



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

**THE CHALLENGES OF THE ETHIOPIAN CHARITY AND SOCIETIES  
70/30 GUIDELINES IN CSO OPERATIONS:  
THE CASE OF REDEEM THE GENERATION AND HIWOT  
INTEGRATED DEVELOPMENT ORGANIZATION IN ADDIS ABABA**

**BY  
EDMIEBIRHAN NIGUSSIE**

**JANUARY 2018  
ADDIS ABABA, ETHIOPIA**

**THE CHALLENGES OF THE ETHIOPIAN CHARITY AND SOCIETIES  
70/30 GUIDELINES IN CSO OPERATIONS:**

**THE CASE OF REDEEM THE GENERATION AND HIWOT  
INTEGRATED DEVELOPMENT ORGANIZATION IN ADDIS ABABA**

**BY  
EDMIEBIRHAN NIGUSSIE**

**A Thesis Submitted to St. Mary's University, School of Graduates  
Studies in Partial Fulfillment of the Requirement for the award of  
Masters of Business Administration (MBA General)**

**JANUARY 2017  
ADDIS ABABA, ETHIOPIA**

**ST. MARY'S UNIVERSITY, SCHOOL OF GRADUATE STUDIES  
FACULTY OF BUSINESS**

**THE CHALLENGES OF THE ETHIOPIAN CHARITY AND SOCIETIES  
70/30 GUIDELINES IN CSO OPERATIONS:**

**THE CASE OF REDEEM THE GENERATION AND HIWOT INTEGRATED DEVELOPMENT  
ORGANIZATION IN ADDIS ABABA**

**BY  
EDMIEBIRHAN NIGUSSIE**

**APPROVED BY BOARD OF EXAMINERS**

---

**Dean, Graduate Studies**

---

**Signature**

---

**Advisor**

---

**Signature**

---

**External Examiner**

---

**Signature**

---

**Internal Examiner**

---

**Signature**

## **DECLARATION**

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

Name of the student: Mrs. **EDMIEBIRHAN NIGUSSIE**

Date: \_\_\_\_\_

Signature \_\_\_\_\_

## **ENDORSEMENT**

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

Name: Elias Nour(Dr.)

Signature \_\_\_\_\_

Date\_\_\_\_\_

## ACKNOWLEDGEMENTS

First of all, I would like to thank my almighty God who gave me strength to pursue my graduate study. I would like also to gratefully thank my Advisor Dr. Elias Nour for his unreserved support and follow- up throughout the process. I would like also to thank my friends Ato Tenaw Mengist and Ato Dereje Getahun for their dedication to review my paper and given me their valuable comment.

My sincere appreciation goes to employees and management of Hiwot Integrated Development Organization and Redeem the Generation Ethiopia. The Executive Directors of the two organizations were very supportive and availed the necessary information for my thesis in which I would like to thank all for their co-operation and kindness in providing access to information.

Finally, I would like to thank my kids Abigail Geremew and Abel Geremew for their love, understanding and kind words. My sincere appreciation also goes to my brother Bisrat Nigussie and my sister Hebist Shiferaw for their continuous encouragement. Last but not list, I would like to thank my late father who encouraged me to be successful in my education.

# TABLE OF CONTENTS

DECLARATION .....	i
ENDORSEMENT .....	ii
ACKNOWLEDGEMENTS .....	iii
LIST OF TABLES .....	vi
ACRONYMS/ABBREVIATIONS.....	vii
ABSTRACT.....	viii
CHAPTER ONE .....	1
INTRODUCTION .....	1
1.1 Background of the study .....	1
1.2 Statement of the Problem.....	3
1.3 Research Questions .....	4
1.4. Objectives of the Study .....	4
1.5 Definition of terms .....	5
1.6 Significance of the study.....	5
1.7 Organization of the paper.....	6
1.8 Delimitation/Scope of the study.....	7
CHAPTER TWO .....	8
LITERATURE REVIEW .....	8
2.1 Conceptual Overview of CSO.....	8
2.2. Historical overview of Civil Society in Ethiopia .....	9
2.2.1 Traditional associations .....	10
2.2.2 Formal organizations .....	11
2.2.3 Community-based Organizations (CBOs) .....	12
2.3 Contribution of CSO for Development.....	13
2.4 Legal Framework governing their operation in Ethiopia.....	14
2.5 Categorization of cost operational/program and Administrative .....	17
2.5.1Salary and Benefit.....	17
2.5.2 Goods and Services.....	17
2.6 Effect of the Charities and Society (ChSA) law .....	18
2.7 Empirical Review: Some African and Asia countries’ practices .....	19
2.8. Concerns raised by Charities and Societies on 70/30 guideline implementation .....	20
CHAPTER THREE .....	23

RESEARCH DESIGN AND METHODOLOGY .....	23
3.1. Research Approach and Design .....	24
3.2 Data Source and collection methods .....	24
3.3 Study Sample size .....	25
3.4 Data Analysis .....	25
CHAPTER FOUR.....	26
RESULTS AND DISCUSSION .....	26
CHAPTER FIVE .....	35
CONCLUSION AND RECOMMENDATIONS.....	35
5.1 Summary of Findings.....	35
5.2 Conclusion .....	35
5.3 Recommendations.....	37
REFERENCES .....	38
ANNEX .....	40
Annex 1- Questionnaire for employees of HIDO and RTG .....	40
Annex 2- Interview Questions .....	43
Annex- 3 Sample budget.....	44
Annex-4 Ethiopian Charities guideline.....	45



## LIST OF TABLES

Table 1. The age, educational background and years of service of the study participants .....	27
Table 2. The attitude of the study organizations employees about the effect of the 70/30 guideline .....	28
Table 3. Descriptive Statistics: The attitude of the employees about the effect of the 70/30 guideline .....	29
Table 4. Clarity on the ChSA guideline .....	29
Table 5. Descriptive Statistics: Clarity on the ChSA guideline .....	31
Table 6. The alignment of donors' expectations with the 70/30 guideline .....	31
Table 7. Descriptive Statistics: The alignment of donors' expectations with the 70/30 guideline .....	32

## ACRONYMS/ABBREVIATIONS

ACORD	Association for Cooperative Operations Research and Development
CBOS	Community Based Organization
CHS	Charity and Society
CHSA	Charities and Society Agency
CHSOS	Charity And Society Organization
CSOS	Civil Society Organizations
CSP	Charities & Societies Proclamation
ERCS	Ethiopia Resident Charities
HIDO	Hiwot Integrated Development Organization
HIV/AIDS	Human Immunodeficiency Virus infection and Acquired Immune Deficiency Syndrome
NGOS	Non-Governmental Organizations
RTG	Redeem The Generation
TECS	Tracking Trends in Ethiopia Civil societies

## ABSTRACT

*Civil Society Organizations have been playing an important role in the overall development effort of the country and their intervention has a significant impact on the lives of the poor and the disadvantaged. During each regime that ruled the country there was a law, which was enacted to guide Civil Society organizations on how to register and what is expected from them for operation. The recent proclamation is the “The Charities and Societies Proclamation No.621/2009” proclamation, in short called the CSO proclamation that was enacted in 2009 by the current government. The Objectives of the study is to assess the effect of the 70/30 guideline of the Charities and Societies Agency on the operational activities of the two selected Ethiopian Resident Charities named Redeem the Generation Ethiopia and Hiwot Integrated Development Organization. The two organizations have been implementing different project since 1999. RTG works for the empowerment of youth and orphan and vulnerable children to release their potential for a better life. HIDO works on four targeted program interventions namely child care and development, community based health care, livelihood and capacity building .In order to achieve the objective of the study, the research method used was descriptive case study approach. The research has gathered the necessary information through the use of primary and secondary data source. The finding shows that the 70/30 guideline issued in 2009 by the Charities and Societies Agency is found not to be as such comprehensive and it is generally considered less clear. In addition to this the participants responded that there are differences between the ChSA and the donor cost allocation. The respondents also mentioned that there are some costs which are considered as administrative like program coordinator and officers’ salary and benefit has not been included in the operation rather considered as admin cost; travel cost related to monitoring and evaluation considered as admin cost. Thus, the ChSA should work together with the charity organization and revisit the cost allocation. In addition, the donor community needs to reconsider their budget allocation in order to help the CSOs to meet the ChSA’s requirement.*

### **Key Words:**

Civil Society organization, Charities and Society Agency & Ethiopian Residence Charities.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the study**

Charity organizations emerged in Ethiopia in the 1970s during devastating famine and drought in Tigray and Wollo Regions. The Imperial regime opened its door for foreign and local charities to involve in the relief and rehabilitation program. The majority of the organizations were faith based organization. However, the number of Civil Society Organizations (CSOs) was not that much. In the year 1984, the civil society engagement increased because of the drought occurred in the country. After downfall of the Derge regime, the number of CSOs substantially increased. According to Charities and Societies Agency news report, until October 17, 2014 a total of 3007 CSOs have been registered in the country.

As per the World bank report, Civil society organizations have been playing an important role in the overall development effort of the country and their intervention had a significant impact on the lives of the poor and the disadvantaged; and the broad range of basic services made accessible to them, on the country's economy and the development programs and contribute for the democratization process. They also played a role on public awareness and empowerment and capacity development of government agencies at different levels. In addition, they do have significant contribution in creating business and job opportunities for citizens. Last but not least, they have been contributing in bringing foreign currency to the country.

During each regime that ruled the country there was a law, which was enacted to guide Civil Society organizations on how to register and what is expected from them for operation. The recent proclamation is The Charities and Societies Proclamation No.621/2009 proclamation, in short called the CSO proclamation that was enacted in 2009 by the current government. The CSO proclamation applies for charity organizations operating in more than one region, Ethiopian Resident Charities as well as Foreign Charities. The proclamation stated clearly the purpose and the expected contributions of Charities, which includes disaster prevention and poverty alleviation, economic and social development, environmental protection, animal welfare, arts, culture, heritage and science, education, health and the saving of lives, amateur sport and youth welfare, relief of the needy because of age, disability, financial hardship or other disadvantage, capacity building on the basis of the country's long term development, directions, human and democratic rights, promotion of ethnic, religious and gender equality, Promotion of child rights

and the rights of disabled persons, conflict resolution and reconciliation, supporting justice and law enforcement and other purposes prescribed by the agency.

In 2011 GC, the Ministry of Justice, Charities and Societies Agency (ChSA) issued eight guidelines to determine the operational and administrative costs of charities and societies (ChS) and one of it is the 70/30 directive. Upon the issuance and implementation of the guideline, it is noted that all types of civil society organization have been struggling to meet the requirements. Especially, the Ethiopian Resident Charities have been facing a lot of challenges from the donor sides as well as from the directives to meet the requirements since their major source of fund is from donors and the donors have their own guidelines to give funds.

The Ethiopia Resident Charities (ERCs) should get more than 10% of their fund from foreign charities. Thus, they have to develop a proposal and seek funds. Through the process, the ERCs have to fulfill foreign charities fund requirement. Most of the Foreign Charities have their own budget allocation, which in most cases doesn't match with the Charities directives. Thus, ERCs have been facing difficulties to meet the two requirements the donor as well as the charities and societies directives.

**Redeem the Generation (RTG)** is an Ethiopian Resident charity organization was established in 1999 to work for the empowerment of youth and orphan and vulnerable children to release their potential for a better life. The organization prepares them for the challenges in life by providing trainings, health service and psychological support. The organization has tremendous experience in implementing projects that specifically relate to education and health for vulnerable groups. The organization operates in three regions and on average implemented two projects annually with an average total annual budget of ETB1,734,171.00. The major donors are Pact-Ethiopia and World Bank administered multi donor Trust fund.

**Hiwot Integrated Development Organization(HIDO)** is an Ethiopian Resident charity organization founded by an Ethiopian Nurse, other dedicated health professionals and social workers, experienced in community development initiatives in 1999. Currently the organization is operating in three regions of Ethiopia; Addis Ababa City Administration, Oromia and Amhara Regional States. It works on four targeted program interventions namely child care and development, community based health care, livelihood and capacity building with an average total annual budget of ETB 3,000,000.00. It works towards the inclusive development of marginalized and vulnerable sections of the society including highly vulnerable children. HIDO's mission is to build the capacity and confidence of marginalized and vulnerable sections

of the society through participatory and inclusive health, education and livelihood programs interventions. Since its establishment, HIDO has provided enormous contributions in the fight against HIV/AIDS through twelve years of experience. It has also contributed to increasing school enrollments through lobbying schools for school fee exemption for highly vulnerable children, facilitated and provided access to social services and assisted marginalized groups to become self-reliable through marketable income generating activities. Through its Social Accountability project, the organization works on building the capacity of citizens to voice their concerns regarding access to and quality of basic health and education services through implementing Social Accountability tools. It also works to strengthen the capacity of health and education service providers in the target woredas and establish/strengthen systems and structures for efficient and effective socially accountable service provisions.

Different scholars have assessed the challenges of the Ethiopian Charities. However, the challenges still persist. Thus, this research meant to further assess the challenges of the two selected Ethiopian Residence Charities organization named “Redeem the Generation and “Hiwot Integrated Development Organization.

## **1.2 Statement of the Problem**

Article 90 of the Proclamation (621/2009) states: “Any charity or society shall allocate not less than 70 percent of the expenses in the budget year for the implementation of its purposes and an amount not exceeding 30 percent for its administrative activities”

The Charities and Societies Agency issued 70/30 guideline in 2009 brought significant changes in the budget category. Article 90 of the proclamation 621/2009 stated that “Any charity or society shall allocate not less than 70% of the expenses in the budget year for the implementation of its purposes and an amount not exceeding 30% for its administrative activities.”

To track this classification, the 70/30 guideline specifies cost items on each category and it is based on this classification that the CSOs should do their annual budgets, project proposals, budget utilization reports and audited financial statements.

Many CSOs are facing problems in fulfilling this requirement and due to this fact many CSOs are becoming non-compliant as well as unable to effectively implement their development projects/programs. This study, will critically assess the key operational challenges that Ethiopian Resident Charity Organizations faced in relation to the 70/30 categorization.

Thus, this research was looking in depth the key challenges of the two Ethiopian Resident Charities due to the 70/30 categorization in their operations. In addition, it gives recommendation.

### **1.3 Research Questions**

This research paper addresses the following question:

- a) What are the pros and cons of the 70/30 cost categorization?
- b) How does the 70/30 guideline affect the operational activities of Ethiopian Resident Charities implementing program?
- c) What are the major challenges they encounter to comply with the ChSA requirement?
- d) How aligned is donors cost allocations with the ChSA 70/30 guideline and the customary practices of ERCs?
- e) How do donors cost allocations affect the Ethiopian Resident Charities not to comply with the ChSA guideline?
- f) Is there a common understanding among all actors about the 70/30-guideline?

### **1.4. Objectives of the Study**

The general objectives of the study is to assess the effect of the 70/30 guideline of the Charities and Societies Agency on the operational activities of civil society organizations in Ethiopia, specific to the selected Ethiopian Resident Charities operating in Addis Ababa City Administration.

The *specific objectives* of the study are the following:

To review the 70/30 guideline, its application and operation on the sample Ethiopian Resident Charities;

- a) To assess the challenges of the 70/30 guideline in the operational activities of the selected Ethiopian Resident Charities;
- b) To assess the cost allocation method used by funding agencies and its harmonization with the ChSA 70/30 guideline;
- c) To come up with evidence based recommendations for future action by respective actors and give additional insight for further wider study in order to influence decision makers to revisit the guideline.

## 1.5 Definition of terms

**Administrative costs**:- as per the Ethiopian Charities Agency guideline issued in 2011, Administration costs shall mean those costs incurred for emoluments, allowances, benefits, purchasing goods and services, traveling and entertainments necessary for the administration activities of a charity or society which covers 30% of the project cost and **Operational or program costs** shall mean money spent to achieve the goals for which the CSO has been established and to benefit the community which covers 70% of the project cost.

**70/30 Guideline** is a directive No. 2/2011 issued by the ChSA to determine the Operational and Administrative Costs of Charities and Societies No. 2/2011 can be quoted as the “guideline for determining the operational and administrative costs of CSO’s, number 2/2003” or ChSA “70/30 Guideline”.(ChSA, 2011)

## 1.6 Significance of the study

As per the new law, 2069 CSOs/NGOs have been registered as Ethiopian Resident charities and they are engaged in different development work throughout the country. These organizations operation have been affected by the guideline i.e. 70/30 issued by ChSA in 2011. Civil societies and donors agree that the 70/30 ratio is reasonable in principle but there is widespread concern that the actual classification of administrative costs has a negative impact on civil society organizations programs and projects (TECS 2013). Some of the challenges are associated with a different categorization of admin and operational costs and the mismatch of this categorization with the allocation of funding agencies. Some costs like monitoring and evaluation costs that need to be considered as operational are categorized as admin costs. Ethiopian Resident Charities are highly dependent on foreign funding and the fact that these funding agencies have their own cost allocation, which is not in line with the government directives, make it increasingly difficult for the ERCs to fully comply with the requirements. Moreover, the understandings of the guideline within the ChSA officers vary from individual to individual and it is subject for misinterpretation. In some instances, the nature of the projects also has significant contribution not properly meet the 70/30 requirements. For instance, if a project is implementing interventions facilitating capacity development and training to stakeholders (including local government and frontline sector staff), the cost associated to it fall under administrative cost, which under other circumstances are considered as operational cost. Above all, the classification of operational and administrative cost is vague and difficult to implement in



the ground. Thus, this study is relevant to the ChSA, the Ethiopia Resident Charities and donor organizations to critically assess the challenges and jointly come up with remedial amicable solutions. The following are some of the major relevance of the study:

- a) The study will explore the 70/30 guidelines and its practice within the Ethiopian Resident Charities context, ChSA and donor organization so that it will give additional information and insights for both parties;
- b) The study will benefit the ChSA because the finding will allow them to see the gaps in the implementation of the directive so that it will help them to take evidence based measures to amend or update the guideline which could better give space for the civil society organizations;
- c) It will be also beneficial for funding agencies to better understand the Ethiopian resident charities' challenges to in-effect the 70/30 guideline and to reconsider their cost allocation to align with the ChSA's requirement'.
- d) It could also help the law makers to aware of the current situation of the Ethiopian Resident Charities so that they may positively influence the directive so as to maintain the development operation of organizations.
- e) It could also present an evidence for the government sector offices on the challenges of those CSOs so that can interfere with different legislative bodies since the CSO contribution for each sector is tremendous.
- f) Finally, the study finding could serve as a reference for further research

## **1.7 Organization of the paper**

The paper has been organized in to four chapters. The first chapter will include introductory part of the study which comprises back ground of the study, statement of the problem, and objectives of the study. The second chapter is review of literatures in which previous similar available studies has been discussed. The third chapter contains the research design and methodology. The fourth chapter explains the result and discussion of the assessment in which the collected data has been analysed and organized in meaningful manner. The fifth chapter incorporates the summary of finding and conclusion & recommendations.

## **1.8 Delimitation/Scope of the study**

This study is limited the scope to the two Ethiopian Resident Charities named Redeem the Generation and Hiwot Integrated Development Organization with a focus to assess the effect of 70/30 guidelines issued by ChSA. Hence findings of the study may not represent to all civil societies in the country. Since the study will assess sampled Ethiopia Resident Charity organization implementing program in Addis Ababa, Ethiopia, the result may not be applicable for all because each organization compliance and adaptation to the guideline may vary.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

The literature review presents summary of the overviews of the legal frameworks governing civil societies operation both national and international level.

#### **2.1 Conceptual Overview of CSO**

CSOs are defined as by the World bank as “it refers to the wide array of non-governmental and not for profit organizations that have a presence in public life, expressing the interests and values of their members or others, based on ethical, cultural, political, scientific, religious or philanthropic consideration. Civil Society organization (CSO) therefore refers to a wide of array of organizations: community groups, non-governmental organizations (NGOs), labor unions, indigenous groups, charitable organizations, faith based organizations, professional associations and foundations” (World Bank, 2007, p.1).

The formation and operation of any CSO demand a legal framework that can enable it to achieve its purpose/s. The legal frameworks are by and large concerned with the recognition and exercise of three basic rights, namely, the right of: association, assembly and expression. These rights are enshrined in many international human rights instruments as well as constitutions of many countries.

Ethiopia has ratified many international as well as regional human rights instruments that have enshrined these rights. Moreover, the country's constitution also gives recognition to these rights in a manner very similar to that of the international instruments. As far as the history of Ethiopian CSOs goes, apart from the traditional associations, such as Iqubs, Idirs, etc., all other associations are of recent origin. A cursory look at the legal instruments that govern the control and administration of associations shows that the laws leave much to be desired so as to address the recurrent problems of the present day CSOs, which are by any standard more sophisticated than those associations of the 1960's (Hiwot Getachew, 2016). It should be noted at the outset that those laws that used to govern this area for the past forty-five years are characterized by their silence, in that they provide no solutions to the multifarious legal issues that concern CSOs, thus leaving the field open for the regulatory bodies to do whatever they like.

Associations could not flourish in the past for so many historical reasons. However, associations of different varieties have started to flourish just quite recently and the country now boasts to have over three thousand associations that are formally registered by the relevant regulatory bodies. Today's associations are quite different from their predecessors, in that they are now engaged in fields that were not covered by the latter, such as advocacy, and their administrative structures are changing from membership-based to board-led. It also appears that there is a recent tendency to portray negatively advocacy CSOs by regulatory bodies particularly because of their role as promoters and defenders of rights.

## **2.2. Historical overview of Civil Society in Ethiopia**

Traditional civil society organizations such as Idir, Mahber, Senbete, etc. existed from time immemorial. What is unique about these civil society organizations in Ethiopia is that their role is strictly confined to social, economic and/or religious activities only. Because of Ethiopia's history of not being colonized, unlike the countries included in this study, traditionally CSOs did not have any role in the political struggle. Traditional CSOs were never engaged in political, social and economic issues of the country. They concentrated on addressing either self or neighborhood/community interests, focusing mainly on social issues.

Trade Unions also existed in Ethiopia, their role compared to the countries assessed for this study was, however, very limited. However, unlike the traditional CSOs, trade unions were not free to organize independently and were not allowed to demand for their members' rights.

The formal and non-traditional CSOs (mainly NGOs) in Ethiopia started emerging during the 1950's; their numbers increased exponentially in the 70's due to the famine the country experienced. During this period, welfare type NGOs and faith-based organizations were established. They played a leading role in providing emergency relief service mostly to the community affected (Dessalegn, 2002).

In the 1990's, as a result of the change in the political landscape, the number of NGOs increased fast. NGOs that addressed development issues in addition to welfare type activities also increased. Some NGOs that started addressing human rights issues began to emerge. (Diagnostic Survey on Ethiopian NGOs, November 2003).

When compared to CSOs in Kenya, Uganda and South Africa, one clear difference of CSOs in Ethiopia is the lack of a culture of activism. Many people who join the formal NGO sector in

Ethiopia did so either with a welfare attitude (to help the less fortunate) or to advance their professional career. Most members of CSOs in the other countries, however, come from a culture of struggle against colonial oppression.

Many CSOs in the country were uncertain and insecure following the fall of the Derg because they were not sure how the new authorities would view the organizations and what measures they would take in respect of them. A few years ago there was only a limited number of written works on CSOs, much of which consisted of short pieces and of unsatisfactory quality. The focus of these works was on service providers (NGOs), and other citizen groups that were emerging and making their presence felt were ignored or given only a passing glance ( Dessalegn, 2002 ).

Since then, the civil society landscape has changed considerably, and there is a growing body of research on the subject with greater depth and scope as the references at the end of this study indicate. It is true that a good deal of the new work has been sponsored by donor organizations with a specific program agenda, nevertheless there is increasing interest on the voluntary sector donor agencies, academia, researchers and consultants, the media, government and civic groups themselves. Even now, however, NGOs and other service providers continue to be the center of attention, and both government and donors are finding it difficult to accommodate rights advocacy and policy reform groups.

The literature on the voluntary sector in this country often makes a distinction between informal and formal organizations, the former often referring to traditional associations that are loosely structured and not registered with the relevant government authorities, and the latter involving "modern" organizations with legal personality and clear structures for decision-making and program implementation.

### **2.2.1 Traditional associations**

As is the case elsewhere in Africa, Ethiopian society is rich in associational life. These associations bring together individuals and families in informal cooperation and interaction for social, economic and religious pursuits. It would be difficult to imagine a family in the countryside, for example, leading a normal life standing outside the association! Framework. Mutual aid, and labor sharing groups, grazing alliances, religious associations, burial societies (Idirs), rotating savings schemes (Iqubs), kin-based (or home-boy) networks, and women's self-help groups are the main forms of informal cooperation that are common in most parts of the country. Some of these associations are relatively new, others have evolved over many decades

or generations, but each serves a vital need and helps ease the burden of daily life (see INTRAC 2004 for details).

In the countries as a whole, 39 million people participate in Idirs, and some 21 million in Iqubs; there are another 9 million members in a variety of self-help organizations. In Addis Ababa alone, there is thought to be some 7,000 Idirs(MCB, 2005). While the accuracy of these figures may be subject to debate, the estimate nevertheless gives a broad indication of the magnitude of informal associational life in the country.

Such proliferation might indicate a dynamic society and a vibrant civic culture; however, the reality is more complex and in some ways a far cry from this. Traditional institutions tend to be inward looking and reactive partly because their main aim is to provide support to individuals and families in times of need or distress and to offer solace and a sense of belonging. They function best in informality, i.e., without hard and fast rules, procedures, guidelines, without documentation, and the need to build institutional memory and structure. As such, they are unable to fit into the changed circumstances brought about by modernization with its strong demand for formalization and institutionalization, and the need for management through written rules, procedures and the division of responsibility. Moreover, these small, highly localized groups, whose aims and remit are narrowly based, are too fragile to shoulder the heavy tasks of relief, rehabilitation, development, and rights and reform advocacy. Thus, they have been largely by-passed in the period under discussion, left to themselves to carry on with their traditional roles for which there is still a strong demand, though, as we shall see further down, there have been a number of efforts by NGOs and others to formalize some of the associations, in particular Idirs, to enable them to engage in community development and service delivery (ACORD, Dejene, A. Pankhurst).

### **2.2.2 Formal organizations**

Formal organizations may be described as "outward oriented" groups since their mandate goes beyond the relatively narrow interest of their members or constituencies and embraces issues, of broad public concern. The formal structures that concern us here are highly diverse, and for purposes of this discussion they may be classified into four broad categories (we have excluded government-initiated organizations such as women's and youth groups; the case of ethnic-based Development Associations sponsored by the ruling parties will be examined separately):

- i) Third party service providers (or those that in the main serve others): in this country, these are mainly NGOs;

- ii) Those that primarily serve their own members: professional associations, self-help groups (also labor unions and cooperatives);
- iii) Grassroots or community organizations: CBOs, youth associations, formalized Idirs, neighborhood groups;
- iv) Rights and reform advocacy groups: human rights and governance organizations, rights-based women's and children's groups, environmental organizations, voter education groups, legal aid services, policy research institutions.

There are several other classification schemes employed in the literature, and each has its own merits in the given context (Dessalegn, 2002); what is offered here is not meant to be definitive but only to serve as a convenient tool for our discussion.

By far the most numerous organizations in this country are cooperatives, followed by NGOs, and the least numerous are advocacy groups. There is some controversy as to whether cooperatives should be included in the voluntary sector, since they cannot strictly be considered Non-State agents as they are government supported, and, some would argue, they are profit-making, which violates one of the principles of voluntarism. Similarly, issues may be raised with regard to what are officially described as "mass organizations" such as women's and youth organizations which are often resourced by government. However, for the purposes of this paper we shall not enter into this controversy.

An important element defining civil society organizations is that they intercede between the state and the individual, thus opening up the political space, making it possible for individual freedom of action and choice, and enabling independent voices and initiatives to emerge. The proliferation of Non-State actors and their increased influence and legitimacy will frequently lead to the reduction of the public sphere and the dominance of the state, on the one hand, and the enlargement of the private sphere and thus of personal freedom, on the other. A dynamic voluntary sector consisting of diverse and autonomous associations committed to broad human values will improve and strengthen democratic practice.

### **2.2.3 Community-based Organizations (CBOs)**

A brief look at CBOs is in order here. These are the most common institutions at the grassroots level. The promising development in the last ten years or so is the emergence of Idirs as development actors at the community level; this has meant going beyond their traditional roles

and embracing new functions and responsibilities. Quite how successful they will prove to be in the long run is a question that remains to be answered in the years to come. Development Idirs were formed through the initiatives of their members or leaders, and through the active support of some NGOs (ACORD Ethiopia is one example; SOS Sahel is another). While most of these kinds of Idirs are to be found in the urban areas, there are a growing number appearing in the rural areas as well.

In addition to their traditional functions, the new Idirs, which are frequently registered at the local sub-city or kebele office, are engaged in a variety of community development activities. A good number have established savings and credit associations, and provide income generation schemes to community people. Some have embarked on HIV/AIDS prevention and support programs. Neighborhood clean-ups and environmental sanitation activities are common among CBOs. Other programs include children-centered programs such as establishing orphanages, playgrounds and kindergartens, and construction of basic infrastructure such as roads, and in some rural areas, irrigation schemes. Financial, technical and other support has come from community people themselves, NGOs, donors and local government offices. It is quite a leap to change leadership structures from those based on informal voluntary practices to more formalized leadership, but the few networks that have now been set up have overcome the difficulties in this respect. The great potential of CBOs is that they are close to the people and better attuned to the needs and priorities of their communities.

### **2.3 Contribution of CSO for Development**

Dessalegn (2002), acknowledges that CSO are diverse in nature and It is difficult to measure their achievements and contributions. However, he summarized highlights of their program success in the country as follows:

- Numerous health facilities, schools, and water supply schemes have been provided thus contributing to better health services, higher school enrollment and improved well-being for rural communities; a growing number of NGOs are becoming engaged in HIV/AIDS protection and public awareness programs;
- Considerable work has been undertaken to promote food security; programs in this sector consist of improvements in agricultural production, provision of a variety of farm tools and farm animals, introduction of appropriate farm technologies, promotion of income generation schemes, and savings and credit cooperatives;



- Considerable investment has been made to promote soil and water conservation and to rehabilitate degraded environments; these are clearly visible in many areas, and their contribution to improved food and livestock production is obvious;
- A large number of small-scale irrigation schemes have been built and are in use by communities, and these have contributed to farmers' resilience against recurrent drought and helped improve agricultural income and food security; in this connection, the importance of the control of the tsetse fly and the deadly diseases associated with it by NGOs working in the lowland woredas' cannot be underestimated;
- Many rural access roads and bridges have been constructed making the movement of people and goods and access to social services easier and more efficient in rural communities.

## **2.4 Legal Framework governing their operation in Ethiopia**

On February 13, 2009, Charities and Societies Proclamation (CSP) established a legal entity called *Charities and Societies Agency* (Hereinafter referred to as the “Agency”) with its own legal personality and as an institution of the Federal Government. The Agency is accountable to the Federal Affairs Ministry and it is established with objectives to enable and encourage CSOs in developing and achieving their purpose with transparency and accountability in accordance with the law. It has a power to license, register and supervise CSOs in accordance with the Proclamation. The Agency has issued nine Directives that provide detail rules of procedure and requirements that CSOs need to follow.

As per the proclamation no. 621/2009 of the Ethiopian Charities and Societies Agency classifies civil society organization into two groups. One is Charities which is defined as per Article 14(1) an institution established for exclusively charitable purposes and gives benefit to the public. The second one is Society which is defined as an association of persons, organized on non-profit making and voluntary basis, for the promotion of the rights and interests of its members and undertaking other lawful purposes.

The government of Ethiopia has been issuing rules and guidelines for managing the CSOs sector. One of the recent rules was made in 2009 which is a new proclamation of charities and societies.

Proclamation No.62/2009 was issued for the registration of charities and societies and creation of a new agency called “Charities and Societies Agency, which came into power on February 13th 2009. The proclamation has developed in order to meet the two main objectives. The first one is ensuring the realization of citizens’ rights to association as stated in the Constitution of the Federal Democratic Republic of Ethiopian and secondly supporting and facilitating the role of charities and societies and of NGOs, in the overall development of Ethiopian peoples. The proclamation distinguished the type of charities in to three. They are (a) Ethiopian Charities/Ethiopian Societies, (b) Ethiopian Residents Charities/ Societies, (c) Foreign Charities.

Ethiopian Charities/Ethiopian Societies are formed under the law of Ethiopian and all of the members are Ethiopians, generating income from Ethiopian and the organization managed by Ethiopians. However, they secure not more than 10% of their total funds from foreign sources. Ethiopian Residents Charities/ Societies are formed under the laws of Ethiopia and their members consists of those whom all dwell in Ethiopia and received funds more than 10% from foreign sources. Foreign Charities are formed under the laws of foreign countries or their members consist of foreign nationals or are controlled by foreign nationals or receive funds from foreign sources;

Directive No. 2/2011 - ChSA “70/30 Guideline” Directive to determine the Operational and Administrative Costs of Charities and Societies No. 2/2011 can be quoted as the “guideline for determining the operational and administrative costs of CSO’s, number 2/2003” or ChSA “70/30 Guideline”. The Guideline is issued with the objective to guide CSOs how they need to allocate their budget for operational and administrative costs and thereby establish transparency and accountability so that the wealth shall be used for the intended goals. Accordingly, CSOs are expected to present their annual budget, project proposals and their budget utilization reports/audited financial statements with this classification of operational and administrative costs.

The Guideline defines “Administrative costs” as those costs incurred for emoluments, allowances, benefits, purchasing goods and services, travelling and entertainments necessary for the administrative activities of a charity or society where as “Operational costs” as the money spent to achieve the goals for which the CSO has been established and to benefit the community. As per Article 88 of Proclamation No 621/2009 states that charities or societies shall allocate not less than 70 percent of the expenses in the fiscal budget year for the implementation of the program and an amount not exceeding 30 percent for its administrative activities.

This definition is very clear but when we see the list of Administrative costs it includes some costs that are operational like monitoring and evaluation, consultancy fee, vehicle purchase and maintenance, and training expenses that are essential for the achievement of the CSO's goal even if few are later re-classified by the Agency. As per the Tracking Trends in Ethiopia's Civil Society brief (TECS, 2014), all Charities and Society Organization (ChSOs) and donors agree on the reasonability of 70:30 rations because the majority of the aid fund should be used efficiently to reach the targeted beneficiary by avoiding unnecessary administrative wastages, which is the view of the reviewers. However, the concern is that the definition, interpretation and allocation of different cost categories which fall under each category of operational and Administrative costs.

Directive No. 2/2011 - ChSA "70/30 Guideline" Directive to determine the Operational and Administrative Costs of Charities and Societies No. 2/2011 can be quoted as the "guideline for determining the operational and administrative costs of CSO's, number 2/2003" or ChSA "70/30 Guideline". The Guideline defines "Administrative costs" as those costs incurred for emoluments, allowances, benefits, purchasing goods and services, travelling and entertainments necessary for the administrative activities of a charity or society where as "Operational costs" as the money spent to achieve the goals for which the CSO has been established and to benefit the community.

As per Article 88 of Proclamation No 621/2009<sup>1</sup> states that charities or societies shall allocate not less than 70 percent of the expenses in the fiscal budget year for the implementation of the program and an amount not exceeding 30 percent for its administrative activities. This definition is very clear but when we see the list of Administrative costs it includes some costs that are operational like monitoring and evaluation, consultancy fee, vehicle purchase and maintenance, and training expenses that are essential for the achievement of the CSO's goal even if few are later re-classified by the Agency. As per the Tracking Trends in Ethiopia's Civil Society brief-2, all Charities and Society Organization (ChSOs) and donors agree on the reasonability of 70:30 rations because the majority of the aid fund should be used efficiently to reach the targeted beneficiary by avoiding unnecessary administrative wastages, which is the view of the reviewers. However, the concern is that the definition, interpretation and allocation of different cost categories which fall under each category of operational and Administrative costs.

---

<sup>1</sup> Ministry of Justice, Charities and societies Agency proclamation, 2009

<sup>2</sup> Tracking Trends in Ethiopia, Policy Brief, 2011-2014

The guideline issued in 2011 lists the types of operational and administration costs in detail and it is presented in the next section.

## **2.5 Categorization of cost operational/program and Administrative**

### **2.5.1 Salary and Benefit**

As per Article 8, section B of the ChSA's 70/30 guideline<sup>3</sup>, the following categories are considered as administrative costs:

- Remunerations, per-diem and benefits that are payable to managers and support staff engaged in operational activities.
- It states that any manager, accounts head, administration and finance staffs store keepers, transport division staffs, treasures, auditors, guards drivers, program and project directors(coordinator); human resource administration staff, messengers, janitors, gardeners, secretaries and other similar workers salary and benefit cost is considered to be administrative.

Article 9, section F of the guideline states that remunerations that are payable to staff who are directly engaged in work activities that deliver services to the beneficiaries are operational and includes the following staff: School teachers, Health workers, agriculture extension workers, Water well drilling machine operators, infant caretakers, etc.

### **2.5.2 Goods and Services**

As per Article 8, Section A of the 70/30 Guideline, goods and services expensed for different office (Administrative) activities are considered to be administrative, which includes procurement of consumable goods, procurement of fixed assets, expenses for maintenance and repairs, parking costs expense for audit service, advertisement, bank charges, electrically telephone fax, water, publishing expense, postal service, office rent tax, internet expense, membership fee, procurement of vehicle as well as expense for maintenance, fuel, oil and insurance payments fines, consultancy fee, attorney fee, expense for recruitment, expense for monitoring and evaluations expense for holding conferences/ meeting costs incurred for the preparation of plans and reports; registration fee; any training expense; allowances; entertainment and travel expense other than per diem for participants; cost of preparation of

---

<sup>3</sup>ChSA 70/30 guideline 2011

training manuals; office construction and maintenance costs; lateral road constructions and cost associated with fence construction.

## **2.6 Effect of the Charities and Society (ChSA) law**

Despite the visible contributions, Charities and Societies have made positive contributions to the overall socio-economic development of the country. However, they faced various constraints, following the 2008 global financial crisis and the enforcement of Charity and Societies Proclamation in 2009. The constraints are hindering their smooth operation and challenge their very existence. A body of evidence has also shown that the operating environment, financial viability, organizational capacities, advocacy and influencing roles of ChS have been reduced significantly in the last five or so years. Several reports also revealed that a number of ChS suffer from lack of resources and some of them have ceased their operations altogether (Sintayehu Consult, 2016).

A total of 626 (31%) of Ethiopian Resident Charities were not able to renew their license in the year 2014 as per the report issued by ChSA website. One of the reasons is that they couldn't comply with the charities requirement. There are also charities who have renewed their license with the letter of "request for forgiveness" in order to address and acknowledge noncompliance together with their commitment for their future action. There were also Ethiopian Resident Charities that were closed by ChSA based on the regular follow up result. In addition, there are also Ethiopian Resident Charities which closed their operation voluntarily because of budget constraint and not fulfilling the requirement, (TECS,2014).

On June 27, 2016, the ChSA acknowledged that 108 charities and societies registration were canceled in the year 2016 and 14 of them were foreign charities. One of the reasons was insufficient fund availability. In addition, written warning letter was given for a total of 167 and order has been given them to amend their ways of doing.

Most of charities are registered as Ethiopian Resident Charities in order to raise funds they need from foreign sources. However, the donor funding mechanism has its own policies and procedures which are not strictly in line with the ChSA guideline. In addition, the donors are their own interest to award charity organization in which they are interested to support relief and emergency projects. This also contributes the closure of Ethiopian Resident Charities they are not allowed to engage in such programs. Moreover, the donor fund is normally approved in the

best interest of that specific country or consortium. In addition, the largest part of the foreign fund goes to international nongovernmental organizations and the smaller percentage for Ethiopian Resident Charities, (TECS, 2014).

## **2.7 Empirical Review: Some African and Asia countries' practices**

The research considers other African countries trained so that to compare and contrast with the Ethiopian legislation. Accordingly, NGO regulations of South Africa, Uganda and Kenya from Africa and China and Cambodia from Middle East have been reviewed. The selection has been made considering the availability of resource materials.

### **South Africa**

In South Africa, NGO regulation was issued on 3 December 1997 as no. 18487. The 1997 Act issued in order to boost and support the civil society organization so that to contribute the need of South Africa people. The code has three sections. The first section talks about nonprofit organization leadership and management. The second section explains nonprofit organization fund raising and resource mobilization. The third one talks about the roles and responsibility of donors and sponsors.

The code has explained each of the section in detail including operating principles of the NPO registration requirement, financial management, accountability & transparency, ethical value for those engaged in fund raising activities and funding markets in South Africa. It states that the NGOs can access different funding sources in order to meet their objectives which includes approaching foreign donors, south African investors, Charitable foundations/trusts, Institutions, Individuals and from sale of goods or products. There is no such allowable percentage rate set to be used as administration and operational.

### **Uganda**

In Uganda, the Constitution was enacted in 1995 explained that every Ugandan citizen has the right to “influence policies of government through civil society organization or NGOs”. However, an amendment has been made in 2006 that allowed the government to interfere in the works and activities of civil society organizations especially working on human rights, oil and land issues. There is no fund allocation restriction embarked for CSOs. The only requirement the CSOs needs to follow is that they have to open a foreign currency bank account with the Bank of Uganda which is a government bank which helps the government to control the overall transaction.

## **Kenya**

In Kenya, the NGO law was enacted in 1990 and it was revised in 2012. The legislation well states about the establishment of board, registration and financial provisions etc. NGOs are allowed to engage in economic activities in order to continue their work to meet the organization objective. The only thing they are required is that the profit needs to be re-invested for the need of the citizens. With regard to the fund allocation, there are no fund allocation restrictions. The only thing expected from them is that the board of the NGO is allowed to involve in investment and the only requirement stated is that the estimated yearly financial income and expenditure needs to be approved by the board before the commencement.

## **China**

In China, Civil Society legal framework is becoming more complex as per the Civil Freedom Monitor report. There is a conducive environment for those CSOs working in social services. However, the CSOs who are engaged in advocacy, legal aid, labor rights and religion don't considered as positively by the government. There is a legal document enacted since 1980's in which it is considered as a regulatory tool of legally registered non-profit organization. The registration is handled by Ministry of Civil Affairs and local Civil Affairs Bureaus. The law requires the CSOs to fulfill intense document requirement during registration. During the project implementation, the government can intervene in the CSO activities. In addition, there is burdensome reporting requirement and investigation as needed.

## **Cambodia**

In Cambodia, NGOs are engaged in rehabilitation, reconstruction and development for the last 30 years. The Royal Government of Cambodia (RGC) recognizes NGOs role especially in the delivery of basic social services. As per the Civic monitor report, there are about 1,350 active NGOs in Cambodia. NGOs are required to register under the Ministry of Interior. The procedural requirements for the registration of both domestic and international NGOs are complex and burdensome. In Cambodia, there is no effective judiciary or rule of law. Rather, the Royal Government of Cambodia is the one who issued laws which is more focus on the mandatory registration requirements (ICNL, 2017). The law issued by the RGC doesn't include fund allocation requirement.

## **2.8. Concerns raised by Charities and Societies on 70/30 guideline implementation**

CSOs state that having a charity law and a regulatory body in the country by itself is positive, because the main purpose of the charity law and the regulatory body is to provide leadership and

guidance to charities and societies operating in the country in their efforts to realize their missions and goals in accordance with the laws of the country. All CSOs and donors also agree that the 70/30 ratio is reasonable in principle but there is widespread concern that the actual classification of administrative costs has a negative impact on CSOs programs and projects. (TECS, POLICY BRIEF 9, 2014)

The key challenge for regulators is how to strike the best balance of regulation and control against the danger of hindering the role of CSOs and limiting the amount of funds dedicated to supporting beneficiaries, due to over-regulation or over-expectation. CSOs are required to use the lion's share of the financial and material resources they mobilize for the realization of their goals and should exercise accountability and transparency by keeping their accounts in line with generally accepted accounting practices. (TECS, Report 7, 2013)

It seems that the ChSA "70/30 Guideline" missed this balance as almost all CSOs are raising their voice because of not being able to play the role of their existence and failure to achieve the goals they set. The cost classification doesn't consider the nature of service that CSOs are delivering to the beneficiaries and the costs that are essential for any project implementation.

"Financial accountants argue that the best way to delineate costs is to allocate them as either direct or indirect costs. According to this approach all costs can be traced back to and classified as a direct or indirect based on their application on an organization. The most important point is that the approach should take into account the operational nature of the organization and any predetermined categorization could be misleading." (TECS, Report 3, 2012)

Accordingly, CSOs are raising their concerns repeatedly to get cost reclassification for some cost items under administrative category and per diem for trainers, capacity building related costs for both staffs and government officials, Monitoring and Evaluation related costs, procurement of vehicle and related running costs, salary of project staffs and transportation of project materials are some to mention. CSOs also provide justifications why the revision is needed.

For example not allowing capacity building for government staff creates a problem of sustainability of the intervention when CSOs hand over the program/project to the government staff as they lack the required expertise and local governments do not have the budget to do the capacity building by their own. The study that was made by TECS in March 2014 to assess the impact of Charities and Societies Proclamation and Guidelines on charities and societies



operating in Agriculture pointed out this as a main challenge and described capacity building of government staffs as follows:

“In principle, it is the responsibility of the Government to assign capable staff in the sectoral offices. However, the reality is that this is challenging due to high staff turnover, knowledge and skill gaps, and insufficient local government capacity building budgets. Local governments therefore tend to rely on the support of charity organizations operating in their localities to help build staff capacity. Nevertheless, there are indications that the ChSA does not want CSOs to include any capacity building activities targeting government staff in their programs and projects.” (TECS, POLICY BRIEF 9, 2014)

This study has also pointed out the comments given by ChSOs to elaborate their case and below are some for reference as cited in the study report:

“All our efforts will be fruitful and sustainable if staffs in the local administration have the capacity to take over the work when ChSA has put a lot of pressure on us not to provide local governments with capability building services by putting such costs in the administration cost group and discouraging us whenever we come up with such initiatives to address the capacity gap ... We know that the local government do not have budget to building the capacity of their staff ... So we feel that we are sandwiched between two parties that have different interests.”

“Local community and government experts should be trained with the latest approaches and technology to manage the environment and natural resources effectively, and boost agricultural production ... This is no longer possible.... As a result, this will have an adverse impact on sustainability of the program and on the efforts to introduce knowledge and technology to the local community to cope with the environmental challenges.” (TECS, POLICY BRIEF 9, 2014)

Monitoring and Evaluation (M&E) is also another important activity that needs to be done in a regular manner to assess the overall performance, progress and impact of a program or project against a set of stated objectives or predicted outcomes. ChSOs have been forced to minimize expenditure on M&E in order to reduce their administration cost ratio. However, M&E is a particularly difficult problem because donors who fund ChSOs take a diametrically opposed view. For the donors, M&E is vital to ensure accountability, transparency, value for money and lesson learning. Donors and development partners are accountable to their own domestic constituencies: taxpayers, charity givers and citizens through reporting institutions such as

parliaments, boards of directors of charities and independent monitoring bodies such as charity or non-profit commissions. The impact of reducing M&E activities have resulted in reduction of transparency and accountability, which can lead to projects closing down; loss of effectiveness, which affects quality of services for beneficiaries; some services may be closed when quality and standards are no longer properly assessed in a timely manner and the ability to identify new solutions to community problems ('innovation') is lost. (TECS, DRAFT POLICY BRIEF 10, 2014)

In addition to the cost category issue the inconsistent implementation of the guideline by the Agency on different ChSOs is another concern which is raised by ChSOs. A study made by TECS on Charities working with children in August 2014 also revealed this challenge. It gave the following statement to elaborate the case on the study report.

“One organization had applied to the Agency to purchase a three-wheel vehicle instead of a motorbike. The request was denied by one officer and accepted by another after attention was drawn to the fact that other organization had been allowed to do so. Organizations also cited examples of different officers categorizing similar expenses differently: where one officer specified an item as administrative costs, a second designated the same cost as operational.

Asked about how they coped with this situation, organizations mentioned making visits in person to argue their case rather than relying on a formal paper application procedure. This may be likely to increase discretionary and inconsistent decision making on the part of Agency staff rather than leading to fair and equitable regulation. As well as improving consistent decision making, the organizations suggested that Agency staff should not only be concerned with regulation but also promoting good practice.” (TECS, POLICY BRIEF 13, 2014)

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

This section discusses the research design, sample size, techniques and source of data, data collection tools, method of data analysis and the researcher's experience throughout the data gathering process.

### **3.1. Research Approach and Design**

The research objective is to assess the challenges of ChSA70/30 Guideline implementation on the performance of the two Ethiopian resident charities. To undertake this study, a mixture of qualitative and quantitative research approach design was used. The intention was that data which could not be collected qualitatively would be collected quantitatively. The research used cross-sectional study which was carried out at one point in a time having descriptive purpose. To conduct this research the researcher used case study approach. Case study was selected to better describe the characteristic of the subject under study. Since the research attempted to assess the challenges of ChSA70/30 guideline on the operation and performance of selected Ethiopian residents' charity organizations, case study was more appropriate to describe the subject in line with the research objectives. In order to achieve the objective of the research, the researcher employed both primary and secondary data collection methods.

The data collection was made using structured questionnaire for the quantitative study and the checklist for the qualitative one which was prepared considering the basic variables. The questionnaire was distributed to a total of 30 staffs and all were responded to the questionnaire.

### **3.2 Data Source and collection methods**

#### **3.2.1 Primary Data Collection Methods**

*In-depth Interview:* As this is a case study focusing on the challenges of 70/30 guidelines of the ChSA to the operation and functioning of CSOs, an in-depth interview was conducted with the two organization Executive Directors, administration and finance heads, grant managers and officers, program managers and coordinators, and other support staffs of the two selected CSOs.

*Perception Survey:* A structured self-administered questionnaire with Likert scale of 1-5 (ranging from "Highly Disagree" to "Highly Agree") has been developed and used to capture perception on the respondents about the effect of the 70/30 guideline.

#### **3.2.2 Secondary Data Collection Methods**

In this study, the information from the secondary sources of data was collected from different published and unpublished materials, which include research works, books, office documents, websites, and journal articles written by different scholars on the issues of charities 70/30 proclamation and its effect to CSOs' operation which are helpful to the completion of the study.

Document Review was made also which includes Donors' budget, financial report and audit report of the last five years were reviewed in line with the research questions to substantiate and triangulate the findings of the in-depth interview.

### **3.3 Study Sample size**

In order to conduct in-depth assessment, two CSOs (Reedem the Generation and Hiwot Integrated Development Organization) operating in Addis Ababa selected for the study. The selection of the two CSOs takes into consideration: their constituency as Ethiopian residents' charity, the diversity of programs they are implementing, sectors of operation and willingness to participate in the study. A further consideration is the time and resources needed for the study. A total of 30 respondents including Executive Directors, administration and finance heads, grant managers and officers, program managers and coordinators, and other support staffs participated in both quantitative and qualitative studies.

### **3.4 Data Analysis**

The quantitative from the perception survey using Likert scale was analyzed using IBM-SPSS-20 software and Descriptive Statistics such as Frequency, Proportion, Mean and Standard Deviation (S.D.) were used to describe the perception survey data.

.Qualitative data is analyzed manually by the researcher by thematically organizing and summarizing the findings. The processed information is presented using frequency tables, chart and description as appropriate.

## **CHAPTER FOUR**

### **RESULTS AND DISCUSSION**

This chapter presents the results of the analysis of the primary quantitative data collected through the in-depth interview tool and the qualitative information gathered with the key information interviews. The findings of the quantitative and qualitative studies have been summarized in this chapter.

#### **4.1 Profile of the study sites**

##### **Profile of the two organizations**

The two organizations responded that their organization was registered by the Charities and Society Agency in the year 2009. In addition, both organization confirmed that they have been working in the five sectors .i.e. Health, Education, Water & Sanitation, Rural Road and Agriculture.

##### **Demographic characteristics of respondents**

Demographic characteristics of the respondents including age, education level and year of experience were assessed. About 66.7% of the respondents are in the age category between 36-45 years and the rest (33.3%) are above 45. The educational level of the participants showed that all are educated with 33 % with Diploma, 33 % with first degree and the remaining 33 % with Post Graduate Degree. About 50% of the study participants have between 1-3 years of experience, 33 % have more than 3 year while the remaining 17 % had limited experience (less than a year) in their organization. The assessment shows that most of the respondents are well educated and have more than one year experience. The educational background and experience o of the respondents are significantly important as the focus of the study requires technical knowledge about the subject matter and having these people in the study helped a lot to get reliable information useful to the study.

Details of the demographic characteristics of the study participants are presented in table 1.

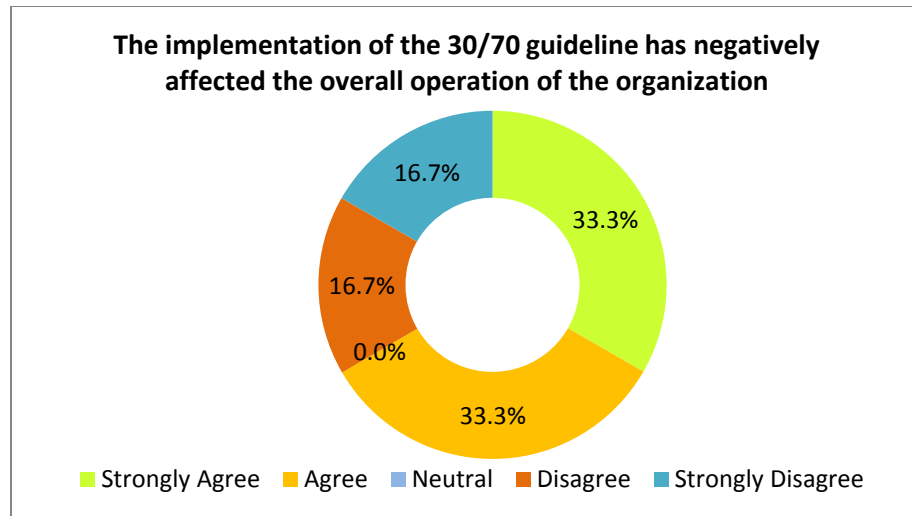
		<b>N</b>	<b>%</b>
Age of respondents	18-25 years old		
	26-35 years old		
	36-45 years old	20	66.7
	Over 46 years old	10	33.3
Respondents educational level	Diploma	10	33.3
	University level education, with first degree	10	33.3
	University level education, with Master Degree and above	10	33.3
Respondents years of experience in the current organization	1- 12 months	5	16.7
	13-36 months	15	50
	More than 3 years	10	33.3

Source: (Own Survey, 2017)

## **4.2 Results and Discussion**

### **The attitude of the employees about the effect of the 70/30 guideline**

With regard to the effects of the 70/30 Guideline on their organization, about 67% of the employees think that is negatively affected the overall operation of the organization. About 50 percent of them also reported that 70/30 Guideline has financially constrained their organization from recruiting qualified and sufficient number of staff at all levels. In addition, 33 % reported that due to the implementation of the 70/30 Guideline they are financially constrained to sufficiently monitor and supervise their field activities. Furthermore, 67 percent expressed that 70/30 Guideline they are unable to fully cover their administrative cost with the 30% allocation as required in the guideline. On the other hand, 33 percent of the respondents do not think that the Guideline negatively affects the operation of their organization. They reported that it has not prevented them from recruiting qualified and sufficient staffs and, to sufficiently supervise their field activities. Likewise, 33 percent do not believe that the implementation of the 70/30 guideline affected the ability of their organization to cover its administrative cost.



**Table 2. The attitude of the study organizations employees about the effect of the 70/30 guideline**

( Source, own survey 2017)

		N	%
The implementation of the 70/30 guideline has negatively affected the overall operation of the organization.	Strongly disagree	5	16.7
	Disagree	5	16.7
	Average	0	0
	Agree	10	33.3
	Strongly agree	10	33.3
The implementation of the 70/30 guideline has constrained organization from recruiting qualified and sufficient number of staff at all levels.	Strongly disagree	5	16.7
	Disagree	5	16.7
	Average	5	16.7
	Agree	5	16.7
	Strongly agree	10	33.3
The implementation of the 70/30 guideline has problem to sufficiently monitor and supervise field activities	Strongly disagree	10	33.3
	Disagree	0	0
	Average	10	33.3
	Agree	0	0
	Strongly agree	10	33.3
The implementation of the 70/30 guideline has problem to cover their administrative cost.	Strongly disagree	5	16.7
	Disagree	5	16.7
	Average	0	0
	Agree	15	50
	Strongly agree	5	16.7

The analysis of the magnitude of the attitude of the employees about the effect of the 70/30 guideline revealed that most of the study participants strongly feel as it has a disabling and restraining effect (Mean=3.3, standard deviation=1.5). This is strongest on negatively affected the overall operation of the organization (Mean=3.5, standard deviation=1.5) followed by constrained organization from recruiting qualified and sufficient number of staff at all levels

(Mean=3.3, standard deviation=1.3), limiting their ability to cover their administrative cost and to sufficiently monitor and supervise field activities (Mean=3, Standard Deviation=1.7).

**Table 3. Descriptive Statistics: The attitude of the employees about the effect of the 70/30 guideline**

	<b>N</b>	<b>Mean</b>	<b>Standard Deviation</b>
The implementation of the 70/30 guideline has negatively affected the overall operation of the organization.	30	3.5	1.5
The implementation of the 70/30 guideline has constrained organization from recruiting qualified and sufficient number of staff at all levels.	30	3.3	1.5
The implementation of the 70/30 guideline has problem to sufficiently monitor and supervise field activities	30	3.0	1.7
The implementation of the 70/30 guideline has problem to cover their administrative cost.	30	3.3	1.4
<b>Overall</b>	<b>30</b>	<b>3.3</b>	<b>1.5</b>

#### **The comprehensiveness and clarity of the ChSA guideline**

Half of the respondents disagree to the idea that the ChSA guideline issued in 2009 is very comprehensive and clear while 33% of the respondents see guideline as somehow comprehensive. The rest 16% of the respondents agreed that the guideline is very clear and comprehensive. The other thing that has been assessed was whether the ChSA had organized sufficient sessions and opportunities to introduce the new ChSA directive to the CSOs. Accordingly, 33% of the respondents strongly disagree;40% of the respondents disagree and the remaining 26% responded that it has organized fairly sufficient session and opportunities.

The other dimension of the assessment was to know whether the Ethiopian Resident Charities do have sufficient and same level of understanding of the ChSA directive or not. Accordingly, 50 % of the respondents don't believe that there is sufficient and same level of understanding of the guideline among ERCs. Only 16.7 % agree to the idea while relatively significant proportion (33%) is neutral. The finding is in line with the finding that the guideline is not comprehensive, less clear and that the Agency did little to sufficiently introduce it to stakeholders.

**Table 4. Clarity on the ChSA guideline**

	<b>N</b>	<b>Percent</b>
--	----------	----------------



	Strongly disagree	0	0
The ChSA guideline issued in 2009 is very comprehensive and clear	Disagree	15	50
	Average	10	33.3
	Agree	5	16.7
	Strongly agree	0	0
	Strongly disagree	10	33.3
The ChSA had organized sufficient sessions and opportunities to introduce the new ChSA directive to the CSOs.	Disagree	12	40
	Average	8	26.7
	Agree	0	0
	Strongly agree	0	0
	Strongly disagree	0	0
Ethiopian Resident Charities do have sufficient and same level of understanding of the ChSA directive	Disagree	0	0
	Average	20	66.7
	Agree	10	33.3
	Strongly agree	0	0
	Strongly disagree	25	83.33
The categorization of program and operation cost by the ChSA is fully in line with the real practice of Ethiopian Resident Charities	Disagree	5	16.7
	Average	0	0
	Agree	0	0
	Strongly agree	0	0

*Source: (Own Survey, 2017)*

The descriptive analysis of the evaluation of guideline by the study participants indicate that guideline is not very clear (Mean=1.7, Standard Deviation=0.3). This also shows as there is very low variability in the views of the study participants regarding the clarity. The mean score regarding the attitude of the survey participants on alignment of program and operation costs categorization of the ChSA with the real practice of Ethiopian Resident Charities was rated very unfavorably (Mean=1.5, Standard Deviation =0.8). This was also true for the level of understanding of the ChSA directive among the Ethiopian Resident Charities the comprehensiveness and clarity of the directive (Mean=1.7, Standard Deviation =0.5) and sufficient opportunities offered to introduce the directive to stakeholders (Mean=2, Standard Deviation =0.6).

**Table 5. Descriptive Statistics: Clarity on the ChSA guideline**

	<b>N</b>	<b>Mean</b>	<b>Standard Deviation</b>
The ChSA guideline issued in 2009 is very comprehensive and clear.	30	1.67	0.5
The Charities and Societies Agency had organized sufficient sessions and opportunities to introduce the new ChSA directive to the CSOs.	30	2.00	0.6
Ethiopian resident charities do have sufficient and same level of understanding of the ChSA directive.	30	1.67	0.5
The categorization of program and operation costs by the ChSA is fully in line with the real practice of Ethiopian Resident Charities.	30	1.50	0.8
<b>Overall</b>	<b>30</b>	<b>1.7</b>	<b>0.3</b>

**The alignment of donors’ expectations with the 70/30 guideline and organizations’ employees attitude towards donors’ consideration of the 70/30 cost allocation**

One key issue on the discussion of the 70/30 guideline is the alignment between donors’ (such as USAID, World Bank, Pact) expectations and that of the guideline, and the way costs are differentiated by the two. The attitude of the employees on the alignment of the donors’ expectation and that of the guideline was assessed. The responses of the study participants showed that 83 percent of the participants do not believe that the ChSA70/30 cost allocation aligns with allocation of most donors and all respondents believe that70/30resulted in challenges in planning activities, budgeting and during auditing.70/30. On the other hand, 70/30 half of the respondents think that most donor organizations usually take into consideration the ChSA’s70/30 guideline when they allocate budget. Further, high majority (87 percent) believe that donor organizations usually take into consideration the ChSA’s70/30 guideline when they do auditing.

**Table 6. The alignment of donors’ expectations with the 70/30 guideline**

<b>Questions</b>		<b>N</b>	<b>Percent</b>
The ChSA70/30 cost allocation aligns with allocation of most donors.	Strongly disagree	15	50.0
	Disagree	10	33.3
	Average	0	0
	Agree	5	16.7
	Strongly agree	0	0
There are differences between the ChSA70/30 guideline and the donors’ cost allocation resulting in challenges in planning activities and budgeting.	Strongly disagree	0	0
	Disagree	0	0
	Average	0	0
	Agree	20	66.7

	Strongly agree	10	33.3
	Strongly disagree	5	16.7
Donor organizations usually take into consideration the ChSA's70/30 guideline when they allocate budget.	Disagree	10	33.3
	Average	10	33.3
	Agree	0	0
	Strongly agree	5	16.7
	Strongly disagree	0	0
Donor organizations usually take into consideration the ChSA's70/30 guideline when they do auditing.	Disagree	0	0
	Average	10	33.3
	Agree	15	50.0
	Strongly agree	5	16.7

Source: (Own Survey, 2017)

The ratings given to the alignment of the directives with the general practice and expectation of CSO and donors show as the directive is crippling. The participants showed strong agreement on the fact that there are differences between the ChSA70/30 guideline and the donors' cost allocation resulting in challenges in planning activities and budgeting (Mean=4.3, Standard Deviation=0.5). The effect of this is well felt in the fact that donor organizations on the other hand take into consideration the ChSA's70/30 guideline during auditing (Mean=3.8, Standard Deviation=0.7) but not during budget exercise (Mean=2.7, Standard Deviation=1.3). Besides, the ChSA70/30 cost allocation alignment with allocation of most donors was indicated to be least true (Mean=1.8, Standard Deviation= 1).

**Table 7. Descriptive Statistics: The alignment of donors' expectations with the 70/30 guideline**

	N	Mean	Standard Deviation
The ChSA70/30 cost allocation aligns with allocation of most donors.	30	1.8	1
There are differences between the ChSA70/30 guideline and the donors' cost allocation resulting in challenges in planning activities and budgeting.	30	4.3	.5
Donor organizations usually take into consideration the ChSA's70/30 guideline when they allocate budget.	30	2.7	1.3
Donor organizations usually take into consideration the ChSA's70/30 guideline when they do auditing.	30	3.8	.7
<b>Overall</b>	<b>30</b>	<b>3.2</b>	<b>.7</b>

On top of the above, the study participants also reported key challenges they have been facing to meet the 70/30 guideline. Some of the participants reported as the main challenges they face is that costs directly related to program like salary of program coordinators and officers, program staff benefit, training related expenses, volunteers' transportation support costs, etc. are categorized under administration cost. Most also indicated that they have encountered challenges to recruit qualified personnel due to inability to avail adequate resource and benefit package for staff. The limited resource allocation for travel as part of monitoring was also highlighted by some participants, as a challenge to ensure transparency and accountability. Moreover, they indicated that the limitation in the admin cost affects their ability to have good office and facilities and to finance capacity building trainings.

Speaking about the effect of donors cost allocation on compliance of the organizations, most reported that there is a difference in program and admin cost allocation between the donors and the ChSA guideline, which makes it difficult for them to comply with the requirement of the donors and the ChSA. The respondents cited as an example that costs of capacity building and monitoring and evaluation, which donors consider as operational cost are considered as admin costs by the ChSA. This situation forces the organizations to prepare different agreement documents and reports with different expense categorization to submit donors and government signatories for the same project

### **Categorization of program & operation costs**

The respondents were asked about their view regarding the ChSA categorization of program and operation costs is fully in line with the real practice of Ethiopian resident Charities or not. Accordingly, 80% of the respondents confirmed that it does not consider the real practice and the remaining 20% responded that some costs are in line with the real practice.

### **Differences between ChSA and donor allocation**

The other assessment was that whether there is different between the ChSA guideline and donors' cost allocation. Accordingly, all the respondents agreed that the allocation as well as the interpretation of 70/30 varies.

### **Key challenges faced to meet the 70/30 guideline**

Majority (85%) of the respondents mentioned the following points as key challenges they mentioned to meet the 70/30 guideline.

- Office rental cost, which is directly benefiting project beneficiaries is not considered as operational cost. One example mentioned was that an internet center opened to avail internet access to direct beneficiaries was closed as the office space rental cost was not accepted as program cost.
- Salaries of staff who are employed to coordinate and implement the program activities could not be considered as operation cost. For example Program manager and Monitoring and Evaluation officers manger salary is charged to admin cost.
- Costs related to monitoring could not be considered as operation. However, the key aspect of program monitoring is to confirm whether the beneficiaries have good project intended result or not.

About 15% of the respondents mentioned that there were some adjustments that have been made by ChSA which is appreciated. For example, those organizations working on HIV/AIDs are allowed to charge their staffs who are involved in taking care of PLWHA patients under operational cost. However, they also suggested that ChSA need to revisit the cost allocation further considering the real challenges.

## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATIONS

This conclusion is premised upon the expected partnership between the two. In this respect, the minimum that is expected of the government is to create a favorable environment that enables the CSOs to implement the projects and help them achieve their purposes in whatever way possible.

#### 5.1 Summary of Findings

As per the discussion and data explanation commenced in the previous chapter, the following are the summary of the findings:

- The 70/30 guideline issued in 2009 by the Charities and Societies Agency is found not to be as such comprehensive and it is generally considered less clear.
- It is evident that there is no sufficient understanding among the Ethiopian Resident Charities on the ChSA 70/ 30 guideline and the level of understanding among the organizations is varies and subject to different interpretations.
- The cost classification approach employed with the ChSA guideline is different from the major donors' classification in terms of categorizing costs into program and administrative costs. It is also different from the real practices of the CSOs.
- The 70/30 guideline negatively affected the overall operations of the Ethiopian Resident Charities. The fact that some costs (such as costs of training and monitoring and salaries program coordinators, etc.) are categorized as admin costs and the insufficiency of the 30% admin allocation to sufficiently cover the admin expenses of the organizations posed serious challenges to the organizations.

#### 5.2 Conclusion

According to Tsehai Wada, Charity organizations do fill up the gap between the state and the society by way of doing the government's job. Hence, CSOs should be accorded the best legal framework that guarantees their formation as well as existence.

The 70/30 guideline is constraining the CSOs' operations and limiting their potential in improving the wellbeing of under privileged communities and contributing to the development effort of the country. Besides, it is seriously affecting their compliance with the law which frequently resulted citation of the issue in annual audit findings which become a reference for ChSA during renewal of license. Given all these limitations, it will be very difficult for

Ethiopian CSOs to easily come into being as well as operate freely. It also appears that the Proclamation's requirement of generating an income locally will force a great majority of CSOs to close down.

As per the study we can be mentioned as a conclusion remark:

- Since the 70/30 guideline issued in 2011 is found not to be comprehensive and less clear, this has created ambiguities and serious challenges during the application of the guideline which is also noted by different scholars.
- The guideline is not understood well within the Ethiopian Resident Charities on the ChSA 70/ 30 guideline. This could be partly due to the un-clarity of the guideline in the first place and the insufficient effort made by the ChSA to familiarize and internalize the directives with the stakeholders.
- Classification of costs that has been made by the ChSA and donor varies. The difference is mostly related to the classification of salary and benefits of program coordinators/ managers and capacity building, and monitoring and evaluation costs, where ChSA guideline is not considering them as program costs. As per the study, the difference in the cost allocation is found to generally affecting the overall operation of the Ethiopian Resident Charities and creating challenges during planning of activities, budgeting and auditing process. The difference It also makes it difficult for the Charities to comply with the planning and reporting requirement of donors and the ChSA.
- Although the charities organization work supports the government initiatives, the 70/30 guideline negatively affected the overall operations of the Ethiopian Resident Charities. The fact that some costs (such as costs of training and monitoring and salaries program coordinators, etc.) are categorized as admin costs and the insufficiency of the 30% admin allocation to sufficiently cover the admin expenses of the organizations posed serious challenges to the organizations. Because of this financial constraint, the programmatic interventions of the CSOs are suffering. Organizations are unable to recruit qualified and sufficient number of staffs, extend sufficient capacity building trainings to beneficiaries and do sufficient field monitoring visit that is critical for ensuring transparency and accountability.

### **5.3 Recommendations**

Based on the findings of the study, the following are the proposed recommendations which will enable CSOs to effectively and efficiently operate:

- The ChSA shall engage the CSOs and revise the 70/30 Guidelines, especially the classification of costs in line with generally accepted charity accounting standards.
- The ChSA should develop an operational and financial reporting framework (program and support definitions and their associated cost classification) and give the sectoral offices (health, education, agriculture, etc.) more latitude to apply the Guideline so that they can give better service to ChSA and target beneficiaries.
- The ChSA should create a platform to enable a regular exchange of views with stakeholders, including federal and regional sectoral offices, with regard to emerging issues in the implementation of the Guideline.
- There should be an on-going monitoring of the Guideline and a follow up study of the actual impact of the Guideline. The donor community needs to reconsider their budget allocation in order to help the CSOs to meet ChSA's requirement



## REFERENCES

- ACORD.(1999-2002). Voices of Iddirs.An annual ACORD publication. Addis Ababa
- AsfawGiday(2011). The Role of Civil Society Organization in the Poverty Reduction Process of Ethiopia: the case of Pro Pride &Concern Ethiopia. Unpublished Master’s Thesis, Addis Ababa University
- BerhanuDenu(Dr.) and GetachewZewde,(2013). Impact of the Guideline to Determine Charities’ and Societies’ Operational and Administrative Costs-Phase III. Addis Ababa
- Clark, J. (2000). Civil Society, NGOs and Development in Ethiopia (A snapshot view). Washington, D.C: The World Bank
- CCRDA.(2013). Member CSOs’ contribution to Development. Addis Ababa. Civil Society Fund
- DAG-Ethiopia (n.d). CSO in Ethiopia case studies of Impact on Beneficiaries Desk review-Final report. Addis Ababa: Atos Consulting & Technology Service.
- DAG-Ethiopia.(n.d). Early Evidence of Impact of the 70/30 Guideline to determine Operational and Administrative costs report 7. Addis Ababa: TECS
- DejeneAredo. (2002). NGOs and self-help organizations in Addis Ababa: The case of Iddirs. In self-help initiatives in Ethiopia: Prospects and challenges, Addis Ababa: GTZ and OSHP
- Eman, M.(2012, June). The Impact of the Charities and Societies Proclamation on Civil Society Organizations(CSOs) in Addis Ababa: A case study of Selected Women & Children CSOs.
- Ethiopia, ChSA. (2011, July). A Guideline on Determining the Administrative and Operational Costs of CSOs/ChSA”70/30 Guideline’, ChSA, Addis Ababa
- Ethiopia,FDRE. (2009,February 13). Proclamation No. 621/2009, FEDERAL NEGARIT GAZETA.
- HabtamuMulata,(2015). The Charities & Societies Proclamation current practice, challenges & its impact on the activities of selected NGOs/CSOs. Unpublished Master’s Thesis, Addis Ababa University
- Hiwot Getachew,(2016). The Challenges and Prospects of ChSA “70/0 GUIDELINE” implementation on the performance of NGOs in Ethiopia. Unpublished Master’s Thesis, Indira Gandhi National Open University

ICNL.(2017). Civil Freedom Monitor: Cambodia.NGO Law Monitor

ICNL.(2017). Civil Freedom Monitor: China.NGO Law Monitor

INTRAC. (2004). Building Capacity in Ethiopia to strengthen the participation of Citizen's Association in Development: A study of the organizational associations of citizens. Prepared for the World Bank by Ann Muir

Ministry of Capacity Building(MCB).( 2005). Civil Society Organizations Capacity Building Program(Revised). Addis Ababa.

Pankhurst Alula.(2002). IddirUmbrella Organizations. Voices of Iddirs, 4th year, No.4

Sintayehu Consult, (2016). A Research on Charities & Societies Resource Challenges. Unpublished study made for Ethiopian Charities & Society Forum.

TECS.(2012, March). Report 3: Potential Impact of the Guideline to Determine Charities and Societies Operational and Administrative Costs (70/30). Addis Ababa:TECS.TECS.(2013, September). Impact of the Guideline to Determine Charities' and Societies' Operational and Administrative Costs (70/30 Guideline)-Phase III. Addis Ababa:TECS.

TECS.(2014, March). Information Bulletin 07:Trends in Donor Funding to the Civil Society Sector . Addis Ababa:TECS.

TECS.(2014, August). POLICY BRIEF9: Impact of Charities and Societies Proclamation and Guidelines on ChSOs operating in Agriculture. Addis Ababa:TECS.

TECS.(2014, June). POLICY BRIEF10: The impact of the 70/30 guideline on monitoring and evaluation. Addis Ababa:TECS.

TECS.(2014, August). POLICY BRIEF13: Charities working on Children. Addis Ababa:TECS.

TsehaiWada: The Regulatory Framework for Civil society Organizations in Ethiopia, [www.abysinnialaw.com](http://www.abysinnialaw.com)

## ANNEX

### Annex 1- Questionnaire for employees of HIDO and RTG

St Mary's University

School of Graduate Studies MBA Program

Questionnaire to be filled by Executive Directors, Program Coordinators, Finance Officers, Facilitators of HIDO and RTG

**Dear Respondent,**

I am Edmiebiran Nigussie, a post-graduate student of St. Mary's University in the field of Master of Business Administration (MBA). Currently, I am working on a Thesis Research paper entitled "An Assessment of the Challenges of the Ethiopian Charities and Societies Agency's 70/30 guideline in the case of Redeem the Generation and Hiwot Integrated Development Organization in Addis Ababa".

This is therefore to kindly request you to answer few questions about your organization, as per the instruction in the questionnaire. I assure you that your information will be used strictly for the academic research purpose and remain confidential.

If you need to contact me please don't hesitate to call me at +251 923814830 or via e-mail [edmienigussie@yahoo.com](mailto:edmienigussie@yahoo.com)

Thank you for your valuable time and contribution to this study.

Yours sincerely,

Edmiebirhan Nigussie

#### **General Guideline:**

Please circle on the appropriate response for each question.

#### **I Respondent's Profile**

1. What is your age group?
  - a. 18 – 25 years old
  - b. 26 – 35 years old
  - c. 36 – 45 years old
  - d. Over 46 years old
  
2. What is your educational level that you have attained?
  - a. Diploma

- b. University level education, with first degree
  - c. University level education, with Master Degree and above
  - d. Other, please specify\_\_\_\_\_
3. How many years of experience do you have in the organization?
- a. 1– 12 months
  - b. 13-36 months
  - c. More than 3 years
4. When did your organization register by the Charities and Societies Agency(ChSA)?:\_\_\_\_\_
5. In which thematic sector are you working?
- a. Education
  - b. Health
  - c. Water and Sanitation
  - d. Rural Road
  - e. Agriculture

## II. Topic related Questions

As per your trained, please rate your practice as per the rating scale provided bellow.



Levels of Rating				
Strongly Disagree	Disagree	Average	Agree	Strongly Agree
If you believe your applications and practices are lowest of the average.	If you believe your application and practices are below the average.	If you believe your application and practices are on average.	If you believe your application and practices are above the average.	If you believe your applications and practices are highest of the average.

1. The ChSA guideline issued in 2009 is very comprehensive and clear.	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5
2. The Charities and Societies Agency had organized sufficient sessions and opportunities to introduce the new ChSA directive to the CSOs.	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5
3. Ethiopian resident charities do have sufficient and same level of understanding of the ChSA directive.	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5
4. The implementation of the 70/30 guideline has negatively affected the overall operation of the organization.	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5

5. The implementation of the 70/30 guideline has constrained organization from recruiting qualified and sufficient number of staff at all levels.	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5
6. The implementation of the 70/30 guideline has problem to sufficiently monitor and supervise field activities	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5
7. The implementation of the 70/30 guideline has problem to cover their administrative cost.	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5
8. The ChSA 70/30 cost allocation aligns with allocation of most donors.	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5
9. Donor organizations usually take into consideration the ChSA's 70/30 guideline when they allocate budget.	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5
10. Donor organizations usually take into consideration the ChSA's 70/30 guideline when they do auditing.	<input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5

**Annex 2- Interview Questions**

**St Mary's University**

**School of Graduate Studies MBA Program**

**Interview discussion questions with Executive Directors of HIDO and RTG**

1. What are the costs that are categories under operational and administrative?

---

---

---

2. What are the categorization of program and operation costs by the ChSA is fully in line with the real practice of Ethiopian Residence Charities?

---

---

---

3. What are the key challenges you have been facing to meet the 30/70 guideline?

---

---

---

4. What are the differences between the ChSA 30/70 guideline and the donors' cost allocation resulting in challenges in planning activities and budgeting?

---

---

---

5. How does donor cost allocation affect your organization not to comply with the ChSA guideline?

---

---

---

**Thank you so much!**

**Annex- 3 Sample budget**

## **Annex-4 Ethiopian Charities guideline**