FACTORS AFFECTING THE SUSTAINABILITY OF DEVELOPMENT PROJECTS OF NON-GOVERNMENTAL ORGANIZATION IN KENYA- A CASE OF NGOS IN NAIROBI

NAOMY CHELANG'AT RONO

D53/0L/4092/04

Project report submitted in partial fulfilment of the requirements for the award of the degree of Master of Business Administration in the School of Business of Kenyatta University.
DECLARATION

This project is my original work and has not been submitted for a degree in any other university.

Signature ..................................Date........................................

Naomy Chelang’at Rono
D53/OL/4092/04

This proposal has been submitted for examination with my approval as the university supervisor.

Supervisor’s signature ........................Date........................................

Ms. Gladys Kimutai
Department of Management Science

Signature ..................................Date........................................

Head of Finance and Accounting Department
DEDICATION

Bosek, parents Mr & Mrs Joseph Rono ............... This is for you.
ACKNOWLEDGEMENT

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<tr>
<td>ACK</td>
<td>Anglican Church of Kenya</td>
</tr>
<tr>
<td>CIDA</td>
<td>Canadian International Development Agency</td>
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<td>DAC</td>
<td>Development Assistance Committee</td>
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<td>FAO</td>
<td>Food Agricultural Organization</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>ICT</td>
<td>Information and Communication Technology</td>
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<td>MYWO</td>
<td>Maendeleo Ya Wanawake Organisation</td>
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<tr>
<td>NGO's</td>
<td>Non Governmental Organizations</td>
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<tr>
<td>NR</td>
<td>No Response</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<td>UN</td>
<td>United Nations</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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<td>WC</td>
<td>World Concern</td>
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<td>YMCA</td>
<td>Young Men Christian Association</td>
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<td>YWCA</td>
<td>Young Women Christian Association</td>
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<td>WATSAN</td>
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Financial Sustainability:

Financial sustainability is the assessment that a project will have sufficient funds to meet all its resource and financing obligations, whether these funds come from user charges or budget sources; will provide sufficient incentive to maintain the participation of all project participants; and will be able to respond to adverse changes in financial conditions. (ADB, 2004)
ABSTRACT

Kenya like other developing countries all over the world has experienced an emergence of many NGOs both local and international in the recent past. All of these NGOs implementing various projects in the country, the question that ranges is, how sustainable are these developmental projects? Do they last or these projects collapse as soon as the donor pulls out?

The objective of the study was to investigate the factors that affect the sustainability of NGOs in Kenya. In this respect the study focused on the NGOs in Nairobi. The research design was descriptive and a survey method was employed using structured questionnaires that were completed by the employees of the sampled one hundred and fifteen NGOs in Nairobi. These NGOs were selected randomly from the 384 registered NGOs in Nairobi. The data derived was then be analyzed using descriptive statistics and presented in form of tables and figures. The independent variables are: project conceptualization, financial systems and funding while the dependent variable is the sustainability of NGO development projects.

The major findings of the study as per the specific objectives of the study were: firstly that during project conceptualization the general leadership of the NGO is involved although the level of involvement varied as was evidenced by the scores as per the questionnaires in the project conceptualization section.

The second finding was that a majority of NGOs had in place stringent accounting measures but needed to improve on controls and especially on control of project assets. While thirdly that NGOs utilize various sources of funding to run the projects.

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The study further revealed that dependence on grants was high with low utilization of internal resources and exploitation of the service offered to provide a descent return was lacking.

The conclusion from the findings was that NGOs do involve their staff through their leaders in conceptualization of projects and that the NGOs had inadequate control systems especially with regard to project assets. It was further concluded that there was a high dependence on external funding with little effort at offering project services and near market rates to generate adequate revenue streams. The overall conclusion therefore was that project conceptualization, financial systems and funding had an effect on the sustainability of developmental projects of NGOs.

It is recommended that the NGOs encourage the development of ventures based on the needs of the surrounding environment. Further, financial controls according to best practices should be emphasized at all levels of the organization and internal sources of funds should be developed and harnessed in order to yield consistent and growing revenue streams.
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the study

NGOs play a significant role in the social development process in all regions of the world. They are particularly critical in circumstances where State funds are limited, political situations are fluid, natural disasters resulting from both predictable and unpredictable environmental circumstances occur, ethnic strife is rampant, and the level of per capita income severely restricts the ability to purchase needed goods and services – social, educational and economic.

Financial sustainability with special regards to projects has been defined by the Asian Development Bank (ADB, 2004) as the assessment that a project will have sufficient funds to meet all its resource and financing obligations, whether these funds come from user charges or budget sources; will provide sufficient incentive to maintain the participation of all project participants; and will be able to respond to adverse changes in financial conditions. It also means financial continuity and security (A. Fowler) in that “the organization and its core work will not collapse if external funding is withdrawn” (M. Norton)

According to Dorothy A. Johnson (2007) Center for Philanthropy & Nonprofit Leadership (2002-2007), financial sustainability is the ability of an organization to develop a strategy of growth and development that continues to function indefinitely.
This implies that organizations need to have proper strategies covering advocacy, foundations and fundraising, governance, management and leadership among others.

NGOs have through history been vehicles through which vital services to communities have been provided. Significant contributions have been made by NGOs in strengthening the livelihoods of individuals, families and communities. The NGOs in Kenya operate in areas including: Economic Empowerment, Charity, Advocacy, Health, Environment, Education, Information and Communication Technology ICT, Civic Engagement, Foundations, Arts & Culture, Corporate Social Responsibility, and Research Think Tanks, to name a few. Since Kenya's Independence in 1963, NGOs have provided many of the social services that the government has not been able to provide. Moreover, NGOs have strengthened the civil sector to give the Government of Kenya the support and critical eye that it needs to progress.

The government, funders, NGOs and other stakeholders recognize the fact that, NGOs are partners in the social-economic development of Kenya and that an enabling and well regulated environment is a necessary prerequisite for the good and smooth operations of NGOs. Voluntary development initiatives in Kenya have their basis in the emergence of church-based and secular organizations independent of the state in the colonial period. Mention must also be made of local welfare organizations formed by migrant workers in the colonial period in the major towns, such as the Kavirondo Taxpayers’ Welfare Association, some of which took on political overtones during the decolonization struggle.

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Voluntary development initiatives in Kenya also have their basis in the Harambee motto. Harambee means pulling together for mutual assistance. NGOs in Kenya draw much of their local contemporary strength from Harambee roots. Through Harambee people in a given locality would organize themselves to accomplish certain production tasks and assist members in need. Through Harambee communities mobilized themselves and their resources and contributed freely to efforts to build local schools, health clinics, water-wells, cattle dips and later, village polytechnics. According to the NGO Council (2007), there are 4,700 registered NGO's in Kenya, both local and international whilst there are 384 registered NGOs in Nairobi alone.

1.2 Statement of the problem

Development initiatives started by NGOs have seemed to perform poorly and many seemingly becoming non-operational soon after termination of donor funding. According to Nturibi (2004), for a development project to be financially sustainable, it requires a sound financial base arising from reliable sources of funding, financial systems to facilitate accountability and cash flow projections and development of marketable products and services to generate excess income over the expenditure of the project.

Cases abound where NGO initiated projects end up folding even those with the best of intentions. In Somalia, when a Swedish NGO pulled out of the country’s capital city Mogadishu, it became an end to its Education and health projects it had implemented for several years. Still in Somalia along the Juba River, same shallow wells are rehabilitated an NGO year in, year out, the project is becoming unsustainable.
A research done by AusAID on government funded NGO projects in Africa in the year 2001 covering 7 NGOs which included 4 in South Africa, 2 in Tanzania and 1 in Zambia indicated that, out of the 7 projects funded by Australian government in those NGOs in Africa, two of them which form about 30% of the funded projects were not sustainable (Quality Assurance Series 2000). AusAID recommended that sustainability is an issue that should be addressed more realistically and vigorously by the NGOs.

Here in Kenya, a water pan in Laikipia where an NGO invested Kenya Shillings 4 Million in it in the year 2002 is now grass that has grown on it, the project was not sustainable. Diane. B (2007); The World Concern (WC) Africa director on the closure of WC micro-credit program in Kenya reiterated “the management has been struggling with how to make our micro-credit program sustainable... we wrestled with what to do with micro-credit. Each year it takes significant resources to maintain with no hope of becoming sustainable”

To this point, it is very clear then that there is a gap that exists-sustainability of developmental projects initiated by NGOs and is a problem that needs to be addressed, or else it will jeopardise the otherwise well wished developmental initiatives. This study is aimed at generating new and additional knowledge based on empirical evidence to guide the NGOs to realize the goal of financial sustainability of its development initiatives.

1.3 Objectives of the study

The broad objective of the study was to investigate the factors affecting financial sustainability of development ventures of NGOs in Kenya in general and in particular the NGOs in Nairobi.
The study was based on the following specific objectives:

1. To establish how project conceptualization affects its sustainability.
2. To establish the effects of financial systems employed on financial sustainability of development projects.
3. To determine how fundraising techniques employed by the NGOs affect the sustainability of projects.
4. To give recommendation on how sustainable NGO implemented projects would be attained.

1.4 Research questions

The study will sought to answer the following questions:

1. How does project conceptualization affect its sustainability?
2. What effect do financial systems employed have on the sustainability of projects?
3. How do the fundraising techniques employed by the NGOs affect the sustainability of development projects?

1.5 Importance of the study

NGOs play a crucial role in the society; they are a vehicle to which the government and other agencies channel their resources to help the community and the poor of the poor. "They diffuse political anger and dole out as aid or benevolence what people ought to have by right" (A. Roy).
With a lot of funds going into projects and with increased need of interventions especially in the social aspects of life including health, education and food security it is important to study and determine the factors that affect the sustainability of these projects. This project report will therefore be of great use to the following groups:

1. The NGO fraternity and more specifically in Kenya. They will benefit from the findings of this study by gaining an insight on how well the NGOs can manage their development projects to ensure their sustainability.

2. The NGO Council will also benefit from the findings of this study as it will know how best to support the NGO sector in an attempt to fulfil its mission of providing efficient services, coordination and facilitation to the sector in order to enhance the contribution to the socio-economic development and improvement of the welfare of the people.

3. The Government of Kenya, the findings of this study will enable them to offer assistance to the NGOs as they implement development projects which promote poverty reduction.

4. Future researchers and academicians will also gain from this study as it will provide them with reference information for further studies.

1.6 Scope of the study

Various NGOs in Kenya have many development projects in various parts of the country. Most of these projects are on health, advocacy, education, water and sanitation. This study was carried out on NGOs in Nairobi and specific focus was on 115 NGOs which were randomly selected.
1.7 Limitations of the study
The study was limited to the NGOs in Nairobi area only due to financial, time constraints and other logistics.

1.8 Assumptions of the study
1. The sampled NGOs represents the entire population of NGOs in Kenya
2. The interviewees gave all the information without any reservations

1.9 Chapter summary
This chapter has highlighted the areas of the intended study with emphasis on the understanding of project sustainability. The next chapter will consider the literature review according to the research objectives.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

An NGO is a non-profit agency not affiliated with any government or private sector entity, devoted to managing resources and implementing programs/projects/activities with the goal of addressing social problems. Most of these efforts are geared towards attaining the Millennium Development Goals (MDGs) set by the UN summit meeting held in New York, USA in 2000. For this reason, most of these NGOs receive funding from both national and international donors to implement projects in the communities. The donors may include: individuals, charitable organizations, bilateral and multilateral institutions like International Monetary Fund (IMF), World Bank, United States Agency for International Development (USAID), Canadian International Development Agency (CIDA) and Food and Agricultural Organisation (FAO).

The non-governmental Organisations (NGO) are increasingly being recognized by governments everywhere as potent forces for social and economic development, important partners in national development, and valuable agents in promoting the qualitative and quantitative development of the Gross Domestic Product (GDP). The government, funders, NGOs and other stakeholders recognize the fact that NGOs are partners in the social-economic development of Kenya. Grants management is a necessary prerequisite for the good and smooth operations of these NGOs.
Voluntary development initiatives in Kenya have their basis in the emergence of church-based and secular organizations independent of the state in the colonial period. The church-based organizations were formed to address relief and welfare issues. Voluntary development initiatives in Kenya also have their basis on the Harambee motto. Harambee means pulling together for mutual assistance. NGOs in Kenya draw much of their local contemporary strength from Harambee roots. Through Harambee people in a given locality would organize themselves to accomplish certain tasks and assist members in need. Through Harambee communities mobilized themselves and their resources and contributed freely to efforts to build local schools, health clinics, water-wells, cattle dips and later, village polytechnics.

Huge funds are poured into the coffers of the NGOs for development, social justice, human rights, grassroots democracy, etc. In the past decade the World Bank and other UN agencies have been insisting that funds should be utilised through the NGOs. So do the various governments.

At independence Kenya faced serious incidence of floods and famine. The country became an international centre of focus and an entry point for many foreign relief agencies and local voluntary organizations. Many local volunteer and civil society bodies such as the Young Women Christian Association (YWCA), Young Men Christian Association (YMCA) and Maendeleo Ya Wanawake Organization (MYWO) expanded their activities during and after this period. By the late 1970s, Kenya had about 120 NGOs, both foreign and national, which were involved in more than relief and welfare activities.
The NGOs had expanded their scope to include community development activities in order to address the root causes of these problems. Warm relations between the government and NGOs were exemplified especially by the support granted to the latter in terms of tax exemptions, secondments of government staff to NGOs projects and general collaboration in development endeavors. Currently, there are about 5000 registered NGOs in Kenya. There are also new ones being formed and registered all the time to run projects in the country. NGOs are now found in every conceivable sector of the Kenya’s economy and every corner of this country targeting the poor of the poorest.

The Government in its current Economic Recovery Strategy for Employment and Wealth Creation appreciated the critical role played by the NGOs as an important ingredient to the achievement of the set target of a sustained economic growth rate of between 6% and 7% per annum.

The proliferation of new NGOs is not a bad thing however; study in Southern Africa followed 24 new NGOs over a 3 year period indicated that, at the end of that time half of the NGOs were effectively closed, 6 more were functioning but not doing very well, and 6 were highly successful and moving forward. O. Analytica (2005)

The current situation in Ethiopia is similar to that of South Africa said G. Yohannes. Many NGOs are formed and closed because of lack of sustainability of the projects they initiate. He suggested that many NGOs need to be started in order to end up with at least a good number of operating NGOs.
This research argues that should this be the case or should the factors affecting the sustainability of the developmental ventures of these NGOs be considered? Knowing the factors that affect sustainability will help reduce or at its best eradicate the number of failing projects and NGOs.

The purpose of this study is to investigate the factors affecting financial sustainability of development ventures of the NGO's in Kenya and in particular the NGOs in Nairobi. This Chapter considers literature review relevant to financial sustainability especially of development projects.

The review is divided into sections according to the research objectives and covers all variables identified which include; project conceptualization, funding and financial systems.

2.2 Financial sustainability

Sustainability is relevant to development projects. A definition of development sustainability is "the continuation of benefits after major assistance from the donor has been completed" (Australian Agency for International Development, 2000). Ensuring that development projects are sustainable can reduce the likelihood of them collapsing after they have just finished; it also reduces the financial cost of development projects and the subsequent social problems, such as dependence of the stakeholders on external donors and their resources. All development assistance, apart from temporary emergency and humanitarian relief efforts, should be designed and implemented with the aim of achieving sustainable benefits.
Kahn and Hare (2005) noted that for an NGO to be financially sustainable it must have financial systems and procedures that provide clear and timely accounts of the financial position of the organization, reduce costs of providing services, recover costs of service provision from clients and the community, raise resources through institutional earnings and use assets to attract and leverage resources from the community and diverse donors.

It can be said that projects that are sustainable have the ability to meet their obligations as they fall due, continually provide the product or service that they were intended to among others. According to Asian Development Bank (ADB, 2004), there are several aspects of financial sustainability which include:

1. Availability of adequate funds to finance project expenditures,
2. Recovery of some of the project costs from the project beneficiaries, and
3. The financial incentive necessary to ensure participation in the project.

Financial sustainability can then be described as the extent to which a nonprofit organization is able to pursue its mission indefinitely through any or all of the following: earned income, charitable contributions and public sector subsidies. The term sustainability seems to have come into common usage as the phrase sustainable development emerged in 1987 with the publication of Our Common Future, the report of the World Commission on Environment and Development. The commission deemed sustainable development as a form of progress that ensures human development and that “meets the needs of the present without compromising the ability of future generations to meet their own needs” (Brundtland, 1987).
In the realm of development projects, sustainability most often refers to financing of a project in the long run, either from commercial revenue or from continuing donor support.

In his study on factors affecting sustainability of faith-based health facilities, Wambugu (2006) recommended that faith based facilities seek to develop sustainability by diversifying their services in financial management, costing of services and training of staff. Entrepreneurial and managerial skills of the leaders should also be enhanced. In another study on factors affecting developmental ventures of ACK churches, Macharia (2007) recommended that financial controls according to best practices should be emphasized at all levels of the church organization. He added that internal sources of funds should be developed and harnessed in order to yield consistent and growing revenue streams to allow the sustainability of not only the church core undertaking but also its service to the community around it.

2.2.1 Project conceptualization

Chanra (2003), states that the search for promising project is the first step towards establishing a successful venture. Identification is often the outcome of a triggering process rather than an analytical exercise. While the notion of identification is simple, it is difficult to develop methods or procedures for accomplishing it as there is no well defined theory to guide this task. And as Gordon and Pinches (1984) observed these difficulties become more severe as one moves up the hierarchy of decision making levels.
According to United Nations Centre for Regional Development (2000) there are many sources from which ideas or suggestions for projects may come. These include: ideas from technical specialists – for industrial projects, local leaders – for community or social projects, entrepreneurs – for commercial and industrial projects, and from government policy and plans.

2.2.2 Financial systems

According to Pandey (1998) financial management, upon which financial systems are based, is the managerial activity which is concerned with the planning and controlling of the firms (institutions) financial resources. Project financial analysis should be undertaken together with project economic analysis. Good financial systems gives the NGO credibility since the donors will have confidence that their funds are well managed to benefit the intended beneficiary. It will help the NGO to be more accountable, achieve its objectives, gain respect, credibility and confidence of the funding agencies and hence take advantage of the increasingly scarce resources and also help the NGO to be financially stable among other benefits.

In practice, financial management is about taking action to look after the financial health of an organization, and not leaving things to chance. It is not just about keeping accounting records, it is an important part of project management and is not a separate activity left for finance staff ‘Mango 2003’. Financial management entails planning, organising, controlling and monitoring the financial resources of an organization to achieve objectives.
But as Gandhi said in his writing “Without properly kept accounts, it is impossible to maintain truth in its pristine purity”

Financial management to an NGO is rather like maintenance is to a vehicle. If good quality fuel and oil is not put in and give it a regular service, the functioning of the vehicle suffers and will not run effectively. If neglected, the vehicle will eventually break down and fail to reach its intended destination. “Mango; June 2003”

2.2.3 Funding

Adequate funds to finance project expenditures are necessary for any project. According to Asian Development Bank (ADB, 2004) this applies to the implementation period to ensure capital funds are available to cover investment and working capital requirements and to the operating period to ensure sufficient funds are available to cover operating expenditures.

According to recommended preferred practices as published on the Nonprofit Good Practice Guide, a publication of The Dorothy A. Johnson Centre for Philanthropy & Nonprofit Leadership (2002-2007), donors, as a rule, do not so much give money to organizations, as they give money to people - to people whom they know, trust and respect - which means that who does the asking is at least as important as the cause for which the funds are being raised.
It further states that just as your personal savings are safer if you invest in many different types of securities, your organization is safer if you raise funds from many different sources, including individuals, corporations, and foundations; never depend on a single "angel" to support your organization. Corporations and foundations control substantial resources, but the sheer number of individuals makes them by far the largest source of funding - more than 80% - for nonprofit organizations.

In his study on factors that influence the sustainability of Christian Industrial Training Centres (CITC's) (2005), Orondi CV established that CITC's obtain their funding from different sources including local fund raising, donor funding, student fees, church funding among other sources.

He also established that other sources of funding account for 50% of the total CITC's funds and that efforts were being made to reduce donor dependence.

As Norton M (2003) puts it, does not make good sense to put "all your eggs in one basket". To rely on just one or two donors for your income makes you vulnerable to external threats.

2.3 Review of previous studies

A lot of research has been done all over the world to determine the impact which the NGO activities have on the community, many of them trying to find whether the NGO activities and projects reach the poor of the poor.
J. Dejong (2002) in his research on factors to consider before attempting to expand the impact of NGO action on HIV/AIDS recommended that Donors and organisations supporting NGOs need to understand the complexities of the scaling up process. And that careful consideration of NGOs' relationships with government, communities and other NGOs needs to be made prior to scaling up adding that NGOs need to be more systematic in evaluating the impact of their activities. Elsewhere, a research done by Asian Development Bank (ADB) (1999) on governance arrangements in around 160 countries found strong positive relationships between good governance arrangements and per capita incomes, infant mortality rates and literacy rates.

In another study commissioned by OECD/DAC Expert group on Aid Evaluation (1997) to asses the impact including efficiency, effectiveness of NGO development interventions in Bangladesh, Brazil, Chile, Kenya and Senegal reported. “Most projects examined are not financially sustainable, refined by the view that in most cases the poorer the beneficiaries the less likely a project is to be financially sustainable”. This is the point where this research is built on-to find factors affecting financial sustainability of NGO implemented projects in Kenya.

2.4 Conceptual framework

The main variables of this study were the financial systems, sources of funding, nature and quality of products and services.
These variables were considered in the study as independent variables and were analyzed in relation to financial sustainability of development projects which was the dependent variable. These variables were as summarized in the following conceptual framework.

**Independent variables**

- Funding
- Financial Systems
- Project conceptualization

**Dependent variable**

- Influence Sustainability of development projects initiated by NGOs

**Figure 1: Summary of relationship between factors (dependent and independent variables) that affect project sustainability**

The dependent variable which is Sustainability of development projects initiated by NGOs is indicated by the ability of the projects to continue operating after the external funding to the project is withdrawn M. Norton (2005)

Project conceptualization is the idea that is borne to start off a project; financial systems are the accounting records and financial statements showing the historical performance and cash flow projections that determine the sustainability of development projects.

Funding refers to the techniques used to mobilize resources to finance the development projects for them to be financially sustainable.
2.5 Summary and gaps to be filled

NGOs play a significant role in the social development process in all regions of the world and in particular Kenya. The government in its current economic recovery strategy expects the NGOs sector to help in raising the economic growth rate by about 7% yet there are many projects started by the NGOs which have close down like the World Concerns (WC) micro-credit program in 2007 for lack of sustainability. 

All this summed up leave the whole state of NGOs projects sustainability wanting. There was a need therefore to find the factors that affect the sustainability of this projects initiated by NGOs with an aim to eye open the NGOs towards sustainability of their initiated projects, otherwise the governments dream for the NGOs contribution to the country’s development would go down the drainage. This was the gap that this study sought to bridge.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This Chapter deals with the research methodology that will be adopted in this study. It covers the research design, sampling methodology, target population, data collection, and data analysis.

3.2 Research design

The research design was descriptive and explanatory design employing a survey method using a structured questionnaire. A descriptive study attempts to describe or define a particular subject often by creating a profile of a group of problems, people or events, through the collection of data and the tabulation of frequencies on research variables and the research reveals who, what, when, where or how much (Cooper and Schindler, 2001).

According to Kothari (2004) descriptive research includes surveys and fact finding enquiries of different kinds. The survey was designed to ensure that the sampled NGOs represent the entire population and the data gathered directly came from the respondent, who was an employee from each of the selected NGOs.
3.2.1 Target population

The population of this research are the 4,700 NGOs registered in Kenya with the 384 NGOs in Nairobi being the target respondents.

3.2.2 Sampling design

A stratified random sample of 30% was obtained from the population in each category of the population which included: health, education, environment, relief, communication, water and advocacy. Simple random sampling was then applied to select members from each category. The sample design was as detailed on Table 1.1 below.

<table>
<thead>
<tr>
<th>Population Category</th>
<th>Population Frequency</th>
<th>Ratio</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>147</td>
<td>0.3</td>
<td>44</td>
</tr>
<tr>
<td>Education</td>
<td>119</td>
<td>0.3</td>
<td>35</td>
</tr>
<tr>
<td>Environment</td>
<td>6</td>
<td>0.3</td>
<td>2</td>
</tr>
<tr>
<td>Relief</td>
<td>17</td>
<td>0.3</td>
<td>5</td>
</tr>
<tr>
<td>Communication</td>
<td>5</td>
<td>0.3</td>
<td>2</td>
</tr>
<tr>
<td>Water</td>
<td>81</td>
<td>0.3</td>
<td>24</td>
</tr>
<tr>
<td>Advocacy</td>
<td>9</td>
<td>0.3</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>384</strong></td>
<td><strong>0.3</strong></td>
<td><strong>115</strong></td>
</tr>
</tbody>
</table>
3.3 Data collection tools and Instruments

The primary data was collected by a survey whose purpose was to describe the current state of sustainability of development projects among the NGOs in Nairobi. In the survey a structured questionnaire was administered to the project manager and in the absence, the administrator or the accountant of the selected NGOs in Nairobi.

The questionnaire used in the study was developed and organized based on the research objectives; it was structured and divided into three parts as per the research objectives detailing the project conceptualization, financial systems, and funding. 115 questionnaires in total was produced and distributed and collected later by research assistants.

3.4 Data analysis and presentation

The data was analyzed using descriptive statistics. Data editing and coding of all the questionnaires was done in order to come up with frequencies based on the questions asked from which data presentation was done. The data was then be summarized and presented in tables and bar charts. The measures of central tendency; mean and mode was calculated and simple correlation done.

3.5 Expected Output

The outcome of this research has highlighted the factors affecting the sustainability of developmental ventures of NGOs in Nairobi. This is an eye opener for them to ensure more sustainable projects in future.
4.0 DATA ANALYSIS AND PRESENTATION OF FINDINGS

4.1 Introduction

The general objective of the study was to determine the factors that affect the sustainability of developmental projects initiated by NGOs in Nairobi. This chapter primarily presents the findings of the study in narrative form as well as use of tables and graphs. Each response was allocated rankings ranging from four to one. The rating in each section was added up to give total score in percentage form and mean. The findings were given based on the three research objectives using specific questions in the study questionnaire. The questionnaire had four areas covering the specific objectives. This chapter has all the four sections as it appears on the questionnaires.

The first section deals with the basic background information of the NGO’s and further gives the general information on the NGOs existence and the number of projects running, number of projects started and closed within 5 years. The second to fourth sections looks at project conceptualization, financial systems and funding respectively.

4.2 Background Information

The study had targeted one hundred and fifteen NGO’s within Nairobi.
Data was collected from eighty three NGO’s within Nairobi as shown below representing 75% since data from twenty three NGO’s was not collected. This is because they did not respond to the questionnaire.

4.2.1 Respondents positions

Figure 4.1 below shows the respondents’ position

![Bar chart showing respondents' positions](image)

From figure 4.1 above it is clear that respondents comprised of, 37 project managers, 33 administrators, 12 accountants and 10 other officers who held various positions in their organizations.
4.2.2 NGO Sectors

Figure 4.2 below shows the NGO sectors

The above figure shows the NGO sector and their representation in this research. This indicates that most of the NGO's which contributed to this research are on water, communication and environment sectors. The percentages shown on the pie chart above: Advocacy 14.5%, Water 15.2%, Communication 15.9% Health 13.3%, Education 12.4%, Environment 15.2% and Relief 13.6% show the percentage contribution of each sector on the research findings indicated here in this report.
4.2.3 Length of NGO's operations and number of projects involved

Figure 4.3 below shows the length of NGO's operations and number of projects involved.

From figure 4.3 above 50% of the NGOs which have operated for less than a year have two projects running. About 58% of the NGOs which have been operational between 1 and 5 years have three projects running while about 67% of the NGOs which have been in existence between 6 and 10 years have one project running. For the NGOs which have been in existence between 11 and 15 years, about 63% have four projects running and about 69% of NGOs which have been operational for more than 15 years have four projects running. This indicates that the older the NGO, the more projects it has running.

4.2.4 Projects stated, continuing and closed

Table 4.1 below shows the sector of NGO, the number and percentage of projects stated and closed within 5 years of donor pull out and projects Initiated and operational beyond 5 years of donor pull out.

26
Table 4.1 Projects started, continuing and closed within 5 years

<table>
<thead>
<tr>
<th>Sector</th>
<th>Initiated and closed projects within five years of donor pulling out</th>
<th>Initiated and operational projects beyond 5 years of donor pull out</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Percent</td>
<td>Number</td>
</tr>
<tr>
<td>Health</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>14</td>
<td>43.7%</td>
<td>18</td>
</tr>
<tr>
<td>Education</td>
<td>8</td>
<td>38.1%</td>
<td>13</td>
</tr>
<tr>
<td>Environment</td>
<td>2</td>
<td>66.7%</td>
<td>1</td>
</tr>
<tr>
<td>Relief</td>
<td>10</td>
<td>62.5%</td>
<td>6</td>
</tr>
<tr>
<td>Communication</td>
<td>1</td>
<td>25.0%</td>
<td>3</td>
</tr>
<tr>
<td>Water</td>
<td>2</td>
<td>22.2%</td>
<td>7</td>
</tr>
<tr>
<td>Advocacy</td>
<td>1</td>
<td>14.3%</td>
<td>6</td>
</tr>
</tbody>
</table>

The study findings shown in table 4.1 above indicated that the environment and the relief sector projects have the highest number of projects that start and close within 5 years of the donor pull out representing 66.7% and 62.5% respectively. 43.7% of the projects in Health sector start and close within 5 years of donor pullout while in communication, water and advocacy, the percentages is 25.0%, 22.2% and 14.3% respectively.
Advocacy, water, communication and education representing 85.7%, 77.8%, 75% and 61.9% respectively have the highest number of projects which continue beyond 5 years of donor pull out. From these findings it shows that the more sustainable projects are those which are on advocacy, water, communication, education and health.

4.3 Project Conceptualization

4.3.1 Venture Initiative Proposals

![Venture Initiative Proposals](image)

Figure 4.4: Venture Initiative Proposals

Figure 4.4 above shows the frequency of respondents' involvement in coming up with venture initiatives which indicate that to a large extent 74 of the respondents representing 80% were encouraged to come up with venture initiatives that could be pursued.
The findings indicate that many NGOs encourage their staff to come up with project initiatives which the organization could undertake.

### 4.3.2 Involvement in Project Initiation Process

Figure 4.5: Involvement in project initiation process

Source: Field Data (2008)

The study findings in figure 4.5 show that 35.87% of the respondents were always involved in the project initiation process, 38.04% mostly while 15.22% sometimes and 10.87% Never. This shows that most NGO's involve their staff in the initiation process of project implementation.
4.3.3 Discussion of proposed project at the Management level

Table 4.2: Discussion of proposed project at management level

<table>
<thead>
<tr>
<th>Proposed projects discussed at mgnt level</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Never</td>
<td>6</td>
<td>6.52%</td>
</tr>
<tr>
<td>Sometimes</td>
<td>5</td>
<td>5.43%</td>
</tr>
<tr>
<td>Mostly</td>
<td>20</td>
<td>21.74%</td>
</tr>
<tr>
<td>Always</td>
<td>61</td>
<td>66.30%</td>
</tr>
</tbody>
</table>

Source: Field Data (2008)

The results in table 4.2 above indicate that 66.3% of the NGOs always have the proposed projects discussed at the management level with 21.74% discussing them most of the time, 5.43% discuss sometimes while 6.52% never discuss. This shows that most NGOs involve their management in making a decision of which projects to undertake.

4.3.4 Conducting of feasibility study prior to commencement

Figure 4.6: Conducting of feasibility study prior to commencement
The study findings on figure 4.6 above indicate that 45% of the NGOs always and 45% mostly undertake feasibility studies prior to commencement of the project, 17.98% undertake sometimes 1.12% never undertakes feasibility study.

The findings show that less than half of the NGOs always conducted feasibility study before commencement of the projects. Feasibility study is the first step towards establishing a successful venture as pointed out by Chanra (2003).
4.3.5 Implementation of unapproved projects

Figure 4.7: Implementation of unapproved projects

Source: Field Data (2008)

Study findings on figure 4.7 above shows that 56.18% of the NGOs never implement unapproved projects while 39.33% sometimes implement unapproved projects. This finding show that some NGOs implement unapproved projects. This is one of the reasons why some projects do not become sustainable.

4.3.6 Project initiatives are presented to the NGO management

Table 4.3: Project initiatives are presented to the management
<table>
<thead>
<tr>
<th>Project initiatives presented to management</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Never</td>
<td>4</td>
<td>4.34%</td>
</tr>
<tr>
<td>Sometimes</td>
<td>11</td>
<td>11.96%</td>
</tr>
<tr>
<td>Mostly</td>
<td>35</td>
<td>38.04%</td>
</tr>
<tr>
<td>Always</td>
<td>42</td>
<td>45.65%</td>
</tr>
</tbody>
</table>

Source: Field Data (2008)

The study findings on table 4.3 show that 46.51% of the NGOs always present their project initiatives to the management, 37.21% mostly present while 11.63% sometimes do so as 4.65% never present. This findings show that in some NGOs the Management never get to see the project initiatives and confirms what Gordon and Pinches (1984) wrote that difficulties become more severe as one moves up the hierarchy of decision making levels.

The correlation showing the relationship of the various variables in the project conceptualization are shown on the table 4.4 below.
From the table 4.4 above, it indicates that there is a strong relationship between encouraging staff to come up with project initiatives which the NGO undertake, involving the staff in the initiation process of project implementation, presenting project initiatives to the NGO management and unapproved projects being implemented at times. A strong relationship also exists between conducting feasibility study for all projects that are discussed and approved, proposed projects being discussed and deliberated at the management level and with the donors before being started, unapproved projects being implemented at times and project initiatives being presented to the NGO management.
4.4 Financial Systems

4.4.1 Budget is done before project commences

Figure 4.8: Budget is done before project commences

The results on figure 4.8 indicate that 91.3\% of the NGOs always have their budgets done before a project commences, while 7.51\% mostly do so and 1.09\% sometimes have their budgets done before project commences. A budget is a plan expressed in monetary terms. These results therefore show that almost all NGOs do plan and hence make effort towards financial sustainability.
4.4.2 Budgets include enough income to pay for all planned expenditure

Figure 4.9: Budgets include enough income to pay for all planned expenditure

Source: Field Data (2008)

The results on figure 4.9 above indicate that, 44 NGOs said that their budgets always have enough income to cover expenditure 34 NGOs said mostly, 11 NGOs said sometimes while 3 NGOs said never. This shows that most NGOs have budgets to cover their expenditure indicating a good sign of financial management where income matches the expenditure.
4.4.3 Budgets are approved by the donors

Figure 4.10: Budget is approved by the donor

According to the research findings on figure 4.10 above, 70.65% of the times the project budgets are always approved by the donor, 21.74% mostly, and 7.61% sometimes. This indicates that NGOs use the budgets that have been approved by the donors almost all the time showing that the donors lay down their expectations to the NGOs inform a budget when they approve those budgets.
4.4.4 Separate accounting data is maintained for each project

Table 4.5: Separate accounting data is maintained for each project

<table>
<thead>
<tr>
<th>Separate accounting data maintained</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sometimes</td>
<td>9</td>
<td>9.78%</td>
</tr>
<tr>
<td>Mostly</td>
<td>13</td>
<td>14.13%</td>
</tr>
<tr>
<td>Always</td>
<td>70</td>
<td>76.09%</td>
</tr>
</tbody>
</table>

Source: Field Data (2008)

The study results show that 76.09% of the times always the accounts for projects are maintained separately, 14.13% mostly and 9.78% sometimes. This shows that most NGOs practise good accounting procedures which is a solid step to financial sustainability.

4.4.5 Authorization of project transaction by appropriate personnel

Table 4.6: Authorization of project transaction by appropriate personnel

<table>
<thead>
<tr>
<th>Transaction authorized by appropriate members of staff</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Never</td>
<td>3</td>
<td>3.26%</td>
</tr>
<tr>
<td>Sometimes</td>
<td>6</td>
<td>6.52%</td>
</tr>
<tr>
<td>Mostly</td>
<td>28</td>
<td>30.43%</td>
</tr>
<tr>
<td>Always</td>
<td>55</td>
<td>59.78%</td>
</tr>
</tbody>
</table>

Source: Field Data (2008)
The study results indicated on table 4.6 show that 59.78% of the times transactions are always approved appropriately 30.43 mostly%, 6.52% Sometimes and 3.25% never. It is evident that in most NGOs the transactions are not authorised by the appropriate members of staff all the time.

4.4.6 Project assets are recorded on an asset register and duly tagged

Figure 4.11: Project assets are recorded on an asset register and duly tagged

Source: Field Data (2008)

According to the research results shown on figure 4.11 above, assets are 45.74% tagged always, mostly 45.74% of the times tagged, and 6.52% of the times tagged. The findings show that most NGOs record all project assets are duly tagged and are recorded on the asset register. Most NGOs therefore have a good practise project assets are concerned.
4.4.7 Annual project audits are carried out by an external auditor

Table 4.7: Annual project audits are carried out by an external auditor

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Always</td>
<td>43</td>
<td>47%</td>
</tr>
<tr>
<td>Mostly</td>
<td>23</td>
<td>25%</td>
</tr>
<tr>
<td>Sometimes</td>
<td>26</td>
<td>28%</td>
</tr>
</tbody>
</table>

Source: Field Data (2008)

The research results show a response of 47% indicating that an annual audit is always carried out for the projects, 25% mostly, and 28% sometimes. The results show that many NGOs do not carry out annual external audit. An external audit boosts donor confidence and boosts NGO credibility.

The strength of the relationship of the financial systems variables are shown on the correlation table 4.8 below:
From the table 4.8 above, it shows that there is a positive relationship between preparing budget before project implementation and budget including enough income for all planned expenditure, budget being approved by donors, maintaining separate accounting data and project assets recorded and tagged.
There is also a positive relationship between budgets being approved by donors and transactions being approved by appropriate members of staff, separate accounting data being maintained, project assets being recorded and tagged and summary audits done yearly by the qualified external auditors. Another positive relationship also exist between separate accounting data being maintained and transactions being authorised by appropriate member of staff, project assets being recorded and tagged and transactions being authorised by appropriate members of staff. Budgets including enough income, budgets being approved by donors, separate accounting data being maintained, projects assets being recorded and tagged and audits being done yearly by qualified external auditors all have a positive relationship as well.

The summary of the financial systems is as shown on the graph below:

Figure 4.12: Financial systems summary
From the above graph, it is notable that the means of all the variables on the financial systems are within the range of 3, which is mostly showing that NGOs have good financial systems.

4.5 Funding

4.5.1 Initial funds for projects are obtained from the reserves of the NGO

Figure 4.13: Initial funds for projects are obtained from the reserves of the NGO

The study findings indicate that 30.4% mostly the initial funds for projects are obtained from the reserves of the NGO, 45.65% sometimes, 17.39 always and 6.52% never. Most initial funds of the NGOs are not from their reserves.
4.5.2 The NGO solicits funds from donors

The study findings indicate that 63% of the times NGOs solicit money from the donors, 33.7% mostly and 3.26% sometimes. It is an indication that most of the NGO funds are solicited from the donors.

Source: Field Data (2008)
4.5.3 Products or services rendered by the projects are offered at market rates

Figure 4.15: Products or services rendered by the projects are offered at market rates

![Bar chart showing the percentage of NGOs offering their products and services at market rates]

Source: Field Data (2008)

The results on figure 4.15 above indicate that 39% of the NGOs always sale their products and services at the market rate, 34% mostly do so while 14% sometimes do so and 11% of the NGOs never. It is notable therefore that most NGOs do offer their products and services at the market rates.

4.6 Factors influencing project sustainability

Table 4.9: Factors influencing project sustainability

<table>
<thead>
<tr>
<th>Factor</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conceptualization</td>
<td>92</td>
<td>3.71</td>
<td>.764</td>
<td>.080</td>
</tr>
<tr>
<td>Financial systems</td>
<td>92</td>
<td>3.93</td>
<td>.757</td>
<td>.079</td>
</tr>
<tr>
<td>Funding</td>
<td>92</td>
<td>4.01</td>
<td>.913</td>
<td>.096</td>
</tr>
</tbody>
</table>

Source: Field Data (2008)
The respondents’ response to a request to rate the factors that influence the sustainability of projects that NGOs engage (as shown on table 4.9 above) indicated that the average mean score for project conceptualization is 3.71 which according to the scale applied is equivalent to a great extent. With respect to financial systems the mean was 3.93 which indicate that it influences it to a great extent and funding was at 4.01 indicating an influence level to a very great extent.

4.7 Other factors influencing project sustainability

There are other factors which affect the sustainability of NGO initiated projects. The extent of each factor is summarised in table 4.10 below:
<table>
<thead>
<tr>
<th>Variables</th>
<th>Cases</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of NGO’s</td>
<td>Percent</td>
</tr>
<tr>
<td>Community involvement</td>
<td>40</td>
<td>43.5%</td>
</tr>
<tr>
<td>Community capacity</td>
<td>35</td>
<td>38.0%</td>
</tr>
<tr>
<td>Leadership</td>
<td>27</td>
<td>29.3%</td>
</tr>
<tr>
<td>Trust</td>
<td>50</td>
<td>54.3%</td>
</tr>
<tr>
<td>Community ownership</td>
<td>20</td>
<td>21.7%</td>
</tr>
<tr>
<td>Lack of credibility</td>
<td>56</td>
<td>60.9%</td>
</tr>
<tr>
<td>Management and governance</td>
<td>28</td>
<td>30.4%</td>
</tr>
<tr>
<td>Poor proposals skills</td>
<td>37</td>
<td>40.2%</td>
</tr>
<tr>
<td>Bureaucracy</td>
<td>39</td>
<td>42.4%</td>
</tr>
<tr>
<td>Inability to meet donor expectations</td>
<td>52</td>
<td>56.5%</td>
</tr>
<tr>
<td>Fully involve all stakeholders/beneficiaries in planning</td>
<td>33</td>
<td>35.9%</td>
</tr>
<tr>
<td>Building capacity of beneficiaries</td>
<td>33</td>
<td>35.9%</td>
</tr>
<tr>
<td>Monitoring and Evaluation</td>
<td>22</td>
<td>23.9%</td>
</tr>
<tr>
<td>Political climate</td>
<td>8</td>
<td>8.7%</td>
</tr>
<tr>
<td>Gradual phasing out</td>
<td>17</td>
<td>18.5%</td>
</tr>
<tr>
<td>Avoid introducing foreign technology</td>
<td>1</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

Source: Field Data (2008)

From the table 4.10 above shows the summary of the opinions of the correspondents on other factors affecting sustainability of NGO implemented projects.
The results above show lack of credibility as a leading factor with 60.9% followed by inability to meet donor expectations with 56.5% and the third one being lack of trust on the NGO with 54%. This shows that there are other factors which affect project sustainability apart from project conceptualization, funding and financial systems.

4.8 Challenges faced by NGOs in seeking funds

Table 4.11 challenges faced by NGOs in seeking funds

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Count</th>
<th>Count</th>
<th>Count</th>
<th>Count</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of credibility</td>
<td>56</td>
<td>28</td>
<td>37</td>
<td>39</td>
<td>52</td>
</tr>
<tr>
<td>Management and governance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poor proposals skills</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bureaucracy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inability to meet donor expectations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Data (2008)

From the table 4.11 above, it is very clear that the most challenge that NGOs face while soliciting funds is lack of credibility, the second one is the inability to meet donor expectations, the third one being bureaucracy, the forth one being poor proposal writing skills and the fifth one being management and governance.
4.9 Funding summary

Figure 4.16 funding summary

Source: Field Data (2008)

The analysis of the funding variables shown on the graph above indicate a mean of 2.587 for when the initial funds are from the NGO, 3.598 for NGO soliciting funds from donors and a mean of 3.098 for NGO products/services offered at the market rate. It is evident from these results that sometimes the initial funds for the projects are obtained from the NGO reserves but mostly the NGOs solicits funds from donors and offer their products and services at the market rate.
4.10 Summary of data analysis

This chapter presented the findings of the study based on the questionnaire returns. The chapter opened by looking at the background information moving on to present the detailed findings using responses to the questions on the study questionnaire. The next chapter will focus on the summary, conclusions and recommendations.
CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter focuses on four key areas, the summary of the important elements of the study; discussion of the major findings; major conclusions drawn and the recommendation for improvement and for further studies.

5.2 Summary of findings
The general objective of this study was to determine the factors affecting the sustainability of developmental ventures of NGOs. The summary of the findings is done based on the objectives of the research.

5.2.1 Project Conceptualization
The study sort to find out if how projects are conceived affected their sustainability. The study findings indicated that during project conceptualization to some extent, the general leadership of the NGOs is involved although the level of involvement varied as was evidenced by the scores as per the questionnaires in the project conceptualization section.
Most NGOs involve their management in making a decision of which projects to undertake however, some NGOs implement unapproved projects affecting their sustainability because they do not have the management support. On the other hand, many NGOs encourage their staff to come up with project initiatives which the NGO could undertake; they also involve their staff in the initiation process of project implementation indicating that the process is to some extent participatory. Less than half of the NGOs however, always conducted feasibility study before commencement of the projects, in some NGOs also, management never get to see the project initiatives. This means that there are high possibilities of implementing a project that does not address the most pressing needs of the community—this affects community ownership and hence project sustainability.

5.2.2 Financial Systems

The study sort to establish the effects of financial systems employed on financial sustainability of development projects. Almost all the NGOs do budgets before projects commences and have budgets to cover which is a sign of good financial management. Most NGOs use budgets which have been approved by the donors showing that the donor expectations are known by the NGOs. Most NGOs do not have their transactions authorised by appropriate members of staff all the time meaning that there are high chances of misappropriation of funds in NGOs which will affect financial sustainability and hence project sustainability. Most NGOs have good practise as far as the projects assets are concerned; most of them record and tag their assets. As far as auditing is concerned, most NGOs do not carry out annual external audit.
External audit by qualified auditors is known to boost donor confidence and NGO credibility; this will ease the challenges of fundraising in an NGO.

5.2.3 Funding

With respect to funding it was noted that NGOs utilize various sources of funding to run the projects. However, the study revealed that dependence on donor funding was high with low utilization of internal resources, with the use of the services offered to provide a descent return lacking. Most NGOs offer their products and services at market reates so their products face stiff outside competition and do not favour community with their pricing; their products and services end up not being popular and hence project do not become sustainable.

There are other leading factors that affecting project sustainability are lack of credibility and inability to meet donor expectations. It is also notable that these same factors are the challenges faced by NGOs in soliciting funds.

5.3 Conclusions

The following conclusions can be drawn from the study results: the process of project conceptualization with a mean of 3.71 greatly influences project sustainability. It is important therefore that the NGOs allow and encouraged staff to come up with project initiatives which the NGO can undertake and involve them in the initiation process of project implementation. The projects should always be discussed and deliberated at the management level and with donors before being started as well as feasibility study being
carried out for all projects that are discussed and approved. At no time should the NGO implement unapproved projects.

Financial system which has a mean of 3.93 also influences project sustainability to a great extent. The NGOs should therefore work to see that they have good financial systems in place by preparing a budget which should include enough income to pay for all planned expenditure for every project before the projects start. The NGOs must also make sure that project budgets are approved by the donors and Separate accounting data is maintained for each project. All transactions should be authorized by the appropriate member(s) of staff and all project assets should be recorded on an asset register and duly tagged. Annual project audits should also be carried out by a qualified external auditor.

Funding on the other hand has a mean of 4.01 and influences the project sustainability of NGO initiated projects to a very great extent. The NGOs then should ensure that they have some reserves to support the projects not depend entirely on donor funding to run the projects and also they should offer their products and services at the rates lower than the market rates.

5.4 Recommendations

The following recommendations are drawn from this study:

(i) NGOs should encourage development of ventures based on the needs of the surrounding environment

(ii) Standardized feasibility studies should continually be incorporated as part of the standard procedures before commencement of projects
(iii) Financial controls according to best practices should be emphasized at all levels of the organization
(iv) Annual external audit by qualified auditors should be carried out
(v) NGOs should offer their products and services at rates lower than the market rates
(vi) Internal sources of funds should be developed and harnessed in order to yield consistent and growing revenue streams to allow the sustainability of not only the NGO's core undertaking but also its service to the community around it.
(vii) The Community should be involved at all levels of the project, from idea generation to implementation. This will ensure project ownership by the community.
(viii) The implementing NGO should also pull out of the project gradually as it leaves the community to run it.

5.5 Recommendations for further study

i. A further study on the challenges facing NGOs in sourcing funds be carried out because from this report it is clear that NGOs mostly use external funds.

ii. A further study on the direct project costs verses overhead costs for the NGOs, should also be carried out

5.6 Limitations of the study

The research was limited to the NGOs in Nairobi area only due to financial, time constraints and other logistics however the results are deemed to be a representative of all NGOs in Kenya.
REFERENCES


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Orondi VC, (2005). *A Study on Factors Affecting Financial Sustainability of Christian Industrial Training Centres, Moi University*


Richard Odong; Deputy Finance Manager – Article; Capacity Building, Save the Children Norway – Uganda


Wambugu WM, (2006). Factors Affecting Sustainability of Faith Based Health Facilities: Case Study of Methodist Health Units in Eastern Province, Moi University

APPENDIXES

APPENDIX 1: SURVEY QUESTIONNAIRE

“FACTORS AFFECTING THE SUSTAINABILITY OF NGO DEVELOPMENTAL PROJECTS, A CASE OF NGOS IN NAIROBI” 2007

Dear respondent,

I am a postgraduate student at Kenyatta University pursuing a Masters in Business Administration. In partial fulfilment of the degree course I am undertaking a research on the factors affecting the sustainability of developmental projects among the NGOs within Nairobi.

I invite you to respond to the questions attached. The information on this questionnaire will be treated confidentially, and will not be used for any other purpose other than academic. The researcher will be at hand to clarify any issues during the data collection process.

INSTRUCTIONS

The instructions are explained and given a score as follows:

<table>
<thead>
<tr>
<th>Response</th>
<th>Explanation</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Always True</td>
<td>90%-100% of the time</td>
<td>4</td>
</tr>
<tr>
<td>Mostly True</td>
<td>70%-89% of the time</td>
<td>3</td>
</tr>
<tr>
<td>Sometimes True</td>
<td>40%-69% of the time</td>
<td>2</td>
</tr>
<tr>
<td>Never True</td>
<td>Less than 40% of the time</td>
<td>1</td>
</tr>
</tbody>
</table>

The scores are written out alongside each statement. Tick your score for each statement on the sheet provided.

PLEASE TICK AS LEGIBLY AS POSSIBLE

THANK YOU

N C. RONO
SECTION A: GENERAL INFORMATION

1. Name of the NGO(optional)

2. Respondents position:
   Project Manager ( )
   Administrator ( )
   Accountant ( )

3. Which sector is your NGO in:
   Health ( )
   Education ( )
   Environment ( )
   Relief ( )
   Communication ( )
   Water ( )
   Advocacy ( )

4. How long has the NGO been in existence?
   Less than 1 year ( )
   1 - 5 years ( )
   6 - 10 years ( )
   11 - 15 years ( )
   More than 15 years ( )

5. How many projects is your NGO currently involved in?:
   One (1) ( )
   Two (2) ( )
   Three (3) ( )
   Four (4) ( )
   More than four ( )

6. How many projects has your NGO initiated in the last 5 years?
   One (1) ( )
   Two (2) ( )
   Three (3) ( )
   Four (4) ( )
   More than four ( )
7. How many projects initiated by your NGO have closed down in the last 5 years?

- One (1)
- Two (2)
- Three (3)
- Four (4)
- More than four

**SECTION B: PROJECT CONCEPTUALIZATION**

<table>
<thead>
<tr>
<th></th>
<th>Always</th>
<th>Mostly</th>
<th>Sometimes</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>You are allowed / encouraged to come up with project initiatives which the NGO can undertake</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>7</td>
<td>You are involved in the initiation process of project implementation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Proposed projects are discussed and deliberated at the management level and with donors before being started</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>A feasibility study is carried out for all projects that are discussed and approved</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>There times when unapproved projects are implemented</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>The project initiatives are presented the NGO management</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### SECTION C: FINANCIAL SYSTEMS

<table>
<thead>
<tr>
<th></th>
<th>Always</th>
<th>Mostly</th>
<th>Sometimes</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>A budget is prepared for every project before the project starts</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>13</td>
<td>Budgets include enough income to pay for all planned expenditure</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>14</td>
<td>Project budgets are approved by the donors</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>15</td>
<td>Separate accounting data is maintained for each project,</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>16</td>
<td>Are all transactions authorized by the appropriate member(s) of staff</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>17</td>
<td>All project assets are recorded on an Asset Register and duly tagged</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>18</td>
<td>Are project audits carried out every year by a qualified external auditor</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>

### SECTION D: FUNDING

<table>
<thead>
<tr>
<th></th>
<th>Always</th>
<th>Mostly</th>
<th>Sometimes</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>19</td>
<td>Initial funds for projects are obtained from the reserves of the NGO</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>20</td>
<td>The NGO solicits funds from donors</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>21</td>
<td>Products or services rendered by the projects are offered at market rates</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>
22. Rate the extent to which each of the factors influence sustainability of developmental projects in your NGO:

<table>
<thead>
<tr>
<th>FACTOR</th>
<th>Very low</th>
<th>Low</th>
<th>Average</th>
<th>Great</th>
<th>Very great</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conceptualization</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Financial Systems</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funding</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

23. In your opinion, what other factors affect sustainability of NGO implemented projects?

Lack of credibility and trust
The management and governance
Poor proposal writing skills
Bureaucracy
In ability to meet donor expectations

24. What challenges are faced by NGOs in seeking funds?

Lack of credibility and trust ( )
The management and governance ( )
Poor proposal writing skills ( )
Bureaucracy ( )
In ability to meet donor expectations ( )

23. What recommendations can you give to the NGOs to facilitate sustainability of their projects?

------------------------------------------------------------------------------------------------------------------------
## APPENDIX 2: BUDGET

<table>
<thead>
<tr>
<th>Item</th>
<th>Quantity</th>
<th>Unit cost (Ksh)</th>
<th>Total cost (Ksh)</th>
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</thead>
<tbody>
<tr>
<td><strong>1. Proposal</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stationery</td>
<td></td>
<td>1,000.00</td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td></td>
<td>5,000.00</td>
<td></td>
</tr>
<tr>
<td>Typing of research work</td>
<td></td>
<td>2,000.00</td>
<td></td>
</tr>
<tr>
<td>Printing</td>
<td></td>
<td>2,000.00</td>
<td></td>
</tr>
<tr>
<td>Prove reading</td>
<td></td>
<td>10,000.00</td>
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</tr>
<tr>
<td>Reading in other libraries</td>
<td></td>
<td>8,000.00</td>
<td></td>
</tr>
<tr>
<td><strong>Sub Total</strong></td>
<td></td>
<td></td>
<td><strong>28,000.00</strong></td>
</tr>
<tr>
<td><strong>2. Project</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Typing of research work</td>
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<td>8,000.00</td>
<td></td>
</tr>
<tr>
<td>Stationery</td>
<td></td>
<td>3,000.00</td>
<td></td>
</tr>
<tr>
<td>Research assistant</td>
<td></td>
<td>50,000.00</td>
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</tr>
<tr>
<td>Printing</td>
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<td>15,000.00</td>
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<td>Transport</td>
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<tr>
<td>Prove reading</td>
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<tr>
<td><strong>Sub Total</strong></td>
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<td><strong>131,000.00</strong></td>
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<tr>
<td><strong>Grand Total</strong></td>
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<td><strong>159,000.00</strong></td>
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