DETERMINANTS OF DONOR FUND UTILIZATION BY NGOs WORKING IN ETHIOPIA: THE CASE OF ILRI ETHIOPIA

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DECLARATION

I hereby declare that the research project entitled **“Determinants of Donor Fund Utilization by Determinants of donor fund utilization by NGOs in Ethiopia: the case of ILRI Ethiopia”** is my original work and is my own effort and study and has not been presented for degree or any other award in any university. It has been done by me independently except for the guidance and suggestion from my research advisor. It is presented here, in partial fulfillment of the requirements for the degree of MSc in Accounting and Finance.

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ACRONOMYS

ANOVA	Analysis of Variance
BA	Bachelor of Arts
CGIAR	Consultative Group for International Agricultural Research
CIPD	Computer Industry Development Potential
CTDA	Canadian Tire Dealers' Association
EADB	East African Development Bank
HDI	Human Development Index
IATI	International Aid Transparency Initiative
IBRD	International Bank Reconstruction and Development
ICT	Information Communication Technology
IDA	International Development Association
ILRI	International Livestock Research Institute
IT	Information Technology
LDC	Least Developed Counties
MDC	Millennium Development Goal
MSs	Master of Science
NGO	Non-Governmental Organization
ODA	Official Development Assistance
OXFAM	Oxford Committee for Famine Relief
PhD	Doctor of Philosophy
SPSS	Statistical Package for Social Sciences
USAID	United States Agency for International Development

ABSTRACT

The purpose of this study was to examine the determinants of donor fund utilization by Determinants of donor fund utilization by NGOs in Ethiopia: the case of ILRI Ethiopia. In order to undertake the study, a descriptive survey was used. The sampling frame was the listing of staff in the whole organizations Working under ILRI Ethiopia. Purposive sampling was used to select the staff in each organization with different position (i.e. Country head, Managers, Finance and Project Officers) who participated in the study. In order to investigate the research objectives stated above, both secondary and primary data were collected and analyzed. The findings of the study established that there is strong, positive and significant relationship between and among variables on Determinants of donor fund utilization by NGOs in Ethiopia: the case of ILRI Ethiopia. Managerial factors and donor behavior had positive and significant effect on utilization of funds and technical factors had also negative but significant effect on fund utilization. The study recommends that implementing sectors must work towards improvements that will make these determinants favorable to utilization of fund by Determinants of donor fund utilization by NGOs in Ethiopia: the case of ILRI Ethiopia.

Key words: Technical factors, managerial factors, factors attributed to donor behavior.

CHAPTER ONE

1. INTRODUCTION

1.1 Background of The Study

Donor funding concept involves giving out funds for projects of a development nature by a donor agency or organization. The function of a donor agency is to provide funding through different channels for example through the official (government) channels as well as private channels. Private funding agencies generally channel funds through Non-Government Organizations. Mosley (1987).

Donor Aid Effectiveness remains a top priority for the international development community. According to Acharya et al. (2003), whether tackling the global Millennium Development Goals (MDGs) or working collaboratively on Poverty Reduction **Ofunya** (2013).

Strategies at the country level, donor agencies must improve their effectiveness to achieve concrete development outcomes and eliminate poverty. Easterly (2003) argued that in looking at the history of aid, one might wonder if Official Development Assistance (ODA) is truly meant to promote economic growth and reduce poverty. Mosley and Marion (2000) asserted that problems of economic governance and ineffective utilization of development assistance have ranged from poor or no consultation with the intended beneficiaries, lack of coordination between various government agencies, the failure to harmonize policies, programs and procedures harmonization and alignment, poor project design, to poor monitoring of foreign funded projects and consequently indebtedness and poverty.

The extent of success of donor funded projects is determined by both technical and managerial capacity of the human resources of the implementing agencies. In addition, appropriate supportive infrastructure is a necessity. According to Arndt (2000), the officers in the donor funds projects‟ chain may lack the formal training in foreign aid management, budgeting and accounting. These weak skills may lead to poor understanding of the donor expenditure protocols resulting in ineligible expenditures, which lead to rejection for further funding by the donor.

O’Connell and Soludo (2001) argued that accountability is a key pillar of effectiveness. Accountability refers to full transparency regarding the purpose, content, responsibility and performance e of the development agency. Martens et al. (2001) observed that because of the broken natural feedback loop in foreign aid, inserting an explicit evaluation function in foreign aid programmes is necessary to eliminate performance problems. If the evaluations are well performed, to the extent that there is no mechanism in place to act on these evaluations (that is, no mechanism to get the evaluation results out in the public), the aid agencies behavior would likely not be affected. An independent foreign aid evaluation agency could be a way around these problems. In addition, even if donors adopt formal evaluation as a key component in aid programs, there would still be difficulties in exercising external influence without undermining local accountability relationships (World Bank, 2003).

A sound management system is well backed up with a sound accounting system that provides reliable records and reports of financial transactions of the project. In the recent past the business environment both for profit making and non-profit making organizations has been punctuated with extreme levels of turbulence. The environment is surprise full, discontinuous, and volatile as it emerges with new challenges, poor decision making by managers, ineffective utilizations of funds as well as new project and business activities**.** It provides sufficient financial information for managing and monitoring project activities, ascertaining how effective the utilization of funds was (Edwards & Hulme, 1995).

There has also been a rising involvement of non-governmental organizations in the development process (Edwards & Hulme; 1995, Hulme & Edwards, 1997). This phenomenon is partly a consequence of dissatisfaction with government performance in the delivery of public services. As a result, international, agencies such as the *icipe* Ethiopia as well as bilateral and multilateral donors increasingly seek to channel development funding through local. Consequently, the NGO sector has grown rapidly in developing countries. What is unclear is whether donors, through their funding, encourage the blossoming of a local charitable sector, or whether local are nothing but sub-contractors for international development agencies. The general presumption is that operating in poor countries are charitable organizations, by which it means that they have an altruistic or philanthropic purpose that is shared by their members and promoters. Much of the dissatisfaction of donors with government public service delivery originates in concerns over corruption (Reinikka & Svensson, 2003; Reinikka & Svensson, 2003).

The emphasis is on providing a timely, accurate and pure of the past events because of proper implementation of the agreed set of activities in accordance of the approved budget. The benefits derived from this kind of practice include; to serve the management with information for control purposes, to serve as reliable framework for projecting and planning for future economic activities and to give the pure that can build the confidence of donors on the safety of their funds. At this juncture, it is important to note that a financial management system is the system like others, which is an integrated whole entity consisting of functionally independent parts. The concern is on the entire organization on how it will implement the

effective financial system. In this regard, financial management system can be grouped into two branches, which are administrative system and accounting system. Administrative systems play various roles which include assisting all project coordinators, project managers or accounting officers in decision making, planning, communicating, controlling and evaluating performance objectively. On the other hand, accounting system concerned with identifying financial information, expressing the information in numeric terms and communicating this information to interested parties (Devarajan;
Rajkumar& Swaroop, 1998).

(Drury, 2000) describes accounting as process of identifying, measuring and communicating economic information to permit informed judgments' and decision by users of information. In other words, accounting is concerned with providing with both financial and non-financial information that can help decision makers to make good decision. Both financial and non-financial information provides a strong management control device that assists the management to be objective when making decision. The emphasis is on providing a timely, accurate and reliable pure of the past events as consequences of proper implementation of the agreed set of activities in accordance with approved budget. With the rapid changes in the world, financial management control is looked to be a continuous monitoring process.

Herbert, et al.(1987), suggests that financial management control, among others, considers the following aspects a systematic effort to set performance standards consistent with planning objectives, to design information feedback system, to compare actual performance with the predetermined standards and to take any action required to ensure that all institution or corporate resources are used in the most effective and efficient way possible in achieving institutional objective. Since the economy, both at National and global level, consists of customers, employees and investors, a good financial management system contributes to both individuals benefit and the welfare of the general community. Weston, (1987) argues that proper financial management within the firm will help the business to provide better products at lower prices to its customers, pay high salaries and wages to its workers and managers, and still provide greater returns to the investors. Such view is perfectly applicable on donor funds whose returns are measured based on the impact of the funding.

In order to achieve any panned goals, one of the essential pillars is a sound financial management system. Thus, good administrative and accounting systems are very important in today's world, in both developed and developing countries. The need for an effective utilization of donor funds as a tool for achieving government, organization, or institutional goals rests on the center role contributed by finances. Finance is the one of the most required scarce resources in both developed and developing countries that requires proper management. The developed countries are at high level on achieving their goals to the extent that they are able to support financially developing countries.

1.2 Statement of The Problem

Non-profit charities are empowered to fulfill their goals and maximize the impact of their services to their beneficiaries. Most of the funds advanced by the donor community do not end up being used for the intended purposes. Ineffective utilization of donor funds has also been a major issue among the donor community. This leads to suspension of the donor funding hence uncompleted projects.

Although various donors argue that they have changed their approach and that conditionality has been replaced by beneficiary ownership, poverty reduction and pro-poor growth strategies, experience on the ground seems to suggest otherwise. Lack of harmonization and alignment of policies, procedures and programs among various donors' agencies continue to mar effective aid delivery to recipient governments and people who in turn have been eluded by the key concepts of inclusiveness, popular participation and good management, this thus justifies this study so that more highlight of the factors influencing effective utilization of donor funded projects is put forth.

It is also important to note that while substantial literature exists on effective utilization of donor funding, there is limited research that has been done on the factors influencing effective utilization of donor funding on different projects. Among those Onyando (1999) carried out a study on utilization, management and accountability of resources in Kenya, a research by Gwaro (2010) on factors inf1uencing the performance of poverty reduction in Garissa District amongst others. A research conducted by Daniel (2015) on determinants of donor fund utilization in Public Sector Capacity Program in Ethiopia, a research also conducted in Ethiopia by Dereje (2018) on factors affecting fund management the case of Water Sanitation and Hygiene National Program. So far, no studies have been carried out in Ethiopia which concludes managerial factors, technical factors and donor behavior have effect on fund utilization. Therefore, the study seeks to examine and provide information on factors affecting use of donor fund utilization by NGOs working in Ethiopia: the case of ILRI Ethiopia.

1.3 Objectives of The Study

1.3.1 General Objective

1. The general objective of the study was to identify determinants of donor fund utilization by NGOs working in Ethiopia: The case of ILRI Ethiopia.

1.3.2 Specific Objectives

The study was guided by the following specific objectives:

1. To determine whether managerial factors affect donor fund utilization of NGOs Working in Ethiopia: the case of ILRI Ethiopia

2. To find out whether technical factors affect donor fund utilization of NGOs Working in Ethiopia: the case of ILRI Ethiopia

3. To determine the extent to which factors attributed to donor behavior affects effective use of

donor aid by NGOs working in Ethiopia: the case of ILRI Ethiopia

The following relationships were hypothesized:

H_1A: There is statistical significance/ relationship between the technical factors and effective use of donor fund utilization.

H_2A: There is statistical significance/ relationship between managerial factors and effective use of donor fund utilization.

H_3A: There is statistical significance/relationship between factors attributed to donor behavior and effective use of donor fund utilization.

1.4 Significance of the Study

The findings of this study are expected to be important to those NGOS working in Ethiopia especially in ILRI Ethiopia Project Managers and Management teams. The study serves as Ethiopia Project Managers with knowledge on determinants of donor fund utilization such lack of training, poor management and strategic skills to manage donor funds among others. The research also serves as enlighten managers on the required effective management of funds strategies and especially on how to improve on efficient utilization of donor funds.

The findings of this study is to assist ILRI Ethiopia representatives in Ethiopia and Kenya to undertake benchmarking of their employees in their projects with those of regions with a view to improving on their effectiveness in relationship to funds use. At the same time the results shall be crucial for planning on such aspects as amount required for training, projects to be carried out, salaries and allowances.

It is expected to contribute the existing body of knowledge and act as a point of reference for future research especially on aspects of methodology on related research.

1.5 Scope of the Study

The study focused on an international research and developmental organization (NGOs) called ILRI Ethiopia for the period 2008-2018 G.C.

1.6 Limitations of the Study

The study focused on only one Organization. It would be more comprehensive if the researcher includes other similar research and developmental organization which time and financial matters constrained. The study is also lack of enough material and research done on the area of fund utilization. Secondly, respondents were not devoted themselves in filling and returning questionnaires on time.

1.7 Organization of The Paper

This research is comprised of five chapters. Chapter one presented introduction of the paper whereas chapter two concentrated on the review of related literature. The third chapter was dealt with the research methodology and design. Presentations and analysis of determinants of donor fund utilization by NGOS Working in Ethiopia: the case of ILRI Ethiopia fund utilization were discussed in the chapter four. Finally, chapter five dealt with summary of findings, conclusions and recommendations of the research so far identified.

CHAPTER TWO

REVIEW OF RELATED LETRATURE

2.1 Theoretical Review

Strategic management can be used to determine mission, vision, values, goals, objectives, roles and responsibilities, timelines, etc. Strategic planning is a management tool. As with any management tool, it is used for one purpose only: to help an organization do a better job - to focus its energy, to ensure that members of the organization are working toward the same goals, to assess and adjust the organization's direction in response to a changing environment. In short, strategic planning is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it, with a focus on the future (Markides, 1999).

The key elements that underline the meaning and success of a strategic planning process, the process is strategic because it involves preparing the best way to respond to the circumstances of the organization's environment, whether or not its circumstances are known in advance; nonprofits often must respond to dynamic and even hostile environments. To be strategic, then, means being clear about the organization's objectives, being aware of the organization's resources, and incorporating both into being consciously responsive to a dynamic environment. The process is about planning because it involves intentionally setting goals (i.e., choosing a desired future) and enveloping an approach to achieving those goals. The process is disciplined in that *it* calls for a certain order and pattern to keep it focused and productive. The process raises a sequence of questions that helps planners examine experience, test assumptions, gather and incorporate information about the present, and anticipate the environment in which the organization will be working in the future (Nag, Hambrick &Chen, 2007).

Finally, the process is about fundamental decisions and actions because choices must be made in order to answer the sequence of questions mentioned above. The plan is ultimately no more, and no less, than a set of decisions about what to do, why to do it, and how to do it. Because it is impossible to do everything that needs to be done in this world, strategic planning implies that some organizational decisions and actions are more important than others - and that much of the strategy lies in making the tough decisions about what is most important to achieving organizational success.

Strategic management is the set of managerial decision and action that determines the long-run performance of a profit and non-profit making organizations. It includes environmental scanning both external and internal, strategy formulation, strategic or long-range planning, strategy implementation, and evaluation and control. The study of strategic management therefore emphasizes the monitoring and evaluating of external opportunities and threats considering a corporation's strengths and weaknesses. The evolution of strategic management as proposed by (Mintzberg, Ahlstrand & Lampel,1998) concludes that intuitive strategies cannot be continued successfully if the corporation becomes large, the layers of management increases, or the environment changes substantially. The most relevant phases that strategic management embraces include phase I which deals with basic financial planning and seek better operational control by trying to meet budgets. Phase 2 on the other hand is responsible for fore-casting based planning that is seeking more effective planning for growth by trying to predict the future beyond next year. Phase 3 deals with externally oriented strategic planning this phase generally seeks to increase responsiveness to markets and competition by trying to think strategically.

2.2 Management Control and Project Performance

Anthony (2007) defined Management Control as the process by which managers influence other members of the organization to implement the organization's strategies as set out it its mission and vision. Management control systems are tools to aid management for steering an organization toward its strategic objectives and competitive advantage. Management controls are only one of the tools which managers use in implementing desired strategies. However, strategies get implemented through management controls, organizational structure, human resources management and culture. Anthony & Young (1999) showed management control system as a black box. The term black box is used to describe an operation whose exact nature cannot be observed. MCS involves the behavior of managers and these behaviors cannot be expressed by equations. According to Eilon (2005), management control system is an integrated technique for collecting and using information to motivate employee behavior and to evaluate performance.

The Management Control acts through the following phases in sequence: planning, where for any organization's unit a set of objectives must be defined, that is of specific expected results, which need to be: understandable, agreed, measurable in extent and time, reachable, consistent with one another and with the available resources, programming, where a program is drawn up in order to get the planned objectives, taking into account the internal and external restraints to the company, result checking, where it is measured whether each company's unit has achieved or not the assigned objectives, shifting analysis, where the possible shifting between objectives and results is analyzed, corrective action implementation, in order to optimize the units' behavior against the planned objectives. To realize a project of Management Control it is necessary to carefully evaluate the reference context where it is intended to be applied and in particular: the diffusion of the Management Control culture into the company, the availability of appropriate computer and accounting systems (March & Herbert,1998).

Performance management does not alone guarantee improvement. Improvement comes through process redesign, innovation, and other forms of continuous improvement. Performance management highlights how a range of activities needs to come together in a conscious, single process of reflection. There are various features of the organization (including resources, structure, systems, culture) and external factors (for example public engagement, partnerships) that need to be developed to create improvement.

In organizational management control, the approach used in the program of review and evaluation depends on the reason for the evaluation for example is it because the system is not effective or is it accomplishing its objectives as set out in its strategic plan; is the system or management control failing to achieve an expected standard of efficiency in relation to the projects set out; is the evaluation being conducted because of a breakdown or failure in operations of the project or is it merely a periodic audit and- review process of the whole project or program performance? Robert (1970).

When project performance has failed or is in great difficulty, special diagnostic techniques may be required to isolate the trouble areas and to identify the causes of the difficulty through management control systems. It is appropriate for the management to investigate areas that have been troublesome before or areas where some measure of performance can be quickly identified. For example, if an organization's output backlog builds rapidly, it is logical to check first to see if the problem is due to such readily obtainable measures as increased demand or to a drop in available man hours. When a more detailed analysis is necessary, a systematic procedure should be followed (March & Herbert, I998).

2.4 Empirical Review

Empirical literature refers to evidence from observations and reports from different sources. There are a number of researches conducted in the field of donor funding by various scholars. The perspective and context as perceived by researchers is diverse thereby eliciting debates.

According to Grace A. Musa (2018) on assessment of the determinants of funds allocation and utilization by NGOs and Donor Agencies in Kenya identified and From the analysis of the respondent's responses, the findings show that choice on vulnerability, poverty orientations and reach, income and wealth inequalities, lack of development approach, absence of strategic planning, poor networking, political interference, lack of adequate funds, poor governance policies, limited operational capacity and poor efficiency significantly contributes to funds allocation and utilization.

According to Dereje (2018) a research conducted on factors affecting fund management: the case of One Water Sanitation and Hygiene National Program-Consolidated Wash Account (OWNP-CWA) in Ethiopia. The researcher identified four factors that affect the fund management of the program. Mainly Budget process, fund disbursement, fund utilization and accounting & reporting.

Dejene (2018) of donor fund utilization in Ethiopia. The study revealed that (i). Institutional dimensions have a neutral effect on fund utilization with the key factors of : weak coordination between the implementers, involvement of multi sectors in the fund utilization, high staff turnover, long procedure in fund transfer request (ii) Financial management factors have direct relation with fund utilization with key factors of:- delay in budget information notification,, delay in preparation of Procurement plan, delay in procurements , improper budget preparation and (iii) technical factors has shown that it has neutral effect on the fund utilization.

There is a need to provide capacity building opportunities to staff so that they can gain the necessary knowledge and skills to fully contribute skillfully and consistently throughout the project management period and properly utilizing funds as planned/intended.

According to Adan (2013) on factors influencing effective utilization of donor funding. The findings of the study established that there is a relationship between utilization of donor funds and the three key factors identified in the objectives, financial management, environment operations and the purpose of NGO.

2.6 Determinants of Effectiveness of Use of Donor Fund

Here, this study presents literature pertaining to the factors affecting effectiveness of use of donor fund.

2.6.1 Technical Factors

Informatics is a bridging discipline that is fundamentally interested in the application of information, information technology and information systems within organizations. Informatics is therefore the study of information, information systems and information technology applied to various phenomena (Beynon-Davies, 2002). Following this definition of informatics, government informatics can be defined as the application of information, information systems and information technology within government. This therefore includes application of e-Government which is "primarily to do with making the delivery of government services more efficient" (Bannister & Remenyi, 2005). In support of government informatics, Tapscott (1995) argues that ICT causes a "paradigm shift" introducing "the age of network intelligence", reinventing businesses, governments and individuals. Ndou (2004) quoting Kaufman (1977) observes, "the traditional bureaucratic paradigm, characterized by internal productive efficiency, functional rationality, departmentalization, hierarchical control and rule-based management is being replaced by competitive, knowledge based requirements, such as: flexibility, network organization, vertical/horizontal integration, innovative entrepreneurship, organizational learning, speed up in service delivery, and a customer driven strategy, which emphasize coordinated network building, external collaboration and customer services" all of which are supported by ICT.

Governments around the world have been engaged in the process of implementing a wide range of ICT applications. Countries have been classified by the United Nations according to their Computer Industry Development Potential (CIPD) as advanced or less developed (Kaul and Odedra, 1991). Advanced include, for example, the United States, Canada, West European countries and Japan; less developed include for example Argentina, Brazil, India, Mexico, Kenya and Bulgaria. For all countries, use of ICTs for government reinvention is increasing not only in investment but also in terms of visibility with a number of high-profile initiatives having been launched during the 1990s. This reinvention has taken place especially in the advanced countries (Heeks and Davies, 2000). Western countries are convinced that the information society will result in economic and social benefits Audenhove (2000). The author quoting Organization for Economic Cooperation and Development, notes that information infrastructures are expected to stimulate economic growth, increase productivity, create jobs, and improve on the quality of life. There is a big difference between ICT implementation and use between developed and developing countries Heeks (2002). However, Westrup (2002) observes that similarities can also be expected Westrup (2002). These similarities include funds which are never sufficient, bureaucracy and user needs. The difference is how problems are addressed in different countries. It can be argued that with their adequate resources and advanced technology, the Western countries have an easier way of implementing ICT projects than DCs. Most developing countries are characterized by limited computer applications in the public sector, inadequate infrastructure and shortage of skilled manpower Odedra (1993). Odedra (1993) notes that “this situation exists not merely due to lack of financial resources, but largely due to lack of coordination at different levels in making effective use of the technology”. This uncoordinated effort can only result in duplication if each department implements its own ICT projects without due regard to compatibility within the government.

The factors for failure are those occurrences that constraint proper/smooth implementation of ICT projects in government. These can either be barriers or inhibitors as described by Khaled (2003), Gakunu (2004), Aineruhanga (2004), Ndou (2004), Bhatnagar (2003). Barriers can be considered as those occurrences that hinder ICT implementation. Some of these factors for failure are: infrastructure; (finance; poor data systems and lack of compatibility; skilled personnel; leadership styles, culture, and bureaucracy; and attitudes. Inhibitors“ do not necessarily prevent the implementation of ICT projects but they do prevent advancement and restrict successful implementation and sustainability. Some of these factors for failure are: user needs, technology, coordination, ICT policy, transfer of ICT idolizers, and donor push.

12.4.2.2. Information Systems and Its Components

According to Laudon (2012), from a technical perspective, an information system collects, stores, and disseminates information from an organization’s environment and internal operations to support organizational functions and decision making, communication, coordination, control, analysis, and visualization. Information systems transform raw data into useful information through three basic activities: input, processing, and output.

From a business perspective, an information system provides a solution to a problem or challenge facing a firm and represents a combination of management, organization, and technology elements.

The management dimension of information systems involves issues such as leadership, strategy, and management behavior. The technology dimension consists of computer hardware, software, data management technology, and networking/telecommunications technology (including the Internet).

The organization dimension of information systems involves issues such as the organization’s hierarchy, functional specialties, business processes, culture, and political interest groups.

12.4.2.3. How Information Systems Impact Organization and Business Firms

Information systems have become integral, online, interactive tools deeply involved in the minute-to-minute operations and decision making of large organizations. Over the last decade, information systems have fundamentally altered the economics of organizations and greatly increased the possibilities for organizing work. Theories and concepts from economics and sociology help us understand the changes brought about by IT. Laudon (2012).

From the point of view of economics, IT changes both the relative costs of capital and the costs of information. Information systems technology can be viewed as a factor of production that can be substituted for traditional capital and labor. As the cost of information technology decreases, it is substituted for labor, which historically has been a rising cost. Hence, information technology should result in a decline in the number of middle managers and clerical workers as information technology substitutes for their labor (Laudon, 1990). As the cost of information technology decreases, it also substitutes for other forms of capital such as buildings and machinery, which remain relatively expensive. Hence, over time we should expect managers to increase their investments in IT because of its declining cost relative to other capital investments.

IT also obviously affects the cost and quality of information and changes the economics of information. Information technology helps firms contract in size because it can reduce transaction costs—the costs incurred when a firm buys on the marketplace what it cannot make itself. According to transaction cost theory, firms and individuals seek to economize on transaction costs, much as they do on production costs. Using markets is expensive because of costs such as locating and communicating with distant suppliers, monitoring contract compliance, buying insurance, obtaining information on products, and so forth Coase (1937). Traditionally, firms have tried to reduce transaction costs through vertical integration, by getting bigger, hiring more employees, and buying their own suppliers and distributors, as both General Motors and Ford used to do.

Information technology, especially the use of networks, can help firms lower the cost of market participation (transaction costs), making it worthwhile for firms to contract with external suppliers instead of using internal sources. As a result, firms can shrink in size (For instance, by using computer links to external suppliers, the Chrysler Corporation can achieve economies by obtaining more than 70 percent of its parts from the outside. Information systems make it possible for companies such as Cisco Systems and Dell Inc. to outsource their production to contract manufacturers such as Flextronics instead of making their products themselves Coase (1937)

Information technology also can reduce internal management costs. According to agency theory, the firm is viewed as a "nexus of contracts" among self-interested individuals rather than as a unified, profit-maximizing entity (Jensen and Meckling, 1976). A principal (owner) employs "agents" (employees) to perform work on his or her behalf. However, agents need constant supervision and management; otherwise, they will tend to pursue their own interests rather than those of the owners. As firms grow in size and scope, agency costs or coordination costs rise because owners must expend more and more effort supervising and managing employees.

Information technology, by reducing the costs of acquiring and analyzing information, permits organizations to reduce agency costs because it becomes easier for managers to oversee a greater number of employees.

2.14.3. Managerial Factors

The extent of success of donor funded projects is determined by managerial capacity of the human resources of the implementing agencies. Arndt (2000) argued that the officers in the donor funds projects chain may lack the formal training in foreign aid management, budgeting and accounting. These weak skills may lead to poor understanding of the donor expenditure protocols resulting in ineligible expenditures, which lead to rejection for further funding by the donor. This may be affected by the quality and timeliness of the liquidation documents which complicate the donor fund release, with obvious implications on levels of donor aid effectiveness. From a skill development perspective, Ngwenyama et al. (2006) have reported on a complementary relationship between education and ICT in the analysis of the Human Development Index (HDI), particularly in Africa, and conclude that ICT and education have a positive impact on development. One worrying trend to note Ngwenyama et al. (2006) has been the consistent low ranking of African nations. The 2003 HDI Report warned that Africa in general may be facing "an acute development crisis" with many African countries suffering serious socio-economical reversals. HDI in Africa cannot therefore afford to take a "business as usual" approach. Hawkins (2002) contends that Africa needs to have workers who learn how to learn and are able to quickly acquire new ICT skills.

Poverty and low levels of ICT capital investment in East Africa by public and private sectors and the absence of fully trained local citizens in ICTs explains the economic disparities between East African states and Southern Africa Ochilo (1999). The appropriate use of ICT does “give civil society an opportunity to formulate new forms of activism and participation in democracy” Fleming (2002). Human capacity projects in Kenya have taken various forms. At Moi University in Kenya, a collaborative project with Delft University of Technology in the Netherlands helped in raising computer awareness and trained staff in management of information systems and project management Mutula (2003).

Studies suggest inadequate ICT skills training in eastern Africa and reveal that a total of 57.8% of professionals coming out of institutions of higher learning rated their institutions as being “less professionally capable of dealing fully with ICT training needs” with only “28.1% of the professionals rating the institutions as capable”. Of concern here is the content and curriculum of these institutions which has been noted as inadequate to fully cater for the emerging ICT African professional in terms of robust training program including data processing, systems management, and advanced computer training. The situation is exacerbated by the lack of “effective dissemination of information” and an “excessive dose of theoretical courses not fully blended with the practical courses that fail to cover the contemporary ICT international issues” Ochilo (1999).

2.15. Utilization of Donor Funds

Utilization of donor funds had been a challenge to both the donor community as well as the agencies that are responsible for effective utilization of the same. Therefore there is need for institutions that are response for the management of these funds to come up with the right framework and procedures in order to ensure that funds given are utilized as expected and that the funds serve the purpose (Fowler, 1995).

With an effective framework and policies governing utilization of donor funds nothing much will be expected in form of results. All relevant organizations must work in harmony if the expected outcomes are to be achieved. It is clear that there is need for coordination and collaboration among various stakeholders to ensure that funds received are made use of efficiently and effectively (Edwards & Hulme, 1995).

2.16. Issues Affecting Donor Resource Management

Fostering good relationships is a vital component to both professional and personal success. Good relationships are crucial when working within an organizations' stewardship business model which allows individuals to specialize and focus on what they do best. Relationship management involves recognizing and respecting the unique competencies of others and working together to achieve common goals.

Competencies in relationship management can be defined, as a core group of skills, knowledge and behaviors that collectively will help employees to be successful in their work as the organization transitions to its objectives. Relationship management entails much more than how one deals with co-workers, it involves several components: customer service, partnership building teamwork and concern about the organization's reputation both within and outside. Setting and adhering to standards for good customer service is a key piece of relationship management. Good relationship management means working co-operatively with others to meet mutual goals, looking for opportunities to collaborate, managing conflict and challenges positively, and focusing one's effort on discovering and meeting the needs of the customer or client be it the public, colleagues, partners or peers Robert (2000).

Good relationship management is about building partnerships through listening, respect, and valuing and sharing information." Effective relationship management is potential of an employee, and part of the way a company encourages improvement is through training. Often, good training is just as important as a good benefits package for an employee. For employers, training allows them to locate a wider range of people with the kind of outlook that matches the company mission statement. The right kind of perspective is a hard thing to cultivate, whereas workplace specific proficiencies are easier to nature. The other advantage employers should remember about training is it offers them an improved retention rate. Employees are more loyal to companies that value their growth and want to cultivate it, and thusly provide a better performance and decrease the rollover rate at any company, no matter how small or large (Keller & Frank,1998).

2.17. Ways to Improve Donor Fund Effectiveness

The Paris Declaration and Accra Agenda Action embodied a new and broad consensus on what needs to be done to produce better development results. Its principles lay open the possible ways to undertake, which can be interpreted also as the major objectives of good aid fund: fostering recipient countries' ownership of development policies and strategies, maximizing donors' coordination and harmonization, improving aid transparency and mutual accountability of donors and recipients, just to name a few.

The Accra Agenda for Action states that transparency and accountability are essential elements for development results, as well as drivers of progress. Mutual accountability and transparency is one of the five partnership commitments of the Paris Declaration. Through transparency, donors and recipients can be held accountable for what they spend, and aid can be made more effective by knowing: Who gives money to which recipient, what project is being funded and for what donor aid predictable and reliable. Transparency has been shown to improve service delivery and to reduce opportunities for diversion and therefore corruption (Pranay & Hubbard,2011).

Transparency can be defined as a basic expression of mutual accountability. Mutual accountability can only work if there is a global culture of transparency that demands provision of information through a set of rules and behavioral norms, which are difficult to enforce in the case of official development cooperation. For emerging economy donors and private development assistance, these norms are only at a nascent stage.

Kharas (2011) suggest adopting the regulation through information approach, which has been developed and has proven its effectiveness in the case of the European integration. In fact, at the international level, when the enforcement of mandatory rules is difficult, the solution could be to provide and make available transparent, relevant, accurate and reliable information, which can be used to reward or sanction individual aid agencies according to their performances. This means establishing a strong culture of accountability within donor aid, which rewards aid successes but penalize failures.

In order to achieve this, donors should agree on adopting a standardized format for providing information on volume, allocation and results, such as the International Aid Transparency Initiative (IATI), or other similar standards, and commit to improve recipient countries' databases with technical, financial and informational support. The format should be easily downloadable and with sufficient disaggregation to enable comparison with other data. Making aid data public and comparable among donors would be likely to encourage a process of positive emulation towards a better usage of public funds.

After all, official development assistance (ODA) is a voluntary transfer that depends on the support of donor country taxpayers. Donors should therefore consider improving the transparency and traceability of aid funds also as a way of increasing enhancement and support towards aid inside generalized adoption of IATI would ensure the publication of donor aid information in a timely way, the compatibility with developing countries' budgets and the reliability of future projections, which would have a strong and positive impact on the predictability of aid . Finally, to improve accountability while building evaluation capabilities in aid recipient countries and systematically collecting beneficiaries' feedback, different mechanisms to evaluate and monitor transparency should be considered, such as independent third-party reviews, peer reviews or mutual reviews

Conceptual Framework

According Mugenda (2003), a conceptual framework helps reader to quickly see proposed relationships between variables in the study and show the same graphically or diagrammatically. In this study, financial management, managerial factor and technical factor influence the dependent variable of utilization of donor funds.

Dependent variable. Utilization will be considered as dependent variable**.** It will be influenced by the following factors among others:

Technical factors: which comprise appropriate technology, adequate infrastructure and equipment to support new technologies, skilled personnel in ICT, adequate coordination at different levels in making effective use of the technology, quality data systems and lack of compatibility, and supportive ICT policies Ofunya (2013).

Managerial factors: which comprise managerial capacity of the human resources of the implementing agencies, formal training in foreign aid management, budgeting and accounting by donor funds projects officers, quality and timeliness of the liquidation documents which complicate the donor fund release, and supportive leadership styles and culture Ofunya (2013).

Factors attributed to donor behavior: The factors attributed to donor behavior include accountability, project evaluation complexities, funds disbursement bureaucracies and multiple objectives and tasks. These are briefly discussed as follows:

- **Lack of accountability:** Accountability is a key pillar of effectiveness. Accountability refers to full transparency regarding the purpose, content, responsibility and performance of the development agency.
- **Project evaluation complexities:** Broken natural feedback loop in foreign aid, inserting an explicit evaluation function in foreign aid programmes is necessary to eliminate performance problems. If the evaluations are well done, to the extent there is no mechanism in place to act on these evaluations (that is, no mechanism to get the evaluation results out in the public), the aid agency's behavior would likely not be affected. An independent foreign aid evaluation agency could be a way around these problems. In addition, even if donors adopt formal evaluation as a key component in aid programs, there would still be difficulties in exercising external influence without undermining local accountability relationships.
- **Fund Disbursement Bureaucracies:** Resources earmarked for particular uses flow within legally defined institutional frameworks. Typically, funds pass through several layers of government bureaucracy down to service facilities, which are charged with the responsibility

of spending the funds. Information on actual public spending at the frontline level or by program is seldom available.

• **Multiple objectives and tasks:** Most donors have multiple objectives. These includes: economic growth, economic and social equality, economic and political independence, democratic development, environmental care, and gender equality.

The problem with multiple objectives is that they typically imply trade-offs, especially in the short run. When faced with multiple tasks that compete for their time, donor aid agents will tend to focus on those that are more likely to satisfy their career concerns or require less effort. Since some tasks are more easily monitored by their supervisors, such as input activities like budget, procurement, hiring of consultants, these tasks will receive a disproportionate attention at the expense of less easily monitored tasks.

The following diagram illustrates a conceptual framework the study adopts from Ofunya (2013) with minor modification to carry out the study. The relationship between the variables is indicated in figure 1.1 below:

Independent Variables **Dependent Variable**

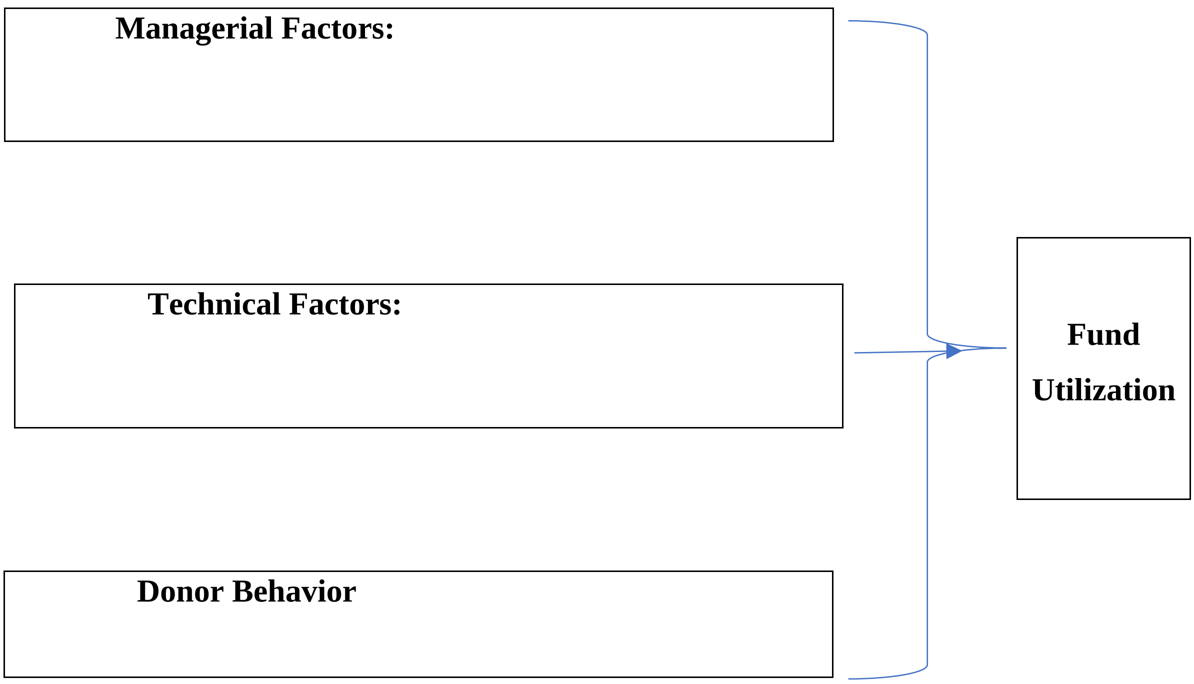

Figure 1Figure 1. 1 Conceptual Framework

Source: a conceptual framework the study adopts from (Ofunya, 2014) with minor modification.

CHAPTER THREE

3.Research Methodology and Design

The methodology outlines the various approaches that were followed to obtain data for the study and how the data was analyzed. It comprises the research design, the targeted population, methods of data collection and data analysis.

3.1 Research Design

Quantitative research approaches and exploratory type of research design is selected and that was used primarily to analyze and interpret data gathered through a questionnaire and review of secondary data.

3.2 Target Population and Sampling

Target population was the entire group of people or objects to which the researcher wishes to generalize the study findings. For this research, the target populations were employees of ILRI Ethiopia working as Country Head, Managers, Finance and project officers who were purposively selected for this study which is best enabled to answer my research questionnaire. The total number of these groups of employees were 48 respondents. These people had tested experience in financial management and theoretical knowledge of managing finance in a project. The target population of the research were taken as a whole to get good result. Accordingly, workers with experience and background of both project management and project Finance management were considered as respondents to the study.

According to Price (2009), purposive sampling is a form of non-probability sampling in which decisions concerning the individuals to be included in the sample are taken by the researcher, based upon a variety of criteria which may include specialist knowledge of the research issue, or capacity and willingness to participate in the research. Some types of research design necessitate researchers taking a decision about the individual participants who would be most likely to contribute appropriate data, both in terms of relevance and depth. Purposive sampling was deployed in the study and make use of when the members of the entire population do not have the same understanding, or when the sampling size will be very small to represent the entire population efficiently. The sampling technique used for the selection of questionnaire respondents was purposive sampling technique.

3.3 Source and Method of Data Collection

The researcher used both qualitative and quantitative data collection techniques. In order to present a wide range of information, both primary and secondary data sources were investigated. Primary data was collected by five-point Likert scale questionnaire with open ended question data collection instruments that enabled the researcher to present information in depth. Prior to launching the full -scale study, the questionnaire was pre-tested to 10 randomly selected members of staff of ILRI Ethiopia to ensure its workability in terms of structure, content, flow, and duration. According to Cooper and Schindler (2005), a pre-test is defined as the testing of the questionnaire on a small sample of respondents preferably 10 or more. After the pre-testing of the questionnaire, modifications were made in the questionnaire to reduce the possibility of ambiguity of some of the questions before delivering them to the respondents. Secondary data was also gathered from the program appraisal documents, interim and annual financial report, financial report review and audit report as well as midterm review report and other related documents.

3.4 Questionnaire

This study used both primary and secondary source of data and Likert scale questionnaire was used to gather the Primary data which was developed from collection of different channels one programs assessment checklist and discussing with staffs and consultants working in the organization.

3.5 Document Review

The secondary data was collated from reviewing of different relevant documents that used for the study. Those are: financing agreement, annual budget report, annual and interim financial report, and financial report review clearance were reviewed.

3.6 Method of Data Analysis

The following is brief descriptions of the statistical methods that were employed for this study. According to Marshall and Rossman (1999), data analysis is the process of bringing order, structure and interpretation to the mass of collected data. The collected data from the questionnaire and secondary sources were systematically organized in a manner to facilitate analysis. Data analysis involved preparation of the collected data - coding, editing and cleaning of data in readiness for processing using Statistical Package for Social Sciences (SPSS) package version 24.0. The coded data were keyed into the SPSS program where they were developed into a database and hence analyzed. SPSS was preferred because it is very systematic and covers a wide range of the most common statistical and graphical data analysis.

The data was presented by using statistical tools using frequency table, mean and standard deviation. The data pertaining to profile of the respondents and their respective organizations were analyzed using content analysis. Cooper and Schindler (2005) stated that content analysis may be used to analyze written data from experiments, observations, surveys and secondary sources. Factor analysis was performed to explore the underlying variance structure of a set of correlation coefficients. Confirmatory Factor Analyses was used to determine the ability of the adopted conceptual model in fitting the observed set of data. Factor analysis can be used to not only summarize or reduce data, but also exploratory or confirmatory purpose. To better understand the characteristic of each variable, descriptive statistical analysis was used to illustrate the means, and the standard deviation of each research variable.

3.6.1 Correlations

Correlation is a statistical technique that can show whether and how strongly pairs of variables are related. In this case, the study seeks to establish the relationships between the independent and dependent variables. The correlation is the r value. It can have a value between -1 and 1. The correlation helped to determine what level of confidence could be obtained. The closer to 1 that r is, the greater confidence you have. Correlation is likely to work well with quantifiable data in which numbers are meaningful, usually quantities of some sort. The main result is the correlation coefficient (or “r”). It ranges from - 1.0 to +1.0. The closer r is to +1 or -1, the more closely the two variables are related. If r is close to 0, it means there is no relationship between the variables.

If r is positive, it means that as one variable gets larger the other gets larger. If r is negative, it means that as one gets larger, the other gets smaller (often called an “inverse” correlation). While correlation coefficients are normally reported as r = (a value between -1 and +1), squaring them makes them easier to understand. The square of the coefficient (or r square) is equal to the percent of the variation in one variable that is related to the variation in the other. After squaring r, ignore the decimal point. An r of .5 means 25% of the variation is related (.5 squared =.25). An r value of .7 means 49% of the variance is related (.7 squared = .49). A correlation report can also show a second result of each test - statistical significance. In this case, the significance level will tell you how likely it is that the correlations reported may be due to chance in the form of random sampling error. If you are working with small sample sizes, choose a report format that includes the significance level. This format also reports the sample size.

3.6.2 Regression Analysis

The general purpose of multiple regressions (the term was first used by Pearson, 1908) is to learn more about the relationship between several independent or predictor variables and a dependent or criterion variable. In order to examine the relationship among constructs, multiple regression analysis will be conducted. Neill et al. (1999) assert that regression analysis is the most popular dependence technique used in research. Regression analysis aims at predicting a change in the dependent variable resulting from changes in the multiple independent variables. Also, it is used to enable the researchers to explain the variate by assessing the relative contribution of each independent variable to the regression equation. A line in a two dimensional or two-variable space will be defined by the equation:

$Y = a + b * X$;

In full text, the Y variable can be expressed in terms of a constant (a) and a slope (b) times the X variable. The constant is also referred to as the „intercept", and the slope as the „regression coefficient" or „B coefficient". Presentation of information was done with the aid of frequency table, mean and standard deviation. The information was presented and discussed as per the objectives.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter presented results arising from the analysis of data collected using questionnaires. The data collected was analyzed using descriptive method for each variable and the findings were presented in tabular summarized, and their implications discussed.

Out of questionnaires distributed to 48 employees, all (100%) were fully collected with the required information. So, the analysis was based on the primary data collected from these respondents and secondary data (reports and document review) were used to assist the findings related to fund utilization issues.

4.2. Profile of Respondents

The biographical variable that is presented in this research were Job position, educational background and experience level of the employees which are described in the following table.

4.2.1 General Information of The Respondents

Table 4.2.1 General Information of The Respondents

		Count	%
Position	Country Head	12	25.00%
	Manager	12	25.00%
	Finance officer	12	25.00%
	project officer	12	25.00%
	Total	48	1
Education of the respondent	BA	7	14.60%
	MSc	28	58.30%
	PhD	13	27.10%
	Total	48	2
Experience in funded projects	Less than 2 years	2	4.20%
	2-4 years	4	8.30%
	4-6 years	11	22.90%
	Above 6 years	31	64.60%
	Total	**48**	**1**

Source: Researcher's Survey 2019

From table 4.2.1 above; from a total of 48 respondents in this study 12 (25%) of them are country heads, 12 (25%) are mangers, 12 (25%) of them are Finance officer and the remaining 12 (25%) are Project officers in their position.

When we come to the education status of respondents in this study, 28 or 58.3% of them have MSc degree, 13 or 27.1% of them are PhD holders and the remining 7 or 14.6% of respondents in this study has BA degree in their qualifications. This indicates most respondents are graduates with MSc and above, therefore the researcher believes respondents in this study are highly qualified and they all well understand the questioner as well as the current situations of the determinants of fund utilization in their respective organization.

When we see the respondents in their experience, 64.6% or 31 of those respondents have an experience of 6 years and above, 11 (22.9%) of those respondents have an experience with 4 to 6 Years, 4 (8.3%) of them have an experience with 2 to 4 Years and the remaining 2 (4.2%) of them have less than 2 years. Therefore, this study respondents experience shown us they are well experienced and the all understand the situations which determine the fund utilization and other matters in their respective organization.

4.3. Reliability Test

Table 4.3. Reliability Test

Cronbach's Alpha	No of Items
0.817	**4**

Source: Researcher's Survey 2019

From the table 4.3 above, the Cronbach 's alpha is 0.817 which indicates that the survey instrument used is the data are consistent because the Cronbach 's alpha is ranged in acceptable level.

4.4 Descriptive Statistics

This section presents the results of the descriptive statistical analyses of the data and their interpretations. The descriptive statistics used are the means and standard deviations. The main purpose of using this statistical parameter is to interpret the average response rate of respondents for each item. The respondents were to give their independent opinion on the determinants of donor fund utilization by NGOs working ILRI Ethiopia. The range was 'Strongly agree - (5)' to 'strongly disagree - (1)'. According to Kajuju (2012), the scores of strongly agree /agree have been taken to present a variable which had a mean score of 3.5 to 5 on the continuous Likert scale; (3.5≤ S.E <5). The scores of 'neutral' have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale; (2.5≤ M.E<3.4).The score of disagree/strongly disagree have been taken to represent a variable which had a mean score of 0 to 2.5 on the continuous Likert scale; (0≤ L.E<2.5). A standard deviation of >0.8 implies a significant difference on the impact of the variable among respondents.

4.4.1 Technical Factors that Affect Donor Fund Utilization

Table 4.4.1 Descriptive Statistics Technical Factors

Statements	N	Mean	Std. Deviation
Lack of appropriate technology	48	3	1.353
Inadequate infrastructure and equipment to support new technologies	48	3.19	1.249
Shortage of skilled personnel in ICT	48	3	1.211
Lack of coordination at different levels in making effective use of the fund	48	4.23	0.857
Poor data systems and lack of compatibility	48	3.96	0.988
Average mean score	48	3.45	0.977

Source: Researcher's Survey 2019

As it is shown in table 4.4.1, lack of appropriate technology, inadequate infrastructure and equipment to support new technologies and shortage of skilled personnel in ICT scored 3.00, 3.19 and 3.35 respectively. This shows respondents either strongly disagree or disagree with the statements and viewed as there is no problem with issue of technology, inadequate infrastructure and equipment to support new technologies and also having shortage of skilled personnel in ICT. The other statements of technical factors with lack of coordination at different levels in making effective use of the fund and Poor data systems and lack of compatibility scored a mean of 4.23 and 3.96 respectively. This means respondents agreed with the statements at different levels. Therefore, more attention is required to have coordination at different levels and poor data systems and lack of compatibility. Generally, the technical factors summed up to a mean score of 3.546 and standard deviation of 0.97734 indicating that on average respondents either strongly disagree or disagree to the issues of technical factors and have no effect on donor fund utilization by Determinants of donor fund utilization by NGOs in Ethiopia: the case of ILRI Ethiopia.

4.4.2 Managerial Factors that Affect Donor Fund Utilization

Table 4.4.2 Descriptive Statistics of Managerial Factors

Statements	N	Mean	Std. Deviation
Lack of managerial capacity of the human resources of the implementing agencies	48	3.92	1.269
Lack of/or inadequate technical and managerial knowledge and skills of implementers	48	3.94	1.156
Lack of formal training in foreign aid management, budgeting and accounting by donor funds project officers	48	3.56	1.219
Inadequate understanding of the donor expenditure protocols resulting in ineligible expenditures, which lead to rejection for further funding by the donor	48	3.71	1.166
Poor quality and timeliness of the liquidation documents complicate the donor fund release	48	4.02	0.956
Poor leadership styles, culture, and bureaucracy	48	4.27	0.984
Average mean score	48	3.9	1.125

Source: Researcher's Survey 2019

As it is shown in table 4.4.2, Lack of managerial capacity of the human resources of the implementing agencies, lack of/or inadequate technical and managerial knowledge and skills of implementers, Lack of formal training in foreign aid management, budgeting and accounting by donor funds project officers, Inadequate understanding of the donor expenditure protocols resulting in ineligible expenditures, which lead to rejection for further funding by the donor, Poor quality and timeliness of the liquidation documents complicate the donor fund release and Poor leadership styles, culture, and bureaucracy scored 3.92, 3.94, 3.56, 3.71, 4.02 and 4.27 respectively. This shows respondents either strongly agree or agree with the statements and viewed as there is problem with issue of these all listed factors. Therefore, more attention is required to the managerial factors which negatively affect the use of donor fund utilization. Generally, the managerial factors summed up to a mean score of 3.90 and standard deviation of 1.125 indicating that on average respondents either strongly agree or agree to the issues of managerial factors and this managerial factor have negatively affect donor fund utilization by Determinants of donor fund utilization by NGOs in Ethiopia: the case of ILRI Ethiopia.

4.4.3 Factors Attributed to Donor Behavior

Table 4.4.3 Descriptive Statistics of Donor Behaviors

Statements	N	Mean	Std. Deviation
Lack of accountability: full transparency regarding the purpose, content, responsibility and performance of the development agency	48	3.63	1.003
Broken natural feedback loop in foreign aid, inserting an explicit evaluation function in foreign aid programmes	48	3.23	1.115
Poor monitoring and evaluation systems	48	3.92	1.127
A lack of predictability in timing and disbursement may hamper efforts at medium and short-term planning and programme implementation (Wrong timing in funds disbursement).	48	3.54	1.254
Resources earmarked for particular uses do not flow within legally defined institutional frameworks.	48	3.08	1.145
Funds pass through several layers of government bureaucracy down to service facilities, which are charged with the responsibility of spending the funds.	48	3.27	1.198
The problem with multiple objectives is that they typically imply trade-offs, especially in the short run	48	3.33	1.173
When faced with multiple tasks that compete for their time, donor aid agents will tend to focus on those that are more likely to satisfy their career concerns or require less effort.	48	3.5	1.203
Since some tasks are more easily monitored by their supervisors (such as input activities like budget, procurement, hiring of consultants), these tasks will receive a disproportionate attention at the expense of less easily monitored tasks.	48	3.63	1.123
Average mean score	**48**	**3.56**	**1.149**

Source: Researcher's Survey 2019

As one can see from 4.4.3 table above, Resources earmarked for particular uses do not flow within legally defined institutional frameworks, Broken natural feedback loop in foreign aid, inserting an explicit evaluation function in foreign aid programmes, Funds pass through several layers of government bureaucracy down to service facilities, which are charged with the responsibility of spending the funds and the problem with multiple objectives is that they typically imply trade-offs, especially in the short run have a mean score of 3.08, 3.23, 3.27 and 3.33 respectively. This show respondents indicated neutrality which means the statement listed above have medium effect on fund utilization. The donor behaviors summed up grand mean score of 3.46 and standard deviation of 1.149 indicating neutrality which means medium effect on donor behavior on donor fund utilization by Determinants of donor fund utilization by NGOs working in ILRI Ethiopia.

4.4.4 Fund Utilization Descriptive Statistic

Table 4.4.4 Fund Utilization Descriptive Statistic

Statements	N	Mean	Std. Deviation
More than 90% of the funds received are utilized for projects and less funds goes for overheads	48	4.2708	0.98369
Donor funds are utilized for the purpose it was meant.	48	3.625	1.00266
In my view, implementing sectors have managed to complete all projects and realized the intended impact	48	3.2292	1.11545
For purpose of transparency in the way funds were utilized, implementing sectors prepare donor reports that reflect the true status of implementation in the sectors.	48	3.9167	1.12672
Stakeholders are involved on the planning and utilization of the funds	48	3.9167	1.12672
Donors have developed detailed implementation plans and budgets, setting out how they expect to achieve the goals agreed in dialogue with others. Implementation plans are likely to be adapted during the course of a project in light of feedback and other new circumstances	48	3.5417	1.25407
Average mean score	**48**	**3.75**	**1.10151**

Source: Researcher's Survey 2019

As it is indicated in the table 4.4.4 above, all variables of fund utilization except implementing sectors have managed to complete all projects and realized the intended impact scored mean of 3.5417 to 4.2708. Generally, the utilization of funds by Determinants of donor fund utilization by NGOs in Ethiopia: the case of ILRI Ethiopia summed up grand mean of 3.75 and standard deviation of 1.10151 which shows that majority of respondents either strongly agree or agree as there was good utilization of the funds.

4.4.5 Correlation Analysis

Pearson correlation coefficient was computed to measure the strength and direction of linear relationship between variables showed a statistically positive relationship between the dependent variable and independent variables. The correlations are shown in table 4.9.1 below:

Table 4.4.5 Correlations Table

		Fund utilization	Technical factor	Managerial factor	Donor Behavior
Fund utilization	Pearson Correlation	1	.375**	.779**	.733**
	Sig. (2-tailed)		0.009	0.000	0.000
	N	48	48	48	48
Technical factor	Pearson Correlation	.375**	1	.577**	0.176
	Sig. (2-tailed)	0.009		0.000	0.231
	N	48	48	48	48
Managerial factor	Pearson Correlation	.779**	.577**	1	.505**
	Sig. (2-tailed)	0.000	0.000		0.000
	N	48	48	48	48
Donor Behavior	Pearson Correlation	.733**	0.176	.505**	1
	Sig. (2-tailed)	0.000	0.231	0.000	
	N	48	48	48	48

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

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Researcher's Survey 2019

The correlations table indicates in above table 4.4.5 shows that fund utilization and technical factor have a significant correlation (Pearson's R=0.375, p=0.009). Similarly, there is significant positive correlation between fund utilization and managerial factor (Pearson's R=0.779, p=0.000). There is also a significant positive correlation between fund utilization and the donor behavior Pearson's R=0.733, p=000). Technical and managerial factors also have a significant positive correlation with each other (Pearson's R=0.577, p=0.000). Finally, managerial factor and donor behavior have also significant positive correlation with each other (Pearson's R=0.505, p=0.000).

4.4.6 Regression Analysis of Fund Utilization

Table 4.4.6 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	**.873[a]**	**0.761**	**0.745**	**0.39915**

a. Predictors: (Constant), Donor Behavior, Technical factor, Managerial factor

Source: Researcher's Survey report

Table: 4.4.6 illustrate the model summary of multiple regression models, the results showed that all the three predictors (Managerial factors, Technical factors and donor behavior explained 76.1 percent variation of fund utilization, this showed that using the three tested variables fund utilization can only be predicted by 76.1% (R squared =0.761). The remaining 23.9% is by extraneous uncontrollable variables. This result also indicates that there may be other variables that could have been neglected by the current study in predicting fund utilization.

Table 4.4.7 Analysis of Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	22.379	3	7.46	46.82	.000[b]
	Residual	7.01	44	0.159		
	Total	**29.389**	**47**			

a. Dependent Variable: Fund utilization

a. Predictors: (Constant), Donor Behavior, Technical factor, Managerial factor

Source: Researcher's Survey 2019

Study findings in ANOVA Table 4.4.7 indicated that the above discussed variation was significant as evidence of F ratio of 46.820 with p value = 0.000 <0.05 (level of significance). Thus, the model was fit to predict fund utilization using managerial factors, technical factors and donor fund utilization.

Table 4.4.8 Multiple Regression Model

Model	Unstandardized Coefficients	Standardized Coefficients	T	Sig.

		B	Std. Error	Beta		
1	(Constant)	0.157	0.349		0.449	0.655
	Technical factor	-0.033	0.091	-0.033	-0.364	0.717
	Managerial factor	0.54	0.099	0.571	5.471	0
	Donor Behavior	0.463	0.089	0.45	5.203	0

a. Dependent Variable: Fund utilization

Source: Researcher's Survey 2019

The result of the multiple regression analysis in table 4.4.8 showed that each of the predicted parameters in relation to the independent factors were significant; (β1, β2, β3= -0.033, 0.571, 0.450; p-value = 0.717, 0.000 & 0.000 for technical factors, managerial factors and donor behaviors respectively) which implies both managerial factors and donor behaviors had positive and significant relationship with donor fund utilization whereas technical factors had negative but significant relationship with donor fund utilization at $\alpha = 0.05$)

4. 5 Hypothesis Testing

4.5.1 Hypothesis Testing for the Relation Between Technical Factors and Effective Use of Donor Fund Utilization

$H_1$0: There is no statistical significance/relationship between technical factors and effective use of donor fund utilization.

H_1A: There is statistical significance/ relationship between the technical factors and effective use of donor fund utilization.

Table 4.11 Correlation Table (Technical Factors and Fund Utilization)

		Technical factor	Fund utilization
Technical factor	Pearson Correlation	1	.375**
	Sig. (2-tailed)		0.009
	N	48	48
Fund utilization	Pearson Correlation	.375**	1
	Sig. (2-tailed)	0.009	
	N	48	48

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

Pearson's Correlation Table 4.11 showed above that technical factors and effective use of donor fund utilization by NGO's working under ILRI Ethiopia was insignificant but positive relation (r=0.375, p>0.05). Thus, technical factors had 37.5% positive but insignificant effect on effective utilization of fund. Therefore, the research has sufficient statistical evidence to accept the null hypothesis stating there is no statistical significance/relationship between technical factors and effective use of donor fund utilization. The study is in line with (Daniel, 2015) on determinants of donor fund utilization: the case of public sector capacity building program (PSCAP) fund in implementing sectors of Oromia national regional state and he found that the fund utilization is determined by technical factors have insignificant effect.

4.5.2 Hypothesis Testing for the Relation Between Managerial Factors and Effective Use of Donor Fund Utilization

$H_2$0: There is no statistical significance/relationship between managerial factors and effective use of donor fund utilization.

H_2A: There is statistical significance/ relationship between managerial factors and effective use of donor fund utilization.

Table 4.12 Correlation Table (Managerial Factors and Fund Utilization)

Correlations				
		Managerial factor	Fund utilization	
Managerial factor	Pearson Correlation	1	.779**	
	Sig. (2-tailed)		0.000	
	N	48	48	
Fund utilization	Pearson Correlation	.779**	1	
	Sig. (2-tailed)	0.000		
	N	48	48	
**. Correlation is significant at the 0.01 level (2-tailed).				

Pearson's Correlation Table 4.12 showed above that managerial factors and effective use of donor fund utilization by NGO's working under ILRI Ethiopia was significant as well as positive relation (r=0.779, p<0.05). Thus, managerial factors had 77.9% positive and significant effect on effective utilization of fund. Therefore, the research has sufficient statistical evidence to reject the null hypothesis stating there is no statistical significance/relationship between managerial factors and effective use of donor fund utilization and accept there is significant and positive statistical significance/relationship between managerial factors and effective use of donor fund utilization . The study is in line with (Daniel, 2015) on determinants of donor fund utilization: the case of public sector capacity building program (PSCAP) fund in implementing sectors of Oromia national regional state and he found that the fund utilization is determined by managerial factors had strong and significant relationship with fund utilization (dependent) ($r=0.786$ & 0.611, $n=64$, $p=.000$) as $P<0.05$ and significant correlation between the variables.

4.3.3 Hypothesis Testing for the Relation Between Donor Behavior and Effective Use of Donor Fund Utilization

Table 4.13 Correlation Table (Donor Behavior and Fund Utilization)

Correlations			
		Donor Behavior	Fund utilization
Donor Behavior	Pearson Correlation	1	.733**
	Sig. (2-tailed)		0.000
	N	48	48
Fund utilization	Pearson Correlation	.733**	1
	Sig. (2-tailed)	0.000	
	N	48	48
**. Correlation is significant at the 0.01 level (2-tailed).			

$H_3$0: There is no statistical significance/ relationship between factors attributed to donor behavior and effective use of donor fund utilization.

H_3A: There is statistical significance/relationship between factors attributed to donor behavior and effective use of donor fund utilization.

Pearson's Correlation Table 4.13 showed above that donor behavior and effective use of donor fund utilization by NGO's working under ILRI Ethiopia had significant relationship and statistically correlated to each other with ($r=0.733$, $p<0.05$). Thus, donor behavior had 73.3% positive and significant effect on effective utilization of fund. Therefore, the research has sufficient statistical evidence to reject the null hypothesis stating there is no statistical significance/relationship between donor behavior and effective use of donor fund utilization and accept there is significant and positive statistical significance/relationship between managerial factors and effective use of donor fund utilization . The findings are in line with the arguments by Ofunya (2013) factors affecting use of donor aid by international non-governmental organizations in Kenya: A case of USAID stating that donor behavior affects effective use of donor aid by International Non-Governmental Organizations in Kenya.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings, conclusion, recommendation and suggestions for further research. The study sought to investigate the determinants of donor fund utilization by NGOs working in Ethiopia: the case of ILRI Ethiopia. This study therefore collected data to find out how managerial factors, technical factors and donor behaviors affect the utilization of donor funds in ILRI Ethiopia.

5.2 Summary of Findings

This chapter presents the summary of findings, conclusion, recommendation and suggestions for further research. The study sought to investigate the determinants of donor fun utilization by Determinants of donor fund utilization by NGOs in Ethiopia: the case of ILRI Ethiopia. This study therefore collected data to find out how managerial factors, technical factors and donor behaviors affect the utilization of donor funds in ILRI Ethiopia. A sample of 48 respondents was purposively targeted and all respondents filled five-point Likert scale questionnaires. Data obtained was analyzed using three major approaches: descriptive statistics and inferential statistics, and correlation analysis.

The findings indicated that the respondents worked in different positions like Country heads, managers, finance and project officers. Most respondents are graduates with MSc (58.3%) and 27.10 (PhD) which the researcher believes respondents in this study are highly qualified and they all well understand the questioner as well as the current situations of the determinants of fund utilization in their respective organization. The researcher identified that respondents have ample experience in their field (i.e. 64.6% or 31 of those respondents have an experience of 6 years and above, 11 (22.9%) of those respondents have an experience with 4 to 6 Years, 4 (8.3%) of them have an experience with 2 to 4 Years and the remaining 2 (4.2%) of them have less than 2 years. Therefore; this study respondents experience shown us they are well experienced and the all understand the situations which determine the fund utilization and other matters in their respective organization.

Further, the findings indicate that managerial factor and donor behavior have significantly affect the donor fund utilization whereas the technical factor didn't adverse effect on the utilization of donor fund. The key areas mentioned include inadequate funding, wrong timing in funds disbursement, lack of/or inadequate human resource capacity (knowledge and skills), lack of accountability (overstatement of prices and use of substandard materials), insecurity, disagreements among beneficiaries, and social-cultural obstacles. Both the literature review and findings from primary data indicates that the following are the possible interventions that could be used to enhance the effectiveness of donor funded projects working under ILRI Ethiopia: capacity building for staff of the donor agencies, use of local staff to overcome language and other socio-cultural factors, sensitization and training of beneficiaries, timely auditing of implementing agencies to ensure accountability, timely programme reports from project officers, frequent meetings with key stakeholders (for example opinion leaders), and adequate collaboration and networking of all development partners.

5.3 Conclusion

The findings of this study indicate that there are various factors that affect effectiveness of donor funded projects. These factors include inadequate funding, wrong timing in funds disbursement, lack of/or inadequate human resource capacity (knowledge and skills), lack of accountability (overstatement of prices and use of substandard materials), insecurity, disagreements among beneficiaries, and social-cultural obstacles. The findings are in line with the arguments by Mosley and Marion (2000) that problems of economic governance and ineffective utilization of development assistance ranged from poor or no consultation with the intended beneficiaries, lack of coordination between various government agencies, the failure to harmonize policies, programs and procedures harmonization and alignment, and poor project design, to poor monitoring of foreign funded projects and consequently indebtedness and poverty. The effectiveness of donor funded projects is determined by both technical and managerial capacity of the human resources of the implementing agencies. In addition, appropriate supportive infrastructure is a necessity. According to Arndt (2000), the officers in the donor funds projects chain may lack the formal training in foreign aid management, budgeting and accounting. These weak skills may lead to poor understanding of the donor expenditure protocols resulting in ineligible expenditures, which lead to rejection for further funding by the donor. This may be affected by the quality and timeliness of the liquidation documents which complicate the donor fund release, with obvious implications on levels of donor aid effectiveness. The findings are also in line with the arguments by Arndt (2000) argued that the officers in the donor funds projects chain may lack the formal training in foreign aid management, budgeting and accounting. These weak skills may lead to poor understanding of the donor fund utilization.

5.4 Recommendations of the Study

As evident in the findings of this study, several factors are significantly important for the effective utilization of donor funds by NGOs working in Ethiopia: the case of ILRI Ethiopia.
The three major factors investigated by this study including managerial factors, technical factors and donor behavior have been established to impact utilization of funds. It is therefore recommended that managerial capacity of the human resource of the implementing agencies should be improved, implementers have acquire adequate technical and managerial knowledge through training and discussion with experts, foreign aid management training should be given to all bodies, implementers should understand donor expenditure protocol prior to implementing the program, implementing partners have to be incompliance with donor policy and procedure, poor leadership style by management must be improved through different learnings.
Implementing agencies should strongly coordinate at different level in making effective use of the fund and sophisticated type of data systems should be deployed to avoid data compatibility. Implementing sectors should establish full accountability, should strengthen the monitoring and evaluation system, frequently communicate with the donor to disburse the fund on time, prioritize tasks and meet deadline.

5.5. Recommended Areas of Further Research

It is hoped that the findings of this study will contribute to the existing body of knowledge and form a basis for future researchers. The following areas of further research are thus suggested: (1) Whereas the current study focused on responses from the management of the donor funded projects, future studies should focus on responses from the beneficiaries; and (2) The findings of this study should be replicated in different Non-Governmental Organizations (NGOs) to further identify and compare the determinants of donor funds utilization.

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