

THE EFFECTS OF AVAILABILITY OF FUNDS ON INCOME GENERATION ACTIVITIES BY CIVIL SOCIETY ORGANIZATIONS IN KENYA

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ABSTRACT

Civil society organizations in Kenya have not significantly initiated income generation to support the programs with an objective of creating financial sustainability. However, majority of civil society organizations still face major problems in starting and sustaining income generation activities. The study was a survey of the 25 civil society organizations operating in Matungu District of Kakamega County, Kenya. Qualitative and quantitative data were used. The main methods of data collection consisted of structured interviews and key informant interviews. Open ended questions in the structured questionnaire enabled the respondents to air their views that were not restricted to their perceptions. The Statistical Package for Social Sciences (SPSS) was used to analyze the quantitative data and the findings are presented in tables of frequencies, and percentages. The study found out that the majority of civil society organizations get funding to run projects from local donations representing 41.2%. Donors' stringent requirements are not favorable for income generation activities. The researcher recommended that the donors should be engaged by civil society organizations to agree on conditions that make it easy for Civil society organizations to access funds without compromising or risking the funds from donors.

Keywords – Income Generation Activities, Civil Society Organization, and Availability of Funds

1. Introduction

The origin of civil societies' organizations in Kenya has a long and varied history. Such organizations include Non-Governmental Organizations (NGOs), registered trusts and foundations, community based organizations and community self help groups. They promote social welfare; improve economic and physical circumstance of the individuals. After the country-attained independence in 1963, many civil societies' organizations were formed in both rural and urban areas. These organizations have impacted on poverty reduction, health, education, environment conservation, food security, water and sanitation and civil education among other pertinent issues aimed at improving the welfare of members of a society. According the republic of (1994) Kenya there were 200,005 registered civil societies organizations mainly in the rural areas. The government document says that these organizations constitute a potential effective medium of dissemination of knowledge for improving the quality of life in rural areas. The development plan outlines the role to be played by the programmes for members of a civil society. These included the training of organization leaders, provision of functional education, problem solving, communication techniques, and the use of local resources, programme planning and coordination of field activities. Civil society organizations usually depend on funds from external and local donors they operate within specified geographic areas with a defined group of members who share a common interest.

Almas (1985) on rural Development in Norway examined the Latin term 'Civils' (Citizen) which is found in a number of work combinations to do with society and culture such as civilization and civil behavior. Most explanations of the concept of civil society are kind of third sector lying outside the economic relations of production and political relations of the state. Dahrendorf (1996) has referred to civil society as the "Cris-crossing of associates in which we conduct our lives which owe their existence to our needs and initiates rather than the state. Reider Ahnes (1995), the state of local civil society organizations, in Norway and its role in encouraging economic development. CSOs have become quite prominent on the field of international development in recent decade The World Bank, for example defines CSOs as private organizations that pursue activities to reduce suffering, promote the interest of the poor, protect the environment, provide basic social services or undertake community development.

Developing countries have remarkable energy and assets and all segments of the private sector have demonstrated the ability to respond when empowered. In the report to the secretary-general of U.N. Titled "Unleashing Income generation /Making business work for the poor; views of members of the Commission on the private sector & development, identified three major structural challenges confronting CSOs in all developing countries were identified as; operating informally, barrier to growth and lack of innovation. According to UNESCO (1992) literacy among members of a civil society has steadily been increasing. The world organization states that functional illiteracy is a state when a person cannot engage in all activities in which literacy is required for effective functioning in an organization and community and for enabling the person to continue to use reading, writing and calculation of her own and the country's development. Illiteracy according to Nyerere (1970) as cited by Haigwo (1998) is related to poverty and disease. The illiterate person is ignorant and does not know what is happening around her and therefore is denied the chance of improving herself. This renders illiteracy an obstacle to development.

The formation of many civil societies' organizations therefore among members of a civil society in rural and urban areas of the country has been seen as a way of empowering members of a civil society economically (FAWE, 2003). Many civil societies' organizations have come up and have been enabled to obtain loans from NGOs and banks such as K-Rep, Equity Bank and other financial institutions. However these institutions insist on proper management of projects in order for the participants to benefit fully from their

assistance. Proper management of any organization on the other hand requires management skills, which most illiterate people and members of a civil society in particular lack. While available data indicate the importance of the CSOs in the economy in general, there is considerable variation across countries. For Latin America and the Caribbean, estimates of CSOs income shares for rural households range from 22% in Honduras to 59% in nearby Costa Rica and 68% for Haiti (Reardon et al., 2001). For Africa, estimates range between 15% for Mozambique to 93% for Namibia (Reardon, 1997). Even more recent data for Eastern Europe range from 31% in Armenia and 68% in Bulgaria (Davis, 2004).

2. Statement of the Problem

Civil society organizations in Kenya rely on funds from external donors to carry out activities geared towards addressing problems faced by disadvantaged groups. CSOs implement activities among rural households whose main source of income is agriculture related activities. Agriculture activities are seasonal and depend on availability of rain water. Absolute poverty levels experienced at household level are attributed to lack of viable income generation activities. CSOs have attempted to initiate IGAs among poor rural and peri-urban households, but the degree of success has been dismal. Civil society organizations as currently constituted and financed are not sustainable (Bebbington, 1997), nor desirable (Holloway, 2001). Many such organizations are not representative of their "local community and consequently face a crisis of legitimacy. This can be exacerbated by dependence on finance from the North. Resources are not value neutral. Such funds can hinder the consolidation of local support, increase political vulnerability and provide a highly visible contradiction to the message of self reliance that many CSOs advocate to local communities and households (Holloway, 2001). Dependency on funds from the North may lead CSOs to give a higher priority to the concerns of the Northern donors than those of their members, clients or beneficiaries, creating a "relation deficit" (Aldaba *et al.*, 2000). But the past dependence on foreign funding sources has retarded the development of an indigenous citizen resource base (Holloway 2001). Domestic resources are available but not adequately researched, understood, or developed. Such local support is essential for long term organizational sustainability, and for the programmes they offer, but organizations often do not know to access such resources. Organization theory leads to the resource dependency thesis; that the structure, behaviour and culture of CSOs is influenced by their dependency on a particular source of their resources i.e., with the type and composition of their revenue (Anheier *et al.*, 1997).

Funds from donors have continued to reduce due to harsh economic conditions among donor countries. Sustaining community projects is becoming a major challenge to CSOs in the absence of innovative IGAs to sustain their programmes. The beneficiary communities have also not been empowered to embrace IGAs in preparation for sustainability once CSOs funding ends. Some CSOs have initiated IGAs like poultry, livestock keeping, piggery, tree nurseries, bee keeping and revolving loans among members. The IGAs initiated by CSOs have not succeeded as planned. Empirical studies show the growing importance of IGAs in CSOs in developing countries. Surveys show that income generation represents an average of 42% of rural income in Africa, 32% in Asia, 40% in Latin America and 44% in Eastern Europe and the Pacific (Davies, 2004; FAO, 1998, Reardon et al, 2001). Aggregate statistics on the non farm economy confirm this range of results for CSOs employment across countries. These studies also suggest the CSOs economy is expanding and is likely to continue to increase its share of total rural income in the future. Generation of income by CSOs has not been significant. A few CSOs have initiated innovative IGAs to promote and ensure sustainable funds in future. A large number of CSOs have not exploited available opportunities to initiate IGAs for programmatic and financial sustainability. Without innovative IGAs, the CSOs will remain vulnerable in their attempts to serve communities as a result of donor fatigue. The study attempted to examine factors such as human resource, managerial skills of CSOs personnel, availability of funds and organization culture including cultural beliefs and values and attitudes of the beneficiary community that affect income generation.

3. Literature Review

Civil society organizations like any other business, micro or corporation, need capital to grow. It is not a question of financing, but also of the right kind of capital must correspond to social enterprise financial needs, business cycles, and maturity. Furthermore, like any other business, the best make good use of borrowed capital and their own risk capital. Access to capital funds, however, is a constraint social enterprises continue to face. The reasons are as follows; Non-profit capital markets are immature and underdeveloped, and there is little availability of financial instruments appropriate for capitalizing non businesses. Ownership and regulating issues bar nonprofits from access to financing-they cannot issue equity or distribute profits. Non profit managers are financially risk adverse and hence often steer clear of options to leverage or borrow funds in order to capitalize their enterprises. For non profit managers willing to borrow, lack of collateral, credit history, or financial competence are other factors that prohibit access.

In order to manage the income-generating project properly, the project CSOs have to be empowered with planning and management skills which will enable them to manage with competency. There is always a need for effective and efficient leaders who can think creatively and have a commitment for project success. For project planning to be sustainable it should have persistence and perseverance leaders who could mobilize, inspire and lead the beneficiary community using participatory planning technique. Well-motivated and well-directed highly trained managers have a positive influence on the participants in mobilizing, allocating, and utilizing available resources in ways that achieve the objectives of the organization. CSOs Personnel must have skills in project design, implementation, monitoring and evaluation. Good management starts with planning, organizing, leading, and then controlling. According to Torres (2003) the managers are expected to have income-generating skills, efficiency, honesty, encouragement, assistance, support, and taking control of their lives for the project to attain its goals. They need to have marketing plans such as knowing their customer, what value would the product add, whether the customers can afford the price of their product and other competitors offering similar products. Leadership training needs to be part of all programmes as it fosters attitudes and group motivation. Literate and numerate CSOs managers with record-keeping skills can manage the project planning effectively. Ownership creates the necessary psychological and social security (Boucher and Loveday, 2000). A sense of ownership will make the project successful as the CSOs itself will work hard to ensure that it remains sustainable. Ownership leads to maximum participation, support and involvement of all the stakeholders and involvement (Arkesy and Knight, 1999). What seems to matter most is ownership and the most successful local organizations are those that own their development process, are locally driven and people collectively empowered (Houkonnou, 2001).

Ownership motivates, encourages, and contributes towards a lot of commitment, discipline, dedication, and taking control of what one does. It makes mobilizing, allocating, and utilizing available resources possible in ways that achieve the objectives of the organization most reliably, quickly and efficiently. The feeling of ownership improves performance, deals with responsibility and accountability that are rewarding. Creation of opportunities whereby local people participate in various facets of economy, social, and political advancement yields sufficient benefits. For progress to be made, the community should be fully aware of the need to accept responsibility for their own destinies. The beneficiaries must be part of the planning and implementation stages of the projects. The projects that are driven by people in the community will have a better chance of lasting. If the community members want the project to succeed, they will work hard to make sure that it does succeed (McKay, Northedge and Sekgobela, 1995). Decision-making should always involve broad discussion with beneficiaries to get a variety of views. If people have been left out of decisions that affect them, it is likely that they will resist the decisions made (McKay, Koetze, Necker, Vaccarino and

Vaccarino, 1995). Involving the community in the planning and implementation of income-generating projects empowers them to be flexible to try other methods which will sustain the project. A sense of ownership will make the community members to feel responsible and accountable for the project anytime whether it succeeds or collapses. Generally, people do not want to introduce the good things that will ultimately fail to proceed as that will not augur well with their image. Sustaining a project should be the responsibility of all members of the community and not only those who participate as the project benefits them all. The management of CSOs must plan and clearly define the role of the beneficiary community in its organization structure. Proper planning and feasibility studies have been emphasized as important attributes for success as an entrepreneur embarks on any business.

4. Research Methodology

The survey method was the research design for this study. A cross-sectional descriptive study design was adopted for this study and information was collected using structured interviews and direct observation. Both qualitative and quantitative data were collected. Quantitative data was analyzed using the Statistical Package for Social Sciences (SPSS) while qualitative data was analyzed according to emerging issues and presented in direct quotes and anecdotes. The target population was the civil society organizations operating in Matungu District, Kakamega County, Kenya. There were about 25 CSOs operational in the district at the time of the study making them the target population. One questionnaire was administered to each of the 25 CSOs making it a census. A questionnaire was developed and used to collect quantitative data while a discussion guide was used for Key Informant Interviews. Data entry screens were developed in Epi-data and the data collected entered. Program checks, simple frequencies and cross tabs were conducted to detect inconsistencies.

5. Findings

Table 1. CSO' funding

	Frequency	N %
Foreign Donor funds	8	23.50
Local donations	14	41.20
Income generation activities	12	35.30

The CSOs get their funding from different sources; 41.2% get funding from local donations, 35.5% from income generating activities and 23.5% from foreign Donor funds as show in the table below. About two thirds of the respondents said that donor's requirements for funding are not favorable. The unfavorable conditions include rigid regulations by the donors, delayed disbursement, difficult donor conditions, donors impose on them their own projects not CSO's projects, unrealistic compared to the situation on the ground and some donors require the CSOs to raise 10% upfront as part of seed capital. On the other hand 26% of the respondents said that the conditions encourage transparency, integrity, responsibility and accountability, encourage project ownership contributing to the success of the project. When asked if they have activities that generate supplementary income, 75% said that they have initiated other activities like poultry farming, horticultural farming, banana plantations, sorghum, millet, water melon, fruits growing, tents and sits for hire that generate extra income for the IGAs while 25% said they don't have any supplementary income generating activities. The community is aware and recognizes the importance of supplementary income activities.

Table 2. CSOs Source of Income

	Responses	Frequency	Percent
What is the Source Of Seed Capital	Members contribution and saving	13	38
	Grants, donation, well wishers, harambee's	6	18
	Loans	11	32
	Income generation activities	4	12
		34	100

Members contribution remains the main source of capital for the IGA businesses on a percentage of 38%, loans are the second highest contributor to the IGAs capital on 32%, donors contribution comes in third on 18% with incomes generated from other business activities on 12%. This shows that member's contribution to the IGAs business is contributed by members making the members the principal owners of the business with higher equity. Insistence by donors on own contribution as the priority for funding can be seen here as the owners are contributing more capital to the IGAs programs. Donor conditions were cited by 87.5% (n=21) of the respondents as prohibitive in the promotion of the CSOs activities and are punitive. Donors also impose unrealistic projects on CSOs comparing to the reality on the ground. About 12.5% thought that donor conditions encourage promotion of CSOs activities.

Table 3. Security to get Funds

	Frequency	Percent
Cost of Funds	9	18.4
Donor conditions	13	26.5
Lack of colateral	14	28.6
Risk factor associated with CSOs	13	26.5

Lack of colateral by the CSOs makes it difficult to access loan facilities from the lending institutions. This alone contributes a significant 29% failure in accessing loan facilities for the CSOs. The other conditions that make CSOs not to access funds are donor conditions and risk factors associated with CSOs (27%). The CSOs cannot to attain the threshold of the conditions and requirements by the donors thus losing out on funding. Risks associated with CSOs cannot be attributed to anyone and in this case making it hard for the banking sector to grant them loans. It is hard to hold anyone responsible in the loan matters as everyone should be responsible. The cost of funding seems rather prohibitive for many with a representation of 18.4% in terms of interest paid on the borrowings where members are unable to pay.

Table 4. Comprehension of Financial Instruments

Do CSO personnel understand financial instruruments (Shares/Bonds/Treasury Bonds)		
	Frequency	Percent
Yes	18	75.0
No	6	25.0

CSO employees are conversant and understand financial instruments given that 75% of the personnel are aware of the financial sector analysis with an in-depth understanding of shares and bonds. The rest of the personnel in the CSO do not understand financial sector analysis. 25% of the personnel in the CSOs do not understand the functioning of the market in terms of shares and bonds. Lack of understanding the financial market brings about the conflict of interest and hence poor results. The Kenya government has put in place structures that allow easy access to funds including the economic stimulus plan, fisheries, women and youth enterprise funds, CDF, banks, cooperative society facilitation, if the CSOs have necessary documents. Information is available to the people and banks and money lending institutions market their loans. Some of the institutions include Kenya women finance trusts that seek to help women by allowing them to have loans for their businesses or other activities. Banks and cooperative societies have also played a major role in helping the CSOs access funds that is why a 63% of the respondents think that regulations and polices promote access to funding. Slightly less than a third of the respondents think the regulations hinder in CSOs accessing funding.

About 86% (n= 21) of the CSOs have mission statements given that is the main element of the group. The respondents were aware of the group's mission and stated their mission statements. The other 14% of CSO operate without a mission statement. This can be attributed to the limited education by the members of the CSOs who fail to understand the mission of the group. The Operations manager (42%) is charged with the responsibility of overseeing the CSO development in the organization. In other organizations, CSOs coordinator (29%) and the finance department head 21% the CSOs. The CSOs coordinator is charged with the responsibilities of identifying areas of potential and empowering them with entrepreneurial skills. The department also makes crucial and important decisions on behalf of the organization. The CSO coordinator plays an oversight and planning for the organizational groups and projects. They seek donors and forms partnerships with other organizations with a view of mobilizing resources for the organization. The coordinator is in charge of initiating development projects and programs through exploring all the available avenues by coordinating and supervising all the CSOs activities. Human resource department plays an important role in the organization as regards strategic planning and sustainability of the CSO.

Investment in human resource will determine whether the CSO will be sustainable in future or not. 96% of the respondents are of the opinion that human resource plays a major role in the development of the CSOs activities. Most organizations embrace strategic planning with 91.7% having their strategic plans that should be followed to the later in ensuring that organizational goals and objectives are met. There is however an 8% chance that some organizations do not embrace strategic planning which could be as a result of lack of trained personnel in the organization as shown in the table above.

6. Conclusion and Recommendation

Donors requirements for CSOs to access funds for IGASs are too rigid and discourage IGAs initiation most Donors give funds for specific projects and IGAs development has not been embraced as an important undertaking that if well implemented will create sustainable income stream for CSO's from initiating IGA's. Lending financial institutions impose high interest rests which discourages CSO's from initiating IGA's. Lending financial institutions impose high interest rests which discourages CSO's from accessing funds. G.O.K has not created suitable policies to enable CSO's has access decentralized funds like women funds and youth enterprise funds. CSO's have not learned how to use financial instruments in the money market to generate income. There is need for CSOs to create a forum for engaging donors to apply lesser stringent conditions that makes it easy for CSOs to access funds for IGAs. Some degree of flexibility on budget line items while implementing projects should be allowed and procedures for approving such changes should be

easy to understand and apply. CSOs should build the capacity of personnel in preparing and utilization of strategic plans for resource mobilization. CSOs must built on the fact that at present most of them are relying on locally generated seed funds for existing IGAs and scale up innovative ways to raise IGA capital funds locally. CSOs must invest in capacity building and development to acquire adequate skills in resource mobilization and application of financial instruments to access IGA funds. The umbrella council of NGOs and other civil society networks should advocate for GOK to put in place favorable ownership and regulatory policies and also be given the opportunity to act as intermediaries for GOK decentralized funds like youth funds, constituency development fund and women funds.

7. Acknowledgements

I acknowledge technical support from my two supervisors Mr. Paul K. Sang and Dr. Nelson Wawire and staff of Management University of Africa for their guidance.

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