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PROFILES OF SUSTAINABILITY  
PRACTICAL  
APPLICATIONS IN KENYA

Report of the NGO Sustainability Workshop  
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## CONTENTS

	Page
<b>SUMMARY</b>	1
<b>CHAPTER 1 Background</b>	4
<b>2 Sustainability-Definition, Element and Examples</b>	11
<b>3 Donors Policies &amp; Practices</b>	18
<b>4 NGOs Actions &amp; Activities to Ensure Sustainability</b>	32
<b>5 Conclusions and Recommendations</b>	44
<hr/>	
<b>ANNEXES</b>	
<b>A. Summary of Responses to Questionnaire</b>	51
<b>B. List of Participants</b>	57
<b>C. Summary of Presentation (FSK &amp; Tenwek)</b>	59
<b>D. Scope of Work</b>	63
<b>E. Indicators for Assessment (sample).</b>	67
<b>F. Preliminary Concluding Remarks by the Participants</b>	- 72
<b>G. Profiles of Participating NGOs</b>	75

## A C R O N Y M S

CIDA	Canadian International Development Agency
CITC	Christian Industrial Training Centre (a Kenyan NGO)
FSK	Farming Systems Kenya (a Kenyan NGO)
GoK	Government of Kenya
IPVOS	International Private Voluntary Organizations
KFFH	Kenya Freedom from Hunger (a Kenyan NGO)
KMAP	Kenya Management Assistance Programme (a Kenyan NGO)
NGO	Non-Governmental Organization
PRIDE	Promotion of Rural Initiatives and Development Enterprises (a Kenyan NGO)
PVO	Private Voluntary Organization
SAIDIA	Samburu Aid In Africa (a Kenyan NGO)
USAID	US Agency for International Development/Kenya
VITA	Volunteers in Technical Assistance (a US NGO)
YWCA	Young Women's Christian Association (a Kenyan NGO)

## **SUMMARY**

NGOs, both international and indigenous, have contributed substantially to Kenya's development, attracting funds, skills and other resources for the benefit of the rural and urban underprivileged. International donors have in recent years made moves towards increasing support to NGOs while reducing somewhat their support to the government.

While international NGOs generally have stable funding bases, indigenous NGOs frequently experience a shortage not only of funds, but also of skilled personnel.

Few NGOs have invested in assets of an income earning nature, and still fewer have any form of endowment to stabilize their funding bases. Most funding to NGOs is on a project by project basis.

USAID has been a major contributor to NGOs, supporting through its technical offices those working in health and population, food security, private enterprise development and environment. In addition, USAID supports a number of NGOs through its PVO Co-Financing Project.

The PVO Co-Financing Project supports NGOs through grants, training, and management assistance as well as through workshops which explore issues that concern grantees.

The NGO sustainability workshop was the third in the series and dwelt on issues related to the longer term stability and continuity of NGOs to offer services to their target communities over time and change.

## **CONCLUSIONS & RECOMMENDATIONS**

The workshop concluded that NGOs have on the whole been doing short term plans, raise very little funds locally, generally experience inadequacies of financial management tools & systems, often have poor internal control & cost saving devices, and deal mainly with a single donor each.

In addition, NGOs are generally unable to attract, retain and nurture well qualified and committed staff, have not always paid competitive salaries, have not been able to indigenize their operational and management staffing, and do not network sufficiently.

Many NGOs grow without adjusting their own structures accordingly. Their ownership is not always clear, nor are chains

of command. This leads to poor accountability, and poorly spelled out financial, personnel and other related policies.

Relationships with the government have not always been smooth as NGOs guard their autonomy jealously, fail to keep abreast of the law, rules and regulations, and don't involve the government at all levels, some only going to the government when in need of tax exemptions, waivers and other such assistance.

The mission of NGOs individually is not always clear, objectives are not properly defined and some NGOs are too large, attempting to "be everything to everybody".

Donors, on the other hand, usually do not give commitments that cover long enough periods; their grants do not always cover fully both the direct and indirect costs of projects and often fail to include elements of institution building. Reporting and accounting procedures required by donors are often too involving and frequent. Endowments and other similar stabilizing forms of funding have not been sufficiently adopted by donors despite obvious advantages to the beneficiary NGOs.

Following these conclusions, the workshop made some major recommendations, including the following:

NGOs should endeavour to plan on a long term basis (5-10 years); generate a higher amount of funding locally, including charging for some services; clearly define their mission, objectives and goals; and introduce clearly defined policies and systems on all aspects of their work, particularly financial ones. NGOs should further hire multi-disciplinary individuals, pay them competitive salaries, and in addition, give them "satisfiers" i.e. non-monetary benefits.

NGOs should re-examine their structures taking into account suitability to current needs, ownership, chains of command, and accountability.

NGOs' relationships with the government should be given special attention. NGOs should strive to involve the government in their work while being careful not to compromise NGO autonomy.

Donors should give serious consideration to making longer term commitments to NGOs (5-10 years), covering both direct and indirect expenses of projects that they fund, including packages relating to institution building, minimizing reporting and accounting procedures and frequency, and above all, stabilizing NGO funding bases through endowments.

The workshop finally noted that the role of NGOs in these changing times is going to grow as governments participate less and less in the provision of services, privatization gains

momentum, democratization of the development process becomes more pervasive and communities find themselves shouldering larger and larger burdens. NGOs should reorient themselves to meet the growing and changing challenges.

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## CHAPTER I

### BACKGROUND

#### NGOs and Kenya's development

Historically, NGOs have been major contributors to the welfare and development of Kenya. At present, NGOs registered with the GoK include about three hundred indigenous organizations and perhaps one hundred of foreign origin. These organizations play a prominent role in delivering basic social services throughout Kenya and are active in a wide range of sectors, particularly in the provision of health services, where it is estimated they provide up to 40% of the nation's rural health services. NGOs also play a large role in the education sector, as well as, to a lesser extent, in micro-and small-scale enterprise development, family planning, agriculture, community water supply, and wildlife and natural resource management conservation.

As most NGOs rely heavily on foreign donor funding, billions of shillings worth of foreign exchange have accrued to the country through NGOs. This volume of funding would probably be unavailable if it could not be funnelled through the NGO sector. A 1989 study estimated that the flow of resources by international donors through NGOs had reached something on the order of \$30 million plus per year in the late 1980s. Additionally, approximately \$150 million per year is channelled to NGOs through international religious organizations. These

substantial funding levels make the NGO sector a major social and economic force in Kenya's development.

Many foreign donors have, in recent years, decided to channel a significant portion of their aid to Kenya through NGOs. This is in part because NGOs are able to more directly reach the under-privileged with services, but also because they give Kenya's citizens a greater voice in the control of development resources and therefore contribute to a more equitable and pluralistic society. Whatever the financial contribution of NGOs to Kenya, many observers contend that their most significant contribution lies in the realm of this difficult to quantify, non-monetary contribution towards empowering citizens to more fully participate in the decisions which will shape their own and the country's future.

International NGOs do not experience shortages of funds as acutely as the indigenous ones because they usually have stable funding bases in their countries of origin. Indigenous NGOs also suffer from a shortage of skilled managerial and technical personnel. This is not because they cannot find skilled personnel but more because they are usually unable to pay competitive salaries due to a lack of funding.

The bulk of funding to NGOs, both international and indigenous, comes from international donors. Only a small proportion of

funds are generated locally from public solicitation and from commercial organizations.

As is common among NGOs, particularly in the South, NGOs in Kenya are generally considered less than satisfactory employers because on the one hand they are not able to pay high enough salaries, and on the other, they do not have attractive benefits packages to retain good skilled personnel.

As a result, only the most dedicated of skilled personnel remain long enough in the NGOs of their employment to substantively contribute to the NGO's work.

The situation is, however, changing. Lately, salary and benefit packages have been improved considerably and an increasing number of staff are now staying longer due to non-monetary rewards offered by NGOs.

This coupled with the current shortage of jobs has enhanced the ability of NGOs to retain good people for longer periods. NGOs are themselves more professionally managed and run than 10-20 years ago.

Few NGOs have invested monies in assets of income earning nature. A few have managed to raise funds to build or purchase their own office buildings. A small number have property that brings in

monthly incomes. However, on the whole, NGOs exist on a project by project basis. Few donors are willing to consider supporting NGOs to acquire long term assets.

Endowment funding is rather uncommon in the country. One Pan-African NGO headquartered in Nairobi has some kind of endowment, another has a share portfolio bequeathed by a well-wisher years ago, but such are exceptions to the rule.

As a result of this tendency toward short-term funding, few NGOs plan in detail more than 5 years into the future. Most plan for 3 year projects as dictated by funding availability.

In this context, therefore, the subject of sustainability of NGOs assumes a much greater importance than attributed to it hitherto.

#### USAID/Kenya and NGOs

USAID relies relatively heavily on NGOs to implement many of its activities and, occasionally, to test new ideas and development approaches. As a result, USAID is a major funder of NGO activities in Kenya. Its current portfolio allocates significant funds to NGOs through both its technical offices as well as through its PL-480 Food for Peace Program and the PVO Co-Financing Project. Until recently about one-third of

USAID/Kenya's budget was channelled through NGOs (about \$20 million in 1989).

USAID sector-specific programs in health, family planning, income-generating activities, agriculture, natural resource management and wildlife preservation either already, or plan to, involve close-knit collaboration between NGOs and USAID. In the first three sectors in particular - over 50% of the Mission's assistance in population and approximately 30% of USAID's private sector program is implemented through NGOs - such pioneering partnerships have yielded excellent results.

#### The PVO Co-Financing Project

As its heavy involvement would indicate, USAID views NGOs as contributing greatly to Kenya's development. Until 1985, however, most of its support to NGOs was provided in the context of sector-specific arrangements. Thought was given to just what USAID might do with NGOs outside of such sector-specific interests to help reinforce the vitality of the sector as such, and the result was the creation of the PVO Co-Financing Project.

The Project paper of July 1988 called for the establishment of a PVO Co-Financing Project within USAID, with a staff of three professionals and a secretary paid for out of project funds, to oversee project implementation.

The staff unit, coordinating closely with the other USAID technical staff, manage the project's three major components:

- 1) grants to fund PVO activities;
- 2) training in the US and third countries for PVO staff; and
- 3) management assistance for NGOs provided by outside contractor(s).

#### The Workshop Series

In addition to the above activities, USAID has organized workshops to discuss certain pertinent problems with a view to enhancing NGOs' effectiveness.

The first annual workshop was held in 1989 and involved the first grantees of the project. The purpose of the workshop was to explain to the grantees how to interpret their grants and the systems of reporting and accounting required to satisfy USAID requirements.

The second workshop dealt with monitoring and evaluation techniques and was held in 1990. At this second workshop, the participants expressed a wish to discuss the ways and means of enhancing NGO sustainability at the next workshop.

This desire by the NGOs to discuss their own sustainability coincided with the PVO Co-Financing Project's declared key purpose, "To assist PVCs in Kenya to increase their developmental

impact by strengthening their institutional, implementation, and beneficiary outreach capabilities."

#### NGO Sustainability Workshop

Preparations for this workshop involved visiting all the current grantees of the Project, discussing their needs and soliciting their views on the topics that should be covered. In addition, a questionnaire was circulated among the participants (See Annex V) requesting them to analyze their organizations' sustainability status, problems, and existing opportunities for its enhancement. The workshop was held in the New Blue Posts Hotel, Thika, from September 3rd to the 5th, 1991.

The workshop was opened by the Director of USAID/Kenya and was attended by 20 NGO participants representing 14 NGOs, one government officer representing the Ministry of Finance, and the four PVO Co-Financing Project staff. CIDA and USAID representatives led a discussion on donor policies relating to NGO sustainability while a representative from a management consultant firm (Bellhouse Mwangi Ernst and Young) made a presentation on the analysis of two of the participant organizations. Three of the NGOs present also gave presentations on their own organizations. Issues that arose from discussions and presentations were later given an in-depth analytical look by small groups which later presented their conclusions and recommendations in plenary sessions.

## CHAPTER 2

### SUSTAINABILITY - DEFINITION, ELEMENTS AND EXAMPLES

Definition means "to put between ends, to make a word so definite that it can be distinguished from all others." Participants in the workshop wanted a definition of the "institutional sustainability" they were gathered to discuss. One NGO chief had written the organizers before the workshop: "We hope that the workshop will not cover the blind pursuit of 'sustainability' in development circles, without an adequate definition of what is meant by the term."

The following definition was presented the first day of the session:

"Sustainability is production by a system in the face of time and change of outputs that are sufficiently valued so that enough inputs are earned to continue production."

(MSI "A Cross-sectoral Evaluation of Sustainability for USAID/Ecuador, Roger Popper and Edward Glaeser, September 1990.)

In this definition, system refers to an organized and disciplined, rather than haphazard or scattershot approach to production. The system must produce goods or services of consistent quality, which are valued by those involved internally in the program, as well as by the users or beneficiaries. If the goods and services are sufficiently valued, the required inputs

to continue production can be "earned," that is, inputs come from clients based on the value of the service, and from donors or other supporters based on the performance of the institution, rather than being "provided" for political or inertia reasons. Further, production of goods and services must be maintained in the face of time and change, and adapted to varying conditions and circumstances.

The NGO leaders attending the workshop were not a group dwelling on the academic. Their main interest was practical and immediate: thinking about sustainability in terms of their institutions' capacity to perform the functions for which they were founded with as high a degree as possible of self-reliance and autonomy.

Depending on the agency involved, the degree of self-reliance and autonomy was different. Some, like PRIDE and FSK, have programs which within a few years could be self-sustained internally as private sector operations, albeit non-profit private ventures, where returns are reinvested rather than going to "owners" or shareholders. Other programs, like those of the Salvation Army and YWCA, do not have high "profit making" potential and will continue to require private or public donor support in some measure to continue operating.

This above split brought forth discussion of whether the main factors influencing sustainability are financial or non-financial. A representative of the audit and accounting firm, Bellhouse Mwangi Ernst and Young, talked of sustainability mainly in financial terms and noted an aversion among NGOs to thinking about commercial opportunities. This concern with the financial aspects of sustainability was voiced by a number of NGOs, mainly those with potentially viable commercial activities central to their programs. Others said they believed non-financial matters were of as much importance as financial "numbers." They contended that an agency's over-riding purpose, its noble cause, good will from clients and the public for such a cause, and non-financial matters such as proper planning and management, non-monetary staff incentives, the heavy use of volunteers, good communications, and inspired leadership were of paramount importance.

One of the introductory lectures pointed out a fundamental contradiction in NGO programming: NGOs talk of working themselves out of a job and leaving "self-reliant" institutions and beneficiaries as a result of their work, yet these same NGOs are often between 80 and 95 percent dependent on the aid of external donors. The speaker added that NGOs, except for the select few which had programs that could become "commercial," would always be dependent on external assistance of some sort. The challenge is how to be dependent and independent

simultaneously. Ideally, the relationship between NGOs and donors should be such that NGOs are able to act autonomously, yet are assured of continued support by corporate, foundation, and bi-and multilateral donors.

A panel of donors comprising CIDA and USAID pointed out that sustainability is the underlying theme of development. Indeed, in earlier remarks during the opening of the workshop, the USAID Mission Director had said "...sustainability, (for him), is in a way the definition of development." During the panel discussion a USAID participant added that "sustainable economic growth" is the main goal of USAID's overall Kenya program. USAID also looks at programs in:

\*Technical terms - Is the technology appropriate?

\*Political terms - Does the activity have political support?

\*Social terms - Does the activity have the support of beneficiaries?

The CIDA representative presented a model matrix for analyzing sustainability as well as institutional indicators. The model can be used by donors or NGOs to look at capacities and vulnerabilities which are assessed in terms of three categories: the physical/ material situation of an organization, its social impact, and organizational factors. Capacity is defined as the ability of the organization to confront problems. Vulnerability

is measured in terms of long term factors which adversely affect its capability to respond effectively to problems.

Various participants brought up other matters that bore on sustainability: the size of an organization, the diversity of its activities or its coverage, and whether it sees itself as permanent or temporary.

According to information collected prior to the workshop, eight of the participating organizations planned growth in the coming (five to seven) years while five hoped to be stabilized at their current sizes. Only one agency indicated it would have to "down size" in order to stabilize. The type of growth cited most frequently was expansion to new geographic areas (seven agencies). Five agencies indicated an intention to grow in the sense of diversifying activities or entering new sectors. None of the agencies cited as a rationale for growth anything having to do with sustainability, at least in their pre-workshop submissions. (See ANNEX A for NGO responses to the USAID-NGO WORKSHOP QUESTIONNAIRE sent out prior to the workshop.)

Speakers and participants identified key elements of sustainability in many different ways. Notes from the three days of sessions, drawn together and summarized after the workshop, show that the following categories concerning sustainability appeared multiple times in the presentations and discussions:

**\*\*Institutional assets**: physical and logistical resources including space and equipment and access to communications and transport.

**\*\*Organizational structures**: policies, administrative systems, control systems and procedures.

**\*\*Human resources**: the right staff in proper numbers and with adequate skills to perform key functions.

**\*\*Financial resources**: funds needed to make an organization able to accomplish a mission. The source of these resources might be internal - from clients or members - or from external sources - government or donors.

**\*\*Management**: how all above resources are apportioned and used in a deliberate and planned manner. Management specifies what is to be done when, assigns responsibility, and estimates resource requirements. It also anticipates and plans for trends and events in an agency, and for external forces that affect an agency's activities, e.g. coordination and networking with other NGOs, the private sector, government at its various levels.

**\*\*Leadership**: people to provide the controlling direction and force of an institution based on a vision of what it can and should be, somebody to communicate that vision both to those in the organization and to people outside the agency.

The issue of Kenyanization of leadership was also on people's minds.

On the last day of the workshop, the participants presented a definition of sustainability which they felt improved on that given by the workshop organizers:

Financial sustainability of an organization is the ability/capacity to attract, generate and husband adequate funds for its operations over the duration it has set to meet its objectives.

This straightforward and useful definition came after group work in which some participants were asked to isolate and discuss only the non-financial aspects of sustainability. It was found that the financial and non-financial aspects of sustainability are so integrally related, it is impossible to discuss one without discussing the other. As one participant said on the first day of the workshop, "When the staff meets or the Board meets, we do not say to ourselves, 'now we are going to talk about sustainability.' But now that I think of it, almost everything we would talk about - staffing, planning, the results of programs, our annual audit report, our accounting system, which programs we are going to evaluate and how, what new initiatives we are going to take in fund raising - all involve sustainability calculations in one form or another."

## CHAPTER 3

### DONOR POLICIES AND PRACTICES

How donors help NGOs become more sustainable.

Is the concept of sustainability some sort of "fad?" Is it like the ideas of "community participation," "equity and distribution of income," or the focus on "women in development," "preventive health care," and "small enterprise development," which donors have intensely promoted in the past?

The answer to both questions, of course, is no.

Development planners and practitioners have continually strived to determine what is needed to foster development and change, and what considerations must be taken into account when designing and implementing programs. The question, "Will it go on after the special resources given are finished?" has been asked by donors since the 1960s. It is a logical question. But as resources have become tighter, and development complications have become clearer, more rigor has gone into the study of sustainability.

In the 1990s, the focus of responsibility for social and economic development is rapidly moving to locally rooted, private sector institutions including NGOs along with decentralized governmental agencies. The importance of this transition is that vision, leadership, and resources are being mobilized within local

communities to define and remove barriers which impede social and economic well-being. The challenge, then, is how to promote and support this transition in ways that strengthen indigenous institutions rather than create continued dependencies, especially financial dependencies.

The donor panel affirmed this view. Support to NGOs is given under the assumption that such agencies can effect economic and other growth among the poorest segments of society. "NGOs," said a USAID panelist, "often have community support but we can't be certain if this is necessarily true in all cases."

The discussion at the workshop made clear that donors are serious about analyzing sustainability, among other things, as they consider or give support to NGOs. When they suggest NGOs need to plan better, or have internal systems for better management and accountability, or a feedback loop from evaluation to future planning, they are suggesting ways in which an institution can increase its capability, and ensure that it will be able to play a stable role in development. Rules that NGOs must contribute at least 25% of their own resources for a given project are about sustainability. Sometimes donors phase out their contributions to projects, 75% the first year, 50% the second and so on, so that NGOs are weaned gradually from dependence on donor funds.

But as noted in the workshop, many NGO leaders believe that donors have yet to develop fully appropriate knowledge, attitudes and practices toward the subject of sustainability. A great many officials from both donor agencies in the international aid system and banks that fund development, have never themselves experienced "running" an organization like an NGO, which is designed to be independent and unmotivated by profit. The same may be true of many in the private sector among the corporations and foundations that fund development. Such people are often isolated from the day to day operations of a typical NGO. Yet since donors provide funds to NGOs, they can set the rules or, as the CIDA representative at the workshop put it, "We are aware that anything we do affects you NGOs, we can't apologize for it, it is simply a matter of fact."

One agency at the workshop explained its relationship with donors this way in a written submission:

"The most vexing challenges that currently beset the management of our agency include:

- a) Setting the Development Agenda: The Northern partners exercise a firm control over the setting of the development agenda. This impinges on concepts which we hold important like the issue of the participatory approach.
- b) Conditionality: This relates to general validity of the donors' development prescriptions.

c) Co-ordination: The political reality is that our agency, like all dependent recipients of foreign donations, often cannot effectively co-ordinate its programs due to the existence of divergent views and interests among its principal donors. These differences are philosophical, moral and practical.

d) Dependency and Institutional Strengthening: A recent evaluation estimated that our agency was (heavily) dependent on external financing. Of more significance, the same evaluation indicated that efforts to lessen this dependency and rectify a variety of institutional weaknesses identified, were hampered by the itinerant prescriptions of donors as to what should and should not occur. Our agency, like other NGOs in the South, experiences problems in discussing strategies and solutions which may be at odds with those of the donor advisers. Raising such issues is often perceived by the advisers as questioning their credibility and integrity."

One of the first presentations of the workshop took up the matter of the donors' favorite funding device: project funding. As pointed out in Chapter 3 above, NGOs, especially Southern NGOs, are living with the contradiction of being themselves heavily dependent even as they preach and promote self-reliance. How to turn that paradox into a fruitful strategy, it was pointed out, was the purpose of the workshop.

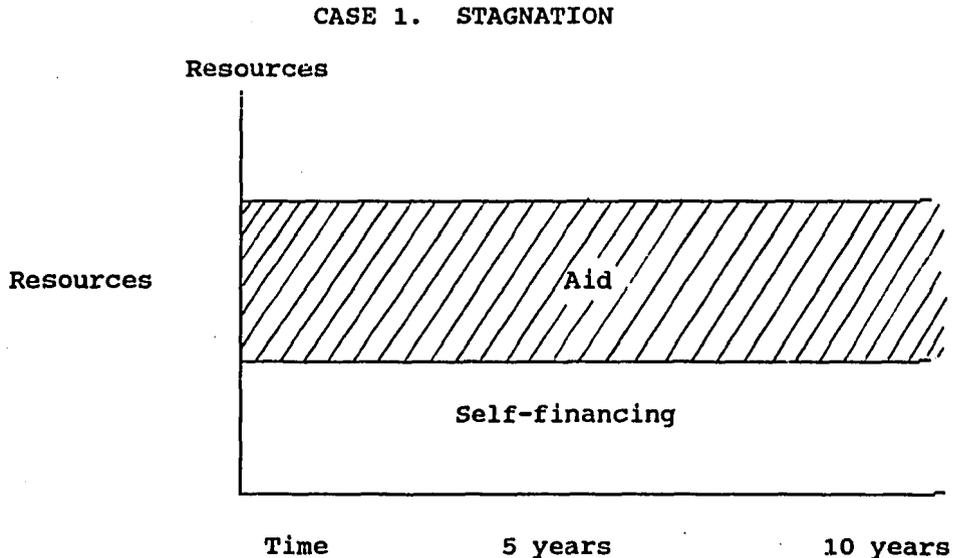
The challenge is one of reconciling opposites: How can an agency accomplish its purpose as it puts together the opposites of independence and dependence?

Early in the workshop, the heavy dependence of NGOs on external aid was demonstrated in a presentation of four hypothetical (and perhaps typical) models of NGO financial dependence.

(from IRED, Development Innovations and Networks, Geneva)

(1) GENTLE STAGNATION MODEL

Resources are shown on the vertical line and years or duration on the horizontal line.

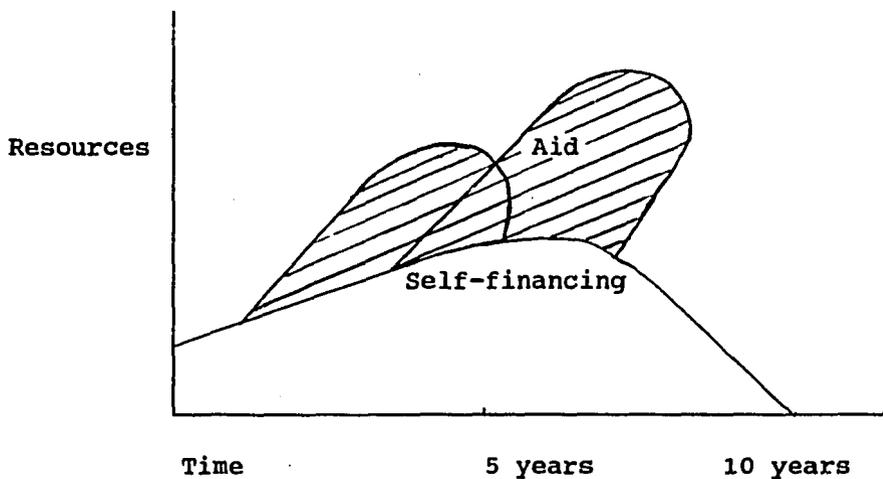


In this example 10 or 20 percent of the NGO budget comes from its own funds. External aid continues to be received fairly steadily every year from one or more donors which consider this NGO to be its partner - doing something they judge valuable and warranting continuing support.

Over time this case seems to work fairly well. Why then is this called "gentle stagnation?" The stagnation is in the lack of growth in the self-financing process. As long as the donors are happy with the program - which they may consider too much as their program - there is no trouble. But the NGO may have

precious little autonomy. In a sense the donors "own" this agency's program. The directors of this NGO may feel little incentive to do much mid - or long-term planning. And, of course, if the donor(s) stops funding, this NGO's program would diminish by 80% in a very short time.

CASE 2. BALLOON MODEL OF FAILURE.



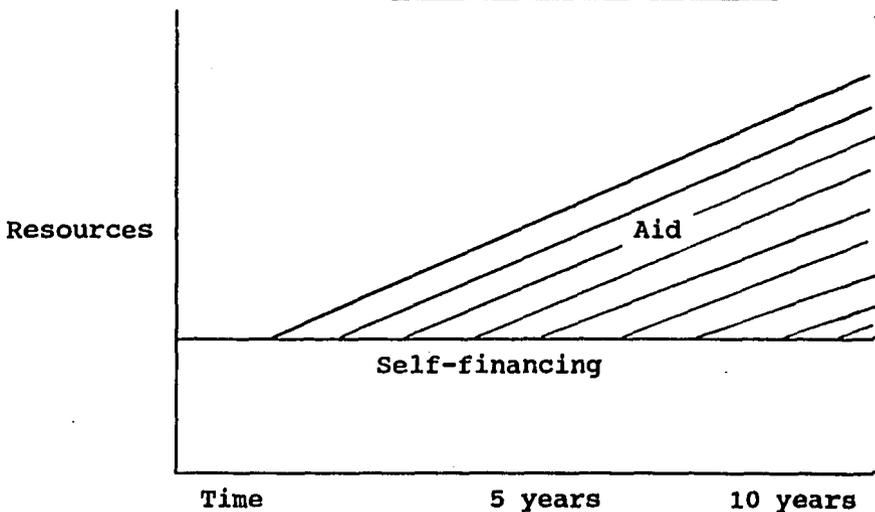
This NGO was off to a good start in developing its own financing. It may have had good leadership and a dedicated staff. It asked for and received external aid in the form of project support from two donors, both of which agreed to support specific aspects of the NGO's overall program. But after two years, one changed its own strategy in the country, and was no longer going to focus on projects in the particular sector that this NGO operated in. And in year 6, the second donor found some inadequacies, during an evaluation, or had some political disagreement, or for some other reason stopped external aid. And the NGO collapsed.

What happened to the early effort toward making that initial self-financing curve so promising? That may have been left aside as donors granted support using the "project approach," and the NGO and its donors agreed upon the project's time frame, objectives, means, budget...a dossier that did not leave much room for modification. This "blueprint" may have been more a management tool for the donor than an effective strategy for the NGO. The donor agency may have been more interested in the project than in the institution with which it was working. The donor saw as its primary goal, a large number of beneficiaries. While it may have achieved this through the project, it offered no security to the NGO itself, no capital, no reserve fund. And as the NGO took the donor money, its leaders and staff had to spend enormous amounts of time designing, managing and evaluating the aid they were receiving. Rather than using staff time to improve its services, innovate, or make corrections or changes in its basic program, this agency became preoccupied with making financial requests, progress reports, and financial statements, as well as being at the disposal of donor officials who visit, question and evaluate "their" project or invite them to workshops on sustainability.

In its enthusiasm for increasing the size of its programs, this NGO may have ignored the need to increase its own internal capacity. It may have been afraid to continue going it alone, to build itself up before asking for aid. Perhaps because it did

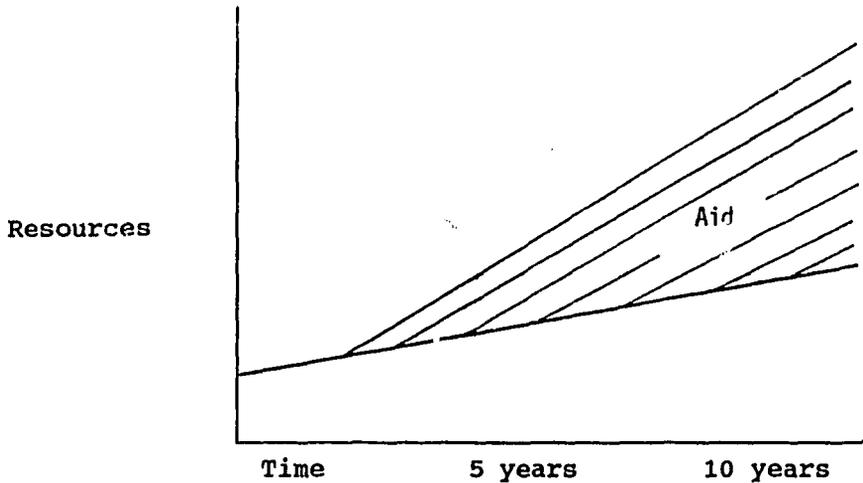
not know how to use its own resources effectively, its leaders thought aid would solve its problems and make up for the NGO staff's lack of training in budgeting, planning or even technical skills. Whatever the reason, whoever was to blame, this fine imaginary agency failed.

CASE 3 GROWING DEPENDENCY MODEL



This NGO has some of its own funds, and some high quality activities. But its self-financing does not grow. Nevertheless its activities are attractive to donors because it is in a sector of high interest. As a result, donors steadily increase support and this NGO's financial dependency increases. Ownership and autonomy become issues. Is this agency just an instrument of, or adjunct to, a donor program?

CASE 4 TWO WAY GROWTH MODEL



In this example, the effort of the NGO is tremendous. Both self-financing and aid are increasing. The agency is probably a well managed operation. The donors like its activities and feel a strong need to collaborate with it and regularly increase support. But despite the ongoing good efforts of NGO and donors alike, and the seemingly favorable growth over ten years, this agency is becoming increasingly dependent. This NGO's leadership may be destined to confront huge problems in managing the growth of the institution.

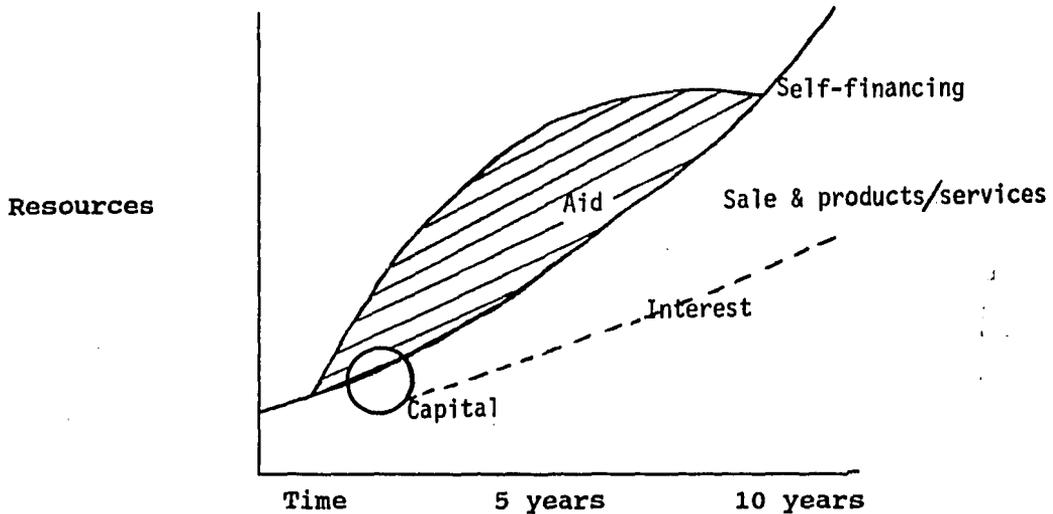
It was noted at this point in the presentation that NGOs attending the workshop might well see their own agencies tending toward the situations illustrated by these cases. Many, in fact, might be pleased if some of the circumstances described applied to their agency, and feel that they could successfully work with

those conditions and avoid the pitfalls discussed in the admittedly grimly painted interpretations given.

The examples given above were intentionally formulated in a manner critical of donors. Each portrayed stagnation or increasing dependency and little financial autonomy. It was pointed out, however, that no donor ever forced an NGO to ask for or accept funds. The entire workshop, it was emphasized, had the purpose of understanding how and why the various actors - NGOs, donors, government, communities - behave as they do, and to figure out how NGOs can work with external aid as they develop other sources of income, and blend these most effectively to make for more certain futures and outcomes.

One final model was presented in the workshop. While it is certainly true that project aid is the most common form of assistance from major donors at the present time, NGOs, NGO networks and donors alike are beginning to think of ways to change the mix of ways Northern donors provide technical and financial assistance. An element of this new thinking is a consideration of endowments as one way to foster long-term financial sustainability.

### CASE 5. IDEAL FORMULA



Here we have an NGO building its self sufficiency with fund-raising activities of various sorts, including selling some products and services, and receiving some external "project" assistance just as in all the previous illustrations. The big difference between the earlier models and this one is in the circle marked "capital," the dotted line from the circle marked "interest income," and that in this hypothetical example, self-sufficiency is reached in the upper right hand corner.

The circle is an endowment. An endowment is a body of long-term assets (capital) held by a beneficiary, such as a development institution or NGO. The capital is invested and earnings in the form of cumulative interest is generated for use by the beneficiary. The terms of the endowment specify how the interest

from the endowment can be used (e.g. for unrestricted uses to cover part of operating expenses or meet cash flow needs; or for restricted uses such as to set up various special funds like a revolving credit fund, a joint venture fund, etc).

The principal - the funds invested - cannot be invaded by a beneficiary nor diverted for purposes contrary to those agreed upon when the endowment was established. Endowment terms vary. Often an endowment is intended to be irrevocable. In such cases, if the beneficiary agency fails, funds do not revert to its contributor but are transferred to a new and similar beneficiary.

An endowment managed by the beneficiary is referred to as a "Capital Fund." When an endowment is managed by somebody other than the beneficiary it is called a "Trust."

USAID, it was pointed out, has only limited experience with endowments, much of which has been in Latin America. Aid agencies from Germany and other countries are active in the endowment field. NGOs have recently begun pressing for the increased use of endowments. Initially, use of this device will require caution and foresight and considerable mutual donor-intermediary planning. Agencies approaching USAID or other donors should keep this in mind.

USAID now has direct legislative guidance from the U.S. Congress that in the case of proceeds from the sale of Title II food in a given country "not less than 10% of the amounts" accrued from these sales "be used...to support the development and utilization of indigenous non-governmental organizations and cooperatives that are active in rural development, agricultural education, sustainable agricultural production, other measures to support poor people and environmental protection projects..." Guidance from AID/Washington indicates that it is possible to use such funds for continuing project assistance to IPVOS but also, for the first time, mentions that such funds can be used to set up endowments.

A properly established and managed endowment can provide a long-term, stable source of funds for an institution. Unlike grants for specific program activities, an endowment provides an assured source of unrestricted income to an NGO and a measure of financial independence. Endowments are not, however, to be considered a "quick fix" funding mechanism to support sustainable development. All concerned emphasize that an endowment must be part of an agency's or group of agencies' long-term strategic plan for fund-raising, operations and institutional strengthening. Agencies seeking endowment support must have very high quality internal planning and control systems to be serious candidates for such support. An endowment should not be considered as merely another mechanism for transferring money.

## CHAPTER 4

### NGO ACTIONS AND ACTIVITIES TO ENSURE SUSTAINABILITY

As indicated earlier, NGO leaders at the workshop were not attending for an excursion through theoretical claptrap (although there undoubtedly was some around, for which the organizers/facilitators apologize). What was intended and indeed occurred was an exchange of ideas on what assuring sustainability involved and on some practical actions or steps NGOs could take to ensure sustainability of their operations. Following is an effort to capture some of the ideas and practical applications that emerged during the three days of the workshop. The list is not exhaustive or given in any priority order. It is titled:

#### Things NGOs Have Done/Can Do to Ensure Sustainability

##### 1. Topic: Skills and staff/Kenyanization of agencies

Asked whether they had a problem in recruiting and retaining staff with the right skills and with adequate compensation and incentives, most agencies attending said "yes."

Ideas abounded. It is clear that high quality technical staff are absolutely necessary. Key personnel must be paid as fair and as competitive a wage as possible. Sometimes, especially for

agencies in the Districts, providing housing or providing other special benefits could help in retaining such staff.

One of the most critical issues emerging from the discussion of staffing policy concerns the Kenyanization of NGOs instead of the use of expatriate expertise. Kenyans should take on increasing responsibilities for the management and growth of their organizations. Short-term consultant services or longer-term involvement of expatriates should be used judiciously. Such individuals may contribute to sustainability through their access to donors or may possess certain unique skills, but these are factors that are quickly passing into history. And besides, while it may be easy to "buy" such expertise at great cost, such employees are likely to leave if funding is no longer available to pay their salaries. However, if Kenyan staff are hired and trained, costs may be lower and staff turnover is likely to be lower. Use expatriates if you must, but send them packing as soon as you can.

The representative from Tenwek Hospital gave numerous stimulating ideas about staffing: plan carefully ahead of time to make the best choices; train local people who will stay on and are not as expensive as "outsiders;" invest whatever possible in training; use volunteers as well as paid personnel; provide "satisfiers" that people look for in a job - this is not money, but instead includes

- the feeling of being recognized, respected, appreciated and part of a family
- the ability of staff to compare themselves with others doing similar jobs (to encourage self-corrective actions)
- an atmosphere of complete communication through meetings and newsletters so everyone knows what is going on, who is where, doing what
- a sense of healthy competition, where occasionally a select few are recognized for their efforts, while at other times, everyone can "win". This will spur action and excellence, (and remember it is not what you give as a reward or prize - it is how you give it!).

2. Topic: NGO internal systems

If an agency wants the support of beneficiaries or external donors, it has to "earn" it, and deserve it. One way to do this is to provide a good service. Another is by being well managed. Proper internal administrative systems and controls are an absolute necessity. In order to make day-to-day decisions and plan for future sustainability, an agency has to know where it stands financially, and be able to project ahead. To be as self-reliant as possible, NGOs must use the most cost effective method for accomplishing its objectives and this entails making informed

choices. What it comes to is this: if you don't have planning capabilities and financial skills and systems, you are exposing the organization to undue sustainability risks.

3. Topic: Relations with the government

NGOs should maintain close constructive contact with government officials at local and national levels but without compromising their own autonomy. Keeping government officials informed and where possible, involved in an NGO's program, may serve to protect it and improve its delivery of services. Call on the government before the government calls on you.

4. Topic: Geographical coverage and program content

The sharper an NGO's program objective and focus, the better its chances of reaching its objectives. The main idea is to insure quality work that is well managed and uses available resources well. Expanding an NGO program to other areas or diversifying into other sectors should be done only if calculations show that it will make an agency more, not less, manageable and hence sustainable. This may involve deflecting,

for a time, pressures from people requesting the expansion of an NGO service or even offers of donor resources to do so. NGOs should grow rationally and always increase internal capacity before expanding in any major way. Of course, size and scope must be tailored to what an NGO is trying to do. If a pilot project with attendant operational research is needed, the NGO should avoid embarking on a multi-district program. Only after the pilot project shows some success should expansion be considered.

5. Topic: NGO-community linkages

As rendering services to communities is often a main reason for the existence of NGOs, it is important that the links between the NGO and the community be based on mutual understanding, cooperation and respect. Too often such linkages are not given the attention they deserve. Community leaders, church leaders, and local opinion leaders should be on your side. Discuss intentions and plans with everyone concerned before beginning actions. Wherever possible, involve communities in activities like baseline data collection, planning and evaluations. Create community-based monitoring or advisory committees to

help "install" your project among local beneficiaries. Remember: the strength of NGOs is often said to be reaching people in need with maximum local participation. Ensure that this is true to the maximum degree possible. As one group in the workshop put it, "Supreme effort should be made to maintain the enthusiasm and participation of the beneficiaries."

6. Topic: Leadership/management styles

Charismatic leadership.....

Charisma is not enough in itself. An open and "transparent" management style at all levels of an organization and a desire to focus the resources of the NGO on reaching commonly understood objectives go a long way to ensure success. Good leadership carries staff along. Staff should know what is going on, the successes along with the problems, and so should the donors and beneficiaries. Only if that is the case can constructive and fully informed decisions be made with the involvement of all concerned.

7. Topic: Vision

There has to be an overriding goal, but it must encompass more than just a vision of a "noble objective." The vision must include the concern of

logicians, financial analysts, and those who plan strategies for long-term growth.

8. Topic: Specialization

Program focus was mentioned earlier. Elsewhere in the world it has been found that sustainability is enhanced when an agency gains a reputation as being specialized in a place or in a sector or sub-sector. "The Samburu? See SAIDIA, they know that territory and are doing some interesting health and education work." "Bio-intensive agriculture? Some universities are doing good work, but see the folks at Manor House. They are in-touch with the whole movement and are doing practical things in low-input agriculture." "Small scale farmer technical training and credit? See Farming Systems Kenya..." The idea, of course, is to specialize and network with others in the same or complementary fields so that you know the territory, and are known (when the funds are passed out).

9. Topic: Income generation

NGOs often have a natural aversion to the idea of "profit" mainly because profit making activities can divert the focus of the NGOs away from their main objectives. Income generation techniques can, however, be incorporated into most programs from the beginning.

Community or client contributions in cash or kind for services delivered is fair to them and to the NGO running the program. Free or welfare services are often valued less by recipients than something they work to get or pay for, and undermine the recipients' desire to get ahead with a sense of dignity. NGOs should find ways to charge for services, and to be creative in finding ways to provide services to those who cannot honestly pay. For example, an NGO might allow enrollment in a training program without prior payment, as long as the beneficiary promises to "pay" by working a number of months for the NGO after training. In addition, NGOs should look for other income-generating opportunities. If an ambulance service is needed and an NGO can provide it and earn some money, (as Mkomani clinic found it could), this should be done.

10. Topic: Cost controls

Introduce expenditure saving mechanisms within an organization whenever possible. Make choices based on the most cost-effective method for accomplishing project purposes. If motorcycles will do instead of cars, use them. If there is a way to share facilities or equipment with other agencies, do it. If public

recognition can substitute for a pay raise, make sure that means is used.

11. Topic: Integrity

Establish and maintain.

12. Topic: Funds diversification

Don't put all your eggs in one basket but don't have too many baskets. If at all possible an agency should try to maintain a diversified portfolio where the loss of any one source of income should affect no more than 1/3 of the NGO's program. However, a proliferation of funding sources can also hamper an agency's program. Trying, for example, to administer a number of donor grants, keep track of several income generation schemes, run an annual "walk" and one or more harambee functions and a direct mail fund raising program may be too taxing on a small or mid-sized NGO. NGOs that are sustainable do enough (but not too much) to stay financially stable.

The proper mix of income should include sources of unrestricted income, funds that can be used for any purpose. Income that can be used as needed, where needed, is of particular importance for sustainability. Having such income is often the only way to insure you

can pay the rent, turn on the lights, run vehicles, and maintain core staff and services as other income sources come and go.

13. Topic: Political climate

The growth of NGOs is often affected by political conditions in a country. In Tanzania, until recently, NGOs were inhibited by the political ideology of Ujamaa. Many found their existence threatened and some ceased to operate. Few new NGOs could be started. In Zimbabwe, certain NGOs found it difficult to operate because of government restrictions requiring all funds from outside the country be channelled through the exchequer. In Kenya, while NGOs have not had ideological roadblocks set in their way, strained relations between NGOs and political forces have been experienced from time to time. NGOs therefore have to maintain an awareness of the political situation and be quick to make adjustments to legitimate government and political concerns, or organize to make their views known when unwarranted controls or policies concerning NGOs are being contemplated.

14. Topic: NGO networking and mutual cooperation

NGOs often guard their autonomy jealously. This desire for independence is not necessarily a negative

attribute. It is often better to avoid getting enmeshed in coordinating with other "institutional egos" if all that results is lengthy conversations and little action. But too much autonomy can also serve to isolate NGOs from each other and from agencies doing similar work. Such isolationism is counter-productive when it inhibits learning, wastes resources or leads to duplication of effort and "reinventing the wheel."

Networking and collaboration to exchange information on style of operation, new techniques and technologies, and ways in which other agencies are accomplishing their goals can help an NGO plan better and utilize its limited resources more effectively. At the workshop, one NGO told of visiting all other NGOs in Kenya with activities in the sector in which it intended to operate before designing its program. Others voiced the intention of visiting other NGOs which were operating programs similar to theirs.

NGOs know that they could make substantial savings if they carried out joint ventures or shared the costs of staff training, instructional materials production, vehicle maintenance and repairs, bulk purchasing and the like. There may also be the possibility of forming strong partnerships in an effort to convince donors to

set up sectoral endowments or other support arrangements.

Visit, learn, and coordinate to enhance effectiveness and save or raise money were the main ideas brought forth in the workshop.

15. Topic: When to Quit

When a program's purpose has largely been accomplished, when others have taken over program activities, or when the cost-benefit ratio becomes too low, an NGO should consider discontinuing its operations.

## CHAPTER 5

### CONCLUSIONS AND RECOMMENDATIONS

#### 1. FUNDING

##### A Donor Funding

###### (i) Conclusions

- Shorter term funding (up to 3 years) is the most prevalent form of funding to NGOs.
- Project funding is usually what donors consider.
- Funding does not always cover all direct & indirect costs of projects.
- Institution building components - e.g. training, equipment, buildings are not always covered.
- Reporting & accounting procedures at times create substantial additional work for organizations.
- Funding investment for longer term security is almost absent (e.g. endowments).

###### (ii) Recommendations

Participants recommended that donors consider:

- Longer term commitments (5-10 years).
- Cover direct & indirect costs as far as possible.
- Include elements of institution building.
- Minimize reporting/accounting procedures/frequency.
- Endowment funding as a way to give stability to NGOs.

##### B. NGOs FUNDING

###### (i) Conclusions

Participants concluded that NGOs:

- Do shorter term plans normally as per donor practices. Few do 5-10 years plans.
- Raise very little locally.
- At times have inadequate financial management tools & systems.
- Often have poor internal controls & cost saving devices.
- Some have "all eggs in one basket" donors.
- Many give completely free services even where these are demanded by those who can pay.

(ii) Recommendations

It was recommended that NGOs:

- Should do longer term plans.
- Should device ways, including Harambee, fees for services, consultancy services, etc., to generate funds locally.
- Systems & controls should be internalized & not externalized
- "Do not wait for donors or others to require them before putting them into place." (Dr. Stevens - Tenwek Hospital).
- Should have adequate managerial & financial systems and tools in place.
- Should realize that it is not enough to raise incomes, spending should be controlled and properly recorded.
- Should diversify sources of funding.
- Should charge for services if possible.

2. NGO PERSONNEL

(i) Conclusions

- Due to their multi-sectoral programs, require a lot of technically qualified people.

- Are not always able to get, retain and nurture qualified staff for continuity.
- Often over-rely on expatriates & have no concrete plans for increased indigenization.
- Rarely share professional & technical personnel with others.

(ii) Recommendations:

NGOs should:

- Hire multi-disciplinary, flexible individuals.
- Without going overboard, pay competitive salaries and give "satisfiers" in order to retain the best.
- Plan for increased indigenization while using expatriate professional staff judiciously.
- Endeavor to share professional & technical personnel.

3. NGO STRUCTURES

(i) Conclusions.

Participants concluded:

- Many NGOs grow without adjusting structures to suit their changing needs.
- NGO ownerships are not always clear.
- NGO chains of command are not always clear or adhered to.
- NGO accountability structures are not always clear or adequate.
- NGO policies e.g. financial, personnel, are not always spelled out.

(ii) Recommendations

NGOs should:

- Have clear ownership structures.

- Continually adjust structures to suit growth.
- Have clearly spelled out chains of command which are adhered to.
- Have clear accountability structures.
- Have clearly spelled out financial & personnel policies.

4. **NGOs RELATIONSHIP WITH GOVERNMENT**

(i) **Conclusions**

Participants came to the conclusion that NGOs:

- Often guard their autonomy jealously.
- Fail to keep abreast of law, rules & regulations by the government.
- Fail to involve the government at all levels.
- (Some) only go to the government with requests e.g. tax waivers, exemptions etc.

(ii) **Recommendations**

NGOs should:

- Realize that informing and involving the government has value and may avert misunderstanding and problems in future. Government should be involved and informed at all levels.
- Keep abreast of the law, rules, regulations and development priorities.
- Cultivate wide ranging contacts in government.

<p>Government has the people's mandate and therefore has power over the very existence of NGOs.</p>
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5. NGO MISSION, SIZE, CONTENT OF PROGRAMS AND FOCUS

(i) Conclusions:

- While NGOs are aware of their own missions, many do not have clear objectives.
- Some are too large, try to cover too much in too large an area.
- Many are generalists without a single area of specialization.

(ii) Recommendations

NGOs should:

- Have a clearly defined mission.
- Have clear objectives.
- Maintain a manageable size.
- Restrict growth of activities & sharpen focus.
- Have a few areas of specialization.

6. NETWORKING

(i) Conclusions

- NGOs do not often share information.
- Some duplicate efforts (re-invent the wheel).
- Some do not substantively communicate with others active in similar sectors of development.
- Few share resources.

(ii) Recommendations

NGOs should:

Realize that while autonomy and self-sufficiency are important, no single NGO can be strong in all areas, therefore:

- Share information with others (particularly with those engaged in similar activities).
- Share experience.
- Share resources.

i.e. Network.

---

**ANNEXES**

- A. Summary of Responses to Questionnaire
- B. List of Participants
- C. Summary Presentation (FSK & Tenwek)
- D. Scope of Work
- E. Indicators for Assessment (sample)

**ANNEX A.**

**SUMMARY OF RESPONSES**

**USAID-NGO SUSTAINABILITY WORKSHOP QUESTIONNAIRE**

NGOS RESPONDING: KFFHC, MANOR HOUSE, SAIDIA, KMAP, WORLD VISION,  
YMCA, MKOMANI CLINIC, CHOGORIA HOSPITAL, PRIDE, VITA,  
TECHNOSERVE, FSK, TENWEK

**Introduction**

Eighteen questionnaires were sent out and thirteen responses were received promptly. Most of the respondent NGOs were relatively young, having been founded between 1980 and 1990. Practically all of them were active multi-sectorally, though those in the health sector tended to address other sectors primarily as far as those sectors affected the health situation of the target groups. Nearly all cited internal organization and management as posing major challenges. About 60% of them planned to grow geographically or program content-wise.

Practically all of them subsisted primarily on donor funding, raising a very small proportion of their incomes from local sources. 75% of them were receiving in-kind contributions from communities and volunteers. Most expressed some difficulties in meeting donor requirements, while at the same time they were worried about own and projects' long term sustainability.

- 
1. Sketch in a paragraph or two the history of your agency. When it began operations? How it got started, by whom, for what purpose? With what initial resources both human and financial?

Y e a r   b e g u n   i n   K e n y a  
1984/1965/1973/1980/1990/1989/1921/1986/1981/1986/1984/1974

Sectors of Operation:  
Health                    5  
Agriculture               2  
Water                     1  
Forestry                   1

Livestock 2  
Agri-enterprise 2  
Job training 1  
Small business 3

2. Again in two or three paragraphs, tell of changes in your agency since its first year. What have been the trends in growth, changes in program emphases, major circumstances or milestones that hurt or helped your agency in the course of becoming what it is today?

- \*added CD to health/
- \*moved from micro to long term integrated projects/
- \*moved from coops to business/
- \*added clinics and mobile outreach/
- \*rapid expansion from curative into preventative health and rural
  
- \*clinic system/
- \*diversified from health to water, coops, education funds, livestock.

3. List, with whatever brief comment you want to make, the one or two most vexing or difficult challenges your agency faces at the present time concerning management of its programs.

- \*government regulations on medications for livestock, lack of good stock and feeds, budget constraints under donor contract/
- \*Northern donors setting agendas, their conditionalities, their differing views making it hard to coordinate program, being 93.5% dependent on them and their whims/
- \*weaning from central support to raising funds in the field/
- \*getting internal systems organized for reporting and recordkeeping/
- \*refining our model and getting decent staff/

- \*sustaining a comprehensive health care systems even with good cost recovery because donors "don't do" curative support or cover recurring costs but instead want "new" projects/
- \*managing a staff of 500/
- \*lack of working capital/
- \*low producer prices. Unpredictable weather/
- \*maintaining momentum, avoiding over bureaucratization, keeping community trust/
- \*narrow focus to insure ability to administer programs, currently stretched too thin in terms of human, technical and financial resources, retaining adequate staff/
- \*working with squabbling churches, fluctuating funds, being spread too wide and too thin to make sustainable development impact.

4. What do you see your agency being like in five to seven years? Comment as you wish on things such as whether you hope it will bigger, about the same size, doing the same or different things, more or less geographically disbursed, etc.

Growing:	8
Stabilized at given size:	5
Diversifying activities:	5
Diversifying geographically:	7
Kenyanized:	2



9. Comment briefly on whether or not any of the following created problems in successfully operating your agency's program:

- a lack of physical or logistical resources (office space or equipment, access to communications or transport)
- not well developed operational structure in terms of legal framework, set policies, admin or control systems.

5 NGOs

- difficulties in securing technical resources

3 NGOs

- problems in recruiting and retaining staff in adequate numbers and with the right skills and with adequate compensation and incentives.

9 NGOs

10. Does your agency have strategic plan? Does it include sections on fund raising and public relations or publicity? Whether or not you have a long term overall strategy, do you have a fund raising plan?

Yes 8 (Strategic Plan with fund raising)

No 5 (No plan)

11. Is there anything specific about the subject of sustainability that you particularly hope that the upcoming workshop will cover but that you suspect that it won't?  
\*how to keep people motivated over the long-term, especially volunteers/

\*local options for fund raising for independence from North/  
donor attitude toward "bricks and mortar" and curative health,  
NGO opportunities to do things collectively like maintain  
vehicles etc./

\*roles and modalities donors use and why/

\*sustainability at farmer's level/

\*define terms and explain blind pursuit in development circles of  
sustainability/

\*donors bear significant responsibility in generating either  
sustainability or dependence, yet the burden of becoming  
sustainable is often placed on client NGOs; this issue must be  
discussed.

ANNEX B

USAID PVO CO-FINANCING THIRD  
ANNUAL WORKSHOP - NGO SUSTAINABILITY

PARTICIPANTS

<u>NAME</u>	<u>ORGANIZATION</u>
1. Beatrice Mutua	Salvation Army
2. Commissioner (Mrs.) L. Angoya	- " -
3. Neil Turner	Saidia
4. Mukomi Njenga	Technoserve
5. Moses Mbugua	Kenya Freedom from Hunger
6. Bowers Kojino	- " -
7. Dr. Alastair Sammon	Chogoria Hospital
8. Haron Baiya	Vita
9. Joseph Wandario	Thika CITC
10. Peter Sang	World Vision
11. James Allego	- " -
12. Maina Waiganjo	Farming Systems (K)
13. Richard Lang'at	- " -
14. Louisa A. Owiti	YWCA
15. Alice Abok	"
16. Andrew Karas	Manor House
17. Ramesh Ahmadi	"
18. Jonathan Campaigne	Pride (CID)
19. Dr. Stevens	Tenwek Hospital
20. Randy West	- " -

- |                      |                     |
|----------------------|---------------------|
| 21. Andrea N. Morara | KMAP                |
| 22. Mwai Mwangi      | Ministry of Finance |
| 23. Victor Masbayi   | USAID               |
| 24. Nancy Gitau      | "                   |
| 25. Zack Ratemo      | "                   |
| 26. Rosa Wanyagi     | "                   |

**Presenters:**

- |                                     |   |                                   |
|-------------------------------------|---|-----------------------------------|
| Launching<br>(Kenya)                | - | Mr. John Westley (Director USAID) |
| Donor Panel:                        | - | Mr. Stafford Baker (USAID)        |
|                                     | - | Mr. Alberto Palacio-Hardy (CIDA)  |
| Bellhouse Mwangi<br>Ernst and Young | - | Coutts Otolo                      |

Other Presentations from Participants.

- |                         |                         |
|-------------------------|-------------------------|
| Organizer/Facilitators: | Edward Glaesor (MST)    |
|                         | Daudi Waithaka (Matrix) |

**ANNEX C**

**SUMMARY PRESENTATION BY TENWEK**

**PROGRAM SUSTAINABILITY  
by David Stevens, M.D.**

**I. INTRODUCTION**

- A. Sustainability often thought of in just monetary terms. Also includes**
1. Sustainability of program provision - finances, equipment, vehicles
  2. Sustainability of key personnel
  3. Sustainability of overriding purpose

**II. KEYS TO SUSTAINABILITY**

- A. Program Provisions**
1. Proper Planning
    - a) Use lowest cost effective method for accomplishing goals
    - b) Incorporate income generation techniques from beginning
    - c) Let people know from beginning that outside funding may not continue forever
  2. Proper Management
    - a) Ensure proper controls of resources are internal not external
    - b) Do not pay salaries out of line with what program may later be able to afford.
- B. Key Personnel**
1. Proper Planning
    - a) It is easy to go out and "buy" expertise project needs but key people will leave when funding not available to pay their salary.
    - b) Better to train local people who will not leave their community and are not as expensive.
    - c) Invest funding in appropriate training of these people
  2. Proper Management
    - a) Key to keeping volunteer or paid personnel is providing "satisfiers" people look for in job.
      - 1) NOT MONEY - It is only a dissatisfier
      - 2) Satisfiers are
        - i) Feeling of being recognized/respected/appreciated
        - ii) Ability to compare self with others doing similar job

- iii) Good Communication
- iv) Competition
- v) Sense of Family
- b) Continued motivation of all levels of personnel - paid and volunteer
- c) Practice good management techniques at all levels of organization

C. Over Riding Purpose

- 1. Leadership's role to monitor progress towards objectives and purpose and inform rest of organization
- 2. Leadership's role to focus resources of organization on reaching goal
- 3. Leadership's role to maintain enthusiasm of organization on reaching its goal

III. WHEN SHOULD A PROGRAM NO LONGER BE SUSTAINED?

- A. Program's purpose has largely been accomplished
- B. Program's goal is now being pursued by others independently
- C. Cost/Benefit ratio becomes to low

## **SUMMARY OF PRESENTATION BY FARMING SYSTEMS OF KENYA (FSK)**

FSK was founded in 1981 in Nakuru. Its primary goal was (and still is) to assist small scale farmers with credit (60% of need) and offer extension advisory services.

The rationale upon which FSK was based took into account the fact that production per unit of land was decreasing steadily and farmers could not realize maximum outputs.

FSK currently provides:

- Training,
- Seasonal credit,
- Appropriate technologies, and
- Marketing advice.

Before FSK gets into a community it does baseline surveys - to get socio-economic information which determines whether it should go in or not.

Selection of farmers is done by villagers committees comprised of chiefs, MLD, MDA and church leaders. They select farmers based on criteria developed by FSK.

FSK trains all farmers selected initially for one week in all aspects of farm husbandry, training is done together with line ministries. Farmers are then visited by FSK in their farms to verify whether they qualify for FSK support or not.

### Projects

Seasonal Credit is given to qualified farmers in-kind.

Livestock is given in calf heifer. The farmers pay 25% of market prices (Total ceiling price is KShs. 10,000). The first heifer calf produced is taken by FSK to loan another farmer in the same community.

Crop Loans are repaid at the end of the season with a 10% interest/commission.

### Problems

Defaulting by farmers is attributed to bad year's harvest, poor managerial attention by farmers, unfaithfulness by farmers (i.e. cheating as there is no collateral required).

### What FSK does

. Farm visits are done every one or two months.

- . Monitoring of crop growth from initial stages to the harvest stage to be able to assess the capability of farmers to repay.
- . Organize marketing for the farmers whereby FSK sells and recovers the credit and gives the farmers the balances.

Procurement of goods and services.

#### Problems

- . Lack of essential chemicals for pest control.
- . Artificial insemination (AI) services may not be there. This has implications on production of milk, most farmers resort to using local bulls, - leading to poor breeds of livestock and low production and value.

#### What FSK Does

- . Tries to access manufacturers directly. Some are very helpful and give inputs at suppliers prices. FSK buys in bulk and thus saves farmers extra costs.
- . FSK selects seeds from farmers e.g. potatoes. No alternative solution has been found for the lack of AI services.
- . Environmental factors. The weather is unpredictable. Thus FSK urges the farmers to prepare themselves early.

FSK is a young NGO thinking seriously about sustainability. It has grown tremendously in the last 10 years.

SUSTAINABILITY WORKSHOP - SCOPE OF WORK

BACKGROUND

The purpose of the PVO Co-Financing Project is to assist PVOs in Kenya to increase their development impact by strengthening their institutional and beneficiary outreach capabilities. This is accomplished through direct financing of development and institutional building activities, and through provision of various forms of institutional support (limited management support to potential grantees and short-term international --U.S. and third country --training).

The project has so far provided grants to nine (9) PVOs and provided international training to 27 participants from NGOs in Kenya. The institutional strengthening element is an important component of the PVO Co-Financing Project, and is accomplished through a number of mechanisms, one of which is through holding workshops for the grantees. The topics for these workshops are selected through the expressed needs of the grantees or by the PVO Co-Fi Project team in areas that would facilitate effective implementation of the project.

Thus far, the PVO Co-Fi Project has held two workshops. The first one, held in September 1989 with new grantees, was entitled, "How to Interpret your Grant". During this workshop the grantees expressed an interest in a workshop on monitoring and evaluation. This was held in June 1990 for all the grantees. The result was an improved project tracking system and reporting format which has greatly improved the capability of the PVO Co-Fi Project to monitor sub-projects and to ease the reporting requirements for the grantees.

During this workshop, the participants expressed an interest in a workshop on sustainability. In response to this request, the PVO Co-Fi Project has planned to hold this workshop in August 1991. From the view-point of the PVO Co-Fi Project staff, this is an important topic for discussion. It would not only address the needs of the grantees, but also the concerns of the PVO Co-Fi management team regarding the issues of sustainability in sub-projects funded under this project.

One area of specific concern to the PVO Co-Fi project and USAID/Kenya in general is the fact that organizations or projects that may seem successful today with AID grants may not necessarily be able to survive when funding comes to an end. Under the PVO Co-Fi Project, existing grant funding is for a period of two to three years. It is important that during the individual project planning stage elements be built-in/supported that contribute to sustainability.

This workshop will set out to identify such factors and to see how the PVOs have addressed them in design, implementation and evaluation of their projects. The workshop will also examine the steps which some PVOs have taken to make sure that they are in a position to achieve sustainability at both the organizational and project level.

This scope of work addresses the functions to be performed by a team of two specialists who are required to organize and facilitate this workshop. Both should have good insight into issues of sustainability and a strong understanding of PVOs in Kenya as well as the PVO Co-Fi Project.

#### SPECIFIC OBJECTIVES OF THE WORKSHOP

The overall objective of this scope of work is to organize and facilitate a workshop on sustainability for high level policy makers of PVOs in Kenya and the PVO Co-Fi Project staff. By the end of the workshop it is anticipated that the participants will have:

- (a) Developed a common understanding of what is meant by the term "sustainability".
- (b) Identified issues/problems that donors and PVOs have regarding the concept and achievement of sustainability.
- (c) Shared lessons learned through case studies and presentation on what is being done by some PVOs in an attempt to achieve sustainability.

In addition, by the end of the workshop it is anticipated that participants from PVOs will have come up with action plans which can be implemented to help make their organizations sustainable.

The proceedings of the workshop will be synthesized into a publication which the PVO Co-Fi project will circulate widely in Kenya to interested PVOs.

#### SCOPE OF WORK

The proposed workshop will be carried out in three phases over a four-month period by a US and a local consultant who will coordinate their activities. Specific activities to be carried out during each phase and specific responsibilities of each consultant are outlined below.

#### Phase I

During Phase I the local consultant will, in consultation with the PVO Co-Fi project team, be responsible for planning this workshop. This will involve: visiting PVOs to get their views of the workshop and their input, locating speakers (from PVOs and private sector) and orienting them on the objectives of the workshop, discussing with the speakers the general contents of their presentations, locating the venue for the workshop, preparing the workshop agenda, sending out questionnaires to all participating PVOs and receiving the questionnaires and collating the reports. The local consultant will also make available all the materials required during the workshop.

The US Consultant will be responsible for preparing the questionnaires which the local consultant will send out to the PVOs. He will also be responsible for preparing presentations and, as necessary, discussing them with the local consultant.

#### Phase II (August, 1991)

In this phase both Consultants will conduct the three-day workshop for approximately 25 participants.

There will be a mixture of presentations, group discussions and practicals in which participants will develop work plans for some model PVOs which could be implemented to make their organizations sustainable.

Possible presentations during the workshop will include:

- (1) A definition of sustainability

- (2) Donor presentation: What donors look for in potential grantees. This could be done by a donor panel.
- (3) Presentation by a financial management consultant (preferably from Bellhouse Mwangi) on two case studies focussing on financial aspects of PVOs.
- (4) Presentation by one or two PVO representatives who will give a PVO perspective on what some PVOs are doing to achieve sustainability in future.
- (5) Issues of project benefit sustainability which will come from questionnaire findings.

Phase III (September, 1991)

The two consultants will produce a report on the workshop proceedings which will be entitled "Profiles on Sustainability: Practical Applications in Kenya" This will be finalised six days after the end of the workshop.

**ANNEX E**

Indicators for Assessment re: sustainability.

Reproduced from UNDP's "Institutional Self-Reliance: A Framework  
for Assessment" Development Alternative Inc. 1989.

**NB**

These might be useful for comparison and as a take-off point  
for the development of indicators for use in assessing grantee  
sustainability of USAID PVO Co-Financing Project.

Table 2

Indicators for Assessment

Dimension/Category	Indicators
<u>Institutional Formation</u>	
■ <i>Institutional Stock</i>	<ul style="list-style-type: none"> <li>✓ The institution's legal framework, policies, rules, and procedures provide a consistent referent for operations.</li> <li>✓ Appropriate facilities and equipment are available to support operation.</li> <li>✓ The institution has access to logistical and communications needs (vehicles, telephone, telex, FAX, etc.).</li> <li>✓ The organizational structure meets needs of efficiency and control.</li> <li>✓ Organizational subsystems for administration, production, financial management, and other operations operate efficiently.</li> <li>✓ The institution possesses needed technological resources.</li> </ul>
■ <i>Human Resources</i>	<ul style="list-style-type: none"> <li>✓ The institution has adequate staff in all key positions.</li> <li>✓ Compensation is adequate and equitable.</li> <li>✓ Monetary and non-monetary incentives support targeted behavior.</li> <li>✓ The staff turnover rate is low.</li> <li>✓ Opportunities exist for staff professional development and on-the-job training.</li> <li>✓ Staff are held accountable for getting work done according to clear performance standards.</li> <li>✓ Staff needs are analyzed in the planning process.</li> <li>✓ Recruitment and promotion policies provide for internal and outside staff growth.</li> </ul>

## Indicators

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- **Program Delivery**
    - ✓ The institution maintains reliable evidence of the degree of client or constituent satisfaction.
    - ✓ The institution has structures of accountability to clients and constituents.
    - ✓ The institution's scope of program or other activities is appropriate to its financial and management capabilities.
    - ✓ Program outcomes are measured and documented and widely known to institutional managers.
    - ✓ The institution's program contributes to institutional condition.
    - ✓ The institution possesses appropriate economic, sector, or market analysis capability.
    - ✓ If market-driven, the institution has measurable "bottom-line" results
- 

## Institutional Condition

- **Character**
  - ✓ The institution has a documented mission that is clear and understood by staff and/or members.
  - ✓ Institutional activities mesh with institutional mission and priorities.
  - ✓ Staff morale is high and regularly evaluated by the institution.
  - ✓ Staff are clearly aligned in attitude and performance with institutional goals.
  - ✓ "Critical events" analysis indicates that the institution is effective at defining and acting on those opportunities of most significance to its development and impact.
  - ✓ High job satisfaction is evident at all levels of the institution.
  - ✓ Information is shared openly within the organization.
  - ✓ The institution's policy contributes to achievement of institutional goals and strategies.

## Indicators

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### ■ *Financial Resources*

- ✓ Fiscal data are up-to-date and accurate.
  - ✓ The institution has access to resources in line with planning budgets (including credit, where appropriate).
  - ✓ The institution has control over its own budget.
  - ✓ The institution has awareness of its future resource needs.
  - ✓ Effective financial management and accounting procedures are in place.
  - ✓ Budgets are used as a planning and monitoring tool.
- 

### Institutional Function

#### ■ *Management*

- ✓ Institutional management has a high degree of autonomy.
- ✓ The institution has adequate management depth.
- ✓ The institution's management style is participatory and enabling.
- ✓ Managers have a clear sense of realistic goals and priorities.
- ✓ There is effective delegation of management responsibility to second level managers.
- ✓ Managers have a high level of fiscal and operational awareness.
- ✓ Staff can clearly describe their roles and responsibilities.

#### ■ *Environmental Mastery*

- ✓ Appropriate links exist with other institutions.
- ✓ Bureaucratic support is evident for the institution's activities.
- ✓ Major environmental influences are identified and assessed for relative degree of influence and are accurately forecast.
- ✓ The institution has controlled access to essential natural resources and other inputs.
- ✓ The institution has access to needed technologies.

**Indicators**

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■ **Leadership**

✓ Management effectively represents the institution to external interests.

✓ The institution has a clear vision, affirmed at all levels in shared values.

✓ There is evidence of institutional innovation.

✓ The institution employs effective staff involvement and teamwork in planning and work.

✓ The external institution image is consistent with its goals and objectives.

✓ The institution's leadership philosophy is clear.

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## ANNEX F

### PRELIMINARY CONCLUDING REMARKS BY THE PARTICIPANTS

At the end of the workshop and pending the sending out of a post-mortem questionnaire to the participating NGOs, those attending made certain comments on the organization of the workshop, the venue and facilities and future potentialities in the area of such training workshops. Included below are the major areas remarked upon:

(a) Desirability for similar workshop

The PVO Co-Financing Project of USAID was commended for the continued organization of the series of workshops intended to raise the awareness of their beneficiary NGOs. One participant had this to say. "This workshop has truly been an eye opener for us. Prior to the workshop, many of us saw sustainability in narrow terms of continued funds flow. Now we see that almost everything we plan or do has some bearing on our agencies' sustainability. I commend the USAID for this series of workshops."

(b) On the next workshop in the series.

Several participants voiced the need for an additional workshop dealing this time with project sustainability. It was noted that it was not enough for an NGO to become sustainable but that the projects that the NGO carried out needed to have built-in measures to ensure

continued sustainability, even after the particular NGO has withdrawn its involvement.

(c) On NGO net-working.

Three participants touched on the usefulness of the series of workshops in fostering NGO networking. One of them gave the example of a Manor House and FSK intended collaboration, which had come about as a result of the two having been brought together through the workshop.

(d) On the organization of the workshop.

Several participants voiced their appreciation for the smooth organization and a good choice of venue of the workshop. They noted that the organizers had visited the individual NGOs and discussed the intended content of the workshop, collecting views which affected the eventual tone and content of the workshop positively. Some felt that in future, some non-grantees might be invited to widen the circle of contact among NGOs. The presence of a government representative was commended and some felt that the trend of including government representatives, particularly those active in sectors in which NGOs participate is appreciated.

e) On participatory approach

Some of those present felt that the workshop had been participatory. They were particularly pleased with the fact that the examples used in illustrating the various

points were drawn from the self-analysis of those NGOs present thus offering participants chances to ferret out further details from their colleagues.

f) On the presence of donor representatives.

A number voiced their concerns regarding the past isolation of donors from the mainstream of the NGO thinking. Having donors attend the workshop and give presentations had facilitated a good exchange of views "from both sides of the fence."

A questionnaire asking the participants to analyze the workshop in greater detail was sent out to all participants soon after the workshop. The results of the responses will feed into the planning of the next workshop in the series.

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## **ANNEX G**

### **PROFILES OF PARTICIPATING NGOS**

1. VITA - Volunteers in Technical Assistance was started in 1969 by professionals who wanted a means by which to apply their expertise to problems faced by people in developing countries. Although VITA started as an entirely voluntary by-mail information service, it has broadened its original concept to include the implementation of field projects primarily in the areas of agricultural development and small enterprise promotion. VITA receives support from the World Bank, United Nations agencies, USAID and other public and private sources.
  
2. PRIDE - Promotion of Rural Initiations and Development Enterprises, Ltd. was incorporated in Kenya in 1989 with the purpose of delivering extension banking services to the informal sector. PRIDE operates out of branches in Baringo and Nyandarua Districts.
  
3. YWCA - Young Women's Christian Association the world over traces their beginning in 1855 in London, UK. The YWCA Kenya was founded in 1912 with commitment to serve the particular needs of women and girls. The association is currently oriented towards rural development and small enterprise development for income generation.
  
4. K-MAP - Kenya Management Assistance Programme is a non-profit organization founded in 1984 when 74 highly successful large and

medium firms agreed to release their top and middle level management executives one day in a month to counsel small business operators who had registered with K-MAP. K-MAP members contributed the initial resources to set up the secretariat, while USAID provided funds for the first five years of operation. K-MAP has diversified its services to include training workshops, custom-designed training, job placement services and publications.

5. Technoserve was founded in the USA in 1968 and currently has programs in Africa and Latin America. Technoserve's aim is to improve the economic and social well-being of low income people in developing countries through a process of enterprise development which increases productivity, jobs and income. Technoserve accomplishes this by providing management, technical assistance and training to enterprises and institutions primarily related to the agricultural sector.

6. World Vision International was started in the USA as a Christian, charitable, humanitarian, non-political, non-profit making organization serving the people with the compassion of Christ. In Kenya, World Vision lays emphasis on integrated community development through child sponsorship funding.

7. Tenwek Community Health was started in 1984 through a grant given by USAID to John Hopkins USA administered in Kenya by Corat. The program was begun by Tenwek Hospital as a result of

the many patients in the hospital who had come with preventable diseases.

A department was started to establish a community based health care system for the purpose of training workers who could teach health related topics and treat eight common diseases within the participating communities.

Tenwek diversified into development programs after discovering that people's health was not just physical but included financial, emotional and spiritual well-being. These programs include promotion of zero grazing, egg production, market gardening and water containment techniques.

8. KFFHC - Kenya Freedom from Hunger Council was established by an act of the Parliament of the Republic of Kenya, as a member of the Food and Agriculture Organization worldwide Freedom from Hunger Movement. The Council was started to assist in the co-ordination of efforts by the government, voluntary agencies and communities in the campaign to combat hunger and malnutrition. The Council projects cover the broad areas of agriculture, health, water development, health and nutrition, livestock development and agro-forestry.

9. MHAC - Manor House Agricultural Centre - Kitale was purchased and registered as an NGO in 1984 by a Kenyan Board of Trustees. The purpose underlying MHAC's formation was to enhance the self-reliance of small-scale farmers faced with limited resources and

increasing population through training in bio-intensive agriculture. This goal would be accomplished through a two-year residential course for community-sponsored secondary school graduates as well as through extension activities and residential workshops for various groups.

MHAC has expanded into the following areas: two-year residential courses in bio-intensive agriculture; five and ten day workshops; student extension practicals and infrastructure.

10. FSK - Farming Systems Kenya Ltd. was established in 1981 by the Lay people Fellowship of the African Inland Church Nakuru. The aim was to assist small-scale farmers with agricultural technical training and with provision of seasonal credit.

11. SAIDIA - Samburu Aid in Africa was started in 1986 as a funding mechanism for Lesirikan Dispensary in the Ndotos. The overall objectives of SAIDIA has grown since inception. SAIDIA's goal is to provide assistance towards integrated community development.

Specifically, they plan to design and initiate a program of community development in conjunction with the local people, to create greater awareness of the prevention of illness, to stock and maintain dispensaries, to give support in form of educational sponsorships and finally to respond to all community needs.

12. Presbyterian Church of East Africa - Chogoria Hospital was established by the Presbyterian Church of Scotland in 1922 but is now under the control of the East African Church.

The hospital conducts surgery, and manages family planning and preventative community outreach programs.