

A Handbook on the

VADA/NGO
CO-FINANCING
PROJECT

A Partnership between
Voluntary Agencies Development Assistance
and Non-Governmental Organizations

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Foreword

VADA is pleased to present this handbook to explain its expanded services and how NGOs can benefit from them.

The handbook describes in some detail the NGO Co-Financing Project being implemented by Voluntary Agencies Development Assistance (VADA) with funding from the United States Agency for International Development (USAID). The Project will provide various forms of assistance to NGOs in Kenya.

Co-financing means that all forms of assistance are undertaken cooperatively in a partnership between VADA and participating NGOs. VADA will be honoured to work in partnership with other NGOs with the common purpose of promoting Kenya's development.

If you wish to receive further information not provided in this handbook please contact the:

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I. What is VADA?

a) Objective

Voluntary Agencies Development Assistance (VADA) is a private, non-profit Kenyan organization that provides a wide range of support services to non-governmental organizations (NGOs)* involved in community development work throughout Kenya.

VADA's objective is to maximize the impact of development oriented NGOs working in Kenya. It works towards this objective by strengthening and enhancing NGO institutional capabilities, by creating and improving linkages between NGOs and the donor community, and by promoting collaboration among NGOs. VADA is committed to assisting the generation of innovative ideas and approaches to community development by NGOs.

b) Origin

The need for an organization such as VADA was conceived as a result of research on the management needs of NGOs in Kenya, funded by the Ford Foundation and undertaken by VADA's current Executive Director. A meeting of twenty-five NGOs at Nyeri in October 1983 which analyzed the problems and needs of NGOs confirmed the findings of the earlier research. A steering committee was formed to investigate the feasibility of establishing a support organization to improve and strengthen NGOs. The outcome was the establishment of VADA which, aided by an initial grant from the Ford Foundation, opened its office in June 1984.

c) Recent Achievements

Although still a young organization, VADA has already provided a wide range of services to NGOs. These include training and consultancies in such diverse areas as staff management, financial management, tax strategies, project management, and leadership development.

For example, VADA has provided training to a variety of NGOs including World Vision Kenya and the Kenya Catholic Secretariat, among others. It has organized a number of workshops and seminars on such topics as rural development, small-scale business development, and women in management. Its annual conference for heads of NGOs has become a well-established event attended by over 30 NGOs each year.

VADA's Board of Directors, with Mr. Bethuel A. Kiplagat as the Chairman, provides the organization with the variety and breadth of professional expertise, geographical representation, and sectoral experience necessary to guide a multi-faceted organization.

d) VADA and NGO Co-Financing

VADA is embarking on a new phase in its evolution as it implements a recent United States Agency for International Development (USAID) project

* The term NGO is used in this document, although NGO and PVO (Private and Voluntary Organization) are similar in meaning.

designed to assist NGOs. This project, entitled the NGO Co-Financing Project, is unique in the donor community.

The project complements and expands VADA's existing mandate and portfolio of services, and will provide other donors with a tested mechanism for improving the management capabilities and financial viability of NGOs in Kenya. It is designed to help build a stronger NGO community without sacrificing the vision and initiative embodied in NGOs.

It was VADA's experience in providing capacity-building services to NGOs which led to preliminary discussions between USAID and VADA on the design of the Co-Financing Project. It was recognized that such a project would have a more immediate and enduring impact if carried out by a Kenyan NGO. Since a major objective of the project is to enhance the institutional capacities of NGOs in development, and since VADA was the only private Kenyan NGO providing support services to the entire NGO community in Kenya, the choice of this indigenous organization with similar aspirations was logical.

VADA's assistance in the design of the project culminated in the signing in June 1985 of a multi-million shilling, seven-year cooperative agreement between VADA and USAID.

II. NGO Co-Financing Project

a) Purpose

VADA recognizes that NGOs are key agents of development and that they tend to promote innovative, integrated approaches to development whose low costs result from community contributions, voluntary labour and low overheads. It also holds that their activities are usually based on community participation which is necessary for building self-reliant communities. These factors often lead to self-sustaining projects that increase self-reliance. In light of this, it is clear that strategic assistance to NGOs will substantially benefit Kenya's development.

The objectives of the Co-Financing Project emerged from intense consultation with NGOs. Recognizing the unique capabilities of NGOs to effect change among the rural and urban poor, those involved in designing the project asked the NGOs themselves what forms of assistance would best meet the needs of the NGO community.

NGOs responded that their effectiveness could be improved substantially through a combination of financial assistance and improved management capacity.* By increasing their management capacity, NGOs felt they could both make better use of existing funds and utilize more funds. Co-financing therefore is a strategy for assisting NGOs that combines financial assistance with capacity-building forms of assistance.

b) Partnership

"Co-financing" means, literally, cooperative financing, whereby VADA and the participating NGOs will, as partners, share responsibility for financing specific project activities, training and other services.

There are several compelling reasons for joint financing. VADA aims to undertake activities in partnership with NGOs which share similar objectives. The joint provision of monetary resources, whether cash or in-kind, is the tangible manifestation of this partnership. It is also a way of preserving the independence that NGOs so rightfully guard. In addition, it is widely recognized that contributions from the communities NGOs work with increase the interest and commitment of the beneficiaries. Indeed, cooperative financing is a concrete expression of the Harambee spirit which has been the moving force behind many of the projects implemented by communities and NGOs throughout Kenya.

c) Types of Assistance

NGOs identified three areas in which assistance would have a positive impact on their operations:

- Direct financial assistance for development activities
- Institutional strengthening (training and advisory services)
- Improved information and evaluation services

Each of these is described in detail in other sections of this handbook.

* See "Survey of U.S. and Kenyan NGOs," USAID/Kenya, February, 1985.

Requirements for Participation

At present, participation in Co-financing is available to Kenyan and American NGOs. The two requirements for obtaining funds and other services from VADA under the Co-financing Project are discussed below.

i. Registration

To receive grants, NGOs need to be registered with the Government of Kenya and have obtained tax exemption. In addition, NGOs need to register with USAID through VADA, in order to verify legal incorporation, financial soundness, and operating competence of an organization.

Registration is discussed in detail in Annex A of this handbook. This Annex also contains a form entitled "Registration Checklist" (see pp. 17-19), which has been designed to facilitate the process of submitting registration documents to VADA.

ii. NGO Financial Contribution

NGOs need to contribute at least one third of the cost of the project activity for which grant funds are requested. Training and advisory services will also be provided on a fee-for-service basis.

The NGO contribution for projects can be in cash, in-kind, or a combination of the two. All NGOs will be expected to provide a reasonable portion of their contribution in cash, and US NGOs will be expected to provide a substantial portion of their contribution in cash. The NGO contribution for all services provided by VADA other than for project funding must be paid in cash.

The costs of designing and planning a project may also make up a part of the NGO contribution for projects. To qualify as a contribution, it must be clearly demonstrated that such costs were incurred in designing the project. This is an innovative feature of the VADA funding strategy. It takes into account the fact that a great deal of groundwork, usually involving the participation of the target community, is necessary before a project with strong community backing can be developed and then presented for funding. This recognition of the costs involved is also designed to encourage good forward planning, and thus increase the likelihood of successful project implementation.

Guidelines on the NGO financial contribution are presented in Annex B.

III. The Development Fund

a) Purpose

The purpose of the Development Fund is to provide NGOs with a flexible source of funding for a wide range of development activities intended to benefit the poorer sectors of the population. The Development Fund works closely with other departments of VADA in order to maximize the benefits that flow from co-ordinating both financial and non-financial forms of assistance.

b) Activities to be Funded

The scope of VADA's Development Fund has been kept as broad as possible to match the wide range of NGO activities. VADA recognizes that NGOs are carrying out significant activities in all areas of development. These include health, nutrition, water and sanitation, education and training, agriculture, energy, environment, family planning, and small business development. In addition, NGOs often are noted for their ability to undertake projects that incorporate a number of project areas as they respond to the complex needs of a community. Such integrated activities will also receive favourable consideration.

c) Selection Criteria

In considering proposals submitted for funding, VADA will give preference to projects which incorporate some or all of the following characteristics:

- Projects which improve the general welfare of poorer communities, or promote employment opportunities for them.
- Projects which enhance the ability of the beneficiary group to plan, implement and maintain self-help development activities. In order to help communities to be more independent and to take increasing responsibility for their own development, VADA believes that community participation should be a central feature of all projects.
- Projects which demonstrate the capacity to be eventually self-sustaining and which include practical strategies for attaining that objective, for example, by charging fees for the use of the project's services.
- Projects which are innovative and creative in approach. VADA's funds can be used for testing new ideas.
- Projects which have the potential to be adapted for use by other communities, thus expanding the number of potential beneficiaries.
- Projects which will advance the well-being of women and maximize their impact in development. Since women perform an estimated 80% of the work done in rural areas, projects must respond to the needs, aspirations and potentials of the women who participate in them.

d) Grant Levels

NGOs are sometimes faced with the problem of scaling their funding requests to a level that is convenient for the donor rather than for the NGO itself. This can lead to the development of an expanded project proposal which the NGO may not have the operational capacity to handle.

To avoid this problem, the Development Fund does not have rigid funding levels. Instead, there are two broad ranges of funding within which a wide variety of NGO projects can be assisted. In general, it is assumed that funding will be for projects with a three-year life-span.

The guideline figures below take into account the expected size and handling capacity of NGO projects. They also ensure an equitable distribution of funds among different NGOs and regions. The special attention to providing small grants responds to the existing high demand for modest levels of funding, and for funds for experimental and highly innovative projects.

The two broad funding ranges are large grants, i.e., over Kshs 800,000, and small grants, i.e., below Kshs 800,000. Requests for grants less than Kshs 300,000 will normally be referred to the small grants programs of other donors.

VADA would also welcome proposals from NGOs to supplement their existing small grants programs in order to extend the small grant funding capability of the Co-financing project. Such proposals must also meet the conditions and criteria of the project.

e) Applying for Financial Assistance

i) Funding Cycle

A streamlined grant review and selection process has been designed to respond quickly and with flexibility to NGO requests for funds. This process should help overcome lengthy delays in responding to NGO funding requests that have often undermined the community support which is so critical to project success.

Grant review and selection take place within four-month funding cycles. The precise dates of each funding cycle will be announced well in advance. NGOs which submit funding proposals at, or before, the beginning of a funding cycle can expect to be notified by the end of the four-month period whether or not their proposal has been accepted for funding.

ii) Project Summary

A major element in the effort to streamline proposal review and selection is the use of a "Project Summary." This is a short, two-page form (see Annex B, pp. 23-24) for NGOs to present their project ideas in brief. In response, VADA can provide NGOs with a rapid, preliminary assessment regarding project development. This step should prevent time being wasted in preparing elaborate proposals that are later rejected for reasons that could have been identified at an early stage.

Project summaries may be submitted to VADA at any time during a funding cycle. It is only the full grant funding proposal which must meet the funding cycle deadline.

Project summaries have the additional advantage of identifying opportunities to assist NGOs with other services. For example, if necessary, VADA can provide technical and design assistance to help develop promising project ideas. This might, for example, involve providing a forester to help develop a technically sound agroforestry project. Such services will be provided on the same fee-for-service basis as all co-financing services.

iii) Project Funding Proposal

The project funding proposals should clearly state the objective of the proposed project, and include both an implementation plan for reaching these goals and an evaluation plan which can monitor the achievements of the desired objectives. The proposal should demonstrate why the project is needed, the extent of beneficiary participation, and establish the technical, social and environmental soundness of the project design. The desired format for project funding proposals is included in Annex B, pp. 25-28; it clearly sets out the requirements of a full proposal.

f) Project Selection Committee

Project funding proposals are reviewed initially by VADA staff. An independent Project Selection Committee, which functions like a "Council of Elders," will subsequently review the proposals and jointly select the ones to receive funding.

The members of the Project Selection Committee will be chosen for their objectivity, experience, and integrity. The Committee as a whole will be chosen for its broad knowledge of NGO development activities in Kenya and to achieve a balance between different sectoral, professional and geographical areas.

g) Implementation

Good forward planning, reflected in sensitive project design, contributes greatly to successful project implementation. Hence VADA's interest in facilitating project design. However, even well designed and well planned projects sometimes encounter difficulties in the course of implementation. VADA, therefore, in a spirit of genuine partnership, is available to assist NGOs during all phases of implementation. Its relationship with NGOs will be that of a concerned partner jointly pursuing the achievement of project goals.

IV. Training and Advisory Services

(a) Services

The increasing need for training and advisory services by NGOs in Kenya led to the establishment of VADA. These services have become the cornerstone of VADA's support activities. The more than thirty NGOs which were consulted during the development of the NGO Co-financing Project confirmed this. They described the need for different kinds of capacity-building assistance which can be categorized into five broad areas:

1. Project Development
2. Financial Management
3. Organizational Management
4. Leadership Development
5. Technical Support Services

The primary purpose of providing training and advisory services in project development is to increase the effectiveness of NGOs in planning, designing, managing and monitoring the use of funds and other resources to accomplish desired results. In addition, VADA offers training in the writing of project proposals.

In regard to financial management, VADA attempts to increase effectiveness in managing and monitoring the use of funds. If requested, VADA can help install financial systems and procedures for NGOs.

Organizational management forms the core of VADA's training and advisory services. It includes imparting useful skills in, for example, the selection of competent employees, the effective use of governing boards, techniques of fund-raising, and the development of marketing strategies to accomplish maximum results.

NGOs have indicated a strong need for improving the technical aspects of their work through innovative design and well-conceived implementation plans. This need cuts across the various disciplines, including health, agriculture, water, etc.

(b) Approach

Institutional strengthening services are provided in order to increase the management capacity and improve the effectiveness of NGOs as they carry out their work. NGOs felt that this assistance will help them to use their existing sources of funds better and also increase their ability to use additional funds.

Institutional strengthening is provided in two forms: as training seminars and as advisory or consultancy services. Training is provided to individual groups, whether from the same or different NGOs. Advisory services, which are similar to consultancies, are provided to individual NGOs. All training and advisory services will be provided for a modest fee, following the same principles and objectives of co-funding as discussed earlier.

(c) Training Services

Training is directed at the middle and upper levels of staff, including project and technical personnel, financial officers and executives. Training is provided primarily for Kenyan staff members of indigenous and U.S. NGOs. By providing a number of relatively brief intensive seminars, learning through reinforcement is attained while minimizing the demands on valuable NGO staff working time.

Workshops are opportunities for NGOs themselves to define their needs, which in turn are translated into seminars. This approach ensures that learning is tailored to the needs of NGOs themselves. Workshops use a participatory approach incorporating the case study method. Seminars and workshops are held regularly in project development, financial management, organizational development and technical support areas. NGO project proposals and consultations with NGOs help to determine the precise content of the training sessions. All sessions will be well advertised and gradually, VADA expects to be able to reach most NGO staff members.

(d) Advisory Services

In addition to training, Kenyan NGOs may also take advantage of the specialized advisory services which VADA provides in the areas discussed above. This form of assistance will be provided primarily to NGOs that have submitted, or plan to submit, promising proposals for funding.

Advisory services are an intensive form of consultancies meant for individual organizations. They can be divided into two general types, those related to organizational and financial management, and those related to project management.

The aim of advisory services in organizational and financial management is to review the key objectives of the organization, assess its existing structure and appraise its financial systems and procedures. It is expected that through advisory services, the overall capacity of NGOs to meet their objectives and use their funds effectively will be greatly improved.

Advisory services in project management provide assistance directly to NGOs as needed in designing projects, whether it is from a technical standpoint or in terms of the overall plan for meeting project objectives. For example, if necessary, VADA can second a water engineer to assist an NGO to design a water project, or provide a project planner to advise on the overall design of a project.

Further information on VADA's training program, its other services as well as fees to be charged will be announced through the VADA newsletter and general media.

V. Information and Evaluation Services

a) Information Services

Many NGOs have expressed the desire for a better exchange of information among themselves. NGOs based in provincial towns and those operating in the rural areas need better access to professional expertise, technical information and other development resources. U.S. and national NGOs, often based in Nairobi, need better access to the often undocumented experience and expertise of rural people involved in development. All NGOs could benefit by having access to a variety of development-oriented NGO networks already in existence world-wide.

VADA addresses these needs in the following three ways:

1. Quarterly Newsletter

The newsletter will carry reports of programmes and projects being implemented by NGOs; interviews with people in crucial but often unacknowledged roles; information on events, training courses, seminars and publications of interest to people working in development; and opportunities available through NGO Co-financing such as upcoming training seminars and funding cycles. Since the newsletter is intended primarily as an exchange forum, it is hoped that NGOs themselves will provide much of the material.

2. NGO Directory

A directory of NGOs involved in development will be compiled which will classify and describe NGOs in terms of organizational status, specific development interests, and geographical areas of operation. This will complement the existing NGO directories which only cover particular sectors of NGO activity.

3. Information Centre

To facilitate the flow of information to and from development-oriented NGOs, VADA plans to set up a "sign-post service." This service simply points interested enquirers towards appropriate sources of technical information, people with particular expertise, funding sources and other development resources. A small and selective resource centre on NGOs in development will also be established.

b) Evaluation

VADA perceives evaluation as an important and extremely useful tool for improving the project implementation, management skills and the techniques used by NGOs in development objectives. Evaluation undertaken with a genuine desire to enhance capabilities and maximise achievement can be a vital tool for those at all levels in the development process.

VADA is committed to working closely with NGOs to help stimulate the emergence of an evaluation methodology which is tailored to the needs of Kenyan NGOs and determined by Kenyan values. This will encourage NGOs to integrate evaluation more readily into their project planning, and help to eliminate the perception that evaluation is basically a fault-finding exercise.

In addition, VADA will provide, primarily to NGOs whose projects it funds, evaluation services such as:

- i) advice and guidance on integrating evaluation processes into their projects at the project design stage;
- ii) assistance in carrying out evaluations at appropriate stages during project implementation; and
- iii) training of NGO staff in evaluation methodologies and practice, including techniques for assisting participating communities to evaluate their progress.

VI. Concluding Note

Kenya is fortunate in having an abundance of NGOs, reflecting the self-help tradition which has been a moving force in the country's development.

Recognition of the enormous potential in the NGO sector led to the assistance strategy outlined in this handbook. Through careful coordination of financial assistance and institutional strengthening, VADA expects to expand the activities of NGOs while also enhancing their ability to carry out better and more effective programmes.

The potential of the partnership between VADA and NGOs to promote Kenyan development objectives, especially among the poor in both rural and urban areas, is tremendous.

In a spirit of genuine partnership, VADA extends its welcome to NGOs to participate in NGO Co-financing and to take advantage of the wide variety of services available through this project. We believe that our cooperation will make a significant contribution to Kenya's national development.

Annex A
Registration

Registration: General Information

a) Introduction

To qualify for grants from the VADA/USAID NGO Co-Financing Project, NGOs need to be registered with both the Government of Kenya (GOK) and the United States Agency for International Development (USAID). This reflects the desire to work with NGOs that are legally incorporated in Kenya, a step which indicates that the NGO has sufficient legal and financial ability to establish accountability.

VADA is available to assist NGOs with both forms of registration, which require similar documentation.

1. Kenyan NGOs

When Kenyan NGOs have fulfilled the requirements for registration with the GOK, they need to register with the USAID/Kenya Mission through VADA. Registration with USAID verifies legal incorporation with the GOK, and establishes the financial soundness and operating competence of an organization.

VADA will facilitate registration with USAID by reviewing the necessary documents before submitting them for final approval. A special form referred to as the Registration Checklist has been prepared for NGOs to use in compiling registration documents (see pp. 17-19).

2. U.S. NGOs

U.S. NGOs need to register with USAID headquarters in Washington, D.C. Such NGOs should consult the USAID Mission to Kenya, specifically the Division of Human Resources Development, for guidance on registration with USAID in Washington.

VADA will assist U.S. NGOs in registering with the GOK. Where registration with the GOK is not feasible, U.S. NGOs might consider submitting a project proposal in association with an NGO which is registered with both the GOK and USAID/Kenya.

While the information contained below is directed to the registration of Kenyan NGOs with USAID/Kenya, registration with USAID is sufficiently uniform worldwide that all NGOs may find it useful.

b) Criteria and Documentation for Registration of Kenyan NGOs

To be eligible for U.S. Government financing, a voluntary agency (NGO) must be philanthropic and/or be public service oriented in purpose. It must also be non-profit, non-political, and non-governmental. Excluded from eligibility are research organizations and universities, colleges, other similarly structured and degree-awarding, accredited institutions of learning, and churches or organizations engaged exclusively in religious activities.

A prospective registrant should be able to demonstrate that it meets the eight criteria listed below in the left-hand column by submitting the documents shown in the right-hand column. If a specific document listed is not available, alternative documentation which establishes that the organization is in substantial compliance with the corresponding criterion may be submitted. VADA will assist NGOs to ascertain whether the documents are pertinent and complete before they are forwarded to USAID/Kenya.

Criteria

- 1) NGO is a legal entity registered under Kenyan law for philanthropic and/or public service purposes.
- 2) NGO is a private, non-governmental entity.
- 3) NGO is non-profit and has tax exemption.
- 4) NGO is engaged in or anticipates becoming engaged in voluntary charitable and/or development assistance operations (other than religious) including but not limited to services of relief, rehabilitation, disaster assistance, welfare, training and/or program support and coordination for such services, in the fields of health, education, population planning, nutrition, agriculture, industry, environment and ecology.
- 5) NGO (under its own established priorities and programs) obtains, expends and distributes its funds in accordance with generally accepted accounting principles and applicable Kenya regulations pertaining to Certified Public Accountants (CPAs), without unreasonable cost for promotion, publicity, fund-raising or administration.

Documentation

- 1) Memorandum and Articles of Association, Constitution, or other legal documents establishing its legal status.
- 2) Memorandum and Articles of Association, Constitution, or other legal documents establishing its legal status.
- 3) Certificate of tax exemption.
- 4) Annual Report (or document of similar import); descriptive information of current activities from sources other than the NGO itself; and letter to the Director of USAID/ Kenya stating reasons for seeking registration.*
- 5) Audit, prepared by independent CPA, disclosing administrative, program, and fund-raising (if applicable) costs, and providing complete information on financial position as evidenced by liabilities and assets.**

* The letter to the Director of USAID/ Kenya should describe the type of development activities normally undertaken or intended to be undertaken by the organization, and indicate in general terms the type of activity intended to be carried out with VADA assistance. Copies of all the documents listed herein should be attached.

** New organizations (i.e., those established less than a year) must provide an independent CPA statement that an accounting and financial reporting system consistent with CPA guidelines has been installed, along with an unaudited financial statement covering the period between establishment and application for registration. The CPA's statement should also indicate whether the organization has installed internal controls to engage the execution of an audit in accordance with the applicable guidelines at the end of the first year of operation.

- 6) NGO receives funds from private sources and receives voluntary contribution of money, staff time or in-kind support from the public.
- 6) Audit or other document that shows sources of funds.
- 7) Exercises financial planning.
- 7) A budget for the year subsequent to that covered in the Audit, prepared in a manner consistent with the format used in the audit.
- 8) NGO has an active and responsible board or governing body which is the highest authority of the organization, which meets at least annually, is legally responsible, and whose members serve without compensation for such service. Paid officers of the governing body must not constitute a majority in any decision-making.
- 8) Articles, by-laws, etc.; non-compensation statement; names and addresses of board members.*

c) Process of Registration

To qualify for registration, an organization must demonstrate that it meets the eight criteria listed above. An organization that meets the criteria will be certified as "Eligible to Receive U.S. Government Assistance," and will be added to the register of qualified NGOs.

Kenya NGOs which plan to apply for financial assistance from VADA will be assisted by VADA in the registration process with USAID/Kenya. VADA will assist NGOs in assembling and reviewing documents before they are forwarded to USAID/Kenya (see the attached form, Registration Checklist). In some instances, VADA will provide NGOs with advisory services related to registration.

As indicated above, U.S. NGOs, other international NGOs and African Regional NGOs should consult the Division in Human Resources Development of the USAID Kenya Mission for guidance on registration with USAID in Washington.

Registration establishes an organization's eligibility to receive assistance from VADA but does not guarantee it. The granting of assistance to a registered organization will be based on a separate application which must include a detailed description of the development activities the organization proposes to implement.

To remain registered, an organization must submit annually an audit prepared by an independent certified public accountant; a report of income and expenditure; an annual report of activities; and a statement that all other conditions described in the original material remain unchanged (except as noted).

* In the case of a corporation desiring registration, suitable evidence must be submitted ensuring that the governance of the organization is such that the nature of the organization's functions and purposes shall not change during the life of USAID assistance.

VADA/USAID NGO Co-Financing Project

NGO REGISTRATION CHECKLIST

This form is for use by Kenyan NGOs that want to register with USAID/Kenya so as to be eligible for funding from the VADA/USAID NGO Co-Financing Project. The form attempts to simplify the process of assembling the registration documents. The completed form along with the attached documents should be returned to VADA.

Date _____

Name of Organization _____

P.O. Box _____ Town _____

Physical Location _____

Director _____

1. Legal, Private, Non-Governmental Status

Tick which item below is attached:

Memorandum and Articles of Association
(if the NGO is registered under the Companies Act as a company limited by guarantee and without share capital.)

Constitution
(If the NGO is registered under the Societies Act.)

Certificate of Compliance
(If the NGO operates as a branch of an international non-profit NGO under the Companies Act.)

Parliamentary Charter
(If the NGO was created by an Act of Parliament.)

Note: Please attach any amendments to these documents.

2. Non-Profit Status

Tick one item below:

Letter of Tax Exemption from Commissioner of Income Tax is attached.

NGO is seeking tax exemption.

NGO has not applied for tax exemption.

3. Annual Report of Activities

Tick if an "Annual Report" (annual summary of activities, income and expenditure statement, and balance sheet) is attached.

Tick if a document similar in content to an annual report is attached. Please write its title and whether it includes the three parts listed above: _____

4. Audit

a) Who is your auditor? _____

Tick if an audit for the latest financial year is attached. If you are a new organization, skip to (d) below.

b) Does your audit distinguish between administrative, program and fund-raising costs?

Yes No

If not, please indicate the percentage of funds used for each of these purposes for the year audited:

_____ % administrative
_____ % project
_____ % fund-raising

c) Does your audit indicate sources of funds?

Yes No

If not, please indicate the percentage of the organization's total funds that are from private (i.e., non-governmental) sources: _____ %

d) If your NGO has been in existence for less than a year, an independent CPA needs to prepare a statement certifying that your current accounting and financial reporting systems are consistent with CPA guidelines.

Tick if the CPA's statement is attached.

5. Financial Planning

Tick if a budget i.e., income and expenditure statement, is attached for the financial year subsequent to that covered in the audit.

Tick if such a budget is unavailable. Please explain why:

6. Governing Body

a) Tick which body is the head of the NGO:

Board of Directors

Governing Council

Management Committee

Trustees

b) Provide the names and addresses of your governing body.

Name

Address

c) Do any of the persons named above receive pay for services (beyond travel and related expenses):

No

Yes

If answer is yes, state the name(s) of working member(s) of the governing body who are paid by the organization:

7. Reason for Application

Tick if letter addressed to the USAID/ Kenya Director (P.O. Box 30261, Nairobi) is attached setting out the type of development activities normally undertaken or to be undertaken by the NGO, and indicating in general terms the type of activity intended to be carried out with VADA assistance.

8. Reference

Please provide us with the name of someone who knows your organization well. We will ask them to send us a summary of your activities. State the name and address of this reference:

What is this person's relationship to your organization?

ANNEX B:
Guidance on Applying for Financial Assistance

VADA/USAID NGO CO-FINANCING PROJECT SUMMARY

PROJECT SUMMARY (Preliminary Application for Assistance)

This form is for NGOs to use in presenting the general idea of a project for which funding will be requested from VADA. The form has been designed to easily and quickly gather enough information from NGOs so that VADA can in turn provide NGOs with a rapid preliminary assessment of the proposed project. It is hoped that this will assist NGOs in preparing project proposals efficiently.

Date _____

a) NGO Name _____

Address _____

Tel. No. _____

b) NGO Director _____

Title _____

c) Project Title _____

d) Proposed Length of Project _____

e) Total Cost _____

Amount requested from VADA _____

f) Project Location(s) _____

1. Describe briefly the proposed project.

2. Explain how the project will be implemented.

3. Explain how this project relates to your other activities.

4. Which other NGOs or other entities will be involved? Describe the role of each.

5. Describe similar activities by other NGOs and the Government in the project area.

6. Describe the involvement of relevant district level authorities.

7. Beneficiaries:

(a) Who are the people to benefit from this project?

(b) How many will benefit?

(c) Describe their involvement in planning, implementing and maintaining the project.

(d) What benefits will these people get from the project?

(e) What resources will these people be expected to provide to the project?

8. If your organization has undertaken projects of this kind before, describe them.

9. What staff will carry out this project?

10. Show that the staff to be involved have the technical expertise required for the project.

11. Will pesticides be used in the project?

12. (a) Indicate how the project will be financed by filling in expected amounts from the sources shown below:

Sources of Funds (in Kshs. or US\$)

Community Contributions	Sponsoring NGO	VADA	Other Donors	Total

(b) If possible, indicate how the funds will be used by filling in the percentages next to each item below:

_____ % Commodities/ _____ % Personnel _____ % Administration _____ % Other*
Equipment

* If "Other" is more than 5%, please specify what is included:

13. List other donors which have been asked to fund this project.

VADA/USAID NGO Co-Financing Project

PROJECT FUNDING PROPOSAL

Indicated below are the questions that a proposal should address. The outline suggested provides for presenting a project idea in its full detail, as opposed to the project summary form which offers a format for presenting an idea in brief. It is hoped that the project design guidance given after submission of the project summary helped in efficient preparation of the following proposal.

Date of Submission to VADA _____

NGO Name _____

Address _____ Tel. No. _____

NGO Director _____ Title _____

Project Manager _____ Title _____

Project Title _____

Proposed Length of Project _____

Total Project Cost _____

Amount requested from VADA _____

Source of other Funds _____

Project Location(s) _____

A. Statement of Objectives

State briefly what this project plans to accomplish.

B. Rationale

Explain why this project is necessary and why the approach chosen was selected. Where possible, illustrate your comments with data.

C. Background

1. Explain how the project relates to your other activities.
2. Comment on your organization's ability to carry out this project.
3. Show that this project supplements or complements but does not duplicate existing projects.
4. Describe the involvement of relevant district level authorities.

D. Description

Provide a summary description of the project. This should include stating, in general terms, how the project will be implemented, and who will benefit and how.

E. Implementation Plan

Describe in detail how the project will be implemented. Include a schedule of projected monthly activities and state who will be responsible for carrying them out.

If additional staff and/or commodities will be needed, state how and when they will be provided.

F. Participants/Beneficiaries

- (a) Describe the people who will benefit from this project (i.e., the target group) in terms of sex, age group, economic status or other key characteristics.
- (b) State approximately how many people will benefit, directly and indirectly from the project.
- (c) Describe in detail the involvement of the beneficiaries in planning, implementing and maintaining the project.
- (d) What benefits will these people get from the project? Indicate if and how benefits vary among the people involved.
- (e) What resources will these people be expected to provide to the project? Explain why it is reasonable to expect that these people will provide these resources.

G. Project Feasibility

1. Economic

- (a) Were alternative ways than presented in this proposal considered for reaching the same objectives? Show that this is the least expensive way, or most appropriate for other reasons, to achieve the objectives.
- (b) Show how each of the recurrent costs, i.e., maintenance costs, of this project will be met after project funding ends.

2. Social

Show that the project approach is appropriate to the socio-cultural group of participant/beneficiaries. For example, if an agricultural project, does it account for the role of women in farm work; if a nutrition project, does it address local food habits; etc. If changes in behaviour, practices, beliefs or attitudes are expected, explain why it is feasible to expect that these will occur.

3. Technical

- (a) Show either that the staff responsible for this project have the necessary technical skills or that their training needs will be met by the project.
- (b) If the beneficiaries of the project are required to use technical skills, show either that they have the skills or that the project will teach them the necessary skills.
- (c) Indicate that the appropriate technical people have been involved or were consulted during the design of this project. For example, a forester for a forestry project, an engineer for a construction project, etc.
- (d) Describe why the proposed technical solution was chosen.

4. Administrative/Management

- (a) Indicate that the administrative arrangements for carrying out the project are adequate. In particular, do the staff involved have time to undertake additional work?
- (b) If local groups are involved in management do they have adequate financial accounting and management ability? If this is a problem, what measures are included in the project to upgrade their capabilities?

5. Environmental

- (a) The environmental considerations for projects vary. Either incorporate guidance received after submission of the Project Summary or check with VADA to see what is necessary.
- (b) If pesticides will be used in the project, complete and attach the "Pesticide Use Checklist."

H. Monitoring and Evaluation

- (a) What records will be kept during project implementation, both at project sites and by the sponsoring NGO?
- (b) Indicate who will be responsible for keeping these records and how frequently project records will be updated.
- (c) What arrangements exist for obtaining the input of ideas and feedback from participants as the project is implemented?
- (d) Will there be any foreseeable problems in providing quarterly financial and narrative reports.
- (e) What plans exist for project evaluation? State what, if any, assessments are planned during project implementation and at the end of the project.

I. Budget

- (a) Provide, in a format similar to the one below, a breakdown of items to be financed annually by the project. This should include the total shilling cost of items in major categories such as the ones shown in the attached budget. (The categories shown are illustrative only and other categories should be developed to fit the proposed project.)
- (b) Provide sufficient detail to adequately describe each item of the budget.
- (c) Show the sources of funds in a format similar to the one below. If there are in-kind contributions, show how they were valued (see the "Guidelines on the NGO Contribution").

ANNUAL PROJECT BUDGET

Items	Year 1 (Kshs.)	Year 2 (Kshs.)	Year 3 (Kshs.)
Personnel
Equipment
Supplies
Communication
Training
Other costs
Sub-total All Costs
Overhead
Grand Total*

SOURCES OF FUNDS

	Year 1 (Kshs.)	Year 2 (Kshs.)	Year 3 (Kshs.)
1. VADA
2. NGO Contribution (list each source)			
a.
b.
c.
etc.
Sub-total NGO Contribution
Grand Total*

* The two grand totals should be equal

GUIDELINES ON THE NGO CONTRIBUTION

1. Introduction

NGOs need to contribute at least one-third of the cost of an activity for which grant funds are requested. Other services provided through co-financing will also be provided on a fee-for-service basis.

The NGO contribution for projects can be in cash, or in-kind resources, or a combination of the two. All NGOs will be expected to provide a reasonable portion of their contribution toward project costs in cash, and U.S. NGOs will be expected to provide a substantial portion of their contribution to project costs in cash. The NGO contribution can include costs already incurred during the design of the project and costs that will be incurred in implementing the project. The NGO fee for VADA's other services must be paid in cash.

Guidelines on cash and in-kind contributions are discussed below. In addition, guidance is given on the inclusion of design costs as part of the NGO contribution toward project costs.

2. Cash Contribution

The NGO cash contribution can be raised from a wide range of sources, including private donations, funds from bilateral or multilateral organizations, foundation grants, assistance from other NGOs, and community contributions. The inclusion of beneficiary contributions will be favourably viewed as evidence of the interest and participation of the beneficiary group. The only ineligible source of funds is the United States Government.

3. In-kind Contributions

In-kind contributions may include labour, services, commodities, equipment, office space, land, etc. These contributions should:

- (i) be verifiable from records of the grantee.
- (ii) be necessary and reasonable for achieving project objectives;
- (iii) not be included as contributions for any other project funded with United States Government funds;
- (iv) be provided for in the project budget; and
- (v) not include entertainment expenses, taxes, or duties of any kind.

4. Valuing In-kind Contributions

A relatively uniform system for valuing in-kind contributions is necessary for achieving equity among NGOs. VADA will use the following guidelines for valuing in-kind contributions. The market price referred to in the guidelines is the current price in Kenya.

a) Services

Services include labour of any kind, whether short-term or long-term, skilled or unskilled. In valuing services, one or all of the following methods should be taken into account in arriving at a final figure.

- i) Market price at time of contribution.
- ii) Government minimum wage. This is not the same for all districts.
- iii) Use of rates of payment which are consistent with those paid for similar work by the organization. Services provided by other organizations should be valued at the relevant employee's regular rate of pay.

b) Commodities

Commodities include expendable and non-expendable items, which can be purchased or rented. The term "commodities" is used here to refer to all items other than services, e.g., supplies, equipment, office space, land, etc. In valuing commodities, the following guidelines should apply.

- (i) the value of items should be reasonable and should not exceed the market value of such items of same age and condition at the time of contribution.
- ii) The replacement cost, i.e., how much it would cost to purchase the commodity, should be considered. If the commodity is not a traded item, its value could be established by an independent appraisal.
- iii) In the case of land, the value should not exceed its fair market value, or fair rental value where applicable, though it may be necessary to consider the current use of such land.
- iv) Rented equipment should be valued by using the rental value, which should not exceed fair rental of similar equipment in the market.

5. Project Design Costs

Project design costs include services and commodities which may have been paid for in cash and/or contributed as in-kind resources. For these costs to be considered as part of the NGO contribution, they should be reasonable and directly attributable to the project being undertaken.

Supporting documentation should be provided for all cash payments for commodities and services, such as receipts for commodities and signed vouchers showing time and rates of services provided or labour expended.

The same methods as outlined above for computing the value of in-kind contributions will apply.