



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

**PRACTICE AND CHALLENGES OF GRANT AND CONTRACT  
MANAGEMENT SYSTEM IN THE CASE OF PACT ETHIOPIA.**

**BY  
ABREHAM BASAZINEW**

**JUNE 2020  
ADDIS ABABA, ETHIOPIA**



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(ASSISTANT PROFESSOR)**

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

I, the undersigned, declared that, this thesis is my original work, prepared under the guidance of Dr. Abebaw Kassie (Assistant Professor). All sources of material used for thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Declared by :

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Addis Ababa, Ethiopia

Signature: \_\_\_\_\_  
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## **ENDORSEMENT**

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination. As a university advisor, I hereby certify that I have read and evaluated this thesis prepared, under my guidance, by Abreham Basazineu, entitled "Practice and Challenges of Grant and Contract : A Study on Pact Ethiopia". I recommend that it be submitted as fulfilling the thesis requirement.

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**Addis Ababa, Ethiopia**

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

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## **ABSTRACT**

*The aim of the study was to identify the Practices and Challenges of Grant and Contract Management System in the Case of Pact Ethiopia. To meet this aim, descriptive survey research design was employed with a target population of employees in Pact-Ethiopia and its Sub-grantees. Data was collected by using questionnaires and key informant interview techniques. The study found that Pact-Ethiopia has well established policies, procedures and guidelines used in grant and contract management, yet there are limitations on making them timely and operational across the entire organization. The selection and identification of subgrantee was competitive nature which are compliant to government directives; requirements of grantors (donors); other stakeholders and targeted to the prevalent problems in the country. However, the grant fund burning rate was very low. It was also found that the monitoring and evaluation were not cooperative and supportive, rather supervisory nature. To curb these problems, the management needs to enhance its grant and contract management capacity to enable them properly lead grants and contracts efficiently and effectively to meet the intended goals of the organization. In a nutshell, Pact-Ethiopia need to perform self-assessment on its competency level on the efficient and effective management of grant and contract to identify the root causes of weakness and underperformances in certain grant management competency.*

Key words: grant and contract management, monitoring and evaluation

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## **ACRONYMS AND ABBREVIATIONS**

NGO = Non-Governmental Organization

ENSEI = Ethiopian NGO Sector Enhancement Initiative

LNGO = Local Non-Governmental Organization

CSO = Civil Society Organization

USAID = United States Agency for International Development

FAR = Federal Acquisition Regulation

CFR = Code of Federal Regulations

USD = United States Dollar

FDRE = Federal Democratic republic of Ethiopia

ChSA = Charities and Societies Agency

MERL = Monitoring Evaluation Reporting and Learning

PMP = Program Monitoring Plan

SPSS = Statistical Package for Social Sciences

## **CHAPTER ONE: INTRODUCTION**

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

Recently Ethiopia is one of the major recipients of foreign grants from donors to support the national poverty reduction programs and sustainable development of the community economically dependent. Based on the statistical data of charities and societies agency of Ethiopia, more than 3260 NGOs are registered and licensed by the agency to work on development and welfare and also on human rights and conflict resolution program. Of which, 2827 are local NGOs and 433 international NGOs in Ethiopia according to (Charities and Societies, 2017).

NGOs in Ethiopia are involved in economic and social developmental activities almost in all regional states of the country. As it was stipulated under the Ethiopian Civil Code of 1960, NGOs in Ethiopia, including the international ones, were confined only to dealing with aid-based actions and rendering disaster-motivated services. The donors are channeling their funds for NGOs through award making process on the ways of grant, contract or cooperative agreement after conducting different financial, technical and organizational capacity assessments to make sure that the fund will be used for the intended purpose (Ibid).

Grant (support) is a legal agreement used when the main purpose of the relationship between the donor and grantee is a partnership and there exists the transfer of money, property, services, or anything of value to the recipient in order to carry out a public purpose of assisting or stimulation directly or indirectly related to the project's agreement. Grants management relates to all of the managerial tasks required to handle the donors' funds, reporting, and program implementation in a way that meets generally accepted standards as well as the requirements of the funding source (Bearman, 2014).

Contract (acquisition) is a legally binding relationship where the principle purpose is to acquire/obtain goods or services by purchase, lease, or barter for the direct benefit or use of the donor. The donor is the buyer/purchaser and the contractor considered as the supplier/service provider. The contractor delivers the services that the donor request in the scope of work. Contract management is the process of managing contract creation, execution and analysis to maximize operational and financial performance at an organization, all while reducing financial risk. Organizations encounter an ever-increasing amount of pressure to reduce costs and improve company performance (Robert, Matthew and David, 2010).

Grants and contracts are management system of Pact is an award making process which is performed depending on the nature of donor's requirement whether it is assistance or acquisition by categorizing as pre award and post award. Based on grant and contract manual of Pact, the pre awarding process includes, bid announcement, partners identification and selection, making risk and responsibility assessment, negotiation with implementers and award issuance. The post awarding process activity includes capacity building activity for implementing partners, disbursement making of an award, monitoring and evaluation of the performed activities and finally closing an award (Pact, 2012).

Past studies related to grant management system were very rare. The few research papers conducted on local NGOs as part of graduate studies were very limited in their number and scope. Considering this, the researcher became interested in conducting a research on grant management system in NGO taking the case of Pact Ethiopia. Although Pact had served as local NGO for decades, however, a research on such issue had never been conducted to sufficient detail that grasp the challenges of grant management. Hence, the researcher was interested to assess the challenges and practices of grant & contract management system of pact Ethiopia country office, identify the gaps and forward recommendations that benefit grantors, the government, beneficiaries and other stakeholders.

## **1.2. Background of the Organization**

Pact is a nonprofit international US based; non-governmental development organization founded in 1971. Pact works on the ground in nearly 40 countries to improve the lives of those who are challenged by poverty and marginalization. The organization strives for a world where all people are heard, capable and vibrant. Pact Ethiopia began managing strategic action grants as part of its Ethiopian NGO Sector Enhancement Initiative (ENSEI) program from 1995 – 2003. During that period, Pact's grant making aimed to strengthen the capacity of indigenous non-governmental organizations (NGOs) working in development, democracy and human rights issues, through the provision of financial, technical and material assistance (Pact, 2012).

Pact's ENSEI program specifically focused on local NGO capacity building and improving the environment in which NGOs work. In 1996, Pact legally registered by Ethiopian charities and society agency and its ultimate goal was to enable NGOs to become key participants in the country's development. At the start of the program, local NGO initiatives

were often donor-driven and lacked community involvement. Moreover, the organizations faced acute capacity constraints such as trained human resources, office equipment and facilities and basic operating procedures. The strategic action grants provided by Pact came in three forms: commodity procurement, personnel secondment, and, most importantly, activity grants that encourage NGOs to engage in research and advocacy develop new programs or replicate successful ones (Pact, 2012).

Though the ENSEI program was successfully completed, these objectives continue to inform Pact Ethiopia's overall approach to grant making and working with Ethiopian civil society actors. Pact is experienced in awarding of grants and contracts of more than 500 LNGOs, CSOs and cooperatives with a value of more than 121 million USD for project implementation in the area of health, education, livelihoods, women's empowerment and peace promoting activities across all regional areas of the country (Clark, 2000).

Even so, there are a number of challenges posed by financial restrictions among them rigid scheduling of payments into multiple tranches; delayed payments; the requirement to return unburned balances; very short expenditure eligibility windows, particularly for budgetary surpluses allocated at the end of donor fiscal years; and limited flexibility to negotiate no-cost extensions or re-allocations of funds to adapt to changed humanitarian requirements and operational circumstances. Un-earmarked funding enables organizations to internally prioritize funding to immediate life-saving activities in countries that are critically underfunded and receive little donor support or media attention. Earmarking of funds reduces the ability of humanitarian organizations to respond to the most urgent needs of affected people, was singled out as having a range of detrimental effects and was felt to be on the increase (IASC, 2016). Therefore, this paper intends to study the grant and contract management system of pact Ethiopia.

### **1.3 Statement of the Problem**

Contract management practice is a vital aspect in any organization that intends to gain a competitive advantage and value for money. A firm's procurement process is incomplete without an effective and efficient contract management practice (Deborah, 2010). It entails a process of efficient and systematic management of contract creation, implementation, and analysis in order to maximize organizational performance, as well as minimize risks.

Implementing continuous performance measurement is critical in ensuring that overall strategic objectives of a firm are geared to the targets (Cohen and Eimicke, 2008).

A study by Lewis (2001) found that NGOs 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. They perceive there to be certain cartels of individuals and NGOs 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, project and organizational sustainability.

Sustainability and survival of each NGO is highly relying on the level of trust built with its donors. The most commonly identified weaknesses of the sector include; limited financial and management expertise, limited institutional capacity, low levels of self-sustainability, isolation/lack of inter-organizational communication and/or coordination, lack of understanding of the broader social or economic context (Mostashari, 2015). To achieve success, NGOs had to continually improve and professionalize their work, which puts more and more demand on the management and leadership of the organization (Lewis, 2001).

There is, however, limited studies on how NGOs can attain sustainability in the wake of the challenges facing them while managing grants and contract administration. In this regards Sisay (2015) and Meron (2016) concluded good leadership, transparency, accountability, and commitment are essential in managing grants and contract administration.

Moreover, Eman M. (2012) in a study in some selected NGOs in Addis Ababa found that effective implementation of donor funded projects was affected by project planning, organizational capacity, stakeholder's participation and monitoring and evaluation. Now days, donors want to see results and they also need NGOs to demonstrate value for money as well. All these scenarios, in nutshell, pronounce the need to assess grant and contract management in light of compliance, adherence, performance and utilization of funds for meeting grant targets. This can be achieved if there is effective contract management capability by implementing adequate level of monitoring and evaluation systems.

This research as compared with the previous researches (Sisay,2015; Meron,2016) gave a depth in analysis covering the grant and contract management processes from pre-grantee



identification to grant and contract closing. Their study revealed that the NGO's had not fully utilized the grants awarded and obtained from the grantors implying difficulty of grant management. Assessing the effectiveness of project management practices in NGO projects is mandatory in identifying and understanding which project management practice contributes highly to project success then, it will give a lesson to be drawn by other projects since this topic is less studied and literatures are very insufficient as to the researchers search effort. Therefore, this research intends to describe the practice and challenges of grants and contract management system of Pact Ethiopia.

#### **1.4. Research Questions**

The study sought to answer the following research questions.

- What are the practices of project planning, monitoring and evaluation in grant and contract management system of Pact Ethiopia?
- What are the challenges of grant and contract management system in Pact Ethiopia?
- How far the grants are sustainable and burned efficiently to meet the grant and contract goals?

#### **1.5. Objectives of the Study**

##### **1.5.1 General Objective**

The general objective of the study was to assess practice & challenges of Grants & contract management system on Pact Ethiopia country office.

##### **1.5.2 Specific Objectives**

The study was guided by the following specific research objectives

- To assess the practice of project planning, monitoring and evaluation in grant and contract management system of Pact Ethiopia
- To assess the challenges of grant and contract management system in Pact Ethiopia.
- Assess the sustainability of grants and its burning rate in Pact-Ethiopia in meeting grant and contract goals.

#### **1.6. Significance of the Study**

The findings of this study benefit the management of pact Ethiopia country office to improve the organization grant & contract management system. The study would also have

great importance to management of other similar NGOs in enhancing their grant management system for the completion of different awards in a successful manner. Moreover, the study contributes to NGOs to improve the success of projects in achieving its goals as well as the organizations within the planned time, budget and quality or performance effectively. The findings of the study would be of great importance to future scholar and academician as it will form the basis for future research in the area of grant and contract management system. Furthermore, this study shall also be a useful input for further research on the area of effective project management practices in NGOs as well as in other sectors.

### **1.6. Scope and limitation of the Study**

The scope of the study was to assess practice and challenges of grant & contract management system of in an international non-governmental organization setting. Based on this, the research focused on the overall grant and contract management system of pact Ethiopia country office due to the researcher's curiosity to sort organization problems aiming as an input to improve practice. It did not consider other country offices.

The study was mainly based on quantitative data obtained through structured questionnaires and some supplemental qualitative information obtained from interviews held with sample of individuals which are involved in managing grants and contracts mainly at Pact-Ethiopia head office, and selected sub-grantee offices.

### **1.7 Limitations of the Study**

This study somehow might have been affected by the effect of response bias, which is known as halo effect as respondents involved in the study were directly or closely related to grant and contract management activities. Hence, they might have tended to exalt their execution instead of exposing. Another limitation could be the limited data sources, mainly accessing secondary data on grant and fund utilization about the various projects run by Pact-Ethiopia. Moreover, there are only a few researches done on contract administration in Ethiopia whereas no research was done on the subject area, hence the research only reviewed these few theses done on the subject.

## **1.8. Definition of Terms**

**Grant:** is a non-repayable amount of money and/or commodity that is provided for the fulfillment of a particular objective by the grantor, usually called, the donor, to a grantee who is the recipient of the grant (Grant, 2014).

**Grantee:** is a term used to state that individuals, groups or organizations who receive the recognized grants provided by the donor or funder (Hall, 2010).

**Grantor:** refers to the funding individual or organization that chooses and awards for projects/programs aimed to meet the intended objectives after reviewing the applications from the grantee for grant award (Hall, 2010).

**Financial grant:** is the currency that the grantee receives in cash for the implementation of the intended project (Hall, 2010).

**Non-financial grants:** Are commodities, items, or volunteer services that should have a monetary value (Hall, 2010).

**Adherence:** is the fact of adhering to a particular rule, agreement, or belief (Collins English Dictionary)

**Grant management** is the process whereby, on the basis of given input, signed and altered contracts are uniformly documented, controlled and monitored, in order to fully utilize those contracts”

**Fund:** is the sum of money saved for a specific planned objective (Getachew, 2015).

**Fund management:** The financial system, fund accounting and auditing practices of the organizations amenable to standards and adherence to certain terms and conditions (Martha, 2017).

**Compliance:** This refers to adherence to the terms and conditions set in grants and agreements as well as the 70 to 30 proportion of program vs administration expenditures respectively (FDRE/ ChSA Proclamation, 621/2009).

**Monitoring intensity:** This is measurable concentration of regular observation and recording of activities taking place in a project (Alison, 2002).

## **1.8. Organization of the study**

This thesis paper has five chapters.

**Chapter one** covers the background of the study, statement of the problem and objective of the study (general & specific objectives) and followed by research questions, significance of the study, limitations of the study and concludes with the organization of the study.

**Chapter Two** covers literature review from various sources to establish work done by other researchers, their findings, conclusions and identification of knowledge gaps which forms the basis of setting objectives and research questions of the study. The theoretical and conceptual frameworks are also will be explained.

**Chapter Three** covers the research design, target population of the study, sample size and sampling procedures. This is followed by data collection procedures, data collection instruments, validity of instruments, reliability of instrument, data analysis techniques, ethical considerations and concludes with operational definition of variables.

**Chapter Four** cover Results and Discussions

**Chapter Five** covers summary of findings, discussion, conclusions and recommendations of the study.

# **CHAPTER TWO: LITRATURE REVIEW**

## **2.1 Introduction**

This chapter presents review of literatures relating to practice and challenges of grant and contract management system; determinants of effective contract management; challenges in practicing contract management; contract management and operational performance and empirical reviews. The chapter revealed the conceptual, theoretical and empirical backgrounds done by different scholars and authors on issues of grant and contract management processes in works contracts.

## **2.2 Definitions and Concepts of Grant and Contract Management**

According to Andrew (2015), grants are non-repayable funds or products disbursed or gifted by one party (grant makers), often a government department, corporation, foundation or trust, to a recipient, often (but not always) a nonprofit entity, educational institution, business or an individual. In order to receive a grant, some form of "Grant Writing" often referred to as either a proposal or an application is required. Most grants are made to fund a specific project and require some level of compliance and reporting. Essentially, a contract is a legally binding document in which the parties make promises to deliver a product or service in exchange for consideration (usually money.) A grant on the other hand is when one party grants funds to another party to do something, in reasonable hopes that the task can be accomplished (Deborah, 2010).

According to USAID and JSI (2015), Contract management is the process of managing contract creation, execution and analysis to maximize operational and financial performance at an organization, all while reducing financial risk. Organizations encounter an ever-increasing amount of pressure to reduce costs and improve company performance. Contract management proves to be a very time-consuming element of business, which facilitates the need for effective and automated contract management system.

The purpose of contract management is to ensure that all parties to the contract fully meet their respective obligations as efficiently and effectively as possible, delivering the business and operational outputs required from the contract and providing value for money. It also protects the rights of the parties and ensures required performance when circumstances change. It has a unique goal, consumes resources, has a beginning and end date, and requires

coordination and planning of relevant activities, as well as documentation in a contract file throughout the process (Uher and Davenport, 2009).

Contract management involves managing the contractor relationship. It is argued that this refers to the actions and initiatives of the contracting company to create and maintain a positive relationship with the contractor. This depends on the mutual trust, understanding, regular communication and timely management of possible problems in the contract. The practice includes contract administration. This procedure involves maintaining an updated form of the contract; controlling and managing contract variations; paying the contractor; managing assets; drafting reports; and terminating the contract (Hall, 2010).

According to Deborah (2010), contract management consists of delivery management, relationship management and contract administration. Performance of works contracts is not always monitored to ensure that the citizens continue to get value for money. Some works are paid before corresponding completion certificates are issued. In contract management, mutual trust and understanding, openness, and excellent communications between key stakeholders in contract management and monitoring like user department, contractor, contract manager, procurement and disposal unit and accounting officer are as important to the success of an arrangement as the fulfillment of the formal contract terms and conditions.

As stated by Helen (2012), grant is a nonspecific expression applied to funding or other incentives provided to persons or bodies that may include community groups or legal bodies that reveal some or all of the following distinctions: A transfer to a beneficiary which may be in return for fulfillment with convinced requisites and circumstances, transfer which may not directly provide about equivalent worth in return to the grantor, and the beneficiary may have been preferred on advantage aligned with a set of program specific criteria. Grants can be in the nature of incentives, aid, assistance, cancellation of amount overdue, rebates, tax relief and other related financial support provisions, and may be in the form of financial or non-financial assistance.

Mango (2014) grants can be in the nature of incentives, support, assistance, pardon of debts, and other related funding dealings, that may be provided in the form of monetary or non-monetary assistance. Nevertheless, in recognition of changing levels of request for increasingly multipart service types and rising service deliverance models, Government

may also regard as a multiplicity of more novel approaches to funding service delivery activities.

Effective grants management is also explained by Peter (2014), as the path of achievement for reporting the project's programmatic and financial performance to the grantor of the project. Although donors might have different types of requirements, however, most of them have the desire to perceive the grantee's progress towards attaining the objectives of the project as predetermined in the grant application as well as how the grant award is distributed to the project's programmatic versus support costs. In reality, effective grants management is a challenge for many small and medium-sized NGOs.

Corey (2014) has also stated that successful grant management is the process of implementing, overlooking, monitoring, evaluating and reporting the performance of the project in line with the agreements entered with the grantor's awards which includes controlling the project's grant resources, monitor the overall activities of the project and evaluate results obtained from performance that enables the grantee to ensure that the predetermined agreements entered with the grantor are adhered accordingly.

According to Lewis (2011), donor relationship management is the building and nurturing of positive connections with the donors. The author continues to described that requires a clear identification and keeping importance of donors which led to the development of clear goals and schedules for how the NGOs will interact with a given donor segment to meet desired results. While donors are essential, their importance to the work of the nonprofit company can vary highly, as can their aspirations and needs (Bearman,2014). By developing and implementing their best practices and systems that yield strong relationships with donors, nonprofits can produce more sustainable revenue, strengthen grant effectiveness, and ultimately achieve better results (Peter, 2014).

In brief, effective grant management is a collaborative approach to managing and administering grants enabling all stakeholders involved to meet the mission of the grant and organizations, efficiently and effectively use grant funds, while maintaining compliance with grant requirements and establish accountability for the use of grant funds and ultimately provide assurance funds are deployed appropriately.

### **2.3 Grant Management in Non-Governmental Organizations**

Grant management system is not exclusively restrained only to the maintaining of perfect financial records but also involves the planning, budgeting, monitoring, evaluating and controlling the financial resources that are targeted to meet the organizational targets. For instance, as a least requirement a financial management system is adhered to ensure that costs are properly classified or categorized, tracked and charged to their respective accounts, and that the management of the organization has to be able to report the financial information clearly and accurately to the donors and/or other concerned stakeholders (Fafchamps & Owens, 2018).

Mango (2014), states that a good financial management system makes it easier to be accountable to donors and project beneficiaries; thereby improving their respect and confidence level in the organizations, they provided the grant. In reciprocity, this helps NGOs to be more competitive and can increase the suitable environment for the chances of maintaining their long-term financial health conditions. Among others, one of the key requirements for effective grant management is accountability that NGOs are obviously accountable to donors/grantors for the use of resources they received.

Mostashari (2015) stated that NGOs are operating in a rapidly growing and competitive environment that they are required to survive in this highly competitive and challenging world by formulating a well-organized and effective grant management systems that: Support managers to make effective and efficient use of resources to achieve objectives and execute commitments to stakeholders that help NGOs to be more answerable to donors and other stakeholders,

- Improve the esteem and self-reliance of funding organizations, partners and those served that award NGO the benefit in struggle for ever more inadequate resources; and
- assist NGOs prepare themselves for lasting financial sustainability

The primary purpose of Grant/assistance instruments is to provide funding to a grantee to carry out a public purpose, with no direct benefit to the NGO. Assistance generally supports an existing program or concept of the grantees and the benefits of the programming flow down to beneficiaries of program (Pact, 2012).



The main purpose of Contract/acquisition instruments is to obtain or purchase specific deliverables that benefit Pact or Pact's programs. Contracts or purchase orders should be used when the primary purpose of the award is to acquire goods and services or specific deliverables. Contract management processes such as contract signing, review meetings and control systems explicitly define rules of the game. Subsequently, these processes necessitate cross-functional coordination. The rules and procedures as incorporated in the contract management processes can be an effective method for achieving inter-functional coordination (Ahimbisibwe,2015).

As Lewis (2011) points out, a contract is the basis for the establishment and maintenance of a favorable relationship between the contractor and contracting authority. It also forms a basis for the acceptance of the project deliverables hence ensuring the achievement of value for money. Contract management starts with contractor monitoring and acceptance management. This is vital in enabling the contracting organization to ascertain that the contractor is undertaking his duties and fulfilling his obligations in compliance with the contract. This further allows the contracting organization to pinpoint any issues or problems in advance that might arise and offer timely solutions (Goldstein,2010).

Contract management involves managing the contractor relationship. Robert, Chenhall, Matthew and David (2010) argue that Contract management this refers to the actions and initiatives of the contracting company to create and maintain a positive relationship with the contractor. This depends on the mutual trust, understanding, regular communication and timely management of possible problems in the contract.

Conflict resolution is also an important activity involved in contract management. The procedures undertaken when selecting and applying the optimum way of resolving differences with the contractor. The final activity of contract management is contract closure. This encompasses the control and certification practices that both contracting parties have honored their contractual responsibilities as well as activities involved in evaluating level of successful contract execution and achievement of expected results (Mostashari, 2015).

#### **2.4 Grant and Contract Management Processes in Pact Ethiopia**

There are numerous variables that Pact considers when awarding funds to partners, such as the level of funding available, the intended objectives of the funding, the potential partners

capacity to manage funds and any donor requirements as stipulated in Pact's prime award. Funding is awarded to partners through competitive or non-competitive selection mechanisms based on the situation and intended objectives of the award. Competitive awards are sub grant or contracts identified and selected through an unbiased solicitation and selection process. Applicants submit a proposal or concept note in response to an announcement made by Pact Ethiopia for specific objectives or project activities and are selected based on the strength of the proposal (Pact, 2012).

The grant award process is both competitive and non-competitive. The decision about whether to make grants competitive or non-competitive depends on a wide range of factors. USAID delivers awards to organizations in compliance with the Federal Acquisition Regulation (FAR), the Code of Federal Regulations (CFR), and other Agency internal regulations, policies, and procedures, and organizations may get awards through an acquisition (contract) or assistance (grant), depending on the type of work, the purpose of the funding, and the nature of the relationship between the USAID and the partner. Awards for either acquisition or assistance awards typically include indicators and results, budget, and other terms and conditions applicable to the work performed under the award, in doing so, both grant and contract instruments have similar required procedure to pass through the following award management process cycles (USAID and JSI, 2015).

In identifying recipients for funding, Pact typically follows either a one or two step process. A two-step process requires applicants to submit a concept note first, and then short-listed applicants will be requested to submit full technical and cost proposals. A one step identification process requires each applicant to submit a full technical and cost application for funding consideration. For low capacity applicant, Pact may allow just a concept note in lieu of a full application (Pact, 2012).

Irrespective of the process be competitive, limited or non-competitive, guidance will be provided to partners prior to proposal submission or concept note development in an effort to provide an indicative outline of requirements. For fully or limited competition solicitations, proposals must follow the guidance provided in the solicitation; for non-competitive proposals, much of the same information is required, but Pact should provide guidance on the level of detail and any unique information required (Pact, 2012).

The grantee identification process involves the following 5 major activities.

#### **2.4.1 Pre-Award Assessment & risk determination**

According to John Snow inc. grants manual, the pre-award assessment looks at a number of factors including legal status, mission, previous experience, program maturity, technical expertise, absorptive capacity, financial capacity, partners established internal control system, and management. The pre-award review can take the form of a desk review, but often encompasses an on-site examination of administrative, financial, and technical systems (JSI, 2016).

Despite a partner may have been selected based on the technical merit of their proposal and reasonableness of the budget, Pact must still conduct a pre-award assessment. Award worthiness is judged based on sufficient technical, managerial and financial capacity to carry out program objectives and achieve stated results.

The aim of the assessment is to identify issues that needs to be addressed in the award document through special award conditions, areas that require special capacity building interventions or major concerns that may reduce the likelihood that Pact can issue an award to the organization. The pre-award review is generally not relevant for those civil society players receiving an in-kind grant or contract. Rather, it is appropriate for those organizations, Pact Ethiopia would like to issue other types of grant or contract, particularly those for longer term relationships that will involve capacity building (Pact, 2012).

The grantee selected through the technical review by the review committee will proceed to a pre award review for grant worthiness. Assessment of the applicant's strength in the following three capacity areas will result in an overall risk assessment that will be used to measure award worthiness (Pact, 2012).

**Technical capacity:** An important component of award worthiness is the organization's technical capacity to carry out and achieve the objectives of the program. The Platform Department staffs are responsible to review the technical input. A number of different technical strengths such as the organization's access to necessary resources and equipment, staff knowledge and experience, experience in designing monitoring and evaluation plans, past experience in the sector will be assessed. The result of the visit will be one basis for the risk assessment (Pact, 2012).

**Management capacity:** The Grants and Contract unit will review information available to determine whether a selected applicant has sufficient managerial capacity to implement the

program and comply with the terms and conditions for the grant award including monitoring, financial and programmatic reporting (Pact, 2012).

**Financial capacity:** A determination of a low financial risk would indicate that an applicant can comply with the terms and conditions of the award and can properly segregate and account for funds provided by Pact. This can be decided by the Grant & contract with finance unit staff by visiting the NGO or through the desk audit which requires the sub-grantee to submit documentation to Pact's office for review.

#### **2.4.2 Award Negotiation & Contracting**

The Program Department and Grants& Contract Unit will work with the partner to determine the appropriate budget and activity levels based on the report from the pre-award review and recommendations of the review panel. During the award negotiation process, Pact staff should also ensure that the partner understands and agrees to all award terms and conditions.

Once an agreement is reached between Pact and the partner, a memorandum of negotiation will be prepared. The memorandum of negotiation, also known as a negotiation memo, presents an opportunity to consolidate and validate all the decision making that has led up to the award of the grant. Thoughtful preparation of the memorandum should result in a comprehensive document that can be referred to for an overview of all discussion, justification and decision making that led to the recommendation and signing of the award (Pact, 2012).

Once all negotiations are finalized and documented, the award document can be prepared for signing. The Grant or Contract Agreement is prepared in duplicate. For each approved program, an original copy will be kept by Pact and the sub-grantee. Both original copies of the agreement shall be signed and sealed by the authorized persons on behalf of Pact Ethiopia and the sub-grantee. The original will be kept in the master grant or contract file with copies to the finance unit (Pact, 2012).

#### **2.4.3 Grant & Contract Management**

Grants and contract management relates to the administration of grants and programs, monitoring Pact and partner work plans and budgets, identifying challenges and potential solutions to support the delivery of high-quality services in an efficient and economically sound manner and overall strategic planning. Grants and contract management is driven by

the sub-recipient monitoring requirements as set by Pact's policies and each donor's terms and conditions (Pact, 2012).

Grants and Contract management begins with signing the award and ends with close-out. More specifically, grants management entails the following:

- Administration of a full range of grants and contract management tasks, including solicitation processes, award, and monitoring of sub-agreements based on donor and regulations, policies, and procedures.
- Facilitate pre-award activities and sub-contract management, including pre-award assessments, budget and cost analysis, sub grant and subcontract negotiations, award reconsiderations.
- Monitoring of work plans to ensure efficient management of all key sub-grant management and program implementation activities.
- Provide constructive review and feedback of sub-award reporting data including work plan and M&E plans and grantee data.
- Provide guidance and training to grantees on compliance with donor policies, financial management, audit and closeout.
- Ensure reporting and monitoring of expenses against budgets to ensure effective use of resources for planned activities.
- Negotiate and prepare timely requests for extension, incremental funding, budget realignment, sub-award modifications, approvals, clearances and requests for deviation for review and approval of the grant & contract unit.
- Coordinate closeout activities including final financial and programmatic reports, preparation of final inventories, financial reconciliation of sub-grant funds, and property disposition of assets (Pact, 2012).

#### **2.4.4 Monitoring, Evaluation, Reporting and Learning**

Pact views monitoring, evaluation, reporting and learning (MERL) as critical components of program implementation for both Pact and the partner. To facilitate Pact's MERL processes, a program monitoring plan (PMP) required for each partner in the program design phase. A Program monitoring program is a comprehensive performance-monitoring plan designed to track program/program impacts in all the program/program phases (Pact, 2012).

There are two different monitoring methods: direct observation and indirect observation. Direct observation means personal, physical observation. The responsible Pact-Ethiopia staff member, or a field representative, is physically present at the work site during its performance to see how it is progressing. This approach is most practical when the work is physical in nature and performed at a limited number of sites. On the other hand, indirect observation refers to testing, progress reports from many observers, technical reviews, performance indicators and audits. Indirect observation is appropriate whenever direct observation would provide insufficient or ambiguous information.

The variables to be tracked by the performance-monitoring plan are carefully selected and they must be good measures of the anticipated changes. The monitoring plan describes all the indicators to be monitored, the units of measurement, data sources, methodology of data collection, monitoring frequency, responsibility, baseline values and targets set within the planning horizon. On-going monitoring specific MERL site visits will be done in collaboration with Program Unit staff if appropriate, and data quality management will be a primary focus of MERL Unit visits. MERL staff will provide support to partners to ensure data is collected, recorded, collated, and reported in an appropriate manner and on a consistent basis (Pact, 2012).

Pact and its partners will arrange for any evaluations of the grant & contract program. This can come in the form of a mid-term review but may also include key pieces of work at agreed strategic points in the program. In many cases a final evaluation may be required of the program. The nature of the terminal evaluation (be it external evaluators or internal evaluation) is often stipulated in the program proposal and subsequent agreement. MERL documentation is important for identifying best practices, lessons learned, or other relevant information that should be shared with others. Relevant Pact staff should consider ways of encouraging experience sharing among partners or compiling publications for broader distribution (Pact, 2012).

#### **2.4.5 Close-Out**

Close-out is the final step in the grant management process, unless issues are discovered that require an audit, and requirements vary by donor. Close-out processes conclude all implementation and spending, document and verify all final program and financial data for the entire award period, and formally end the donor-recipient relationship related to a particular award. Pact staff must ensure that all requirements, terms and conditions of the grant are complied with in a timely manner. It is important that close-out requirements are

highlighted in the original agreement and understood by both Pact and its partners (Pact, 2012).

At minimum, close-out processes should include:

- Final Program evaluation Report submitted and approved.
- Final Financial Report submitted with essential supporting documentation and approved
- All advanced funds needs clearance
- A detailed list of unused assets acquired.
- All materials disposed as per grant & contract conditions.
- Close out letter or documentation signed by Pact and when possible, the partner.

## **2.5 Core Competencies of Grant Management**

Core Competencies for Effective Grant Management According to Alison (2002), core competencies is a combination of knowledge, skills and abilities that are required to perform a task or set of tasks in grant and contract management. Combined, proficiency in several related core competencies leads to skill and aptitude in a broader field or area. The core competencies that are described here are all important and interrelated. Managing a program and grant effectively requires proficiency in all of the core competencies.

According to Grant (2014), effective grant management begins with the end in mind. This in other words grant management begins when the grantee designs a potential project in its planned preparation stage and is incorporated as grantee moves to grant seeking and then from the point the grantee is awarded the grant to the final grant closure report. Grantees are required and obliged to do certain activities. Among others, the grantee may use a grant to-do-list paper, grant management tool or any other calendar convenient that helps self-remind and awake others working in the organization about due dates for reports.

There are seven competencies that are intended to support a successful program with effective grant management. This competency helps to make sure that grant making organization to use funds/grants effectively and that staff are working appropriately.

### **2.5.1 Managing Risk**

The purpose of risk management in grant and contract management is to examine and control risks, and to ensure the successful delivery of the program, project or activity. Risk management begins early in the grantee identification process. It is best practice for high-level contract management and complex projects of lesser value to require the preparation of individual risk-management plans and ongoing risk assessments throughout the contract's life cycle (Bartsiotas, 2014).

Regulatory compliance implies to the adherence to the regulations covering grant management. It starts with government rules and regulations and sets models of best practices for foundation and other private grantors. This is in the context of the legislative directives enacted by Charities and Civil Societies Agency. These include, accounting internal controls, cash management, budget controls, procurement system, personnel system that complies with all laws and regulations, property management system, and auditing policies and procedures.

According to risk management for non-profit organization by (Kracunas and Susko, 2015) risk is the effect of uncertainty on an organization's objectives. In this regard, risk includes a potential threat to achieving those objectives (negative risk), and a potential opportunity for achieving those objectives (positive risk). Therefore, risk is any uncertainty about a future event that threatens organization's or program's ability to accomplish its mission. With regard to these core competencies, risk also applies to events or actions that may prevent from managing the grant according to its intent and requirements. Thus, an organization which received grant should be able to identify circumstances that increase the organization and program's potential risks and manage their programs to prevent those risks from occurring.

As stated by Okorley and Nkrumah (2012) risk management involves identifying the probability that some future event or action that cause losses or damage in a grant, analyzing and assessing those risks, and developing a plan that includes appropriate strategies and controls to manage them. Some benefits of effective risk management are that it: improves the quality of decision-making (appropriate, fast, accurate, and effective), when instituted within an organization's day-to-day operations, is part of 'business as usual' rather than an additional task or burden, when integrated with business strategy, ensures that strategic decisions are informed and based on up-to-date information and sound judgment



### **2.5.2 Understanding Donors Requirements**

Funders have rigorous requirements to ensure money is spent according to the agreed upon commitments between the funder and the organization. A lack of policies and procedures is one of the most frequently cited areas of noncompliance. Grant (2014) further elaborates that lack of documentation, another commonly found application complaint, could ultimately lead to a funding shortfall. In addition, the chart of accounts is not the appropriate place to follow grants. Often organizations utilize the general ledger to track grants; this can lead to exponential growth in the chart, making it difficult to manage and report on financial data.

As it is stated by Helen Gluer (2015), grantees by accepting grant funds, grantees agree to comply with the general and special grant provisions and all relevant regulations, and guidelines stated in the contract agreement. The grantee also agrees to operate the funded program in line with the authorized grant application and budget, supporting documents, and other representations made in support of the approved program.

The requirements that rule organization grant include grant-specific requirements, relevant donor's regulations, and the applicable circulars. This grant provisions (terms and conditions) are also cascaded to sub-grantees award and should be understood by them. Different donors have their own ways to ensure these regulation and guidance to grantees and one of the guidance required by all grantees to comply with.

The grant provisions provide guidance to all aspects of grantees program development and administration, and they are the grantee's first stop for understanding donor requirements that pertain to each grant and for problem solving and grant related questions. Lewis (2003) specify as a provision to the award: Applicable statutory and administrative provisions, responsibility for administering the grant, financial management provisions, administrative costs, allowable costs, retention of records, matching requirements.

### **2.5.3 Translating a Proposal into a Program Plan and Using It.**

According to Peter (2014) a program plan is a detailed map for implementing the grant that describes grantees goals and objectives as well as how to meet them and measure performance. The first step in developing a program plan should specify a clear, brief program description. This should explain the program's purpose and should motivate all stakeholders in the program to pursue it. The program plan should build on the program deception to explain the purpose of the program more specifically, define goals and

objectives for the program to achieve, and include steps and strategies for implementing the plan. The program plan should include measurable outcomes and performance measures. It is also helpful to develop a timeline and milestones for program implementation to keep the program moving towards the intended objectives.

The program plan should identify what skills and tools are necessary to accomplish program goals and who should involve in each facet of the program. Grantees should involve key stakeholders in developing the plan, particularly in defining goals, objectives, strategies, and measures for the program. Early involvement helps to build support for the program among stakeholders and the additional perspectives and expertise improve the quality of the plan.

Planning effectively and then using the plan to guide action is critical to a well-managed grant. A crucial component of a program plan is the link between program goals and specific intended outcomes. How the program attains the intended outcomes, and what is the strategy for measuring performance? The program plan needs to specify a system for measuring outcomes and monitoring.

#### **2.5.4 Managing and Administering Sub-grants**

According to Peter (2014) sub-grantees must follow all rules and regulation of the donor that is cascaded from their funder. Grantees are responsible for monitoring and reporting on all their sub-granting activities and are ultimately responsible for managing sub-grantee funds.

Managing sub-grantee funds and programs is a key grantee responsibility. Lewis (2003) clearly states that grantees should develop a risk-based monitoring system to ensure adequate oversight of all sub-grantee funds. Grantees should communicate compliance and reporting requirements, including all grant provisions to their sub-grantees. Providing subgrantees with the training they need to implement strong programs is a major component of subgrant management. To help design effective training and technical assistance efforts, Samwel (2013) describes this as grantees should conduct a formal or informal needs assessment and then develop a plan for providing training, technical assistance, and conducting site visits.

#### **2.5.5 Managing Budget and Finances**

According to Samwel (2013) grantees must employ sound financial management practices in implementing their grant. This helps to effectively manage program funds and provide

accurate, complete, and current disclosure and documentation of the financial results of the grant program.

Grantees' system of cost management should include fiscal and programmatic components as well as cost allocation and monitoring. Managing costs includes the process of identifying all the costs related with the grant, making informed choices about the options that will deliver the best value for grant expenditures, and managing and documenting those costs throughout the life of the project. Grantee's budget is the blueprint for cost management. The budget needs to be guided by the grantee's proposal and should include all direct and indirect costs. In addition, all grantees that are required to do so should have an audit (Hall, 2010).

Grants managers and other personnel, as appropriate, are responsible for knowing all the specific financial and grants management guidance and necessary provisions. These include managing and documenting costs, and the planning, co-ordination, control and reporting of all cost-related aspects from project initiation to operation, maintenance, and close-out.

Goldstein (2010) explained that Cost management entails understanding and following cost principles pertaining to match, allowable costs, and indirect costs. Grantees should have a plan for obtaining funding and other resources, including match contributions, from other sources. Financial management also entails having effective systems for competitive bidding of contracts and procurement. Donors grant policy and regulatory circulars require that grantees maintain a procurement system that is ethical, promotes full and open competition, and reaches out to women and minority-owned businesses.

### **2.5.6 Using Management Systems**

In recent years, a number of organizations have made concerted efforts to automate the information relating to the grant and contract management process. Managing contract information, especially at organizations with a large number of contracts or a large volume of projects, is a formidable challenge. As a result of the decentralized management of contracts in most organizations, and the involvement of various offices (procurement offices, requisitioners, contract managers etc.), information and data on contracts is collected, kept and managed at different offices in the organization's headquarters, regional and country offices. Procurement related information is fragmented across the organizations' enterprise resource systems, financial management systems, follow-up

systems for procurement related audit and evaluation, project management systems, and files and notes at headquarters and field offices (Bartsiotas, 2014).

As pointed out by Deborah (2010), management systems are designed to provide effective means of organizing and delivering program services, and of providing oversight of program activities and grant funds. Effective management structures are guided by written policies and procedures that are accessible to all staff. They also provide for regular communication among different units of the organization and ensure that all personnel are aware of the organization's mission, activities, and any news or events. Managers should ensure that staff understand their role in the organizational structure, and how their unit or department fits within the larger organization.

### **2.5.7 Keeping Records and Documenting Progress**

As it is stated in USAID and JSI (2015) grantees should document all policies and procedures throughout the grant process to ensure adherence to all grant requirements and provisions as well as facilitate continuity in program operations. Documentation also helps the grantee stay organized. Important documents to maintain in a filing system include the notice of grant award, grant amendments, the original grant application, documents from sub-grantees, the program budget, all expenditures, correspondence, financial reports, program progress reports, and audit and project closeout documentation. All expenditures should be appropriately documented (i.e., brief descriptions, agendas, reports, etc.) in a manner that supports why the transactions are allowable under the grant. Grantees should retain financial records for certain years (three most donors required) from the date of submission of the final Financial Status Report, and if there is an on-going audit, three years from the final audit resolution

## **2.6 Empirical Review of Grant and Contract management practices**

There are various studies conducted globally relating to grant and contract management practice and operational performance. Unfortunately, most of the studies regard procurement and performance in different sectors of economy, while few of them specifically concerns contract management and operational performance in state corporations in NGO Sector.

Uher and Davenport (2009) conducted a study on benchmarking Sydney public procurement performance and discovered a positive correlation between benchmarking and procurement performance in the country. Moreover, Helen (2012) conducted a study on the

benchmarking and its importance on procurement performance. Management and staff throughout the United Nations system acknowledge the lack of detailed policies and procedures specific to contract management and the need for more robust guidance to manage contracts after award. Nonetheless, even in the few cases where guidance does exist, no mechanisms are in place to ensure that policies and procedures are followed consistently (Bartsiotas, 2014).

In Kenya, Amin (2012) conducted a study on e-procurement and organizational performance in commercial parastatals in Kenya. He discovered that the practice enhances organizational performance. A study on procurement performance in public universities in the country showed that corruption, non-transparent procurement practices and inadequate technological infrastructure negatively affects public procurement performance in the institutions. Further, Alvin (2018) highlights some of the factors that contribute to inefficiency in public procurement in Kenya's public procurement. Corruption, delayed payments, poor planning, statutory amendments, insufficient use ICT, low public participation, and improper payment procedures negatively affects public procurement in the country. However, it fails to relate them with operational performance of state corporations in Kenya.

Watson (2012) studied the effect of outsourcing procurement services on performance in public Sector in Kenya. The study established that contract management capacity enhanced both organizational and operational performance of public organizations in Kenya. In similar way David kiprop, Dr. Joyce and Ronald (2017) conducted a study on the procurement system in Kenya and found out ineffective contract management practice as one of the reasons for poor procurement performance. It recommends more studies sound contract administration practices in order to boost the performance of the procurement system in Kenya. Nonetheless, the type of performance measured in the study is unclear.

Karley and Nkrumah (2012) identified that sustainability of NGOs is affected positively by a number of factors related to management capacities which are related to sound administrative structures, top management capacity to understand the aim of the company and take the lead in its achievement, a leadership with proven experience and qualification, skills, competence, a management that implements staff policies that initiate and holds employees within the organization.

Moreover, Bartsiotas, 2014 found that most United Nations system organizations are at risk of not having enough staff with the right skills to manage contracts after the contracts have been awarded. Consequently, the challenge that many organizations are facing is whether they have today, or will have in the future, the capacity and skill to manage the contracts of an increasing program workload. Existing training curricula are of insufficient depth to cover all phases of the procurement process, as they mainly focus on the front end of the process (pre-solicitation, selection and contract award). Training on how to manage contracts post-award has been neglected in most organizations.

Monitoring a contract's performance at regular intervals after award is critical to ensuring goods and services are provided on schedule and within budget, and that quality standards are met, especially for the organization's highest-risk and most complex contracts. Without continuous expert monitoring, risks exist of poor contractor performance, services not being delivered as expected, or payment being made that exceeds the value of the services performed. Although good efforts are made by several organizations to strengthen contract monitoring by issuing improved guidance and monitoring procedures, this review and the evidence provided by field offices point to continuous deficiencies in this area (Bartsiotas, 2014).

Sub-grantees performance evaluations are an important element in grant and contract management process. They reflect the degree to which a subgrantee demonstrated the ability to meet cost, schedule and performance expectations on a specific contract. They also reflect the sub-grantees' integrity and business ethics, end-user satisfaction and related information. With few exceptions, the evaluation of grant and contract management is not done systematically and in many cases the mechanisms for providing guidance to persons responsible for such evaluations are not clear. Furthermore, most of the organizations do not have a central system for keeping records of contractor performance evaluations (Samwel, 2013).

Internal oversight mechanisms, such as audit, investigation and evaluation functions, as well as external oversight, provide assurance and check on efficiency and effectiveness of contract-management operations. Few organizations, however, have made use of other assurance and control mechanisms—such as periodic internal reviews and performance measures—that could monitor procurement activity across the organization. While some headquarters procurement offices have established performance measures to help evaluate

the effectiveness of their procurement function organization-wide, these efforts could be more effective by focusing also on post-award issues (Bartsiotas, 2014).

Other researchers in the management field have defined effectiveness as the degree of achievement of organizational goals, the degree to which an organization achieves its purpose; the capability of an institution to accomplish its task through a balance of sound management, change control, and a relentless rededication to achieving success and the pathway to achieving the purpose of the whole organization (Lewis, 2013); Hyden (2002) and Eman (2012).

A number of researchers of grant and contract management in Ethiopia have addressed the role of grant and contract management, despite the focus may vary on the sector studied. Although shortage of written sources is encountered efforts are made to review some related empirical evidences. In the discussion presented below, the researcher briefly reviews the literature, depict their shortcomings.

From various literatures, it is found that successful contract management practices are those that meet the needs of the company's stakeholders, achieve optimum conditions and value in regard to the allocation of resources (best value for money), ensure rational and efficient of funds available, stimulate valuable competition and manage the risk and potential liabilities to the buyer thus improving service delivery (ChSA,2014).

Genet (2016), found that the major constraints like cost, quality and time as well as communication processes of the subject groups are the most effective project management processes towards success of a project in Path finder Ethiopia. Moreover, planning process from the process groups is effective for achieving success of a project. Hence, the researcher forwarded that effective project management processes like Planning, Time, Quality, Cost and communication processes have to be given great attention during execution of a project since they are the main driving force for success of a project.

In a study by USAID one of the major reasons for suspension by USAID was lack of proper internal controls. According to the NGO financial Newsletter, one aspect of the overall control environment NGOs has to take into account is the lack of financial or control insight of their country representatives or chiefs of party. Some field managers, claiming ignorance, even go so far as to entirely delegate all financial matters to their "loyal, trusted" finance staff. It has been reported that 70% of all scams have been perpetrated by finance

people (NGO financial Newsletter, October 2011). Lacking a direct or broken-line reporting relationship to the organization's Chief Finance Officer this is a recipe for failure.

The study finding by Getachew 2015, It was found that Contract is the foundation of the establishment and maintenance of a favorable relationship between the contractor and contracting authority. It also forms a basis for the acceptance of the project deliverables hence ensuring the achievement of value for money. Wudneh (2016) in his study on NGO's impact on Community economic empowerment found that Poor grant and contract management was found to be one of the major causes of risk which has a high probability of occurrence and a high level of impact on project objectives. In Addition, Eman (2012) after diagnosis study of NGOs operating in Ethiopia and concluded that international NGOs operating in Ethiopia have a better Contract management system than local NGOs.

As compared with the previous literatures, this research gave a depth in analysis covering the grant and contract management processes from pre-award identification to grant and contract closing primarily on the practice and challenges of grants and contract management in pact Ethiopia.

## **2.7 Ingredients of Effective Grant and Contract Management**

Effective grant and contract management is characterized by the management team that has the necessary relevant qualifications, skills, knowledge and experiences for the job. It is very important to clearly specify the roles and competencies involved in the contract management process. The officials charged with the responsibility should be selected based on objective criteria so as to ensure they have the required technical knowledge as well as skills, such as, negotiation skills, cooperation skills, and communication skills (Bartsiotas, 2014).

According to the theory, the following factors are proposed to be the essential for good contract management: Good preparation; an accurate assessment of needs help to create a clear output-based specification. Effective evaluation procedures and selection will ensure that the contract is awarded to the right provider to facilitate smooth management of contract.



### **2.7.1 The right contract**

The contract is the foundation for the relationship. It should include aspects such as allocation of risk, the quality of service required, and value for money mechanisms, as well as procedures for communication and dispute resolution. Single business focus; each party needs to understand the core objectives and business of the other. The customer must have clear business objectives, coupled with a clear understanding of why the contract will contribute to them; the provider must also be able to achieve their objectives, including making a reasonable margin. Management of service level and contract administration; effective governance will ensure that the customer gets what is agreed, to the level of quality required. The performance under the contract must be monitored to ensure that the customer continues to get value for money.

### **2.7.2 Relationship management**

Mutual trust and understanding, openness, and excellent communications are as important to the success of an arrangement as the fulfillment of the formal contract terms and condition. Continuous improvement: improvements in price, quality or service should be sought and, where possible, built into the contract terms. People, skills and continuity; there must be people with the right interpersonal and management skills to manage these relationships on a peer-to-peer basis and at multiple levels in the organization. Clear roles and responsibilities should be defined, and continuity of key staff should be ensured as far as possible. A contract manager (or contract management team) should be designated early on in the procurement process.

### **2.7.3 Knowledge and Capacity**

Effective contract management is characterized by a contract management team that has the necessary relevant qualifications, skills, knowledge and experiences for the job. It is also vital to clearly specify the roles and competencies involved in the contract management process. The officials charged with the responsibility should be selected based on objective criteria so as to ensure they have the required technical knowledge as well as skills, such as, negotiation skills, cooperation skills, and communication skills. The people in charge of the contracts need to play an important and meaningful role in ensuring that the company's contractual goals are fully achieved at the minimum cost possible. The supervisors (contract managers) should be knowledgeable in contract management.

Those involved in managing the contract must understand the business fully and know the contract documentation inside out ('intelligent customer' capability). This is essential if they are to understand the implications of problems (or opportunities) over the life of the contract. Moreover, an effective contract management requires flexibility or adaptability in contract management process. A contracting organization and a contractor need to have flexibility in order to manage contracts successfully. There is a need to focus on the development and maintenance of good cooperation and communication between the parties. Kracunas, and Susko (2015) identified some tools and approaches supposed to be supportive and be practiced and adhered by all the concerned parties involved throughout contract's execution phase.

#### **2.7.4 Flexibility**

Management of contracts usually requires some flexibility on both sides and a willingness to adapt the terms of the contract to reflect a rapidly changing world. Problems are bound to arise that could not be foreseen when the contract was awarded. Change management: Contracts should be capable of change (to terms, requirements and perhaps scope) and the relationship should be strong and flexible enough to facilitate it. Proactively, Good contract management is not reactive, but aims to anticipate and respond to business needs of the future. Initially the researcher agrees with the theory on the point that the contract management principles and practices commence merely from day one of the contract starting. The drafting of the contract specifications, coupled with the co-ordination of the tender process, which in fact is the initial phase for contract management (Samwel Marko, 2013).

#### **2.7.5 Communication**

The main tool or approach to create advantageous situation for the formation of smooth and exceptional communication environment that show the way for good grantor and grantee. Effective communication starts prior to the time that grant award request proposal is written and submitted to the grantor for approval of the grant request. However, before any grant is agreed and signed, comprehensive deliberations take place that avoids troubles and misunderstandings throughout the accomplishment phases of projects for which such successful communications constructs shared confidence, respect, dedication and faith to maintain assurances that all significant grant dealings can be accomplished without any communication gap between the two parties (Mango, 2014).

### **2.7.6 Defined work flow in the contract**

After creating smooth communication environment and reached into common consensus, grantees often receive the grants from their grantors with full trust and without delay that the grantees are responsible for the utilization of the grant throughout the implementation period of the predetermined projects by both the donor and the grant recipient parties. In the same manner, Lewis 2003 reveal that clear description of processes and setting contract management plans, suitable methods of using essential lessons from contract management practice, precise definition of roles and employing knowledgeable contract manager enhance effective contract management process. Finally, for contract management to be successful, the parties need to take initiatives and preventive actions. This indicates that the process should be based on preventive actions with anything relating to potential risks, substandard contractor performance, supply or delivery of low-quality products or services.

It is further identified that grantees should document all policies and procedures throughout the grant process to ensure compliance to all grant requirements and provisions as well as facilitate continuity in program operations. Documentation helps the grantee stay organized. Important documents to maintain in a filing system include the notice of grant award, grant amendments, the original grant application, documents from sub-grantees, the program budget, all expenditures, correspondence, financial reports, program progress reports, and audit and project closeout documentation (Bartsiotas, 2014).

### **2.7.7 Granting Relationships**

Building superior associations and mutual understanding between the grantor and the grantees is actually significant on both parties that enable the parties work jointly aimed to accomplish their mutually intended objectives. Grant relationships involve worldwide actors that having different languages, culture difference, skills inequality, educational background, communication gaps, distance, difference in living standards, can be mentioned (Samuel, 2013).

Grantors and grantees need to have mutual interest and the one needs the other and vice versa for which grantors provide grants that with bare hands or without having grant these grantees can do nothing and not able to attain their intended objectives. Simultaneously, as

grantors have vested interest on the projects and objectives, they cannot attain their intended agenda without having the project implementing actors that the two completing parties that enable them attain projects mutually that enable them to make their grant relationship smooth (Mango, 2014).

Managing donor relationship involves accounting for the donor funds usage based on the agreements (timelines, grant, project scope and budgets) between the donor and the NGO. Hall (2010) identified a positive relation with loyalty, donors who showed that they were ‘very satisfied’ with the quality of service provided by the NGOs, were twice as likely to offer a second or subsequent gift, than those who identified themselves as merely satisfied. Work by Martha (2017) similarly provides support that there is a significant and direct positive relationship between satisfaction with the quality of relationship marketing activity (in this case, relationship fund raising) and the donors future intentions and behavior, particularly the likely length of the relationship and the levels of grant offered.

### **2.7.8 Contract management system**

An optimal grant management system will use appropriate technology and support that can help an individual or team pursue grant funding in the best way possible while managing financial and program requirements across the lifecycle of grants. Installing contract management systems can take the burden off grant staff when it comes to managing business processes while automating the essential tasks and activities of the grant lifecycle (Bartsiotas, 2014). Contract management software allows you to more quickly generate new business. the software contains a standard contract templates library that you and your team can use to quickly generate new contracts. Less time is spent on reinventing the wheel and more time is spent ensuring that the contract is specific to both your needs and your counterparty’s needs.

Finally, contract management software helps you and your organization monitor contracts for future improvement. A central hub of past and current contracts allows you to extract insights that you can leverage in future contracts. You are able to identify trends on what has worked and what hasn’t worked, ultimately allowing you to iterate accordingly in future contracts. Simply put, this task is much harder—perhaps impossible—if you rely on a purely paper-based system. But by engaging in this exercise, you and your organization are likely to save money in future contracts.

### **2.7.9 Understand the Value of Performance**

There are a number of factors to consider when designing accountability mechanisms that help to ensure the mechanisms are of sufficient value and motivate performance improvement. Ensuring sufficient value requires that both the grantor and grantee are able to determine the value of the rewards and penalties and the cost of improved performance—be they financial or nonfinancial—and provide a meaningful return to both the grantor and the grantee and rewards or penalties should be consistently applied to maintain the value of the mechanisms to both the grantor and grantee. According to the literature I reviewed, both the grantor and grantee should understand what a particular level of performance is worth to them and what it will cost them to achieve that level of performance (Goldstein, 2010; Getachew, 2015; Deborah, 2010).

### **2.7.10 Monitoring and Evaluation**

Monitoring a contract's performance at regular intervals after award is critical to ensuring goods and services are provided on schedule and within budget, and that quality standards are met, especially for the organization's highest-risk and most complex contracts. Without continuous expert monitoring, risks exist of poor contractor performance, services not being delivered as expected, or payment being made that exceeds the value of the services performed. Although good efforts are made by several organizations to strengthen contract monitoring by issuing improved guidance and monitoring procedures, this review and the evidence provided by field offices point to continuous deficiencies in this area (Bartsiotas, 2014).

Performance evaluations are an important element in the procurement process. They reflect the degree to which a sub-grantee demonstrated the ability to meet cost, schedule and performance expectations on a specific contract. They also reflect the sub-grantee's integrity and business ethics, end-user satisfaction and related information. With few exceptions, the evaluation of sub-grantees is not done systematically and in many cases the mechanisms for providing guidance to persons responsible for such evaluations are not clear. Furthermore, most of the organizations do not have a central system for keeping records of grantees performance evaluations (Ibid).

Evaluation is a quality assurance management tool which is used to check on the level of success, the problems that are faced, the efficiency in the use of resources, the ability of the project to meet the expectations of the shareholders, and the way forward to ensure high quality service delivery. The development of revised performance evaluation procedures

will ensure the reliability of the overall performance. Researchers identified five components in order to develop a framework for monitoring performance which are level of service effectiveness, timeliness of response, safety procedures, quality of services, and cost-efficiency.

According to Goldstein (2010), evaluation is an important component of refining programs and documenting impacts. Evaluation aids the profession as a whole and assists Extension faculty in meeting promotion requirements. Qualitative methods are commonly used in evaluations in order to explore specific facets of programs and to give voice to participants' experiences. These methods provide in-depth information that can assist Extension staff in enhancing the quality of their programs.

## **2.8 Challenges in Handling Grant and Contract Management**

The achievement of an effective grant and contract management may be affected by different challenges. According to literatures, the main challenges are contract managers experience a challenge regarding unforeseen work. This shows contract management may result in work that is contrary to the contract terms and conditions. This necessitates for an organization to define its expectations clearly in the contract. The business requirements should be well documented and that people at all organizational levels and end users should be involved in the development of the requirements and documenting them. In addition, finance or timeline constraints hamper effective contract management. Corey (2014) showed that contract managers often face this challenge due to unclear project scope, and unrealistic timeline and budgets. Thus, to salvage this challenge, it is important to have clearly defined scope, budget, and timeline for the contract.

While it may not be common knowledge, grants are the lifeblood of government services across the country. Of the 250-plus grants management professionals surveyed, 54 percent were frustrated by the bureaucracy and the inefficient tools and IT systems associated with managing grants. Another 44 percent of respondents were not confident that they could determine grant-making best practices despite years of working in the field. And, perhaps most disturbing, 31 percent were not confident they could evaluate the program impact and outcome of their grant funds at all (Uher, 2009).

The other challenge contract management is communication problem which requires integrating a communication plan in the contract. This will enhance timely contract status updates. Watson (2012) assert, contract management may also suffer from inadequate skilled resources. Contract management normally suffers because of unavailability of appropriate resources to implement it.

David, Dr. Joyce and Ronald (2017) state that conflicts regarding payments hinders an organization from practicing proper contract management. To solve this, it is necessary to define ways and processes in the contract to penalize or award on the basis of compliance with the agreement. It is also significant to devise ways of measuring progress and set actual acceptance standards. Carroll and Stater (2009) identified that change can be challenging to a contract management team especially if it lacks appropriate measures of handling it. Contract management challenges include lack of cooperation and inflexibility. The right way of preparing for change by through structuring the contract in such a way that allows the team to properly identify and review risks weekly.

Goldstein 2010 state that contract managers also face a challenge when tracking global contracts. This affects organizations that operate internationally or award contracts to both local and global companies. Various factors including language difference and unique business techniques may complicate global contracts and making it hard for the parties to understand each other.

Managing data in diverse locations can make it hard to locate and relate documents to each other. This may cause problems if there is need to review many documents regarding a specific contract, or review various versions of the document, and they are separate. Corruption, delayed payments, poor planning, statutory amendments, insufficient use information technology, low public participation, and improper payment procedures negatively affects public procurement in the country.

As stated by Bartsiotas (2014) effectively and efficiently managing grants, both grantors and grantee face a complex, disjointed, and dynamic set of processes. Grant-making agencies often face the dual challenge of being both a grantee and a grantor. Through data collected from numerous grant managers, identified a common set of challenges in grant management.

- Not easily tracking and reporting grant data (programmatic and financial) in real time to enable timely interventions and corrective actions.
- Inconsistently applying governance, compliance, and risk management principles across programs and sub-grantees to manage fraud, waste, and abuse.
- Not effectively managing and coordinating the required activities and tasks associated with the pursuit of grant management.
- Poor communication and information exchange with sub-grantees.
- Managing increasing numbers of grants, awards, and sub-grantees with decreasing administration/support budgets.

### **Concluding Remarks from the Literatures**

Grant and contract is the pillar in the exercise of its proper and effective management. Every grant and contract should establish its basic principles, have clear scope, define execution terms, and define procedures essential for successful communication between the donor and the grantee. An efficient tracking and reporting system are a must – if you choose the right grant management software system it is likely to be included. Think routine summary reports, status updates, checklists with reminders of things to do, and team meetings. It should also implement changes, evaluate grantee performance, accept, or reject the deliverables, identify, and manage risks, handle problems, resolve disputes, approve payments, and finally close the grant and contract process. The procedures should be clearly defined and implemented in compliance with the respective regulations in order to achieve integrity, objectivity, nondiscrimination, transparency, confidentiality, and secrecy.



## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This section discusses the methodology of the study and highlights the research design, target population, sampling technique, data collection instruments and data analysis and presentation. This chapter will therefore discuss the methodology that will be used in the study. It begins by describing the research design to be adopted then proceeds to identify and describe both the population and the samples size, and the methods of data collection, describe the procedure used in designing the instrument and collecting the data and end by describing the data analysis methods. At the end, a chapter summary is provided.

### **3.2 Research Design**

To achieve the intended purpose of this study, descriptive survey research method was employed. A descriptive research design is used when the problem is well defined and the researcher knows something about the problem (Mugenda & Mugenda, 1999). The main reason for using descriptive research was the method's fitness in portraying the grant and contract management practices in pact Ethiopia. When the purpose of the research is to answer what, where, who and the like questions similar with the questions raised on this research questions, the instrument using for the research is better to use descriptive design Saunders et al (2009) because the object of descriptive research is to portray an accurate profile of persons, events or situations.

### **3.3. Sources of Data**

The study used primary and secondary sources of data that enable the researcher to meet the objective of the study.

The primary data was collected through questionnaire to selected employees of pact Ethiopia country office. The questionnaires were prepared based on the contents obtained from the review of literature. To validate the questionnaire, experts working in grant and contract management were consulted to comment professionally. Comments were incorporated and a final copy was prepared for final deliberation. In addition, structured Interview questions was prepared to senior managers in grant and contract management units of pact Ethiopia country office. Primary data through a descriptive case study method was employed to obtain data and also a desk review and key informant interviews were conducted to supplement the quantitative data with qualitative information

The secondary data related for this study were gathered from manuals, brochures and projects performance reports regarding grant and contract matters of pact Ethiopia country office and previous researches on the related areas. Besides, secondary sources such as: program & financial reports, the association’s policy manuals, guidelines, instructions; the government’s laws, proclamations directives and grantors’ agreements were taken into consideration to substantiate the data found through primary data.

### 3.4 Target Population and Sampling technique

Target population is the total number of the subjects of interest to the researcher. According to Bayley, (2014), a population refers to any group of institutions, people or objects that have common characteristics. The study focused practice and challenges of grant and contract management system, the target population in this study will be staff members at different level those are involved on the grant and contract management area.

According to Denning (2001) sampling is the process by which a relatively small number of individuals, object or event is selected and analyzed in order to find out something about the entire population from which it was selected. A sample is a small group of research participants from whom data is to be obtained. Mugenda and Mugenda (2008) indicated that a sample is a smaller group or sub-group obtained from the accessible population.

In this regard, for the sake of getting complete data on contract management in Pact Ethiopia, all head office staffs who engage in grant and contract management and administer the projects budget were included in the study. This is due to the smallness of the study population in head office who were involved in managing grant and contracts. Moreover, there were 45 target population of the study working in sub-grantees. From this group of target population, 22 respondents were selected as a respondent of this study. These samples were selected by using purposive sampling technique considering staffs exposure in administering contracts and length of stay on the project. Staffs of the sub-grantee who served long and who have rich exposure on managing contracts were subjects of this study.

*Table 3.1 Study population and sample size*

S.N	Position	Total Number of staff	Number of Samples taken
1	Program Director/Manager/Coordinator/Officer (head office)	15	15
2	Grant Manager/Officers (head office)	7	7

3	Finance Manager/Officers (head office)	8	8
4	Subgrantees	45	22
Total		75	52

Source: survey data

### 3.5 Data Collection Techniques

In this study, data were collected by use of questionnaires. Questionnaires are cheap to administer to respondents who are scattered over a large area. It is convenient for collecting information from a large population within a short span of time. Questionnaires enable the researcher to reaching out to a large number of respondents within a short time; give the respondents' adequate time to respond to the items, offer a sense of security (confidentiality) to the respondents and it is an objective method since no bias resulting from the personal characteristics. The questionnaires were more off closed ended questions to facilitate in easier analysis as they are in immediate usable form; while the unstructured questions were used to encourage the respondent to give an in-depth and felt response without feeling held back in revealing of any information. Moreover, in order to complement the study data with qualitative data, an interview tool was developed and used. Furthermore, secondary data was obtained by undertaking a desk review.

### 3.6. Procedure of data collection

A pilot study was carried out to ensure that the questionnaires met the set objectives. A draft research questionnaire was administered to 10 selected populations of the study. The pilot study was aimed to establish how easy the questions are understood, how long it takes to complete the questionnaire as well as collect criticism on any other aspect of the questionnaire. This was done to ensure data validity and effectiveness of the instrument before administering it. A refined questionnaire was then sent out. A cover letter was attached to the questionnaire to state the objective of the study, seek cooperation of the respondents a well as to ensure various guidelines are met. Each respondent was given two weeks to complete them in which time follow up telephone calls were made to ensure the timely completion of the questionnaires.

The questionnaire for the study were self-administered as the subjects of the study were first degree holders and above. To facilitate difficulties while responding and timely collection, the researcher provided telephone follow-ups. The researcher also made random visits to

the field as data collection was ongoing. To enhance cooperation, the researcher promised to share the results of the study. The methods adopted were also convenient for each correspondent meaning that some questionnaires were hand delivered others were e-mailed.

### **3.7 Data Analysis Techniques**

For this purpose, the researcher chosen the Likert scale of 5 ranges from 1-strongly disagree to 5-strongly agree to analyze the total 35 Likert items of the grant and contract management system in Pact Ethiopia. After collecting the raw data from 48 respondents, the collected questionnaires were edited to check on completeness, clarity and consistency in answering research questions. The data were coded, tabulated and analyzed using Statistical Package for Social Sciences (SPSS) version 20 based on study objectives. Descriptive statistics were computed, and study findings are presented using tables.

The questionnaire data obtained through Likert Scales were analyzed according to Best and Khan (1998)'s statistical solution recommendations. These authors demonstrated that mean score from 1 to 1.80 is lowest, from 1.81 to 2.61 is lower, from 2.62 to 3.41 is average, from 3.42 to 4.21 is high, and 4.22 to 5 is considered very high. In addition, a value of Standard deviation of 1 and less shows less variability in a five-point Likert scale. The reliability coefficient of the scale was found out to be very strong to support the mean scores.

The analysis is conducted by using percentages, mean and interpretations made and report written. The qualitative data was analyzed based on the themes formed from the questionnaire data. This supported the research to be enriched with data and provided better ground for triangulation.

### **3.8 Ethical Considerations**

The respondents were treated with great respect and courtesy in order to avoid misunderstanding between the researcher and respondents. The respondents were informed of the purpose of the study. Each respondent was politely requested to fill the questionnaire and assured of confidentiality with regard to any information they provided.

## CHAPTER FOUR: RESULTS AND DISCUSSION

This chapter deals with the presentation, analysis and interpretation of data obtained from respondents at Pact Ethiopia and its Sub-grantees through questionnaires. Out of the total 52 questionnaires distributed to Sub-grantees 48 (92.3%) of the questionnaires were properly filled and returned. Therefore, the presentation, analysis and interpretation of data were made based on the data obtained from the above sources. The analysis is presented in different sections as follows.

### 4.1. Characteristics of respondents

Table 4. 1 *Characteristics of respondents*

Characteristics	Category	Frequency	Percentage
Gender	Male	25	52
	Female	23	48
Age	18-25	8	17
	26-35	15	31
	36-45	20	42
	over 45	5	10
How many years of experience do you have relevant to the current role?	0-2	5	10
	3-4	8	17
	5-6	12	25
	over 7 years	23	48
Level of Education	Diploma/Certificate	0	
	Degree	32	67
	Master's Degree	16	33
	PhD	-	-

Source: Field Data, January 2020

In the study, data was captured to look over the composition of gender in the organization. Accordingly, as shown in table 4.1 above male responders were a bit above female respondent. The study managed to collect data from both male and female respondents in the organization to get their views in relation to grant and contract management in Pact Ethiopia. This shows that the study findings can be concluded in respect of both males and females.

Analysis of respondents by age group had been undertaken to ensure that data was collected from mature people who can freely express their views in relation to contract management and performance in the organization. The results as shown in table 4.1 above indicate that all the respondents were above the age of 18. This shows that data was collected from mature people who would freely express their opinions and view in relation to grant and contract management in the topic of the study.

Further analysis was made in relation to the number of relevant work experience of respondents have to the current job. Accordingly, more than 90 percent of the respondents have three or above years of work experience. This shows that data was collected from experienced people with enough information in relation to contract management in the topic being studied. Moreover, the study sought to establish the education level of the respondents in relation to their ability to interpret and understand the administered questionnaires for reliable findings. Accordingly, no respondent was found below the level of degree. Hence the respondents could easily interpret the research instruments for reliable findings.

#### **4.2 Reliability of Responses**

Cronbach alpha was conducted to test the reliability of responses. Accordingly, the Cronbach's alpha statistics for the entire scale was acceptable index, which is 0.89 with a standard deviation of 34.11. Then, reliability was computed for the four sub-scales, and the results were: Leadership and governance =0.84 (12 items); Projects planning and grants proposal =0.86 (6 items); Monitoring, evaluation and internal control =0.89 (10 items), and Close out =0.91 (7 items). As the Cronbach alpha figure is above 0.8, it is possible to proceed the analysis hence the responses are considered consistent.

#### **4.3 Grantee Identification and Selection**

In this section the researcher wanted to identify how the pre-award assessment tool and the assessment process has an impact on the grant management efficiency and effectiveness. As per the discussion, during the interview the guiding Principle while Identifying partner organizations for any new grants is based mutual strategic fit and its consistent with strengthening the global network. So far, pact identified most its partners by undergoing a partner assessment. This includes completing a partner financial assessment. Existing partners being considered for a new project do not need to undergo another partner assessment, but should be periodically re-assessed. This practice is in line with Goldstein

(2010) recommendation of applying pre-award assessment tool that is applicable and relevant to its sub-grantee to measure its technical, financial and managerial capability and get the necessary information for making good decision and efficiently and effectively manage its grant. Based on the key informant information, Pact used pre-award assessment to determine the capacity gap of sub-grantees and plan for intervention for efficient and effective grant management. This implies that Pact used pre-award assessment has good practice in pre-award phase of grantee identification and selection.

The compiled data was analyzed referring to the statistical method suggested by Best & Khan (1998). According to Best & Khan (1998), the responses on Likert scale tool of 5 scale points were determined as the following ranges.

- A mean value of **1.00 - 1.80** is the lowest or in this research, ***the poorest***,
- A mean value of **1.81 - 2.61** lower or in in this research, ***poorer*** practice
- A mean value of **2.62 - 3.41** moderate or in in this research, ***moderate level of practice***,
- A mean value of **3.42 - 4.21** is considered as high, in this research **high level** practice
- A mean value of **4.22 - 5.00** is considered as very good in this research ***very high***.

The above standards are used to make the analysis and interpretation of data presented in the following sections.

#### **4.4 Leadership and Governance**

The data collected from the questionnaire related to the leadership and governance variables that deal with items on policies, procedures, manuals, and staff capacity related issues are presented in table 4.2 below.

Table 4-2. Leadership and governance

Existence of established working system	N	Mean	Std. Deviation
The organization has effective policies, guidelines and procedures.	48	3.2	.83
The organization has clear and updated grants and contract management manual.	48	2.1	.73
The organization has clear and updated supplies & logistics management manual.	48	2.7	0.9
The organizational policies, guidelines and procedures are effectively implemented.	48	2.3	.87

The organization has clear and updated financial management manual	48	3.3	.78
Identification and selection of sub-grantees is competitive in pre-award process	48	4.0	.81
The organization is filled with experienced and well-trained staffs	48	3.2	.59
Aggregate scores	45	3.0	0.8

Source: Field data, January 2020

In order to analyze the availability of established working system with policies, procedures and guidelines, respondents were asked to reflect their opinion based on their experience in Pact Ethiopia. The mean results out of the 5-scale rating was 3.2 with standard deviation of 0.8 (Table 4.3). This aggregate result shows Pact-Ethiopia has established working policies, procedures and guidelines used in grant and contract management at moderate level as compared with Best and Kahn (1998) categorization standards. Moreover, in specific terms the organization has clear and updated financial management manual. According to Corey (2014), important documents to maintain in a record system include the notice of grant award, grant amendments, the original grant application, documents from sub-grantees, the program budget, all expenditures, correspondence, financial reports, program progress reports, and audit and project closeout documentation.

The mean value for effective implementation of policies was 2.3 with standard deviation of 0.9. Moreover, the practice of updating policies, procedures and guidelines was 2.1 with standard deviation of 0.7. In the same way, the average score response on the availability of clear and updated supplies & logistics management manual was 2.7 out of score 5 which is categorized at moderate level as per Best and Kahn (1998) categorization standards. This shows the grant and contract management is not optimized in implementing policies, procedures and guidelines and the policies, procedures to facilitate day to day operation. This finding is aligned with findings of Seblewongel (2015) where most respondents with mean score of 3.9 agreed that effective implementation of manuals and guidelines in a study undertaken in some selected NGOs residing in Addis Ababa. It is also in line with Bartsiotas (2014) finding that lack of detailed policies and procedures specific to contract management in Unites Nations projects that was hampering grant and contract management. Nonetheless, even in the few cases where guidance does exist, no mechanisms are in place to ensure that policies and procedures are followed consistently.



In terms of manpower capacity, the survey data shows pact is filled with moderate level of experienced and well-trained staffs as the mean result of respondents was 3.2 with standard deviation of 0.59. This mean result shows the staff strength of the organization is leveled as moderate one. Likewise, the interview data shows there are doubts whether the vacant post of the organization is filled with experienced and well-trained staff. Within the system, there are also challenges in relation to the board and executive of the association. They need to be proactive and deliver stewardship to the donor partners and enhance the leadership style. Manpower capacity is a challenge for most development organization, not only for Pact-Ethiopia. A study by Bartsiotas (2014) in UN found most organizations are at risk of not having enough staff with the right skills to manage contracts after the contracts have been awarded. Consequently, shortfalls in capacity and skill to manage grants and contracts become of an increasing program workload as difficulties are faced in execution stage.

Moreover, the interview data in Pact Ethiopia shows Pact’s procedure and guideline implementation is weak except the financial procedures. According to the interview informant lack of regular orientation and the tradition of using past experience by managers and officers is one of the deterrents. Both quantitative data and key informant responses showed that the organization lagged to update its human resource management, and supplies and logistics manual. Moreover, in the open-ended session of the questionnaire, respondents mentioned that there is lack of segregation of duties and responsibilities between the finance and grant staff. Hence, minimize duplication of effort for effective use of resources and work cohesively towards the same purpose.

#### **4.5 Compliance and transparency of grant and contract management**

To analyze Pact’s practice of assuring compliance and transparency, respondents were asked to respond on practices of grantee identification and selection; adherence to contracts and requirements of grantors (donors) and other stakeholders and taking good care of the donors’ grants by making sure that their usage is performed accordingly.

*Table 4.3. Adherence to working policies and procedures in grant and contract management*

<b>Compliance to directives and procedures</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Identification and selection of sub-grantees is competitive in pre-award process	48	4.0	.81
The organization plan, perform and achieve the intended result transparently	48	2.3	.89

Grant and contract management practices are in compliance with relevant government directives.	48	3.8	.81
The organization adheres to the agreements, requirements of grantors (donors) and other stakeholders.	48	3.8	.86
The organization is taking a good care of the donors' grants by making sure that their usage is performed accordingly.	48	3.3	.79
The organization is transparent throughout the grant management system.	48	2.2	.71
Aggregate score	48	3.2	0.8

Source: Field Data, January 2020

As shown in Table 4.3 above, Pact Ethiopia relatively has good practices in managing grants and contracts with regard to competitive based nature in grantee identification and selection; in complying to government directives; adhering to the agreements, requirements of grantors (donors) and other stakeholders and by making a good care of the donors' grants by making sure that their usage is performed accordingly. This is because the mean values are above the average values of 3 score out of the score value of 5. In the same manner the data from key informants show Pact is robust enough in meeting the directive of the government and perform in line with the requirements of its donors. A key informant said that: "Pacts grant management system is fully applicable in accordance to donor's agreements." This made the organization reputable.

However, in terms of performing as per the plans to meet the intended result transparently there is no good track as the mean score of the respondents is 2.3 with standard deviation of 0.89. In the same manner, the grant/contract management system is not transparent as perceived by its staffs participated in the survey result as the mean value is 2.2 with standard deviation of 0.71 as shown in Table 4.3 above. The standard deviation from the mean is by far is a small number less than 1 which shows the minimum level of deviation if each response from the mean value. This implies most of the respondents perceive that the contract management system lacks transparency. This finding gives meaning with finding of (Lewis, 2003) which states if an organization is not transparent, then it may give the impression of having something to hide. In such situations the top management should ensure risk-management plans are in place covering post-award contract activities. These plans should include risk-mitigation measures and also clear designation of responsibility to those persons executing such measures.

#### 4.6 Project Planning and Grant proposal

To analyze the grant and contract management practice with regard to planning and financial budgeting, questions were forwarded to the participants of the study. Their responses are Summarized and presented in Table 4.4 below.

*Table 4.4. Project Planning and budgeting in Pact Ethiopia*

Project planning and financial budgeting	N	Mean	Std. Deviation
The organization initiates projects that can solve existing problems by generating ideas for services to meet specific objectives	48	3.5	.91
The organization course of action area geared to attainment of objectives of the project	48	3.0	.77
The organization promotes shared understanding on how both parties would work in a jointly manner.	48	3.8	.91
Grant staff is involved in the annual plan/budget preparation process	48	4.7	.97
Grant staff breaks down the annual budget into a monthly cash flow in consistent with the program staff action plan.	48	4.8	.70
The organization release grants to sub-grantees timely	48	2.2	.95
Aggregates score	48	3.7	0.9

Source: Field Data, January 2020

As shown above initiated projects in Pact Ethiopia were aligned to existing problems prevalent in the country as the mean value 3.5 score with standard deviation of 0.91. The courses of actions pursued by the organization as perceived by the respondents were leveled at average in gearing to the attainment of specific objectives as the mean score of 3.0 show in Table 4.4 above.

In the open-ended session of the questioner, some respondent's recommended that Pact-Ethiopia need to organize proposal development team as a unit. Their reason was current status the organization couldn't sustain due to the shortage of project fund. So that proposals can be develop in advance and distribute to donors to compete with other related organizations. This finding is supported by Okorley and Nkrumah (2012), setting up proposal developing team contributes to NGOs sustainability by raising fund from its development partners.

Moreover, grant staff involvement in the annual plan/budget preparation process' and breaking down the annual budget into a monthly cash flow was consistent with the program staff action plan as mean values 4.7 and 4.8 respectively were close to 'very good' or strongly agree. However, it is mentioned that the program staff does not involve in budget preparation as commented by the respondents in the open-ended questioner section. This retard easy utilization of budget and may contribute for project delay.

On the other hand, the mean value on release of grants on timely basis to sub-grantees was 2.2 which show the poor performance of the grant management in Pact Ethiopia. It is mentioned that the organization does not release advance budget as per the schedule. The unparalleled release of grant to sub grantees shall affect fund utilization and in meeting project targets successfully.

Table 4.5 below shows the difficulty of fund raising from its major funding sources. The data on the table shows there is difficulty on the availability of grants. Moreover, the release of grant and contracts is irregular, showing difficulty of getting secured grants. In the same manner, the organization's financial sustainability is in question.

*Table 4.5. Fund Sustainability*

From your experience, how could you explain the availability of current projects grant and contract amounts as compared with the organization goal?	Very sufficient	Sufficient	Insufficient
	6%	18%	76%
How do you express the release of secured grants and contracts from donors for project implementation?	regular	irregular	Very irregular
	15%	18%	67%
How do you rate the organization current financial sustainability?	highly sustainable	Sustainable	Hardly sustainable
	12%	16%	72%

Source: Field Data, January 2020

## **4.7 Monitoring and Evaluation**

### **4.7.1 The practice of monitoring and evaluation in grant utilization**

Monitoring and evaluation is used to establish compliance to the contract terms and conditions to track progress regularly, to ensure the project is handled within time and budget allocated, to establish whether the sub-grantees were following the prescribed terms and conditions to ensure value for money while delivering social services and to analyze whether the intended objectives were achieved. The monitoring and evaluation practice of the organization is assessed based on the responses of staffs in Pact Ethiopia as shown in Table 4.6 below.

*Table 4.6. The use of monitoring and evaluation in fund utilization*

Items	N	Mean	Std. Deviation
Financial records of all grants and contracts are kept complete and accurate with integrity.	48	4.3	0.6
The organization utilizes appropriate accounting software for grant and contract recording and report generating purposes.	48	4.5	0.8
The organization prepares financial statements separately for each project.	48	4.1	0.9
Grant staff prepares financial performance report and reconciles regularly with activities performed by project staff.	48	2.8	0.9
Mechanism in place to follow up budget utilization at the level (Pact Ethiopia office and Pact HQ)	48	4.6	0.7
Aggregates scores	48	4.06	0.8

Source: Field Data, January 2020

In line with above paragraphs, respondents were asked to rate if the organization's Financial records of all grants and contracts are kept complete and accurate with integrity. The average score for this response was 4.3 with standard deviation of 0.6 which indicate the existence complete and accurate financial records (Table 4.6 above). Moreover, the aggregate figure on implementation of monitoring and evaluation on financial control is of high level with average score of 4.06. This shows the organization financial control system in grant management is of the highest standard. In this regard, the study participants were asked to reflect their perception on utilization of appropriate accounting software to manage grant and contracts. Accordingly, the responses show the existence of appropriate accounting software for grant and contract recording and report generating purposes.

As shown in the table 4.6 above, Pact's grant management is in good track with respect to preparing financial statements separately for each project. Moreover, Mechanism put in

place to follow up budget utilization at the level (Pact Ethiopia office and Pact HQ is quite very good as the responses are above strongly agree. The standard deviation for these responses is below 1 indicating the lesser variability between responses. However, the grant financial performance report and reconciliation regularly with activities performed by project staff is of moderate level as the average score is 2.8. This implies system of controls, checks and balances – collectively referred to as internal controls is not adequately exercised to safeguard financial assets and manage internal risk. Strong follow-up of budget utilization is a tool to deter opportunistic theft or fraud and to detect errors and omissions in the accounting records. This is part of effective internal control system which also protects staff involved in financial tasks and utilization of fund for the purpose it was meant. According to the information from key informant an effective oversight body at the executive management level, with cross functional representation, is not yet in place to monitor the high-level performance of the grant portfolio, evaluate emerging trends and guide the related responses at a strategic level.

Grant and contract performance evaluations are an important element in the procurement process. It reflects the degree to which a sub-grantee demonstrated the ability to meet cost, schedule and performance expectations on a specific contract. It also reflects the sub-grantees integrity and business ethics, end-user satisfaction and related information. In this regard, studies by Sisay (2015) support the monitoring and evaluation gaps NGOs in Ethiopia. Sisay (2015) found that most of the organizations do not have a central system for keeping records of sub-grantee performance evaluations as the mean score was 2.8 out of score 5 rating scale. This research supports this research finding in Pact Ethiopia.

To relate the information obtained from survey with actual data with regard to utilization of fund secondary data were gathered. Accordingly, the five-year fund burn rate was 76.4 percent (Table 4.7). This shows on the average utilization for the past 5 years remained nearly 24 percent of the fund. The implication of unutilized fund means delayed projects are a common phenomenon with mean unable to satisfy project beneficiaries and stakeholders. Poor utilization of fund has also implications on reducing the flow of fund through Pact Ethiopia to this country. This may relate to delay of project implementation as per the project. There are several factors that determine fund utilization in NGO's as found in Martha 2017. Some of them are communication problems, delay o approval of fund

transfers, poor infrastructure, projects, site being in inaccessible areas most of the time, delays in implementation of the activities, mobilizations of resources take time, particularly staff recruitment.

*Table 4.7. Fund utilization rate in Pact Ethiopia*

FY	Project			
	HVC (2013-18)	Gofori 2015-18	SIPED 2015-20	Total
2014	68%			69%
2015	66%	36%	85%	72%
2016	80%	56%	73%	76%
2017	81%	42%	74%	78%
2018		94%	88%	88%
Average	74%	57%	80%	76.4%

Source: Secondary Data from Pact Ethiopia, 2018

Based on the interview with the key informant, Pact has set up team responsible to monitor and assess grant performance and budget execution through the Annual Funding Decision, disbursement process, and routine reports on programmatic performance from the Principal Recipient. The Annual Funding Decision and Disbursement Process is aimed at:

- reviewing implementation progress of each grant (programmatic, financial and management aspects) and assigning an overall grant rating;
- determining and committing the funding to be disbursed to each eligible grant recipient for a period of up to 12 months (plus a buffer period), and establishing the schedule for the disbursements; and,
- identifying implementation issues and risks, as well as the corresponding mitigating measures.

#### **4.7.2 Overall monitoring and evaluation practices**

The overall monitoring and evaluation practice of the organization is presented and discussed as follows:

*Table 4.8. Monitoring and evaluation practice*

Items	N	Mean	Std. Deviation
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The organization performs monitoring & evaluation process in collaboration with partner on agreed objectives.	48	2.6	0.7
Pact provides regular and continuous support to partners organization.	48	2.9	0.8
The management team of the organization checks and reviews the overall performance and takes appropriate action on the variances.	48	2.4	0.5
Aggregate score	48	2.6	0.7

Source: Field Data, January 2020

As the figures in table 4.8 above shows, the organization’s aggregate score for monitoring & evaluation process is 2.6 which is leveled as poor compared with Best and Kahn (1998) categorization standards. This shows the monitoring and evaluation was not conducted in collaboration with partner on agreed objectives. In the same manner, the existence of regular and continuous support to partners organization and the practice of checking and reviewing the overall performance and taking appropriate action on the variances are perceived inadequate by majority of the respondents as shown in table 4.8 above. Most of the respondents disagreed the existence of collaborative monitoring and evaluation; no regular and continuous support from the monitoring team; and monitoring and evaluation findings are not used for corrective actions.

Similarly, based on an interview with the informant in Pact Ethiopia grantees do not submit report on timely basis which is a challenge for effective monitoring and evaluation practices. In the same manner, the research participants response shows the utilization of monitoring and evaluation findings to improve practice is very weak which needs improvement. This shows the availability of gap in monitoring and evaluation practice of grant and contract management with regard to managing actual performance against planned targets. This gap in monitoring and evaluation will retard the success of projects in pact Ethiopia. This is because monitoring intensity plays a very significant role in grant and contract management as per the finding of Bartsiotas (2014).

In the open-ended section of the questionnaire, respondents identified problems with regard to monitoring and evaluation. Accordingly, the problems identified by the respondents are presented as follow.



- Grant and contract monitoring visit and program monitoring visit are not made jointly, and this makes wastage of time and resources for the projects. This shows limitations in collaborations
- The subgrantee monitoring visit is conducted only by grant and contract staff. As the activity is the financial document review, it is better to do with the collaboration of finance staff.
- The organization does not have consolidated tool of program and it is recommended Integrated supportive supervision of program with grant and contract unit for sub grantees is valuable for overall projects successful implementation.
- Integrated supportive supervision of program with grant and contract unit for sub grantees is valuable for overall projects successful implementation.
- Lack of clear guidance to record the sub grant data on the organization system.

#### 4.8 Closing Projects

Table 4-9. Settlement of budgets with Time

Successful closeout	N	Mean	Std. Deviation
The organization has a written policy for grants and contract closeout.	48	3.1	0.7
There is a timely (with in the schedule) settlement of receivables in Pact Ethiopia	48	2.2	0.8
There is a timely (with in the schedule) settlement of payables in Pact Ethiopia	48	2.4	0.9
The organization has a system of timely receiving report from sub-grantee to follow-up their accomplishment.			
Projects are closed on time as per the agreement entered with the donors	48	2.3	0.2
The organization communicates with the donor regarding the closure of the project and clears all unsettled funds pursuant to their agreement.			
Pact Ethiopia has good track of records in meeting project goals	48	2.7	0.9
Aggregate score	48	2.5	0.7

Source: Field Data, January 2020

Grant and contract management needs timely settlement of budget with actual performance. In this regard, question was raised to obtain participants reflection of their perception on Pact's policy for sub-grantees advance settlement system. The mean value of 3.1 for this question shows the sub-grant advance settlement system is leveled average which imply the need to excel its advance settlement system on managing its fund. Moreover, the response of study participants show that the practice of timely settlement of receivables is considered poor as per the Best and Kahn (1998) categorization standards as the mean score is 2.2. As shown in Table 4.9 above considering the response of Pact employees, the organization does not timely settle payables as the mean score is 2.4. In a nutshell, the aggregate score for on rating the successfulness of project closing is leveled as poor as the average is core is 2.5. Failure to reconcile the actual performance with the plan (receivables and payables) in timely manner will create another problem by delaying the possibility to produce financial reports for all stakeholders mainly at Pact Ethiopia and to its head office. The delay in settlement tells the efficiency of internal budget monitoring as well in doing things at the right time. The scenario of delayed settlement despite the existence of policy in Pact Ethiopia confirmed that policy alone is not the end by itself, rather implementation matters. Policies will have desired outcomes if they are well implemented.

In the same manner, the respondent's data show projects are not closed on time as per the agreement entered with the donors as the mean value is 2.3 (Table 4.9). Projects are not efficiently managed within the planned period. The delay in project period will increase fund consumption without meeting project goals. In this regard, the respondent perceives Pac's track of record in meeting project goals is with mean score of 2.7 which gravitate to moderate level of fund utilization. This does not show optimum utilization of fund. This in turn brings the burning of project period without carrying out its target or rescheduling of projects which make projects inefficient.

Internal oversight mechanisms, such as audit, investigation and evaluation functions, as well as external oversight, provide assurance and check on efficiency and effectiveness of contract-management operations. Research by Bartsiotas (2014) recommended that Organizations can augment the capabilities of their existing information technology systems such as Enterprise Resource Planning systems, or any other relevant contract-management systems, to support the management of post-award contract activities based on a cost/benefit analysis and taking into account the level of need for such functionality.

# CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

## 5.1 Summary of Findings

- It was found that Pact Ethiopia had appreciable new partners identification practice for its grants. The new partner assessment includes completing a partner financial assessment. This practice is in line with MHS (2011) recommendation of applying pre-award assessment tool that is applicable and relevant to its sub-grantee to measure its technical, financial and managerial capability and get the necessary information for making good decision and efficiently and effectively manage its grant. Based on this finding, Pact Ethiopia used pre-award assessment to determine the capacity gap of sub-grantees and plan for intervention for efficient and effective grant management.
- Pact-Ethiopia has well established working policies, procedures and guidelines used in grant and contract management. However, the organization has limitations in effectively implementing policies, procedures and guidelines as the average score was 2.3 out of score 5. In the same manner, Pact has limitation on updating policies, procedures as the mean score was 2.1. Moreover, the interview data in Pact Ethiopia shows Pact's procedure and guideline implementation is weak except the financial procedures. This shows the grant and contract management is not effectively implementing policies, procedures and guidelines and the policies, procedures are not updated in a timely manner to meet the requirement of change in the grant and contract management.
- In terms of manpower capacity, the survey data shows Pact has staff with moderate level of experience and training as the mean result of respondents was 3.2 with standard deviation of 0.59.
- Pact Ethiopia relatively has good practices in managing grants and contracts with regard to competitive based nature in grantee identification and selection; in complying to government directives; adhering to the agreements, requirements of grantors (donors) and other stakeholders and by making a good care of the donors' grants by making sure that their usage is performed at moderate level. This makes Pact Ethiopia somehow robust enough in meeting the directive of the government and perform in line with the requirements of its donors.

- It is found that pact's grant planning and projects were aligned to existing problems prevalent in the country. However, the sustainability of grant sources to Pact Ethiopia are questionable due to the irregularity of grants from its donors. This necessitates establishing proposal development team as a unit. So that proposals can be develop in advance and distribute to donors to compete with other related organizations. This finding is supported by Okorley and Nkrumah (2012), setting up proposal developing team contributes to NGOs sustainability by raising fund from its development partners.
- The study investigated that grant staff involvement in the annual plan/budget preparation process' and breaking down the annual budget into a monthly cash flow was consistent with the program staff action plan as mean values 4.7 and 4.8 respectively were close to 'very good' or strongly agree. However, it is mentioned that the program staff does not involve in budget preparation as commented by the respondents in the open-ended questioner section. This retard easy utilization of budget and may contribute for project delay.
- It was found that fund utilization from the perspective of project schedule is very weak. The actual data with regard to utilization of fund based on five-year fund burn rate was 76.4 percent. The implication of unutilized fund means delayed projects are a common phenomenon with mean unable to satisfy project beneficiaries and stakeholders. Poor utilization of fund has also implications on reducing the flow of fund through Pact Ethiopia to this country. This may relate to delay of project implementation as per the project plan. The reasons for under grant utilization were communication problems, delay of approval of fund transfers, and delay in releasing advance grant, projects, delays in implementation of the activities, mobilizations of resources take time, particularly staff recruitment. This makes the organization a bit bureaucratic in disbursement of funds.
- The study found out that monitoring & evaluation practice is not conducted in collaboration with partners. In the same manner, the existence of regular and continuous support to partners organization and the practice of checking and reviewing the overall performance and taking appropriate action on the variances are perceived inadequate.

- Similarly, based on an interview with the informant in Pact Ethiopia grantees do not submit report on timely basis which is a challenge for effective monitoring and evaluation practices. In the same manner, the research participants response shows the utilization of monitoring and evaluation findings to improve practice is very weak which needs improvement. This shows the availability of gap in monitoring and evaluation practice of grant and contract management with regard to managing actual performance against planned targets. This gap in monitoring and evaluation will retard the success of projects in pact Ethiopia. In the same manner, the research participants response shows the utilization of the results of monitoring and evaluation to improve practice and using as a remedy for narrowing variance on plan and performance is very weak as the mean value is 2.4. This figure tells the availability of gap in monitoring and evaluation practice of grant and contract management with regard to managing actual performance against planned targets. This gap in monitoring and evaluation will retard success of projects in pact Ethiopia.
- The settlement of budget with actual performance is of moderate level. The advance settlement system is leveled average which imply the need to excel its advance settlement system on managing its fund. The of practice of timely settlement of receivables is very poor. At the same time, the organization does not timely settle payables as the mean score is 2.4. Failure to reconcile the actual performance with the plan (receivables and payables) in timely manner will create another problem by delaying the possibility to produce financial reports for all stakeholders mainly at Pact Ethiopia and to its head office. The delay in settlement tells the efficiency of internal budget monitoring as well in doing things at the right time. The scenario of delayed settlement despite the existence of policy in Pact Ethiopia confirmed that policy alone is not the end by itself, rather implementation matters.
- It is found that projects are not closed on time as per the agreement entered with the donors as the mean value is 2.3. This leads to conclude that Projects are not efficiently managed within the planned period. The delay in project period will increase fund consumption without meeting project goals. This in turn brings the burning of project period without carrying out its target or rescheduling of projects which make projects inefficient.

## 5.2 Conclusion

- The new partners assessment practice for grants is appreciable. The organization undertakes pre-award assessment to determine the capacity gap of sub-grantees and plan for intervention for efficient and effective grant management as per the policy and procedure of grantee identification. In the same, fashion the competitive nature of grantee identification and selection complies to government directive and also enables to adhere the agreements, requirements of grantors (donors) and other stakeholders and by making a good care of the donors' grants by making sure that their usage is performed accordingly. The grants are also aligned to existing problems prevalent in the country. This shall make preferred NGO in the country and making it a development partner to the government in fighting poverty.
- Pact-Ethiopia has well established working policies, procedures and guidelines used in grant and contract management. However, the policies, procedures and guidelines were in short of being timely except the financial procedures. Operating with outdated policies and procedures shall have effect on managing grants and contracts efficiently.
- Pact Ethiopia funding sources lack the sustainability due to the irregularity of grants from its donors. Winning this challenge shall be its priority is establishing its proposal development unit as programs cannot happen without sustainable finance from its donors.
- The practice of grant staff involvement in the annual plan/budget preparation process' as well as breaking down the annual budget into a monthly cash flow was persistently made in Pact Ethiopia. However, lack of program staff involvement in budget preparation can be a hindrance to facilitate easy utilization of budget and may contribute for project delay.
- Grant disbursement in Pact Ethiopia is a bit bureaucratic as there is delay in advance fund transfer. This situation can aggravate the low fund utilization rate that persisted over the last five years with fund burn rate of 76.4 percent. The implication of unutilized fund means delayed projects are a common phenomenon with mean unable to satisfy project beneficiaries and stakeholders. Poor utilization of fund has further implications on reducing the flow of fund through Pact Ethiopia to this country. This may relate to delay of project implementation as per the project. The reasons for under grant utilization were communication problems, delay of approval

of fund transfers, and delay in releasing grant advance from the donor, projects delay in implementation of the activities, mobilizations of resources take time, particularly staff recruitment. This makes the organization a bit bureaucratic in disbursement of funds.

- The intent of monitoring and evaluation seems lost in the organization as the monitoring and evaluation practice is not conducted in collaboration with partners and perceived supervisory nature with little support to partners organization. Moreover, the results of monitoring and evaluation were a routine business without making appropriate action to gaps for improvement.
- The grant management on advance settlement system was not timely both for payables and receivables. Failure to reconcile the actual performance with the plan (receivables and payables) in timely manner will be delaying the possibility to produce financial reports for all stakeholders in time and eventually results lack of efficiency in grant utilization and delay in project closing.

### **5.3. Implication**

Pact-Ethiopia is an international NGO which has been heavily reliant on grant making and donors funding in terms of financing for the projects it has implemented. Based on the findings of the study, the grant management practices of Pact-Ethiopia may need to see improvements to make its grant and contract management a successful endeavor. The researcher makes the following recommendations to address some of the key findings of the study.

- For timeliness its grant and contract management, Pact-Ethiopia need to update its working policies, procedures and guidelines used in grant and contract management and insure that its grant and contract management is in line with already stated policies and procedures as abiding its policies and procedures is the cornerstone to effectively and efficiently manage grants and contracts.
- In terms of manpower capacity in managing grant and contract is leveled with moderate level. The management needs to enhance their grant management capacity and leadership skills that enable them properly lead grants and contracts efficiently and effectively to meet the intended goals of the organization. The capacity building intervention need to incorporate as well as its sub-grantees as a major component of

sub-grant management to increase their execution capacities in programs and projects.

- Pact Ethiopia's grant planning and projects are deemed to prevalent problems in the country that need to be addressed by development organizations. However, the sustainability of grant sources is not sustainable and irregular. This necessitates establishing proposal development team as a unit. So that, proposals can be develop in advance and distribute to donors to compete with other related organizations.
- To enhance fund utilization rate, Pact Ethiopia need to strive to minimize unnecessary delay in advance grant release and delayed settlement of receivables, build strong monitoring and evaluation and effectively implement the results of monitoring and evaluation as corrective action to minimize gabs in plan against the actual performance. Furthermore, the organization need to ensure that the monitoring and evaluation is made in cooperation with necessary stakeholders and ensure the monitoring and evaluation need to be supportive rather than inclining to supervisory nature.
- Problems related to timely preparation of reports, timely settlement of receivables are linked to problems in executing capacities of policies and strategies across the organization and its sub-grantees. Hence, Pact Ethiopia need to provide training to its staffs and sub-grantees on strong program management systems as a major component of fund management.
- In a nutshell, Pact-Ethiopia need to perform self-assessment on its competency level on the efficient and effective management of grant and contract to identify the root causes of weakness and underperformances in certain grant management competency. Such assessments should be conducted on a yearly basis and the progresses need to be seen by implementing follow up system.



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## APPENDICES

### *Annex. 1. Questionnaire*

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

Dear Respondent,

This study is being conducted by Abreham Basazineu, a candidate for Degree of MBA at St. Mary's University with a title of "**Challenges and Practices of Grant and Contract Management System in Pact Ethiopia**". First of all, I would like to extend my deepest gratitude for taking your precious time and efforts to complete this questionnaire, in spite of your busy schedule.

Please be informed that the result of this assessment is strictly confidential and solely for academic purposes and any result associated with it will not be disclosed without the consent of association. Your honest response/answer to these questions will help us better understanding about the challenges and practices of fund management in Pact Ethiopia. I would like to appreciate your commitment in responding to this questioner. If you have any questions regarding the research subject and other issues, please contact with the bellows address.

Respectfully,

yours,

**Abreham Basazineu**

**Contact Address:**

**Cell Phone: +251 91 146 95 16**

**Email: [abrebas@gmail.com](mailto:abrebas@gmail.com)**

**General Guideline for Respondents:**

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

**Section 1: Respondents Profile**

1. What is your age category?

- 1)  18 – 25 years old                      3)  36 – 45 years old  
2)  26 – 35 years old                      4)  Over 46 years old

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

- Diploma  First degree (BA)  Masters  
 PhD  Other, please specify \_\_\_\_\_

3. How many years of experience do you have relevant to the current role?

- 1)  0 – 2 years                                      3)  5 – 6 years  
2)  3 – 4 years                                      4)  Over 7 years

4. Which of the following categories describes your position?

- Program Director/Manager/Coordinator/Officer  
 Grant Manager/Officer  
 Finance Manager/Officer  
 Monitoring and Evaluation Director/ Manged/Officer  
 HR and Administration Director/Manager/Officer  
 other (specify ( \_\_\_\_\_

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

- 1)  0 – 2 years  
2)  3 – 5 years  
3)  6 – 8 years  
4)  Over 9 years  
5)  Other, please specify \_\_\_\_\_

6. How long your current organizations operate since its establishment?

- a. 1-5 years     b. 6-10 years     c. 11-15 years     d. above 16 years     e. I don't know

**Section 2: Grant and Contract Management:**

7. From your experience, how could you explain the availability of current projects grant and contract amounts as compared with the organization goal?

- a. very sufficient   b. sufficient   c. insufficient   d. very insufficient.   e. I don't know

8. How do you express the release of secured grants and contracts from donors for project implementation?

- a. very regular   b. regular   c. Irregular   d. very irregular   e. I don't know

9. How do you rate the organization current financial sustainability?

- a. highly sustainable   b. sustainable   c. hardly sustainable  
d. badly sustainable   f. I don't know.

**Please express your level of agreement to each statement regarding grant and contract management practice at Pact Ethiopia.**

Disclosure for your ratings		
Rating code	Key words for codes	Definition for your rating
1	Strongly disagree	If your practices, performances and applications for the hereunder statements are the lowest of the average.
2	Disagree	If your practices, performances and applications for the hereunder statements are lower than the average
3	Average	If your practices, performances and applications for the hereunder statements are on average
4	Agree	If your practices, performances and applications for the hereunder statements are more than the average
5	Strongly agree	If your practices, performances and applications for the hereunder statements are the highest of the average

Pursuant to the standards of grant and contract management in Pact Ethiopia, please put a [✓] mark to indicate your best response for agreeing or disagreeing with the statement regarding of your practices and challenges in Pact Ethiopia context that you agree for the following statements.

S/ N	Description	1	2	3	4	5
1	Leadership and governance					
1.1	The organization has effective policies, guidelines and procedures.					



1.2	<i>The organizational policies, guidelines and procedures are effectively implemented.</i>					
1.3	<i>The organization has clear and updated grants and contract management manual.</i>					
1.4	<i>The organization has clear and updated supplies &amp; logistics management manual.</i>					
1.5	<i>The organization is filled with experienced and well-trained staffs</i>					
1.6	<i>Identification and selection of sub-grantees is competitive in pre-award process.</i>					
1.7	<i>The organization plan, perform and achieve the intended result transparently.</i>					
1.8	<i>Grant and contract management practices are in compliance with relevant government directives.</i>					
1.9	<i>The organization adheres to the agreements, requirements of grantors (donors) and other stakeholders.</i>					
1.10	<i>The organization is taking a good care of the donors' grants by making sure that their implementation is performed accordingly.</i>					
1.11	<i>The organization effectively utilizes its manuals, guidelines and policies.</i>					
1.12	<i>The organization is transparent throughout the grant and contract management system.</i>					
2	<i>Projects planning and grants proposal</i>					
2.1	<i>The organization initiates projects that can solve existing problems by generating ideas for services to meet specific objectives</i>					
2.2	<i>The organization course of action area geared to attainment of objectives of the project.</i>					
2.3	<i>The organization promotes shared understanding on how both parties would work in a jointly manner.</i>					
2.4	<i>Grant staff is involved in the projects proposal preparation process.</i>					
2.5	<i>Grant staff control the sub-grant budget in consistent with the program staff action plan.</i>					
2.6	<i>The organization release grants to sub-grantees timely.</i>					
3	<i>Monitoring, evaluation and internal control</i>					
3.1	<i>Financial records of all grants and contracts are kept complete and accurate with integrity.</i>					

3.2	<i>The organization prepares financial statements separately for each project.</i>					
3.3	<i>The organization utilizes appropriate accounting software for grant and contract recording and report generating purposes.</i>					
3.4	<i>Grant staff prepares financial performance report and reconciles regularly with activities performed by project staff.</i>					
3.5	<i>Reports are submitted on due dates to donors.</i>					
3.6	<i>Your organization has a system to monitor budget verses actual of program implementation.</i>					
3.7	<i>Mechanism in place to follow up budget utilization at the level (Pact Ethiopia office and Pact HQ)</i>					
3.8	<i>The organization performs monitoring &amp; evaluation process in collaboration with partner on agreed objectives.</i>					
3.9	<i>Pact provides regular and continuous support to partners organization.</i>					
3.10	<i>The management team of the organization checks and reviews the overall performance and takes appropriate action on the variances.</i>					
4.	<b>Close out</b>					
4.1	<i>The organization has a written policy for grants and contract closeout.</i>					
4.2	<i>There is a timely (with in the schedule) settlement of sub grantee advance in Pact Ethiopia</i>					
4.3	<i>There is a timely (with in the schedule) settlement of payables in Pact Ethiopia</i>					
4.4	<i>The organization has a system of timely receiving report from sub-grantee to follow-up their accomplishment.</i>					
4.5	<i>Projects are closed on time as per the agreement entered with the donors</i>					
4.6	<i>The organization communicates with the donor regarding the closure of the project and clears all unsettled funds pursuant to their agreement.</i>					
4.7	<i>Pact Ethiopia has good track of records in meeting project goals</i>					

5. List out the challenges you observed in grant and contract management practice in Pact-Ethiopia?

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If you have something to explain, please use the space provided:

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*Thank you so much!*

***Annex 2. Interview Guide Questions***

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

1. Do you think that Pact-Ethiopia manage the grant it obtained from grantors? If yes, would you please explain about it. If Not? Why?

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2. To what extent do you think Pact-Ethiopia adheres to the terms and conditions of grant agreement entered with its sub-grantees?

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3. Please, would you explain something about the challenges that were experienced by the Pact-Ethiopia over the past five years with regard to grant and contract management?

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4. How would you think that the leadership of the organization to work together in order to enhance grant and contract management?

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5. To what extent do you think that the Pact-Ethiopia is fulfilling the ethics of grant management?

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6. Would you please tell me any other observation or opinion you would like to say?

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