



ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES

NGO GOVERNANCE PRACTICE AND CHALLENGES: A STUDY
ON NGOS IN ETHIOPIA

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Addis Ababa University in partial fulfillment of the requirements for the
Degree of Executive Masters of Business in Administration (EMBA) in
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BY
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ACRONYMS

ACCA	Association of Chartered Certified Accountants
ADB	African Development bank
AHERF	Allegheny Health, Education and Research Foundation
CBO	Community Based organization
CEO	Chief Executive Officer
ChS	Charities and Societies
ChSA	Charities and Societies Agency
CCRDA	Consortium of Christian Relief & Development Association
CSO	Civil Society organization
CSP	Civil Society proclamation
DPPC	Disaster prevention and preparedness Commission
ED	Executive Director
FDRE	Federal Democratic Republic of Ethiopia
IFAC	International Federation of Accountants
IFC	International Finance Corporation
IGA	Income Generating Activities
INGO	International Non-governmental Organization
MOJ	Ministry of Justice
NBE	National Bank of Ethiopia
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental Organization
NPO	Non-profit Organization
OECD	Organization for Economic Cooperation and Development
UN	United Nations
UNDP	United Nations Development program

Abstract

This study is an exploratory study, assessing the corporate governance practices in Non-Governmental Organizations (NGOs) functioning in Ethiopia. NGOs are very important to developing countries like Ethiopia as they are a major player in the socio-economic development of the country (Sintayehu, 2016 and Gidey, 2011). It is therefore vital that these organizations function effectively to achieve their intended purpose. The study, using a survey approach examined the governance practice of NGOs in Ethiopia and assessed the governance challenges that have impacted their effectiveness. The study also made analysis of the findings against corporate governance principles and best practice as deduced from major corporate governance codes and guidelines in order to establish whether they are adequate or they have deficiencies.

The analysis is made based on data generated from both primary and secondary sources. The primary data is collected through structured questionnaire filled by relevant official involved in the governance issues of the sampled NGOs. The secondary data is generated from the different publications and regulations, and annual reports of the ChSA and documents collected from the sampled NGOs relevant to the governance issues. In addition, information on formal education relevant to Corporate Governance profession is collected from secondary source especially, from University websites. The data gathered is analyzed and presented through both quantitative and qualitative methods mainly using descriptive statistics such as mean, standard deviation, figures, graphs, tables and percentages, and inferential statistics along with narrative analysis.

Key words: Governance, Good governance, Non-governmental organizations, NGO Governance

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CHAPTER - ONE

1 Introduction

1.1 Background of the Study

Governance is commonly defined as the exercise of power or authority by political leaders for the well-being of their country's citizens or subjects that is traditionally associated with government. In literatures, they are often used interchangeably (Colley, J. L., Doyle, J. L., Logan, G. W. & Stettinius, W., 2004 pp.2). Governance is a decision making process and their way of implementation. On the other hand governance is the board's legal authority to exercise power and authority over an organization on behalf of the community it serves (BoardSource, 2010). As Delloite also explained, governance refers to the processes and structures used to direct and manage an organization's operations and activities. Governance defines the division of power and establishes mechanisms to achieve accountability among stakeholders, the board of directors and management.

In practice good governance is applicable in different sectors and areas of activities and to describe interactions between different groups of society. On top of this, Wikipedia defined governance in the following way which is all inclusive:

“Governance is the way the rules, norms and actions are structured, sustained, regulated and held accountable. Governance may take many forms, driven by many different motivations and with many different results. For instance, a government may operate as a democracy where citizens vote on who should govern and the public good is the goal, while a non-profit organization may be governed by a small board of directors and pursue more specific aims.”

In addition, “good decision making processes” and “good governance”, share several characteristics. All have a positive effect on various aspects of governance including consultation policies and practices, meeting procedures, service quality protocols, councilor and officer conduct, role clarification and good working relationships. Good governance is accountable, transparent, follows the rule of the law, responsive, equitable and inclusive, effective & efficient and participatory.

There are various definitions of non-governmental organizations (NGOs). NGOs are often defined by what they are not: actors who are not part of government. As per David Lewis (2009) NGOs are a diverse group of organizations that couldn't lead to generalization, ranging from small informal groups to large formal agencies. NGOs as formal organizations that are not directly part of government or the private sector, and which seek to provide services to marginalized groups, and/or advocate for social or policy change (Kendra E Dupuy, James Ron, Aseem Prakash, 2015). In general, NGOs play different roles and take different shapes within and across different societies. However, for the purpose of this study we will consider United Nations definition of NGO as “*A non-governmental organization (NGO) is a non-for-profit, voluntary citizens' group, which is organized on a local, national or international level to address issues in support of the public good*”. While the term “NGO” is widely used, there are also many other over-lapping terms used such as “nonprofit,” “voluntary,” and “civil society” organizations (World Bank, 2001).

The term Non-Governmental Organization (NGO) is not always used consistently. In some countries the term NGO is applied to an organization that in another country would be called a Non-Profit Organization (NPO), and vice versa. For instance in USA, Canada, Australia, charitable organizations are commonly called Non-profit organizations (NPOs), whereas in other countries like Ethiopia they are commonly called Non-governmental organizations (NGOs). However, in this study, the terms NGO and NPO will be used interchangeably as they both refer to organizations which are not governmental and also not private at the same time.

Literatures indicate that in many countries and across the world the non-profit sector has grown rapidly in size and significance (Cornforth, Chris, 2012). The increase in contracting out of public services and the desire of governments to see voluntary and non-profit organizations play a greater role in public service delivery. NGOs play a significant role in socio economic development of a country of its operation by providing services and grants in a wide variety of areas that are of importance to the community (Weil, 2014). NGOs play important roles in society, by establishing and operating programs, of education, health, social welfare and economic improvement, especially among disadvantaged sectors. According to Transparency International, as NGOs take on an increasingly prominent role as development assistance implementers and political counter-

power, they are under greater scrutiny and pressure to demonstrate that they are using their resources in an efficient, accountable and transparent manner (citation). Their legitimacy in managing aid resources is closely tied to their accountability to their constituency (and the public at large), their adherence to their mission, the transparency of their processes, and their effectiveness in fulfilling their mandate.

Therefore good governance of such organizations is becoming critical and organization's governing body or Board has the legal responsibility to ensure that governance functions are carried out properly. However, NGOs in many countries do not have effective governance structures and if board exists, it does not fulfill responsibilities. There is also a lack of academic research in the not-for-profit sector on issues of governance (John Chelliah, MartijnBoersma and Alice Klettner, 2016).

Corporate Governance generally refers to the processes by which organizations are directed, controlled, and held to account (IFAC, 2001). But, the governance of NGOs is very different from that of private organizations or public entities, because they do not have one formal owner, rather multiple owners or stakeholders such as donors, volunteers and beneficiaries (Anheier, 2005 as quoted by Rehli, 2011). According to Delloite report, all non-profit organizations face numerous critical challenges in responding to the growing expectations of their stakeholders in an increasingly complex operating environment. Under these conditions, well-governed organizations have proven to be more effective, and more likely to succeed, than poorly governed ones. To accomplish their goals successfully, NPOs require a robust system of governance, at the head of which must be an effective Board of Directors and the objective of good governance is to ensure that the organization achieves its objectives by being able to put forth its best efforts to implement its strategies and make the best use of its resources.

Thus, the focus of this study and subsequent definitions will relate to good governance of non-governmental organizations (NGOs) functioning in Ethiopia in which the intended objective of the study circles around it. The next sections also clarify the concept of corporate governance, its characteristics, principles and best practices in relation to NGOs. This research explore the existing governance practice and prevailing challenges in achieving better performance of NGOs functioning in Ethiopia.

1.2 Statement of the Problem

In Ethiopia, the government, the private sector, and civil society sector are the main development actors, each responding to development challenges. Various literatures (Fenta, 2010; Amerga, 2011; Terefe, 2014; Sintayehu, 2016) explained that due to the 'enabling environment' created by the new government (EPRDF) there has been a considerable increase both in the number of CSOs and in the scope of their activities in the country. However, other researchers (Amerga, 2011; Mohammed, 2012; Assefa, 2015) commented that, the new proclamation, Charities and Civil Societies Proclamation No. 621/2009 affected the status and implementation of Civil Societies. As Amerga (2011) explained, the contexts in which civil societies operate and evolve are likely to have big impacts on their shape, capacities and performance. With the growing influence of the non-profit sector over service delivery as well as their increased involvement in the development of national and international policies, the transparency and accountability of NGOs have become an emerging area of concern (Marie Chene, 2013).

As Ernest Katwesigye (2013) elaborated, various researchers have found that there is direct relationship between corporate governance practice and organizational performance (John & Senbet, 1998; Jones, 2005; Mulili, 2011; Sanda et al, 2011; Waduge, 2011, and Claessens and Yurtoglu, 2012). It is therefore important that NGOs are governed well (Lipman&Lipman, 2006).

Practically, it is a recent phenomenon that, the Charities and Societies agency (ChSA) deregistered 108 charities and societies, out of which 14 are foreign, and 167 organizations were given from first to final written warnings due to non-compliance with the regulations in-place and misconduct behavior of the organization or their respective management(Ethiopian News Agency report (June 27, 2016).

Thus, there is a need to study the corporate governance practices of NGO sector in Ethiopia and to contrast them against the corporate governance principles in order to determine their applicability and subsequently to develop a framework for corporate governance best practice of NGOs in Ethiopia

Hence, the prevailing non-compliance issues that impacted hundreds of NGOs to be closed is an indication of poor governance practice in the sector. In addition, the inaccessibility of adequate literature suggests that there is little research undertaken in the civil society sector. Thus, it is with

this in mind that my interest to assess the current governance practices and challenges of NGOs in Ethiopia is conceived. Accordingly, the research will try to identify potential governance issues that have potential impact on organizational effectiveness and will try to recommend possible remedy solutions to alleviate the identified challenges which are causes of non-compliance to the perceived good governance practices and principles. Through the assessment of the current governance practice, the research is expected to provide an input for organizational effectiveness and compliance by recommending good governance best practices prevailing in the sector.

1.3 Research Questions

The study was designed in order to address the following research questions:

- What are the current Board governance practices in Non-governmental organizations (NGOs) operating in Ethiopia?
- What are the Board governance challenges facing Non-governmental organizations (NGOs) in Ethiopia?

1.4 Objective of the Study

The main objective of this study was to assess the internal governance practice of Charities and Societies commonly called Non-governmental organizations (NGOs) operating in Ethiopia with the following specific objectives:

- To assess the Board governance practices among Non-governmental organizations (NGOs) operating in Ethiopia;
- To assess the Board governance challenges of Non-governmental organizations (NGOs) in Ethiopia, and
- To suggest possible improvement options to address the governance challenges faced by NGOs

1.5 Significance of the Study

This study will be of significance both to theory and practice. It will be useful to academics by contributing to the body of knowledge on governance in NGOs. It will specifically contribute to knowledge on corporate governance practices of NGOs in Ethiopia.

The knowledge derived from this study will benefit stakeholders in the civil society sector operating in Ethiopia helping them to focus on governance as a topic of higher priority for efficiency, transparency and accountability. This will enable organizations in the sector to proactively establish clearly defined Corporate Governance structures and follow well understood NGO governance practices. This will also enable organizations not only to establish the Corporate Governance structure but also to implement Good Corporate Governance best practices. The knowledge derived from this study will also support organizational efficiency because board and management can apply the strategies of successful businesses to their own.

1.6 The Scope of the Study

Corporate Governance Practice is the focus of this research. Ethiopian Charities and Societies Proclamation No 621/2009 categorized Charities and Societies into three legal designations. These are Ethiopian Charities or Societies, Ethiopian Resident Charities or Societies, and Foreign Charities. This research will not cover the corporate governance practices and challenges of all Charities and Societies; rather, it will focus on Charities and Societies (ChSs) under the supervision of the Federal Charity and Society Agency that have offices in Addis Ababa. In doing so, for obtaining the necessary information to support the study, the research will be restricted only on selected NGOs with branch and head offices in Addis Ababa. This is because of difficulty to address all the branch offices of the selected NGOs which are disbursed in different regions of the country.

1.7 Limitation of the Study

Although there is much to be studied on the governance practice of NGOs operating in Ethiopia, this study is limited only to NGOs which have office in Addis Ababa and did not cover NGOs registered and operating at regional level, which have no presence in Addis Ababa. Hence, the researcher did not include NGOs legally registered in different regions of the country as this would have required a lot of time. This is because of a large number of NGOs functioning in the country and believing the fact that the research result derived from the selected sample can be inferred to the targeted population. The main justification for the decision to focus on NGOs operating in Addis Ababa is that these NGOs play key roles in the lives of numerous stakeholders and assuming that these charities would have practical exposure across the country. In addition,

the full representativeness of the sampled NGOs is relatively limited given the 30 responses which is 60% response rate from the total sampled 50 NGOs.

CHAPTER - TWO

2 Literature Review

The literature on corporate governance covers a variety of aspects, such as protection of shareholder's rights, improving shareholders' value, board matters, governance systems, structure, stakeholders' engagement etc. However, the importance of governance in civil society sector weighs very much due to the nature of civil society organization which has a great impact in the socio-economic development of a country.

Therefore, in order to provide a context for the study and to answer the primary research question, this chapter reviews the available literature in the area of governance with emphasis on civil society sector. It explores and analyses previous studies in corporate governance, especially in Non-governmental Organizations (NGOs), in order to identify the gaps that the study intends to fill. The chapter approaches the review thematically. It looks at the theories of corporate governance, and identifies those that this study will be based on. It looks at the development and practice of corporate governance internationally, in Africa, and at national level. The chapter then looks at Non-governmental organizations specifically. It looks at NGOs in Ethiopia, with emphasis on its development, significance and legal framework. It then looks at the various models and approaches of governance of NGOs that have been put forward by various studies, and best practices.

In summary, the literature review aimed to; highlight best governance practices, identify the organizational and governance structures required for the implementation of such best practice, and achieve an understanding of the challenges most often experienced in implementing the governance structures that are most supportive of best governance practices. In addition to scholarly literatures, books, articles and journals on governance, and recommendations of code of governance and principles which are developed by different institutions and governing bodies will also be referred.

2.1 The Concept of Governance

Governance is commonly defined as the exercise of power or authority by political leaders for the well-being of their country's citizens or subjects that is traditionally associated with government. In literatures, they are often used interchangeably (Colley, J. L., Doyle, J. L., Logan, G. W. &

Stettinius, W., 2004 pp.2). However, there is no single and exhaustive definition of “good governance,” (Stankowska, M. 2014). Good governance is about the processes for making and implementing decisions. Here the definition is not about making ‘correct’ decisions, but about the best possible process for making those decisions. Thus, “*governance is a decision making process and their way of implementation*”. On the other hand governance is the board’s legal authority to exercise power and authority over an organization on behalf of the community it serves (BoardSource, 2010). As Deloitte also explained, governance refers to the processes and structures used to direct and manage an organization’s operations and activities. Governance defines the division of power and establishes mechanisms to achieve accountability among stakeholders, the board of directors and management.

In practice good governance is applicable in different sectors and areas of activities and to describe interactions between different groups of society. On top of this, Wikipedia defined governance in the following way which is all inclusive:

“Governance is the way the rules, norms and actions are structured, sustained, regulated and held accountable. Governance may take many forms, driven by many different motivations and with many different results. For instance, a government may operate as a democracy where citizens vote on who should govern and the public good is the goal, while a non-profit organization may be governed by a small board of directors and pursue more specific aims.”

In addition, “*good decision making processes*” and “*good governance*”, share several characteristics. All have a positive effect on various aspects of governance including consultation policies and practices, meeting procedures, service quality protocols, councilor and officer conduct, role clarification and good working relationships. Good governance is accountable, transparent, follows the rule of the law, responsive, equitable and inclusive, effective & efficient and participatory.

Non-profit Organizations have been referred to as the “Third Sector”, with Government being the First Sector and Private Businesses the Second Sector (Jones, 2005; Rehli, 2011). As per UNDP (2004), good governance requires the effective involvement of all three actors, i.e., the public

sector (state actors and institutions), civil society (non-governmental organizations) and the private sector (companies). These three sectors are said to work hand in hand in the process of governance in which such involvement is critical to promoting national ownership and sustainability (BoardSource, 2010).

Public Sector: organizations exist to serve the public good. They are part of governmental structures and are financed by government revenue.

Private Sector: organizations exist to produce a profit for their owners (shareholders). To do so they must meet the needs of a constituency who will pay for their goods or services.

Civil Society Sector: organizations exist to serve a social purpose, a constituency or a cause. To do so successfully they must earn or raise sufficient funds to cover expenses and safeguard the organizations future.

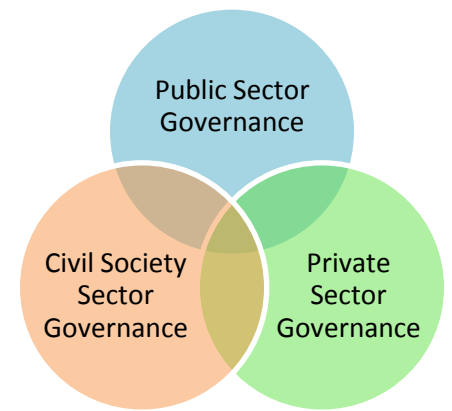


Figure 1: Picture showing the three sectors interaction in governance

Various literatures, institutions, regulators, relate “corporate governance” with corporation management or profit making company governance. However, recent literatures particularly after the various scandals in the NGO sector (Sarbanes-Oxley Act 2002) corporate governance is all about good governance and leadership of organizations including the NGO sector. Coyle (2006) also emphasizes that corporate governance is not only important to public Corporations, but also to private businesses, and Non-profit organizations and charities. Similar literatures support this view. Cadler (2008) noted in terms of size as; *“In the 21st century, corporate governance has become critical for all medium and large organizations”*.

Corporate governance plays a major role in the management of all types of organizations both in developed and developing countries (Coward, 2010). Although lots of studies have been conducted on large Business Corporations, not much research has been conducted into Non-profit

organizations (NPOs) (Carver and Carver, 2001). This has largely been because the business corporation was largely considered to be the primary corporation as it deals directly with the factors of production, which has left other types of corporations such as NPOs out. This is undesirable considering that capital markets are still largely underdeveloped in Africa, and private companies and NPOs play a major role in society (Change, 2012). Much of the research on the third sector has been general to Non-profit Organizations (Jones, 2005). Very little is known about how they operate (Kaseman a& Austin, 2005, as quoted by Ernest K. 2013)

2.2 The Development of Corporate Governance

Although, the history of governance can be traced back in 16th century (1601), while “The Dutch East India Company, created in 1601(Alan Calder, 2008 p. 7), the modern world, roots of governance can be traced back to emergence of corporate governance in the 20th century. However, there are different views on the emergence of corporate governance. Some literatures relate with in responses to systemic failures in corporate management and have emerged as a distinct discipline (Palod, 2014).Others relate with the emergence of corporations in which Principal Agent conflict arises (Agency theory) and the need for separation of ownership and management is needed (Fekadu, 2016). In fact, the significance of corporate governance increases since, the major corporate scandals and financial crises are happening in the world during 80s and 90s, followed by economic liberalization, privatization and globalization policies and other structural reforms that have enhanced the importance of corporate governance. Governance can be used in several contexts such as corporate governance, international governance, national governance and local governance (MACOSS, 2015).

UNDP report (2004) noted that, “*Good Governance is both a means and an end*”. It is a means to achieve the goals of human development and it is an end in itself – as values, policies and institutions that are governed by human rights principles, i.e., equality and non-discrimination, participation and inclusiveness, accountability and the rule of law. Hampel (1998) noted that “*good governance ensures that stakeholders with relevant interest in the company's business are fully taken into account*”.

2.3 Theoretical Review

In literature, there are different theoretical perspectives for explaining the phenomenon of corporate governance. *The most common of these are Agency theory, stewardship theory, Resource dependency theory, A democratic or association perspective, stakeholder theory and Managerial hegemony theory.*

This study shall however be based on the stakeholder theory and the resource dependence theory. Below is an analysis of the six primary theories of corporate governance in order to show why the study shall be based on the stakeholder and resource dependence theories.

2.3.1 Agency theory – a compliance model

Principal - agent theory, or agency theory for short, has been the dominant theory of the corporation and corporate governance arrangements (Cornforth, Chris, 2001). This theory assumes that the owners of an enterprise (the principal) and those that manage it (the agent) will have different interests. Hence the owners or shareholders of any enterprise face a problem that managers are likely to act in their own interests rather than to their benefit. While free markets are seen as the best restraint on managerial discretion, agency theory sees existing corporate governance arrangements as another means to ensure that management acts in the best interests of shareholders. From this perspective the main function of the board is to control managers. This suggests that a majority of directors of companies should be independent of management, and that their primary role is one of ensuring managerial compliance – i.e. to monitor and if necessary control the behavior of management to ensure it acts in the shareholders' best interests.

According to Cornforth, Chris (2001) there is one difficulty in applying an agency perspective to non-profit organizations is the potential ambiguity over who the principals or owners are. In the case of voluntary organizations for example is it the original founders of the organization, its funders, its beneficiaries or members? In the case of quasi-governmental organizations (quangos) is it the general public, users, taxpayers or the government itself? However, many aspects of this perspective still have relevance.

2.3.2 Stewardship theory – a partnership model

In contrast to the Agency theory, Stewardship theory assumes that managers behave as if the organization were their own, and therefore act as effective stewards of an organization's resources

(Davis, Schoorman, & Donaldson, 1997; Rehli, 2011), as quoted by (Ernest Katwesigye, 2013). This theory assumes that managers want to do a good job and will act as effective stewards of an organization's resources. As a result senior management and shareholders of the organization are better seen as partners. Hence, the main function of the board is not to ensure managerial compliance or conformance, but to improve organizational performance. The role of the board is primarily strategic, to work with management to add value to top decisions. In this context it is not surprising that management ideas and practices should be applied to governance. From this perspective board members should be selected on the basis of their expertise and contacts so that they are in a position to add value to the organization's decisions; boards and managers should receive proper induction and training; they should know how to operate effectively as a team etc. Ideas such as these are common in much of the 'how-to-do-it' literature on non-profit boards (Cornforth, Chris, 2001).

2.3.3 Stakeholder theory – a stakeholder model

Stakeholder theory as applied to governing bodies is based on the premise that organizations should be responsible to a range of groups (or stakeholders) in society other than just an organization's owners or mandators (Hung, 1998: 106). By incorporating different stakeholders on boards it is expected that organizations will be more likely to respond to broader social interests than the narrow interests of one group. This leads to a political role for boards negotiating and resolving the potentially conflicting interests of different stakeholder groups in order to determine the objectives of the organization and set policy.

Stakeholder theory has developed mainly in debates over corporate governance in the private sector, where there has been robust debate about its desirability and likely consequences (e.g. Hutton, 1997; Tricker, 2000: 295). The principles of stakeholder involvement are less controversial in the public and non-profit sectors, and the practice more common, although not always discussed in terms of stakeholder theory.

2.3.4 Resource dependency theory – a co-optation model

Resource dependency theory (Pfeffer and Salacik, 1978) views organizations as interdependent with their environment, as quoted by Cornforth, Chris (2001). Organizations depend crucially for their survival on other organizations and actors for resources. As a result they need to find ways of

managing this dependence and ensuring they get the resources and information they need. From this perspective the board is seen as one means of reducing uncertainty by creating influential links between organizations through for example interlocking directorates. The main functions of the board are to maintain good relations with key external stakeholders in order to ensure the flow of resources into and from the organization, and to help the organization respond to external change.

Board members are selected for the important external links and knowledge they can bring to the organization, and to try to co-opt external influences. The Board itself acts as a resource to provide legitimacy, advice, and links to other organizations, in order to harness resources (Brown, 2005). As per Ernest Katwesigye, (2013) NGOs depend largely on resources from outside the organization, their harnessing, and proper expending is very critical, making the Resource Dependence theory relevant to this study. It thus supplements the stakeholder theory because the board must take stakeholder interests into consideration if it is to effectively harness all resources that the firm requires to be effective.

The ability of boards to harness resources and the extent to which stakeholder interests may be taken into account, are largely determined by government policy. This led to the rise of the political theory of corporate governance. It posits that Government determines the allocation of corporate power, profits, and privileges, and so a firm must align itself to government policy to be effective (Hawley & Williams, 1996). Interest in corporate governance has largely grown out of corporate scandals attributable to corporate failure (Tumuheki, 2007). Governments have thus come in to protect investors and other stakeholders as they have a duty to protect their citizenry. Corporate governance must therefore take into account the political environment. However, taking into consideration the political environment alone cannot improve firm performance.

2.3.5 A democratic or association perspective – a democratic model

Democratic ideas and practices have influenced thinking about the governance of many types of organizations. For example many voluntary organizations, co-operatives and mutual organizations are established as membership associations, where it is enshrined in the organization's constitution that the governing body should be elected by and represent the membership in some way.

Conversely, the governance of many quangos is often criticized for not living up to ideas of democratic accountability (Plummer, 1994; Skelcher, 1998).

A democratic perspective on governance suggests that the job of board is to represent the interests of members of the organization. The role of board is to resolve or choose between the interests of different groups and set the overall policy of the organization, which can then be implemented by staff. Central to this view is the idea of a lay or non-professional board, where anyone can put himself or herself forward for election as a board member. Expertise is not a central requirement, as it is in the partnership model.

2.3.6 Managerial hegemony theory – a ‘rubber stamp’ model

As Cornforth, Chris (2001) briefly noted, in a more recent study Lorsch and MacIver (1989) conclude that although the functioning of boards has improved since Mace’s study, their performance still leaves much room for improvement. Like Mace they distinguish between boards in normal times and during crises, and conclude that during normal times power usually remains with the chief executive. From this perspective the board ends up as little more than a ‘rubber stamp’ for management’s decisions. Its function is essentially symbolic to give legitimacy to managerial decisions. Although this theory was developed in the study of large business corporations, many of the processes it describes seem just as relevant to public and non-profit organizations: for example the separation of those who found (own) the organization from those that control it, and the increasing growth and professionalization of management. Indeed it could be argued that the largely voluntary nature of board involvement in public and non-profit organizations might mean that board power is even more limited than in the private sector.

2.4 Definitions of Corporate Governance

There is no single definition of corporate governance that can be applied to all situations and jurisdictions (Lipman & Lipman, 2006) in which various definitions depend on the institution or author, country and legal tradition. Corporate governance is about the interactions of coalitions of actors inside and outside the firm and inside and outside the boardroom. The actors have various attributes and objectives, and all have a biased definition of corporate governance. This will also influence board task expectations and their expectations regarding value creation (Huse, 2007).

Cadbury (1992) defines corporate governance as "the system by which companies are directed and controlled", IFC (2010, 2nd ed.) defines corporate governance as "the structures and processes for the direction and control of companies." OECD (2004) defines as a set of relationships between management of a corporation, its board, its shareholders and other stakeholders. From these definitions, it can be argued that corporate governance frameworks establish systems of accountability and responsibility between the company and its major stakeholders by defining the nature of the relationship. Governance therefore is about how corporate governors manage their corporation or organizations; the relationship that exists between the governed and their governors or leadership and systems of leading towards stated objectives.

More importantly, "Corporate Governance" as described by Frederick Lipman and L. Keith Lipman, (2006, p 3) as:

"Practical Corporate Governance is the process of developing cost-efficient corporate governance structures for an organization and instituting "best practices" by weighing costs against benefits. This is accomplished by analyzing specific risks of the organization, making cost-benefit judgments, and utilizing the lessons of past corporate scandals."

Thus, "Good Corporate Governance" fosters efficient monitoring of corporate assets, effective risk management and greater transparency of organizational activities, helps to achieve and maintain public trust and confidence in the sector. In contrast, poor corporate governance may contribute to organizational failures which could, in turn, trigger a loss in trust or reputational crisis. In addition, from the above definitions and recent literatures shows that, the word "Corporate" is used to refer the organization than the old sentiment of corporation. Thus, in this study the word Corporate refers to the organization or entity that is structured and managed to meet a need or to pursue collective goals.

2.5 Why is Corporate Governance important?

From profit making perspective, good corporate governance make a company more profitable, enable its growth and increase its access to external finance- domestic and international, public and private which also a key factor in investor trust building (IFC, 2010). Good corporate governance helps to prevent corporate scandals, fraud, and potential civil and criminal liability of the organization. A good corporate governance image enhances the reputation of the organization

and makes it more attractive to customers, investors, suppliers and, in the case of nonprofit organizations, contributors or financiers (Lipman & Lipman, 2006, p 3).

As Calder (2008, p1) stated in his book entitled *Corporate Governance - A practical guide to the legal frameworks and International codes*: “*In the 21st century, corporate governance has become critical for all medium and large organizations. Those without a governance strategy face significant risks; those with one perform measurably better*” signifies the importance of corporate governance for all organizations in all sectors and also noted the impact of governance on organizational performance. Good corporate governance fosters efficient monitoring of corporate assets, effective risk management and greater transparency of organizational activities, helps to achieve and maintain public trust and confidence in the sector. In contrast, poor corporate governance may contribute to organizational failures which could, in turn, trigger a loss in trust or reputational crisis. Hence, it is with this principle and importance in the economic health of corporations and society in general that Corporate Governance is becoming a topic of interest globally.

Good Corporate governance ensures the highest standards of corporate responsibility, citizenship, and business ethics and strengthens mutual social responsibility. This enhances participatory development; create partnerships for progress and increases citizen engagement in establishing a secure and stable environment for business growth. This translates to improved wellbeing of the society, which promotes wealth creation thus solving most of the social problems of the world today.

As per Cadbury report, (2002), the importance of corporate governance lies in the power that is vested in the senior officers who run the organization's affairs. Whereas this power ought to be exercised responsibly, it is sometimes not used in the best interest of the stakeholders. Corporate governance is important for non-Profit organizations, since non-profit organizations must also be directed and controlled appropriately, as the decisions and actions of a few individuals can affect many individuals, groups and organizations that have little or no influence over them (ACCA, 2012).

In general, effective governance, with its outcomes, transparency and accountability, leads to increased public trust in the organization and a greater willingness by the public to donate funds and services. Effective governance also provides protection from regulatory intrusion.

According to the King II Report (2002), Good Corporate Governance can primarily be identified by the following seven characteristics:

- There are measures of accountability whereby decision-makers and actors could be called to account,
- Acknowledgement of and respect for the various rights and interests of groups in the company through systems that would lead to fairness,
- Knowledge of a company's information is available to outsiders and stakeholders for meaningful analysis in a frank, accurate and timely manner, giving credence to transparency,
- Senior management is committed to a universally accepted and recognized corporate culture,
- There are mechanisms in place whereby conflict of interests or potential conflict of interests can be avoided or minimized and whereby undue influences do not affect board decisions,
- The board shows responsibility towards all the company's stakeholders,
- Social capital is built through social responsibility initiatives that respond to social, environmental and human rights issues, and ethical standards.

2.5.1 NGO Governance

Definitions above indicate that, governance is concerned with structures and processes for decision-making, accountability, control and behavior at the top of organizations. Most governance codes focus on delivering good governance practices at an organizational level mainly for private companies. But, from the definition of IFAC (2001) as...”*Corporate governance refers to the processes by which organizations are directed, controlled, and held to account*”, we can learn that governance is all about the principles of openness, integrity, and accountability which is applicable in all three sectors; public, private as well as non-profit. Though, governance in the three sectors (for-profit, public and non-profit sectors) have points of similarity and of differences,

it can be argued that governance should be concerned with enabling appropriate performance and conformance.

However, the context in which board governance occurs varies considerably between and within the sectors. The governance of NGOs is very different from the governance of private organizations or public entities because they do not have one formal owner, such as the shareholders of private companies, but rather multiple owners such as donors and volunteers (Anheier, 2005 as quoted by Rehli, 2011). Thus, their directors have "an almost unmatched degree of autonomy" (Glaeser, 2003: 2), so that these organizations require effective internal governance mechanisms for their supervision (Gibelman & Gelman, 2001, 2004). In addition, NGO boards do not only fulfill controlling tasks, they can serve as a powerful tool for NGOs to provide strategic direction, establish links to important stakeholders, acquire resources, and develop and guard the organization's overall mission.

Thus, non-profit governance has a dual focus: achieving the organization's social mission and ensuring the organization is sustainable (Wikipedia), which relates to fiduciary responsibility that the Board of Directors has with respect to the exercise of authority over the explicit actions the organization takes. In NGO governance, public trust and accountability is an essential aspect of organizational viability so it achieves the social mission in a way that is respected by those whom the organization serves and the society in which it is located. Moreover, the above definitions also noted that governance includes leadership that takes serious consideration of the internal environment which includes stakeholders, board members and staff members of an organization.

2.6 Principles of Good Corporate Governance

Corporate Governance seeks to find the appropriate mechanisms for governing the relationships of constituent groups with the organization so as to generate long-term value. It reduces conflict of interest among stakeholders and makes sure the right people make the decisions. It helps to align responsibility with authority in order to achieve optimum conditions for organizations' growth and success. Thus, there is no single model of good corporate governance.

As per Colorado Nonprofit Association definition: a “Principle” is *a broad statement that defines a suggested ethical or managerial direction for a nonprofit organization* and a “Practice” is *a suggested method to achieve the principles*.

The Principles are non-binding and do not aim at detailed prescriptions for national legislation. Rather, they seek to identify objectives and suggest various means for achieving them. Their purpose is to serve as a reference point. The Principles are evolutionary in nature and should be reviewed in light of significant changes in circumstances.

Achievements in organizational growth and success can only be achieved through the exercise of the right principles of corporate governance. Cadbury (1992) identified “*Openness, Integrity and Accountability*” as being fundamental and relevant principles applicable to both, private and public sectors, other principals such as *selflessness, objectivity, honesty and leadership* play a great role in good corporate governance practice. OECD (2004) Corporate Governance Principles are based on four basic principles; *fairness, transparency, accountability and responsibility* which are recognized throughout the world. According to UNDP, Good Governance is *participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law*.

In general, governance is about the ‘big picture’ – providing leadership and direction to the organization and ensuring that the proper processes and structures are in place so that it can operate effectively and ethically (NCOSS, 2015).

2.6.1 NGO Governance Principles

According to Miles et al. (1997 p.2) argument, as quoted by Wyngaard & Hendricks (2010) “*organizations must adopt practices and accepted principles in their respective organizations in the context of their philosophy, culture, needs and resources*”. However, regardless of which governance model a not for profit organization uses, adherence to certain core principles and an understanding of core governance obligations are essential for good non-profit governance.

Core obligations include the following:

- Leadership (providing strategic direction),
- Oversight (holding management and staff to performance targets),

- Responsibility (ensuring compliance at all levels),
- Ethics (ensuring that delivery and conduct comply with moral values),
- Accountability (evaluating work against the organization’s mission),
- Transparency (keeping the public and others informed about the work), and
- Succession planning (the recruitment, orientation and capacity building of new board members).

Researchers, academics and experts in the field of non-profit governance emphasize that boards should regularly reassess the way they operate and measure performance against best practice. Corporate governance concepts apply to both profit and non-profit organizations. However, the application of corporate governance concepts varies on the basis of the differences between the two types of organizations. NGOs operate in a different way from the way in which private organizations do, and many of the differences have governance implications.

The philosophy underlying the concept of governance of nongovernmental organizations is changing. The traditional roles of the NGO board have been oversight of the organization’s operations and policy determination; historically, the implementation of policy and management has been the responsibilities of the officers and key employees. An emerging view, sometimes referred to as best practices, imposes on the NGO Board greater responsibilities and functions.

As Frederick and Keith, (2006, P. 3) clearly noted, Sarbanes-Oxley Act of 2002 is also applicable to not-for profit organizations. Frederick and Keith, (2006, P. 3) added that, “*Nonprofit organizations are not immune from scandal*”. A major factor contributing to the development of nonprofit governance is major scandals occurred in the for-profit sector and the resulting enactment of the Sarbanes-Oxley Act, which has had an enormous impact on the evolution of nonprofit organization governance principles and practices (Hopkins & Gross, 2009, p. 46).

2.6.2 Accountability in NGO

As per Margaret P. Karns et al. (2008), International NGOs (INGOs) are identified by the nature of their membership or their commitment to conduct activities in several countries addressing issues such as human rights, the environment, education, health care, development and other issues around the globe.

Leif Wenar (n.d) also noted that NGO accountability is in many ways a more revealing topic than World Bank or IMF accountability, since these international financial institutions are clearly more accountable to overall not to the right people or in the right ways. NGO accountability is also an intriguing topic because it raises the question of whether NGOs which often aim to hold others to account by, for example, publicizing public corruption or unfairness in trade are themselves accountable.

Financial probity is the aspect of NGO accountability that has received the most public attention. Most NGOs are legally accountable to their trustees, who ordinarily provide light oversight concerning fiscal management. NGOs must also typically account for their activities to the governments of the countries in which they operate, and sometimes also to the government of the country in which they are based (ChSA in case of Ethiopia).

Regarding performance, no international NGO is accountable in a significant way for benefiting the community in the long term. If an international NGO fails effectively to help the community, there are virtually no mechanisms in place to sanction it. NGOs do not release (and, as we will see, often do not even collect) the information about project effectiveness that would enable private donors to hold them accountable for their successes and failures.

Donor countries and multilaterals have recently been increasing their requirements on NGOs to report on project planning, finances, and progress. Yet these funders generally do not sanction the NGOs they fund for lack of long-term benefit to their intended beneficiaries. Moreover, aid agencies tend to abide by a “code of silence” that bars them from criticizing each other for failing to count effective projects. And aids NGOs are virtually not at all accountable to the recipients of their aid for long-term impact.

A Joint Working Group of the Council on Foundations and the European Foundation Centre developed Principles of Accountability for International Philanthropy (2007). The working group identified Seven Principles of Accountability for International Philanthropy are: Integrity, Understanding, Respect, Responsiveness, Fairness, Cooperation and Collaboration, Effectiveness

As per the information Charity Lawyer; non-profit law simplified (Elias Carter, 2009, <http://charitylawyerblog.com/2009/10/05/top-15-non-profit-board-governance-mistakes-from-a->

[legal-perspective/](#) accessed on 27.09.2017) Top 15 Non-profit Board Governance Mistakes were identified; Failing to Understand Fiduciary Duties, Failing to Provide Effective Oversight, Deference to the Executive Committee, Board Chair or the Organization’s Founder, Micro-managing Staff, Avoiding The Hard Questions, Insufficient Conflict Management, Lack of Awareness of Laws Governing Tax-Exempts, Operating with Outdated, Inconsistent Governing Documents, Airing Disagreements Outside the Boardroom, Failure to Cultivate Board Diversity, Recruiting and Selecting Board Members Without Due Care, Failing to Educate and Motivate Board Members, Failing to Document Actions Appropriately, Failing to Review Program Effectiveness and Efficiency and Take Appropriate Follow-Up Actions and Failing to Hold Executives (and Nonparticipating Directors) Accountable.

Accountability in government is synonymous with “red tape” for some; for others, it is synonymous with democratic practices and transparency (Margaret P. Karns et al. 2008). NGOs, for the most part, are not necessarily subject to the same provisions and checks that governmental bureaucracies have. Even International NGOs that are membership organizations are rarely accountable to their members.

Regarding accountability, NGOs are regularly answerable to at least four different authorities: to their boards of governors or executive committees, and then to the general members (if they are membership organizations); to governments in countries where they operate; to the people (both recipients and non-recipients of the benefits and services provided); and to the donors that provide resources (Margaret P. Karns et al. 2008).

2.7 The NGO Governance Structure

Most of the corporate governance definitions and recommendations focus on the hierarchical governance structure of profit making entities in which the three key players: the Management, the Board of Directors, and the shareholders play a great role in the system. However, such model of corporate governance doesn’t work for not for profit or NGO sector in which both have different objectives. The NGO governance structure is quite different that of profit making. Although, a wide range of models exists for NGO coordination bodies, our focus of study will be on organizational governance models.

There are a number of models of governance and no one model is appropriate for all organizations (NCOSS, 2015; Wyngaard and Hendricks, 2010), but given the diversity of the NPO sector, no single approach can be recommended as ideal and applicable across the sector.

In general, non-profit governance can be described as the sum of all efforts to ensure an organization responsibly focuses on meeting its objectives. Governance is a process by which decisions are implemented (Patra, S. (2007, p.1). An effective Board operates with skill, efficiency and cohesion to achieve the aims of the organization, has a clear understanding of its role, responsibilities and processes and works on behalf of all stakeholders (NCOSS, 2015).

There are different recommendations and definitions of governance models; Bradshaw et al. (1998), Mel Gill (2004). For this study, we took the following models of governance which highlight various common approaches to NGO governance: *the traditional model, the policy governance or Carver model, and the results-based model* as clearly explained by Mel Gill (2004) as follow:

- Traditional Model – The board governs and oversees operations through committees but delegates management functions to the executive director. Committees are established along functional lines (finance, human resources, and programs) and often parallel management functions and can be used to process information for the board and sometimes do the work of the board.
- Policy Governance (Carver) Model – The board governs through policies that establish organizational aims (ends), governance approaches, and management limitations. These policies also define the relationship of the board with the executive director and the executive director reports to the full board. The executive director also has broad freedom to determine the means that will be used to achieve organizational aims.
- Results-based Model – The executive director is a non-voting member of the board and carries substantial influence over policy making. The executive director is viewed as a full partner with the board. Committees, organized around board responsibilities and lead planning, guide governance, and monitor and audit performance of the board, executive director and organization.

2.8 NGO Good Governance Practices

In addition to implementing any governance mechanisms that may be mandated by law, the board should look for governance “best practices” that embody pragmatic solutions that will work given the particular needs and circumstances of the organization, including organizational structure, size, activities, life-cycle stage and funding mechanisms. NPO boards can be very different in structure and leadership, leading to very diverse ways in which they function. Although there are a variety of governance models available for nonprofit organizations to adapt, it is advantageous for boards to choose a model that fits with the philosophy and structure of the organization.

Although there are various literatures and guidelines on good governance structures and practices, for this study we will refer the following governance practices commonly used and recommend by various codes.

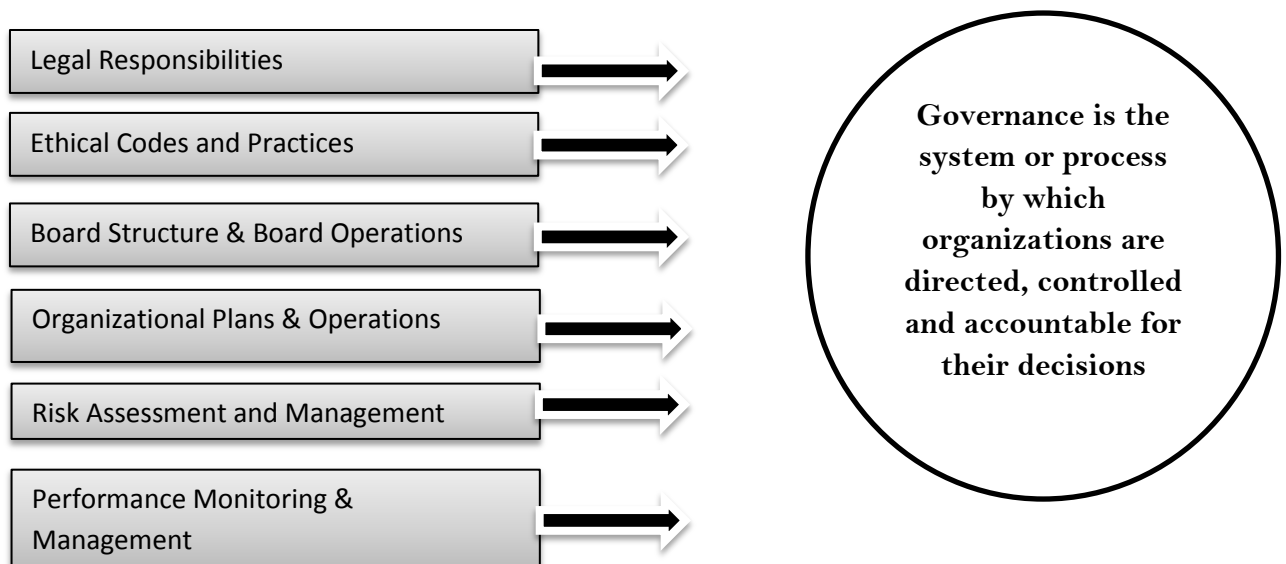


Figure 2: Good Governance practice in NGO corporate governance (taken from ncoss, 2015)

2.9 Non-governmental organizations in Ethiopia

2.9.1 The Concept of Civil Society

Depending on the context and the understanding of different fields the concept of civil society varies. However, there is a *consensus that Civil Society takes different organizational and*

institutional forms. Some of them are: Voluntary Organizations, Relief Development, Advocacy and Training NGOs; Professional Associations, Business Associations, Trade unions, Women Groups and Organizations; Self-help Economic Empowerment Groups and Cooperatives; Cultural Sports and Leisure Groups; Tribal or Ethnic Associations and so on (ADB,2006, as quoted by Gidey, 2011).

Civil societies are often populated by organizations such as registered charities, development non-governmental organizations, community groups, women’s organizations, faith-based organizations, professional associations, trade unions, self-help groups, social movements, business associations, coalitions and advocacy groups (Jolade and Rafiu, 2014) .UNDP (2005) defines civil society as a third sector existing alongside and interacting with the state and private industry. UNDP takes a broad view of Civil Society Organizations (CSOs) of which non-governmental organizations (NGOs) are an important part, and recognizes that in practice civil society is an arena of both collaboration and contention.

2.9.2 Civil Society Organizations in Ethiopia

As per Gebre-Egziabher (2002) the existence of civil society in Ethiopia had a long history being formed in the form of self-help system, like Iddir, Equb, Debo, Afarsata and so on has long existed in the country with the main purpose of dealing with various social issues. Some of these self-help systems have been registered as neighborhood associations since the 1960’s which are currently called community based organizations (CBOs).

The emergence of modern, formal and legal Civil Society Organizations (CSOs) in the form of trade unions, professional associations and Non-Government Organization (NGOs) had started emerging in Ethiopia in 1950s and 1960s and their number has increased with a significant scale in response to humanitarian crisis due to the 1974 famine in northern part of the country. A significant increase in number and their contributions as key development partners in addressing the country’s multiple development priorities was observed Since 1990s.

As per the definition of Charities and Societies Agency (ChSA) “Charitable Society is a Society which is formed for charitable purposes. It is similar to a society in terms of structure and organization. Unlike a society, however, it is established to serve the interest of the public/third

parties rather than that of its own members. Hence, they are expected to have a general assembly, an Executive Board, an auditor, a manager/director and the necessary staff”.

Currently, the degree of involvement of charities and Societies functioning in Ethiopia depends on its form. According to the Charities and Societies Proclamation No. 621/2009, there are two types of registered Not-for-Profit organizations in Ethiopia namely as; Charities and Societies. Based on where the organization was established, source of income, composition of membership, and membership residential status. Charities and Societies are further grouped into three distinctive categories as Ethiopian Charities or Societies, Ethiopian Resident Charities or Societies, and Foreign Charities or International NGOs.

2.9.3 Significance of Civil Society organizations in Ethiopia

In terms of diversity, size and capacity civil societies in Ethiopia are not well-developed when compared to many other African countries (Sintayehu, 2016 and Gidey, 2011). However, they are playing an increasingly important role in the socio-economic setting and implementing various development programs at national level, including humanitarian assistance, capacity building, advocacy, and development activities. Their contributions in remittance of foreign currency, national employment opportunities, and addressing government priorities are important.

According to Sintayehu (2016), despite their contributions, the civil society’s existence and overall operation have been challenged by different factors mainly of resource constraints. Global economic crisis, complex donor requirements, stringent funding criteria, donors’ demand for matching fund, changes in donors’ priority and shift of focus and some provisions of Charity and Society legislations are among the reasons for their financial constraints. Lack of resources can also be attributed to absence of transparency and accountability on the part of the sector (Sintayehu, 2016).

2.9.4 Civil Society Legal framework in Ethiopia

As per UNDP report (2011), a critical factor for civil society organizations to work in a country is the legal and regulatory framework allowing and governing their establishment, space and scope to function in public life. The success of development and participatory governance depends on both a robust state and an active civil society with healthy levels of civic engagement. Building

and sustaining an environment which is conducive for civic engagement: government creates an enabling environment by issuing vital legislation and providing leadership to initiate and sustain development in all sectors of the economy.

In Ethiopian Civil Society history, regulatory bodies that were empowered to regulate and oversee NGO operations have changed hands at varying times. Initially it changed hands from the “Ministry of Interior” under the Imperial regime to the “Relief and Rehabilitation Commission” during the Derg regime and it was sequentially transferred under the controls of the “Disaster Prevention and Preparedness Commission (DPPC)” as well as the “Ministry of Justice (MOJ)” until it was recently transferred to the “Federal Charities and Societies Agency” in 2009.

Ethiopian civil society sector was governed by the Civil Code of 1960, and Association Registration and Regulation of 1966. These laws were not responsive to the existing realities of the sector in Ethiopia. In response to this, the federal government of Ethiopia has adopted a new Civil Society Proclamation No.621/2009 that enacted for the establishment of new supervisory body named as “Federal Charities and Society Agency (Amerga, 2011).

The Charities and Societies Proclamation No. 621/2009 brought about significant implications on the procedural and operational activities of the NGO sector in the country. Accordingly, charities shall be formed under Ethiopian law consisting of Ethiopian nationals receiving no more than 10 percent of their income from foreign sources are designated as Ethiopian Charities and Societies; and those drawing more than 10 percent of their funding from foreign sources are referred to as Ethiopian Residents’ Charities and Societies. There is also a third category which relates to foreign or international charities that are formed and registered abroad and drawing their funding or support from foreign sources.

2.9.5 Scope of Application of the Law

The following summaries applicable to charities and societies is noted from the “Users’ Manual for the Charities and Societies law (2011).

The Charities and Societies Law applies to:

- Charities operating in more than one region;
- Societies that have members in more than one region;

- Ethiopian resident charities and societies, as well as foreign charities working in one region only;
- Charities and societies operating in Addis Ababa and Dire Dawa.

Proclamation No. 621/2009 identifies the following areas as charitable purposes:

- a) Disaster prevention and poverty alleviation
- b) Economic and social development
- c) Environmental protection
- d) Animal welfare
- e) Arts, culture, heritage and science
- f) Education
- g) Health and the saving of lives
- h) Amateur sport and youth welfare
- i) Relief of the needy because of age, disability, financial hardship or other disadvantage
- j) Capacity building on the basis of the country's long term development directions

In addition, only Ethiopian Charities/Societies can engage in the activities listed under k - o in the list above. In other words, Foreign and Ethiopian Resident Charities are not allowed to work on human and democratic rights, religious, ethnic or gender equality, child rights and the right of disabled persons, conflict resolution and reconciliation, and supporting justice and law enforcement sectors

The Proclamation stipulates that a charitable organization is one which is established for charitable purposes as outlined above and provides public benefit. Three things should be fulfilled for public benefit to exist: 1) the activity/objective should result in identifiable/concrete benefit to the public; 2) it shouldn't discriminate among potential beneficiaries; and 3) individual benefits arising from the activity are only secondary and incidental to the implementation of the objective.

2.9.6 Formation, Registration and Licensing

Formation is a stage in the establishment of charities or societies where its founders come together and carry out the necessary groundwork for its formal registration. At this stage the organization does not have a legal personality, and thus the founders are personally responsible for any debts or

liabilities which may arise. However, these debts/liabilities will be transferred to the charity/society after it gets registered. The founders shall apply for registration within three months of the formation of the organization.

Licensing is an act of granting permission to someone to carry out certain activities. As explained by the drafters of the CSP, licensing was one of the factors leading to the enactment of the law. An organization may get registration and acquire legal personality but this does not mean that the organization can do whatever it wants. There are areas which require special permission from concerned government offices to be carried out. An organization which is planning to work on health or educational programs should have a license from the Ministry of Health or Education, respectively.

In the CSP registration is indicated as a means of securing legal personality for organizations, and thus a merely formed charity or society does not have a legal personality. Acquiring legal personality is important for various reasons: shifting liability from founders to the organization, contract with third parties, opening bank account, protecting the property right of the organization, etc. In addition, the government might also be interested in registering CSOs to know their very existence, to identify the leaders and members of the CSO as well as their operational areas. Therefore, the CSP puts registration as one of the requirements for organizations to operate either as charities or societies.

2.9.7 Requirements for Registration

2.9.7.1 Local Organizations

Applying to get a local charity or society registered at the Agency the following should be followed:

1. Fill the application form prepared by the Agency.
2. Submit the memorandum of association of the charity or society, and the charity's logo if any.
3. Pay registration fee

In addition to these requirements, the Regulation provides for the following additional requirements;

- List of operational regions or city administrations
- Decision made by the founders of the organization to adapt the Model Rules prepared by the Agency
- Statement about source of income in percentage from local and foreign sources
- Names, ages, educational status residential address, nationalities of the Founding members, officers, members of the organization
- The legal nature of the organization; Ethiopian or Resident, society or charity
- Symbol, if any
- Declaration Statement by founders that the documents and information there are true

2.9.8 International Organizations

For a foreign charity, the first step it needs to take would be to submit an application to the Ethiopian Embassy at its country of incorporation. The application shall be accompanied by copies of the following documents (to be authenticated by the Embassy):

- ❖ A certificate of Registration/Incorporation showing that the organization is established or registered as an NGO or Non-Profit Organization (NPO),
- ❖ The founding document (Constitution, Articles of Association or By-laws) of the organization,
- ❖ A copy of the minutes/decision by the Executive Board of the Charity to open a branch office in Ethiopia,
- ❖ A Power of Attorney/ Letter of Appointment signed by the Board of Directors indicating the name of and full authority entrusted to the country representative in Ethiopia,
- ❖ The resume or CV of the country representative.
- ❖ Registration fee
- ❖ A project proposal containing:
 - Background and justification for the project the charity plans to undertake in Ethiopia,
 - The objectives of the project,
 - The beneficiaries/target groups and location of the operation,
 - Project implementation strategy,

- Planned activities and expected results,
- Information on the organization’s planned office for Ethiopia, including staff in grand management structure (list the positions and number of employees),
- Project sustainability assessment,
- Description of mechanisms for monitoring and evaluation,
- Budget breakdown (showing administrative and operational costs) and indication of source of finance.

The documents listed from above must be notarized and authenticated. The Ethiopian Embassy in the country of the applicant will then authenticate these documents and forward them to the Ethiopian Ministry of Foreign Affairs. After authenticating and reviewing the documents, the Ministry of Foreign Affairs will write a letter of recommendation in support of the Charity’s registration, a copy of which letter should be submitted together with an application for registration and the documents outlined above.

2.9.9 Supervision and Monitoring

Reporting—is the most fundamental tool to ensure accountability. Reporting requirements for NGOs are commonly justified by the need to protect the public from fraud, abuse misappropriation of funds, and infringement of the rights and freedoms of others; by the importance of accountability and transparency of NGOs; or by the connection between fiscal privileges (in the form of tax exemptions or state funding, for example) and fiscal accountability. In short, the government rationale for supervision typically relates to NGO transparency and accountability. Indeed, CSOs are generally expected to demonstrate a high degree of accountability to their surrounding community (government, donors, beneficiaries, media, etc.).

Reporting to and Audit by the Agency -the state is one among the different players requiring reports and engaging in the supervision of the activities of CSOs. Charities and societies are expected to submit two types of reports to the Agency annually, viz, financial reports and activity reports.

Reporting to and Audit by Tax Authorities - Charities and societies that are engaged in economic activities are required to file financial reports to the concerned tax authority. They are also

expected to keep separate books of account with respect to such activities. Just like any other business organization, charities and societies engaged in income generating activities are subject to the rules of trade, investment or any profit making activities in submitting reports of financial activities to the tax authorities.

Reporting to and Audit by Licensing Authority- the CSP has given mandate to Sector Administrators to supervise and control the activities of charities and societies. Accordingly, although not clearly stated by the CSP, charities and societies might be expected to submit activity and financial reports to Sector Administrators so that the later can carry out its responsibilities.

Disclosure or Availability of Information to the Public - any civic organization receiving more than minimal benefits from the state or engaging in a significant amount of public fundraising should be required to publish or make available to the public a report of its general finances and operations. This report may be less detailed than the reports filed with the responsible state agency, the tax authorities, or any licensing or regulatory agency and should permit anonymity for donors and recipients of benefits in addition to protecting other confidential or proprietary information.

The public has a legitimate interest in knowing about the activities and sources of funds of civic organizations. Transparency to the public helps the civic sector to retain public trust. Beneficiaries have a direct interest in ensuring that CSOs act accountably; the public disclosure of reports or information (whether made available voluntarily or based on legal requirements) give beneficiaries an important opportunity to monitor CSOs.

Reporting to other bodies - in addition to the internal reporting and reports to the Agency, charities and societies might be expected to submit reports to other bodies which are interested in their work. Donors are highly interested in tracking the impact of their contribution to the activities of the charity or society. Equally interested are beneficiaries of the charitable activities, and the public at large. Cognizant of this fact, the CSP reminds charities and societies of their obligations to submit audit reports and annual reports to other bodies.

2.10 The Governance Conceptual framework

The conceptual framework of the study basis around the important characteristics of good governance that are Leadership, Oversight, Responsibility, Ethics, Accountability, Transparency, and Succession planning and by assessing to what extent the external governance factors influence these to realize these characteristics (Wyngaard & Hendricks, 2010). This is based on literature review where association are made among (i) the stated analytical characteristics of corporate governance, practices performed by NGOs as development partners, public organs as public regulators, and the beneficiaries and other stakeholders as actors in the governance process of the sector (see Figure 3).

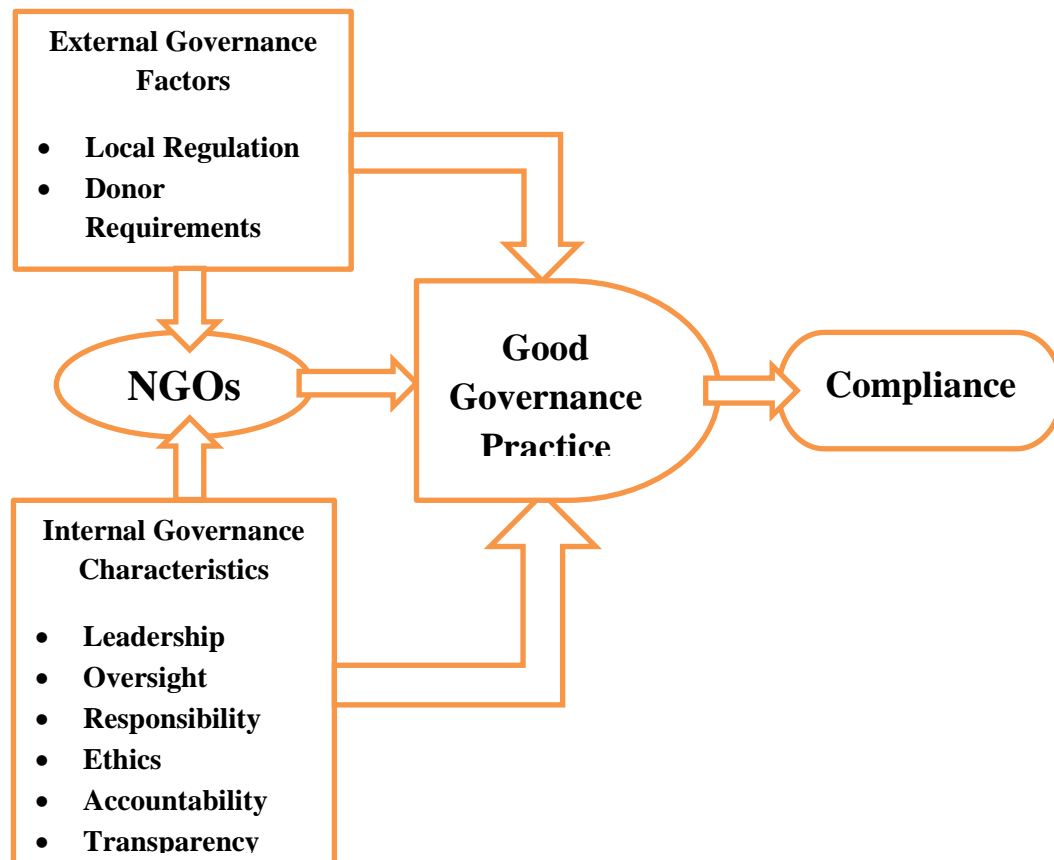


Figure 3 – Conceptual framework of NGO Good Governance Practice

CHAPTER THREE

3 RESEARCH METHODOLOGY

This chapter discusses the research design, methods and procedures used to conduct the study. It further describes the population of the study, data collection methods used, sampling techniques employed, sampling framework and methods employed for data analysis and presentation in general.

3.1 Research Design

A research design constitutes the blueprint for the collection, measurement and analysis of data. It is a plan and structure of investigation so conceived as to obtain answers to the research questions (Cooper and Schindler, 2000). A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (C. R. Kothari, 2004). Hence, this study was conducted using cross-sectional survey to look into practices and challenges of Corporate Governance of NGOs in Ethiopia, in their attempt to ensure positive changes in their respective areas of engagement. The required information was generated through a formal survey using a pre-tested semi structured questionnaire that was filled by the respective respondents. In addition, secondary data sources were used to complement the information generated through the formal survey. The following sections present the sampling frame, sampling and sample size along with the data collection, management and analysis approaches deployed in the study process.

3.2 Population

According to Copper and Schindler (2003), as quoted by Ernest K, (2013) a population is the total collection of elements about which we wish to make some inferences and elaborates the idea behind sampling, is that by selecting some of the elements in a population, conclusions about the entire population are able to be drawn. For this particular study, the population of interest in this study was drawn from all Charities and Societies commonly called NGOs operating in Ethiopia which are under the supervision of The Federal Charities and Societies Agency (ChSA).

As per ChSA data, (2017/2018) the total number of charities and societies under the supervision of the Agency is 2,565, of which 107 are Ethiopian Charities and Societies, 2,086 are Ethiopian Resident Charities and Societies and 372 are Foreign Charities.

3.3 Sampling Frame

A sampling frame is a list or directory of all or index of cases from which a sample can be selected. It is an objective list from which the researcher makes a selection (Denscombe, 1998). For this particular study, given the time & budget constraint and the volume of the subject matter this study targeted only NGOs which have offices in Addis Ababa. NGOs with insufficient or lack of information on respective office location were not considered in this sampling data. Thus, the sampling frame was the list of NGOs, which are 1,665 NGOs in total. Considering the ChSA classification of NGOs, the sampling frame is divided in to three sub-populations as; Ethiopian Charities and Societies, Ethiopian Resident Charities and Societies, and Foreign Charities which are called three strata. Therefore, the sampling frame of this study is all NGOs categorized under Ethiopian Charities and Societies (86 NGOs), Ethiopian Resident Charities and Societies (1,261 NGOs), and Foreign Charities (318 NGOs).

3.4 Sampling and Sample Size

According to Denscombe (1998) sample must be carefully selected to be representative of the population. Sample size determination is the act of choosing the number of observations to include in a statistical sample. The sample size is an important feature of any empirical study in which the goal is to make inferences about a population from a sample. They also argued that the sample size is determined by three criteria namely the level of precision, the level of confidence or risk and the degree of variability in the attributes being measured (Cooper and Schindler, 2003).

Though, various literatures suggest that the sampling process and sample size can be determined using different approaches, this survey was constrained by different factors, of which the assumption that disclosing internal governance of NGOs is illegal, lack of knowledge of their respective organizational internal governance, and unwillingness to disclose their governance information by some NGO management are key determinants of this study sample size. In addition, given the time & budget constraint and due to different factors that challenged in the process of the survey (mentioned above), the study limited to investigate sample size of 50 NGOs

that were determined employing purposive sampling technique. However, due to the 60% response from the targeted 50 NGOs, the sample size considered in the study is 30 NGOs.

3.5 Data Collection

Both qualitative and quantitative data was collected from both primary and secondary sources.

3.5.1 Primary sources of Data

The required primary data were generated using a semi-structured questionnaire, which was pre-tested to ensure logical flow of questions and inclusion of only relevant questions. The questionnaire had two sections. Section A consisted of the organizational profile and section B, the imposition of the Board, the structure of the Board and the functions of the Board and other related matters. And corporate governance related issues focusing on challenges and opportunities were also assessed in the overall process.

The questionnaire was administered through e-mail, through personal contacts and the 'drop and pick' method. The target groups were the Board Member, Executive Directors, and Management members NGOs. These are people who are vested with the responsibility of promoting good Corporate Governance and upon which the organization's performance rests.

In addition to the questionnaire, information was generated through Key Informant Interviews (KIIs) with experts at Charity and Society Agency and Senior staff members of the Charities and Societies Forum and knowledgeable professionals in the sector to complement the information generated through the questionnaire. To ensure the generation of only required information, a checklist with list of questions was also developed.

3.5.2 Secondary sources of Data

The primary data were supplemented by the secondary data. The secondary data were gathered, classified and studied from the ChSA (Supervisory Body) publications and regulations, annual reports, any publications in the sector. In addition, information on formal education relevant to Corporate Governance profession was collected from secondary source especially, from University websites.

3.6 Data Preparation and Management

Data entry templates were designed using SPSS to ensure proper management of the generated information. Then the data was entered in to the SPSS entry template. Before running the data analysis, data cleaning through tabulation, frequency and checking of overall relevance was made.

3.7 Data Analysis

The data gathered through questionnaires was analyzed and presented through both quantitative and qualitative methods of data analysis. The analysis was conducted according to the type of data gathered.

Different statistical tools embedded in the SPSS system mainly descriptive statistics such as mean, standard deviation, figures, graphs, tables and percentages, and inferential statistics along with narrative analysis were made. In addition, comparative analysis was done among the different types of NGOs with cross-tabulations while testing for any significant difference by using chi-square test. Quantitative analysis was supplemented with qualitative data, which was analyzed by using thematic analysis method.

CHAPTER FOUR

4 Introduction

As reflected in the literature review, there are well-established standards internationally for best practice in non-profit governance. Regardless of organizational governance structure, there are core standards against which to measure good governance. Key features or organizational characteristics were identified, through both international and local research, against which it can be determined whether an organization reflects good or poor governance practices (Wyngaard & Hendricks, 2010).

There are also internationally accepted core responsibilities of non-profit boards. They are to:

1. Determine the organization's mission and purpose,
2. Select the executive director,
3. Support the executive director and review his/her performance,
4. Ensure effective organizational planning,
5. Ensure adequate resources,
6. Manage resources effectively,
7. Determine and monitor the goals of the organization's programmes and services,
8. Enhance the organization's public image,
9. Serve as a court of appeal, and
10. Assess its own performance.

While there are international standards of best practice, and there are recognized non-profit governance models, best practice does not prescribe which model is appropriate for which kind of organization. Rather, these standards outline core board responsibilities and key characteristics of good governance, and provide flexibility and choice in how a particular organization or organization type implements an effective governance structure.

4.1 Results and discussions

This chapter is organized based on key variables groupings as follows: the organization characteristics, the corporate governance practices and corporate governance challenges. The findings are also organized into different sections as well. The first section presents the findings

on the respondents profile; second section is on board structure; third on board processes / systems, and fourth on causes of governance challenges. However, due to the volume of the topic we will consider only on variables with complete information available in the questionnaire.

4.2 The Characteristics of sampled NGOs

The type of NGOs in the sample are found to be four types and the composition was 16.7% Ethiopian Charities and Societies, 36.7% as Ethiopian Resident Charities, 3.3% are Ethiopian Resident Societies and 43.3% as Foreign Charities. This shows a fair distribution of the different types of NGOs in the sample (Chart 1).

Organization Classification

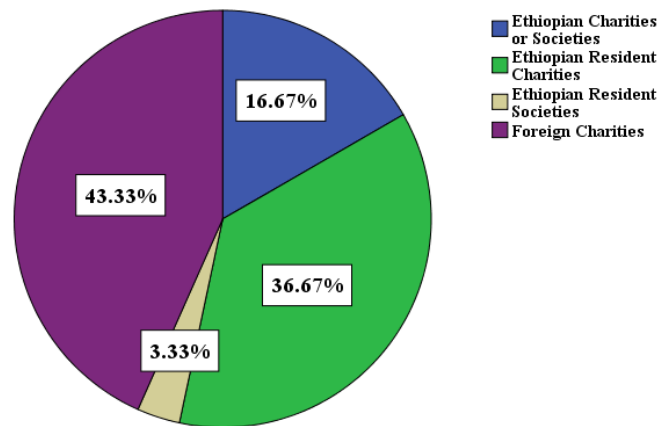


Chart 1: Organization classification

However, survey participants represented NGOs that varied in size, with the largest category of participants (60%) representing organizations with annual budgets greater than Birr 10 million and the second largest category (33%) representing organizations with annual budgets of between birr million and 5 million and 7% had budgets from Birr 5 million to 10 million. But, no response is observed with budget less than Birr 1million

Table 1: Organization Classification by Annual Budget

Annual operating Budget (in Birr)	Organization classification									
	Ethiopian Charities or Societies		Ethiopian Resident Charities		Ethiopian Resident Societies		Foreign Charities		Total	percent
< 1000,000	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0%
1,000,000 - 5,000,000	3	10.0%	5	16.7%	1	3.3%	1	3.3%	10	33%
5,000,000 - 10,000,000	-	0.0%	1	3.3%	-	0.0%	1	3.3%	2	7%
> 10,000,000	2	6.7%	5	16.7%	-	0.0%	11	36.7%	18	60%
Total	5	16.7%	11	36.7%	1	3.3%	13	43.3%	30	100%

In addition, Table 2 below shows the percentage of NGOs being active in different fields of activity. Some organizations are active in a variety of fields, with high concentration on agriculture and Livelihoods, Health and Nutrition, and WASH and less on People with Disability and Peace & Security. This because, some organizations responded being active participant in more than one fields of intervention. The result shows that majority of NGOs (15.9) are engaged in Agriculture & Livelihoods followed by Health & Nutrition and WASH interventions each with 12.1%. The next level of activity, Environmental Protection takes 10.6% share.

Area of Intervention	Responses		Percent of Cases
	No of Cases	Percent	
Agriculture & Livelihood	21	15.9%	70.0%
Health & Nutrition	16	12.1%	53.3%
WASH	16	12.1%	53.3%
Environmental protection	14	10.6%	46.7%
Climate Change	13	9.8%	43.3%
Education	12	9.1%	40.0%
Youth Development	9	6.8%	30.0%
Emergency	9	6.8%	30.0%
Gender Equality	8	6.1%	26.7%
Institutional Strengthening	6	4.5%	20.0%
Area of intervention - Others	3	2.3%	10.0%
Art,Cultur,heritage&science	2	1.5%	6.7%
Peace & Security	2	1.5%	6.7%
People wth Disabltly	1	.8%	3.3%
Total	132	100.0%	440.0%

Table 2: Area of Intervention

According to Boas (2012), as quoted by Omeri (2015), the term ‘diversification of sources of funding’ describes a number of activities that strive to reduce the dependence on a specific type of income, specific donor or grant maker, dominating customer, country that is the only or main source of funding and currency in which most or all funds are paid out.

However; as the table below shows (Table 3) the majority of funding of NGOs is from foreign donation (58%), followed by member contribution (20%). There are also few organizations that can get from more than one source. The other sources of fund, IGA and Sponsorship each 8% and last one is from Government funding which is 6%. This shows that the requirements for NGO formation and restrictions on source of fund impacted on NGOs income diversification.

Sources of Funding	Responses	
	No of Response	Percent
Foreign Donation	29	58.0%
Government bodies (in Ethiopia)	3	6.0%
Income Generating Activities (IGA)	4	8.0%
Member Contribution	10	20.0%
Sponsorship	4	8.0%
Total	50	100.0%

Table 3: Source of Funding

Table 3: Organization Classification by Sources of Funding

Organization Classification	Major Sources of Funding						
	Foreign Donation	Government bodies (in Ethiopia)	Income Generating Activities (IGA)	Member Contribution	Public Collection	Sponsorship	Others
Ethiopian Charities or Societies	5	1	1	3	-	2	-
Ethiopian Resident Charities	10	2	2	5	-	1	-
Ethiopian Resident Societies	1	-	-	1	-	-	-
Foreign Charities	13	-	1	1	-	1	-
Totals	29	3	4	10	-	4	-
Percent	58.0%	6.0%	8.0%	20.0%	0.0%	8.0%	0.0%

4.3 The Governance Practices

The parameters examined under governance practice included governance structure, Board member appointment and Executive director recruitment, Board Committees, and governance practices including information sharing and communication, organizations mission and vision, planning capability, policy setting and financial oversight & legal status. The findings are presented and discussed as follows.

4.3.1 Governance Structure

According to the Governance Institute of Australia, when considering an appropriate board structure, taking into consideration the size and complexity of the organization, the following elements deserve attention: board composition, establishment of committees, and governance documents.

The responses on governance structure are analyzed considering results of Board size, Board appointment, Executive director recruitment and presence of Board committee. Thus, the tables and figures below summarize findings on the governing body particularly, on the authority entrusted for Board nomination and Executive director recruitment. In addition, criteria being used for board nomination & Executive director recruitment, board committees established, board meetings held and its priority agendas is also analyzed.

4.3.1.1 Board Size and Composition

According to the Governance Institute of Australia, Board composition consideration should be given to a variety of aspects with regard to an appropriate mix of skills, gender, age, race, background, perspectives, beliefs and life experience. It is considered good governance for the board to have a size large enough to incorporate a variety of perspectives and skills to meet its obligations without being too large to be effective. But, the size of the Board is dependent on the size of the organization. As per ChSA guideline, Charities and Societies are required to have at least three Board members to be legally established and registered by the agency.

As indicated in Table 3, only 70.83% of the NGOs have females as member of the board. Overall, the average number of male board members in an NGO is 5.5 individuals considering the all responded NGOs have male members and the average female board members is 3.41 individuals considering about 70.83% of the sample NGOs who responded the presence of female board

members. This indicates that considerable numbers of NGOs do not have females as board members.

Indicator	# of Male members serving in the Board	# of Female members serving in the Board	Total
Mean	5.50	2,41	7.91
Std. dev	2.59	2.48	4.33
N	24	24	24
% of the Sampled NGOs	100%	70.83%	-

*Table 4: The Governance Structure in terms of Board members and gender
Source: own survey (2018)*

4.3.2 Appointment of the Board & Recruitment of the Executive Directors

The analysis in the Table 4-1 below showed that 56.7% of organizations responded that Board appointment is through nomination committee, 10% nominated by Board chair and 23.3% nominated by others (by the General Assembly). But, 10% of the respondents showed the Executive director is the one who nominates Board members. In other words, 27.3% of Ethiopian Resident Charities nominate their Board members by their Executive Directors.

On the other hand 83.3% of the organizations hire their Executive Directors by the Board of Directors and 10% recruited by the General Assembly. Only 3.3% recruits, by the Board chair and through other means.

However, the cross tabulation with organizational classification analysis under Table 4-2 below, three organizations classified under Ethiopian Resident Charities nominate Board members by the Executive Director and one organization nominates by the Board Chair. In the same scenario, the recruitment of EDs is mostly done by the Board of Directors.

Table 5-1: Board Member Nomination

Board Member Nomination	Organization Classification				Total
	Ethiopian Charities or Societies	Ethiopian Resident Charities	Ethiopian Resident Societies	Foreign Charities	
The Board Chair	20.0%	0.0%	0.0%	15.4%	10.0%
The Executive Director	0.0%	27.3%	0.0%	0.0%	10.0%
Nomination Committee	60.0%	36.4%	100.0%	69.2%	56.7%
Others (General Assembly)	20.0%	36.4%	0.0%	15.4%	23.3%
Total NGOs	5	11	1	13	30
Totals	100.0%	100.0%	100.0%	100.0%	100.0%

Table 5-2: Recruitment of the Executive Director

Recruitment of the Executive Director	Organization classification				Total
	Ethiopian Charities or Societies	Ethiopian Resident Charities	Ethiopian Resident Societies	Foreign Charities	
The General Assembly	0.0%	18.2%	0.0%	7.7%	10.0%
The Board of Directors	100.0%	72.7%	100.0%	84.6%	83.3%
The Board Chair	0.0%	0.0%	0.0%	7.7%	3.3%
Others (Founders)	0.0%	9.1%	0.0%	0.0%	3.3%
Total NGOs	5	11	1	13	30
Totals	100.0%	100.0%	100.0%	100.0%	100.0%

The survey result with regard to Board nomination and ED recruitment process the below table (Table 4-3) shows that organizations uniformly apply criteria of Education, Experience, Commitment and Leadership for their board nomination and Executive director recruitment, except 3.1% of them used other means like by the General Assembly, community membership or founding member representation are to be considered.

\$Boardnominicriteris Frequencies					\$EDrecruitmentcriteria Frequencies				
		Responses		Percent of Cases			Responses		Percent of Cases
		N	Percent				N	Percent	
Criteria for Board Nomination ^a	Education	21	21.4%	70.0%	Criteria for ED Recruitment ^a	Education	26	25.0%	86.7%
	Expernce	24	24.5%	80.0%		Experience	27	26.0%	90.0%
	Commitment	26	26.5%	86.7%		Commitment	25	24.0%	83.3%
	Leadership	24	24.5%	80.0%		Leadership	25	24.0%	83.3%
	Others	3	3.1%	10.0%		Others	1	1.0%	3.3%
Total		98	100.0%	326.7%	Total		104	100.0%	346.7%

a. Dichotomy group tabulated at value 1.

Table 5-3: Criteria for Board Appointment and ED Recruitment

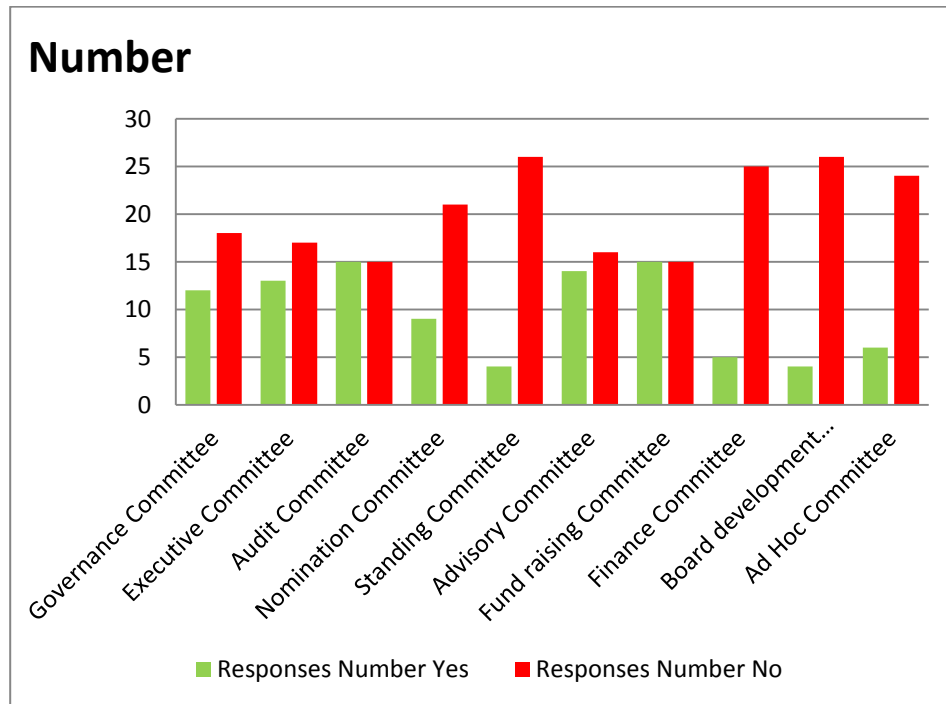
4.3.3 Board Committees and their roles

Board committees can assist the board in performing the work that the board might not otherwise have the time to do. Governance processes with respect to committees include distinguishing between standing and ad hoc committees; ensuring committees are not doing management work; determining and reviewing the committees' terms of reference; committee composition and selection processes for committee members and committee chairs; and ensuring good practices for board reporting and oversight. Different literatures and guidance documents suggest different types of Board committees; while Executive Committee, Finance Committee, Nomination committee, and Audit committees are prominent and priority. In the Ethiopian case, the Charities and Societies Law user's manual (2015) noted that the requirement of the Executive committee that constitutes the chairperson, vice chairperson, secretary, treasurer, auditor and accountant.

The analysis on the practice of board Committees under Table 5; below shows that greater practice is shown for Audit Committee, Fund raising committee and the Advisory, Executive committees rank second while Nomination committee is third. However, the Board development committee is ranked last in which organizations is not practiced.

Table 6: Board Committees

Board Committee	Responses		Percent of Cases
	Number	Percent	
Governance Committee	12	12.4%	42.9%
Executive Committee	13	13.4%	46.4%
Audit Committee	15	15.5%	53.6%
Nomination Committee	9	9.3%	32.1%
Standing Committee	4	4.1%	14.3%
Advisory Committee	14	14.4%	50.0%
Fund raising Committee	15	15.5%	53.6%
Finance Committee	5	5.2%	17.9%
Board development Committee	4	4.1%	14.3%
Ad Hoc Committee	6	6.2%	21.4%
Total	97	100.0%	346.4%



4.3.4 Presence of Information Disclosure System

As explained by the Governance Center of Excellence on its document; “Guide to Good Governance”, transparency involves open processes and public disclosure. Transparent processes aid in demonstrating accountability. Transparency is achieved through a number of means including: Public disclosure of key information - this may encompass regular written communications; a robust and effective website; disclosure through a community annual report; publications and media releases..

The table below (Table 6-1) almost all respondents use information disclosure means. The majority of respondents disclose their activity reports through websites, workshop and booklets and magazines. Funding sources, policy issues and governance issues are also disclosed mostly through web sites, workshops and booklets from highest to lowest; whereas information disclosure is low though news conference.

Table 7-1: Public disclosed information and disclosure means

Public Disclosure Means	Publicly Disclosed Documents & Information					Total
	Annual Activity repots	Policy issues	Funding sources	Governance information	Others	
Website	21	15	16	13	2	22
Workshops	20	14	13	12	2	21
Booklets &Magazines	20	12	15	12	2	21
Seminars	14	9	10	10	1	15
Newspapers	10	9	10	7	-	11
News conference	7	5	7	5	-	7
Others	2	1	3	-	-	3
Total	29	17	20	16	2	30

4.3.5 Board Governance Practices:

This section for Board governance practices assessment focuses on whether new members are given inductions or not, whether performance evaluation is conducted for the Board and its

members, the process of succession planning practice for the Chair person and the ED, on meeting schedules and practices and finally the ED roles in Board meetings is assed.

The analysis under Chart 6-1 below shows that Board meetings schedule is better with high score of 83% (25 responses) which is also supported by established meeting attendance with next high score of 80% (24 responses). Succession plan for ED and for Board chair and its member’s results is also above average response rate which is between 60% & 70% (19 & 22 responses). The performance assessment practice for the Board, its members and ED is also above average ranking from 63% to 67% (with 19, 20 & 22 responses).

However, the ED voting right in Board meetings is shown as 20% (6 responses) implying that within 80% of the organizations (24 responses) the ED has a voting right in Board meetings. Good governance practice in any sector recommends that, Executive directors can be a member of the Board, functioning as secretary, without voting rights. Similarly the 90% response (27 organizations) shows the existence of role confusion between the ED and chairman. On the other hand, only 10% of the sample showed that the role of the ED and Board chair are different. Literatures and guidance documents recommend that Effective governance/management relationship is achieved through differentiating the board’s role from the role of the Executive director and management as clearly as possible (Governance Center of Excellence; “Guide to Good Governance”).

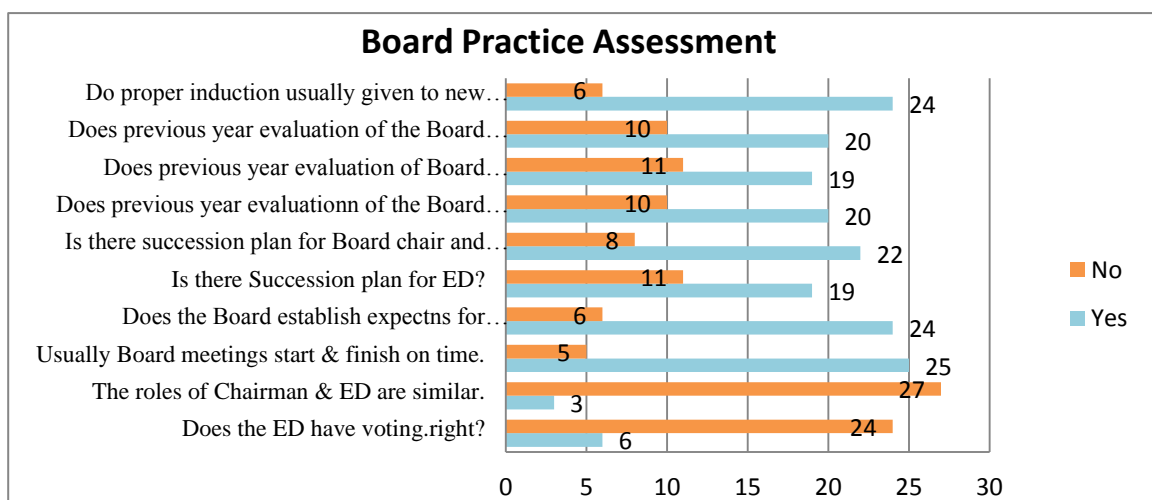


Chart 2: Board Governance Practice- Induction, Evaluation, succession plan, meeting process and ED Roles

4.3.6 Board Governance Practice - Information sharing and Communication

The analysis under Table 6-3 shows that on a scale of zero to 1, where zero represents “No” and 1 represents to “Yes”, justifies that proper information transfer and necessary documents to new members is properly done. Particularly organization charter, vision and mission are inducted to new members that also supports proper induction practice is being practiced. In addition, meeting minutes are properly documented and shared to Board members. The organizational internal system emplaced for individual and public idea sharing and system is relatively low.

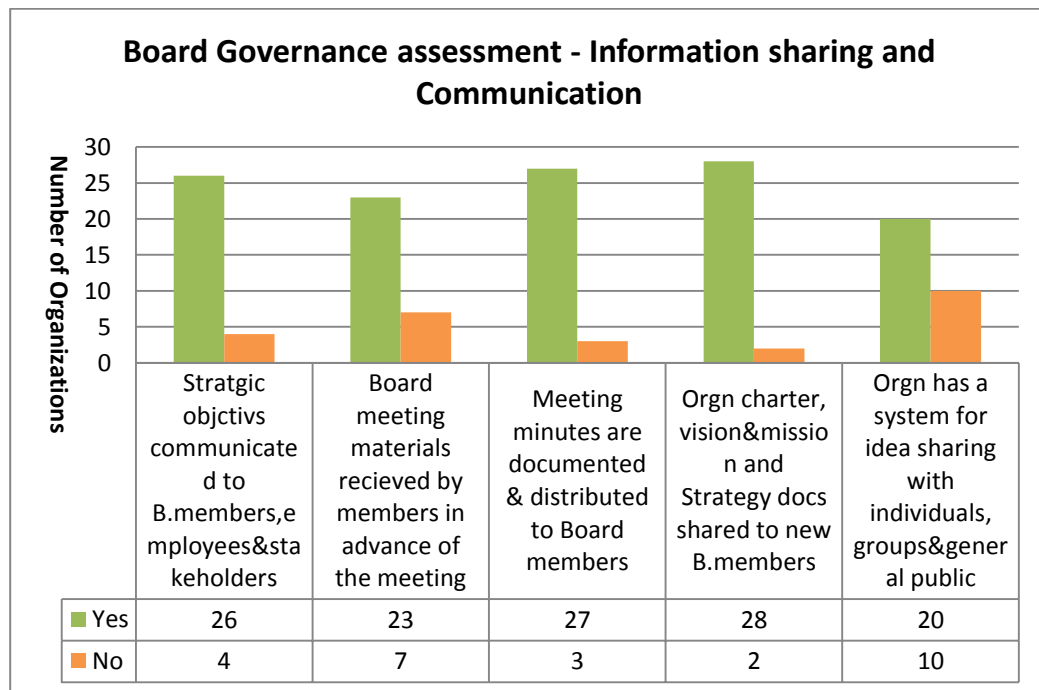


Chart 3: Information sharing and communication

4.3.7 Board Governance Practices – Policy Setting

The analysis signifies that most of organizations have stated policies. The most ranking policies including confidentiality policy, risk management policy, ethical code of conduct, meeting attendance policy and gender policy weighs high in governance practice of responded organizations. Whereas the whistleblower policy is the lowest of all being practices.

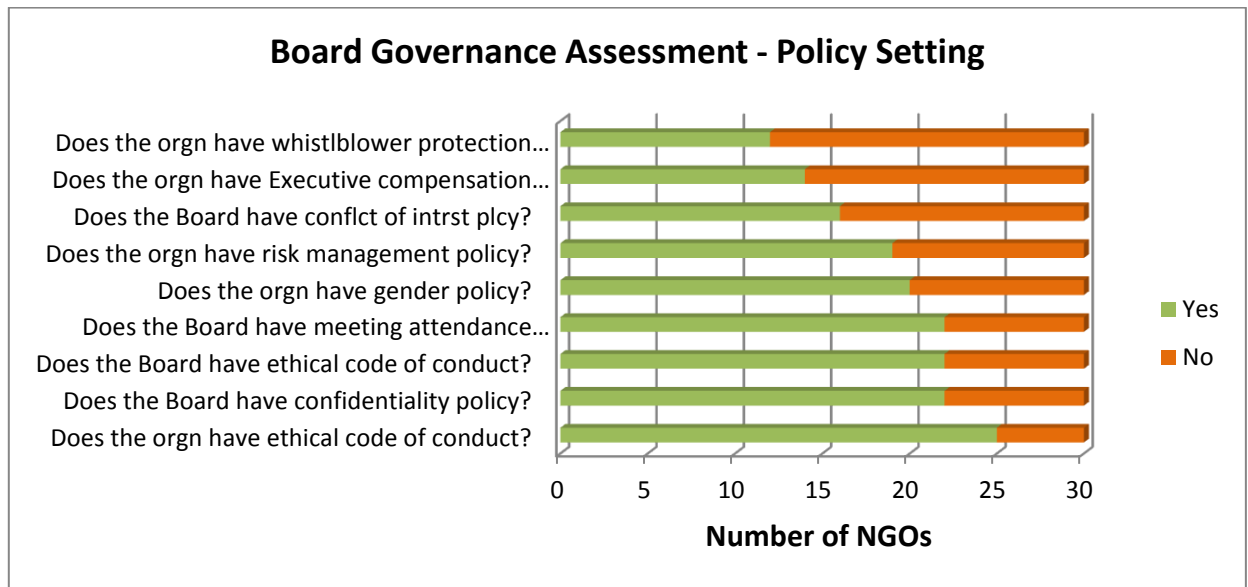


Chart 4: Board Governance practice - Policy Setting

4.3.8 Board Governance Effectiveness

The table below (Table 6-5) below shows correlation results among different governance variables including vision & mission, financial management, policy setting, strategic planning and M&E. The analysis results of correlations among these variable shows that strong relation exists within organizations’ vision & mission statement, financial management and strategic planning. There is also strong correlation between organizations financial management, organizational and Board policy setting and strategic planning. However, the analysis shows that weak correlation exists within vision and mission against strategic planning and monitoring and evaluation practices.

		Vission & Mission	Financial mgt	policy Setting	Strategic Planning	M&E
Vission & Mission	Pearson Correlation	1	.717**	.784**	.482**	.488**
	Sig. (2-tailed)		.000	.000	.007	.006
	N	30	30	30	30	30
Financial Mgt	Pearson Correlation		1	.759**	.719**	.695**
	Sig. (2-tailed)			.000	.000	.000
	N			30	30	30
Policy Setting	Pearson Correlation			1	.611**	.612**
	Sig. (2-tailed)				.000	.000
	N				30	30
Strategic Planning	Pearson Correlation				1	.692**
	Sig. (2-tailed)					.000
	N					30
M&E	Pearson Correlation					1
	Sig. (2-tailed)					
	N					30

** . Correlation is significant at the 0.01 level (2-tailed).

Table 7-2: Governance Practice

4.3.9 Board Efficiency

Respondents were asked to judge the overall performance of the Board in their respective organizations. Accordingly, as the below chart shows, 70% responded as efficient and 3.33% very inefficient and 20% responded as in efficient. But, only 6.67% responded as very efficient.

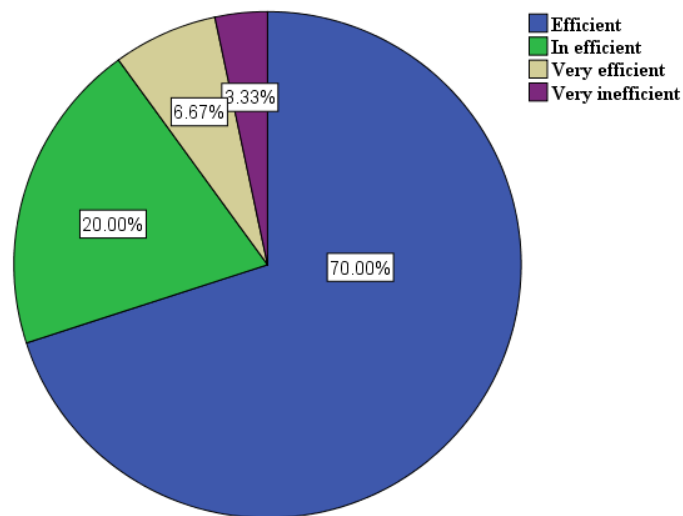


Chart 5: Board Efficiency

4.4 Challenges of NGO Governance

Different literatures emphasized that NGO governance is challenged both from internal as well as external influence. However, it is quite complex when it comes to the case in developing countries in which different factors affect the governance practice of the civil society sector. Among different challenges, the most common observed in NGO sector are: lack of funds, poor governance, absence of strategic planning, poor networking, poor communication, limited capacity, development approaches, relationships with INGOs, political interference

The findings showed a number of challenges facing NGOs in their exercise of good corporate governance in the sector. Some of these challenges are inferred from the practices of Board governance.

One of the key variables considered as determinant to board effectiveness and efficiency is board leadership structure. The board chair and other members are the directors who take on board leadership roles. The board governance processes with respect to its directors include defining the role and qualification of officers, setting the term, and establishing the process for selecting officers. Board leadership structure refers to whether or not there are separate persons who serve in the roles of ED and chairman of the board. Agency theory as well as stewardship theory is also relevant to explain the leadership structure of boards (Levrau and Berghe, 2007), as quoted by Zeleke (2016).

4.4.1 Board Recruitment, Evaluation and Skill sets

This research provides evidence that nomination of directors is a significant challenge for NGO organizations, particularly those with Ethiopian Resident Charities. The result of the assessment questions in the questionnaire, summarized under Table 8 below is also summarized as follows.

- The Executive directors voting right in the Board meetings have significant impact on Board independence on major governing body decision.
- The appointment of Board members by Executive Directors, in which 27.3% of Ethiopian Resident charities applied signifies the role confusion between the management and the Board. The Executive Director is acting the roles of the board in which the power sharing is in a problem.
- The evaluation of Board members is moderate showing that there is less attention for it.

Governance Practice Challenges	Responses		Percent of Cases
	Nof cases	Percent	
Does the ED have voting right?	6	1.3%	20.0%
The roles of Chairman & ED are similar.	3	.6%	10.0%
Does previous year evaluation of Board members conducted?	19	4.0%	63.3%
Does the orgn have risk management policy?	19	4.0%	63.3%
Does the orgn have Executive compensation policy?	14	2.9%	46.7%
Does the orgn have whistleblower protection policy?	12	2.5%	40.0%
Does the Board have conflict of intrst plcy?	16	3.3%	53.3%

Table 8- Governance Challenges

4.5 Qualitative Data Analysis

Both the quantitative and qualitative research methods were designed to gather data on key governance features and practices of NGOs. These are; the legal status and structure of the organization, board composition and nomination processes, strategic planning, meetings, organizational and Board specific policies and overall perspectives on board governance performance.

The qualitative methods were used to establish, in detail, the internal practice and external factors that influence governance practice in NGOs operating in Ethiopia. To support the quantitative analysis, the study utilized data gathered through interviews and through consultations of various NGOs related reports, articles and directives. The study also employed the researchers' knowledge and experience in the NGOs environment.

Accordingly, the researcher asked the following research questions: What are the good governance practices used in governance structure and process? What are the governance challenges faced by NGOs in Ethiopia? What are the practical implications of these challenges on organizational performance?

The findings demonstrated that NGO governance in Ethiopia is influenced by internal and external contingencies that affect governance systems and processes.

4.5.1 Key Informant Interviews

Key informant interviews provided an opportunity to obtain additional information and insights from NGOs board governance perspective in Ethiopia. These interviews allowed for further exploration of key issues of board governance challenges and efficiency drawbacks identified in the literature review and survey data analysis.

The key informants interviewed for this study are leaders in the area of NGO governance. They are knowledgeable about major trends and issues that affect board governance in the sector; have been recognized for their role in defining new governance models or policies and their consultancy services; and have implemented successful governance practices in their own organizations. All have served as board members and board chairs of numerous governmental and non-governmental organizations.

A number of other Ethiopian leaders in the civil society sector, academia and governance were asked to comment on the NGO governance practice in the Ethiopian NGO sector and to identify key challenges, resources, emerging models and successful practices for effective board governance. Their experience and wisdom have provided additional insight into the current environment in which NGOs operate and the consequent implications for board members, ED roles and governance practices.

4.5.2 Legal Status and Structure of the Organization

Operating at a national level, the majority of national NGOs have a democratic process of electing or nominating board members, meaning that election takes place in line with the internal by laws of each respective organization. However, requirements are in place by the proclamation in which an organization should have organization structure consisting of the General Assembly, Board of Directors, the Executive management and an Auditor. Organizations are also required to disclose for any change or modification in its governance structure in the course of its operation. Meanwhile, international organizations are also required to disclose their governance information in an authenticated legal document from their country of registration.

4.5.3 Board Nomination and Induction

- Because of the nature of their governing structures and their processes for electing board members, national NGOs generally lack active recruitment policies.
- Board members are sometimes co-opted from outside the membership, through networking and friendship which has an impact on member responsiveness and diversification in terms of expertise.
- Respondents indicated that new board members generally undergo an orientation or induction process. For some organizations, orientation and induction happens immediately after elections at the AGM, to coincide with a board meeting. The aim here is to cut costs.
- One organization conducts an annual orientation session in each province, where board members are helped to understand what is expected of them.
- Some organizations provide orientation manuals to new board members. Orientation covers such basics matters as the organization's constitution, financial policies and annual report.

- Most of the organizations have provided some training to build the capacity of board members, but, in general, they lack a systematic approach to board development. Such training is mostly taken by few members only including the Board chair.
- Response from International NGOs on Board specific enquires is non-responsive justifying that INGO Board is not relevant to the national office governance and few of them responded that they do not know the Board governance structure and processes in general.

4.5.4 Board Role

- Both the interview and survey data confirmed the role of all boards in setting strategy, also revealing that some boards struggle with this role. Other board responsibilities that were mentioned were monitoring and evaluation, as well as attracting resources.
- In some organizations, there are clearly tensions between EDs and board members, and in others, the relationship is more positive.
- The response from majority of interview respondents acknowledged that the Executive Directors are those who appoint the Board of Directors, including the chairman.
- In some organizations, EDs have voting rights in Board Meetings and they are also serving as chair person in others. This shows that there is a governance problem in role confusion between the Board and management, and lack of independence on Board decision making is observed.
- There are also NGO directors who are founding members and appointed as lifetime Executive director roles, appointed by membership without consideration of different recruitment qualities and criteria. These all have impacted the sector in decision making, integrity and appropriate knowledge and skill sharing among NGOs in the sector.

4.5.5 External factors Impacting on Governance

During the interviews, more emphasis was placed on the external legal and policy environment. All of the respondents indicated that the legislative and policy environment is not friendly towards the civil society sector for the following reasons:

- The NGO sector does not necessarily have the capacity to comply with all the legal obligations imposed upon it.

- Although some revisions have been done, the reporting requirements particularly the 70:30 ratio of Administrative and program expenditure is not realistic
- Most respondents emphasized that, the supervisory body feels NGOs are not transparent and accountable.
- The legal requirement in formation and registration of NGOs is a challenge for most NGOs in financial sourcing
- Most response commented on the appointment of directors at the Agency level is mostly on political affiliated rather than sector specific technical knowledge and qualification
- At least one respondents emphasized the positive relationship with government had improved and compared to the enactment of the law.

4.5.6 Good Practices and key challenge

The interviews revealed that some NGOs have adopted a number of good practices. For example:

- One respondent indicated that the organization is constantly reviewing its constitution to find better ways of dealing with governance requirements.
- One organization follows internal and best practice in Board nomination and maintains a balance between stakeholder representation and expertise at board level. To promote a better balance, a skills competency list is circulated before the election of board members and CVs are collected before nominations are made.

Key Challenges:

- A key challenge facing the NGO sector is the recruitment of skilled staff by international NGOs and International recruitment agencies.
- It is now recognized that NGOs must co-opt board members with a variety of skills onto their boards. There is a move toward using retired and older people who can still make a significant impact on boards.
- NGOs would benefit from the contribution of skilled people in all sectors in Ethiopia. This would have value not just for the present, but also for the future.

CHAPTER FIVE

5 CONCLUSIONS AND RECOMMENDATIONS

The results indicate that the NGOs had governance structure with a governing body in place that is different from the management body. Although, most of the organizations Board members are nominated by Nomination committee and by the general assembly, the existence of few organizations with the Executive director role to appoint the Board members has a great impact on the independence of the Board. With regard to information sharing and communication almost all organizations have systems of information disclosure and basic information is disclosed to the concerned stakeholders. However, the unwillingness of some NGOs to share their internal governance poses points of discussion on the level of transparency of some NGOs and the reason behind why organizations in this sector are suspicion about governance. The unwillingness and knowledge gap observed among International NGO representatives and management signals what conditions are in place for INGOs as compared to national NGOs

5.1 Conclusions

The objective of this study was to investigate the practices and challenges of corporate governance in NGOs. A semi-structured questionnaire was sent out to 50 sampled NGOs (National as well as International) based on the classification of formation. However, the response rate was 60% resulting in 30 NGOs as a sample for the study.

The study results pointed out that the sample organizations had governance structure with a governing body (some have General assembly, some have Board of Directors and others have both) in place that is different from the management body. The study also showed that the governing body, except few, whose roles and responsibilities are distinct from those of the management. Although, most of the organizations Board members are nominated by Nomination committee and by the general assembly, the existence of few organizations with the Executive director role to appoint the Board members has a great impact on the independence of the Board (Rosensteinand Wyatt, 1990). The practice of good corporate governance is determined by the existence of a Board.

With regard to information sharing and communication almost all organizations have systems of information disclosure and basic information is disclosed to the concerned stakeholders. The

significance of high information sharing is observed on activity reports which are linked with high supervisory body monitoring and supervision impact.

However, the unwillingness of some NGOs to share their internal governance for the research posed points of discussion on the level of transparency of some NGOs and the reason behind why organizations in this sector are suspicion about governance. The unwillingness and knowledge gap observed among International NGO representatives and management signals what conditions are in place for INGOs as compared to national NGOs in the phase of governance structure requirements.

5.2 Recommendations

The purpose of the study was to assess the extent to which civil society organizations, particularly NGOs in Ethiopia are distinctively structured in terms their internal governance structure and to recommend interventions and alternative organizational arrangements that would promote best practice in NGO governance. Despite the exploratory nature of the research the data collected has confirmed distinctive characteristics, challenges, and issues of the target organizations.

5.2.1 Raise Awareness of the State’s Responsibility to NGOs

Government’s approach to the civil society sector, including NGOs, should be guided by the objectives of the Charities and Societies proclamation No.621/2009. Not all organs of state realize the importance of governing boards, and raising their awareness would be a first step towards generating an appreciation of the importance of NGO governance.

5.2.2 Promote Co-operation and Shared Responsibility between sectors of the State and NGOs

One of the functions of the ChSA Directorate under the proclamation is to liaise with other organs of the state and interested parties to promote a spirit of cooperation and shared responsibility in government. The Agency could initiate and drive a coordinated response by organs of the state to the capacity-building needs of the NGO sector. Although some experience is observed in the awareness creation and information sharing by the ChSA, supporting, promoting and enhancing the capacity of NGOs to perform their functions, is pivotal that needs to be prioritized. Closer collaboration between different sectors of the state and the civil society sector is recommended, to ensure coordinated efforts to build the capacity of NGOs.

5.2.3 Establish an NGO Governance Institution

The researcher was not able to identify any widely used resource center that provides advice and assistance on NGOs governance. Accordingly, access on relevant information and data was a challenge in the process of the study. For the sake of this and other matters I recommend the following to be established so as to simplify the sectorial challenges in the area of governance and documentation.

An institution could be set up to focus on conducting research, developing resources and providing advice and assistance to NGOs on good governance. It would operate independently from government, but it could be supported collaboratively by government, the private sector and civil society. However, it would have to ensure its own sustainability once it was established. An example of such an institution is BoardSource in the US. This would also support different researchers for data sourcing in the sector.

5.2.4 Recommendations for further research

This highlights some of the areas that could require further research in the future. Although, different studies circles around the challenges of the legislation on NGOs formation and implementation, the reason behind that make NGOs reluctant for sharing of their internal governance information is not known.

Thus, in the face of transparency, a study of the impact of information sharing and participation for NGO good governance practice development could be done. This may be done using a survey and targeted interviews on a specific group of NGOs say those in one area of intervention or in one Geographical area or a survey of NGOs sampled by stratified through their formation classification and their relations and coordination with different relevant government sectors can be studied. The findings will be vital in informing policies on NGO registration and operation and communication and collaboration with the government body can be promoted.

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Appendix One: Letter of introduction**To:****Addis Ababa****April 30, 2018****Dear Sir/Madam,**

I am an EMBA student in the College of Business and Economics at Addis Ababa University, Ethiopia. My research project as part of the requirement is in the area of Corporate Governance Practice and Challenges of Civil Society Organizations. The main objective of the research is to explore the effectiveness of the existing corporate governance practice in achieving better performance by NGOs performing in Ethiopia. Through the assessment of the current governance practices, the research is expected to provide an input for organizational effectiveness and compliance by recommending good governance best practices prevailing in the sector.

Accordingly, this survey questionnaire is designed targeting civil society organizations functioning in Ethiopia which are under the supervision of the Federal Charities and Societies Agency. The target organizations involved in the survey are selected systematically through random sampling method, and your organization was selected to be part of this survey.

In this regard, I would kindly request to collaborate and support by filling the attached questionnaire, which will not take more than 15 minutes. The information you provide will be kept confidential and analyzed in aggregate.

Your cooperation in this regard is highly appreciated

Yours faithfully,**Melaku Ayalew****College of Business & Economics****Addis Ababa University**

Attachment; Support letter from Addis Ababa University, College of Business & Economics,
Graduate Programs Coordination Office

Appendix Two: Survey Questionnaire

**COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT – EMBA PROGRAM**

**SURVEY QUESTIONNAIRE - ETHIOPIAN CHARITIES AND SOCIETIES
GOVERNANCE PRACTICES AND CHALLENGES IN ETHIOPIA**

This questionnaire is designed to assess the governance practice and challenges of NGOs operating in Ethiopia. As one of the selected organizations in the sample, your kind participation in completing the questionnaire is very much appreciated. The information on this questionnaire will be treated confidentially, and will not be used for any other purpose other than academic. The researcher will be at hand to closely assist during the data collection process. He can be reached at Phone No. +251 (911) 648717 and e-mail: mayalew64@gmail.com.

INSTRUCTIONS

This questionnaire has two Sections: A and B. kindly answer each question in each section in line with the instructions provided. If a question is not applicable kindly mark 'N/A' and if you simply do not know, mark 'DK'.

PLEASE WRITE AS LEGIBLY AS POSSIBLE, THANK YOU!

SECTION A: ORGANIZATION PROFILE

1. Name of your organization:
2. Your position in the organization:
3. Year of establishment (in G.C.): (In E.C).....
4. The country of establishment of your organization:
5. Year of establishment/registration:
 - 5.1. Year the organization established in Ethiopia; initial registered re- registered...
 - 5.2. Year the organization established internationally.....
6. Your organization classification (tick as appropriate):

a) Ethiopian Charities or Societies	<input type="checkbox"/>	c) Ethiopian Resident Societies	<input type="checkbox"/>
b) Ethiopian Resident Charities	<input type="checkbox"/>	d) Foreign Charities	<input type="checkbox"/>
7. Current number of full time employees (tick as appropriate):

a) < 50	<input type="checkbox"/>	d) 500 -1000	<input type="checkbox"/>
b) 50 -100	<input type="checkbox"/>	e) > 1000	<input type="checkbox"/>
c) 100 - 500	<input type="checkbox"/>		
8. Your organization's area of intervention (tick as many as appropriate):

a) Agriculture & Livelihood	<input type="checkbox"/>	h) Youth Development	<input type="checkbox"/>
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- b) Health & Nutrition
 - c) Education
 - d) Institutional Strengthening
 - e) Environmental protection
 - f) Arts, culture, heritage & science
 - g) WASH
 - o) Other, (specify):
 - i) Gender Equality
 - j) People with Disabilities
 - k) Peace and Security
 - l) Human rights
 - m) Emergency
 - n) Climate Change
9. Current year annual operating budget of your Organizations (in Birr) (tick as appropriate):
- 1) < 1,000,000
 - 2) 1,000,000 – 5,000,000
 - 3) 5,000,000 – 10,000,000
 - 4) > 10,000,000
10. Major sources of funding (tick as many as appropriate):
- 1) Foreign donation
 - 2) Government bodies (in Ethiopia)
 - 3) Income Generating activities (IGA)
 - 7). Others, (specify):
 - 4) Member contribution
 - 5) Public collection
 - 6) Sponsorship

SECTION B: GOVERNANCE PRACTICE

10. The number of members serving in the Board of Directors:
- 1) Male:
 - 2) Female:
11. Average number of years served by a Board member in the organization:
12. The number of Board Members in the following age group:
- 12.1) Number of members under 35 years:
 - 12.2) Number of members in the range of 35 to 50 years:
 - 12.3) Number of members in the range of 51 to 65 years:
 - 12.4) Number of members more than 65 years:
13. The number of Board members by years of experience as Board member:
- 13.1) Number of members with less than 5 years of experience:
 - 13.2) Number of members in the range 5-10 years of experience:
 - 13.3) Number of members in the range 10-15 years of experience:
 - 13.4) Number of members with more than 15 years of experience:
14. Number of Board Members by educational qualification:
- 14.1) Bachelor’s degree or less
 - 14.2) Master’s degree
 - 14.3) Doctor of philosophy (PhD)
 - 14.4) Other:
15. Who nominates Board members?
- 1) The Board chair
 - 2) The Executive Director
 - 4) Other, (specify):
 - 3) Nomination committee
16. Who recruits and hires the Executive Director?
- 1) The General Assembly
 - 2) The Board of Directors
 - 5) Other, (specify):
 - 3. The Board chair
 - 4. The Nomination committee
17. What are the criteria considered in the nomination of Board members? (tick as many as appropriate)
- 1. Education Background
 - 2. Experience in the sector
 - 5. Others, (specify):
 - 3. Commitment
 - 4. Leadership
18. What are the Criteria considered in the recruitment of the Executive Director? (tick as many as appropriate)

27. Please answer Questions 27.1 to 27.29 by writing 1 if you agree with the statement and 2 if you don't agree.

No.	BOARD GOVERNANCE PRACTICE	1=Yes 2=No
27.1	Does the Executive Director have voting right?	
27.2	Usually Board meetings start and finish on time.	
27.3	The roles of the Chairman and Executive Director are similar.	
27.4	Does the Board Establishes expectations for attendance at Board and committee meetings?	
27.5	Is there succession planning for the Executive Director?	
27.6	Is there succession planning for the Board chairman and members?	
27.7	Does the previous year performance evaluation of the Board conducted?	
27.8	Does the previous year performance evaluation of the Board members conducted?	
27.9	Does the previous year performance evaluation of the Board chair conducted?	
27.10	Do proper induction usually given to new Board members?	
	Information Sharing and Communication	
27.11	The organizations strategic objectives are clearly communicated to the board members, employees and other stakeholders	
27.12	Board meeting materials are received by Board members in advance of the meeting	
27.13	Meeting minutes are documented and distributed to all Board members	
27.14	Every Board member is given the organization's charter; mission and vision, strategy documents on first appointment	
27.15	The organization has a system for reviewing and responding to ideas, suggestions, and perceptions from individuals, community groups and the general public.	
	Policy Setting	
27.16	Does the organization have risk management policy?	
27.17	Does the organization have an executive compensation policy?	
27.18	Does the Board have a confidentiality policy?	
27.19	Does the organization have a whistleblower protection policy?	
27.20	Does the Board have an ethical code of conduct?	
27.21	Does the organization have an ethical code of conduct?	
27.22	Does the Board have a Board meeting attendance policy?	
27.23	Does the Board have a conflict of interest policy?	
27.23	Does the organization have gender policy?	

28. Please answer Questions 28.1 to 28.23 with the rating scale as:
1- if you Strongly Disagree, 2- if you Disagree, 3- for Undecided, 4- if you Agree and 5- if you Strongly Agree.

No.	TO WHAT EXTENT THE FOLLOWING APPLY ON BOARD GOVERNANCE PRACTICE IN YOUR ORGANIZATION	1=Strongly Disagree 2=Disagree 3=Undecided 4=Agree 5=Strongly Agree
	Vision and Mission	
28.1	The organization has clearly articulated vision and mission Statements.	
28.2	The organizations activities geared towards achievement of the vision and mission?	
	Board Governance and policy setting	
28.3	Members of the Board understand their purpose and responsibility in the organization.	

28.4	The Board has the relevant competencies to guide the deliverance of the Organization's Vision and mission.	
28.5	The Board work consistently towards actualization of the organizations vision and mission.	
28.6	The Board members comply with requirements outlined in key elements of the governance structure (<i>bylaws, policies, codeof conduct, conflict of interest, traditional/cultural norms, etc.</i>).	
28.7	The Board demonstrates clear understanding of the respective roles of the board and Executive Director.	
28.8	There is a productive working relationship between the board and the Executive Director (<i>characterized by good communication andmutual respect</i>).	
Strategic Planning and Funding Strategy		
28.9	The organization undertakes periodic review of the strategic plan.	
28.10	The organizational strategic document capture and is aligned to the overall organizational vision and mission.	
28.11	The organization involves its governing body, staff and other key stakeholders in the strategic planning process.	
28.12	The board monitors and evaluates the results of fundraising efforts	
28.13	Each board member participates in fundraising efforts as appropriate	
Financial & Legal Oversight		
28.14	The board reviews, approves, and monitors the operating budget and financial plans.	
28.15	The Board reviews the budget and expenditures on quarterly bases.	
28.16	The board regularly monitors financial performance and projections.	
28.17	The board reviews the audit report and management letter and institutes necessary improvements.	
Monitoring and Evaluation		
28.18	The Board performs the annual evaluation of the performance of the Executive Director.	
28.19	Board members evaluate the performance of the Board chairperson at least once a year.	
28.20	The Board conducts an annual self -evaluation of their responsibilities and achievements.	
28.21	The board reviews the organization's ongoing operations and development activities to assure that they support its mission.	
28.22	The Organization is financially sustainable.	

29. Overall how do you rate the Board effectiveness?

- a) Very inefficient c) Efficient
b) Inefficient d) Very efficient

THANK YOU VERY MUCH FOR YOUR COOPERATION AND ASSISTANCE

DECLARATION

The thesis is my original work, has not been presented for a degree in any other university and that all sources of material used for the thesis have been duly acknowledged.

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