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The Partnership Between PLAN International Kenya (PLAN) and Business Initiatives and Management Assistance Services (BIMAS)

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Executive Summary

As of late 1998, PLAN Kenya and BIMAS were about halfway into a three-year agreement PLAN provides funds and technical assistance to BIMAS so that it will become fully capable of managing a microcredit program which was formerly run by PLAN The intention is that BIMAS will no longer be dependent on PLAN for funding at the end of the agreement, although some kind of relationship may continue The study focuses on the history of the partnership, how well the current arrangements are working, and potential issues for the parties to consider when the current agreement ends in mid-2000

Evolution of the Partnership
BIMAS was legally registered in 1994 as an independent organization based in Embu to be an intermediary between PLAN Kenya and local communities which would take over the management of a successful microcredit program PLAN had operated an income generating/credit program in Embu since 1982, but it was ended in 1990 because it was not successful A new program, redesigned to operate on group-based microenterprise lending principles, was initiated in 1992 and became successful within a year The decision to create and support the development of BIMAS into a self-sustaining microfinance institution was a result of two major factors strong community interest in maintaining the program locally and an organizational change in PLAN towards working through partnerships with local organizations, especially in the microfinance area

The process of operationalizing BIMAS took about 5 years, from the time when the communities expressed their interest in local ownership (1993) to the time when the organization moved into its new office and started functioning (1998) Everyone agrees that the process took longer than it should have, although there were good reasons for the way in which it developed Two important factors include the newness of the process for PLAN and the influence of PLAN's internal organizational characteristics It was the first time PLAN Kenya had initiated such a process, and expectations for continuing program success were high PLAN solicited a good deal of outside expertise, local and international, which took some time Also, proposals and agreements had to be approved at several levels within PLAN, from the country to the international offices Organizational policies and procedures designed to minimize PLAN's risk and promote accountability raised issues related to control and ownership of the substantial funds and assets involved Regular turnover in managerial positions extended the approval process as new officers familiarized themselves with their positions and responsibilities

One strength of the way the process unfolded is that the formal agreement was co-developed by the microenterprise development coordinator in PLAN Kenya and the executive director of BIMAS They are the staff most responsible for implementing the arrangements Their experience in developing the agreement and incorporating feedback from many sources has given them a thorough understanding of what the arrangements are and how they are perceived within PLAN, BIMAS, and the communities They have a solid footing on which to 'take off' with BIMAS

Current Partnership Arrangements
The formal agreement between PLAN Kenya and BIMAS (FATAA), is framed in Kenyan law, it defines the purpose of the agreement and the obligations of each of the parties Basically, PLAN provides funds and technical assistance, and BIMAS is responsible for reporting on program and financial operations and impacts Both parties find the agreement satisfactory, with the caveat from BIMAS that there is no grievance procedure to raise concerns with PLAN Formal roles and responsibilities concerning

reporting and communication between PLAN and BIMAS appear somewhat ambiguous in practice The relations between the technical staff in the two organizations are clearly understood and cordial However, the other organizational relations between PLAN Embu and BIMAS are not as clear Several people reported that the Embu office delays too long in releasing funds and providing feedback to BIMAS, once reports are submitted This has the effect of reducing BIMAS' own effectiveness in responding to its clients At the same time, the PLAN Embu office expressed concerns about the extent to which BIMAS was meeting its obligations to serve the poorest of the poor, or PLAN families

The credit groups expressed strong commitment to the goals, microcredit philosophy, and future of BIMAS in their communities The individuals and their families had benefited from receiving the loans, and the groups had attracted new member through demonstration effects The refrain *"We are BIMAS and BIMAS is us"*, was repeated several times These groups were not shy to voice new demands to BIMAS, from providing enterprise-related training, to increasing the size of their loans, to giving them access to the interest on their savings BIMAS staff will have their hands full to continue to manage the demands from the older groups at the same time as they extend themselves to recruit new members

Systemic Influences on the Partnership

As a spin-off of PLAN, it is not surprising that the strongest influences stem from PLAN's organizational characteristics and historical role in Embu In addition to the organizational characteristics mentioned above, the size and historical presence of PLAN in Embu has created an 'enabling environment' for BIMAS in the community PLAN has won the good will of the community through its years of service providing, which has been extended to BIMAS in its formation process PLAN has remained free of political interference, and it is hoped that BIMAS will also

In Kenya, external influences essential to the success of the new organization include the strong community support from community leaders as well as group members, and the extensive Kenyan and international microfinance expertise that was integrated into the development of BIMAS In the future, the Kenyan economy may be the most significant external influence on the success of BIMAS a stable and expanding economy is necessary for program growth and performance

Finally, the external influence of the donor in the US, the Office of Private Voluntary Cooperation (PVC) in the U S Agency for International Development, can not be under-appreciated PVC initially rejected a proposal from PLAN for a microenterprise development program, but initiated a discussion about the type of proposal from PLAN in which they would be interested That led to the approval of grants for six years of institutional strengthening in PLAN in microfinance PLAN provided its own resources to include Kenya and another country in the innovative project PLAN may not have followed through with supporting the development of BIMAS if it had not received the USAID grant for its institutional learning process

The Value of the Partnership Achievements, Future Hopes and Challenges

The creation of BIMAS as a locally based microfinance organization, with strong community support and potential for continuing program success is in itself a major achievement PLAN Kenya had not done anything like it before, and some say it has achieved greater success than other attempts in PLAN elsewhere PLAN and BIMAS alike share the hope that BIMAS will grow and be financially sustainable at the end of the three-year period They hope to serve greater numbers, especially poor women, as the program expands

The major challenge at present is a sense on the part of BIMAS and some in PLAN that BIMAS is ready to 'take off' and exercise a greater degree of self-management PLAN may need to 'let go' and allow BIMAS to take more responsibility Examples include alleviating the delay in releasing funds and streamlining procedures for procuring assets for BIMAS In the future, once the current agreement expires, the parties will have to address the question of what the basis of the relationship between PLAN and BIMAS will be BIMAS' mission is to be financially self-sustaining and serve PLAN families, the poorest of the poor It will be challenging to meet these twin objectives, especially if the Kenyan economy is not strong The experience of other microfinance institutions in this area, internationally and in Kenya, will continue to be very useful information as BIMAS charts its future course, with PLAN's support Microfinance is a quickly changing and competitive field in which BIMAS will have to succeed, it appears to have a strong foundation of microfinance expertise and community interest

The Partnership Between PLAN International Kenya (PLAN) and Business Initiatives and Management Assistance Services (BIMAS)

"*I always say that our relationship is like a marriage between two organizations*" says Pauline Kagombe, Executive Director of Business Initiatives And Management Assistance Services (BIMAS), referring to the partnership between PLAN Kenya (PLAN) and BIMAS "*If we are able to divorce the relationship will have been successful*" Unlike the divorce of married couples, the 'divorce' to which Pauline refers is a welcome event for both BIMAS and PLAN By mid-2000, providing all goes as planned, BIMAS will be an independent and sustainable microfinance institution based in Embu, Kenya BIMAS is a "spin-off" of a successful PLAN microfinance program into a local NGO It was created by PLAN and local stakeholders in 1994 in order to hand over the management of a successful microcredit program to a local Embu institution, thereby ensuring its sustainability

Currently (late November 1998), BIMAS and PLAN are about halfway into a three year agreement in which PLAN is providing financial and technical support to assist BIMAS in developing its capacity A halfway point in an agreement between two organizations is a good time to consider how the partnership is working The factors which make it a strong working relationship can be identified and concerns or issues in the current arrangements can be addressed Planning for the termination of the current agreement and potential re-negotiation of the partnership between BIMAS and PLAN can be enhanced by a thorough understanding of the factors that have made the relationship successful, as well as of both parties' views of their hopes and challenges for the future Even though BIMAS is expecting to be financially sustainable at the end of the present agreement, there may well be some kind of relationship continuing between the two organizations "*As a spin-off, [there are] several PLAN interests that will still come into our lives for some time to come [like] outreach to PLAN families They have made us what we are* ' reflects Pauline

This case study explores four major aspects of the partnership between PLAN and BIMAS It examines four major aspects (1) the evolution of the partnership, from its beginning to the present, (2) the current cooperative arrangements between the two organizations, including formal agreements and informal relations, (3) the major systemic influences on the partnership from internal organizational features and stakeholders in the external environment, and (4) the partners' assessment of the value of the partnership, including its major achievements and future hopes and challenges The case study is intended to be useful to the two partners in their ongoing efforts to develop mutually beneficial cooperative arrangements, and to the wider community of US private voluntary organizations (PVOs) and African non-governmental organizations (NGOs) who seek to create and improve satisfying and effective partnerships for sustainable development

Methodology

This case is one of a series of five studies of partnerships between US PVOs and African NGOs designed to identify and explore the elements which contribute to effective cooperation for sustainable development The project is organized by The Institute for Development Research (IDR), of Boston, MA, MWENGO, of Harare, Zimbabwe, and The Global Excellence in Management Initiative (GEM), of Washington, DC and Cleveland, Ohio Funding is provided by the Office of Private Voluntary Cooperation (PVC) of the US Agency for International Development (USAID) in Washington, DC, and the in-kind contributions of participating organizations Five cases were selected from among nine volunteered by US PVOs in response to the following criteria (1) located in Southern and Eastern Africa, (2) represents widespread PVO-NGO programs, (3) commitment to action learning, and (4) the program has evolved over time We sought cases in the same countries or regions in order to enhance comparability, two cases are located in Kenya, two in Ethiopia, and one in Malawi

Information about the partnership between PLAN International and BIMAS was gathered through semi-structured interviews and archival documents The interviews were conducted jointly by an African-US research team, who talked to organizational leaders, key program staff , representatives of the community microcredit groups, and external consultants Archival documents included the financial and technical agreement between PLAN and BIMAS, general communication internal to PLAN regarding the agreement to establish BIMAS, monitoring and evaluation reports by PLAN staff, and BIMAS internal documents and financial reports

Evolution of the Partnership

BIMAS was born of a convergence of interests among the African communities in the Embu area, PLAN Kenya, and PLAN International in creating a locally based and sustainable microfinance institution PLAN had operated a credit and business promotion program in Embu since 1982, but it was terminated due to a lack of success Following evaluation of the program, a new group-based Grameen Bank style methodology was adopted in 1992 The earlier programs had been implemented in PLAN's usual humanitarian, or charitable, approach in which resources are provided to poor families without expectation of re-payment This approach did not work for microcredit lending "*In 1990 there was nothing on the ground, and a large portfolio of uncollected debts*", says Ngugi Chege, PLAN Kenya's Credit/Micro Enterprise Development (MED) Coordinator An evaluation commissioned by an incoming PLAN-Embu Director found that other Kenyan group-based lending programs, such as PRIDE and K-REP, were working well, and recommended that PLAN adopt a similar approach Chege, an experienced branch manager in the Kenya Women's Finance Trust, was hired in 1992 on a one-year basis with the mandate of turning the program around

Micro-Enterprise Development Project (MED-P) Success

The new program quickly proved itself Repayment rates were high and community savings and mobilization were strong When the Embu area communities learned that PLAN was considering pulling out, the group leaders expressed their strong desire to see the program continue In fact, PLAN was considering phasing down some activities, not pulling out altogether, but the community interest provided a stimulus for PLAN to actively consider the future management of the microcredit program "*The clients had been organizing themselves talking to Barclay's about a group account* " says Harry Mugwanga, a consultant hired by PLAN to do a feasibility study for BIMAS

PLAN considered three options for managing the microcredit program keeping it as a department in PLAN Embu, handing it over to an existing microfinance institution, or creating a new organization based in Embu to take it over There were two major reasons why PLAN decided not to keep the program within PLAN Embu first, program sustainability would be enhanced by transferring management to a locally-based Kenyan organization, and second, the lack of fit between PLAN's generalist, humanitarian, approach and the technically specialized, more businesslike approach required by a successful microcredit program The second option, transferring the program to an existing microfinance organization, was attractive because it promised greater cost-effectiveness in transferring a program rather than creating an entirely new organization The Kenya-based donor community preferred this option However, the existing microenterprise institutions were not locally based, so the risks of diluting the strong community ownership were found to be too great Therefore, the third option, creating a new locally based microfinance institution, was chosen

The decision about what to do with the successful microcredit program was considered from several layers within PLAN's decentralized organizational structure The program management and community relations issues were primarily perceived by the Embu and Country level staff The international level staff, for their part, viewed the program in the context of PLAN's worldwide operations and dealt with the donor agency that helped to make the partnership with BIMAS possible, the Office of Private Voluntary Cooperation (PVC) of the US Agency for International Development (USAID)

Delores McLaughlin, Program Liaison of PLAN International's Credit/MED Technical Teams, recalls that PLAN had been in the process of trying to develop successful microenterprise programs for several years Prior to responding to a request for proposals (RFP) from USAID in 1992-1993, PLAN had received two institutional learning grants for developing microenterprise programs, neither of which were considered successful in PLAN The initial response from PVC to the third proposal was negative, they were not interested in funding the proposal However, they informally began exploring whether PLAN would be open to other ways in which they might develop a more successful microenterprise program model As McLaughlin reports, "*they did not approve the proposal for several reasons such as the lack of a consistent international strategy and evidence of advances in the MED field But they recognized the tremendous potential of PLAN, and proposed that PLAN and USAID work together to develop high performance microfinance programs* "

PLAN responded to the initiative from PVC and received a grant which enabled it to initiate an organization-wide learning and change process focused on MED Kenya is one of six country offices which volunteered to participate in the project PVC agreed to four, but PLAN felt that six were necessary to achieve worldwide organizational impact, so they combined private resources with the PVC grant to create their desired project The PVC grant provides technical support on the international level and on the local level in three countries, all other funds come from PLAN sources

One of the important findings of the first year of the learning process was that PLAN's MED model would include a strategy of operating through partnerships with nationally based organizations rather than through direct implementation The international team preferred to partner with pre-existing institutions, but for the reasons discussed above, agreed to working with BIMAS BIMAS had been registered in October 1994 as a 'company limited by guarantee without share capital,' overseen by a board of subscribers On the basis of a feasibility study conducted in 1993, it had been created to be an intermediary between PLAN and the communities to run the microcredit program When the MED team decided to include it in the international project, they commissioned a second feasibility study to assess its viability

BIMAS was registered initially as a limited guarantee company, rather than a NGO, because it was a safer option Registering as an NGO was a politicized process at the time, so the limited guarantee company option had the best chance of ensuring that any surplus would be reinvested in the organization Once political conditions changed, BIMAS changed its registration in 1997 to that of an NGO, so as to benefit from more favorable finance-related regulations

On registration in 1994, an office in Embu outside of PLAN was leased for a five year period BIMAS was expected to be operational within one and a half years, but it did not actually occupy the office until late in 1997, three years later From Pauline Kagombe's view, BIMAS really started operating as an organization in December, 1997 This is about five years after the community first expressed its desire to see the microcredit program continue as a locally-based venture All the parties agree that the process of formally institutionalizing BIMAS and crafting a written agreement between BIMAS and Plan was a long one "*It took longer than it should have* " says Leticia Escobar, PLAN Kenya Country Director, of the agreement-signing process after she came into office in 1996 The delays were a source of some frustration to the champions of BIMAS within PLAN and to the community leaders and group members in Embu who were interested to see BIMAS take up its proposed role However, now, with hindsight, the leading actors realize that they accomplished a lot in a short period of time The next section explores the reasons for the length of the process

Delays in Operationalizing BIMAS

Transforming BIMAS from a legal entity to a fully functioning microfinance organization has been a lengthy process involving new learning and cooperation from diverse groups and individuals Many new organizations start small, out of the vision of charismatic or like-minded founders They develop their programs, management, and sources of funds incrementally, often learning-by-doing In contrast, BIMAS inherited a sizable program with strong community-based ownership, so it needed to create a strong organization around the program which would be effective immediately

Table 1 Timeline of PLAN-BIMAS Partnership

Year	Major event
1982	PLAN Embu initiates credit/income generating program
1990	Incoming PLAN director commissions evaluation of income generating program
1991	Consultant recommends Micro-Enterprise Development (MED) approach
1992	Ngugi Chege hired to manage MED in Embu
1993	Program success recognized, microcredit groups express desire to see program continue if PLAN phases out, Consultant recommends creating independent intermediary organization
1994	BIMAS registered as company limited by guarantee without share capital, Office rented outside of PLAN offices, PLAN International receives USAID institutional strengthening grant
1995	PLAN commissions new feasibility study, Consultant confirms viability of independent local organization, Chege moves to Country office to supervise all microcredit programs in Kenya, District Commissioner, on behalf of Embu community leaders, queries PLAN Country Director about status of BIMAS
1996	New board elected, Pauline Kagombe hired as Executive Director, BIMAS, and contracted as consultant to PLAN to help actualize BIMAS, Leticia Escobar arrives as Country Director, finds agreement waiting
1997	Financial and Technical Assistance Agreement (FATAA) signed in July, BIMAS registered as NGO, Board training, Pauline Kagombe participates in Economics Institute of Financial Planning, Colorado, USA Credit disbursement of PLAN stops (July), BIMAS begins operations, disbursements, and organization-building (Dec)
1998	Staff orientation to BIMAS

One of the initial strategies of the leadership team was to mobilize the community to increase its interest and commitment to BIMAS Reflecting now on that time period, they realize that they raised expectations for BIMAS before BIMAS was actually ready to take over providing the microfinance services Ironically, their successful mobilization contributed to a sense of pressure from the community for BIMAS to become operational while several important institution-building steps were still taking place, such as drafting a joint agreement for financial and technical support, developing a business plan, selecting and training the board, and educating wider PLAN staff about the new venture   As Pauline reflects, "*Spinning off an organization is not an everyday affair, it moves backward and forward New things arise People must be involved and educated within PLAN*" Were they to do it again, the leadership team would invest in mobilizing wider PLAN staff just as they mobilized the wider Embu community to be committed to BIMAS

Table 1 highlights the major steps in the developmental process Two major set of reasons may explain why the process took a long time   the innovation and learning required, since it was the first time PLAN had undergone such a process and PLAN's own organizational structure, culture, and policies

Innovation and Learning

Two areas of knowledge were necessary to "jump-start" BIMAS operating successful microfinance institutions in Kenya, and developing the governance and management of a new NGO (or company limited by guarantee) PLAN was fortunate in finding experienced Kenyan consultants to complement the knowledge of the international staff, even though commissioning several studies and consultancies extended the time period of BIMAS' formation Including the initial evaluation, two consultants were hired to provide expert knowledge about various aspects of the process

In October of 1995, Harry Mugwanga, a seasoned consultant with significant experience in the microfinance field in Kenya was hired to do the second feasibility study   Mugwanga sees his contributions to include, first of all, strengthening the idea to make BIMAS an autonomous organization "*It could have been a department in PLAN*," he reflects, "*[I stressed the importance of] giving it space and making it independent*" Mugwanga also recommended financial and technical planning for the transition, including a business plan for BIMAS, a definition of how the transition would be managed, a definition of how the organization would be governed, and in general, a framework for the partnership agreement

Mugwanga's concept of a partnership is a relationship between two organizations that is "*structured and professional not [created by] accident*" He developed his expertise in the microfinance sector through a career in finance and development finance "*I grew up in banking*" says Mugwanga He played a key role in launching Victoria Finance, which is based on a partnership between Catholics and Hindus in the western region of Kenya   "*I ve been a consultant to a lot of projects and organizations I ve seen some very bad failures—and learned from them*"   Mugwanga's experience has led him to believe that microcredit institutions like BIMAS must be operated in a business-like way He reports that this is the one area where he had to work hard to achieve mutual understanding with PLAN, which he perceived to be more used to thinking in the "*typical NGO style grant-getting mentality*"

By the time Mugwanga's study was completed, the term of the first board had expired   It was a bit touchy, Chege recalls, because they had to report to the government that they had not undertaken any activities   They started to work on forming a second board, following Mugwanga's recommendations, which again took some time   Names were solicited from community groups, and prospective candidates were interviewed   Chaired by Francis Kiura, a well-respected Embu businessman and Lion's Club members, the new board started work in May, 1996 The team worked hard to inculcate a spirit of community service and commitment in the board, as well as an understanding of the needs of microfinance institutions The board participated in a customized training program developed by a Kenyan consultant in November, 1997

Also in 1996, PLAN recruited an Executive Director for BIMAS, Pauline Kagombe, an experienced manager in the microfinance field in Kenya   Because the process was taking so long, she was brought on in July as a consultant with PLAN in Embu to help actualize BIMAS Together, Pauline and Chege did most of the work developing the written agreement between PLAN and BIMAS, called the Financial and Technical Assistance Agreement, or FATAA Even as they integrated outside expertise with their own knowledge of microfinance to develop the agreement and guidelines for BIMAS, further delays were caused by the internal workings of the PLAN bureaucracy

PLAN's Organizational Characteristics

PLAN International is a large global child sponsorship NGO which traditionally has operated humanitarian programs Its structure, policies, and procedures have been designed to support effective delivery of these kinds of programs They were not used to the more businesslike approach of a microcredit program, nor to the more collaborative approach of a partnership, rather than funding, agreement

The PLAN office in Embu had to consult with and get approval from three additional offices in PLAN the country office, the regional office, and the international headquarters Each level had its own concerns and procedures to follow in assessing the proposals for the creation of BIMAS and the partnership agreement *"BIMAS was soon mired down by internal procedures and policies* , reports an internal management memo of the field office in April of 1996 A review of selected internal memos and reports suggest that internal PLAN staff at several levels were concerned with various aspects of the control of the new organization, its assets, and the risks to PLAN in the agreement between PLAN Kenya and BIMAS These concerns are understandable and appropriate, from the point of view of managing PLAN's traditional programs The policies and procedures, however, were not designed for smooth approval of a microfinance partnership, especially with the size of the funds involved

However, individuals can make a difference in the way in which policies and procedures are carried out Interviews and inter-office memos suggest that the former Country Director from 1994 to 1996 played an important role as an advocate for BIMAS within higher levels of PLAN She appears to have routed communication through the proper channels, responded politely but firmly to a variety of comments and recommendations, and accommodated internal PLAN interests where it did not compromise the integrity of BIMAS and the proposed partnership In a similar vein, the current Country Director, Letitia Escobar, described how PLAN's organizational policies—"*the Book*"—could be interpreted by PLAN staff more flexibly than many do "*We need to do more thinking outside the box*", she explained "*PLAN's organizational culture is to follow the Book, but in fact it is possible to do new things without violating the established policies and procedures* "

Another important factor was the staff turnover at the managerial levels within PLAN, from Embu to the regional office level, which significantly lengthened the time it took PLAN to approve documents New personnel needed time to adjust to their new positions and understand the unique characteristics of the BIMAS proposal When supportive managers departed and were replaced by people who did not see a similarly high value in the proposal, it was disheartening for the key proponents of BIMAS within PLAN

Finally, the large size of the financial components of the agreement (up to Ksh 85 million) required approval at the highest level in PLAN, the international headquarters PLAN officials, tasked with the responsibility of ensuring the organization's accountability, were very concerned with how the auditors would assess the partnership agreement and liabilities of PLAN

Looking back on the process with the benefit of hindsight, it is not surprising it took some time Whether it was "too long" or not probably depends on from whose perspective one is looking Spinning off a program into a NGO was a new process for the principal actors involved, requiring learning, risk-taking, and cooperation A microfinance partnership, with a newly-created NGO, was a striking departure from

PLAN's typical approach to development The demands for immediate success were high, stemming from the community as well as PLAN decision-makers Microfinance in Kenya, as elsewhere, is a quickly expanding field Success would require BIMAS to develop itself with high levels of technical expertise as well as of commitment from its new board, management, and staff

Current Partnership Arrangements

The previous section has described how the partnership between PLAN Kenya and BIMAS was established At present, BIMAS, as a spin-off of PLAN, is highly influenced by PLAN's mission and organizational culture, yet it has the beginnings of its own independent identity and strong community stakeholders This section presents the current arrangements between the two organizations, and discusses the different ways in which some of the key actors perceive that they are working The next section discusses some of the major factors that influence the current arrangements

All partnerships may be understood to have two faces One is the formal and legal face, shaped by national legal systems and institutional practices The formal dimensions of partnerships between US PVOs and African NGOs usually are embodied in written contracts or agreements and designated roles and responsibilities for inter-organizational interactions The second face is the informal dimension of partnership, shaped by social and cultural norms, behaviors and expectations Usually, informal dimensions are expressed in interpersonal relations between individuals involved in the partnership

Cultures vary in the degree of importance attached to either formal or informal dimensions of partnerships, some observers suggest that one of the key differences between US and African cultures is that Americans generally give more weight to formal agreements, whereas Africans tend to value the relational understandings and interactions more highly (Hall, 1976, Hofstede, 1997) In order to give equal weight to both sets of values, this study examines both the formal and informal dimensions of the partnership between PLAN Kenya and BIMAS The formal arrangements are presented first, followed by a discussion of the informal interpersonal relations among the individuals

Formal Arrangements

The primary formal arrangements between PLAN and BIMAS are documented in the Financial and Technical Assistance Agreement (FATAA) As noted above, the FATAA was primarily developed by Ngugi Chege, on behalf of PLAN and Pauline Kagombe, on behalf of BIMAS As noted above, by the time it was signed, they had incorporated a number of suggestions from various individuals within PLAN "*There was a lot of feedback*" reflects Chege, which is confirmed by a number of written internal PLAN memos A Kenyan legal firm with expertise in company law drew up the agreement, which was signed by BIMAS and the highest level of PLAN authority on July 15, 1997 It is "governed by and construed within" the Kenyan legal system

As stated in the FATAA, the purpose of the agreement is "to facilitate and regulate the terms and conditions under which BIMAS will assume the responsibilities of implementing a Micro Enterprise Development/Credit programme previously managed by PLAN Embu" (FATAA 2) For a three-year period, PLAN will provide both financial and technical assistance to BIMAS In turn, BIMAS will implement the MED program and establish itself as an independent, financially self-sustaining institution, complete with board, management, and operational capacities

The FATAA also sets out the identities and obligations of PLAN Kenya and BIMAS A final section clarifies the relative liabilities, financial responsibilities and privileges Basically, PLAN's obligations are to "participate in the management, administration, and development of BIMAS to the best interests of

BIMAS" (FATAA 6) e g provide financial resources up to specified limits and assets to BIMAS, appoint a representative to the board, assist BIMAS in selecting a CEO, conduct an impact evaluation three months prior to the end of the three year agreement, and participate in annual joint reviews and semi-annual joint meetings to review progress and make formal adjustments Two sections oblige PLAN to develop a credit 'plus' education model and provide social services to BIMAS clients, when invited by BIMAS

BIMAS' obligations are to implement the MED program, giving priority to PLAN programme areas, and to comply with its legal obligations and organizational vision and mission It is also obligated to improve its sustainability index over time, based on quarterly targets BIMAS must provide PLAN with three types of quarterly reports, the categories of which are spelled out At all times, BIMAS' books are to be open to PLAN and they are expected to conduct regular audits and maintain an adequate MIS systems for tracking loans BIMAS must notify PLAN of the opening or closing of any accounts and seek PLAN's consent if they wish to apply for other loans or transfer assets, the latter during or after the FATAA period

The final section clearly establishes the liability of BIMAS, rather than PLAN, for any claims, restricts the use of finances to the purposes stated in the agreement, reinforces BIMAS' obligation to keep proper books of accounts, and asserts PLAN's ultimate ownership of specified funds, assets, and loan portfolio should BIMAS close or the agreement be terminated BIMAS is obligated to display PLAN's name or logo during the FATAA period, and any differences shall be settled by an arbitrator appointed by the Chair of the Law Society of Kenya As Daniel Kinoti, Director of PLAN-Embu, stated, "*PLAN is accountable to donors and we have transferred that to BIMAS They know they are dealing with a strict partner* "

Although the FATAA seemed to take a long time to develop, now it seems well understood and accepted by the two partners Chege and Pauline, having developed the agreement, know it very well as they are implementing it In addition, Pauline's role as a consultant in PLAN-Embu while developing it gave her a better understanding of how PLAN works Even as she experiences differences in operational styles between PLAN and BIMAS, she understands why PLAN works as it does In all the interviews, the only concern raised about the FATAA (other than the time it took to develop it) was suggested by Pauline Kagonbe "*its not a very bad document, its ok the only issue is its not clear how to resolve problems when they arise* "

Pauline's concern may be linked to a larger issue of ambiguity in formal relations between the two organizations Whether formally or in practice, there appears to be a degree of ambiguity in reporting and communication channels between BIMAS and PLAN Chege's role on the BIMAS board and in providing technical assistance and support is clear, but there is some question about the larger role of PLAN, at Embu, Country, and International levels, particularly as related to the release of funds and assets to BIMAS for its operations BIMAS is finding that the release is slower than necessary, which has the effect of hindering its performance Pauline feels that they turn in the reports on schedule, but the funds, in turn, are not disbursed readily This creates a performance problem for BIMAS, which is otherwise capable of a quick credit disbursement process Their clients' needs for credit are often time-sensitive, so Pauline feels that BIMAS should be able to disburse credit relatively quickly PLAN-Embu appreciates this problem for BIMAS, seeing them as "*teething problems*" in this new arrangement which need to be worked out

From the point of view of sharing information, the reporting procedures appear to be working fairly well BIMAS reports follow a mutually agreed-on format, which was based on best current practices Pauline sees the reports as tools for self-monitoring "*Normally we make a report If we need to discuss, we discuss PLAN might query a report if they found we were not following our policies and mission* "

BIMAS has been submitting the reports as scheduled, but has not had the MIS system which would enable it to provide information as desired At the time of the interviews, an upgrade in the accounting software was in progress Pauline appreciates the monitoring reports from PLAN technical staff To an outsider they appear quite thorough and fairly directive Pauline perceives that they are in-depth, and when written up after a visit, contain "*no surprises*" She welcomes the technical expertise of Chege, John Schiller, and Delores McLaughlin

The formal arrangements between BIMAS and the credit groups seem to be clearly understood by both BIMAS and the groups The groups are formally organized and managed according to common by-laws and governance procedures Leaders of several of the oldest groups reported that they were very "*strict*" with group members about loan repayment terms and schedules Although they understand the economic and cultural pressures on group members to consume, rather than repay, the loans, they seem to be committed to the credit model The leaders of several groups with whom we spoke valued the credit they and others in the groups had received because it enabled them to visibly increase their businesses and improve their quality of life Visits with several group leaders and one group meeting suggested that BIMAS' identity and authority, with Pauline as the Executive Director, has been established, even if PLAN's role in providing background funds, guidance, and capacity-building is still important

Informal Arrangements

A sense of the informal relations between PLAN Kenya and BIMAS can be understood by considering the images of the relationship suggested by the individuals interviewed Those involved do not see the relationship in terms of the traditional donor-recipient model, where there is little respect for the recipient In general, PLAN is seen as the more influential, but benevolent partner, whereas BIMAS is the junior, but developing partner Daniel Kinoti, Director of PLAN-Embu, explains, "*It is different than common practice where there is no mutual trust or respect Usually the donor gives the do s and don ts [But we believe] the partner is the best expert in local conditions so we allow them to tell us what is more appropriate they influence agreements now PLAN is downplaying a dominant role, we are not expecting them to bend no mutual respect makes this agreement work*"

At the same time, others feel that an inherent power difference still remains, due to PLAN's size, history in the community, and role in providing financial and technical support Researchers asked the Chairman of the BIMAS board to describe his image of the partnership, as an example they asked if a common metaphor for North - South partnerships in Africa, the rider (North) and the horse (South), fit the PLAN-BIMAS partnership The Chairman modified the metaphor, describing it as a benevolent rider and horse "*The horse is well fed there is no whip There is plenty of positive feedback Because PLAN is providing resources it is in charge but in a nice way The relationship is cordial mutual with plenty of listening on both sides*" One of the BIMAS Group leaders interviewed saw a parent-child relationship between PLAN and BIMAS "*Plan is the father BIMAS the elder sibling, and the Groups the younger siblings It is as if the father has left the elder sibling to mind the younger ones If there is any problem we can appeal to the father*" Continuing the parent-child theme, Mr Kiaga, Institutional Development Consultant who trained the board sees the relationship between PLAN and BIMAS "*like a parent with an adolescent who is getting wiser*"

The strongest interpersonal relations between PLAN and BIMAS appear to be among the micro-enterprise specialists, including Pauline in BIMAS and Chege, John Schiller and Delores McLaughlin in PLAN Pauline compliments the PLAN staff in the usual East African way "*They are not very bad people compared to other donors Its important to have technical people [Chege John, Delores], they regulate the relationship*" The technical staff respect each other, share regular communication and have a common understanding of microenterprise development Pauline further describes what she likes about the interactions with PLAN's technical staff, "*we are free to discuss recommendations and say why something is not going to work They are open-minded people*" Chege, PLAN Kenya's Credit/MED

Coordinator, is a strong advocate for BIMAS and its emerging independence, but he appears to be the only PLAN Kenya staff really involved with and knowledgeable about BIMAS

Relations among others are not necessarily weak, just more formal and shaped by PLAN's larger identity and operational styles "*I would distinguish between the executive and operational levels, rather than formal and informal*", says Leticia Escobar, PLAN Country Director As Country Director, Escobar's role is to sign agreements and monitor overall performance along with other programs and projects, rather than interact on a regular basis with BIMAS

At the PLAN-Embu office, the ambiguity in formal relations may contribute to mixed feelings on the interpersonal level Daniel Kinoti, Director of PLAN-Embu, clearly appreciates the mutual benefits of the partnership "*BIMAS and PLAN are equal partners BIMAS can do what PLAN can't do (establish microcredit) and we can do what BIMAS can't (disburse PLAN funds)* " He gives several examples of ways in which the two organizations cooperate "*we go to the field as teams, we use each other s resources, we discuss issues, PLAN has invited BIMAS to staff meetings, there is a PLAN member on the BIMAS board, we co-developed the terms-of-reference for the mid-term evaluation*

However, he also acknowledges that there have been some "*teething problems*", referring to BIMAS' concern over the delays in releasing funds Furthermore, he expresses concern about the extent to which BIMAS will be able to target the poorest people in the Embu area, particularly PLAN families "*BIMAS targets business people who can pay back, Plan emphasizes to BIMAS to target more poor Now they serve 40% PLAN families and 60% non-PLAN families, but they should reverse the percentage She's [Pauline] saying sustainability is a problem, so 50 - 50 would feel comfortable*"

For her part, Pauline shares PLAN's concern for serving the poor BIMAS is committed to serving the poor, expanding and becoming financially self-sustaining by 2000 It will be a challenge to serve the very poor and meet all of its commitments She confronts different expectations in PLAN about target groups there appear to be different ideas about the extent to which the very poor and PLAN families are one and the same group "*During the FATAA, PLAN may be very sensitive, they might think we have not served PLAN families* "

At the Group level within BIMAS, communications appear good, at least among the long-term group leaders and members with whom we spoke "*We are BIMAS and BIMAS is us* " is a refrain we heard repeated in several interviews Similarly, "*this is a partnership, neither one can move alone*" Respect and trust for BIMAS and PLAN were expressed in various ways In particular, the researchers were impressed with the self-management and expression of one group's regular meeting The group leaders facilitated a discussion with the researchers about the members' experience with the group at the same time that they conducted the regular business of receiving loan repayments At first the meeting was quite formal, but then several questions and issues were put to BIMAS, such as the possibility of reducing the strictness of loan repayment schedules Pauline took a respectful, but firm, stand with the group, explaining why the procedures had to remain strict The discussion continued for a while, the group expressing its concerns at the same time showing her the respect due her role Afterwards, she commented wryly, "*that is an empowered group!*"

During the interviews, the Group leaders mentioned a number of concerns and issues, even as they emphasized their loyalty and commitment to BIMAS For example, they would like to be able to access the interest on their savings accounts, they would like to receive training on enterprise management skills, and they would like to know that they could receive bigger loans, as they build up their capital and skills Since many of these Groups pre-dated BIMAS, BIMAS will have to continue to develop a strong presence in order to keep the Groups involved and motivated

Systemic Influences on the Partnership

Survey research and formal consultations with US PVOs and southern NGOs indicated that partnership relations are influenced by larger factors than individual behavior and attitudes (Leach, Brown and Kalegaonkar, 1998, PRIA, 1998) Inside organizations, strategic plans, organization-wide policies, and inter-departmental relations can shape the actions and choices of representatives involved in partnerships Externally, other actors such as governments, donors, and communities can exert pressure on individual partners to respond to new demands Social and natural disasters can hinder the achievement of program targets, as well as present new pressures and demands US PVOs, in particular, said that one of their major challenges was operating between two diverse environments southern NGOs and their communities on the one hand, and US donors, board and staff, on the other (Leach, Brown and Kalegaonkar, 1998, PRIA, 1998) This section of the case study examines the major internal and external influences reported by PLAN and BIMAS to be influencing their partnership

Organizational Influences

Given that BIMAS is a spin-off of PLAN, it may not be surprising that the strongest systemic influences on the partnership come from PLAN's strategy and organization, including its history in Embu, internal structure and systems, and organizational culture As Daniel Kinoti, Director of PLAN Embu said, "*at this stage PLAN has not been influenced BIMAS is young and PLAN is a giant We will have lots to learn together*" The external influences to date have primarily acted on PLAN, rather than BIMAS These factors have both strengthened the partnership and created constraints on it

History in Embu

PLAN is a long-term actor and a major source of external funds in Embu As such, PLAN has established a presence in the area that creates good will for its programs and protects them from the political influence that is common in Kenya This has been helpful for BIMAS in getting launched with strong community support and independence from local political interests It also positions BIMAS well to continue to grow and expand to meet the demand of the communities in the area "*When we go out the reception is positive In registering being a baby of PLAN smoothed the process*" says Pauline "*PLAN has been here for a long time*

PLAN's Strategy, Systems, Structure and Culture

Earlier sections have identified the role of PLAN's size, bureaucracy, and culture in slowing down the process of launching BIMAS The groups, Embu community leaders, and BIMAS board and staff were held back because of the time it took for approval and operationalizing BIMAS to make its way through the PLAN system

At present, a source of tension for BIMAS is the time it takes for funds and assets to be disbursed, even when it submits its reports on time Contributing factors in the initial approval process include the newness of the process, the many layers of approval needed, the organizational culture of control and risk management rather than innovation and partnership, and the turnover in key personnel, such as the Country Director Approval depended on key individuals who were willing to champion the project and respond to concerns from others within the organization A second element of the cultural constraint is the general orientation within PLAN towards charitable humanitarian programs rather than more business-oriented programs, serving clients rather than beneficiaries The structural and cultural factors seem to contribute to the ongoing problem As noted above, the leadership team reflects that, were they to start over, they would build a larger team within PLAN Kenya who would be committed to the creation and support of BIMAS

At the same time, the internal movement within PLAN towards developing successful microcredit programs and the strategy of operating through partnerships did give an entry point for those within the organization wanting to move in this direction The vision, resources, and support at the international level is also part of PLAN's strategy and organization BIMAS' experience of different relations with the technical staff and the generalist staff most likely reflects an internal tension or change process within the larger organization

Environmental Influences
Two external factors were important in setting up the partnership, the first was the Kenyan expertise in microfinance, law, and organization development that informed the shaping of the FATAA and the board training BIMAS seems to be off to a strong start as a well-grounded local NGO BIMAS may be a PLAN spin-off, but it is actively engaged with the community, in its groups, its board, and it relationships with community leadership The expertise from other Kenyan experience that Harry Mugwanga and others brought to the formation of BIMAS has situated it to function in its environment Finally, recruiting Chege and Pauline from other microfinance institutions, again brought local expertise to the new initiative with BIMAS and PLAN's national microfinance program In the future, BIMAS will have to keep up with the microfinance field, a fast-moving field in Kenya, as in other countries around the world

The second external factor was the initiative of USAID's PVC office in working with PLAN to develop a sound proposal for microcredit programs At first, PVC turned down a proposal, but extended the opportunity to develop an acceptable approach to programming Had they simply rejected the proposal, as many donors do, there may have been the idea for BIMAS, but no opportunity in PLAN to actualize it

A final external factor may have a more significant influence in the future the Kenyan economy At the time of the interviews, the state of the economy was a common concern, and many were beginning to speculate about its impact on BIMAS' sustainability A stable and expanding economy will be necessary for BIMAS to reach its ambitious goals for expansion and high repayment rates One group mentioned that one of its problems was not enough customers Lots of micro-businesses, but not enough consumers At the group level, cultural change in progress, towards paying back money rather than using for family, culturally-sanctioned purposes

Value of the Partnership: Major Achievements, Future Hopes and Challenges

Both partners express a sense of satisfaction with the present accomplishments made by the partnership, even as they note tensions and issues "*It is doing better than expected*", says Escobar, comparing it to previous experiences she knew of in PLAN By managing the microcredit program for poor people, especially women, in the Embu area, BIMAS and PLAN are achieving shared goals BIMAS has been created as a local independent NGO in Embu, which has the potential to expand its services and contribute to the area's development, regardless of PLAN's own future in Kenya Significant investment has been made in developing its vision, organizational and governance capacity With its financial resources, community stakeholders and organizational capacity, BIMAS has the potential to continue to carry out its mission and goals The pride and satisfaction of the group members may be one of BIMAS' strongest assets They feel that they have "***built something***", their "***history has changed***" because of their abilities to save, build capital, and pay back the loans

The mutual respect and understanding that has been built between the two agencies also seems like a major achievement The organizations have worked at trying to change the typical donor-recipient relations, and have succeeded in many respects, even if PLAN, as the funder, is still the more dominant partner All the participants share the belief in BIMAS' future growth and development As Daniel

Kinoti says, "*In 3 years BIMAS will be what we expect Sustainable - it can exist without PLAN a local NGO which can continue working with the communities after PLAN phases out, it will retain its noble objectives of working with the poorest of the poor*

Pauline is confident that BIMAS' goals and objectives can be achieved At the same time, she is aware of the challenges of operating a successful microfinance institution and potential pitfalls in the partnership with PLAN "*A long-term relationship needs to be cultivated It can't be built overnight Even after independence [there will be] some kind of relationship There is no harm in maintaining it as long as it is mutually beneficial maybe with PLAN families in other areas We will also look to other organizations for partnerships* " Her experience with PLAN has taught her caution "*Plan changes so much It affects BIMAS as well We can't predict what will happen* "

Within the framework of the current agreement between the two organizations (FATAA), hopes for improving the partnership in the future include addressing the sources of tension regarding PLAN's control of the process of disbursing funds Chege agrees with Pauline that the internal system takes too long and hinders BIMAS' performance at a critical time in its development BIMAS needs to develop a good track record with clients in order to attract new members and grow as planned "*BIMAS has the ability to take charge PLAN needs to be more willing to let go* " Specifically, PLAN could disburse larger amounts of funds at a time, or speed up the process More generally, the impression given is that BIMAS needs to 'flex its muscles', so to speak It would benefit from the opportunity to manage itself more freely This may result in its taking some risks and making some mistakes that PLAN could have prevented, but the payoff in a stronger sense of authority and learning from experience may be greater

Also, the two organizations may benefit from discussing how they want to resolve problems The FATAA does provide for a formal arbitrator, but it may be possible to develop more flexible mechanisms, at least in the short-term

BIMAS is facing many challenges in living up to its own and PLAN's expectations that it will be sustainable after one and a half more years It must expand in size and manage its relations with existing groups It must reach the poorest of the poor, especially women It must develop the MIS systems that will allow it to monitor progress and report to stakeholders It must continue to develop its own organizational identity and culture "*We must make BIMAS an organization where people feel good to be associated with it* " says Pauline It must compete within a growing industry of microfinance institutions in Kenya Given these kinds of challenges, Escobar sees one of her roles in the near future as reducing the pressures on BIMAS to expand so that it has the opportunity to develop itself as an organization

BIMAS and PLAN may want to explore how they may best reach their goals of financial sustainability and serving the poorest of the poor Additional planning for how BIMAS can identify and reach its target populations could strengthen joint commitment to these goals, which are challenging for all microfinance institutions in Kenya Finally, PLAN may consider the broader applicability of its 'organizational lessons learned' to the extent that partnerships like the one with BIMAS are an avenue for the future, changes in organizational culture and human resource management to support partnership values, goals, and practices will have beneficial impacts

Reference

Leach, M , A Kalegaonkar, and L D Brown (1998) "*PVO Perceptions of Their Cooperation with NGOs* Institute for Development Research, Boston, MA