THE NON-PROFIT SECTOR IN KENYA

What we know and what we don't know

Popular Version

Karuti Kanyinga and Winnie Mitullah

Institute for Development Studies University of Nairobi

with support from The Aga Khan Foundation, Nairobi

Table of Contents

Chapter 1: Introduction Why are we interested in the non-profit sector?	3
What about the non-profit sector in Kenya?	3
Chapter 2: Growth of the non-profit sector	6
Table 1: Number of non-profit organisations by 7 categories in Kenya (1997-2006)	6
Table 2: Growth of NPOs by 7 categories (1997-2005) in order of amount of change	7
Figure 1: An Overview of Annual growth of NPOs - 1997-2005	7
Explaining Growth	8
Chapter 3: Size and Scope of the Non-Profit Sector	9
Table 3: Significance of the NPO Sector	9
Table 4: NPO employment (paid and volunteer) by ICNPO	9
Outdistances major industries	10
Figure 2: The Kenya Non-Profit Sector Workforce in context	10
Figure 3: Distribution of paid employees and volunteers between service and	
expressive roles in Kenya	11
Similar to Other Developing Countries	
Table 5: NPO workforce as a share of the economically active population	
by different kinds of country	11
Attracts Volunteers	12
Figure 4: Volunteers as a share of the sector workforce in different kinds of country	12
Huge Membership	12
Table 5: Membership in NPO sector in Kenya by ICNPO	13
Mission of Improving the welfare of society	13
NGOs specifically	14 14
Figure 5: Distribution of NGOs by sector 2006	14
Chapter 4: Financing: sources of revenue and expenditure patterns	15
Fees are the dominant revenue	15
Figure 6: Sources of non-profit revenue in Kenya Figure 7: Sources of non-profit revenue - Kenya and different countries	15 15
Table 7: Sources of Revenue by ICNPO fields	16
Figure 8: Sources of Non-profit Revenue b field	17
Figure 9: Sources of revenue including volunteers	18
NGOs are dependent on External donors	18
Self-help community groups are self-reliant	19
Expenditure pattern	19
Figure 10: NPOs expenditure by field 119	17
Chapter 5: Conclusions and policy implications	20
Annex: Main Fields of Activities of Non-profit Organisations according to the International Classification of NonProfit Organisations (ICNPO)	21

CHAPTER 1

INTRODUCTION

Why are we interested in the non-profit sector?

It is widely recognised across the world, including Kenya, that the last two and half decades have witnessed unprecedented growth in number and activities of private non-governmental institutions. Some have described this growth as a 'global associational revolution'. Some of these organisations were formed to complement state services in response to the declining capacity of the state to carry out development. Some were formed to provide alternatives to the state – in education, in protecting the environment, in health, economic activities, in improving local water systems, and generally in improving human welfare.

Different terms have been used for these organisations. In this publication, the term Non-Profit Organisations (NPOs) is used in general and refers specifically to organisations that are private; organised; not primarily commercial (non profit distributing to directors or owners); self-governing; and voluntary.

What about the non-profit sector in Kenya?

Kenya has not been exempt from this 'global revolution'. From the late 1980s, the country has witnessed increased proliferation of organisations carrying out non-profit work. The last three decades has witnessed unprecedented growth in number and activities of these organisations. The volume of resources controlled by the sector has also grown, if activities carried out by non-profits are anything to go by.

The non-profit sector in Kenya comprises a very diverse grouping of organizations ranging from small welfare and community based or localised traditional welfare associations to large and secular social-economic organizations. In this study we have divided NPOs into 7 different categories, and the list which follows gives you some idea of the kind of Kenyan organisations that are meant by each category.

Category of NPO	Examples of Kenyan organisations in each category
NGOs	
Cooperatives	
Foundations/Trusts	
Unions	
Womens Groups	
Youth Groups	
Self Help Groups	

Although NPOs have grown in number, diversity of activities, and in importance for fostering social change, we do not have sufficient data about them to improve our knowledge on the capability of non-profit organisations for development in Kenya. There are no systematic studies determining what their capabilities really are. Furthermore, there is little systematic

information on their basic features. In particular, not much knowledge has been generated about the actual size, scope and structure of the Kenyan NPOs.

What this booklet is about

The primary aim of this publication is to set the stage for deepening our knowledge of the non-profit sector in Kenya. It contains figures on the growth, scope of activities, revenue and expenditure patterns of NPOs.

The aim of both documents is to deepen our knowledge of the non-profit sector in Kenya. It contains figures on its growth, size and scope, financing, and gives conclusions and policy implications

This publication is based on findings of a study conducted in collaboration with Johns Hopkins Non-Profit Sector Project in the period between 2000 and 2001 and updated where possible. It is produced with support from the Aga Khan Foundation.

This is a popular version of a longer document called "The Non-Profit Sector in Kenya – Structure, size, scope and financing" also available from the Institute for Development studies of the University of Nairobi.

CHAPTER 2

GROWTH OF THE NON-PROFIT SECTOR

The non-profit sector has witnessed a huge growth rate throughout the post-colonial period. From a few hundreds at independence in 1963, the number has increased to thousands of organisation. Tables 1 and Table 2 shows the growth in the number of non-profit institutions from 1997 to 2006. However, bear in mind that there are difficulties obtaining accurate and reliable data on the sector. The National System of Accounts does not have systematic data on non-profits. The source of data reported here includes administrative records of various ministries and it is difficult to ascertain if they are complete and accurate.

A review of records for the period between 1997 and 2005 reveals that there were about 350,000 'registered' non-profits organisations (NPOs) in the country in 2005. This figure includes those registered under different laws and different ministries.

Table 3: Number of non-profit organisations by 7 categories in Kenya (1997-2006) ¹ in order of magnitude in 2005

	1997	1998	1999	2002	2003	2004	2005
Self-Help Groups	16,208	17,805	18,651	46,288	91,139	157,458	185,722
Womens Groups	85,205	97,317	107,080	122,441	127,951	133,135	135,294
Youth Groups	3,426	3,765	4,283	5,538	9,978	10,945	11,083
Cooperatives	7,500	8,669	9,151	9,928	10,204	10,546	10,867
NGOs	836	831	1,254	2,280	2,789	3,185	4,099
Foundations/Trusts	17	17	18	231	212	231	223
Unions	67	68	70	89	93	96	99
TOTAL	113,259	128,472	140,507	186,795	172,375	315,596	347,387

Source: Administrative records of various government agencies/departments (excluding 2000 and 2001 whose records were incomplete).

As can be seen the largest number of NPOs are Self-Help Groups, then Womens Groups, much more numerous than the other categories.

The actual number of NPOs could be well above this figure because there is no systematic way of obtaining data on youth groups and self help groups. Some of the districts have not been providing head offices with accurate data on annual registration of these groups. Furthermore, there are many groups that are operating without registration under any of the legal and administrative regimes. These groups, however, fit the criteria of NPOs in many respects. The figures, therefore, are indicative of what is going on, but do not tell the whole story on the size of the sector. They are nonetheless used here to give an idea about the direction of growth of the sector.

5

 $^{^{1}}$ As you can see data for 2000 and 2001 is missing because of gaps in the records of different government departments. Moreover, no ministries have any data on organisations that ceased to exist. .

Table 4: Growth of NPOs by 7 categories (1997-2005) in order of amount of change

	1997	2005	% change
Foundations/Trusts	17	223	1311%
Self-Help Groups	16,208	185,722	1145%
NGOs	836	4099	490%
Youth Groups	3426	11,083	323%
Womens Groups	85,205	135,294	159%
Unions	67	99	147%
Cooperatives	7500	10,867	144%
TOTAL	113,259	347,387	307%

As we can see, over the eight years the number of NPOs increased three fold, while foundations/tusts increased 13 times, Self-help groups increased 11 times, NGOs increased 5 times, and Youth groups increased 3 times.

Figure 1: An Overview of Annual growth of NPOs - 1997-2005

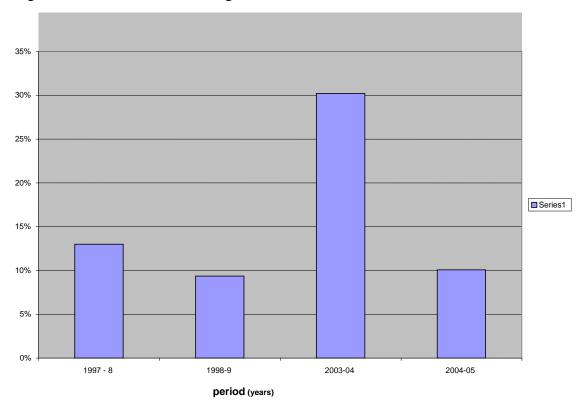


Figure 1 shows that the highest growth was in number of NPOs was in the 2003 - 2004 period. This is probably the result of a new political environment brought about by a new government coming to power.

Explaining growth

Several factors account for the growth of NPOs.

First is the country's rich tradition of philanthropy and volunteerism with roots in the communal relationships of an African society. *Harambee* (pooling together of resources to provide basic services) is an expression of this tradition and the spirit of volunteerism. This tradition is the foundation of non-profit initiatives in the country.

Secondly, the capacity of the state to provide basic services has been on the decline linked to a sluggish economic growth rate. Structural adjustment programmes were introduced and these subsequently reduced the governments ability to provide services. NPOs filled the gaps in service provision throughout the 1990s.

Thirdly - though not in relation to all the different kinds of non-profits – donors shifted their attention and funding to NGOs. Increased disbursements through NGOs led to the mushrooming of NGOs who in turn used local community organisations as their entry point for development work.

CHAPTER THREE

SIZE AND SCOPE OF NON-PROFIT SECTOR

The non-profit sector is a significant economic force in Kenya. In 2000, the sector accounted for about US\$270 million in expenditure. This was equivalent to 2.5% of the Gross Domestic product (GDP) whose significance is seen below

Table 3: Significance of the Non-profit Sector

US\$ 269.7 million expenditure		
in 2006	product (GDP)	
Representing:		
The equivalent of 177,075 full time paid employees		
The equivalent of 113,873 full time volunteers		
2.1% of the economically active population		
 16.3% of those not employed in agriculture 		
 42.6% of those employed by the public sector 		

Source: Organisational survey

In carrying out their activities, NPOs engage labour on a full time, part time and volunteer basis. In 2000, the sector had a workforce (both paid and volunteer) equivalent to over 290,000 full-time workers. This was equivalent to 2.1 percent of Kenya's economically active population, and 16.3 percent of its non-agricultural employment.

We can break this information down by looking at the sub-sectors in which the NPO labour works. This is listed under the categories of the International Classification of NonProfit Organisations (please see Annex 1, page 18 for an explanation of this)

Table 4: NPO employment (paid and volunteers) by ICPNO

ICPNO	Paid Employment		Volunteers	
	No.	%	No.	%
- Culture & recreation	7,096	2.0	6,491	6.3
- Education & research	20,962	5.8	10,060	9.8
- Health	7,350	2.0	10,008	9.8
- Social services	223,970	62.0	14,294	14.0
- Environment	7,842	2.2	3,656	3.6
- Development & housing	33,729	9.3	24,125	23.6
 Civic and advocacy 	9,434	2.6	5,659	5.5
- Philanthropy	636	0.2	167	0.2
- International activities	0.00	0.00	0.00	0.0
- Religion	2,155	0.6	1,523	1.5
- Professional associations	1,837	0.5	2,401	2.3
- Others	46,478	12.9	23,887	23.4
Total	361,489.	100.0	102,271	100.0

Source: Organisational survey.

Outdistances major industries

The non profit sector employs 43 people for every 100 people employed in the public sector. In other words, the sector employs almost half (43 percent) as many people as the public sector. It also employs more people than the major industries in the country – utilities, construction, transport and manufacturing as you can see from the graph below

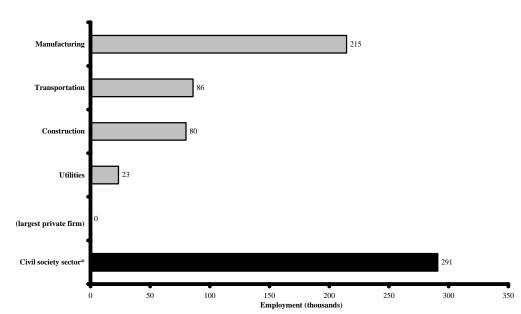


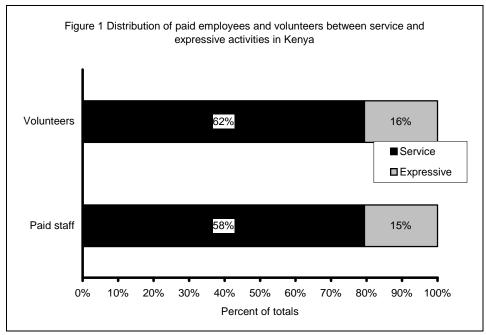
Figure 2: The Kenya non profit sector workforce in context

* Including volunteers

Volunteers and paid staff work in two basic roles: service and expressive. In the <u>service</u> role they undertake activities in education, health, social services, development and housing. In the <u>expressive</u> role the undertake activities in culture/recreation, professional work, union work, civic activities, advocacy, and the environment..

In Kenya both paid staff and volunteers work much more in the service activities than expressive activities – see graph on the next page. This is common in many developing and transitional countries. The main variation in Kenya is that a much larger share of the workforce is engaged in community development and housing than is the average for other countries.

Figure 3: Distribution of paid employees and volunteers between service and expressive activities in Kenya



Source: Johns Hopkins Comparative Nonprofit Sector Project

Similar to other developing countries

The Kenyan non-profit sector workforce is 2.1% of economically active population. This is larger than those in most other developing and transitional countries where the figure is 1.9%, but smaller than those in the developed countries where The Kenyan figure is higher than the developing and transitional country average (2.1 vs. 1.9 percent) but much smaller than those in the developed countries where the figure is 7.4%. Consequently, it falls well below the all-country average. The Kenyan Nonprofit sector workforce is also smaller than those in other African countries which average 2.5 percent of the economically active population.

Table 5: Non-profit workforce as a share of the economically active population by different kinds of country

Developed countries	xxxxxxxxxxxx
Kenya	xxxx 2.1%
Developing and Transitional countries	xxxx1.9%
35 country study ²	Xxxxx4.4.%

Source: Johns Hopkins Comparative Nonprofit Sector Project

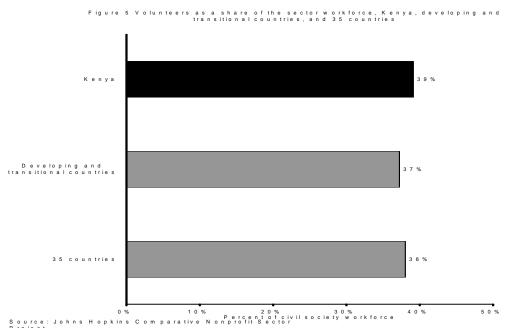
_

² The John Hopkins Study has data from the following 35 countries: Netherlands, Belgium, Ireland, US, UK, Israel, France, Norway, Sweden, Australia, Germany, Finaldn, Australi, Argentina, Spain, Japan, Italy, South Africa, Egypt, Peru, South Korea, Colombia, Uganda, Kenya, Tanzania, Czech Republic, Philippines, Morocco, Brazil, Hungary, Pakistan, Slovakia, Poland, Romania, Mexico

Attracts volunteers

The Kenyan non-profit sector not only employs a significant number of paid workers, but also involves the work of thousands of volunteers. 114,000 volunteers made up the equivalent of 250 full time workers in the sector in 2000. These 114,000 volunteers, both men and women, illustrate the very nature of the sector: Volunteerism as an important component of the sector.

The survey data suggests that the actual number of people who volunteer is significantly higher—almost 1.0 million people, or approximately 6 percent of the adult population. On the whole, volunteer participation in Kenya is slightly above the developing and transitional country and all country averages. Figure 6 compares Kenya against other countries.



In Kenya, the majority of the volunteers are in the development and housing sub-sector which accounts for about 23.6% of the total number of volunteers. Other sub-sectors with relatively high volunteerism are education and research (9.8%), health (9.8%), culture and recreation (5.5%) and environment (3.6%). The findings also show that volunteering is considered a religious and moral obligation. The majority of the volunteers do so because their religions require them to do so.³

Huge membership

The estimate for total membership of non-profit organisations in Kenya was about 5 million members in 2000 or about 17 per cent of the national population. The non-profit sector draws a wide range of members distributed among different activities areas, as can be seen in the table below:

-

³ See The Giving and Volunteering in Kenya. IDS Mimeo

Table 6: Membership in NPOs in Kenya by ICNPO category

ICPNO	Estimated Membership	% share in total
		membership
- Culture & recreation	1,096,882	21
- Education & research	375,949	7
- Health	695	0
- Social services	831,480	16
- Environment	451,709	9
- Development & housing	1,567,722	30
- Civic and advocacy	194,460	4
- Philanthropy	1,691	0
- International activities	0	0
- Religion	51,811	1
- Professional associations	111,034	2
- Others	528,580	10
Total	5,212,012	100

Source: Organisational survey

Mission of improving the welfare of society

Organisations in the non-profit sector engage in a variety of activities. The data from this survey reveals that economic empowerment and improvement of the welfare of communities are the main objectives of many of the organisations. Asked to state the mission of their organisations, half of the organisations (52.2%) mentioned enhancement of social and economic welfare and development of communities as their main mission. Still others cited helping the disadvantaged and providing services to communities.

Table 7: Mission of non-profit organisations

Mission/activities	Per cent
Enhancement of social and economic welfare	52.2
Helping the disadvantaged groups	10.8
Women rights advocacy and empowerment	4.3
Economic empowerment	4.4
Health care services	8.3
Promotion of spiritual growth	5.8
Foster welfare of professionals	3.4
Civic education and community awareness	4.1
Provide legal aid and awareness	0.8
Support small scale business	2.5
Support small scale farming	3.4
Total	100

Source: Organisational survey

Similar responses were obtained with regard to what organisations considered to be their main activities or programme areas. Economic empowerment and social and religious services dominated (17.6 and 15 per cent respectively). 12.5% considers education services as their main areas of engagement. Other significant sectors include capacity building (8.7%) business and financial (7.4%).

NGOs specifically

If we look at the particular kind of NPOs called NGOs, we see a similar pattern.

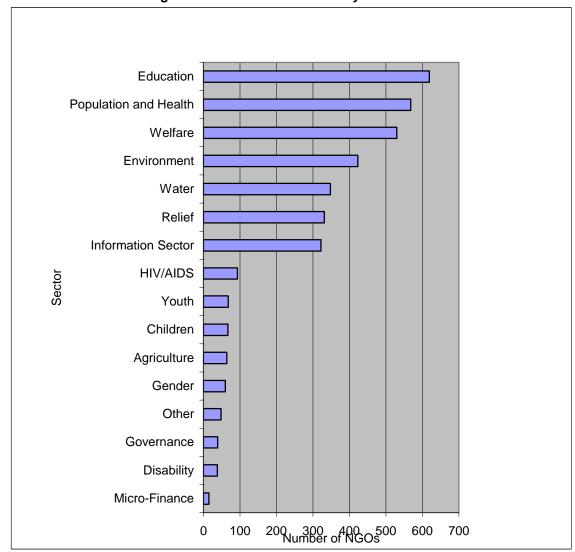


Figure 5: Distribution of NGOs by sector in 2006

Source: Data from NGO Bureau

This shows a very clear picture of the areas in which NGOs work. These are possibly also areas in which donors are prepared to fund NGOs, since NGOs are dependent on donors than other NPOs – see next chapter.

CHAPTER FOUR

FINANCING: SOURCES OF REVENUE AND EXPENDITURE PATTERNS

Two important measures of the size of non-profit sector are revenue and operating expenditures. But because we have so little data in these two areas, people have often raising questions about whether the sector is sustainable. This section provides insights on the revenue structure and expenditure patterns of the non-profit sector. The findings show that external sources of funding are not significant in terms of total revenue for the sector, apart from NGOs which rely almost exclusively on external sources. Fees and charges are much more significant as a source of revenue to most NPOs.

REVENUE

Fees are the dominant revenue

The findings show that about 81% of the cash revenue comes from fees such as property income and membership fees. 14% comes from all sources of private philanthropy, including individuals, foundations, corporations, and foreign donors. Another 5 per cent is from the public sector see the graph below:

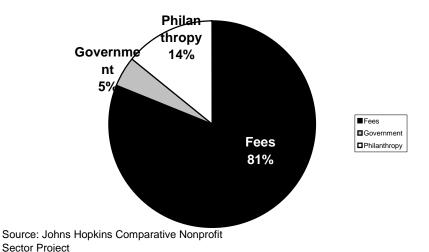
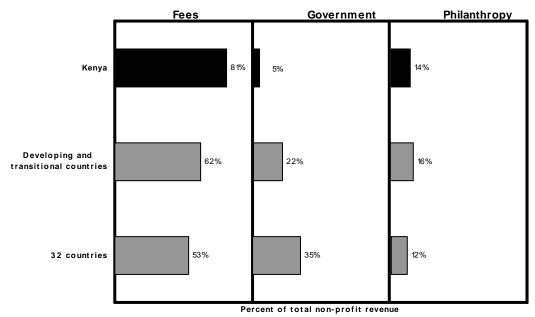


Figure 7 Sources of nonprofit revenue in Kenya

Compared to other countries, the Kenyan non-profit sector relies much more substantively on fees and charges. The Fees share of the revenue is significantly larger than in other developing and transitional counties. Figure 10 shows revenue by source in Kenya compared to elsewhere.

Figure 7: Sources of non profit revenue, Kenya and elsewhere



Source: Johns Hopkins Comparative Nonprofit Sector Project

The sector receives a much smaller share of its revenue from the public sector than other developing and transitional countries (22%) and also less than is the case in all 32 countries (35%). The government's contribution to the sector is relatively small compared to elsewhere. Philanthropic sources of revenue appear to be at the same level with what obtains elsewhere.

Table 8: Sources of revenue by fields

ICPNO	total national	Sources (%)	Philanthropy	Fees
- Culture & recreation	7.3		7.80	92.2
- Education & research	13.6		20.10	67.3
- Health	2.0	0.40	0.00	99.6
- Social services	15.2	4.80	12.80	82.4
- Environment	8.4	19.00	32.40	48.7
- Development & housing	25.8	2.50	6.60	90.9
- Civic and advocacy	3.0	0.00	48.60	51.4
- Philanthropy	0.7	0.00	0.00	0
- International activities	0.0	0.00	0.00	0
- Religion	1.1	0.00	72.80	27.2
- Professional associations	1.7	0.00	1.10	98.9
- Others	21.1	0.40	10.70	89
Total	100.0	- C		

Source: Organisational survey, IDS Johns Hopkins Comparative Non-profit sector project

Numbers in Table 8 also show that the development and housing sectors have the largest revenue base (25.8 per cent). Social services and education follow with 15.2% and 13.6% respectively). Environment also is significant compared to others. However, in the majority of cases, fees dominate as the main source of revenue. Fees accounts for about 91 per cent of revenue in development and housing and about 100 per cent in the health sub-sector, as we can see from the graph below:

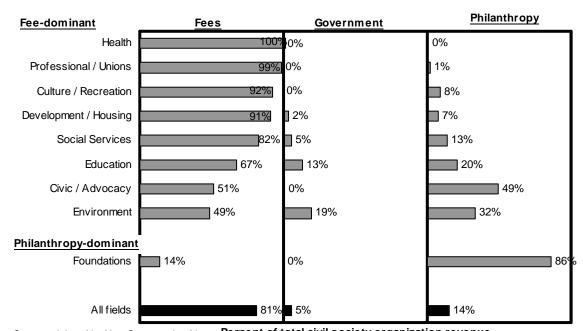


Figure 2: Sources of Non-profit revenue in Kenya by field

Source: Johns Hopkins Comparative Nonprofescents of the Sent of the Civil society organization revenue

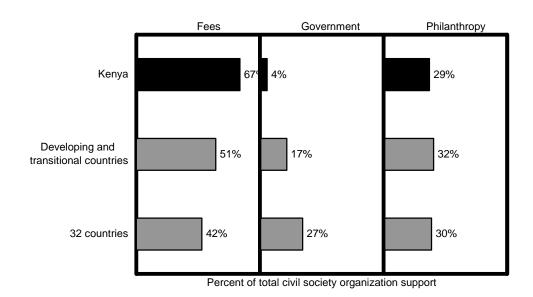
Estimates also show the relative unimportance of the government as a source of revenue for the non-profit sector in Kenya. Apart from environment, education, social services and development (which receive little), the other sub-sectors receive little or no assistance from the government.

This pattern of revenue differs from what is found in other countries. The non-profit sector in Kenya relies much more on fees and dues than its counterparts elsewhere. As shown in figure 7 the fees share of the Kenyan sector is larger than the developing and transitional country and the all country averages. Figure 10 shows the structure in which volunteer input is included.

If we treat contributions of volunteer time as part of philanthropy, the philanthropy share of civil society support in Kenya increases from 14 to 29 percent. This is on a par with what obtains in the developing and transitional country average (32 percent) and the all-country average (30 percent), but below other African countries (on average, 46 percent of the total non-profit support.

Fees, nonetheless, remain significant – at 67% while government support remains minimal at 4% - much less than developing and transitional country, and much less than the 32 country average.

Figure 9: Sources of revenue including Volunteers



If we analyse by the main fields we see a changed structure. With the value of volunteers added, private philanthropy becomes the main source of support in three fields: foundations and philanthropic intermediaries (875), health (675), and civic and advocacy activity (625).

NGOs are dependent on external donors

Of all the nonprofits, NGOs tend to rely exclusively on external sources of funding. Analysis of 2005 data shows donors as the largest and the main source of their income. NGOs generate only a small share of revenue from their own sources. About 1339 NGOs or 33% of 4,099 NGOs registered by 2005 reported on their sources of funding. The total revenue was about \$285 million. Of this amount, close to 90% came from donors. About 6% of the revenue came from 'own sources' while private sources (including foundations) and individuals contributed the rest. **Table 9** shows the contributions by source in 2005.

Source	Amount in K.sh	% share
External donors	17,893,628,964	88.4
Own Sources	1,197,656,417	5.9
Private	819,537,088	4.0
Individuals	331.336.423	1.6
TOTALS	20,242,158,892	100.00

Source: compiled from NGOs' returns, NGOs' Bureau.

Self help community groups are self reliant

Local community groups depend largely on their own sources of funding - largely member contributions.. Although it is difficult to obtain adequate data on self help groups, data on women groups for period between 2001 and 2006 shows that 97% of their revenue came from contributions from members. Government contributed only 3% in the form of grants.

EXPENDITURE

Expenditure patterns

The non-profit sector in Kenya accounted for \$270 million in expenditures in 2000. This amount represents 2.5 percent of the nation's gross domestic product (GDP), as reported below. The expenditure of all NPOs in the country is also estimated at about 2% of the total government expenditure in the country.

Examining the different fields, the estimates show that development and housing is by far the most important component. It accounts for about 27% of the total NPO operating expenditure. The other important sub-sectors in order of their contribution are social services (12%), education and research (11%), environment (11%), culture and recreation (6%) civic and advocacy (6%) and professional associations (2%), health (2%) and religion (2%). Philanthropy, international activities separately account for less than 2% of the total operating expenses. Sub-sectors not elsewhere classified account for the remaining 18% of the total operating expenses.

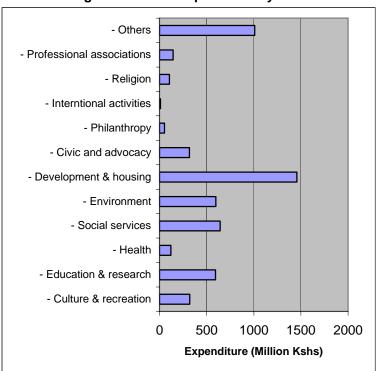


Figure 10: NPOs expenditure by field

CHAPTER FIVE

CONCLUSIONS AND POLICY IMPLICATIONS

The findings bring out important basic features of non-profit organisations in Kenya. Significantly, the findings show that Kenya has a large non-profit sector compared to other developing and transitional countries. The sector is an important employer, employing about 2.1 percent of the economically active population. It is about 43% of the size of public sector. Furthermore, the workforce in the sector exceeds that of the country's manufacturing sector.

The sector provides important services to the Kenyan society. Non-profit activities are widely spread throughout the country. Most of the organisations are motivated by the need to promote economic empowerment and social development. Organisations in the sector aim at responding to societal needs.

Sustainability of the sector is not in doubt. The sector is largely dependent on fees and charges. Contrary to popular opinion – based especially on absence of data – the sector does not depend entirely on external sources of financing. Only NGOs appear to have external donors as a significant source of their funding. But NGOs are a very small component of the whole of the non-profit sector – about one per cent - and therefore their reliance on donors does not affect the sustainability of the sector as a whole.

It is important to underline that there have been no studies on the potential of the non-profit sector in Kenya. The findings presented in this study constitute an important reference point for future studies on the sector. Policy makers and practitioners will find this data an invaluable source of information on the sector.

The findings, simply put, tend to give legitimacy to the sector in terms of its contributions to development and employment creation. The sector has proven to be an important agent in facilitating economic development, providing social services and empowering different groups in Kenya. It is important that this role be fully recognised and utilised by both the government and international development partners. An enabling policy framework for the entire sector, let alone NGOs, is required to fully tap the potential of the sector.

Appendix 1: Main NPO fields and activities by ICNPO

ICPNO	ACTIVITIES
Culture &Recreation	Visual and performing arts Media and communication Sports and social clubs Cultural shows and entertainment
Education and Research	Primary and secondary education Vocational training Adult education Social science research Policy Research
Health	Hospital care, rehabilitation services Home-based care Psychiatric treatment and advice Mental health treatment Emergency medical services Public health education
Social services	Care for children, the elderly, and the handicapped Emergency and relief Assisting refugees Income and material support Temporary shelters
Environment	Environmental awareness Conservation of natural resources /erosion control Animal care Environmental beautification
Development and Housing	Economic and social development Construction of houses Training in construction Consumer protection
Civil and advocacy	Lobbying and advocacy Civic education and legal services Victim support and rehabilitation
Philanthropy	Grants and fundraising Promoting voluntarism
International activities	Cultural exchanges Relief services and disaster management
Business and professional	Professional exchanges Business promotions
Religion	Preaching, ceremonies and associations