



**Addis Ababa University
School of Graduate Studies
College of Business and Economics
Department of Management**

**Financial Sustainability of Ethiopian Resident
Charity Organizations: Challenges and
Opportunities**

**“A research project submitted in partial fulfilment of the
requirements for the Executive Master of Business Administration
(EMBA) degree ”**

By: Sisay Seyoum

Addis Ababa

June , 2015

**ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES
DEPARTMENT OF MANAGEMENT**

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DECLARATION

I, the undersigned, declare that this study is my original work and has not been presented for a degree in any other university, and that all sources of materials used for the study have been duly acknowledged.

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APPROVAL BY BOARD OF EXAMINERS

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I have to confess that it was not easy to fulfill such demanding academic requirement, job, family and social responsibilities all at the same time. My heartfelt thanks go to my wife Selamawit and my adore child Markonal Sisay, who gave up their deserved time for my study, and yet still giving me the love and courage I needed most. Of course thanks to my colleagues who have encouraged me and taken part in some form throughout the research process, particularly Tibebeselasie for his professional assistance in the surveymonkey design. I owe my biggest thanks to the seasoned advisor, Dr.Zewdie Shibre, for his wise understanding and guidance throughout the research process. This research wouldn't have been possible without the mangers and leaders of Ethiopian Resident Charity Organizations, who provided me their precious time to provide reflection on their agency and experience.

With all its shortcomings, my hope is that this study will enhance the limited evidence basis on financial sustainability challenge of Ethiopian Resident Charities. It will provide insights on challenges faced by the non-profit sector in general, and Ethiopian Resident Charities in particular.

Sisay Seyoum

Addis Ababa, Ethiopia

June, 2015

Acronyms/Abbreviations

ARVIN	Association, Resources, Voice, Information, Negotiation
CCRDA	Consortium of Christian Relief Development Associations
ChSA	Charities and Societies Agency
CSI	Civil Society Index
CSO	Civil Society Organization
CSOSI	Civil Society Organizations Sustainability Index
CSP	Charities and Societies Proclamation
CSR	Corporate Social Responsibility
CSS	Civil Society Sector
CSSP	Civil Society Support Program
DAG	Donors Assistance Group
EC	European Commission
ERC	Ethiopian Resident Charity
ERS	Ethiopian Resident Society
EU	European Union
FDRE	Federal Democratic Republic of Ethiopia
FHI	Family Health International
INGO	International Non-Governmental Organization
LNGO	Local Non-Governmental Organization
MDG	Millennium Development Goal
SSA	Sub-Saharan Africa
UK	United Kingdom
UNDP	United Nations Development Programme
US	United States
USAID	United States Agency for International Development
WB	World Bank

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Abstract

This study examines the financial sustainability challenges and opportunities faced by local NGOs, particularly of those registered as Ethiopian Resident Charities by the law. These NGOs constitute nearly 70 % of the total Civil Society Sector in Ethiopia. This research enhances the evidence basis and there by enable managers and leaders of the study organizations as well as their stakeholders make informed policy and operational decisions to address the problem. Based on literatures reviewed, a conceptual framework inclusive of endogenous and exogenous factors has been developed. The study has examined the prevailing situation in lieu of these factors through a descriptive and analytical design. The sampling was drawn from list of Ethiopian Resident Charities (ERCs) having a head office in Addis. A structured questionnaire was used to collect both quantitative and qualitative data from the managers and leaders of the study organizations. Additionally, qualitative information has been gathered from key informants and data from the mixed methods (38 organizations and 5 key informants) has been analysed to inform the research inquiry.

The findings show that ERCs are facing a myriad of financial sustainability challenges. Majority of their current funding comes from donors, and yet it is inadequate to support their mission. The future prospect of funding is decreasing and difficult to predict for the most. The lack of information on call for proposals, weak coordination or partnership and limited staff capacity are the major constraints in going for foreign sources, while the undeveloped culture of volunteerism, bureaucracy, distorted image of the public about NGO's contribution were among the significant constraints for local fund raising and marketing. The limited understanding and practice on strategic fund raising and marketing, the lack of strong governance and accountability mechanism are the major internal challenges that limits the capacity of ERCs in local and foreign fund raising. The major recommendations is for ERCs is to be driven as an institution committed to address internal capacity limitations. This calls for instilling a strategic management process to adapt to the changing environment. Donors on the otherhand have to improve transparency in funding decisions and also consider the need for increased commitment to the capacity building support in the priority areas highlighted by ERCs. Both ERCs and their networks, as well as other pertinent stakeholders should aggressively work towards improvising relationships and foster a positive image of ERCs. As such the likelihood of both foreign and local resources mobilization will be enhanced, and hence the financial sustainability of ERCs be improved.

Key words- Civil Society Organizations, Ethiopian Resident Charities, Sustainability, Fund Raising, Strategic, Non Governmental Organizations.

CHAPTER ONE: INTRODUCTION

1.1 Background/Rationale of the Study

The importance and contribution of Civil Society Organizations (CSOs), often called Non Governmental Organizations (NGOs) is multi-faceted. Besides their complementary role to the government in the socio-economic development endeavours, they have a paramount importance in fostering good governance and democracy, thus perceived as an important force in a functioning society. (NORAD, 2009; Taye and Birhanu, 2010).

The evolution of NGOs/CSOs in Ethiopia indicates that both national and international NGOs, began to appear in Ethiopia in 1960 following the growing demands of the population for the fulfilment of various societal needs. Most NGOs trace their roots in Ethiopia to the famines in 1974 and 1984. NGOs during the Derg regime of Mengistu Haile Mariam focused on relief operations and were largely foreign entities. Domestic NGOs in Ethiopia remain underdeveloped and somewhat misunderstood by the government, and the sector has been struggling for operating space and enhanced institutional capacity. After 1991, NGOs made remarkable progress in their number and diversity as well engaged in addressing the country's complex development agenda. (Taye et.al. 2010; Clark, 2000).

The laws governing their registration and operations were first drawn up in the early 1950s and were based on the 1952 Ethiopian Civil Code and Regulation 321/1959. However, by the turn of the Millennium, this no longer provided a workable environment due to the many legislative and other changes that had taken place in Ethiopia and elsewhere (MoFA webpage). As such, the government issued a new Proclamation of Charities and Societies in 2009 in order to facilitate and strengthen the effective contributions of NGOs to the socio-economic development of the country. The Proclamation made the necessary amendments to reflect new realities and incorporate the best practices from the similar regulations of other nations. The Proclamation No.621/2009 for the registration of Charities and Societies came into force on February 13th 2009, and on November 9th 2009, the Council of Ministers also issued Regulation

No.168/2009 to ensure its implementation in a transparent manner. Overall it is believed that the legislation will help ensure clarity and predictability in the operations of all charities and societies and NGOs in Ethiopia. It will also significantly improve arrangements for the licensing, registration and operations of these organizations. This proclamation categorizes the CSOs as indicated in the box below.

Categorization of Civil Society Organizations/ Charities and Societies/ NGOs

The categorization of Charities and Societies as stipulated in the Proclamation No. 621/2009 of the Federal Democratic Republic of Ethiopia (FDRE):

- i. ‘Ethiopian Charities’ or ‘Ethiopian Societies’ shall mean those Charities or Societies that are formed under the laws of Ethiopia; all of whose members are Ethiopians; generate income from Ethiopia and wholly controlled by Ethiopians. ***However, they may be deemed as Ethiopian Charities or Ethiopian Societies if they use not more than 10% of their funds which is received from foreign sources*** [Article 2(2)].
- ii. ‘Ethiopian Residents Charities’ or ‘Ethiopian Residents Societies’ shall mean those Charities or Societies that are formed under the laws of Ethiopia and which consist of members who reside in Ethiopia; and **who receive more than 10% of their fund from foreign sources**”[Article 2(3)].
- iii. ‘Foreign Charities’ shall mean those Charities that are formed under the laws of foreign countries or which consist of members who are foreign nationals or are controlled by foreign nationals or **receive funds from foreign sources**”. [Art 2(4), emphases added]

The same legislation specifies the scope of work of the different categories-**Ethiopian Charities** are those allowed to work on advocacy issues; **Ethiopian Societies** –those established mainly to protect the interests of their members using local resources such as business associations, professional associations and sport clubs; **Ethiopian Resident Charities (ERCs)**, are those who work for the benefit of others with both foreign and domestic funds. **Ethiopian Resident Societies (ERSs)** are established to protect the interests of their members while able to access foreign funds.

Terminologies

As could be noted from the above introduction, the term CSO refers to all charities and societies, while NGO refers to the majority of CSOs, but established for charitable purpose.

The subjects of this study are the Ethiopian Resident Charities (ERCs), who work for the benefit of others and the term local NGOs or local CSOs have been used in pertinent places of this report to refer to all charities and societies other than foreign (including the ERCs). Likewise the term International Non-Governmental Organizations (INGOs) is same as those inferred as foreign charities in the Ethiopian legislation.

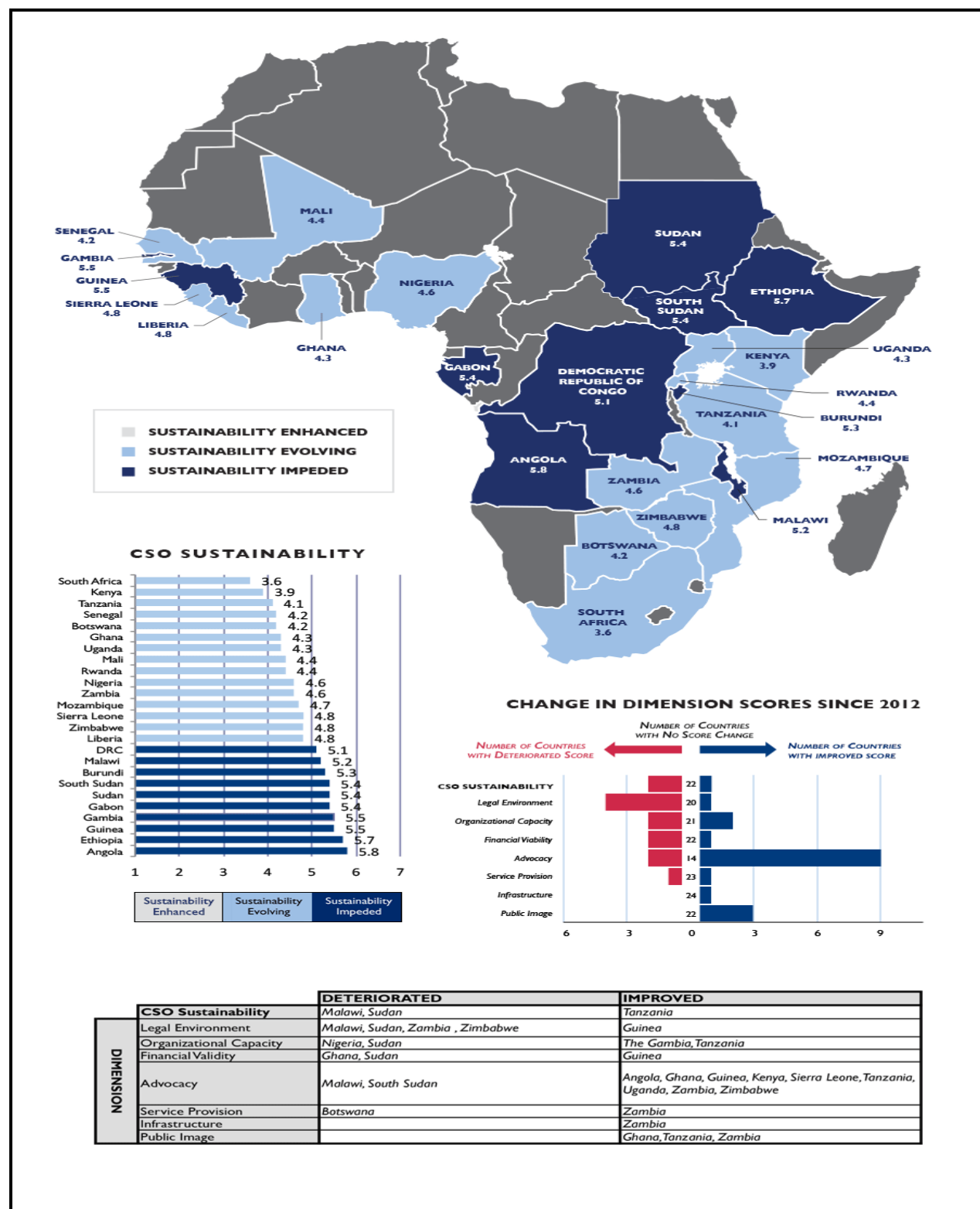
As per the Charities and Societies Agency (ChSA) cited in the USAID CSOSI report (2014), the number of CSOs registered in 2013 has reached 3,007 (338 Foreign Charities, 366 Ethiopian Societies, 130 ERSs, 1,939 ERCs, 118 Ethiopian Charities, 54 Consortiums (networks), and 62 Adoption Foreign Charities). The most recent data obtained from ChSA (May 2015) shows, a total of 3,026 Charities and Societies (360 Foreign Charities, 336 Ethiopian Societies, 95 ERSs, 2,013 ERCs, 111 Ethiopian Charities, 53 Consortiums, 58 Adoption Foreign Charities). The comparison of these statistics shows a slight increase in the total annual figure, which is less compared to the increase in the number of ERCs and proportional decrease in Ethiopian Charities. The data is in line with USAID CSOSI report (2012), which shows that Ethiopian Charities who have to generate 90% of their funding are slowly changing their status to ERCs in order to access foreign funding and sustain their operations. The change of form of registration from Ethiopian Charity to ERC is likely to have happened when the majority of CSOs registered in 2010 after the 2009 Proclamation had to renew their licenses in 2013 and afterwards, in accordance with the CSP's three-year license renewal requirement. The change of form however is only a temporary coping strategy, and if ERCs cannot proactively ensure their financial sustainability, they are likely to either shrink or close their operations.

According to the fifth round Sub Saharan Africa CSO sustainability index assessment (USAID 2013), there are about 30,000 registered societies and 7,200 registered NGOs in Kenya; South Africa has over 116,000 registered CSOs while more than 63,000 CSOs are registered in Nigeria. Although the study does not indicate the actual number of CSOs registered at the national level, the number of CSOs in Ethiopia is significantly low

compared to other African countries. Ethiopia is placed among the bottom of Sub-Saharan African (SSA) countries in terms of overall sustainability of CSOs (Ibid). Nineteen of the twenty-five SSA countries surveyed in the study fall under the Sustainability Impeded category (lower category). (*See Fig 1: 2013 CSO Sustainability Index for SSA*) The same report also ranks Ethiopia at number 24 out of 25, placing it among the worst ranked countries when it comes to the CSO Sustainability Index in general and financial sustainability in particular. Ethiopia is amongst the three countries with the worst score in terms of CSO financial sustainability dimension. The trend for CSOs renewing their registrations has not been as expected by the governing agency, despite extension of deadlines and was far more less than the expected (USAID, 2013), a proxy indicator that they are struggling submission of three years funding and plan.

According to research carried out by Mengistu & Berhanu (2014), the major challenges that CSOs in family planning programs face are mainly related to resource gaps hindering them to go beyond their current reach; changing donor priorities impeding access to resources for some CSOs as well as very demanding and competitive donor support against limited institutional capacity. This argument holds true for most sectors as well. For Ethiopia, limited capacity certainly is an issue for the already limited number of CSOs in the country. In addition, competing global humanitarian needs and the global financial situation all limit the resource available for Ethiopia from foreign aid, making the agenda of financial and organizational sustainability even more challenging. The prevailing situation has led to firm competition among NGOs over available resources, and hence requires that CSOs are proactive in fundraising endeavours and at the same time address internal capacity and governance challenges.

A literature based research by Sontag-Padilla, Staplefoote & Gonzalez Morganti (2012) on financial sustainability of non-profit organizations serving low income communities in the United States indicates that most research studies focus on outcomes of programs rather than organizational processes and factors influencing organizational impact. Such studies rarely adhere to the “gold standard” of research like for example large-scale, representative studies that synthesize findings across many organizations. There is generally lack of empirical evidence showing holistic factors (given the regulatory environment) that, if addressed, will create an opportunity and address the hurdle to the sustained effort of ERCs in general and their financial viability in particular.

Fig1: CSO Sustainability Index for Sub-Saharan Africa

Source: USAID (2013): CSO Sustainability Index for Sub-Saharan Africa, available at: <http://www.usaid.gov/africa-civil-society>; Website updated: December 09, 2014; Accessed on Feb 27, 2015

In summary, evidences show that ensuring financial sustainability is a significant agenda for Civil Society Organizations in general. This study specifically focused on the case of ERCs that constitute a significant proportion of the entire CSO/NGO sector in Ethiopia. The study has explored the nature of the challenges faced by ERCs which affect their financial sustainability while trying to identify opportunities, in order to draw a shared understanding on potential strategies to overcome these challenges. The findings are expected to inform the strategic and innovative measures and priorities to be enforced by the leaders of ERCs, and at the same time provide insight to all relevant stakeholders about challenges and needs of these organizations.

1.2 Problem Statement

Ethiopia is the second most populous country in SSA and receives a significant amount of aid from donors including the United States (US), United Kingdom (UK), World Bank (WB) and European Union (EU) (USAID, 2014). Aid flows comprise approximately one-third of the national budget. In 2012, the country received USD 3.3 billion in development assistance (including USD 435 million in humanitarian aid), a decrease of 6 percent compared to 2011. The total volume of aid to Ethiopia remains significant; although the per capita aid of USD 36 is below the Sub-Saharan average of USD 50 (Donors Assistance Group (DAG) 2013/14 Report). The contribution of CSOs to the Millennium Development Goal (MDG) and the funding flow by CSO remain significant [Debebe (2012); Desallegn, Akalewold &Yosef (2008)].

Assessments by the CSOs' coalition group reveal that major donors such as USAID, EU and WB have generally been a source for pointing out limitations and challenges of CSOs and suggest options for improvement in the enabling and policy environment (CRDA, 2008). Research and advocacy forums initiated in the aftermath of the 2009 Proclamation such as the ones by Denu (2013) and Mohammed (2012) as well as various consultation forums spearheaded by the Consortium of Christian Relief Development Associations (CCRDAs) have all provided insight on how the legislation is negatively impacting on the operations of NGOs. As a result of ongoing dialogue and advocacy efforts, some amendments and flexibilities have gradually been put in place by the government. For instance, some costs which were previously regarded as administrative costs were categorized and are now being considered as program costs; to comply with the 30%-70% split between

administrative and programmatic costs had been a major point of dismay for NGOs (Ethiopian Reporter Amharic News Letter, November 2014). According to USAID et al. major donors such as the European Commission (EC) and the WB signed agreements with the government in 2013 that allowed their grants to be considered local funds, making them hence accessible to local CSOs working on advocacy, which would have otherwise been legally restricted as per the 2009 legislation.

Given the regulatory aspects, there are numerous other factors within the sector itself that, if acted upon, can improve the sustainability of CSOs. Clark (2000) argue that many INGOs and donor agencies remain only rhetorically committed to serious efforts to build the institutional capacity of national NGOs and further point out that:

“the sector suffers from internal divisions and jealousy that at times preclude cohesion around important public policy issues; the public and the national media remain somewhat vague on the whole concept of private and voluntary action by civil society actors.” (Clark 2000, p.2)

There is also a need for increased media involvement to recognize the contribution of CSOs in general and thereby positively influence the public image (CRDA press release, 2012). The lack of networking and coordination within CSOs is another aspect requiring due attention (Desallegn, 2008).

Previous studies in Ethiopia by international advocates, academia, donors, and coordination groups either provide only a snapshot view of the CSO sector or largely focus on issues of legal operating environment. Notwithstanding, ongoing efforts such as the DAG Policy Paper that infers with findings from research by Gebre (2012) that explored possibility of civil society engagement in income generation and its potential contribution towards greater independence and sustainability with a supportive regulatory framework. The research by DAG focuses on mass organizations, which have to generate 90% from local sources. Informative studies like the one by a major bilateral donor, namely USAID, often focus on several countries and hence lack focus and in-depth investigation of Ethiopia's case. Previous researches did not specifically look into the nature of the challenges faced by ERCs that constrain their ability to access funding, both from local and foreign sources, and thereby propose strategic actions required to overcome them. Although there is much said about

fundraising and marketing in the literature, it is not clear whether there is a shared understanding of the concept of strategic fundraising and marketing. Reflections on current realities are necessary to strength civil society; in other words, only by knowing the current state of CSOs one work successfully to improve it (CIVICUS, 2004). There is an obvious gap in knowledge base and shared understanding on what role shall be played by ERCs and their stakeholders to ensure financial sustainability.

This therefore warranted the need for this study, which systematically examined the nature of internal and external challenges faced. This study also assessed the ERC's understanding and practice on strategic fund raising and marketing to generate funding from local and foreign sources and identified the related constraints. As such it provides insights on the action to be taken by ERCs themselves and their stakeholders in order to overcome challenges and maximize the existing opportunities.

1.3 Research Questions

Overall Research Questions- What are the **major** challenges faced by local CSOs regarding financial sustainability? What are the opportunities that could positively impact on these organizations?

The specific research questions are:

1. What are the major challenges faced by ERCs related to their financial sustainability?
2. To what extent do ERCs understand and practice employ strategic fund raising and marketing to address financial sustainability challenges?
3. What are the opportunities that could be taken as a favorable environment for ERC's prospect?
4. What strategy will enable to overcome the financial sustainability challenges faced by ERCs in Ethiopia?

1.4 Objectives of the study

General Objective

To assess the operating environment of ERCs in order to identify factors that positively or negatively affect financial sustainability of these organizations and propose strategic actions.

Specific Objectives

1. To assess and discuss the major challenges (internal and external) faced by local NGOs in Ethiopia in ensuring financial sustainability of their organization;
2. To describe understanding and practice in pursuing strategic fundraising and marketing approaches;
3. To examine the opportunities that can be taken as favorable for ERC's prospect;
4. To identify the strategic issues and roles to be played by ERCs and various stakeholders to address the financial sustainability challenges faced by ERCs.

1.5 Scope/Delimitations of the Study

The legal environment and advocacy dimensions weren't within the scope of this study. Instead, aspects of financial sustainability of ERCs and related capacity issues were the areas been examined. This paper explored the effects of financial sustainability challenges and also examined internal and some of the external factors over which organizations have control to change, given the legal environment. The analysis are of significance to inform of the current situation there by shape strategic decision making by ERCs themselves and their stakeholders.

1.6 Limitations

The reliability of the findings depends on honest feedback from respondents (managers and leaders). The researcher made every effort to explain that the outcome of this research is meant to be normative and will help to enhance understanding on the extent of the problem through informed action by stakeholders to improve the prospects of the NGO sector. Due to time and budget limitations, the research only depends on the analysis of the issue from the ERCs perspective and on feedback from limited stakeholders and therefore lacks consensus building through stakeholder meetings, to validate the findings of this study. Notwithstanding these limitations, the study identified priority issues to inform the strategies to overcome the challenges identified. The researcher has used own fund and this has limited the scope of the study. The non response rate to the self administered questionnaire due to 'the Monitoring and Evaluation' phobia of CSOs has been a challenge. Also it required significant time and effort to contact the agencies in person and chase them to collect the completed questionnaire.

1.7 Significance/Contribution of the Study

Findings of this research paper enhances the knowledge base of current realities on challenges faced by ERCs in Ethiopia. From a practical point of view, the findings inform donors about proactive initiatives, especially on capacity building measures, to address major needs and priorities by leaders in local charities in order to ensure financial and thereby project and organizational sustainability. Moreover, this paper provides opportunities for ERC leaders/practitioners to make informed actions with the aim of shaping their strategic approach for ensuring the financial health of their organization. From the on-line open ended comments, it has already been noticed that organizations found the experience interesting, as they complete the survey they found it interesting reflecting on their work and created enthusiasm for change. As such it will only be possible to propose action after a better understanding of the prevailing situation. Besides the academic fulfilment, the findings from this research will be disseminated through the CSO journal run by CRDA for enhanced information sharing and learning.

1.8 Organization of the Paper

This research project report consists of five chapters which are organized in the following manner:

The **first chapter** is an introductory part consisting of the rationale or background on the topic of research and further defining the research problem, questions, objectives, significance as well as scope and limitations.

The **second chapter** presents the findings from the literature review related to the issue under investigation, discusses existing basic concepts and frameworks and synthesizes the findings under various related headings. It finally presents a conceptual framework underpinning this research and also uses the findings to guide the development of tools for data collection, against which the encounters of CSOs has been investigated.

The **third chapter** discusses the research methodology and procedures, including the design chosen in tandem with the research goal and research questions. The chapter will also present

the study population and sampling design and procedures as well as data collection instruments including development process and aspects of the data analysis.

The **fourth chapter** presents the findings and results of the data analysis. The **fifth and last chapter** draws conclusions on the basis of findings from the data analysis and summarizes them into the major questions this research is based on. The final section of this chapter outlines recommendations to address overarching issues identified throughout the research and possible opportunities.

CHAPTER TWO: LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

This section discusses the findings from consultation of secondary sources. Various resources including Journals, policy guidelines and toolkits from donors and government sources; assessment and research have been consulted to develop a good understanding of the meaning, concepts and determinants of organizational and financial sustainability and what theoretical basis established in the literatures. Furthermore various CSO assessment models by multi-lateral donors have been consulted. Practices from other African nations have been consulted. The findings from previous studies and reports on the CSO working environment in Ethiopia has been examined in the process of identifying the key variables and finally developed a conceptual framework that helps to investigate the challenges and opportunities of pertinence to the financial sustainability, within the existing operating environment.

2.1 Underlying Concepts and Principles

The researcher is aware that there exist different concepts and terminologies for sustainability fund raising, CSOs, NGOs, etc. Below is a discussion of the concepts has been chosen for this research project.

Organizational and Financial Sustainability:

The Charities and Societies User Manual (2011) '*Organizational Sustainability*' defines the concept as: having a clear strategic direction; be able to scan its environment or context to identify opportunities for its work; be able to attract, manage and retain competent staff; have an adequate administrative and financial infrastructure; be able to demonstrate its effectiveness and impact in order to leverage further resources; and get community support for, and involvement in its work.

It further describes *financial sustainability* of an organisation as: having diversified sources of income; employing different and innovative ways of generating income; doing strategic, action and financial planning in a timely and regular manner; putting in place a strong and effective financial management system; having a good public image; being clear about values (value clarity); having financial autonomy; and having a cordial and smooth working relationship with sector offices and government authorities in operating areas (ChSA, 2011).

'Sustainability is a challenge that most nonprofit organizations must address: managing financial viability in an evolving funding landscape, contending with "competing" nonprofit organizations while establishing collaborative partnerships, demonstrating value and accountability to funders and supporters, and maximizing the contribution of leadership within the community.' (Sontag-Padilla, L., Staplefoote, B. L., & Gonzalez Morganti, K. (2012), summary-pp5)

[Ibid] *Establishing financial sustainability should be viewed by nonprofits as a dynamic and continual process. Creating a clear strategic plan that defines the social mission and builds programs, community support, and collaborative partnerships that closely align with the mission may help nonprofits overcome the challenge of establishing sustainability in the short and long term.*

Strategic Approach to Fund Raising: One aspect of financial sustainability is the fund raising to ensure delivery of services. Fundraising Strategy is a long term plan of action designed to achieve a particular fundraising goal.

Fundraising and its principles: is the process of soliciting and gathering contributions as money or other resources, by requesting donations from individuals, businesses, charitable foundations, or governmental agencies. The concept is about ensuring that organizations have the right level and types of funding and finance they need, when they are needed, and are thus able to deliver their mission effectively. Fundraising takes time and resources. Therefore, working out what fundraising activity organizations need to do, and how they do it is an important task for any organization.

According to the MCC threshold program 'Civil Society Support Program (CSSP) Strengthening', the basic concept of fundraising is the fact that fundraising should not be considered as begging; but rather as an endeavour to sell an organization's "mission" and its benefits to the community. Literatures note that many of the skills and techniques of fundraising used by NGOs and some UN agencies have been developed by, and adapted from the commercial profession of *marketing*. Fund-raisers function much as sales and marketing people in the commercial world. They should be ready, willing, and able to "sell" their organization and programs for which they are raising money. Successful fundraising is hard work on the part of people who are thoroughly prepared. Donors do not give funds to organizations because organizations *have* needs; they provide financial support because

organizations *meet* needs. It is the intersection between the donors' interests and the needs the NGO meets. People give to causes that touch them; people give to causes that have good reputations; people like to support success; Businesses and corporations give funds to NGOs to create a good “image”, increase sales and get tax deductions. In short, these principles and concepts from the CSSP Rawanda, USAID supported program show fund raising is doable, but some of the factors are related to staff and understanding of how they should interact, finding the intersection of donors need and community needs and present for a good cause and market the good work by the organization.

Principles of Fundraising : As a general rule successful fundraising will be guided by some principles: educating; asking, using a personal approach; understanding the donor’s viewpoint; seeking ethical donors; saying thank you; building ongoing relationship; investing time and money in retaining donors ; maintaining a good reputation and being accountable.

Several assessments and research paper also build on these theoretical foundations and principles. For instance, a USAID CSO Sustainability carried out in 2014 notes that for CSOs to remain financially viable, the economy must be robust enough to support CSOs' self-financing efforts and generate philanthropic donations from local sources. For many CSOs, financial viability may be equally dependent upon the availability of and their ability to compete for international donor support funds. Among others, factors influencing the financial viability of the CSO sector include the state of the economy and the extent to which philanthropy and volunteerism are being nurtured in the local culture. The sophistication and prevalence of fundraising also need to be considered (USAID, 2014). The annual Civil Society Index (CSI) assessment hence considers local sources of philanthropy; diversification of funding base; financial management systems; fundraising and earned income as key parameters for financial viability. All of these parameters have been explicitly indicated in the Ethiopian Government's User Manual (2011).

Furthermore creating a clear strategic plan that defines the social mission and builds programs, community support, and collaborative partnerships that closely align with the mission may help non-profit organisations overcome the challenge of establishing sustainability in the short and long term (Sontag-Padilla et al., 2012).

Preconditions for Fundraising and Marketing

There is what an organisation needs to do before it can begin to think about fundraising and/or marketing. Before a fundraising or strategic marketing plan can be developed, there are *key critical organisational systems or philosophies* that need to be established before most donors will consider funding an organisation. (FHI, 2012, p.8)

Figure 2: Preconditions for Fund Raising



Source: FHI 360 Publications (2012). *Fund Raising and Marketing for CSOs: A Resource Guide for Civil Society Organizations in Botswana*, P.9

After these basic systems and philosophies are in place, it is also important to remember the key organisational principles which will allow an organisation to begin its marketing and fundraising process. **First**, it is critical for an organisation to build a good reputation in the communities where it operates. Community stakeholders can be an organisation's biggest supporters, as they have first-hand experience of the benefits of an organisation's programmes. Building a good reputation with district and national level stakeholders is also important. More and more, donors seek the guidance of national and district structures to identify potential organisations to fund as they are responsible for the coordination of various activities and structures at their respective levels. *Building a good reputation starts with having mutual respect for and sharing information with stakeholders, including beneficiaries of services.* Additionally, strong, consistent performance of programmes needs to be achieved

before an organisation can consider fundraising and marketing itself. This helps to show that an organisation *has a proven track record of good, consistent performance and can demonstrate that it is in fact worth investing in.*

Marketing should lead to more funding opportunities by actively publicising an organisation's success and through engagement of (new) target audiences and networks.

The FHI publication further notes that the organizational principles of marketing services require *building a good reputation perform well and consistently and market good reputation and performance.* This also goes with the aspect of USAID's (2014) measure that indicates low on the public image dimension of CSO sustainability. While seeking matching funds for organisational or programmatic gaps, it is important to diversify funding sources to minimise potential dependence on one or two major donors, which is a major challenge for CSOs globally, which is not different for the case with ERCs. Hence assessing the advantage and disadvantage of each funding source is important (FHI et.al, 2012).

The above findings from guidelines and toolkits for practitioners and assessments indicated organizational readiness as a key factor to create an opportunity. This research will assess to what extent CSOs are aware of these determinant factors for CSOs to pursue a resource and marketing strategy, or identify the underlying gaps to engage on this endeavour, and promising stories (if any).

2.2 Snapshot of Frameworks and Models for CSO Assessment

CIVICUS is a **World Alliance for Citizen Participation, has a Participatory Needs Assessment & Action-Planning Tool for Civil Society, named CIVICUS's CSI Diamond.** CIVICUS designed the CSI as a tool that is implemented by and for CSOs at the country level. The CSI results in detailed reports on the status of national civil society highlight the structure of civil society: *its main actors and relationships, values and impact, and the external environment.* Since 2004, the United Nations Development Programme (UNDP) with the engagement of UN Country Teams has supported the implementation of the CSI in 27 countries. For UNDP and the UN system as a whole, these assessments have contributed to a better understanding of and meaningful interactions with CSOs and in a number of instances helped to strengthen civic engagement for democratic governance. The CSI is implemented in

every country by prominent CSOs that take responsibility for coordinating input from a wide range of civil society actors and other stakeholders ranging from government, business, and international agencies to media and academia. These stakeholders assess the state of civil society in their national context along four basic dimensions using a structured methodology: The structure of civil society; the external environment in which civil society exists and functions; the values practiced and promoted in the civil society arena; and the impact of activities pursued by civil society actors. These four dimensions are represented graphically as the Civil Society Diamond. Each dimension comprises several sub-dimensions which, in turn, are composed of a number of individual indicators. Individual indicators are each scored from 0 to 3 and these scores are then aggregated into sub-dimension and dimension scores (CIVICUS 2004, p.8).

CIVICUS is an international alliance dedicated to strengthening citizen action and civil society throughout the world. CIVICUS's vision is a worldwide community of informed, inspired, committed citizens engaged in confronting the challenges facing humanity.
(CIVICUS, 2013)

2.3 CSO Sustainability Index Annual Research Report by USAID

The *Civil Society Organization Sustainability Index* (CSOSI) has been used by USAID since 1997 to assess the sustainability of the CSO sector in 29 countries in Europe and Eurasia. The CSOSI was first applied in SSA in 2009. By using standard indicators and collecting data each year, the CSOSI allows users of the tool to track developments and identify trends in the CSO sector over time while allowing for cross-country and cross-region comparison. It is used by CSO advocates, other development partners, and academics to assess international and regional trends in the civil society sector and to identify common obstacles impeding the sector's sustainability, such as the legal environment, organizational capacity, and financial viability.

Approach: The Index measures the sustainability of each country's CSO sector based on the CSOSI's seven dimensions: legal environment, organizational capacity, financial viability, advocacy, service provision, infrastructure, and public image. The CSOSI's CSO

implementing partners in each country lead the process of organizing and convening a diverse and representative panel of CSO experts. Country panels discuss the seven dimensions for the year being assessed, and reach consensus on the scores corresponding to each dimension. These scores are then averaged for an overall score of the sustainability of each country's CSO sector. The scores are organized into three basic categories representing the level of development of the civil society sector: *Sustainability Impeded*; *Sustainability Evolving*; *Sustainability Enhanced*. All scores and narratives are then reviewed by a Washington-based editorial committee, assisted by sub-regional civil society experts. With the information provided by the expert panels along with desk research, the CSO implementing partners then develop a narrative report.

2.4 ARVIN and Other frameworks

The ARVIN framework is a tool developed by World Bank to assess the enabling environment for civic engagement. It is based on five critical dimensions: **A**ssociation (the freedom of people to associate), **R**esources (their ability to mobilize resources to fulfill the objectives of their organizations), **V**oice (their ability to formulate and express opinion), **I**nformation (their access to information, necessary for their ability to exercise voice, engage in negotiation and gain access to resources) and **N**egotiation (the existence of spaces and rules of engagement for negotiation, participation and public debate). UNDP (2010) also prepared a summary of all tools been used across the globe as a user's guide to Civil Society Assessments. The user guide compares the various approaches against the dimensions used, which all together falls in to gender focus; poverty focus; capacity focus; Engagement; Environment, Governance and Impact.

2.5 Overview of NGO's Contribution in Ethiopia

The contribution of CSOs/NGOs to the achievement of MDGs could be seen from two general perspectives: contributions along each of the MDGs; and, the modalities for such contributions. From the first perspective, the contributions of Ethiopian CSOs are clearly evident. This approach does present some critical problems including attribution and contribution. Since the activities of organizations cover objectives and activities across the MDGs, direct alignment for each MDG is difficult. Even where this is possible, the limited scope of specific interventions as well as the number of interventions with overlapping results

poses another challenge. The unavailability of data aggravates these problems. It is thus only possible to present overall contributions of the sector with a few telling examples. The second perspective involving a general overview of contributions made by the civil society sector in terms of PRSP participation, resource mobilization and service delivery is more appropriate the same reasons.(Debebe 2012, p.10).

Table1 : MDG Goals and Sectoral Distribution of CSOs/NGOs

MDG Goals Sector	No of CSOs/NGOs
Goal 1: Eradicate extreme Poverty and Hunger	1699
Goal 2: Achieving Universal primary Education	754
Goal 3: Promote Gender Equality & Empower Women	480
Goal 4: Reduce Child Mortality	986
Goal 5: Improve Maternal Health	1626
Goal 6: Combat HIV/AIDS, Malaria	more than 600
Goal 7: Ensure Environmental Sustainability	706

Source: Charities and Societies Agency cited in (Debebe 2012, p.15)

2.6 Working Environment /Challenges faced by Ethiopian NGOs

The Ethiopian government’s 2010-2015 MDG Plan and the Growth and Transformation Plan guide political, economic, and social policies. The Plan appreciates “the expansion in the number of development activities of CSOs and NGOs and their increasing engagement, which can both contribute to resources, more implementation capacity, and innovative approaches to solving development challenges.” The document recognizes the role of CSOs in democratization and good governance; as well as the role of NGOs, which are membership organizations such as youth and women’s associations, in economic development, social welfare and service provision.

The relationship between the media and the CSO sector remains weak. (CRDA press release). CSOs have weak public outreach skills and have been ineffective at changing public opinion, in part because CSOs and constituents do not work closely together on project design, evaluation, or implementation. With the exception of a few service organizations, CSOs do not widely use social media to promote their activities or change public perception, in part because Internet access is very limited.

The ChSA usually takes a prohibitive approach towards CSOs. CSOs, in turn, have not found a way to collectively challenge the ChSA. CSOs do not receive support from the business sector. Apart from brief mentions in policy documents, the government rarely acknowledges the role of CSOs in resource mobilization or as sources of expertise and information.

Global researches illustrated that the two major challenges that are perceived as problematic for the efficient functioning of the civil society sector in development co-operation, that is the difficulty of accessing funding as well as the problems with human capital. The situation is not different in Ethiopia CSO/NGO Task force report (2008). The problems with funding translate into the problem with staffing which endangers long-term sustainability and further growth.

Financial constraints lead many CSOs to work in areas outside of their missions. As a result of financial constraints and a lack of funding for long-term projects, the majority of CSOs do not have long-term strategic plans. (Sontag-Padilla et al, 2008, USAID 2012)

The CSA requires a CSO to have a governing structure that clearly defines the roles and responsibilities of the different organs of the organization. However, both board and staff members lack the required commitment to adhere to their roles, and board members rarely participate in governance or fundraising. The culture of volunteerism in the CSO sector is still underdeveloped, and most CSOs use permanent paid staff. On the other hand, the directive for the administration of project and administrative cost utilization will greatly limit an organization's ability to hire permanent staff. (Denu 2012)

'One of the primary challenges faced by nonprofit organizations serving low-income communities is the struggle to raise funds for operations, as few community members have the means to contribute financial support to nonprofits. Fostering a culture of giving by encouraging community members to donate, even if it is a small amount, and involving community members in fundraising efforts can help address the "willingness to give" gap and may address fundraising challenges in communities where many residents have very limited resources to spare.' (Sontag-Padilla et al., 2012, pp 5)

The CSP Directive on Conducting Public Collections (fundraising) determines the guidelines for door-to-door public collections. The directive prohibits public collections in and around religious places or cemeteries and stipulates that the CSA determines how, where, when, and

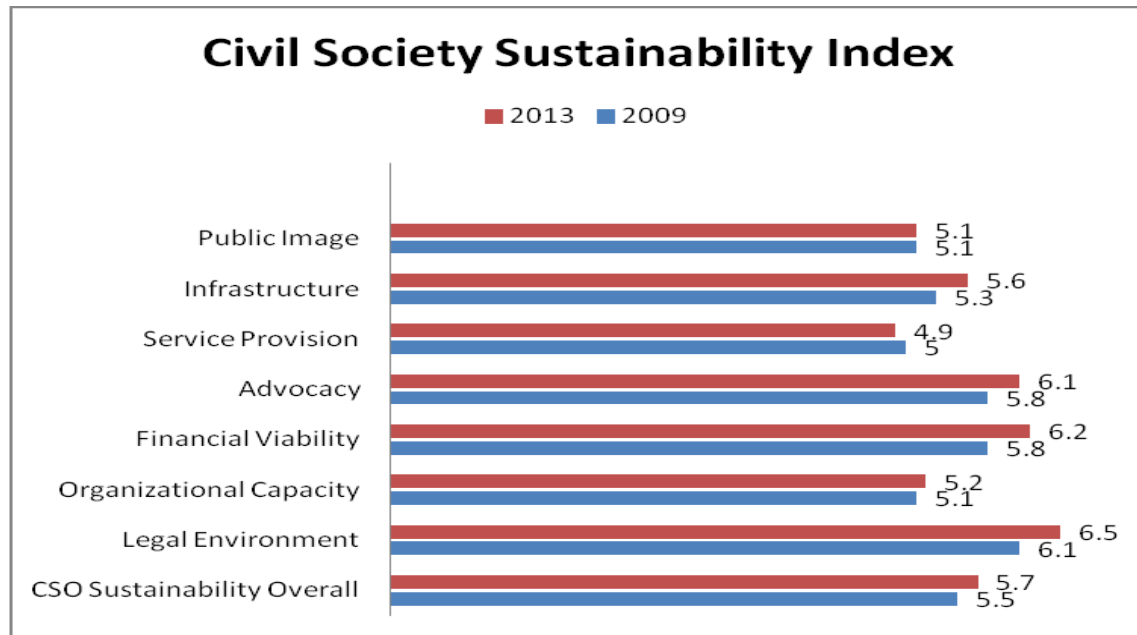
for how long public collection activities may be conducted. The directive makes public collections a last resort for organizations to meet their objectives. Consequently, organizations that have other funding sources, particularly foreign sources, are not allowed to engage in public collections. This limits opportunities for CSOs to diversify their resources and steeply curbs essential domestic resource mobilization. CSOs receive little financial or in-kind support from the communities in which they work. Due to a lack of capacity or knowledge, CSOs do not employ cost-recovery approaches to service delivery.

The above problems are common even in neighbouring countries like Kenya, where NGOs are expressing difficulty in finding sufficient, appropriate and continuous funding for their work. The series of stakeholders workshop held by NGO Forum Kenya (2012) provides a good snap shot. *NGO find accessing donors as challenging as dealing with their funding conditions*. They perceive there to be certain cartels of individuals and NGOs that control access to donor funds. They have limited resource mobilization skills and are often not looking for funds that are available locally, preferring to wait for international donors to approach them. There is a high dependency of donors and a tendency to shift interventions to match donor priorities. There is a lack of financial, project and organizational sustainability. Poor Governance, absence of strategic planning, poor networking; poor communications; and with regards to relationships with INGOs, there is considerable concern among local NGOs that the giants, mainly INGOs, occupy so much space that it is very difficult to find room. INGOs often intervene without any concern for the building of sustainable local CSOs. (Ibid)

Financial Sustainability of CSOs in Ethiopia

Analysis of the findings from USAID's annual assessment over the past five years (2009 to 2013) indicated no significant change and Ethiopia still stands among the bottom three of the Sub-Saharan countries in all dimensions of sustainability. From the seven dimensions which altogether fall in the sustainability impended category, legal environment, financial viability and advocacy dimensions have consistently been the worst case scenarios in Ethiopia

Figure 3 Civil Society Sustainability Index Comparision



Source: Comparison based on Ethiopia's Civil Society Sustainability based on USAID's Report: Comparison of 2009 and 2013 report

As per Pfeiffer J. & Salancik J cited in Deko (DAG, 2012), being heavily dependent on a limited donor sources are likely to force CSOs to accommodate greater mission displacement and hence Deko's study suggests CSOs engagement in income generation to enable their independence. Furthermore, the concentration of CSO intervention in certain sectors may be explained in terms of the urgency of the problems being addressed and/or funding availability.

Deko (2012) study indicated that CSOs in Ethiopia obtained funds from different sources, namely, foreign funds, membership contribution, government support, income generating activities, private donation, and public collection. Examination of the relative importance of the various sources of funding reveals that 78 out the 84 CSOs relied on foreign funds. The ERCs, the largest group in the sample, accessed supports from all sources. Income generating activities were mentioned by 34 CSOs, and this followed by membership contribution, which was mentioned by 32 CSOs. This study however is limited to IGA and doesn't show the factors associated with foreign sources, which makes the significant source for ERCs.

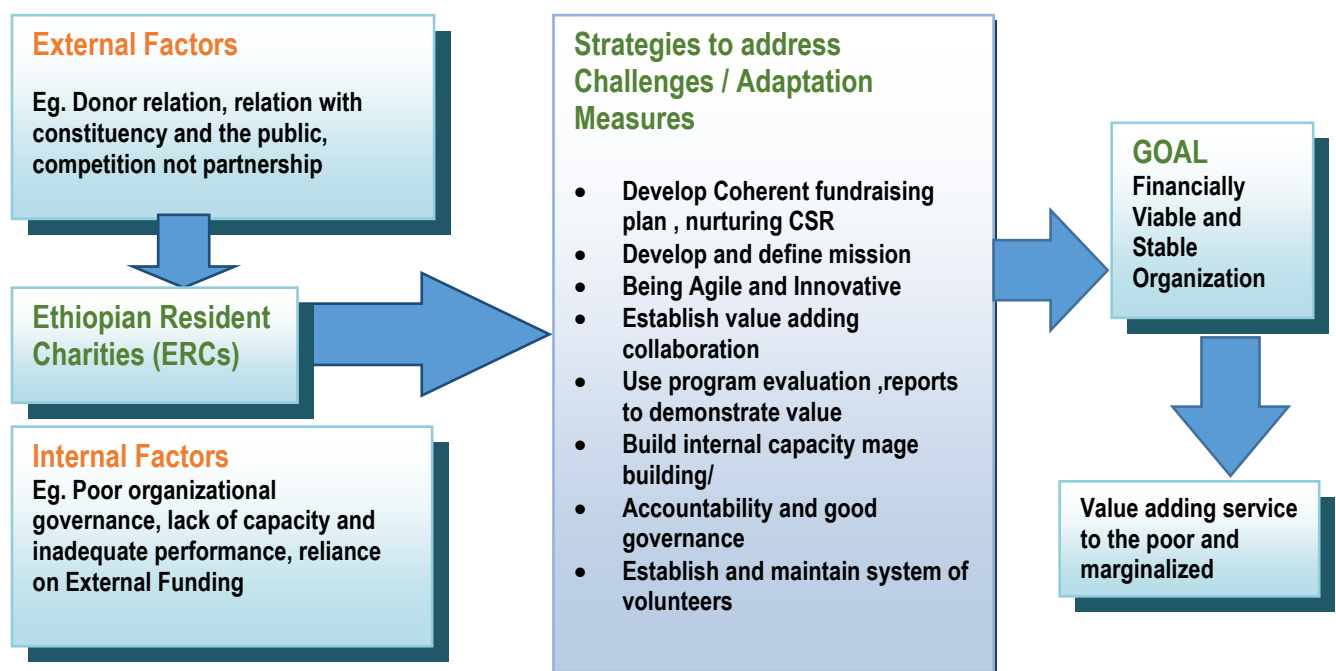
According to the Forum for Social Studies cited in Mohammed (2012), accountability of the institutions of civil society can best be realized primarily through CSOs internal systems of

control and accountability, than government's control. Besides, it points out that the primary cause of the problem is not the law; rather it is the implementation and institutional capacity of the ChSA in carrying out its regulatory and monitoring role in accordance with the law (Mohammed, 2012).

2.6 Conceptual Framework of the Study

Considering the multiple dimensions in CSO's assessments, theoretical foundations and principles for ensuring the financial sustainability of ERCs, in the context of the prevailing factors with-in and outside the organization, and based on previous researches on related topic, the researcher has framed the following conceptual framework to guide this study.

Fig 4- Conceptual Framework for the Study



Source: Adopted by Researcher from a conceptual model developed by RAND Research, Sontag-Padilla, L., Staplefoote, B. L., & Gonzalez Morganti, K. (2012).pp 21

The above conceptual framework has been used as a basis to develop the assessment tools to respond to the research questions.

CHAPTER THREE: RESEARCH METHODOLOGY

The section below discusses the choices of the research design, type and source of data, data collection tools and techniques, sampling design, method of data analysis and the researcher's experience throughout the data gathering process.

The research design is an exploratory descriptive type; with a mixed method design having a quantitative design, at the same time qualitative data embedded within the self-administered survey questionnaire. Besides, a purely qualitative design also been employed through administering key informant's interview.

3.1 Research Approaches and Methods

As described in the previous sections, this study is aimed at examining the opportunities and challenges related to financial sustainability of ERCs and hence mainly an exploratory type of research. At the same time it also describes the practices and challenges of ERCs with regards to strategic fundraising and marketing.

Information on agencies profile has been obtained from ChSA prior to collecting a primary data from sample ERCs. Primary data was collected using mixed techniques: quantitative and qualitative data has been collected using survey questionnaire. In addition, qualitative data on opinions was collected from key informants using a semi-structured interview guide. The primary data from different sources complemented and support the findings. Here the researcher assessed the various factors associated with performance on financial viability and also described the understanding and use of strategic approach to address financial constraints.

3.2 Type and Sources of Primary Data

The survey questionnaires captured both quantitative and qualitative data on important variables; based on literatures reviewed; and includes factors that can directly or indirectly affect financial sustainability of ERCs. The study respondents (ERC's Managers and Leaders) were advised to select from predefined categories or rate a factor on a scale

measurement, but also been provided space to add new responses in cases where the list provided by the researcher is non-exhaustive. Grouping the responses into predetermined choices will provide statistically inferable data. As in most surveys, this allows measuring the significance of the results on the overall population under study. However, generalization is not the goal of this research as is the case with some surveys aimed at providing descriptive results to understand the pattern or trend of the problem. The open ended questions included in the last part of the survey captured exploratory qualitative information. In addition, unstructured interview with purposively selected key informants from CSOs and donors has been conducted.

3.3 Data collection tools and techniques

The data collection tools include a self-administered survey questionnaire handed both in hard copy and via surveymonkey (online survey) and key informants interview using semi-structure interview guide.

The hardcopy was given to the ERCs to their offices along with the support letter from the University, and then data collectors were sent to collect the responses, while the questionnaire designed on the survey monkey was sent via the available e-mail addresses of ERCs, per the list obtained from ChSA along with a an introductory e-mail. Reminders were also sent periodically to increase the response rate for the on-line survey.

The six-page long questionnaire has been designed to capture information on six categories. It included scale measurement, close-ended questions, multiple choices from predefined answers and open-ended questions. Upon piloting, it has been noted that the questionnaire were answered within 30 - 35 minutes.

Section I and II: General Information on the respondent and NGO; **Section III:** the major challenges and trends; getting a picture of funding modalities, patterns and future predictions; how these challenge were impacting the organization's existence and its work; **Section IV:** The level of understanding and implementation of important strategic aspects; identify internal challenges with regards to capacity and performance related to mobilizing resources from local and foreign sources; **Section V:** Reflection on internal limitations impacting organizational performance and capacity. The final **Section VI-** has open ended questions to identify recognized opportunities by local CSOs; what they are planning to pursue differently

and the strategic support needed by local CSOs. The relationship of the responses to research question is as indicated in the table 2 below under analysis section.

Ethical considerations have been considered throughout the process and consent of the respondents has been gained prior to administering the survey and interview sessions. As such a mix of techniques has been used to enrich the findings of this research.

Questionnaire development and pretesting

There are no standard questionnaires for such studies. Because the instruments were developed by the researcher, pre-test was undertaken for validity and reliability of the survey instruments. Adjustments were made to avoid ambiguity and redundancies before embarking on full data collection. The pre-test exercise has taken longer than anticipated. The questionnaire was sent to select few ERCs (not been part of the sample) for the purpose of pre-testing and content validity test. Their suggestions and comments has been considered to perfect the questionnaire and filling in any loopholes. Modifications and re-adjustments were made on some of the contents and wordings used in the questionnaire. The feedback from the ERCs managers were that the questionnaire was exhaustive and has captured most pertinent points.

3.4 Sampling Methods and Sample Size

Due to lack of secondary data however for stratification of 1054 Ethiopian Resident Charities, a convenience sampling technique was employed in the final instances of this research, although originally 30 samples were randomly selected. According to Anthony J. and Kathleen (2007), Type 4 methods of mixed method (non-random sampling for both quantitative and qualitative component) is by far the most common combination of sampling schemes when enormous qualitative data is forthcoming and this has been the basis for the sampling method determination for this research.

Sampling Size Determination

Regarding sufficiency of sample size in management survey research Hashim (2010) cited Isaac and Michael (1995) and provides conditions where research with small sample sizes is justifiable: when it is economically not feasible to collect a large sample, in cases of

exploratory research, and when a lot of qualitative data is forthcoming, where a sample size of 10 to 30 can be sufficient. They have also noted that the size of the sample should be informed primarily by the research objective, research question(s), and, subsequently, the research design.

The purpose of the survey employed in this research is mainly to explore and describe a situation or characteristics of a group of people (or institutions) but not necessarily to generalize to a larger population. In fact doing a survey of organization with distinct challenges and generalization calls for a lot of stratification in the sampling procedure, in such a case where getting such enormous data was practically found to be impossible. Hence in this research, the sampling scheme was chosen in tandem with the research goal and research questions to be answered. The goal is to obtain insights into a phenomenon, individuals, or events and therefore the researcher considered organizations who were willing to respond to the self-administered questions.

In consideration of the acceptable sampling size for a similar qualitative dominated research, 30 samples were initially drawn from the 1054 ERCs list obtained from the ChSA. The hardcopy questionnaires were sent to the 30 ERCs sampled through Kth random sampling method. However only 14 of the 30 (46.6 %) samples filled the questionnaire, which is below the average 50% response rate in most organizational surveys. The main reason is either they are not yet operational or their contact address was not working or perhaps they relocated and few of them were suspicious. An online mail survey has then been administered using a survey monkey and hence sent to email addresses of the ERCs received from ChSA. Then the survey monkey was used to augment and the adjusted response rate is 70%. Altogether, 38 responses from both data collection methods been considered for analysis. Research scholars also note that convenience sampling is used in exploratory research where the researcher is interested in getting an inexpensive approximation of the truth. As the name implies, the samples were considered because they were convenient, in the sense that they have been willing to respond.

In summary, the sampling design for this research used is type 4 mixed methods which fulfil the goal of the research, and practically been possible given the resource constraint.

Key informants : For the qualitative information administered through interview, 5 key informants been contacted for their many years of experience of in ERCs, distinct approaches

for ERCs capacity building or representing the view of intermediate INGOs and private sector were purposefully chosen, considering their potential to give richer qualitative information. The five informants include a multi-donor/pooled fund mechanism/ supporting CSOs including ERCs; two individual managers who had over 10 years of experience in management position of ERCs; over 10 years' experience as a manager of intermediate INGOs engaged in funding or building the capacity of Ethiopian Resident Charities.

3.5 Methods of Data Analysis

Quantitative data was coded and tabulated, cleaned and analyzed using SPSS software (version 20), while qualitative data was sanitized using content review, categorization and analysis, further supported by appropriate software for text data embodied in a survey monkey application.

Quantitative: All questions were individually analysed, taking into considerations all the available factors and supported with descriptive statistics (frequencies, mean, SD,) and an illustrative tests were conducted to examine the relationship between selected variables, though the later was not the focus of this analytical study. Analysis results were presented in charts, tables, cross tabulations.

Qualitative: Qualitative data obtained from the open-ended questions in self-administered questionnaires, from individual interviews with key informants were analysed with the help of text analysis software used by the survey monkey. The list of responses are read through and re-worded in meaningful patterns, categorized and analysed. The text analysis software is capturing key words, along with frequencies, and then the narrative analysis was rechecked to ensure all concepts are included. The findings were presented and discussed under the various themes. The table below summarizes the research design and methodology.

Table 2: Summary of Variables/Concepts Measured, Research Questions , Tools and Analysis

Category/ Research Questions	Instruments/ Question References	Variables or Concepts measured	Data Analysis and Presentations
General Characteristics (Respondents)	Survey Questionnaire Section 1 Respondents Profile	Sex, education level, position level, years of experience in the organization	Descriptive stat presentations
Sample population Characteristics/ Organizations Profile (study samples)	Survey Questionnaire Section 2 Agencies/NGO's Profile	# of years in operation Expiry year of current registration Geography Program Sectors # of employees by type End date of the longest current grant	Descriptive Stat presentation, analysis by excel, Categorization by MDG etc
Research Q1	Key Informants Interview	Opinion on financial viability of ERCs and what needs to change	Qualitative Data Analysis
	Survey Questionnaire Section 3- 1-9	Adequacy of Funding Modality of Funding Non- funding supports Types of supports received Trend/pattern of funding since the time of establishment Diversification of funding sources Frequent issues (5 nr) from current and past donors Future prospect of funding Impact of funding constraint (5+) Existence of unpaid volunteers The challenges in going for competitive proposals The extent of diversification Challenges for diversifying % of local funds Used mechanisms for local fund raising major constraints to raise funding from local sources Existence of strategic partnership to mobilize funding from local sources If No, Why Existence of strategic partnership to mobilize funding from foreign sources. If No, Why?	Quantitative descriptive data analysis for multiple choices, close ended questions
	Section 4 Q 10-26		Qualitative Analysis for the open ended questions

Research Q2	Section 4 Q 10-17	Understanding/Knowledge on determinants for fund raising Existence of Strategic plan Duration of your current strategic plan Strategic plan with/without fund raising and marketing plan Channels mostly used to market about CSOs Frequency of marketing Adequacy of engagement on public awareness The major constraints not market and raise fund	Quantitative data analysis for the closed ended and Qualitative data analysis for the open ended
Research Q 3	Survey Questionnaire Section 6- Q 1 and 2	Identifying and Planning on Opportunities and Challenges (purely qualitative)	Qualitative data analysis,
Research 3	Key Informants Interview for Expert Opinion Survey Questionnaire, Section 6- Q1 and 2	Perceived opportunities and the strategic endeavours/plans for the future	Qualitative Analysis
Research Q 4	Key Informants Interview for Experts Opinion, Survey Questionnaire, Section 6- Q3	Feedback on what should change What are the supports you need and role to be played by others	Qualitative Analysis
For all research questions(cross-cutting issue)	Survey Questionnaire, Section 6- Q4	Open ended comment	Qualitative Analysis
Applicable for all research questions (cross-cutting issue)	Section 4Q 27-30	Strategic partnership and alliance building Strength and effectiveness of current partnership Extent to which it is donor driven Sustainability of existing partnership Participation in consortia and sector specific forums	Quantitative Data Analysis
Applicable for all research questions (cross-cutting issue)	Section 5- Q 31-35 These parameters are preconditions for strategic fund raising and marketing and their existence is an opportunity	Internal Organizational Challenges Governance system and accountability Hiring and retaining competent staff Geographical spread and related logistical constraint Funding absorption capacity (‘taking more than what we can chew’) Systems and infrastructures	Quantitative descriptive Analysis

Source: Framework of analysis developed by the researcher study

CHAPTER FOUR: FINDINGS AND ANALYSIS

The following section presents the results from the primary data collection. It includes both descriptive results, as collected and analyzed from the quantitative components of the self-administered survey and qualitative data from the qualitative information embedded in the survey and key informants' interview. As indicated in the previous section, there were a total of 38 respondents for the questionnaire having both quantitative and qualitative constructs, however the responses (n) for each questionnaire varies and the findings from the five key informants were of purely a qualitative, with the aims of getting the opinion of key informants. Finally, the findings has been summarized and discussed in tandem with the research questions and variables in the conceptual framework.

4.1 Quantitative Data Analysis

Characteristics of Respondents

Demographic characteristics of the respondent's (Managers and leaders of ERCs) included sex, education level, position title, years of experience in the organization. 36 of the 38 respondents provided information. The majority of respondents were currently working as executive directors, founders and managers and few project coordinators. 81% of the respondents were male and 89% have a degree or post graduate education level. The mean year of experience of the respondents in the organizations surveyed is 6.55 years, median (5 years) and mode (3 years), with a standard deviation 4.52 years.

Profile of Sample Organizations

Program Sectors: The data in table 3 below, organized per the Millennium Development Goal thematic areas.

Table 3 Respondent Organizations profile by program sector

Program Sectors/ Core Competency area of the organizations/		
Category Options	Response Percent	Response Count (Frequency)
1. Poverty and Food Security: Agriculture, pastoral activities, poverty eradication, relief and emergency, infrastructure development, micro finance , entrepreneurship, capacity building	53.8%	14
2. Education:	38.5%	10
3. Women and Youth Empowerment	53.8%	14
4. Child health	30.8%	8
5. Maternal health	15.4%	4
6. HIV/AIDS & Malaria	30.8%	8
7. Environment and natural resource protection, wild life, Bio diversity, Energy, Water	34.6%	9
Other - Elderly support(2) , School WASH, Rehabilitation of persons with disabilities (2) and tourism development	23.1%	6
<i>answered question</i>		26
<i>skipped question</i>		10

Source: Analysis of data financial sustainability of ERCs own study

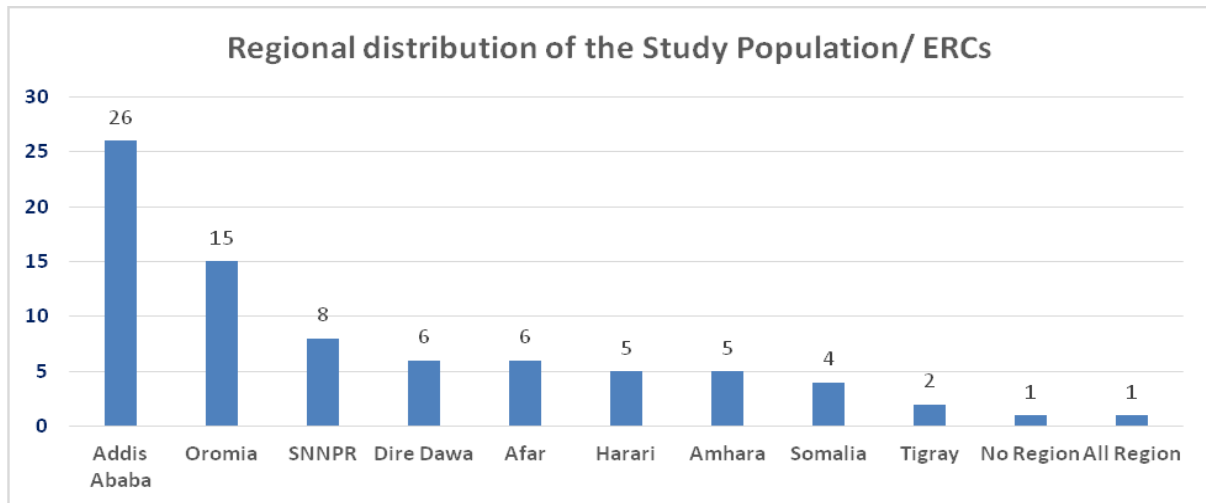
Studying the financial sustainability of ERCs would make little sense without knowing what mission the organizations are engaged on. The table above illustrates that most of the study samples operate on the poverty reduction, women and youth empowerment, and education programs, and all ERCs been studied operate in at least one of the MDG sectors. The results of the study would hence mainly explains challenges and opportunities faced by the organizations, the majority of which are engaged in the poverty reduction sectors.

Registration Status: 32 organizations responded and for the majority (50%), the registration end in 2016, which shows that they were granted their current registration three years ago in 2013 or 2014. Only 2 agencies of the 32 are granted status in 2015 and hence active registration expires in 2018.

Geographic Area of Work Distribution: Most of the study samples have a program intervention in Addis Ababa, Oromia and SNNPR. One agency operates in eight regions, while 50% of the respondents (19 agencies) operate in only a single region, of which 12 are in Addis Ababa.

Age of the Organizations: The number of years the organization has been in operation has been collected in absolute numbers and been categorized to enable analysis. Taking 2009 as a reference point, age of organizations less than 3 years is 33%, 4-6 years age is 25%, the majority 42% is above 6 years. The oldest organizations are 35 years old and the youngest is 1 year. Mean age is 13.3 years.

Fig 5- Location Distribution of Sample Organizations



Source: Analysis of data financial sustainability of ERCs own study

Funding Portfolio and Trend Analysis

Current Funding: The non-response rate is high, as most organizations were reluctant to give grant information. Of the 23 who responded, only 21.7 % (5) of the organizations have a funding source that goes for the coming three years. Interestingly 4 of the 23 organizations

have no current funding at all and a follow up question has revealed that they are at stage of opening up or staggering for funding support from either local or foreign sources.

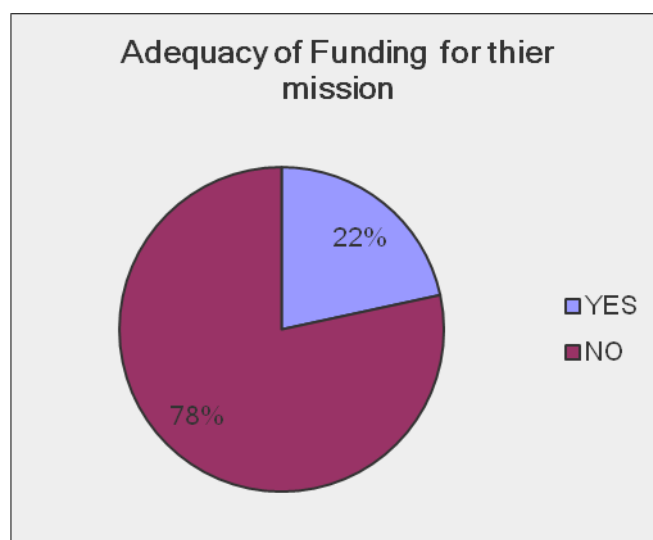
Table 4- Funding Portfolio

Among your current funding, what year will your longest funding end?		
Answer Options	Response Percent	Response Count
No Current funding	17.4%	4
2015	21.7%	5
2016	26.1%	6
2017	13.0%	3
2018	21.7%	5
2019	0.0%	0
2020	0.0%	0
<i>answered question</i>		23
<i>skipped question</i>		14

Source: Analysis of data financial sustainability of ERCs own study

Adequacy of funding

About 20% (8 of 37 agencies) confirmed adequacy of the current funding level to carry out their programs. Although the diversity of funding may be one of the criteria, a logical point of view and per the data profile of organizations been assessed, the number of grants (funding sources) or diversity doesn't necessarily explain the adequacy.

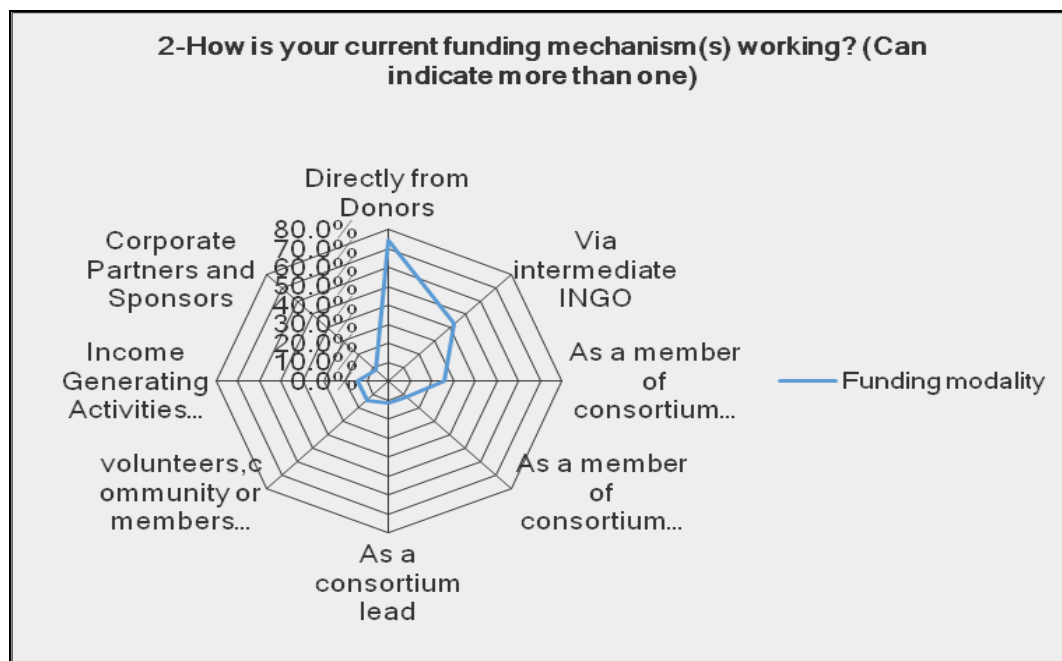


Source: Analysis of data financial sustainability of ERCs own study

Funding Modality: The other feature been assessed was the channel through which these NGOs are accessing local and foreign funding. As shown in the radar diagram below, the most significant modality is directly from donors and this would imply donor relation as an important factor. Besides the choices provided, 13 responses received in the 'other' category and further subdivided in to three sub categories. The local source indicated are from individuals or member's contribution, volunteers and IGA. Many of the Ethiopian resident charities either directly receive from donors or via intermediate INGOs. The corporate sector

combined with sponsorship sources is the less frequent one, showing limited corporate social responsibility practice.

Fig 7- Funding Modality



Source: Analysis of data financial sustainability of ERCs own study

Support other than funding from lead LNGO or INGO: 22 agencies (61.1 %) of the respondents responded No support received and 38.9% yes that they receive some type of support. The supports described include material assistance, capacity building and training, technical support and consultation and creating linkage with other donors. From funding modality analysis, the funding from donors or intermediate donors constitutes the most significant mechanism of funding, and yet below 50% confirmed that they received non-funding support.

Pattern of funding since establishment

12 of the 36 respondents said the funding pattern has been increasing since establishment, while 20 of the 36 experienced either decreasing or fluctuating trend and the remaining 4 agencies said it has been stable somehow. Looking back in to adequacy only 8 reported as their funding is adequate (indicated in the cross tabulation below). Meaning increasing trend doesn't necessarily explain the sufficiency of funding to pursue their mission and programs.

Table 5. Pattern of funding in the past, compared to adequacy of funding

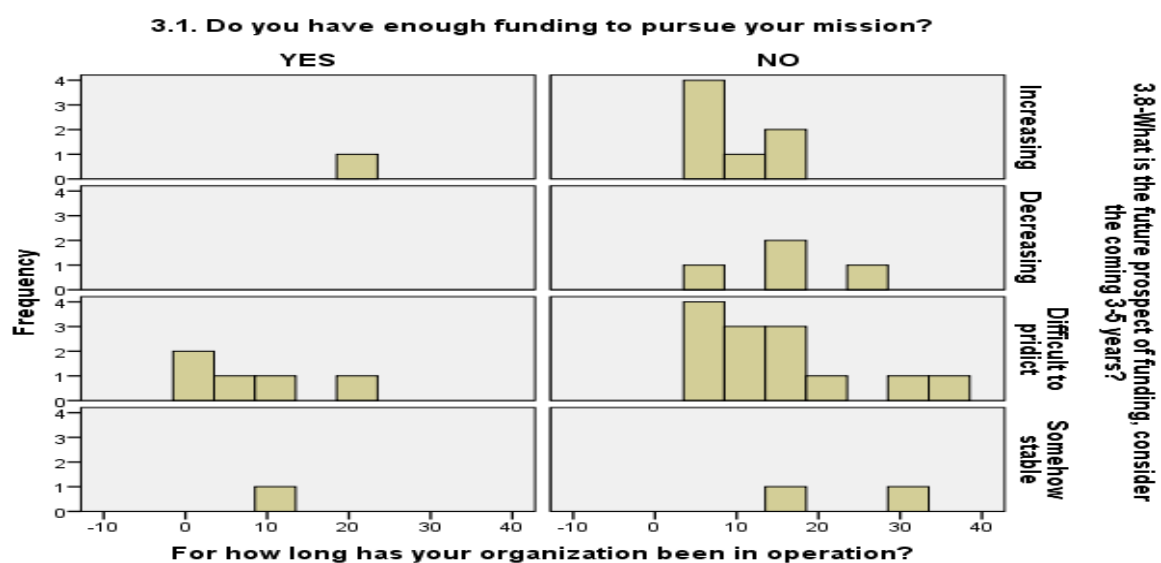
		Do you have enough funding to pursue your mission? (Adequacy of funding)		Total
		No	Yes	
3.5. What has been the pattern (size) of your funding in the past, since the time of your establishment?	Increasing	10	2	12
	Decreasing	8	2	10
	Highly fluctuating	7	3	10
	Somehow stable	3	1	4
	Total	28	8	36

Source: Analysis of data financial sustainability of ERCs own study

Pattern of funding for the future

The future prospect of funding is increasing only for 8 of the 35, and difficult to predict for the majority. A further relationship on histogram about adequacy of funding to pursue mission versus future prospect of funding also shows, even though the future prospect shows increasing for few , it is still not enough to pursue their mission. The Majority lie in the decreasing and difficult to predict category of funding patterns. Also this is true regardless of the age of the organizations.

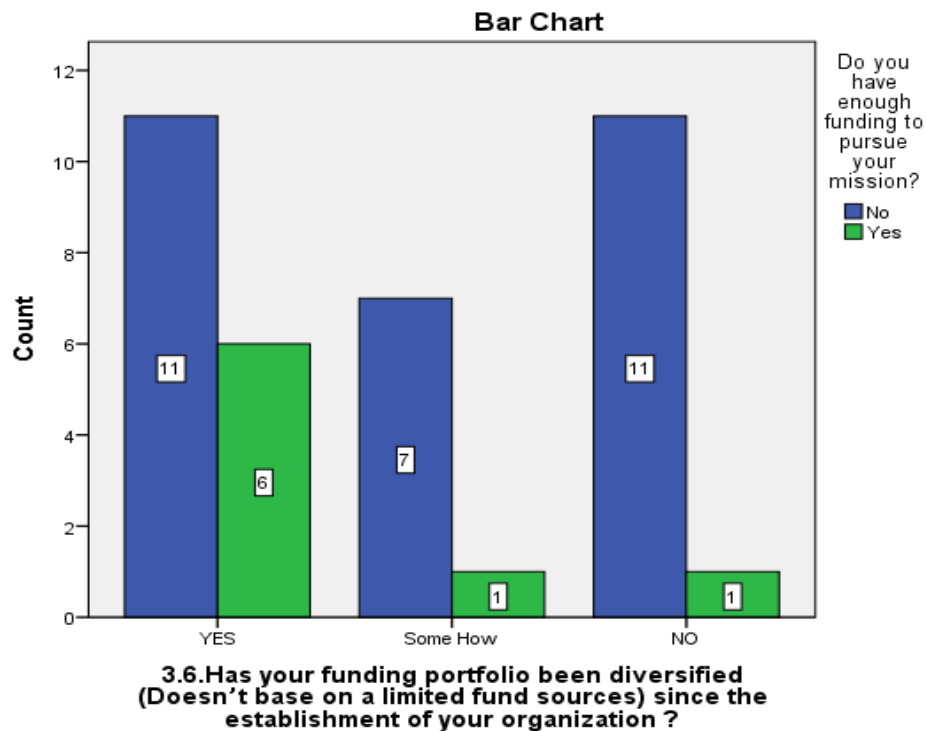
Fig 8- Histogram comparing frequency distribution of future prospects, adequacy of funding and age of the organization



Source: Analysis of data financial sustainability of ERCs own study

Funding Adequacy and Diversification:

46% of the agencies (17) have diversified their funding and yet have no adequate funding. Although literally diversifying funding base is one aspect of ensuring financial sustainability, it may still not be adequate for the mission. Obviously of the 8 agencies explained adequacy of funding, 6 of them are those who diversified their funding.

Fig 9-Funding Adequacy compared to Diversification

Source: Analysis of data financial sustainability of ERCs own study

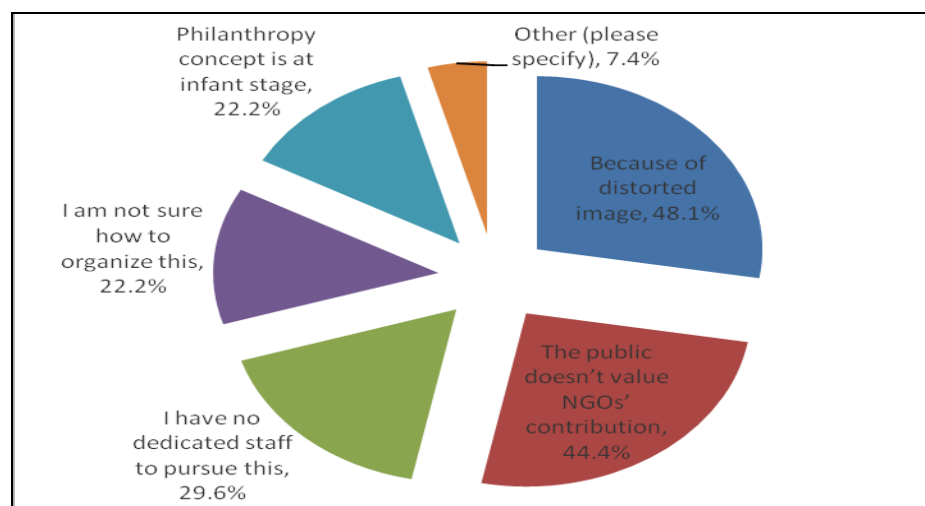
Knowledge and Practice of Strategic Fund Raising and Marketing

Looking in to level of understanding about strategic fund raising, existence of important strategic plan and whether element. it contains a strategic fund raising: 90% has strategic plan, and majority has reported to have a marketing and fundraising plan included. The channels most often used to market about their work is flyers, website and meetings and the least are media and events. And majority often market about their program to the public. While 7% reported to rarely teach others about their work.

Table 6- Channels of marketing

What channels do you use to market your program to the public? Select all applicable		
Answer Options	Response Percent	Response Count
Media	42.3%	11
Website	69.2%	18
Social Media	65.4%	17
Meeting/Workshops	69.2%	18
Flyers/Brochures	73.1%	19
Event	42.3%	11
Other	0.0%	0
<i>answered question</i>		26
<i>skipped question</i>		12

Source: Analysis of data financial sustainability of ERCs own study

Fig 10- Constraint not to go for marketing and local fund raising

Source: Analysis of data financial sustainability of ERCs own study

Volunteers: More than 80% of the respondents reported to have unpaid volunteers.

Adequacy of the Outreach: On a rating scale of 1 to 10, the mean average is 5.41, showing it is marginally above average.

Impacts and Implications of Funding Constraint

The most significant impacts of funding constraining are the turnover of staff and low service provision followed by mission drift. Though not rated the issue of organizational capacity building and sustainability of programs has been indicated under others.

Table 7- impacts of funding constraints

9-How is funding constraint impacting your organization? Please rate your level of agreement.							
Answer Options	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Rating Average	Count
a) Resulted in Mission drift (being donor driven)	9	2	5	9	6	3.03	31
b) Resulted in change of geographic location	7	4	6	11	3	2.97	31
c) Resulted in change of sectors	7	5	7	9	3	2.87	31
d) Low level service provision	5	6	3	12	6	3.25	32
e) Turnover of key personnel	4	5	3	9	12	3.61	33
Other (please specify)							2
answered question							32
skipped question							5

Source: Analysis of data financial sustainability of ERCs own study

Performance and Challenges in Local Fund Raising

Proportion of Local Funding: 16 of 25 agencies have less than 10% funding from local sources and of this 9 of them has less than 5%.

Practice of Local Fund raising: Only 5 of the 29 agencies have gone for the mechanism of local fund raising to a full extent.

The major constraints as shown in table below are the culture of volunteerism and the bureaucracy for local fund raising. The reasons being local business are not established to fund charities; the policy of charity allows local sources to mobilizing only after one year and lack of positive responses in previous attempts. Local donors prefer to give to charity (proper) interventions than to development.

Table 8- Constraints to raise funding from local sources

24-If Low or medium, what are your major constraints to raise funding from local sources? Please select yes/no for each of the possible constraints and if not provided in the list, please mention in the space provided			
YES/NO			
Answer Options	YES	NO	Response Count
a. Lack of staff	14	4	18
b. Because I believe it will be difficult	7	10	17
c. Hard to convince- cultural issues on volunteerism	13	7	20
d. Complexity of fund raising procedures	12	7	19
e. bureaucracies/ legal constraint for local fund raising	14	6	20
f. Lack of capacity	9	8	17
			Question Totals
Other (please specify)			3
<i>answered question</i>			23
<i>skipped question</i>			15

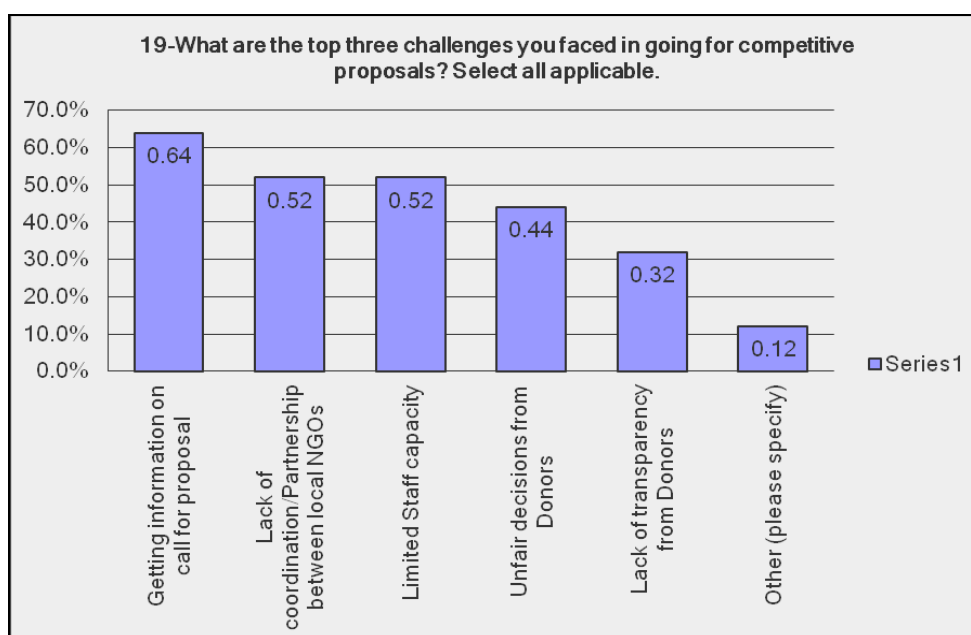
Source: Analysis of data financial sustainability of ERCs own study

Performance and Constraints- Foreign Funding Competitiveness

Extent of fund diversification

More than 90% are low or to some extent and only 2 agencies reported to have well for aggressive plan of diversification of funding source.

Challenges in competitive bidding for foreign sources: lack of information on call for proposals, weak coordinating or partnership and limited staff capacity are the major constraints. Under the other category, few calls are out and too many seeking; Donors use high standard criteria that don't much the level of beginners; Lack of organizational capacity.

Fig 11- challenges for proposal development

Source: Analysis of data financial sustainability of ERCs own study

Cross Cutting Issues

Partnership

The responses on existence of strategic partnership for mobilizing local resources indicated 45%(13) Yes and 55%(16) No and the reasons being weak relation, no strategic cooperation, unnecessary agenda among network members, legal constraint, particularly the government allows such only after a years and their organization was at start up stage, lack of philanthropy concept makes it difficult for local resource raising and some tried but lack of willingness and not had a good experience before and hence think this is a waste of time.

The responses on existence of strategic partnership for mobilizing foreign resources indicated 62%(18) Yes and 38%(11) No and the reasons being the developmental stage of the organization, lack of willingness and often find it difficult to convince unless it comes from donors.

The likert scale rating for evaluation of the strategic partnership and alliance indicated that most organizations are part of a consortia or sector specific forum and the existing partnership is likely to continue for the coming 3-5 years; also the effectiveness and strength of the existing partnership doesn't add value; while majority think that these coalitions were initiated by the donor

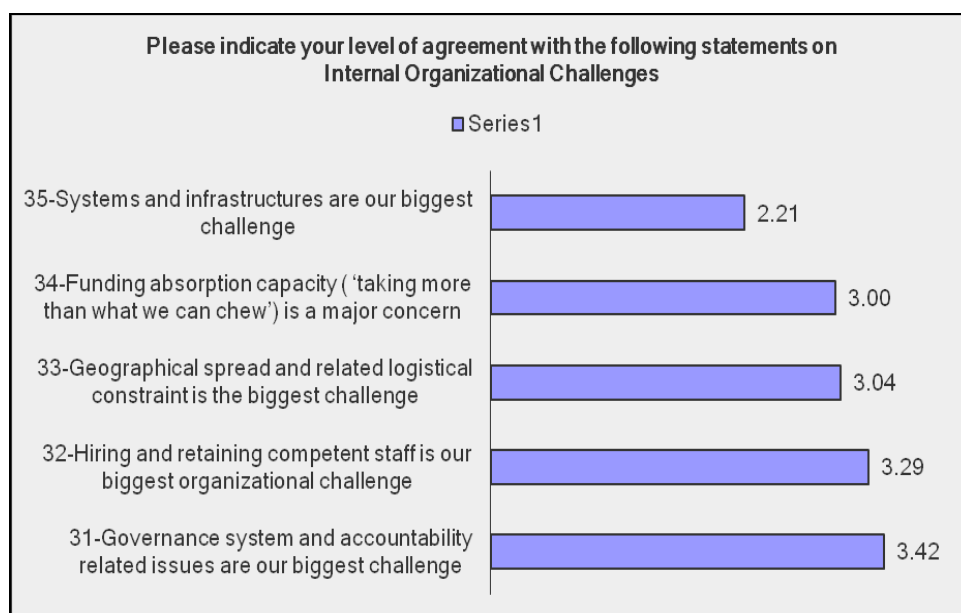
Table 9- strategic partnership and alliance building

Please indicate your level of agreement with the following statements on strategic partnership and alliance building							
Answer Options	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Rating Avg	n
27-The existing partnership is strong and effectiveness in terms of added value in my financial sustainability endeavors	1	8	5	11	4	3.31	29
28-The partnership was required or been initiated by the prospective donor	2	7	5	11	4	3.28	29
29-It is likely that my existing partnership will continue in the coming 3-5 years	1	4	5	15	3	3.54	28
30-My organization actively engages in consortia and sector specific forums	1	3	5	16	4	3.66	29
answered question							29
skipped question							9

Source: Analysis of data financial sustainability of ERCs own study

Internal limitations impacting organizational performance and capacity

The weighed mean value from 24 respondents on a 5 points likert scale indicated governance and accountability; hiring and retention of staff, geographical spread and related logistics are the major issues in their order of priority; while funding absorption capacity and challenges related to infrastructure are the least factors. The standard variation in descending order is 1.35, 1.35, 1.31, 1.17, 1.17 for the 5 variables measured on scale, meaning high deviations in the most important challenges, showing that it varies among the different set of the studied organizations.

Fig 12. Internal limitations impacting organizational performance

Source: Analysis of data financial sustainability of ERCs own study

Table 10- Internal limitations impacting organizational performance

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)	n	Weighted Avg.
35-Systems and infrastructures are our biggest challenge	12.50%	4.17%	25.00%	45.83%	12.50%	24	3.42
	3	1	6	11	3		
32-Hiring and retaining competent staff is our biggest organizational challenge	8.33%	20.83%	16.67%	41.67%	12.50%	24	3.29
	2	5	4	10	3		
33-Geographical spread and related logistical constraint is the biggest challenge	16.67%	20.83%	16.67%	33.33%	12.50%	24	3.04
	4	5	4	8	3		
31-Governance system and accountability related issues are our biggest challenge	20.83%	16.67%	16.67%	33.33%	12.50%	24	3.00
	5	4	4	8	3		
34-Funding absorption capacity ('taking more than what we can chew') is a major concern	41.67%	29.17%	4.17%	16.67%	8.33%	24	2.21
	10	7	1	4	2		

Source: Analysis of data financial sustainability of ERCs own study

Track record with past and current donors

From the pretest exercise, it has been found that only few agencies were honest to unleash the challenges or issues they encountered with their past or current donors and hence the measurement was changed to a rating scale of 1-10, which revealed program performance and timeliness as well as quality of report are the major factors with a weighted average of 4.97 and 4.77 respectively, followed by donor's concern on staff competency (4.5) ,financial management (4,17) and lastly misappropriation of funding (3.1) out of 10.

Further descriptive analysis shown in table below indicates a standard error of more than 50% for all variables and hence requires further scrutiny through key informant's interview. However, a one sample non-parametric test has been conducted to test the distribution of variables and it has been found these variables (a-e) were normally distributed with the indicated SD, although highly skewed to the left for these relatively high weighed averages. Median is the preferred variable of test in non-parametric, which shows donors concern on financial management is the next important factor. The descriptive analysis of the responses for each variables shows variable (a) and (b) with lower range in response values, relatively lower standard error and variance, hence obviously shows the need for attention to program performance and timeliness and quality reporting, equally important is the financial management and staff competency. Interestingly variables (c) and (d) has each (12) and (b) and (a) has 11 and 9 respondents who rated above average on the scale of 1-10.

Table 11- Track record with past and current donors

	<i>a) Program performance not to the standard</i>	<i>b) Timeliness/ Quality of Reporting</i>	<i>c) Donor's concern on staff competency,</i>	<i>d) Donor's concern on financial management</i>	<i>e) Misappropriation of Funding</i>
Mean	3	3	3	2.9	2.9
Standard Error	0.60	0.65	0.80	0.67	1.70
Median	3	3	2	3	1
Mode	4	6	1	3	1
Standard Deviation	1.89	2.06	2.54	2.13	5.3
Sample Variance	3.56	4.22	6.44	4.54	28.77
Range	6	6	7	8	18
Minimum	0	0	0	0	0
Maximum	6	6	7	8	18
Sum	30	30	30	29	29
Confidence Level (95.0%)	1.349	1.470	1.816	1.525	3.837

4.2 Qualitative Data Analysis

As discussed in the literature review section, Financial Sustainability is one of the most important dimensions of ERCs' sustainability. Existence of opportunities for ERCs would mean that these organizations would survive in the first place and be recognized as important actors in development, and hence then be able to address the key aspect that is financial sustainability. This would mean factors such as existence of needs in the first place to be addressed and added value of ERCs, regulatory support and other factors that justifies organizational existence in the first place or issues directly related to ensuring financial viability of the organizations.

The last part of the survey questionnaire (section 6- questions 1-3) has captured qualitative information on opportunities as perceived by the ERCs, the plans they want to embark on differently for the forthcoming period with regards to improving financial viability, which can be taken as an opportunity and the supports they need to pursue their new plan. Also they gave additional general feedback on the open space at the end that indicates additional areas related to the topic of the research.

Q#1-In your opinion, what are the opportunities available to your future plan?

Twenty five respondents mentioned of at least one opportunity that exists that could be regarded as a favourable environment for ERCs in forthcoming future and been summarized in the following categories.

Development needs, policies and strategies: The existence of these organizations will likely be important due to the enormous development challenges. The existence of organized developmental policy and directions from the government side help for the operation of these organizations. The second phase of the MDG, sustainable development and the Country's GTP phase II were mentioned as a favourable environment. Donor's interest in some of the organizations, the policy provision by the government for CSO's engagement on IGA is reported to be encouraging.

Institutional: Organized and growing number of SHGs, Idirs and Faith Based Organizations (FBOs); increasing number of network groups.

Organizational- Although not frequent, some organizations mentioned the existence of vibrant staff and the essence of volunteerism as an opportunity. Also the programmatic approaches ERCs follow were noted as an opportunity. Having own IGA and sponsorship program was mentioned as an opportunity by few NGOs. For those working on environment, there is global emphasis and likely funding for this sector, which has been considered as an opportunity. Also one respondent mentioned government's due emphasis for neglected health sectors, such as Autism and Mental Health, which creates a distinct opportunity for those involved in these programmatic sectors.

Relationship and image related: Good relationship with government especially with FBOs and although for few, good image and track record with donors, beneficiaries and government were cited as an opportunity.

Community: Some respondents noted that the public at large is likely to recognise the plight and mystery of the elderly and believes that volunteerism will be enhanced in the foreseeable future.

Q#2-What ERCs planned to do differently for the way forward?

Twenty six respondents mentioned of at least one future plan. The content analysis through a process of re-phrasing, and categorization of the responses indicates, the major future plans that can be taken as an opportunities. It includes a number of areas that can be seen in terms of alternative strategic actions to achieve their organizational mission.

Aggressive local resource mobilization: Develop a strategic plan guiding the process and use strategies such as mobilize dedicated youth volunteers, member contribution. Income Generating Activities: Respondents noted the need for reducing excessive dependency on external funding.

Funding sources diversification: In relation to enhancing financial viability, they noted the need for diversifying funding sources, as there is likely risk of being dependant on few donors. Income generation is mentioned as a plan by most of the surveyed organizations and there seem a real interest of building own businesses, to generate the basic funding to maintain the services provided by the charity organizations to the needy community.

Awareness creation and marketing: To be able to mobilize both local and international resources, the participants mentioned of creating platforms for promoting Corporate Social Responsibility (CSR).

Organizational- programs: The respondents mentioned of doing self-initiated innovative programming and better documentation and dissemination of good track record to local and international stakeholders.

Organizational – adapting to change: The participants noted the need to be a vibrant, responsible, responsive organization and also the need for enhancing competitiveness through organization (context) based interventions, which are meant for based on priorities. To have a collective voice, noted the need for partnership building, and active participation in consortium.

However all of above mentioned opportunities and strategic plans can not materialized without availing the supports they inquired there by change the status-quo of these organizations for the better.

Q#3-What are the supports you need to materialize your plan?

Twenty six respondents mentioned of at least one support they need to undertake their future plan. The analysis indicates, the major supports required that can give insight to needs and priorities of ERCs and a role to be played by stakeholders in their strategic decision making.

It includes a wide array of support areas ranges from the straight forward needs: financial, material, technical and managerial support to enhanced capacity building support on aspects of strategic planning and reviewing; sharing good practices and human resources support to assist them in their endeavour on IGA.

They indicated for donor's enhanced transparency on funding decisions and in floating call for proposals and government to play a role in mediating the process. Respondents demanded funding agencies to commit for organizational development endeavours. The few but important responses includes government's positive attitudinal change and address the legal/bureaucratic barriers towards NGOs; funding support to organize a CSR conference, professional volunteers to provide training on fund raising; partnership strengthening to be used as a leverage point and also increased media coverage.

Various training needs has been indicated , which opens us an opportunity for academicians and training institutions to tailor their plan to the most significant needs and priorities of these agencies, provided funding agencies earmark a portion of their grant for such plans. Interestingly one respondent mentioned of support from government to sustain phasing out program, which is of paramount significance, as all this research is meant to better support the development endeavours of ERCs, which has to be regarded as a complementary and integral part of the development plan by the government. As such it underscored the importance of sustaining the impacts, after the CSOs have ended because of the funding challenges.

General open ended comments by ERCs on the theme of the Study

Twenty four respondents provided at least one comment each and flagged a number of issues of pertinence to the government, NGOs themselves, the private sector, the public and on the essence of partnership. Six of the respondents specifically pointed the importance of the research to address the unbearable problem of ERCs and the fact that the themes included in the questionnaire helped them look inward to their organization, and triggered them to think that the problem at hand has solutions. The responses have been summarized in the following major themes.

Partnership: The respondents explained the need for willingness and shared values among NGOs to better serve grass root level community; need for trust building and proactive actions. One respondent interestingly mentioned of NGOs with sever funding constraint to consider merger as an alternative to closure, an alternative worth exploring.

Resources: Changing attitude of the public to nurture volunteerism and because majority of ERCs are hugely dependant on foreign sources, suggested if the government disburses some fund to help CSO better work effectively. It has also been noted that private sector should think beyond profit and contribute to the poor community.

Policy and Systems: the respondents suggested the government focal agencies, stakeholders or focal partners to have department coordinating the work of donors and create linkage with ERCs. Government also to make CSR initiatives be attractive to the business sector, for instance through tax incentive policy, As such local fund raising for development work will be enhanced.

4.3 Qualitative Data Findings and Analysis -Key Informants Interview

Five key informants were purposively chosen and an interview has been conducted face to face and via telephone to get their experience and reflection and further enrich some of the findings from the research on the ERCs.

Because of the limited number of participants for this method and ethical considerations, the researcher has avoided direct referencing of respondents. The two informants represented the views from a donor perspective, while the other two from ERCs' perspective (one of the informant has worked in the senior management level in five different ERCs, including some of which were part of the random samples for the surveys) and the fifth respondent representing the private sector on the agenda of Corporate Social Responsibility.

There was no structured questionnaire for each, but some probing questions/interview guides were used (annex-3) and summary of responses were discussed below under their themes.

CSOs/ERCs- Should Manage the Change

According to the key informant from a donor, priority for CSOs should be to understand and managing change (they should think how they can bring a change in an organization, a new dimension they should focus on). According to the donor respondent, the legal dimension has two perspectives-the technical and the ideological aspect. From technical aspect, government determines what CSO should do and don't, but to operationalize the working relationship is what is important. His organization is pushing for being able to demonstrate CSO's viability, given the legal environment, which is basically the underlying concept of this study.

To change the ideology, we shall enable the framework be motivating and make evidence based lobbying, meaning while we claim for change, what do we incentivize in return, given the legal environment? It is important that we understand Government may not always know CSO's internal challenges and issues.'

The government is changing some aspects of the law, as seen from recent amendments. According to the donor informant, evidence based lobbying is what will be promising.

Government doesn't believe that the law is perfect by itself and is open for change, as demonstrated from the recent amendment.

Commenting about Financial Sustainability, the informant added:

.....Financial sustainability depends on organizational capacity. CSOs/ERCs need to position their organization in such a way that it has a vision, mobilization of the community, trust building and more importantly working on organizational readiness.'

Key Informant, Donor representative

If you can manage the changes in the environment, you can ensure organizational sustainability including financial sustainability. That is how this donor looks at the issue.

Another informant from an intermediate donor also mentioned the need for CSO to be a learning organization; they should take feedback and aspire for change. Some work at community level and leave behind the motto of diversification or branding.

An unintended encounter is the role of broker organization or middle players who act as consultants or who market themselves as if they could play a mediating role between the funding mechanisms and CSOs with inadequate capacity. This shows that those 'consultant' labeled brokers are taking advantage of the capacity limitation of CSOs. There is a need for critical reasoning by CSOs and this call for a solid understanding the opportunities and threats.

Donor's Strategy: According to the donor informant, funding is not a problem, but as a donor we demand requirement. In some cases, CSOs/ERCs are not well prepared and require companion. This donor fosters the companionship model, which is most needed and the past four years engagement of this donor in Ethiopia revealed a promising result. As a donor, it is important to use distinct strategies to guide the work of ERCs such as being able to intervene in hard to reach, trust building (principle based), investment on capacity building and strategy. It is important that donors think of such innovative ways of doing business. The intermediate INGOs (donor) informant also further strengthened this idea and commented on the need for partnership management issues, and believed in a two-way communication and meaningful capacity building can make a difference in sustainability and performance of ERCs.

Explaining the challenges faced by CSOs, the donor informant mentioned of CSOs having fund and lack creativity in implementation. They are tied with fear of realignment and playing

within the scope of approved grants. The time is changing; it requires rethinking on Project Cycle Management- organizations should be given to play within the dynamic/changing environment. Therefore, donor shall follow modalities that trigger changes in CSO sector, government and donor's community. We flow a companion model, not just monitoring and evaluation rather provide supportive supervision and ongoing support than merely waiting for quarterly reports. Donors has to think of 'out of box' and not business as usual.

Another characteristic of this donor is that it has a workable procedure or requirement as compared to demanding multiple donor requirements. The pooled funding mechanism has improved the funding access to most CSOs with limited capacity and as pointed above provides companion support to enable them climb up to next level.

Transparency and feedback mechanism to CSOs is another distinguishing characteristic of the funding mechanism by this prospective donor. The program undertakes regular satisfaction survey from both successful and unsuccessful applicants. It consistently provides feedback to CSOs whose application is unsuccessful with reasons for their failure, so they take a learning point.

Another informant, an executive director of one ERC explained about the distinct approach by Civil Society Support Program (CSSP), 'value for resources', supportive monitoring visit established in 5 regions and decentralized system, Highly flexible and jointly modify changes, for instance 50% of the original plan has been changed based on actual context. Such approaches can build trust by CSOs. The training by CSSP was inspiring and motivated the staff.

Responding to how donors have done to address some of the prevailing conditions, an informant who had worked for five different ERCs stated:

'Donors should be committed to provide meaningful capacity building. There are some good examples, who makes a deliberate investment in capacity building, in contrary to most donors who want to invest merely in direct activities and the CSOs are forced to accept whatever is offered, as the priority is survival of the organization. If donors could allocate a certain % for capacity building, that would be great, but it is usually an undermined aspect.'..... Senior Program Manager of ERC

From the government side, attitudinal change is also required in terms of demonstrating flexibility and opening space for CSOs engagement in essential areas, respecting the essence

of freedom of participation and association, creating enabling environment to enable citizens take part on the development endeavors.

Governance, Accountability and Transparency in ERCs

A key informant who worked for 5 different ERCs reflected his experience on the common issues to all the ERCs he worked for (although to a varying degree) are governance and resource mobilization. These are interdependent factors and one affects the other. The more transparent an organization's governance, it is likely to easily mobilize resources.

The same respondent added that most of them were donor dependent, except one who is able to upkeep the minimum program services with an income generated from business, about 5 million turnovers from domestic business. The form of business varies- consumer goods to hotels, rent of buildings, investment through buying shares etc. Although some are good at IGA, the financial management and misappropriation of funding is a main issue. The more strict the manager, the founders don't want him/her.

'Some are like sole proprietorship and government doesn't interfere'Key Informant

The two most frequent complaints from donors on these agencies is financial management, that lacks transparency and don't get the confidence of donors. They lack long term vision- rather see of the short term benefits. Staff management is the other slack and it is based on relationship and oriented towards getting benefits.

However, there are few who were more transparent and the governance is good. They are strict on ethical standards and take measure on corruption. For these transparent organizations, donors approach them to give them funding. Part of it is attributed to the parent INGOs behind these local NGOs, who follow a structured capacity building model.

The informant underscored the importance of governance, to develop a good will and be able to influence the international corporate operating in Ethiopia. The partnership among ERCs is more of competition, when it comes to foreign sources and what they getting was insignificant, except for few organizations, to which donors compete to give money to. Some don't hire compete staff, and if so they don't retain them. The accountability of the organization should be to the members and to the general public, not to the board. Some were not open for financial audit. Government should monitor board member's willingness and

then a few good ones would remain. The transparency and accountability from the apex monitoring agency is an aspect requiring attention, so they promote the same to the CSOs.

This key informant with many years of experience in ERCs noted his general observation is that the CSO sector is diminishing. There is high influence of legal/policy environment, which demoralized the leaders of the sector. According to the informant, the policy requires regular review. Governments should look financial strength of CSOs as an opportunity and encourage local resource mobilization. There should be a policy understood by all regarding donations by private enterprises.

Volunteerism is at infant stage, if it is well nurtured obviously more than the financial resource mobilization. NGOs don't go for it. The culture is poor. For instance professionalism cost is getting expensive, while this could easily be addressed by mobilizing volunteers. It is also a way of staff capacity building. An interview with another CSO executive director came up with the following recommendations, which supports the above arguments. **Resources beyond finance:** ERCs have a problem of seeing only financial resources, they just think of fund. Local resource is beyond money. Many of them are established based on commitment, but once they get the fund their attention is getting diverted.

Leadership's Commitment- when commitment reduces, creativity reduces and if creative and motivated to start with minimal resources, ERCs will likely be successful. When commitment is reducing, more focus goes for money and abuse.

'The sector is not a means of income rather a means to help the needy.' says an Executive Director of one ERC

Corporate Social Responsibility as an Opportunity

An informant from the private sectors his view and opinion on CSR practices.

It all boils down to doing an ethical business. The business in our country is focused on wealth maximization and profit making. The impact of not doing CSR can be known when business encounters customers boycott. You can cite businesses such as those new ones in the brewery Industry, who quickly became competitive in the market and one aspect is because they invested in CSR right from the beginning.

It is important for the community to know that the company should aim beyond the pursuit of profit. The experience from my organization is we allocate some amount per year.

.....the modality of giving decision is either sporadic, when demanded, or based on the goodwill of managers. There lacks clear policy direction; CSR is only mentioned as value and done when required.

Key Informant from Private sector

Regulatory body should motivate organizations to engage on CSR and better coordinate the contributions and also recognize the companies who demonstrated CSR. Sometimes it is the awareness level of some individuals or business owners, who have no knowledge of the problem. So creating awareness and mobilizing those who are willing and able to contribute is essential. This is a valid comment, as one's behaviour is delimited by a number of motivational factors: Ability, Knowledge, and Willingness. According to this respondent CSR expenses for private sector is regarded as an expense and hence tax free to a certain limit. There is contradicting information that requires further verification, which was beyond the realm of this research, but one can establish that there is lack of common understanding on the regulation. All in all, it is important that the government takes a catalytic role and make the policy known to all and foster the practices.

Summary of Findings and Discussions

From the analysis of the data from the mixed methods, the researcher has established the following findings and further discussed against previous research findings and literatures:

Challenges Faced by Ethiopian Resident Charities

Descriptive analysis showed only 21.7 % (5) of 23 organizations have a funding source that goes for the coming three years; 4 of the 23 organizations have no current funding and staggering in search for funding support from either local or foreign sources. About 20% (8 of 37 agencies) confirmed adequacy of the current funding level to carry out their programs. The diversity of funding doesn't however show significant correlation with the adequacy. It is the important but not the only factor. 46% of the agencies (17) have diversified their funding and yet have no adequate funding.

Majority of funding for the sample organizations comes from donors, thus calls for adequate follow up support. However over 60% of those been funded are not receiving and follow up support. This would imply donor relation and keeping good record as an important factor. The result on study population depicts program performance and timeliness of reporting as the frequent issues from donors.

The crosstab analysis shows that pattern of funding indicated 12 of the 36 agencies experienced increasing trend since establishment, while 20 of the 36 experienced either decreasing or fluctuating trend and for the remaining 4 agencies, it has somehow been stable. Looking back in to adequacy, only 8 reported as their funding is adequate and only 2 had experienced increasing trend. Meaning increasing trend doesn't necessarily explain the sufficiency of funding to pursue their mission and programs. The future prospect of funding is increasing only for 8 of the 35, and difficult to predict for the majority. Those predicting increasing future prospects are in total equivalent to those who mentioned as they have adequate fund to pursue their mission, but only 1 agency predicts as the future prospect is in the increasing trend. The majority lie in the decreasing and difficult to predict category.

The impacts of funding constraint are mainly turnover of staff and low service provision followed by mission drift. The issue of organizational capacity building and sustainability of programs indicated as additional impacts of funding challenge.

From the various funding modalities for the surveyed agencies, local source combined from individuals or member's contribution, volunteers and IGA is less significant. The corporate sector combined with sponsorship sources is the less frequent one, showing limited corporate social responsibility practice. 16 of 25 agencies have less than 10% funding from local sources and of this 9 of them has less than 5%. The practice of local fund raising on the other hand shows only 5 of the 29 agencies have gone for the mechanism of local fund raising to a full extent. The major constraints cited include the culture of volunteerism and the bureaucracy for local fund raising. The fact that local business are not established to funding charities; the policy of charity that restricts local sources mobilization before one year in operation and lack of positive responses in previous attempts were cited as additional comments.

More than 90% are low or to some extent and only 2 agencies reported to have gone for aggressive plan of diversification of funding source. The major challenges in competitive bidding for foreign sources were the lack of information on call for proposals, weak coordination or partnership and limited staff capacity. Also noted that only limited call for proposals are floated and there are too many competing for it. Donors use high standard criteria that don't much the level of beginners; thus the lack of organizational capacity is a major factor.

With regards to strategic partnership for mobilizing local resources, only 45%(13) indicated to have, while 55% (16) do not have and the reasons being weak relation, no strategic cooperation, unnecessary agenda among network members, legal constraint, lack of philanthropy concept makes it difficult for local resource raising and some tried but lack of willingness and not had a good experience before and hence think this is a waste of time. The responses on existence of strategic partnership for mobilizing foreign resources indicated 62%(18) Yes and 38%(11) No and the reasons being the developmental stage of the organization, lack of willingness and often find it difficult to convince unless it comes from donors. But one can see there is more partnership for foreign source mobilization than local sources. Most organizations are part of a consortia or sector specific forum and the existing partnership is likely to continue for the coming 3-5 years, which is a good opportunity; however the effectiveness and strength of the existing partnership didn't add value; while majority think that these coalitions were initiated by the donor and hence less likely to be sustainable.

The most important internal limitations impacting organizational performance includes aspects of governance and accountability; hiring and retention of staff, geographical spread and elated logistics are the major issues in thier order of priority. while funding absorption capacity and challenges related to infrastructure are the least factors considered as internal challenge.

Supporting the above findings is the European Union 2014 CSO mapping also indicated the common problems faced by CSOs relate to domestic and foreign resource mobilisation, donor accessibility, poor cooperation with governmental agencies and internal capacity of the CSOs themselves. (EU, 2014)

The same study has recommend CSOs to diversify income base (including through domestic resource mobilisation), institute a system for self-regulation, and increasingly work on issues and with target groups that are often hard-to-reach, as a distinct added value of CSOs.

The major concern of most organizations in the sector is the lack of a secure access to funding from domestic sources and CSOs/NGOs therefore are dependent on international donors and foreign sponsors for almost all of their program activities and running costs. This justified the need to discuss what challenges are they facing in that regard and how can they become competitive (Desalegn R., 2008)

Understanding and Practice of Strategic Fund Raising By Ethiopian Resident Charities

Looking in to level of understanding about strategic fund raising, existence of important strategic plan and whether element, 90% has strategic plan and majority has reported to have a marketing and fundraising plan included. The channels most often used to market about their work is flyers, website and meetings, the least used are media and events. And majority often market about their program to the public, while 7% reported to rarely teach others about their work. The major constraint not to go for marketing and local fund raising is because of distorted image and the public doesn't value the contribution of NGOs. The media is often criticized for presenting a portrayed image of CSOs. The overall rating on adequacy of teaching about their work and added value to the public is 5.41 (out of 10) and hence marginally above average, showing the NGOs have a long way in creating their brand and get the buy-in from the public. More than 80% of the respondents reported to have unpaid volunteers, which is a good opportunity but this needs to be backed up with clear policies and also regularly track the benefits gained from it to pursue the organizational mission.

Opportunities recognized by Ethiopian Resident Charities

As discussed in the qualitative analysis, the existence of development needs, policies and strategies and the policy provision by the government for CSO's engagement on IGA is reported to be an obvious opportunity.

The programmatic approaches or engagement in neglected sector could be a great leveraging point. The respondents mentioned of doing self-initiated innovative programming and better documentation and dissemination of good track record to local and international stakeholders.

The recognition by ERCs for aggressive engagement in local resource mobilization, and the need for minimizing excessive dependency on external funding will obviously create a favourable environment and enables to maintain the minimum service levels. As part of their funding diversification strategy, ERCs would like to engage in IGA businesses. Among things they planning to do differently, the awareness creation and marketing both at local and international level will enhance their visibility and acceptance. However the study participants mentioned of creating platforms for promoting Corporate Social Responsibility.

The findings showed the need to be a vibrant, responsible, responsive organization and also the need for enhancing competitiveness through organization (context) based interventions, which are meant for based on priorities. To have a collective voice, noted the need for value adding partnership building, and active participation in consortium. However, these perceived opportunities and future plans won't be materialized without availing the supports inquired by ERCs.

Strategies Overcome Challenges and maximize the opportunities

In view of the challenges faced and the identified opportunities including the ERC's future plans and supported demanded, strategies can be drawn for future action.

Supports required- It includes a wide array of support areas ranges from the straight forward needs: financial, material, technical and managerial support to enhanced capacity building support on aspects of strategic planning and reviewing; sharing good practices and human resources support to assist them in their endeavour on IGA. Various training needs has been indicated , which opens us an opportunity for academicians and training institutions to tailor

their plan to the most significant needs and priorities of these agencies, provided funding agencies earmark a portion of their grant for such plans.

The program implemented by ERCs shall be regarded as a complementary and integral part of the development plan by the government. As such the finding revealed the importance of sustaining the impacts, after the CSOs have ended their intervention because of the funding challenges.

From donors side a number of issues have been flagged including the need for revising their modality of releasing call for proposals, commitment for capacity building of ERCs ; funding support to organize a CSR conference, professional volunteers to provide training on fund raising were some of the supports inquired. On the other hand revisiting the 'companion' model of support from donors is something needs to be considered. Transparency and feedback mechanism on proposal appraisal processes is another important factor, so that ERCs could learn from the process.

On the partnership front, there need to be willingness and shared values among NGOs to better serve grass root level community; need for trust building and a proactive action is of paramount significance. This implies enhanced role of networks, coalitions and umbrella organizations.

For local resources mobilization from individuals, volunteerism and corporate sector, efforts has to be geared towards changing attitude of the public. Although it has been for government to disburse some fund to help Soft this contribution could be in the form of in-kind donations. It has also been noted that private sector should think beyond profit and contribute to the poor community and government do the necessarily encouragement.

CSOs/ERCs should be a Learning Organisation and adapt to the changing environment to be able to ensure their financial and hence organizational sustainability. These organizations need to position themselves in such as a way that it has a vision, mobilization of the community, trust building and more importantly working on organizational readiness. This brings the strategic management process in to play, which is the main role of the executives. These finding are in line with Flower (2013) that points out learning, adaptation/insightful agility, performance, and reputation as the core parameters for NGO sustainability.

As in any strategic management of organizations, there is a need for critical reasoning by CSOs and a solid understanding the opportunities and threats as well as the internal challenges. Transparency and Accountability are the two most significant factors noted as determinant to financial and organizational sustainability. The findings revealed that those who showed an evolving transparency and governance have been approached by donors directly. This would imply having sound financial system, better management of staff and enhanced credibility to donors and their constituencies has paramount significance.

From the findings, ERCs are facing a challenge of getting in touch with donors and hence called for government or partners to play a mediating role, which actually not necessarily be required has the internal challenges been addressed.

Government should give recognition to CSR initiatives and make it more coordinated and attractive to the business sector. Notwithstanding, the need for meaningful partnership and alliance with the government, who can even be a source for additional resources to ERCs. This requires action from both the ERCs and government side in terms of attitudinal change. Government should see financial sustainability of ERCs as an opportunity and help them in their Endeavour, but at the same time play its regulatory role in a transparent manner. ERCs also need to have a positive attitude towards government's initiative and try to convince based on evidences and focus on correcting their internal deficiencies and justify their value additions.

Some of the supporting arguments to the above findings:

- **Civil Societies should work on their internal challenges and shortcomings:** there are numerous limitations in discharging their role and responsibilities. Some of the problems include weak institutional structure and arrangement, fragmentation, uncomfortable attitude towards government initiative and traditional mindset, thus calls for meaningful partnership between the government and civil society. (Tsfaye 2013, pp 44-45)
- **Institutionalization of volunteerism:** This would facilitate the holistic participation of citizens using modern approach to involving all sectors (private, public and CSOs) in voluntary services for sustainable development of the country. (Meskerem & Birhanu ,2013, pp.3)

- **Local governments can be a valuable source of financial and non-financial support** for activities. In addition to direct funding, a number of NGOs work with their local governments to receive free office and activity space, coverage of their utility bills, technical and expert advice, support in obtaining permits for reconstruction projects, and use of vehicles and equipment (AED, 2004). From the study data, the researcher has noted some of the ERCs had received a similar support from the Ethiopian government.
- **Businesses** are a great, yet underused, source of NGO support. Generally speaking, businesses want to support projects that are visible in the communities where they operate, that are supported by the community or by “important” individuals, or that are linked to local economic development. Businesses can offer many valuable resources, sponsorships and cash gifts, material support and services, technical expertise, equipment and facilities. They may also offer their products or services to NGOs at a reduced rate, or allow or encourage their employees to volunteer with the NGOs. (AED,2004)

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

Financial Sustainability of CSOs in general and ERCs in particular is highly impeded. New organizations are finding it difficult to penetrate the competitive requirement for foreign funding and because of the less developed practice of CSR and volunteerism for local funding; these organizations are often staggering and were only on the register of the ChSA. Those who are in the midst of their operation encounter high turnover of staff because of financial challenges and in turn leaving them in the vicious circle of inadequate capacity to compete, once they lost their experienced staff.

Thus, ensuring financial viability calls for a multifaceted, aggressive action by CSOs and at the same time creating a favourable ground by their donors and the governing body for flexibility, and transparency as well as the public at large to value NGO's contribution in the development endeavours. As discussed, ERCs raise a significant percentage of their funds from foreign sources. The lack of volunteers, strong constituencies, and local philanthropy means that most CSOs depend on a single source of funding.

Although the subjects of the study are ERCs who are allowed to have both local and foreign sources, most respondents have mentioned the need for local resource mobilization and also demanded the need for capacity building on this aspect including trainings on local resource mobilization and fund raising, learning platforms on good practices related to IGA business development.

The ERC's managers and leaders however have a long way to go and require managing the change and practice agile governance of their organization in the given operating environment. This calls for a well thought out strategic management process cognizant of the internal organizational context and sound understanding of the external environment.

Some of the aspects requiring due emphasis by Ethiopian Resident Charities includes the following inter-dependent priority actions:

- Improving governance structure, transparency and accountability of their organization to donors, beneficiaries and government. These will among others include hiring and

- retaining competent staff, exercise servant leadership at all level, establishing a sound financial management system and demonstrate value as an institution;
- maintaining the existing donors through excellent performance and consistently meeting programme performance requirements, engage in value adding and innovative programs;
 - aggressively attract new prospective donors through strategic marketing of the results and changes achieved by the CSOs and presenting their distinctive added value
 - networking and strategic alliance with other CSOs for collective voice, enhanced capacity and do a collective influencing of donors decision;
 - diversify funding base and minimize extreme dependence on few donors. This demands a proper strategic fund raising and marketing plan that systematically assess all potential opportunities, looking in to the non-traditional institutional donors and use means for increased engagement of corporate and individual private donors through innovative ways, such as through organizing educational events and relationship building;
 - do proactive intelligence gathering and attend the important coordination platforms;
 - It is very important that ERCs do a rigorous self-capacity assessment and strategize their action on the basis of internal realities and external factors

Role to be played by donors, funding mechanisms

- Transparency in funding decision (in opening call for proposals, providing feedback on applications/appraisal results);
- Commitment to capacity building. Have a flexible system to allow allocation of a certain % of total funding for capacity building of the ERCs, than merely pushing for direct programmatic actions.

Role to be played by Government

- Encourage ERCs to engage in innovative programme and emerging priorities, where they could enhance their value
- Foster CSR agenda through enforcing incentive mechanism for enhanced engagement of private sector in corporate social responsibility;

- Encourage CSOs with distinctive performance and innovative programs through allocation of land or premises and reduce their overhead cost needs. Also encourage use of government infrastructure for fund raising;
- Promote volunteerism and continuously look in to the policy environment and take the initiative to fully understand the myriad of challenges faced by ERCs and take a mediatory role with prospective donors.

Role by other actors (media, public, private sector)

- Training institutions to tailor their training to the organizational development needs of ERCs. For instance in areas of strategic planning, resource mobilization, relationship building and partnership management, financial management ;
- Media has a great role in changing the image of the public on ERCs and among others would trigger to nurture the culture of philanthropy and volunteerism.

All stakeholders

- Implement need based capacity building strategy, such as in areas of strategic planning, financial systems and management. Business may be a grey area for those used to work on humanitarian sector and hence requires professional assistance on exploring market opportunities for potential business opportunities for ERCs and assist them in business development.

RECOMMENDATIONS

The findings from this research may not be exhaustive, but the issue addressed by study has of practical importance to the ERCs as also revealed from the comment from the surveyed ERCs. Reflection on current reality is necessary to strengthen the NGO sector. The findings will provide insights to a variety of audiences including policy makers, ERCs themselves and academicians and contributes to the knowledge base. If the findings of this descriptive and explanatory study be augmented with a validation workshop, it will guide the required strategic actions by the ERCs themselves, policy makers, donor community and the public at large to address the critical challenge faced by the subjects of this study. Such analysis of CSOs should be followed by reflection and action (CIVICUS 2004, p.31).

Future researches shall focus on documenting good practices on IGA programs and establishing the success factors, as such it will create an evidence base to build the capacity of ERCs on the agenda. Merger was mentioned by respondents as an alternative option than closure due to financial problem. While the idea could be interesting, it is good to explore its feasibility and willingness, at least among those who demonstrated good partnership or alliance.

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