



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

**ASSESSMENT OF FUND MANAGEMENT PRACTICES OF INTERNATIONAL
NGOs: THE CASE OF PACT ETHIOPIA**

**BY
MULUGOJAM ASMAMAW**

**JUNE 2019
ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF GRADUATE
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DECLARATION

I, hereby declare that the research entitled “**Assessment of Fund Management Practices of International NGOs: The Case of Pact Ethiopia**” is my original work and is my own effort and study. It has been done by me independently except for the guidance and suggestion from my research advisor Professor Belete K. Mebratu. I further acknowledge that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any type of degree.

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Signature

St. Mary's University, Addis Ababa

June 2019

ENDORSEMENT

This is to certify that Mulugojam Asmamaw Bogale has carried out her research work entitled “Assessment of Fund Management Practices of International NGOs: The Case of Pact Ethiopia” under my supervision. This thesis has been submitted to St. Mary’s University, School of Graduate Studies for examination with my approval as a university advisor.

Advisor

Signature

St. Mary’s University, Addis Ababa

June 2019

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ACRONYMS

CFID:	Concern for Integrated Development
CPA:	Certified Public Accountants
CSOs:	Civil Society Organizations
CSSP:	Civil Society Support Program
CEWRR:	Conflict Early Warning and Rapid Response
FMP:	Fund Management Practice
FOG:	Fixed Obligation Grant
GOFORI:	Godere Forest Initiative
HQ:	Head Quarter
HVC:	Highly Vulnerable Children
IFRS:	International Financial Reporting Standards
IPSAS:	International Public Sector Accounting Standards
LNGO:	Local Non-Governmental Organization
NGO:	Non-governmental Organizations
OSSA:	Organization for Social Services for Aid
PSR:	Project Status Report
SIPED:	Strengthening Institutions for Peace and Development
SPSS:	Statistical Package for Social Sciences
US:	United States
USAID:	United States Agency for International Development

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ABSTRACT

The purpose of this study was to assess the fund management practices of international NGOs in the case of Pact Ethiopia. This study adopted a descriptive research design and used a mixed research approach with a combination of qualitative and quantitative methodologies. Structured questionnaires, in depth-interviews and document review, were used as data collection tools. Interviews were conducted with higher officials and relevant experts from Pact and its sub-grantees. Likert scales 5 levels listing questions were prepared and distributed to respondents. 105 respondents were selected from the total targeted population of 470 by applying convenience (purposive/judgmental) sampling techniques. The data were analyzed using SPSS and interpreted in percentage, mean and frequency. The major findings of the study indicate that; there is a gap in taking corrective measures for the variance of budget against actual performance. The other result shows that there is a bureaucratic and lengthy fund release process from Pact HQ to Pact Ethiopia as well as from Pact Ethiopia to sub-grantees. Furthermore, due to unsatisfactory practice in the timely release of fund from Pact HQ and Pact Ethiopia, there is a delay of advance settlement every quarter from the sub-grantees side. These constraints hinder the organization to effectively manage funds and achieve its goal and objectives. Some of the vital recommendations made in this research to ensure effective results-based fund management are; narrow gaps on the variances of budget plan and actual expenditure. To avoid variances, Pact needs an urgent shift of using follow-up data and take corrective action. On the other hand, Pact needs to revisit its fund management process to eliminate the non-value adding layers of bureaucracy and reduce lengthy fund release process. Moreover, to avoid delay of fund release from Pact Ethiopia and advance settlement from the sub-grantee side, digitalization (application) helps to reduce the challenges of tracking data in real time. Finally, providing refresher training to its staff and sub-grantees would help to build strong fund management process.

Keywords: *Assessment, Fund Management, International NGO*

CHAPTER ONE

INTRODUCTION

This chapter presents the background of the study, statement of the problem, research questions, objective of the study, definition of terms, significance of the study and delimitation/scope of the study.

1.1. Background of the Study

Finance is the life blood of every organization. Personnel and material resources which are needed for the proper functioning of any office, industry, and enterprise can be made available if financial resources are provided. Moreover, the efficiency of operating systems depends up on the effectiveness of the financial system as every administrative act may have financial resource implications.

Fund is a key element for every governmental, non-governmental and non-profit organizations. Use fund as a means of planning, utilizing and controlling the organization scarce resources for carrying on specific activities or attaining certain objectives in accordance with regulations and restrictions (Lewis, 2017).

According to Lewis (2017), Fund Management is the overseeing and handling of organization financial instruments. It is more than just keeping accurate accounting records. It also involves planning, organizing, utilizing and controlling financial resources to achieve organizational objectives. At a minimum, a fund management system should ensure that costs are properly categorized, tracked and charged to the appropriate accounts. Furthermore, fund management is a system that emphasize accountability rather than profitability. Hence, a fund is a self-balancing set of accounts, segregated for specific purposes in accordance with laws and regulations or special restrictions.

Effective fund management is not only the result of a single action or decision that results in a successful program. Instead, program success depends on how a series of fund management questions are identified, answered, and revisited overtime. Important questions include are fund resources being utilized effectively? Does the fund have sound management? Is adequate planning and monitoring and evaluation process made during the implementation period? Dose the fund have sufficient administrative resources? What is the sustainable funding level from the program? And so on (Lewis, 2017).

A non-governmental organization (NGO) is any non-profit, voluntary citizens' group which is organized on a local, national or international level. It is task oriented or driven by people with a common interest to meet a need in their society and not formed or controlled by the

government. Sound fund management practices determine the effectiveness and efficiency of any organization (Mengesha, 2012).

NGO's primary goal is not to increase shareholder value; rather it is to provide some socially desirable need on an ongoing basis. Thus, NGOs must demonstrate its stewardship of donated resources for a specific purpose must be used for that purpose. That purpose is either specified by the donor or implied in the NGO's stated mission (Tabassum,2012).

As fund management determines or affects the overall performance of the organization, it needs special attention. Based on this, the researcher intends to assess the fund management practice of Pact Ethiopia.

Fund management practices of Pact Ethiopia starts from the request of cash projection as per the schedule stated on the strategic plan to Pact headquarter. Pact HQ receive fund from the donor and distribute the obligated amount to field offices based on their request. The field office releases the fund to the sub-grantees on a reimbursable or period advance basis to implement the planned activities as an advanced form. At the end of each quarter Pact Ethiopia expect a financial report from their respected sub-grantees to liquidate their advance. The responsible employee in Pact Ethiopia evaluates the quality of the subgrantees financial reports in terms of content, compliance, responsiveness, and timeliness. Monitoring and evaluation conducted every quarter to provide reasonable assurance that donor awards are used in compliance with laws, regulations and the provisions of grant and performance goals are achieved.

Few studies are reviewed done on NGOs revolving fund management aspects. The review of this study included related studies that are assumed to be related to the subject matter directly or indirectly.

Doreen (2016), did a study on the effect of funds management on project performance in Rwanda. According to the Doreen, policy, planning, monitoring, communications, solution for sustainability and agency acceptance are the needed activities to determine the performance of projects.

Yonas (2017), studied on Fund Management and Its Utilization on OSSA. Under his study, he tried to assess OSSA's principals' sources and fund utilization practices in connection with pertinent rules and regulation. In addition to this, he identified some sort of challenges faced the organization underutilization of funds. Some of the challenges are: there is a lack of managing its fund by conducting pre-award assessment and lack of providing reliable, useful and timely information about the project, budget, and its operation.

1.2. Organizational Background

Pact International is United States (US) based international non-governmental organization established in 1971 in Washington, DC. The aim of Pact was “to see a peaceful and prosperous nation whose citizens’ social, economic and environmental wellbeing is sustainably ensured”. Pact International is currently operating worldwide in 60 countries. (Pact, Mosaic 4th Quarter PSR, December 2016, pp 4).

Pact legally registered in Ethiopia in 1995 and started operation with the aim of improving the capacity of local non-governmental organizations (LNGOs) and communities. During the first 8 years, Pact focused on institutional capacity building and establishing strong relationships with government, civil society organizations and networks. In addition, Pact is working in partnership with a wide range of donors (Pact, Mosaic 4th Quarter PSR, December 2016, pp 4).

After 2003, Pact Ethiopia started participating in the implementation of projects directly or through a partnership with local civil society organizations (CSOs). The projects include artisanal and small-scale mining, health and HIV/AIDS, women’s empowerment, orphans and highly vulnerable children (HVC), Godere Forest Initiative (GOFORI), natural resource management, democracy, governance and peace building, and education. After 2012, Pact Ethiopia started managing 10 projects. The life time of these projects were from three to five years. The fund amount ranged from \$600 hundred thousand - \$92 million (Pact, Mosaic 4th Quarter PSR, December 2016, pp 4).

Currently, three projects are being implemented in different regional states and city administrations. These projects are SIPED II, CEWRR, and CSSP. Separately their funding amount ranges from \$22 million to \$1.5million (Pact, Mosaic 2nd Quarter PSR, June 2018).

Pact receives funds from different donors for the implementation of its different programs. The main donors include, but are not limited to USAID, UKAID/DFID, EU and Dutch.

Pact Ethiopia implements its activities under different awards based on the agreed obligated amount. These awards are: Grant and contract awards, in-kind grant, and fixed obligated grants as types of grant awards.

Pact Ethiopia was using international financial reporting standards (IFRS). Currently, the organization adopted to implement the international public sector accounting standards (IPSAS). IPSAS considers cash accounting, fund accounting, non-reciprocal transactions and assets that are not used to generate profit.

1.3. Statement of the Problem

A non-government organizations (NGOs) are types of organizations that are geared toward the provision of some sort of benefits to society. NGOs are mobilizing financial resources from various national and international donors and other voluntary agencies to work in a coordinated manner. These NGOs are received fund from Global Fund resources and support government and partners to extend their assistance to beneficiaries (Mengesha, 2014).

Fund Management is the operation of an internal control system. The controlling levels of fund management system are: physical, authorization and approval, personnel, segregation of duties, supervision, arithmetical or accounting, management, organizational and partnership. Fund management is one of the most important project management activities needed to ensure projects are delivered within the cost expectations laid down by the project's definition (Tom, V. & Dr. Paul, S., 2017).

There are studies on grant management, fund management and its utilization in NGOs conducted by different researchers. These researchers include, but are not limited to, (Yonas, 2017), (Abenet, 2016) and (Mengesha, 2014). The major findings from these researches shows some evidence on related issues from different perspectives as follows.

Yonas (2017) conducted his research on Fund Management and its Utilization on Organization for Social services for aid (OSSA). Under his study, he tried to assess OSSA's principals' sources and fund utilization practices in connection with pertinent rules and regulation. In addition to this, he identified some sort of challenges faced the organization underutilization of funds. Some of the challenges included that were lack of managing its fund by conducting pre-award assessment and failure to provide reliable, useful and timely information about the project, budget and its operations. Besides on his findings, Yonas concluded that, conducting pre-award assessment before starting the new grant award would help to manage the selected stockholders easily. In addition, making monitoring and evaluation timely support to identify easily where the gap is and help to control the fund utilization of each projects.

Mengesha (2014) also investigated the financial management practices in Local NGOs operating in Addis Ababa. In the study, the researcher found out that most LNGOs are citizen-based associations. These organizations are mobilizing financial resource from different national and international donor agencies (fund providers) to implement their development activities. In addition, he realized that there was lack of budget approval by the concerned officials, budget review and delay in reporting.

Abenet (2016) on her part, conducted a research that shows Pact's grant management system and its contribution to the success of projects under implementation. In her research she found out that even if there was grant management manual in the organization (i.e, Pact), the organization didn't consistently apply grant management policy and procedures. These includes partner selection and award negotiation in a consistent manner. Her findings were revolving around grant awards perspective rather than how the fund flow could be applied. Accordingly, Abenet concluded that, using consistent application of the existing procedures & tools can help the organization to manage its projects in terms of money and time. In addition, she recommended that, applying clear and transparent partner selection would help to meet the objectives of the project. In this study, the challenges of fund utilization through its life in the organization were missed.

The consolidated project status report (PSR) of overall the organization is shows that low budget utilization of the program was recurring every year. Based on the pipeline indicated, was expected that 25% of the budget could be used each quarter for each project. The burn rate at the end of 4th quarter expected to be 100% of the annual budget. Based on the 2018 PSR consolidated by Pact HQ, the budget utilization rate of the projects for a year was prevailing 68.8%, 71.5%, 76%, 77.9% and 87.9% for the FY2014, 2015, 2016, 2017 and 2018 respectively. The annual utilization rates of these years were between 68.8% & 87.9%.

From this, it has to be noted that Pact Ethiopia faced challenges to implementing its programs due to unsatisfactory timely fund utilization practices as per the strategic plan. The main challenges of fund utilization practices are an identification of variance in budget against actual performance annually and take corrective action, lengthy fund release process, delay of fund transfer, unsatisfactory practice in the timely settlement of receivables as well as payables and delay of financial submission from advance holders' side. Therefore, the mentioned challenges were not included in the above-reviewed studies conducted on fund management and its utilization aspects.

Failure to reconcile the actual performance with the planned budget in a timely manner will create another problem by delaying the possibility to produce financial reports from sub-grants. Thus, delay for financial report submission leads to delay of fund transfer from the donors and also affects the timely implementation of projects timely. As a result of this, there could be unutilized funds at the end of the project period. At last, the unutilized funds could be de-obligated and returned to the donor at the project closure time. This implies that the

donors may not give any additional project to the same organization due to the past project implementation performance experience.

According to Milton (2008), the major factors that have been responsible for the low disbursements of funds are; failure by donor to fulfill the preconditions of accessing the fund in the timely manner, bureaucratic procedures at the donors and headquarters side. Additional reason can be, poor/lack of planning by the concerned staffs and failure to follow the conditionality and guidelines for utilization of the funds particularly. Also, there are delays in submitting accountability reports to allow for the next releases timely.

As the researcher's work experience on the field, no formal study has been conducted on the fund management practices of Pact. Therefore, this research assessed the fund management practice of Pact Ethiopia for proper fund utilization.

1.4. Research Questions

This study intends to answer the following basic research questions regarding fund management practice in Pact Ethiopia.

1. To what extent is Pact HQ timely disbursing fund to Pace Ethiopia?
2. To what extent Pact Ethiopia is effective in providing fund to tis sub-grantees?
3. How does Pact monitor and control the budget utilization processes both at Pact Ethiopia and its sub-grantees level?
4. What are the major challenges of fund utilization in Pact Ethiopia & its sub-grantees level?

1.5. Objectives of the Study

General Objectives

The objective of the study was to explore the fund management practice of Pact Ethiopia.

Specific Objectives

This study was designed to:

1. Assess to what extent Pact HQ is timely disbursing fund to Pact Ethiopia.
2. Appraise the extent to which Pact Ethiopia is effective in providing fund to its sub-grantees.
3. Understand Pact Ethiopia's monitoring and controlling systems on budget utilization processes of its sub-grantees (Assess the utilization level of allocated funds and its monitoring practices).
4. Identify the major challenges of fund utilization in Pact Ethiopia

1.6. Significance of the Study

This study is hoped to have significance, especially for Pact Ethiopia and similar international NGOs. The Pact Ethiopia will benefit from the major findings of this specific research that provides an evaluative performance data on its fund management practices. Moreover, the research will help the organization to better understand the limitations, weakness and the gaps of its fund management. Based on the findings, it is expected that decision makers at Pact Ethiopia and other stakeholders will take corrective measures. Besides, it will be a source of information for researchers who will be interested on further study on similar topic.

1.7. Definition of Terms

The following definition of terms gathered from grant management manual of Pact Ethiopia.

Grant: A sum of money given by an organization (funder) to other organization or government to accomplish a particular purpose. It is a partnership agreement with donor and fund recipients.

Contract: USAID typically exercises a higher level of control over the partner in obtaining results. It is a buyer or seller relationship with the donor.

Donor: An organization who donates something, especially money to a fund or charity.

In-kind: Donations can be goods, services or the labor of people assigned to assist a non-profit organization other than cash grants.

FOG: Specifications or requirement is; Maximum grant period is not more than 360 days and the maximum grant amount should not exceed the equivalent of US\$200,000. The obligation budget provide by the donor is Fixed; couldn't be increased or decreased.

Obligation Budget: Is the proposed amount of commitments that the government or sub-grantee may incur during the implementation period based on a signed agreement with the donor.

De-obligation budget: Returned unutilized fund upon completion of the project for the respected donor.

Sub-grantee/Partner: The recipient of a grant award made by a grantee. The sub-grantees can be international NGOs, local NGOs or government.

Pipeline: The amount of funds obligated but not yet spend.

Burn rate: The rate at which an organization spends its award fund (obligated amount) on a periodic basis.

Pre-award assessment: Evaluation of a perspective sub-grantees financial, operational and organizational capacity to assess the sub-grantees eligibility and responsibility.

Post-award assessment: Evaluation of setting up accounts in the financial payment system and monitoring awards for compliance with the application of laws, regulations, policies and submission of required reports.

1.8. Scope of the Study

The primary focus of the study was on the fund management practices of Pact Ethiopia. The scope of this study was Pact Ethiopia and its sub-grantees' employee those who are stationed in Addis Ababa. The study included the fund management activities on fund release, its utilization, financial reporting (advance liquidation) practice, monitoring and controlling. Hence, it focuses on the major findings in fund management practice on the performance of effective and efficient use of the fund for the success of projects under implementation. The research is limited to Pact Ethiopia, but results can be used for other international NGOs. In addition, the relevant related source documents also covered in five years frame. Moreover, convenience sampling techniques were applied for this research.

1.9. Organization of the Research Report

This study was categorized into five main chapters. Chapter one dealt with the introduction part, which includes background of the study, statement of the problem, research questions, objectives of the research, significance and scope of the study, definition of terms and organization of the research paper. Chapter two goes through the review of related literatures, with a focus on the theoretical and empirical literature. While, chapter three provides detail information on the methodology used by the study, which includes the research design, population of the study, type and source of data, method of data collection, validation and reliability of instrument, and research ethical consideration. Data analysis and interpretation of Pact Ethiopia fund management practice were discussed under chapter four. Finally, chapter five dealt with summary of findings, conclusions, recommendations and limitation of the research so far identified.

CHAPTER TWO

LITERATURE REVIEW

The literature review was organized in order to present an overview of similar literatures, journals, the internet, books and other materials on the subject matter. This chapter is highlighted the theoretical and empirical aspects of literature.

2.1 Overview of Non-Governmental Organization

The term, “Non-Governmental Organization” or NGO, came into use in 1945 because of the need for the UN to differentiate in its charter between participation rights for inter-governmental specialized agencies and those for international private organizations. At the UN, virtually all types of private bodies can be recognized as NGOs. They only have to be independent of government control, not seeking challenge governments either a s apolitical party or by a narrow focus on human rights, not-profit making and non-criminal (Becker, 2011).

According to Kimunguyi (2015), NGOs are institutions that advance development which consist of a variety of functional, geographic, membership and organizational groups. Globally, NGOs are involved in pressing forward for international human rights primarily by setting standards, documenting violations and lobbying for successful enforcement of the human rights norms. By setting the standards, NGOs were and are still instrumental in the establishment of international norms by which the conduct of states can be able to be measured or judged. NGOs also give pressure to national governments to sign and ratify the treaties that embody human rights norms and have worked to enhance the issue of the complaint mechanisms of these treaties (Kimunguyi, 2015).

2.1.1 Historical Background of NGO

NGOs had been active at the international level since the eighteenth century in Western countries when national level issue-based organizations focused on the abolition of the slave trade and motivates for peace. By the start of the twentieth century there were NGOs associations promoting their identities and agendas at national and international level. NGOs were first discovered and then celebrated by the international donor community’s bringing fresh solutions to longstanding development problems characterized by the inefficient government to government aid and ineffective development projects (David, 2016).

According to David (2016), Many of the world's best-known NGOs antedate the arrival of the development industry. Save the Children Fund (SCF) was founded by Eglantyne Jebb in 1919 after the trauma of the First World War. Oxfam, which was originally known as the Oxford Committee against the famine, was established in 1942 in order to provide food and water to the victims of the Greek Civil War. CARE began its life sending US good packages to Europe in 1946 after the Second World War.

2.1.2 Development of NGOs in Ethiopia

In 1960 both foreign and local NGOs were established when these self-help groups could no longer sufficient to support the need of the country. The first NGOs established in the country were the Ethiopian Red Cross (ERC) and Swedish Save the Children. Following this and the famine of 1973 and later of 1984, the number of NGOs increased, and these were mostly international. Later on, with the change in government in 1990 a more conducive environment was established further encouraging the growth of NGOs in Ethiopia (Dessalegn, R., Akalewold, B., & Yoseph, E., 2008).

2.1.3 Types of NGOs

NGOs can be classified into various types on the bases of different factors like orientation and level of cooperation. NGO type based on orientation can be grouped into charitable orientation, service orientation, participatory orientation and empowering orientation. NGO type by level of co-operation can be grouped into the community-based organization, city wide organization, national NGOs and International NGOs.

2.1.4 International Organizations

An international organization has been defined as a form of co-operation of sovereign states based on multilateral international organizations and comprising of a relatively stable range of participants, the fundamental feature of which is the existence of permanent organs with definite competences and powers acting for the carrying out of common aims. In addition, it is made up of members from numerous counties and is sometimes called "multilateral" organizations. The membership is usually governmental and includes international organizations like European Union (EU), United Nations (UN)), United States Agency for International Development (USAID) and World Bank (Mizanie, A. & Alemayehu, T., 2009).

2.2 Theoretical Overview of Financial Management in NGO

Financial Management is an important activity and back bone for governmental, non-governmental and commercial of profit seeking organization. It is broadly concerned with the acquisition and use of funds. It is the process of planning, organizing, controlling and monitoring financial resource with a view to achieving organizational goals and objectives. It is an ideal practice for controlling the financial activities of an organization such as procurement fund, utilization of funds, accounting, payments, risk assessment and every other thing related to money. In general, it is the application of general principles of management to the financial possessions of an enterprise (Lewis, 2017).

Financial Management helps any organization to use its resource effectively and efficiently. Effective fund management practice in an organization helps to eliminant fraud and theft, being accountable to the donors, enhance credibility, strengthening fundraising efforts and secure and determine its future.

Most of International NGOs head quarter (HQ) are in foreign countries. The channels of fund release for almost all international NGOs is the same. The channels start from donor to the concerned HQ, then HQ allocates the fund based on each country office need. Country office receives fund from their respective head office and release the obligated amount based on the agreed fund to their sub-grantees. In addition, the organization implement its activities directly, release the fund as per the planned budget and time¹. The channel illustrated below:

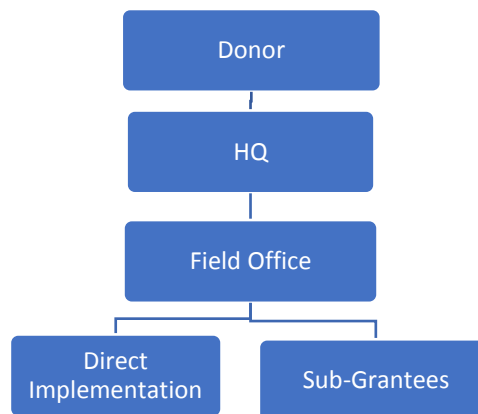


Figure 1.1: The Flow of Fund in Pact Ethiopia

¹ Pact Grant Management Manual, 2015

The fund management has its own process in connection with sub-grantees. The cycle illustrated below shows the full picture of the process.²



Figure 1.2: Fund Release Flow Chart for Pact Ethiopia

2.2.1 Financial Management for NGOs

Organizations need money. Money is the one thing that takes up most management time. Good financial management for NGOs involves the following building blocks³. These are; Keeping records, internal control, budgeting and reporting.

1. Keeping records: The foundation of all accounting are basic records that describe organization earnings and spending. The basic records prove each and every transaction has taken place. Needs to make sure all records are carefully filed and kept safe. In addition, write down the details of each transaction which is a list of how much spent, on wat and when. If the organization keep records in good order and write down the details of each transaction properly then cannot go for wrong.

2. Internal control: Make sure that organization has proper controls in place so that money cannot be misused. Controls always have to be adapted to different organizations. However, some controls that are often used include: keeping cash in safe place, make sure that all expenditure is properly authorized, follow-up the budget, monitor how much money the organization spent based on the planed budget and for the intended purpose.

3. Budgeting: For good financial management, need to prepare accurate budgets to know how much money will need to carry out the work. Budget is only useful if it is worked out by carefully forecasting how much the organization expect to spend for the planned activities.

4. Financial reporting: The forth building block is writing and reviewing financial reports. A financial report summarizes the income and expenditure over a certain period of time.

² Pact Grant Management manual 2015

³ <http://www/gdrc.org/ngo/financial-mgmt.html>

2.2.2 Importance of Fund Management in NGOs

The primary significance of fund management in NGOs lies in achieving its overall goals and objectives. Fund management helps to be accountable to donors, securing the future, make productive decisions, achieve objects, strengthening fundraising efforts and enhance credibility. In addition to this, it helps to eliminate fraud and theft⁴.

2.2.3 Principles of Fund Management for NGOs

There are seven principles of financial management for NGOs. They provide a high-level guide for trustees and senior managers, to help them make sure that their organization is using funds effectively and that staff are working appropriately⁵.

1. Stewardship: The organization must take good care of the resources it is entrusted with and make sure that they are used for the purpose intended. The board of trustees has overall responsibility for this. In practice, managers achieve it through careful strategic planning, setting up appropriate controls, considering risks, and by setting up systems that work in tune with the two golden rules of NGO field work. These golden rules are (1) NGOs' front-line staff have to maintain a good quality dialogue with the people they aim to help and (2) NGOs depend on their front-line staff and have to help them make good judgements - and check whether they do.

2. Accountability: The organization must explain how it has used its resources and what it has achieved as a result to all stakeholders, including beneficiaries. All stakeholders have the right to know how their funds and authority have been used. NGOs have an operational, moral and legal duty to explain their decisions and actions and submit their financial reports to scrutiny.

3. Transparency: The organization must be open about its work, making information about its activities and plans available to relevant stakeholders. This includes preparing accurate, complete and timely financial reports and making them accessible to stakeholders, including beneficiaries. If an organization is not transparent, then it may give the impression of having something to hide.

⁴ Retrieved from www.fundsforngos.org Importance-of-financial-management-for-ngos

⁵ Retrieved from <https://www.humentum.org/free-resources/guide/seven-principles>

4. Integrity: On a personal level, individuals in the organization must operate with honesty and propriety. For example, managers and trustees should lead by example in following procedures and by declaring any personal interests that might conflict with their official duties. The integrity of financial reports depends on the accuracy and completeness of financial records.

5. Viability: Expenditure must be kept in balance with incoming funds, both at the operational and the strategic levels. Viability is a measure of the NGO's financial continuity and security. The trustees and managers should prepare a financing strategy to show how the NGO will meet all of its financial obligations and deliver its strategic plan.

6. Accounting standards: The system for keeping financial records and documentation must observe internationally accepted accounting standards and principles. Any accountant from anywhere around the world should be able to understand the organization's system for keeping financial records.

7. Consistency: The organization's financial policies and systems must be consistent over time. This promotes efficient operations and transparency, especially in financial reporting. While systems may need to be adapted to changing needs, unnecessary changes should be avoided. Inconsistent approaches to financial management can be a sign that the financial situation is being manipulated.

2.2.4 Sources of Funding in NGO

Source of funding for NGOs are divided in to conventional and non-conventional sources. Conventional sources are those that mostly exist and donor based and non-conventional sources of funding are those that also include alternative fundraising for organizations. Some of the conventional sources are; the bilateral and multilateral aid, the private charities, foundations, international organizations, corporate agencies, local governments and donations and gifts. The non-conventional resources include the micro-enterprise, microfinance and micro-insurance⁶.

2.2.5 The Financial Management Process

According to Lewis (2017), Financial management is all about actively looking after the organization's financial health. This involves:

⁶ www.fundsformgos.org Major-sources-of-funding-for-ngos

➤ **Managing Scarce Resources**

NGO operate in a competitive environment where donor funds are increasingly scarce. Therefore, make sure that donated funds and resource are used properly, and to the best effect, to achieve the organization's mission and objectives.

➤ **Managing Risk**

Organization can face internal and external risks which can threaten operations and even survival. Risks must be identified and actively managed in an organized way to limit the damage they can cause.

➤ **Managing Strategically**

Financial management is part of management as a whole. This means the responsible person in the office must keep an eye on the 'bigger picture' looking at how the whole organization is financed in the medium and long-term operation not just focusing on projects and programmers.

➤ **Managing by Objectives (MBO)**

Financial management involves close attention to project and organization objectives. Managing fund by objective is the establishment of a management information system to compare actual performance and achievements to the defined objectives.

The financial management process mirrors the project management cycle – plan – do – review (Lewis, 2017).

1. **Plan:** When an organization starts up, it sets its objectives and planned activities. The next step is to prepare a financial plan for the costs involved in undertaking the activities and where to obtain funds.
2. **Do:** Having obtained the funds, the program of activities is implemented to achieve the goals set out in the planning stage.
3. **Review:** The actual situation is compared with the original plans. Decision makers can then decide if the organization is on tarte to achieve its objectives within agreed time scales and budget. The learning from the review stage is then taken forward to the next planning, and so on.

2.2.6 Budgeting

A budget is an economic tool for facilitating and realizing the vision of an organization in a given fiscal year, and if a budget is to serve as an effective tool, proper linkages and management of all the stages of budgeting is necessary (Kimunguyi, 2015).

A primary task of budgeting is to estimate the level of resources that will be needed in the future to support the work of established agencies, programs, and activities. Another important task of budgeting is to identify and assess alternative ways that resources could be used more effectively to accomplish a given set of policy goals. In general, a budget is a plan that outlines an organization's financial and operational goals (Ward, 2019). Good budgetary management processes through budget planning, training and budget information systems improve financial performance in any organization (Kimunguyi, 2015).

2.2.7 Fund Disbursement

Fund disbursement is the act of paying out or disbursing money from donor to sub-grantee or other stakeholders to settle obligations (Julia, 2019).

The factors that determine the timely release of fund from funder to recipient can be timely submission of the fund transfer request from the requester as per the schedule, lack of proper filing of the required information in the transfer request format, lack of supporting documents. Lack of procurement planning by project staff and failure to follow the conditionality and guidelines. Due to these, the back and forth may occur and also it leads to lengthy bureaucratic layer and technical delays (Milton, 2008).

2.2.8 Utilization of Funds

According to Danbaki (2012), utilization of fund involves the allocation and expenditure of funds to implement the organization's various activities and achieve its goals and objectives. Utilization of funds had been a challenge to both the donor community as well as the organization that is responsible for the effective utilization of the funds. Therefore, there is need for institutions that are the response for the management of these funds to come up with the right framework and procedure to ensure that funds given are utilized as expected based on the planned budget and that the funds services for the intended purpose (Danbaki, 2012).

2.2.9 Challenges of Fund Utilization

Kiplag'at (2012), pointed out the following factors contributing to fund underutilization. Those are the funding donor delays releasing funds once the project is approved. The delays can affect the starting and ending of the project period. The other reason can be, delay in

reporting from the sub-grantee to the donor with activities in different projects, therefore leading to delays in reporting to the donors, consequently delays in funds re-imbursing from the donors to the concerned sub-grants. Hence, project activities do not start on time due to logistical problems between the donors and implementing NGOs. Moreover, there are delays in communication on the approval of the funding on time by the donors, poor infrastructure, projects site being in inaccessible areas most of the time and therefore leading to delays in implementation of the activities. The other challenges of fund utilization can occur due to mobilization of resources take time particularly on the process of staff recruitment. Some of the NGOs have attendance of changing staff after vary project and therefore affect the continuity of the project activities.

On the other hand, utilizing funds effectively to meet stated policy objectives while ensuring value for money is often just a challenge than planning how to spend it. When utilizing the budget there might be variation between budgeted and actual utilization. The reason for deviations may vary over time. Some of the more common causes are: deviation in aggregate expenditure, reallocation of fund during budget implementation, policy changes during the year, an inability to implement policies, program and projects and a lack of financial discipline contribution for variation in budget and actual expenditure. There should be distribution of responsibilities for budget utilization, budget appropriation management rules and budget revisions, various special issues related to budget utilization, and the monitoring of budget execution (Ketema, 2015).

Also, some of the NGOs have an attendance of changing staff after very project and therefore affect the continuity of the organization activities, there is a trend in which donors are only willing to fund the activities without personnel and even the overhead cost, they give funds for a project and tell the NGOs to use their current personnel to implement the activities. This overloads the current staff and affects implementation of both new and the current projects and several projects being implemented at the same time in the same project site with similar activities (Kiplagat, 2012).

2.2.10 Financial Reporting /Liquidation

Financial reporting provides a comparison of actual expense with the allocated budget amount. Sub-recipients liquidate the received advance amount from the donor on the agreed period of time. The reporting period can be monthly, the quarterly or semiannually according to the project nature and agreed agreement. The aim of liquidation/settlement is to maintain

the correct degree of accountability and avoid the creation of onerous, additional and redundant work for the sub-grantees. Therefore, the donor expected liquidation/settlement report at the end of agreed report period from its sub-grantee/partner (Pact, Grant Management Manual, 2005).

All Interreg programs require progress reporting during project implementation. The aim of the reporting process is to establish whether project objectives have been achieved, what resources have been expended, what problems have been encountered, and whether the project is expected to be completed on time and within budget. If performance is sufficient, the project will receive payment from the program for costs incurred, paid and reported (Pact, Grant Management Manual, 2005).

2.2.11 Monitoring

Monitoring is the routine collection and analysis of information to track progress against set plans and check compliance to establish standards. It helps identify trends and patterns, adapt strategies and inform decisions for project or program management. (Khawaja, 2011)

Monitoring helps to ensure the timely consolidation of reports and financial information to meet requirements. In addition, to make sure the effective and efficient utilization of funds in the aspects of under or over utilization, money used for the intended or anticipated purpose only, evaluate whether there is misappropriation, fraud, lack of capacity is and identify and report to the concerned body to take prompt action for the project success (Mackay, 2007).

The major items that must be monitored by the organization are physical progress, work plan, resource utilization, and output against the plan (Khawaja, 2011).

Challenges of monitoring can be; lack of realistic monitoring plan, timely feedback from the report, inconsistency in conducting of using different tools for different projects, lack of a standard system to track the budget status, and deficiency of expertise to monitor projects effectively. Moreover, the absence of cooperation among units (monitoring with finance, grant, and program) is also bringing a major problem for the success of the project (Khawaja, 2011).

2.2.12 Sustainability

The term sustainability has gained significant popularity in policy-oriented research, business development and social sector over the last few decades. It is the most sorted feature to ensure success to a venture. Sustainability, a word frequently used across several disciplines,

has become part of our everyday lexis. Looking at the perspective of donors and NGOs, sustainability of a project simply implies the continuation of project activities and sustenance of project outcomes after the primary grant expires. Most donors are concerned about the sustainability aspect of a project and often fund projects which have a well-defined sustainability plan in place. It is a challenge for NGOs to ensure a steady flow of funds for executing their projects and programs. Integrating sustainability principles in their ongoing projects can be an effective way to ensure long term impact (Joshi, 2016).

2.3 Review of Empirical Literatures

This section deals with the empirical evidence of NGO's fund management practice in different researcher's perspective. Hence, this part provides an overview of the previous research was done on NGOs revolving fund management aspects. The review of this study included, related studies which are assumed to be related to the subject matter directly or indirectly.

The researcher tried to assess few studies that have been reviewed on fund management aspects. These researchers, (Doreen, 2016), and (Kiplang'at, 2012), have conducted their study in Rwanda and in Nairobi respectively. In addition, the researcher tried to see three studies related to the subject matter. These research papers are made by (Yonas, 2017), (Abenet, 2016), and (Mengesha, 2014).

Doreen (2016), did a study on the effect of funds management on project performance in Rwanda. According to the Doreen, policy, planning, monitoring, communications, solution for sustainability and agency acceptance are the needed activities to determine the performance of projects.

(Doreen, 2016), under his investigation, he clearly indicated the effects of fund management on the project performance of Dairy Community Processing Center Project at Burera District. Those factors are; there is poor time management system in connection to contract agreement. In addition, under implementation process, they didn't rule, regulation and policies of project management. The other find can be, there are no risk assessment mechanisms to make effective fund management.

As per Doreen view, the organization does not have a systematic controlling system based on the rule and regulation on how to manage the fund and the created risk to project performance.

Kiplang'at K. (2012), conducted a study on the utilization of donor funding and its effects on the economic development of the intended beneficiaries in Nairobi. Kiplang'at investigated

that, there is a delay in the mobilization of resources by the sub-grantees. Furthermore, there are no governed reporting mechanisms stated on the agreement in terms of the time frame. These affect the overall implementation period and quality work on the project delivery. In addition, some of their donors did not allow the no-cost extension period. Due to this, the organization failed to achieve the agreed objective and deliver the service or goods to the intended beneficiaries. The result of these also further affects their economic development.

To sum up, both studies attempted to see system-based problems and investigated the affected factors of fund management and its utilization for the project performance.

Yonas (2017), studied on Fund Management and Its Utilization on OSSA. Under his study, he tried to assess OSSA's principals' sources and fund utilization practices in connection with pertinent rules and regulation. In addition to this, he identified some sort of challenges faced the organization underutilization of funds. Some of the challenges are: there is a lack of managing its fund by conducting pre-award assessment and lack of providing reliable, useful and timely information about the project, budget, and its operation.

Abenet (2016), conducted on Pact Ethiopia grant management system and its contribution to the success of the project. She tried to assess the overall grant management flow started from pre-award to post award. Pre-award included partner selection, risk assessment on the selected partners and award/contract negotiation. Post-award incorporated distribution of the fund, conduct monitoring, and evaluation and at last, project closeout. From the study, the researcher found that the organization has strong grant management. However, having strong manual and practice by itself alone do not adequate for the project success. Under her assessment, she investigated that, the organization not fully applied its grant management policy for the whole process of grant management.

The main purpose of grant management is not only administrator negotiation between donor and partner but also follow the fund utilization and reporting mechanism to bring adequate project success. Due to this, her finding was revolving only grant award perspective rather than fund utilization.

Mengesha (2014), conducted a study related to financial management practices in local NGO in Addis Ababa. Under this study, he tried to indicate the effective use of fund management and utilization to become a sustainable project. Mengesha, stated that the problems for effective use of fund management are lack of budget approval by higher officials, poor common cost allocation system, proper registration system on in-kind grant items. The stated problems lead to do not accomplish projects activity in accordance with donors' goal and objective.

2.4 Conceptual Framework

A Conceptual framework is a structure which the researcher believes can best explain the natural progression of the phenomenon to be studied. In addition, it helps to guide the analysis process and the interpretation of results⁷.

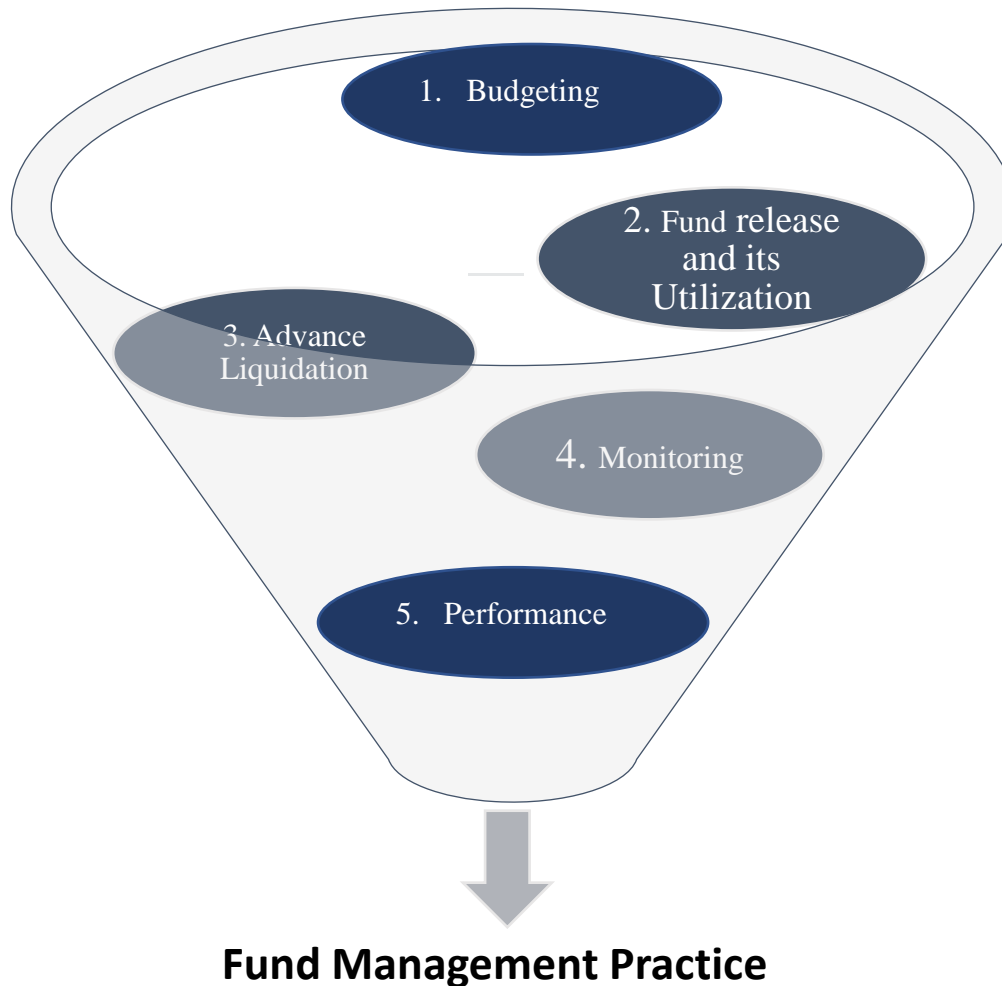


Figure 1.3: Developed by the Researcher

A conceptual framework for fund management practice showing the budgeting, fund release and its utilization, advance settlement, monitoring and performance with the link to the fund management performance. It is designed by the researcher using inputs from different kind of literature.

⁷ Conceptual Framework for Financial Reporting. (2017, June). Hong Kong Institute of Certified Public Accountants (CPA)

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter discussed the research design method, the size of population, sample size and sampling techniques. Moreover, it discussed the sources of data and procedures of data collection. Methods of data analysis, validity and reliability, and ethical considerations also described in this chapter.

3.1 Research Design and Approach

This study aimed to assess the fund management practices of Pact Ethiopia. Accordingly, the organization's existing fund management practice were evaluated. To address the issue; this research was grounded on pragmatism research paradigm. The pragmatic paradigm refers to a worldview that focuses on "what works" rather than what might be considered absolutely and objectively "true" or "real." It involves using the method which appears best suited to the research problem and regardless of philosophical debates. It grants the freedom to use any of the methods, techniques and procedures typically associated with quantitative or qualitative research. The researchers may use different techniques at the same time or one after the other. Moreover, pragmatism enables the researcher to collect data from a different set of sources and stakeholders (Johnson, RB. & Onwuegbuzie, AJ., 2014).

Both qualitative and quantitative methods were used in this study. Mixed research approach helps to fully understand and explain the research agenda. In addition, another value of mixed research approach is the integration component. Integration gives readers more confidence in the results and the conclusions they draw from the study (O'Cathain A., Murphy, E., & Nicholla, J., 2010). Accordingly, mixed research approach with concurrent data collection strategy and triangulation of data from different sources was applied.

The purpose of this study was to find out the underlying facts and/or actual practices existing within Pact Ethiopia regarding FMP. Therefore, to achieve the above-mentioned objective of the research descriptive design was employed.

Since the data collection was conducted from both qualitative and quantitative (mixed) method, descriptive design gives a holistic understanding of a research topic. Moreover, the research design help to describe an event or phenomena as it exists at present and is appropriate when the study is concerned in specific predictions, narrative of facts and characteristics concerning individuals or situations (Kothari, 2011).

3.2 Population, Sample Size and Sampling Techniques

The total population of this study was Pact Ethiopia and 25 Pact's sub-grantee (local NGOs) located in Addis Ababa town. The number of employees in Pact Ethiopia was 51⁸ and the overall sub-grantee employees in Ethiopia were 903. Out of 903 employees of different sub-grantees in a different region, 419⁹ employees work station was in Addis Ababa.

To determine the population of the respondents, the researcher communicated the managers of Pact and each sub-grantee organization to identify the departments and key staffs who are responsible and can provide information based on their experience in fund related aspects according to the structure of each organization. Accordingly, from the total population of 51 staffs of Pact, only 18 employees and out of 419 employees of sub-grantees, 87 staffs were purposively selected to participate as respondents. Therefore, 105 employees from both parties were taken for data collection. From the 105 selected respondents, the researcher selected 3 key informants from Pact and 25 higher officials from each sub-grantee for an interview to have full knowledge and to get an accurate and true results about fund management.

Table 1.1: Sample Size for Key Informants Semi-Structured Interview

No.	Target Area	Position (key informants)	# of interviewee
1	Pact	Country Director, Senior Finance Manager & Senior Grant Manager	3
2	Sub-grantee	Executive Directors and Finance Directors	25
Total number of respondents for interview			28

Table 1.2: Sample Size for Questionnaire

No.	Target Area	# of respondents for Questionnaire
1	Pact	15
2	Sub-grantee	62
Total number of respondents for questionnaire		77

⁸ Pact Ethiopia Human Resource Manual, January 2017

⁹ Pact Mosaic 2nd Quarter PSR Report, June 2017

To conduct interview, semi-structured questionnaire was developed for key informants on the degree to which the power and decision-making capability is vested on fund management as well as the degree of familiarity towards administrative and financial issues of the organization. As a result, the sampling technique used for this study is convenience sampling method. Convenience sampling helps to gather useful data information that would not have been possible using probability sampling techniques which require more formal access to lists of populations (Mugera, 2013)

3.3 Source of Data and Data Collection Tools

For this assessment both primary and secondary data were used. Primary data was obtained through questionnaires and interview by using purposive sampling techniques and by identifying those staffs related to the fund management process. Those finance staff and budget holder program staffs are the focal source for the data for the study. This process helped to secure first-hand information about their perception, practical experience and comments on the process of fund management in each Sub-grantee. In addition, Country Director, Executive Directors and Finance Heads were interviewed to gain additional insights into the fund management.

The questionnaires were designed and tailored to fit the research questions and enrich from guidelines for good fund management practice (Theunis K. & Erika B., 2011).

The study relied on secondary data to confirm how funds are managed in Pact Ethiopia. To conduct this study, consolidated project status report, annual financial reports, sub-grants quarterly report, manual, M & E reports, cash projections, electronic sources (website of the organization) were reviewed. Moreover, relevant literature from published journals, magazines, thesis and books also reviewed.

3.4 Procedure of Data Collection

In this study, questionnaires and semi-structured interviews were used. Prior to launching the full-scale study, the questionnaire was pre-tested to 7 Pact's donors' staffs to ensure the reliability of the questionnaires. After the pre-testing of the questionnaire, modifications were made in the questionnaire to reduce the possibility of ambiguity before delivering them to the respondents. The selected respondents from Pact and sub-grantee were requested if they are willing to fill up the questionnaires and the questionnaires were handed over for them.

For the semi-structured interview, the participants were contacted in advance for an appointment that is convenient for them. On the day of the interview, they were thanked for

their willingness to provide their valued opinion and for being willing to devote their precious time for the interview. During the interview, they were advised that the research is meant for academic purposes and was requested to shed some light on the area of interest. Apart from the above procedures, secondary sources of information were collected from the organization PSR, M&E reports, cash projections, manuals, sub-grants quarterly report, and electronic sources.

3.5 Methods of data analysis

Quantitative data analyzed and interpreted through SPSS (Statistical Package for Social Science) and presented in tables, figures, graphs, charts, and percentages. Based on the data gathered using five points Likert-scale questionnaires, the data were analyzed using quantitative techniques such as descriptive statistics (percentage, mean, frequency and cross-tabulation) to describe the variables. Descriptive statistics gives numerical and graphical procedures to summarize a collection of data in a clear and understandable way. It helps us to simplify large amounts of data in a sensible way and reduces lots of data into a simpler summary (Seema, 2012).

The qualitative data collected from the interview were also analyzed using voice record data, tabulating, content analysis and triangulating to quantitative data. The main purpose of analyzing and interpreting the qualitative data was to better explain those factors, which are found and have a quantitative nature and to support the inference.

3.6 Research Ethics and Instrumentation Procedures

Research Ethics

Ethics are norms or standards of behavior that guide the moral choices about our behavior and our relationship with others. Research ethics was put into consideration when developing and administering data collection tools and techniques, to avoid any form of harm, suffering or violation. This was done through obtaining consent before the research and ensuring the confidentiality of data. To avoid any conflict of interest the researcher acquired the needed authorization from the Country Director of Pact Ethiopia. In this study, all participants and data collected were remained confidential and identifies of the respondent remains secret. In this study for each participant, the purpose of the research was being explained before the research questionnaires and interview are conducted and attempt to get consent from participants before the survey and the interview was made.

Reliability

The researcher did a pilot test with 7 Pact's donor staff to check on the reliability of the questionnaire. The staff which were participated on the pilot test were not part of the main study. If the value of Cronbach's Alpha scores greater than 0.70, were considered as indicative of acceptable reliability (Taber, 2015). This indicates that the items of this study have internal consistencies as they lied above the recommended cutoff.

Cronbach's Alpha	N of Items
0.893	28

Validity

The procedure of the judgmental approach of content validity requires research's to be present with an expert to facilitate validation. In order to apply content validity, exhaustive literature should be reviewed, make a survey using the three-point scale (not necessary, useful but not essential and essential), and send the experts in the same field of the research (Haned, 2016). Hence, the content of validity of the instrument for the present study was insured as the fund management and items are identified from the literature and reviewed by professional and academicians.

CHAPTER FOUR

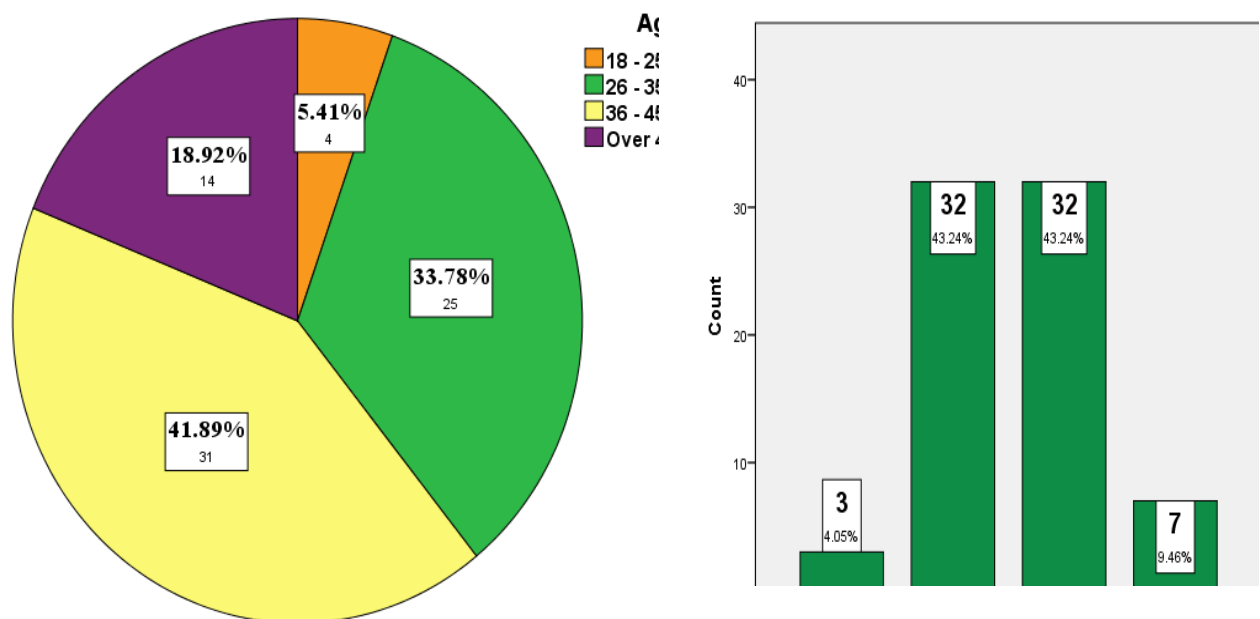
DATA ANALYSIS AND INTERPRETATION

This chapter presents the presentation, analysis, and interpretation of data obtained from respondents at Pact Ethiopia and its Sub-grantees through questionnaires. Out of the total 62 questionnaires distributed to sub-grantees 59 (92.2%) of the questionnaires were properly filled and returned. Moreover, 15 questionnaires were also distributed to Pact employees in Pact Ethiopia and 15 (100%) of the questionnaires were properly responded and returned. Therefore, the presentation, analysis and interpretation of data were made based on the data obtained from the above sources. The analysis is presented in different sections.

4.1. Respondents General Profile

The biographical variable that is presented in the age of the respondents whereas the organizational variables are educational level, work experience in the organization, position and work experience in the position.

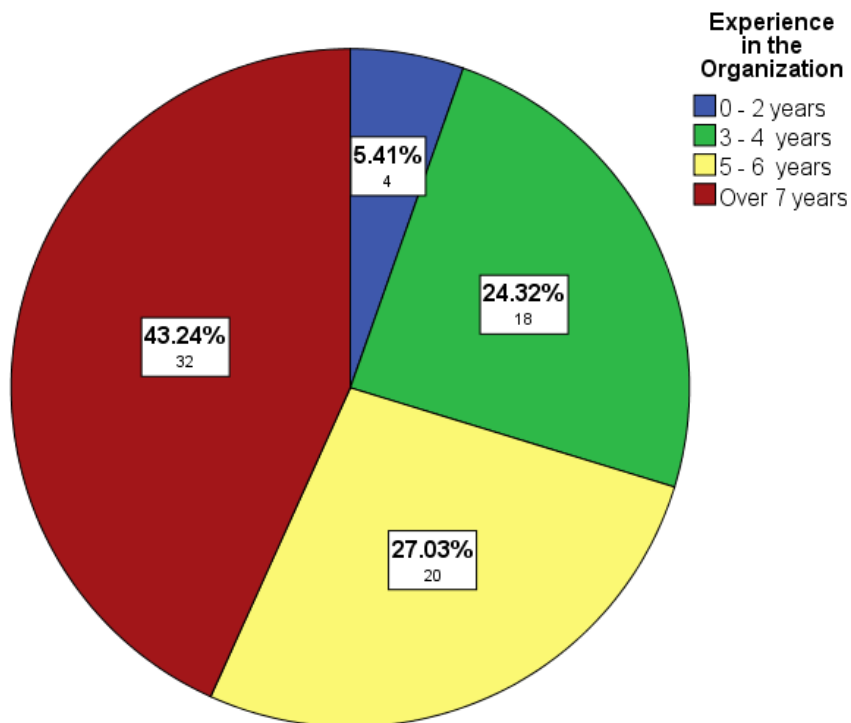
Figure 4.1: Respondents by age group and their Educational Background



As indicated in figure 4.1 above, the age category of respondents shows the most respondents are between the age categories of 26 to 35 (33.78% or n=25) and 36 to 45 (41.89% or n=31). From the total of 74 respondents, 18.93%(n=14) are under the age of over 46 years and under

18 to 25 years are 5.41% (n=4). This helped to see the impression of employees from different age categories on the contribution of fund management for the success of the fund utilization. Asper the respondents educational background described in figure above, 4.05 (n=3) respondents were diploma holders. The remaining respondent; 43.24% (n=32), 43.24% (n=32) and 9.46(n=7) were first degree, masters and PhD respectively. The educational background of respondents is significantly important as the focus of the study requires knowledge of finance. This implies that, having these skilled people helped a lot to get reliable information to this study.

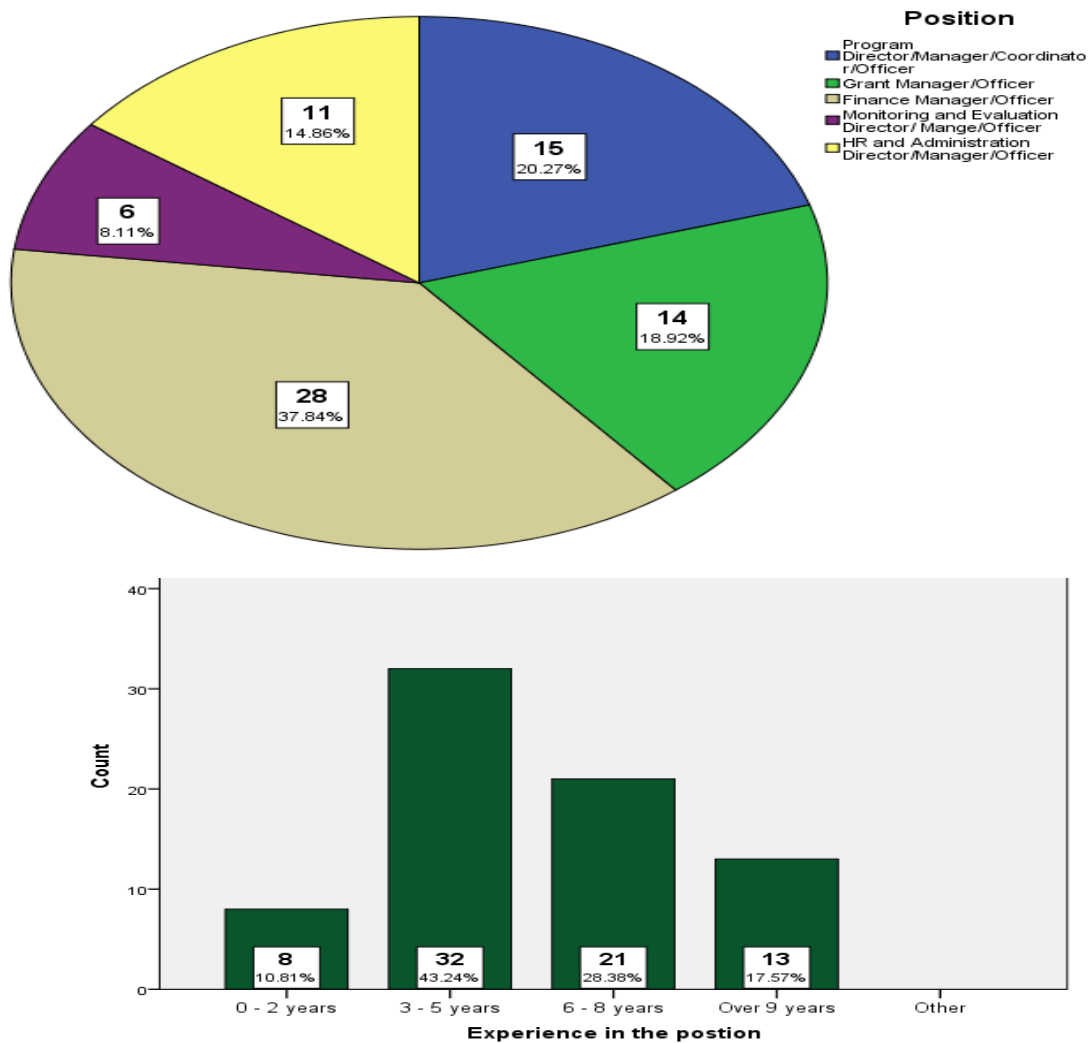
Figure 4.2: Respondents work experience in the organization



Source: Own survey (May, 2019)

Figure 4.2 shows that from the total 74 respondents 70 of them have served in their respective organization more than 3 years which represent 94.59) and the remaining 5.41% (n=4) worked less than 3 years. This data contributed a lot to get accurate information from experienced people who have in-depth knowledge about fund management practice of the organization.

Figure 4.3: Respondents Job Position with their Experience on the Position



Source: Own survey (May, 2019)

As figure 4.3 indicates, from a total of 74 staff 37.84% (n=28) of them are under the finance unit from their respected organization. all respondents participated from different units. 18.92%(n=14), 20.27%(n=15), 14.86% (n=11) and 8.11%(n=6) were participated from grant, program, HR & Admin and Monitoring and Evaluation units respectively. A combination of people’s experiences and their view from different department helped to assess the fund management practices of the organization.

The above figure 4.3 shows that majority of respondents have stayed on their current position for more than 3 years. These are 43.24%(n=32), 28.38%(n=21) and 17.57% (n=13) are 3-5years, 6-8years and over 9 years respectively. From the total 74 respondents, 10.81%(n=8) people are worked less than 2 years. This data contributed a lot to get accurate information about fund management from experienced people on their current position in the organization.

4.2 Descriptive Statistics

This section presents the results of the descriptive statistical analyses of the data and their interpretations. The descriptive statistics used are the means. The main purpose of using this statistical parameter is to interpret the average response rate of respondents for each item. The respondents were to give their independent opinion on the fund management practice of Pact. The range was ‘Strongly disagree - (1)’ to ‘strongly agree - (5)’.

According to Kajuju (2012), the scores of strongly agree /agree have been taken to present a variable that had a mean score of 3.5 to 5 on the continuous Likert scale; ($3.5 \leq S.E < 5$). The scores of ‘average’ have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale; ($2.5 \leq M.E < 3.4$). The score of strongly disagree/disagree has been taken to represent a variable that had a mean score of 0 to 2.5 on the continuous Likert scale; ($0 \leq L.E < 2.5$).

4.2.1 Fund Management Practice in General

Table 2.1: Fund Management Practice in Pact Ethiopia

Variables	Pact Ethiopia		Sub-Grantee	
	Mean	SD	Mean	SD
Pact Ethiopia manages its fund as per the budget plan stated on the Strategic Plan document.	3.53	0.834	3.83	0.834
Control its financial resource by taking continues follow-up	3.47	0.834	3.25	0.993
Control its financial resource by taking continues evaluation	3.53	0.743	-	-
Pact takes corrective action on the identified weaknesses areas of fund utilization	2.93	0.799	-	-
Budget Vs actual comparison and identification of variances is done regularly.	2.93	1.163	-	-
Number of respondents	N=15		N=59	

Source: Own survey (May, 2019)

Financial Management is a vital activity in any organization be profitable or non-profitable like the case in Pact-Ethiopia. It is the practice for controlling the financial activities of an organization in the procurement of funds, utilization of funds, accounting, payments, risk assessment and every other thing related to the mobilized fund. In this regard, to analyze the fund management practice of Pact Ethiopia, a set of questions were asked to respondents in Pact Ethiopia and its Sub-grantee.

Based on the mean score of both Pact employees and Sub-grantees response, the fund management practice in Pact Ethiopia is considered above a moderate level as the mean value of responses is closer to the score 4 which is a number assigned for expression of agreement of the utilization of budget as per the strategic plan document as shown in Table 2.1 below. Moreover, as shown in Appendix A, 53.6 % of the Pact employees and 44% of the sub-grantees agree that Pact Ethiopia plans its budget stated on the strategic plan document and 6. % of Pact employees and 22 % of the Sub-grantees strongly agree on the management of the budget as per the plan in the strategic document.

Moreover, 26.7 percent of the Pact employees mentioned that the fund management practice per the stated strategic document is of moderate level. Only 13.3 percent of the Pact employees did not agree on the alignment of the budget plan against the strategic document. In overall, the employees and Pact employees' response show that the organization is in good track in planning its budget per the strategic document. Linking budget to the organization's strategic document is the cornerstone of any financial management system and plays an important role use of funds for the purpose it was meant.

Sub-grantees and Pact employees were also requested to reflect their observations with regard to the organization's control of its financial resource through continuous follow-up and evaluation techniques. In this regard, the Pact employees mean score is 3.47 and 3.53 respectively as a means of financial resource control (Table 2.1, below). These mean results indicate that the organization has an acceptable degree of financial resource control as perceived by its employees. Moreover, 66.7 percent of the Pact employees agree that the organization implemented follow-up as a control mechanism for financial resources. 13.3 person of the key respondents responded that the follow up is a moderate level. Only 20 percent of the Pact employees disagree on the availability of follow up as a means of control for financial resources (Appendix A).

With regard to taking corrective action and identification of variance with budget against actual performance, employee respondents give lower scores as mean values are 2.93 each as shown in Table 2.1 below. Likewise, as shown in Annex 1, 33.3 and 40 percent of the Pact employees disagree that the organization does not have corrective action and regular variance identification practices respectively. The sub-grantees, as well as Pact employee's response, indicate that the organization has loopholes in taking corrective actions on identified weaknesses and did not have regular variance identification practices on to correct variations budget against actual utilization.

4.2.2 Fund Disbursement Practice

Table 2.2: Fund Disbursement Practice

Variables	Pact Ethiopia		Sub-Grantee	
	Mean	SD	Mean	SD
There is a transfer request delay from Pact Ethiopia to Pact HQ	3.87	0.64		
There is a transfer request delay from partner to Pact Ethiopia			3.08	0.877
There are length process preconditions to request and receive fund on time from HQ	3.87	0.516	2.81	0.955
Pact HQ has several bureaucratic layers to release fund on time	4.0	0.378	2.34	0.993
There are deficiencies in budget request palling	2.8	0.414	2.31	1.004
There are deficiencies in budget request capacity constraints	2.53	0.516	2.2	0.906
Pact Ethiopia has capacity constraints in budget preparation, planning and scheduling	2.27	0.799		
Pact Ethiopia involve relevant units on fund request process based on the planned activities	4.07	1.033		
Number of Respondents	N=15		N=59	

Source: Own survey (May, 2019)

Concerning fund disbursement in Pact Ethiopia, both employees of Pact and Sub-grantees were requested to respond to a set of questions. The organization seems facing a bit bureaucratic as the mean score of Pact employee's response is 4. This can be reflected in other responses as well. There is transfer delay and there is a lengthy process precondition set to respond to fund requests from head office as the mean score of employees is 3.87 out of 5 scores (Table 2.2). The sub-grantees response also indicates the existence of a delay in transfer requests from Sub-grantee them to Pact Ethiopia with a mean score of 3.08. The Sub-grantees perceive the delay in fund request is above the average or moderate level which is not tolerable.

In the same manner, the key informant's responses confirm the existence of bureaucracy, lengthy fund release process, and delay of the fund transfer request. Accordingly, 86.7

percent of Pact employees agree that the organization has bureaucratic layers; 73.3 percent of Pact employees agree that the organization has lengthy process precondition from head office and; 60 percent of the Pact employees agree that the organization has transfer request delay from Pact Ethiopia to Pact HQ. Both responses show that there are delay issues both at Pact Ethiopia as well as the sub-grantee.

4.2.3. Fund Utilization

Table 2.3: Fund Utilization a Response by Pact Employees

Variables	N	Mean	Std. Deviation
Pact Ethiopia utilizes its fund through utilization control based on plan in the project proposal	15	3.33	0.816
Pact Ethiopia utilize its fund based on its project schedule	15	3.33	0.900
Pact Ethiopia utilizes its fund based on continuous monitoring and evaluation system.	15	3.53	0.915
Funds are utilized for the purpose it was meant	15	3.67	0.976

Source: Own survey (May, 2019)

Utilization of fund is an important function of fund management. In this regard, the mean score for employees' response to the utilization of fund as per the plan in the project proposal is 3.33 (Table 2.3 below). This figure indicates that the fund utilization is not efficient as the mean score is closer the average rank which is categorized as moderate. In terms of percent, 46.7 percent of the Pact employees rated the fund utilization control as average which is to means there is a moderate level of fund utilization control as per the plan. Moderate (average) level of control is not sufficient to bring efficient utilization of funds as per the plan. Moreover, 13.3 percent of the respondents do not agree on the availability of fund utilization control in the organization (Appendix C).

In the same manner, Pact employees mean score on the utilization of fund based on project schedule is 3.3 out of score 5 which is less than score 4. This shows the gaps in utilization of fund as per the schedule. Moreover, as shown in Appendix C, 20 percent of the key respondents did not agree the use of funds as per the project schedule.

The Pact employee's response mean score on the utilization of fund through continuous monitoring and evaluation system is 3.53 out of score 5 (Table 2.3 below). Appendix C shows that 60 percent of the Pact employees agree that the organization uses its fund based

on continuous monitoring and evaluation, on the contrary 20 percent of them disagreed the existence of continuous monitoring and evaluation system in fund utilization while 13.3 percent of them responded that the monitoring and evaluation in fund utilization is average level or of moderate one.

Moreover, the mean score of Pact employees regarding the utilization of funds for the purpose it was meant is 3.67 (Table, 2.3). Based on these responses, it can be learned that the fund utilization of Pact is relatively better on implementing continuous monitoring and evaluations as well as in utilizing the fund for the purpose it was meant. The above analysis shows despite the organization has continuous monitoring and evaluation and use funds for the purpose it was meant, efficient utilization cannot be assured as fund utilization control and use of funds is not meeting the schedule. There are several factors that determine fund utilization as found in Kiplag'at, 2012. Some of them are communication problems, delay on approval of fund transfers, poor infrastructure, projects, site being in inaccessible areas most of the time, delays in implementation of the activities, mobilizations of resources take time and staff recruitment.

Table 2.4: Fund Utilization Rate in Pact Ethiopia

FY	Projects			Total
	HVC (2013 – 2018)	GOFORI (2015 – 2018)	SIPED (2015 – 2020)	
2014	68%	-	-	69%
2015	66%	36%	85%	72%
2016	80%	56%	73%	76%
2017	81%	42%	74%	78%
2018	-	94%	88%	88%
Average	74%	57%	80%	76.4%

Source: Secondary Data from Pact Ethiopia

To relate the information obtained from the survey with actual data with regard to the utilization of fund secondary data were gathered. Accordingly, the five-year fund burn rate was 76.4 percent (Table 2.4). This shows on the average utilization for the past 5 years remained nearly 24 percent of the fund. The implication of unutilized fund means delayed projects are a common phenomenon with mean unable to satisfy project beneficiaries and

stakeholders. Poor utilization of fund has also implications on reducing the flow of fund through Pact Ethiopia to this country.

4.2.4 Performance Management

Table 2.5: Performance Management a Response by Pact Employees

Variables	N	Mean	Std. Deviation
Pact has a system of tracking the financial verses program performance	15	3.67	0.617
Monitor organizational outcomes and correct deviations from present standards of performance	15	3.40	0.828

Source: Own survey (May, 2019)

To understand the performance management of the fund in the organization under study, questions were raised to employees from Pact Ethiopia. Accordingly, the descriptive statistics in Table 2.5 below show that the majority of the Pact employees perceive, the organization has a system of tracking the financial verses program performance as the mean score gravitates to the highest score 5. As shown in Appendix C, 73.3 percent of the Pact employees agree on the availability of a system to track financial vs program performance. Only 6.7 percent of the respondents disagreed the availability of a system of tracking systems.

The average response for monitoring organizational outcomes and the practice of correcting deviations from present standards of performance is 3.40 (Table 2.5). This figure indicates the availability gaps in monitoring organizational outcomes and correcting deviations from standards of performance. This mean figure is closer to the average score 3 which rate the availability of moderate level of practice in monitoring organizational outcomes and correct deviations from present standards of performance. Moreover, as shown in Appendix D, 40 percent of Pact employees perceive the practice of monitoring organizational outcomes and correct deviations from present standards of performance are moderate or below that. This shows the gaps in performance management mainly in monitoring organizational outcomes and correcting deviations from already set expectations of standards.

4.2.5 Monitoring and Evaluation Practice

Table 2.6: Monitoring and Evaluation Practice

Variables	Pact Ethiopia		Sub-Grantee	
	Mean	SD	Mean	SD
Your organization has a system to monitor planned verses actual program implementation	4	1.13	3.98	0.92
Mechanism in place to follow up budget utilization at the level (Pact Ethiopia office and Pact HQ) or (Pact Ethiopia and Partner)	3.53	0.99	3.61	0.79
Pact performs monitoring & evaluation process in collaboration with partner on agreed objectives.	4.2	0.78	4.36	0.64
Pact provides regular and continuous support to partners' organization.	3.67	0.98	4.15	0.81

Source: Own survey (May, 2019)

The monitoring and evaluation practice of the organization is assessed based on the Pact employees from Pact Ethiopia and employees in its sub-grantee organizations. The data below in table 2.6 shows the organization has good monitoring and evaluation practices. In this regard the mean score of sub-grantees exceeds the mean score of Pact employees.

This shows the sub-grantees perceive the organizations monitoring and evaluation relatively better than the perception of Pact employees implying that head office employees are not satisfied enough by the organization's monitoring and evaluation practices. The sub-grantee employees mean score is nearly 4 or above which shows their agreement the existence of an adequate level of monitoring and evaluation (Table, 2.6).

Moreover, Pact employees' response mean score is above 3.5 for specific issues raised to assess the monitoring and evaluation practice as shown in Table 2.6 below. In the same manner, 49.2 percent of sub-grantees and 40 percent of Pact employees agree that the organization has a system to monitor planned with actual program implementation while 28.8 percent of sub-grantee respondents and 40 percent of the Pact employees strongly agree on the practice system to monitor planned budget against actual program implementation. Only 5.1 percent of sub-grantee respondents and 20 % of the Pact employees disagree on the availability of the system to monitor the planned budget with actual program implementation

(Appendix, E). This figure tells the availability of gap in monitoring and evaluation practice fund management with regard to managing actual fund utilization with the planned budgets.

Both the sub-grantee and Pact employees' response in Appendix shows that the availability collaborative monitoring and evaluation between Pact Ethiopia and Partners, availability of regular and continuous support to partners' organization as the responses show in Appendix E. However, the organization's follow up on utilization of budget is not effective as large number of sub-grantees response (47.5%) level is moderate level. This implies the system of controls, checks, and balances – collectively referred to as internal controls are not adequately exercised to safeguard financial assets and manage internal risk. A strong follow-up of budget utilization is a tool to deter opportunistic theft or fraud and to detect errors and omissions in the accounting records. This is part of an effective internal control system which also protects staff involved in financial tasks and utilization of fund for the purpose it was meant.

4.2.6 Advance Liquidation Practice

Table 2.7: Settlement of Budgets Utilization with Time

Variables	Pact Ethiopia		Sub-Grantee	
	Mean	SD	Mean	SD
There is a timely (with in the schedule) settlement of receivables in Pact Ethiopia	2.27	0.59	3.42	1.05
There is a timely (with in the schedule) settlement of payables in Pact Ethiopia	2.33	0.62	3.46	0.92
There is timely submission of financial report of sub-grantees to Pact Ethiopia	2.07	0.26	2.07	0.25
Pact Ethiopia release fund to sub-grantees timely	2.2	0.56	2.07	0.25
Pact Ethiopia has a system of timely receiving report from sub-grantee to follow-up their accomplishment	2.93	0.8	3.86	0.8
Pact Ethiopia has policy for sub-grantees advance settlement system	4.2	0.41	4.32	0.71
Number of respondents	N=15		N=59	

Source: Own survey (May, 2019)

Fund management needs a timely settlement of budget with actual performance. In this regard the response of the Pact employees shows that the practice of timely settlement of receivables is not agreeable as the mean score is 2.27 which is lower than the moderate figure. As shown in Table 2.7 below, considering the response of Pact employees, the organization does not timely settle payables as the mean score is 2.33. Failure to reconcile the actual performance with the plan (receivables and payables) in timely manner will create another problem by delaying the possibility to produce financial reports for all stakeholders mainly at Pact Ethiopia and to its head office. The delay in settlement tells the efficiency of internal budget monitoring as well in doing things at the right time.

Similarly, the submission of financial reports and release of the fund to sub-grantees is not timely as the mean scores are below 3 as shown in table 2.7. By the same manner, the respondents in sub-grantee perceive that submission of financial reports and release of the fund to Sub-grantees is not timely. The delay in the settlement is not due to lack of the policy for sub-grantees on advance settlement system as the mean score for this response is 4.2 by Pact employees and 4.32 by sub-grantees. Policies will have desired outcomes if they are well implemented. The scenario of delayed settlement despite the existence of policy in Pact Ethiopia confirmed that policy alone is not the end by itself, rather implementation matters. The delay in financial reporting will delay the fund management process mainly in releasing funds. This, in turn, brings the burning of a project period without carrying out its target or rescheduling of projects which make projects inefficient.

4.3 Discussion

Fund Disbursement

According to Milton (2008), the factors that determine the timely release of fund from funder to recipient can be; timely submission of the fund transfer request from the requester as per the schedule, lack of proper filing of the required information in the transfer request format, lack of supporting documents; lack of procurement planning by project staff and failure to follow the conditionality and guidelines. Due to these, the back and forth may occur and also it leads to lengthy bureaucratic layer and technical delays.

The finding of this research paper is in line with the literature review above. The research shows that there are lengthy processes in fund disbursement in Pact. According to the research respondents, there is transfer delay and a lengthy process precondition set to respond to fund requests and release from head office to partners (see the mean score on Table 2.2).

Fund Utilization

According to Danbaki (2012), utilization of fund involves the allocation and expenditure of funds to implement the organization's various activities and achieve its goals and objectives. Utilization of funds had been a challenge to both the donor community as well as the organization that is responsible for the effective utilization of the funds. Therefore, there is need for institutions that are the response for the management of these funds to come up with the right framework and procedure to ensure that funds given are utilized as expected based on the planned budget and that the funds services for the intended purpose.

To relate the information obtained from the survey with the literature review, Pact has to work more on its fund management utilization practices. Otherwise, the implication of unutilized fund means delayed projects are a common phenomenon which also means that unable to satisfy project beneficiaries and stakeholders. Poor utilization of fund has also implications on reducing the flow of fund through Pact Ethiopia to this country.

Fund Management

Financial Management is a vital activity in any organization be profitable or non-profitable like the case in Pact-Ethiopia. It is the practice for controlling the financial activities of an organization in the procurement of funds, utilization of funds, accounting, payments, risk assessment and every other thing related to the mobilized fund (Lewis, 2017)

The primary significance of fund management in NGOs lies in achieving its overall goals and objectives. Fund management helps to be accountable to donors, securing the future, make productive decisions, achieve objects, strengthening fundraising efforts and enhance credibility. In addition to this, it helps to eliminate fraud and theft (www.fundsforngos.org Importance-of-financial-management-for-ngos)

This paper tried to analyze the fund management practice of Pact Ethiopia and found out that the organization is in good track in planning its budget per the strategic document. Linking budget to the organization's strategic document is the cornerstone of any financial management system and plays an important role use of funds for the purpose it was meant. However, the research also shows that Pact has gaps in taking corrective actions on identified weaknesses and did not have regular variance identification practices on to correct variations budget against actual utilization.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents a high-level summary of the collective findings and conclusions that are derived from the data analysis and interpretation. Recommendations are provided at the end based on the findings and conclusions drawn from this study.

5.1 Summary of Findings

- The fund management is practiced through continuous follow-up and evaluation techniques as a means of controlling the budget against the plan. In this regard, 66.7 percent of the Pact employees agree that the organization implemented follow-up as a control mechanism for financial resources. However, there is a gap in taking corrective action and identification of variance in budget against actual performance.
- The organization seems a bit bureaucratic in the disbursement of funds. In the same manner, employees' response confirms the existence of bureaucracy, lengthy fund release process, and delay of a fund transfer request. Accordingly, 86.7 percent of Pact employees indicate that the organization has bureaucratic layers; 73.3 percent of Pact employees agree that the organization has lengthy process precondition from head office and; 60 percent of the Pact employees indicate the existence of transfer request delay from Pact Ethiopia to Pact Head office.
- The study found that the fund utilization rate in the organization is poor. Considering the five-year data, the organization was using only 76.4 percent of its planned budget. This shows nearly 24 percent of the fund remained unutilized. This emanates from looser budget utilization control and not having strict management of the fund as per the project schedule. In this regard 46.7 percent of the Pact employees indicate fund utilization control is at moderate level, not optimum one. In addition, 13.3 percent of the respondents perceive that there is no fund utilization control in the organization. The mean score value of this response is 3.3 out of 5 which shows the availability of looseness in executing the fund as per the schedule as well as inefficient fund utilization control in the organization.
- Despite loose fund utilization in controlling with the plan and in meeting project schedules, the organization has a good track record in using the fund for the purpose it was meant. 66.7 percent of the Pact employees agree that the organization uses its fund

for the purpose it was meant. Only 20 percent of the respondents disagreed on the utilization of fund for the purpose it was meant.

- The study found that Pact Ethiopia has built a system of performance management. In this regard, 73 percent of the Pact employees agree on the availability of a system to track financial Vs program performance. However, it was found that performance management has gaps in correcting deviations against standards of performance.
- The study indicated that the organization has good monitoring and evaluation practices. This is particularly true with the responses of sub-grantees as the mean score of sub-grantees exceeds the mean score of Pact-employees. This shows the sub-grantees perceive the organizations monitoring and evaluation is relatively better than the perception of Pact employees. Moreover, it is found that the organization has collaborative monitoring and evaluation between Pact Ethiopia and its Partners, and availability of regular and continuous support to partners' organization. However, the organization's follow up on utilization of budget is not effective as a large number of sub-grantee response (47.5%) level which is a moderate level. This implies the system of controls, checks, and balances-collectively referred to as internal controls are not adequately exercised to safeguard financial assets and manage internal risk.
- The study indicates that the organization has unsatisfactory practice in the timely settlement of receivables as well as payables as the mean score in this measure is 2.33 out of 5 scores. Failure to reconcile the actual performance with the planned budget in a timely manner will create another problem by delaying the possibility to produce financial reports from sub-grantees for Pact Ethiopia. The delay in settlement tells the inefficiency of internal budget monitoring as well as not doing things at the right time.
- The study identified that there is a delay in financial report submission and release of fund from and to sub-grantees. By the same manner, the respondents in sub-grantee perceive that submission of financial reports and release of the fund to sub-grantees is not timely. However, it was found that the delay in a settlement is not due to a lack of policy for sub-grantees on advance settlement system as the mean score for this response is 4.2 from 5 score. This implies policies will have desired outcomes if they are well implemented.

5.2 Conclusions

The proper fund management practice has a vital benefit for Pact Ethiopia. It can enable them to know the main factors that affect effective and efficient fund management practice which needs to be reduced.

- Despite the existence of performance management in the organization, there are gaps in monitoring organizational outcomes and correcting deviations against standards of performance. This implies a system of controls, checks, and balances-collectively referred to as internal controls are not adequately exercised to safeguard financial assets and manage internal risk.
- The organization seems a bit bureaucratic in disbursement of funds explained by the existence of bureaucracy layers, lengthy fund release process and delay of fund transfer. This situation can aggravate the existing low fund utilization rate that persisted over the last five years. Moreover, the low fund utilization emanates from minimal budget utilization control and not having strict fund management as per the project schedule. Despite loose fund utilization in controlling with the plan and in meeting project schedules, the organization has a good track in using the fund for the purpose it was meant. But efficient utilization cannot be assured as fund utilization control and use of funds as per the schedule is not met.
- Pact Ethiopia delay fund release to sub-grantees and settlement of receivables. There is also delayed in preparation of the financial reports from sub-grantees. The delay in settlement of receivables creates difficulty in reconciling the actual performance with the planned budget in a timely manner. It also indicates the inefficiency of internal budget monitoring. However, the delay in the release of fund or settlement is not due to lack of policy for sub-grantees on advance settlement system. Pact Ethiopia can benefit from the policy of sub-grantee if the management strives to implement policies with commitment in a timely manner.

5.3 Recommendation

The researcher forwarded the following recommendations to address some of the key findings of the study:

- Despite Pact Ethiopia undertakes continuous follow-up and evaluation techniques as a means of controlling the budget against the plan, there is a gap in taking corrective

action and identification of variance in budget against actual performance. This calls for an urgent shift in the using of follow-up data to take corrective action, i.e. managing avoidable variance on budget plan against actual performance. In this regards, Pact Ethiopia needs to build periodic effective and efficient monitoring and evaluation system. However, undertaking random checks and internal audits are also essential to ensure compliance with financial management procedures.

- To minimize unnecessary bureaucracy, Pact Ethiopia needs to revisit its fund management process which enhance the efficiency of fund utilization by eliminating non-value adding layers of bureaucracy, lengthy fund release process and delay in processing fund transfer request.
- To enhance fund utilization rate, Pact Ethiopia needs to strive to minimize unnecessary delay in fund release and delayed settlement of receivables. Moreover, build strong monitoring and evaluation practice and effectively implement the results of monitoring and evaluation as a corrective action to narrow gabs in plan against the actual performance. Furthermore, the organization needs to ensure that policy gets implemented in the best possible way, constant monitoring, reviewing and revision are done and corrective action is taken timely. In case it is seen that the policy has loopholes in certain sections, the same is amended and fine-tuned for best results. In addition, improving communication on the approval of the funding, fulfilling infrastructure including staff recruitment is essential.
- As far as the organization is established to cater the need of deprived people, weak utilization of funds or giving little attention to financial control will reduce the stakeholder's satisfaction from i.e. donors and end users. In the end, this practice makes Pact Ethiopia vulnerable to financial losses. Hence, Pact needs to give due attention to facility fund utilization and accomplishment of projects within the scheduled period. Furthermore, Pact Ethiopia should realize that managing its finances is of critical importance and it should incorporate necessary measures towards risk management, resource mobilization, and budgeting.
- Pact Ethiopia has problems of a settlement of receivables as well as payables due to delaying in financial reports from sub-grantees. In addition, delaying in producing financial reports for all stakeholders mainly at Pact Ethiopia and its head office. To

reduce such delays, Pact may consider automation of its fund management at head office and its sub-grantees. Digitalization reduces the challenges of tracking data in real time.

- Problems related to timely preparation of reports, timely settlement of receivables are linked to problems in executing policies and strategies across the organization and its sub-grantees. Hence, Pact Ethiopia needs to provide refresher training to its staff and sub-grantees on strong program management systems as a major component of fund management.

5.4 Limitation of the Study

The main challenge during this research work was the problem faced in scheduling interviews for sub-grantees higher officials because most of the selected interview was busy on a field trip and several rescheduling was made. Given the scope of this assignment, all employees from both parties (Pact and sub-grantee) were not taken into consideration. Furthermore, respondents have not devoted themselves to fill and return questionnaires on time.

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APPENDIXES

APPENDIX A. FUND MANAGEMENT (P=PACT; G=SUB-GRANTEE)

Variables	Org	Strongly Disagree		Disagree		Average		Agree		Strongly Agree		Total	
		(SD)		(D)		(Av)		(A)		(SA)			
		No	%	No	%	No	%	No	%	No	%	No	%
Pact Ethiopia manages its fund as per the budget plan stated on the Strategic Plan document.	G			3	5.1	17	28.8	26	44.1	13	22	59	100
	P			2	13.3	4	26.7	8	53.3	1	6.7	15	100
Control its financial resource by taking continues follow-up	G			3	20	2	13.3	10	66.7			15	100
Control its financial resource by taking continues evaluation	P			2	13.3	3	20	10	66.7			15	100
Pact takes corrective action on the identified weaknesses areas of fund utilization	G			16	27.1	19	32.2	17	28.8	7	11.9	59	100
	P			5	33.3	6	40	4	26.7			15	100
Budget Vs actual comparison and identification of variances is done regularly.	P	1	7	6	40	2	13.3	5	33.3	1	6.7	15	100

Source: Field Data

APPENDIX B. FUND DISBURSEMENT

Variables	Org	SD		D		Av		A		SD		Total	
		No	%	No	%	No	%	No	%	No	%	No	%
There is a transfer request delay from partners to Pact Ethiopia.	G	2	3.4	12	20.3	26	44.1	17	28.8	2	3.39	59	100
	P					4	26.7	9	60	2	13.3	15	100
There are length process preconditions to request and receive fund on time from Pact Ethiopia	G	4	6.8	19	32.2	22	37.3	12	20.3	2	3.4	59	100
	P					3	20	11	73.3	1	6.7	15	100
Pact Ethiopia has several bureaucratic layers to release fund on time	G	9	15.3	30	50.8	15	25.4	1	1.7	4	6.8	59	100
	P					1	6.7	13	86.7	1	6.7	15	100
There are deficiencies in budget request	G	11	18.6	29	49.2	11	18.6	6	10.2	2	3.4	59	100
	P			7	46.7	8	53.3					15	100
There are deficiencies in budget request capacity constraints	P	13	22	27	45.8	13	22	6	10.2			59	100
Pact Ethiopia has capacity constraints in budget preparation, planning and scheduling	P	3	20	5	33.3	7	46.7					15	100
Pact Ethiopia involve relevant units on fund request process based on the planned activities	p			2	13.3	1	6.7	6	40	6	40	15	100

Source: Field Data

APPENDIX C. FUND UTILIZATION IN PACT ETHIOPIA

Variables	SD		D		Av		A		SA		Total	
	No	%	No	%	No	%	No	%	No	%	No	%
Pact Ethiopia utilizes its fund through utilization control based on plan in the project proposal			2	13	7	47	5	33	1	7	15	100
Pact Ethiopia utilize its fund based on its project schedule			3	20	5	33	6	40	1	7	15	100
Pact Ethiopia utilizes its fund based on continuous monitoring and evaluation system.			3	20	2	13	9	60	1	7	15	100
Funds are utilized for the purpose it was meant			3	20	1	7	9	60	2	13	15	100

Source: Field Data

APPENDIX D. PERFORMANCE MANAGEMENT IN PACT ETHIOPIA

Variables	SD		D		Av		A		SA		Total	
	No	%	No	%	No	%	No	%	No	%	No	%
Pact has a system of tracking the financial verses program performance			1	7	3	20	11	73			15	100
Monitor organizational outcomes and correct deviations from present standards of performance			3	20	3	20	9	60			15	100

Source: Field Data

APPENDIX E. MONITORING AND EVALUATION

Variables	Org ^o	SD		D		Av		A		SD		Total	
		No	%	No	%	No	%	No	%	No	%	No	%
Your organization has a system to monitor planned verses actual program implementation.	G	2	3.4	1	1.7	10	16.9	29	49.2	17	28.8	59	100
	P			3	20			6	40	6	40	15	100
Mechanism in place to follow up budget utilization at the level (Pact Ethiopia and Partner)	G			2	3.4	28	47.5	20	33.9	9	15.3	59	100
	P			3	20	3	20	7	46.7	2	13.3	15	100
Pact performs monitoring & evaluation process in collaboration with partner on agreed objectives.	G					5	8.5	28	47.5	26	44.1	59	100
	P			3	20	3	20	7	46.7	2	13.3	15	100
Pact provides regular and continuous support to partner's organization.	G			4	6.8	3	5.1	32	54.2	20	33.9	59	100
	P			3	20	1	6.7	9	60	2	13.3	15	100

Source: Field Data

APPENDIX F. LIQUIDATION

Variables	Org	SD		D		Av		A		SD		Total	
		No	%	No	%	No	%	No	%	No	%	No	%
Pact Ethiopia has policy for sub-grantees advance settlement system	G			1	1.7	5	8.5	27	45.8	26	44.1	59	100
	P							12	80	3	20	15	100
There is a timely (with in the schedule) settlement of receivables in Pact Ethiopia	G			13	22	20	33.9	14	23.7	12	20.3	59	100
	P			12	80	2	13.3	1	6.7			15	100
There is a timely (with in the schedule) settlement of payables in Pact Ethiopia	G			9	15	22	37.3	20	33.9	8	13.6	59	100
	P			12	80	2	13.3	1	6.7			15	100
There is timely submission of financial repot of sub-grantees to Pact Ethiopia	G			55	93	4	6.8					59	100
	P			14	93	1	6.7					15	100
Pact Ethiopia release fund to sub-grantees timely	G			55	93	4	6.8					59	100
	P			5	33	6	40	4	26.7			15	100
Pact Ethiopia has a system of timely receiving report from sub-grantee to follow-up their accomplishment	G			2	3.4	17	28.8	27	45.8	13	22	59	100
	P			5	33	6	40	4	26.7			15	100

Source: Field Data

ANNEX G. FUND UTILIZATION RATE

FY	Description	Project			Total
		HVC (2013 – 2018)	GOFORI (2015 – 2018)	SIPED (2015 – 2020)	
	Total Obligated	748,000,000.00	14,350,000.00	421,227,612.00	1,183,577,612.00
2014	Obligated	299,200,000.00			299,200,000.00
	Actual	205,980,456.00			205,980,456.00
	Burn Rate	68.8%			68.8%
2015	Obligated	224,400,000.00	5,740,000.00	105,306,903.00	335,446,903.00
	Actual	148,909,806.00	2,045,978.89	89,004,569.00	239,960,353.89
	Burn Rate	66%	36%	85%	71.5%
2016	Obligated	112,200,000.00	3,587,500.00	84,245,522.40	200,033,022.40
	Actual	89,588,900.00	2,000,569.00	61,100,893.00	152,690,362.00
	Burn Rate	80%	56%	73%	76%
2017	Obligated	112,200,000.00	2,152,500.00	63,184,141.80	177,536,641.80
	Actual	90,588,900.00	900,910.00	46,897,456.00	138,387,266.00
	Burn Rate	81%	42%	74%	77.9%
2018	Obligated		2,870,000.00	63,184,141.80	66,054,141.80
	Actual		2,689,027.00	55,387,898.00	58,076,925.00
	Burn Rate		94%	88%	87.9%
Average		73.9%	57%	80%	76.4%

Source: Pact Ethiopia Consolidated Financial PSR FY2015 - 2018

APPENDIX H: QUESTIONNAIRE FOR PACT STAFF

St. Mary's University
School of Graduating Studies
Department of Business Administration
Questionnaire

Dear Respondents,

My name is Mulugojam Asmamaw, currently pursuing a second degree in Master of Business Administration (MBA) study at St. Mary's University. I am conducting a research entitled **“Assessment of Fund Management Practice of International NGOs: The Case of PACT Ethiopia”** in partial fulfilment of the program. The questionnaire below is designed to collect the necessary and relevant fist-hand data for the research.

Your genuine response to questions in the tool is critically important for the research to come up with findings that will contribute to the body of knowledge in fund management. The data you will provide will be treated with at most confidentiality and will be strictly used for academic purpose only. You are graciously requested to answer all questions and return at the earliest time possible. You don't need to write the name of your organization as well as your name on the questionnaire.

This questionnaire has two parts. Part I is designed to assess the respondent's profile and Part II is designed to assess the practices on fund management using Likert scale. Your responses will be on a scale of 5, where 5 denotes “strongly agree and to 1 “strongly disagree”.

The researcher is thankful in advance for your cooperation to spend your valuable time in filling this questionnaire.

If you need to contact me, please don't hesitate to call me at +251-911-091025 or via e-mail ramawi2005@gmail.com or masmamaw@pactworld.org

Yours sincerely,

Mulugojam Asmamaw

General Guideline for Pact Ethiopia Staffs:

Please make a tick mark [✓] in the boxes given before your response. For questions that are unrelated to your role, please leave your responses blank.

Section 1: Respondents Profile

1. What is your age group?
 - 18 – 25 years old
 - 26 – 35 years old
 - 36 – 45 years old
 - Over 46 years old
2. What is the educational level that you have attained?
 - Diploma
 - First degree (BA)
 - Masters
 - PHD
 - Other, please specify_____
3. How many years of experience do you have in the organization?
 - 0 – 2 years
 - 3 – 4 years
 - 5 – 6 years
 - Over 7 years
4. Which of the following categories describes your position?
 - Program Director/Manager/Coordinator/Officer
 - Grant Manager/Officer
 - Finance Manager/Officer
 - Monitoring and Evaluation Director/ Manged/Officer
 - HR and Administration Director/Manager/Officer
5. How long have you been with the position in #5?
 - 0 – 2 years
 - 3 – 5 years
 - 6 – 8 years
 - Over 9 years
 - Other, please specify _____

Section 2: Fund Management for Pact Ethiopia Staffs:

Please express your level of agreement to each statement regarding fund management practice at Pact Ethiopia.



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.

S/N	Description	1	2	3	4	5
	FUND MANAGEMENT					
1	Manages its fund as per the budget plan stated on the Strategic Plan document.					
2	Control its financial resource by taking continues follow-up					
3	Control its financial resource by taking continues evaluation					
4	Pact takes corrective action on the identified weaknesses areas of fund utilization					
5	Budget Vs actual comparison and identification of variances is done regularly.					
	FUND DISBURSEMENT					
6	There is a transfer request delay from Pact Ethiopia to Pact HQ					
7	There are length process preconditions to request and receive fund on time from HQ					

8	Pact HQ has several bureaucratic layers to release fund on time					
9	There are deficiencies in budget request palling					
10	There are deficiencies in budget request capacity constraints					
11	Pact Ethiopia has capacity constraints in budget preparation, planning and scheduling					
12	Pact Ethiopia involve relevant units on fund request process based on the planned activities					
	FUND UTILIZATION					
13	Pact Ethiopia utilizes its fund through utilization control based on plan in the project proposal					
14	Pact Ethiopia utilize its fund based on its project schedule					
15	Pact Ethiopia utilizes its fund based on continuous monitoring and evaluation system.					
16	Funds are utilized for the purpose it was meant					
	PERFORMANCE MANAGEMENT					
17	Pact has a system of tracking the financial verses program performance					
18	Monitor organizational outcomes and correct deviations from present standards of performance					
	MONITORING AND EVALUATION					
19	Your organization has a system to monitor planned verses actual program implementation					
20	Mechanism in place to follow up budget utilization at the level (Pact Ethiopia office and Pact HQ)					
21	Pact performs monitoring & evaluation process in collaboration with partner on agreed objectives.					
22	Pact provides regular and continuous support to partners organization.					

	LIQUIDATION					
23	Pact Ethiopia has policy for sub-grantees advance settlement system					
24	There is a timely (with in the schedule) settlement of receivables in Pact Ethiopia					
25	There is a timely (with in the schedule) settlement of payables in Pact Ethiopia					
26	There is timely submission of financial repot of sub-grantees to Pact Ethiopia					
27	Pact Ethiopia release fund to sub-grantees timely					
28	Pact Ethiopia has a system of timely receiving report from sub-grantee to follow-up their accomplishment					

APPENDIX I: KEY INFORMANT INTERVIEW FOR PACT STAFF

St. Mary's University
School of Graduating Studies
Department of Business Administration
Key informant Interview

Dear Respondents,

My name is Mulугоjam Asmamaw, currently pursuing second degree in Master of Business Administration (MBA) program at St. Mary's University. I am conducting a research entitled **“Assessment of Fund Management Practice of International NGOs: The Case of Pact Ethiopia”** in partial fulfilment of the program.

This is therefor, to kindly request you to answer few questions about your organization, as per the instruction the questionnaire. I would like to ascertain that the information you provide will solely be used strictly for academic research purpose only and be kept confidential. Your contribution in this study in highly appreciated.

If you need to contact me, please don't hesitate to call me at +251-911-091025 or via e-mail ramawi2005@gmail.com/masmamaw@pactworld.org

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

Yours sincerely,

Mulугоjam Asmamaw

Interviewee's Department _____

1. Would you please explain the fund management processes and practices of Pact Ethiopia?

2. What are the factors that influence effective and efficient fund utilization in Pact?

3. Would you please explain challenges of fund monitoring in Pact Ethiopia?

4. What are the factors that determine timely release of fund from Pact HQ to Pact Ethiopia?

5. What are the factors that determine timely release of fund from Pact Ethiopia to the sub-grantee?

6. What matters to liquidate the released money to sub-grantees timely and as per the budget line?

7. To what extent is fund utilized for the intended purpose?

8. What are the major challenges that puts partners into jeopardy in terms of using fund for the intended purpose?

9. What do you think should be done or be in place to have a properly functioning fund management system?

APPENDIX J: QUESTIONNAIRE FOR SUB-GRANTEE STAFF

St. Mary's University
School of Graduating Studies
Department of Business Administration
Questionnaire

Dear Respondents,

My name is Mulugojam Asmamaw, currently pursuing a second degree in Master of Business Administration (MBA) study at St. Mary's University. I am conducting a research entitled **“Assessment of Fund Management Practice of International NGOs: The Case of PACT Ethiopia”** in partial fulfillment of the program. The questionnaire below is designed to collect the necessary and relevant first-hand data for the research.

Your genuine response to questions in the tool is critically important for the research to come up with findings that will contribute to the body of knowledge in fund management. The data you will provide will be treated with at most confidentiality and will be strictly used for academic purpose only. You are graciously requested to answer all questions and return at the earliest time possible. You don't need to write the name of your organization as well as your name on the questionnaire.

This questionnaire has two parts. Part I is designed to assess the respondent's profile and Part II is designed to assess the practices on fund management using Likert scale. Your responses will be on a scale of 5, where 5 denotes “strongly agree and to 1 “strongly disagree”.

The researcher is thankful in advance for your cooperation to spend your valuable time in filling this questionnaire.

If you need to contact me, please don't hesitate to call me at +251-911-091025 or via e-mail ramawi2005@gmail.com or masmamaw@pactworld.org

Yours sincerely,

Mulugojam Asmamaw

General Guideline for Pact Ethiopia Staffs:

Please make a tick mark [✓] in the boxes given before your response. For questions that are unrelated to your role, please leave your responses blank.

Section 1: Respondents Profile

1. What is your age group?

- 18 – 25 years old
- 26 – 35 years old
- 36 – 45 years old
- Over 46 years old

2. What is the educational level that you have attained?

- Diploma
- First degree (BA)
- Masters
- PHD
- Other, please specify_____

3. How many years of experience do you have in the organization?

- 0 – 2 years
- 3 – 4 years
- 5 – 6 years
- Over 7 years

4. Which of the following categories describes your position?

- Program Director/Manager/Coordinator/Officer
- Grant Manager/Officer
- Finance Manager/Officer
- Monitoring and Evaluation Director/ Manged/Officer
- HR and Administration Director/Manager/Officer

5. How long have you been with the position in #5?

- 0 – 2 years
- 3 – 5 years
- 6 – 8 years
- Over 9 years
- Other, please specify _____

Section 2: Fund Management for Partner Staffs:

Please express your level of agreement to each statement regarding fund management practice at Pact Ethiopia.



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.

S/N	Description	1	2	3	4	5
	FUND MANAGEMENT					
1	Pact Ethiopia manages its fund as per the budget plan stated on the Strategic Plan document.					
2	Pact takes corrective action on the identified weaknesses areas of fund utilization on partners account.					
	FUND DISBURSEMENT					
3	There is a transfer request delay from partners to Pact Ethiopia.					
4	There are length process preconditions to request and receive fund on time from Pact Ethiopia					
5	Pact Ethiopia has several bureaucratic layers to release fund on time					
6	There are deficiencies in budget request					

7	There are deficiencies in budget request capacity constraints					
	MONITORING AND EVALUATION					
8	Your organization has a system to monitor planned verses actual program implementation					
9	Mechanism in place to follow up budget utilization at the level (Pact Ethiopia office and Pact HQ)					
10	Pact performs monitoring & evaluation process in collaboration with partner on agreed objectives.					
11	Pact provides regular and continuous support to partners organization.					
	LIQUIDATION					
12	Pact Ethiopia has policy for sub-grantees advance settlement system					
13	There is a timely (with in the schedule) settlement of receivables in Pact Ethiopia					
14	There is a timely (with in the schedule) settlement of payables in Pact Ethiopia					
15	There is timely submission of financial repot of sub-grantees to Pact Ethiopia					
16	Pact Ethiopia release fund to sub-grantees timely					
17	Pact Ethiopia has a system of timely receiving report from sub-grantee to follow-up their accomplishment					

APPENDIX K: KEY INFORMANT INTERVIEW FOR SUB-GRANTEE STAFF

**St. Mary's University
School of Graduating Studies
Department of Business Administration
Key informant Interview**

Dear Respondents,

My name is Mulugojam Asmamaw, currently pursuing second degree in Master of Business Administration (MBA) program at St. Mary's University. I am conducting a research entitled **“Assessment of Fund Management Practice of International NGOs: The Case of Pact Ethiopia”** in partial fulfilment of the program.

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If you need to contact me, please don't hesitate to call me at +251-911-091025 or via e-mail ramawi2005@gmail.com/masmamaw@pactworld.org

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

Yours sincerely,

Mulugojam Asmamaw

Interviewee's Department _____

1. What are the factors that determine timely release of fund from Pact Ethiopia to the sub-grantee?

2. What matters to liquidate the released money to sub-grantees timely and as per the budget line?

3. To what extent is fund utilized for the intended purpose?

4. What are the major challenges that puts partners into jeopardy in terms of using fund for the intended purpose?

5. What do you think should be done or be in place to have a properly functioning fund management system?
