Capable Partners Program Learning Agenda on
Local Organization Capacity Development

LA The Learning Agenda on Local Capacity Development

Country Report Series

#8: Kenya

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June 27, 2013

This report is made possible by the generous support of the American people through the United States Agency for International Development (USAID). The contents are the responsibility of FHI 360 and do not necessarily reflect the views of the USAID or the United States Government.

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PREFACE

Tom Dichter and Keith Aulick visited Kenya between May 27 and June 8, 2013. Some 31 individuals were interviewed in 16 entities, plus meetings were held with nine people at USAID Kenya and the USAID East Africa Regional office.

GENERAL BACKGROUND

In early June, 2013, Kenya celebrated 50 years of independence. The country's population has grown almost five-fold during that time – to over 42 million, with the population of Nairobi seeing 14-fold growth, to between 3.5 and 4 million (if New York City had experienced that kind of growth in the same period its population today would approach 100 million). Life expectancy has gone up by 40% and infant mortality down by half.[1] New technologies such as mobile phones have spread famously throughout the country and the M-pesa system has become an icon of revolution in financial service access. This post-independence half-century has also seen only 23% of households with access to electricity and 30% to piped water, while other indicators have gone backwards: forest cover has been reduced by 37%; functioning railway lines have gone down by 63%, youth unemployment has increased, as has income inequality.[2] Finally, a recent study projects Kenya to be among the 10 poorest countries in the world in 2025, with 21 million poor (under $2.00/day) or 4% of the world's poor.[3]

Some of these statistics are easily reinforced by direct observation. Kenya's huge informal sector economy (*Jua Kali*, which means "hot sun") exists wherever there are people in enough numbers to constitute the promise of a tiny sale, and a visit to any of the growing number of slum areas in Nairobi where one can see many fading signboards of projects no longer operating, attests to the speed with which the slums outgrow attempts to eliminate or to serve them. And present efforts at health outreach and other efforts to help in these dense areas are thwarted by growing insecurity.

Kenya's recent elections, just three months past, are being lauded as surprisingly free of violence, a somewhat back-handed compliment to progress. But there remains controversy about both the legitimacy and the possible criminality of Kenya's new president, its fourth, Uhuru Kenyatta, the son of its first. MPs are in revolt against a constitutional commission on government salaries, seeking a 50% hike. The new constitution itself is still settling in, and devolution, the latest move in an attempt to move power and responsibility downwards, has created 47 counties that some are saying merely increases opportunities for rent-seeking behavior.

And external trends portend both ominous threats and exciting opportunities: the Chinese are being encouraged to immigrate and are starting businesses and buying property, and official China of course is investing. Russia and Turkey are also becoming interested in Kenya. The fifth

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[1] The Saturday Nation, Nairobi, June 1, 2013.

[2] R. Gakuru, N. Mathenge, "Poverty, Growth and Income Distribution in Kenya, AGRODEP Working Paper 0001, June 2012.

[3] Homi Kharas & Andrew Rogerson, Horizon 2015 – Creative Destruction in the Aid Industry, ODI, July 2012.

Tokyo International Conference on African Development (TICAD V) has just taken place and promised more direct investment and a strengthened commitment to more aid.[4] Oil and gas discoveries in nearby South Sudan, Uganda, Ethiopia, Tanzania and Kenya itself are encouraging thinking about regionalism, and at the same time reinforcing territorial jealousies as evidenced by controversy about where pipelines should go to transport the new flows.

A major change took place with the new 2010 Constitution, and for Kenyan Civil Society itself; a four year long consultative process, largely funded by USAID, led to the promulgation of the Public Benefits Organization Act (2013). This signals a major achievement for civil society and promises to rationalize and streamline a number of challenges faced in CS registration, and reinforces standards and accountability. (It is exactly this kind of supportive role to the sector that USAID could play more.)

And of course Kenya has been a hub of the international aid endeavor for all of these 50 years and more projects and programs than ever are underway, many trying to tackle anew problems tackled often before.

In an odd way there is more of everything in Kenya, more opportunities, more poverty, more pressure from inside and outside, more pride, more voice on the part of more people who have not had any before, and most importantly (and dauntingly), more information, moving and spreading at an ever faster rate of speed.

If there is a lesson Kenya offers to the development aid field it is one we ought to have internalized long before – progress in poverty reduction and development is uneven, takes time, is fraught with unintended consequences, and tends to expose in equal measure all of the four horsemen of the SWOT matrix.

GOVERNMENT AND CIVIL SOCIETY

In one sense government in Kenya is stronger largely because of a higher level of human capacity – more and more civil servants with better education and more exposure. Some degree of revolving door phenomenon has played a role, with people from civil society moving into government, and more interchange with the private sector as well. But the government is weaker in the sense that it is now in the throes of a major transition to a more devolved system under the new constitution (2010) and faced with increasing demand for services, and for faster implementation. In addition to the internal pressures for more of the basics of development (education, water, health, housing, power generation, transport, security, and so on) there are growing external pressures to conform more to international norms on environmental and natural resource protection, gender and other human rights, peace and stability in the region, maritime law, cross border refugees, etc.

The operative word thus seems to be "overwhelmed." Government in Kenya has gone past the phase of believing it could and should do everything. And while there is baggage from the past,

[4] The Wall Street Journal, Fri-Sun May 31-June 2, 2013.

particularly the time in the 1980s when civil society came to mean "anti-government," because of the overwhelming challenges facing government, it has become not only a rhetorical nicety but a practical necessity for government to work in partnership with civil society, and also with the private sector.

The need for speed is growing, but speed tends to lead to ad hoc and not well thought-through decisions; decisions made harder by complex and sometimes overlapping laws, especially on procurement. And it is in this area – procurement, where multiple new and the old rules and procedures exist side by side – that things are slowing down, leading to more frustration. According to KIPPRA (Kenya Institute for Public Policy Research and Analysis) there are about 35 different funds within the GOK and all with different procurement rules. While government would in principle like to open things up to a more diverse private and civil society participation, what often happens, as a staffer at KIPPRA put it, is:

> *"You end up with a very small number of applicants (contractors, CSOs, etc.) who attend all the meetings and thus who gets what becomes routine – it is rigged. And now everyone blames procurement rules for the delays and standstills in development efforts. There is a huge need to simplify."*

Ironically, some of this bottleneck is in part a result of external donor pressure to have proper procurement laws in place, and the perceived need to respond quickly led to things being done without taking the time to develop, digest, and implement any real procurement reform policy.

One issue that continues to surface in discussions about both government and civil society in Kenya is governance. While more and more lip service is given to the issue of good governance, along with some sincere reform efforts, in both the public sector and civil society there are tendencies to divert funds from outside. The National Aids Council's massive diversion of the Global Fund's money seven or eight years ago remains in people's minds, and while something so big has not happened since, there remains an attitude that outside money (especially when it comes in large amounts) is a "gift," and thus logically why should one account for it?

CSO CHALLENGES

Kenya's NGO Coordination Act of 1990 begins a period of debate about the identity of Kenyan CSOs – who and what is a CSO? Some 6,000 organizations are registered with the NGO Council, the body charged with carrying out the registration under the ACT, but this number represents only a small portion of CSOs if one includes social movements at different levels, such as self-help groups, welfare associations, and other people coming together to pursue political or economic empowerment purposes, plus trade unions, cooperatives, relief organizations, development service providers, and advocacy/policy groups at both the local and national level.

As a leading Kenyan put it in a study of Kenyan CSO leaders' opinions on NGO standards:

"Civil Society is not defined by the few registered organisations but by people's and society's ability to express itself and work for its own future."[5]

As elsewhere CSOs continue to proliferate in Kenya, and for the same variety of reasons we see elsewhere: genuine concern to improve society or one's community, the shared vision of a group of people, as well as self-interest, or lack of other employment opportunities.

One indicator of a sector's maturation is the extent to which people are thinking about who they are, where they fit, and how they should be defined. This seems to have been much debated in the 1990s. During the 2000s the dialogue moved beyond that to include thinking about standards, codes of conduct and best practices, and even around the issue of "quality," seemingly a step up in the maturation of the civil society sector. And interestingly, an Aga Khan Development Network sponsored study during which participants were encouraged to voice their concerns about their own problems and challenges, highlighted (almost word for word) many of the same issues we have been hearing now, over six years later.

A particularly strong position held by respondents in that study was that the NGO sector in Kenya was "unsustainable." As the report put it,

"Most CSOs and especially most NGOs implement donor driven projects. Not many of them have enough courage of conviction to stand up to donor or other pressures because they are dependent on one or few sources of foreign funding; they lack loyalty for their constituents; and they are not creative in local resource mobilization. Most CSOs lack the ability to collaborate and network with the corporate sector thus further limiting their fund raising opportunities."[6]

And the study noted strongly the concern that the standard donor approach to capacity development was basically more for the benefit of the donor than the local organization.

"…the systems approach to capacity building… focuses on strengthening the different components – structures, leadership, systems, and resources – but does not take cognizance of the holistic view of organizational capacity. The latter requires time and a lot of resources to be sufficiently addressed. There were concerns [voiced by the respondents] that the systems approach aimed at developing compliance with donor reporting requirements, but was not in the interest of the CSOs' long term sustainability. For example, Organizational Assessment tools which are currently used to determine the capacity building needs of CSOs were said to have been designed to assist donors' conduct [of] rapid assessment of an organization's service delivery capacity and its qualification for funding. They are not designed to promote the accountability of CSOs to their local constituents and/ or their long term sustainability."[7]

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[5] "Enhancing the Competence and Sustainability of High Quality CSOs in Kenya," Report of an Exploratory Study Commissioned by Aga Khan Development Network (AKDN), May, 2007, Submitted by Poverty Eradication Network, p. 12.
[6] Ibid, p. 27.
[7] Ibid, p. 37.

In our interviews in May and June 2013, we heard similar sentiments. The Kenyan CEO of a capacity development provider, an organization spun-off from an INGO, said: *"Kenyans are not in organizations; they are in projects."*

A result is that staff retention and organizational evolution can be easily thwarted. In the last year this organization went from 126 to 75 people – a 40% drop in staff level because their largest donor funded project ended. As another staff person of the same NGO told us,

> *"The risk when this happens is not just the lowering of morale and of course productivity because people begin looking around, but also a reputational risk. We are looked at differently now in the marketplace."*

A relatively new player, the founder of a young (two years old) local organization operating on a shoestring budget says: *"CBOs are at the end of the chain yet they are the ones who do the "donkey work."*

Even a venerable international INGO, a DGP grant recipient, told us

> *"The bulk of our funding is project – it's a global problem and it is worse now, we see our core funding diminishing."*

An Africa-wide think tank, with its headquarters in Nairobi, says its biggest challenge is getting core funding.

Thus the issue that many call "projectization" looms as large in Kenya as elsewhere. And as elsewhere CSOs with donor experience lament that donors do not want to pay for an organization's overhead, much less their evolution as effective, sustainable organizations. In Kenya, however, there appeared to us to be more awareness of the ways in which contractors and INGOs get their costs covered, and in the case of USAID there are attempts to establish a NICRA on the part of several up and coming local NGOs.

One spin-off NGO has negotiated a 10% overhead in their grants. Another long established organization, admits having learned to do a certain amount of "calisthenics" in order to cover certain costs.

Another laments that the costs of applying for grants, the costs of waiting for a grant to begin, and the costs of installing the systems to comply with demands, are not covered or even understood. *"Donors aren't realistic about the costs of their requirements."*

A successful local foundation, with a growing endowment, has basically chosen not to engage with certain donors, recognizing that *"with most donors you don't get money and flexibility at the same time."*

If the challenge is not directly about core funding, or the costs of compliance, it is about not having enough time to prepare projects more carefully, or to adapt when changes occur. As an INGO with projects in Kenya put it, the need for doing careful preparation for a project is greater than ever because of what they see as a more challenging, faster moving and complex environment.

"And with an RFP that gives you two weeks – it's hard to build in an inception phase – and becoming harder and harder. Plus the changes are dynamic and faster – it's harder and harder to keep up with things. There is a whole bunch of new actors – a whole new world. This isn't the world of 20 years ago. Much more complex. We don't spend the time to understand local culture and rules. In some contexts you're simply not going to change things in three years. "

The same person goes on:

"We all talk about adaptive capacities and resilience and this contradicts the results and log frame. We still cannot get outside the 4 x 5 matrix."

Our sense of things in Kenya (based admittedly on a small interview sample) vis-a-vis the pressures that come with the projectization phenomenon is that the more serious CSOs are clamoring to be as free as possible of donor dependence. They spend a lot of energy figuring ways to do so, uppermost on their minds being a drive to acquire assets that can bring in revenue, especially buildings and land. Fully eight of our interviewees are in fact on that path, with four of them already holding such assets.

Some are also being creative about the advantages of using interns as both temporary and cheap labor, and as ways to build their own informal networks (and reputation), as well as sector capacity. Four of the organizations we met have a consciously worked-out internship operation.

Most encouragingly there is much more talk in Kenya than we heard elsewhere of the prospects of local philanthropy. Kenya is at the forefront along with South Africa and two or three other countries of an African movement towards building local philanthropy. This is clearly an area of interest to USAID, and one in which it can play a fostering role, not to mention getting back into ways to support endowment creation.

KCDF (Kenya Community Development Foundation) is a Kenyan grant-making organization that represents this new breed. KCDF, now a strong and generally independent-minded foundation began some 15 years ago with much help from Ford Foundation (FF). The AKDN 'mid-wifed' it – originally by allowing it to be housed in their offices and enabling the FF money to be passed to them through AKF.

The story of their growth and learning is a classic case of a learning as you go, iterative, and next steps approach, something explicitly allowed by the original donors FF and AKF. For example, there was lots of back and forth on the legal structure of KCDF and finally it registered as a company limited by guarantee, with a trust that holds the assets and thus the formation of a board of trustees (the trust monies service the foundation).

A critical piece in KCDF's history was that as AKF saw the organization emerge as a solid entity, after ten years it transferred the building they were housed in to them as an asset, which became the basis of what is now a growing endowment. They were able later to buy their current premises in a relatively new building, making it possible to use the original building as a revenue generator.

All along Ford Foundation remained a faithful donor (over a decade long relationship) and in 2006 offered a 3 to 1 challenge grant, saying that if KCDF could raise $1m on its own, FF would match it with $3m. KCDF was successful and thus their endowment received a major injection.

In part to model to others the different approaches to local philanthropy KCDF also has its own in-house payroll giving program for employees.

Interestingly, much of KCDF's internal learning as an organization came about, through what amounts to a self-generated form of horizontal or peer to peer connections.

> *"As for our own growth we strengthened our systems and got ourselves linked up with other grant making foundations – went to conferences and now feel our systems are top quality. We do not lose sight of the long term."*

The East African Association of Grant Makers (EAAG) notes that the number of private corporate foundations in Kenya has increased dramatically in the decade since the network was founded. The region is much more aware now of philanthropy and the need for tax regimes that encourage it.

Finally there is traditional fundraising from aid donors, and of course this is where the opportunity for money currently lies. Even KCDF runs much of its grant-making on funds sourced not from local but from international philanthropy and ODA donors.

And in this regard, with few exceptions even savvy and connected organizations tend to stick with what they know. They respond to RFAs, and look only at the traditional set of donors with which they are familiar. In part because people recognize that fundraising is about relationships, they are reluctant to cast the net widely since that implies going in blind and thus entailing a high risk of losing time and energy, with little prospect of success. But at the same time, they recognize quite realistically that being more creative about fundraising could pay off, but it takes an investment of time and the acquisition of specialized people to do it.

A struggling NGO leader we met, with experience and internal connections in the community, is lamenting his CSO's inability to raise funding, not because it isn't there, but because he and his few staff cannot find the time to do it.

> *"There simply isn't time to do it. And the resources to find a top fundraiser are just not there. It's hard to get funding when you don't have relationships and when you don't have the confidence that if they say no you'll be ok. And when you are under pressure, you just can't do it. ...It's hard to be creative about this when you cannot pay your staff."*

On all these issues, virtually all of those we met would share the sentiment expressed by one CEO:

> *"It would be great if we could create an open space where we could share these dilemmas with the donors."*

Regarding networks, there are many of them in Kenya, and many are weak. The general finding here is that when a network's members sense an issue of urgency that is when rally around and function as a network. In the absence of such an issue, the tendency is for the network to become semi-dormant and weak.

Finally, as elsewhere, despite the general sophistication and connectedness of many CSOs in Kenya, in terms of their approaches to development; in terms of the work they do on the ground, in terms of how they think about what they do, we saw little that innovative or creative. This may be in part a function of pressures to get things done within narrow time frames and projectized budgets (the 'deliverable' side of the projectization phenomenon) but it is also perhaps a function of an unquestioned acceptance of a familiar aid culture everyone has become used to. There is little discussion of development and little thought given to it.

ON LOCAL CAPACITY

There is a remarkable amount of local capacity of all kinds in Kenya; analytical and research capacity, project management and organizational development capacity. There is a high level of competence plus quite a bit of confidence (albeit a bit tempered here and there by some fear of being on one s own).

A little known fact is revealing. Kenya has the 2nd largest number of think tanks in Africa – 53 (after South Africa). The two we interviewed are both very savvy about politics and trends, and they spend much of their energy thinking about how to bridge the classic gap between policy research and action. ATPSN (African Technology Policy Studies Network) is working on an open source training manual aimed at career civil servants, and KIPPRA (Kenyan Institute for Public Policy Research and Analysis) has a program of getting mid-level government bureaucrats seconded to it for a year so they can become better informed about policies and, once back in their ministries, function as both a conduit for the think tanks' policy recommendations and champions of change. In the last nine years KIPPRA has fostered 75 of these secondments.

Both ATPSN and KIPPRA lament a growing dilemma (one not just confined to Kenya) which is the short attention span of policymakers in government. As the director of ATPSN put it:

> *"The policy windows are short – you have to be ready. You work on something for years with no takers and then one day they call up and want you right away."*

They think hard about tactics – ATPSN talks about the need to meet with government officials for breakfast and dinner meetings, or on weekends, away from the office, with the best option being a meeting at a minister's home on the weekend when the person can focus and listen.

> *"Out of the office – one on one. That is the way to kick start the process. Then you go for political expediency – you need to have a formal workshop where you talk about what has already been agreed on – this creates collective ownership. The informal bit is key though. And it's all very labor intensive and time consuming. Then you use the media – especially FM radio and newspapers."*

These and other Kenyan think tanks attract talent; people with degrees from both the best Kenyan institutions and ones outside the country.

Virtually all the organizations we met with express confidence in their technical and standard organizational capacities to handle money, to execute projects, to monitor and evaluate, and generally to deal with donors' requirements. [A personal note is perhaps warranted here. I have been visiting Kenya for over 30 years and the change in capacity is palpable. And much of is due to the traditional aid system, which has given opportunities to thousands of Kenyans to learn on the job as staff members of INGOs, and often of bilateral donors. Also because Kenya (and Nairobi in particular) is a regional and to some extent pan-African hub, there are non-Kenyan Africans in positions of leadership in the CSO and think tank community. The head of the RATN is a Malawian, the head of ATPSN is a Nigerian. This cross-fertilization of African talent, while not much talked about or studied, may explain at least some part of the capacity one finds in Kenya.] Indeed, one of the things that is striking is how much local competence and capacity looks and sounds like international capacity. From this perspective one has to ask the question, what is the difference, if any between "their" and "our" capacity? As one head of a local organization said: *"We could be the prime, we could handle that kind of money."*

What after all are we talking about when we (the post Paris Declaration donors) say we want to localize aid? And when Kenyans say they are ready to take the reins, one might ask whether *de facto*, they already have them in hand.

On the other side of this broad competence are two things that appeared in our interviews that help answer the question: one, a prevailing sense on the part of many people that governance is what is missing, a real barrier to becoming genuinely strong organizations, and two, a residual ambivalence about going it alone. As to the first, an American COP said:

> *"There is lots of competence out there; the problem is, and the big obstacle is honesty and transparency."*

Another (a Kenyan) with years of experience said:

> *"Governance is the weakest area across the board. The accountability chain/is just not well understood. After all the government is the model here. Their behavior is what people know."*

As to the second issue, the ambivalence about whether they are really ready for 'prime' time, whether there is a critical mass of Kenyan organizations ready to take the reins, *de jure* – to function, to deliver services, to train others, *without* INGOS and Northern contractors being involved, we asked them what do the foreign 'primes' bring to the table?

What we heard most often in answer to that question was 'exposure,' the idea that Northerners contribute their international experience and exposure. There are two aspects to this view – the first is a subtle, perhaps unconscious belief in "secret knowledge" – 'they know things we do not,' which might suggest a bit of an inferiority complex on the part of the Kenyans. In reality, however, the walls to knowledge (lessons learned, studies, books, articles, papers, trends etc.) have come down with the rise of internet access. With a good connection in Nairobi one can access outside knowledge that may not have been accessible before. The second aspect of course is that there is some truth to this notion - exposure to the wider world, when combined with years of experience (some INGOs and contractors are 30 to 50 years old) does create a different perspective.

But the secret knowledge notion can also be seen as exclusion – 'we are deliberately being kept out.' One head of an experienced local capacity development supplier with experience as a donor sub-contractor, answered:

> *"The first thing [they have and we do not] is global political economy connections which we cannot have. Our advantage is that they [the outsiders] don't get things at community level – that is <u>our</u> advantage, but at the same time <u>we</u> don't get things at the Global level. Especially in the current multi-layered program arrangements – local partners have no idea what the top is proposing – they only know their little part and only have their little sum of money."*

We also heard much about the outsiders' capacity to communicate; 'their websites are better; 'they know how to tell a story and to express themselves better than we, as locals, do.' Three of our interviews stressed this,

> *"We need to learn to document, to package, to do reports. And we need to learn from data to influence policy."*

In a more practical vein, we also heard that outsiders in a sense provide 'good cover' – They deal with the myriad of donor requirements and therefore 'we are free of that burden.' The idea of a division of labor comes up here.

> *"Our work is accountable to our beneficiaries – whereas MSH (this is the Fanikisha project of which RATN is one of 4 main sub primes) is accountable to the donor."*

And again in practical terms we heard that Northern organizations simply have more money, and money is seen as a key to one important capacity, the capacity to take risks:

> *"The big difference is that we have skills; we have institutions and organizations, but we are lacking in influence and we don't have much capacity to take risks – an MSH or an FHI can take risks because they've been around for awhile and have accumulated some reserve cushion; some financial resilience."*

But there is also an explicit call for political realism, a recognition of tactical reasons to keep 'being nice' to the foreign 'primes,' and not to rock the boat. The same person (above) adds:

> *"We need to define the gains and losses for each of the parties in this new environment of emphasizing local partners. There is lots of potential for sabotage because after all this is 'big business.' There is lots at stake and thus there is maneuvering going on – for example the movement of INGOs to become local, the prime – sub prime game. But at the same time the big organizations are the keys to making this happen. So let's not alienate them, let's move gradually and give them their due."*

We sensed that many mature organizations in Kenya are used to being part of a traditional system, and while in many ways they want to be on their own, and are ready to be, they are careful not to throw the baby out with the bathwater. The larger question of whether the traditional system needs fundamental change is one they are so far avoiding.

Finally, if there is a key capacity that we noted may be missing in local organizations – one that they do not bring up in discussion and may not therefore be aware of, it is the capacity to reflect and learn. But if this is so, it too may reflect back the international entities, who also seem to lack this quality.

ON CAPACITY DEVELOPMENT APPROACHES AND CAPACITY DEVELOPMENT SERVICES

Somewhat more than in the other countries, the view of capacity development in Kenya and capacity assessment echoes the growing "Beyond Training" consensus we see in both our other fieldwork and in the literature; the view that providing capacity development for others entails a relationship, and by implication something relatively long-term. As one local director of a capacity development project said: *"You can't do just trainings, you need to develop a relationship."*

Similarly, assessing an organization's capacity, the same person implied, involves more than filling out a form or going through an exercise.

> *"The key is leadership and senior management – the ED/CEO is often the founder and while many do it as an IG [income generating] activity (they start a MONGO) and in those cases it didn't matter what we did. With others there is a real commitment. But it's hard to judge leadership through an OCA – you have to spend time with them."*

And three chiefs of party (two Kenyans and one expat) all said that the selection of 'partners'– in their case local organizations who would receive capacity development services – was more art than science.

Another interviewee who had had experience in a capacity development effort in the health field, explained that the most effective way for learning to "take" is for it to evolve around specific challenges.

> *"The process of building competence and skill is organic – it evolves. You understand the HIV AIDS issues first and then there is a ripple effect. First you have an info campaign, then drop-ins start coming in, what do you do with them, well you begin a clinic, then people come in with their kids, and you realize you need to do something with them too. Then you see that there is a need to do income generation activities, and in the meantime all this implies you need to connect to the Ministry of Health and this implies new kinds of people you need to recruit, and then you realize you need a system to recruit and vet them, and then once you have lots of people on your staff you realize you have a problem getting rid of those who don't perform, so you ask how do I get rid of people, and then you ask how do I get more money, and so on."*

The questions the organization encounters as it takes each step generate learning, and that learning does not always need to be provided by others.

And again and again we heard people talk about the value of exposure to other ways of seeing and doing. The Nigerian head of the ATPSN said:

> *“Africa’s problem is not poverty – it is attitude and the best way to change that is to expose people to the outside world. The folks who studied in the U.K. and the U.S. come back with a different mind-set because they’ve seen another way.”*

None of this is to say that a more artful, more relational, more organic next steps approach is **THE** only correct capacity development approach. As with all matters in development, it depends; in the case of capacity, on what kind of capacity one is talking about. Accounting systems and all other capacities related to managing money as well as the compliance rules a donor imposes on a grantee can be conveyed in standard workshops and trainings, but even there experience suggests follow-up and a degree of relationship building makes a difference in the “take.” But in any case, managing and accounting for money is one area of standard “OD 101” that all our interviewees appreciated, even those who initially did not want to take the bitter tasting medicine. And the main reason for that appreciation is the recognition, which usually comes later on, that having such well-wrought systems is a key to getting grants from other donors.

ON USAID

We heard a set of concerns very similar to what we hear elsewhere. Local CSOs want to work with USAID; they want to break out of the projectization syndrome, which means they want longer-term engagements; and an opportunity to build relationships; they feel the mechanisms through which to work with USAID are cumbersome and ill-adapted to them; those who know USAID fairly well lament the rigidity of the results framework, noting that an adaptive approach – where flexibility in responding to changes is allowed and encouraged, is a mismatch with the framework. And we heard again, from people with experience, that donors are increasingly fickle.

A CEO of a local CD service organization says:

> *“You’re never sure what USAID will want next – they do not work long term and yet that is exactly what we need.”*

And of course the issue of core funding, or at least funding that covers certain basics, or funding that would promote learning in areas that are relevant for the organization and not just the project. A mature local organization with HIV/AIDS experience said:

> *“We need help replacing our computers, but every budget we submit the first things that are cut are the non project expenses. Document best practices – we need money for that too. But this also gets cut. And also it would be good to think about clusters – a twinning approach for peer to peer learning. Finally we cannot do international travel under our grants, yet that is the key to real sophistication – international exposure. It takes wide international experience to really be good.”*

A sentiment we heard several times was that the amount of money USAID brings to bear on a project is often excessive. Ironically in a climate where resources are seen as increasingly scarce and competition is fierce, there is at the same time an awareness that too much money can distort; changing expectations; drawing attention away from other problem areas; creating inefficiencies; and especially through its seductive power, altering the mission and vision of local organizations. One Kenyan head of a network organization said: *"USAID checks into town with huge pockets and they kill us."*

A former COP says:

> *"Bad habits are hard to change both in CSOs and USAID. They have to ask themselves where is the redundancy? Too many things are repeated and/or done over again."*

Again, as elsewhere the issue of trust comes up often – the sense that USAID has become an 'audit culture.' A veteran expat COP:

> *"… the DLIs and FSNs freak out – they are all about the 'gotcha.' That's how they are recruited and more important that's how they are trained. The FSNs and DLIs – they have to listen - the starting point [with grantees] has to be we both want the same thing. But instead they go in [to a contract] with the belief that 'you're trying to screw us.' They are simply not going to be able to get into a relationship of understanding with local organizations with that mentality."*

At the same time, USAID is seen positively as a donor that is not pulling out or pulling back. USAID FORWARD is known about and seen as a very positive change. And on a personal level, we heard often of interactions between a particular person at USAID who went out of his or her way to mentor, to answer questions, to give advice and support.

What USAID Staff are Saying

"We're overwhelmed" was stated emphatically by several of the USAID staff we met in Nairobi (both in the E. Africa Regional mission and the Kenya mission). The sentiment appears to be that there is simply too much of everything except the time and staff to deal with it – too many reporting demands, too many meetings, too many visiting missions, too many tasks… and perhaps too much information (new directives, new amendments to policies, etc.) to absorb.

> *"We need more staff on all sides, especially financial management. More staff, more staff, that is my mantra."*

A senior manager said that their greatest need is

> *"We need more training for our technical officers – more exposure to ideas and knowledge, we need more opportunities to talk and to brainstorm- we need more ideas."*

(This person acknowledged also that this is wishful thinking.)

A DLI reinforced the need for more staff if USAID is to deal at a retail level with a larger number of local grantees.

> *"The agency just didn't understand just how labor intensive this kind of effort is. A Tech officer managing 5 local orgs' grants is just plain impossible. Things need to be freed up here – we are overwhelmed with enormous reporting requirements."*

An experienced officer noted that she is not very hopeful about the future of many aspects of the FORWARD agenda, especially LCD. In her view, *"There are no budgets for LCD. LCD has to come with some money dedicated to it. It is an unfunded mandate."*

A DLI told us that they feel demeaned by veteran colleagues.

"Everything you did before coming to USAID is seen by the 'old boys' as meaningless – 'you know nothing.' 'Oh! You haven't been with USAID before?" We wear the scarlet letter of DLI on our forehead and some think the letter "I" in DLI means "intern." But in fact we are professionals and many of us have years of experience, and yes the DLIs need to learn the roles, but not the way it's currently done. There should be one year of training in rotation and then the 2nd and 3rd year actually filling a position and doing something as an AOR or AAOR."

A few people we met lamented the difficulty of getting out of the office more and one person said that when a good relationship is established or knowledge developed of what is happening out there, it is "personality driven," something that happens because of the investment of one person's energy in something beyond their job description.

They also echoed the view that the results framework does not fit well with the core concepts of LCD, and that too many people are spending their time going over the fine details of contracts and considering the "burn rate" as the most important measure of achievement.

"We (USAID) are good at processing things; not at being a development agency."

RECOMMENDATIONS

The hope by many at USAID that more staff will solve the problem of an overwhelming workload risks running into a version of Parkinson's law: "the demand upon a resource tends to expand to match the supply of the resource." It is also a somewhat mechanistic view of the dilemma and gets us back into bulking up small numbers into big ones in order to meet the demand of more direct support to local organizations (the wholesale vs. retail discussion). This view of how to handle more is after all what led USAID in the past to move more of its money through prime contractors (wholesalers in a sense) who would then retail the work on the ground, the very approach that the agency is deliberately trying now to undo.

When we talk about wholesale vs. retail, we are talking not just about the reality of time or staff limitations on how many grants can be "managed." Thinking of the issue in this way is to think in terms of management unit numbers – How can we handle a larger number? It keeps things in the old realm of "partners" (grantees) as "instruments" to carry out projects. Another way of thinking about wholesale vs. retail is to evolve towards a more light-handed approach, a less-is-more view, an approach that is less about the money, and more about country ownership and responsibility, an evolution towards more wise support, more fostering, less direct support of a sector – not just whether we move from selling cornflakes in cartons of 24 boxes rather than selling 24 boxes individually – but moving away from such a transactional mode altogether. If adding more staff at the Mission level in order to manage more contracts is the answer, not only is Parkinson's law likely to come into play, but there is the risk that the prime/sub-prime mode will continue except that the prime is now a local entity. It changes the players – which is very important – but it doesn't change the incentives; it doesn't get much beyond projectization or move things towards more effective development.

A veteran of 30 years in Kenyan NGO sector said to us:

> *"The best things we've seen here have come with relatively little money but with wise support."*

In a country like Kenya, civil society contains an almost infinite diversity of actors, and the numbers and types are likely to continue to proliferate. Developing a system to sort all this out in order to know with which organizational type one should partner; in order to have better selection criteria, etc. may be barking up the wrong (and if not wrong, certainly the most unrealistic) tree.

In a way, it may be time to face the reality that USAID will never be in a position adequately to serve large numbers of local partners, whether wholesale OR retail. It cannot be like a private foundation, and invest in careful due diligence, build relationships slowly, stick with a partner for 10 or 15 years. Given the reality of relatively short staff deployments in a country, of security constraints (which are becoming more not less stringent) getting out to the field, meeting and greeting, investing time in cultivating relationships, is not likely to become an institutionalized way of doing business. These are luxuries not accorded to an agency beholden to Congress and fast changing political winds. If for example, one can foresee the day when all service delivery, the demand for which continues to grow, and which has been in Kenya the core approach of USAID, will be undertaken by government in partnerships with civil society and the private sector, then USAID in a sense does not need to think in retail vs. wholesale terms at all. It needs to find wise ways to support and foster that evolution.

In Kenya, it might be the best course for the mid-term future to find the "moving trains" and foster their forward movement. The areas where things are already moving are:

1. The development of local and regional philanthropy

Research and creative support on local philanthropy could be undertaken with entities in government, NGOs like the Aga Khan Foundation (whose interest in this is well-known), the East African Association of Grant-makers, think tanks and or academia. There is much that needs to be better understood, from the psychology of giving to the regulatory incentives that encourage giving:

- Who gives, how much, and why?
- Can/do the poor give, and if so, to what?
- Can the poor invest?
- Tax and other incentives to encourage philanthropy
- How can M-Pesa and other technologies be brought to bear on philanthropic giving
- How can endowments or endowment-like asset creation be fostered by the property market, rental laws, banking system, etc.?

Within USAID itself, pilot efforts on matching grant, or challenge grant approaches could be undertaken; mechanisms could be tested that allow certain types of local organization grantees to earn interest on time deposits of donor money; lending a building for office space that over time can become an owned asset (as in the KCDF case) are examples of ways to help local organizations become financially sustainable through asset building.

2. The development of a more adapted legal and regulatory framework (the PBO Act) along with the movement to develop standards of conduct and certify CSOs of certain types.

USAID could create a convening platform to discuss these issues; it could engage with Viwango, among others, and the government on certification.

3. Research on civil society organization evolution and life cycle

More empirical study of local organizations needs to be done in order to better understand their evolution and the characteristics that make for effectiveness in their work and for the longevity of them as organizations. Two subjects in particular are not looked at enough (if at all) – how they acquire and manage knowledge; how they learn.

There are no longitudinal data on CSOs – tracking a selected number of CSOs over a 10 to 15 time frame for example. Initiating such a study, through a think tank, or academia would be a contribution to the sector.

4. A growing discomfort with standard capacity development approaches

USAID could take the lead in developing and testing more horizontal approaches to capacity development, some of which are low or no cost, such as brokering connections between different organizations to encourage cross-visits; twinning organizations in the same or in different sectors so they can develop mutual knowledge exchanges.

Mentoring and coaching approaches to capacity development can include experiments with embedding advisors, or funding the seconding of public or private sector personnel for specified periods of time in a CSO, and such an approach could be extended to enlisting members of the Kenyan diaspora abroad.

Rethinking and revitalizing study tours could be a major area of horizontal CD. The objective would be a new form of study tour that is carefully designed and monitored, that contains incentives to use what is learned, and entails bonding to ensure the returnee stays in the sending organization.

5. Within USAID at the Mission level:

Obviously, the main business of USAID in the short term will be to continue bidding out contracts for substantial service delivery projects. But that does not mean one cannot experiment with ways to reduce the limitations of 'projectization;' with ways to develop local capacity beyond standard OD101.

5.1 Program experiments. With a local partner USAID could create a pilot CSO incubator in which certain standard functions of an organization would be shared, so that each organization would not need to create its own systems - a shared M&E unit; a shared financial analysis and accounting system; shared HR policy and procedures etc.

Some other possibilities:

- New approaches to bidding for prime contracts that are more collaborative right from the RFP design process on
- New approaches to core funding, such as basket funds with other donors or with government
- A traffic light approach to the burn rate issue (green, amber, red) which would encourage and enable discussion (and adjustment) early on as to why the spend rate is not what was originally envisioned
- Fostering a business plan type competition approach to development innovation amongst local CSOs

5.2 Internal improvements.

- Encourage book clubs among staff where books about development would be read and discussed
- 'Brown bag' type meetings where local CSOs would be invited to collegial informal discussions on key issues
- Encourage quarterly teaching case study workshops where a short case on an individual CSO becomes the basis for a free-wheeling discussion of intervention options and their possible consequences
- Set up an internal working group on the procedures to establish a locally oriented NICRA
- Encourage cross exchanges of contract and program staff (short one to two week internal secondments)
- Experiment with external secondments – assigning a program staff person to a local NGO/CSO for a one week period

LIST OF ORGANIZATIONS AND PERSONS INTERVIEWED

(Note: Keith Aulick remained in Kenya after Dichter left on 6/1/13 and held additional meetings, not noted here.)

5/27/13 - **John Snow Int'l** (Prime Contractor/former NUPITA project)
Barbara Durr, Senior Regional Advisor

5/27/13 - **IUCN**
Eliot Taylor
Kaori Yasuda
Mine Pabari

5/27/13 - **NOPE** (National Organization of Peer Educators)
Mary Mula, Director OD
Peter Njuguna K, IT Mgr.

5/28/13 - **Mercy Corps** (USAID Yes Youth Can project)
Helena Dalton, deputy COP

5/28/13 - **KCDF** (Kenya Community Development Foundation)
Janet Mawiyoo, CEO

5/28/13 - **RATN** (Regional Aids Training Network)
Carol Maringa, Prog Officer Training and CD
Kelvin Storey, Exec. Dir.
Alex Dianga, Knowledge and Info Management

5/28/13 - **ATPSN** (African Technology Policy Studies Network)
Dr. Kevin Urama, Exec. Dir.
Richard Muriuki, Fin and Admin Mgr.
Edith Otieno, head of post doc resch.
Carol Thuku, Assistant to Kevin Urama

5/29/13 - **USAID E. Africa Regional Mission**
Poonam Smith, Sr. Di.r Program Development & Implementation
Lisa McGregor-Mirghani, LCD Team Leader and DLI Coordinator
Sunil Xavier, Supervisory Regional Contracting Agreement officer

5/29/13 - **USAID Kenya**
Dr. Dwaine Lee, Education and Youth officer
Tara Simpson, Dep HIV/AIDS Team leader
Dan Spealman, DRG
Joshua Nyaka, Contracting
Katherine Raleigh, Health Officer
Lewis Tolley, G to G

5/29/13 - **FANIKISHA**
Dr. Daraus Bukenya, COP

5/29/13 - **Viwango & CAFS** (Centre for African Family Studies)
John Batten, CEO.

5/30/13 - **KIPPRA** (Kenya Institute for Public Policy Research and Analysis)
Felix Murithi, Publications editor, KM and Communications Division
Aligula Magolo

5/30/13 - **EAAG (**East African Association of Grant makers)
Nicanor Sabula, CEO

5/31/13 - **Pambazuko Mashinani**
Aggrey Otieno, Technical Advisor
Aggrey Avendi, resource mobilization
Charles Maina, govt. liason, Peter Moguna, seconded clinician from M. of Health
David Oketch, Programs
Jackline Awino, Field Coordinator

5/31/13 - **Korogocho slum area Chief's Office**
Chief Omanch

5/31/13 - **ACT**
Anthony Kariuki, CEO
Harriet Kongin, CD director
Carol Kiangura, Capacity Development associate

6/1/13 - **Akiba Uhaki Foundation**
Ezra Mbogori, Exec. Director