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Assessment of Income Generation Practices and Challenges among
NGOs operating in Addis Ababa: The case of Kolfe Keranyo and
Lideta Sub-cities

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PM)

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DECLARATION

I, the undersigned, hereby declare that this thesis is my original work and has not been Presented for any type of degree in any other university, and that all the sources of Materials used for the thesis have been acknowledged.

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This is to certify that the thesis entitled “Assessment of Income Generation Practices and Challenges among NGOs operating in Addis Ababa: The case of Kolfe Keranyo and Lideta Sub-cities, Ethiopia” submitted in partial fulfillment of the requirement for the degree of Masters with specialization in MBA in Project management.

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ABBREVIATIONS AND ACRONYMS

CSOs	Charity society Organizations
CCRDA	Consortium of Christian Relief and Development association
CSA	Charity Society Agency
CSP	Charities and Societies Proclamation 621/2009
CSS	Civil Society Sector
EECRDC	Ethiopian Evangelical Church Relief and Development Commission
EMCDW	Ethiopia Mekana Eyesus Relife and Development welfare
IGA	Income Generation Activity
INGO	International Non-governmental Organizations
MDGs	Millennium Goal Developments
MSIE	Meir top International Ethiopia
NGOs	Non-governmental Organizations
PCS	The Project Counseling Service
SOT	Shiree Operation Team
SGTP	Second Growth and Transformation Plan
TECS	Tracking Trends in Ethiopia's Civil Society
USAID	United States Agency for International Development

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ABSTRACT

As the recent practice revealed that NGOs engaging Income Generation issues are decreasingly its activities sustainably questionable. This study aimed at exploring the challenge and practice of IGA by NGOs operating in Addis Ababa. The purpose of this study is to provide the analysis Challenge of engaging in IGA by NGOs. There are 92 total populations and from this a sample of 72 respondents has been taken through purposive sampling. Data has been collected through interview, questionnaire, observation and document review. The research has taken Descriptive Survey method. The findings and analysis of this research demonstrated that the study NGOs have engaging in developing Income generation Program for sustainable its program. Despite these initiatives the NGOs activity with regard to Income Generation activities is yet at its infant stages, and still some of the key activities that demand system changes are not addressed. The problem of Income Generation activities initial startup of the IGA. The study suggests that there is for Government and NGOs sifting of the strategies engaging in generating their income as the sustainability of the organization or existing of the market. Furthermore this study analyzes the challenge of NGOs engaging in the income generation.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

An income generation activity varies from one organization and project to another. Here, we have chosen to understand income generation activities as economic activity pursued with the aim of improving the living conditions of the project area (PCS, 2000).

Income generating activities refer to activities focused on creating opportunities for communities to productively use locally available resources to develop less state dependent, more self-reliant households and communities able to care for themselves. Income generating activities focus on productively using locally available resources to the benefit of the entire community (Mabugu and Nhemachena 2013).

Expansion of income generation for NGOs' could have an important impact. Income generation can assist NGO to fill governance gaps, tackle market failures, offer potential to mobilize untapped financial, technical and human resources for development, and to seed innovative new products and processes for serving and working directly with the poor.

Development of 'commercial' revenues in order to finance non-profit NGO's can no longer be ignored. Hence, this study, which represents a first effort in Ethiopia, was launched to understand the phenomenon, assess the practical and policy issues facing NGO's and regulators, and offer advice on a suitable way forward (CCRDA, 2012).

NGO's to engage in income generating activities, the provision providing such entitlement is full of claw-backs, and puts conditions which are not warrantable. Accordingly, organizations which have the interest of engaging in income generating activities (CSA, 2011).

Within the wider global development agenda, NGO's have been identified as key stakeholders playing pivotal roles. The efforts of CSOs in the global democratization process, poverty reduction, and advancement of human rights, good governance, debt relief and good aid have been widely acknowledged. In the view of Civil Society Organizations have been broadly seen as agents for limiting authoritarian government, empowering a popular movement, reducing the atomizing and unsettling effects of market forces, enforcing political

accountability and improving the quality and inclusiveness of governance (Ateng & Abazaami, 2016).

Income Generating Activities is the productive uses of an asset for income generation give the opportunity for higher incomes, greater dignity, and a strengthened ability to cope with Shocks. However, often Income Generating Activities do not yield the expected improvement in income. This can be for many reasons it could stem from weaknesses in project design, failures in implementation, and failures by the beneficiary to make full use of the asset, or changes in the external environment. Common problems include: Low prices received from selling of products, marketing problems and inappropriate in the context beneficiaries not reinvesting in assets but many problems that are encountered are not inevitable and can be avoided if careful planning and analysis is done before the design and/or implementation (SOT, 2011).

The trend of NGO's towards engaging in income generating activities is a growing phenomenon worldwide, and part of a blurring of distinctions between public, private and civil society sectors. In Ethiopia both civil society and government are increasingly engaged in income generation to support their operations (CSO, 2009).

The government's desire for a gradual financial self-sufficiency of NGO's activities through different means of income generation is clear in both. Challenges for Ethiopian charities and societies, which are in most urgent need of raising local funds given the requirement in the Proclamation that they raise 90% of their funds from Ethiopian sources (CSO, 2009).

There is a concern that as new regulations are enforced, some NGO's will be obliged to abandon income generation activities. On the other hand, there is recognition that if the enabling environment is reformed and more NGO's income generation activities are established and generate greater profits, there is also a need to ensure that new risks do not emerge. Key among these would be that income generation activities either poses a challenge to the NGO core mission itself causing mission drift focused on the income generation activities or to the private sector (DAG ,2012).

NGO's are non-profit, voluntary citizens' groups that are organized on a local, national or level. They may be of three types, advocacy NGO's, that promote before governments or in international for the interests of groups who do not have either voice or access to do so themselves, operational NGO's, that provide goods and services to needy clients and hybrid NGO's, which perform both of the previous functions (Doh and Teegen, 2003).

1.2.Statement of the Problem

There are several major historical markers that have helped to define the way in which the NGO sector in the many countries covered by this index has evolved and developed into what it is today, including its ability to sustain itself financially (USAID, 2010).

Long-term funding is a critical challenge for NGOs. Most NGO's grapple with one-off funding sources that do not enable them to carry out sustained work over the long-term. NGO's looking to meet these challenges have to develop a funding raising strategies consisting of different sources of funds and incomes that enable it to survive on the long-term (Srinivas, 2015).

According to Srinivas (2013), one of the fund raising mechanisms is engaging in income generation activity and collects from the public with in the domestic.

According to Hailegebriel (2014), Ethiopian NGO's are overly reliant on external funding. The latter is their life line, so to speak. Significant numbers of NGO's seek funds even at the expense of their organizational cause or beneficiaries they claim to serve due to resource constraints.

NGOs are operating under a highly resource competitive environment. The challenges that NGOs encounter in engaging in income generation activity by NGO's operating in the sub-city efforts those challenge are external and internal challenges.

The challenges are particularly acute for Ethiopian charities and societies, which are in most urgent need of raising local funds given the requirement in the Proclamation that they raise 90% of their funds from Ethiopian sources (CSO, 2011).

NGOs have been involving in the income generation program for quite sometimes so in respect to the length of period that they have been in operating IGA program, they are expected to bring about change which is mainly economic. Here the researcher is interested to know the NGOs past, their present and future ensuring the fund problem of the organization.

The problem of NGOs in Income generation can be very high ; particularly if the NGO's are involved primarily in fundraising in competition with other organizations for the support of the public. Because private donation and public collection have already proved to be unreliable sources of income. On the other hand there is a problem of NGO's are confusion business and charity would distort market and private sector is competitive advantage because some of the income generation activity are smaller and apart of NGO's mission can't separately. Income generation activities therefore appeared to be the only valid alternative, but there is a concern that as new regulations is enforced.

In Ethiopia NGO's depend on external funding source to run their programs because the private sector is so weak and not delicate as to become internal funding sources for NGO's. Earlier studies like TECS and DAG (2013) were concentrated on development part of NGO project, lately there is a shift from development to income generation of the project, economically through income generating activities. They are heavily dependent on foreign aid for the implementation of their program activities because of various reasons, including the poor economy and the weakness of NGO's in local resource mobilization and constituency building and diversification of their resource bases. Few organizations were engaged in income generation activities most of them are not sustainably implement their activities, terminated or phase out their strategies and down their number of NGOs with in the sub-cities were core problems.

The aim of this study is to find out the challenge and practice of generation income by NGO's they have been engage in the income generation program for quite sometimes so in respect to the length of period that they have been in operation in the IGA program the organizations, they are expected to bring about change which is mainly fund problem and not forming comptitative business.

The show that the challenge of engaging income generation in Addis Ababa were focus on the policy practice , financial resources and fund constraints of NGOs and source of finance in NGOs.

1.3. Research Question

Basic research Questions are

1. To what extent the NGOs in the study area are generated incomes?
2. What are the Challenge affecting Income generations at the grass root level particularly in the study areas?
3. What policy intervention needs to be proposed to ensure income generation in the NGOs?

1.4. Research objectives

The general objective of this study is to assess the challenge and practice of income generation of NGO's in Kolfe Keranyo and Lideta Sub-cities Addis Ababa,

1.4.1. Specific Objective of the study

- To identify the models adopted NGO's engaged in income generation
- To identify the challenges faced by NGO's generating income.

1.5. Scope of the Study

The scope of this study focuses on the assessment of income generation operating by NGOs. It also focuses only on NGOs operating in in *Lidita and Kolfe Keranyo* sub-cities. The study considers only selected NGOs and government officials.

1.6. Limitation of the Study

The main limitation of this study is that the research is conducted only in two sub cities and the findings may not indicate the general situation in Addis Ababa and going to be done based on the opinions of the respondents, which may not be free from their individual perception and bias in spite of the researcher's efforts to get them as objective as possible.

1.7 Significance of the study

The output of this research will identify the major problem faced by the NGO's when engaged in income generation and come up with possible remedies for those problems. The finding of this research would provide information to different users such as policy planners, academicians and the NGO's at large. Specifically, to income generation promoters could use the findings of this study to improve income generation participation in all aspects by NGO's. Further, this study is initiate to generate and add some information to the existing knowledge of practice of NGO's factors that have contributions for generating their income and sustainable development or project.

1.8. Organization of the Thesis

The research is organized in to five chapters. The first chapter deals with introduction part of the research such as: Background of the study, statement of the problem, research objective and question, scope and limitation and significance of the study. Whereas chapter two tries to explore /elaborate the review of literature.

Chapter three explains about the research methodology adopted in relation to the research objectives described in Chapter One. Chapter four discusses data presentation, analysis and interpretation.

Finally the last chapter contains summary, conclusion and recommendation.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 The Concept of Civil Society and conceptual framework

As the concept of civil society is an age old one and so is the debate on its boundary, function and meaning. For classical and medieval thinkers, civil society was synonymous with the State refereeing social conflict by applying rules that restrained individuals from harming each other (Edward, 2009).Accordingly, civil society is viewed as an answer to common, societal problems caused by the modern state and capitalism where individuals act independently and collectively to solve it problem.

Civil society is a complex concept although the term is widely used, seeming at times to be “the big idea on everyone’s lips” (Edwards, 2004), there is no commonly-agreed definition in

the civil society. The notion that civil society is the arena of voluntary, unforced collective actions around shared interests, purposes and values (Merkel and Lauth, 2003).

However, is not sufficient to fully clarify its roles, especially in terms of democratization or peace building objectives. Reviewing the literature makes it clear that the roles of civil society are highly diverse, complex and, above all, contentious-“politicians and thinkers from left, right and all perspectives in between” (Edwards, 2004).

Civil society Organizations are commonly known by a variety of names, including the voluntary sector, civil society, non-government, non-state, not-for-profit organizations and charities. Its grouped Organizations into five categories: local or national NGOs, international NGOs, professional associations, civic and advocacy groups, and religious organizations (DAG, 2007).

The term ‘NGO’, has become more popular and widespread, however, the composition and nature of organizations that are now identified as NGOs have undergone much change and resulted in inconsistencies with the use of the term as it carries different connotations in different context (Lanisia Rhoden, 2014).

According to Mostashari (2005), NGOs came into use in 1945 because of the need for the UN to differentiate in its Charter between participation rights for intergovernmental specialized agencies and those for international private organizations. All types of private bodies can be recognized as NGOs.

NGOs are largely staffed by altruistic employees and volunteers working towards ideological, rather than financial, ends. Their founders are often intense, creative individuals who sometimes come up with a new product to deliver or a better way to deliver existing goods and services (Eric and Faisal, 2007).

NGOs are a part of civil society though they play an important and sometimes leading role in activating citizen participation in socio-economic development and politics and in shaping or influencing policy. Civil society is a broader concept, encompassing all organizations and

associations that exist outside the state and the market (Pasha, 2004). NGOs rapidly assumed a far greater role and profile on the landscape of development than they had previously. NGOs were celebrated by donors as being able to bring fresh solutions to complex and long-standing development problems.

The new attention given to NGOs at this time brought many far-reaching changes to development thinking and practice, as a consequence of new interest in then alternative concepts such as participation, empowerment, gender and a range of people-centered approaches. But alongside such claims and much positive change, there was a wider problem, which was that too much became expected of NGOs (Lewis and Kanji, 2009).

When NGOs were still relatively new actors, much of the debate seemed to center around their legitimacy and role in the international system. However, with NGOs now entrenched as a permanent and important actor in development, recent discussion of NGOs has begun to include more and more discussion of the concept of sustainability (Mazer, 2009).

NGOs tend to be best known for undertaking one or other of these two main forms of activity, the delivery of basic services to people in need, and organizing policy advocacy and public campaigns for change. At the same time, NGOs have also become active in a wide range of other more specialized roles such as emergency response, democracy building, conflict resolution, human rights work, cultural preservation, environmental activism, policy analysis, research and information provision (Lewis and Kanji, 2009).

NGOs can have an important role in strengthening the foundations of an emergent civil society. The issue of independence is an important one in the credibility of an NGO. It is hard for NGOs not to come under any governmental influence. Individual governments do at times try to influence the NGO community in a particular field, by establishing NGOs that promote their policies (Mostashari, 2005).

The increasing number of NGOs that have been developed over the years as well as worsening economic conditions globally, have contributed to the reduction in the amount of funding available for NGOs to serve their communities, execute projects and remain sustainably (Rhoden,2014).

2.1.2. Historical Overview NGOs around the World and in Ethiopia

The history and origins of NGOs are diverse and can be traced back to a range of complex historical, cultural and political factors in different parts of the world. All NGOs operate within a contextual matrix derived from specific locational and historic circumstances that change over time. It was perceived failures of state-led development approaches throughout the 1970s and 1980s that fuelled interest in NGOs as a development alternative, offering innovative and people-centered approaches to service delivery, advocacy and empowerment (Hulme, 2012).

When an NGO gets into business it encounters opportunities and problems not faced by other business owners. For example, the “do-good” image of an NGO may help it find donors to fund startup costs, hire professional staff at below market salaries, obtain supplies and services at discount prices, use its network of supporters to promote the business, and get free publicity from local media (Viravaidya and Hayssen, 2001).

NGOs are entering into profit-oriented businesses such as printing, garments, private universities, consultancy services, marketing cellular phones, and trading in money and bond markets. Consequently, the ideological orientations and organizational practices of the NGOs have tended to converge with those in the market economy (Fernando and Heston, 2016).

2.1.3. Historical Overview NGOs in Ethiopia and their Classification

Civil Society Organizations are important social actors that can contribute to the overall development and democratization process of any society. These contributions become more significant in developing countries like Ethiopia, where abject poverty still dominates the livelihood of the people; democratic values and system of governance are yet in their infancy (OSE, 2007).

In Ethiopia, civil society as we know it today is a recent phenomenon. The earliest predecessors of civil society organizations in Ethiopia were traditional community-based organizations such as idir, the iqub and other self-help organizations (Taye and Zewde, 2008).

When the Derg rather precipitously collapsed in 1991, civil society groups and NGOs emerging from the wreckage left behind were weak, disorganized, and without either significant resources or constituent bases. The pronounced emphasis on relief activities demonstrated by international and local NGOs as the national transition of 1991 began was

nothing other than an accurate reflection of the dire circumstances of the country during the Derg era: recurring food emergencies, involuntary displacement of large numbers of people, civil war, a totally dysfunctional economy, and massive starvation (Clark, 2000).

NGOs during the Derg regime of Mengistu Haile Mariam focused on relief operations and were largely foreign entities. Domestic NGOs in Ethiopia remain underdeveloped and somewhat misunderstood by the government, and the sector has been struggling for operating space and enhanced institutional capacity. After 1991, NGOs made remarkable progress in their number and diversity as well as in addressing the country's complex development agenda (USAID, 2010).

A new classification of NGOs has been introduced by the Charities and Societies Proclamation on the basis of source of income. Hence, the law divides NGOs into Ethiopian Charities or Societies, Ethiopian Resident Charities or Societies and Foreign Charities or Societies (CSO, 2009).

2.2. Practices of Income Generation by NGOs

External funding to NGOs in Georgia has been growing thinner every year and it will continue to decrease. Supported by the Development Program of the Czech Republic, the Social Entrepreneurship Development in Georgia and Armenia program responds to the omnipresent issue of long-term sustainability of civil society organizations in the region by targeting and developing the potential of local NGOs to generate their own resources through a wide array of business like actions and practices.

NGOs should not and cannot sit and wait for someone to come and give them money to do what they set out to do whether it is providing social services, protecting the environment or advocating improving public policies (Katarina, 2014).

Income generation varies from one organization and project to another. Here, we have chosen to understand IGA as economic activity pursued with the aim of improving the living conditions of Project area. This may be the production of goods or services including commerce or a combination of both, in rural as well as urban areas. Activities will often be group-based, though this is far from always the case (Sonderriis and Zapata, 2000).

The growing contributions that NGOs make to global economies, increased competitions from government and for-profit organizations for revenue generating activities and increased competitions among NGOs themselves for grant funding and philanthropic donations pose a major risk to the financial structures of NGOs (Rhoden, 2014).

According to the Urban Institute's National Centre for Charitable Statistics reports, there were 1,478,194 NGOs in the United States in 2006 with annual revenues of US\$1.53million. The UK on the other hand had over 169,000 general NGOs, generating a total income of £26billion, as reported by the National Council for Voluntary Organizations (Hyndman and McDonnell, 2009).

NGO gets into business it encounters opportunities and problems not faced by other business owners NGO-owned businesses are inherently less professional and efficient than their Competitors, while private banks may be biased against lending to untested NGOs Laws governing NGOs vary from country to country.

Some countries allow tax-exempt organizations to own for-profit Enterprises, other countries require that the for-profit enterprise be indirectly related to the principle work of the NGO; And in many developing countries, and laws concerning commercial earnings of NGOs may be unclear. Before starting any business venture, NGOs must first be clear about the legal ramifications of the business on their tax-exempt status. Cost allocation is another issue. The for-profit activities of an NGO will share overhead and other costs with its non-profit activities.

It is in the best interest of the NGO to allocate as much of these costs to its for-profit activities, so as to reduce the for-profits tax liability. But allocating costs to the for-profit operations however justified and in compliance with the law, may invite the unwanted scrutiny of tax authorities. In addition, when an NGO undertakes for-profit ventures, the financial records of the entire organization may be subject to public disclosure laws pertaining to business entities (Hayssen, 2001).

The capacity to innovate and implement income generating poverty reduction programmes is extremely limited in government. NGOs have a very important role to play in implementing, together with government, various income generating activities. Successful provision of

support to income generation activities requires strong partnerships between government, NGOs, beneficiaries and the private sector. South Africa Institute for Entrepreneurship is important platforms for advancing knowledge and thought leadership on income generation activities (Mabugu, 2013).

NGOs increasingly find that grants and donations are inadequate to meet current program needs, much less to expand program activities. With so many worthy causes that address genuine needs competing for the attention and generosity of the public, even wealthy donors lack the resources needed to fund every worthwhile effort. Funding Meanwhile, NGOs face rising costs for staff and other program inputs, further straining their limited budgets (Hayssen, 2001).

The overwhelming majority of both international and local NGOs depend on external funding sources to run their programs. Government and donors play major roles in supporting NGOs programs, which usually has compromised the independence and effectiveness of NGOs (Hellinger, 1987:137). The NGOs who based their funding source on governments end up with negative bearing against the poor by failing to distance themselves and compromising their impence with the government (Weston, 1994).

According to the report by ACF international (2005), the general practice to be considered when initiating a program to promote IGA should include the following:

- Protection and strengthening of livelihoods. Interventions must not put the population, their resources or livelihood mechanisms in danger, creating dependency. As was mentioned in point, it is necessary to be aware of the potential negative impacts, weigh their importance compared to positive results expected.
- Sustainability. Even in cases in which the interventions are designed to be carried out within a short time period, it is essential to think of the long-term sustainable impact of the activity. The sustainability can be increased by involving the population from the initial assessment and identification phases and collaboration with other organizations and actors present in the zone. Support for local initiatives. The social viability and sustainability of the interventions will always be stronger if the IGA supported form part of local initiatives initiating from the beneficiary communities themselves.

2.2.1. Practice of Income generation in Ethiopia

According to Batti (2014), income generation or Fundraising means that funds are elsewhere and approaches need to be explored to access the funds. Resource mobilization has additional two concepts; one is that non-financial resources are crucial and secondly some resources can be generated by the organization internally rather than sourced from others Sources for Funding or Resources.

The two sourcing of funds or resources are Conventional Individual philanthropy, Private foundations, corporate agencies, government and foreign development agencies and Non-Conventional Means Membership fees, businesses, income generating activities, Prizes/Awards; It is important for organizations to understand funding sources within categories that they have not fully explored and design mechanisms of accessing them. There are three ways to mobilize resources as follows; accessing existing resources through private and public sources, generating new wealth and capitalizing on non-financial resources (Batti, 2014).

Ethiopian Charities and Societies to expand and enhance their source of income types and amounts some of performing generating their income are Donors' Consortium, Public Shows, Volunteer Services, Fundraising Dinner, Donation Boxes and Newspaper Calls for Donations. The trend of NGOs towards engaging in income generating activities is a growing phenomenon worldwide, and part of a blurring of distinctions between public, private and civil society sectors. In Ethiopia both NGOs and government are increasingly engaged in income generation to support their operation (DAG, 2007).

2.3. Policies and Practices of Income Generation in Ethiopia

The independent and Non-Profit Service Centers are also NGOs by nature but have no direct engagement in developing certain projects whether social, economic, and environmental or any other. The Centers support and improve the NGOs activities by promoting public understanding of cooperation and development, and by helping NGOs succeed in raising funds and development projects cycle (Hailu,2003).

NGOs began evolving as influential actors at a time when developing countries were progressively implementing market-oriented economic reforms. In recent years, however, there is much evidence that the boundaries between the for-profit sector and the non-profit

sector are becoming blurred. Successes of income-generation projects such as micro-credit programs depend on the competitiveness of the products in the market that they finance (Fernando and Heston, 2016).

The growing contributions that NGOs make to global economies, increased competitions from government and for-profit organizations for revenue generating activities and increased competitions among NGOs themselves for grant funding and philanthropic donations pose a major risk to the financial structures of NGOs (Rhoden, 2014).

The independence of NGOs is whether they come under governmental influence. Individual governments do at times try to influence the NGO community in a particular field, by establishing NGOs that promote their policies and NGOs may find it very difficult to act independently and they may not receive acknowledgment from other political actors even when they are acting independently (Willetts, 2016).

NGOs have been converting their activities into small-scale banks with the object of providing a fuller range of financial services to their clients, as well as increasing the share of local savings in their on-lending portfolio In Ethiopia, the policy environment was altered by Proclamation (Coyle,2001).

According to Belshaw (2001) In Ethiopia, the policy environment was altered by Proclamation No. 40 of 1996. This prohibited NGOs from engaging directly in micro-finance activity; the objective is to encourage locally owned business companies, cooperatives or parastatals to undertake this activity rather than allowing NGOs to monopolies it. This objective is understandable, although the interests of private business firms, on the one hand, and poor loanees and depositors on the other, may diverge more widely than when NGOs were involved.

There is a strong evidence of weakness among NGOs in generating income from within for the purpose of financing their programs. Primarily, the number of NGOs engaged in Income Generating Activities is insignificant. Secondly, only few have been successful in undertaking IGA.

As one study indicated, while “many experienced NGOs claim that their IGAs have not been profitable and that they have been encountering multiple challenges despite their access to foreign funds, one could imagine how difficult it could be for many newly formed Ethiopian charities and societies” (Deko, 2012).

NGOs to engage in income generating activities, the provision providing such entitlement is full of claw-backs, and puts conditions which are not warrantable. Accordingly, organizations which have the interest of engaging in income generating activities must get permission from the charity society agency, the activity should be incidental to the achievement of their purposes, just like any other business organization they are subject to the requirements and Procedures of any other laws concerning the registration and licensing requirements for activities related to trade, investment or any profit making activities.

Hence, in order to get a permission to engage in income generation activities, your organization would need to show that,

a) The income derived from the activity will be used to further the objectives of the NGOs, and

b) The income generating activity is related/similar to the objectives of the organization. Hence, if a NGO which is established to provide education to the poor could be allowed to open a private school and generate income there from. It can't, however, run a clinic or a shop for the purpose of income generation (Taskforce, 2011).

2.4. Challenges of NGOs in Income Generation

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

Worlds NGOs, most share a common dilemma Lack of funds limits the quantity and/ or quality of the important work they do. Unlimited needs chasing limited resources are a fundamental fact of economic life in rich countries and in poor countries (Viravaidya and Hayssen, 2001).

Financial sustainability of microcredit operations has led to shrinking dependence on external assistance for the typical NGO. While the volume of external assistance to NGOs has grown in absolute terms over the past decade, the relative importance of donor resources has declined as microcredit interest income has grown rapidly (WB, 2006).

As income is defined as the output of activities it measures both cash and in-kind contributions. All the goods and services produced in activities are valued at market producer prices regardless of their use. So, all own-farm products are valued at the same price as if they were sold (Ellis, 2000). Better endowed institutions (mostly faith-based organizations, foreign charities, etc.), which provide educational and health services for fees and ethnic development associations are relatively active in income generation.

However, the now highly regulated NGOs are experiencing a variety of constraints discussed later in detail. Many charities and societies are encountering formidable challenges in launching and sustaining IGAs for financial, manpower, infrastructural, technical, and regulatory reasons (Deko, 2012).

The regulations are generally grounded in a sound rationale that seeks to ensure that IGA does not undermine the core operations of NGOs and that they do not compete with the private sector. However, some aspects of the regulations pose unintended and formidable challenges for NGOs (TECS, 2012). All private companies face pressure to be good corporate citizens. For NGO's this pressure is particularly strong, and rightly so. NGOs must make special efforts to be socially responsible in their business affairs. They must offer good wages and benefits, ensure worker safety and protect the environment, etc..(Viravaidya and Hayssen, 2001).

There are clearly different perspectives on sustainability and what it means in practice. Any analysis of sustainability need to acknowledge the diversity of these perspectives, but also the way that they complement each other and should not be viewed in isolation. For some, sustainability is concerned with financial viability or long-term economic growth.

A small number of development NGO's generate a proportion of their income from enterprises or commercial ventures that they own and run (Hailey, 2014). The existing financial resources for the project implementation can be used to fund the main part of the activities, such as the necessary productive goods, the continual transfer of money or goods can lead to the creation of dependency. The promotion and support of income generation activity should include consideration of possible distinct methods for the financing of the goods and materials required for the activities as well as the services needed for the continued development of the income generation activity (FSLs, 2009).

The uncertain continuity of donor funding, forces an NGO to live a project to project existence, which makes it difficult to design and expand project activities to improve the quality of services. However the common mistake that local NGO's make is to become over dependent on a single source of funding. When that source reduces or dries up the organization struggles to generate new funding when it is too late, hence programs are compromised or terminated. Therefore, the task facing NGO's currently and in the future is and will be to explore additional mechanisms to boost financial stability without sacrificing the mission of their organizations (Batti, 2014).

As it was mentioned above they have been promoting NGO's for challenging their resources and getting of the initial investment for operating IGAs. Consequently, recent days much more NGOs are coming up to development arenas and the development fund channeled through these institutions has shown progress. Today in the eyes of many donors and recipients, and even many democratic theorists, the idea that NGO's is always a positive force for democracy and development.

The great majority of NGO's, both large and small, depend on the gift economy to maintain their work. They are financed by a range of gifts and voluntary donations. Such gift-based funding strategies, if successful and embedded in the work of the organization, can be effective and sustainable in terms of ensuring predictable unrestricted income (Hailey, 2014).

NGO's are operating under a highly resource competitive environment. The challenges that NGO's encounter in engaging in income generation activity by NGO's operating in the sub-city efforts those challenge are external and internal challenges.

Changing many at times NGO's face dictation of priorities from donors hence organizations shift focus or are not eligible to apply for the funds as they are not meeting the donor priorities (Parks, 2008). Noted that an NGO faced shortfalls when the major bilateral donors were shifting priorities towards economic development and others outside the traditional scope of the organization.

Donor's preferences have continued to change and they have become increasingly selective. One notes that different donors apply different conditions on aid, for example specify projects that can be supported within their budget, working in partnership or collaboration with others, geographic cover, sector and a properly constituted organization (IRIN, 2011).

Government policies and political climate increase bureaucratic red tape for NGO's mobilizing resources externally. Where there is political instability donors will either not release funds or they reduce or enforce stringent measures.

In the Same Sector Duplication of resources is seen in the activities of some NGO's. For example where there are about ten or more NGO's within the same geographical area and all offer the same services at the expense of other areas that require equal attention. This raises competition among the NGO's instead of cooperation and unfortunately at times these are not the areas where the donors what to focus on (Kapyepye, 2013).

There is significant capacity limitation among indigenous NGO's in terms of human resource and due to having insufficient staff then to pursuing appropriate funding or resources remains elusive to many (C. Batti, 2014).

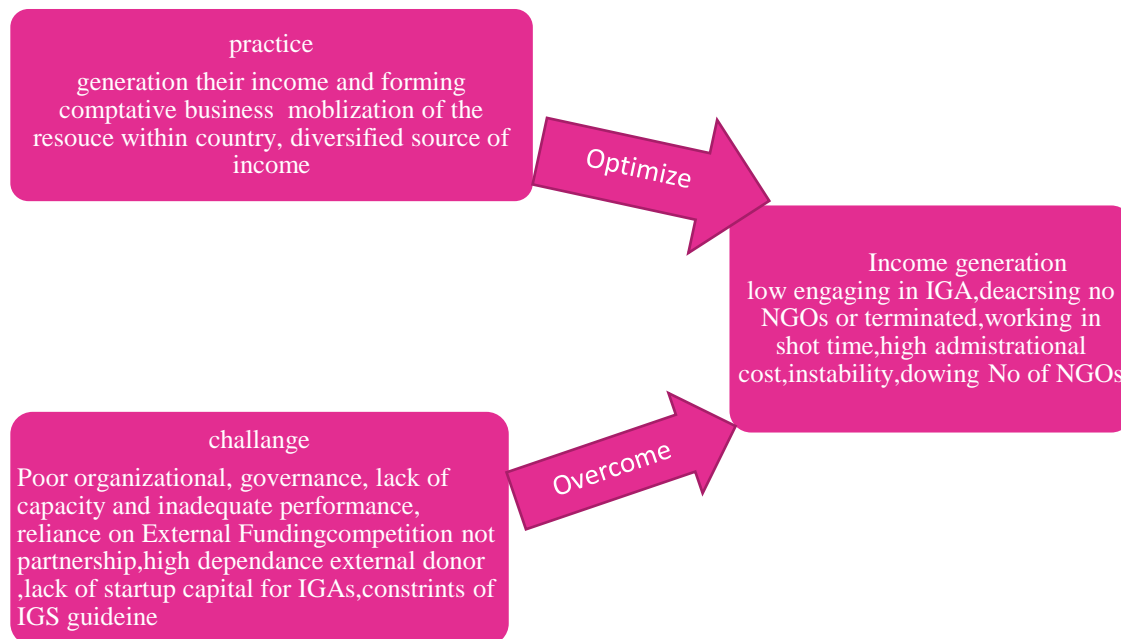
2.4.1. Source Income of NGOs in Ethiopia

According to ChSA Law (2011), there are three types of sources of Finance. These are resources generated by one's own effort, by others' effort and non-financial resources. However, in determining the source of the income of the organization, it should take into account different factors. A source which is acceptable to one organization may not work for another organization. Therefore, the organization has to examine whether a given resource is compatible with its objectives and values as well as the legality of the resource. Some of the major resources: Membership fee, Donors' fund , Earned income, e.g., sales, tenders ,Community, e.g., by organizing public events ,Investment and Careful utilization of finance.

Conceptual Framework of the Study

Considering the multiple dimensions in NGO's assessments, Challenge and practice for ensuring the financial sustainability of primary objectives, in the context of the prevailing factors challenge and practice the organization, and based on previous researches on related topic, the researcher has framed the following conceptual framework to guide this study.

Conceptual Framework for the Study



CHAPTER THREE

RESEARCH METHDODOLOGY

3.1 Research Approach and Design

As described in the previous sections, this study is aimed at examining the practice and challenges related to financial sustainability of NGOs and hence mainly an descriptive type of research. At the same time it also describes the practices and challenges of with regards to operating IGA by NGOs.

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

also described the understanding and use of strategic approach to address financial fund rising constraints.

Research approach is plans and the procedures for research that span the steps from broad assumptions to detailed methods of data collection, analysis, and interpretation. This plan involves several decisions, and they need not be taken in the order in which they make sense to me and the order of their presentation here. The overall decision involves which approach should be used to study a topic. Informing this decision should be the philosophical assumptions the researcher brings to the study; procedures of inquiry and specific research methods of data collection, analysis, and interpretation (Creswell, 2014).

The selection of a research approach is also based on the nature of the research problem or issue being addressed, the researchers' personal experiences, and the audiences for the study. Thus, research approaches, research designs, and research methods are three key terms that represent a perspective about research that presents information in a successive way from broad constructions of research to the narrow procedures of method (Creswell, 2013). This research is to assess the challenge and practice income generation activities by NGOs operating in Kolfe Keranyo and Lideta sub-city, Addis Ababa.

The research objective is to assess the Assessment of Income Generation practice and Challenges among NGOs operating in Addis Ababa. To conduct this research the researcher used interview approach. In order to achieve the objective of the research it Employed both primary and secondary, qualitative and quantitative data were approached and collected.

This research has taken descriptive research design since it is an appropriate design to describe NGOs the income generation challenges and practices.

The methodology explains about research methods uses, target population, sample design and procedure. The data collection tools/ instrument, sources of data, data collection procedures, the methods of data analysis uses, reliability test and statistical treatments of data will also be explains in detail.

3.2. Data Sources and Data Collection Methods

In this research, there are 7 variable of the challenge and practice of income generation by NGOs operating in Kolfe Keranyo and Ledeta Sub-city. They are academic aspects, non-academic aspects, design, delivery and assessment, group size, program issues, reputation and access. Sectors of NGO operation, Reasons for choosing NGO category, Source of funding, IGA experiences of NGO's, Financing initial investment of IGAs, Cash flow from IGAs to operation costs, Management of IGAs, Preparation of business plan and future prospects, Major business challenges, Competition, Business opportunities, Profitability and taxation, Separating IGA activity from charity work, Relationship between NGOs mission and income generation activities, Distribution of proceeds to members/beneficiaries, Exclusively charitable.

Both quantitative and qualitative data were collected for this study. Quantitative research is based on the measurement of quantity or amount. It is applicable to phenomena that can be expressed in terms of quantity (Kothari, 1999). The data for the quantitative data collection method is collect using survey questionnaire prepared by addressing all-important variables. A close ended self-administered questionnaire was prepared in English.

Qualitative approach to research is concerned with subjective assessment of attitudes, opinions and behavior. Research in such a situation is a function of researcher's insights and impressions. Such an approach to research generates results either in non-quantitative form or in the form which are not subjected to rigorous quantitative analysis (Kothari, 1999). Qualitative research also requires flexibility during the analysis phase as well, with procedures developing in response to the ongoing analysis (Elliott and Timulak, 2005). In this study, qualitative data were collected using key informants interview and personal observation. The interview is conduct for the government Officials working with the NGO, NGOs leaders and workers. The questions for the questionnaire are present in statement form to show the respondent's attitude from the explanation and yes or No for the government offices working with NGO's. The questionnaire provided for the NGO leaders and workers sought their attitude by putting in a scale from very poor to excellent.

In terms of data sources, both primary and secondary data sources were explored. Primary data are new data specifically collected in a current research questioner from the relevant government body and NGO's repetitive. In this research the researcher collected primary data

through questionnaire and interviews relevant government institution to identify the models, opportunities, practice and challenges faced by NGO's engaged in income generating activities. The researcher collected the data by distributing hard copy questionnaires. Secondary data are existing data but that can be used in the current Addis Ababa Finance and Economy Development Bureau and Lideta and Kolfe Keanyo Sub-cities Finance and Development Office.

In this study, document review served as secondary data source. It focused on the examination of the Ethiopian Charities and Societies Proclamation and other relevant documents and explored international experiences and best practices from the general literature.

3.4. Population and Sampling Technique

In the city of Addis Ababa there are 322 local and international NGOs that are licensed to operate. There are about 54 and 42 registered NGOs in Kolfe Keranyo and Lideta sub-city operating in the two sub-cities respectively. From this number 8 NGOs generated their income, 96 NGOs are working in study areas of education and training, children support program, women capacity building and economic empowerment and youth and development. Purposive sampling has been applied for this research method to select the study area. As well as the Why to select the two sub-cities, the reasons are

- ✚ Low infrastructure development of the area because of it is an expansion of the city area.
- ✚ Socio cultural factors & socio economic status and poverty level of the sub cities are high
- ✚ High number of NGO's to participate in this research area.
- ✚ Hotspot and poor living condition of the research area.

- ✚ High population density because the people migrate from rural area
- ✚ Decreasing income generation activities by NGO's (Source: unpublished sub city Annual report)

From above listed problem have an area and all NGO's gap filer of the community and the selection has been done by the information acquired from the City Administration finance and Economy development Bureau, Kolfe Keranyo and Lideta sub-city Finance and Economic development Office and CShA.

3.4.1. Respondents and Sample Size

Manipulate is the sample size. Hence, the usual point of view is that the sample size is the determined function of variability, statistical method, power and difference sought. In practice, however, there is a (usually undesirable) tendency to 'adjust' other factors, in particular the difference sought and sometimes the power, in the light of 'practical' requirements for sample size (Twain and Finn,2007).

The target population is a total group of people/organization from whom the researcher may obtain information to meet the research objectives. So, the target population is the NGOs Organization in Kolfe Keranyo and Lideta Sub-city.

In sampling analysis the most important question is, what should be the size of the sample or how large or small should be 'n'? If the sample size ('n') is too small, it may not serve to achieve the objectives and if it is too large, we may incur huge cost and waste resources. As a general rule, one can say that the sample must be of an optimum size i.e., it should neither be excessively large nor too small. Technically, the sample size should be large enough to give a confidence interval of desired width and as such the size of the sample must be chosen by some logical process before sample is taken from the universe (Kothari, 1999).

Suppose I want to be able to estimate unknown parameter with a certain degree of precision. What I was essentially saying is that confidence interval to be a certain width. In general a population 96 and 95% confidence interval is given by the formula

$$n = \frac{N}{1+N(e)^2} \quad \rightarrow \quad n = \frac{96}{1+96(0.05)^2} = 77$$

Where N =Population, n =sample size and e =standard error

The research sample size 77 respondents will participate in government official, Ethiopian residence charity society and Ethiopian charity society repetitive.

3.4.3. Sampling Methods

The main objective of this research is to Assessment of the relationship between the Income generation and NGOs in Addis Ababa; it should relate to all NGO's in Kolfe Keranyo and Lideta sub-city, Addis Ababa will be taken in to sample survey. A non-probability convenience sample will be chosen for the survey in this research.

3.5. Data Analysis

The data have to be processed and analyzed in accordance with the outline laid down for the purpose at the time of developing the research plan. This is essential for a scientific study and for ensuring that we have all relevant data for making contemplated comparisons and analysis. Technically speaking, processing implies editing, coding, classification and tabulation of collected data so that they are amenable to analysis (Kothari, 1999).

As the research is qualitative and quantitative in its nature, a mixture of qualitative and quantitative data analysis tools were for the interview, an interview summary form was prepared. The researcher completed the summary form immediately after each interview to avoid any errors and to capture the ideas fresh.

The qualitative and quantitative of data analysis is important to analysis the demography of the sample in the study area in terms of position within the organization, work experience and sex ratio ...etc. of the respondents and overall population. To this end, the descriptive methods of statistical analysis like percentage and frequency appropriate are among the tool used.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1. Introduction

This study was conducted to assess the challenge and practice of income generation by NGO's operating in Kolfe Keranyo and Lideta Sub-cities. The primary data were collected from NGO's and distributed to 77; out respondents of this 73 questionnaires were returned making the response rate at 94.8%. This chapter deals with result and discussion. The first section deals with the characteristics of the respondents to have a clear description of the distribution of the respondents for the research.

Section two deals with result and discussion of the study with the analysis of responses from the program staff and the government informants.

4.2. Characteristics of the Sample Respondents

The questionnaire has a section that needs to have a response of the characteristics of the respondents. The respondents who are from the manager, program staffs as well as from the

government staff, participated in the questionnaire. Organization name, position, Sex, and experience, has been analyzed.

Table 4:1 brief profile of the respondents

No		Frequency	%
1	Sex distribution of the respondents		
	a)Male	46	63
	b)Female	27	37
2	Classification of respondents based on their position		
	a)General Manager	45	61.6
	b)Finance and grant manager	19	26.0
	c)Income generation coordinator	9	12.3
3	Working service of within the organization		
	a)Less than 1 Year	3	4.1
	b)1-3 years	20	27.4
	c)3-5 years	19	26.0
	d)Above 5 year	31	42.5

Source:
Survey
data
(2016)

Majority
of the
respondents
were
male
compared

d to the percentage of female participants 27 (37%) versus 46 (63%) male from the total number of 73 respondents, 45 (61.6%) where in General Manager,19 (26%), and of them are in Finance and Grant Manager the rest 9(12.3%) are IGA Coordinator. 31 (42.5%) of them are above 5 year of work experience, 19 (26 %) of the rest are 3-5 years, 20(24.7%) of them are 1-5 of work experience.

4.3. Practices of Income Generation by NGOs in the Study area.

In this section, first an attempt is made to see the distribution of NGOs in terms of their date of establishment so as to examine the proportion of NGOs that were established after the proclamation that allowed generation of income through different activities.

Table 4:2 practice of income generation activity.

No		Frequency	%
1	Types of income generation practice		
	a) Membership fee and Earned income	3	4.16
	b) Donors' fund and investment	62	86.1
	c) engaging in IGA	7	9.7
2	Does contribute the organization of IGA for the		
	a) Yes	12	16.4
	b) No	61	83.6
3	If yes what amount of to support the fund related operation?		
	a) 10%	6	8.2
	b) 20%	1	1.4
	c) Other	66	90.4

Source: survey and ABA OF ED (2016)

86.1% of the respondents replied the source of the income of NGOs was Donors' fund and investment and 9.7 % generating their income in different business. Out of those 8.2% NGOs 10% of the total budget to contribute the charity purpose. The response replied most of them are Decreasing year to a year of their income because it's not established competitive business. NGO's are decreasing engaged in income generation to support their operations.

Table 4:3 Classifications of NGO's

No		Frequency	%
1	Date of establishment the organization		
	a)Before proclamation	32	43.8

	b)After proclamation	41	56.2
2	Classification of NGO's in Ethiopian context		
	a) Ethiopian Charity society	16	21.9
	b) Ethiopian resident charity society	48	65.8
	c) Foreign Charity	9	12.3

Source: Survey data (2016)

It was also tried to classify the proportion of NGOs in terms of types. The result indicated that there is registration before proclamation and re-registered NGO's 32 respondents or 43.8% and 41 or 56.2% respectively. Respondents rated registered after proclamation and a brief profile of the interviewed Charities and Societies categorization indicate are 9 respondents or 12.3% foreign NGO's ,48 respondents or 65.8% these organizations were selected Ethiopian Resident Charities and Societies organization, and the rest rated 16 respondents or 21.9% Ethiopian Charities organization.

Table 4:4 Experiences of NGOs in Income Generation

No		Frequency	%
1	How is income generation activity by your organization?		
	a) Easy	32	43.8
	b) Difficult	41	56.2
	c) Very difficult	0	0

2	Who is responsible to undertaken the income generation activity in your organization?		
	a) Staff	51	69.9
	b) Program Manager	22	30.1
3	Did engage in income generation activity in your Organization?		
	a) Yes	8	11
	b) No	65	89

Source: Survey data (2016)

The study reveals that 8 of the 73 NGO's are engaged in different types of institutional IGAs such as service provision (schools and clinic), production of goods (e.g., carpentry, metal work etc.). The majority of organizations (7 out of 8 NGOs) were engaged in the service delivery sector, while the production of goods was mentioned by 8 and 1 NGOs respectively.

Three of the 8 NGO's running IGAs (37.5%) are not fairly well established foreign charities and religious organizations with many years of IGA experiences. 12.5% of engaging the IGA Ethiopian charity society. The practice of income generation activities operated was in average 10% contribute to for the charities work.

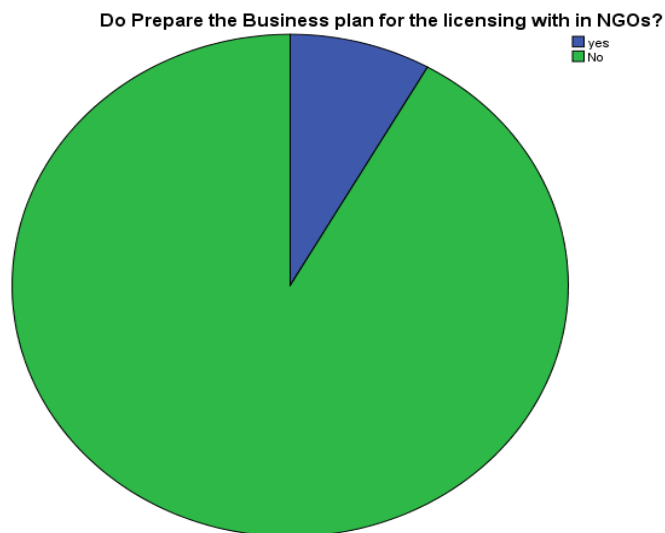
Table 4:5 Future Plan of income generation activities by NGO's:

N o		Frequency	%
1	Does your organization has the plan to engage in		
	a)Yes	3	4.1
	b)NO	70	95.9
2	If no what are the		
	a)Initial startup capital for the business/Funding	60	82.2
	b) Due to policy and its	13	17.8

Source: Survey data (2016)

NGOs secured their initial capital for their IGAs from different sources. Currently engaged in IGAs used foreign funds to start their IGAs. This is followed by 3 respondent or 4.1% that contributed their own funds to the start-up capital and the rest 70 respondent or 95.9% challenging to get startup capital for the organizational business/IGA.

Pie-Chart 4:1 Preparation of business plan and future prospects



Source: Survey data (2016)

Respondents were asked whether their respective NGO's have prepared business plans, undertaken market assessment, and planned to expand their IGAs. Six of the 73 NGO's (8%) with IGAs have to prepared business plans largely by their own staff, outsourcing and with help of volunteers.

Table4:6 Separating Income Generation activities from NGOs/Charity work:

No		Frequency	%
1	Do believe NGOs and IGA separately the core mission?		
	a)Yes	44	60.3
	b)No	29	39.7
2	What is the Source of finance in NGOs?		
	a) Funding from foreigner & public	67	93
	b) Engaging business	5	7
	c) Government	0	0

Source: Survey data (2016) 93% of NGOs's

sources of finance were got foreign funded and collected from public with in its member ship.

Table 4:7 Income generation activity guidelines and practice:

No		Frequency	%
1	Do you got IGA permission from CShA and relevant government body?		
	a)Yes	5	6.8
	b)No	68	93.2

2	Current practices of IGA by the organization implement properly?		
	a) Yes	31	42.5
	b) No	29	39.7
	c) other	13	17.8
3	Do you agree that the proclamation no 621/2009 brought opportunity to engage in IGA?		
	a)Yes	49	67.1
	b)No	24	32.9
4	Do you agree the practice of IGA guideline well implementing of your organization?		
	a)Yes	53	72.6
	b)No	20	27.4
5	The procedures and criteria for IGA registration are available, clear and straight forward?		
	a)Yes	23	31.5
	b)No	13	17.8
	c)Other	37	50.7
6	Do you believe that R-registration of NGO's and IGA licenses should be conducted by in independent body?		
	a)Yes	15	20.5
	b) No	32	43.8
	c)Other	26	35.6

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a (2016)

From the table above it is possible to see the response 93.7% of NGO's can't got IGA from relevant government body and its practice not good. IGA have to be held separately from the main of the NGO's, as mentioned above.

4.4 Challenges of NGOs to engage in Income Generation activities

Table 4:8 Major Challenges faced by NGOs to engage in Income Generation activities in the Lideta and Kolfe Kernyo Sub-cities:

		Frequency	%
1	What are the challenges to engage in IGA?		
	a)Due to the provision of startup engaging in income generation fund problem	60	82.2
	b)Due to the IGA guideline policy challenge and practice	13	17.8
2	Does contribute the organization of IGA for the primary mission operational cost for related operation?		
	a)Yes	12	16.4
	b)No	61	83.6
3	If yes what amount of to support the fund related operation?		
	a)10%	6	8.2
	b)20%	1	1.4
	c)other	66	90.4

Source

: Survey data (2016)

NGO's engaged income generation activities were asked whether they encountered challenges in running their activities. Some 8 of the 73 or 10.5% of the organizations indicated the

presence of multiple challenges in running their IGA's. 60 respondent or 82.2% of can't engage shortage of funds for investment and running costs and 5 respondent or 6.8% are due to the understanding about practice of guideline. And stated the reason of the dependence on donors, and competition with the private sector as major obstacles. 82.2% of respondents ranked shortage of finance for initial investment.

Still challenging of the practice IGA NGOs of operated in the two sub-cities because 8.2% the annual budget of the organization to contribute for charities purpose and 90% of the respondents was replied not engage IGA because of the challenge of initial investment.

CHAPTER FIVE

SUMMARY, CONCLUSION & RECOMMENDATION

5.1 Summary

This chapter has presented the research finding from the primary and secondary data, backed up by the relevant data. The result of the research has summarized the findings from the interviews as follows.

In Ethiopia the private sector is as weak and delicate as to become internal funding sources for NGO's, as is the case in Kolfe Keranyo and Lideita Sub-cities during the interview, the researcher found that most of the respondents had given similar answers as to the challenge of income generation practice operating in Addis Ababa.

NGO's are expressing difficulty in finding sufficient, appropriate and continuous funding for their work. They find accessing donors as challenging as dealing with their funding conditions for initial startup of the business. They perceive there to be certain lobby of individuals and NGO's that control access to donor funds. They have limited resource mobilization skills and are often not looking for funds that are available locally, preferring to wait for international donors to approach them.

There is a high dependency of donors and a tendency to shift interventions to match donor priorities. There is a lack of financial for starting income generation, project and organizational sustainability on the other hand there is a problem of separation or legal entity income generation activity/business of the organization, poor governance of the IGA and can't implement properly the guideline.

Key findings on the regulatory side include the fact that many NGO's IGAs represent part and section of the charity work and cannot be separated. Efforts to separate the IGA from the main mission or requirements to register all business-like charity activities as IGAs may cause complication and disruption of the charitable activities.

NGO's were the presence of multiple challenges. Many listed shortage of funds for investment and running costs and shortage of manpower and the practice of the policy for Ethiopian charity society is an obstacle for interring of income generation activity.

5.2. Discussion of the result /key finding

Experiences of NGOs in Income Generation

Income generation diversification represented an economic strategy to maximize income and minimize risks of loss. According to key informants, some charities and church-related/on phase-based organizations engaged in different IGAs to reduce complete reliance on foreign funds and as holdup strategies to ensure sustainability. Still other charities and societies viewed IGAs as an inseparable part of their missions. One of the programmatic areas is provision of essential services (e.g., education, health care, etc.) and the services are given in the schools and medical centers that also serve non-target groups, who pay service charges. NGOs are sold to the public for reasonable prices

Future Plan of income generation activities by NGO's

In most cases, only the established Ethiopian resident charities could reserve of their income for income generating activities. an IGA with their own fund was not easy option for the newly established Ethiopian charities and societies.

It was an option for older organizations that registered as Ethiopian Charity Society and used their resources accumulated in the pre- Proclamation. None of the Ethiopian charities and societies launched IGAs with funds from their members, private donation, or public collection - the local sources of fund the Ethiopian Charity Society was supposed to mobilize.

Preparation of business plan and future prospects

Representatives three of NGO's stated that that their staff took part in the preparation of their business plans. Only three NGO's (all Ethiopian charities and societies) hired qualified professionals/outsourcing of the task to accomplish the task for them, and Two Organizations used volunteers. All the Ethiopian charities and societies included in the sample required the help of volunteers.

The remaining 65 NGO's did not prepare separate business plans for their IGAs due to lack of capacity. Key informants indicated that preparation of business could be difficult for organizations without sufficient funds and qualified staff.

Separating Income Generation activities from NGOs

Income Generation Guidelines No. 7/2004 state that the administration and the expenses of the charity work and the IGAs must be separated.

According to government, an IGA, as a business activity must be governed by the trade law of the country, not by NGO's law. Officials are concerned that the confusion of business and charity would misrepresent the market and put the private sector in a competitive disadvantage.

Two perspectives have been stated by informants on two matters: the separation versus merger of charity works and IGAs, and whether NGOs should charge fees for services. Some informants in Kolfe Keranyo sub-city (mainly government officials) noted that NGOs receiving foreign funds in the name of certain beneficiaries should not be allowed to charge for their products/services or they should charge only the minimum amount. Advocates of this argument support the view that charity works and IGAs must be separated.

Another related requirement of the Proclamation and the Guidelines is that IGAs must be approved by the Agency and the NGOs should secure business licenses for their IGAs. The study reveals that 2 of the 73 within Lideta and Kolfe Keranyo sub-cities operating NGO's engaged in IGAs have not secured the approval of the Agency for a number of reasons.

The informant stated that his organization decided not to apply for the charity works and the IGA are not separable. A few NGO's indicated that they are preparing to apply for the approval to avoid legal trouble.

Income generation activity guidelines and practice

A major challenge for NGO's is to ensure that their main IGA correspond to the rules set out in a separate guideline. Guideline for the Implementation and Determination of Administrative Expenses, No 2/2003 - which sets out that no more than 30% of expenditure, should be devoted to administrative costs, while at least 70% of expenditure should cover operational costs.

It is not clear whether or how the income and expenditure for the IGA are included in the calculation of the 30%:70% divided. The 30%:70% fragmented is essentially an expenditure rule and rather than a division of income rule. The income generated through IGA has to be transferred to contribute to a NGO's core operation and not utilized for the administrative expenditure.

Challenges of NGOs to engage in Income Generation activities

Given the lack of fundraising opportunities inside Ethiopia, most organizations rely on foreign sources of funding. Therefore, by cutting off the sources of funding for local Ethiopian NGO's, the practice and challenges would result in the closing down of many local and prominent organizations.

NGO's depending on their interest and future. Some argued that the proclamation was basically meant to enable the Ethiopian charities and societies to generate 90 percent of their budget, as they are not allowed to receive more than 10 percent of their funds from foreign sources.

Others thought that the proclamation was also meant to reduce the dependence of Ethiopian resident charities and societies on foreign assistance and cover the way for eventual self-reliance and sustainability. However, some NGO representatives expressed their worries that the Charities Society agency may deny their rights to engage in IGAs on the grounds that they have access to foreign funds.

Generally, The Charity society proclamation 2009 is the amount of funds that NGO's can raise as well as the activities that NGO's can be involved in using those funds. Some of the challenges mentioned in this regard were lack of awareness in the Ethiopian business community, lack of experience and knowledge to mobilize local resources, lack of local donor support in the areas where foreign funds are restricted.

5.3 Conclusion

NGO's income generation activity is within the sub-cities wasn't growing phenomenon among many parts of the research area. Because three of the business of NGO's were terminated at the year of 2007-2008 E.C. Thus far, especially with the economic crisis in the Funders countries and provision of the service relatively profit making organization was weak. Therefore, it is important for NGO's to diversify and secure their sources of funding by embracing income generation.

The key findings from the challenges and practice assessment were that while some lessons can be learnt from developed and developing countries, the context in Ethiopia is significantly diverse to value a different and essentially more flexible approach to practice making and identifying the key challenging at this stage. That is certain lessons should alert policy makers to risks which could emerge in the medium term, including the risks that NGO's compete with the private sector or that they lose sight of their core missions.

From the finding NGO's engaging in income generation contribute the organization for the primary mission operational cost was weak.

The current approach to rule making on IGA among NGOs in Addis Ababa is reflected in Proclamation no. 621/2009 and Guideline no. 7/2004. Proclamation No. 621/2009 aimed at facilitating and responsible of acting the role of NGO's in the City of Administration in the overall development of the Community. The IGA provision constitutes a key survival strategy for NGO's, which can only gain 10 per cent of their funds from foreign sources. However,

some of the provisions in the Proclamation and IGA Guideline appear to delay rather than facilitate meaningful NGO engagement in income generation activities.

The key findings from the data collected from of 73 NGO's were analyzed according to assess challenge and practice of income generation, the practice and challenge of engaging in income generation with in organizational and management aspects and regulatory aspects. The overall picture arising from the findings suggests that income generation is extremely challenging for any NGO's and especially for those Ethiopian charities and societies most in need of this income as a local source of funds - despite the best efforts of many organizations to develop and grow IGA.

10.95% of the from 73 NGO's surveyed were engaging in IGA within the two sub-cities, and most of them were working in the service sector. Most significantly, 3 of the 8 IGAs were carried out by well-established foreign the rest 5 are religious based/phased-based NGO's, with many years' experience of IGA, 8 NGO's secured their initial capital through foreign funds. Clearly, this is not an option for Ethiopian charities and societies at present.

Income generation appear to be well managed by NGO's. NGO's prepare separate financial statements and audit their IGAs as part of their overall activities. 9 of the 73 NGO's with IGAs have prepared business plans and 8 have engaged.

Ten have plans to start and expand their IGAs, but it is not clear whether they will be able to access further foreign funds, while the Ethiopian charities and societies are unable to access foreign funds to a large extent.

The provision which requires a direct relationship between IGAs and the NGO's primary mission, places NGO's which cannot produce marketable goods and services in a disadvantaged position and this is a particular challenge for the target group, Ethiopian charities and societies.

Many of the Ethiopian charities are working in areas of governance, democracy and rights rather than service provision, which mean that those NGO's most reliant on income generation, are least likely to be able to comply with this regulation. Even city administration government officials interviewed were concerned about this provision and expressed the view

that government regulation should focus on ensuring responsible use of income from IGAs, rather than on limiting the spheres of IGA engagement.

Contribution of IGA for the primary mission

8.2% of the respondent 10% and 1.4% of respondent 20% to contribute to the business for primary missions respectively the rest 90.4% was not engaging in income generation.

Relationship of each other

Poor relationship of each other and relevant government body because it is the cause of duplication of efforts, conflicting strategies at community level, a lack of learning from experience and an inability of NGO's to address local structural causes of limitation resource mobilization within the domestic and limited engagement of business type/classification . They receive almost no literature on development issues and are generally out of touch with issues of global, regional and national importance.

Organizational and Educational status

NGO's recognize that many of them have limited technical and organizational capacity. Few NGO's are able manage the IGAs. Weak capacity was identified in fundraising, governance, technical areas of IGA, it can't identify the business idea easily and management.

5.4 Recommendation

As it is presented in the NGO's profile, most NGO's were getting their fund from few sources of which the majority are foreign sources. NGO's should plan on the sustainability of their projects by asking funds from different sources. Strengthening local private partnership and local resource mobilization is crucial.

In line with that, by building the local capacity they have to work on avoiding dependency mentality. NGO's should involve in income generation activities, like MISE and EMCRW, EECD in this regard. They have also need to expand their donor base within domestic. To have income generation scheme helps to minimize total dependence on foreign funds. NGO's should conduct baseline survey, identification and analyzing to clearly understand the local context, to improve their service and to clearly report their performance.

Working closely and in collaboration with different partners and stakeholders is extremely essential to minimalize duplication of efforts and ensure service quality and

sustainability. NGO's should strengthen the good effort started with regard to form of partnership, capacitate their staff and working on the private business organization on the collaboration.

To create a common understanding on issues of income generation activity discussion are needed between the government, private sectors and the NGO's.

The government once in a while gives orientation on policy and IGA guideline issues and this should continue to avoid confusion and misunderstanding and to get an input from all stakeholders even to improve some legal and policy issues.

NGO's should fulfill with the laws and policies of the country to generate their business for suitability of the organization and the same way government should strengthen the capacity of the established agency, so that to render best service as much as possible.

Recommendation for Government

Recommendations for Government as suggestions by which time it is possible that as and will engaging in income generation begins to succeed, new issues and concerns could emerge which require revised regulations.

The Government may treat from the income generation activity policy aspect

Exempt non-profit cost recovery income generation from obligation to register with the Charity society Agency and from business registration in P686/2010 from policy aspect and allow NGO's to engage in all activities as long as they do not directly undermine primary missions, Drop the requirement to separate IGA which are part and section of NGO's core missions, Carry out the regulation of NGO's and IGA in collaboration with sector administrators, which have a good understanding of NGO's core missions.

The sub-cities, Addis Ababa BOFEDs and ChSA to adopt a mechanism to monitor changes in the nature of NGO's income generation activity practice, with a view to informing further to solve the internal challenge of the NGO's.

- ❖ To create the network and favorable working condition of private business sector and NGOs.

- ❖ The government will willing to listen and setting of the strong institutional setup and upgrading Directorate Levels and will form their structure at district level NGO's grievances, equip the capacity of Ethiopian Charities
- ❖ Government will improvements and well implementation of IGA guideline operation. To encourage and assist self-reliance, local resource mobilization capacity, and sustainability of the organizations.
- ❖ The charity have high problem of the house rent and tax the government will treat specially working area and on the tax.

Recommendation for NGOs:

It is an opportunity provides potential for NGOs to raise funds from local businesses, individuals, government and locally generated income.

- Identify and analyzing the exiting problem or well doing of the gape.
- The NGOs will focuses on high demand or profitable business.
- Identify and share best practice on IGA diversification and income maximization.
- Create strong stake holderness and generating their income as the private models like Shareholder Company.
- Capacitate their internal/the staff.
- Collaborate with in different NGOs to form partners to facilitate IGA.
- NGOs should be Focusing of IGA for long-term financial suitability.
- NGOs will Amended their strategic plan.

Recommendation for private business

- It will be form as foundation, support and assisting the charity work on the annual plan
- Assisting on idea,techque and practice of business
- It should be willingness forming of networking and partnerships

Generally, the most successful NGOs already recognize that real change requires campaigning against and collaborating with companies and this hybrid approach is likely to intensify. In terms of hostility, companies can expect social networks to support more radical groups, bring more voices from the organizations. To remain credible, businesses and NGOs that are

working together should be prepared to demonstrate measurable impact from their partnerships.

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QUESTIONNAIRE

Questionnaire to Key NGOs

A post-graduate student of St.Mary University MBA in Project Management program. As part of academic work the survey is on NGOs income generation trends in NGOs Operating in Addis Ababa. Please spare few minutes of your time and respond to the questionnaires below as honestly as you can. Information provided by you is for academic purposes only and will be treated as private and confidential.

Kindly answer the following questions by ticking the appropriate box and give your answer or suggestion when appropriate.

PART I: Background of the respondent

1. Name of your Organization-----
2. Would you please specify your Department in the Organization

- 1. Organization Representative []
- 2. Program manager []
- 3. Finance or Grant []
- 4. Income generation Coordinator []
- 3. Gender 1.Female [] 2.Male []
- 4. Your years of service within the organization?
 - 1. Less than 1 year []
 - 2. 1-3 Years []
 - 3. 3-5 years []
 - 4. Above 5 years []

Part II. NGOs background (please respond to question that applies to your Organization?)

2.1. Date of the year Establishment-----

- 1. before Proclamation
- 2. after Proclamation

2.3. Your Organization Categories

- 1. Ethiopian Society/Charity [] 2. Ethiopian Resident Society/Charity []

3. Foreign Charity []

Part III

3. Do you engaging income generation activity?

- 1. Yes []
- 2. No []

4. Have the NGO secured a working license for its IGA(s) currently underway?

- 1. Yes []
- 2. No []

3. If yes, please indicate the licensing agency/organization-----

5. If yes, How to identify Income generation activity?

- 1. Easily []
- 2. Difficult []
- 3. Very Difficult []

6. In which types of income generation was engaged?
- a) Membership fee and Earned income
 - b) Donors' fund and investment
 - c) Engaging in IGA
7. Who is responsible undertaken the Income generation activity in NGOs?
- 1. Staff
 - 2. Ngo General Manager
 - 3. Others specify -----
8. Do you prepare Business plan for the IGA licensing?
- 1. Yes
 - 2. No
9. If yes who prepare the Business plan?
- 1. Within organization
 - 2. Outsourcing of the work
 - 3. Volunteer
10. Do you want start other IGA for the future?
- 1. Yes
 - 2. No
11. Did you have IGA permission from CShA and Relevant government body?
- 1. Yes
 - 2. No
 - 3. Others specify -----
12. If No what are the reason can't get the permission? Please specify -----

13. How related to the Income generation activity in the primary Objective your organization?
- 1. Related
 - 2. Partially Related
 - 3. Unrelated
 - 4. Others Specify-----
14. Does contribute the organization IGA for the primary Mission operational cost for related operation?
- 1. Yes

2. No []

15. If yes what amount of to support the fund related operation?

Years	2012	2013	2014	2015
% of the total project operational activity cost contribute the primary mission				

16. Do you prepare the financial statement recorded in dependently?

1. Yes []

2.No []

17. IGA operational project has been auditing with external auditors?

1. Yes []

2.NO []

18. Do you understanding of operation IGA by NGOs?

1. Yes []

2.No []

19. Do agree the 621/2009 proclamation of opportunity to provision of IGA

1. Yes []

2.No []

20. Is the practice of engagement IGA by NGOs good?

1. yes []

2.No []

3.other []

21. How do you feel the relationship of Government and NGO is it good?

1. Yes []

2. No []

22. Do you agree the practice of IGA guideline well implementing of your organization?

1. Yes []

2. No []

23. Governances income generation in NGOs are created operational in Ethiopia is right way?

1. Yes []

2. No []

24. Do you think procedures and criteria for IGA registration are available, clear and straight forward?

1. Yes []

2. No []

3. Other []

25. Do you believe that Registration of NGOs and IGA licenses should be conducted by independent?

1. Yes []

2. No []

3. Other []

26. Do you think your NGO is assuring the sustainability without the income generation program?

1. Yes []

2. No []

3. Other []

27. Do you think the measures taken so far by your NGO took the maximum limit in reducing the level of gap of /IGA?

1. Yes []

2. No []

3. Other []

28. Do you believe that Organizational educational status has influence for the success of the IGA NGOs?

- 1. Yes
- 2. No
- 3. Other

29. Do believe your NGOs IGA separately the core mission?

- 1. Yes
- 2. No
- 3. Other

30. Income generation activity by NGOs to assist the sustainability of the organization?

- 1. Yes
- 2. No
- 3. Other

Thank you for your time and cooperation

Semi structured interview

This interview is developed to have additional data regarding to the NGOs income generation operation in Addis Ababa and NGOs contribution. The interview will conducted for ChSA, women and children affairs office, BoFED and NGOs. The assessment will be in regard to IGA program implementation of NGOs so as their contribution as part of stakeholders, they are expected to give answer which is kept confidential and which is used only for academic purpose only. This interview will be significant to collect additional data for the IGA program of the NGOs you work with for implementation.

Thank you for devoting your time

- I. Background information 1. Level of education 2. Service year 3. Work Position
- II. Question in regard to the IGA program of the NGO
 - 1. Do you believe the income generation program launched by the NGO goes to improve the economic situation of the beneficiary community of the NGO?

2. Do you believe the initial project start up procedure for the IGA in NGOs is adequate with the business requirement?
3. Do you consider the NGO has an organized plan for the income generation program?
4. Do you believe the income generation guideline is supported by successive in Government?
5. Do you believe that the NGO has regular IGA follow-up program?
6. How do you see the environment of Ethiopia towards NGOs working in the Income generation?
7. How is the transparency of the government and CSOs with regard to their activities?
8. How do you see the effect/impact of Charities and Societies Proclamation No. 621/2009 on CSOs operating in Ethiopia?
9. Is there any instance that the government interferences in the works on NGOs engaged in the income generation activity in Addis Ababa?
10. Does the government have doubt on the activities of NGOs that are engaged in the income generation activity in Addis Ababa?
11. What are the challenges NGOs faced while discharging their duty in the engaged in the income generation activity? Please, state the challenges

Thank you for your time and cooperation