

ASSESSMENT OF THE DECLINING DONOR AID ON CSO's FINANCIAL
SUSTAINABILITY: CASE OF KAKAMEGA COUNTY

BIBIANNE SITUMA

A Research Report Presented to Mount Kenya University (MKU), School of Social Sciences,
Department of Social Sciences in Partial Fulfilment of the Award of a Bachelor's Degree
(Development Studies)

NOVEMBER 2015

ABSTRACT

The civil society dynamics have changed significantly in recent years. The significant economic, political and social shifts confronting the world today are imposing dramatic impacts on CSOs locally, nationally, regionally and internationally. The main transformation has been the scaling-down of the traditional forms of funding. These changes have had fundamental impacts on the financial sustainability of CSOs. The purpose of this study was to identify the measures and strategies that CBOs in Kakamega County have implemented to ensure financial sustainability in the current economic environment. The primary aim of the research was to determine the factors influencing the financial sustainability of CSOs in Kakamega County. The principal theories underpinning this study were the Game Theory and the Principal-Agent Theory). The rationale for using both theories was to conceptualise the relationship between donors and CSOs, and how these interactions influence funding priorities and decisions. The study employed the case study research design, including a sample of fifteen CSOs and 98 respondents. The cluster sampling technique was used to sample the CSOs while the study subjects were selected using the purposive sampling technique. The main findings of this study have shown that a large proportion of the CSOs were depending on external sources of funding; hence were reluctant to mobilise resources locally. Nonetheless, some of the CSOs were implementing income-generating activities, as well as promoting inter-sectoral collaborations and public-private partnerships as a means of diversifying their revenue sources. Additionally, the regression analysis has revealed that the shifting donor funding, high dependency upon external funding and declining donor aid were influencing the financial sustainability of the CSOs. The Civil Society Organizations will enhance their financial sustainability if they build the capacity to mobilize funds locally. Government institutions represent crucial sources of revenue for CSOs, especially through the development of public-private partnership. CSOs should now refocus attention to the publication and dissemination of real-time public information regarding their operations and spending. The provision of adequate and accurate information will enhance the legitimacy, accountability and relevancy of the CSOs to the populations they serve.