

**ACCOUNTABILITY OF DONOR FUNDING BY NON-
GOVERNMENTAL ORGANISATIONS IN KISUMU COUNTY**

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REG. NO. D61/64263/2011

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF
BUSINESS ADMINISTRATION (MBA) DEGREE, SCHOOL OF
BUSINESS, UNIVERSITY OF NAIROBI**

NOVEMBER, 2013

DECLARATION

I hereby declare that this project is my original work and has not been presented for a degree in any other University.

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This research project has been submitted with my approval as University supervisor.

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DEDICATION

The research project is dedicated to my beloved wife Nyanya Carlyne and children, Dornel, Audrey and Wayde.

ACKNOWLEDGEMENT

I wish to recognize a number of individuals who contributed to the successful completion of this research project.

My sincere gratitude to my project supervisor, Otieno Odhiambo Luther, Department of Finance and Accounting, University of Nairobi, for his visionary guidance, selfless dedication and encouragement in making this project a reality. I also wish to acknowledge the contribution of the rest of the University of Nairobi fraternity especially the library staff and MBA coordination office to the success of this project.

My sincere appreciation is extended to NGOs for the provision of necessary data used in the completion of this study. I will not forget to mention AMREF South Sudan for their flexible, modern leadership and corporate governance practices which enabled me to complete my research.

My wonderful family, wife Carolyne and children; Dornel, Audrey and Wayde, parents, my brother and sisters for their support and understanding especially during my absence from the house as a result of my MBA study.

Most important I thank the Almighty God for providing me with the resources, strength, good health, and a sound mind that helped me make this project a reality.

ABSTRACT

Accountability is an important aspect of all organizations today. Accountable NGO's has been found to receive large funding from donors and thus undertake development programmes that alleviate human suffering. This study set to establish the accountability of donor funding by Non-Governmental organizations in Kisumu County. The study adopted a descriptive survey design. The target population was the NGOs located in Kisumu County-Kenya. The population was made up of all the 187 NGOs in the region. One respondent was drawn from a sample of 49 NGOs. The use of open-ended questions was justified on the basis that some of the information was concerning sensitive matters of the NGOs, particularly those involving finances and governance. The study established that donor funding was dependent on the accountability mechanisms put in place by the implementing NGO's. It was found out that NGOs were expected to keep a minimum set of financial statements e.g. Statement of comprehensive income, statements of financial position and cash flow statements. The study revealed that community involvement in oversight of NGOs was still not adequately practiced and that satisfaction of the employees with their pay perks could not be established. Donors were keen on compliance to the laws of the country and also involved the oversight bodies in checking compliance and legitimacy of the NGOs before funding and partnering with them. It was established that donors expected performance measurements to be done and that NGOs prepared specific reports. The donors also demanded that the financial statements authenticity be verified by independent auditors. This study therefore recommends that NGOs need to come up with proper and effective accountability mechanisms, which will measure performance, enhance legitimacy and accountability. This will include the use of proper performance measurement tools, compliance to both donor and government regulations in order to secure sustained financing and ensure that the development agenda of the County is achieved. The study further recommends that the NGOs procure the services of recognized audit firms that will offer value adding audits which in effect will boost donor confidence.

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ABBREVIATIONS

AIDS – Acquired Immunodeficiency Syndrome

BBC – British Broadcasting Corporation

CBOs – Community Based Organizations

CARE – Cooperative for Assistance and Relief Everywhere

CRS – Catholic Relief Services

GAP – Global Accountability Project

GDP- Gross Domestic Product

HIV – Human Immunodeficiency Virus

KRCS – Kenya Red Cross Society

K-Rep – Kenya Rural Enterprise Program

KWFT – Kenya Women Finance Trust

NGOs – Non-Governmental Organizations

MSF – Medecins Sans Frontieres

OECD – Organization of Economic Co-operation and Development

SWAP- Safe Water and Aids Project

S.D- Standard Deviation

UIA – Union of International Associations

US- Unites States

USG-United States Government

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Non-governmental organizations are non-profit in nature and as the name suggest, are not a part of the government. NGOs are playing a key role in the delivery of healthcare, education and other welfare services in many developing countries (Goddard and Assad 2006). Nevertheless, they play a key role in creating public awareness on important issues of concern. They advocate for necessary changes in their area of operation and changes the society's way of doing things. To some extent, they monitor the activities of the government, multinational organizations, as well as other entities for the greater good of the community. Lastly, they offer a leeway for the various government development projects by successfully testing their viability for the government to adopt (Kamande, 2011). In this case, NGOs need to be transparent, accountable and be operated with the highest degree of integrity. The assumption is that accountability mechanisms employed by NGOs delivering development aid can affect the effectiveness with which aid funding is deployed in individual aid projects (Agyemang, Awumbila, Unerman & O'Dwyer, 2009).

The existence of NGO's is traced to failure of markets and institutions in terms of governance in some parts of the world. The high growth of NGOs has in part been because of the failure of institutions and financial markets that are supposed to have been providing capital to small and medium sized enterprises to alleviate poverty. However, the failure of the said markets to mobilize funds for the vulnerable sectors has led to a gap in the society. This is because most of the financial institutions are motivated by profit and will typically fund the most profitable and very low risk enterprises. This approach has starved funding from important livelihood

projects in favour of the more profitable ones thus magnifying the inequality in society where the poor grow poorer while the rich grow richer. NGOs thus try to fill this gap by working with the poor and through the provision of basic services such as healthcare, sanitation, and education to the vulnerable. NGOs also train such people in life skills, sometimes even providing seed capital for business start-ups to needy groups. The failure of financial institutions and markets' framework to provide funding to the deserving groups has definitely contributed to the growth of NGOs (Sullivan, 2013).

The growth among the NGOs has been fuelled by a belief among donors that NGOs are a cost effective way of providing social services to the poor communities as well as a better route of attaining democratization than the central government (Fonjong, 2007). Despite the introduction of a decentralized government in Kenya, donors still believe NGOs is the quickest means of initiating development among such communities. This notion seems overrated in terms of legitimacy, which is based on a belief in value-driven organizations rather than on actual assessment, monitoring, and evaluation of their accomplishments. NGOs play an important complementary role to the government and business fraternity and thus their accountability affect the society's common good.

1.1.1 Accountability

Concerns about accountability in the nongovernmental organizations (NGOs) have increased over the last two decades. This is due to a series of loss of funds, either through embezzlement, mere lack of documentation or accountability, and of the rapid influx of NGOs around the world and specifically in Kenya. The unclear goals of the NGOs among stakeholders have also contributed to this menace. Generally, NGOs belong to a category of organizations that are non-profit in nature and therefore not part of the business community (Jordan & Tuijl, 2012). Below are three of the main accountability concepts in NGOs. These components of accountability are; transparency, legitimacy, and performance.

An important aspect of accountability is transparency. It is important that NGOs operations are transparent. Transparency involves the need for the NGOs to make all their operations open to all. This includes the activities they are involved in, their financing, their donors and their management among other operations. Lack of transparency in an NGO does not auger well with most of the stakeholders such as the donors, the government, and even the beneficiaries. It is therefore important that NGOs should strive to enhance transparency in their operations.

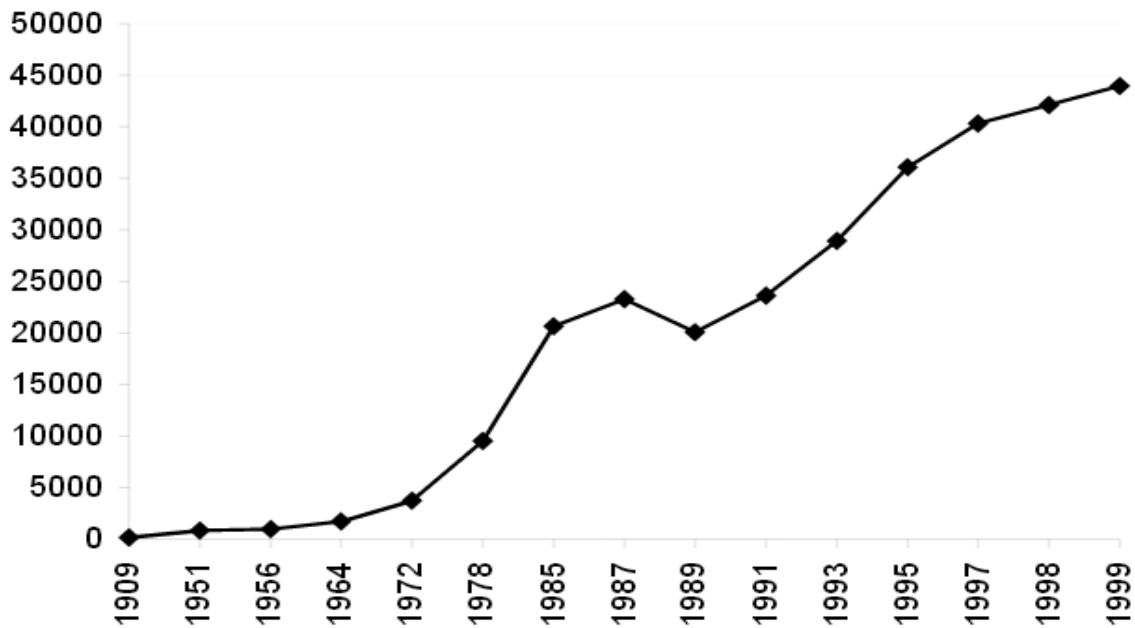
Legitimacy is the need for validation among NGOs. NGOs operations should be in line with public interest. They should not engage in activities that are contrary to the public interest or that are perceived to affect the well-being of the public.

Performance refers to outputs produced by NGOs. Performance can be measured by analyzing the projects undertaken by NGOs in light of their original objectives. NGOs should achieve that which they set out to do and should actually attain the goals for which they received donor funding.

1.1.2 Donor funding

The amount spent through NGOs is on the rise. For instance, HIV and AIDS funding has risen from 300 million dollars in 1996 to 15.6 billion dollars in 2008 (Funding the response to HIV and AIDS, 2013). NGOs have essentially become forces of alternative transformation. This has been caused by the perception that NGOs are the preferable vehicles for the channeling of developmental expenditure such as the provision of healthcare and education services (Agg, 2006). Most donors do not trust governments and thus view NGOs as an ideal way for channeling their development aid. Furthermore, NGOs are also the preferred channel because of the associated public relations benefits (Gray, Bebbington, & Collison, 2006). There has also been an increase in the number of NGOs, as the diagram below will show:

Figure 1: Total number of NGOs worldwide by year to 1999



Source: Agg, 2006

Governments and individual developmental aid channeled through NGOs is increasing. For instance, in 2008, OECD countries' governments used about US Dollars 135 billion on aid (Agyemang, Awumbila, Unerman, & O'Dwyer, 2009). This increase comes on the backdrop of a call for increased accountability in the manner in which the funds are spent. Enhanced efficiency in the use of these funds can result in huge impact on the intended outcomes. The calls for accountability raise issues between those who are demanding and the means by which accountability should be discharged. The role of accountants cannot be understated in this respect (Gray, Bebbington, & Collison, 2006).

1.1.3 Effects of accountability to donor funding

All NGOs are required by the law to maintain a system for recording and submitting all types of financial transactions made by them for the purpose of implementing projects and running their organization (Jordan & Tuijl, 2012). One way of doing this is by maintaining a financial

management policy, which is a manual covering the accounting policy, systems and procedures of an organization.

In Kenya, accountability in NGOs has taken a two-pronged approach. On the one hand, there has been external pressure from bodies such as the NGO coordination board established in 1990 that seeks to regulate all activities of the NGOs to conform to accountability principles. This board registers, coordinates, and facilitates activities of all NGOs working in Kenya whether these are national or international. For instance, the board recently deregistered over 1,252 of the 4,000 NGOs registered in Kenya that have violated the terms and conditions set out in their registration documents (Amran, 2010). On the other hand, the NGO Council also established in 1990 play the role of the umbrella organization for all the NGOs (Poverty Eradication Network, 2010). The council's aim is to foster self-regulation among the local NGO's operating in Kenya.

NGOs have also to develop internal accountability structures in addition to the accountability levels demanded by the regulatory bodies and the external players. In the past, some NGOs in the country have been faced by scandals involving how they manage the resources in their custody. An article by Kiberenge (2012) carried in the Standard, for example, insinuated that some NGOs were diverting aid meant for the refugee Somalis to other East African countries for commercial gain. Development of accountability in NGOs does not imply the building of more layers of compliance. Accountability should be at the core of the NGOs development activities.

1.1.4 Non-Governmental Organizations in Kisumu County

Kisumu County is home to numerous NGOs given the socio-economic situation in the County. Kisumu County has a surface area of 2,086 kilometers squared. The county has a population of 968,909 (Commission on Revenue Allocation, 2011). Kisumu is the twelfth largest County in Kenya. Kisumu County is strategically located on the shores of Lake

Victoria, the second largest fresh water lake in the world. The lake connects Kisumu County to Tanzania and Uganda. Furthermore, major infrastructural projects such as the Kisumu-Busia road and Kisumu International Airport connect the county to many African countries and most other Counties in Kenya. Despite these, most of the population, mostly youthful residents in the County are unemployed. 47.8 percent of the County residents live below the poverty line (Commission on Revenue Allocation, 2011). This has necessitated the need for direct interventions through either the government or non-governmental organizations.

Currently, many NGOs have intervention activities in different areas in Kisumu County. Among the NGOs with projects in Kisumu currently are Global Hand, Safe Water and Aids Project (SWAP) and Carbon Zero Federation among others. Global Hand is currently involved in school feeding program for the girls in the County. Their activities are centered on 12 girls' schools in the local and poor areas of the County (Global Hand, 2013). On the other hand, SWAP is currently involved in the provision of safe drinking water for the residents of Kisumu. It is also engaged in sensitizing the population on the effects of AIDs, how to avoid it and the need for self-awareness (SWAP, 2013). Lastly, Carbon Zero is engaged in providing energy efficient cooking methods with its Gold Standard Energy Efficient Stove Project (Kenyan Stove Project, 2013). These are but some of the activities that NGOs in Kisumu County are undertaking.

1.2 Statement of the problem

Accountability is the obligation or readiness to accept responsibility for commissions or omissions. Accountability in NGOs is at two levels. First, there is short term functional accountability which involves the day-to-day running of the NGOs that entail the accounting for the available resources, their use and the instant impacts that their use has on the NGO and society at large. On the other hand; it is the accounting, to what extent by which the NGOs are shaping the society. Overall, accountability in NGOs can be described in three

dimensions. These are transparency, legitimacy, and performance (Songco, 2007). The good health of an organization is demonstrated by its ability to account for all its activities as this guarantees sustainability. Hurst (1970:58) summarizes the importance of accountability as follows “An institution which wields practical power – which compels men’s wills or behavior - must be accountable for its purposes and its performance by criteria not in the control of the institution itself.” Ten years later, Anshen (1980:6) researching on corporate social responsibility asserts, “The conclusion is inescapable that the corporation receives its permission to operate from the society and ultimately is accountable to the society for what it does and how it does it.” The same can be said of NGOs: An NGO receives its consent to function from the society and at the end of the day is accountable to the society for what it does and how it does it. However, in 2009, Agyemang, Awumbila, Unerman & O’Dwyer (2009) remark that “Many NGOs and some donors now recognize that, in addition to ensuring that upward-accountability mechanisms are not counterproductive, they can enhance the effectiveness of NGO service delivery by ensuring that local NGOs, and the local operations of INGOs, are downwardly accountable to their beneficiaries”

Key stakeholders such as the donors and the government on the other hand are more than willing to support an organization that has a structured system of implementing its projects (Mbugua, Njaramba, Young, & Mtshati, 2007). In this regard, the financiers are more concerned with NGO management, going to an extent of defining specific objectives for the funding, rules and regulations that govern the use of the funds as well as identifying a contact person who is accountable for the funds.

Accountability of finances is a delicate area. Organizations need to give this area utmost importance. Apparently, the success of any organization depends on the management of its finances as this lays the foundation on how it is going to meet its goals and objectives. While stakeholders believe that NGOs are in a better position in providing basic social services

among poor communities (Berman, Steinberg, & Herzberg, 2012), NGOs lack the empirical evidence to support these accounts. Issues of accountability have arisen in different NGO organizations in Kisumu County and beyond. Some NGOs in the County that purport to be tackling HIV/AIDS are not honest and often diverted funds towards seminars that aimed at external actors rather than the actual individuals that the programmes are focused at helping. For instance, a recent HIV/AIDS campaign targeting Kisumu City Council staff and City Hall in the region have not been accompanied by awareness and sensitization of the staff they purported to target but rather on creating an external impression of action, perhaps targeting donors (Tropical Institute of Community Health and Development (TICH) in Africa, 2005). From the above studies, and following the lack of accountability experienced among the NGOs, this study sought to fill the research gap on the level of accountability on donor funding in Kisumu County. To achieve this, therefore, this study sought to answer the following research question: To what extent are NGOs in Kisumu accountable?

1.3 Objective of the study

The objective of this study was to explore the various accountability mechanisms that are used by NGOs in Kisumu County, Kenya and their effectiveness.

1.4 Significance of the study

The study would be useful to NGOs in Kisumu County as it highlights the importance of accountability in securing donor funding. The research revealed the effective financial procedures that can be adopted from project initiation, implementation, and even review in order to affirm transparency in the organizations. Exposing the factors that hinders effective accountability in the NGOs would raise awareness of these issues and prompt the organizations to be more accountable.

This study would be valuable in increasing confidence among donors and donor institutions that support Kisumu County NGOs. It would be a documented source of insight into various County NGOs' accountability measures.

The study would also enhance the capacity and oversight role of NGO regulatory institutions in Kenya to come up with appropriate regulations that enhances accountability in the sector. It would enable the financial policy makers to formulate policies that ensure that funds disbursed to NGOs are used in accountably.

The study would be important to scholars as it enhances the body of knowledge around the area of accountability in NGOs, especially concerning NGOs operating in Kisumu County-Kenya. Understanding the importance of financial accountability is essential in filling the academic gap.

Finally, communities would benefit, as they rest assured that certain projects meant to alleviate their suffering would be able to accomplish that goal. Community participation is enhanced and overall, the study aimed at establishing an effective accountability system on NGOs located in Kisumu County

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter conducts literature review on pertinent issues around accountability in NGOs. Accountability concerns in the last two decades have been a major concern for donors. This has been occasioned partly by the growth in the number of NGO's around the world and partly because of accountability lapses in some NGO's which have been greatly publicized. The effect of the lapse in accountability has resulted in the erosion of confidence among donors (Gent, Crescenzi, Menninga, & Reid, 2013). This study sought to explore some of the accountability practices adopted by the NGO's especially in the Kenyan context. The study analyzed existing conflicts between the government and NGOs, accountability principles, and concluded by mentioning the framework of NGOs, internal accountability and emerging trends in the sector. The study focused on some of the NGO's in Kisumu County.

2.2 Theoretical review

Different theories have been advanced on the issue of accountability in NGOs. Centrally there have been three major issues, namely transparency, legitimacy, and performance. These are the building blocks of accountability in NGOs and are essential in any discourse touching on NGO accountability (Songco, 2007). This section looked more deeply at these main issues and their potential impact to the study.

2.2.1 Transparency

Transparency essentially refers to the need for NGOs to make available to all stakeholders their operations and to allow continuous monitoring and observation of their activities. Intertwined with transparency is the need for NGOs to attract and retain quality management personnel to champion their activities. According to Anne Marie Boutin (2000), president of

the Union of International Associations (UIA), self-discipline, and mutual vigilance should be encouraged in NGOs when trying to enforce transparency. She goes further and identifies some of the bare minimum standards that NGOs should have in their quest to ensure that there is transparency within their ranks. These are; a legal status and the respect of any obligations arising because of such, clear, honest, and timely communication that is targeted to all stakeholders and especially their donors with details of how resources are mobilized, the amount of resources, and how the same are used towards meeting their objectives. Anne Marie Boutin (2000) also underscores the importance of accounting and the need to involve external professionals such as auditors in enhancing transparency in NGOs (Boutin, 2000).

This study sought to ascertain the level of performance of NGOs operating in Kisumu County. The interview aimed to unearth performance measures that the NGOs have in place to curb lack of accountability in their mandates. The variable was also an important component in ascertaining the level of accountability in the various NGOs.

2. 2. 2 Legitimacy

Legitimacy is important in enhancing accountability in the operations of NGOs. Legitimacy is crucial because of the declaration by NGOs that they represent the poor people against poverty and other societal ills which are seen to have been brought about by laxity in the government. Being spokespersons of the poor and the under privileged against government injustice, there is need to ascertain whether the NGOs have actual mandate from the people to act on their behalf. Governments and business leaders have propagated this view. They would like to know how the NGOs were appointed to speak for the people and whether they actually represent the will of those, they purport to represent (Songco, 2007).

Legitimacy in NGOs can be validated in four ways. First, NGOs need to be representative of the people they claim to represent through the creation of formal membership structure. Secondly, the NGOs should have the necessary level of competence and expertise. This

means that they should possess the relevant knowledge and skills in their subject matter to be able to carry out their duties diligently. Third, NGOs should be led through the law. They should comply with their internal rules, rules governing their operations and should have effective internal oversight from the relevant trustees. Lastly, NGOs should be moral in the pursuit of their objectives. They should focus on the public good and should be in touch with the public sentiment as opposed to parochial selfish interests (Banks & Hulme, 2012). Simply put, NGOs should be able to explain whether in fact they speak about the poor, as the poor, with the poor and for the poor.

It is important for an NGO to evaluate its actions and the actual impact that such actions have on the people that it is directed towards. A case in point is NGOs involvement in conflict areas. Whereas people in conflict areas suffer a myriad of problems ranging from lack of food to the need for healthcare, especially in light of the injuries that conflict may cause on the inhabitants of a region, it is important that an NGO constantly evaluate its actions to ensure that they only result in the intended impacts on the society. Cases abound where NGOs have been blamed for further fuelling conflict either knowingly or otherwise. For instance, Martin Plaut, the BBC world services Africa editor aired a documentary which showed that the over 95 million of the 100 million raised to provide humanitarian assistance in conflict ridden Ethiopia in 1985 ended up in the hands of militia and was largely used in the purchase of weaponry (Jones, 2010). This raises serious issues on legitimacy, irrespective of the protests that Bob Geldof and other leading charities had on this report (Jones, 2010).

Examples also abound of instances where NGOs after evaluation of their actual impact on the society, may choose to abstain rather than create illegitimate outcomes from their actions. A case in point is the 1994 Rwandan genocide where Medecins Sans Frontieres (MSF) withdrew their medical support for the victims due to fear that those they treated actually went back to carry out more genocide related activities. So rather, than aid the offenders

unknowingly, MSF decided not to offer any assistance to those affected in this conflict (Tirone, 2011). In this way, they preserved their legitimacy through making a decision that was not contrary to public interest.

This variable is important to our study because the issue of legitimacy is central to accountability. It is highly unlikely that NGOs that do not have legitimacy from the populations they serve can purport to be accountable. This research used the issue of legitimacy to establish whether NGOs in Kisumu County are adequately accountable.

2. 2. 3 Performance

Performance on the other hand relates to the outputs in comparison to the NGOs mandates. NGOs need to develop their own internal mechanisms for measuring their performance. Through continuous appraisal, these mechanisms can help enhance the NGOs credibility. Performance can be measured against the goals that have been set by the NGO as benchmarks. Performance can also be measured based on the impact of the NGOs activities on their intended beneficiaries. In essence, performance is internally and externally motivated (Banks & Hulme, 2012).

Performance measures of NGO's can be both financial and non-financial. Such an integrated view offers a comprehensive interface between several links within an NGO right from resource generation and program management units. This is a highly recommended framework (Epstein & McFarlan, 2011). Financial performance measurements using the financial statements are vital in evaluating the quantitative parameters in the NGOs (Lewis, 2009). The aim of the measurement is to establish; financial sustainability, efficiency and effectiveness. The most common measurement an NGO can use is Ratio analysis (Lewis, 2009). The applicable ratios are Donor dependency ratio, Survival ratio, Corpus fund to earmarked funds ratio, current ratio, income utilization ratio and resource generation ratio.

Non-financial measurements on the other hand have varied objectives. Key among them are aligning the resources, processes, and financials to meet the organizations objectives, transforming set goals to goals achieved, taking a proactive measure to determine what has to be achieved from time to time, and striving for sustainable and efficient NGOs.

It is important that an organization have a good performance index, and that it accomplishes its intended objectives. Performance was a critical component of this research. Performance was one of the main tools that were used to establish the level of accountability of NGOs operating in Kisumu County.

2. 3 Accountability in Non-Governmental Organizations

In general, accountability can be described as the obligation or readiness to accept responsibility for commissions or omissions. It is possible to separate the two positions in regard to accountability. First, there is short term functional accountability which involves the day-to-day running of the NGOs and the accounting for the available resources, their use and the instant impacts that their use have on the NGO and society at large. On the other hand, there is strategic accountability that encompasses accounting for the effect that an NGO has on other governmental and non-governmental organizations, its immediate society, and the world at large. This calls for a much broader and much longer assessment of the NGOs role in shaping the society.

2. 3. 1 Framework for accountability development in Non-Governmental Organizations

A lot has been done in the past to enhance accountability of NGOs. This includes creating and adopting appropriate legislation, creating bodies to help in self-regulation of the industry and enhancing openness through allowing scrutiny by third party organizations such as auditors and the media. Some of the recent efforts to come up with an appropriate structure to enhance accountability have led to the formation of various bodies that are in charge of

accountability. The Global Accountability Project (GAP) of One World Trust is an example of these initiatives (Songco, 2007).

In Kenya, there is the NGO Coordination board that was established through an Act of Parliament in 1990 and started operations in 1992. The NGO Coordination board is required to register, to coordinate and to facilitate activities of all NGOs working in Kenya whether they are national or international. This Act of Parliament, the NGOs Coordination Act No. 19 of 1990, also established the NGO Council to play the role of the umbrella organization for all the NGOs (Poverty Eradication Network, 2010).

The National Council of NGOs aim is to foster self-regulation among the local NGO's operating in Kenya. It is composed of different NGOs and is not biased. The council draws its membership from local and international NGOs working in Kenya with a number of other Community Based Organizations (CBOs) and other community groups. The NGO council is mandated to promote self-regulation and enhance self-accountability in the industry in Kenya (NGO Council, 2011).

Before registration in Kenya, NGO's are required to comply with a number of conditions that are aimed at ensuring that they are accountable to their donors and to the public good. These include the fact that before an NGO seeks registration, it must obtain approval from the Executive Director of the NGO Board. The NGO Board performs a number of checks on the NGO seeking registration. This include conducting a background check on the individuals behind the NGO, its membership structure, studying the NGO's constitution, the intended custody, use and investment of the NGO's assets and the management structure among other requirements (Kameri-Mbote, 2000-2).

2. 3. 2 Internal accountability

NGOs have also to develop internal accountability structures in addition to the accountability levels demanded by the regulatory bodies and the external players. Only a few NGOs in Kenya endeavour to create internal democracy. In the past, some NGOs in the country have been faced by scandals involving how they manage the resources in their custody. An article by Kiberenge (2012) carried in the Standard, for example, insinuated that some NGOs were diverting aid meant for the refugee Somalis to other East African countries for commercial gain. This involved collusion with various parties such as logistics providers who are involved in transportation of relief material from Kenya and other neighbouring countries to Somalia (Kiberenge, 2012). As such, in addition to the oversight provided by external parties, NGOs need to also to come up with their own internal mechanisms to strengthen their capabilities.

Development of accountability in NGOs does not imply the building of more layers of compliance. Accountability should be at the core of the NGOs development activities. This research seeks to understand the measures that are used by NGOs in Kenya to enhance accountability within their ranks. The study focuses on NGOs operating within Kisumu County. Among the issues of concern are the internal frameworks in place to ensure internal accountability and the existing framework that is aimed at ensuring that the NGOs' activities are in sync with public interest, an issue that can be referred to as external accountability.

2. 3. 3 Conflicts between the government and Non-Governmental Organizations due to accountability issues

The NGOs operations have not been without setbacks because of the likely conflict of interest between them and the government because of issues of accountability. In practice, collaboration between the government and NGOs is at times not as smooth as it should be. There are conflicts that manifest themselves in the form of regulations. For instance, in

December 2010, Athman Anmran of the Standard reported that over 1000 NGOs were going to lose their licenses because of non-compliance with the terms set out when they registered. The notice by the NGOs Coordination Board targeted NGOs that have not fully complied with the terms set out in the NGOs coordination Act of 1990 such as the declaration of bank accounts and physical location upon registration and when there is any change (Amran, 2010).

From time to time, such conflicts are bound to occur. Conflicts may also occur when the NGOs appear to be too critical of the government of the day. Governments that have dictatorial tendencies do not want to be criticized. As such, NGOs tasked with guarding civil liberties may be at loggerheads with such governments (Petric, 2012). The political sphere is much more different today than it may have been in the past. Current day systems of power are a composition of multiple players such as local, national, multinational, and international NGO players. Pressure on the government from these bodies has in essence affected legitimacy, the exercise of power, and the principals of sovereignty leading to power struggles in such societies (Petric, 2012). This in essence results in conflicts between governments and NGOs.

2. 3. 4 Emerging trends in Non-Governmental Organizations

NGOs are changing their approach to work by adopting a developmental approach as opposed to the initial aid approach. This has been necessitated by the need to enhance sustainability. Several NGOs have their own developmental programs while others use development assistance alongside other traditional roles. For instance, CARE (Cooperative for Assistance and Relief Everywhere) supports agricultural projects like the building of water reservoirs and irrigation infrastructure. In the same light, CRS (Catholic Relief Services) give loan to small businesses and promote modern farming methods (Ahmed, 2013).

Closer home, K-Rep (Kenya Rural Enterprise Program) and KWFT (Kenya Women Finance Trust) are NGOs that have transformed themselves into full development institutions offering financing to start-ups, small and medium sized organizations to grow their business and their outputs. More recently, KRCS (Kenya Red Cross Society) and the Kenya for Kenyans steering committee started irrigation in Turkana County (Kenyans for Kenya Turkana Project Commissioned, 2013). In 2012, KRCS opened The BOMA Nairobi. This hotel is located in the city and is aimed at not only providing the much needed employment in the economy but also in supporting KRCS activities since all the profits are ploughed back to KRCS (The BOMA, Nairobi, 2012).

2.4 Empirical Review

Various studies have been conducted on the area of accountability in NGOs. Among this is a study by Goddard and Assad (2006), 'Accounting and Navigating Legitimacy in Tanzanian NGOs. The objective of this study was to investigate the accounting in three Tanzanian NGOs. The methodology used in the research was grounded theory strategy. Overall, the study established that accounting is important as far as issues of legitimacy in NGOs are concerned. It identifies two main components of legitimacy in NGOs. These are building credibility and agitating for change (Goddard & Assad, 2006).

Another study that has been carried out on the area of accountability in NGOs is a study by Gray, Bebbington and Collison (2006) NGOs and civil society's accountability. The study focused on accountability on NGOs. The study, also used a literature based methodological approach. The findings of the study placed important emphasis on the society and stakeholders in accountability and how they view an NGO (Gray, Bebbington, & Collison, 2006).

A similar research had also been conducted by Agyemang, Awumbila, Unerman and O'Dwyer (2009). This study was specifically about NGO accountability and aid delivery. It

sought to identify accountability practices in a sample of NGOs in Ghana, to point out functional accountability measures and those that are not functional and to explain why some were considered functional while others were not. The study used interviews and focused group discussions to obtain information. The findings of the study were that NGOs should involve more stakeholders, should be effective in communicating to the public and should discard any accountability measures that do not yield the envisaged results (Agyemang, Awumbila, Unerman, & O'Dwyer, 2009).

2.5 Conclusion

This chapter reviewed literature which revealed that other scholars have examined the issue of accountability in NGOs in the past. However, there was no empirical data on the issue of accountability in NGOs operating in Kisumu County. This research aimed to bridge this gap by collecting and analyzing data regarding accountability and the application of accountability principles in NGOs that operate in Kisumu County, Kenya. This was especially so in regard to its main accountability variables namely transparency, legitimacy and performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter expounds the various stages and phases that were followed in completing the study. In this stage decisions were about how research was executed and how the respondents were approached, as well as when, where and how the research was completed.

The following sub sections are included; research design, target population, sample size and sample design, data collection procedures and data analysis.

3.2 Research design

Research design is a researcher's overall plan for addressing a research problem (Mitchell & Jolley, 2013). The research adopted the use of descriptive survey design, which gathers data at a particular point in time with the intention of investigating the nature of existing conditions and or determine the relationship of the existing events. It is useful in obtaining the opinion of the respondents at a particular time. This design is also useful in collecting information about people's attitude, opinions, and experience in relation to historical trends, grievances as well as other casualties. This was very helpful in the research as past information was used as a basis of formulating the research questions. As a result, critical issues on accountability among NGOs in Kisumu County-Kenya were addressed in depth.

3.3 Population of the study

The target population for this study was the NGOs located in Kisumu County-Kenya. The population was made up of all the 187 NGOs in the region. One respondent was drawn from a sample of 49 NGOs. These NGOs were chosen due to their locality.

3.4 Sample design

Since it was hard to create a sampling frame for the target population, the sampling techniques used were non-probabilistic in nature. According to Clark & Adler (2010), non-probability samples are useful in qualitative research where the goal is to understand the social process and meaningful structure of a particular setting. In this case, the sample size consisted of 49 NGOs in Kisumu County. The reason for using this sample size was to ensure that a reasonable number of the stakeholders in the NGOs were represented in the study

3.4 .1 Sample size

According to Dattalo (2007), the perfect sample size is directly related to the type of research one is conducting. Nevertheless, the contended minimum considerable sample size is 30 cases. In this regard, due to the vastness of Kisumu County and the Number of NGOs in the region, the study used 49 respondents.

3.5 Data collection

Data was collected through semi structured in-depth interviews. This method of analysis is in the form of confidential and secure conversation between interviewers and the respondents. The interviewer asks informant open-ended questions and probe wherever necessary in order to obtain any data deemed essential (Kaar, 2009). Other scholars researching the area of NGO accountability have used this method of data collection. It is very successful in generating meaningful and intense insight on the topic (Agyemang, Awumbila, Unerman, & O'Dwyer, 2009). The insights generated were recorded in the interview questionnaire by the interviewer.

It is from these characteristics that the study chose to use this method. This instrument was appropriate for the chosen sample size. This was particularly due to the time constraints as a considerable amount of time was used to deal with a single NGO. However, this method was effective for obtaining information concerning sensitive matters of the NGOs, particularly

those involving finances and governance. In addition, clarification on ambiguous matters was sought.

3.6 Data analysis

The data has been analyzed qualitatively with the aim of ascertaining common themes from the responses provided by the respondents. The analysis grouped common concepts from each and every questions present in the questionnaire with the aim of identifying common trends, perceptions, and practices relating to accountability in NGOs operating in Kisumu County.

CHAPTER 4

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

In this chapter are the results of the findings of the survey as set out in the research objectives and research methodology. Different people were interviewed. This included government officers that were involved in projects in which there was collaboration between the government and NGOs. Below section 4.2 is an analysis of the composition and category of people interviewed.

4.2 Response rate

A total of 57 Questionnaires were administered and a total of 49 responded, giving a response rate of 85.96 percent. For a study such as this, a response rate of this magnitude is acceptable. In terms of composition, the respondent's breakdown was as follows: Donors-4 percent, Government-6 percent, Staff-6 percent, Board Members -18 percent and Management- 65 percent.

4.3 Profile of respondents

The majority of respondents i.e. 67.3 percent were in management positions while 16% were members of the board. The majority of respondents i.e. 87.8% have been in the organization for a period between 3 to 10 years. They have been there long enough to understand the ongoings at their organizations. The ages amongst majority of respondents were between 28-45 years with the majority age being 28 to 40 years. The salary range for the majority of the respondents was between KSh 40,001 to KSh 70,000. It is difficult to conclude whether the

workers are satisfied with their remuneration or not. Of those interviewed 40.8% said they were satisfied while 59.2% said they were not satisfied.

4.4 Transparency

A number of NGO in Kisumu have visibility elsewhere, at least 63 percent of them are located in other counties. A significant number of them 85 percent report they cost for services offered to the community as a way of being accountable. In setting performance targets, the NGOs indicate the correct personnel are involved with nearly all of them pointing out that they involve the finance managers in their technical reporting. When asked how they measure expenditure in relation to output, various comments confirm that the NGOs are concerned about value for money audits. From the findings the quality of audit and assurance services provided to the NGOs may not be guaranteed as only a few of them used services of major accounting firms. Major donors interviewed indicated that the OMB 133 circular has listed the preferred auditing firms to be used especially for USG funding. Most of the respondents preferred to use local auditing firms not necessarily in the preferred list of the donors.

4.5 Performance

Performance of an organization is controlled by investing in worthwhile projects. In this case it is important to determining whether the NGO uses established investment techniques along other individual investment approaches. These results show that investment techniques such as simple rate of return, payback period, benefits cost ratio, net present value and internal rate of return are not popular with the NGOs. On examination, it is apparent that there is lack of awareness about these techniques. However, most respondents agree that they carry out quantitative analysis. NGOs are required before funding to carry out baseline surveys to know the needs of the communities. This process involves knowing the population to deal

with and the actual demographics involved. On the same note; mid-way to completion of the projects and at the end, the NGOs are required to undertake midterm and end term evaluation. This process can only be aided by use of quantitative analysis techniques. In fact 71.4% of the respondents do checklist analysis. The standard deviation of checklist is the lowest (1.351) suggesting high level of agreement amongst respondents, while the standard deviation of use of cost benefit ratio analysis is the highest (1.625) suggesting lack of agreement on the use of this performance indicator.

4.6 Staff Appraisal

The response to this question was rather unsatisfactory. However, most respondents strongly agree that their organizations use weighted checklist method (53.1%) and 360 degrees performance appraisal approach (57.1%) to evaluate staff performance. Surprisingly, most of the respondents were undecided on the use of management by objectives and critical incident methods by their organizations.

4.7 Financial statements

Nearly all NGOs prepare financial statements that include statements of financial position, statement of comprehensive income and cash flow statements. Equally, others did budget vs. variance analysis. The fact that the NGOs prepare such statements could be interpreted to mean that they are compliant with legal requirements or that the donors or individuals who fund them insist on periodic preparation of such statements.

For internal control purposes, most NGOs (85%) prepare periodic bank reconciliation statements implying the importance of cash control to such organizations. Financial statements are an important accountability tool as they provide actual evidence on the financial transactions of an organization. Of interest is the fact that NGOs prepare income

statements (87.8%) and Balance sheets (81.6%) is an indicator that they are compliant. However budget management mechanisms is weak as only 71.4% controlled their budget performance.

Below is a compilation of some of the financial statements that are kept for accountability purposes by the different NGOs in Kisumu County. This is illustrated in table 4.1 below.

Table 4.1: Financial statements

		Balance Sheets	Income Statements	Cash Flow Statements	Budget Variance Analysis	Bank Reconciliation Statements
N	Valid	46	46	47	45	46
	Missing	3	3	2	4	3
Mean		1.00	1.07	1.04	.96	1.07
Mode		1	1	1	1	1
Std. Deviation		.365	.250	.292	.475	.250

In addition to the financial statements, the respondents from the NGOs in Kisumu County also identified additional reports required by donors. Of the total respondents interviewed, a majority confirmed that their NGOs had in place accountability mechanisms to ensure that they deliver on their mandate.

4.8 Donor Reports

The NGOs management interviewed confirmed that the donors require progress updates. Donors require proposals in the form of project work plans and budgets. On implementation, the donors requires narrative and financial reports continuously so as to measure the use of

the resources in an efficient, timely and cost effective way. Most donors are also accountable to their back donors and are measured by the timeliness, reliability and credibility of the reports they send originating from the implementing NGOs. Since donors cannot implement directly, they want their partners to succeed. They do this by providing technical advice and compliance training for their staff. When donors make a commitment to an NGO; they want to be able to prove that their funds are spent prudently and that useful results are being achieved. This way, they achieve their development agenda and continue to mobilize funds for the same. 91.8% of the NGOs reported presenting work plans and budgets to the donors, 93.9% presented financial statements, whereas 73.5% submitted the narrative reports. This indicates that the burden of financial reporting is much more compared to programmatic reporting. Additionally, the research found out that the various array of stakeholders using these reports were varied with the donors scoring the highest at 91.8%, the NGO Board 87.8%, NGO council 26.5%, Community groups 26.5%, KRA 42.9%, DSDO 12.2% and the Board of Directors 85.7%. There is, however from this research a policy gap on who should receive reports, what reports, what formats, when and how. This is illustrated in table 4.2 below.

Table 4.2 Reports required by Donors

		Project Work Plans And Budgets	Financial Reports	Narrative Reports
N	Valid	48	49	46
	Missing	1	0	3
Mean		1.06	1.06	.91
Mode		1	1	1

Std. Deviation	.245	.242	.463
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4.9 Factors That Hinder Accountability

Financial mismanagement has numerous disadvantages to different organizations. For NGOs, financial mismanagement can have serious effects as these organizations rely on goodwill to attract donor funding. Below are some of the effects of financial mismanagement on the wellbeing of NGOs in Kisumu County.

For financial management to be successful in NGOs, it is important that they pay particular attention to their daily management. Prudent management of each of the NGOs' activities results into the overall wellbeing of the entire organization. Below are the factors that were identified as hindering the effective accountability of the day-to-day running of NGOs in Kisumu County. From the findings as tabulated below; it is observable that a combination of the six factors e.g. management shortcomings, dishonest employees, lack of adequate management structures, political interference and lack of sufficient oversight from responsible persons hinder effective accountability with the critical variance being, lack of adequate management structure having a striking visibility at a s. d of 1.00. This is illustrated in table 4.3 below.

Table 4.3 Factors hindering accountability

		Management Shortcomings	Dishonest Employees	Lack Of Adequate Management Structure	Political Interference	Lack Of Sufficient Oversight From Responsible Persons
N	Valid	42	42	46	41	44
	Missing	7	7	3	8	5

Mean	4.05	4.24	4.39	4.07	4.23
Mode	5	5	5	5	5
Std. Deviation	1.306	1.185	1.000	1.330	1.236

5.0 Legitimacy:

Legitimacy is important for all NGOs. It is important that the activities of NGOs be in tandem with the public interests. In this regard, NGOs are required to put in place measures to ensure that their activities are in line with such expectations.

Donors are quite careful while funding any NGO project. This is particularly so with institutional donors, such as foreign governments and private companies, who demand high levels of accountability. As such, these organizations may look for certain levels of compliance before agreeing to finance a project. Donors require several documentations to be in place before they release funds to an organization. They do need evidence of registration, existence of policy documents, existence of key personnel and in some cases MOUs with communities. The table below indicates how NGOs in Kisumu County responded to the fact that donors look for the compliance requirements. There is a strong agreement at an s.d of 0.247 that donors require valid registration documents and s.d of 0.295 levels of agreements to the need of existence of policy documents. However the respondents showed that there are no requirements for signed MOUs with communities at s.d of 0.647. This really begs the question that; to whose interest does NGOs work if not for the community? This is illustrated in table 4.4 below.

Table 4.4 Compliance factors that donors evaluate

		Before funding your organization do donors require Registration Documents	Before funding your organization do donors require Policy Documents?	Before funding your organization do donors confirm Existence of Key Personnel?	Before funding your organization do donors confirm Existence of MOU's with Communities?
N	Valid	47	46	47	37
	Missing	2	3	2	12
Mean		1.06	1.04	1.06	.57
Mode		1	1	1	0
Std. Deviation		.247	.295	.323	.647

Since Legitimacy is closely linked to Donor funding, the research also sought to establish the level of funding among the NGOs in Kisumu County from 2008 to 2012. It is significant to note that the growth rate of funding is very low with a 4million drop between 2009/2010 and 2011/2012. The lack of community involvement explains the low development rate of Kisumu county and the persistent poverty levels in the county. The table 4.5 below shows the level of funding for the last 5 years.

Table 4.5 Level of Funding 2008-2012

		What Is The Availability Of Donor Funding In Your Entity In 2008/2009 KES	What Is The Availability Of Donor Funding In Your Entity In 2009/2010 KES	What Is The Availability Of Donor Funding In Your Entity In 2010/2011 KES	What Is The Availability Of Donor Funding In Your Entity In 2011/2012 KES
N	Valid	37	38	39	40
	Missing	12	11	10	9
Mean		24375375.68	36053842.11	31635084.62	35695543.75
Mode		10000000(a)	6000000(a)	6000000	9000000
Std. Deviation		25195871.646	75087247.488	66402160.837	88524319.965

Linked to the above factor of funding availability, NGOs which responded were asked whether they believed to be accountable and 93.9% believed so, with only 6.1% agreeing they were solely accountable to their boards. 11% of the remaining NGOs admitted to be having challenges with accountability and were taking corrective measures. It was also established that majority of the NGOs had been in Kisumu for over ten years and their structures had Board, Management and staff. This was believed to validate their authenticity in the various areas of interventions hence continued funding from donors and government. However the lack of community representation in such boards is questionable.

5.1 Summary and Interpretation of the Findings:

Non-governmental organizations are playing a key role in the delivery of healthcare, education and other welfare services in Kisumu County. They create public awareness on important issues of concern. They advocate for necessary changes within their mandate and monitor and complement the activities of the government, multinational organizations, as well as other entities for the greater good of the community. NGOs undertake development projects by successfully testing their viability for the government to adopt hence the need to be transparent, accountable and legitimate. The dependent variable was accountability whereas the independent variables were legitimacy, performance and transparency.

From tables 4.1 to 4.5 above, it was established that there is a strong relationship between donor funding and the demonstration of transparency, accountability and legitimacy among the NGOs. This is why 93.9% of the NGOs have striven to remain accountable so that their existence is not threatened. These findings are in agreement with some scholars and researchers who have established similar results. For example, (Agyemang, Awumbila, Unerman & O'Dwyer, 2009) established that accountability mechanisms employed by NGOs delivering development aid can affect the effectiveness with which aid funding is deployed in individual aid projects. Whereas (Gent, Crescenzi, Menninga, & Reid, 2013) contend that the effect of the lapse in accountability has resulted in the erosion of confidence among donors.

The findings of this study are in agreement with those of Goddard and Assad (2006), 'Accounting and Navigating Legitimacy in Tanzanian NGOs whose results established that accounting is important as far as issues of legitimacy in NGOs is concerned. It identified two main components of legitimacy in NGOs. These are building credibility and agitating for change.

This study sought to contribute to the body of literature by examining the relationship between accountability and donor funding in Kisumu County.

Accountability is the lifeline of NGOs and failure to be and to remain so, can jeopardize the relationship with the donor community and in effect affect the funding of NGOs. NGOs are expected to maintain minimum financial statements including statements of comprehensive income, Statement of financial position and cash flow statements. With increased oversight by auditors the donor confidence is boosted and funds flow is sustained.

A comparison between funding levels and accountability measures from 2008 to 2012 among NGOs in Kisumu County shows a close relationship between the two. There is increased funding over the years except between 2010 and 2011 when there was a significant drop. This supports the findings of this study that accountability plays a major role in donor funding. Increase in donor funding indicates that the NGOs are still considered a major player in developing the society and as an alternative means to delivery of essential services to the community.

This study believes that the role of NGOs cannot be underscored in providing essential services to the communities and that the interrelationships among the various stakeholders e.g. the government, the communities, the donors, the auditors and the oversight bodies are crucial in accomplishing this goal. It is only possible to achieve this when the NGOs become proactive in being accountable, legitimate and are performing as per the expectations of the said goals and objectives of the projects under implementation. The achievement of these results can be enhanced when the communities are involved and there is clear communication on the role of all the players. As a result, this will increase donor support and most importantly the level of accountability is enhanced. This is possible by seeking credible oversight from respected audit firms some of which are listed by the donor communities.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The question of accountability of Donor funding has often looked at how NGOs answer to donors, the stakeholders, and the society, the NGO coordinating boards and /or to the national government of countries which they are operating. Financial management tenets require NGOs to equally account for the funds they spend as contracted by the donors. The NGOs like the other business entities need to look at the risks that are associated with lack of accountability of donor funding. Donors are more and more engaging on compliance measures and are taking the commercial entity approaches in handling their hard earned finances. This is true as the resource envelope is getting thinner and thinner and the fundraising strategies are changing to the extent of citizens raising funds for the assistance of developing nations. It is in this regard coupled with the influence and effectiveness of the NGOs that accountability measures must be put into practice so that they are able to accomplish those projects they are contracted to do.

For a long time, NGOs have been viewed as private entities that need not be held accountable. Apparently, there is a wide consensus among the NGOs on the need to actively hold conversations with all the players in the sector through sharing of reports, work plans, budgets, performance reports, audited statements, strategic directions and business plans. This will boost the donor confidence and social acceptance by the communities they are serving. This study focused on the accountability of Donor funding by NGOs in Kisumu County in Kenya, unveiling the patterns various NGOs display on handling the subject of accountability. In addition, the research was able to gather information on the how NGOs go

about staff appraisal, performance measurements, reporting, levels of funding and the key compliance requirements for funding among others.

As the NGOs continue to receive the donor funding, there is still need to harmonize the approaches in measuring their impact. It is evident that NGOs offer employment opportunities and also business opportunity to the supply chain, auditors and other services that they procure. In effect their continuity as a going concern has great economic value.

Notably in 2010/2011 the funding dropped by about 4 million, a scenario which can be attributed to both internal and external factors.

5.2 Conclusion

The study concludes that apart from the three components of accountability discussed, there are other factors that can influence donor funding. These include intergovernmental relationships with the donor countries, the political environment and the policy environment in which the NGOs operate.

The study concludes that NGOs are accountable to the donors despite the gaps that still exist. NGOs were keeping the required financial statements, they had staffs that are competent though motivation was rather low among them, they prepared reports that are required by the stakeholders and had sustained funding to enable them undertake their development goals.

The study further concludes that the NGOs had no standards for reporting both programmatic and financial components. The findings in this study are consistent with those of (Agyemang, Awumbila, Unerman, & O'Dwyer, 2009) in Ghana, which concluded that NGOs should involve more with stakeholders, should be effective in communicating to the public and should discard any accountability measures that do not yield the envisaged results.

5.3 Policy Recommendations

Achieving NGO accountability means that NGOs need to come up with proper and effective accountability processes and practices, which is easy to understand and implement. Policy

makers inside the NGO should design policies that will not only be helpful to the NGO staff but also to the external stakeholders who may wish to partner with the NGOs. This will ensure uniform approaches and practices among NGOs and will allow ease of benchmarking. They must introduce the necessary tools that will enhance accountability, legitimacy and performance. This study therefore recommends that the Government of Kenya and the Kisumu County Government ensure their involvement in influencing the design of uniform policy applicable as this will accelerate the much needed development of the county. The NGO board which is the policy champion should take a lead role in this.

The study further recommends that the Donor community through their parent bodies or back donors in liaison with the implementing NGOs should lobby both local and international accountancy bodies to develop non-profit sector accounting standards tailored to meet the unique NGO operating environment matched with the various unique donor reporting needs. From this study it was found out that the reporting burden on accountants and financial managers is much more than their project counterparts. The above recommendation will go a long way in ensuring work life balance for the respective accountants and ensure quality, accurate and timely reporting.

This study also recommends that NGOs must involve the communities in their planning and programming. Their structures need to incorporate the communities by creating a level for national advisory council which brings the needed community representation. Otherwise the legitimacy of NGOs in working for the poor, speaking as the poor and talking like the poor is null.

5.4 Limitations of the Study

A limitation for the purpose of this research was regarded as a factor that was present and contributed to the researcher getting either inadequate information or otherwise the responses would have been totally different from what the researcher expected. The main limitation of this study was:

The respondents were largely drawn from the management. The responses would have varied significantly were the same questions addressed to the staff. This is mainly because the management staff may not directly interface with all the challenges that the operational staff running the NGO operations go through.

5.5 Suggestions for Further Studies

The study suggests that further research be conducted on Donor accountability of Non-Governmental Organizations to find out if the mechanisms in place are sufficient to report all the value added services that the NGOs are engaged in. The number of NGOs has risen over the years and this is a sector that is fully grown and contributes to the national GDP. The contribution and existence of CBOs and faith based organizations were not considered in this study. This will help generalize the findings to the whole population.

The study recommends that another research be conducted in all the remaining counties on the accountability of donor funding after five years to compare with the findings of this study so as to assess the compliance levels and the challenges faced by NGOs in their effort to account for donor funding.

This study also suggests that further studies be carried out on the cost principles applied by the NGOs to ensure accountability and to enable them build enough reserves that will ensure their sustainability in the event that donors reconsider their relationship with them.

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APPENDIX:

Appendix 1: Questionnaire

Dear Sir/Madam,

This questionnaire is solely for academic purposes. The answers you give will not be shared with any person or institution. The questionnaire is divided into two parts, A and B. Your participation is highly appreciated. Thank you in advance.

Yours faithfully,

PART A: General questions

Part A-1 (Transparency)

1. Other than Kisumu, do you have any other operations in Kenya?

Yes

No

2. Does your NGO costs for the services offered to the community?

Yes

No

3. Do the Financial Manager and Technical Manager discuss budget performance?

Yes

No

4. Do you involve the Financial Manager and Technical Manager in setting performance indicators? Yes No

5. How do you measure expenditure in relation to output?

6. Who are your current Auditors?

Part A-2 (Performance)

7. How do you appraise your projects?

Strongly	Agree	Neutral/	Disagree	Strongly
Agree		Undecided		disagree

Simple rate of Return

Payback period

Benefit cost ratio

Net present value

Internal rate of return

Quantitative analysis

Qualitative analysis

Checklist analysis

8. How often does your organization appraise its staff?

Strongly	Agree	Neutral/	Disagree	Strongly
Agree		Undecided		disagree

Critical incident method

Weighted checklist method

Performance ranking method

Management by objectives method

360 degrees performance appraisal

Behavioral observation methods

9. What set of financial statements does your NGO keep?

	YES	NO
Balance sheets	<input type="checkbox"/>	<input type="checkbox"/>
Income statements	<input type="checkbox"/>	<input type="checkbox"/>

Cash flow statements	<input type="checkbox"/>	<input type="checkbox"/>
Budget variance analysis	<input type="checkbox"/>	<input type="checkbox"/>
Bank reconciliation statements	<input type="checkbox"/>	<input type="checkbox"/>

10. What minimum reports are required by your donors?

	YES	NO
Project Work plans and Budgets	<input type="checkbox"/>	<input type="checkbox"/>
Financial Reports	<input type="checkbox"/>	<input type="checkbox"/>
Narrative Reports	<input type="checkbox"/>	<input type="checkbox"/>

11. Where do your reports go and in what forums are your reports discussed?

	YES	NO
Donors	<input type="checkbox"/>	<input type="checkbox"/>
NGO Board	<input type="checkbox"/>	<input type="checkbox"/>
NGO Council	<input type="checkbox"/>	<input type="checkbox"/>
Community Groups	<input type="checkbox"/>	<input type="checkbox"/>
KRA	<input type="checkbox"/>	<input type="checkbox"/>
DSDO	<input type="checkbox"/>	<input type="checkbox"/>
Board	<input type="checkbox"/>	<input type="checkbox"/>

12. What are the factors that hinder effective accountability on the day-to-day running of your NGO?

Strongly Agree Agree Undecided/ Disagree Strongly

Neutral

Disagree

Management shortcomings

Dishonest employees

Lack of adequate management structure

Political interference

Lack of sufficient oversight from responsible

Persons

13. What measures can be used to determine financial mismanagement in your NGO in Kisumu County?

14. What is the availability of donor funding in your entity?

2008/2009 KES _____

2009/2010 KES _____

2010/2011 KES _____

2011/2012 KES _____

Part A-3 (Legitimacy)

15. What internal measures are in place to ensure that your activities are in line with public expectations and are aimed towards public accountability?

16. In your opinion, is your NGO fully accountable to the donors, the government, and the public?

Strongly Agree Agree Neutral/ Undecided Disagree Strongly disagree

Fully

Somewhat

Trying

Only to the Board

17. What do donors look for in terms of compliance before funding your organization?

Registration Documents	YES	<input type="checkbox"/>	NO	<input type="checkbox"/>
Existence of Policy Documents	YES	<input type="checkbox"/>	NO	<input type="checkbox"/>
Existence of Key Personnel	YES	<input type="checkbox"/>	NO	<input type="checkbox"/>
Mou's with Communities	YES	<input type="checkbox"/>	NO	<input type="checkbox"/>

18. How long have you been in operation in Kisumu?

Less than 3 years 3-6 years 7-10 years over 10 years

19. Which structure below has semblance with your existing or planned structures? (*please circle one*)

- Executive Director and Management only
- Board and Management only
- Board, Community Representatives Council, Management only
- Our structure is as below;

PART B: Personal questions

1. What level of the organization are you in?

Board Management Staff Government officer
Donor

2. How long have you worked with this NGO?

Less than 3 yrs 3-6 years 7-10 years above 10 years

3. What is your age?

Below 28 28- 40yrs 41-55 yrs above 55 yrs

4. What is your income bracket per month (in Ksh)?

Below 20,000 20,001-40,000 40,001-70,000 above 70,000

5. Are you satisfied by the amount you are paid per month?

Yes No

APPENDIX 2: LIST OF NGO'S

No	NGO Name	No	NGO Name
1	Mobilization For Sustainability in Rural Areas (MOSURA)	94	KENYA NEEM FOUNDATION
2	Development Work in Education , Livelihood and Environment	95	KENYA NILE DISCOURSE FORUM
3	ACTION RESORT FOR CHANGE	96	KENYA URBAN APOSTOLATE PROGRAMME (KUAP) KISUMU
4	AFRICA CO-OPERATION AND DEVELOPMENT PROGRAMME	97	KENYA WOMEN ECONOMIC NETWORK
5	AFRICA NOW	98	KISUMU KIDS EMPOWERMENT ORGANIZATION
6	AFRICA TUNAJALI INITIATIVE	99	KISUMU RESEARCH AND DEVELOPMENT CENTRE
7	AGAPE COUNSELLING AND TRAINING SERVICES (ACTS)	100	KISUMU URBAN APOSTOLATE PROGRAMMES
8	AGAPE DEVELOPMENT MINISTRIES	101	KISUMU YOUTH OLYMPIC CENTRE
9	AGAPE FOUNDATION SELF HELP PROGRAMME	102	K-MET
10	AGRICULTURAL MARKET	103	LAKE VICTORIA EDUCATIONAL

	DEVELOPMENT TRUST		DEVELOPMENT PROGRAMME
11	ALICE VISIONARY FOUNDATION PROJECT	104	LAKE VICTORIA ENVIRONMENT AND DEVELOPMENT ORGANIZATION
12	ARK OF SOCIAL DEVELOPMENT IN KENYA	105	LAY INVOLVEMENT FOR EVANGALISM MINISTRY
13	Assalam Muslim Women Forum	106	LITTLE ANGELS NETWORK SOCIETY
14	BE THE CHANGE ACADEMY-KENYA	107	LIVELIHOOD IMPROVEMENT CENTRE
15	BENSON BONYO'S KENYA MISSION	108	LOCAL PEOPLES HOPE
16	Cape of Hope Foundation	109	LOCAL STRATEGIES INITIATIVE
17	CENTRE FOR ECONOMIC AND LIBERITARIAN AFFAIRS	110	MACAG DEVELOPMENT GROUP
18	CENTRE FOR HEALTH, ENVIRONMENT AND AGRICULTURAL DEVELOPMENT	111	MAMA JANE'S FOUNDATION
19	CENTRE FOR HUMANITARIAN AFFAIRS AND COMMUNITY DEVELOPMENT	112	MAMA MAGDALINA NDEDA FOUNDATION

20	CENTRE FOR LEGAL RIGHTS, EDUCATION, ADVOCACY AND DEVELOPMENT	113	MAMA'S LOVE FOUNDATION
21	CENTRE FOR PEACE AND DEMOCRACY	114	MARISKA FOUNDATION
22	CHANGE AFRICA FOUNDATION- KENYA	115	MASENO CHILD SELF HELP COMMUNITY DEVELOPMENT SUPPORT SERVICE
23	CHASE CARE KENYA	116	MASOGO INTEGRATED DEVELOPMENT PROGRAMME
24	CHILD AWARENESS DEVELOPMENT AND MANAGEMENT INITIATIVE (CADAMIC)	117	MATRIX HEALTH SOLUTIONS INTERNATIONAL
25	CHILD LIFESKILLS DEVELOPMENT PROGRAM	118	MENTAL HEALTH INITIATIVE
26	COHESU COMMUNITY HEALTH SUPPORT PROGRAMME	119	MILDMAY INTERNATIONAL - KENYA
27	COMMUNITY GATEWAY ORGANIZATION	120	MOTHERS OF TOMORROW
28	COMMUNITY INITIATIVE CONCERN - CINCO	121	MOTHERS' RESCUE CENTRE

29	Community Initiatives for Alternative Development	122	NATURE AND FRIENDS IN KENYA
30	COMMUNITY INITIATIVES SUPPORT SERVICES	123	NEEDY FRIENDS CENTRE
31	COMMUNITY INTIATIVE FOR ALTERNATIVE FOR ALTERNATIVE DEVELOPMENT	124	NEEM ENVIRONMENT PROJECT
32	COMMUNITY LIVELIHOOD DEVELOPMENT FORUM	125	NEHEMIAH INTERNATIONAL
33	COMMUNITY MOBILISATION FOR ECONOMIC DEVELOPMENT AND ADVANCEMENT	126	NETWORK FOR ECO - FARMING IN AFRICA (NECOFA - KENYA)
34	COMPASSIONATE SOCIAL CARE ORGANIZATION	127	NOBLE CHARITY HOMES FOR DESTITUTES
35	CONVENANT HOME ORGANIZATION	128	NYAMURI CENTER FOR THE EDUCATION OF CHILDREN AND YOUTH WITH DISABILITIES
36	COOPERATIVE HOUSING FOUNDATION INTERNATIONAL	129	OASIS OF HELP ORGANIZATION
37	DECHWA FOR	130	OGRA Foundation

	EMPOWERMENT AND DEVELOPMENT		
38	DEVELOPMENT KNOWLEDGE LINK-AFRICA	131	OMEGA FOUNDATION
39	DEVELOPMENT PROMOTION AND TECHNICAL SERVICES	132	ONE VIBE ENTERTAINMENT FOUNDATION
40	DEVELOPMENT REHABILITATION RELIEF ORGANISATION	133	ORONGO WIDOWS AND ORPHANS PROJECT INTERNATIONAL (K)
41	DISABILITY AND WOMEN DEVELOPMENT STRATEGIES	134	OSIENALA FRIENDS OF LAKE VICTORIA
42	DISABILITY DEVELOPMENT FOUNDATION	135	OUR LADY OF PERPETUAL SUPPORT FOR PEOPLE LIVING WITH HIV/AIDS AND ORPHANS
43	DISABILITY EMPOWERMENT LEADERSHIP TRAINING AND ADVOCACY FOUNDATION	136	PAMBAZUKO LA WANAWAKE MAGHARIBI
44	DISASTER AND HEALTH SUPPORT ORGANISATION	137	PARTICIPATORY COMMUNITY SUPPORT PROGRAMME

45	DISCIPLES OF MERCY ORGANIZATION	138	PARTICIPATORY RESOURCE DEVELOPMENT PROGRAMME
46	Dream Shoots for Children and Community Empowerment (DRESCHICO)	139	PENDEZA AFRICA
47	EBENEZER LIFE CENTRE INTERNATIONAL ORGANIZATION	140	PIONEER CHILD PROJECT
48	ECOFINDER KENYA	141	PORT FLORENCE MEDICAL SERVICES
49	EDEN COMMUNITY DEVELOPMENT ORGANIZATION	142	POSITIVE LIVING AIDS ORPHAN SUPPORT ORGANIZATION
50	EDUCATIONAL RESEARCH AND DEVELOPMENT CENTRE	143	POSITIVE WOMEN GROUP
51	ENDELEVU COMMUNITY DEVELOPMENT SERVICES (ECODS)	144	PRAGMATIC DEVELOPMENT ORGANIZATION
52	ENRICH FOUNDATION	145	RELIEF AND ENVIROMENTAL CARE AFRICA
53	ENTERPRISE INCUBATION AND DEVELOPMENT CENTRE	146	RESEARCH, CARE AND TRAINING PROGRAMME

54	Family Care Foundation Agency – Kenya	147	Roadwise Network (ROWINE)
55	Family Support Community Based Initiatives (FASCOBI)	148	RURAL - KENYA WORLD CULTURAL LINK
56	FANIKIO ORGANIZATION	149	RURAL PARTNERSHIP FOR COMMUNITY ADVANCEMENT
57	FEALTY COMMUNITY DEVELOPMENT INITIATIVES	150	RURAL-KENYA WORLD CULTURE LINK
58	FORUM FOR AWARENESS AND COMMUNITY EMPOWERMENT	151	SAFE WATER & AIDS PROJECT
59	FRIENDS OF RANG'I	152	SARVADEV SHIV MANDIR DUNGA
60	FRIENDS SOCIETY FOR KENYAN CHILDREN	153	SEAS OF LIFE MISSIONS KENYA
61	GENDER AND DEVELOPMENT CENTRE	154	SEVERAL PROJECTS IN ONE ORGANIZATION (SPINO)
62	GIFT OF SIGHT INITIATIVES (GIOSIS)	155	SHEPHERDS ROCK COMMUNITY DEVELOPMENT
63	GIVE US WINGS	156	SOCIAL NEEDS NETWORK
64	GIRL CHILD SOCIO - ECONOMIC SUPPORT CENTRE	157	SOCIAL UNITY FOR LEADERSHIP AND WOMEN EMPOWERMENT

65	GREEN WOMEN AGAINST FOOD INSECURITY	158	SOCIETY FOR HOSPITAL AND RESOURCE EXCHANGE
66	GREENING COMMUNITY ORGANIZATION (GRECO)	159	ST. FRANCIS COMMUNITY DEVELOPMENT PROGRAM
67	HAPPY VILLAGES ORGANIZATION	160	ST. KEZIAH DEVELOPMENT FOUNDATION
68	HARAMBEE IN PROGRESS (KENYA)	161	STEP-UP DEVELOPMENT ORGANIZATION
69	HERITAGE CONSERVATION AND PROMOTION ORGANIZATION	162	SUPPORT FOR RURAL INITIATIVES ENHANCEMENT
70	HIV/AIDS RESEARCH AND ADVOCACY PROGRAMME	163	SUPPORT FOR TROPICAL INITIATIVES ON POVERTY ALLEVIATION
71	IMANI - AFRICA COMMUNITIES DEVELOPMENT AGENCY	164	SUSTAINABLE AID IN AFRICA INTERNATIONAL
72	INITIATIVES IN COMMUNITY EMPOWERMENT FOR HEALTH AND DEVELOPMENT	165	SUSTAINABLE COMMUNITY OPPORTUNITIES FOR RESTORATION AND EMPOWERMENT
73	INTEGRATED	166	TEENAGE MOTHERS AND GIRLS

	REPRODUCTIVE HEALTH SOLUTIONS		ASSOCIATION OF KENYA
74	Intergrated Health Concern Support	167	THE CHARITY ORGANISATION OF KENYA
75	INTERLIFE AID - KENYA	168	The Crossover Development Programme
76	INTERMEDIATE TECHNOLOGY DEVELOPMENT GROUP	169	THE KENYA WOMEN ECONOMIC NETWORK
77	INTERNATIONAL FEDERATION OF EDUCATIVE COMMUNITIES - KENYA	170	THE NIGHTINGALES RURAL HEALTH SERVICES
78	INTERNATIONAL FELLOWSHIP KENYA (INTERFELK)	171	THE STRIVE PROJECT INITIATIVE
79	INTERNATIONAL RESTORATION ORGANIZATION	172	UHAI LAKE FORUM
80	JACARANDA EDUCATIONAL ORGANIZATION	173	UHURU ORGANIZATION (INTERNATIONAL)
81	JAMII BORA TRUST	174	UJIMA FOUNDATION FOR TRAINING AND DEVELOPMENT

82	JITOLEE DEVELOPMENT PROGRAM	175	VALLEY AFRICAN CENTRE
83	KEEPING ALIVE SOCIETIES HOPE (KASH)	176	VICTORIA ISTITUTE FOR RESEARCH ON ENVIRONMENT AND DEVELOPMENT
84	KENYA CHILD AND FAMILY DEVELOPMENT ORGANISATION (KECFADO)	177	VICTORY SUPPORT FOUNDATION
85	KENYA FEMALE ADVISORY ORGANISATION	178	VIJANA MAARUFU DEVELOPMENT ORGANIZATION
86	VOLUNTEER INTERCULTURAL PROGRAMS AND INTERNSHIPS - AFRICA	179	WOMEN IN FISHING INDUSTRY PROGRAMME EDUCATION & DEVELOPMENT
87	WEST KENYA COMMUNITY EMPOWERMENT NETWORK	180	WOMEN IN HEALTH EDUCATION AND ECONOMIC LEVERAGE
88	WEST KENYA ENERGY NETWORK	181	WOMEN'S PROPERTY RIGHTS ORGANIZATION
89	WHITESTONE COMMUNITY BASED CARE	182	Transform Agenda Organization

	ORGANISATION		
90	WIDOWS AND ORPHANS INTERNATIONAL	183	Youth Arena Organization
91	WIFIP EDUCATION AND DEVELOPMENT	184	CENTRE FOR LITERACY AND COMMUNITY DEVELOPMENT
92	WINAM AND NEIGHBOURS DEVELOPMENT ORGANIZATION (WINEDO)	185	Kisumu Development Program
93	WINGS OF HOPE	186	PEAK AFRICA RESEARCH INSTITUTE
		187	HANDS ON COMMUNITY DEVELOPMENT INITIATIVE