



**ST.MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES**

**CHALLENGES AND PROSPECTS OF FUNDRAISING  
IN ACTION FOR DEVELOPMENT**

**BY**

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**ID No: SGS 0211/ 2005B**

**MAY 2015**

**ADDIS ABABA, ETHIOPIA**

**CHALLENGES AND PROSPECTS OF FUNDRAISING:  
IN ACTION FOR DEVELOPMENT**

**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL  
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## LSIT OF ACRONYMS

CAO	Civil Advocacy Organization
CBO	Community Based organization
CCRDA	Consortium of Christian Relief and Development Association
CSO	Civil Society Organization
CSP	Charities and Societies Proclamation
DA	Development Association
ETB	Ethiopian Birr
GAAP	Generally Accepted Accounting Principles
NGO	Non-Governmental Organizations
USD	United States Dollar
IGA	Income Generating Activities
ChSO	Charities and Societies organizations
ChSA	Charities and Societies Agency
AFD	Action for Development
PANE	Poverty Action Networks of Ethiopia
LNGO	Local Non-Governmental Organizations
INGO	International Non- Governmental organizations
SLUF	Sustainable land use Forum
NGO	Non-governmental Organizations

## **ABSTRACT**

The main objective of this research paper entitled “Challenges & Prospects of fund raising in Action for Development “was to explore the prospects and challenges that the organization is facing with respect to its fund raising practices. Hence as an exploratory research based on data gathered from Interviews, a qualitative data analysis method was employed. A review of the literature relevant to the study and that of the newly issued Charities and Societies Agency regarding the operation and regulation of NGOs is followed by interview with Selected Senior Management Members and selected staff who directly are involved in the fund raising issues. Then analysis of major issues that emerged from the secondary sources and interview is done. Finally conclusions from the analysis and recommendations based on the conclusion are made. Accordingly, resource competition, an enabling legal environment, perception of the community towards providing support for local NGOs are the external challenges identified whereas capacity of the organization, budget scarcity/,lack of reserve fund, lack of viable fund raising strategy, dependence on foreign donors aid only were the internal challenges the organization faced. On the other hand efficient use of resources, image of the organization, organizational capacity, and prevailing local culture towards aid and existence of an enabling legal environment are identified to be the factors that affect fund generation.

**Key Terms:** Fund raising, Charities and Societies Agency, NGOs, Donors.



## **CHAPTER ONE: INTRODUCTION**

### ***1.1. Back ground of the study***

Like human body that needs blood to function well, every organization needs enough money to survive and employ its missions. It has to meet its project costs and develop its programs for the future, pay the salaries of its staff and all other running costs, keep its vehicles in a good state of repair, and pay for any new equipment that it needs etc. And the obvious truth is that if the money is not raised, the organization will not be able to carry out its work. And if the work is not done, all those pressing needs will remain unmet. Fundraising is therefore extremely important for an organization's success. It helps to ensure the survival of an organization, to reduce dependence and ensuring self-reliance, to realize its objectives and finally leads to creating a viable and sustainable organization hence challenges of fund raising is the focus of this study.

Usually Non-governmental organizations (NGOS) obtain funds or raise money by developing projects to help the people in need. Customarily Projects or proposals are used as a tool to convince donors/ volunteers/ by justifying why the money is needed. Hence, Fund raising is a vital work of a Non-governmental Organization in order to ensure its financial sustainability. This paper seeks to highlight the challenges that an Ethiopian resident charity Action for Development face to generate funds to achieve its objectives make recommendations and share emerging trends in resource mobilization that organizations can use to build a more sustainable resource base.

Working for more than seven years in Ethiopian Resident Charities, the researcher was involved in financial management, and donor grant management activities. The student researcher has experiences of grant management and financial management in the sector and hence exposure to fund flow status to the local Non-Governmental Organizations. In fact the resident charity is expected to respond to the unexpected diminishing aid resources. Hence the researcher wants to take this opportunity to study the challenges and prospects of Fund raising in Action for Development.

## ***1.2. Back ground of the Organization***

Action for Development (AFD) is an Ethiopian Residents Charity that evolved from the FAO- operated Freedom from Hunger Activities (FFHC/AD) which had been implementing various development and rehabilitation programs in the drought prone areas of Southern Ethiopia, since the mid-eighties. Currently AFD is registered as an Ethiopian residents Charity, with certificate No.150. AFD is a member of seven networks of NGOs. It has been working in more than 14 Woredas of Borena and Guji Zones of Oromia and South Omo Zone of SNNP Regional States for more than a decade.

So far as a resident Charity it mainly generates its fund from foreign aids and has implemented a number of huge projects, which benefited many beneficiaries, especially in areas of water development ,local community capacity building and schools construction projects.

The company documents especially the audit reports and Annual reports of the organization under study shows that all its income source is from donation by international donors and the major donors of the organization are: Oxfam America, Norwegian People's Aid, Christian Aid , Cord aid, Trocaire-Cafod/SCIAF, German Agro Action, PACT Ethiopia, European Union, People in Need and a few others are the major donors of the organization, some of them being donors from the establishment of the organization. The recent fund flow however calls for the attention of sidestepping dependence on only foreign aids.

## **1.3. Statement of the problem**

Civil societies in general and local NGOs in particular have contributed to the socio economic betterment of their target beneficiaries (Yeshanew 2012). Despite the significant role NGOs are playing in the socio economic development of the country they face different challenges in raising funds. The recent Civil Society Organizations (CSO)

proclamations developed by the Ethiopian government limits the amount of administrative and program costs to 30/70 ratio. Most people agree to the concept of efficient utilization of resources hence it is not the ratio that is a problem rather the interpretation of the administrative and program costs classification which is vague as per this proclamation.

Because the Proclamation defines administrative cost in a very vague manner, there is a tendency to consider program expenses such as salaries of program staff and payment for consultancy services, monitoring and evaluation costs, stationery and hall rent costs of trainings as administrative rather than operational cost though their cost is directly related to the activity. This limits the number of staff the NGO has to hire for necessary activities like fund raising and monitoring activities, leads to the avoidance of monitoring and evaluation of projects in order to meet the maximum 30% Administrative cost limit requirement. Since 2009 the space for foreign donor NGOs has been constrained by new legislation, affecting external support to local NGOs for governance activities. It is obvious that these had an effect on the fund flow to local NGOs that mainly depend on INGOs.

On the other hand, the world financial crisis especially that of the western has created undeniable problems in the fund generation of domestic and INGOS. Due to the global financial crisis the western where the source of most donations to the third world comes is busy settling their problems like unemployment and rising cost of living. The crisis originated in the major financial centers in the developed countries. Macro-economically the crisis manifested itself in mounting deficits in trade and payment balances, dwindling currency reserves, currency devaluations, increasing rates of inflation, higher indebtedness and rising public budget deficits.

Lorenzo F. and Ekkerhard T. (2011) indicated that the nonprofit sector has also suffered the consequences of the financial downturn. As the financial crisis has deepened into a global economic recession, African economies are experiencing strong negative effects due to a contraction in global trade, including reduced demand for African commodity exports, tighter financing conditions overseas, and a drop in foreign direct investment

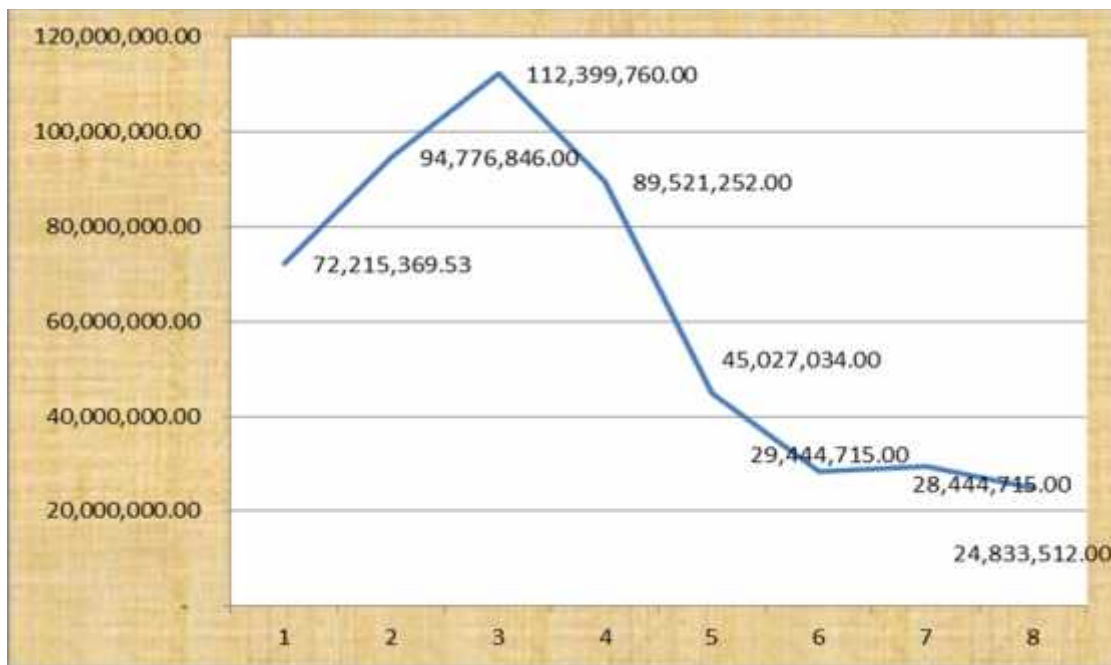
and other capital inflows. Additional revenue streams such as tourism and remittances from African workers abroad are also expected to fall, and foreign aid is predicted to decrease, particularly if the crisis persists (UNCTAD, policy Brief No.9, March 2009).

Abdissa Teshome (2008) wrote that reduced aid, reduced investment and reduced remittances are the major three ways by which the global financial crisis affects Ethiopia. Availability of funds for an organization is one of the criteria needed to ensure the implementation and realization the organizations objectives. It is obvious that the main fund source for NGOs are donors or volunteers. Action for Development which mainly depends on foreign assistance is facing lack of sufficient funds in type and amount. The amount of money it secures yearly which is exhibited in its yearly budget is declining through time. In Action for Development which is the focus of the study subject of the researcher the amount of money it raises is decreasing, as indicated in Chart1, through time which is indicated in the decline in the yearly income of the organization and the financial concerns are affecting most employee as per the pre assessment made.

Hence the study addressed issues related to problems or challenges, Prospects and remedy of generating funds which directly or indirectly determines the realization of missions of the organization under study.

Remark: the column in the chart 1 below indicates the approximate amount of money received in millions of birr, while the row numerals represent years in which the grant is collected and accordingly number eight is represented by the year 2014 and number one represents year 2007 G.C. The chart shows the maximum amount or peak of the fund received in the year 2012 represented by number .3 and then declining down.

**Chart 1 : Money Received (in Ethiopian Birr) for eight Years from different Donors  
Income per year**



**Years**

Source: Organization document review: Compiled from the yearly reports of the organization for the years 2007 to 2014.

#### **1.4. Research Questions**

The study answered the following research questions:

1. What are the main problems that Action for Development faced with respect to Fund raising?
2. What are the factors influencing the fund generation activity of the organization?
3. Does the global financial crises and the CSP really affected the fund raising activity of AFD?
4. With the persistence of these challenges how sustainable will the organization be in securing funds?
5. What does the fund raising activities of the organization looks like?

### ***1.5. Objectives of the study***

The research had the following main and specific objectives stated below.

#### **1.5.1. General Objective of the study**

The study tried to find out the main challenges and problems Action for Development is facing in fund generation activities.

#### **1.5.2. Specific Objectives**

Specifically the research was done to:

1. To describe the fund raising practices and processes of Action for Development.
2. To investigate the main problems AFD is facing in its income generation activities.
3. To point out the main factors that influences the fund raising activity of Action for Development.
4. To explore how the challenges affect the well- being of the company in terms of getting grant.

### ***1.6. Significance of the study***

In this paper, the researcher adds to the recent and limited micro level evidence on the challenges and prospects of fund raising in Ethiopian LNGOs in general. The study is important to indicate the main challenges of resource mobilization by Ethiopian resident charities like action for Development. Undertaking the study will have a significant use for NGOs in general and local NGOs in particular. Particularly local NGOs, donors and future researchers will use the paper in such a way that:-

### **A. For the organization**

This study will have the following practical values for local NGOs especially for AFD: The result of the study is believed to give an insight for the organization's management & local NGOs about the existing challenges of fund raising. It will also help local NGOs in general and AFD in particular to devise or revise their policies and procedures by pointing out their gaps in fund raising activities.

### **B. For donors and other stakeholders:**

The recommendation and the suggested possible solutions for the identified gaps can be used as an input for capacity building activities by donors and other stakeholders.

### **C. For researchers**

Theoretically the findings of the study can serve as reference for other researchers to initiate and conduct further study on related issues and will add value to the theoretical aspect of the subject matter. Therefore this study will enhance and encourage other researchers who have interest on fund raising of local NGOs to do further research.

### ***1.7. Limitations of the study***

The study used a qualitative approach to explore the subject matter and may suffer from individual opinions and judgments. Therefore the result of the finding depends on and the selected respondents and management of the organization's perception, reaction and weight given to the study. Since the nature of the subject matter and the study design was based on opinion and experiences of the respondents, the findings were limited by the responses given and efforts made to assist the researcher based on views of the respondents.

The very limited prior research conducted on NGOs fund raising experiences in Ethiopia was also one of the limitation of the study. Effort was made to exhaustively utilize the

relevant research done, and gather secondary data from every angle, within and outside the country on different topics and reviewed them critically to minimize the limitations. The ample practical experience of the researcher in the field of the study also helped much in minimizing the gaps

The study was conducted on a single LNGO and hence cannot be generalized to all Ethiopian resident charities. However as the registration, implantation regulations and practices are the same for all, the recommendations given based on the findings can be used by similar organizations.

### ***1.8. Scope of the study***

This paper is confined only on the Challenges and prospects of Fund raising in Ethiopian resident Charities in Action for Development and does not consider issues of Financial management other than financing/fund generation practices. Moreover it is due to; resource, fear of lack of access to information & researchers experience constraints that this study has considered only single local non- governmental organizations.

### ***1.9. Organization of the paper***

This paper is organized in to three chapters. The first chapter deals with outlining statement of the problem, basic objectives of the study, its significance, and scopes and limitations of the study. The second chapter deals with literature review basically highlighting history and emergence of nongovernmental organizations in Ethiopia, Current structure and statistics about NGOs in Ethiopia, Financial sustainability, roles of NGOs, and challenges of Nongovernmental organizations. Chapter three covers about the Sampling size, sampling techniques used, and the type of research methods employed and research design. The fourth chapter covers findings of the research and their discussion. Finally the last chapter of the study, Chapter five, presents conclusions and recommendations of the study.



## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1. Introduction**

This chapter presents the relevant issues about fund raising obtained from Journals, Books, and research papers etc. while reviewing them critically. Accordingly the history and emergence of NGOS in Ethiopia, their current status, the roles they play the importance of engaging in fund raising, the prospects of donor dependent NGOS and challenges of fund raising activities faced by non-governmental charities are well discussed.

### ***2.2. History and Emergence of NGOS in Ethiopia***

According to CCRDA (2006) Ethiopia has a long tradition of informal community-based organizations like the “idir” and “iqub” – self-help associations that operate at the local level and offer mutual socio-economic support to their members. Formal civil society that is, organizations with legal personality is a recent development. Civil society was slow to take root under the Ethiopian Empire regime (1137-1974). It was also severely restricted under the rule of the Derg (a military junta) (1974-91). Modern civil society organizations were first established as faith-based organizations in the 1930s, and beginning in the 1950s, welfare organizations like the Red Cross started to operate in Ethiopia. As a result of the 1973-74 and 1984-1985 famines, many more non-governmental organizations (NGOs) emerged with a focus on relief and humanitarian services. It was after the downfall of the Derg regime in 1991 that saw NGO numbers substantially increased.

It seems that between 1991 -2009 there was a more conducive environment for NGOS operating in Ethiopia. As time goes on a number of NGOs that are working on issues like Human and democratic rights, rights of children and the disables, conflict resolution, issues of peace, gender equality, and justice and administration have been established and operational throughout the country. According to the then Christian Relief and

Development Association (CRDA), later named as Consortium of Christian Relief and Development Association (CCRDA) (2006:6.),the development of CSOs in Ethiopia Exhibit three phases: full engagement with relief and humanitarian work, the delinking of relief and humanitarian work and focusing on basic services provision.; engagement in governance, advocacy, and human rights in addition to the service delivery. Until the coming in to power of the current Ethiopian government the third phase of NGOS development was not realized due to the past two regimes (Imperial regime and the Military Dergue) restrictive and prohibitive regulations. However due to the down fall of Dergue regime as of May 1991 the voluntary sector reached peak in number from the political liberalization achieved in the transition period. It was not only a rise in number that was observed in the decade but also a shift from relief operation to development interventions.

### ***2.3. The current status of NGOs in Ethiopia.***

In order to give better view of the subject matter it is important to make clear the concept of NGO as it is used in this paper. In the Ethiopian context, as defined by German Technical Cooperation (GTZ) (2001), the term is broadly used to denote an organization that meets the following requirements: NGOs are voluntary in their genesis; they engage in relief, service delivery, and advocacy or development activities; NGOs are non-profit or self-serving organizations working to serve the disadvantaged groups of the Society; NGOs are non-political; NGOs have no permanent program interest or geographical context; Legal status: any organization to be considered as NGO, it requires a legal Status/registration; NGO refers to both indigenious and international non- governmental organizations (GTZ, 2001:89)

A study conducted by Kendra et al (2012) indicated that the interest of states to regulate NGOS has significantly increased about 90 states worldwide, both in less democratic countries such as China and Russia, and in functioning countries such as Canada, India and Israel. The study found that 24 of 54 states of Africa have enacted new more restrictive regulations or reinforced existing legislation regarding the activities of

international NGOs and or reinforced existing legislation regarding the activities of international NGOs or on the flow of foreign money to local NGOs.

Alarmed by some NGOS involvement in Political activities and to create conducive environment for nongovernmental organizations the Ethiopian Government has adopted a new CSO proclamation. Then the Charities and Societies Agency, the regulatory body of nongovernmental organizations is established as per the proclamation to monitor and regulate NGOs work.

As per Charities and Societies Agency about 3,056 NGOs currently operate in Ethiopia as of July 2014. These organizations have been classified in to seven clusters namely: Ethiopian Charities (114 in number), Ethiopian Resident Charities (1992), Ethiopian Societies (371), Ethiopian Resident Societies (120), Foreign Charities (345), Adoption foreign charity (61), and consortiums(53).

However, after the enactment of the new proclamation on the registration and regulation of charities and societies proclamation No.621/2009) and the introduction of the 70:30 guide line for administering program and administrative costs (directive 02/2011), many foreign and domestic NGOs especially Ethiopian Resident charities or Ethiopian resident Societies are facing big challenges in undertaking their normal operation (Addis standard Magazine, December 2012).

#### ***2.4. NGO Theories in Terms of their role***

There are different theories on non-governmental organizations, two theories namely the development theory/view and the rent seeker theory are discussed here based on their relevance with the roles NGOs play in a community.

##### ***2.4.1 Development Theory***

The advocates of this theory argue that NGO has played and continued to contribute a significant role in the development process of the community in which they serve. Eman

Mohammed (2012), Citing Henrich 2004, discussed that it is widely recognized that CSOs have played and continue to play an important role in development, good governance and democratization in developing and transitional societies. Eman further lists NGOs have invested considerable effort and resources in poverty reduction, protection of vulnerable population groups, promotion of gender equality, and enabling citizen participation in the political process. According to Dessalegn, (2010) CSO activities may be grouped into several categories depending on the countries or regions concerned. In many African countries, including Ethiopia, these include three major areas: providing essential services and pro-poor development work; promoting the cause of the common good, in particular environmental protection and sustainable resource use; and citizen's empowerment and human rights.

The International Network of Civil Society Groups, CIVICUS, lists five "essential roles" for civil societies: The first to be mentioned is influencing public policy: this dimension consists of three sub-areas, namely roles in influencing the national budget process, human rights issues and social policy issues. Second one is holding state and private corporations accountable for their decisions and actions. Here CSOs' role in "monitoring, making transparent and if appropriate, speaking out against actions undertaken by government and the private sector in violations of their stated goals, objectives and tasks" has been significant. Third, responding to social interests: this relates to the role of CSOs in taking up and voicing societal concerns, and their ability to function as representatives and particulars of their interests of communities. Fourth comes the issue of empowering citizens: enabling citizens, particularly the poor and the disadvantaged, to have more choice and to take more control over decisions that affect their lives through information and education, developing capacity for collective action, and building social capital. Finally, CIVICUS emphasizes that civil societies also play a role of meeting societal needs: this concerns service delivery, promoting self-help initiatives, helping people to meet their pressing societal needs. Similarly Cangas (2004) argue that CSOs are expected to fulfill three basic roles namely: as welfare service deliverers, advocates and watch dogs.

In general, the participation of CSOs/NGOs in the overall development and governance processes of the country is very significant and is easily visible in their community welfare practices. The same practices and roles can be witnessed in Ethiopia. To support this issue Elleni Tadesse (2007) listed that NGOs have had significant impacts on the lives of the poor and the disadvantaged, and the broad range of basic services made accessible to them; on the country's economy and the development programs; on the process of democracy building, access to market; on policy advocacy and infrastructural development; on the capacity of government agencies especially at the woreda and kebele levels. Hence we can argue that NGOs in Ethiopia are development partners to government and contributing a significantly in realizing the Millennium development goals.

Currently NGO/CSOs in Ethiopia are primarily engaged in addressing the root causes of poverty and vulnerability, as well as helping to build institutions for good governance and democracy-building. According to CCRDA (2008), in rural areas of Ethiopia, short-term relief distribution is not any more an important part of NGOs program activities. Instead, they are concerned mainly with strengthening of awareness, transfer of skills and technologies, supporting institutions, and promoting linkages. Therefore, further facilitation of these engagements would create grounds for achieving even more useful contributions to the national effort of addressing poverty, vulnerability and promoting good governance and democratic practice. In general, CSOs are perceived to play valuable roles in both the developmental and democratization process of a country.

#### ***2.4.2. The dependency Theory***

Some people criticize NGOs as dependent entities who mainly depend on sponsors or donors and do not have a significant vision of creating a difference in the lives of their beneficiaries. This group argues that NGOs are rent seekers they exist for the managers and their staff self-benefit and their fulfillment of egos. Such NGOs usually prioritize their donors' agenda to that of the local need. Different NGO critiques are presented below in view of the above points.

It makes little sense to conceptualize civil society as always being positive in terms of promoting social justice and development. The diversity of civil society actors, the plurality of voices and contestation, and the potentially ‘uncivil’ motivations and activities contained within have led many people to challenge such a view (Glasius et al. 2004). Robinson and White (1998: 229) state: Actual civil societies are complex associational universes encompassing a variety of organizational forms and institutional motivations. They contain repression as well as democracy, conflict as well as cooperation, vice as well as virtue; they can be motivated by sectional greed as well as by social interest. In other words, civil society cannot be viewed apolitically.

A second problem area is the ‘relativist’ critique, which argues that civil society is an essentially Western concept which may therefore have limited relevance to non-Western societies. Anthropologists have viewed the revival of the Western concept of civil society and its application to widely different cultures and contexts in different parts of the world with suspicion, pointing out the dangers of a new post-Cold War ‘universalism’ (Hann and Dunn 1996). Many also note the ways in which the construction of a ‘civil society’ was used as an instrument of exclusion by colonial rulers in Africa (e.g. Comaroff and Comaroff 2000). A concept of civil society was used to define who was and who was not considered to be a citizen, dividing the public sphere into a civic realm of associational life and another realm of ethnic and kinship-based groups which was considered backward by the colonial authorities.

There may be civil society organizations based on traditional values of kinship and ethnicity in some contexts which, while not necessarily fitting the standard definition, may nevertheless carry out many of the other functions of a civil society organization. For example, the Somali clan system simultaneously provides for the needs of the members of its communities and at the same time contributes to the violence and hostilities which exist between different clans and factions (Edwards 2004).

## ***2.5. The Importance of Fund Raising***

There is a lot of competition for donor resources and in many cases for an organization to secure resources it depends on how well it can compete with other organizations to raise funds; and on how good it is at exploring other ways to source for resources. Those NGOs fortunate enough to have adequate resources to support their current operations still face uncertainty over future funding. Many organizations wonder whether the donors will keep supporting program costs or will they shift their focus to other more pressing needs. At times a donor runs out of business and can no longer provide resources. These are some of the scenarios that create uncertainty over donor funding and makes it extremely difficult for NGOs to plan and implement their project activities consistently. Rehama (2014) argued that most local NGOs in Africa makes a mistake of relying on a single source of donation and reasons that when that source reduces or dries up the organization struggles to generate new funding when it is too late, hence programs are compromised or terminated.

Fund is an extremely important component of an organization's success. It is important for Survival, expansion and development, reducing dependency so as to avoid risk of depending on a single donor, and creating a viable and sustainable organization (Michael Norton 1996, p.11&12). The famous author, trainer and consultant of Fund raising, Norton wrote that every organization needs enough money to survive. It has to meet its project costs and develop its programs for the future, pay the wages and salaries of its staff plus all its administrative overheads, keep its buildings and vehicles in a good state of repair, and pay for any new equipment that it needs, of course the list is endless. And the simple truth is that if the money is not raised, the organization will not be able to carry out its work. And if the work is not done, all those pressing needs will remain unmet.

With respect to fund flow management and follow up Norton recommends the development of annual budget from the fund raising strategy and monitoring its status accordingly. This will show the amount of money is planned to be spent. It will also show the amount of money that has already been raised or which has been promised,

and what extra support needs to be raised during the year so that you can meet all your planned outgoings. So if there is a good fund raising strategy that will also help to monitor the progress in achieving the targets by keeping a record of money that has been received or promised, and by discussing with the management accounts at regular management committee meetings (which might be held monthly, or perhaps quarterly for smaller organizations). If the income is not coming in as planned, the management needs to take some sort of action more effort can be made in to fundraising, cut costs, defer planned projects, or agree to subsidize the likely deficits out of the reserves.

Many organizations have one or perhaps several major donors who provide most of their funds they are spending. This situation can lead to a state of dependency. If one of the large grants is withdrawn, this could create a financial crisis. Not only this, but this dependency can make it difficult for an organization to determine its own agenda since it will constantly have to adapt to the priorities of its donor organizations. Broadening the fundraising base by bringing in other donors and by generating other sources of income can reduce your dependency (Michael Norton 2009).

Norton Further argues that building a constituency fundraising is not just about the amount of money you raise; it is also about the numbers of supporters you can attract to your cause. Each Supporter is important to your organization. They can be persuaded to give again and to give even more generously. They might like to volunteer or might be able to persuade friends and contacts to support the organization. Their numbers are an indication of the level of support that your organization is attracting, and this can add strength to your lobbying and campaigning work creating a viable and sustainable organization.

According to Norton (2009) Fundraising is not simply about generating the resources you need to survive from this year to the next, and paying for any planned expansion and development. It is also about helping to create a viable and strong organization which is able to sustain itself into the future. Norton with his ample experience of working in the area of fund raising and as a famous trainer and consultant on the subject matter across the world lists/recommends/ the following ways of fund raising: One is to



build a substantial and active donor base getting people to support you who feel involved and important to the organization, and who will continue to give their support over a long period of time. Other ways include: organizing successful fundraising events (which can be repeated and run even more successfully in subsequent years); creating capital within your organization, such as buildings and equipment (which reduce your need for running costs or can help you generate an income) or an endowment or 'corpus' fund; and developing some sort of income-generating activity within the organization itself.

Many organizations are addressing long-term needs: for example, through community development that will not yield immediate results, or by looking after disabled or elderly people where you will have a continuing commitment to provide them with care. It is important to note that in a financially sustainable organization an organization is financially strong and positive about its future, rather than one that is plagued by annual deficits, which is running at or near bankruptcy, and where the financial concerns are beginning to affect the morale of everyone involved. So Norton recommends that NGO leaders should think carefully and strategically, to be able to look for ways of strengthening their organization's financial position and developing a sensible fundraising strategy for the future.

## ***2.6. Challenges of NGOS***

Nongovernmental organizations everywhere face different challenges; this is particularly true for NGOs operating in developing countries where the level of democratic principles practices is not yet matured. The culture and perception of the society towards nongovernmental organization is also another area which need further development. This part presents the common challenges the voluntary sectors face globally. The major challenges NGOs face are discussed below under different categories.

### ***2.6.1. Lack of donors or funds***

The study on NGO sustainability index conducted by USAID for sub Saharan Africa in the year 2010 indicates that financial feasibility is the weakest dimension for NGOs across Africa. It showed that while resources are an issue for NGOs around the world, conditions in many African countries produce particularly challenging financial conditions for NGOs. Few African NGOs are able to generate significant income by pursuing economic activities, charging fees for services, or collecting membership dues, where individual and corporate philanthropy tends to be weak with high bureaucracy and corruption (USAID 2010). Hence the study concludes, in most countries NGOs are primarily dependent on foreign donors for funding, and in many cases this has led to donors' dictation of NGOs' priorities.

In the African continent, many local NGOs depend on external donor funding and resources to run their organizations but unfortunately there is also a lot of competition for the money and resources. In many cases the survival of an organization is dependent on how well it can compete with other organizations and on how good it is at finding other ways to source for resources (Rehema, 2014). To this end Meshesha Shewarega, current Executive Director of CCRDA, while making briefings to the NATO Parliamentary Assembly Delegates during their visit of CCRDA stated that dwindling resources from donor partners especially after the global financial crisis has been severely affecting the operations of CSOs/NGOs in Ethiopia.

For the Ethiopian context a study conducted Mengesha .et.al (2014) indicated that Ethiopian Local NGOs' financial sources are heavily dependent on grants and donations with insignificant members contribution and little or no fund raising activities. This implies that there is high risk for sustainability and continuity of project implementation in situations where donors' funding becomes scarce or not available.

### ***2.6.2 Sources and trends of Funding***

Rehema (2014) discussed that there are two categories for sourcing of funds or resources: One is the conventional method through which individual philanthropy, Private

foundations, corporate agencies, government and foreign development agencies provide money or resource and the second is the Non-Conventional Means in which membership fees, businesses, income generating activities, Prizes/Awards become source of humanitarian aid.

Fundraising according to Rehema (2014) is the act of persuading people or organizations to raise money for a cause. Fund-raising is the activity of collecting money to support a charity or political campaign or organization. Fundraising means that funds are elsewhere and approaches need to be explored to access the funds. Resource mobilization has additional two concepts; one is that non-financial resources are crucial and secondly some resources can be generated by the organization internally rather than sourced from others.

The Oakland institute in its 2013 report of development aid to Ethiopia indicated that the World Bank Group (WBG), through the International Development Association, is the largest multilateral donor to the Ethiopian government. In 2011, the WBG provided a total of \$630 million in assistance to Ethiopia, with over half of the annual assistance allocated as part of the Promoting Basic Services (PBS) initiative's Phase II implementation. PBS, which is administered and implemented by Ethiopia's Ministry of Finance and Economic Development, receives additional funds from the government of Ethiopia, the African Development Bank, United Kingdom's(UK's) Department for International Development (DfID), the European Union (EU), Austria, Italy, Germany, and Irish Aid. The remaining WBG assistance to Ethiopia was allocated to urban development and irrigation and drainage infrastructure projects.

Michael (2009) noted that possible ways of generating funds locally involves: Public street collections by volunteers (e.g. door to door collections.), fund raising campaigns (e.g. concerts, events), from local government (grants, exemptions from taxes), from foundations, sponsorships from local businesses, and from covenants and legacies. On the other hand self-financing activities can be: sale of services ( health ,education, credit etc.),service provision (consultancies, publications, etc.),sale of products ( cards, calendars, diaries, crafts),separate business ( hotel, health club, restaurant),membership fees ,etc.)

Regarding the recent trends in the arena of aid the study conducted by Jill Butler (1995) and Rehema (2014) found that there is a reduction in the international development funding, decline in general public contribution, donors attention towards media friendly issues (those crises which are publicized by media), inclination increase of funds to emergency and Humanitarian assistance than Donations for Development projects, and more amount of aid is channeled through bilaterally (through government structures country to country) rather than multilateral agencies. The reasons behind this scenario are first the belief that bilateral aids bring global political influence, second it has ties to the procurement of goods and services from the donor country.

This means if the China government provides aid for building a road in Ethiopia, it is likely that China goods and or China's contracting firms will be used for every activities carried out by Chinese donation. Jill Butler (1995) wrote that most indigenous NGOs of Ethiopia spend time in pursuing donors without addressing the possibilities of exploring ways of becoming more self-reliant, while the amount of foreign aid is declining.

On the other hand the Global financial crisis has led to the shift and reduction in the amount of fund available globally to implementing NGOs. Despite the fact that NGOs have witnessed a substantial flow of aid, both at governmental and non-governmental level, and that a large presence of bilateral, multilateral and private donor agencies continues to exist, nonprofit fundraising is becoming increasingly challenging. The recent trend of NGOs mushrooming has led to increased competition over limited resources available with donor agencies. Moreover, donor funding is proving highly volatile, depending mostly upon the political situation of the country and its policies. Furthermore, there has also been a general move away from structural administrative support to calls for projects. All these factors have had a considerable effect on the work and culture of NGOs. It has thus become crucial for NGOs to reconsider their approach to funding so as to ensure organizational sustainability.

Although the 'traditional' sources of funding continue to be relevant, NGOs' efforts to achieve financial sustainability have led to the creation of new and original ways of collecting funds for specific projects. In support of these trends a study conducted by

Ankita (2009) has presented the effects of the economic crisis on funding for a sample of NGOs from around the world, working in a range of fields as loss of donors by 33%, reduced budget by 13.3%, reduced staff by 4.4%, staff devoted more time on fund raising increased by 26.7%. So indeed the global financial crisis is having a visible effect on the work of NGOs around the world.

### ***2.6.3. Dependence on External Funding***

A local NGO that highly depends on external funding will face the problem of influence on the interests and objectives of the donor rather than what is needed on the ground and the objective of the local NGO. This means that any organization that depends solely on external funding will not be in a position to finance some of its initiated and laudable projects. The much reliance on external funding therefore makes it difficult for local NGOs to accomplish their stated objectives (Fernand 2006)

Dependence on external fund have an effect on the successful development of projects and sometimes on the structures of local NGOs resulting in delays in payment of wages, lack of funding for projects and priorities of the local NGOs coming after the donor's priorities. Desalegn Rehamato (2009) has indicated that NGOs operating in Ethiopia are mainly based on external funding sources. Thus, the problem with article 1 sub article 2 of the Charities and societies Agency (CSA) will mainly affect those NGOs that secure funds externally. Research on Civil society organizations income generation activity (IGA) carried out by Gebre Yintiso (2012) found that while the new regulations support IGA on the whole, a number of requirements pose significant challenges.

### ***2.6.4. Lack of Enabling Legal Frame Work***

Ali (2011) stresses that keeping good relationship with government and private sectors to have their support is a critical success factor for every NGOs. For Ethiopian NGOs the two decades from 1991 to 2009 are known as a period when a remarkable

progress in the numbers and activities of NGOs/CSOs was seen in the history of the country. A relatively enabling atmosphere and significant contributions by these NGOs to various programs that the country was desperately embarked on gave boost to the birth of hundreds of NOGs. Because of that, and enabling political changes the country was experiencing, foreign donor organizations such as USAID, Global Fund, CDC, Clinton Foundation, and the Rockefeller Foundation have relentlessly bankrolled the entire programs to fight HIV/AIDS, Malaria, TB, vaccination and institutional capacity building programs that were undertaken by as many NGOs in Ethiopia over the past two decades. (CCRDA, 2004).

However, worried by the activities of some NGOs that the Ethiopian government has claimed were involved in political activities, the government has adopted a new Proclamation No. 621/2009 in 2009. The government has tried to provide some policy objectives and rationales about the proclamation. Some of its arguments include the fact that the previous law was outdated and did not correspond to the level of development, characteristics, and activities of the civil society organizations in Ethiopia; the need to facilitate for civil society organizations to become development partners of the government; the need to create a conducive environment to enable citizens to exercise their constitutionally guaranteed right to association; and the need to identify illegal activities within the civil society organizations and penalize the offenders (Addis standard magazine 2013). Many, including members of ChSOs have appreciated the government for its initiative to modernize the system of registration and regulation of ChSOs in Ethiopia.

However they cite many problems in the implementation of the regulation. The problem is that the new proclamation distinguishes between organizations based on their sources of funding. Those that receive 90% or more of their funds from Ethiopian citizens are called “local”/charities and societies/ organizations. NGOs based in Ethiopia but that receive more than 10% of their funding from international sources are termed as “resident” charities & societies. Organizations based outside of the country and funded outside are called “international” organizations (Proc. No. 621/2009).

Among charitable purposes stipulated under Article 14 of the proclamation, only local

Ethiopian Charities and Societies (those receiving less than 10% of their income from foreign sources) can work on the advancement of human and democratic rights, the promotion of equality of nations, nationalities and peoples and that of gender and religion, the promotion of the rights of the disabled and children's rights, the promotion of conflict resolution or reconciliation and the promotion of the efficiency of the justice and law enforcement services. In addressing these issues the UN special rap porter on the rights of freedom of association and assembly, Mr.Maina Kiai expressed the Ethiopians CSO law has a negative effect on freedom of association and people's right of access to funds from international community intended for human rights and democratic values. Mr. Maina Kiai, has commented that "The enforcement of these provisions has a devastating impact on individuals' ability to form and operate associations effectively, and has been the subject of serious alarm expressed by several United Nations treaty bodies." Mr. Kiai went on to recommend that "the Government revise the 2009 CSO law due to its lack of compliance with international norms and standards related to freedom of association, notably with respect to access to funding."(The NGO law Monitor: April 24, 2013).

Owing to the new proclamation however, many local and international NGOs are affected negatively and some are enforced to terminate their operation. More recently Heinrich Boll Foundation, a German NGO funded by Green party and involved in promoting human rights and democracy pulled out of Ethiopia in protest of the law.

Charnovitz Steve (2006), famous writer on NGOS, made a good point when he argued NGOs/CSOs is not only stakeholders in governance, "but also a driving force behind greater international cooperation through the active mobilization of public support for international agreements. Hence NGOs no doubt contribute to the international human rights respect through their advocacy work which is prohibited now in Ethiopia.

#### ***2.6.4.1. Best practices of an enabling Environment***

Clark John. (1991) summarized that: Good governance, Regulations, taxation policies, policy implementations, policy formulations, coordination and official support are the main

indicators of best practices of government in its relationship with NGOs. To help understand further the meaning and concept of Clark's best practices of an enabling environment, elaborations are made below:

**Good Governance:** represents social policies which encourage a healthy civil society and public accountability of state institutions.

**Regulations:** In formulating regulations government should design to help, not hinder, NGO growth, but also to root out corruption and to foster sound management discipline; eliminate restrictive laws and procedures.

**Taxation policies:** by its taxation policies government should try to provide incentives for activities which conform to State development priorities; to encourage indigenous philanthropy and income generation.

**Project/Policy implementation:** State-NGO collaboration with proven NGOs in a way which allows the NGOs to remain true to their agenda and accountable to members or their traditional constituency. This might typically indicate the following roles for NGOs within government programs: articulation of beneficiaries' needs to project authorities, providing information about the scheme to communities, organizing communities to take advantage of the scheme's benefits, delivering services to less accessible populations, serving as intermediaries to other NGOs.

**Policy formulation** –this covers issues such as the provision of information to NGOs for dissemination to their constituencies; offering a role to NGOs in public consultations; invitation to NGO leaders to serve on official commissions etc. Public access to information is the key to success in this area.

**Coordination** - where the government fosters but does not dominate coordination, for example, through having NGO Units in relevant line ministries or NGO consultative committees; NGOs would be encouraged to attend to geographic or sectorial gaps, to avoid religious or ethnic bias, to avoid activities which contradict state programs or which make unrealistic promises; the government encourages training of NGO staff, for example, by ensuring that its own training institutions offer courses of relevance to NGOs; the government encourages improved attention to management skills, strategic planning and sharing of experience within the sector.

**Official support** - the government provides funds, contracts and training opportunities to give special encouragement to NGO activities in priority areas without undermining



NGOs' autonomy and independence; broad agreement is sought with NGOs on such priorities by establishing formal consultation with NGO leaders.

### ***2.6.5 The Effect of the CSO Regulation***

A research conducted by Kendar et al (2012) indicated that the number of federally registered local and international NGOs in Ethiopia dropped by 45 % from 3800 in 2009 to 2059 in 2011. The study further details that the number of local NGOs reduced by 25% from 2275 in the year 2009 to 1701 in the late 2011 and the number of adoption agencies decreased by 17 whereas the number of umbrella organizations increased by 22. The researchers reason out for this scenario the proclamation's prohibition of NGOs of different types joining the registered groups failed to re-register with the official charities and Societies agencies. Some argue including the Charities and societies agency that the unregistered NGOs are those who opened NGO to collect aid -money in the name of the poor to satisfy their self-benefit which are given the name 'brief case NGOs.' This argument however needs further study for the main reason that the proclamation prohibits INGOs and Ethiopian resident charities who generate more than 10% of their income from foreign aid.

So the researcher would like to argue that those unregistered could also be attributed to Aid organizations engaged in Human rights, gender equality and children rights which are prohibited in the proclamation. The coming in to effect of the CSO law categorized NGOs in three classes: Namely category one, category two and category three. Category one are Ethiopian Charities and societies which consists of Ethiopian citizen members and administrators with budgets at least 90% locally sourced. Those categorized under Category two are named as Ethiopian Resident Charities and Societies whose members reside in Ethiopia but raise more than 10 % of their income from foreign aids. The third category termed as foreign charities and Societies are those established under foreign laws, which can employ foreign staff and managed or controlled by foreign nationals and receive substantial overseas funds. These are NGOs known as International Non-governmental organizations.

Amnesty international has condemned the current Ethiopian government's CSO proclamation stating that it prohibits freedom of Association and the freedom to self-expression and limits the exercise of citizens and international community towards promoting human rights issues which is against the international laws and ratifications that Ethiopia has signed.

The other issue is that Article 90 of the CSP (Civil Society Proclamation) provides for the regulation of administrative and operational costs. This provision reads, "Any charity or society shall allocate not less than 70 percent of the expenses in the budget year for the implementation of its purposes and an amount not exceeding 30 percent for its administrative activities".

The Agency is expected to issue a detailed guideline that clarifies the vague distinction between administrative and operational costs, and specifically indicates the type of expenses that fall in each category.

According to accounting concepts or principles, however, administrative cost pertains to basic expenses which are necessarily incurred by an organization regardless of the existence of project activities. These costs are not directly related to the project activities under consideration. Such expenses include office rent, telephone, electricity, water bills, and salaries for the Executive Director, administration and finance staff, cleaners and guards, as well as cost of stationery and equipment used by the administrative staff.

As stated earlier, these expenses are related to the existence of the organization and will be incurred whether or not there are active programs. On the other hand, program cost normally includes all expenses incurred in connection with the implementation of program activities, including salaries of program staff, cost of equipment, goods and services procured for the implementation of the organization's activities, including consultancy services as necessary.

However, because the Proclamation defines administrative cost in a very vague manner, there is a tendency to consider program expenses such as salaries of program staff and payment for consultancy services as administrative rather than operational cost, making the issuance of the guideline imminent.

The growth of nongovernmental organizations (NGOs) in scale and scope around the world has been accompanied by growing governance and regulatory challenges for governments, NGOs and donors. The challenges of governance and accountability to NGO are particularly acute in Africa, a region often characterized by less democratic governance and weak mechanisms of regulatory oversight (Gugerty, 2009). NGOs in Africa do not attract funds locally; the bulk of their funding comes from international donors and NGOs. Therefore many laws are leaned towards bigger picture and not local fundraising regulations. For instance, Kenya's first NGOs regulating legislation "NGO coordination Act" was passed in 1990. This Act established the NGO coordination board to regulate the NGOs activities in Kenya. This is a Government arm that comes under the office of the president.

In view of the Income generating activities of the Ethiopian context, it seems that there are challenges posed by the rules and regulations of the country. Article 103(1) of proclamation Number 621/2009 and article 5 of IGA guide line rules that any Income generating activity must be directly related to the objectives of the organization. This however poses the challenge to some CSOs which cannot produce marketable services or goods .For example for an NGO working of governance and Democracy it may be difficult to sell training activities related to governance but possible to construct a building, though construction is not directly related to its mission and rent it to generate income. Hence such restrictions will limit the opportunity of CSOs engaging in Income diversification activities.

#### ***2.6.6. Capacity limitation***

People are key factor in successful fundraising. Fundraising is only really effective when people are dedicated to a fundraising role. The ability of the organization to reach its fundraising target depend on fundraising capacity such as the people you have available, fundraising resources and the management of the organization. Organization need to make fundraising in their strategic planning process and be part of the organizations culture since it's the most activity for the organizations survival (Neil, 2008).

Many western NGOs use fundraising professionals and Volunteers who are fully engaged in the fundraising activity. Volunteerism is the giving of skills, energy and time to a recipient voluntarily according to an individual's free will, for non-financial gains, to benefit the intended recipient or society as a whole (Ngondi, 2008).

On a daily basis, many nonprofit managers are confronted with many organizational challenges, including staff turnover, unreliable volunteers, and demanding funders (Frumkin and Kim, 2001). Maintaining fully paid fundraising staffs is challenging for many organizations. The presence of paid fundraising staff is generally related to size of the organizations and they are more likely to be positively associated with fundraising performance and are present in a small number of nonprofits (Hager, Rooney and Polack, 2002). There is significant capacity limitation among indigenous NGOs. Limitation in human resource and budget constraints are the prominent features of local NGOs. Jeanne and Cornelli (2013) investigated that many NGOs do not have a fund raising plan and competent officers.

Usually there is no plan of resource development and weak culture of management involvement and support to the fundraising officer. The organizations usually assign a single officer and do not provide a system that encourages the fundraising. GTZ (2001) stated that, local NGOs lack access to funds, physical assets and competent human capital. The NGO Sector has to be a model of efficiency and innovation and hence need to equip itself in competent manpower. In fact this is emancipated from lack of sufficient administrative budget to recruit the required personnel. Nevertheless indigenous NGOs have to equip themselves with capacity to innovate project ideas and ability to effectively implement their projects and utilize resources efficiently.

#### ***2.6.7. Weak private sector***

Unlike in other countries, in Ethiopia the private sector is too weak and fragile as to become internal funding sources for NGOs. The weakness is due to unfriendly policy environment and government control of major economic sectors (Bahiru Zewdie and

S.Pausewang, 2002). Therefore it is not common for NGOS operating in Ethiopia to generate funds from Ethiopian business companies. For one thing this is due to the attitude that NGOs are donors not takers and the culture of voluntarism in Ethiopia is not yet developed well.

### ***2.6.8. Accountability***

There is always the issue of accountability. There is no clear-cut understanding as to whom NGOs are accountable. This is very challenging question to answer, however; it is rational that this question needs to be answered by the NGOs themselves. According to Ayele Angelo (2008) NGOS are accountable to three parties' beneficiaries, donors and government. The Recent Ethiopian CSO proclamation indicates that NGOS are accountable to three bodies namely to communities, Government and their Donors. Ayele argued that most NGOS in Ethiopia perceive that they are accountable to their donors and government only; however, the most important accountability should first be to the wider community or the beneficiaries first and to government and donors next.

### ***2.6.9 Financial Sustainability***

Sustainability is a measure of an organization's ability to fulfill its mission and serve its stakeholders over time. Three critical components are essential for NGO/CBOs to be "sustainable."(USAID 2010) That means organization sustainability depends on Financial Systems and procedures, General Management Capacity and programs or services delivered.

**Financial systems and procedures includes:** Strong financial management and control including good cost accounting systems and timely submission of financial reports.

**General management capacity includes:** clear organizational structure, involved board of policy makers, strategic and business planning ability, sound management practices, well-functioning administrative systems including management information systems, and Marketing skills to expand services.

**Program and service delivery that includes:** the ability and commitment to provide high quality programs and services Existence of standards and other quality assurance measures, and ability to inform, educate, and communicate.

Financial sustainability can be gauged by an organization's net income (the surplus of revenues over expenses); liquidity (the cash available to pay bills); and solvency (the relationship of assets and debt or liabilities). According to the study conducted by USAID (2010) on NGOs sustainability in Sub Saharan Africa, sustainability for NGOS operating in Ethiopia is a challenging issue. The study attributes the difficult situation in Ethiopia for NGOs to the legal issues and ranks Ethiopia to Zimbabwe in lack of enabling legal environment for humanitarian organizations. Negative aspects outweigh positive aspects of Ethiopia's new Charities and Societies Proclamation, adopted in early 2009, including a restriction on international funding for NGOs involved in human rights, gender, conflict resolution or justice sector reform. Ethiopia's scores in all dimensions except service provision fall in the sustainability impeded stage (USAID 2010 p.4). The study employed Factors influencing the financial sustainability of NGOs including the state of the economy, the extent to which philanthropy and volunteerism are being nurtured in the local culture, as well as the extent to which government procurement and commercial revenue raising opportunities are being developed. The sophistication and prevalence of fundraising and strong financial management skills are also important factors.

Kristin S. (2014) argued that at the Centre of financial sustainability strategies, and paramount to the success of said strategies, is the concept that financial sustainability must function within the non-profit organization as a deliberate and strategic approach to preserve mission-critical activities. Kristin wrote that that Financial practices; fund development strategy, planning and thinking, and the capacities to innovate are the key pillars of Financial Sustainability.

Jeffrey Clark (2002) argued that achieving the financial stability requires implementing quality projects and activities, and to serve as advocates for the interests of constituents. This is the major challenge facing NGOs in Ethiopia. He states that a small cluster of groups mostly Orthodox Church affiliates, plus a few other

religious NGOs, and REST (Relief Society of Tigray) operate independently of external donors. All other NGOs in the country are partially to totally dependent upon donors and sponsors from abroad or, in the case of the regional development associations, at least partially on government support. Generally speaking, there is no significant domestic support for the work of NGOs, and it is not realistic to assume that there will be in the near term. The viability and sustainability of the NGO sector is consequently quite fragile because of the scarcity of resources and the ongoing struggle for operating funds.

#### ***2.6.10. Networking and communication***

The study conducted by GTZ (2001) also indicates there is lack of clear understanding of democratic culture and government policies and programs among NGOs and there is no culture of working towards common interest and integrity. Article (7) sub article 7.1 and 7.2 of The Code of Conduct for NGOs in Ethiopia, (1998) states that NGOS in Ethiopia shall foster an atmosphere of collaboration and co-operation in partnerships and supportive relationships to the best advantage of their organizations and target populations. Sub article 7.3 further states that NGOs shall share and exchange information, experiences and resources pertinent to their mission with the view to promoting, learning and, common understanding within and outside the sector. However local NGOs operating especially in the same region are yet in competition with each other for foreign grants rather than pooling resources and working together.

To sum up the number of countries with strict rules and regulations on NGOs activities is growing; financial sustainability of LNGOs is under question in Ethiopia a country with poor infrastructural development still with low NGO accountability and transparency practices. Ethiopia currently is categorized under restrictive regulation for NGOs and most local NGOS of the country suffers from lack of fund.

## **CHAPTER THREE: RESEARCH DESIGN & METHODOLOGY**

### ***3.1. Introduction***

This chapter is concerned with the main principles of research methodology and adopted research Methods for this study. It includes the main depiction of research design, data sources, and data collection methods, sample size and sampling methods and data analysis methods.

### ***3.2. Research Design***

The stated problem that is attempted to address basically determines the type of methodology one has to adopt. The researcher uses exploratory research to conduct the study particularly when the researcher lacks a clear idea of problems faced during the study. Through exploration the researchers develop the concepts more clearly, establish priorities, and improve the final research design or the area of investigation may be so new or so vague that a researcher needs to do an exploration just to learn something about the problem (cooper and Emory, 1995). The researcher employed qualitative data which was mainly collected from primary sources. The Primary data were collected using intensive, face to face interviews with selected employees of the organization and secondary data sources are annual reports and manuals of Action for Development.

### ***3.3. Data Collection techniques***

Secondary data were gathered by referring to previous research/study papers; project Survey reports, periodic monitoring and evaluation reports and; electronic sources. Information on policies and legislation related to the operations of NGO were mainly gathered from the resource center/library/ and the webpage of Christian Relief and Development Association (CRDA), which is an umbrella organization of more than 150 NGOs operating in Ethiopia and the Ethiopian Civil society agency. Contemporary



literatures on NGOs and civil society in Ethiopia and African situation were also consulted. Interview was used as primary data gathering tool.

Citing Mason 2002 Hancock and Algozzine (2006) state that Observation, interview and document review are the major means of collecting data in case studies. Interviews are a very common form of data collection in case study research. Hence the researcher used basically interviews to gather relevant data and answer the basic research questions developed.

Staffs from the team of fund raising and management members of the organizations were asked through interviews to express and discuss about the challenges and prospects of fund raising of their organization. To create a convenience for the respondents the researcher have handled the composed interview guide to them and arranged for a convenient time and place in advance. The face to face interview was adopted due to the complexity of the questions and to help ma raise related questions in order to see the issued from different angles.

Hence the following techniques are used to collect data: In-depth interviewing, Elite interviewing (for information from influential or well informed people in the organization), document analysis (to evaluate historical or contemporary confidential, reports, audit records, and opinions).

### ***3.4. Sampling size and Sampling techniques***

The organization under study here is Action for Development. Out of the employees of the organization only a member of the staff that performs the fund generation activity was selected for this study. Therefore Purposive sampling technique was employed to represent the population under study. Hence interview will be conducted with eight staff involved in fundraising activities directly or indirectly. Namely, three members of the prior fund raising team: the executive director, the finance manager, monitoring & evaluation officer, and two mangers from the organizations field office/branch office

will be involved through face to face exhaustive interview.

### ***3.5. Data analysis***

Once data from primary sources by means of interviews and secondary sources (Company Annual reports, Approved budgets, prior relevant research and income sources by category reports from organization) are collected and reviewed, the researcher edited and summarizes the data in a form of narration, and tables and or graphs. Data will be collected and analyzed through qualitative analysis methods. The qualitative data analysis will focus on grouping similar responses given by different respondents to sum up the main challenges and prospects in fund generation in a category conducive to answer the research questions stated.

## **CHAPTER FOUR: RESULTS AND DISCUSSION**

### ***4.1. Introduction***

Based on the intense interview made with the management members and key staff of the organization and from secondary sources the following results were found. The researcher tried to discuss in detail the findings of the study by categorizing them in to different categories taking in to account the research objectives.

### ***4.2. Profile of the respondents***

#### **4.2.1. Respondents position in the organization and Education**

The respondents involve different management positions that include executive director, Finance manager, Administration and Human resource manager, Monitoring and Evaluation officer, program Manager, three field/branch office heads and one key informant with long years of experience in AFD and the donor organizations. All the participants in the interview expressed that they participate in the grant management processes directly, Three staff had an experience of working in International organizations like World food program and all had fund raising, project management and proposal development trainings with relevant educational back ground ( three MA and all the rest have minimum BA degree).

#### 4.2.2. Respondents years of Service in the organization

The table below shows summary of year of service of the respondents

SN	Respondents Service years in the organization	Number of respondents
1	3-5 years	1
2	5-8 years	3
4	8-10 years	2
5	Above ten years	2

**Table 2: Years of experience of the respondents**

The table above depicts that more than 55% of the respondents have the experience of more than eight years in the organization and above 88 % of them with more than five years stay in the organization. This would give the respondents to have sufficient exposure and knowhow of the nature of fund flow and grant management in the organization.

#### 4.3. Discussion of the Findings of the study

Under this section the respondents' answers are organized in to different categories based on the questions asked. First questions or the concepts of the question are presented and then the answers are discussed in detail.

##### # Discuss the current fund raising practices of the organization

Currently the organization raises fund through the traditional methods .i.e. International aid agencies make an announcements of call for proposal .Then implementing agencies like AFD prepares proposal as per the concept note of the donors based on the area which the donor prefers and submit detail activity and budget with the number of beneficiaries and the duration it requires for the project to be finalized if the proposal succeeds.

Another way through which fund is mobilized is through donors request, this is true especially for those with long term partnership and those which knows the organization very well in terms of the staff constituents, area it operates ,capacity it has with respect to logistics and quality of work it performs and the work culture of the organization.

Money is also obtained through NGOS' Networks in which AFD is a member. So these networks contact international aid agencies to donate to their members and share information to their member organizations to contact or to prepare for proposal. The organization is a member of the networks like CCRDA, PANE, SLUF, and others which seeks fund for Implementing local NGOs and acts on behalf of their members with stake holders to create a conducive and an enabling legal environment.

The participants of the interview stressed that the organization performs quality water works which solves the problem of the community in need at the project area and has created a good ties with stakeholders' especially local government organs in the area it operates. Of course the researcher can witness this from the certificates of appreciation and community comments and documentary films of inauguration of the organizations huge water works at different times which is found in the library of the organization documentary films .So as per the interviewees comment the highly in need work done to the community at very harsh areas in terms of accessibility and whether conditions has created a very credit for the organization form the local community and the local government organs which in turn had created a good image among stakeholders at different stage in the regions where it operates especially Oromiya and South Nations and Nationalities and people's States.

Similarly, in addition to the local government's recommendation and the ex-donors contributions to bring another donor partner for AFD, ex-staff of the organization w h i c h are now working in international donors has also a role in bringing some current donors to the organization.

In general with the current practice seems that there is no proactive fund raising plan and strategy to generate fund. Proposal development is done by the respective program

managers when a call for proposal or recommendation is made by external affiliate to get fund.

#### **# Are the right personnel assigned to the fund raising activity?**

For the question concerning whether the right personnel is assigned to handle the fund raising activities, it is found that the previous fund raising and partnership Department is demolished and the fund generation duty is given to the program department staff .So under the new structure every staff especially the program managers in the program department is responsible to do the business. While interviewing the top management members the on spot question raised with regard to lack of a focal fund raising staff or team indicated that there was no problem of fund in the year 2012 and it was important to implement bulk fund on hand that time, which was a year of crisis and drought in our operational sites and utilize all our staff to save life in the emergency period then. This has a repercussion that if everybody is responsible then it means no body is responsible and accountable, which creates a gap in managing the donors profile and creating sustainability of the organization.

Nevertheless as the emergency year of 2012 is gone the organization is facing a decline in the amount of fund generated as per the organizational documents of the organization. So it was observed that though the organization had enough skilled staff to manage fund raising activities no focal person and no focus was given so far. This was due to the fact that fund availability was not a problem before five years. An organization with interest and capacity can get access to fund and engage in humanitarian or development activities.

#### **# Does the organization have a fund raising strategy?**

The respondents indicated that though the organization has a strategic plan and a fund raising strategy. The strategic plan and the fund raising strategy were not clearly aligned and are not used very much. The fund raising strategy of the organization is not prepared in a manual like other organizational policies and procedures .It is just a collection of views and principles of scholars concerning fund raising. The organization

did not use the strategy so far and of course did no formal fund raising activities of like selling proposals, and preparing community events to gather fund and never engaged in Income generating activities.

**# Are there any IGA activities with which AFD is engaged?**

With respect to income generation activities the respondents all agree that though there were a plan of generating income through engagement on different business activities However, currently the organization does not have money allocated for initial capital investment and running costs; no physical assets like buildings, land and equipment to start business, lack of skilled manpower with high turnover of the experienced staff. With such hurdles of finance, space and technical capacity it is unrealistic that IGA planned will be implemented. The respondents explained that no effort was made in searching for a donor to finance the IGA activities envisioned.

**# Perception of local Community and the nature of domestic support**

For the question raised on the perception of local community towards aid the study proves the idea that was discussed in the literature review that there is no significant domestic support especially from the government and a highly weak culture of donating (individual and corporate giving) to humanitarian organizations like AFD. The respondents discussed that government should encourage NGOs in tax exemptions, avail free land to IGA activities, less beaurocratic processes of registration etc. Rather NGOs are seen by some government staff as extravagant and some local leaders expect a highly exaggerated periderm payment to provide their expected support to NGOS.

**# What does the fund raising promotion activities and the role of board members looks like?**

The respondents all commented that AFD management has a “belief and philosophy of let our work promotes us, let our successful stories advocates us and let the activities done speak on behalf of AFD.” According to this idea the management prefers implementing quality projects which contributes to the well fare of the beneficiaries and does not engage in advocating its works and appreciating donors for their grants. However it is useful to

engage in organizational advocacy and promotion of our achievements to attract further sponsors. In fact the respondents also agreed with scholars' view that donors want to be appreciated and promoted during events and most require the use of recognizing them through visibility activities like posting the source of the grant on bill boards at project site and during the project related ceremonies.

Board members involvement and commitment in liaising with potential donors and other stake holders to find income sources for the organization is found to be minimal. The governance manual of the organization indicates board fund raising activities as one function of the board members of the organization.

**# What do you think will the future financial sustainability of the organization will be?**

With respect to sustainability most of the interviewees expressed that with the current trend the organization will be forced to reduce its scope of activities, lay off some of its staff (a significant number of staff were already reduced in March 2014) and finally may continue with a few staff in administrative position until completing the current ongoing long term projects of maximum five year. Some however argued that the current crisis will not last long and the organization will further expand and grow to continue its highly liked and privileged activities by fund from foreign sources as usual.

These notions indicate that the organization is not in a position to engage in self-financing activities within a short time and is not in a status of employing additional staff to engage in knocking the doors of donors and advocate its humanitarian activities to attract back some of its already gone donors and obtain assistance from new international aid agencies. The respondents expressed their concerns over their financial viability exhibiting the low financial sustainability of the organization with greater risk of fund deficit if the current trends continue.

**# How do you describe the practice of efficient utilization of fund received?**

Concerning the efficient utilization of resources the organization also faced the problem of over utilizing some budget lines at different times. This is also qualified



or commented in the Annual Audit reports (2013) of the organization. The respondents also proved that the organization faces a problem of complying the 30-70 ratio which was indicated in the six month report of the 2014 financial report where the administrative cost so far is above 30%.The over and underutilization also were usual as interviews indicated this issue which agrees with the different years audit reports.

#### **4.4.2. Factors that affect fund generation**

##### **# What are the factors that determine the fund generation activities of the organization?**

The respondents indicated that availability of reserve fund/budget to mobilize resources, organizational culture and staff capacity and the good will/image of the organization, the perception of the local community towards aid, the existence of enabling legal environment are the main determinants of fund securing in resident Charities like the organization under study.

All the respondents stressed that an organization needs money to cover proposal development costs and to hire a staff or a consultant who carries the fund generation activities. Hence the availability of budget allocated for fund generation or the existence of reserve fund to pay for organizational running costs is very useful to ensure the activities which are not covered by project budgets.

With regards to the perception of our community towards humanitarian voluntarism, one of the respondents shared me his experience during the interview that before 10 years they tried to raise fund locally for one of their projects which faced lack of donors' attention. Because the project was worth implementing they proposed to raise money from local business men and contacted one woman who is an owner of a renowned hotel from the project area. The women listened to their issues and laughed at them and responded them;" unless you are joking I know very well that NGOS are givers not seekers." And she was surprised why they beg her. With similar experience though they have tried their best to make one of the famous athlete to sponsor their activities and

involve him in the humanitarian activities, the athlete was not voluntary and not ready for such responsibilities even though they insisted him to visit their project activities and their humanitarian works. Therefore, the culture of the society determines the availability of fund to be raised locally.

On the other hand the respondents agree that the work culture in general and the practice of fund generation and the experience of the staff decides the effectiveness of fund generation locally for an organization. They expressed that only few resident NGOs do have the experience and culture of fund generation in a professional way in our country. Previous success stories play a significant role in the selection process of grant by donors.

#### **# How do you describe the legal environment in Ethiopia for the operation of NGOs?**

Furthermore, most of the respondents (70%) the existence of the enabling legal environment play a great positive role in enhancing the fund raising activity of charity organizations. The law of the land should allow the fund raising activities locally, it should also protect the staff of aid workers from any mismanagement by the regional or central government leaders and the support which the government provides to the charity organizations is also a factor in fund generation activities. The local leaders should not expect any extra benefits or should not expect kickbacks for the leadership and expected political support offered to nongovernmental organizations. The interviews made indicated that some local leaders expect favors or kickbacks in return of their official support. This occurs at all levels of the project cycle.

#### **4.3.3 Challenges facing the organization**

The interview conducted with selected management members of the organization showed that externally the organization faced the following challenges:-

#### **# Discuss the external Challenges of the organization**

With regard to the question raised on current the challenges of the organization the respondents answer is discussed as below:

First, the main problem of the organization is, which all respondents agree, with respect to fund generation is resource limitation. All respondents stressed that the organization faced lack of any budget to mobilize resources for fund generation. Currently the organization does not have any reserve fund or any allocated money to cover incidental organizational expenses limits the organizations activity like proposal development costs, staff training and organizational capacity for no money to serve this events.

Second, competition to get share of the available funds is one of the difficulties the organization is facing. The respondents pointed out that due to the western financial and economic crisis the amount of money which flows to developing countries is declining and more number of Local NGOs are emerging. Hence fund which was easily available before is becoming scarce now. Therefore they discussed that today an organization has to have a competitive advantage in order to secure a fund from International aid agencies. This is expressed in the strategic plan of the organization clearly as “the organization is operating in an environment of tightened options for donations.”

Third, some of the respondents also mentioned that there is a change in the international aid organizations strategy of funding developing countries. International aid agencies like the government of United Kingdom, USAID, World Bank and European Union are giving a large proportion of their aid money to the Ethiopian government through the strategy named as the indirect support of Ethiopia’s development such as PBS (protection of basic services) in the recent years. This idea also agrees with scholars’ idea which is expressed in the literature review that a bilateral agreement between governments in which fund given indirectly to governments is outshining that the usual foreign governments giving aid through aid international agencies.

Fourth, some also indicated that the type and nature of the work that the organization is engaged limits the amount of money that can flow in. As the organization basically specializes on water development activities, though performs emergency activities as the case arises, which requires a huge resource mobilization but usually benefits the community around the water structure which might be of not many in number. To the contrary some donors want an activity which makes the number of beneficiaries very large

and attracts public attention during reporting.

### **#What are the effects of the recent CSP developed?**

Fifth, the newly enacted Civil Society proclamations is a major challenge as it reduced some of their donors due to the prohibition of some of the already ongoing activities. The program and administration cost classification of the new CSO proclamation remained vague and open for interpretations and affected the implementation of their activities by its contribution of limiting its administrative cost. Hence the organization suffered from running of a lot of activities by few people, lack of staff capacity building, high turnover of its qualified and experienced staff and less benefit package to its staff as compared to other similar NGOs.

All the respondents expressed strongly that the CSP limited the source of their income from foreign sources and failed to make conducive environment to generate income locally. The culture of giving to NGOs is not well developed and the laws do not create a simple workable convenient atmosphere of fund raising. To engage in IGA the interviewers all stressed that this is the area which they should have exploited but failed to do so for the regulation requires separate registration and implementation of Income generating activities, which seems impossible to recruit additional staff with no land, building and equipment available either from government or from donation locally.

### **#What do you think are the effect of the global Economic crises of the fund generation activities of the organization?**

The Global economic/financial crisis had an impact on fund raising in Ethiopian NGOS. All the respondents believe that that many of the prior donors are having a weak capacity in donation mainly due to the global economic crisis and their home country government and society are unable to avail enough money for developing countries.

**#How about the donors conditions and requirements does it has any influence on your operation?**

Finally, Donors conditions and requirements: one of the international NGO, OCHA requires for the opening of separate hard currency ( foreign currency account) which is not permitted as per the CSP for an implementer to get donation., Some award only to those international donors than local one with offices in Europe and America for simple reason of easy access and legal claims if accountability issue arise for misuse of public funds. Some donors also require separate bank accounts for their grant with full staff engaged fully on the grant only. This however sometimes becomes beyond the capacity of the organization as separate bank account opening and recruitment processes takes time for the already occupied limited staff for a short period projects like emergency grants.

***# Discuss the Internal Challenges of the organization***

**-How do you describe the performance effectiveness of the organization?**

For the question related to whether funds available are utilized for the objective intended as per the agreed standards, the respondents view are compiled as follows: One of the internal challenges raised by respondents was the effective and efficient use of funds generated. To this end they assured that AFD has no problem with effectiveness but it occurs that some budget lines are over used and others underutilized to a great deviation this creates inconvenience to donors. To cross check this comment annual external audit reports of the organization were referred. Accordingly the over and underutilization was also commented by the independent Auditors of the organization for the year ended 2013.

All the respondents agreed that the organization implements its activities with good quality and as per the standards and agreements with government and donor agencies and to the best satisfaction of the community in most cases and feel proud of this. Nevertheless, there was a problem in timely completion, or in complying with the duration of the projects as some become too late to complete and over and underutilization of budgets.

**-Does the organization have an optimum number and type of staff needed?**

The other challenge was the workload up on some staff of the organization. To this end the top management also agrees that it usual that a staff handles many projects and some supportive Staff also is very busy most of the time due to the limited number of the resources to recruit additionally as this will have an impact on the 70/30 proportion allocated for Program versus Administrative costs. This also limited the organization from exploiting success stories of IGA locally, training and developing its staff to engage in income generating businesses, examining the law with respect to income generation activities and dialoguing with project area governors and potential donors to get land free of cost and acquire fund for construction of buildings and office equipment for the implementation of income generating businesses.

The respondents also showed that late report submission, especially the financial reports is one of the complaints raise at different time. Some mangers expressed that the organization does not meet the reporting deadlines most of the time and is receiving donor complaints with this regard.

Finally staff turnover was seen as a major challenge in the organization. This is very critical especially when the project life is too short in which it is impractical to hire a new staff for short duration of project. So the option is to use the existing staff this on the other hand creates work burden and retards the already existing multiyear projects for the whole staff is occupied by the short period projects which are usually emergency nature grants. However if anew staff is recruited soon with the signing of the grant for short period projects the project period phases out before the newly recruited staff is adapted to the new environment and work culture of the organization. Hence the existing staff turnover is high due to work load and existing better opportunity which is also observed and analyzed by the researcher from the exit interview data file of the separated staff.

#### **4.3.4. Future prospects**

##### **# What do you think are the future prospects of local organizations like the one under study?**

That staffs who were involved in the interview suggested that there may be two options for Ethiopian resident charities especially for those who mainly depend on foreign grant, like the organization under study: One option is a sphere where aid or grant flow are small and hard to come by and the chance of survival is relatively low, and the second situation is where International donations are high and more accessible and survival is more likely. The respondents also believe that the organization will not be in a position of liquidation soon, but may do so in the long run if the worst scenario proceeds, even if foreign granting source become scarce and unlikely. This created competitive advantage in the eyes of International donors will help continue to operate with its current funds and may get share of the available donation before other if any provided that efforts are made to grab the available fund in the market. They justify this with the fact that it was competent and successful in terms of achieving its objectives with its current good image and acceptance from the community, donors and hence from local leaders.

On the other hand the interviews also believe that if the legal environment creates an enabling environment like if current law of land is improved in favor of accessing income for resident the Ethiopian resident Charities will also engage in IGA and may flourish by other self-financing/fund raising events and there will be the probability of self-sustaining.

This may hold true for the continuous dialogues between the government and CSOs are showing improvements that there will be the probability of revision of the current civil society proclamation by the Ethiopian Government. The Charities and Societies Agency has amended the Guideline on Determining the Administrative and Operational Costs of NGOs ("70/30" regulation), so that salaries, transport fees and training related costs are now considered "project costs." Of course this revision and change was made after the

researcher conducted interviews and indicates that more conducive legal environment formation is possible.

### ***4.3. Findings of the study***

The summary of the main findings of the study are presented below based on collected data:

- The organization does not have a proactive way of resource mobilization and exercises a conventional or traditional way of receiving grants through a call for proposal from international donors based on the predetermined factors.
- The organization lacks formal strategic fund raising plan. It is found that there is no focal person assigned to fund raising and less emphasis given from management.
- So far the organization's source of income is from some International donors and never exercised or started to implement IGA. Though, the strategic manual of the organization opted for IGA in order to face the challenge of existing and probable budget scarcity. And hence no resource is mobilized so far locally.
- Less domestic support is available locally. This is to mean three things: First the culture of the local community in giving aid to NGOs is not well matured and second the law of the land is restrictive in generating fund and is not an easy going and third some local leaders are bureaucratic and are accustomed to corrupt practices. This is a problem when requested the governmental officers to provide their expected assistance and facilitation role for creating a conducive environment for NGOS.
- The NGO understudy lacks the culture of engaging in organizational advocacy, promotion and visibility activities and weak self-selling practices is accustomed.
- Less proper fund utilization is observed and a high over and underutilization of approved budget is seen.
- There is a high risk of lack of funding with the current practices prevailing.
- The factors that affect resource mobilization are: availability of reserve fund or



budget for resource mobilization, skill and experience of staff (organizational capacity), perception of the community towards giving to NGOs and existence of an enabling legal environment.

- The study found the following external and internal challenges of fund raising by the organization. While scarce resource competition, the law of the land, economic status of the country and the globe, nature and type of the activity the organization is engaged with, nature of the flow of fund are the external factors; efficient and effective resource utilization, meeting reporting deadlines, staff turnover, culture of the organization and implementing projects as per the standard agreed with in the time frame were found to be the internal challenges of the organization.

Hence the western economic crisis, lack of reserve fund and the current 70-30% regulations are the major challenges the organization is facing which in turn led to staff turnover and employee lay off.

## **CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS**

### ***5.1. Introduction***

This chapter presented the major conclusion of the study with its recommendations made fewer than two sections. The first part presented the conclusion of the research and the second section presented viable recommendations made by the researcher.

### ***5.1. Conclusions***

To sum up the findings of the study it is found out that the main challenges, which has a direct or indirect effect on fund raising, of Ethiopian resident charities are an enabling legal frame work, Organizational capacity due to resource limitation (lack of sufficient fund), competition among donors for the scarce resource available, change in funding strategy of donors from direct giving to NGOs to governments bilateral funding, the global financial crisis, and the recently developed Civil societies proclamations.

Moreover the following are discussed as the main determinants of fund generation: the efficient and effective use of available funds, prior success story ( the image or good will of the organization, Accountability, perception of the business people or level of voluntarism in the country and work culture of the organization

To ensure financial sustainability mobilizing resources is the area in which local NGOS has to make serious efforts, it is unfortunate that only little effort is made so far. With its current trend the organization will face serious budget deficit and hence low level of financial sustainability unless situations change.

The organization does not have a clear, workable and well developed funding strategy and so far only donors approach or request and the already existing donors witness has

been used as a way of generating fund.

The current trend of shift in funding strategy and the economic crisis will have a serious negative effect on the sustainability of local NGOS unless alternative way of self-financing is sought. The company faces the over and underutilization of budgets and there is a fear of unable to comply with the 30-70 ratio.

## ***5.2 Recommendations***

Based on the findings of the study and conclusions the researcher recommends the following:

### **For the NGO**

**Networking and good communication**-Development and further strengthening of links with partner institutions in the area of pastoralist; this is to mean the organization and any local NGOS has to work together in order to realize their common objectives and they should also work closely with local government organs and community based organizations. This will help them minimize the lack of networking and communication gaps and avoid resource completion by helping local NGOs to work together by pooling resources.

**Keep donors profile updated**-Make planning an on-going function so that on-shelf projects would be readily available; Strengthen relationship with existing donors; it is advisable that local NGOS should have a profile of their donors showing history of their relationships of the current and prior donors. The profile should be used to evaluate their donors' relationship, weaknesses and strengths, their rules and regulations and reporting and donating requirements. This way key donor's relationship can be maintained for so long.

**Diversify income source**-There is no problem of awareness of Ethiopian NGOs

operating in a tight environment of fund sources among the participants ,hence the researcher recommends to focus on diversifying its resource bases. This is to mean either increase its number of donors or engage in self-financing activities as per the laws of the land.

**Devising different means of fund raising events**-Mobilizing resources is the area in which local LGOs has to make serious efforts. It has to explore viable funding sources, to ensure financial sustainability and diversifying financial resources by generating own income. AFD has to engage in knocking the doors of international aid agencies, develop viable proposals, and advocate its successful stories to attract donors. The participants of the interview recommended AFD may employ fund raising events on local community ceremonies like the yearly ‘Geda’ Celebration/’Gumi Gayo event’/, annual pastoralist days, and similar events in areas of its operation. Such events are workable as they do not require huge money and can be implemented by volunteers and few staff available.

**Develop a viable fund raising strategy**-Development and implementation of pragmatic fund raising strategy targeting existing as well as potential local and international sources of funding. Lack of proper planning is a means of planning to fail. Hence fund raising should be well thought, discussed, available ways explored and planned a head in line with its strategic manual. The board of directors commitment in ensuring the sustainability of the organization is vital, hence proper mechanism of involving board of directors in fund raising activities be devised.

**Development of efficient and cost effective financial management system** (this will be achieved by reducing costs without affecting the quality and volume of services rendered to the community). The organization has to devise ways of timely report submission to donors and proper and efficient utilization of its budget approved for its projects. This will avoid the return of unutilized fund to donors and reduce donors’ inconvenience of receiving back their aid gift to the benefit of local community.

Engage in income generating activities Capacity building Identify and share best practices on income generating activities so as to diversify and maximize income. Carry out research and work with donors who are engaged in capacity building of CSOs and equip their staff with skills needed.

**For government**

Engage in further dialogue on how CSOs can be further supported by incentives such as provision of tax exemptions, allowing them to raise startup capital from external source, allow the exclusion of IGAs initial capital from being treated in the 70-30 core operation split of CSOs IGA from the obligation to register with CSA and from business registration and finally to solve their problems of starting and managing IGAs.

Allow CSOs to engage in their area of interest with regard to income generating activities as long as they do not ignore their primary missions.

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## Interview Guide Questions

Dear Respondent,

Currently, I am Pursuing MBA at St. Mary's University, this interview is designed provide your views on the questions to help the researcher to explore AFD's fund raising challenges and prospects as the research study area for the fulfillment MBA degree at St. Mary's University. The response therefore will only be used for academic purpose keeping respondents' anonymity. To enhance the quality of the work your unreserved support and honest responses are needed.

1. Briefly introduce yourself: Academic qualification, length of service with your current employee.
2. What are your title in the organization and your role in the fund raising or financial management of the organization?
3. Please tell me the source of your funds? Who are your major Donors?
4. How do you source your projects/activities? Briefly explain the fund raising practice of your organization?
5. What do you think are the main factors that determine fund generation?
6. -External Factors
7. -Internal Factors
8. So do you believe AFD is working in line with these factors or is there something that has to be done further?
9. How is the flow of funds to AFD? Is it increasing through time or decreasing? Please explain.
10. What do you think are the challenges and hurdles of fund raising activities in your organization?
11. What solutions do you suggest to mitigate the problems and challenges your organization is facing with respect to Fund raising and to insure its financial sustainability?
12. What funding approaches or strategies are available in the market? Which funding approach does your organization use?

13. What effect do you think that the recent 2008 Western economic crises have or had on your fund generation?
14. How about the Charities and Societies regulation? What effect does it have up on financing your projects in particular and your activities in general?
15. Does your company have a clear Fund raising strategic plan? Who is responsible for fund raising?
16. In your opinion how do you conclude the performance of resource mobilization by your organization?
17. Do you believe that the right personnel are assigned or are they good enough for the job?
18. How about the practice of your financial Management?
19. -Efficiency and effectiveness of fund management
20. -Compliance with Donors rules and regulations
21. Any other point that you would like to mention on the subject matter?

Thanks a lot!

## CERTIFICATE OF ORIGINALITY

This is to certify that the project titled “The challenges and prospects of fund raising: The case of Action for Development is an original work of the student and is being submitted in partial fulfillment for the award of Master’s Degree in Business Administration of St. Mary’s University. This research report has not been submitted earlier to this university or to any other university/institution for the fulfillment of the requirement of a course of study.

Signature of Supervisor-----

Signature of student-----

Place-----

Place-----

Date-----

Date-----

## DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Dr.Zinegnaw Abiy. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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Name

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Signature& Date

## ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

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Advisor

Zinegnaw Abiy (PhD)

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Signature & Date