



The Non-Profit Sector in Kenya

Size, Scope and Financing

Karuti Kanyinga
Winnie Mitullah
Sebastian Njagi



THE INSTITUTE FOR DEVELOPMENT STUDIES
UNIVERSITY OF NAIROBI

A K D N

AGA KHAN DEVELOPMENT NETWORK



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Institute for Development Studies, University of Nairobi
In collaboration with
Centre for Civil Society Studies, Johns Hopkins University



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Telephone: (+254 – 20) 247968 or 318262
Cellphone: 254-733 524903 or 0722 499706
Email: director-ids@uonbi.ac.ke
URL: www.uonbi.ac.ke/faculties/ids

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Acknowledgement

The idea to produce a publication on basic features of the Non-Profit Sector in Kenya evolved from the realisation that past studies have not provided a comprehensive picture of the sector. The lack of information on the basic features of the sector has contributed to the sector remaining least understood, to the extent that even practitioners in the sector are unaware about its size, structure and scope in Kenya. The Institute for Development Studies (IDS), University of Nairobi, has been undertaking a study to address this shortcoming. The study was undertaken under the auspices of the Johns Hopkins Comparative Non-Profit Sector Project of the Centre for Civil Society Studies (CCSS) at the Johns Hopkins University. This was carried out with funding from the Ford Foundation, East African Regional Office, and the Aga Khan Foundation.

The IDS, with the assistance of the Aga Khan Development Network (AKDN), has found it worthwhile to produce a publication to serve as a reference point of information on the sector and for access by the general public, government ministries, civil society, development partners and others interested in understanding the character of the non-profit sector in Kenya. We embarked on this mission with generous support and advice of the Aga Khan Development Network's Civil Society Programme. We are grateful to Richard, and Aga Khan Development Network (AKDN), for this.

Collection and analysis of data on which this publication is based has been a challenging task. Many people helped us in meeting some of these challenges. We may not be able to thank all of them here. We are grateful to Mr Sebastian Njagi, the Project Assistant, for coordinating collection of the first set of data and making substantive contribution to our writing. We are

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We acknowledge the financial support provided by both the Ford Foundation and the Aga Khan Foundation in the first phase of the project under the Johns Hopkins Comparative Non-Profit Sector Project. Thanks also go to Lester M. Salamon for his advice throughout the first phase of the project, and the subsequent contacts and linkages that we continue to maintain with the Johns Hopkins Centre for Civil Society Studies.

We gratefully acknowledge the financial support provided by the Aga Khan Foundation to update data and produce this publication. We are in particular grateful to Richard Holloway, Aga Khan Development Network's Civil Society programme, who facilitated the development of this publication. His advice and expert review of various drafts leading to this publication is most appreciated; he motivated and encouraged us throughout to see light at the end of the tunnel. Special thanks go to Grace Isharaza (Aga Khan Foundation, East Africa) for her support throughout the period of producing this publication. Her effort in making follow ups on many deadlines that slipped through is one thing we are highly appreciative of.

None of these people, however, bears responsibility for any errors of fact or interpretation that this publication may contain. This is our responsibility as the authors of this publication.

Karuti Kanyinga

October 2007



Preface

The Institute for Development Studies (IDS), University of Nairobi, has been engaged in a study to document the size, structure and scope of the Non-Profit Sector in Kenya. The project was undertaken under the auspices of the Johns Hopkins Comparative Non-Profit Sector Project of the Centre for Civil Society Studies (CCSS) at the Johns Hopkins University. This was carried out with funding from the Ford Foundation, East African Regional Office, and the Aga Khan Foundation.

Although findings of the study have been disseminated through several forums and publications, the IDS, with the assistance of the Aga Khan Foundation, has found it worthwhile to produce a publication to inform the general public, policy makers, donors, development practitioners and other stakeholders about the structure, scope, size and financing of the sector in Kenya. The IDS hopes that this will serve as an important reference point for studies on the sector in Kenya. These findings, thus, provide an important entry point to a full understanding of the sector in Kenya, and further form an important base document for others wishing to study the sector.

In Kenya, the last four decades have witnessed significant changes in the development space. The state occupied much of the development space in the 1960s and 1970s; the state was the main engine of development. Public enterprises led in providing social development. This changed from the early 1980s in tandem with declining capacity of the state to support social development. Introduction of Structural Adjustment Programmes further weakened the developmental state. Subsequent rolling back of the state under neo-liberal policies occasioned a proliferation of organised voluntary non-profit organisations. Private non-profit organisations such as NGOs and

Self-Help Community Based Groups, among others, evolved to assist in the delivery of social services.

Despite this growth in number and activities, the non-profit sector has remained dimly understood. The sector has remained invisible to policy makers, the media and academics in Kenya. Interestingly, not even practitioners of development have a full understanding of the sectors' size and scope. On the whole, there have been no systematic studies on the capabilities of the sector or even on the basic features of the sector. Furthermore, there is not much knowledge about the sector's contribution to the national development process. It is this gap that has all along pushed the IDS to study and contribute knowledge in this area.

Overall, the IDS gratefully acknowledges financial support by the Aga Khan Development Network in supporting updating of the data on which this publication is based. We are grateful to Richard Holloway (Civil Society Director, Aga Khan Development Network) and Grace Isharaza (the Aga Khan Foundation – East Africa) for their advice and efforts in seeing us through the task of producing this booklet.

Finally, the IDS would like to specially thank two scholars who have been involved in coordinating this project and producing this publication – Dr Karuti Kanyinga and Prof. Winnie Mitullah. Without their efforts, it would have been difficult to reach the end. To many others who contributed in many ways, we say 'asante sana'.

Professor Mohamud Jama

Director, Institute for Development Studies



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Acronyms

CBO	Community-based Organization	ICPNO	International Comparative Non-profit Organization
CBS	Central Bureau of Statistics	IDS	Institute for Development Studies (University of Nairobi)
CNP	Comparative Non-Profit	NGO	Non-Governmental Organisation
GDP	Gross Domestic Product	NPO	Non-Profit Organisation
G&V	Giving and Volunteering	NPS	Non-Profit Sector
FTE	Full Time Equivalent		

Chapter 1

Introduction

In the last century, developed and developing countries witnessed increased proliferation of private and non-governmental institutions at an astounding rate, described by some people as a ‘global associational revolution’ (Salamon and Anheier, 1996). Some of these organisations were formed to provide alternative forms of education, to protect the environment, to offer health services, to promote economic development, to improve local water systems, and generally to improve human welfare. Accompanying this growth has been the rise in interest, globally, in understanding this emerging broad range of social institutions, many of which operate outside the confines of the market and the state. Many of them are an outgrowth of voluntary pooling together of efforts and resources to address societal problems. These entities have come to be known variously as the ‘non-profit’, the “voluntary”, the “civil society”, the “third”, or even the “independent” sector organisations. Much more recently, the term “Non-State Actors” has also been used especially by international development partners to describe a constituency that straddles the state and the market.¹ Nonetheless, the non-profit sector organisations are many and continue to grow in size and diversity of activities every year. They are found in every aspect of human endeavour.

In Kenya, the non-profits comprise a very diverse grouping of organisations, ranging from small welfare and community-based or localised traditional welfare associations to large and secular social-economic organisations. They include those popularly referred to as Non-Governmental Organisations (NGOs), charities, community groups, faith-based organisations, unions,

¹ The terminologies used in reference to the non-profit sector have varied with time. This variation reflects dynamics in their contexts of operation.

clubs, trusts, and foundations, among others. From the late 1980s, the country has witnessed unprecedented rise in number and activities of these types of organisations. The growth rose in tandem with the deepening of the crisis of the 'developmental state'. The capacity of the Kenyan state to provide development was on decline. Its vision for national development was also blurred and animated by competing neo-patrimonial interests.² Opening of political space through political and economic liberalisation in the 1990s also contributed to the growth of many organisations that sought to facilitate democratisation and good governance (Kanyinga, 2004).

Despite the apparent growth in number, diversity of activities, and importance in fostering social change, these organisations remain only dimly understood, making it difficult to determine what their capabilities really are. Little systematic information is available on their basic features. There is little information and poor understanding of how non-profits are structured and financed, their legal position, relationship to government and the private sector, and impact of their work. In particular, not much knowledge has been generated about the sector's actual size, scope and structure. Furthermore, varieties of names such as voluntary organisations, charitable organisations, non-governmental organisations, civil society and to some extent, non-state actors, are used to describe the sector. These variations obscure the internal character of the sector because they are used to define certain specific constituencies of the sector.

Lack of a full understanding of the sector has made it difficult for both policy makers and the general public to get beyond the myths and improper perceptions in which these organisations have long been shrouded. It has also been difficult to appreciate their true character, role and the important challenges they face in Kenya's development space. Use of different terminologies in reference to the sector has also compounded the challenge to fully understand the role and implications of the sector in promoting sustainable development. The few studies that have been done on the sector in Kenya, and Africa in general, are not comprehensive in scope and coverage. There are no studies on the entirety of the sector; existing studies pay attention only to specific entities and particularly NGOs (see for instance, Fowler, 1998; 2000; Ng'ethe, 1992; Kanyinga, 1993 while others have examined specific aspects of the sector rather than appraising the sector in its entirety (Kanyinga, 2004; Chelogy et al, 2004; Ngondi-Houghton, et al (2005). There is, as such, no complete picture of the sector and its contribution or role in the country's development space. Furthermore, studies on the sector have been appraisals and evaluations commissioned by financiers, and which primarily focused on specific organisations and or

² We base this argument on Thandika Mkandawire's (2001) conceptualization of a developmental state using ideology-structure nexus. In this conceptualization, a developmental state is one which establishes development as, one, an 'ideological-hegemony' and, therefore, as an ideological project and, two, builds its capacity, at a structural level, to implement development policies (Mkandawire, Thandika, 2001).

specific sectors and issues. Such works do not have a heuristic value because they lack the basis for comparative analysis and are limited to specific organisations or contexts. They provide partial, scanty and unsystematic information on the sector.

It is noteworthy that national income data sources and national statistics in Kenya do not have reasonable estimates of the key segments and aspects of the non-profit sector. The national income data system contains little or no information on the non-profit sector. The Kenya National Bureau of Statistics (formally Central Bureau of Statistics) and other relevant departments have not been gathering information on the non-profit sector on its own as is the case with other sectors of the economy. This implies that agencies responsible for national statistics are yet to recognize the non-profit sector as an economic force. Therefore, there is no official information on the size and scope of the sector. It is only in recent years that the government has laid a framework for including the sector in the national system of accounts.

The primary aim of this publication, therefore, is to set the stage for deepening our knowledge of the non-profit sector in its entirety in Kenya. The discussion aims at presenting a clear picture on the size, structure, scope and financing of the non-profit sector. The discussion is based on findings of a national survey carried out in the period between 2001 and 2002 and updated thereafter where possible.

This is the first major attempt to provide a comprehensive assessment of the non-profit sector in Kenya. It is hoped that this work will constitute an important and first reference point for information on the sector. This publication, simply put, provides an entry point for building our understanding of the sector. It provides baseline information to assist in tracking the size, scope and financing of the non-profit sector in the country. It provides an important foundation on which we can begin appraising trends in the sector.

Methodological approach

In carrying out the survey on which this publication is based, the research team endeavoured to establish the non-profit institutions using an operational definitional criteria developed by the Johns Hopkins Comparative Non-Profit Sector Project. The criteria identifies five crucial structural or operational features that tend to define the various entities within the sector (for details see Salamon and Anheier, 1998). The non-profit sector organisations that the study was concerned with had to be:

- a) Organisations that are institutionalized to a meaningful extent;
- b) Private or institutionally separate from government;

-
- c) Non-profit distributing or by law or practice not returning profits to their owners or founder members or directors;
 - d) Self-governing or capable of taking control of their internal activities;
 - e) Voluntary organisations or organisations in which participation is non-compulsory.

The study team identified databases and systems that could provide empirical information on the scope and structure of the Kenyan sector. Potential sources included the Kenya National Bureau of Statistics, government departments, institutions of higher learning, independent researchers, population and organizational surveys, among others. It was nevertheless found that little data existed from these sources. In particular, the sector was insufficiently identified and covered in the governmental data systems. Despite the sector being a key contributor to national development, it is least recognized in government documents and the national system of accounts. Overall, there was a dearth of essential information on the size, structure and financing of the non-profit sector in Kenya.

The survey targeted local, regional, national and international non-profit organisations formed or operating in Kenya by the end of 1998, and which were still active by the time of the fieldwork in 2001 and 2002. The survey was conducted concurrently with another which targeted giving and volunteering within the non-profit sector in Kenya. The survey was carried out in 14 administrative districts from different geographical areas of the country arranged according to the level of organisational density (high, medium and low).³ Both rural and urban districts were covered. The research team compiled a comprehensive listing of all civil society organisations operating in those districts, using administrative records that were available. The team then selected a stratified sample of about 700 organisations for face-to-face interviews, using an organisational survey module developed for this project. Data derived from the survey were then extrapolated to the national level.

Sampling procedures

The survey used hyper-network sampling techniques to capture unregistered, informal organisations. An initial task of the survey was to construct a sampling frame in each of the 14 study districts. These were drawn from the high, medium and low concentration zones in Kenya and from all the country's 8 provinces. The sample districts were:

- High concentration zones: Nairobi, Kiambu, Nyeri, Meru, Machakos
- Medium concentration: Kisii, Siaya, Kisumu, Kakamega, Nakuru
- Low concentration: Mombasa, Kilifi, Isiolo, Garissa

³ Those were distributed as follows: High organisational density – Nairobi, Kiambu, Nyeri, Meru and Machakos; Medium density – Kisii, Siaya, Kisumu, Kakamega, Nakuru; Low density – Mombasa, Kilifi, Isiolo and Garissa.

In constructing the sampling frames, the survey used information provided by District Statistical Officers, District Development Officers and District Social Development Officers, among others. Where it proved difficult to obtain names of some types of NPOs such as CBOs, or where information in the records was not sufficient enough, snowball techniques was used to obtain names of the existing NPOs. Once a listing was obtained for each district, the NPOs were classified according to respective International Classification of Non-Profit Organisations (ICNPOs) (classification of NPOs according to activities)⁴ from which random samples were drawn. A total of 700 NPOs were selected in the 14 districts, although information was finally obtained from only 698 NPOs.

Estimation procedures

The estimation procedure for the national values was outlined in the guidelines prepared by the Johns Hopkins Comparative Non-Profit Sector Project team. The basic approach in the estimation was to obtain information from a representative sample of NPOs in the representative districts and “blow it up” to obtain national estimates. The estimation of national non-profit expenditure and employment from the survey data provides a good example of the extrapolation process:

Expenditure: Each entity in the sample was classified into its respective ICPNO category. This was done by determining the ICPNO activity that consumed more than 50 percent (or the most) of an entity’s expenditure. Using the ICPNO as a grouping variable, total expenditure for each group was derived. This was then multiplied with the ratio of the total number of organisations in the country to the sample size.

Employment: To calculate the total number of employees, the total number of employees in the sample was determined. Part time employees were treated as half full- time employees. The total number of employees was then multiplied by the ratio of total number of organisations in the country to the sample size. The final result was considered to be the total number of the non-profit Full Time Equivalentents (FTE) employees in Kenya.

⁴ See Annex 1, ICNPO according to activities.

Chapter 2

The Context of the Growth of Non-Profit Sector in Kenya

Several theories have been put forward to explain the development of non-profit sector. None of these theories, individually, can provide an exhaustive explanation for the non-profit sector. One theory may be able to apply or explain only certain aspects but cannot provide the basis for full understanding of the non-profit sector and its various aspects. Some have argued that the role of the state and market is important in understanding the development of the non-profit. In this view, non-profits have arisen to fill gaps emerging from the failure of the markets and the state in reference to their ability to supply public goods and services.⁵ Non-profits emerge to respond to continued demands for public goods where the state and the markets have failed; 'people turn to non-profits to supply the public goods they cannot secure through either the market or the state' (Salamon and Anheier, 1998: 220).⁶ Within this theoretical thinking, there is the argument that the expansion of the state inevitably means the weakening of non-profit organisations and philanthropy. Still, there are those who maintain that the non-profits, by their very nature, stand in opposition to the state. Others have emphasised the extensive cooperation that exists between the non-profits and the state, the important role that the state plays in the development of the sector, and the historical reality that the non-profits have pushed for expansion of state services (Salamon and Anheier, 1998).

⁵ Salamon and Anheier (1998) base this theoretical observation on the work of economist Burton Weisbrod (1977) who sought to reconcile the persistence of non-profits with classical economic theory.

⁶ Salamon and Anheier (1998) have examined several other theories that are helpful in explaining the development of the non-profits. These other theories include supply side theory; trust theories; welfare state theories; and interdependence theory. It is not possible to review the utility and applicability of these theories here. Suffice to mention that the theories offer useful insights into some basic dynamics of the non-profit sector but none, on its own, can adequately explain the dynamics of the non-profit sector. The social origins theory plays an important role in filling this gap.

The social origins theory provides an approach for explaining development of the non-profits sector cross-nationally. The ‘social origins’ theory focuses on broader social-political and economic relationships. The theory suggests that the size and structure of the non-profit sector is not a product of a single factor but of a complex set of social and political forces that reflect the broad social and political environment in which non-profits are embedded (ibid). The theory, thus, treats the non-profit sector as an integral part of the society and their roles as a product of certain societal dynamics. The approach outlined by Salamon and Anheier (1998) is based on two dimensions: one, the extent of government social welfare spending; and two, the scale of the non-profit sector. On basis of these two dimensions, the approach identifies four ‘routes’ in the development of the non-profit sector: the liberal, the social democratic, the corporatist and the statist.

In the liberal model, there is relatively limited government social welfare spending and a relatively large non-profit sector. In the social democratic model, a high level of government social welfare activity is associated with a relatively small non-profit sector. The state is usually the principal provider of social welfare protection. This tends to limit the growth and space for service providing non-profits. On the other hand, the corporatist model is characterized by relatively high levels of both government social welfare spending and non-profit expenditures. It is characterized by high interdependent relationship between the non-profit sector and the state; they expand simultaneously. However, the statist model has low levels of both government social welfare spending and non-profit expenditures. Both the government social welfare protections and private non-profit activity remain highly restrained.

These theoretical positions, combined, are useful in developing a clear image of the development of the non-profit sector in Kenya. With regard to the role of the state, for instance, there has not been a linear relationship between the growth of the sector and the character of the state. Although it is not useful to generalize on this inter-relationship, it suffices to note that the expansion of the state in terms of consolidation of state power from the colonial period and throughout the post-colonial period has had a direct bearing on the growth of the sector. The non-profit was exceptionally weak under the colonial situation because all forms of social organizing were interpreted as threatening law and order. Colonial conditions restrained growth of the sector.⁷ The post-colonial period and subsequent consolidation of state power saw a continuation of this trend. Successive post-colonial governments constrained the space for non-profits by restricting organisations that provided political forums for those critical to the

⁷ There are few studies on the sector during the colonial period. Historical studies, however, point at the various constraints effected by the state against social-political organising. This was done to prevent interactions between the natives. Restrictions against social organising accelerated during the emergency period (1952-1960). This was done to prevent the spread of Mau Mau peasant rebellion, which organised against the state mode of rule and expropriation of land (Berman and Lonsdale, 1992).

governments. This is also true of relations between the state and those organisations that mobilize around democracy and human rights issues. These organisations, by the very nature of the demands they articulate, appear to stand in opposition to the state. However, there have been extensive cooperation between the state and non-profits. Non-profits delivering development services have had notable forms of cooperation with the state. They have been complementing government services and cooperating in the delivery of services. Cooperation rather than opposition has been the principle underlining the relationship between the state and service providing non-profit organisations (Fox et al, 2000).

The social origins theory also provides some useful models for explaining the growth of the sector in the country. However, these models are useful only when reflecting upon certain periods and phases of the country's development. The Kenyan case can be described as having followed a social democratic path in the period immediately after independence in 1963 and remained so until the middle of 1970s when the country began to experience the shocks of the 1973 global oil crisis. From then on, throughout the 1980s and 1990s, state capacity to deliver basic services considerably declined. The introduction of the World Bank and IMF-led Structural Adjustment Programmes and other conditionalities during the period evolved a liberal model in which there was relatively limited government spending in basic services. The non-profits filled the evolving space.

Donor preference for non-profits, particularly NGOs, accelerated the movement to the liberal model, which has obtained until the coming of a new government following the December 2002 General Elections when Kenya's ruling party from independence in 1963 was voted out of power.⁸ In order to address the euphoric post-election expectations, the new government introduced a series of reforms that have accelerated a movement towards the corporatist model. There has been high government spending in basic services without a decline in non-profit contributions. In spite of these features, the balance is still heavily weighted in favour of the state domination in provision of services. Reduced spending in social welfare cannot be interpreted as abrogation of responsibilities. Factors responsible for movements to one or the other model are varied.⁹ These movements have nonetheless shaped the nature of the non-profit sector in the country.

Historical context

The Kenyan non-profit sector comprises thousands of non-state and non-commercial organisations, both small and large, registered and unregistered,

8 The new government of the National Rainbow Coalition won on account of its reform agenda. The agenda included provision of improved public service delivery, economic recovery, and good governance, among others. The government introduced universal free primary education immediately after coming to office. There were several other programmes aimed at resuscitating public service institutions.

9 Kanyinga, K. and Njagi, S. (forthcoming). Historical background of the non-profit sector in Kenya, IDS, Mimeo.

rural or urban- based, sometimes doing quite dissimilar things. Diversity remains one of the noticeable characteristics of the sector. The main types are NGOs, CBOs and self-help harambee¹⁰ groups, cooperative societies, and other associations. Other types include clubs of various shades, welfare organisations such as the home town associations, unions, trusts and foundations. There are also kinship and other traditional groups, and religious organisations such as those focused on welfare and service provisioning.

Although the upsurge in interest in the non-profit sector in Kenya as a significant social and economic force can be described as recent, the sector has been around for centuries, with varying degrees of visibility, importance, and strength. The sector has deep historical roots. The broader social, economic and political experiences in the pre-colonial, colonial and post-colonial period have influenced overall development of the sector.

The various communities in Kenya have a tradition of offering community service and giving or helping those in need. This tradition has evolved a culture in which cooperation, volunteerism and giving are embedded. Responsibility for caring and the principle of reciprocity were integrated into the social and economic aspects of the society. Both the family and clan, as the main social units, acted as the centres through which this responsibility and the principle of reciprocity were played out. Family members would assist those in need while the clan played a role in helping families to address social-economic difficulties that they faced and in fostering social harmony. A social insurance system was embedded in every community to cushion members from effects of famine, droughts, loss of livelihood and other threats. This system was based on principles of collective responsiveness, mutual individual and communal responsibility, reciprocity and trust in general. In other words, collective efforts and individual contributions to the community enriched social capital which, in turn, promoted social citizenship. There were clear responsibilities and obligations of each and every citizen to the community. The community, in turn, had clear responsibilities for the well-being of its members. In this context, traditional structures of social organisation served as the indigenous and earliest forms of non-profit organisations in the country. This is, therefore, one of the cornerstones of modern day volunteerism. The harambee spirit, which is the best manifestation of Kenyan volunteerism in the post-colonial era, owes its growth to this tradition. Indeed, harambee has been a major source of political capital for political elites. *Harambee* activities have been the main avenues for patronage resources. This has considerably devalued the *harambee* tradition.

Establishment of the colonial rule and in particular establishment of the colonial state by the use of force had an indelible effect on the structure of non-profits in the country. The colonial mode of rule restructured state-

¹⁰ Harambee means pooling together. It refers to pooling together of resources by communities for the purpose of implementing basic service projects and resolving societal development difficulties in general.

society relations and evolved the state as the principal actor in not only the political and economic spheres, but also the social sphere. The state regulated social activities and organisations using restrictive and racially-biased policies. The state and its development policies restructured the relations between the family and clan as well as the relations between the society and the individual. Social safety nets that consolidated during the pre-colonial period were rapidly fragmented as new and pre-modern colonial state and non-state institutions took over. Alongside the growth of colonial institutions, the church came to occupy a central role in the non-profit space. With evangelical activities on one hand and philanthropic activities on the other hand, the church introduced non-secular charitable organisations to support the well-being of their various constituencies. It may be argued, therefore, that the colonial period may have added a whole range of non-profit sector organisations. Although the factors inspiring their growth varied, they added to an already established non-profit sector institutions. The post-colonial period continued to experience this growth.¹¹

Growth of NPOs has been in phases. In the first phase and particularly during the colonial period, many NPOs were charitable. They provided charity and supported the needy in the society. The decolonisation period aroused more demands for their services. With time, they combined charity and welfare with community development. Many began to complement government's community development activities. Alongside growing interest in providing basic services was an interest in institution building. A particular form of NPOs evolved in focusing on development of local level institutions. Today, one can argue that NPOs are in all sectors of the economy; there is no sector of the economy without the presence or contribution of NPOs.

Legal framework and status

The non-profit sector has a legal framework within which it operates. However, the laws and regulations governing the operations of the sector are diverse. They include the Societies Act, Trustees Act, Companies Act, the NGO Coordination Act, and administrative regulations provided by different Ministries. For example, the Ministry of Culture and Social Services administratively regulates and registers Community-Based Organisations and *Harambee* groups while international foundations operate under protocol arrangements with the Ministry of Foreign Affairs and sometimes under special agreements between the Kenya government and the government of the country where the parent foundation is registered.

Non-profit organizations and voluntary organizations in Kenya are by law exempt from taxation - Income tax, Customs and Exercise tax, Value Added tax, Hotel Accommodation tax, and Stamp Duty tax, among others. Under

¹¹ For details, see Historical background of the non-profit sector in Kenya, *Op cit*.

the various tax laws (e.g. the Income Tax Act, Customs and Exercise Act, and Value Added Act), registered or incorporated entities (non-profit organisations) are required to apply for privileges of exemption to the relevant exempting authority through the body that administered its registration. The requirement for exemption of NGOs, for instance, is specified in the NGOs Coordination Act Regulations (Republic of Kenya, 1992). Tax exemption is generally sought from the Minister of Finance or the Commissioner responsible for the relevant tax department. Tax exemption, however, covers only the importation of goods. Certificates of exemption have to be issued by the Minister for Finance. The Minister, however, has the discretion to award the certificate upon conviction that the imported goods are for charitable and non-profit rather than for-profit use.

Although there are laws governing the operation of the non-profit sector, these laws are not anchored on a non-profit sector policy because Kenya does not have an explicit policy on the non-profit sector in its entirety. The best that has ever evolved in regard to a policy in this sector was in 1971 when the government produced a national policy on social welfare (Sessional Paper No. 7 of 1971), which addressed and sought to contextualise the role of charitable and voluntary organisations in service delivery and the nature of partnership between the government and charitable organisations.¹² National development policies have consistently affirmed and appreciated the role of the sector in national development, but the government has not formulated any policy to guide the sector's contributions and relations with other development actors. Lack of a coherent national policy for the sector has meant poor coordination of the non-profit entities with those of the public sector institutions. In 2002, however, the government began the process of developing a national policy on NGOs, with input from NGOs through the National Council of NGOs, the umbrella body of NGOs in the country. These initiatives, however, were limited only to NGOs as defined by law. The policy excluded many other kinds of non-profits.

The data collected for this survey reveals that most of the NPOs in Kenya are registered. Out of the total organizations sampled, 90 percent of the organisations were registered, while only 10 percent were not. Most of the organisations that were not 'registered' under the mainstream law were mainly CBOs, women and youth groups. They were registered under administrative regulations by various government departments. Other organisations were under their respective Acts and Ordinances. All the NGOs were registered under the NGO Act while cooperatives were registered under the Cooperative Societies Act. The other legal regimes reported in the survey were the Societies Act/Ordinance (associations and clubs), the Companies Act/Ordinances and the Trade Union Act (trade unions).

¹² This was an initiative of the Kenya National Council of Social Services (KNCSS), a department of the Ministry of Culture and Social Services. Though a department, the government registered the Council under the Company's Act as a voluntary agency responsible for coordinating voluntary and welfare organisations in the country.

Chapter 3

Structure of Non-Profit Sector in Kenya

The non-profit sector in Kenya comprises various types of organisations engaged in supplying 'public services to communities. They are in every village and in every human endeavour. Some of the organisations are fairly large in terms of expenditure and number of people they employ. Others are quite small, again by the same terms. The majority, however, are actively engaged in fostering positive societal changes.

This section discusses how the sector is structured, and specifically the sectors of operation, coverage and scope of their activities. The International Classification of Non-Profit Organisations (ICNPOs) informs this discussion. This classification groups NPOs on the basis of their activities or functions. This approach was developed by the Johns Hopkins Comparative Non-Profit Sector Project team to build on the International Standard Industrial Classification (ISIC) of All Economic Activities used in System of National Accounts (SNA).¹³ Non-profits are poorly captured and catered for under the current system because the sectoring rules have allocated non-profits among five different sectors based on their income. Non-profit Institutions (NPIs) tend to disappear under these main sectors.¹⁴ In 2005, the Central Bureau of Statistics (CBS) began a process to systematise the capturing of NPIs in the SNA but NPIs are yet to be systematically integrated in the data system.

¹³ The System of National Accounts (SNA) guides economic statistics throughout the world. The system has not integrated Non-Profit institutions (NPIs).

¹⁴ These are the corporate financial sector, the corporate non-financial sector, the government sector, the household sector, and the non-profit sector institutions serving the household sector.

Internal character and composition

Available literature as well as the findings of the survey on which this discussion is based reveals that the sector is not only huge, but also complex and diverse. The sector comprises a wide array of non-governmental and private socio-economic institutions established to fulfil varied socio-economic and even political objectives. Based on the criteria discussed above, the organisations comprising the sector can be grouped into five main categories. These are (a) NGOs; (b) Grassroots organisations (*Harambee* groups, CBOs, welfare and neighbourhood organisations, kinship and other traditional groups); (c) Trusts and Foundations; (d) Professional clubs and associations; and (e) Cooperative societies and unions. Organizations falling under these broad categories are registered with a number of government agencies and/or different legal regimes. Cooperative societies are registered under the Department of Cooperatives; NGOs under the NGO Coordination Bureau; clubs, associations, trusts and foundations are under various departments including registrar of societies, companies, and the Ministry of Lands. The Department of Social Services in the Ministry of Home Affairs registers CBOs and welfare groups. The characteristic features of these organisations are briefly discussed here.¹⁵

Non-Governmental Organisations (NGOs)

Conceptually, the NGO sub-sector includes all non-governmental development institutions and organisations operating in Kenya's development space. It excludes for-profit organisations and in particular those founded to raise profits for distribution to owners. In Kenya, the term is used in a restricted manner to include only the formalised and secular non-government developmental organisations. It excludes cultural, kinship, *harambee*, traditional, welfare, and religious groups or institutions whose motivation for formation is to assist membership.

NGOs operating in Kenya fall into two categories distinguished by their origins or where they were founded.¹⁶ These are local/indigenous NGOs and the foreign NGOs. The local ones are founded locally and employ local staff; they do not have offices outside the country. However, many depend on grants or aid from outside. The International NGOs, on the other hand, are usually branches of NGOs founded outside the country, but with legal registration in Kenya. They operate in Kenya among other countries. Some of their senior staff members are expatriates. They undertake development activities through local NGOs or directly through CBOs or even directly with local communities. Some NGOs are also membership organisations while others are umbrella organisations.

¹⁵ See 'Kanyinga, K. and Njagi, S. (forthcoming). Defining the non-profit sector in Kenya', IDS Mimeo, for a full description of these sub-divisions.

¹⁶ This is not a watertight classification because the line between national and international NGOs is sometimes very thin and a subject of controversy. This classification is used for the purpose of this discussion only.

Grassroots community organisations

This is one of the largest divisions of the non-profit sector. It includes groups found at the village and community levels. These include hometown organisations, community-based welfare organisations, and neighbourhood organisations, among others. In this category, *Harambee* Self-Help groups and CBOs, including women and youth groups, form the largest types of organisations. This is also the largest single block of Kenya's non-profit sector.

CBOs and Harambee groups are a feature of rural and urban life. These are usually formed to address immediate needs of local communities. In some cases, individuals join together for a specific task such as provision of water or other basic need. Such efforts then take organisational form. The organisation remains in place even after the task has been completed. Some die immediately after the accomplishment of the task or take on board a different task altogether. Thousands of such organisations exist and engage in different activities, including income generation and assisting each other at times of need. Other groups in this category include welfare organisations. Their aim is to advance and promote the welfare of the members. They operate to provide social insurance especially in times of distress. The most common type are hometown associations. People sharing the same ethnic or sub-ethnic identities and/or coming from the same rural locality and residing in the same urban areas form such associations to help each other at the time of need. They promote the welfare and security of members. They also play an important sociological role in the lives of the members. Established away from their rural homes, the associations act as vehicles of socialization and consolidation of group identity. They are the main bridge between the urban and rural lives of members.

Trusts, foundations and associations

Some trusts, foundations and associations are registered as NGOs while others are registered as companies limited by guarantee. Others are registered under Trust agreements. Trusts and foundations engage in a wide range of social-economic activities. These are not many in number. Some are founded by families for the purpose of mobilising resources to improve people's well-being. Associations, on the other hand, have the aim of advancing, promoting and protecting interests of their members. Some of these are based in the major urban areas with branches in the districts.

Cooperative, societies and unions

These are voluntary membership organisations aimed primarily at advancing and protecting the economic interests and goals of their members. Here would be found numerous producer, consumer and marketing cooperative societies in both rural and urban areas of Kenya. Others include housing development societies that are found in some of the major urban areas. The

concern of this paper is with cooperatives and societies whose main goal is to promote the welfare and interests of members. The discussion recognises that there are those engaged in for-profit activities. These include the savings and credit cooperative societies. Trade unions, on the other hand, are formed to promote the well-being of members who pursue certain economic interests. They include trade and labour unions whose *raison d'être* is articulation of the interests of their members.

Institutions

Apart from the above formal organisations, there are numerous institutions providing basic services on a non-profit basis. They include some healthcare institutions and schools. Although some of them charge user fees, they are modelled on non-profit principles. Religious institutions, among others, undertake service delivery activities through establishments set up for the purpose. There is a tendency, nonetheless, to mistake such institutions as for-profit private sector institutions. This tendency is the result of these institutions carrying out services increasingly associated with the private sector institutions. Fees and other charges, for instance, are associated with for-profit institutions. The service-oriented NPOs depend on external assistance for their activities. Mission hospitals and some non-profit schools depend on donors for their activities.

Growth of the sector

The Kenyan non-profit sector has witnessed a high growth rate over the years. From a few hundreds at independence in 1963, the number has increased to thousands of organisations. Table 1 shows the growth in the number of select non-profit institutions. A caveat to be borne in mind while interpreting these figures is that there are difficulties in obtaining accurate and reliable data on NPOs. The national statistical agency, as explained above, has not integrated the NPOs in the national accounts. Data presented here is obtained from administrative records of various ministries. The ministries document information from district departments. Inaccuracies in collecting district data, therefore, lead to an inaccurate national picture. There are also instances where some NPOs operate without registration. Some CBOs, among others, operate with the local knowledge of the provincial administration, but without documentary evidence of existence. The data assembled here illuminates an important aspect of the growth of a select group of NPOs.

A review of the years between 1997 and 2006 as per the administrative records of various government departments reveals that there were over 150,000 'registered' NPOs in the country. This figure includes those registered under different administrative and legal regimes and subsequently captured in the various administrative records by different ministries. Given that there are many voluntary and organised groups existing without registration under any

of these legal and administrative regimes, one can argue that the number of non-profits fitting the operational functional criteria discussed earlier is more than this figure. A prominent NGO leader notes that, using anecdotal estimation, there are well over one million non-profits in Kenya. Every adult in Kenya belongs to several associations such as social clubs, merry-go-round self help groups, welfare association based on basis of ethnic, sub-ethnic or clan identities and many others.¹⁷ The figures presented here, therefore, are indicative of what is going on, but do not tell a complete story.

The sector has witnessed a high growth rate. Taking into consideration only the registered organisations, the sector grew by about 58 percent in the period between 1997 and 2005.¹⁸ Within the sector, organisations such as NGOs grew by over 400 percent in the period between 1997 and 2006. Others such as trusts and foundations grew by about 1,500 percent from a very small base during the same period. Information in these two tables also corroborates the widely held view that Community-Based Organisations (CBOs) or grassroots organizations, of whom the women groups and self-help groups make up a strong component, dominate the sector. The minority are clearly the NGOs, trusts and foundations. However, these are the most appraised and well known among the non-profit sector in Kenya. In contrast to the trend in other NPOs, foundations and trusts, together with the NGO sub-sector have had a remarkable growth over the years. From about 17 organisations, trusts and foundations increased to about 260 organisations by 2006. NGOs grew from 836 entities in 1997 to a significant 1,254 organizations in 1999 and to about 4,500 in 2006.

Table 1: Number of non-profit organisations in Kenya (1997 to 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
Women 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)

¹⁷ A former Chair of the National Council of NGOs in February 2007. In his opinion, the number of NPOs in the country is grossly underestimated. These figures have not taken into consideration that people belong to different associations at the same time. School age children also belong to school-based associations and clubs that have not found their way into these figures. In his view, for every registered NPO, there are about eight other unregistered NPOs.

¹⁸ These estimates are based on data for years where it was possible to get the data. The 2005 and 2006 figures for some NPOs could not be obtained. It was not possible to estimate growth rate of some NPOs for these two years.

Table 2: Change in number of NPOs by seven categories in 1997 and 2005

	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
Women Groups	85,205	135,294	159
Unions	67	99	147
Cooperatives	7500	10,867	144
TOTAL	113,259	347,387	307

Source: Table 1: Number of non-profits in Kenya

Generally, an explanation for the growth in the non-profit sector could be approached from a historical as well as from conceptual point of view. From a historical point of view, we would like to point at the African tradition of communalism in which people helped one another at times of need. Supporting the needy and collectively addressing societal problems was an important feature of the African traditional society. These values continue to inspire volunteerism in Kenya. Apart from this, it is important to recognise that the growth of NPOs is also attributable to the declining capacity of the state to deliver services. There has been a decline in the ability of the state to mobilize, direct and control the development agenda and the corresponding renewal in the private sector as the primary engine of development; the rise of interest in civil society as a vital sector in the life of the state and society; the tremendous expansion of the purview of the work of civil society (especially NGOs) in the South; and the increased interaction between NGOs and market actors in areas such as corporate social responsibility. Theoretically, it is suggestive that the liberal social-contract theory contemplates the evolution of organisations and partnerships (such as between governments and the non-profit sector) in the ever changing institutional structure of free societies as new and changing institutions seek to advance their distinct and separate purposes.¹⁹

Furthermore, as already noted in relation to the development theory of NPOs, the growth of the sector has resulted from the declining capacity of the state to provide basic services. Kenya's population growth has been steady since independence with an annual growth rate of over 3 percent for many years. While the economic growth rate continued to fall, the population grew steadily in absolute terms. This necessitated high government expenditures on service provision. Unfortunately, government resources (especially since mid 1970s) did not experience identical growth

¹⁹ Fowler, Allan (1998).

due to the poor performance of the economy and systemic vices such as corruption and embezzlement of state funds by those in positions of power.

The increasing demand for service provision, coupled with the government's inability to adequately provide for the same, has served as an inducement for the formation of many non-profit organisations. Thus, many non-profit organisations emerged or expanded their activities particularly in the 1980s and 1990s to venture into a wide range of social welfare and service provision areas such as housing, water, health, and education, among others. In a way, this represented a diversification of the non-profit activity from simply relief and welfare to service provision, development work and advocacy.

Economic changes that have occurred in Kenya in the independence period have also contributed immensely to the growth of the non-profit sector in the country. Kenya has had what can be described as a 'development dilemma' or the 'crisis of the state', which has influenced the non-profit sector scene immensely. At independence, the new government embarked on ambitious programmes to foster economic development in the country with the early realization that its legitimacy centered on how well and fast it enhanced development as promised to citizens at independence. The priority concern of the new government was, therefore, to foster economic development that could lead to an improvement in the standard of living of the citizens as well as one that could assure them of a better future for their children.

Towards this end, the government courted and encouraged non-state actors to get involved in development efforts. As a result, the harambee groups, development partners, indigenous and foreign voluntary organisations came to occupy an important part in the development space. Political pluralism and liberalisation of the national economy in the 1990s are other important factors that encouraged the proliferation of non-profit sector organisations in Kenya. Liberalisation of the economy opened up spaces and opportunities for engagement by other actors. Political pluralism also occasioned increased political activism, which resulted in formation of new activist organisations. Some of these were an extension of groups that were already undertaking social-economic development, but their growth was constrained by the form of governance that existed at the time. However, while this growth continued, it impacted on state-civil society relations. Increased donor funding to NGOs, which took place in tandem with reduced funding to government, strained relations between the government and civil society, and NGOs in particular.

On the international scene, the end of the cold war signalled a cut in the amount of support for Kenya and other developing countries that had prior been occasioned by like political ideologies. The donors began to pay more

attention to good governance, democratization, abuse of human rights and corruption. The international community forthwith channelled funds through alternative avenues owing to government's poor track record in addressing problems of governance and abuse of rights.

Alongside the international trends, there were also significant internal factors that conditioned growth of non-profits in the country. Notably, political patronage played an important part in creating conditions for growth of the sector. Politicisation of the *harambee* community efforts throughout the 1980s and the 1990s resulted in inducing the growth of community self-help groups. Political elites supported growth of such groups because they offered an important entry point for establishing political capital at the grassroots. In the middle of the 1990s and in tandem with the declining basis of political legitimacy, the government supported the mushrooming of women and youth groups by mobilising a national fund to support women and youth groups' development initiatives. Funds raised through these efforts were disbursed to local groups. This created a huge appetite for creating local groups and/or resuscitating inactive ones.²⁰

A high attrition rate is an important feature of the sector in Kenya. Although many of the organisations have the attributes of non-profits identified at the beginning of this discussion, they die or remain inactive a few years after formation. This is true of NGOs as well as community-based organisations. The fluctuations witnessed in the figures on growth are perhaps a pointer to this attrition.

20 In 1996 and 1997 the government of President Moi conducted two national funds drives to boost funds for youth and women organisations in the country. Each district was required to contribute to the kitty. Funds raised found their way back to youth and women groups. Politicians acted as chief patrons for many of these groups hence the linkage between politics and voluntary development.

Size and Scope of Non-Profit Sector

Employment

In carrying out their activities, NPOs engage labour on full time, part time and on a volunteer basis. In terms of employment creation, the sector is as significant as any other sector. Findings of the survey carried out in 2000 showed that the sector had a workforce (both paid and volunteer) of over 290,000 full-time equivalent workers. This constitutes 2.1 percent of Kenya's economically active population, and 16.3 percent of its non-agricultural employment. Table 3 depicts the significance of the sector in relation to these aspects.

Table 3: Significance of the non-profit sector

US\$ 269.7 million in expenditure in 2006 2.5% of the Kenya Gross Domestic 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 for the IDS/Johns Hopkins Comparative Non-Profit Sector project

The figures show that the non-profit sector is a major economic sector. It accounts for about 2.5 percent of GDP and employs a significant number of people. Full time employment accounts for 61 percent of the total employment in the sector while volunteering constitutes 39 percent.²¹

Table 4: Number of Full Time Equivalent (FTE) employees in NPOs in Kenya, 2000

Employee type	No of employees	as % of	
		Total NPO employment	Active population
Paid	177,073	61	1.2
Volunteers	113,875	39	0.8
Total	290,948	100	2.0
Working age population	14,600,000		

Source: Organizational survey, 2001

The total workforce in the sector by sub-division is shown in Table 6.

Table 5: NPO employment (paid and volunteers) by ICPNO

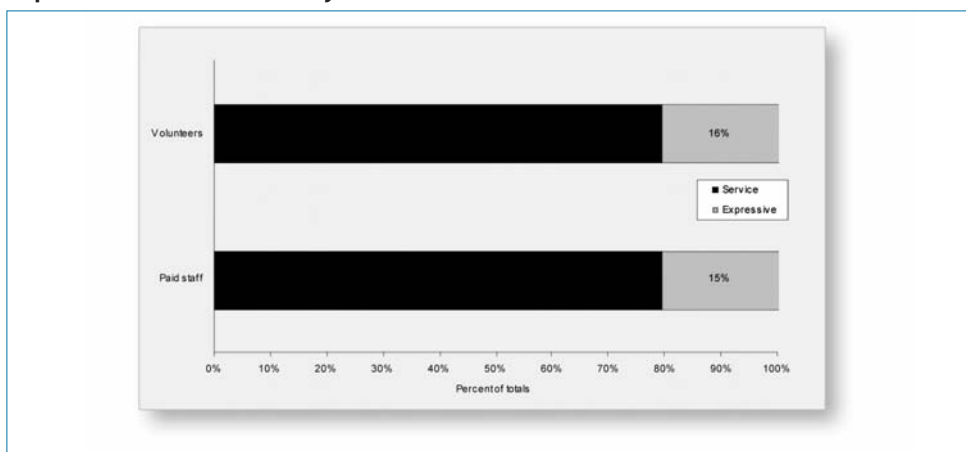
ICPNO	Paid employment		Volunteers	
	No	%	No	%
Culture & recreation	7,096	2.0	6,491	6.3
Education & research	20,962	5.8	10,060	9.8
Health	7,350	2.0	10,008	9.8
Social services	223,970	62.0	14,294	14.0
Environment	7,842	2.2	3,656	3.6
Development & housing	33,729	9.3	24,125	23.6
Civic and advocacy	9,434	2.6	5,659	5.5
Philanthropy	636	0.2	167	0.2
International activities	0	0.0	0	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: IDS/Johns Hopkins Comparative Non-Profit Sector Project

²¹ The part-time employee-hours were converted into full time through the criteria indicated in the methodological section.

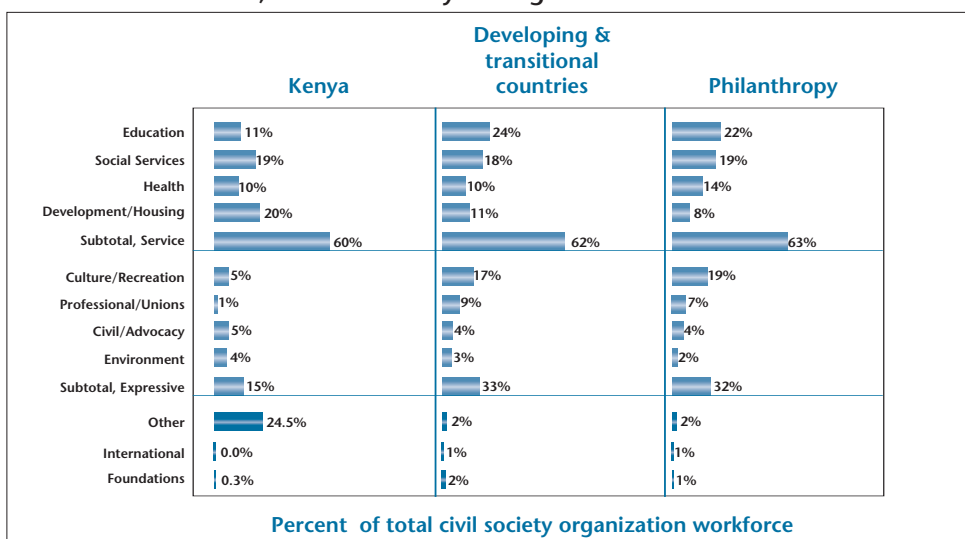
The distribution of workforce changes very little when paid staff and volunteers are examined separately. As shown in Figure 1, volunteer staff time is concentrated in service functions. Similarly, most paid staff time (58%) is concentrated in service functions. There is relatively less staff time spent in expressive activities (in the *service* role, they undertake activities in education, health, social services, development and housing. In the *expressive* role, they undertake activities in culture/recreation, professional work, union work, civic activities, advocacy, and the environment).

Figure 1: Distribution of paid employees and volunteers between service and expressive activities in Kenya



Source: Johns Hopkins Comparative Non-Profit Sector Project

Figure 2: Composition of non-profit workforce in Kenya, developing and transitional countries, and 32-country average



Source: Johns Hopkins Comparative Non-Profit Sector project

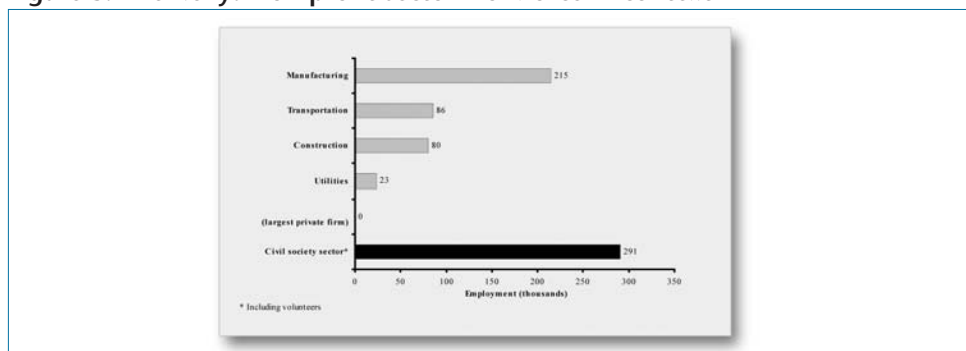
Figure 2 shows the composition of workforce in the sector in Kenya, developing and transitional countries and 33 countries.²² The data shows that the sub-sector with the highest level of employment is the services sub-sector. It accounts for about 60 percent of employment in the sector. This pattern, in which most of the workforce (paid and volunteers) in the sector is engaged in service activities, is comparable to data found in developing and transitional countries and all country averages (63% and 64%, respectively). The main variation is that in Kenya a much larger share of this workforce is engaged in community development and housing activities than the average for all countries. It is larger than what is found in the developing and transition countries (20% vs. 7 and 9%, respectively). This large share of development oriented-activities is typical of the African non-profit sector where it is about 18 percent of the total workforce. It is also significant to note that education absorbs a smaller share of the non-profit sector workforce in Kenya than all-country or developing country averages (11% vs. 23%, respectively).

The findings indicate that the sector has a strong presence of service organisations. The workforce engaged in expressive activities is quite small – at only 15 percent. This is half of the developing and transition countries and the all country average (32 percent). Kenya also appears to engage fewer people in expressive activities than other African countries (15% vs. 29%).

Non-profit sector employment vs other sectors

Figure 3 compares the total workforce in the sector with other important sectors of the economy. It shows that the non-profit sector employs 43 people for every 100 people employed in the public sector. The sector employs almost half (43%) as many people as the public sector. It also employs more people than the major industries in the country – utilities, construction, transport and manufacturing.

Figure 3: The Kenya non-profit sector workforce in context

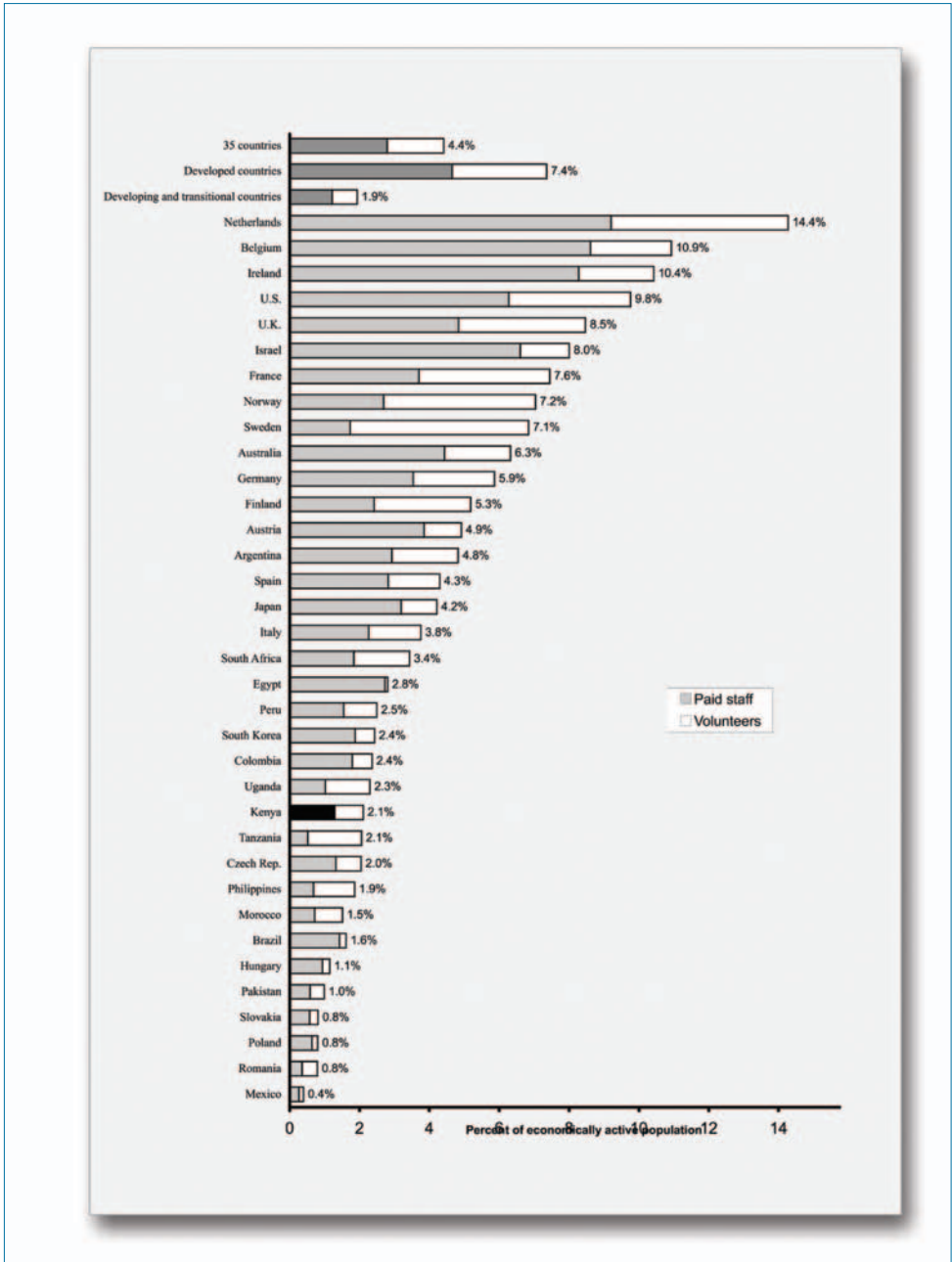


22 Data for this is drawn from the Johns Hopkins Comparative Non-Profit Sector project (Salamon, et al, 2004, Global Civil Society: Dimensions of the Non-profit sector. Bloomfield, Kumarian Press). The number of countries covered varies. The Johns Hopkins project had data for total employment and volunteering for 36 countries, but had breakdown by activity for only 33 countries. There was revenue data for 34 countries, but revenue breakdown by field for only 33 countries.

As Figure 3 shows, the civil society organisation workforce (paid and volunteer) exceeds employment in manufacturing, transportation, construction, and utilities. There is also a huge volunteer output in Kenya. There are almost 114,000 full-time equivalent volunteers in Kenya, which represents nearly 40 percent of the entire civil society workforce. The survey data suggests that the actual number of people who volunteer in Kenya is significantly higher—over 3.5 million people, or more than 20 percent of the adult population. On average, volunteers work less than 65 hours per year.

The Kenyan non-profit sector workforce (2.1% of economically active population) is larger than those in most other developing and transitional countries. Excluding religious worship organisations, the workforce (paid and volunteer) varies from a high of 14.4 percent of the economically active population in the Netherlands to a low of 0.4 percent in Mexico. On average, it is 4.4 percent overall, and 1.9 percent in the developing and transitional countries. The Kenyan figure is higher than the developing and transitional country average (2.1 vs. 1.9%) but much smaller than those in the developed countries. Consequently, it falls well below the all-country average. The workforce is also smaller than those in other African countries, which average 2.5 percent of the economically active population (Salamon *et al*, 2004). Figure 4 shows this pattern.

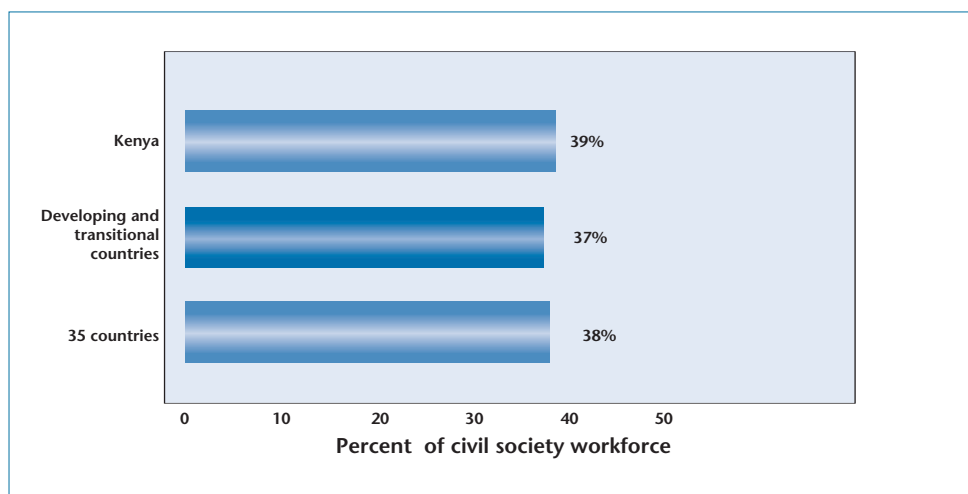
Figure 4: Non-profit workforce as a share of the economically active population by country



Source: Johns Hopkins Comparative Non-Profit Sector Project

The Kenyan non-profit not only employs a significant number of paid workers, but also involves the inputs of thousands of volunteers. Of the 250 Full Time Equivalent workers in the sector in 2000, almost 114,000 were volunteers. That about 114,000 volunteers, both men and women, contributed their time and energy to the non-profit sector in Kenya demonstrates the very nature of the sector. The sector has volunteerism as an important component. 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 5 compares Kenya against other countries.

Figure 5: Volunteers as a share of the sector workforce, Kenya, developing and transitional countries, and 35 countries



Source: Johns Hopkins Comparative Non-Profit Sector Project

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%). Volunteering is a religious and moral obligation. The majority volunteer because their religions require them to do so.²³ Table 7 shows the percent distribution of volunteers by ICNPO.

²³ See Kanyinga, K. and Njagi, S. (forthcoming). Giving and Volunteering in Kenya. IDS Mimeo.

Table 6: Non-profit sector volunteers by ICNPO

ICPNO	Volunteers	
	No.	%
Culture & recreation	6,491	6.3
Education & research	10,060	9.8
Health	10,008	9.8
Social services	14,294	14.0
Environment	3,656	3.6
Development & housing	24,125	23.6
Civic and advocacy	5,659	5.5
Philanthropy	167	0.2
International activities	0.00	0.0
Religion	1,523	1.5
Professional associations	2,401	2.3
Others	23,887	23.4
Total	102,271.00	100.0

Size of membership

From the survey results, about 40 percent of the organisations reported that they had members. The total membership for all the sample organisations was 225,034. This figure, multiplied with the ratio of the sample to the total population (to give total membership in the country) shows the estimate for total membership in the sector to be about 5 million members by 2000. Kenya's national population by 2000 stood at about 29 million people. The estimated size of non-profit sector membership, therefore, was about 17 percent of the national population. The membership by ICNPO was examined. It shows that the non-profit sector draws from a wide range of membership distributed among the different activity areas it is involved in.

Table 7: Membership in NPOs in Kenya

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: Organizational survey, 2001

The survey results indicate that the development and housing sub-sector of the NPO sector in Kenya has the largest membership followed by culture and recreation, and then social services. It is instructive to note that most CBOs and women and youth groups fall within these categories. Professional associations, on the other hand, are mainly urban-based and constitute only 2 percent of the total membership. This is indicative of the fact that most of the NPOs in Kenya are rural-based.

Scope of activities

Looking at the employment, volunteering and membership data, it is possible to discern certain patterns in the non-profit sector. As shown in Table 5 above on employment, the service sub-sector leads in terms of paid employment at 62 percent. The service sector also has a big proportion of volunteers (14%). The dominance of the service activities is attributable largely to the dual role of community organisations. Some of them play the role of community mobilisation and empowerment, a role that many of them have played from the colonial period. They also play an expressive role. They thus play a dual role – both service and expressive roles.

Another unique feature of the non-profit sector in Kenya is that it comprises a sizeable proportion (25%) of the workforce engaged in ‘other’ activities.

This group comprises those concentrating on agriculture and related activities, including rural development. Some of these organisations are also in the “development” category. If they were included here, they would increase the development share to 45 percent of the total non-profit sector workforce.

Overall, the supremacy of service as opposed to expressive activities is observed because of the reasons discussed above. A substantial component of ‘others’ comprises organisations involved in agriculture and related activities. In general terms, it is recognised that in paid employment, social services dominate other categories while development and housing is dominant in terms of volunteering. In terms of membership, the development and housing model again dominates. For both paid and volunteer employment, social services dominate but not to an overwhelming degree.

As already noted, the Kenyan non-profit organisations are found in all sectors of the economy. The sector has also witnessed significant changes. Most important of which has been a transition from relief and social welfare to a more general interest in socio-economic development, human rights, governance and environmental protection by some segments of the sector. Activities undertaken by non-profits have not only increased but also expanded and widened to include specialized fields such as energy, environment, primary healthcare and nutrition, education, agriculture, small scale enterprises, religion, human rights,²⁴ ethnicity, informal savings and credit schemes, and development training, among others. Resource outlays as well as the size and location of the clientele of the non-profit sector organizations have also continually expanded over the years. It is indisputable, therefore, that the contributions of the non-profit sector organizations to the development process in Kenya are of growing significance.

Non-profit organisations play multiple roles and carry out many non-commercial activities in culture, education and research, health, social services, environment, development, housing, civic and advocacy, philanthropy, religious, and other areas of Kenya’s socio-political and development space. Organisations in the sector engage in a variety of activities. The data for this survey reveals that economic empowerment and improvement of the welfare of communities is the main objective 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.

24 It is instructive to note that engagement of the sector in ‘democracy and human rights’ is not a recent phenomenon as implied in the literature (Ndegwa, 1996). There were several non-profit sector institutions that were at the forefront of the struggle against colonialism. They conducted advocacy and articulated the language of rights in many ways. Examples include the trade unions and numerous ethnic-based associations that articulated community grievances throughout the colonial period.

Still, others cited helping the disadvantaged and providing services to communities.

Table 8: Mission/activities of non-profit organisations

Mission/activities	%
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

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%, respectively). 12.5 percent consider education services as their main areas of engagement. Other significant sectors include capacity building (8.7%), and business and financial (7.4%). These findings suggest that non-profits are widely distributed across all sectors of the national economy. Organisations are formed for purposes of engaging in different aspects of development. A close look at the distribution of the sub-sector of NGOs, by themselves, reveals a similar pattern (Figure 6).

Figure 6: Distribution of NGOs by sector in 2006

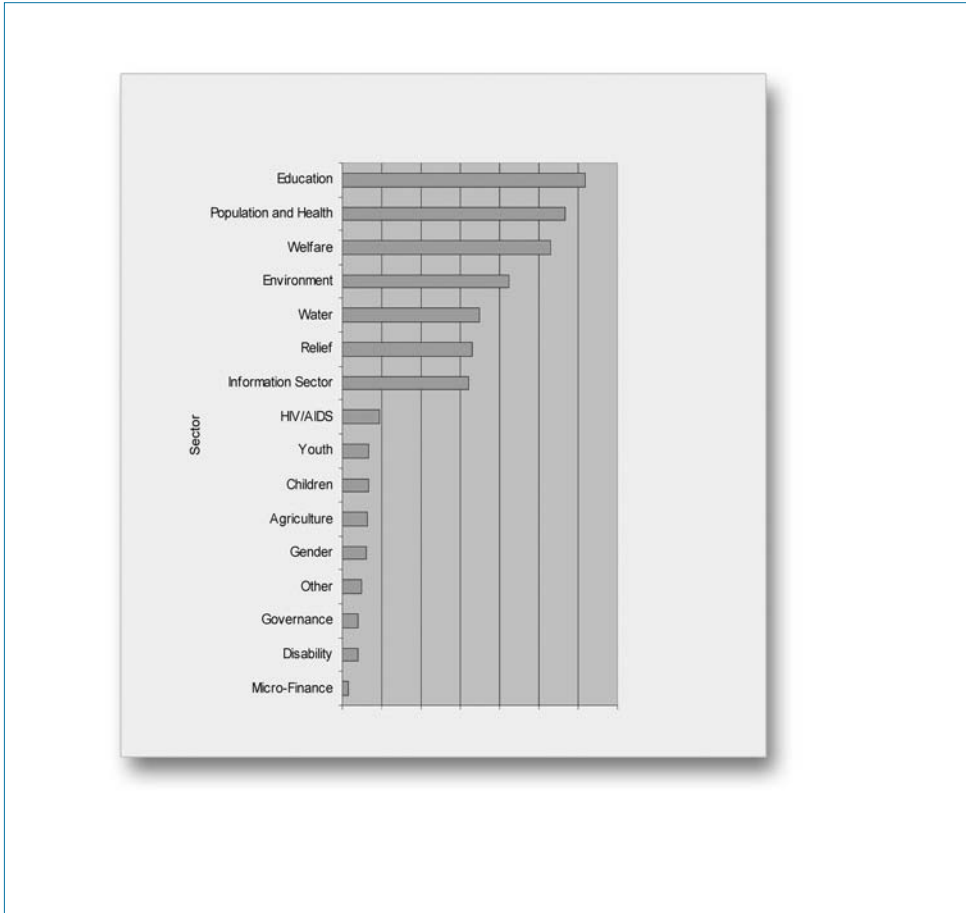


Figure 6 shows that NGOs are concentrated in social development sectors, with few being involved in expressive (governance) activities. This finding corroborates what the data for the overall non-profit sector has shown. We now turn to financing of the non-profit sector.

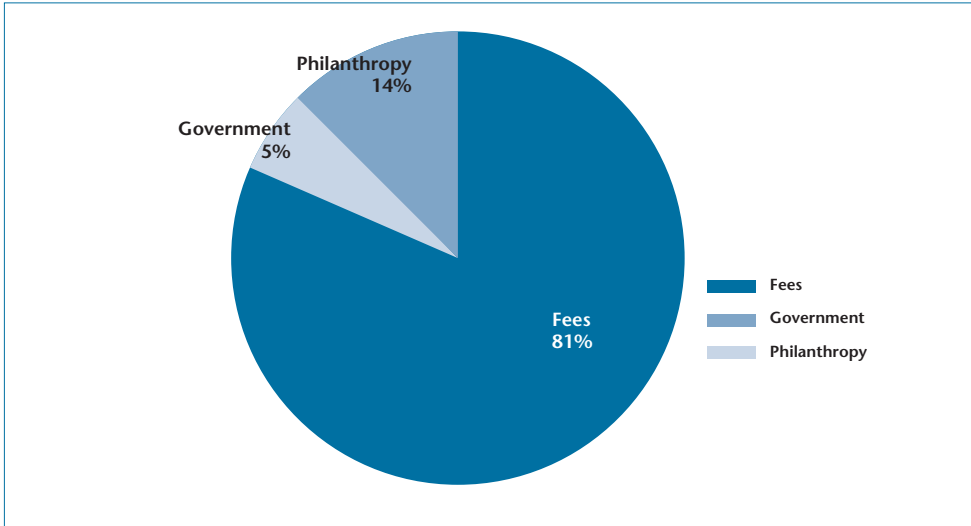
Financing: Sources of Revenue and Expenditure Patterns

Two important measures of the size of non-profit sector are revenue and operating expenditures. These also remain a subject of intense debate in Kenya, owing to lack of systematic and reliable data. Absence of data in this area has led to questions being raised about sustainability and the replication of the non-profit sector. However, a close look at the data suggests one interesting trend. It shows that external sources of funding are not significant or important for the sector. The sector does not rely in any significant manner on external sources of funding. Fees and charges are much more significant as a source of revenue. Below, we discuss these findings and their implications for organisation of non-profit sector activities.

Sources of revenue

The revenue base of the non-profit sector in Kenya has for a long time been perceived by the Kenyan public to be steady, huge and growing. This perception was corroborated by the findings of the survey in which it was found that the sector has a huge financial outlay. The findings show that about 81 percent of the cash revenue comes from fees, such as property income and membership fees. 14 percent comes from sources of private philanthropy, including individuals, foundations, corporations, and foreign donors. Another 5 percent is from the public sector. Figure 7 shows the revenue by source.

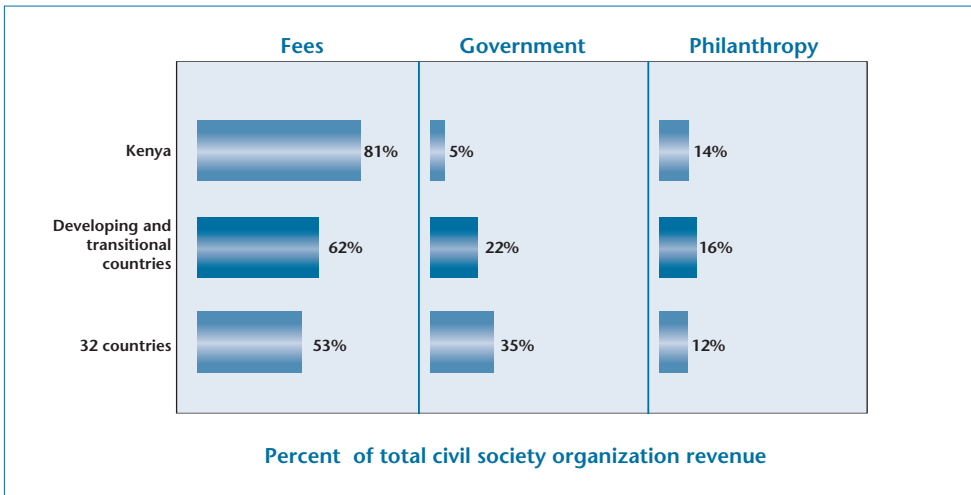
Figure 7: Sources of non-profit revenue in Kenya



Source: Johns Hopkins Comparative Non-Profit Sector Project

Compared to other countries, the Kenyan non-profit sector relies much more substantively on fees and charges. Fees share of the revenue is significantly larger than in developing and transitional counties. Figure 8 below shows revenue by source in Kenya compared to elsewhere.

Figure 8: Sources of non-profit revenue, Kenya, developing and transitional countries, and 32-country average



Source: Johns Hopkins Comparative Non-Profit Sector Project

The sector receives a much smaller share of its revenue from the public sector than the 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. However, philanthropic sources of revenue appear to be at the same level with what obtains elsewhere. Table 9 shows source of revenue by field. Environment has a relatively significant share of support from the government compared to other fields.

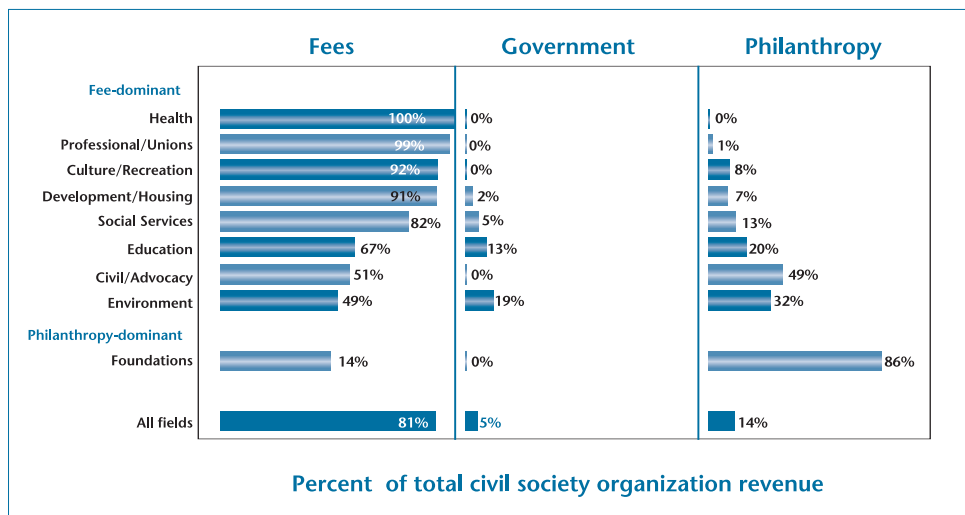
Table 9: Sources of revenue by fields

ICPNO	Revenue as % of total national revenue	Sources (%)		
		Government	Philanthropy	Fees
Culture & recreation	7.3	0.0	7.8	92.2
Education & research	13.6	12.6	20.1	67.3
Health	2.0	0.40	0.0	99.6
Social services	15.2	4.80	12.8	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			

Source: Organizational survey

Table 9 also shows that development and housing has the largest revenue base (25.8%). Social services and education follow (15.2% and 13.6%, respectively). Environment is also significant compared to other sources. However, in the majority of cases, fees dominate as the main source of revenue. Fees account for about 91 percent of revenue in development and housing and about 100 percent in the health sub-sector. Interestingly, religion, environment and civic and advocacy have philanthropy as the main source of revenue. These are the only sub-sectors where philanthropy is significant as a source of revenue. The government is not a significant source of revenue except in education (12%) and environment (19%).

Figure 9: Sources of non-profit revenue in Kenya by field



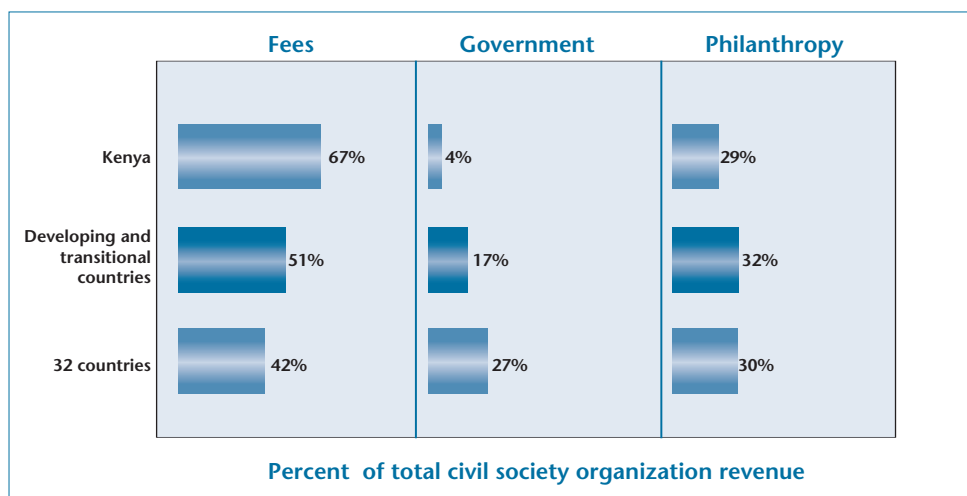
This pattern of revenue differs from what is found in other countries. That is, the non-profit sector in Kenya relies much more on fees and dues than its counterparts elsewhere. As shown in Figure 7, the fees share of the Kenyan sector is larger than in the developing and transitional country and all country averages.

In the developing and transitional countries, fees account for 62 percent of the revenue and 53 percent in the all country averages (32-country). The support from the government to the sector is also relatively small compared to elsewhere. This low level of public support can be explained, in part, by the post-colonial government’s policy of strong encouragement of traditional forms of self-help to offset shortfalls in the government’s ability to fund social development programmes. *Harambee* evolved as one form of initiative through which communities filled gaps in government support. It was also pointed out at the beginning of this discussion that the developmental state in Kenya failed to deliver development from the early 1980s and created a huge gap that non-profits attempted to fill. Withdrawal of government from the social development arena may explain the near absence of the government as a source of revenue in some of the sectors.

The significance of fees and dues in the financing of non-profit sector is reflected in all but one field (philanthropy and international activity). However, the share of fee income varies from 49 percent in environmental protection to 100 percent in health. The significance of user charges and fees is characteristic of the sector for several reasons. One, many of the non-profit institutions charge user fees for services. This has been the practice, for instance, in the health and education sectors. Fees charged generate income to support both recurrent and development expenditure, especially because

government and philanthropic support is inadequate. However, the income generated does not result in profits being taken by individuals. Secondly, the shift from charity, relief and welfare towards community development from the 1970s literary meant a shift from “freebies” associated with charity initiatives to development projects that stood to benefit communities rather than individuals. Moreover, this shift took place at a time when Kenya’s economic liberalism policies and emphasis on capitalist development was taking root in the society. Underlying this policy was an emphasis on ‘*hakuna cha bure*’ (Kiswahili for “nothing for free”), which consolidated into an important political and economic statement. It informed development at both the local and the national level. It is notable that religious activity revenue mostly comes from philanthropy. A notable basic motivation among the wealthy, especially Christians, is that they should share their wealth with those in need.²⁵ The revenue structure changes markedly when the value of volunteer input is included.

Figure 10: Sources of revenue including volunteers

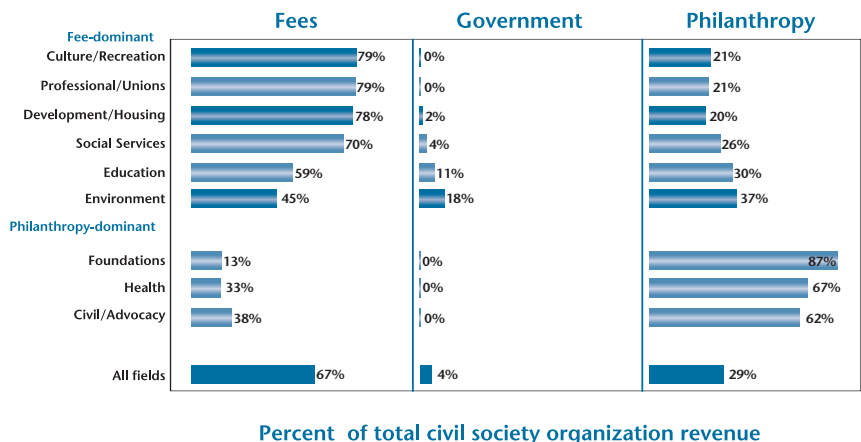


Source: Johns Hopkins Comparative Non-Profit Sector project

With contributions of volunteer time treated as part of philanthropy, the philanthropy share of civil society support in Kenya increases from 14 to 29 percent. This is at par with what obtains in the developing and transitional country average (32%) and the all-country average (30%), but below other African countries (on average, 46% of the total non-profit support. Fees, nonetheless, remain significant at 67 percent while government support remains minimal at 4 percent. Figure 11 shows the structure of revenue by field with volunteer input included.

²⁵ Christian Reformed World Relief Committee, *Partnering to build and measure organizational capacity*, Lessons from NGOs around the World, 1997, p.30.

Figure 11: Sources of non-profit support including volunteers by field



Source: Johns Hopkins Comparative Non-Profit Sector project

Analysis by the main fields also shows a changed structure. With the value of volunteer input included, private philanthropy becomes the main source of support in three fields: foundations and philanthropic intermediaries (87%), health (67%), and civic and advocacy activity (62%). This reflects the importance of volunteer input in certain sectors. Foundations, which are generally few in number, are established by individuals to provide voluntary services and promote the welfare of society. It is expected, therefore, that they would attract significant volunteer input because of the values on which they are founded. Further, nearly one fifth of the volunteer workforce is concentrated in the health field. Many of them provide their time in healthcare facilities, where they provide services such as counselling. Civic and advocacy also has a significant share of philanthropic support. This field has risen in importance in recent years, but its services are not ‘individual user-based’ and, therefore, can hardly attract income such as user fees. Neither can activities in this sector attract government support. Organisations in this field are formed principally to advocate for respect of human rights, democracy and good governance. They target the government and its institutions in this regard. For this, among other reasons, they attract little or no support from the government. It is notable that where there is a philanthropy-dominant field there was little government input. This implies that where philanthropy is dominant, the state moves back. The state sheds off the burden of providing support to activities that philanthropic initiatives can support on their own.

Analysis of available data shows that the largest share of NGOs income is from donor or external sources. They generate only a small share from their own sources. Table 10 shows the contributions by source.

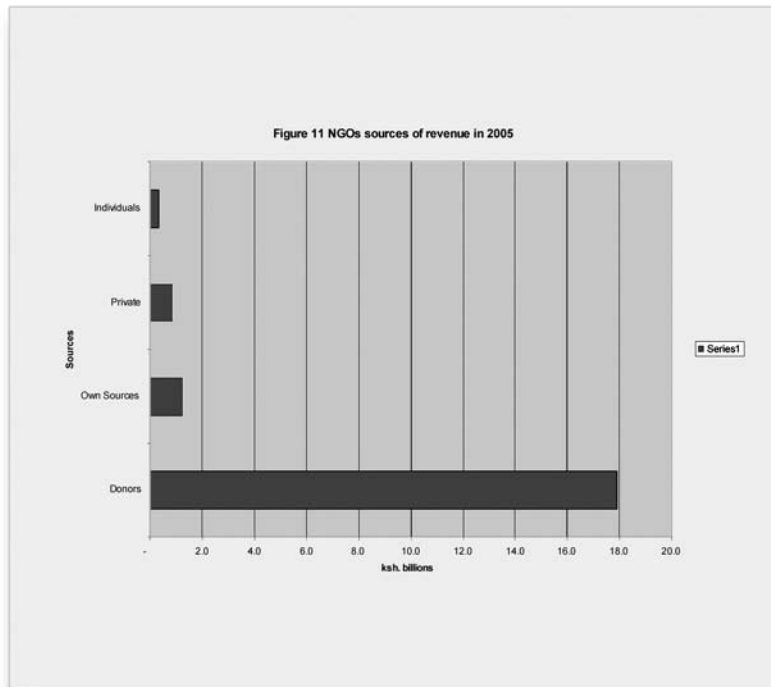
Table 10: NGOs sources of funding in 2005

Source: NGOs' Bureau returns from NGOs

Source	Amount in Ksh	% 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	100.0

Figure 10 shows this structure of revenue among NGOs in the country.

Figure 12: NGOs sources of revenue in 2005



About 1339 NGOs or 33 percent of the 4,099 NGOs registered by 2005 reported on their sources of funding. Out of this number, close to 90 percent are dependent on donor funding for their operations. About 6 percent of the revenue is from 'own sources' while the rest is from private sources

(including foundations) and individuals. On the other hand, self help groups depend largely on their own sources of funds, basically on member contributions. Although it is difficult to obtain adequate data on self-help groups, data on women groups for the period between 2001 and 2006 shows that 97 percent of their revenue came from contributions from members while only 3 percent came from government in the form of grants. Certainly, this is not the complete picture.

What this picture reveals, therefore, is the healthy status of grassroots organisations compared to the NGOs. The findings on revenue structure of the non-profit sector in Kenya reveal that the sector (apart from NGOs) is not largely dependent on donor funding. The sector is indeed steadily growing and its resource outlay, numbers and activities continue to expand. Interestingly, the growth of the sector and its activities took place during times of economic down-turn in the early 1990s and particularly at the time the state reduced its engagement in the development space.

Expenditure patterns

In this section, we highlight how the revenue of the non-profit sector in Kenya is spent across the various sub-divisions and activities of the sector. We also highlight the dominant expenditure model within the Kenyan non-profit sector. The non-profit sector in Kenya accounted for US\$270 million in expenditures as of 2000. This amount represents 2.5 percent of the nation's gross domestic product (GDP). The total of the operating expenditure of all Kenyan NPOs in 1999 was estimated about Ksh 5.3 billion. Given Kenya's GDP of Ksh 623 billion in the same year, the share of the operating expenditure of all NPOs in Kenya works out to about 0.9 percent. This figure shows that the non-profit sector is an important player in the economy.

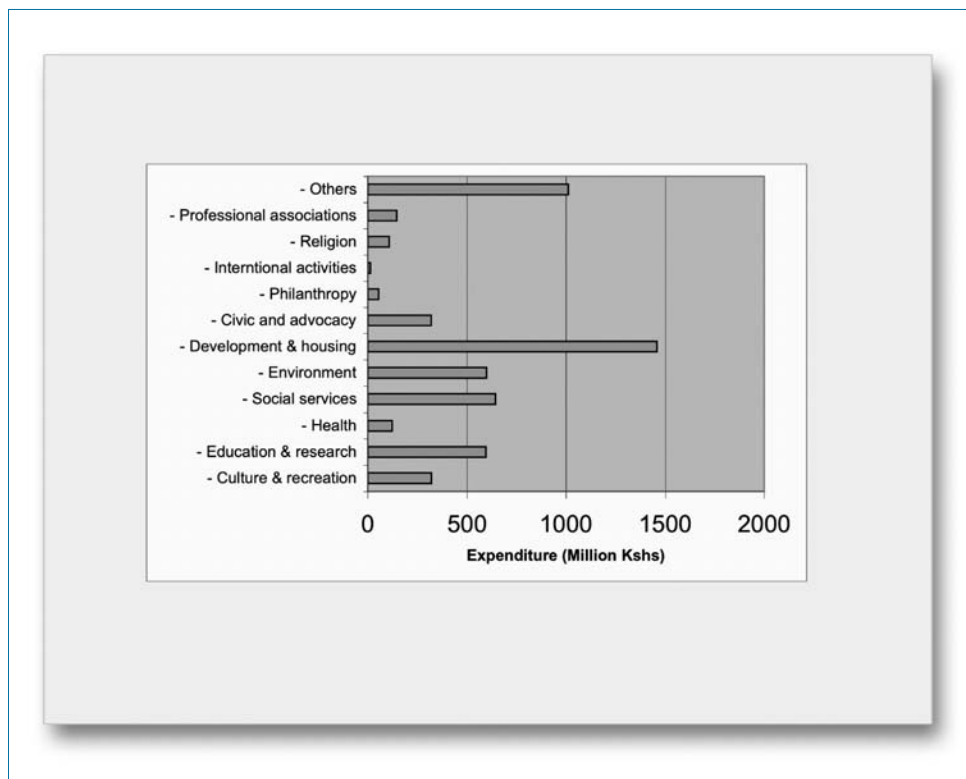
Examining the different components of the NPO sector in Kenya, the estimates show that development and housing is by far the most important component. It accounts for about 27.1 percent of the total NPO operating expenditure. The other important sub-sectors in order of their contribution are social services (12.0%), education and research (11.1%), environment (11.1%), culture and recreation (6.0%), civic and advocacy (5.9%), professional associations (2.3%), health (2.3%) and religion (2.0%). Philanthropy and international activities separately account for less than 2% of the total operating expenses. Sub-sectors not elsewhere classified account for the remaining 18 percent of the total operating expenses. This is a rather big classification that should have been disaggregated further. It was, however, not possible to do this in the study.

Table 11: NPO operating expenditure by ICPNO, 1999

ICPNO Category	Total Expenditure in Ksh	as % of total NPO Expenditure	as % of Government Expenditure	as % of as Kenya's GDP
Culture & recreation	320.2	6.0	0.14	0.05
Education & research	594.2	11.1	0.27	0.10
Health	121.1	2.3	0.05	0.02
Social services	643.1	12.0	0.29	0.10
Environment	597.6	11.1	0.27	0.10
Development & housing	1,457.30	27.1	0.65	0.23
Civic and advocacy	316.9	5.9	0.14	0.05
Philanthropy	52.2	1.0	0.02	0.01
International activities	10.5	0.2	0.00	0.00
Religion	105.8	2.0	0.05	0.02
Professional associations	144.4	2.7	0.06	0.02
Others	1,009.10	18.8	0.45	0.16
Total	5372.4	100.0	2.40	0.86
Government expenditure, 1999	223,643.40			
GDP (1999)	623,235.10			

Source: Organizational survey data, 2001

Figure 13: NPOs expenditure by field



Source: Organizational Survey

Our 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, the sub-sectors receive little or no assistance from the government. In 2000, the expenditure as a share of GDP increased to 2.5 percent.

Table 12: NPO operating expenditure by ICPNO

ICNPO Category/Field of operation	Total Expenditure in Ksh (million)
Culture & recreation	320.2
Education & research	594.2
Health	121.1
Social services	643.1
Environment	597.6
Development & housing	1,457.30
Civic and advocacy	316.9
Philanthropy	52.2
International activities	10.5
Religion	105.8
Professional associations	144.4
Others	1,009.1
Total	5372.4
Government expenditure, 1999	223,643.4
GDP (1999)	623,235.1

Source: Organizational survey data

Examining the different components of the NP sector in Kenya, the estimates show that development and housing is by far the most important component. It accounts for about 27.1 percent of the total NPO operating expenditure. The other important sub-sectors in order of their contribution are social services (12.0%), education and research (11.1%), environment (11.1%), culture and recreation (6.0%), civic and advocacy (5.9%), professional associations (2.3%), health (2.3%) and religion (2.0%). Philanthropy, and international activities separately account for less than 2 percent of the total operating expenses. The latter is insignificant but may indicate the direction of flow - internal (into the country) rather than internationally. Perhaps the philanthropy component is also largely external. Sub-sectors not elsewhere classified account for the remaining 18 percent of the total operating expenses.

Chapter 6

Conclusion

In this paper, we have examined and described the size, structure, scope and financing of the Kenyan non-profit sector also commonly known as the civil society sector or civil society. We have highlighted that the non-profit sector in Kenya is large and diversified in terms of activities and sector coverage. We have also demonstrated that in terms of its revenue, expenditures, employment and volunteering aspects, the Kenyan non-profit sector remains an important sector. It is a major economic force. We have also noted that the sector is diverse and includes a wide array of organisations, including NGOs, CBOs, foundations, trusts, cooperatives, clubs and unions, women and youth groups, among many other socio-economic groupings. These entities are involved in a wide range of activities ranging from specific community-based to international ones. Its finances draw mainly from fees and charges while government financial support remains insignificant.

The government has not formulated any policy on the sector; there is no policy guiding the relationship between the government and organisations in the sector. Given these realities, the civil society sector in Kenya has a somewhat under-utilized potential for assisting both the government and other actors to foster social change. To fully utilize this potential, the government has to develop a supportive legislative framework. Such a framework must provide for ways through which the government and the sector can form solid partnerships. The discussion has noted that information on the sector is scant. Except the data presented here, there is no other data on the outputs of the sector. Reasons for this include the manner in which the national system of accounts is modelled; it does not lend itself useful in terms of collecting data on non-profits. There is need,

therefore, for the government to facilitate systematic collection of data on the size, scope and financing of NPOs, or their contributions to GDP in general.

The sector has proved to be an important agent in facilitating economic development, providing relief and social services, and empowering disadvantaged social groups in Kenya. It is, therefore, crucial that this role be more fully recognized and utilized by both policy makers and foreign assistance agencies. To achieve that goal, however, it is essential to develop an accurate assessment of the sector's capacities and needs. We hope that this publication is a useful step towards this goal.

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Appendix

ICPNO	Activities
Culture & Recreation	<ul style="list-style-type: none"> Visual and performing arts Media and communication Sports and social clubs Cultural shows and entertainment
Education and Research	<ul style="list-style-type: none"> Primary and secondary education Vocational training Adult education Social science research
Health	<ul style="list-style-type: none"> Policy research Hospital care, rehabilitation services Home-based care Psychiatric treatment and advice Mental health treatment Emergency medical services Public health education
Social services	<ul style="list-style-type: none"> Care for children, the elderly, and the handicapped Emergency and relief Assisting refugees Income and material support Temporary shelters
Environment	<ul style="list-style-type: none"> Environmental awareness Conservation of natural resources /erosion control Animal care Environmental beautification
Development and Housing	<ul style="list-style-type: none"> Economic and social development Construction of houses Training in construction Consumer protection

ICPNO	Activities
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



The Non-Profit Sector in Kenya

Size, Scope and Financing

The Institute for Development Studies (IDS), University of Nairobi, is a multi-disciplinary and a multi-purpose research organisation focusing on social-economic issues of development in Kenya and Africa in general. It was founded in 1965 to undertake development research, training, and provide advisory services on issues of development policy, practical and academic concerns in the public and private domains. The Institute provides research and consultancy services to various government ministries, development partners, international development agencies, voluntary organisations and the general public in Kenya.

For inquiries contact:

The Institute for Development Studies (IDS)
University of Nairobi
P.O. Box 30197 – 00100
GPO Nairobi, Kenya

Telephone: (+254 – 20) 247968 or 318262
Cellphone: 254-733 524903 or 0722 499706
Email: director-ids@uonbi.ac.ke
URL: www.uonbi.ac.ke/faculties/ids

