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St. Mary's University, Ethiopia

Assessment of Corporate Governance: The Case of Local Non-Governmental Organizations in Ethiopia (Addis Ababa)

**A Thesis Submitted to Saint Marry University School of Graduate Studies in
partial fulfillment of Masters of Business Administration (MBA)**

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School of Graduates Studies

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Organizations in Ethiopia (Addis Ababa)**

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ACRONYMS

ACCA	Association of Chartered Certified Accountants
ACSO	Authority for Civil Society Organizations
ADB	African Development bank
CBO	Community Based organization
CEO	Chief Executive Officer
ChS	Charities and Societies
CSO	Civil Society organization
CSP	Civil Society proclamation
DPPC	Disaster prevention and preparedness Commission
ED	Executive Director
FDRE	Federal Democratic Republic of Ethiopia
IFAC	International Federation of Accountants
IFC	International Finance Corporation
IGA	Income Generating Activities
INGO	International Non-governmental Organization
MOJ	Ministry of Justice
NGO	Non-governmental Organization
NPO	Non-profit Organization
OECD	Organization for Economic Cooperation and Development
UN	United Nations
UNDP	United Nations Development program

Ab str act

This research is an exploratory investigation on the corporate governance practices of Addis Ababa- based non-governmental organizations (NGOs). NGOs are critical in developing nations like Ethiopia since they are a key player in the country's socioeconomic growth (Sintayehu, 2016 and Gidey, 2011). It is consequently critical that these groups run efficiently in order to achieve their goals. The study's major goal is to evaluate the internal governance structure of Ethiopian civil society organizations (CSOs) located and operating in Addis Ababa. Using a survey technique, the study looked at NGOs' governance practices and assessed the governance difficulties that have hampered their effectiveness. The study's sampling frame is all NGOs classified as Ethiopian Charities and Societies (192 NGOs). The study focused on a sample size of 25 local NGOs that were selected using a purposive selection technique from among those local NGOs. The findings were also compared to corporate governance principles and best practices derived from key corporate governance rules and guidelines in order to determine whether they were adequate or had flaws. Data from both primary and secondary sources is used to create the analysis. The primary data is gathered through a standardized questionnaire filled out by relevant officials involved in the governance of the sampled NGOs. Secondary data is derived from various publications and regulations, as well as the ACSO's yearly reports and papers obtained from the sampling NGOs dealing with governance concerns. In addition, secondary sources, particularly university websites, are used to gather information on formal education relevant to the Corporate Governance profession. The information acquired is evaluated and presented using both quantitative and qualitative approaches, primarily descriptive statistics like mean, standard deviation, figures, graphs, tables, and percentages, as well as inferential statistics like regression analysis and narrative analysis. The important words utilized frequently in the research include governance, corporate governance, and CSO (Civil Society Organizations).

Key Words

Governance

Corporate Governance

**Authority for Civil Society Organizations (ACSO) Civil Society Organizations (CSOs)
Board**

Executive Director (ED)

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CHAPTER ONE

1. Introduction

1.1. *Background*

Although the concept of governance is not new, terms like corporate governance and good governance are widely used nowadays. Actually, corporate governance, or organization governance, as described by ISO FDIS 26000, is a framework by which an organization takes and implements choices in order to achieve its goals. Simply simply, "governance" refers to the process of making decisions and putting those decisions into action (or not implemented).

Corporate governance, a phrase that didn't exist until the 1990s, is today used in almost every discussion about business and finance. Consultancies, academic degrees, encyclopedias, countless publications, conferences, and speeches have all sprung out as a result of the subject. Almost all OECD countries are reviewing or have just revised their corporate governance procedures (OECD, 2003), and establishing a viable corporate governance structure has become a top goal for emerging economies from Latin America to China. The underlying issues of the subject are constantly in danger of becoming overwhelmed in the midst of so much interest. Furthermore, because 'good governance,' like 'fair trade,' and 'open competition,' is an abstract concept with a wide range of interpretations, it has become the jumping-off point for a bandwagon carrying those who would, in fact, push the firm in a variety of ways.

Not only is there a wide range of interpretations for the phrase corporate governance, but its examination also entails a variety of disciplines and methodologies. Senior managers' actions are influenced by a variety of legal, regulatory, financial, economic, social, psychological, and political forces, which are sometimes substitutes and sometimes complements. Academic scholars, who are often from a single topic background, will typically investigate only a fraction of them, and then in the context of their own discipline's priorities. As a result, research on the subject becomes increasingly fragmented and difficult to obtain.

We had to be judicious in preparing this collection due to the volume and range of literature available on corporate governance. The goal of the book is to bring together experts from several disciplines, including accounting and finance, economics, and management, to give a series of overviews of contemporary research on corporate governance concerns and governance changes in specific nations and institutional regimes. Coverage of the subject has necessarily required a trade-off between breadth and depth, and we have been cognizant of the requirement for consistency by limiting ourselves to four

business disciplines. This isn't to imply that other perspectives, such as those based on social sciences such as politics and sociology, wouldn't be useful.

Because corporate governance has such a wide range of interpretations, it seems reasonable to start by laying out the strategy that will be used throughout the book. An effective system of corporate

governance is thought to have two requirements, one micro and one macro: at the micro level, it must ensure that the firm functions as a productive organization in pursuit of its goals. As a result, if we follow the classic Anglo-American view of the corporation as a vehicle to enhance the well-being of its owner–shareholders, good governance is about ensuring that decisions are made and implemented in the pursuit of shareholder value. Importantly, this entails activities that balance the need to safeguard shareholders' downside risk (i.e., manager accountability) with the need to encourage managers to take risks in order to generate shareholder value (i.e., encourage managers to act entrepreneurially (Keasey and Wright, 1993)). The objective changes if the firm's purpose is changed, possibly to accommodate the interests of other stakeholders, such as employees, suppliers, and so on, but the requirement for procedures to achieve this goal remains the same.

At the macro level, corporate governance has 'developed to more effectively support the allocation of the nation's savings to its most productive use,' as Federal Reserve Chairman Alan Greenspan put it.

Savings are funneled into productive activities in order to finance business activity, whether through equity or debt, the return on which ultimately determines national prosperity. The recent US experience with Enron, WorldCom, and other failures serves as a caution that if firm-level failures are severe and/or pervasive, capital will be misallocated in the short term and systemic consequences for longer-term investment if confidence is damaged. Similarly, creating governance systems that inspire enough trust for private savers to provide financing to local businesses has been a big challenge for transition economies.

1.2 Statement of the problem

The way firms are governed and for what purpose is referred to as corporate governance. It establishes who has authority and responsibility, as well as who makes decisions. It's a toolset that helps management and the board of directors cope more successfully with the issues of running a business. Corporate governance ensures that organizations have adequate decision-making procedures and controls in place to balance the interests of all stakeholders (shareholders, employees, suppliers, customers, and the community). Ethiopia has enacted a more permissive law governing non-governmental organizations. On March 12, 2019, the new Organization of Civil Societies Proclamation (ACSO Proclamation) was passed. It is thought to be less restrictive than the legislation it replaces from 2009. It gives NGOs broader leeway in terms of activities, with the exception of voter education and political advocacy, as well as the ability to raise funds from outside the country. "Ethiopia - Civic Freedom Monitor - Research Center - ICNL," 2019 says that registration is still required, and the regulating agency still has investigative powers.

For a year, the 2009 Charities and Societies Proclamation (CSP) will be in effect. According to a Freedom House analysis, the 2009 law is 'not free' (Musila, 2019, p. 15). Foreign NGOs, particularly those working on human rights and governance, are perceived as being restricted by the 2009 law (Oxfam, 2016). Because the 2019 law has not yet taken effect, information on the 2009 law is given as well.

ACSO (Authority for Civil Society Organizations) is a government agency that was created with the goal of registering, sponsoring, and monitoring the activities of Ethiopian civil society organizations. "By 2022, ACSO will be a competent and successful institution that has been able to develop a robust civil society sector and a civilized culture that secures the entire benefit of society," says the organization's mission statement. One of the powers and functions conferred on the agency by law is to monitor and supervise organizations to guarantee that their operations are carried out in accordance with the law. The major area for the governing agency to oversee and supervise is the governance activities and structure of a civil society organization. According to studies, the main reason for NGOs or CSOs closing down is a lack of good governance. When a company's effective corporate governance is ignored, it runs the risk of collapsing, putting its shareholders at risk.

In practice, by 2016, the Agency for Civil Societies Organization (ACSO) had deregistered 108 charities and societies, 14 of which were foreign, and 167 organizations had received written warnings ranging from first to final due to non-compliance with existing regulations and misconduct behavior on the part of the organization or its management (Ethiopian News Agency report) (June 27, 2016). In a recent occurrence, 24 CSOs ceased operations in 2021 (ACSO's 2020/2021 budget year report).

Thus, it is necessary to examine the corporate governance practices of Ethiopia's local NGO sector and compare them to corporate governance principles in order to determine their applicability and, as a result, to develop a framework for corporate governance best practice among Ethiopia's local NGOs.

As a result, the current non-compliance difficulties, which have resulted in the closure of hundreds of local NGOs, are a sign of inadequate governance practices in the industry. Furthermore, the lack of adequate literature shows that little study is conducted in the civil society sector. As a result, my desire to analyze the existing governance practices of local NGOs in Ethiopia was designed with this in mind. As a result, the research will attempt to uncover potential governance concerns that could have an influence on organizational effectiveness, as well as viable remedy solutions to address the identified obstacles that are causing non-compliance with perceived good governance practices and principles. The research is expected to give an input for organizational effectiveness and compliance by identifying excellent governance best practices currently in use in the industry, based on the assessment of current governance practices.

1.3 Research Questions

The study was created with the following primary research questions in mind:

- What are the current Board governance practices in local Non-governmental organizations (local NGOs) operating in Ethiopia with respect to board composition, transparency, inclusiveness, Accountability and Fairness?
- What are the board governance challenges facing local NGOs operating in Ethiopia?

1.4 Objectives of the study

The primary goal of this research is to evaluate the internal governance structure of civil society organizations (CSOs), also known as non-governmental organizations (NGOs), that operate and were created in Ethiopia. The study's specific aims are as follows:

- To assess board governance procedures in Ethiopian non-governmental organizations (NGOs) from the perspectives of board composition,
- To assess board governance procedures in Ethiopian non-governmental organizations (NGOs) from the perspectives of transparency,
- To assess board governance procedures in Ethiopian non-governmental organizations (NGOs) from the perspectives of inclusion,
- To assess board governance procedures in Ethiopian non-governmental organizations (NGOs) from the perspectives of accountability,
- To assess board governance procedures in Ethiopian non-governmental organizations (NGOs) from the perspectives of fairness.
- To assess the Board governance challenges of Local Non-governmental organizations (NGOs) in Ethiopia from the perspectives of board composition, transparency, inclusion, accountability and fairness.

1.5 Significance of the study

The research has implications for both theory and practice. It will be beneficial as a body of knowledge for evaluating the current practice of corporate governance structure particular to Ethiopian NGOs. It will use information on the current governance system as a starting point for additional research in the area. The study's findings will benefit players in Ethiopia's civil society sector, allowing them to prioritize governance as an issue of higher priority for efficiency, openness, and accountability. This would help organizations in the field to build clearly defined Corporate Governance structures and apply well-known NGO governance principles on a proactive basis. This will also enable firms to execute Good Corporate Governance best practices in addition to establishing the Corporate Governance structure. Because the board and management can apply the techniques of successful organizations to their own, the knowledge gained from this study will also aid organizational efficiency.

1.6 The Scope of the study

The study's overall focus is on corporate governance practices. According to the proclamation no. 1113/2019 issued by the Organization of Civil Society, there are various types of CSOs to whom the proclamation applies. First, organizations that operate in two or more regional states; second, foreign organizations; third, Ethiopian-based organizations that work on international, regional, or sub-regional issues but do not operate internationally; fourth, Addis Ababa or Dire Dawa-based organizations; and fifth, religious-based charitable organizations.

This study will not look at all Charities and Societies' corporate governance procedures and issues; rather, it will look at Charities and Societies that are supervised by the Federal Charity and Society Agency and have offices in Addis Ababa. As a result, in order to gather the essential data for the study, the research will be limited to only a few local NGOs having branch and head offices in Addis Ababa. This is owing to the difficulties of reaching all of the selected NGOs' branch offices, which are dispersed around the country, as well as the impact of the current Covid-19 on free movement.

1.7 Limitation of the Study

Although there is much to learn about the governance practices of local non-governmental organizations in Ethiopia, this study is confined to those that are based in Addis Ababa and have offices there. As a result, the researcher did not include local NGOs that were legally registered in different parts of the country because doing so would have taken a long time. This is due to the fact that there are a big number of local NGOs operating in the country that believe the research results generated from the selected sample may be extrapolated to the targeted demographic. The decision to focus on local NGOs operating in Addis Ababa is based on the fact that these organizations play important roles in the lives of a variety of stakeholders, as well as the assumption that these organizations would have practical exposure across the country.

1.8 Organization of the Research

The research report is presented in five chapters for ease of reference and reading. The first part is introductory part compiled statement of the problem, research questions, objectives of the study, Significance of the study, scope and limitation of the study. The second chapter is all about the review of related literature. Relevant and selected literatures which validate the research are presented in detail in this chapter. The third chapter is all about research approach and methods used. In this chapter Sources of data, Population of the study, Sampling procedures and techniques, Sampling size determination, Methods of data collection, Validity and reliability, Methods of data analysis, Ethical research consideration are discussed.

The fourth chapter is about the Data Presentation, Analysis and interpretation of the research are presented. Detail results of the research are discussed and presented using different research parameters. In the last chapter, chapter five, summary of major findings, conclusions and possible recommendations are presented.

CHAPTER TWO

2. Literature Review

The literature on corporate governance includes a wide range of topics, including shareholder rights protection, increasing shareholder value, board matters, governance systems, structure, and stakeholder engagement, among others. However, due to the nature of civil society organizations, which have a significant impact on a country's socio-economic growth, the necessity of governance in the civil society sector weighs heavily.

As a result, this chapter evaluates the extant literature in the topic of governance, with a focus on the civil society sector, in order to give background for the study and to address the core research question. In order to identify the gaps that the study wants to fill, it examines and analyzes past studies in corporate governance, particularly in non-governmental organizations (NGOs). The chapter takes a thematic approach to the review. It examines corporate governance ideas and selects those on which this study will be based. It examines the evolution and practice of corporate governance on a global, African, and national scale. The chapter then goes into detail on non-governmental groups. It examines NGOs in Ethiopia, focusing on their growth, significance, and legal structure. It then examines the many models and methods to NGOs' governance proposed by various research, as well as best practices.

In summary, the goal of the literature review was to identify best governance practices, identify the organizational and governance structures required for their implementation, and gain a better understanding of the most common challenges encountered in implementing governance structures that are most supportive of best governance practices. In addition to scholarly literature, books, articles, and journals on governance will be referred to, as will recommendations of code of governance and principles produced by various institutions and governing bodies.

2.1 Governance

The term 'governance' comes from the Latin *gubernare*, which means 'to steer,' and refers to the steering of a ship, implying that corporate governance is more about direction than control. There are various definitions of corporate governance, ranging from narrow definitions that focus on firms and their shareholders to broad definitions that include a company's obligation to many other groups of people, or 'stakeholders.' (Corporate Governance and Accountability, Jill Solomon and Aris Solomon, 2004)

The concept of governance has existed for as long as there has been any form of human organization. The concept is simply one that encapsulates the manner in which that organization operates. However, the word has recently gained popularity, owing to governance issues that have surfaced at both the national and corporate levels. These issues have prompted a reexamination of what governance

actually entails, and more particularly, what characteristics characterize good governance. As a result, we must begin our examination here.

Governance is widely characterized as the historic association of government with the use of power or authority by political leaders for the well-being of their country's population or subjects. They are frequently used interchangeably in literature (Colley, J. L., Doyle, J. L., Logan, G. W. & Stettinius, W., 2004 pp.2). There is no single, comprehensive definition of "good governance," however (Stankowska, M. 2014). The methods for making and implementing decisions are fundamental to good governance. The definition here is about the greatest possible method for making such decisions, not about making "right" decisions. As a result, "governance" is defined as "the process of making decisions and the manner in which they are carried out." The board's legal capacity to exercise power and control over an organization on behalf of the community it serves, on the other hand, is known as governance (BoardSource, 2010). Governance refers to the processes and structures used to direct and control an organization's operations and activities, according to Deloitte. Governance develops systems for achieving responsibility among stakeholders, the board of directors, and management by defining the division of authority.

In practice, effective governance can be used to a variety of industries and areas of activity, as well as to define interactions between different social groupings. Furthermore, Wikipedia defines governance in the following all-inclusive manner:

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

Furthermore, "excellent decision-making procedures" and "good governance" have a number of qualities in common. All of these factors have a favorable impact on many parts of governance, such as consultation policies and practices, meeting processes, service quality protocols, councilor and officer behaviour, role definition, and strong working relationships. Accountable, transparent, and law-abiding governance is responsive, equitable, and inclusive, as well as effective, efficient, and participatory. These three sectors are believed to collaborate in the governance process, with such collaboration being crucial to establishing national ownership and sustainability (BoardSource, 2010).

2.2 Corporate Governance

Corporate governance can be defined as a synergic effort by all constituent parts, including government, the general public, professionals, service providers, and the corporate sector, to create an atmosphere of trust, ethics, moral values, and confidence. Concern about an organization's actions and the implications of those actions has resulted in an increase in concern about corporate governance. As a result, corporate governance has become a global catchphrase. It has become

increasingly essential in recent years. There is a substantial body of literature that examines the components of a strong governance system, and several frameworks exist or have been suggested.

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

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

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

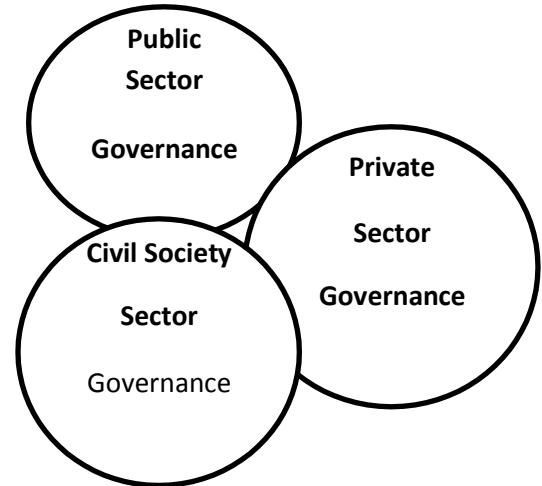


Figure 1: Picture showing the three sectors interaction in governance

"Corporate governance" is associated with corporation management or profit-making company governance in many literatures, institutions, and regulators. However, recent literatures, especially following various scandals in the NGO sector (Sarbanes-Oxley Act 2002), have emphasized the importance of effective governance and leadership in organizations, including the NGO sector. Corporate governance, according to Coyle (2006), is crucial not only for public corporations, but also for private firms, non-profit organizations, and charities. This viewpoint is supported by similar publications. "In the twenty-first century, corporate governance has become crucial for all medium and big enterprises," Cadler (2008) stated.

In both developed and developing countries, corporate governance plays a critical role in the management of all types of enterprises (Coward, 2010). Although many studies have been undertaken on huge corporations, there has been little research done on non-profit organizations (NPOs) (Carver and Carver, 2001). This is largely due to the fact that the commercial corporation has long been regarded as the principal corporation because it interacts directly with the factors of production, leaving other forms of corporations such as non-profits out. This is unfavorable, given that Africa's capital markets are still underdeveloped, and private businesses and non-profits play a significant role in society (Change, 2012). The majority of third-sector research has been focused on non-profit organizations in general (Jones, 2005). We don't know much about how they work (Kaseman a& Austin, 2005, as quoted by Ernest K. 2013)

2.3 Definitions of Corporate Governance

There is no single definition of corporate governance that applies to all situations and countries (Lipman & Lipman, 2006), and different definitions are based on the institution or author, country, and legal system. The interactions of coalitions of actors inside and outside the corporation, as well as inside and outside the boardroom, are fundamental to corporate governance. The actors have different characteristics and goals, and they all have a skewed view of corporate governance. This will have an impact on the board's task expectations as well as its expectations for value creation (Huse, 2007).

IFC (2010, 2nd ed.) defines corporate governance as "the structures and processes for the direction and management of corporations." Cadbury (1992) defines corporate governance as "the system through which companies are directed and controlled." According to the OECD (2004), a series of interactions exists between a corporation's management, its board of directors, its shareholders, and other stakeholders. By defining the nature of the connection, corporate governance frameworks can be said to build systems of accountability and responsibility between the organization and its primary stakeholders. As a result, corporate governance is concerned with how corporate governors manage their corporations or organizations, as well as the relationship that exists between the governed and their governors or leadership, as well as ways of leading towards specified goals.

More crucially, "Corporate Governance," as defined by Frederick Lipman and L. Keith Lipman (2006, p 3) is "the process of designing cost-effective corporate governance frameworks for an organization and instituting "best practices" by weighing costs and benefits. According to the OECD (2004), a series of interactions exists between a corporation's management, its board of directors, its shareholders, and other stakeholders. By defining the nature of the connection, corporate governance frameworks can be said to build systems of accountability and responsibility between the organization and its primary stakeholders. As a result, corporate governance is concerned with how corporate governors manage their corporations or organizations, as well as the relationship that exists between the governed and their governors or leadership, as well as ways of leading towards specified goals.

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More crucially, "Corporate Governance," as defined by Frederick Lipman and L. Keith Lipman (2006, p 3) is "the process of designing cost-effective corporate governance frameworks for an organization and instituting "best practices" by weighing costs and benefits. This is performed by examining the organization's specific risks, making cost-benefit judgements, and using lessons learned from previous corporate scandals."

As a result, "Good Corporate Governance" promotes better asset monitoring, risk management, and increased openness of organizational actions, which aids in achieving and maintaining public trust and confidence in the sector. Poor corporate governance, on the other hand, may contribute to organizational failures, which could lead to a loss of confidence or a reputational crisis. Furthermore, as evidenced by the above definitions and contemporary research, the term "Corporate" is now used to refer to an organization rather than the ancient concept of a corporation.

As a result, the term "Corporate" in this study refers to an organization or entity that is formed and managed to meet a need or achieve a common goal.

2.4 The Development of Corporate Governance

Although the modern world's roots of governance can be traced back to the formation of corporate governance in the twentieth century (Alan Calder, 2008 p. 7), the history of governance can be traced back to the 16th century (1601).

Different perspectives on the emergence of corporate governance, however, exist. Some literatures have arisen as a distinct discipline in response to systemic failures in corporate management (Palod, 2014). Others are concerned with the creation of corporations, when Principal Agent conflict (Agency theory) emerges, necessitating the separation of ownership and administration (Fekadu, 2016). Indeed, the importance of corporate governance has grown since major corporate scandals and financial crises occurred around the world in the 1980s and 1990s, followed by economic liberalization, privatization, and globalization policies, as well as other structural reforms that have boosted corporate governance's importance. Corporate governance, international governance, national governance, and municipal governance are all examples of governance (MACOSS, 2015).

"Good governance is both a means and an objective," according to a UNDP assessment from 2004. It is both a means to accomplish and an aim in itself – as values, policies, and institutions regulated by human rights principles, such as equality and non-discrimination, participation and inclusion, accountability, and the rule of law. "Good governance guarantees that stakeholders with relevant interests in the company's business are completely taken into consideration," Hampel (1998) wrote.

2.5 Theoretical Review

There are various theoretical views for describing the phenomenon of corporate governance in the literature. Agency theory, stewardship theory, resource dependency theory, a democratic or association perspective, stakeholder theory, and managerial hegemony theory are among the most prominent.

This research, on the other hand, will be based on stakeholder theory and resource dependency theory.

The following is an overview of the six basic theories of corporate governance in order to demonstrate why the stakeholder and resource dependence theories will be used in the study.

2.5.1 Agency theory – a compliance model

The dominating theory of the company and corporate governance structures has been principal-agent theory, or agency theory for short (Cornforth, Chris, 2001). This theory assumes that the owners of a business (the principal) and the people who run it (the agent) have opposing interests. As a result, any company's owners or shareholders confront the challenge of management acting in their own interests rather than in the best interests of the company. While free markets are thought to be the best limit on managerial discretion, agency theory views existing corporate governance mechanisms as another way to ensuring that management acts in shareholders' best interests. The major job of the board, from this perspective, is to supervise management. The dominant theory of the corporation and corporate governance structures has been principal-agent theory (or agency theory for short) (Cornforth, Chris, 2001). This theory assumes that the owners (principal) and managers (agent) of a business have opposing interests. As a result, any business's owners or shareholders confront the challenge of management acting in their own self-interest rather than in the best interests of the business. While free markets are thought to be the best limit on managerial discretion, agency theory regards existing corporate governance mechanisms as another way to ensure that management acts in shareholders' best interests. The board's primary function, from this perspective, is to supervise managers.

2.5.2 Stewardship theory – a partnership model

Stewardship theory, in contrast to Agency theory, assumes that managers act as if the organization is their own, and so act as successful stewards of a company's resources (Davis, Schoorman, & Donaldson, 1997; Rehli, 2011). (Ernest Katwesigye, 2013).

This hypothesis assumes that managers desire to do a good job and will be good stewards of the resources of the company. As a result, the organization's senior management and shareholders are more regarded as partners. As a result, the board's primary responsibility is to improve organizational performance rather than to enforce managerial conformity or conformance. The board's primary responsibility is to engage with management to provide value to top-level decisions. It's not strange, then, that management principles and practices should be applied to governance. In this regard, board members should be chosen based on their experience and contacts, so that they can bring value to the organization's decisions; boards and managers should be properly inducted and trained; they should know how to work as a team, and so on. Ideas like these can be found in a lot of the "how-to" non-profit board literature (Cornforth, Chris, 2001).

2.5.3 Stakeholder theory – a stakeholder model

Stakeholder theory, as applied to governing bodies, holds that companies should be accountable to a variety of groups (or stakeholders) in society, not only their owners or mandaters (*Hung, 1998: 106*). It is thought that by include a diverse range of stakeholders on boards, companies will be more likely to respond to broader social interests rather than the restricted interests of a single group. As a result, boards take on a political role in negotiating and resolving the possibly competing interests of various stakeholder groups in order to decide the organization's goals and policies.

Stakeholder theory arose out of arguments concerning corporate governance in the private sector, where there was a lot of discussion about its usefulness and potential repercussions. (e.g. *Hutton, 1997; Tricker, 2000: 295*). In the public and non-profit sectors, stakeholder involvement concepts are less controversial, and the practice is more frequent, but not necessarily described in terms of stakeholder theory.

2.5.4 Resource dependency theory – a co-optation model

According to Cornforth, Chris, resource dependence theory (*Pfeffer and Salancik, 1978*) views organizations as interconnected with their environment (2001). Organizations rely on other organizations and people for resources in order to survive. As a result, they must devise strategies for controlling their reliance and ensuring that they have access to the tools and information they require. In this light, the board is considered as one way to reduce uncertainty by forging influential ties between organizations, such as interlocking directorates. The board's primary responsibilities include maintaining positive relationships with key external stakeholders in order to ensure the smooth flow of resources into and out of the organization, as well as assisting the company in responding to external change.

Members of the board of directors are chosen for the essential external connections and information they can contribute to the organization, as well as for their ability to co-opt external influences. In order to harness resources, the Board serves as a resource, providing legitimacy, counsel, and connections to other organizations (Brown, 2005). According to Ernest Katwesigye (2013), NGOs rely heavily on resources from outside the organization, and its proper harnessing and expenditure is crucial, making the Resource Dependence theory relevant to this research. It so complements the stakeholder theory because the board must consider stakeholder interests in order to properly harness all resources required for the firm's success.

Government policy primarily determines the ability of boards to harness resources and the extent to which stakeholder interests can be considered. As a result, the political theory of corporate governance arose. It asserts that the government dictates how corporate power, earnings, and privileges are distributed, and that in order to be effective, a company must align itself with government policy (Hawley & Williams, 1996). Interest in corporate governance has mostly grown as a result of corporate failure-related controversies (Tumuheki, 2007). As a result, governments have stepped in to protect investors and other stakeholders, as they have a responsibility to do so. As a result, corporate governance must consider the political climate. However, considering the political environment alone will not increase a company's success.

2.5.5 A democratic or association perspective – a democratic model

Many sorts of organizations' governance has been affected by democratic principles and practices. Many voluntary organizations, co-operatives, and mutual organizations, for example, are created as membership associations, with the governing body being elected by and representing the membership in some fashion enshrined in the organization's constitution.

On the other hand, many quangos' governance is frequently chastised for failing to meet democratic accountability standards (Plummer, 1994; Skelcher, 1998).

According to a democratic view of governance, the board's role is to represent the interests of the organization's members. The board's function is to resolve or choose between the interests of various groups and to establish the organization's general policy, which can then be executed by personnel. The concept of a lay or non-professional board, where anybody can run for election as a board member, is central to this viewpoint. In contrast to the partnership approach, expertise is not a requirement.

2.5.6 Managerial hegemony theory – a 'rubber stamp' model

As Cornforth, Chris (2001) briefly mentioned, Lorsch and MacIver (1989) conclude in a more recent study that, while board functioning has improved since Mace's study, board performance still has significant opportunity for improvement. They make the same distinction as Mace between boards in normal times and boards during crises, concluding that during normal times, power usually rests with the CEO. In this light, the board becomes nothing more than a 'rubber stamp' for management's actions. Its primary purpose is to provide symbolic credibility to administrative actions. Despite the fact that this theory was developed to examine major enterprises, many of the processes it describes appear to be equally applicable to public and non-profit organizations: for example, the increasing expansion and professionalization of management, as well as the separation of people who founded (own) the organization from those who control it. Indeed, the primarily voluntary nature of board participation in public and non-profit companies may be argued to constrain board power even further than in the private sector.

2.6 Why is Corporate Governance important?

From a business standpoint, strong corporate governance makes a firm more profitable, allows it to grow, and expands its access to external finance—domestic and international, public and private—which is also a vital aspect in establishing investor trust (IFC, 2010). Corporate scandals, fraud, and potential legal and criminal responsibility can all be avoided with good corporate governance. A positive corporate governance image improves the organization's reputation and makes it more appealing to customers, investors, suppliers, and, in the case of nonprofits, contributors or financiers (Lipman & Lipman, 2006, p 3).

In his book *Corporate Governance - A Practical Guide to the Legal Frameworks and International Codes*, Calder (2008, p1) stated: "Corporate governance has become crucial for all medium and big enterprises in the twenty-first century." Those who do not have a governance strategy face major risks; those who do have one do measurably better" emphasizes the necessity of corporate governance for all businesses in all sectors, as well as the impact of governance on organizational performance. Good corporate governance encourages effective asset monitoring, risk management, and improved openness of organizational actions, all of which contribute to achieving and maintaining public trust and confidence in the sector. Poor corporate governance, on the other hand, may contribute to organizational failures, which could lead to a loss of confidence or a reputational crisis. As a result of

this principle and its significance in the economic health of organizations and society as a whole, Corporate Governance is becoming a hot topic around the world.

Corporate governance promotes the greatest levels of corporate accountability, citizenship, and commercial ethics, as well as bolstering mutual social responsibility. This encourages citizen participation in building a secure and stable environment for business growth by enhancing participatory development, creating partnerships for advancement, and increasing public engagement in ensuring a secure and stable environment for business growth. This corresponds to increased societal well-being, which supports wealth creation and consequently solves the majority of the world's current social problems.

The relevance of corporate governance, according to the Cadbury report (2002), rests in the power that is vested in the senior officials who control the organization's affairs. Although this power should be utilized responsibly, it is not always employed in the best interests of stakeholders. Non-profit organizations must also be directed and controlled appropriately, as the decisions and actions of a few individuals can affect many individuals, groups, and organizations who have little or no influence over them. Corporate governance is important for non-profit organizations because non-profit organizations must also be directed and controlled appropriately (ACCA, 2012).

Effective governance, with its outcomes of transparency and accountability, leads to enhanced public trust in the organization and increased public willingness to provide finances and services. Effective governance also protects against regulatory encroachment.

According to the King II Report (2002), the following seven qualities can be used to identify good corporate governance:

- There are accountability measures that can be used to hold decision-makers and actors accountable.
- Recognition and respect for the unique rights and interests of different groups within the firm through procedures that promote fairness
- Outsiders and stakeholders have access to a company's information for meaningful analysis in a frank, accurate, and timely manner, demonstrating transparency.
- Senior management is dedicated to establishing a corporate culture that is universally appreciated and recognized.
- There are systems in place to eliminate or limit conflict of interest or potential conflict of interest, as well as to ensure that undue influences do not impact board decisions; • The board is accountable to all of the company's stakeholders;
- Social capital is developed through social responsibility programs that address social, environmental, and human rights issues, as well as ethical norms.

2.6.1 NGO Governance

Governance is concerned with structures and processes for decision-making, responsibility, control, and behavior at the top of organizations, according to the definitions above. The majority of governance codes, primarily for private organizations, focus on delivering excellent governance practices at an organizational level. However, according to IFAC (2001), "corporate governance refers to the processes by which organizations are directed, controlled, and held accountable," governance is all about the principles of openness, integrity, and accountability, which can be applied to all three sectors: public, private, and non-profit. Though there are similarities and variances in governance in the three sectors (for-profit, public, and non-profit), it may be argued that governance should be concerned with facilitating proper performance and conformity.

The setting in which board governance takes place, however, differs significantly within and within industries. Because NGOs do not have a single official owner, such as shareholders in private corporations, but rather several owners, such as donors and volunteers, their governance is very different from that of private organizations or governmental institutions (*Anheier, 2005 as quoted by Rehli, 2011*). As a result, their directors have "an almost unrivaled degree of autonomy" (*Glaeser, 2003: 2*), necessitating robust internal governance procedures for oversight (*Gibelman & Gelman, 2001, 2004*). Furthermore, NGO boards can act as a significant instrument for NGOs to provide strategic direction, form relationships with key stakeholders, acquire resources, and promote and protect the organization's overall objective.

Thus, non-profit governance has two goals: accomplishing the organization's social objective and guaranteeing the organization's long-term viability (*Wikipedia*), which corresponds to the Board of Directors' fiduciary obligation for the exercise of authority over the organization's explicit acts. In NGO governance, public trust and accountability are critical components of organizational viability, ensuring that the organization fulfills its social objective in a way that is valued by those it serves and the society in which it operates. Furthermore, the preceding definitions emphasized that governance comprises leadership that considers an organization's internal environment, which includes stakeholders, board members, and employees.

2.7 Principles of Good Corporate Governance

Corporate governance is to find the best systems for controlling constituent groups' interactions with the firm in order to maximize long-term value. It reduces stakeholder friction and ensures that the appropriate people make the correct decisions. It aids in the alignment of responsibility and authority in order to establish the best possible conditions for the growth and success of companies. As a result, there is no one-size-fits-all approach to strong corporate governance.

A "principle" is a broad statement that specifies a suggested ethical or management direction for a nonprofit organization, according to the Colorado Nonprofit Association, while a "practice" is a suggested approach to attain the principles.

The Principles are non-binding and do not attempt to provide comprehensive legislative recommendations. Rather, they try to figure out what the objectives are and how to get there. Their function is to act as a point of reference. The Principles are progressive in nature, and they should be revisited whenever major changes in circumstances occur.

The use of the correct corporate governance principles is the only way to achieve organizational growth and success. Other principles such as selflessness, objectivity, honesty, and leadership play a large role in good corporate governance practice, according to Cadbury (1992). "Openness, Integrity, and Accountability" are fundamental and relevant principles applicable to both the private and public sectors, according to Cadbury (1992). The OECD (2004) Corporate Governance Principles are founded on four core principles that are universally recognized: fairness, openness, accountability, and responsibility. Good governance, according to the UNDP, is participatory, consensus-oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive, and adheres to the rule of law.

In general, governance is concerned with the 'big picture' - providing leadership and direction to the organization, as well as ensuring that the necessary processes and structures are in place to allow it to run successfully and ethically (*NCOSS, 2015*).

2.7.1 NGO Governance Principles

"Organizations must adopt practices and recognized principles in their own organizations in the context of their philosophy, culture, needs, and resources," according to Miles et al. (1997, p.2) reasoning, as quoted by Wyngaard & Hendricks (2010). However, good non-profit governance requires adherence to some core principles and an awareness of core governance obligations, regardless of which governance model a non-profit organization employs.

Core obligations include the following:

- Oversight (keeping management and staff accountable to performance targets),
- Leadership (offering strategic direction),
- Responsibility (ensuring compliance at all levels),
- Accountability (measuring work against the organization's objective),
- Transparency (keeping the public and others informed about the work), and
- Succession planning (the recruitment, orientation and capacity building of new board members).

Researchers, scholars, and specialists in the field of non-profit governance all agree that boards should examine their operations on a regular basis and compare their results to best practices. Profit and non-profit organizations can both benefit from corporate governance principles. However, because of the distinctions between the two types of businesses, the implementation of corporate governance concepts varies. NGOs and private organizations operate in various ways, and many of these distinctions have governance implications.

The idea that underpins the concept of voluntary organization governance is evolving. The traditional functions of the NGO board have been control of the organization's operations and policy determination; historically, the officers and senior personnel have been in charge of policy execution and administration. A developing viewpoint sometimes referred to as best practices, places increased duties and functions on the NGO Board.

The Sarbanes-Oxley Act of 2002, as Frederick and Keith (2006, P. 3) pointed out, also applies to not-for-profit organizations. "Nonprofit organizations are not immune from scandal," Frederick and Keith (2006, P. 3) remarked. Major scandals in the for-profit sector and the subsequent implementation of the Sarbanes-Oxley Act, which has had a huge impact on the evolution of nonprofit organization governance principles and practices, have been a major role in the development of nonprofit governance (Hopkins & Gross, 2009, p. 46).

2.7.2 Accountability in NGO

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

NGO accountability, according to Leif Wenar (n.d.), is in many respects more revealing than World Bank or IMF accountability, because these international financial organizations are plainly more accountable to the wrong people in the wrong ways. NGO accountability is also a fascinating topic since it raises the question of whether NGOs, who frequently seek to hold others accountable by revealing public corruption or unfair economic practices, are also held accountable. The area of NGO accountability that has attracted the most public attention is financial probity. The trustees of most NGOs are legally responsible to them, and they usually give only mild oversight in terms of financial management. NGOs are often required to account for their operations to the governments of the nations in which they operate, as well as the government of the country in which they are headquartered (ACSO in case of Ethiopia). In terms of performance, no international NGO is held accountable in any substantial sense for long-term community benefit. There are essentially no processes in place to penalize an international NGO that fails to successfully aid the community. NGO's don't distribute (or, as we'll see, don't even gather) project efficacy data that would allow private contributors to hold them accountable for their triumphs and failures.

Donor governments and multilaterals have increasingly increased their expectations of NGOs in terms of project planning, funding, and progress reporting. Despite this, most donors do not penalize NGOs who do not provide long-term benefits to their intended recipients. Furthermore, assistance organizations tend to follow a "code of silence" that prohibits them from criticizing one another for failing to count successful programs. Aid NGOs are also virtually unaccountable to the recipients of their aid in terms of long-term impact.

Principles of Accountability for International Philanthropy were developed by a joint working group of the Council on Foundations and the European Foundation Centre (2007). The following are the Seven Principles of International Philanthropy Accountability identified by the working group: Integrity, Respect, Responsiveness, Fairness, Cooperation and Collaboration, and Effectiveness are some of the values that we value.

According to the data, (*Elias Carter, 2009, <http://charitylawyerblog.com/2009/10/05/top-15-non-profit-board-governance-mistakes-from-a-legal-perspectives>, retrieved on 27.09.2017*) Charity Lawyer; non-profit law simplified Nonprofit Board Governance: The Top 15 Mistakes were discovered; Failure to Provide Effective Oversight, Failure to Understand Fiduciary Duties Micromanaging Staff, Avoiding The Hard Questions, Insufficient Conflict Management, Lack of Awareness of Tax-Exempt Laws, Operating with Outdated, Inconsistent Governing Documents, Airing Disagreements Outside the Boardroom, Failure to Cultivate Board Diversity, Failing to Educate and Motivate Board Members, Documenting Actions Appropriately, Reviewing Program Effectiveness and Efficiency and Taking Appropriate Follow-Up Actions, and Holding Executives (and Nonparticipating Directors) Accountable

Some people associate government accountability with "red tape," while others associate it with democratic norms and openness (*Margaret P. Karns et al. 2008*). NGOs, for the most part, are not bound by the same rules and regulations that control government bureaucracy. Even membership-based international NGOs are rarely held accountable to their members.

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

2.8 The NGO Governance Structure

The majority of corporate governance definitions and suggestions are focused on the hierarchical governance structure of profit-making businesses, in which the three primary players: management, board of directors, and shareholders play a significant role. However, such a corporate governance model does not operate in the not-for-profit or non-governmental sector, as both have different goals. The governing structure of a non-profit organization differs significantly from that of a for-profit organization. Although there are many different models for NGO coordination bodies, our research will focus on organizational governance models.

Given the complexity of the NPO sector, no single method can be regarded as ideal and applicable across the sector (NCOSS, 2015; Wyngaard and Hendricks, 2010). Non-profit governance, in general, can be defined as the total of all efforts to guarantee that an organization responsibly focuses on achieving its goals. Governance is the process of putting decisions into action (Patra, S.) (2007, p.1). An efficient Board has a clear grasp of its role, responsibilities, and processes and works on behalf of

all stakeholders to achieve the organization's goals with skill, efficiency, and coherence (NCOSS, 2015).

There are a variety of governance model proposals and definitions; Bradshaw et al. (1998), Mel Gill (2004). We used the following governance models for this study, which highlight various typical approaches to NGO governance: the traditional model, the policy governance or Carver model, and the results-based model, as described by Mel Gill (2004):

- Traditional Model - The board governs and oversees operations through committees, while the executive director is in charge of management. Committees are formed along functional lines (finance, human resources, and programs) and frequently parallel management functions, and they can be utilized to process information for the board as well as perform board duties.
- Policy Governance (Carver) Model - The board of directors governs through policies that define the organization's goals (ends), governance procedures, and management constraints. The board's relationship with the executive director is similarly defined by these regulations, and the executive director reports to the entire board. The executive director also has a lot of leeway in deciding how the organization's goals will be met.
- Results-based Model — The executive director is a non-voting member of the board with significant policymaking authority. The executive director is regarded as a full partner of the board of directors. Committees, organized around board roles and planning, steer governance, as well as monitor and audit the board's, executive director's, and organization's performance.

2.9 NGO Good Governance Practices

The board should look for governance "best practices" that embody pragmatic solutions that will work given the organization's particular needs and circumstances, including organizational structure, size, activities, life-cycle stage, and funding mechanisms, in addition to implementing any governance mechanisms that may be mandated by law. NPO boards can have a wide range of structures and leadership, resulting in a wide range of functions. Although nonprofit organizations can adapt a range of governance models, it is advantageous for boards to select one that is compatible with the organization's concept and structure.

Despite the fact that there are several literatures and recommendations on effective governance structures and practices, we will focus on the following governance practices that are regularly utilized and recommended by various codes for this study.

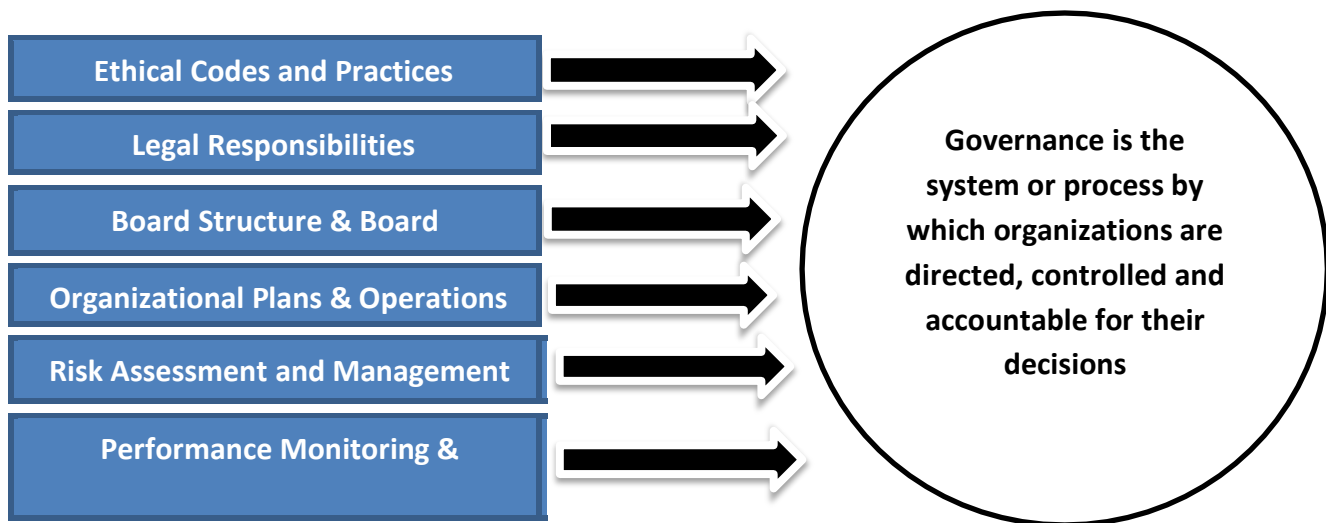


Figure 2: Good Governance practice in NGO corporate governance (taken from ncoss, 2015)

2.10 Non-governmental organizations in Ethiopia

2.10.1 The Concept of Civil Society

The concept of civil society changes depending on the context and understanding of various areas. Civil Society, on the other hand, is widely agreed to take various organizational and institutional forms. Voluntary Organizations, Relief Development, Advocacy, and Training NGOs; Professional Associations, Business Associations, Trade Unions, Women Groups and Organizations; Self-help Economic Empowerment Groups and Cooperatives; Cultural Sports and Leisure Groups; Tribal or Ethnic Associations, and so on are just a few examples (ADB,2006, as quoted by Gidey, 2011).

Organizations like registered charities, development non-governmental organizations, community groups, women's organizations, faith-based organizations, professional associations, trade unions, self-help groups, social movements, business associations, coalitions, and advocacy groups are frequently found in civil societies (Jolade and Rafiu, 2014). According to UNDP (2005), civil society is a third sector that exists alongside and interacts with the state and private sector. UNDP adopts a broad perspective of Civil Society Organizations (CSOs), of which nongovernmental organizations (NGOs) are an important part, and understands that civil society is a place of both collaboration and conflict in reality.

2.10.2 Civil Society Organizations in Ethiopia

According to Gebre-Egziabher (2002), civil society in Ethiopia has a long history of being developed in the form of self-help systems such as Iddir, Equb, Debo, Afarsata, and others, which have long existed in the country with the primary goal of addressing various social issues. Since the 1960s, several of these self-help systems have been registered as neighborhood associations, which are now known as community based organizations (CBOs).

In the 1950s and 1960s, modern, formal, and legal Civil Society Organizations (CSOs) in the form of trade unions, professional associations, and Non-Governmental Organizations (NGOs) began to emerge in Ethiopia, and their number has grown significantly in response to the 1974 famine in the

northern part of the country. Since the 1990s, there has been a considerable growth in their number and participation as major development partners in tackling the country's many development concerns.

"A benevolent society is a society created for charitable purposes," according to the Civil Societies Agency (CSA). In terms of structure and organization, it resembles a society. Unlike a society, however, it is created to serve the public's/third parties' interests rather than the interests of its own members. As a result, a general assembly, an Executive Board, an auditor, a manager/director, and the appropriate personnel are expected."

Currently, the level of involvement of Ethiopian charities and societies is determined by their structure. There are five types of local non-governmental organizations, according to the new Organizations Civil Society Proclamation No. 1113/2019:

- 1/ An association;
- 2/ A Board-led Organization;
- 3/ A charitable endowment;
- 4/ A charitable trust; or
- 5/ A Charitable Committee.

where the organization was established, source of income, composition of membership, and membership residential status.

2.10.3 Significance of Civil Society organizations in Ethiopia

When compared to many other African countries, Ethiopia's civil society is underdeveloped in terms of diversity, size, and capacity (Sintayehu, 2016 and Gidey, 2011). However, they are increasingly significant in the socioeconomic setting and in the implementation of various development initiatives at the national level, such as humanitarian assistance, capacity building, advocacy, and development activities. Their contributions in terms of foreign currency remittances, national employment possibilities, and government agendas are significant.

Despite their contributions, Sintayehu (2016) claims that civil society's existence and overall operations have been hampered by a variety of problems, primarily resource restrictions. The global economic crisis, difficult donor requirements, demanding funding criteria, donors' need for matching funds, shifts in donor priorities and focus, and various stipulations of Charity and Society legislation are among the causes for their financial constraints. Lack of resources can also be ascribed to the sector's lack of transparency and accountability (Sintayehu, 2016).

2.10.4 Civil Society Legal framework in Ethiopia

According to a UNDP report (2011), the legislative and regulatory framework allowing and managing civil society groups' establishment, space, and scope to function in public life is a significant determinant in their ability to work in a country. Both a strong state and an engaged civil society with

high levels of civic participation are required for development and participatory governance to succeed. Building and maintaining a suitable climate for civic engagement: the government creates an enabling environment by enacting important legislation and giving leadership to kick-start and sustains development in all areas of the economy.

Regulatory organizations with the authority to control and oversee NGO operations have changed hands several times throughout Ethiopian civil society history. It was first transferred under the control of the "Ministry of Interior" during the Imperial regime to the "Relief and Rehabilitation Commission" during the Derg regime, and then under the control of the "Disaster Prevention and Preparedness Commission (DPPC)" and the "Ministry of Justice (MOJ)" until it was recently transferred to the "Federal Charities and Societies Agency" in 2009, with the name slightly modified as ACSO, Authority for Civil Society Organizations.

The Civil Code of 1960 and the Association Registration and Regulation of 1966 controlled Ethiopian civil society. These legislation did not take into account Ethiopia's current economic reality. In response, Ethiopia's federal government has issued Civil Society Proclamation No.621/2009, which establishes a new monitoring organization known as the "Federal Charities and Society Agency" (Amerga, 2011).

The Charities and Societies Proclamation No. 621/2009 had a considerable impact on the country's NGO sector's procedural and operational operations. As a result, Ethiopian Charities and Societies are formed under Ethiopian law by Ethiopian nationals who receive no more than 10% of their income from foreign sources, while Ethiopian Residents' Charities and Societies are formed by Ethiopian nationals who receive more than 10% of their funding from foreign sources. A third category pertains to foreign or international charities that are created and registered outside of the United States and receive financing or assistance from outside of the country.

Because of the following reasons, the Charity and Society Proclamation No. 621/2009 was superseded by the Organizations of Civil Societies Proclamation No. 1113/2019 in March 2019:

- WHEREAS, it is found necessary to enact a law to give full effect to the freedom of association enshrined in the Constitution of the Federal Democratic Republic of Ethiopia as well as International human rights instruments ratified by Ethiopia;
- RECOGNIZING ,the instrumental role of freedom of association for the full exercise of other rights recognized in our Constitution;
- FIRMLY CONVINCED, that the existence of an active and freely organized society is imperative to ensure that government affairs are conducted in a transparent, accountable and participatory manner;
- REALIZING ,that the creation of an enabling environment is essential to enhance the role of civil society organizations in the development and democratization of the country;

- RECOGNIZING, the need to regulate civil society organizations to ensure accountability and maximum public benefit from the sector;
- COGNIZANT OF, the importance of nurturing the culture of volunteerism and charity in the society;
- WHEREAS, it is found necessary to enact a new law to address the shortcomings of the Charities and Societies Proclamation 621/2009, which was in force prior to the issuance of this Proclamation;

2.10.5 Scope of Application of the Law

This Proclamation shall be applicable to:

- a) Organizations operating in two or more regional states;
- b) Foreign organizations;
- c) Organizations established in Ethiopia to work on international, regional or sub regional issues or not operate abroad;
- d) Organizations operating in the City Administration of Addis Ababa or Dire Dawa; and,
- e) Charitable organizations established by religious institutions

Proclamation No. 1113/2019 gives Operational Freedom for the organizations which are clearly defined on it as follows;

1. An organization shall have the right to engage in any lawful activity to accomplish its objectives.
2. Indigenous organizations shall have the right to operate in Ethiopia or abroad, or implement objectives having global, regional or sub regional nature.
3. An organization may be established to implement project activities on its own or to provide financial and technical support to other organizations.
4. The Organization may propose recommendations for the change or amendment of existing laws, policies or practices, or issuance of new laws and policies of those which have relationship with the activities they are performing.
5. Notwithstanding Sub Article (4) of this Article, unless it is permitted with another law foreign organizations and local organizations which are established by foreign citizens which are residents of Ethiopia may not engage in lobbying political parties.
6. Foreign organizations may implement project activities or work in partnership with local organizations by providing financial, technical or in kind support.
7. To the extent possible, foreign organizations by working in partnership with local and governmental organizations, can give support to build the capacity of local organizations.
8. Any organization shall make the necessary efforts to ensure that its activities help to bring about sustainable development, contribute to the democratization process, promote the rights and interests of its members or enhance the profession they are engaged in.

9. An organization which is established for the benefit of the general public or third parties shall ensure that its activities take into account the interests of women, Children, persons with disabilities, the elderly and others exposed to threat or vulnerable groups of the society.
10. Any organization cannot engage in sectors which require additional permit by law without getting the necessary permit from the relevant government bodies.
11. In performing their duties all members, officers and employees of the organization have the responsibility to give primacy to the organization's interest and take the necessary precaution to avoid conflict of interest.

2.10.6 Formation, Registration and Licensing

Formation is the stage in the formation of Civil Societies when the founders get together and lay the groundwork for the organization's formal registration. Because the organization lacks legal identity at this point, the founders are personally liable for any debts or obligations that occur. These debts/liabilities, on the other hand, will be transferred to the charity/society once it is registered.

According to Proclamation No 1113/2019, the formation of organizations shall be governed by the following principles:

- 1) An organization may be formed for definite or an indefinite period;
- 2) Membership in any organization shall be voluntary. A member may withdraw from membership at will.
- 3) An organization shall have the right to freely determine the criteria for membership;
- 4) Any person has the right to become a member in as long as he fulfills the criteria for membership set by the organization;
- 5) Every member shall have equal vote.
- 6) Organizations may not be established for the purpose of distributing profit to members;
- 7) The formation and internal governance of organizations shall be based on democratic principles, nondiscriminatory, independent and neutral.
- 8) An organization shall be managed by persons elected by the full participation of the organs authorized by its rules ;
- 9) An organization may not admit or dismiss members except in accordance with its rules.
- 10) The Agency shall prepare model rules that may be used by Organizations.

Licensing is the process of allowing someone permission to engage in particular activities. According to the CSP's drafters, licensing was one of the elements that led to the law's passage. Although an organization may be registered and granted legal personality, this does not mean that it is free to do whatever it wants. There are several regions where specific approval from the relevant government authorities is required. A license from the Ministry of Health or the Ministry of Education is required for any group working on health or educational activities.

According to the CSP, registration is a method of establishing legal personality for organizations, hence a newly founded charity or society lacks legal identity. Obtaining legal personality is crucial for

a variety of reasons, including moving liability from the founders to the organization, entering into contracts with third parties, opening a bank account, preserving the organization's property rights, and so on. Furthermore, the government may be interested in registering CSOs in order to be aware of their existence, as well as to identify the CSO's leaders and members, as well as its operational regions.

As a result, the CSP stipulates that registration is one of the prerequisites for organizations to act as charities or societies.

2.10.7 Requirements for Registration

According to the proclamation, the Agency must register any groups in conformity with these provisions.

- a) The Agency shall, upon application and after ensuring the fulfillment of the requirements stipulated under this Proclamation, register the applicant and issue a registration certificate within 30 days from the date of application for local organizations and within 45 days for a foreign organization.
- b) Where the Agency fails to issue certificate of registration within the period indicated under sub-article 2, the applicant may file its complaint to the Board within 30 days from the expiry of such period.
- c) The Board shall examine the complaint and make a determination on the matter within a period of 60 (sixty) days.
- d) Where the Board finds that the Agency failed register the organization without a good cause, it shall direct the Agency to issue the certificate of registration forthwith. For the purpose of this provision, the Agency shall be deemed not to have a good cause to refuse registration if it fails to respond to such application within the time limit mentioned under sub article 2 of this article.
- e) An applicant dissatisfied with the decision of the Board may lodge an appeal before the Federal High Court within 30 days from receiving the Board's decision

2.10.8 Documents Required for Registration

- I. An application for registration by local organization shall be signed by the founders and contain the following particulars:
 - a) The minutes of the formative meeting indicating the names, addresses and citizenship of the founders;
 - b) Copy of the identity card or passport of the founders;
 - c) The name of the organization and its logo, if it has one;
 - d) The objectives of the organization and its intended sector of operation;
 - e) The region where it intends to operate;
 - f) The rules of the organization approved by the founders;
 - g) The organization's address;

- II. An application for registration of a foreign non-governmental organization shall, in addition to the conditions required under sub-article 1, be accompanied with the following documents:
 - a) Duly authenticated certificate of registration showing its establishment from its country of origin;
 - b) Duly authenticated resolution of its competent organ to operate in Ethiopia;
 - c) Duly authenticated power of delegation of the country representative; Letter of recommendation from the embassy in which the charity is incorporated or in the absence of such by a competent authority in that country or from Ministry of Foreign affairs of federal democratic republic of Ethiopia and;
 - d) An action plan for a minimum period of two years.
- III. The application for registration by a consortium shall be signed and submitted by the head of their representative organization and shall contain the following particulars:
 - a) Rules of the consortium signed by the representatives of founder o;
 - b) The minutes of the decision among members to form the consortium;
 - c) A certificate of registration issued by the Agency or authorized regional government body to the members of the consortium.
- IV. The applicant shall pay a registration fee to be determined by the relevant Regulation.
- V. The Civil Society Organizations Board may issue directives on details regarding the registration and administration of professional associations.

2.10.9 Supervision and Monitoring

Reporting – is the most basic tool for ensuring accountability. The need to protect the public from fraud, misappropriation of funds, and infringement of others' rights and freedoms; the importance of NGOs' accountability and transparency; or the link between fiscal privileges (in the form of tax exemptions or state funding, for example) and fiscal accountability are all common justifications for reporting requirements for NGOs.

In general, the government justifies supervision by citing NGO openness and accountability. Indeed, CSOs are expected to show a high level of accountability to the community in which they operate (government, donors, beneficiaries, media, etc.)

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

Reporting to and Audit by Tax Authorities - Charities and societies that are engaged in economic activities are required to file financial reports to the concerned tax authority. They are also expected to keep separate books of account with respect to such activities. Just like any other business organization, charities and societies engaged in income generating activities are subject to the rules of trade, investment or any profit making activities in submitting reports of financial activities to the tax authorities.

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

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

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

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

2.11 The Governance Conceptual framework

The study's conceptual framework is based on the fundamental qualities of effective governance, such as leadership, oversight, responsibility, ethics, accountability, transparency, and succession planning, and it examines how external governance elements influence these traits (*Wyngaard & Hendricks, 2010*). This is based on a literature analysis that found links between I the stated analytical qualities of corporate governance, NGOs' activities as development partners, governmental bodies as public regulators, and beneficiaries and other stakeholders as actors in the sector's governance process (*see Figure 3*).

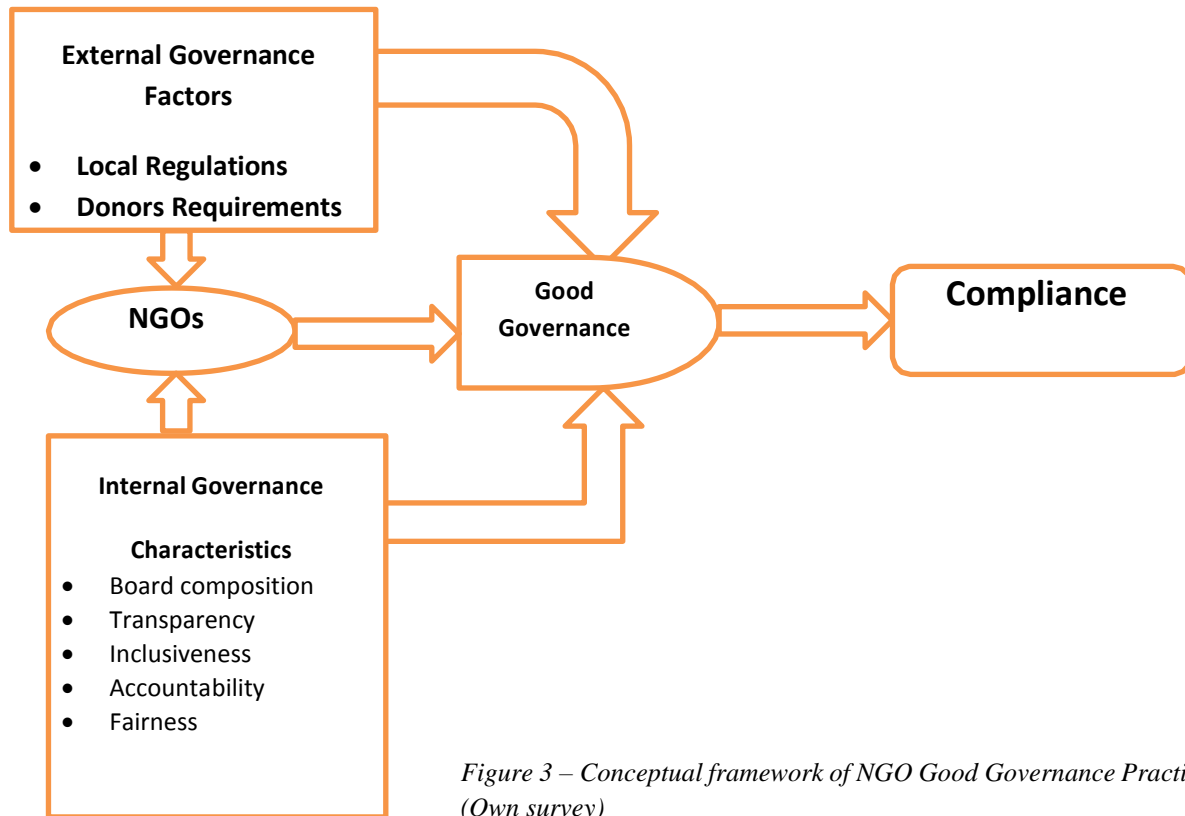


Figure 3 – Conceptual framework of NGO Good Governance Practice (Own survey)

CHAPTER THREE

3. RESEARCH APPROACH AND METHOD

The research design, methodologies, and procedures that will be used to perform the study are discussed in this chapter. It also goes through the study's population, data collection methods, sampling procedures, sampling framework, and methods for data analysis and presentation in general.

3.1 Population of the study

A population, according to Copper and Schindler (2003), as quoted by Ernest K, (2013), is the total collection of elements about which we wish to make some inferences, and the idea behind sampling is that by selecting some of the elements in a population, conclusions about the entire population can be drawn. The population of interest for this study was drawn from all Charities and Societies, sometimes known as local NGOs that operate in Ethiopia and are supervised by The Agency for Charities and Societies Organization (ACSO).

As per ACSO data, (2019/2020) the total number of charities and societies under the supervision of the Agency is 2,971 of which 192 are Ethiopian Charities and Societies, 2,350 are Ethiopian Resident Charities and Societies and 429 are Foreign Charities.

3.2 Sampling Procedures and Techniques

A sampling frame is a list or directory of all or an index of cases from which to draw a sample. It's a list of objective options from which the researcher chooses (Denscombe, 1998). Because of the time and money constraints, as well as the volume of the subject matter, this study will solely focus on local NGOs with offices in Addis Ababa. This sampling data will exclude NGOs with insufficient or no information on their respective office locations. As a result, the sampling frame will be the list of NGOs, which includes a total of 192 local NGOs. The sampling frame is separated into three sub-populations based on the ACSO classification of NGOs: Ethiopian Charities and Societies, Ethiopian Resident Charities and Societies, and Foreign Charities, which are referred to as three strata. As a result, all NGOs classified as Ethiopian Charities and Societies (192 NGOs), Ethiopian Resident Charities and Societies (2,350 NGOs), and Foreign Charities and Societies (2,350 NGOs) are included in this study's sampling frame (429 NGOs). Ethiopian Charities and Societies will be the subject of this research.

3.3 Sample Size Determination

According to Denscombe (1998), to be representative of the population, the sample must be carefully chosen. The act of selecting the number of observations to include in a statistical sample is known as sample size determination. Any empirical study in which the purpose is to make inferences about a population from a sample must consider the sample size. They also asserted that the sample size is decided by three factors: precision, confidence or risk, and the degree of variability in the attributes being measured (Cooper and Schindler, 2003). Though various literatures suggest that the sampling process and sample size can be determined using various approaches, this survey will be constrained

by a number of factors, including the assumption that disclosing local NGOs' internal governance is illegal, a lack of knowledge of their respective organizational internal governance, and some NGO management's unwillingness to disclose their governance information. Furthermore, due to time and resource constraints, as well as various variables that hampered the survey procedure (as noted above), the study was confined to investigating a sample size of 25 local NGOs that were determined using the purposive sampling technique.

3.4 Method of Data Collection

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

3.4.1 Primary sources of Data

The required primary data will be collected using a semi-structured questionnaire that has been pre-tested to ensure that the questions flow logically and that only relevant questions are included. There will be two sections to the questionnaire. Section A contains the organizational profile, whereas section B covers the Board's authority, structure, and functions, as well as other connected topics. In addition, corporate governance concerns with a focus on challenges and possibilities will be evaluated as part of the entire process. E-mail, personal contacts, and the 'drop and pick' method will all be used to distribute the questionnaire. Board members, executive directors, and management members of NGOs were the target groups. These are the persons who are in charge of developing strong Corporate Governance and are responsible for the organization's success.

In addition to the questionnaire, information was gathered through Key Informant Interviews (KIIs) with specialists from the Charity and Society Agency, Senior staff members of the Charities and Societies Forum, and competent individuals in the industry. A checklist containing a list of questions was also created to ensure that only essential data was generated.

3.4.2 Secondary sources of Data

The primary data will be supplemented by the secondary data. The secondary data will gather, classify and study from the ACSO (Supervisory Body) publications and regulations, annual reports, any publications in the sector. In addition, information on formal education relevant to Corporate Governance profession was collected from secondary source especially, from ACSO website.

3.5 Data Preparation and Management

To ensure effective handling of the generated data, SPSS will be used to create data entry templates. The information will be entered into the SPSS entry template after that. Before beginning the data analysis, it was necessary to clean the data by tabulating it, checking its frequency, and determining its overall importance.

3.6 Methods of Data Analysis

The data collected via questionnaires will be examined and presented using both quantitative and qualitative data analysis approaches. The analysis will be carried out based on the type of data collected.

Using the SPSS system, descriptive statistics such as mean, standard deviation, figures, graphs, tables, and percentages, as well as inferential statistics and narrative analysis, were performed. Thematic analysis was used to assess qualitative material that was supported by quantitative analysis.

3.7 Ethical Research Considerations

During the analysis, the researcher has tried to keep the validity of the research, the confidentiality of the information and the methods used in the research process are completely fit with the research. As stated clearly in the distributed questionnaire, the participants were informed about all activities taking part in the research and the risk associated with it. Only relevant information is collected and used for the study was another ethical issue considered through the process.

CHAPTER FOUR

4. Data Presentation, Analysis and Interpretation

4.1 Introduction

There are internationally recognized standards for optimal practice in non-profit governance, as evidenced by the literature study. There are essential benchmarks against which to judge good governance, regardless of organizational governance structure. Through worldwide and local research, key traits or organizational characteristics have been found that can be used to identify whether a company has good or bad governance procedures (Wyngaard & Hendricks, 2010). Non-profit boards have essential tasks that are recognized internationally. It is their responsibility to: 1. Determine the organization's vision and purpose; 2. Choose an executive director; 3. Support the executive director and evaluate his or her performance; 4. 4. Make certain that the organization's plans are well-thought-out. 5. Make certain there are enough resources available. 6. Effectively manage resources 7. Establish and track the organization's program and service goals; 8. Improve the effectiveness of the organization's programs and services, 8. Improve the public image of the organization, 9. Act as a court of appeal, and 10. Evaluate its own performance. Although there are international best practice standards and recognized non-profit governance models, best practice does not dictate which model is optimal for any type of organization. Rather, these guidelines establish essential board tasks and key features of good governance, and they give organizations and organizations types flexibility and choice in how they implement an effective governance structure.

4.2 Results and discussions

This chapter is divided into three sections depending on essential variables: organizational characteristics, corporate governance practices, and corporate governance challenges. The findings are divided into other areas as well. The findings on the respondents' profiles are presented in the first section; the board structure is discussed in the second section; board processes and systems are discussed in the third section; and the causes of governance issues are discussed in the fourth section. However, due to the large scope of the subject, we will only consider variables for which complete data is available in the questionnaire.

4.3 The Characteristics of sampled NGOs

Table 1 below shows the sampled NGOs are varied in employees' size. 77% of the sample has employees less than 50, which is the largest ratio. Only 15% of the sample has employees between 51 and 100 and another 8% of the total sample has employees between 501 and 1000.

No of Employees	Frequency	Valid Percent	Cumulative Percent
1-50	10	77.0	77.0
51-100	2	15.0	92.0
501-1000	1	8.0	100.0
Total	13	100.0	100.0

Table1: No. of Employees

Survey participants represented NGOs that varied in size, with the largest category of participants (38%) representing organizations with annual budgets greater than Birr 10 million and the remaining two categories (31% of each) representing organizations with annual budgets of between birr 1 million and 5 million and had budgets from Birr 5 million to 10 million. But, no response is observed with budget less than Birr 1million.

Current year annual operating budget

Annual operating budget	Frequency	Percent	Cumulative Percent
between 1,000,000 and 5,000,000	4	30.8	30.8
between 5,000,000 and 10,000,000	4	30.8	61.5
above 10,000,000	5	38.5	100.0
Total	13	100.0	100.0

Table2: Current year annual operating budget

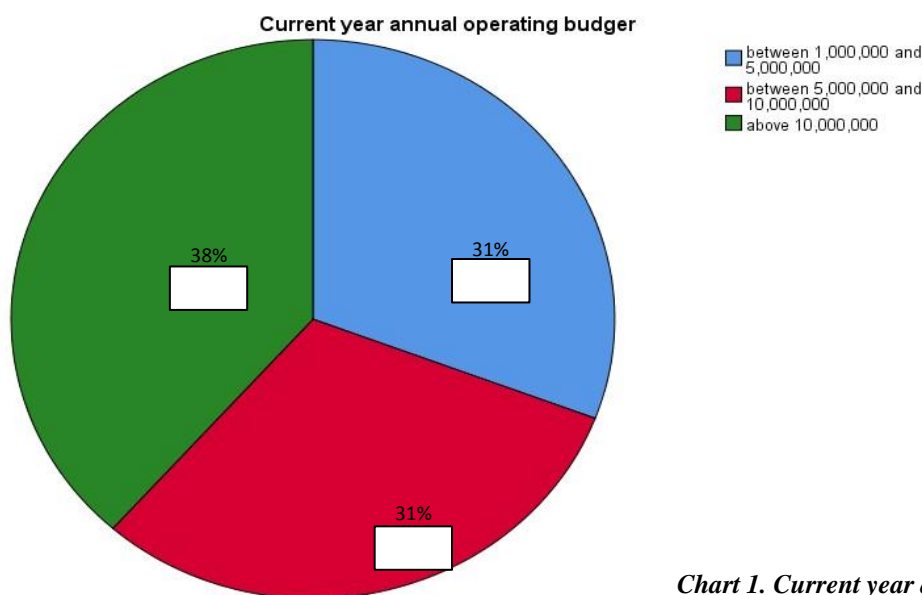


Chart 1. Current year annual operational budget

Table 2 below shows the percentage of NGOs being active in different fields of activity. Some organizations are active in a variety of fields, with high concentration on Education, Youth development, Health and Nutrition, Agriculture and Livelihoods, WASH, Gender Equality and Human rights and less on Art, Culture, Heritage & science, Emergency response, and climate change. This because, some organizations responded being active participant in more than one fields of intervention. The result shows that majority of NGOs (11.8%) are engaged in Education followed by Youth Development (10.8%), Health and Nutrition is the third most engaged activity (9.8%). Agriculture and Livelihoods, Gender Equality, and Human Rights interventions each with 8.8%. The next level of activities, WASH, People with disability and Institutional Strengthening take 7.8% share each.

Area of intervention	Responses		Percent of cases
	No of Cases	Percent	
Education	12	11.8%	92.3%
Youth Development	11	10.8%	84.6%
Health and Nutrition	10	9.8%	76.9%
Agriculture and livelihood	9	8.8%	69.2%
Gender Equality	9	8.8%	69.2%
Human rights	9	8.8%	69.2%
WASH	8	7.8%	61.5%
People with disability	8	7.8%	61.5%
Institutional Strengthening	8	7.8%	61.5%
Environmental Protection	5	4.9%	38.5%
Peace & security	5	4.9%	38.5%
Climate Change	4	3.9%	30.8%
Emergency	2	2.0%	15.4%
Others	1	1.0%	7.7%
Art, Culture, Heritage & science	1	1.0%	7.7%
Total	102	100%	

Table 3:Area of Intervention

According to Boas (2012), as quoted by Omeri (2015), the term –diversification of sources of fundingll describes a number of activities that strive to reduce the dependence on a specific type of income, specific donor or grant maker, dominating customer, country that is the only or main source of funding and currency in which most or all funds are paid out. However; as the table below shows (Table 3) the

majority of funding of NGOs is from foreign donation (52%), followed by Sponsorship (35%). There are also few organizations that can get from more than one source. The other sources of fund, IGA (9%) and Members contribution (4%) are the least ratio on funding sources. There is no NGO in the sample with a source of fund from either Government fund (in Ethiopia) or public contribution. This shows that the requirements for NGO formation and restrictions on source of fund impacted on NGOs income diversification.

Source of Funding	Response	
	No. of Response	Percent
Foreign Donation	12	52%
Government bodies (in Ethiopia)	0	0
Income Generating Activities (IGA)	2	9%
Member Contribution	1	4%
Public Collection	0	
Sponsorship	8	35%
Total	23	100%

Table 4: Source of Funding

4.4 The Governance Practices

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

4.4.1 Governance Structure

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

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

4.4.2 Board Size and Composition

According to the Governance Institute of Australia, Board composition consideration should be given to a variety of aspects with regard to an appropriate mix of skills, gender, age, race, background, perspectives, beliefs and life experience. It is considered good governance for the board to have a size

large enough to incorporate a variety of perspectives and skills to meet its obligations without being too large to be effective. But, the size of the Board is dependent on the size of the organization. As per ACSO guideline, Charities and Societies are required to have at least three Board members to be legally established and registered by the agency.

As indicated in Table 5, only 46.15% of the NGOs have females as member of the board. Overall, the average number of male board members in an NGO is 5.69 individuals considering the all responded NGOs have male members and the average female board members is 1.15 individuals considering about 46.15% of the sample NGOs who responded the presence of female board members. This indicates that considerable numbers of NGOs do not have females as board members.

Indicator	# of male members serving in the Board	# of female members serving in the Board	Total
Mean	5.69	1.15	6.84
Std. Deviation	1.182	1.345	2.527
N	13	13	13
% of Sampled NGO's	100%	46.15%	-

Table5: The Governance Structure in terms of Board members and gender Source: own survey (2022)

4.4.3 Appointment of the Board & Recruitment of the Executive Directors

The analysis in the Table 6-1 below showed that 46.2% of organizations responded that Board appointment is through nomination committee, 15.4% nominated by Board chair, and 23.1% nominated by others (by the General Assembly). But, 15.4% of the respondents showed the Executive director is the one who nominates Board members. On the other hand 76.9% of the organizations hire their Executive Directors by the Board of Directors and 15.4% recruited by the Board chair. Only 7.7% recruits, by the General Assembly. However, the cross tabulation with organizational classification analysis under Table 6-2 below, majority of the organizations nominate Board members by the Board of Director and only few organization nominates by the Board Chair and Executive Director. In the same scenario, the recruitment of EDs is mostly done by the Board of Directors.

Table 6.1: Board Nomination Committee

Board member nomination	Frequency	Percent	Cumulative Percent
Board chair	2	15.4%	15.4%
Executive Director	2	15.4%	30.8%
Nomination Committee	6	46.2%	76.9%
Others (General Assembly)	3	23.1%	100.0%
Total	13	100.0%	100.0%

Table 6.2: Recruitment of Executive Director

Recruitment of the Executive Director	Frequency	Percent	Cumulative Percent
General Assembly	1	7.7%	7.7%
Board of Director	10	76.9%	84.6%
Nomination Committee	2	15.4%	100.0%
Others	0	0%	100.0%
Total	13	100.0%	100.0%

The survey result with regard to Board nomination and ED recruitment process the below table (Table 6.3) shows that organizations uniformly apply criteria of Education, Experience, Commitment and Leadership for their board nomination and Executive director recruitment, except 2.33% of them used other means like Assessing criminal cases and child right are to be considered.

	Annual operating budget	N	Percent	Cumulative Percent
Criteria for Board nomination	Education	12	27.9%	27.9%
	Experience	13	30.23%	58.13%
	Commitment	10	23.26%	81.39%
	Leadership	7	16.28%	97.67%
	Others	1	2.33%	100.0%
Total		43	100.0	100.0

	Annual operating budget	N	Percent	Cumulative Percent
Criteria for Executive director recruitment	Education	12	29.27%	29.27%
	Experience	8	19.51%	48.78%
	Commitment	11	26.83%	75.61%
	Leadership	9	21.95%	97.56%
	Others	1	2.44%	100.0%
Total		41	100.0	100.0

Table 6.3: Criteria for Board Appointment and ED Recruitment

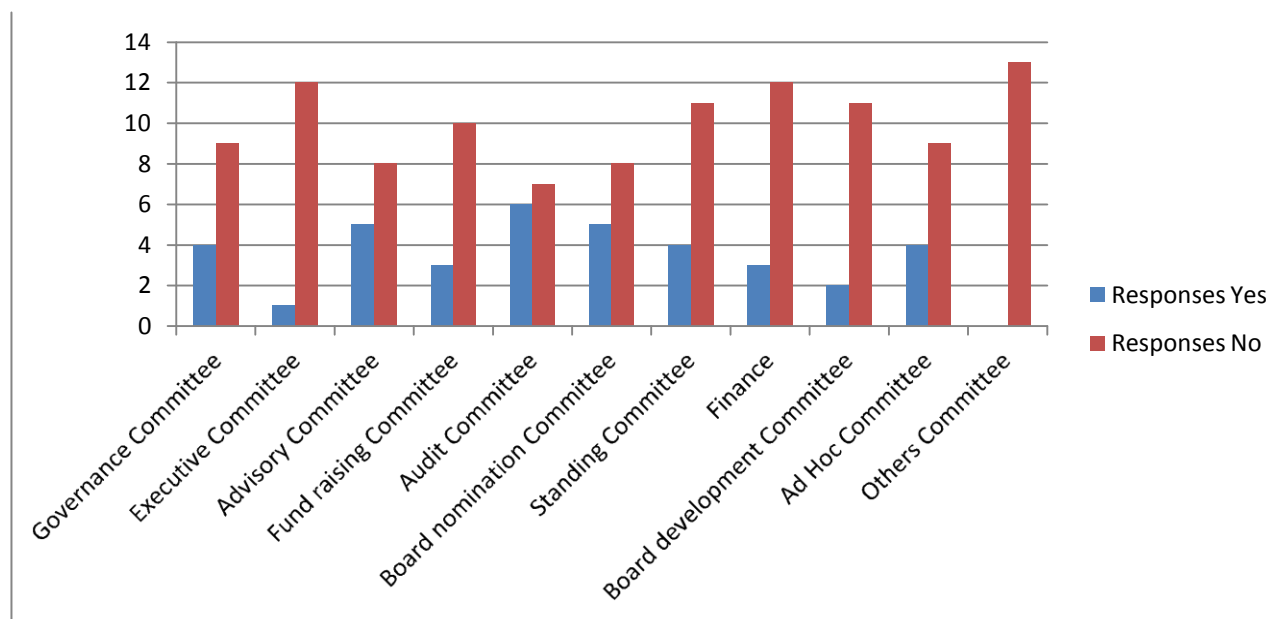
4.4.4 Board Committees and their roles

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

Committees under Table 7; below shows that greater practice is shown for Audit Committee, Board nomination and the Advisory, Governance, Standing and Ad Hoc rank second while Executive, Fund raising, Finance and Board development committee is third.

Table 7: Board Committee

Board Committee	Responses		Percent of cases
	No of Cases	Percent	
Governance Committee	4	10.8%	30.8%
Executive Committee	1	2.7%	7.7%
Advisory	5	13.5%	38.5%
Fund raising	3	8.1%	23.1%
Audit	6	16.2%	46.1%
Board nomination	5	13.5%	38.5%
Standing	4	10.8%	30.8%
Finance	3	8.1%	23.1%
Board development	2	5.4%	15.4%
Ad Hoc	4	10.8%	30.8%
Others	0	0%	0%
Total	37	100%	269.4%



4.4.5 Presence of Information Disclosure System

As explained by the Governance Center of Excellence on its document; –Guide to Good Governance, transparency involves open processes and public disclosure. Transparent processes aid in demonstrating accountability. Transparency is achieved through a number of means including: Public disclosure of key information – this may encompass regular written communications; a robust and effective website; disclosure through a community annual report; publications and media releases.. The table below (Table: 8) almost all respondents use information disclosure means. The majority of respondents disclose their activity reports through websites, workshop, booklets and magazines and Seminars. Funding sources, policy issues and governance issues are also disclosed mostly through web sites, workshops and booklets from highest to lowest; whereas no information is disclosed though newspapers, news conference and other means.

Table:8 Public disclosed information and disclosure means

Public Disclosure Means	Number of respondents		
	No.	Percent	Percent of Cases
Website	5	19.23%	38.46%
Workshops	10	38.46%	76.92%
Booklets & Magazines	7	26.92%	53.85%
Seminars	4	15.38%	30.77
Newspapers	0	0%	0%
News conference	0	0%	0%
Others	0	0%	0%
Total	26	100.0%	200.0%

4.4.6 Board Governance Practices:

This section for Board governance practices assessment focuses on whether new members are given inductions or not, whether performance evaluation is conducted for the Board and its members, the process of succession planning practice for the Chair person and the ED, on meeting schedules and practices and finally the ED roles in Board meetings is assessed. The analysis under Chart 2 below shows that Executive director’s voting right and conducting performance evaluation of the board with high score of 62% (8 responses) which is also supported by proper induction for new board with next high score of 54% (7 responses). Attendance at board and committee meetings and Board succession plan has response rate which is between 38% & 46% (5 & 6 responses). Start and finish time of Board meeting, similarity of Board chair and ED role and ED succession planning has ranking from 13% to 23% (with 4, 4 & 3 responses respectively). Good governance practice in any sector recommends that, Executive directors can be a member of the Board, functioning as secretary, without voting rights. Similarly the 46% response (4 organizations shows the existence of role confusion between the ED and chairman. On the other hand, only 13% of the sample showed that the role of the ED and Board chair are different. Literatures and guidance documents recommend that Effective governance/management relationship is achieved through differentiating the board’s role from the role of the Executive director

and management as clearly as possible (Governance Center of Excellence; -Guide to Good Governancell).

Board Governance Practice Assessment

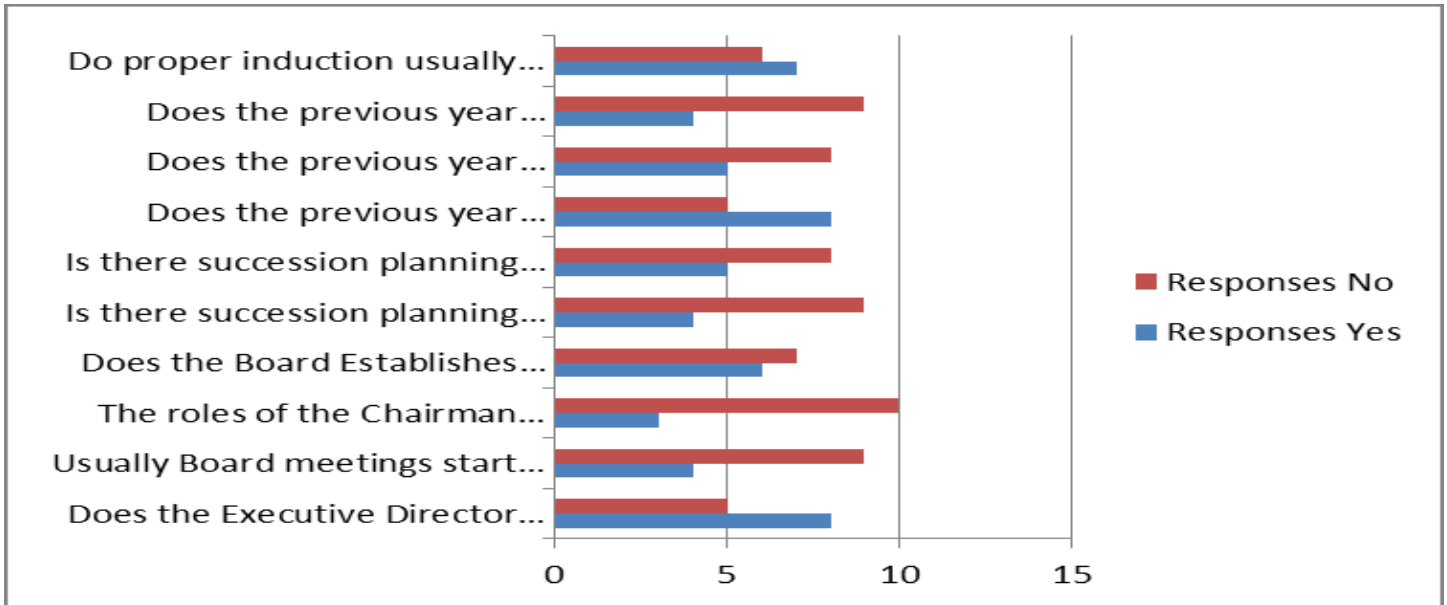
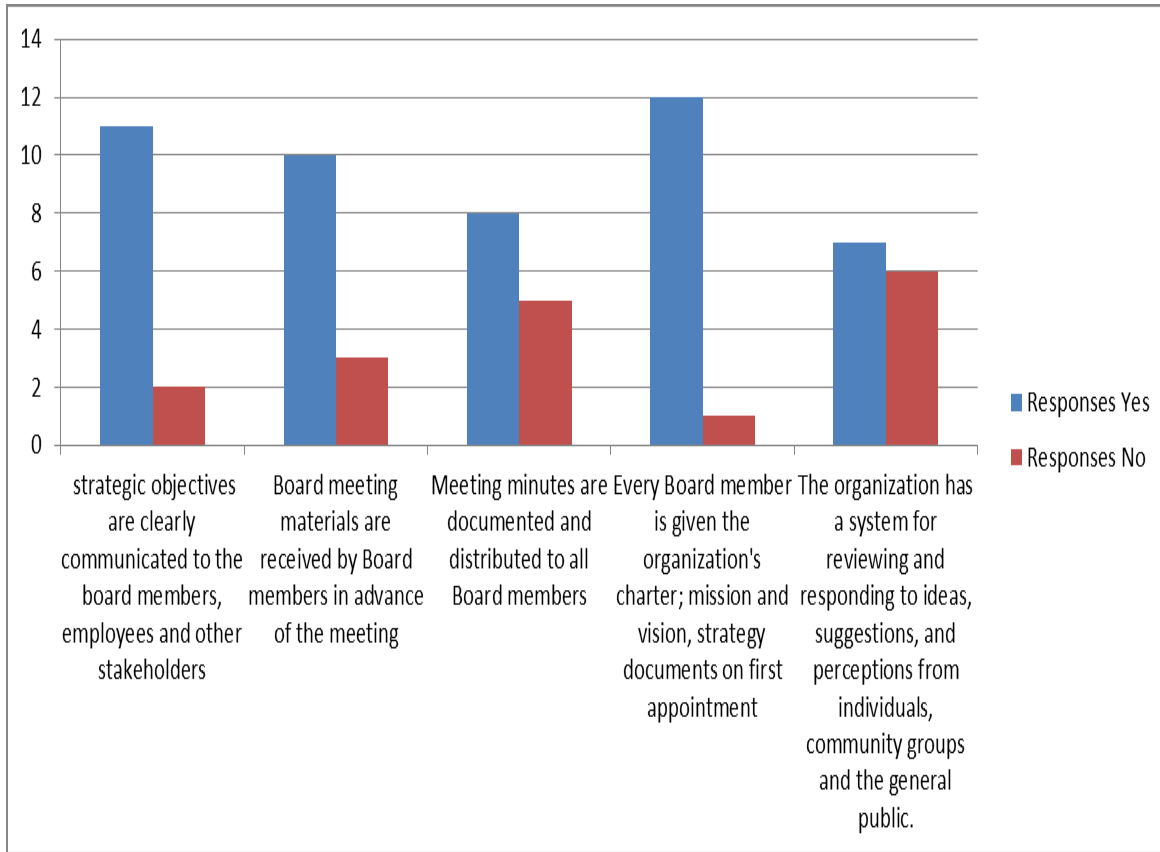


Chart 2: Board Governance Practice- Induction, Evaluation, succession plan, meeting process and ED Roles

4.4.7 Board Governance Practice: Information sharing and Communication

The analysis under chart-3 shows that on a scale of zero to 1, where zero represents -No and 1 represents to -Yes, justifies that proper information transfer and necessary documents to new members is properly done. Particularly organization charter, vision and mission are inducted to new members that also supports proper induction practice is being practiced. In addition, meeting minutes are more or less documented and shared to Board members, but needs to apply it consistently throughout every operation of the board. The organizational internal system employed for individual and public idea sharing and system is relatively low.



Yes	11	10	8	12	7
No	2	3	5	1	6

Chart 3: Information sharing and communication

4.4.8 Board Governance Practices – Policy Setting

The analysis signifies that most of organizations don't have stated policies. The least ranking policies including risk management policy, Confidentiality policy, whistleblower policy and compensation policy. Board ethical code of conduct, meeting attendance policy, and conflict of interest policy weighs better in governance practice of responded organizations. Whereas organizational ethical code of conduct is the highest of all being practices.

Board Governance Assessment: Policy setting

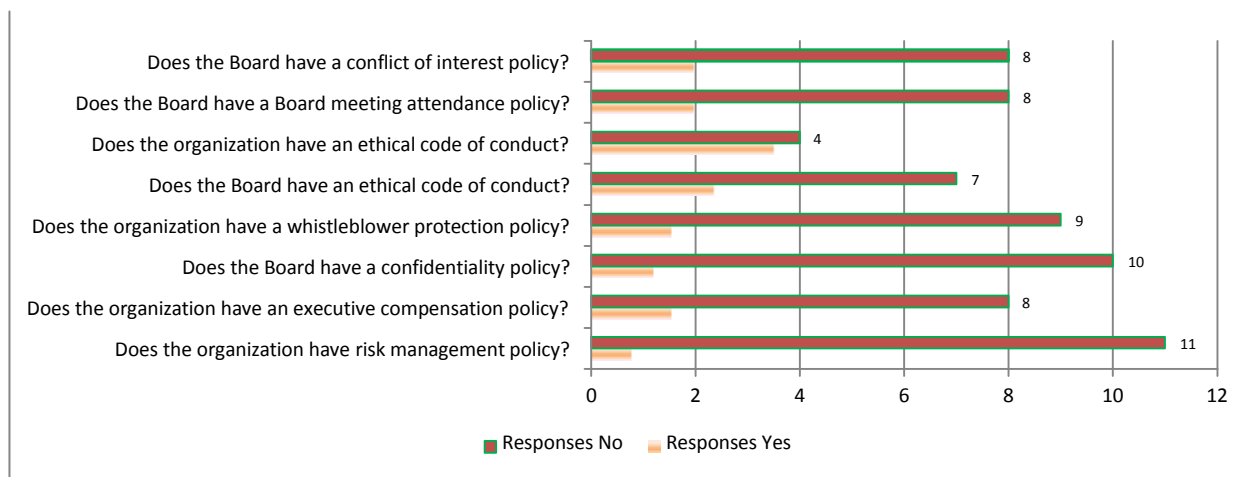


Chart 4: Board Governance practice - Policy Setting

4.5 Challenges of NGO Governance

Different literatures emphasized that NGO governance is challenged both from internal as well as external influence. However, it is quite complex when it comes to the case in developing countries in which different factors affect the governance practice of the civil society sector. Among different challenges, the most common observed in NGO sector are: lack of funds, poor governance, absence of strategic planning, poor networking, poor communication, limited capacity, development approaches, relationships with INGOs, political interference. The findings showed a number of challenges facing NGOs in their exercise of good corporate governance in the sector. Some of these challenges are inferred from the practices of Board governance.

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

4.5.1 Board Recruitment, Evaluation and Skill sets

This research provides evidence that nomination of directors is a significant challenge for NGO organizations, particularly those with Ethiopian Resident Charities. The result of the assessment questions in the questionnaire, summarized under Table 10 below is also summarized as follows.

- The Executive directors voting right in the Board meetings have significant impact on Board independence on major governing body decision
- The succession planning of the board chairman and members have significant impact on the organization to keep it on track towards good governance.

- The appointment of Board members by Executive Directors, in which 15.4% of Ethiopian Resident charities applied signifies the role confusion between the management and the Board. The Executive Director is acting the roles of the board in which the power sharing is in a problem.
- The evaluation of Board members is moderate showing that there is less attention for it.

Governance Practice Challenges	Responses		Percent of cases
	No of Cases	Percent	
Is there succession planning for the Board chairman and members?	4	15.38%	30.77%
The roles of Chairman & ED are similar.	3	11.54%	23.07%
Does previous year evaluation of Board members conducted?	4	15.38%	30.77%
Does the orgn have risk management policy?	2	7.69%	15.38%
Does the orgn have Executive compensation policy?	4	15.38%	30.77%
Does the orgn have whistleblower protection policy?	4	15.38%	30.77%
Does the Board have conflict of interest policy?	5	19.23%	38.46%

Table 10: Governance Challenges

4.5.2 Legal Status and Structure of the Organization

According to Proclamation No 1113/2019, the formation of organizations shall be governed by the guiding principles. Operating at a national level, the majority of national NGOs have a democratic process of electing or nominating board members, meaning that election takes place in line with the internal bylaws of each respective organization. However, requirements are in place by the proclamation in which an organization should have organization structure consisting of the General Assembly, Board of Directors, the Executive management and an Auditor. Organizations are also required to disclose for any change or modification in its governance structure in the course of its operation.

4.5.3 Board Nomination and Induction

Most of the literatures have given only a guide on how to nominate or elect board members. According to Proclamation No 1113/2019, article no. 20 of CSO law states,

- 1/ The board shall have a minimum of five and a maximum of thirteen members.
- 2/ The first board members shall be designated by the founders. The term of service and appointment procedures for subsequent board members shall be prescribed by the rules of the organization.
- 3/ Persons who are related by consanguinity or affinity with the officers of the Organization may not be Board members.

The summary of findings from the interview can be summarized as follows;

- Because of the nature of their governing structures and their processes for electing board members, local NGOs generally lack active recruitment policies.
- Board members are sometimes co-opted from outside the membership, through networking and friendship which has an impact on member responsiveness and diversification in terms of expertise.

- Respondents indicated that new board members generally undergo an orientation or induction process. For some organizations, orientation and induction happens immediately after elections at the AGM, to coincide with a board meeting. The aim here is to cut costs.
- One organization conducts an annual orientation session in each province, where board members are helped to understand what is expected of them.
- Some organizations provide orientation manuals to new board members. Orientation covers such basics matters as the organization's constitution, financial policies and annual report.
- Most of the organizations have provided some training to build the capacity of board members, but, in general, they lack a systematic approach to board development. Such training is mostly taken by few members only including the Board chair.

4.5.4 Board Role

According to literatures the major roles of the board are setting directions, policy and boundaries (*diligent.com, May 2022*).

The findings can be summarized as follows;

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

4.5.5 External factors Impacting on Governance

The new CSO proclamation (1113/2009) positively affects the governance of the CSOs in many aspects.

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

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

- Although some revisions have been done, the reporting requirements particularly the 80:20 ratio of Administrative and program expenditure is not realistic
- Most respondents emphasized that, the supervisory body feels NGOs are not transparent and accountable.
- The legal requirement in formation and registration of NGOs is a challenge for most NGOs in financial sourcing
- At least one respondents emphasized the positive relationship with government had improved and compared to the enactment of the law.

4.5.6 Good Practices and key challenge

According to the article issued Capable Partners Program in 2011 on Tips to NGOs, a well functioned board should have 8 basic features; *Steers the organization, oversees the financial affairs of the organization, supports the NGO's long term viability, promotes organizational continuity and stability, serves as a link to the organization's constituencies.*

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

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

Key Challenges:

- It is now recognized that NGOs must appoint board members with a variety of skills onto their boards. There is a move toward using retired and older people who can still make a significant impact on boards.
- NGOs would benefit from the contribution of skilled people in all sectors in Ethiopia. This would have value not just for the present, but also for the future.
- The existing NGOs' Board members and chairman would work diligently on succession planning towards making them on track.

CHAPTER FIVE

5. SUMMARY OF MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Major Findings

The findings show that the NGOs had a governance framework in place, with a separate governing body from the management body. Despite the fact that the majority of organizations' Board members are nominated by the Nomination Committee and the General Assembly, the existence of a few organizations where the Executive Director is in charge of appointing Board members has a significant impact on the Board's independence. In terms of information sharing and communication, practically all organizations have information disclosure mechanisms in place, and basic information is shared with the relevant stakeholders. However, some NGOs' reticence to divulge their internal governance raises questions about their level of transparency and the reasons why organizations in this sector are suspicious of governance. The lack of willingness and knowledge among local NGOs

5.2 Conclusions

The objective of this study was to look at the assessment of governance procedures and issues in local non-profits. Based on the classification of formation, a semi-structured questionnaire was sent out to 25 local NGOs. The response rate was 52 percent, resulting in a sample of 13 NGOs for the study. According to the findings, the sample organizations have a governance system in place with a governing body that is separate from the management body (some have a General Assembly, others have a Board of Directors, and others have both). The survey also revealed that, with the exception of a few, the governing body has tasks and responsibilities that are separate from those of management. Despite the fact that the majority of organizations' Board members are nominated by the Nomination Committee and the General Assembly, the existence of a few organizations where the Executive Director is in charge of appointing Board members has a significant impact on the Board's independence (Rosenstein and Wyatt, 1990). The existence of a Board determines the practice of good corporate governance. In terms of information sharing and communication, practically all organizations have information disclosure mechanisms in place, and basic information is shared with the relevant stakeholders. On activity reports, the importance of high information sharing is linked to high supervisory body monitoring and supervision impact. The reticence of certain NGOs to reveal their internal governance for the research, on the other hand, raised questions about the level of transparency of some NGOs and why organizations in this sector are suspicious of governance.

5.3 Recommendations

The purpose of the study was to see how well civil society organizations, particularly local NGOs in Ethiopia, are structured in terms of internal governance and to suggest interventions and alternative organizational structures that would encourage best practices in NGO governance. Despite the exploratory nature of the study, the information gathered has corroborated the target organizations' unique traits, challenges, and issues.

5.1.1 Raise Public Awareness of the State's Responsibility to NGOs

The objectives of the Charities and Societies Proclamation No.1113/2019 should direct the government's approach to the civil society sector, including NGOs. The value of governing boards is not recognized by all state agencies, and improving their awareness would be a first step toward establishing an understanding of the importance of NGO governance.

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

Under the proclamation, one of the functions of the CSO Directorate is to communicate with other state institutions and interested parties in order to develop a spirit of cooperation and shared responsibility in government. The Agency might lead and organize a coordinated response by governmental authorities to the NGO sector's capacity-building requirements. Although there is some experience with CSOs creating awareness and sharing information, supporting, promoting, and developing the capacity of NGOs to accomplish their functions is critical and must be stressed. To enable coordinated efforts to enhance the capacity of local NGOs, closer coordination between different sectors of the state and civil society is proposed.

5.1.3 Establish an NGO Governance Institution

There was no frequently used resource center that provided guidance and support on NGOs governance that the researcher could find. As a result, obtaining appropriate information and data was a challenge during the research process. For this and other reasons, I propose that the following be formed in order to ease the sectorial issues in governance and documentation. An institution could be established to focus on conducting research, building resources, and offering good governance advice and help to NGOs. It would operate independently of the government, but it might receive assistance from the government, the commercial sector, and civil society together. It would, however, have to assure its own long-term viability once it was founded. An example of such an institution is BoardSource in the US. This would also support different researchers for data sourcing in the sector.

5.1.4 Recommendations for further research

This indicates some of the areas where future research may be required. Despite the fact that various studies have focused on the challenges of legislation on the establishment and

implementation of NGOs, the reason for NGOs' reluctance to share information about their internal governance is unknown. In light of openness, a study of the influence of information sharing and involvement on the growth of NGO good governance practices could be conducted. This can be done by conducting a survey and conducting targeted interviews with a specific group of NGOs, such as those working in a specific area of intervention or in a specific geographic area, or by conducting a survey of NGOs stratified by formation classification and examining their relationships and coordination with various government sectors. The findings will be crucial in guiding policy on NGO registration and operation, as well as promoting communication and collaboration with government agencies.

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Appendix: Survey Questionnaire



St. Mary's University

School of Graduate Studies

SURVEY QUESTIONNAIRE - Assessment of Corporate Governance: The Case of Local Non-Governmental Organizations in Ethiopia (Addis Ababa)

This questionnaire is designed to assess the Corporate Governance practice of local NGOs operating in Ethiopia. As one of the selected organizations in the sample, your kind participation in completing the questionnaire is very much appreciated. The information on this questionnaire will be treated confidentially, and will not be used for any other purpose other than academic. The researcher will be at hand to closely assist during the data collection process. He can be reached at Phone No. +251 (911)127824 and e-mail: ephnegw@gmail.com.

INSTRUCTIONS

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

PLEASE WRITE AS LEGIBLY AS POSSIBLE, THANK YOU!

SECTION A: ORGANIZATION PROFILE

1. Name of your organization:
2. Your position in the organization:
3. Year of establishment (in G.C.): (In E.C).....
4. Year of establishment/registration:
 - 4.1. Year the organization established in Ethiopia; initial registered re-registered.....
5. Current number of full time employees (tick as appropriate):
 - a) < 50 d) 500 -1000
 - b) 50 -100 e) > 1000
 - c) 100 - 500

6. Your organization's area of intervention (tick as many as appropriate):
- a) Agriculture & Livelihood
 - b) Health & Nutrition
 - c) Education
 - d) Institutional Strengthening
 - e) Environmental protection
 - f) Arts, culture, heritage & science
 - g) WASH
 - h) Youth Development
 - i) Gender Equality
 - j) People with Disabilities
 - k) Peace and Security
 - l) Human rights
 - m) Emergency
 - n) Climate Change
 - o) Other, (specify):

7. Current year annual operating budget of your Organizations (in Birr) (tick as appropriate):

- a) < 1,000,000
- b) 1,000,000 – 5,000,000
- c) 5,000,000 – 10,000,000
- d) > 10,000,000

8. Major sources of funding (tick as many as appropriate):

- a) Foreign donation
- b) Government bodies (in Ethiopia)
- c) Income Generating activities (IGA)
- d) Member contribution
- e) Public collection
- f) Sponsorship
- g) Others, (specify):

SECTION B: GOVERNANCE PRACTICE

9. The number of members serving in the Board of Directors:

- a) Male:
- b) Female:

10. Average number of years served by a Board member in the organization:

11. The number of Board Members in the following age group:

- 11.1. Number of members under 35 years:
- 11.2. Number of members in the range of 35 to 50 years:
- 11.3. Number of members in the range of 51 to 65 years:
- 11.4. Number of members more than 65 years:

12. The number of Board members by years of experience as Board member:

- 12.1. Number of members with less than 5 years of experience:
- 12.2. Number of members in the range 5-10 years of experience:

- 12.3. Number of members in the range 10-15 years of experience:
- 12.4. Number of members with more than 15 years of experience:
13. Number of Board Members by educational qualification:
- 13.1. Bachelor's degree or less
- 13.2. Master's degree
- 13.3. Doctor of philosophy (PhD)
- 13.4. Other:,
14. Who nominates Board members?
- a) The Board chair
- b) The Executive Director
- c) Nomination committee
- d) Other, (specify):
15. Who recruits and hires the Executive Director?
- a) The General Assembly
- b) The Board of Directors
- c) The Board chair
- d) The Nomination committee
- e) Other, (specify):
16. What are the criteria considered in the nomination of Board members? (Tick as many as appropriate)
- a) Education Background
- b) Commitment
- c) Experience in the sector
- d) Leadership
- e) Others, (specify):
17. What are the Criteria considered in the recruitment of the Executive Director? (tick as many as appropriate)
- a) Education Background
- b) Experience in the sector
- c) Commitment
- d) Leadership
- e) Others, (specify):
18. Total number of Board meetings conducted during the last fiscal year:
- a) Ordinary meeting
- b) Extraordinary meeting
19. The Executive Director's role in Board meetings is as:
- a) Secretary
- b) Chairperson
- c) Other, (specify):
20. The usual agendas discussed in the Board meetings are (tick as many as appropriate):
- a) Strategic issues
- b) Financial accountability
- c) Fund raising

- d) Policy issues
21. What are Board committees established in your organization: (tick as many as appropriate)
- a) Governance Committee
 - b) Executive Committee
 - c) Advisory Committee
 - d) Fund Raising Committee
 - e) Audit Committee
 - f) Board nomination Committee
 - g) Standing committee
 - h) Finance Committee
 - i) Board Development Committee
 - j) Ad Hoc Committee
 - k) Other (Specify):
22. What are your organization's priority areas of Board member training? (tick as many as appropriate)
- a) Financial management
 - b) Leadership
 - c) Strategic management
 - d) Legal and Governance
 - e) Fund raising
 - f) Public relations
 - g) Risk management
 - h) Project management
 - i) Others (specify):
23. Which of the following are given due consideration in setting the organization's strategic direction? (Rank them from 1st high priority to last less priority)
- a) Donor requirements []
 - b) Funding availability []
 - c) Mission and Vision of the organization []
 - d) Management and staff needs and expectations []
 - e) Ethiopian Government strategic priorities []
 - f) Other, (specify).....
24. How does the organization disclose public documents such as; annual reports, policy and governance documents to the general public? (tick as many as appropriate)
- a) Website
 - b) Workshops
 - c) Booklets & magazines
 - d) Seminars
 - e) Newspapers
 - f) News conference
 - g) Other, (specify):

25. What are the documents or information the organization discloses to the general public? (tick as many as appropriate)

- a) Annual activity reports
- b) Policy issues
- c) Funding sources
- d) Governance information
- e) Others, (specify):

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

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

27. Please answer Questions 28.1 to 28.23 with the rating scale as:

- 1- if you Strongly Disagree, 2- if you Disagree, 3- for Undecided, 4- if you Agree and 5- if you Strongly Agree.

No.	TO WHAT EXTENT THE FOLLOWING APPLY ON BOARD GOVERNANCE PRACTICE IN YOUR ORGANIZATION	1=Strongly Disagree 2=Disagree 3=Undecided 4=Agree 5=Strongly Agree
	Vision and Mission	
28.1	The organization has clearly articulated vision and mission Statements.	
28.2	The organizations activities geared towards achievement of the vision and mission?	
	Board Governance and policy setting	
28.3	Members of the Board understand their purpose and responsibility in the organization.	
28.4	The Board has the relevant competencies to guide the deliverance of the Organization’s Vision and mission.	
28.5	The Board work consistently towards actualization of the organizations vision and mission.	
28.6	The Board members comply with requirements outlined in key elements of the governance structure (bylaws, policies, code of conduct, conflict of interest, traditional/cultural norms, etc.).	
28.7	The Board demonstrates clear understanding of the respective roles of the board and Executive Director.	
28.8	There is a productive working relationship between the board and the Executive Director (characterized by good communication and mutual respect).	
	Strategic Planning and Funding Strategy	
28.9	The organization undertakes periodic review of the strategic plan.	
28.10	The organizational strategic document capture and is aligned to the overall organizational vision and mission.	
28.11	The organization involves its governing body, staff and other key stakeholders in the strategic planning process.	
28.12	The board monitors and evaluates the results of fundraising efforts	
	Financial Management	
28.13	Each board member participates in fundraising efforts as appropriate Financial & Legal Oversight	
28.14	The board reviews, approves, and monitors the operating budget and financial plans.	
28.15	The Board reviews the budget and expenditures on quarterly bases.	
28.16	The board regularly monitors financial performance and projections.	
28.17	The board reviews the audit report and management letter and institutes necessary improvements.	
	Monitoring and Evaluation	
28.18	The Board performs the annual evaluation of the performance of the Executive Director.	
28.19	Board members evaluate the performance of the Board chairperson at least	

	once a year.	
28.20	The Board conducts an annual self -evaluation of their responsibilities and achievements.	
28.21	The board reviews the organization's ongoing operations and development activities to assure that they support its mission.	
28.22	The Organization is financially sustainable.	

28. Overall how do you rate the Board effectiveness?

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

THANK YOU VERY MUCH FOR YOUR COOPERATION AND ASSISTANCE