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A SURVEY OF NGO'S AS
SMALL BUSINESS DEVELOPMENT AGENCIES
IN KENYA

By

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ABSTRACT

This paper reports the results of a survey during May-August, 1993, and January 1994, of thirty-three non-governmental organisations (NGO's) in Kenya with field operations working directly to develop small and micro enterprises (SME). The literature on NGO's is reviewed and a theoretical framework developed. NGO's are defined here as non-commercial as well as non-governmental. The paper examines the comparative agency cost efficiencies of twelve agencies giving financial details for 1992. Minimalist credit models were found to be more cost efficient although other strategies cost efficiency is examined. Four agencies identified by letters to preserve confidentiality were found to be the more cost efficient programmes. Two programmes--- Agencies A and B--- were found to be "operationally self-sufficient" in 1992. Operational self-sufficiency is defined for NGO's. Participation by beneficiaries in NGO programme design and management was found to be less than the literature on NGO's might suggest. No credit agency was found to be charging a "real interest rate" although "market interest rates" were charged by many agencies.

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I. INTRODUCTION

In recent years, non-governmental organisations have become quite "popular" as vehicles for development assistance. They have received a lot of press coverage, and many books and articles have been written compared to the 1970's when almost no one was writing on the subject. Much of that literature is anecdotal and assertive of theories based on practitioner experience, but without broad based empirical data to back up the observations from many individual but isolated cases. This trend is beginning to change.

At the same time, there has been a growing wave of interest, financial support, and literature about promoting small and micro-enterprises (SME) as development assistance interventions in lower income countries. The literature on methodology in this area is less philosophical and far more based on empirical data from numerous programme evaluations and financial reports. Nevertheless, the organisational development literature about NGO's assisting small businesses seems to retain much of the philosophical anecdotal or "case" mode of the "general" NGO literature without the strong empirical data found in the studies about SME assistance methodologies. The NGO organisational development literature is often based on keen, wise perceptions of experienced practitioners and observers who are probably correct in most of their pronouncements about what is happening with NGO's in general in organisational development. But, the

problem is that there are few research studies with data and analyses about a relatively large number of NGO's and what they do and don't do.

Kenya was one of the earliest countries to take part in studies of small and micro-enterprise assistance when Ian Livingstone did his work here on the economic importance of the informal sector for the ILO, when Malcolm Harper did his pioneering work in assisting micro-entrepreneurs, and when the PISCES studies focused on several Kenyan NGO's work with informal business. Similarly, Kenya has been one of the first countries to officially recognise the importance of the small and micro-enterprise sector in its development plans. In all, Kenya has a comparative wealth of research about micro-enterprises and assisting them. But, there has not been much research on the NGO sector assisting small and micro-enterprises. The purpose of this study is to modestly begin to collect and analyse broad based data about NGO's work in Kenya in assisting small and micro-entrepreneurs.

This study aims to examine some of the hypotheses about NGO's in development--- and, especially, NGO's assisting small business Kenya. This paper looks at various typologies for NGO's, the importance of a sense of mission and values for NGOs. classifications of NGOs by geographic levels of activity, NGO strengths, NGO weaknesses, NGO maturity in terms of personnel and financial sources, NGO entry strategies, and finally NGO

institutional sustainability.

II. THEORETICAL FRAMEWORK

TYPES and FUNCTIONS OF NGO's

Korten [1987], Elliott [1987], Padron [1987], Landim [1987], Fowler [1988], Brown and Korten [1989] and Carroll [1992] have all laid out various classification schemes for NGOs ranging from values and institutional links to mission and strategic focus. All of these are to some degree useful as they get at different issues in their classifications. Yet the very profusion of classifications becomes confusing. The major differences are reviewed here. Much of this analysis is taken from a discussion paper prepared for the University of East Anglia by the author. [Burbank, 1994]

In a special edition of World Development, "Development Alternatives: The Challenge for NGOs," [1987] a number of authors address the issues of NGOs. David Korten's article in that edition focused on the notion that there was an evolution in NGOs in development and that evolution could be expressed as three generations of development philosophy or thinking that sometimes even overlapped in the same NGO. These generations are:

1. First generation NGO's are concerned with relief and welfare-oriented programmes. These NGOs are focused on providing goods

and services to people. Catholic Relief Services, World Vision, and CARE are given as examples of development organisations that began as first generation organisations.

2. Second generation NGO's are focused on community development style projects like primary health, agriculture, and primary/secondary education. These projects stressed "local self reliance, with the intent that benefits would be sustained beyond the period of NGO assistance" [Korten, 1987] supporting an integrated programme of development activities. These activities are limited to specific villages, regions or target groups.

3. Third generation NGO's refer to themselves as "catalysts" and attempt to influence the country's formal development systems. These NGO's focus on "basic strategic issues relating to sustainability, breadth of impact, and recurrent cost recovery." [Korten, 1987]

In the same volume of World Development, Charles Elliott developed a similar typology based on three positions of agency behaviour:

1. Welfare NGOs are defined:

"The welfare approach may be defined as one that delivers services to specific groups, but in programmatic rather than rhetorical terms it is

not much concerned to establish relationships with local institutions and communities that enable the latter to become empowered to confront the politics and processes that impoverish them. (The rhetoric/programme distinction is important: "popular participation" has become such a cliché that relatively few NGOs ignore it in the literature. On the ground, reality may be quite different.)" [Elliott, 1987]

Elliott's definition of "welfare NGOs" differs little from that of Korten's "first generation" although Korten is less specific about participation. (Elliott's important observations about participation will be taken up later in this paper.)

2. Developmental NGOs- These focus on improving the capacity of a community to provide its own basic needs. Elliott observes that, "This is where the bulk of main line 'household name' development agencies in Canada, the United States and the United Kingdom now are."

3. Empowering NGOs- Enabling and training communities to enter political processes which are seen as key to the development process. Elliott notes that:

Empowerment is not something that can be delivered or bought. It cannot be reduced to a project. It is a process. Moreover, it is a process that depends on people more than physical resources and as I have already emphasised, local people near the process rather than highly trained experts, either local or expatriate. This approach thus offers a very marginal role to the northern agencies.[Elliott, 1987, p. 59]

Elliott makes the useful distinction that northern NGOs find it very difficult to enter into this empowerment process because of the necessity of knowing the local people well and being known by them. This necessitates living among or in close proximity to the poor in the poorer areas of the poorer countries which ill suits the organisation, administration, and probably personnel of most Northern NGOs. Nevertheless, Elliott recognises that welfare and developmental NGOs have a place in the development arena and that they will find it quite difficult to mix the welfare/ developmental approaches with the empowerment approach (although many NGOs use the rhetoric of empowerment:

The picture that I have drawn is inevitably crude and it ignores one element that is as crucial as it is difficult to translate into programmatic terms. Many of the staff in the northern NGOs recognise that empower-

ment without production is as powerless as production without empowerment. This is not the place to discuss Freire and Alinsky at a theoretical level but it is. I think, fair to emphasise that many of their disciples, in both international and local NGOs, find it far from easy to combine the processes of the development of critical consciousness with the process of creating and managing productive capacity that delivers a surplus to poor people...the combination of conscientious and effective management of productive assets has empirically proved difficult.[Elliott, 1987, p. 59]

By inference, while empowerment is necessary but difficult for northern agencies, there are roles in developing productive capacity in which the Northern agency may be very helpful.

In another article in this edition of World Development, Mario Padron also reduces NGOs to three basic types but he focuses on their function as donor, channel, or recipient of assistance.

These three types are:

1. Non-Governmental Development Organisations (NGDO)- These are the channels for assistance and are both international and local.

2. Grass Roots Organisations (GRO) are basically defined as beneficiaries or target groups.

3. International Development Cooperation Institutions (IDCI)- These are international NGOs, solidarity or funding organisations (what most observers would call the "donors").

Leilah Landim also puts forth a categorisation of NGOs working in development in Brazil and to some degree Latin America in the same issue of World Development. Landim notes that NGOs are culturally and politically defined in Latin America and quite different in one country from those in another country. She contends, therefore, that NGOs are country specific. She doubts that broad international categories have much validity because NGOs are so different from one nation to another. This view has much merit yet one hopes that in attempting to look at NGOs in a broad context one can begin to make some statements about how they differ from other organisations and between themselves.

Landim also makes the point that "It is difficult to find thorough surveys on NGOs in any country. This is a task yet to be undertaken. There must be thousands of such organisations throughout Latin America. For example, documents indicate the existence of 250 such entities in Mexico and 300 in Peru. A survey we carried out in Brazil in August 1986 listed 1,041 NGOs in Brazil alone!" [Landim, 1987, p. 30] Her point is excellent in

that many if not all the NGO reviews are dependent for the most part on personal experience and anecdotal evidence instead of methodical survey research. While the experience of writers like Korten, Fowler, and Elliott is not to be undervalued, their findings need to be recognised as subjective and dependent on personal experience. Descriptive research is certainly possible to ascertain numbers of NGOs, their mission statements (or lack thereof), staff numbers, funding sources, and other basic descriptive information that could begin to give a more objective picture to the abstract categorisations already developed.

Landim's categorisation looks at a different set of issues. She suggests that NGOs should be categorised by:

a) Institutional Links- Many Latin American NGOs were started by the various churches or Christian communities. (For purposes of this paper, "churches" will refer to the denominational and observable religious organisations that exist in most countries. These are distinct from religious "communities" which tend to be small informally organised local groups but often with great local power and developmental dynamism. Religious NGOs refer to "parachurch" groups such as World Vision or National Council of Churches of Kenya which are organisationally independent of both churches and communities but work with both.) According to Landim, many of these religious NGOs are actively political and anti-government. At the same time, other NGOs are "creatures"

of political parties, trade unions, and other groups which have important political ramifications in Latin America and affect largely the way in which these NGOs deal with one another, beneficiary groups, and funding sources.

b) Main actors in the NGOs- Many of the NGOs with church roots or ties are staffed principally by "religious" (eg. priests, monks, nuns, etc.). Most NGOs are staffed by people with university degrees who "often maintain their links with the academic community." [Landim, 1987, p. 33] For many middle class intellectuals, NGOs are a "professional option." In any case, Landim points out that the personal experience and background of the staff of NGOs is closely linked with the institutional values and actions of their NGOs. "

c) Outlook and Forms- Another way to differentiate NGOs is by their outlook on the groups they serve and the forms of service that the NGOs perform. She goes on to say that there are two basic sub-categories of action: 1) direct action requiring living side by side with the beneficiaries and sharing life with them; and 2) external advising. She also differentiates NGOs by their functional work or their choice of actions aimed at longterm structural change.

In writing about NGOs in Africa, Alan Fowler has a similar typology to Padron's with:

Member Organisations (MO)- These "are set up by and meant to benefit the members themselves and are controlled by them." He points out that these are similar to Esman and Uphoff's "Local Organisations" and "emphasises the voluntary nature of their membership and the internal and downward nature of their accountability." [Fowler, 1988, p. 3] The objectives of Member Organisations are diverse and encompass most areas of development work.

Private Service Organisation (PSO)- These organisations' purpose is "to promote the development of MOs, and whoever else has been chosen as the intended beneficiaries of their activities."

[Fowler, 1988] While Fowler is not clear about the objectives of these organisations, their objectives appear to be ones which may be "market oriented" or driven by economic rather than social values (as discussed later).

Donor Local Organisations (DLO)-These are the Southern branches of Northern NGOs. They are clones or local offices of international funding agencies. DLOs major objectives are dependent usually on the parent organisation's objectives which are usually funding and service delivery.

Because Fowler is focused on NGOs located or working IN Africa, his typology does not include donor agencies that do not have offices or subsidiaries in Africa (such as ICCO, EZE, or Chris-

tian Aid) and yet have a large impact on development programming in the NGO sector in Africa. He is, of course, aware of them, but focuses more on local donor clones. These may be classified as Donor Organisations to show the difference between local clone and parent organisation.

David Korten and L. David Brown begin their classifications by first pointing out that there are three major sectors: Commercial, government, and voluntary. They use a matrix of: concern, organisation, coordination mechanism, enforcement mechanism, and prototype to make useful distinctions between the sectors. This matrix makes clear many of the primary differences between the sectors but is not a novel matrix (See Jon Morris on "Ideology" in Managing Induced Rural Development for a similar and more complex matrix for development ideologies). What Brown and Korten primarily seem to be proposing is a recognition that some NGOs operate as quasi-commercial organisations that are "market driven" where contracts and negotiated exchanges are the primary coordinating mechanisms. They see these PSC's as quite different from other NGO's which operate out of a sense of "community" or "membership" or "shared values." Brown and Korten call these quasi-commercial NGO's: Public Service Contractors (PSC). The distinguishing characteristic of the PSC's are that they are:

highly market oriented, evaluating their overall per-

formance on such criteria as total funding level and market shares of particular types of funding. Though non-profit, they function largely as businesses within the development industry, selling services to governments or private donors, much as firms in the U.S. that accept contracts from governments to provide a range of municipal services....

The more competitive of these PSCs feature substantial technical competence, elaborate management systems, and concern with cost efficiency. Where resources are available they may operate on considerable scale.

[Brown, 1989]

An additional category of NGOs closely allied to PSCs is discussed by Uphoff [Uphoff, 1988] and by Brown and Korten [1990] and are called "Donor Organised NGOs" (DONGOs, for short) and "Government Organised NGOs" (GONGOs). These are NGOs that are begun in order to fulfil the purposes of donors or governments where there does not exist the local institutional capacity to carry out some developmental task perceived as desirable by the initiators. GONGOs may be highly political and resemble parastatals more than non-profits. In both cases, these are development organisations originating from the "elites" and not from the people.

Carroll in a review of twenty six South American NGO's [1992] distinguishes NGO's between "primary grass-roots NGO's" and "intermediary NGO's." Primary grass roots organisations (GROs) are those that operate at the local level and directly serve beneficiaries or clients. These agencies are usually volunteer and run by the clients themselves. A small group formed to participate in a credit programme would qualify as one of Carroll's "primary grass roots NGO's." These groups are often quite informal with a minimum of structure and rules.

Intermediary NGO's are categorised into two major groups:

Grass Roots Support Organisations (GRSO)- Those agencies supporting primary grassroots organisations and, perhaps, having some direct programmes working with local people and groups.

Member Support Organisations (MSO)- Organisations that support primary grass roots organisations but only those which are their members. For example, a cooperative that supports only other cooperatives.

While Carroll's categories greatly simplify the maze of categories, Carroll's are not particularly useful in that GRSO's may have direct groups as GRO's but support GRO's. His criteria do not seem clear.

John Clarke in Democratizing Development [1992] gives a further categorisation that mixes some of the elements from Brown, Korten, and others with some new ones focusing mainly on functional lines. Clarke's major contribution in categorisation is to think of NGO's as "schools" or categories reflecting a predominant thought trend at a particular stage in NGO evolution.

NGOs, reflecting largely their historical revolution, can be divided into six schools.

1. Relief and welfare agencies, such as Catholic Relief Services various missionary societies and so on.
2. Technical innovation organisations. NGOs that operate their own projects to pioneer new or improved approaches to problems and which tend to remain specialised in their chosen field. Examples include the British Intermediate Technology Development Group, the international Aga Khan Foundation and the Grameen Bank of Bangladesh, 6-S in the Sahel.
3. Public Service contractors. NGOs that are mostly funded by Northern governments and that work closely with Southern governments and official aid

agencies. These NGOs are contracted to implement components of official programs because it is felt that their size and flexibility would help them perform the tasks more effectively than government departments. Examples include CARE and the Emergency Social Fund (in Bolivia).

4. Popular development agencies. Northern NGOs and their Southern counterparts that concentrate on self-help, social development and grassroots democracy. Examples include the seven independent Oxfams (in different fund raising countries) Bangladesh Advance Rural Committee (BRAC), Centro Ecumenico de Documentacao e Informacao (CEDI) and Federacao de orgaos para Assistencia Social e Educational (FASE) of Brazil.
5. Grassroots development organisations. Locally based Southern NGOs whose members are the poor and oppressed themselves, and which attempt to shape a popular development process. They often receive support from PDAs, though many receive no external funding at all. Examples include the rural worker's union of Brazil, the Self Employed Women's Association (SEWA) of Ahmedabad, credit and savings groups of in the Indian sub-continent and

movements of the landless in many countries.

6. Advocacy groups and networks. Organisations that have no field projects but that exist primarily for education and lobbying. Examples include the Freedom from Debt Coalition in the Philippines, the Third World Network based in Penang, environmental pressure groups in North and South and Health Action International (campaigning for reforms in the marketing of pharmaceutical).

However, one problem with Clark's categories is that they often overlap or the differentiation is unclear. For example, why is CARE a Public Service Contractor and not a Relief and Development agency which was its original purpose? Clarke's criteria for inclusion in one category or another are not as clear as some of the other schemes.

In summary, then, we may say that there is considerable agreement on the ways of differentiating NGOs by different writers although there are some name differences and the addition of different categories by each author. These categories are important in that they help to understand and name the underlying "core values" or "corporate culture" that is evident in different NGOs. These many categorisations may be synthesised into a smaller set that may be conceptually useful in categorising the NGO's in any given

country. For the purposes of this study, we have used the following definitions:

Voluntary Organisations (VO)- These agencies are primarily voluntary and driven by a set of "values" that theoretically makes for high internal motivation. VO's are meant to help people other than their organising and supporting constituency. The church is often cited as the prototypical VO. [Brown & Kortan, 1990; Cernea, 1988]

Member Organisations (MO)- For the purpose of this analysis of the Kenyan small enterprise sector, Member's Organisations, and People's Organisations are lumped together in one category.

These "are set up by and meant to benefit the members themselves and are controlled by them." These organisations emphasise "the voluntary nature of their membership and the internal and downward nature of their accountability." [Fowler, 1988] The objectives of Member Organisations are diverse and encompass most areas of development work.

Public Service Contractors (PSC)- These are:

highly market oriented, evaluating their overall performance on such criteria as total funding level and market shares of particular types of funding. Though

non-profit, they function largely as businesses within the development industry, selling services to governments or private donors, much as firms in the U.S. that accept contracts from governments to provide a range of municipal services....

The more competitive of these PSC's feature substantial technical competence, elaborate management systems, and concern with cost efficiency. Where resources are available they may operate on considerable scale. [Brown, 1989]

Donor Local Organisations (DLO)-These are the local branches of Northern NGOs. They are clones or local offices of international funding agencies. DLOs major objectives are dependent usually on the parent organisation's objectives which are usually funding and service delivery. [Salmen, 1991]

Donor Organisations (DO)- These are NGO's that support development efforts in Kenya through grants but have no local office. Examples are: EZE, CEBEMO, ICCO, etc. [Brown, 1989]

This categorisation focuses mainly on the institutional linkages and the values of the organisations as criteria for differentiation into these categories. This categorisation recognises that many NGO's have similar functions and/ or multiple functions that

make functional differentiation difficult across a wide spectrum of agencies.

Most of this conceptual differentiation in these articles is based on the various authors' personal experience and anecdotal evidence. That is sufficient for constructing differential categories. But, the initially difficult work remains to be done as Landim has pointed out. That is to count the various NGO populations in order to build descriptive and analytical pictures based on objective evidence rather than subjective experiences. That is one of the major purposes of this study.

LEVELS OF NGOS' ACTIVITY AND DECISION-MAKING

Additionally, differentiation can be made of NGOs by the principal people or groups who are their direct beneficiaries. Landim hints at such classification but does not actually put forward a scheme for doing so. For many NGOs, the principal beneficiaries are other NGOs or development agencies. There is emerging a stratum of NGOs that deal almost exclusively with other NGOs and organisations and have little or no contact with local people as individuals or beneficiaries. Carroll [1992] makes a strong distinction between Grass Roots Organisations (GRO) and Grass Roots Support Organisations (GRSO) but seems to leave little room for international or expatriate agencies (such as Donor Local Organisations) which are not originating within the

community but are serving it, albeit with some "social distance."

This distinction is especially important in discussing poverty alleviation strategies in that these Umbrella, Apex or GRSO agencies may have little or no direct contact with the poor and yet may exercise much financial and, perhaps, intellectual or political power. The question here is how to maintain the organisational expertise and distributional characteristics of an effective Apex agency without losing "touch" with the people and the realities of small scale enterprise among the poor.

Vertical integration of the organisation is one answer that has been very successful for the Grameen Bank in Bangladesh. Fugel-sang [1988] documents well the importance of: 1) beneficiary participation in the design of programmes and management oversight of all levels of bank operation; and 2) the training of all Bank staff in village level operations and internal promotion within the Bank. All staff start as village loan workers and gradually work up through the organisation to specialty positions. No one can bypass the field experience.

MANAGEMENT AND DECISION-MAKING

Another helpful categorisation for reviewing NGO management processes is to understand the scope of management decision-making. The geographical or spatial scope of the decision often

has major influence on the decision and the factors to be considered. For example, a national Apex organisation is concerned with the national political/economic impact of its decisions---especially, on the institutions affected which are usually national or regional. On the other hand, a local Women's Group (Members Organisation) is rarely concerned with factors beyond the immediate local situation. One organisation is dealing with a high level of aggregation and abstraction while the other is dealing with very specific individuals and events in the local situation. For both institutions, management may not have immediate clear and concise information for decision-making.

But, the local level organisation can develop the necessary information more quickly, more accurately, and at lower cost. Therefore, local decision-making is hopefully more informed by relevant facts and a lower level of abstraction.

In terms of working with the "poor," the further away that decision-making is from the local village and sub-location level, the less likely that there will be substantive participation by the "poor" in the design and management of development work. At the same time, the more likely are various development biases [Chambers, 1987] to be introduced into the work.

PURPOSE OR MISSION

Much recent strategic management writing has discussed the importance of purpose and mission to an organisation. Closely allied with this subject is the whole notion of "corporate culture" in U.S. "excellent companies" described by Peters and Waterman [1982]. "Corporate culture" is that often tacit combination of values and style (in management, work, dress, language, etc.) that are clearly discernible within every organisation. NGOs are no exception and each has its corporate culture.

Brown and Korten point out that all three sectors (government, commerce, and voluntary) try to mobilise voluntary energy and resources. For example, Peters and Waterman's study of the "excellent" companies in fact focused much attention on corporate efforts to mobilise employee energies behind corporate goals and strategies.

But, Brown and Korten cite Etzioni's argument that "...utilitarian organisations, like commercial firms, promise material rewards to their members in return for their calculative involvement; coercive organisations, like prisons and armies, secure alienating involvement through coercive control; normative organisations, like churches or social movements, mobilise members for moral involvement through shared values and norms." [Brown, 1989] But, compared to government or commerce,

the corporate culture of the NGO is extremely important because it often provides the organisational rationale and major personal motivation for workers (rather than political power in government or money in commerce). In addressing the major differences between the development work done by voluntary agencies (VO) and the government, Brown and Korten address the role of values and organisational performance:

The constituencies of VOs are generally much smaller than those of governments and are built around a more coherent values consensus. Consequently, in comparison with government, the VO is able to define positions more clearly, to press for innovative solutions, and to experiment in ways that governments find difficult. This gives VOs a distinctive role as catalysts of system change in defining, articulating, and advocating positions that are outside the established mainstream and therefore not supported by existing public policy.

Driven by values rather than by the quest for economic or political power, it is also natural that many VOs focus their attention on the needs of the poor and disenfranchised more naturally than do governments. [Brown, 1989, p.7]

Brown and Korten see values as the "driving force" in Voluntary

Organisations, and, therefore, of supreme importance to the motivation and effectiveness of the organisation.

Nevertheless, in voluntary organisations, not everybody in the organisation---especially, larger VOs--- may share the same value based motivation.

In some VOs it is possible to identify two distinct systems that operate side by side. One represents a sort of leadership core of those individuals who carry and interpret the values of the organisation, providing it with its energy, continuity, and direction. This is the group that will be found working nights and weekends, that stays with the organisation through good times and bad. In addition, there may be a parallel system, comprised perhaps of the administrative and possibly the operational personnel, that performs somewhat like a conventional bureaucracy. This system is staffed with persons who have been attracted to the organisation as a source of employment and have a conventional exchange relationship with it, remaining so long as pay and benefits are more attractive than alternative offers. [Brown, 1989]

One would expect that in VOs where there existed this sort of dual system and motivation to see lower performance measured in

attainment of goals or efficiency (such as cost/benefit delivered) unless there were a correspondingly higher personal and organisational pride in "professionalism" and, perhaps, higher technical/professional education or training.

For many growing NGOs---especially, successful ones in the voluntary sector--- there is a temptation to trade-off "shared values" in favor of "professionalism" and "willingness to work in areas where the developmental VO is working." Usually, at such expansion points, it is difficult and time consuming for the VO to find qualified personnel with the needed managerial/technical qualifications, personal values similar to those of the organisation, and a willingness to work in the areas where the developmental VO is working. Management's willingness to make these tradeoffs seems to grow as the organisation's size in personnel grows and the need for higher levels of managerial expertise and technical talent seem necessary to manage an expanding organisation and to attract additional funding.

The organisation at such expansion points needs to make special efforts to stay focused on its mission and shared values to avoid the longterm loss of a sense of mission and a dissipation of organisational energy that makes the VO so distinctive. Etzioni [1965] discussed the problem of "goal displacement" as a prime problem for organisations as they grow and mature. "Goal displacement" is the process in which an organisation loses

sight of its original mission or purpose and takes up other goals and purposes that provide more for: 1) the personal rewards for the organisation's personnel; and 2) organisational preservation or enhancement than fulfilment of the original purpose or mission.

Such a loss of purpose seems to have occurred to many VOs as the hiring of new personnel for an expanded organisation has resulted in a lower percentage of employees who share the motivating original values and goals. Over time, the organisation's sense of purpose is diffused as these personnel with different values grow rapidly with the organisation and move into higher management positions without being fully socialised into the "corporate culture.". At some point, which may be undefinable the organisation loses its "critical mass" of managers and employees that held the organisation to its original values and purpose.

The "critical mass" probably varies in size dependent on the: size of organisation; difficulty of the task or work conditions, and perceived rewards for reaching goals. But, Brown and Korten warn against such tradeoffs for the VO:

In a world dominated by the government and commercial sectors, VOs themselves may lose sight of the centrality of values to their existence. In their quest to strengthen their funding base through proving their

professionalism many VOs have been inclined to deny their voluntarism, which some have come to view as an embarrassment--- though it is in fact their distinctive asset. If VOs are to realise their full potential as a distinctive development force it is important that they become more self-conscious regarding the centrality of values and voluntarism to their distinctive nature and role. [Brown, 1989, p. 7]

Brown and Korten's assertion seems plausible but it is just such assertions throughout the literature which lack the empirical testing to substantiate their validity. For example, in lower income countries, how many managers or employees of NGOs are primarily motivated by values when there is a high unemployment rate even for professionals?

Empirical evidence does not seem to exist on NGO employees' motivations to substantiate such assertions as primary concerns. Certainly, there is much anecdotal evidence of successful employees in NGOs changing employment for greater responsibilities and compensation and not for altruism. In part, this may be due to the difficulty in measuring such subjective areas as employee motivations that are subject to so many variables.

Ultimately, as argued by Schumacher in his writing about organi-

sational size, NGOs---especially, voluntary organisations--- may need to recognise that there is an upper limit on size beyond which the organisation begins to lose effectiveness, efficiency, and purpose. While recognising that different organisations operating under different conditions would have different upper limits, Schumacher suggested 300 employees as an arbitrary guess at the upper limits to which an organisation should grow before branching off and starting a new organisation to take on new tasks or expanded areas.[Schumacher, 1974] Little or no research with NGOs has been traced in the literature to explore this notion but it seems to fit well with Brown and Korten's ideas. Is there a correlation between large NGO staffs and low performance?

NGOS' STRENGTHS AND WEAKNESSES

A number of articles reviewed discuss the strengths and weaknesses of NGOs in general as development agencies. One thoughtful article by Mark Havers [1991] directly addresses the strengths and weaknesses of NGOs as agencies for small enterprise development. Attention is focused here on Havers' article due to its explicit discussion of SME assistance NGO's.

Havers lists seven major strengths of NGOs as developers of small enterprise. These are discussed below:

1. Target group approach- Havers maintains that "A key characteristic of NGOs is that they target their efforts at particular groups of the population; aiming to use enterprises as a means of uplifting the target group members..."[Havers, 1991, p.17] He goes on to suggest that NGOs work with the informal sector, with women and men (rather than just men), the poor, people with a limited enterprise culture, and the rural population. Havers is in agreement with other writers [Cernea, 1988; Brown, 1989] who cite this same strength although in different ways. For example, Cernea discusses NGOs outreach to "remote areas" which is an advantage not discussed by Havers.

Additionally, while few people doubt that NGOs are more effective at actually working with target groups---especially, disadvantaged ones, most government and commercial development programmes plan for target groups and often for ones that are the groups named by Havers. The difference is that the government and commercial groups have difficulty reaching these poorer, more disadvantaged groups and being persistent in their efforts. In short, the problem lies more in the execution of the programmes than in the planning. Havers seems to suggest that only NGOs try to reach these groups while Cernea [1988] suggests government programmes are either "limited, don't exist, or are ineffective" which seems a more accurate way of putting it.

2. Flexibility and responsiveness- Most of the writers agree with Havers that NGOs are more flexible and responsive than government agencies to target group needs. Havers cites small staffs and less bureaucracy for NGOs which gives them this added flexibility. Still, some NGOs are quite large with fairly well developed bureaucracies that have little or no direct contact with the target groups---especially, the poor. The critical factor here is the level at which the decisions are made. For some NGOs, policy and major funding decisions are made in Northern cities by well meaning Board members who have never lived with the Southern poor.

Nyoni in commenting on NGO performance in Zimbabwe writes, "On the other hand, government departments or national NGOs which seek, from the centre, to address the needs and aspirations of the poor are equally doomed to ineffectiveness by starting from too large a scale and thus remaining too remote from the local circumstances of the village to be of real relevance at that level." [Nyoni, 1987, p.51]

3. Heterogeneity- Havers remarks on the great variety of programme types used by different NGOs and even the same NGO in different areas to meet local needs but there is no empirical data to back the assertions.

4. Experimentation and innovation- Havers [as Cernea, 1988; Brown, 1989] notes that NGO programme in small enterprise development tend to be innovative, creative, and willing to experiment in ways that government agencies are unable to do with their standardised, "blue-print plan" projects specifying every detail, and conforming to national political policies formed to win the widest support.

5. Local grassroots presence- Havers writes that "NGOs are on the spot, operating very close to their target group....NGOs are much better positioned to mobilise popular participation." [Haverē, 1991] Most of the other writers also cite this as an NGO advantage. Target group participation in project design and planning, and evaluation receive much lip service among NGOs.

Actually achieving and sustaining that participation is a much more difficult task. Fowler discusses the potential that NGOs have in this area but goes on to point out that this potential is often not realised. [Fowler, 1988] Thus, participation can be easily overstated and assumed when as noted above by Nyonī in point 2, NGOs can also be distant from the people.

Nyonī is also critical of some NGOs' values and their interaction with the people. "The interveners have to know that they are often more dangerous than they are helpful to the rural poor. In

their development thinking and approach, they bring with them such values as universalism, self-colonisation, and elitism, individualism and fear." [Nyoni, 1987] Small enterprise development may be especially prone to introducing and supporting northern individualism and capitalism into societies that are predominantly communal and socialistic. Very little of the current literature on NGOs in small enterprise development focuses attention on the possible unwanted social side effects of heightened economic competition, individual ownership, and, perhaps, raising the standards of a few while most remain in poverty (depending on diffusion effects).

John Clarke [1992] also addresses the importance on participation by the client and makes clear that participation means also the ability of the beneficiaries to participate in the management of the NGO as well as the NGO's participation in the poor's struggle for justice.

Participation - a favorite NGO term - should be seen as two-way: involvement of the poor in the project design and execution, but also participation of the funding or intermediary NGO in the poor's struggle for equity, human rights and democracy. [Clarke, 1992]

Clarke also add a very useful discussion of the confusion in many NGO's use of the terms "participation" and "decentralisation."

One study by Tendler of seventy-five US NGO projects suggests that there is a confusion of terms between participation and "decentralization." Most decision making, the study concluded, is decentralized but dominated by NGO staff and local elites such as village headmen. In fact, one of Tendler's most striking findings was that projects which reached the poorest were usually designed by well-meaning outsiders. This study, which has been influential in subsequent US writing about NGOs, may not be representative, focusing as it did on large-scale projects which received funding from USAID but it should serve to remind NGOs to look closely and objectively at their operations and ask whether their practice really lives up to their rhetoric. An advantage of the close proximity many NGOs, particularly indigenous ones, have to the poor is local knowledge - an understanding of the true nature of poverty and of how macro trends or locally planned large-scale initiatives are likely to affect the poor.

[p.50]

Clarke suggests clearly that NGO's may not be as participative as the popular literature suggests mainly because NGO "field staff" exercise much of the decision-making rather than the local people themselves.

6. Regarding dependence on customer satisfaction- Havers writes, "There are few sinecures in NGOs. The organisation as a whole is totally dependent on 'customer' satisfaction' for its survival. Be those customers the informal sector entrepreneurs who are prepared to forego a day's earnings to attend one of the NGO's training sessions, or the donor agencies who support them; continued custom is dependent on satisfaction with the product." [Havers, 1991, p. 18] While noting that there is still room for improvement in NGO accountability, it is for the most part far superior to government accountability to its various "customers." Havers seems to assume here much that may not be borne out by investigation in the field.

7. Motivation- This important aspect has been discussed above in relation to "Mission" but Havers stresses that "...motivation is particularly important in microenterprise development programmes, where the target group may have little previous experience of business. If the adviser does not really care, then this attitude is soon conveyed to and will rapidly break down the commitment of the person he or she is trying to work with." [Havers, 1991, p 18]

While many abstract or conceptual advantages have been noted in the literature, Fowler raises the excellent question of whether NGOs in fact achieve these advantages. While he notes anecdotal evidence of NGO failures along the lines where they

should be most successful, he also stresses the lack of research in this area.

A major problem in gauging the true state of NGOs' functioning in micro-development is that we lack any broad substantial studies of NGO performance, comparable say with the study "Does Aid Work?" (Cassen, 1986). Most NGO studies are internal documents, and the few national level reviews undertaken are descriptive and are seldom validated by field observations or the participants' own views and experiences. As such they end up documenting the organisational 'echo' of NGOs, rather than the actual state of affairs on the ground.[Fowler, 1988, p. 13]

Fowler's point is well taken. Nevertheless, one would need a series of impact studies of the various types (PO, VO PSC, etc.) of NGOs and further comparative organisational studies along functional lines (health, small enterprise development, agriculture, etc.) in the various major geographic groupings. Even then, as suggested by Landim, NGOs are so diverse and so numerous that it is not clear that one would have research results worth the time, money, and effort for such a massive research project.

However, large studies of many organisations could begin to

confirm some of these strengths and weaknesses and bring a greater degree of confidence to large scale policy decisions that are now being made on the basis of anecdotal evidence, visits to projects, and professional assurance that NGOs can do "the job."

This is not to doubt the judgment of experienced field professionals like Chambers, Korten, Fowler, and others nor to overestimate the usefulness of surveys and studies. But, it is to suggest that some effort should be made to "triangulate" evidence from a variety of disciplines and sources to increase our knowledge in this area---especially, if greater resources are to be channelled through NGOs.

NGO WEAKNESSES AS DEVELOPERS OF SMALL ENTERPRISE

Following Havers' discussion, there are six weaknesses that he sets forth. Other writers have identified other weaknesses which Havers does not. These are also discussed below:

1. Policy orientation- Havers finds that NGOs have a conflict of interest in their concern for the overall community while needing to focus on individual business enterprises.

Because of their focused, target group approach, NGOs only usually provide assistance to those who most need it. They [NGOs] sometimes put social considerations

before economic viability and the interests of the community before those of the individual. These values sit awkwardly with the approaches most commonly adopted by small enterprise programmes which have generally worked with those who can make the most of the assistance, measured in economic rather than social terms, and have generally found it easier to work with individuals rather than with communities. [Havers, 1991]

It is not clear just what Havers concern is. Is he suggesting that NGOs should focus exclusively on those "most able to make it" who are rarely the poor? If so, what is to differentiate NGO programmes from government programmes? Surely, this is the key advantage of which he has been speaking. It seems doubtful in this day and age that he would be advocating a "trickle down" approach which he has criticised earlier. Or could he be advocating a set of Northern business values that are antithetical to those of Southern communities as discussed by Nyoni above? Havers should have the benefit of the doubt.

Havers seems to be using the word "economic" when perhaps he means "financial." For surely, the good of the community is a part of "economic viability" although it may not be "financial viability" for the firm. Additionally, perhaps, Havers has simply not differentiated between: 1) those NGOs which are primarily community development agencies involved in multi-sectoral programmes wherein small enterprise development is a small part of

their overall effort with a community; and 2) those highly focused NGOs which only work in small enterprise development (like ACCION's many local Latin American agencies). Remenyi [1990] has discussed the difficulties that many multi-sectoral agencies have with income generating projects because these NGOs are used to operating more like social workers than businessmen. Havers nevertheless does not discuss the prominent NGOs in Asia and Latin America especially which are primarily run by business people (or ex-business people) and which do not seem to have the problem he discusses.

2. Evaluations- Havers cites an article by Buijs (1988) whose work with African NGOs has led Buijs to suggest that NGOs need to develop better management information and evaluation systems. Havers/ Buijs suggest that NGOs are so convinced of the "rightness of their work they avoid quantitative impact assessments and consideration of long term sustainability." [Havers, 1991, p. 13]

while there may be a dimension of "ideological blindness" to many NGOs, donors (and NGOs) seem to be much more aware of the necessity to evaluate impact than they once were. Again, there is no empirical evidence to support these assertions one way or another in the literature.

3. Capacity gap- Havers suggests that many NGOs are understaffed and/or do not have the skills and experience necessary to expand

operations or sometimes even to adequately achieve current objectives. Havers suggests that personnel costs are often seen as "costs to be minimised and not an essential resource for the organisation's future development." [Havers, 1991] Brown and Korten [1988] and others agree on this weakness generally. But, here research could be done to ask agencies how many people they think they should have and how many they actually do have.

4. Leadership and Succession- Havers notes that many NGOs are "still run by their founders." He notes the need to build NGO management structures where strategic planning and major decisions are shared responsibilities and where the founder's succession is planned. The entrepreneurial literature [for example, Kuehl, 1990; Mancuso, 1984] is replete with descriptions of the "Founder's trap"--- that stage in organisational development where the strong, visionary founder needs to let go and delegate more by building a management system that can expand and carry on without the Founder's personal leadership and attention. NGOs would seem to face the same problems here as northern commercial organisations. However, research can easily test how many "founders" are still running programmes or agencies and for how long they have done so.

The problem may be exacerbated by the "charismatic leadership" exhibited by the founder of so many "values driven" NGOs and by the general management culture of many Southern countries.

that tends to focus power in the hands of one or two people in an organisation who then make decisions of the most mundane type rather than delegating them. [Moris, 1982; Kiggundu, 1989] Clark distinguishes between "charismatic leadership" and "collegial leadership" in many NGO's. Collegial leadership shares leadership responsibilities and arrives at decisions in a collegial style involving all the principle players.

5. Anti-business culture- Havers points out that many NGOs were built on highly ideological foundations and values. He posits that NGOs attract "ideologues" as employees. For many of these, "business" is a cultural villain--- "the enemy." Therefore, it is difficult for such NGO employees to embrace even micro-business support without modifying their ideology or values. The employees may therefore face an ethical dilemma of personal integrity. Such attitudes may be very prevalent in northern NGOs in the U.K. and U.S.A. but there is little evidence that such bias exists in Kenya.

He raises an intriguing shift of values that would be hard to measure (as are many attitudinal/ motivational changes). While for some NGO employees some ambivalence or hostility toward business may be present, that hostility may be more toward the "greed" and "depersonalisation" found in large businesses. One may counter argue that NGO workers probably are against greed and monolithic, depersonalising structures much more than

they are against "business" by itself.

The micro-businesses among the poor are usually struggling for survival. "Greed" is not an issue (although it may become one where there is success). Likewise, the income provided by the business is perhaps a family's slender lifeline and all that stands between them and starvation. This helps the worker to see the immense value of small business to the poor and can overcome any predisposition against business per se.

6. Lack of programme integration- Havers postulates that finance must accompany training and assistance and vice versa. He bemoans the fact that many NGOs in small enterprise development do not have integrated programmes of support with credit, training, consulting, etc. Harper has written similar ideas much earlier but usually comes down even more in favour of training than credit. [Harper, 1986] Havers has not dealt with this issue very thoroughly in this article. As with so many of the other issues there is much discussion but no data to confirm suspicions.

Without weighing the relative merits of the arguments, it is necessary to state that not all the experts agree with Havers and Harper. The "minimalist" school of thought believes that credit by itself for the poor will make a significant impact and that training/assistance programmes are too expensive and of dubious

benefit relative to cost. Large agencies such as ACCION in Latin America and its 19 associates are moving toward "minimalist" programmes as these are seen as the only way to reach self-sufficiency in the hyper-inflation experienced in many Latin American countries.[Stearns, 1991] They are not against training. They simply say it costs too much and takes too long.

Other agencies like ORADME [Befus, 1991] in Latin America and Maranatha Trust [Bussau, 1991] in Asia which are affiliated with many national small business development agencies at the national level disagree with ACCION. These agencies believe that credit is only really effective when combined with consulting and training. There does not seem to be much comparative research or evidence one way or the other.

7. Programme Expansion- Brown/Korten [1989] and Cernea [1988] also devote significant discussion to the problems that NGOs have in expanding their operations. While Havers does not address this aspect, it is worth noting that these other authors find that NGOs have difficulty expanding and broadening their scale of work (or "scaling up"). Brown/Korten summarise well the problems inherent in NGOs scaling up:

It is important to recognise that the strength of the voluntary sector as a development agent is not found in the size of its individual organisations so much as in

their number and variety, their ability to constantly evolve, and the ever shifting networks and coalitions that they form. To focus on the performance and scale of individual VOs is to risk losing sight of the aggregate phenomena that they represent, a movement that is attempting to return the control of development back to the people who are its intended beneficiaries through the creation of what Annis describes from Latin American experience as a "thickening web of grassroots organisations"....

In general it is probably inappropriate to look to VOs as large scale service providers. But there is nothing that precludes their pursuit of strategies aimed at large scale consequences, as demonstrated by a rich experience. [Brown, 1989]

There are other weaknesses with NGOs as development agencies but these are the major ones that would seem to affect small enterprise development agencies.

SELF-SUFFICIENCY

NGOs start, grow, mature and often die as organisations. While there is much in the literature about the need for NGOs to become self-sustaining, there is little to suggest that there are stages of maturity toward which an organisation can grow. A

scale for measuring progress toward organisational maturity is necessary. Would it not be nice if there were some kind of "weight for height" chart for NGO's as there is for children in primary health programmes? A kind of normative growth pattern so that one understood whether the organisation was growing "fast," "normally," or was "malnourished" facing some kind of organisational "kwashiorkor" (a sickness resulting from chronic malnutrition)?

The three factors necessary to start and maintain any development organisation are: 1) people; 2) information; and 3) in most cases, money. Committed staff are often the critical constraint to growth of services from an organisation. The self-sustaining capacity of an organisation can in part be analysed by the sources for people and money. For many development organisations in poorer countries, there are three broad sources of money and people: 1) local sources through donations, gifts, etc.; 2) sources from the organisation's operations; or 3) "expatriate" sources literally from outside the country.

Brown and Korten discuss sources of funding and sustainability pointing out that often donor agencies are making sustainability demands on "volunteer organisations" and "people's organisations" that are inappropriate for the receiving agency's mode of operations. In short, they point out that certain types of organisations will probably always be "dependent" to some degree

on donor agencies.[Brown, 1939] But, what has not been addressed in any of the literature reviewed is an analysis of the sources and use of funds within organisations. In general, organisational expenditures can be categorised as:

a) Recurrent Expenditures-The use of funds for recurrent , every-day operations.

b) Replacement Capital- The funds used to replace capital items used in normal operations.

c) Start-up Capital- Funds used to start up new operations including the original organisational start.

d) Expansion or Replication Expenditures in New Areas-Similar to "Start-up Capital," expansion and replication costs are those costs necessary to expand existing operations and/or to move into new geographic areas with the same programme. Expansion/replication costs include start-up capital for the new operations but also usually entail some additional administrative overheads for existing operations which are often either overlooked or ignored.

We can define "self-sufficiency" as:

Self-sufficiency is the ability of an organisation to

finance its recurrent expenditures and replacement capital costs from operations and local sources of funds. The ability to finance the replication or expansion of existing operations, or start-up of new organisations is not considered a necessity to achieving a self-sufficient status.

Such a definition recognises that businesses, colleges, universities, hospitals and many other modern sector institutions are considered self-sufficient but require external financial help to expand or start new work. Therefore, "financial maturity" as an organisation depends more on an organisation's ability to stay in operation than on its ability to expand.

SUMMARY

The literature on NGOs and small enterprise development is expanding and asking relevant questions of the NGO sector and about the management and operational opportunities and problems faced. As support for NGOs continues and increases so will pressure for changes that may rob NGOs of their vital nature. While change will always be needed to improve the effectiveness and efficiency of operations, there is and will be pressure from governments, donor organisations, and other institutions to remake NGOs into what they are not. There needs to be some clear research done to try to plot what NGO's really are now before trying to change them into something else. The remainder of this

study attempts to start the process of analysing where NGO's are in one sector of Kenya's rich NGO population--- the formal or "Grass Roots Support Organisations" working to assist small and micro- business people to improve their businesses.

III. SUMMARY OF FINDINGS AND MAJOR CONCLUSIONS

1. There were sixty one formal non-commercial NGO's in Kenya working on small enterprise development (SED) as reported in previous studies by KREP and Netherlands Government studies. [Dondo, 1991; Niulize, 1993, Tomesson, 1993] Of these, an estimated forty nine have programmes working directly with small scale enterprises (SSE). Thirty three of these were interviewed as part of this study. (See Sample below.) Not included were Village Polytechnics, rotating savings and credit associations (ROSCA's) and credit cooperatives which together number in the thousands.

2. Each Kenyan administrative district has at least fifteen agencies claiming to do some work in some way in the district. Over thirty agencies claim to have some kind of work in Nairobi. These numbers are somewhat misleading in that consulting and training agencies may claim to work all over the country but may only hold infrequent seminars in some districts.

3. While NGO's are working throughout the nation to assist the SSE sector, only a small percentage of Kenya's total small and micro- enterprises are being assisted by the thirty three NGO's principally involved in SED assistance. In 1992, agencies said that they served roughly 40,700 clients or beneficiaries of the more than 900,000 estimated small and medium enterprises.

4. AGENCY TYPES AND THE IMPORTANCE OF VALUES- There are more Voluntary Organisations working in SED than any other NGO type. Of these, many are church related. Donor Local Organisations are the next largest NGO category.

Many of these VO's have religious affiliations all of which suggests that "values" are indeed very important at least as a motivation for institutional creation if not for employee motivation. Almost all (94%) of agencies claimed to have a corporate "Purpose or Mission Statement." Almost as many (83%) claimed to use it in planning and evaluating their SED work suggesting that managers at least think that they should use "purpose statements" operationally. This lends support to the importance of values as motivators stressed by Korten. Brown, et al.

5. ORGANISATIONAL AND PROGRAMME DESIGN

The average age of the agencies was eighteen years. Most of the agencies were started by expatriates who no longer run the agency but 42% of agencies had local leaders as founders or some combi-

nation. This suggests that Havers concern for NGO founders who "hold on for too long" is not valid for these larger NGO's in Kenya.

In questions about programme design where respondents gave multiple answers, 63% of agencies had their programmes designed in part by "experts" and 53% "copied other programmes" suggesting that SED NGOs are NOT as innovative and creative as the literature claims. This behaviour may not be normative for all NGO's. There may be an SED sector skew here due to the "popularity" of the Grameen Bank and "minimalist" models which many are copying.

But, there is also evidence here for another theory that most NGO's are "herd" creatures and that NGO's adopt whatever the newest vogue is in development thinking and whatever the donors seem to be supporting. A corollary to this theory would be that only a few NGO's are very creative and innovative. Additional research ought to be done on the creation and adoption of innovations within NGO's and the impact of donors on programme design.

6. BENEFICIARIES' PARTICIPATION IN DESIGN

The NGO's surveyed split roughly into two camps--- "participative" and "non-participative" in beneficiary involvement in design of the SED programmes. About half of the agencies used participative methods involving clients in designing their SED

programmes.

Half of the agencies surveyed chose SED programme areas without any beneficiary participation. Forty two percent (42%) of agencies said that clients had "no input" into the design of the SED programme. This was surprising in that one of the more copied programme models is the Grameen Bank that stresses client participation at every level including design.

There are multiple possible explanations for the lack of participation in design:

- a. NGO's in general have never really been participative in design except for the rare exceptions.
- b. SED NGO's have never been participative but other NGO's are more participative in design.
- c. This could be a change in NGO behaviour reflecting the effect of "business attitudes" on agencies that for the most part might be expected to follow "community development participatory" design techniques.

7. BENEFICIARY PARTICIPATION IN PROGRAMME MANAGEMENT

Most SED programme managers claim to have some mechanism to get direct feedback from clients with group meetings between clients and managers being the most popular. However, most agencies do not provide for the direct oversight of programmes by beneficiaries in any kind of management relationship or position. NGO literature suggests that NGO are more responsive to local

beneficiaries and "the people" due to their close relationship including management structures that provide for the beneficiaries to actually hold NGO staff accountable. For the most part, these SSE programmes are not accountable to local beneficiaries in formal and direct ways although most cite "staff contact" and periodic "management meetings with beneficiaries" as ways that beneficiaries have input to programme management. This may be due to the emphasis by some of these agencies on "businesslike" services rather than "social welfare" services.

8. WORKING WITH THE POOR

A large majority of the agencies claim to work with the "poor" but operational definitions of poverty are ill-defined for most agencies. Averagely, about 74% of the agencies claimed that "All" (defined as 85% to 100%) or "Most" (25%-55%) of their beneficiaries were "poor."

Very few respondents believe that their agencies are targeting or actually working with the very poorest elements (eg. orphans, widows, etc.) of society who need the most economic assistance. Most agencies are working with existing small and micro-business operators who may be poor but are not the most vulnerable. Five agencies have specifically targeted and believe that they are reaching poor people in the lowest economic strata.

This is consistent with Boomgard's findings in U.S.A.I.D.'s review of microenterprise programmes in 1989. [Boomgard, 1989]

9. Of all the agencies interviewed, about one third were focused solely on SED with no other types of development programmes while the other two thirds had mixed portfolios of SED and development and/or relief programmes (multi-sectoral agencies). Almost three quarters (73%) of agencies interviewed use credit as part of their assistance strategy.

10. Minimalist credit models were the more cost efficient agencies in terms of lower cost per loan or cost per client served of all the assistance strategies surveyed in responding agencies. Many of the responding agencies have switched to minimalist credit strategies from other strategies. Those agencies which have switched generally report far lower costs per beneficiary or cost per loan than with previous credit strategies. The choice of service strategy clearly has a large effect on overall programme costs and cost per client served.

Nevertheless, different service strategies continue to be necessary to meet differing beneficiary needs. There seems to be no strategic thinking or theory of what the right mix of agencies and programme strategies might be to ensure that client needs are met. A conference of agencies and donors might be held to ensure that there is some coordination of agency efforts.

11. COST PER DIRECT BENEFICIARY

The agencies in the sample seem to have much lower costs per beneficiary than other small enterprise assistance agency samples from the small number of studies done elsewhere. In 1992, of the eleven agencies for which sufficient data exist to compute this category, Agency B emerges as the most cost efficient small enterprise development (SED) agency with a cost of 407 Kenyan Shillings (KSH) per beneficiary per year. Agency C was second with 698 KSH per beneficiary, and Agency A was third with 967 KSH per beneficiary. All three of these agencies were far below the mean for the eleven agencies of 5,059 KSH per beneficiary.

These costs compare very favourably with Boomgard's review of U.S.A.I.D. programmes covering a variety of assistance models worldwide over a three year period:

Cost per beneficiary is an indicator for comparing efficiency across programs and efficiency over time for an individual program. Cost per beneficiary varied widely across the programs--from \$90 to \$7,000. [Boomgard, 1989]

Boomgard's sample had average annual costs of \$30- \$2,333 which is much higher than the \$5-10 range seen here (using a FOREX rate of 50 ksh. to \$1US). The explanation may be in part that many NGO

programme overhead costs are subsidised by the parent NGO in the Kenyan sample.

For example, in the Kenyan sample, Agency C's costs are understated due to using fourteen Community Development Officers from another programme as Loan Officers. Their salaries are being paid for by other programmes which constitutes a large subsidy of unknown size.

In general, agencies tended to charge costs in different ways which means that comparative cost figures may be comparing "apples and oranges." A number of agencies have key managers whose costs are not charged against the SED program but are charged to other agency accounts or are paid from outside (such as expatriate managers). The effect is to give these agencies a false internal picture of their "true" operational costs and to under report programme costs to outsiders who may not realise these special relationships. However, in this study, adjustments have been made or sensitivity analyses run where differences are known to exist to try to "level the field." The SED agencies as a group should consider holding a conference of finance officers to develop a set of "generally accepted accounting principles" for use in reporting SED agency accounts.

12. COST PER KSH. LENT

Minimalist credit programmes can achieve very low costs per

Kenyan Shilling (KSH) loaned out. In 1992, of the nine credit programmes giving financial details. Agency A was the most efficient on a cost per shilling loaned basis with a cost of .15 KSH per shilling loaned. Agency B was second with .20 KSH per beneficiary and Agency E was third with .22 KSH per shilling loaned.

13. COST PER TRAINING DAY

In 1992, the cost of one loan (average of 5,298 KSH) was equal to about nine days of seminar training (averagely 906 KSH per day per trainee). Agency D was found to be the more cost efficient of the seminar training organisations with 1992 costs of 813 KSH per client training day (eight hours of training per person trained).

14. There appears to be no clear correlation between low costs per loan or beneficiary and whether or not a small business assistance programme is part of a larger agency with other sectoral programmes (multi-sectoral) or is an agency "dedicated" to small business assistance with no other sectoral programmes. Agencies A,B,C, and E were found to be the more efficient programmes with the lower costs per loan and beneficiary than other programmes. Agency B is a "dedicated" SED agency while Agencies A and E are multi-sectoral agencies. At the opposite end of the efficiency range, some of the agencies with the higher costs per loan/beneficiary were both "multi-sectoral" and "dedicated".

This suggests that, while practitioners may feel clear differences between the "businesslike" SED programmes and the more "welfare orientation" of the multisectoral development agencies, these differences may not be the most important variables in organisational efficiency. Programme design and programme management may be far more important variables. Agencies A, B, and E have similar "minimalist" designs while Agency C is a different design working with group businesses.

15. The four more cost efficient agencies have well focused and limited "catchment" areas and are considered "local" or "regional" rather than "national." For Agency B, this is a strategic consideration in choosing new areas in which to work that will support at least 1,800 small business clients within the first year of operation and within 5 km. of the area office. Agencies A, B, C and E have smaller catchment areas than most of the other studied agencies which are trying to reach broader geographic locations.

Agencies that are trying to cover larger geographic areas may pay a high price in transportation and management overheads for covering more territory and do not appear to be either: a) more effective from the evaluations read; nor b) more able to cover larger numbers of beneficiaries which might be reasonable "trade-offs. Interestingly, the cost of reaching the wider dispersion of rural beneficiaries (Agency A, and much of Agencies C and

Agency E) seems offset by lower costs in the rural areas so that rural programmes are among the more cost efficient.

From a policy point of view, this suggests that government and donors might consider encouraging and supporting larger numbers of smaller and geographically well focused agencies rather than working with a few large agencies trying to achieve broad scale coverage or trying to scale-up geographic coverage of small agencies.

16. INTEREST RATES

While many credit programmes were charging market interest rates, no credit programme was charging a "real" interest rate (all costs plus inflation) to preserve purchasing power at the time of the study. This suggests that the credit programmes must have partially decapitalised in the period of Kenya's rapid inflation (1992-93) when the highest small business loan credit agency interest rates charged were 35% and inflation rate was estimated variously at 45%-105% [Economist, 1993]. The extent of the loan fund decapitalisation was not part of the research study and is an area for further research.

17. SELF-SUFFICIENCY

Small business assistance programmes in Kenya can achieve operational self-sufficiency where operational income is equal to or greater than operational expenses. Four (35%) of the

eleven agencies giving financial details report over 90% operational self-sufficiency for 1992. In 1992, two "minimalist" agencies--- Agency A and Agency B--- emerge as having achieved operational self-sufficiency. "Operational self-sufficiency" is defined as operational income (without grants but including local donations) divided by operational expenses (excluding capital expenses, financial costs, etc.). Data are incomplete for 1993.

IV. METHODOLOGY

PURPOSE OF THE RESEARCH

The purpose of the research is to test several of the development literature's hypotheses about the efficacy and efficiency of non-governmental organisations (NGO's) as development agencies. The agencies chosen for study are those assisting the small scale enterprise (SSE) sector in Kenya.

OVERALL RESEARCH DESIGN

The research uses personal interviews and financial data gathered as primary data for analysis of NGO's. This research has three phases to it. The first phase is a review of the literature on NGO's and small business assistance agencies in Kenya, and, where appropriate, elsewhere. The second phase is field research in Kenya with two parts to it (Tier I and Tier II) discussed under Field Methodology. The final phase is analysis and write up of the successful agencies and comparison to the practices described/ advocated in the general literature for small enterprise assistance agencies throughout the world. The literature and Tier II research are not summarised here.

FIELD RESEARCH METHODOLOGY

The field research was carried out during May-August, 1993, with follow-up research in January, 1994. The research had two parts:

1. TIER I- A list of NGO's operating small enterprise development programming in Kenya was compiled from existing lists. [Aleke-Dondo, 1991; Niulize, 1993; Tomesson, 1993] Personal interviews were arranged with Chief Executive and/or Chief Operating Officers of these agencies selected by agency type and coverage area. Longitudinal financial and operational data were collected from existing reports for these interviewed agencies. A questionnaire is found in Annex II.

2. TIER II- Two of the more efficient NGO's were chosen as case studies and researched in greater depth to assess which factors are considered most important by agency staff for the agency's effectiveness and efficiency. This research is not included here.

IV. SAMPLE

This study is focused on the non-governmental organisations that are non-profit small business development assistance agencies with field operations directly assisting small businesses and small income generating groups. Donor organisations (like Ford Foundation), businesses (like banks), and governmental agencies were excluded from the study.

There were sixty one (61) of these agencies on the composite list developed from the existing literature and additional suggestions from practitioners. This total obviously does not in-

clude the thousands of Village Polytechnic (VP's), Savings and Credit Cooperatives (SACCO's), and groups receiving assistance (many of which have assistance agency characteristics). [Alila, 1990]

Of these sixty one agencies, there were thirty-three agencies interviewed with SED programmes working directly with business people. The average age of these agencies was 18 years meaning that the average agency began in 1976. Their SED programmes were for the most part begun much later and are relatively new.

TABLE 1: AGENCIES INTERVIEWED

	ALL AGENCIES INTERVIEWED
NUMBER OF AGENCIES	33
YEAR AVG. AGENCY START IN KENYA	1976
AVERAGE YEARS IN OPERATION	18

A. INTERVIEWS

AGENCY TYPE AND SIZE BY DISTRICTS COVERED

Agencies were cross tabulated with geographic coverage and type of agency in Table 2. Of agencies studied, the single largest group is the "local" Church based "Voluntary Organisations-Church" (VOC) with 5 agencies (15%) of the total. Local Voluntary agencies (VO/VOC) as a whole make up the largest group accounting for 9 agencies (27%) of the total. Overall, the three most represented agency types are: seven Donor Local Organisations (like World Vision, Action Aid), ten Voluntary organisations (like Partnership for Productivity, Improve Your Business) and nine Voluntary Agencies-Church (VOC).

TABLE 2: TYPE OF AGENCY INTERVIEWED BY SED GEOGRAPHICAL COVERAGE

	DLO	DONGO	MO	PSC	VO	VOC	TOTAL	% OF TOTAL
NATIONAL	1	1	2		3	1	8	24.2%
REGIONAL	3		1	1	3	3	11	33.3%
LOCAL	3	1	1		4	5	14	42.4%
TOTAL	7	2	4	1	10	9	33	100.0%
% OF TOTAL	21.2%	6.1%	12.1%	3.0%	30.3%	27.3%	100.0%	

B. FINANCIAL REPORTS

All agencies interviewed were asked for financial information about their SED programmes. Eighteen (56%) of the thirty-three agencies with direct field operations responded with at least partial financial information for the three year period (1990-1993) that was useful in segregating small scale enterprise development activities. Most agencies have given only partial financial information for 1993 because annual accounts were not prepared when the research was done. Therefore, 1993 data are not

summarised here but may be added later. (Some multi-sectoral programme agencies were unable to segregate the SED sector of their operations.)

Wherever possible, published annual reports have been sought and used as verification of data given in interviews. In every interview, respondents asked for the opportunity to allow accountants or financial sections to review the questions and to fill in the forms. In each case, respondents took the forms and returned them later via hand, mail, or fax.

KREP's Juhudi programme was separated from the other KREP functions and counted as an independent field programme because of the availability segregated Juhudi finances. Agencies with at least two years of operational and financial data, complete data, and formal evaluations were then taken as the final sample. The financial sample agencies are listed in Annex III.

These twelve represented the types and regional categories shown in Table 3:

TABLE 3: TYPE OF AGENCY BY SED GEOGRAPHICAL COVERAGE

	DLO	DONGO	MO	PSC	VO	VOC	TOTAL	% OF TOTAL
NATIONAL			2		1	1	4	33.3%
REGIONAL				1	2	1	4	33.3%
LOCAL	1	1				2	4	33.3%
TOTAL	1	1	2	1	3	4	12	100%
% OF TOTAL	8%	8%	17%	8%	25%	33%		

These are thought to be reasonably representative of the various types although the Donor Local organisations are under-represented in part because of the difficulty that some have in segregating their SED expenses from integrated project financial reports. Agencies which did not return the financial data forms self-selected out of the sample.

There are some also gaps by model types in the financial sample. Jisaidie (marketing), KMAP (consulting/training), Action Aid (integrated urban development), and Daraja Trust (housing) did not return enough financial information but represent assistance models which might be compared to the minimalist model. Christian Industrial Training Centre- Nairobi was included in the sample to compare the relatively high cost of vocational education to the other models but its methodology and outcomes are very different. CITC- Nairobi should really be compared to other vocational education institutions for their figures to be a fair representation of the efficiency as an institution. The net effect of this inclusion is to raise the mean in most instances.

4. MEASURES

A. EFFECTIVENESS MEASURES

Because this research is focused on SED agency management and not on beneficiaries, impact studies are considered beyond the scope of the research. Nevertheless, efficiency or "agency sustainability" without "effectiveness" would be hollow measures of good SED agency management. Therefore, proxy measures were used for effectiveness from evaluation studies conducted prior to this research to study the impact on beneficiaries. If no impact evaluations had been done on the agency's SED programmes, then, an "a priori" assumption was made that the agency was NOT effective because evaluation is important to learning about a programme. Agencies were asked for a copy of the evaluation if available. Many agencies gave copies of their evaluations. These evaluations for the most part showed positive impact on the beneficiaries. In many cases, these evaluations led to important changes in operations--- especially, from "individual loan" assistance models to "solidarity group" models (KREP, NCOCK, PCEA Chogoria, Tototo, et al.). [Sebstad, 1991; Oketch, 1991; Oenga, 1991]

B. EFFICIENCY MEASURES

Efficiency issues were largely defined in terms of the agencies' staff productivity and finances as cost functions of: loans, amount loaned, beneficiaries, and training days. The following criteria were selected for comparison across agencies:

TOTAL COST PER LOAN
TOTAL COST PER CLIENT/BENEFICIARY (TRAINING OR LOAN)
TOTAL COST PER SHILLING (SH.) LENT
TOTAL COST PER CLIENT TRAINING DAY

C. SUSTAINABILITY MEASURES

"Operating self-sufficiency" was measured by dividing total operating (non-grant or loan) income by total operating expenses (excluding capital expenses, interest on loan capital borrowed, bad debts or defaults, inflation or foreign exchange reserves or other financial or non-operating expenses). Such a ratio is recommended in the literature [Christensen, 1991; Waterfield, 1992] as a "bare bones" sustainability measure.

Consideration was given to including also a "financial self-sufficiency ratio" measured by dividing total (non-grant or loan) income by total expenses (including capital expenses as depreciation, interest on loan capital borrowed, bad debts or defaults, inflation or foreign exchange reserves or other financial or non-operating expenses). Such a ratio is recommended in the same literature as a full measure of an agency's ability to sustain its operations without additional financial assistance. However, when tested, such a measure was meaningless for most agencies because of low capital costs and the absence of inflation/foreign exchange reserves.

V. FINDINGS

1. AGENCY START-UP- Expatriates have had a large role in the creation of new NGO's in Kenya. About two thirds (64%) of all the agencies had an expatriate involved in the agency start-up. Relatively few had Local Kenyan leaders (26%) or local people (16%) involved in start-up of the agencies.

TABLE 4: AGENCY BEGINNING

HOW DID THIS AGENCY GET STARTED?	TOTAL RESP.	% OF TOTAL RESP.
EXPATS	21	64%
LOCAL LEADERS	14	42%
LOCAL PEOPLE	7	21%
TOTAL RESPONSES	42	127%
	N= 33	100%

As might be expected, smaller local level NGO's had far more participation in design and management by local leaders and local people than did agencies at the national and regional levels.

2. LEGAL REGISTRATION

About half of the agencies (46%) were registered legally as not-for-profit corporations without share capital while a slightly larger group (52%) was legally registered as an "NGO." These legally registered as independent NGO's further broke down into one third (33%) as "Local NGO's" (meaning that Kenya was their headquarters) while eighteen percent were registered as "Offices of International NGO's." One quarter (24%) were operating under the legal organisation of a registered church. There was overlap because many agencies were registered both as legal "corporations" with the Attorney General's Office and as NGO's with the Office of the President under the NGO Bill.

TABLE 5: LEGAL REGISTRATION

HOW ARE YOU LEGALLY REGISTERED?	TOTAL RESP.	% OF TOTAL RESP.
NP CORP. W/O SHARE CAPITAL	15	45.5%
LOCAL NGO	11	33.3%
CHURCH ORGANISATION	8	24.2%
OFFICE OF INTL. NGO	6	18.2%
PRIVATE CO.	1	3.0%
TRUST BY GUARANTEE	1	3.0%
COOPERATIVE	0	0.0%
TOTAL RESPONSES	42	127.3%
	N= 33	100.0%

3. NGO TYPES

The literature about NGO's deals with trying to build typologies for NGO's as categories. This literature, however, is backed with little empirical data to build a description of the occurrence of NGO types in a given country or sector.

Most of the agencies interviewed were Voluntary Organisations. Over half (61%) of the agencies interviewed were Voluntary Organisation (VO) while another 21% were Donor Local Organisation (DLO). Of the 33 completed interviews with organisations having some type of small scale programme, there was a strong preponderance of Voluntary Organisation (VO) split into two types: Voluntary Organisations (VO)(30.3%), and Church Voluntary Organisations (VOC)(30.3%). Smaller numbers were found for: Member Organisations (MO) (4 agencies or 12%), and one agency each for Public Service Contractor (3%), GONGO, and DONGO. Definitions for each were provided to each respondent by the interviewer.

TABLE 6: NGO TYPES

WHAT KIND OF AN NGO WOULD YOU CALL THIS?	TOTAL RESP.	TOTAL RESP.
CHURCH VO	10	30.3%
VOLUNTARY ORGANISATION	10	30.3%
DONOR LOCAL OFFICE	7	21.2%
MEMBER ORGANISATION	4	12.1%
NOT ANSWERED	2	6.1%
DONGO	1	3.0%
PUBLIC SERVICE CONTRACTOR	1	3.0%
DONOR	0	0.0%
GONGO	0	0.0%
TOTAL RESPONSES	35	106.1%
	N= 33	100.0%

Two agencies claimed to be in two categories.

4. GEOGRAPHICAL COVERAGE OF AGENCIES

As might be expected, the largest number of agencies interviewed with SED programmes were deemed "Local" because they operated in three or less administrative districts of Kenya. One third were classified as "Regional" working in four to twelve administrative districts while eight (24%) were "National" with SED programme operations in 13 or more administrative districts of Kenya.

	TOTAL AGENCIES	% OF TOTAL AGENCIES
NATIONAL	8	24.2%
REGIONAL	11	33.3%
LOCAL	14	42.4%
TOTAL	33	100.0%

HIGH GEOGRAPHICAL COVERAGE

No Kenyan administrative district appears to be without at least fifteen agencies undertaking some SED work in that district. There appears to be broad based geographical coverage of Kenya by the agencies interviewed suggesting that every administrative district has fifteen or more NGO's with one or more SED projects or programmes. These numbers are inflated by the Training agencies (KMAP, KIM, CITC, etc.) that hold short seminars in many different districts or attract students from every district but have no permanent facilities or staff in those districts.

Over thirty (91%) of the agencies interviewed claimed to have SED work in Nairobi. Including agencies with national programmes (Oxfam, World Vision, et al.) that may only have a local project, there are 20 or more agencies working in the following districts: Nairobi, Kisumu, Siaya, Kakamega, Machakos, Nyeri, Kajiado, Kiambu, Mombassa, and Bungoma. (See Annex 4 for details.)

There are multiple agencies in some relatively small areas. For example, in Nairobi's Kibera, both KREP (credit), Jisaidie (marketing/training), and Ambassador's Development Agency (training/credit, marketing) have programmes. In Nairobi's Mathare Valley, World Vision, Food for the Hungry (Faulu), Dandora Welfare Assistance Committee (WAC) and Redeemed Gospel Church have credit programmes. Despite the proximity, there is no reason to believe that the credit market is saturated in these areas.

On the other hand, there was some voluntary discussion of inter-agency cooperation--- especially, between agencies with different type programmes. This symbiosis seems unplanned and uncoordinated yet potentially very productive. Some further work to coordinate and do research in this area might be very rewarding.

5. NUMBER OF BENEFICIARIES

Despite the wide geographic coverage by agencies, only an estimated 40,700 direct beneficiaries were reported by these thirty three agencies for 1992. This group of beneficiaries is less than 5% of the 910,000 small and medium enterprises estimated in Kenya in the recent USAID national survey. [Parker & Torres, 1994] These figures would seem to roughly agree with Parker & Torres's estimate that only 5% of their sample had received assistance from formal sources.

6. MULTI-SECTORAL AGENCIES VERSUS DEDICATED SSE AGENCIES

There is an almost even split in the interviewed agencies between those that do only small scale enterprise development (SED) (35%), those with SSE and other development programmes like health, and those with a combination of SED, Other Development, and Relief.

TABLE 8: DEDICATED VERSUS MULTI-SECTORAL AGENCIES

WHAT ARE THE MAJOR PROGRAMMES THAT YOU HAVE IN THIS AGENCY?	TOTAL RESP.	% OF TOTAL RESP.
SED ONLY	11	33.3%
SED & OTHER PROGRAMMES	12	36.4%
SED & OTHER PROG'S & RELIEF	10	30.3%
TOTAL RESPONSES	33	100.0%
	N= 33	100.0%

One clear difference emerging from verbatims is that at least two (and maybe more) multi-sectoral development and relief agencies have little or no idea of how costly or how effective their SSE work is despite spending thousands of dollars on it. All of their SSE and other activities are organised on a project basis that makes it impossible for them to easily segregate data from small scale enterprise development or "income generating" activities. The result is that these agencies SSE programmes have for the most part not been evaluated on a sectoral basis.

Of even greater concern for this research, the finances for SED efforts are also commingled with other sectoral efforts on a project basis and are not readily available for any kind of analysis. Therefore, there is little or no corporate understanding about the cost or effectiveness of their SSE efforts at the national level although there may be more at the regional or local project levels of the same agencies. For this reason, most of these SSE, development and relief agencies would not be appropriate for Tier II research.

7. SSE INTERVENTIONS- Most agencies (over 85%) with field operations offer more than one type of small scale enterprise development intervention to their SSE clients. Despite a wide variety in the types of assistance being offered to small scale enterprises by all of the agencies, there is a clear preference for credit programmes at this time among the agencies interviewed. About 70% of the agencies cited "Credit" as a programme that they offer. Of the eighteen agencies having "credit" programmes, fourteen (54%) of them have "Group credit" programmes. A similar number have "Savings" programmes all linked to credit programmes. Almost two thirds (64%) of responding agencies have a "Training" programme.

TABLE 9: SSE PROGRAM MODELS

SSE PROGRAMS		
CREDIT	24	72.7%
FOR CREDIT ABOVE, GROUP	18	54.5%
FOR CREDIT ABOVE, INDIV.	3	9.1%
FOR CREDIT ABOVE, INDIV. & GRP	3	9.1%
SAVINGS	18	54.5%
TRAINING	21	63.6%
TRAINING/CREDIT	8	24.2%
CREDIT/TRAINING	1	3.0%
CONSULTING/TECH. ASSISTANCE	15	45.5%
MARKETING	5	15.2%
GRANT	5	15.2%
INCOME GENERATING	5	15.2%
VOCATIONAL EDUCATION	4	12.1%
LITERATURE	4	12.1%
APPROPRIATE TECHNOLOGY	3	9.1%
HANDICRAFTS	2	6.1%
POLICY ADVOCACY	1	3.0%
INDUSTRIAL ESTATES	1	3.0%
UMBRELLA	1	3.0%
INSTITUTIONAL SUPPORT	1	3.0%
TECHNOLOGY	1	3.0%
NETWORKING GROUPS	0	0.0%
TOTAL RESPONSES	144	436.4%
	N= 33	100.0%

8. CREDIT PROGRAMMES- There is no evidence from evaluation reports that the market for small scale enterprise credit has in any way been saturated. There appear, by all reports, relatively few SSE loans available compared to the reported demand suggesting that there remains plenty of room for the expansion of existing agency operations and even the entrance of other agencies into the credit field.

Most credit programmes are relatively new having started during the last ten years. A few are quite old and pioneers in the field--- PFP (25 years), NCKK (17 years), and Tototo (18 years). All three of these have been written up in the SSE literature at various points in the past although none have been studied for mission orientation or employee motivation. However, despite organisational longevity, NCKK and PFP have lost key personnel within the past three years.

All credit agencies appear to be rapidly decapitalising their loan principal due to inflation. There are no agencies charging a "real" interest rate (covering costs plus inflation) that will preserve their loan fund principal's purchasing power in Kenya's current high inflationary spiral estimated at 45-105% p.a.

[Economist, 1993] Most agencies charge what they conceive to be a 'market rate' between 14% and 27%. The commercial bank rate was around 24-26% during this same period. (In August, 1993, Kenya Commercial Bank's rate was 25.5% per annum for qualified small business loans.)

9. MULTI-SECTORAL DEVELOPMENT INTERVENTIONS- The Multi-sectoral development programmes with SSE components also have a wide variety of other development programmes that make up their programme portfolio. Primary health and agriculture are the two sectors most often appearing in portfolios with SSE programmes.

TABLE 10: AGENCIES' OTHER DEVELOPMENT PROGRAMME STRATEGIES

DEVELOPMENT PROGRAMMES	TOTAL RESPONSES	% OF TOTAL
HEALTH- PRIMARY	13	65.0%
AGRICULTURE	10	50.0%
WATER	6	30.0%
INTEGRATED DEVELOPMENT	5	25.0%
ADVOCACY- POLICY	4	20.0%
GENDER	4	20.0%
OTHER	4	20.0%
ASAL	4	20.0%
EDUCATION- SCHOOLS	3	15.0%
LIVESTOCK	3	15.0%
HOUSING	3	15.0%
LEADERSHIP TRAINING	3	15.0%
TECH.- APPROPRIATE	2	10.0%
SHELTER	2	10.0%
LITERACY	2	10.0%
ENVIRONMENTAL	2	10.0%
ADVOCACY- TECHNICAL	2	10.0%
EVANGELISM	2	10.0%
POVERTY ALLEVIATION	2	10.0%
EDUCATION- NON-FORMAL	2	10.0%
AG./ OTHER CREDIT	2	10.0%
AID TO ELDERLY	1	5.0%
ENERGY	1	5.0%
FOOD SECURITY	1	5.0%
TRANSPORT	1	5.0%
SPONSORSHIP	1	5.0%
TECH.- INDIGENOUS	1	5.0%
HEALTH- SECONDARY	1	5.0%
HEALTH- TERTIARY	1	5.0%
CONSTRUCTION	0	0.0%
TOTAL RESPONSES	88	440.0%
	N= 20	100.0%

10. PRESENCE OF PURPOSE STATEMENT

The vast majority (31 or 94%) of agencies interviewed claimed to have "Purpose" or "Mission Statements" as strategic documents. Only two did not have such a statement. Of the 32 agencies with a purpose statement, most had a statement available that the interviewer could have. These may be analysed for content later.

TABLE 11: EXISTENCE OF CORPORATE PURPOSE STATEMENT

DOES THIS AGENCY HAVE A PURPOSE/MISSION STATEMENT? IS THERE A COPY AVAILABLE?	TOTAL RESP.	% OF TOTAL RESP.
YES	31	93.9%
NO	2	6.1%
TOTAL RESPONSES	33	100.0%
	N= 33	100.0%
COPY AVAILABLE	22	66.7%

11. PURPOSE STATEMENT USE IN PLANNING, EVALUATION, RECRUITING

About three quarters of the agencies claimed using the statement in planning and evaluation exercises while 9% claimed that they used the statement "Sometimes." There is probably some overclaiming of use in these groups although it is hard to know how much. One senior Executive at one agency told how he uses the agency's purpose statement all the time to plan and evaluate while a lower level manager (in charge of SSE) in the same agency claimed that the agency rarely if ever used the mission statement.

TABLE 12: USE OF MISSION STATEMENT

DO YOU USE THE MISSION STATEMENT IN PLANNING AND EVALUATION?	TOTAL RESP.	% OF TOTAL RESP.
YES	24	82.8%
NO	3	10.3%
SOMETIMES	2	6.9%
TOTAL RESPONSES	29	100.0%
	N= 29	100.0%

The presence and use of a mission statement suggest a sense of purpose that is often missing in many small organisations. We would expect a high sense of purpose in Voluntary Organisations where values are supposed to motivate according to the NGO literature. A cross tabulation of Mission Statement and NGO type may tease out confirmation of this possibility.

Interestingly, fewer agencies (57%) claim to use the Purpose statement in the recruitment of personnel although almost the same number (76% vs. 77% that claim having statements) use the statement in recruiting at least some employees.

TABLE 13: USE OF PURPOSE STATEMENT IN RECRUITING

DO YOU USE THE MISSION STATEMENT IN RECRUITING NEW EMPLOYEES?	TOTAL RESP.	% OF TOTAL RESP.
YES, ALL EMPLOYEES	16	57.1%
NO	6	21.4%
YES, SOME EMPLOYEES	6	21.4%
TOTAL RESPONSES	28	100.0%
N=	28	100.0%

Additional data on the communication of the Purpose Statement to employees was collected but is omitted in the interest of space.

12. TARGET GROUPS

A large majority (70%) of the agencies interviewed claimed to have written descriptions of their target groups. This question was asked to ascertain agency efforts to clearly define target groups in anticipation of later questions about the "poor" as target groups.

TABLE 14: DESCRIPTION OF TARGET GROUPS

DO YOU HAVE A WRITTEN DESCRIPTION OF YOUR TARGET GROUPS FOR SSE?	TOTAL RESP.	% OF TOTAL RESP.
YES	23	70%
NO	4	12%
NO RESPONSE/NOT ASKED	6	18%
TOTAL RESPONSES	33	100%
N=	33	100%

13. POOR AS TARGET GROUPS

Averagely, about 74% of the agencies claimed that "All" (defined as 86% to 100%) or "Most" (85%-56%) of their beneficiaries were "poor." Several agencies were clear that they responded to their members needs (eg. KSTES, KWFT, YWCA) rather than to any particular demographic sector.

Most respondents asked for a definition of "poverty." They were then told that they should reply simply using their own subjective or agency definition of "poverty." Many respondents did not

have a ready definition of poverty and tended to define their target groups in other terms such as "small and micro businesses" or simply "businesses." Some of those which seemed to address "poverty issues" in their purpose statements apparently assumed that the nature of their interventions (eg. very small loans) or the location of their programme operations (eg. in a slum) preclude middle class or richer people from benefiting from the agencies' interventions. Some additional thought should be given to this planning area to think through these issues where they are important for agencies trying to ameliorate "poverty." Key figures are:

TABLE 15: THE POOR AS TARGET GROUP

TO WHAT EXTENT ARE THE POOR YOUR TARGET GROUP?	TOTAL RESP.	% OF TOTAL RESP.
ALL (86% -100%)	13	39%
MOST (55%- 85%)	12	36%
ABOUT 50% (55%-45%)	1	3%
44%-25%	1	3%
LESS THAN 25%	1	3%
NOT APPLICABLE	5	15%
TOTAL RESPONSES	33	100%
	N= 33	100%

The "poorest of the poor" for the most part seem to receive little attention from most responding agencies due to the difficulty in forming businesses with people who have little or no business experience. While most agencies say they focus attention on the poor, most of the respondents candidly admitted that they did not work much with the poorest groups needing the most help. Five agencies claimed that 50% or more of their beneficiaries were in the bottom two Remenyi strata (eg. Action Aid, Ambassadors, CITC, Christian Self Development Fund, and Undugu Society). No attempt has been made to verify these claims in this research but this is an area worth pursuing in agency impact evaluations.

Respondents were then shown a chart showing strata of poverty as they would seem to be dispersed from KREP's Kibera Micro-enterprise study using Remenyi's definitions of the strata of poverty defined for the respondents by the interviewer. [KREP Kibera Study, 1992; Remenyi, 1989] (See Annex IV for a copy of the strata and definitions used.)

TABLE 16: REMENYI POVERTY STRATA AND TARGET GROUPS

WHAT PERCENTAGE OF YOUR BENEFICIARIES FALL IN EACH GROUP?	AGENCIES WITH SOME AVERAGE	
	% IN CATEGORY	% IN CATEGORY
NOT POOR	5	2.9%
NEAR POOR	8	5.5%
ENTREPRENEURIAL POOR	19	22.5%
SELF-EMPLOYED POOR	25	48.0%
LABOURING POOR	14	12.7%
VULNERABLE POOR	8	8.5%
NOT APPLICABLE/NO RESPONSE	5	
TOTAL RESPONSES	79	100%
	N= 28	

These results are certainly NOT definitive due to the subjective nature of the questions and the answers which were often admittedly "guesses" on the part of respondents.

But, the responses do reveal that most agencies do not think that they are reaching the "poorest" people in society. This is an area for policy discussion because employment of the "poor" (unemployed) is often a major government and donor objective. Donor agencies need to think more about the recent focus on "programme sustainability" which is usually considered impossible to achieve in trying to reach these groups. This finding is not a surprise and is consistent with U.S.A.I.D. findings world-wide. [Boomgard et al., 1989]

14. PARTICIPATION OF BENEFICIARIES

The literature about NGO's postulates that NGOs are successful in development work to a large extent due to the participation of beneficiaries in the design, management and evaluation of their organisations and programmes. Most survey respondents cited methods that were non-participatory for beneficiaries as the ways in which their programme actually decided which areas to go into. Only about 42% of the responses given by respondents were considered as participatory (marked with a "P" in the Table below).

While many agencies gave more than one method, a review of the details shows that sixteen agencies (50%) did NOT cite a single

method considered as participatory here. The non-participatory methods are not necessarily "bad" or "wrong" and may in fact more accurately target poverty areas than if strictly participatory methods were used. However, the survey does clearly suggest that NGO's may not be as guided by beneficiaries as suggested in the literature. Most agencies use more than one method for deciding where to put programmes suggesting that agency decision-making is complex and not necessarily simple.

TABLE 17: METHODS FOR CHOOSING NEW PROGRAMME AREAS

HOW DID YOU DECIDE WHICH AREAS TO GO TO?	TOTAL RESP.	% OF TOTAL RESP.
NEEDS ANALYSIS (MOSTLY EXTERNAL)	15	47%
P CHURCH REQUEST	9	28%
INTERNAL AGENCY CRITERIA	8	25%
P EXISTING PROJECT REQUEST	6	19%
P GROUP REQUEST	5	16%
INFORMAL BUSINESS DENSITY	3	9%
GOVERNMENT	3	9%
P "CALL"	3	9%
P LOCAL LEADERS	2	6%
OTHER:	2	6%
DONORS	2	6%
BOARD MEMBERSHIP	1	3%
CAPACITY OF NGO/DIOCESE	1	3%
NGO REQUESTED	1	3%
P MEMBERSHIP	1	3%
TOTAL RESPONSES	62	194%
	N= 32	100%

In a similar question, agencies were asked how they had designed their small scale enterprise programme model. Again most agencies gave more than one response. Most agencies (63%) used "Experts" (either internal or external to the agency) to design their SSE programmes, and an allied 53% freely admitted to "copying other" programmes. Only 31% involved beneficiaries in the design through "group meetings."

TABLE 18: SSE PROGRAMME DESIGN METHODS

HOW DID YOU DESIGN THE SSE PROGRAM MODEL?	TOTAL RESP.	% OF TOTAL RESP.
EXPERT DESIGN	20	63%
COPIED OTHERS	17	53%
P GROUP MEETINGS	10	31%
P EVOLUTION	9	28%
P BASELINE NEEDS ASSESSMENT SURVEY	7	22%
EXPERT SURVEYS	4	13%
OTHER	3	9%
P COMMUNITY MEETINGS	3	9%
P FOCUS GROUPS	3	9%
COMM. LEADER SURVEY	2	6%
KEY INFORMANT PANELS	1	3%
NGO REQUESTED	1	3%
INTERNAL AGENCY CRITERIA	1	3%
P MEMBERSHIP MEETINGS	1	3%
TOTAL RESPONSES	82	256%
N=	32	100%

In a follow-up question probe question, respondents who had not volunteered some specific beneficiary related design method in the preceding question were specifically asked how the beneficiaries might have participated in the overall design of their small scale enterprise programme. A smaller percentage (42%) admitted that beneficiaries had no input in the overall SSE design. This percentage still seems surprising when three of these ten agencies refer to the Grameen Bank in Bangladesh as their programme model. The Grameen Bank stresses beneficiary participation in every aspect of organisational design and management as a key feature of Grameen's longterm success [Mann, 1990, Fugelsang, 1990].

Perhaps even more surprising is that one of these programmes is a training programme. It is hard to understand how one could start a local training programme without spending some time finding out what target groups think they need for training.

TABLE 19: TARGET GROUP PARTICIPATION IN PROGRAMME DESIGN

HOW DID THE TARGET GROUP PARTICIPATE IN THE OVERALL SSE DESIGN?	TOTAL RESP.	% OF TOTAL RESP.
NO INPUT	10	42%
GROUP MEETINGS	8	33%
MEETINGS WITH NGO MEMBERS	4	17%
EXISTING PROGRAM	2	8%
EVOLUTION	2	8%
TRIAL PROGRAM	1	4%
PROJECT RAPID APPRAISAL METHOD	1	4%
LOW INPUT	1	4%
TOTAL RESPONSES	27	113%
	N= 24	100%
NOT ASKED	9	25%

15. BENEFICIARY PARTICIPATION IN MANAGEMENT

Most agencies do not provide for the direct oversight of programmes by beneficiaries in any kind of management relationship or position other than through group credit management. NGO literature suggests that NGOs are more responsive to local beneficiaries and "the people" due to their close relationship including management structures that provide for the beneficiaries to actually hold NGO staff accountable. For the most part, these SSE programmes are not accountable to local beneficiaries in a direct way.

An unduplicated 50% of the agencies have no mechanism for beneficiaries to hold programme management accountable except through staff contact (56%), meeting with beneficiary groups (41%), and credit group management (44%). While credit group management of "solidarity groups" by beneficiaries is a very real and powerful aspect of programme management, management of these groups does not imply the ability to hold field staff accountable for its actions in the same way that Board membership or advisory committee membership does.

TABLE 20: CLIENT PARTICIPATION IN MANAGEMENT

HOW DID THE TARGET GROUPS PARTICIPATE IN THE MANAGEMENT OF YOUR SSE PROGRAMME?	TOTAL RESP.	% OF TOTAL RESP.
STAFF CONTACT	18	56%
CREDIT GROUP MANAGEMENT	14	44%
MEETINGS WITH GROUPS	13	41%
P CHURCH/NGO STRUCTURE	9	28%
OTHER	7	22%
P BOARD MEMBERSHIP	5	16%
P PROJECT MANAGEMENT	5	16%
P ADVISORY COMMITTEE	4	13%
MONTHLY REPORTS	3	9%
NONE	1	3%
NOT ASKED	2	6%
TOTAL RESPONSES	79	247%
	N= 32	100%

None of the Donor Local Organisations that are local offices of international NGO's had any beneficiaries in their formal organizational structures although as "foreign" agencies one might expect them to be more sensitive to empowering beneficiaries. This lack of representation in management does not mean that these agencies are "ipso facto" less responsive to beneficiary concerns but more research might be done in this area.

Several of the agencies that cite Grameen as their model have failed to incorporate beneficiaries in their formal organizational structures although Grameen prides itself on being owned and managed in part by the "poor" who are their beneficiaries. [Fugelsang, 1990; Mann, 1990] Grameen literature cites beneficiary direct management participation and accountability as a large part of its success.

Lack of that participation does not mean the agencies are either more or less responsive to beneficiaries. That was not researched. But it does mean that most of these agencies are not as participatory in their management as the NGO literature suggests.

16. EFFECTIVENESS- PROGRAMME EVALUATIONS

Most (68%) of the agencies queried had in fact had a formal programme evaluation. Only 11% had not had any evaluation or were not planning any. This question was not asked of agencies whose programmes were less than two years old.

TABLE 21: PROGRAMME EVALUATIONS

HAVE YOU EVER HAD YOUR PROGRAMME EVALUATED FORMALLY?	TOTAL RESP.	% OF TOTAL RESP.
YES	19	68%
NO	3	11%
SOME PART OF PROGRAMME EVALUATION IN PROGRESS	1	4%
PLANNED	2	7%
	1	4%
TOTAL RESPONSES	26	93%
	N= 28	100%

SUMMARY OF AGENCY EVALUATIONS

While many agencies made evaluations available for inspection, there were still many unavailable for reading. However, in those read, beneficiary impact was often not the primary focus or the agency has subsequently changed its assistance methodology making its evaluation less meaningful for current operations. These evaluations often led to important changes in operations--- especially, from "individual loan" assistance models to "solidarity group" models (KREP, NCKK, PCEA Onogoria, Tototo, et al.).

These evaluations for the most part showed some positive impact on the beneficiaries. In many cases, however, these evaluations were focused more on agency operations and less on beneficiary impact. Some agencies relied on selected case studies to demonstrate client impact rather than some random sampling technique and clear baseline and post-intervention survey.

17. EFFECTIVENESS- MONITORING

Most responding agencies (82%) collected baseline data of some type from beneficiaries before starting their programme.

TABLE 22: COLLECTION OF BASELINE INFORMATION

DID THE PROGRAMME COLLECT BASELINE DATA FOR CLIENTS BEFORE THE PROGRAMME STARTED?	TOTAL RESP.	% OF TOTAL RESP.
YES	23	82%
NO	3	11%
SOMETIMES	1	4%
TOTAL RESPONSES	27	96%
	N= 27	100%

While baseline data were collected, only KREP appears to have an ongoing monitoring system using time series data to track client impact and even that system is recently in place. Baseline data is of course useful for evaluators later in the programme.

18. COMPARISON WITH OTHER AGENCIES DATA

One of the more important learning techniques for development agencies can be to compare their effectiveness and efficiency data with that of other similar agencies. Very few agencies had made such a comparison despite the large number of evaluations collected by KREP and available to the public. Agency evaluators and donor agencies ought to remind development agencies to compare data to better understand the meaning of their evaluations.

TABLE 23: INTERAGENCY COMPARISON OF EVALUATION DATA

DID YOU COMPARE YOUR EVALUATION RESULTS WITH THOSE OF ANY OTHER AGENCY?	TOTAL RESP.	% OF TOTAL RESP.
YES	4	24%
NO	15	88%
PLANNED	2	12%
UNSURE	1	
NO EVALUATION	2	
TOTAL RESPONSES	24	100%
	N= 24	100%

19. PROGRAMME EFFICIENCY

Three principal measures were used for efficiency: cost per beneficiary served; cost per shilling lent (loan programmes) or cost per person for one day of training (training programmes).

COST PER DIRECT BENEFICIARY

In 1992, Agency B emerges as clearly the most efficient SED agency with a cost of 407 KSH per beneficiary per year using the Total Cost per Beneficiary measure. Agency C was second with 698 KSH per client and Chogoria is third with 967 KSH per client.

Other agencies costs per beneficiary ranged from 1,316 KSH per beneficiary to 15,780 KSH per beneficiary.

COST PER KSH. LOANED

In 1992, of the nine credit programmes giving financial details, Agency A was most efficient on a cost per shilling loaned basis with a cost of .15 KSH per shilling loaned. Agency B was second with .20 KSH per shilling loaned and Tototo was third with .22 KSH per shilling loaned.

The mean for the programmes was 1.31 KSH for each KSH loaned. Other agencies ranged from .49 KSH cost per KSH lent to 5.49 KSH per KSH loaned.

20. PROGRAMME SELF-SUFFICIENCY

Four (36%) of the eleven agencies giving financial details for three years report over 90% operational self-sufficiency for their SED programmes in 1992. In 1992, two programmes, Agency A and Agency B, emerge as having achieved operational self-sufficiency while two others, Agencies D and E, report over 90% operational self-sufficiency in their programmes.

"Operational self-sufficiency" is defined as operational income (without grants but including local donations) divided by operational expenses (excluding capital expenses, financial costs, etc.) Data are incomplete for 1993.

	1992 OPERATIONAL SELF-SUFFICIENCY RATIOS	ADJUSTED SELF-SUFFICIENCY RATIOS
AGENCY A	153%	101%
AGENCY B	147%	129%
AGENCY E	96%	
AGENCY D	94%	

Both Agency A and B realised substantial investment gains on foreign exchange due to grants or investment transactions in 1992 that were included in the percentages reported in the left hand column above. However, even with the "investment income" deducted, both agencies achieved over 100% self-sufficiency as shown in the right hand column. Agency A's costs are understated in their accounts to some degree because the cost of the Programme Manager, his office and expenses are not shown as a programme

cost but carried by the NGO's central accounts. However, even by adding an estimated 500,000 KSH for these expenses, Agency B would still have an operational self-sufficiency ratio of over 100%.

This is an exciting achievement for Kenyan NGO's and shows that it can be done. As exciting are the unaudited reports by Agency D that suggest that assistance models other than minimalist credit may be able to get close to self-sufficiency. The other agencies ranged from 84% operational self-sufficiency to 4%. Several Donor Local Organisations that did not give financial details stated that "agency self-sufficiency" was NOT a corporate objective although "beneficiary self-sufficiency" was an objective.

VI. FUTURE RESEARCH

This research leaves many questions still to be answered. One of the more important issues might be an ongoing times series study of agency cost efficiency and comparisons such as this one. Such a study should be useful to agencies and donors alike to better understand the cost implications of certain programmatic choices. Implicit in the success of such a study would be the use of audited financial accounts that used a set of accounting standards common to the agencies involved. One of the problems in this research has been to recognise that different legitimate accounting practices can have large impact on the costing of services. However, knowledgeable accountants can adjust reports easily to "level the field" if there is candour about how finances are handled.

Some additional research areas might be:

1. The cost efficiency of helping existing local credit agencies to become self-sustainable (as Care is doing) and the marketing of products by agencies (like Jisaidie and Ambassadors) compared to the training and credit programmes.
2. The decapitalisation effects of interest rates that are not "real" rates (operational costs plus capital costs plus inflation and foreign exchange effects).
3. Incomplete financial information received from grant programmes (Trickle Up and Christian Self-Development Fund) is not complete enough to allow a comparison of the strategies from an organisational efficiency perspective. However, some preliminary data suggest that grant making models may be less expensive in transaction costs even than minimalist models and well suited for "enterprise formation" strategies among the very poor where risk is high and they have no business.

More research might be done with the impact of grant making interventions (such as Trickle-Up and Christian Self-Development Fund) due to their focus on entrepreneurial start-ups and their relatively low transaction costs.

4. To understand better NGOs and their work, there needs to be much more comparative research done in surveys and case studies to test the many assertions that are being made about NGOs. Some of the areas most needing testing are:

a. The Importance of Mission to the NGO- What effects does a strong sense of organisational mission have on the performance of the work if any?

b. Motivation of the NGO Employees- Are "values" and "mission" as positively motivational for NGO employees as often asserted or not? Or might they be superficial? Might interesting work, good salary and benefits, smaller organisational structures, and other employee motivators (well known in western industrial research) be as important or more so in the high performance of some NGOs.

c. Likewise, what is the effect of time on employee motivation? Do values oriented employees "burn out" with time and lose vitality? Or do they remain strong and zealous in the face of low salaries and fewer benefits buoyed by their sense of mission?

d. Comparative NGO Performance of Developmental Tasks- Are there certain tasks that Voluntary Organisations can do better than Public Service Contractors or Donor Organised NGOs or other types of NGOs? If so, which tasks and why?

Within NGOs themselves, there needs to be more comparative analysis in various areas to understand better whether there are specific NGO strategies that are more effective and efficient than others. Within the small business development arena, these might be:

5. "Business Purpose and Culture" versus "Community Development Purpose and Culture"- Are single purpose NGOs run in a business-like manner more effective and efficient than multi-sectoral community development NGOs in developing small business among the poor?

6. To what degree is "good management" a more important variable to institutional success than the actual strategy or technique used in the field?

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ANNEX I

NGO'S IN SMALL ENTERPRISE DEVELOPMENT IN KENYA

<u>INTERVIEWED AGENCY'S NAME</u>	<u>FIELD PROGRAMME SAMPLE</u>	<u>CATCHMENT SIZE CLASS</u>	<u>NGO TYPE</u>
Action Aid- Kariobangi Project	x	LOCAL	DLO
Adventists Development & Relief Agency (ADRA)	x	REGIONAL	DLO
Ambassador's Development Agency	x	REGIONAL	VO
CARE- Women Income Generating	x	LOCAL	VO
Christian Children's Fund	x	REGIONAL	DLO
Christian Industrial Training Centre	x	NATIONAL	VOC
Christian Self Development Fund (CSDF)	x	LOCAL	VO
Dandcra Community Credit Project (WAC)	x	LOCAL	VOC
Daraja Trust	x	LOCAL	VO
Diocese of Eldoret, C.P.K.	x	REGIONAL	VOC
Diocese of Machakos, Catholic	x	LOCAL	VOC
Food for Hungry- Faulu Loan Scheme	x	LOCAL	DLO
Imani	x	LOCAL	VOC
Improve Your Business (IYB)	x	REGIONAL	VO
Intermediate Technology Development Grp.	x	NATIONAL	DLO
Jisaidie Cottage Industries	x	NATIONAL	VO
KREP- Juhudi & Chikola	x	LOCAL	DONGO
Kenya Institute of Management (KIM)	x	NATIONAL	MO
Kenya Management Assistance Programme	x	NATIONAL	VO
Kenya Small Traders Society (KSTS)	x	NATIONAL	MO
Kenya Women Finance Trust	x	LOCAL	MO
Kolping Society Financial Assistance	x	REGIONAL	VOC
National Council of Churches in Kenya	x	REGIONAL	VOC
OXFAM	x	LOCAL	DLO
PCEA Chogoria Hospital- Enterprise Development Programme	x	LOCAL	VOC
PRIDE- Kenya	x	REGIONAL	PSC
Partnership for Productivity	x	NATIONAL	VO
Small Enterprise Service Organisation	x	LOCAL	DONGO
St. John's Church, Revolving Loan Fund	x	LOCAL	VOC
Tototo Home Industries Savings & Credit	x	REGIONAL	VO
Undugu Society of Kenya	x	LOCAL	VO
World Vision	x	NATIONAL	DLO
Young Women's Christian Association- SED	x	REGIONAL	MO

TOTAL AGENCIES INTERVIEWED WITH DIRECT PROGRAMMES

33

ANNEX I (CONT.)

NGO'S IN SMALL ENTERPRISE DEVELOPMENT IN KENYA

<u>INTERVIEWED AGENCY'S NAME</u>	<u>CATCHMENT SIZE CLASS</u>	<u>NGO TYPE</u>
Interviewed Agencies Without a Direct Programme or which were winding down and not included in sample.		
Assistance to Business Creation (ABC)	NATIONAL	GONGO
Catholic Relief Services	NATIONAL	DLO
Christian Health Association of Kenya/CBD SSE	LOCAL	MO
Christian Reformed World Relief	NATIONAL	DLO
Church of Province of Kenya	NATIONAL	CHU
Ford Foundation	NATIONAL	DO
Friedrich Naumann Stiftung	NATIONAL	DLO
Gatsby Trust	NATIONAL	DLO
Kenya Catholic Secretariat	NATIONAL	VOC
Kenya Rural Women's Programme- KERUWOP	NATIONAL	MO
Mennonite Central Committee	REGIONAL	VOC
Netherlands Embassy	NATIONAL	GO
Trickle Up	NATIONAL	DO
TOTAL AGENCIES INTERVIEWED	45	

ANNEX II
QUESTIONNAIRE

AGENCY INFORMATION SHEET DATE:

NAME OF AGENCY
PERSON INTERVIEWED
POSITION

HOW DID THIS AGENCY GET STARTED?

ARE YOU LEGALLY REGISTERED AS A NOT FOR PROFIT?___ COOP___
CHURCH___ PRIVATE CO. ___

WHAT KIND OF AN NGO WOULD YOU CALL THIS?(GIVE DEFINITIONS.)

TYPE OF AGENCY
VOLUNTEER? PUBLIC SERVICE CONTRACTOR? DONGO?
MEMBER ORG.? COOPERATIVE? GONGO?
DONOR LOCAL? DONOR

DOES THIS AGENCY HAVE A PURPOSE/MISSION STATEMENT?
COPY AVAILABLE___N/A___NO STATEMENT___

IF NOT AVAILABLE COULD YOU TELL ME WHAT THE STATEMENT SAYS?

DO YOU USE THE MISSION STATEMENT IN PLANNING AND EVALUATING
PROGRAMMES AND PROJECTS?
YES___ NO___ SOMETIMES___ WHICH ONES?

DO YOU USE THE MISSION STATEMENT IN RECRUITING NEW EMPLOYEES?
YES___ NO___ SOME EMPLOYEES___ WHICH ONES?

IS THE MISSION STATEMENT PERIODICALLY COMMUNICATED TO EMPLOYEES
TO REMIND THEM OF IT? YES___ NO___ SOME EMPLOYEES___ WHICH ONES?

ON THE AVERAGE HOW OFTEN WOULD YOU SAY THE MISSION STATEMENT IS
COMMUNICATED? ANNUALLY___ SEMI-ANNUALLY___ QUARTERLY___ MONTHLY___
MORE OFTEN___

HOW IS THE MISSION STATEMENT COMMUNICATED TO EMPLOYEES?
TALKS___ NEWSLETTER/MAGAZINE___ MEMORANDA___ WORK DISCUSSIONS___

AGENCY INFORMATION SHEET
AGENCY NAME:

DATE:

MAJOR SECTORS OF AGENCY WORK-WHAT ARE THE MAJOR PROGRAMMES THAT YOU HAVE IN THIS AGENCY?

SSE___

CREDIT___ CREDIT/TRAINING___ TRAINING/CREDIT___ TRAINING___

TA/CONSULTING___ GRANT___ MKTG___ IGA___ FUNDING___

OTHER:

DEV. ___

SEC. HEALTH___ PRIM. HEALTH___ AGRIC. ___ LIVESTOCK___

EDUCATION-FORMAL___ EDUCATION-NONFORMAL___

OTHER:

RELIEF___

WHAT DO YOU CALL YOUR SMALL SCALE BUSINESS DEVELOPMENT PROGRAMME?

DOES IT HAVE A SPECIAL TITLE OR IS IT PART OF OTHER PROGRAMMES?

WHAT ARE THE GOALS AND OBJECTIVES OF SSE PROGRAMME?

WHAT SUCCESS HAS YOUR PROGRAMME HAD IN MEETING THOSE OBJECTIVES?

(IF NECESSARY) HOW DO YOU KNOW?

IN WHAT AREAS OF KENYA DOES YOUR AGENCY WORK?

NBI___ ELDORET___ EMBU___ KAKAMEGA___ KISUMU___ MERU___ MOMBASSA___

NAKURU___ NYERI___ OTHER:

DOES YOUR SSE PROGRAMME OPERATE IN ALL OF THESE AREAS?

YES___ NO___ WHICH ONES?

AGENCY INFORMATION SHEET
AGENCY NAME:

DATE:

DO YOU HAVE A WRITTEN DESCRIPTION OF YOUR TARGET GROUPS OR
BENEFICIARIES FOR YOUR SMALL SCALE ENTERPRISE PROGRAMME?
YES___ NO___

CAN I HAVE A COPY? IF NOT, COULD YOU DESCRIBE THEM TO ME?

SSE TARGET GROUPS	DESCRIPTORS	GROUPS (?)	NUMBER OF ACTUAL BENEFICIARIES			
			1993	1992	199	1990
	1. MALES					
	2. FEMALES					

3.

TURN PAGE TO ADD OTHERS TOTAL

TO WHAT EXTENT ARE THE POOR YOUR TARGET GROUP?

- 5=ALL (100-80%);
- 4=MOST (79%-55%);
- 3=ABOUT 50%(54%-45%)
- 2=44%-25%;
- 1=LESS THAN 25%

(IF POVERTY GROUPS ARE TARGETED OR PRESENT, SHOW THE REMENYI
STRATA AND DEFINE THEM.) WHAT PERCENTAGE OF YOUR BENEFICIARIES
FALL IN EACH OF THE FOLLOWING GROUPS?

- NEAR POOR=
- ENTREPRENEURIAL POOR=
- SELF-EMPLOYED POOR=
- LABOURING POOR=
- VULNERABLE POOR=

PROGRAMME DESIGN

HOW DID YOU DECIDE WHICH AREAS TO GO TO?

GOVT___ CALL___ NEEDS___ LOCAL LEADERS___ CHURCH REQUEST___
OTHER:

HOW DID YOU DESIGN THE SSE PROGRAMME MODEL?

COPIED OTHERS___ EXPERT DESIGN___ COMMUNITY MEETINGS___

BASELINE NEEDS ASSESSMENT___ FOCUS GROUPS___ EXPERT SURVEYS___

COMM. LEADERS SURVEYS___ GROUP MEETINGS WITH _____
OTHER:

(IF NOT CLEAR, PROBE TARGET GROUP PARTICIPATION). CAN YOU TELL ME
HOW THE TARGET GROUP PARTICIPATED IN THE OVERALL DESIGN OF THE
SSE PROGRAMME?

AGENCY INFORMATION SHEET
AGENCY NAME:

DATE:

I AM VERY INTERESTED IN HOW TARGET GROUPS PARTICIPATE IF AT ALL
IN THE MANAGEMENT OF YOUR SSE PROGRAMME. HOW DO YOUR TARGET
GROUPS PARTICIPATE IN THE ONGOING MANAGEMENT OF SSE PROGRAMME?

BOARD MEMBERSHIP___ ADVISORY GROUP___ ONGOING MEETINGS WITH
GROUPS___ (FREQUENCY?) STAFF CONTACT___

OTHER:

WHAT SORT OF PROGRAMME MONITORING SYSTEM IF ANY DO YOU HAVE?

OUTPUTS/OPS
ADMIN
FINAN
IMPACT

WHAT CLIENT DATA IS MONITORED?

DID THE PROGRAMME COLLECT BASELINE DATA FOR CLIENTS BEFORE THE
PROGRAMME STARTED? YES___ NO___

WHAT INFO COLLECTED?

MONITORING DATA: WHAT INTERNAL DATA IN YOUR AGENCY IS MONITORED?

HAVE YOU EVER HAD YOUR PROGRAMME EVALUATED FORMALLY? YES_ NO_
IN PROGRESS

WOULD YOU BE ABLE TO SHARE A COPY OF THE EVALUATION WITH ME?

YES___NO___MAYBE___

IF NO, CAN YOU TELL ME SOME THINGS ABOUT THE EVALUATION. DID YOU
MEASURE THE PROGRAMME'S IMPACT? YES/NO/OTHER_____

(IF YES) WHAT DID YOU MEASURE?
EVALUATION MEASURES AMOUNT % CHANGE VS. BASELINE
INCREASES IN CLIENTS' INCOME?
INCREASES IN CLIENTS' EMPLOYEES?
QUALITY OF LIFE?
OTHER?

AGENCY INFORMATION SHEET DATE:
AGENCY NAME

HIDDEN/UNINTENDED IMPACTS?

DID YOU HAVE A CONTROL GROUP THAT WERE NOT IN YOUR PROGRAMME THAT
YOU ALSO MEASURED? YES___ NO___

DID YOU COMPARE YOUR EVALUATION RESULTS WITH THOSE OF ANY OTHER
AGENCY? YES___ NO___ UNSURE___
(IF NOT DISCUSS BENEFITS OF DOING SO.)

ANOTHER AREA THAT I AM VERY INTERESTED IN IS THE NUMBER OF PEOPLE
THAT ARE ACTUALLY WORKING IN YOUR AGENCY AND THE PERCENTAGE OF
THESE THAT ARE PRIMARILY WORKING ON THE SSE PROGRAMME. CAN YOU
TELL ME THE NUMBER OF PERSONNEL EMPLOYED OVERALL IN THIS AGENCY?

HOW MANY OF THESE ACTUALLY WORK ON THE SSE PROGRAMME?

THE GROWTH OF YOUR AGENCY IN NUMBERS OF PERSONNEL WOULD ALSO
HELP. I WONDER IF I COULD GET A BREAKDOWN FROM YOU BY YEAR FOR
THE TYPES OF PEOPLE THAT YOU HAVE EMPLOYED IN THE SSE PROGRAMME?

STAFF SIZE	1993 PAID/ VOLUNTEER	1992 PAID VOLUNTEER	1991 PAID/ VOLUNTEER	1990 PAID/ VOLUNT.
------------	----------------------------	---------------------------	----------------------------	--------------------------

EXEC. DIRECTORS/OFFICERS
MIDDLE MGRS/FIN./TRNG.
BRANCH MGRS.
FIELD WORKERS/LO
SECRETARIAL
CLERICAL
DRIVERS, MESSENGERS. WATCHMEN
TOTAL

IDEALLY, HOW MANY BENEFICIARIES OR GROUPS OR LOANS DO YOU THINK
THAT ONE OF YOUR FIELD OFFICERS SHOULD WORK WITH AT ANY ONE TIME?

HOW MANY DO THEY ACTUALLY WORK WITH?

	1993	1992	1991	1990
NO. OF CREDIT OFFICERS				
TOTAL NO. OF LOANS				
TOTAL NO. OF CLIENTS				

DO YOU OFFER THE FIELD WORKERS ANY INCENTIVES FOR THEIR
GOOD PERFORMANCE? YES___ NO___

AGENCY INFORMATION SHEET

DATE:

AGENCY NAME:

THE FINAL AREAS THAT I AM INTERESTED IN ARE: COSTS AND FINANCIAL SUSTAINABILITY. DO YOU CHARGE FEES FOR SERVICES OR INTEREST FOR LOANS ? HOW MUCH FOR EACH?

FEES: INTEREST ON LOANS:

CAN YOU TELL ME HOW MUCH OPERATING INCOME YOU ACTUALLY RECEIVED FROM SSE PROGRAMME INCOME BY TYPE DURING THE LAST FOUR YEARS?

OPERATING INCOME	1993	1992	1991	1990
INTEREST				
FEES/COMMISSIONS				
OTHER OPERATING				
TRAINING				
INVESTMENT INCOME				
INCOME TOTAL				

CAN YOU TELL ME YOUR SSE OPERATING EXPENSES FOR THE LAST FOUR YEARS?

EXPENSES	1993	1992	1991	1990
TOTAL SSE PERSONNEL				
TOTAL SSE ADMIN COSTS				
TOTAL NGO OVERHEAD				
TOTAL SSE OPER. COSTS				

FOR THE FOLLOWING AREAS, CAN YOU TELL ME IF THESE COSTS WERE INCLUDED IN THE ABOVE EXPENSES? YES___ NO___

IF YES, CAN YOU TELL ME HOW MUCH WAS PROVIDED FOR EACH AREA. IF NOT INCLUDED DID YOU SET ASIDE ANY MONEY FOR THE FOLLOWING

CATEGORIES:	1993	1992	1991	1990
CAPITAL ITEMS				
INTEREST/FEES ON LOANS				
BAD DEBT RESERVE				
INFLATION RESERVE				
FOREIGN EXCHANGE RESERVE				
TOTAL FIN. COSTS				

AGENCY INFORMATION SHEET DATE:
AGENCY NAME:
H. TRAINING PROGRAMMES

IDEALLY, HOW MANY BENEFICIARIES OR GROUPS OR LOANS DO YOU THINK
THAT ONE OF YOUR TRAINING OFFICERS SHOULD WORK WITH AT ANY ONE
TIME?

HOW MANY DO THEY ACTUALLY WORK WITH?

	1993	1992	1991	1990
NO. OF TRAINING OFFICERS				
TOTAL NO. OF TRAINEES				
TOTAL NO. OF TRAINING SESSIONS				
LENGTH OF TRAINING SESSIONS				
OR- TRAINEES' STUDY DAYS				
(NO. OF TRAINEES X DAYS OF TRAINING)				

DO YOU OFFER THE TRAINING WORKERS ANY INCENTIVES FOR
THEIR GOOD PERFORMANCE? YES___ NO___

ANNEX 3
AGENCIES WITH FINANCIAL INFORMATION

agencies in the final sample for financial efficiency were:

AGENCY NAME	DATA FOR FINANCE YEARS	EVALUATION
Christian Industrial Training Center	3	x
Diocese of Machakos, Catholic	3	x
Food for Hungry- Faulu Loan Scheme	3	x
Improve Your Business (IYB)	3	x
KREP- Juhudi	3	x
Kenya Institute of Management	3	x
Kenya Small Traders Society	3	x
National Council of Churches in Kenya	3	x
PCEA Chogoria Hospital- SED	3	x
Partnership for Productivity (PFP)	3	x
PRIDE- Kenya	2	x
Tototo Home Industries Credit	3	x

ANNEX 2
AGENCIES WITH FINANCIAL INFORMATION

The agencies in the (line) sample for financial efficiency were

AGENCY NAME	DATA FOR FINANCIAL EVALUATION	YEARS
Kenya Industrial Training Center	X	1
Diocese of Machakos, Catholic	X	2
Food for Hungry - Kenya Loan Scheme	X	3
Improve Your Business (IYB)	X	4
KEEP - Kenya	X	5
Kenya Institute of Management	X	6
Kenya Staff Teachers Society	X	7
National Council of Churches in Kenya	X	8
PCSA Chronic Hospital - BMS	X	9
Partnership for Productivity (PPP)	X	10
PRIDE - Kenya	X	11
Local Home Industries Centre	X	12

STRATA OF POVERTY IN KIBERA, KENYA

ESTIMATES BASED ON KREP 1991 CENSUS OF BUSINESS

