and participate fully in project identification, planning and implementation. PRA and EIA (Environment Impact Assessment) constitute essential parts of project identification and planning.

### **Eligibility Criteria**

Projects are appropriately targeted to meet priority needs demonstrated at local level, particularly the needs of the poorest and most vulnerable. All and especially Livestock, wildlife and natural resource-based projects are carefully assessed for sustainability in view of a deteriorating natural resource base. Tangible contribution from the communities (up to 25%) in cash or kind is expected, with a substantial proportion of it coming up front.

### **Project Identification and Application**

Projects are identified against a needs assessment conducted by the communities using PRA and where necessary EIA techniques with possible support from NGOs. Where necessary contracted services are enlisted to facilitate a comprehensive assessment. Applications are made according to set guide-lines and the needs assessment.

### **Appraisal and Approval**

Desk appraisal (screening and applications) is carried out by the PMU staff in liaison with DDCs in order to verify proposal compliance with the relevant District Development Plan and to avoid duplication of funding. Field appraisal constitutes a visit by the RO and the PMU and other institutions to assess targets, community participation, participatory capacity and contribution and the general sustainability of the project. Appraised applications are consolidated into a project proposal form for the BoT by the PMU technical staff. Approvals are made quarterly by the BoT based on appraised project proposals and rejected proposals are justified and returned to the appraisal circuit for appeal.

A distinguishing feature of the trust fund initiatives is constituted in their inclusiveness, especially their recognition and involvement of the government, and their integration within existing government development structures and policy framework. Similar inclinations are observable in the approaches of other like-minded official donors. Reference has been made already to the new changes within SIDA's water sector which reflect the water ministry's new policy aimed at decentralising and privatising water services, moving away from the construction and running of water schemes, to the formulation of a national water policy and monitoring the work of the other actors within the water sector. Under the new role the government plans to develop procedures for handing over water points previously owned and run by it to consumers in local communities. It also plans to support and secure support for self-help groups and user associations who want to build their own water points. The SDD initiatives also have elements of this approach to development funding (see Box 1).

Another mechanism in efforts to improve official donor capacity to impact widely and consistently is consistent in the Donor Consortia. This is a compendium of like-minded donors and donor groups which provide a framework for improved information sharing and co-ordination of efforts, with the overall aim of improving the quality of development co-operation output and enhancing the sustainable impact of donor support in Kenya. The current compendium is comprised of about eleven donor groups constituted on a sectoral and interest basis. The groups meet on an *ad hoc* basis, but at least quarterly, to discuss important sectoral issues, including programme reviews, strategies, plans and funding. Lead counterpart NGOs and government ministries are usually invited to these meetings. A recent review to re-examine the effectiveness of the past donor co-ordination system and practices in general, and the performance and usefulness of the existing donor groups in particular showed mixed results. The system had functioned with pragmatism, openness and flexibility and helped to resolve major operational issues and secure consistency and broad agreement in policy objectives. It was often donor-serving, donor-driven and unfocused, however. There was an excess of donor groupings according to projects, resulting in the fragmentation of assistance and uneven co-ordination at sectoral and programme level which limited strategic effectiveness. There were also elements of rivalry among donors for co-ordination and leadership, especially at programme level, with immediate interests diverging widely on many occasions. The system also lacked a feedback mechanism by the donor groups to a main forum. This would have enhanced the effectiveness of the overall co-ordination framework and provided an overall consistency, coherence and clarity in leadership roles, where many sector ministries and donors were involved in programmes and development issues. The review recommended a consolidation of the existing donor groups into fewer viable core groups considered broad enough to accommodate the current and future needs for co-ordination, and proposed a new framework for co-ordination (Box 3).

### **BOX 3 PROPOSED NEW FRAMEWORK FOR DONOR CO-ORDINATION**

I. Kenya Co-ordination Group to serve as the main forum for information sharing (umbrella group), dealing with broad economic and non-economic issues emerging from GOK/donors priorities and strategies. Its primary role would be to set the direction for the co-ordination and process of policy dialogue. Regular participation by senior official donor agencies (heads of agencies and delegations) would be preferred. GOK participation would ideally be on an invitation basis to make presentations on specific issues. Another role would be to identify issues for further discussion by the programme co-ordination group, setting the agenda for the entire co-ordination system. The Kenya Co-ordination Group should utilise informal consultative mechanisms wherever possible in order to promote debate, exchange views and information on key issues which affect most donors.

II. Programme Co-ordination Groups to be formed along the proposed major programmes. Based on the agenda developed from both the Kenya Co-ordination and the working groups, the primary role of the Programme Co-ordination Groups would be to address programme-specific issues, ensure co-ordination of efforts and utilisation of programme resources. They should comprise the donors and sector ministries involved in related programme activities. The overall leadership should be by the relevant government ministries.

III. Working Groups to be limited and formed under the framework of the Programme Co-ordination Groups as required. For issue-based and/or process-oriented working groups, they would cease to exist once the issue is resolved or process completed. Participation should be by all government and donor interested parties. Where a handful of donors have project-specific interests, co-ordination could take place in the course of monitoring and management of the respective programme contents, without requiring the establishment of formal working groups.

A third mechanism in efforts to broaden agency capacity to impact widely is seen in the ongoing restructuring of agency staffing patterns in terms both of size and composition. Most of the agencies encountered in the study reported either increasing their staff size slightly or restructuring to bring on board more national (Kenyan) staff, or both, especially at the senior programme executive level. Conspicuous in the agency staff structure is the new position of NGO Liaison Officer, created largely to initiate and develop agency links with local and international NGOs. Specifically, the NGO Liaison Office is responsible for providing advice and liaison services to the agency on NGO issues and to NGOs on agency aid programmes. It does this by co-ordinating and developing NGO input to the delivery of the agency sector and thematic programmes, identifying suitable NGO projects for agency funding. It assists NGOs with the preparation of project proposals, monitoring and evaluation of approved projects, financial management of NGO projects, and liaising with other donors on NGO-related activities. Despite these efforts, and in view of ongoing cut-backs in agency funding, allocations remain largely mismatched against need. Agencies are finding it increasingly difficult to allocate necessary administrative resources to engage in long-term relationships with counterpart NGOs and to offer qualitative services, such as capacity-building and links with NNGOs and Northern civil society other than just money transfers.

Other mechanisms adopted by OAs towards this end have entailed the contracting of external consultants and creditable research institutions to undertake sector and thematic studies in respective donor priority areas. Result findings have provided the basis for the formulation of country policies and action plans and offered direction in engaging with NGOs and the

government. Mechanisms for curbing corruption among NGOs have entailed paying service and supplies deliverers directly rather than have recipient NGOs pay them. Where funding has gone to or through the government, regular independent audits and other corrective interventions have been undertaken to ensure proper use of funds, improved internal controls and financial discipline. Where audit results pointed towards incidences of misappropriation of funds, disbursements to the respective projects or programmes have been suspended until such problems have been corrected. In some cases, as in the case of SIDA, implicated line ministries have had to pay back funds not properly accounted for, to the project account.

#### **2.4. Kenyan NGOs and NGO Support Organisations' Perspectives on Direct Funding**

This section draws together the experiences, perceptions and concerns of Kenyan NGOs and Support Organisations (NGOSOs) with respect to the impact of direct funding on their work and on their relationship with the different stakeholders, namely their beneficiaries, the government, NNGOs and the official donors themselves. It also examines some of the ways (principles of action) in which these organisations are dealing with the issues surrounding direct funding organisationally and institutionally. This is done within the framework presented already of increasingly shrinking international aid resources and the changing rationale for international aid, and the implications of this change for the international aid systems, and by extension the recipient SNGOs.

The Kenyan government uses four mechanisms to fund Kenyan NGOs and Support Organisations. One mechanism entails direct disbursement of the government's own funds, allocated to various sectors or themes under the respective ministries. Usually such funds are small, short-term and one-off and the recipients comprise NGOs known to the government through working relationships, who apply directly for the funds or are approached to implement on behalf of the government. An example of such funds include the funds allocated for various women's income generating activities under the ministry of culture and social services. The contractual arrangement usually entails a simple formal agreement obligating the recipient NGO or CBO to utilise the funds accountably, and to furnish reports of physical and financial progress, usually quarterly or biannually.

A second mechanism entails the government sourcing funding on behalf of NGOs, usually through some government-managed central co-ordinating body such as the National Council for Population and Development. The contractual arrangement entails the government signing two Memorandums of Understanding (MoU), one with the issuing donor and the other with the recipient NGO. The MoU elaborate wide-ranging terms and conditions under which the involved parties agree to carry out the project, unlike the more tenuous agreements usually entered when the government commits its own funds. The MoU includes the modalities for project reporting and accounting of both physical and financial performance, monitoring and evaluation, and termination. Usually the NGOs have a free hand in the choice of an appropriate internal management system and are evaluated on the basis of criteria determined jointly with the central body.

A third mechanism entails the government applying directly for funding and then sub-

contracting credible NGOs to implement on its behalf. The Kenya Freedom from Hunger and AMREF are examples of NGOs that have received such contract funding. A fourth mechanism entails co-financing, where the government 'matches' funds provided by an official donor for a particular NGO project. An example is the 1994 GOK-USAID US\$100 million 50:50 co-financing of PRIDE's Small and Micro-Enterprise programme. In addition, there are also situations where donors manage an in-house fund for NGOs but require the government's collaboration in terms of identifying and/or approving recipient NGOs so that the money is utilised accountably. In these situations the government also acts as a guarantor to ensure that the money is utilised accountably. Such funds are usually considered as part of the bilateral allocations to Kenya and are reflected in the government printed budget estimates.

Besides the financial support, the government has also extended technical support to NGOs undertaking complementary activities or with whom it is involved in collaborative ventures. This has been done through mutually agreed arrangements of government staff secondment or attachment to these organisations. While these mechanisms have generally worked well, both parties point to some fundamental concerns. The case of the National Council for Population Development (Box 4) highlights some of these. Most NGOs and Donors are concerned about the bureaucratic delays involved in the approval of projects and the release of funds for implementation, which result both in delayed implementation and in increased project overhead costs. In the case of the NCPD, the growth in both the incidence and the volume of funding, has had the effect of causing the organisation to deviate from its premier role as a co-ordinating and policy setting body, becoming more preoccupied with funding issues and channelling of funds

## **Box 4 THE NATIONAL COUNCIL FOR POPULATION DEVELOPMENT (NCPD)**

The NCPD started in 1982 as a department under the Ministry of Home Affairs to serve as a central co-ordinating mechanism for all population programmes in the country. Other mandates assigned to it included:

- assisting the government in the formulation of population policy;
- advising the Government, donors and NGOs on population matter and on programmes geared towards population management;
- conducting research on population related issues and policies; and
- soliciting funding for member NGOs.

The council of 30 NGOs is currently under the Ministry of Planning in the Office of the President.

### **Structure and Management**

The NCPD is managed by a governing body/board comprising representatives from key NGOs within the population sector (e.g. FPAK, MYWO, NCKK, the Muslim Council and the NGO Council), the Office of the President and the Ministry of planning and relevant bilateral and multilateral donors. The board, under a chairman, meets quarterly to approve and endorse proposals. A secretariat comprising government experts is the main executive body for the council.

### **Funding and Collaboration**

The secretariat acts as the clearing house for all proposals submitted to NCPD, receiving, appraising and reviewing (to ensure consistency with stipulated policy guide-lines) them for submission to the board and to donors. It is also responsible for soliciting funds for all projects approved by the board and for monitoring the projects once they are funded. The nature/requirements of the proposal determine which donor to approach for funding. Once approved, funding is done through the Treasury which is the main source for all population funds. Government departments may also apply for funding through the NCPD and indeed some government departments have been funded through this mechanism (e.g. the Department of Adult Education in the Ministry of Culture and Social Services; the Office of the President for chiefs towards local education on population matters; Ministry of Agriculture for population education alongside Extension; the Ministry of Labour - for training union members on population issues). Upon approval of funding, the government signs a Memorandum of Understanding with the respective donor binding itself to use the funds only for the intended purpose and to provide other incentives and conditions which may be necessary for the successful implementation of the projects, for example tax exemption on all or some commodities specifically financed under the project. The recipient NGOs also enter into a formal contract with the government which specifies among other things the modalities for the disbursement of funds and project reporting (both physical and financial). The funding is made on a reimbursement basis, against a voucher which must be approved by the NCPD.

### **Issues and Problems**

While most donors in agreement on the idea of a central clearing house, they are concerned about the bureaucratic delays involved in approving projects and the disbursement of funds which result in delays in the implementation process and increases project overhead costs. Applications and returns from NGOs have to go through several stages before they are finally approved and funded. Some of them expressed the concern that as the volume and incidence of funding through the NCPD increased, NCPD got overwhelmed, becoming more involved with issues of funding and channelling of funds, thus losing its role as a co-ordinating and policy-setting body. In the process, it became overly bureaucratic, resulting in some donors withdrawing (for example the British ODA and USAID) and entering into direct funding relationship with NGOs. This has obviously created tension in the relationship between the government and the NGOs, as the latter's locus of accountability has shifted away from the government and towards the source of the money.

On its part the government notes that although the demands made on the NGOs, are tenuous, they would enhance their visibility. Admitting its bureaucracy in the administration of project funds, it attributes this in part to the multiple accountability demands put on it by the various donors and to the NGOs own inadequate capacities. For example, measures instituted by the World Bank to ensure accountable use of its grants results, in a payment voucher having to go through 21 stages before it is finally approved and funds are released. Closely related are the difficulties in managing donor objectives. This has resulted in a duplication of efforts and conflict over priorities, undermining efforts to pursue a consistent policy on population and health management. Further, as its membership has grown, NCPD has noted its own inadequate capacity in terms of staff size to undertake its mandated role. Among the NGO-related problems noted, is a lack of qualified accountants resulting in poor

government ministry problems arose, particularly in relation to fund allocation, with the latter complaining about the high salaries awarded to NGO staff. Sometimes the government saw the decision to allocate more money to the NGOs as coming from the NGO and not from the donor.

Perhaps the major area of concern expressed by NGOs about government and government-brokered funding relates to the possible danger of co-optation by the government. A point best illustrated by the government's relationship with the Maendeleo Ya Wanawake Organisation, Kenya's biggest representative organisation for women (Box 5).

## **Box 5 THE MAENDELEO YA WANAWAKE ORGANISATION (MYWO)**

The MYWO was founded in 1952 as a non-profit welfare movement for African women at the grassroots level, with the mandate to help improve health, sanitation, nutrition and education among them. It was also a strong lobbying voice for the advancement of the interests and rights of women and children, being credited with facilitating the enactment of the first ever law compelling parents to bring their female children to school.

MYWO is the largest women's organisation in Kenya today with over 20,000 women's groups and a membership exceeding two million women, organised and represented at district, divisional, location and sub-locational levels country-wide. MYWO's mandate has broadened to encompass wide-ranging economic, social, cultural and political issues affecting the lives of women. These are encapsulated in six major programme areas:

1. Maternal child health and family planning;
2. Integrated STD health education;
3. Environment and energy conservation;
4. Women's leadership development and training;
5. Income generation; and
6. Harmful traditional practices/ Female Genital Mutilation.

In the past funding for MYWO (estimated at over Kshs 60 million annually) came from multiple sources, including the GOK Northern NGOs and UNDP (directly) NORAD, CIDA and ODA (via GOK) and the USAID (via American PVOs).

Trouble for MYWO began in 1981 following its break-off with the National Council for Women of Kenya (NCWK), a national umbrella organisation for women, over a much publicised controversy involving the then chairperson of NCWK. MYWO also accused NCWK of competing with it for projects instead of playing its role as an umbrella body. A short while after the pull-out, the then leader of the MYWO, a wife of a senior cabinet minister, led a delegation on a courtesy call to the president at the state house Nakuru, following which the president declared support for MYWO over the dispute and virtually appointed it as the sole spokesman (sic) for the women in the country. The president also pledged to aid MYWO significantly. Following this pledge of support MYWO entered into a rosy communion with the government.

The opportunity for co-optation came in 1985 when MYWO woke up to a financial crisis. The problem was so big and messy that in May the following year, the government invited itself to investigate the scandal. It set up a probe committee which recommended the sacking of the incumbent chairperson (Teresa Shitaka) and the appointment of a caretaker committee led by a government servant to handle the financial mess of the NGO. From this point on the notion of KANU-MYWO began to loom in the air. In 1987, in the melodrama of an impending election, it was made official; KANU and MYWO became a politically correct marriage. It is not difficult to understand why KANU would want to 'marry' MYWO. With its immense resources and a grassroots network of thousands of self-help groups straddling the entire country and organised expediently at the district, divisional, locational and sub-locational levels, MYWO was a political gold-mine for KANU.

The implications for MYWO of this marriage were wide-ranging, including widespread condemnation from the sector fraternity and from others within the broader civil society, and a major withdrawal of funding by its donors, particularly the official donors who found its affiliation to an unfavourable regime difficult to accept. This position intensified following the 1991-2 freezing of donor funds to the government of Kenya.

In 1993, recognising the danger of remaining affiliated to KANU, and in an effort to win back donor confidence, MYWO recanted its association with the ruling party through a constitutional amendment. But this did not change the government's influence over MYWO. In 1995, MYWO's elections, overdue by three years, were postponed and later reconvened with substantial government involvement. Many of the incumbent office-bearers, including the chairperson herself are believed to be KANU loyalists.

The general disposition of the government with respect to collaboration with NGOs is encapsulated in the following words by former Permanent Secretary Oguti in the Office of the

President:

When you have 350 or so bodies, all active in one respect or other of a country's development, you risk the danger of losing sight of the main challenges of development and much duplication of efforts... When resources are limited, as is the case in this country and other third world nations, to be meaningful, development must involve planning the utilisation of available resources to achieve agreed social and economic goals.

This need to 'plan in context' saw the government institute the NGO Co-ordination Bill, purportedly seeking the co-ordination of the sector's activities to ensure consistency with its own vision and development plans. Beneath this facade of an apparently well-intended and relevant goal, however, lay a strong political imperative to control NGO activities and to tap into the resources increasingly becoming available to them. As mentioned already a changing international context was influencing the flow of development resources away from the state, towards NGOs and other non-state actors, including the private sector. This move was viewed by many Southern governments as undermining their capacities for service delivery and their popular base, and subsequently posing a threat to their legitimacy and to the 'imperative' of the state. Further, NGOs were organising and becoming increasingly vocal over the State's continued diversion of national wealth to support its patronage needs; the rising spate of corruption and abuse of office by state functionaries, the deteriorating human rights situation and the continued containment of dissenting politics and politicians. Some of the major concerns expressed by NGOs of the legislation are listed in Box 6.

The NGOs collective reaction to the bill and its subsequent amendment to incorporate some of these key concerns shows efforts by these organisations to secure an enabling environment for themselves against an encroaching state. Their limited yet significant success can be attributed to a number of factors:

## **Box 6 NGO Concerns About the NGO Co-ordination Legislation**

Among the major concerns expressed by NGOs at their first meeting on the legislation were the following:

1. **The government's intention.** The intention of the act was suspect; although it was couched in the language of facilitation and co-ordination, which were welcome goals, the act actually controlled and constrained NGOs through the board, whose membership was heavily weighed in the government's favour.
2. **The minister's power.** The act bestowed absolute power on the minister in charge of determining the affairs of NGOs, such as registration, deregistration, duty exemption, work permits, and so forth. All appeals were to be made to this minister whose decision would be final. Most important, no recourse to a court of law was provided.
3. **Registration period.** The act required NGOs to renew their registration certificates every five years. In effect, this limited the life span of NGOs to five years at a time. NGOs believed that this would adversely affect their operations, especially planning and resource procurement. Moreover, there was no guarantee that new terms and conditions would not be introduced at the renewal stage.
4. **Deregistration.** The act empowered the board to suspend or deregister an NGO for the actions of its officers. NGOs considered this to be too punitive, since closing down an NGO would have widespread adverse effects, and to do so on account of an individual's action was excessive. Also there was no formal mechanism for appeal except to the minister - especially to the same government that would have 'apprehended, prosecuted, and punished' the NGO.
5. **Self-government.** The act provided for the establishment of a National Council of Voluntary Agencies (presumably to replace the KNCSS) whose membership would be limited to the first 100 NGOs whose registration was approved by the board. This council would then draft a code of conduct to be approved by the minister that would be binding for all NGOs. NGOs thought that the council should be elected by all NGOs and that democratic principles should be followed in its operations. Its decisions should not require further approval from the government.
6. **Definitions.** Many of the act's definitions were vague. For example, it was not clear whether churches and self-help groups and donor organisations without projects were classified as NGOs.
7. **Transitional arrangements.** The status of previous privileges (for example, duty exemption), as well as the operating status of many NGOs under protocol arrangements, was unclear. Also not clear were the relations, rights, and obligations between the board and the council.

- The immense amount of resources which they collectively command and whose continued flow into the country the state would want to maintain.
- Their growing collective strength, emanating from an increasingly able and dynamic stewardship provided by their representative bodies (including the National Council of NGOs and a number of networks formed around various sectoral and thematic issues) and NGOs and NGO leaders, mostly local Kenyans with access to and experience dealing with high ranking government officials. This strength has manifested itself variously in recent times, for example in the current debate with the government over the SDD initiative. A key feature of this collective strength is found in the ability of the membership to decide unanimously on issues of common interest.
- The growing support to the sector from the major donors in terms of funding its lobbying efforts as well as a philosophical like-mindedness, which has included readiness to take punitive measures against the state.
- A writhing state, encumbered by challenges from a myriad of sources including donors, opposition parties and grassroots unrest. As pressure towards consistent and broad-based reforms has intensified its role within the development space has shrunk, undermining its capacity to deliver social services and to monitor other development actors, including the

NGOs. The NGO Co-ordination Bureau established in 1993 as the government's facility for registering and co-ordinating NGO activities, faces wide-ranging, largely finance-related capacity constraints, which has limited its ability to operationalise the act effectively.

Faced with these difficulties, the government has had little option but to embrace NGOs not only as a partner, complementing its development efforts but also as an alternative and a countervailing force within the development space. But this admission has by no means completely ridden NGOs of government control and the relationship with the state remains a tenuous one. This is evidenced by the frequent government cries of 'NGO subversion' and the deregistration of NGOs whose activities have been deemed by the government as inimical or inconsistent with the interests of the state. Overall a greater receptiveness has been shown, and support has been given to NGOs with a purely developmental agenda, working with and within established government structures and policy framework. Those with a political agenda have suffered the wrath of the state, often being branded as 'subversive' and 'cohorts of foreign masters'.

**Table 9 Indicative trends in direct funding to Kenyan NGOs by Size and Sector**

NGO	SIZE	SECTOR	DF (%)			NON-DF (%) 1995-6	
	VB/B/M/S		1993	1994	1995 and 1996	NNGO- SOURCED	OWN MONEY
Undugu	M	ID		-	>10	50	40
NCCK	VB	ID		^ 58	65-70		36
KENGO	B	ENV		!	>20	40	40
KIOF	S	SU-AG		-	>10	85	5
SACDEP	S	SU-AG		-	>5	45	50
KITUO	S	D+G, LEGAL		^	>20	80	0
KWFT	m	MED		^	70	30	
CHAK	VB	HEAL		^	25	+ 80	
FPAK	VB	HEAL		^ 66	88		6
MYWO	VB	ID		!	>10	75	25
KFFHC	M	FODSE	36	^ 55	57		
PFP	S	MED		-	>10		
YWCA	B	ID		^ 13	21.5	30	52
K-REP	B	MED	52	^ 69	57	22	21
PRIDE	B	MED		^ 61	30	39	70
IED	S	D+G		^100	100		
VADA	S	TRAJ-CB		!	+80		
CDMach	B	ID		-	>10		+80
ICA	M	ID		-	0	+90	15
CCF *	B	ED-ID		-	0	100	0
WNS *	M	ID		-	0	100	0
GRE-BE	M	ENV,D/G		^	27	73	-
CORAT	S	TRA-CB		!	30-35		
AAK *	VB	ID		-	20	80	
FIDA	S	LEG-AID,D/G		^	40-45		
FSDA	S	SU-AG		-	>10	60-75	25
K-MAP	M	MED		^	70		30
CDNak	B	ID		-	>10	80	10
CDMeru	M	WAT		-	40-45	60-65	0
AMREF	VB	HEAL-ID		^	60-70		30-40
Materi school (Meru)	S			!	50-55		

**KEY**

- ^ Level of DF increased last 3 years (14)
- ! Level of DF decreased last 3 years (5)
- No significant change last 3 years (9)
- \* Local affiliated (3)

### 3. METHODOLOGY IN KENYA

The Kenya case study is based on extensive consultations and interviews with OAs, NNGOs, local service/intermediary and umbrella/support NGOs, the government, as well as with individuals with professional and academic interest in the Kenyan NGO sector. An extensive literature review informs the discussion on the social, political and economic factors influencing the emergence, growth and role of NGOs within Kenya's development space. Two senior INTRAC researchers accompanied by the consultant undertook the initial preparatory interviews with selected OAs, foundations, NNGOs and key individuals with knowledge of the local NGO sector. The author and a research assistant (both Kenyans) then interviewed Kenyan NGOs. The Kenya National Council of NGOs, who provided invaluable institutional and logistical support in undertaking the study, maintained close collaboration throughout the study.

This study focuses specifically on the bilateral aid agencies, and in particular, USAID, ODA, SIDA, CIDA and DANIDA. Interviews with these agencies sought answers to the following issue areas/types of programme activities supported and shifts in emphases, if any, in recent years; the types, amounts and mechanisms of direct funding over the years; the agency perspectives of the different clients/partners; the principles and plans of action, that is, the strategies and mechanisms adopted in direct funding and the list of client NGOs/Support Organisations and CBOs currently directly funded.

The majority of the NGOs contacted during the initial screening stage, while willing to participate in both the screening and in the interviews, were particularly reluctant to furnish information on the type, volume and sources of funding over the telephone, so face-to-face interviews were conducted. Both screening and interviewing were thus done simultaneously, with NGOs notably experienced in direct funding being probed in greater detail. This change in the methodology resulted in a larger number of NGOs being interviewed. Table 10 below provides a summary of the total number of NGOs screened and interviewed.

**Table 10 Screening and interview summary**

	NGOS			
	LOCAL	REGIONAL	NORTHERN	TOTAL
Screened	30	3	4	37
Interviewed	28	2	7	37
No response/not contactable	13	0	0	13

# ZIMBABWE

## 4. INTRODUCTION

This short study surveys the changing relationships between SNGOs and NNGOs and OAs in Zimbabwe, as they adapt to, or are affected by the recent changes in the mechanisms of direct funding. It was clear, however, that direct funding is as much a term that is applied by the recipients (SNGOs) to describe funding received from OAs, as to funding from NNGOs or traditional donors. The issue being raised in the field is that there has always been direct funding from NNGOs and what the OAs are doing is what the NNGOs have always been doing. The difference now is the way in which the funds are administered and the mechanisms used, which changes the nature of the interaction between the actors.

## 5. FINDINGS

### 5.1. OAs and Direct Funding

All the official agencies contacted including others such as ODA and the Dutch government (via its embassies) engage in direct funding of Zimbabwean NGOs. It was not possible, however, to get a list of the NGOs which they support and the amounts involved for DANIDA, NORAD, CIDA and USAID as they consider this internal information. But some examples inevitably emerged from the discussions. Without matching donor to NGO, some of the NGOs which have received direct funding are indicated in Table 11.

**Table 11 Trends in direct funding**

Name of Official Agency	1991	1992	1993	1994	1995	1996
Zimbabwe Women's Resource Centre & Network	–	–	–	*	**	*
Zimbabwe Foundation For Education with Production	*	*	*	*	*	*
Zimbabwe Project	–	–	–	–	–	–
Campfire Associations	–	–	–	–	*	*
	–	–	–	–	–	*
Catholic Development Commission (CADEC)	–	–	–	–	–	–

Notes: \* an OA funding the NGO.

– no OA funding the NGO.

**Table 12 Sectors supported by Direct Funding**

Name of NGO	Sector
Confederation of Zimbabwe Industries	Private sector industry association - national level project support.
Zimrights	Human rights - national level project support.
Zimbabwe Congress of Trade Unions (ZCTU)	Labour movement - project support for ZCTU participation in a regional project for unions

The types of projects normally funded under direct funding are no different from those that are funded under the arrangements with NNGOs. These fall under various sectors and themes such as water development, health and sanitation, education, rural development as a general grouping for infrastructural development projects and income generating projects. They all may be grouped according to themes such as gender and development, environment, energy, human rights and democracy and other themes that emerge from time to time, usually based on the thinking and preferences of the NNGOs and OAs. From the examples obtained through discussions with the agencies covered under this study, albeit limited, the projects include workshops, borehole drilling, building a clinic or equipping it and supporting income generating projects. There is no difference in this distinct general pattern from the very wide range of projects that are also supported under the NNGO/SNGO funding relationships.

In the case of bilateral programmes, however, there is a sharp distinction in the types of project funded by these same OAs; for example; roads (SIDA); education (SIDA); water and sanitation (DANIDA); health (SIDA, USAID); telecommunications and commodity import programmes (CIPs); and balance-of-payment support, low income housing (USAID). One type of project not normally covered under bilateral arrangements, but covered under direct funding, is support for human rights.

The type of Zimbabwean organisations which attract funding include the large SNGOs with national operations or even regional operations such as ZERO or SAFAIDS which have regional operations/outreach; local NGOs with localised rather than national operations, covering one region of the country or one district; and small SNGOs such as small co-operatives or clubs (which in some cases may be a village-based organisation that is not formalised through registration under any law). But OAs seem to recognise the risk associated with each of the layers of the type of organisations they could support. First, there was a common view that the smaller the organisation, the higher the risk: it may not be possible to enforce accountability and there is a risk that a project leader or promoter may misuse the funds. Second, the smaller the project organisation, the larger the number of grants that have to be made and this obviously increases the administrative burden. This is stressful for those agencies that do not have specialised departments or sections for their development co-operation activities.

The bigger the organisation, the more attractive it is to the direct funders because they are reasonably assured of accountability and there is less risk of default in the fulfilment of the planned activities. There is also scope for longer-term implementation, not just a few months, and this presents an opportunity for more contact, other than funding. This is one of the distinct differences perceived between OAs and NNGOs - that the former do not normally go beyond just a pure funding relationship to understand the projects of the recipient. But there also seems to be a reluctance to go for the very large NGOs because these tend to be seen as being less in touch with the people for whom the assistance is intended. This tends to lead to some crowding around the middle sized organisations.

## **5.2. Direct Funding Mechanisms**

OAs are moving more towards direct funding for a variety of reasons:

- To cut back on costs of middle/intermediate organisations in the form of NNGOs; the NNGOs are also aware of this reason for OAs wanting to fund the local NGOs directly;
- To provide more direct support to SNGOs because of the belief that they no longer need intermediaries in the funding process since they are perceived to have ‘come of age’;
- To ensure that there are more resources getting directly to the target group, especially where the direct funding is through the small embassy project funds;
- To use direct funding as a more direct channel through which to push their own agenda by giving more direct support to NGOs, CBOs or even just small projects, which are engaged in activities which the embassy of the OA believes deserves support for the development of civil society. The implication is that the NNGOs would not be an effective channel to use for that support; this can also serve the political and development agendas of the OAs.

One of the mechanisms is the Embassy Small Project Fund which is used at the discretion of the ambassador to support any type of request that is deemed deserving. There seems to be a shift from this mechanism to a larger fund-based approach which is deliberately targeted at particular themes and organisations.

As a result of this shift away from the Embassy Small Project Fund, there have been special funds set up, such as the CIDA Women's Special Initiative fund covered during the ODA assignment. Special funds have also been created on a thematic or sectoral basis and on a country or regional level. The Canadians use the thematic, and the country and regional focus mechanisms, for example, while the Dutch tend to be more sectorally focused although they still have the thematic focus inside the sectors. Some of the special funds mentioned include those for Women In Development (WID), for Environment, for Energy, and for Rural Development.

For the delivery of the assistance programme most agencies work directly with the recipient NGOs. They have the internal capacity in terms of staffing, such as programme officers and administrative personnel to handle the grant-making and administration process. The one exception so far is USAID who have hired an American consultancy firm to work together with a local counterpart firm (Price Waterhouse) as project managers. This is an unusual mechanism for OAs.

## **5.3. Trends in Direct Funding to Zimbabwean NGOs**

There appears to be an increase in direct funding (Table 11). The agencies studied believe that the increase results from the improvement in the organisational capacity of SNGOs. This removes the need to work through intermediary NNGOs, and hence directly fund SNGOs. The five SNGOs in this case study illustrate an increase in direct funding: in 1991 only one of them received it, two in 1994, and four by 1996. Unfortunately, the agencies talked to neither released figures which might illustrate the growth in the volume of funding nor could they release the names of grantees.

An increase in the volume of funding going via the direct route is reported, however. Information from DANIDA indicates that they are allocating 10% of the total country programme budget to direct funding. CIDA now commits more money to direct funding than previously: besides the Special Initiatives support programme, they presently have two additional regional funds - one on African labour unions and the other on Rights Governance and Democracy. Dutch decentralisation of their development co-operation to embassies could lead to an expansion in the volume of funding.

There seems to be some collaborative tendencies emerging between OAs and NNGOs from their respective countries. There is a market-sharing tendency i.e. that the official agency will not normally fund the same NGO which is being funded by an NNGO from the same country. On the other hand, there is also an influence on the sectors' funding by NNGOs. This is exerted by OAs because they also provide monies for NNGOs to fund SNGOs. Thus the aggregate situation is one where NNGOs are dependent on the OAs for funding, and the Northern donors collectively are giving funds to issues which they feel comfortable with and which do not hurt their own interests.

The USAID experience brings out the fact that there are also collaborative tendencies among USAID and other OAs. They have a donor coordination committee with monthly meetings (UNDP was the chair at the time of this study). For donors involved in environment and natural resources, a programme level collaboration is being planned. The donors also discuss alternatives to their interventions and share experiences.

The OAs believe they are focusing on the development of civil society by strengthening SNGOs who would otherwise be weak and unable to provide an alternative voice or opinion to government's own. They believe this can make the government feel less assured. Yet despite the government is aware of direct funding by OAs they have not opposed it. Even when projects such as human rights and governance-related debates have been funded, the government has not blocked any such funding.

An inevitable trend which has emerged is the changing nature and relationships of the NNGOs, though the change observed in Zimbabwe seems to be less severe than that observed in other countries. In one case there has been a serious reduction in the volume of funds going through NNGOs (Canada) and this risk is appreciated by other NNGOs spoken to. This means they have to contend with managing the risk of receiving reduced funding. In the case of the Dutch this risk seems to be well managed through contracts for an agreed percentage of the national budget going to development co-operation. In the case of the Danes and the Norwegians there is still co-operation between the OAs and the NNGOs.

#### **5.4. USAID and Campfire**

This case study looks in depth at the unusual case of USAID's funding of Campfire. The mechanisms used by USAID to implement the fund, and the way in which this will affect the character of the agency they are funding, show how this route can change the sector, and has implications for other funders and agencies considering similar options.

USAID does not engage in direct funding as an agency. It works through the government of Zimbabwe to support agencies in specific sectors which are identified by the government. Campfire is one of those identified by the government for support under the environment and tourism sector. Others include WWF, Zimtrust, Action Magazine and CASS. USAID also provides funding to non-governmental private sector institutions such as Stanbic and Barclays Bank in the small business support programme, and the Zimbabwe Building Society in the housing sector. All these arrangements have to be sanctioned under the bilateral arrangements between the government of Zimbabwe and the US government. Apart from Campfire there are no figures of the amounts involved, but there is a substantial amount of resources going the direct funding route. Campfire is receiving US\$1.8 million between November 1996 and August 1999. It is also receiving US\$6.0 million for the Campfire Development Fund which is intended for Rural District Councils (RDCs).

According to the USAID response, the motivation for direct funding is when the government has no capacity, time or experience to implement certain programmes. There are a number of examples. The Campfire Association, Zimtrust and CASS, where the Ministry of Environment and Tourism requested donor support for the area of institutional development and biophysical research. The Zimbabwe National Family Planning Agency (ZNFPA) runs the national family planning programme which is a health sector programme falling under the ambit of the Ministry of Health; some private sector organisations such as Barclays and Stanbic run small enterprise loan guarantee schemes, in response to the call for support to small-scale enterprises by the Ministry of Industry and Commerce. The Zimbabwe Building Society (ZBS) together with the Ministry of Public Construction and National Housing provide support in terms of physical planning, housing loan guarantee and supervision, and there is also a USA counterpart to the local firm doing the construction of the houses.

Direct grants are provided to recipient NGOs based on a proposal that has been agreed upon. In the case of Campfire the grant is worth US\$1.8 million for the period November 1996 to August 1999. USAID appoints a project manager for the administration of the grant because it judges that all NGOs have no (or inadequate) capacity to manage funds themselves. USAID recognises that it is a 'difficult' donor from the point of view of accounting for its grants. SAID has 32 handbooks of rules and regulations concerning its funding. But it would be unrealistic to expect local NGOs to know about all these and to report accordingly. The experience from previous funding was that some agencies such as Zimtrust were spending approximately 30% of their time handling USAID requirements of training and reporting. As a result, USAID brought in a grant manager and financial manager to overcome this limitation.

The appointment of the project management team was done through an open tender system to which both local and foreign firms submitted bids. All foreign firms had a local partner in their bids. The local firms were all the big five international audit firms. In the end the contract was awarded to Development Associates, a US firm with Price Waterhouse in Zimbabwe as their

counterpart. So in this case the structure of the project management team is team leader - Development Associates, procurement - Development Associates, and financial manager - Price Waterhouse.

Although this project is widely considered as direct funding to a local NGO, this is true perhaps only in so far as it is *not* bilateral funding or funding of an NGO via the government. The grant is disbursed following an indirect mechanism through the project manager and the Development Associates. A small amount (referred to as not more than petty cash) for regular expenses such as fuel and office consumables is regularly disbursed upon request from the counterpart. For salaries and large expenses, Development Associates makes the payments directly themselves because Campfire does not yet have the capacity to handle the funds and the ability to account for them.

The project management team is accountable to USAID and not to the local NGOs. It is made specifically clear that the project manager is there for USAID interests in the first instance.

To strengthen the role of the project manager and to make the system more efficient, the project management team has chosen 'co-location' - to be located at the same site as Campfire offices. New offices are being built to accommodate the team members next to the Campfire offices. Besides managing the project fund, the project management team is also putting in place generic systems in NGO management which the Campfire staff can use. Each of the team members has a counterpart in Campfire to train and to eventually hand over responsibilities. It is planned that the project management team will gradually hand over the management of the fund to the counterpart staff in Campfire. But with regard to the Campfire Development Fund, it will never to be transferred to Campfire; the project manager will always administer it.

On the main account/expenditure lines, payments are based on quarterly cash projections prepared by grantees. Development Associates can decide to transfer funds or not depending on how pleased they are with the use of the previous funds.

Zimtrust is in a different position regarding this mechanism. They are receiving direct funding in the true sense of the word from USAID because they had five years prior experience with USAID. They have enough experience and capability to manage the grant without the intervention of a project manager and therefore they are not covered under the project management agreement. All other NGOs are covered while private sector companies are not.

Because it has taken time to complete the planning for the project and have all agreements in place, USAID has used the mechanism of a 'bridge grant' to provide for the financial requirements of the project in the interim period.

Budgets are prepared annually in the framework of the global budget. Planning workshops are held in all implementing agencies to produce an annual plan and budget. Despite the evidence above allocation is theoretically based on the performance of the agency, that is, its absorption capacity.

The types of project funded are in the areas of natural resources management, such as Campfire, Zimtrust, CASS and WWF; biophysical research projects such as CASS; infrastructural projects such as low income housing via the ZBS; population control/management projects such as those under the ZNFPA. The funding of housing through a financial institution is an exceptional case when compared to what is normally funded by NNGOs. Other projects fit into the general pattern of what is funded by NNGOs.

Certain NGOs operating in Zimbabwe attract USAID funding. This includes the well-established local NGOs such as the Campfire, Zimtrust, CASS (even though they may have been judged as weak, they are well established); international NGOs that are operating in Zimbabwe in specialised sectors such as natural resources management and wildlife (such as WWF); and private sector NGOs - private profit-making companies.

The NGO determines the specific activities to be undertaken, but they are in the context of the need to achieve agreed output within four budget lines/components. These are that commodities have to be procured for the project. That there should be technical assistance, including salaries and the construction of infrastructure such as project management offices. Training or institutional development has been emphasised. NGOs are assumed to have the basic capacity to implement this but need periodic training which has so far included CASS word-processing training. In the case of strengthening Campfire's institutional development, greater training as regards financial management and administration is provided because it is considered a nascent NGO. A choice which had to be made was between training-up the capabilities of the existing staff or dismissing them. Short training courses of an average six-weeks' duration are followed by on the job training. The policy is that there will be no long-term training as part of the project.

USAID works only with the Zimbabwean government and any other relationships with NGOs have to be sanctioned by the government. To effect this, the government sits on a panel that selects which NGOs can benefit under specific funding that will have been requested by a particular ministry. The relationship is defined as one where the government of Zimbabwe delegates implementation of certain programmes to NGOs. There are agreements with the government at two levels - bilateral and specific - and the government is signatory to both.

The above structure is overloaded. Its functions appear to be mainly administrative with little contribution to programme development. The technical functions involved are not deficient in Zimbabwe and the project management fund could be used to ensure the hiring of appropriately qualified staff with adequate experience to cope with the USAID accounting requirements.

This is an expensive model, much more so than the indirect funding via NNGOs who take less than 25% of the allocation for their own overhead costs. USAID's argument that the cost of the project management component does not affect the allocation to the NGOs is erroneous. Excluding the technical and operational components, the proportion of the cost of the project management component in the entire Campfire budget is 25%. But the cost of this arrangement is over and above what is allocated to the NGOs, thus the belief is that this does not reduce the

funding available to NGOs. The volume of funding may not be proportionate to the need; beneficiary NGOs imply that there has been too much too quickly. It would be better to spread the funding over a longer period of time. It is not the case that some money would be used anyway whether the projects were there or not. To the extent that this is a cost incurred as a consequence of implementing this project, then the full cost of the project management contract has to be considered as a cost. The training component could prove valuable if it is implemented well. The idea of short-term on-the-job training is worthwhile and more cost effective.

There is a very high risk of the NGO losing its sense of identity as the project management team moves in and completely takes over the administration of the organisation while the SNGO management and staff implement the planned activities. Even though it is intended to hand over the administration of some of the budget lines to the Campfire staff, there is no programme or schedule for this. It is left to the discretion of the project managers depending on the performance of the individual NGOs. Such a patronising approach is based on USAID's failure to change its own cumbersome, bureaucratic 32-handbook regulatory system on grant management; instead they have preferred to impose an agent on the SNGOs. It is not the shortage of capacity in the countries of the SNGOs that is at issue; it is the lack of adequate funding to hire the people with the requisite skills. Other OA grant-making models where direct funding is given in the true sense of the word and also institutional support is offered or included in such grants are much more responsive to the situation and reality of the SNGOs.

In one case there has been conflict at the operational level in the field between the preferences of the OA and the NNGO in terms of the nature and targets of the direct funding. The NNGOs are alleged to claim that they are the ones who understand best the situation in Zimbabwe, and the OA as wanting to fund the same SNGO as the NNGO. Such cases can lead to unproductive arguments between offices and double funding.

Although there do not seem to be any known cases of explicit rejection of direct funding, either because of what conditions may be attached to it or the impact it could have on the organisation, there are a few cases where this option has not been taken up by the local NGO. In the case of CADEC, for example, they had a clear opportunity to get direct funding under the ODA support programme to NGOs in Matebeleland. However, they opted to continue to have their funds channelled through their sister UK agencies. There were a number of reasons advanced by CADEC and other agencies as to why they would consider direct funding from OAs less attractive than direct funding from NNGOs: a good coverage of the fund-raising risk when an NNGO is involved because they know each other already, better and personal contacts with the officers, and the possibility to get advance funding from the NNGO should there be delays in negotiations.

In the case of another local NGO they had a short one-off direct funding relationship with an OA, but they were not keen to explore it further because they felt there were difficult conditions attached to it compared to the relationship with the NNGOs.

The third case is one of an agency which currently has a direct funding relationship which it feels is very beneficial in terms of the volume of resources available, which is large and in fact

more than adequate. But they feel that there is inherent risk in terms of the strain on the organisational capacity, the potential loss of their identity, and the excessive reporting requirements. They are also concerned about the long-term damage to the sustainability of the organisation if there is inadequate attention paid to the huge growth which would come with the suggested injection of a new Z\$60 million (US\$6.3 million) over the next four years. In such a case it is felt that with a full knowledge and experience of the consequences of a direct funding relationship of this nature, the SNGO is likely not to enter into such a relationship.

## **6. METHODOLOGY IN ZIMBABWE**

The study involved face-to-face and telephone interviews with various agencies including NNGOs, OAs and Zimbabwean NGOs. Relevant reports and documents have not been parted with by the OA's interviewed. They have stated that the information is not published. The best

source would be their head offices and perhaps some of their beneficiaries in the South if they identified these. SNGOs are also sensitive when asked them about their budgets, and donations from specific donors is not what they will agree to give for publication or even for private use..

The following institutions and people were researched as part of this study:

OAs:

- USAID, Mr Cutsheal and Mr Chapeyam: with special reference to the ZIMTRUST/Campfire project and the relationship with the USAID's agents;
- CIDA, Mr John Copland, Counselor Development. The information obtained was separate from the women's special initiative projects fund;
- DANIDA, Ms Kapijimpanga, Programme Officer;
- NORAD.

NNGOs:

- HIVOS;
- OXFAM.

ZIMBABWEAN NGOs:

- ZIMBABWE WOMEN'S RESOURCE CENTRE & NETWORK: a medium-sized women's SNGO. It was an NGO which refused funding from an NNGO;
- ZIMBABWE PROJECT TRUST: a medium-sized SNGO with very limited direct funding experience, but with extensive experience in funding from NNGOs;
- CAMPFIRE ASSOCIATION: a large SNGO receiving direct funding from USAID, and the special focus of the case study is on the mechanisms of actual fund management, and its impact on organisational development, transparency, accountability and other issues;
- CADEC: a large Catholic Church organisation and it has had a long experience with funding from NNGOs and does not want to change to direct funding even when it is offered, preferring to remain with the NNGO relationship;
- ZIMFEP: a large agency which has long experience with direct funding, as well as funding from NNGOs.

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