CONTRIBUTION OF INTERNATIONAL NGOs ON FINANCIAL MANAGEMENT CAPACITY DEVELOPMENT OF LOCAL NGOs

A CASE OF PACT TANZANIA

CONTRIBUTION OF INTERNATIONAL NGOs ON FINANCIAL MANAGEMENT CAPACITY DEVELOPMENT OF LOCAL NGOs: A CASE OF PACT TANZANIA

By

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A Dissertation Report Submitted to Mzumbe University, Dar es Salaam Campus in Partial Fulfillment of the Requirements for the Award of Master Degree in Business Administration (MBA) of Mzumbe University

2013

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University a dissertation entitled ; "**Contribution of International NGOs on Financial Management Capacity Development of Local NGOs: A Case of Pact Tanzania"** in partial fulfillment of the requirements for award of degree of Masters of Science in Human Resource Management of Mzumbe University.

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DECLARATION

I, **Neema Elias**, hereby declare that this dissertation is my own work and has not been submitted for a degree award at any other university or higher learning institution and it will not be presented anywhere else.

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DEDICATION

This research is dedicated to my mother Eliwaza Yesaya, her patience is highly appreciated while I could not visit her during many difficult moments including my leaves .

ACKNOWLEDGEMENT

Thanks to almighty God for giving me strength and good health throughout my study period without which the completion of this program could not have been possible. I also express my sincere appreciation to my supervisor Dr. F. Barongo whose immeasurable guidance and tireless efforts has made the completion of this study possible, despite of having busy schedule he still devoted his time to help me.

Special thanks go to Mr. Deo Seimu for guidance and constructive support. His useful contribution has made this study a success.

ABBREVIATIONS

AICT	-	African Inland Church diocese of Tabora
AMREF	-	African Medical and Research Foundation
CISP	-	Comprehensive Institution Capacity Strengthening plan
EGPAF	-	Elizabeth Glaser Pediatric and Aids Foundation
INGOs	-	International Non-Governmental Organizations
JIDA	-	Jikomboe Integral Development Association
LNGOs	-	Local Non-Governmental Organization
NGO	-	Non-Governmental Organization
NSH	-	Management Sciences for Health
OD	-	Organization Development
OVC	-	Orphans and Vulnerable Children
PEPFAR	-	President's Emergency Plan for AIDS Relief
TDFT	-	Tabora Development Fund Trust
TYNF	-	Tanzania Youth New Fashion
USAID	-	Us Agency for International Development
WEGCC	-	Women Economic Group Coordinating Council
YADEC	-	Youth Advisory and Development Council

ABSTRACT

This report presents the results of a qualitative study on the contribution of International Non-Governmental Organization (NGOs) in financial management capacity development of local NGOs in Tanzania. The aim of the study was to assess the contribution of International NGOs in developing local NGOs capacities in managing finances.

The researcher applied a case study design to guide the study. Taking Pact Tanzania Orphans and Vulnerable Children (OVC) program as the case study, the study was carried out between July 2012 and June 2013. Pact Tanzania is an international NGO based in Dar es Salaam. It supports local NGOs to provide care and support to Orphans and Vulnerable Children in the country.

Research methodology included desk research and observation to access information from respondents. The study covered six local Non-governmental organizations working in partnership with Pact Tanzania on OVC program operational in Tabora region and Five personnel from Pact Tanzania. Data collection tools and methods were documentary review schedule, questionnaire and focus group discussion method.

The study has shown that International NGOs contributes to financial management capacity development of Tanzanian local NGOs. However it is not clear whether these progresses are sustainable due to short time of program performance as capacity development itself is a process that is time bound, it takes time, commitment and availability of resources in order to achieve sustainable capacity development as well as influence other factors or areas of capacity development. The challenge is that capacity development funding and activities are embedded in other program activities which makes it difficult to trace it separately.

Following these research findings, the researcher has recommended that capacity development program should consider sustainability, long term program, increase funding for CD initiatives and approaches and modalities to capacity development to reflect the real situation underground.

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CHAPTER ONE

INTRODUCTION AND BACKGROUND TO THE PROBLEM

1.1 Introduction

Paris declaration (2005) put forth the need for international development community, donors ,as well developing country to see capacity development as the most crucial issue for any organization to effectively improve its performance, processes and achieve goals in a sustainable manner .Capacity development is defined as the process of strengthening the abilities or capacities of individuals, organizations and societies to make effective use of resources in order to achieve their own goals on a sustainable basis GTZ(2003).

The past four decade's practices of delivering development foreign aid are being called into question for poor achievements in sustainable impact .It has been the growing consensus that countries should drive their own development and capacity should be built from within to reduce the dependence on international aid. As highlighted in the Paris Declaration 2005, donors should align their strategies with those of developing countries, help strengthen local systems and allow them ownership of their own development (DFID, 2009). Most donors came up with development aid through various capacity development partnership funds. International development community and donors are instituting capacity development funds through INGOs as intermediary for funding and transfer of knowledge to local NGO counterparts.

Capacity Development (CD) concept focus is to enable individuals, organizations and societies to solve their own problems, and allow them to make decisions that define their futures.By 1990s to date (2013) there has been mushrooming of CD funding to LNGOs or CSOs and such programs has been voiced under various capacity areas such as institutional systems strengthening, organizational management, governance, planning, policy development, financial management, monitoring and evaluation.

Through this paradigm there has been a concern from donors and other development partners that NGOs/CSOs from developing countries are still poorly managing donor funds but no detailed information are available from scientific studies to give the details of the extent to which CD programs has contributed in strengthening LNGOs capacities in managing financial resources.

1.2 Background to the Problem

Capacity development for local Non-Governmental Organizations is crucial, CD has becomes an important part of grant making programs and funding schemes for many international development agencies. Because most local NGOs at grassroots level find it difficult to raise their own funds to run their organization mission and to support staff capacity development. International development agencies including international NGOs saw the need to create partnership programs or funding programs which are aimed at addressing the capacity developments gaps and thus strengthen the organizational capacities of local NGOs (Accra Agenda 2008,paris declaration 2005)

International NGOs which play a role of donor to local NGOs has been instituting various capacity development programs based on the identified gaps within a given community in a certain country. Increasingly preferred option include grant making (direct or indirect funding directed at promoting capacity development) to allow them hire consultant services from the organizations best saving their needs or/ and institute capacity strengthening programs or specific skill related to the problem area being addressed. Different approaches may be used for different levels (Helen et al, 2005)

It has been noted by Jayawickrama and McCullough (2009) that financial management has been an issue for most local NGOs in developing countries. On top of direct financial contribution to local NGOs, International NGOs play a key role to provide other financial related support services such as financial management training, setting up financial systems and strengthening internal control systems.

Mercer (2003) suggests that capacity development on funds management should be one of core support provided by international NGOs when supporting local NGOs. US Agency for International Development (USAID) has been providing capacity development funds for various development areas around the world covering most Asian, African and Latin American countries. Among the capacity development areas funded in Africa is strengthening health systems in many countries for improved health systems, HIV/AIDS, OVC, TB and other health outcomes.

USAID Funded Programs help USAID-supported countries address health system barriers to the use of life-saving priority health services. In the process, the project works to strengthen health systems through integrated approaches to improving financing, governance, and operations, and building sustainable capacity of local institutions (Insidengo, 2010). International Donors agencies including USAID desire to tackle burden and incidence of HIV/AIDS epidemic ,OVC and TB and other related problem but there has always been difficulty in accessing these funds by local NGOs due to absence, weak or inadequate financial management systems to administer and report them USAID (2012).

Kelvin et all (2008) argue that many international development agencies are pushing for local NGOs to strengthen their organizational capacities. This is done in order to strengthening their performance to meet their mission and being able to account for fund usage. Areas of capacity development usually include governance, program management, financial management, program delivery, partnership and relationships, strategic planning and fundraising, human resources, monitoring and evaluation.

For USAID worldwide financial management capacity development initiatives on health systems strengthening, it has been the mission to strengthen financial management capacity of local NGOs to assist local NGOs to sustainably access and effectively administer donor funds for OVC and HIV/AIDS USAID (2012).

In October 2010, Management Sciences for Health (MSH) started process of organizational development for sixteen(16) local NGOs to strengthen financial management capacity in Nigeria, after one After one year, six local NGOs successfully accessed funds due to improved financial management capacity, improved financial and programs efficiency, five NGOs showed financially sustainable for next five years. one was non-compliant and dropped. Donors have seen excellent capacity improvement, decided to release more funds and increased their HIV/AIDS projects. This confirmed that poor financial management capacity of local NGOs is a hindrance to funding OVC and HIV/AIDS (MSH, 2011).

Another capacity development program funded by USAID in Afghanistan health systems 20/20 program through Deloitte subcontractor , a capacity building program of Afghan non-governmental organizations (NGOs) implementing the Basic Package of Health Services (BPHS) and the Essential Package of Health Services (EPHS). The baseline survey identified that Afghan NGOs often lack sufficient financial management capacity and tools to meet donor requirements Deloitte (2011).

To help improve their ability to manage resources more effectively, Deloitte project team developed process improvement and capacity-building activities to increase programmatic and financial accountability among Afghan NGOs. Deloitte aided these organizations in their efforts to demonstrate their ability to prioritize and monitor programs, produce anticipated results, and manage funding in an accountable and auditable way.

According to assessment conducted by Insidengo (2010) at three international NGOs in Tanzania (AMREF, EGPAF and Pact) who are prime recipient of funds from USAID though PEPFAR program .Pact Tanzania OVC program through capacity building of local NGOs and Most Vulnerable Children Committee. African Medical and Research Foundation (AMREF) through strengthening capacities on Testing and counseling and Elizabeth Glaser Pediatric and AIDS Foundation (EGPAF) on preventing mother-to Child Transmission Services (PMTCT).All these programs aimed at increasing the capacity of local organizations in service delivery and managing funds.

The finding showed positive progress on the capacity of local NGOs, significant progress in various areas including program delivery, reporting, data assessment and quality. However there were no detailed information on fund management capacity, it was only recommended that financial management capacity development to be a continuous as it is still at its infant stage and that more effort to be looked at developing the capacities of finance staff as most local NGOs were still performing poorly in managing finances(Insidengo,2010).

The findings did not talk in details the milestones achieved in financial management capacities as opposed to other areas of expertise such as quality services delivery, monitoring and evaluation, relations and networks. Based on various evaluations findings, study examined the contribution of capacity development program by Pact in strengthening financial management capacity of local NGOs in Tanzania.

1.3 Statement of the Problem

Despite the efforts by development community, international NGOs and other development agencies to provide capacity development programs to local NGOs in Tanzania, it has been to the minds of many that local recipient NGOs are performing poorly in managing finances and less has been documented in details on the progress of financial capacity development in Tanzania(Insidengo,2010).

Various evaluations or assessment on capacity development has been done in Tanzanian local NGOs in areas other than financial management such as governance, sustainability, fundraising, management skills and the findings of most assessments just present abstract on financial management capacity milestones achieved and capacity gaps to be emphases. No detailed study has been documented on financial management capacity development as well as whether capacity development initiatives instituted by the developed international NGOs has significantly contributed in increasing the capacity of local recipient NGOs in managing finances, as they contribute in other non-finance capacity areas.

In this regard, this study seeks to assess to what extent do INGOs CD programs has contributed in realization of financial management CD of LNGOs .The researcher went further and gave recommendations for further improvement in CD based on the results of the findings.

1.4 Objective

The following are general and specific objectives of the study

1.4.1 General objective

The general objective of this study was to explore the contribution of international NGOs on strengthening financial management capacity of local NGOs in Tanzania.

1.4.2 Specific Objectives

(i) To investigate whether INGOs contribute in strengthening the financial management capacity development of local NGOs

(ii) To determine whether donor funding conditions have in influence LNGOs capacity development

(iii) To assess the relevance of capacity development delivery approaches used by Pact Tanzania in financial management capacity development of LNGOs.

1.5 Research Questions

1.5.1 General Research Question

Do international NGO's contribution in financial management capacity development to Local NGOs in Tanzania?

1.5.2 Specific Research Question

(i) Do INGOs contribute in Local NGOs financial management capacity strengthening?

(ii) Do donor funding conditions have influence in LNGOs capacity development?

(iii) Are capacity development delivery approaches used by Pact relevant to strengthening LNGOs financial management capacity development?

1.6 Significance of the Study

Findings from the study provide evidence on the contribution of capacity development initiatives in particular financial management of local NGO's. The overall findings will be useful to academicians and researcher as it will add value to a body of knowledge. Study findings provide key findings on the status of INGOs in capacity development of local NGOs and recommend key information for improvement and best practices in managing development funds.

Such information will be accessed and used by various stakeholders in development sector including donors, INGOs, LGNOs, NGOs sector, the general public, governments, private sector and other development agencies.

1.7 Limitation of the Study

This section present factors which affect the study and how the researcher addressed the occurring problems to successfully conduct the study.

The major limitation of this study is that the findings to the study cannot be directly generalized to represent NGO sector in Tanzania. The fact remains that NGO sector is diverse in terms of localities of operation such as urban versus rural, this cannot be generalized to all local NGOs as opportunities to capacity development are not equal, even the available human resources skills and competences are incomparable.

Also NGOs sector has diverse capacity development areas such as governance, resource mobilization, leadership, management, monitoring and evaluation, planning and human resources management. this study only focused financial management and extensively studied and that Pact Tanzania OVC program operating in Tabora was the case study .there are many other non OVC program which are operating locally but based in urban settings which could have different capacity levels with LNGOs which are in rural settings due to availability of CD opportunities which might separate these two localities. Also the researcher was faced with a challenge of finances to facilitate field data collection and time constrains and it was very challenging to balance tight time schedules at work as well as manage the study.

1.8 Delimitation to the Study

The delimitation of this research is to provide a clear picture of CD initiatives by INGOs in developing capacities of Tanzanian local NGOs particularly in managing finances. Therefore LNGOs operating in Tabora were just a representative sample as it is practically difficult to conduct the study to all NGOs in Tanzania.

To make sure the study was accomplished successfully, the researcher raised fund to facilitate field data collection and also planned and acquired annual leave so as to be able to travel to the field in Tabora to collect data.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section provides a detailed overview of both theoretical and empirical literature as well as research gaps and conceptual framework.

2.2 Theoretical Literature.

This section provides an overview on what other writers say about the issue being studied. Reference is made from various books, journals, papers and records. The section covers definitions and meaning concepts of capacity development, background of capacity development, donor conditions, donor funds and best practices in fund management.

2.2.1 Definitions, Concepts, Meanings of Capacity and Capacity Development

This section provides the definitions of concepts of capacity and capacity development, financial management and financial management capacity development.

2.2.2 Concept of Capacity and Capacity Development

This section provide detailed concept of capacity and capacity development as viewed by various international development agencies, multilateral and bilateral donors

- **Capacity**

UNDP (2003)

Capacity is the ability of individuals, organizations and societies to perform functions, solve problems, and set and achieve goals.

U.N. (2002)

Capacity refers to the ability of individuals, communities, institutions, organizations, and social and political systems to use the natural, financial, political, social and human resources that are available to them for the definition and pursuit of sustainable development.

Netherlands Ministry of Foreign Affairs (2000)

Capacity refers to values, contacts and organizational and technical skills enabling countries, institutions, organizations and individuals from all sections of society to perform their tasks and achieve their development objective.

- **Capacity Development**

Capacity development as conceptualized by various development agencies and donors

UNDP (2003)

Capacity development entails the sustainable creation, utilization and retention of capacity (as defined above), in order to reduce poverty, enhance self-reliance and improve people's lives.

United Nations (2002)

Capacity development or building is the process by which individuals, institutions and countries strengthen capacities or abilities. The United Nations and other external actors can assist this endogenous process, by Focusing on enhancing the skills, knowledge and social capabilities available to individuals, institutions, and social and political systems, but also by supporting their integration into the knowledge networks that help to sustain these capabilities, as well as Contributing to material and financial support necessary to apply the skills, knowledge and social capabilities.

UNICEF (1996)

Capacity development is any supports that strengthens an institution's ability to effectively and efficiently design, implement and evaluate development activities according to its mission.

OECD-DAC (1999)

Capacity development is the process by which individuals, institutions and societies develop abilities to perform functions, solve problems as well as set and achieve goals. It is premised on ownership, choices and self-esteem. The Millennium Development Goals, which target significant human development progress by 2015 critical framework for the outcomes of capacity development.

Netherlands Ministry of Foreign Affairs (2000)

Capacity development refers to approaches, strategies, methods applied to increase the capacity of organizations and/or institutions. Capacity development is concerned with how to improve processes. This entails more than just defining inputs to which many donors still limit themselves.

CIDA (2002)

Activities, approaches, strategies and methodologies that help organizations, groups and individuals to improve their performance, generate development benefits and achieve their objectives over time. It often involves broad participation, building on local interests and expertise, offering opportunities for learning and linking at micro, meso and macro levels to build ownership and sustainability.

GTZ (2003)

GTZ sees capacity development as the process of strengthening the abilities or capacities of individuals, organizations and societies to make effective use of resources in order to achieve their own goals on a sustainable basis.

Capacity development is a process by which individuals, groups and organizations, institutions and countries develop, enhance and organize their systems, resources and knowledge; all reflected in their abilities, individually and collectively, to perform functions, solve problems and achieve objectives (OECD, 2006).

2.2.3 Financial Management -FM

Brealey (1995) views financial management as the process of putting available funds to the best advantage from the long term point of view of business objectives. According to Maheshwari (2004) financial management is concerned with effective rising of financial resources and effective utilization towards achieving the organizational goals. According Akrani (2011) financial management is that managerial activity which is concerned with the planning, directing, monitoring, organizing and controlling of financial resources.

2.2.4 Financial Management Capacity -FMC

Akrani (2011) see that finance management capacity entails various managerial activities such as planning which involves figuring out where money will be spent, and how much can be used for a particular purpose. Directing involves making the decision about where certain money will go.

This process could involve both allocating certain amounts to specific funds or projects, as well as providing instructional information about keeping budgets. Monitoring involves making sure that the money goes to the right places. However, it also involves making sure that the total fund of an organization does not fall below where it should be, or that the budget for a particular project does not spin out of control.

2.2.5 Financial Management Capacity Development-FMCD

Financial management capacity development for NGO is essentially an initiative aimed at improving the capacity of local to manage their organizational resources efficiently and in sustainable ways and being able to report, access and diversify their sources of funds while achieving their overall mission. USAID 2010 to 2012 capacity development program for NGOs, 2010 Deloitte initial assessment report for identifying capacity development gaps and needs for local NGOs in Afghanistan (Deloitte, 2011).

FMCD essentially entails enhancement of acquired skills, competences, technical skills, improved financial and accounting systems to enable organizations, individuals perform their tasks, improve their abilities to solve problems, plan strategically, set and achieve goals sustainably.

2.2.6 Background of Capacity Development

The concept of CD is not new, going back as early as the 1950s and 1960s where donors and academics focused on public sector institution building through human resource development (DAC, 2006). A traditional approach of building capacity has been the transfer of knowledge from North to South using Technical Cooperation (TC), however it became increasingly criticized due to poor results in many countries and very low returns (DAC, 2006; MIWA, 2008; ODI, 2009).

Many felt that it failed to enable developing countries to create their own sustainable capacities (Nair, 2003). In the early 1990s UNDP and Berg (1993) led an in-depth review of TC and found that despite some successes, the sustainability of efforts has been questioned:"While technical cooperation (TC) has undoubtedly contributed to very significant development successes around the world, it also continues to perpetuate many counterproductive practices" (UNDP, 2009b).

Berg (1993) concluded that the supply-driven nature of TC led to poor local ownership and therefore lack of commitment. It was argued that there was a lack of consideration to the broader political and social context or the 'enabling environment' within which initiatives take place (ODI, 2009; Bolger, 2000; Morgan and Baser, 1993). Instead of adapting to the country and understanding the culture and current circumstances, approaches were externally designed and implemented without real country commitment (DAC, 2006; Lusthaus et al 1999; Bolger, 2000).

In the late 90s a new term, CD became popular. It moved away from the donor-led, knowledge transfer approach into one of development co-operation, focusing on ownership and strengthening capacities (Kühl, 2009; La Fontaine, 2000). Relationships shifted away from being donor-driven to a more collaborative partnership model where benefits are mutually shared (Horton et al, 2003). Instead of donors imposing their vision of development on poor countries, the focus became that of strengthening the capacity of local partner NGOs to then drive their own development.

These principles were echoed in the 2005 Paris Declaration and the 2008 Accra Agenda for Action, and there are now many advocates of CD, for example UNDP, the World Bank, JICA and the DAC. They acknowledge that sustainability of development assistance is connected to local capacity, and that CD is ‘an endogenous process of change’ that strengthens these capacities.

International NGOs (INGOs) for decades in development world have been instituting development programs in partnership with other local organizations (CBOs, FBOs, NGOs or CSOs). According to Kelly et al (2008) international NGOs as development partners play a dominant role as fund intermediaries and sometimes seen as donors (back or second or third party donors).

It is the concern of donors, development agencies, governments and civil society and NGOs themselves that most local NGOs have limited capacity in managing funds and executing development programs effectively. Such limited capacity fueled the need for mature organization such as INGOs to work in partnership with local organization aimed at supporting Local NGOs (LNGOs) and CSOs strengthen their capacities and take charge of managing donor funds and organizational resources responsively and sustainably.(Wiseman ,2004).

Inger (2009) argue that capacity development is a mission of many INGOs. Most of their development interventions aim at strengthening capacities of local NGOs and CSOs through tailored trainings, technical assistance or advice, workshops and seminars, mentoring and coaching and peer exchange. These activities have been seen usually to strengthen the skills of individuals but have not always succeeded in strengthening the effectiveness of the local organization in general. These gaps demand a study to investigate and strengthen capacity development approaches and strategies in finance management capacity development in particular.

Kelvin and Karen (2008) have shown that the effectiveness that can be achieved by INGOs is limited with lack of their capacity to deliver services at local levels and existing lack of capacity of local NGOs in managing funds which affects their position on securing funds. Additionally due to these gaps local and INGOs find themselves in a mutual direction of working in partnership to tap the skills, experience and opportunities available from each other. Though it is the concern of many local NGOs and CSOs that INGOs are competing unfairly with locals for limited funding and that in long run may undermine the independence of local NGOs and CSOs (Insidengo, 2010).

Most capacity development initiatives in financial management has been concentrated on how finances are governed, roles and responsibilities in managing funds, accounting systems, budgets, reporting and monitoring of finances, financial reporting and time frames, fund sustainability Deloitte (2010). Most capacity development agencies channel funds for development program to achieve various development objectives among other things being strengthening financial management capacity

2.2.7 Donor Conditions in Relation to Financial Management Capacity

It has been documented that donors funds usually come with restriction on how funds should be spent and reported to ensure accountability of funds, Insidengo (2012). Donors impose conditions to be met by recipient organizations to ensure that funds are used effectively. The restriction has been due to absence, weak or inadequate accounting systems and controls to safeguard funds usage in transparent manner, USAID rules and regulation (2012).

NGOs often experience fund accounting problems when dealing with the restrictions that donors impose on how organizations may spend funds. Part of the accountability and stewardship that the managements of NGOs assume is adhering to the wishes of donors and reporting compliance with restrictions (Rossouw, 2006). The use of different funds usually stems from the restrictions imposed by donors, and funds are used to account for restricted resources (Chistopher, 2008). Separate funds are often used to separate restricted funds from other funds in these organizations, and to present information to the users of financial statements, indicating that the organization has indeed complied with donor-imposed restrictions.

Funds from US government are money from US citizens, money from tax payers and they want to see accountability on the use of funds on various development programs, says Libby Spader a trainer on USAID rules and Regulations by Insidengo (2012).US government funds come from taxes paid by US citizens and companies, citizens demand accountability for donations and the use of their taxes (Libby, 2012).

Donor requirements include standard proposal procedures, reporting formats, duration, expectation of time-bound results, performing audits, regular financial monitoring. According to Christopher (2008) a study done in Uganda pointed out that some of the common donor conditions amongst are detailed reporting on spending, timetables, priorities, policies towards market orientation.

Though donors give room to accommodate a previously established local NGO structure and procedures within donor reporting requirements, yet donor conditions are still too demanding such that it is a pain to most local NGOs Cecilia (2010). Kean(1998) It is imperative that donors recognize the strains that local NGOs face and the difficulties they have in becoming learning organizations while, at the same time, trying to make ends meet

2.2.8 Donor Funds and its Influence to Internal Policies of Local NGOs

It has been noted that local NGOs capacity in managing donor funds is inadequate Hulme and Edwards (1997). Princen and Finger (1994) explain that as a result of expansion, NGOs fails to sustain operational and programmatic costs such that they go out seeking for support. This is where international NGOs and other bilateral donors come in. International NGOs are willing to support development initiatives depending on their values or mission. Programs that receive support from international NGOs and other donors include health, education, poverty alleviation and other social services.

Fisher (1998) sees that support from international NGOs forms part of local NGOs' support to the target groups. Local NGOs acquires such external support through a competitive application process. Normally to qualify for funding, local NGOs are supposed to meet certain criteria set by the donor. The two parties, donor and the recipient sign a contract agreement before funds are released. The objective of the agreement is to guide implementation of activities and stipulates responsibilities of either party.

Burnside and Dollar (1997) argue that in order for aid to be effective, donors also should be well informed of recipient's' needs and expectations. Donors must understand what kind of support is needed. Should also figure out exactly what is needed and who needs it, and evaluate whether or not what they are doing is working. Howell (2000) argues that most donors provide support to many recipients at the same time especially in developing countries. Each of these recipients has their own ways of preparing reports and evaluating programs. Donors find it cumbersome to read, interpret and analyze such different reports from recipients.

To avoid such challenges, some donors developed format template to be used by recipients to develop reports or for processing any information needed by the donor. Recipients NGOs are supposed to abide to donor reporting requirements even though they have their own systems in place. Donor requirements may go further up to stipulating implementation timeframe, human resources aspects, reporting timeframe and even mentioning the bank to operate a bank account for the recipient. Some of the requirements are defined in the contractual agreement for the support given. This is a form of interference to internal policies of the recipient (Keane, 1998).

According to Simmons (1997), internal control system is important in any organizations. Internal control systems are among factors that help to enhance the likelihood that the objectives of the organization will be achieved. This means that the policies, procedures, practices should be designed to provide reasonable assurance that organization's objectives will be achieved and that undesired events will be prevented or detected and corrected.

Manji and O'Coill (2002) see that with increased significance placed on the donor requirements, the focus of internal control has changed from policies and procedures of an organization to an overriding philosophy and operating style of a donor. When a local organization is forced to alter any focus, an institutional sustainability becomes questionable. This is because the organization will need to undergo changing focus again when a particular donor support comes to an end.

Bratt et al (2007) comment that it is not always that donor support is coming with changes that affect internal policies in a negative way. There are other donors who start with capacity development first to build up the strength needed by the local organization before program implementation. Capacity development prepares grounds for better performance and sustainability.

2.2.9 Best Practices in Funds Management

Maintaining good financial management systems, like any other organizations, NGOs must have accounting systems that meets the Generally Accepted Accounting Principles-GAAP for public and Non Profit organizations mango (2009). Flood (2001) argues that establishment and maintenance of sound financial management systems to take into consideration accounting systems that meets GAAP for public and Nonprofit Organizations, system of cost management and controls that ensure proper cost allocation and that ensures compliance with cost management imposed by the funding source (donor conditions) Walsh (2010) and A reporting system that fairly and accurately documents the spending of the grant funds.

Adequate and sound procurement and property management systems, Libby (2012), mango (2009) argues that maintaining good purchasing systems with written procedures that are fair, ethical and promoting full and open competition. And purchasing systems that meet minimum standards contained in regulatory and mandatory standards.

According to USAID (2012), it was emphasized that a typical procurement system will have written procedures covering small purchases, competitive bid contracting and competitive negotiated contracting.

Maintaining Adequate and sound internal control system, Aigm (2009) Grants administration must be conducted in an environment of integrity, honesty and scrutiny. H. Flood (2001) insists that Systematic measures such as reviews, checks and balances, methods and procedures instituted by an organization to conduct its business in an orderly and efficient manner, safeguard its assets and resources, deter and detect errors, fraud, and theft, ensure accuracy and completeness of its accounting data, produce reliable and timely financial and management information, and (ensure adherence to its policies and plans(mango,2009 and A.Singh, 2007).

Control activities are the specific policies and procedures management uses to achieve its objectives. The most important control activities involve segregation of duties, proper authorization of transactions and activities, adequate documents and records, physical control.

Odong (2004).Organizations must have written policies that preclude employees and contract personnel from personal gain associated with grant funding. Employees should be required to disclose any personal or organizational relationship that might compromise the integrity of a funded project (Pact ,2009 and Holloway, 2001)

2.3 Empirical Literature

This section presents similar studies which have been done by other researcher's .for the sake of this study. It provides the in-depth description of financial management capacity development programs and achievement milestones indicated in other studies done by other researchers relevant to add value to this study.

2.3.1 Financial Management Capacity Development to Local NGOs

Development community, donors, development agencies, the general public and the government wishes to see organization to be good stewardships to development funds and spend funds according to intended purposes. Due to lack of relevant technical skills and capacities, weak or inadequate finance systems and managerial capacities to achieve intended objectives Local NGOs has been facing challenges in managing donor funds efficiently (Pact 2012).

According to a study by Management Sciences for Health MSH(2011), MSH started process of organizational development for sixteen(16) local NGOs to strengthen financial management capacity in Nigeria, after one year, five local NGOs successfully accessed funds due to improved financial management capacity, improved financial and programs efficiency, five NGOs showed financially sustainable for next five years. One was non-compliant and dropped. Donors have seen excellent capacity improvement, decided to release more funds and increased their HIV/AIDS projects. This confirmed that poor financial management capacity of local NGOs is a hindrance to funding OVC and HIV/AIDS.

According to (Pact 2010,Kelvin et al 2008) Capacity-building activities include training and mentoring on areas such as program and financial planning, program budgeting, donor financial management and reporting, and monitoring and technical oversight. By strengthening a small set of specific skills, Deloitte aided these organizations in their efforts to demonstrate their ability to prioritize and monitor programs, produce anticipated results, and manage funding in an accountable and auditable way.2010 -2012 USAID capacity strengthening for NGOs in Afghanistan (Deloitte 2011).

A post evaluation survey done by Insidengo (2010) who was contracted by USAID in to assess the mission program on best practices working with local NGOs. Three international NGOs Namely; Pact Tanzania OVC program, Elizabeth Glaser Pediatric AIDS Foundation -EGPAF, African Medical and Research Foundation(AMREF).

These organizations implemented capacity building initiatives to improve health systems, HIV/AIDS and OVC program showed that after instating capacity development programs many local NGOs improved their capacities in various areas though it was recommended that more efforts needed on strengthening financial management capacities to enable local NGOs access more donor funds and manage it effectively and therefore be in the position to directly access funds from USAID instead of intermediary international NGOs.(Insidengo,2010)

The findings did not talk in details the milestones achieved in financial management capacities as opposed to other areas of expertise such as quality services delivery, monitoring and evaluation, relations and networks. Findings highlighted local NGOs showed progress implementing programs, systems, reporting and that were able to manage funds with reduced disallowed costs or less reduced supervision.

Another study was conducted to assess Tanzanian CSOs and NGOs by Kelvin and Karen (2008) through the Center for AIDS Development, Research and Evaluation, shown that the effectiveness that can be achieved by INGOs is limited with lack of their capacity to deliver services at local levels and existing lack of capacity of local NGOs in managing funds which affects their position on securing funds. Additionally due to these gaps local and INGOs find themselves in a mutual direction of working in partnership to tap the skills, experience and opportunities available from each other. The study suggested for continued capacity building for finance staff and that donor demands for regular reports impose burdens to Local NGOs

2.4 Research Gap

It is noted that financial management capacity development as one of the key concerns of the donors today. Donors are striving to design capacity development programs to strengthen the capacity of local NGOs in managing funds and achieve their organization mission sustainably. However it is not clearly addressed or no detailed study or evaluation that has been done to show the situation under ground after administering capacity development programs and it is not clearly demonstrated whether the programs aimed at capacity building are well designed to address the issue of knowledge in financial management.

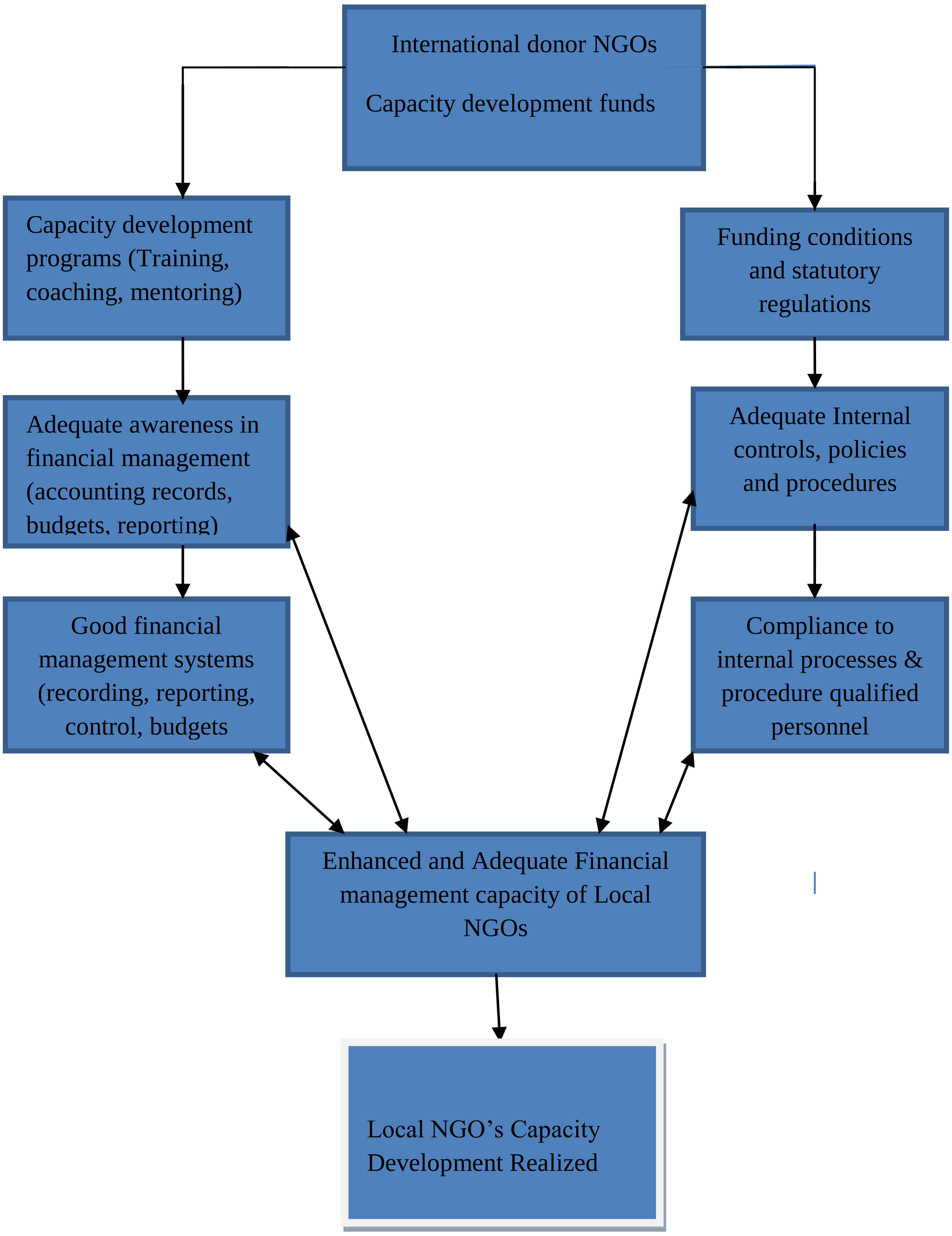
It has been shown that most capacity building programs are donor driven and local NGOs have shown concerns to that the capacity development gaps should include both issues identified by Local NGOs themselves as opposed to donor who support the idea that it has to be a participatory process and both parties to participate. Funds directed for capacity development in financial management are not as significant to tackle the development activities such as trainings, putting systems in place, developing relevant administrative manuals and hiring competent finance staff.

2.5 Conceptual Framework

For this study, the researcher thinks that for financial capacity development will have taken place if Local NGOs donor fund administered is sufficient and relevant to execute capacity development initiative and that local NGOs access used relevant skills and use successfully in managing financial resources. Hence they will be able to maintain good financial management systems, adequate internal control and reporting systems, adequate systems of procurement and follows necessary personnel practices and having qualified workforce after receiving donor funds.Hence adequate capacity in managing funds.

The diagram/graphic picture below represents a model which shows the link between local NGO and International NGOs (donor) to the key variables necessary to influence financial management capacity development.

Figure 2.5.1: Conceptual Framework Diagram (Relationship between Donor Funds, Conditions Approaches and Capacity Development



Source: Researcher own idea, 2013

2.5.1 Independent Variable

Independent variable represents the inputs or causes of a certain course .For this study Donor funds, donor conditions, relevant capacity development program (training, coaching, mentoring, learning visits experience) represent independent variables.

These are parameters which influence the attainment of capacity development, the assumption is provided that the fund is accessed and sufficient, donor conditions are friendly and executable, capacity development modules or plans captures and addresses the existing capacity gaps of local NGOs (trainings are relevant, timely, influencing and life changing)

And that the beneficiaries are ready to access, apply and develop the skills so acquired definitely will lead into financial management skills development and the vice versa is true. For an organization to achieve adequate or strong financial management capacity development it must establish, strengthen and put into practice all of the items in aggregate.

Therefore the must be adequate records, adequate & accurate planning and budgeting, strong controls of procedures and assets ,well established policies which are actual in place and practiced, qualified finance personnel and adequate monitoring of financial resources. Otherwise vice versa is true one cannot realize fully financial management development capacity with inadequate capacities in either one or more of the key areas shown below.

2.5.2 Dependent Variable

Is the parameter that is being measured or tested and it represents the output or effect of the study, for this study the depended variable is capacity development. Financial management capacity development is assumed to have taken place if all depended variables have positively influenced the positive change to take place.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section presents the study methodology; it presents detailed design and description of methodology employed in this study. The methodology section is divided into nine (9) sections which are section 3.1 gives the introduction to the chapter while section 3.2 justifies the choice of the study area and 3.3 describes the design adopted by the researcher. Section 3.4 the population sample, 3.5 sampling procedures and the sample size. Section 3.6 presents data collection methods and instruments and 3.7 Data presentation and analysis.

3.2 Area of the Study

The study was conducted in Tabora region, Tabora as a study area was selected out of six (6) other regions (Tabora, Mwanza, Kagera, Mara Lindi and Mtwara) where Pamoja Tuwalee OVC program is being implemented in partnership with Pact Tanzania. A total of six local NGOs were studied, namely JIDA(Uyui& Igunga),TYNF(Sikonge),TDFT(Urambo),AICT(Tabora Municipal),WEGCC(Nzega) and YADEC Nzega(Nzega) . The reason for selecting Tabora is that it is a representative of local NGOs implementing OVC program in Tanzania.

3.3 Research Design

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. Seltiz (1962).

Mouton (1996:107) defines research design as a set of guidelines and instructions to be focused on addressing the research problem. This includes the aim of the research, the selection and design of a particular method and participants and considerations of reliability and validity. According to Le Compte and Preissle (1993.30), research design involves deciding what the research purpose and questions were, what information most appropriately answered specific research questions, and what strategy is most effective for obtaining it. Elman and Kruger (2002:15) emphasized that research design is the plan according to which one obtains research participants and collects information from them.

In this study the researcher considered case study research design as a plan for collecting data, organizing and analyzing it with objectives of combining the relevance of research with economy in procedure. Pact Tanzania Pamoja Tuwalee OVC program as the case study under assessment helped the researcher to gather information from respondents.

3.4 Population

Population is a group of individuals who have one or more common characteristics that are of interest to the researcher (Best and Khan, 1998). Holding the same view but with precision, Babbie (1992) defines target population as a population which the researcher is interested in gaining information and drawing conclusion. The target population for this study is local NGOs implementing Pamoja Tuwalee OVC program in Tabora region. Six local NGOs were studied namely; TDFT, JIDA, AICT Tabora, WEGCC Nzega, TYNF and YADEC Nzega.

The selection of sample population (Tabora) took into consideration the coverage of OVC program under Pact Tanzania. OVC program is being implemented into two zones which is Lake Zone (Tabora, Mara, Kagera, and Mwanza) and southern zone which covers Lindi and Mtwara with additional new zone in commenced in May 2013, the southern highland zone. And these two zones started implementing the program at different phases that is 2012 for Lake Zone and 2010 for southern zone.

The researcher purposively selected lake zone where and further screening into region was achieved through simple random sampling where by random numbers representing a specific region was generated and the first number was selected for a case study.

3.5 Sampling Techniques

Sampling is the procedure of selecting a proper subset of the elements from the full population so that the subset can be used to make the inference to the population as a whole (Charles, 1995). Moreover, sampling enables generalization to be made on a large population (Babie, 1992). There are two main types of sampling techniques used under this study, namely, purposive sampling and random or scientific sampling.

purposive sampling was used to identify and collect data and information from respondents from NGOs under study .The identified respondents included accountant and heads of NGOs (Directors, managers, Coordinators) who are directly involved in managing organizations resources and other program staff who are indirectly involved in managing financial resources but direct users of finances as they implement development activities .All the mentioned respondents are identified as people with wide knowledge and information on various issues related to financial management.

According to Robson (1997), purposive sampling enables researchers to sample on the basis of his/her judgement. This type of procedure is limited though because adopting it demands the researcher to have considerable knowledge of the population and its sub-groups, variability and bias of estimates that cannot be measured or controlled.

Random sampling was applied in selecting the study area, which is Tabora region, Tabora was selected out of six (6) regions where OVC program was being implemented under partnership with Pact Tanzania. The researcher randomly selected Tabora out of six regions which were written on a paper, placed into a box and random selection was done where by all regions were given equal chance of being selected as a representative for the study. Tabora being randomly selected, all six local NGOs operating in this region were automatically selected through random sampling.

3.6 Sample Size

The sample size under this study involved six local NGOs Namely JIDA, TYNF, TDFT , AICT Tabora , YADEC Nzega and WEGCC, where by a total of 25 respondents were involved a minimum of three(3) respondents participated from each organization .

Table 3.1 Distribution of Respondents

Category	**Respondents position**	**Number**	**Percentage (%)**
Local NGO	Directors/Managers/heads	4	13.3
	Accountants	8	26.7
	Coordinators	5	16.7
	Others(PO,M&E)	8	26.7
International NGO	Finance	4	13.3
	Grants and Contract	1	3.3
	Total	30	100

Source: survey data 2013

PO: Program Officer

M&E: Monitoring and Evaluation

Table 3.2: Respondents Analysis in Respect to Data Collection Instrument

Data collection instrument	Number of respondents	Percentage (%)
Focus group discussion schedule	17	56.7
Questionnaire	8	26.7
Interview schedule	5	16.7
Total	30	100

Source: Analyzed data 2013

3.7 Sources of Data

The study collected and used both primary and secondary data sources of data collection, primary data was partly obtained directly from respondents using questionnaires focus group and interview and secondary data from documentary observation, books, journals and internet.

3.7.1 Primary Source of Data

Primary data are data collected for the first time using self-administered questionnaires as the main data collection instruments (Kothari, 1999). The data collection in this study employed a multiple of methods including the use of direct observation of submitted financial report, interviews and questionnaires for the collection of primary data. The reason for applying more than one method is to help the researcher to combine, complement and supplement data that require more than one method.

3.7.2 Secondary Source of Data

This study will employ documentary analysis method as a major source of data collection. This involved a thorough analysis of literature on capacity development, donor funds, financial management, and compliance to donor funding, financial reporting document analysis reporting from pact, NGOs monthly and quarterly reports. Other sources includes books, journals, articles and technical papers, research reports, grants management manuals, financial management and reporting and internet sources were also be examined.

3.8 Data Collection Methods and Instruments

Kombo et al (2006) defines data collection as gathering of specific information to serve or prove some facts. These sections briefly provide detail of methods and tools to be used in data collection. Taking into consideration triangulation of data and information this study employed documentary review and interviews (focus group) as methods of data collection while interview schedule or focus group questions, documentary review schedule and questionnaires were the data collection instruments used in guiding the research in obtaining the data and information relevant to the study.

3.8.1 Questionnaire Instrument

A questionnaire is a formatted set of questions that is drawn up to meet objectives of the study (Keya, 1989). This study employed structured standardized questionnaires to obtain information about respondent's opinions, knowledge and attitudes towards financial management capacity development initiatives.

Prepared questionnaires were distributed to local NGOs official directly responsible for managing NGO finances such as accountants, directors, or coordinators. The questionnaires were both closed and open-ended questions to provide room for the collection of detailed information. Closed questionnaires were used in some questions that demand the respondents to select an answer from the list provided under each question in questionnaire. The researcher administered questionnaires to at least eight (8) respondents.

3.8.2 Documentary Review Method

The study involved direct review or observation of documentary form six LNGOs and Pact Office .Such documentary includes agreements, evaluation reports, baseline reports, monthly financial reporting covering compliance, reporting timeliness, trends, segregation of duties ,manuals authorization and documentation from NGO's and pact office documentation register. The purpose of this technique will be to verify information obtained from interview and questionnaire.

3.8.3 Documentary Review Schedule

In collecting documentary review, the researcher prepared a documentary review schedule which guided the researcher in obtaining necessary information with regard to financial management. The schedule had questions purposely structured to check the truthfulness and reliability of information provided by respondents from both LNGOs and Pact

3.8.4 Interview Method

The nature of a questionnaire does not give room for additional responses from the respondents. For that reason interview guide was used to collect data from selected individuals through verbal questioning. Unstructured questions were used to obtain information from local NGOs and International NGO officials. The main reason for choosing interviews is that they could easily be adjusted and have high response rate. In interview, addition questions can be exhaustively answered (Kothari, 1990).

The researcher conducted in depth interview to Pact officials involved in managing and supporting LNGOs, officials issuing grants and contracts to LGOs .These personnels include finance manager, finance officers(3) and grants and contract personnel (Manager) respectively .A total of five(5) respondents ere interviewed.

During the interviews the respondents were required to respond to the financial management capacity development of LNGOs focusing on accounting, budgets and budgetary control, internal controls and reporting, general funds management issues, compliance to donor funds, capacity development modalities, challenges and the way forward.

3.8.5 Focus Group Discussion Method

The focus group discussion is an interview style designed for small groups of unrelated individuals, formed by an investigator and led in a group discussion on some particular topic or topics of interest by the group (Schutt, 2003).

Using this approach, researchers strive to learn through discussion about conscious, semiconscious and unconscious psychological and socio-cultural characteristics and processes among various groups (Larson, Grudens-Schuck, and Lundy, 2004). Edmunds, (2000) asserts that, focus group discussion sometimes used to quickly and conveniently collect data from several people simultaneously, however, focus group discussion explicitly use group interactions as part of the data-gathering method.

focus group discussion are guided or unguided group discussions addressing a particular topic of interest or relevance to the group and the researcher (Edmunds, 2000).Therefore, this method was applied to explore feelings and opinions various from local NGO personnel towards financial management capacity development.

3.8.6 Focus Group Discussion Schedule (Questions)

The researcher designed few questions to which were used to collect the information from a group of people. These questions were a reference to insure that respondents were discussing issues relevant to the study.

Total of (17) respondents were interviewed. The questions were designed to collect diverse opinion with regard to general financial management, importance of capacity development. Compliance to funding requirements and statutory regulations ,policies, best practices in managing funds, understanding of internal controls and relevance of capacity development approaches applied by Pact and other capacity development organizations were key points of discussion.

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3.9 Data Processing and Analysis Procedure

Data analysis involves examination of the data in relation to potential resolutions to the questions or problems identified during the first stage of the research process (Bruce, 2007). According to (Mlowe et al 2012), data analysis is defined as description of how the researcher is going to analyse the research data.

Data analysis involves computation of collected data and information in order to aid establishing relationships and respond to research question and objectives.The information collected is presented and analyzed through qualitative and quantitative methods. The data was subjected to content analysis and provide descriptive statements. The quantitative data from questionnaires and documentary were subjected to simple, averages, and ranks for descriptive analysis.

Data was processed to yield percentages, graphs and tables through excel . All the data were analyzed through excel organizational capacity assessment tool entered into computer for analysis.

Data cleaning and editing was done to ensure that only relevant data were used. This was done in the field so that any missing data could still be retrieved or collected from the appropriate source.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSION OF KEY FINDINGS

4.1 Introduction

This chapter presents data presentation, analysis and the study findings. The overall purpose of the study was to explore contribution of international NGOs on financial management capacity development of Tanzanian local NGOs. Moreover the study aimed at investigation whether International NGOs have influence in strengthening financial management capacities of local NGOs, determining whether donor funding conditions and mandatory statutory regulations contribute in capacity development and lastly whether capacity development delivery modalities and approaches used by Pact are relevant to local NGOs context.

The assessment of capacities was based on organization capacity development tool OCA (2012 revised version by Pact) and comprehensive Institution Capacity Strengthening plan -CISP and Organizational Development Roadmap OD Roadmap 2013.Relevant information for this study were extracted to aid the researcher establish dependable opinion .Data analysis, presentation and discussion of the findings are based on the three objectives.

4.1.2 Demographic characteristic of respondents

Researcher thought it was important to get information on demographic features of respondents based on age, gender, highest education qualification, work position and experience

Table 4.1 below shows that 47% of respondents are between 30 and 39 years, this is the age group which characterized majority personnel under the study. Also 23% who are below 30 years and 20% between 40 and 49 years of age.

Table 4.1 Age of respondents (N=30)

Age group	Frequency	percentage
Less than 30	7	23
30 -39years	14	47
40 -49 years	6	20
50 years and above	3	10
Total	30	100

Source: Analyzed data 2013

Information on gender and work positions

Table 4.2: Local NGOs Respondents Characteristics in Respect to Gender and work Position (LNGOs)

Position/Title						
Gender	Accountants &finance	(Directors/manager)	Program coordinators	Other (POs /M&E)	total frequency	% Ntage
male	8	4	4	6	19	73.3%
female	3	2	1	2	8	26.7%
Total	11	6	5	8	25	100%
%ntage	36.7%	20%	16.7%	26.7%		

Source: Analyzed data 2013

While considering the gender mainstreaming under the study, 73.3% were males and 26.7% females as indicated on the table 4.2 above.

Respondents involved in this study were twenty five personnel's from six local NGOs and five personnel's form Pact. At least three (3) personnel's from each local NGO were involved in the study. The persons involved include those directly involved in managing finances(Accountants and directors, managers or coordinators as heads of organization) and second group were those who are indirectly involved in managing finances but play role in one way or the other in influencing the performance of organization finance management (M&E and program officers).

56.7% of respondents are directly involved with managing organization finances (Accountants, managers/Directors) and 43.7 % those who are implementers of the program but indirectly play important in managing organization resources.

Information about the highest educational qualification for both local and international NGOs under study was as follows.

Table 4.3 below shows that respondents have differing education qualification ranging from secondary education (17%), college (certificates and diplomas) 37% and university (47%) as indicated in the table below.

Table 4.3: Highest Level of Education

Category		Frequency		Percentage (%)		overall	
		LNGO	INGO	LNGO	LNGO	Frequency	percentage
Primary Education							
Secondary Education		5		20		5	17
College Education	Certificate	3		12		3	10
	Diploma	8		32		8	27
University Education	Basic degree(first)	9				9	30
	masters level & beyond		5	36	100	5	17
		25	5	100	100	30	100

Source: analyzed data 2013

LNGO (Local NGO)

INGO (International NGO)

Table 4.4: Experience Working with your NGO

Category	Frequency	Percentage (100%)
less than 2year	10	33
3 to 5years	14	47
6 to 10	6	20
	30	100

Source: Analyzed data 2013

The findings from table 4.4 above, shows that the majority of respondent(47%) have worked with their NGOs for more than two years ,some for less than two years(33%) and others have worked between six and ten years(20%),These people have built their truest and experience working with their NGOs

4.2 Contribution of International NGOs (Pact) in Strengthening the Financial Management Capacity Development of Local NGOs

To get wide opinion on this matter from research findings, the researcher considered the following key areas of capacity development: all the capacity areas tested are summarized under the table below as average scores to represent financial management capacity (accounting records, documentation and reporting, best practice, budgetary control and internal policies and controls) as follows ;

Table 4.5 below shows the capacity development status in the key financial management capacity areas.

The table presents the average score of all capacity areas and it has shown that the average capacity development for each organization was ranked between 2.4 to 2.9 in July 2012 of which all NGOs were under emerging capacity development category

Twelve months later four(4) out of six(6) NGOs progressed to marginal capacity development stage which indicates improvement in most areas and such progress was between 5% increase which was lowest to 16.7% highest .That is JIDA(13.3%),TDFT(16.7%),YADEC and WEGCC (11.7%) each ,AICT (8.3%) and lastly TYNF (5%).This probably shows that with more time these organization might be able to grow their capacity significant if commitment to growth and receive regular capacity development support.

Table 4.5: Average Score contribution of INGO in strengthening capacities of Tanzanian LNGOs (Accounting Procedures Budgets Reporting, Internal Controls, Best Practices)

July 2012 June 2013

	1st Score	OD stage	2nd score	OD stage
JIDA	2.9	Emerging	3.7	Marginal
TDFT	2.8	Emerging	3.8	Marginal
YADEC NZEGA	2.7	Emerging	3.4	Marginal
WEGCC	2.6	Emerging	3.3	Marginal
TYNF	2.4	Emerging	2.7	Emerging
AICT	2.5	Emerging	2.9	Emerging

Source: analyzed data,(2013)

Score rating scale

1 = Nothing in place needs urgent attention

2 = Needs substantial attention

3 = Needs some improvements

4 = Needs some minor adjustment but without urgency

5 = No need for improvements: system are adequately implemented & utilized

Capacity development rating scale

1 = Nascent Organization Capacity

2 = Emerging Organization Capacity

3 = Marginal Organization Capacity

4 = Expanding Organization Capacity

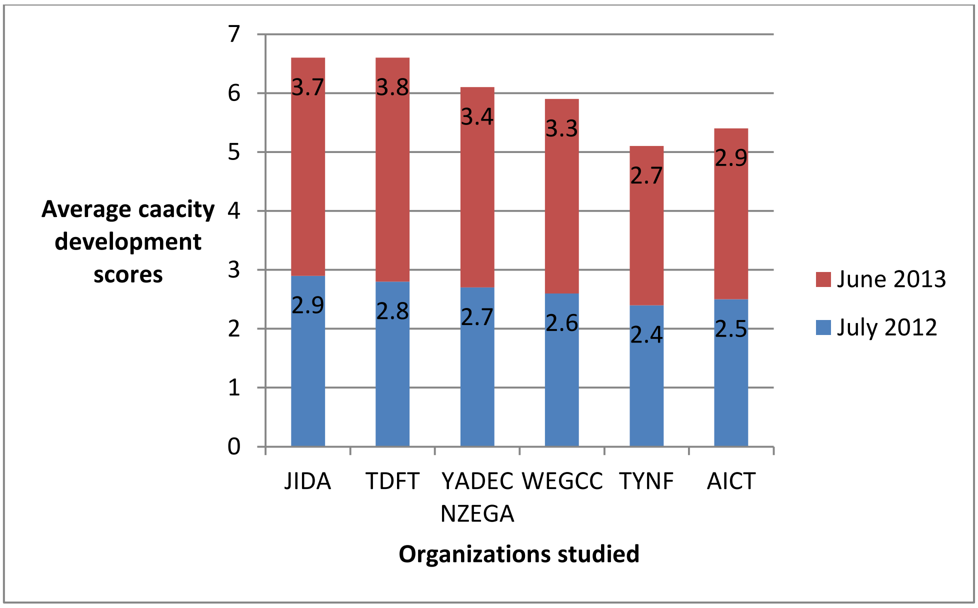
5 = Mature Organization Capacity

4.2.1 Accounting records, documentation and reporting

The study went on learning on how different organizations keep record, document, maintain and report various financial transactions in relation to applicable rules and regulations. Aim was to learn and document the progress made in these areas over a year.

Figure below presents the changes in capacity status within twelve months of exposure to capacity development activities. These activities were instituted between July 2012 and June 2013 as shown in the figure below. Such activities in particular involved documentary review of what actually happens. It was noted that to most organizations assed there were some progress in the way the organize and keep record, reporting monthly expenditures and applicable rules and regulation being observed to some extent.

Figure 4.1: Showing Capacity Development Progress within 12 Months



Source: Analyzed data, (2013)

From the figure above, average scores (accounting procedures, budgetary control, reporting, internal controls and best practices) shows that organizations were able to improve their capacities from 2.9 to 3.7(20%), 2.8to 3.8(16.7%), 2.7 to 3.4(11.7%), 2.6 to 3.3(21.7%) and 2.5 to 2.9(11.7%) rate of improvement.

The overall progress was between 8.3% lowest to 21.7 % .These scores summarizes all items under section 4.1 all items.

4.2.2 Best Practices in Managing Financial Resources

Three (3) local NGOs coordinators out of six interviewed admitted about the poor quality of reporting in some NGOs in terms of proper expense justifications and the quality of invoices and receipts presented as well as the delay in submitting the reports and financial justification. Response from focus group discussion indicated that, best practices in managing donor funds is still a challenge to most local NGOs though there are some progress over the past ten months with more improvements between January and May 2013.

All local NGOs studied fall under emerging capacity development category under best practices, that is the score was between 2 and 2.9 and this area needs substantial support and effort for improvement. These issues of best practices are not confined only to local NGOs with no or small accounting staff support but also to some mainstream (established) NGOs.

4.2.3 Budgeting and Budgetary Controls

The purpose of this item was to learn the progress on how organization develop budgets, track expenditures against budget and how budgets allocate fund in a way that reflects programmatic, staffing and operation needs. The study examined whether organizations explain variations and changes to the budgets and costed work plans.

Documentary review it has shown that LNGOs do not track, explain or keep proper records which explain variations in the budget against the original budget, they are all aware of the things or reasons that lead to variations such as timing of activities, change of activities, change of work plans, re allocation to other activities, change of personnel's, expansion or reduction in areas of operations and variation in funding (increase or decrease).They are aware of all these but when there are changes they don't analyze and keep written records for further reference.

4.2.4 Internal Policies, Controls and Regulations

The system of internal control is the plan of the organization and all methods and procedures adopted by management to assist in achieving organizations objective of ensuring as far as practicable, the orderly and efficient conduct of its business. This includes the adherence to management policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of accounting records, and the timely preparation of reliable financial information.

The system of internal control extends beyond the matters, which relate directly to the functions of the accounting systems, and relates to every aspect of organizations operations. Internal controls are policies and procedures that organization has established to provide reasonable assurance that its objectives will be achieved. It looks at compliance with laws and regulation (donor & state), reliability of financial reporting (checks & balances) and effectiveness and efficiency of operations (follow policies)

At least three out of six NGOs under the study have well-defined policies and documented procedures for the different processes involved in the delivering of services. Procedures affect the quality of services provided. These procedures not only assist us in our work but also ensure that services are provided in a consistent and fair manner. Procedures are often subject to review in line new requirements and changes. An internal control is a set of instructions that top leadership establishes to prevent operating losses.

To obtain valid and fair opinion on internal controls the study obtained information from both respondents and documentary review on the best practice and implementation of internal control activities or procedures, amongst the key control procedures/activities were;

Segregation of duties involves procedures that are put into place to make sure the same staff does not perform two or more related duties. Segregating tasks is important to prevent operating losses resulting from fraud, error, and neglect or employee carelessness.(Mango,2009). The study shows that financial transactions are being initiated by a different person from the one who checks and those who authorize or approve payments.

Segregation of duties was observed in payment vouchers, payment requisition forms, cheques, monthly expenditure reporting. Five out of six LGNOs showed significant improvement in segregation of duties, approvals and authorization scoring increased between 0.4(6.7%) to 0.7(11.7%) over the last 10months which is significant with exception to one organization which increased only 0.2 (3%)

Approvals are important controls in an organization's decision-making processes. These controls help senior management ensure that employees who make decisions, or take short-term and long-term initiatives, receive proper authorization.(USAID,2013) .All expenditure properly authorized on a Payment Voucher .However the issue of segregation of duties is limited with few members of staff. Most organizations have only one personnel on finance section (accountant), who is doing all account and cashier related duties. This way is very challenging to see clear line or cut in who does what at which levels of transaction as compared to bigger organizations.

Cash management is another key aspect of internal controls ,all local NGOs that participated in the study maintain bank account owned by the organization other than individuals and that bank and cash reconciliations are prepared regularly mostly on monthly basis. Both documentary review and response from survey questions indicated the existence of organization bank accounts and records of monthly bank reconciliations and bank statements showing program bank accounts

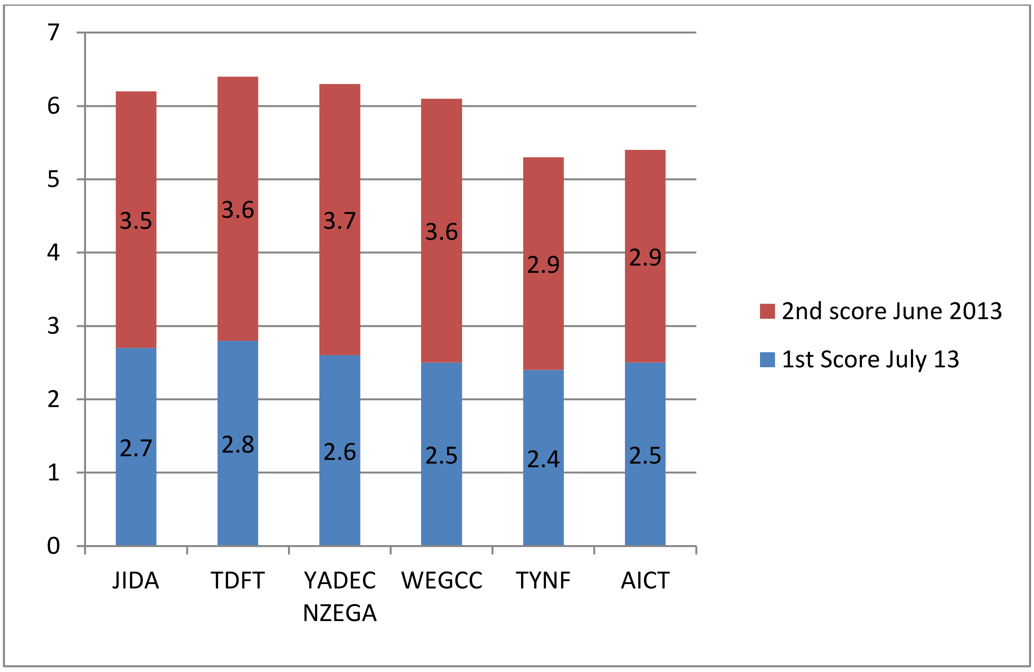
4.3 Donor funding Condition and Its Influence on LNGOs Financial Management Capacity Development

Donor condition funding and compliance are key technical terms applied by the researcher to obtain sound study findings on whether donor funding conditions and compliance requirements contribute positively or negatively on capacity development in local NGOs financial management.

The research stands to give a clear picture on whether donor compliance requirements are user-friendly and can influence significant capacity development as well as leave behind strong organizational systems and capacities necessary to achieving organization objectives.

The table below presents the relationship between funding requirements and capacity development of LNGOs.it shows how donor and statutory compliance requirements influence capacity development.

Figure 4.2: Donor Funding Conditions and in Influence in Capacity Development



Source: analyzed data 2013

Figure 4.2 above shows the influence of donor conditions and other regulatory compliance requirements to local NGOs capacity development. The scores shown in the figure below can be summarized and interpreted as follows;

it clearly shows that compliance to key donor conditions and mandatory statutory regulations plays key a significant role to improve local NGOs capacities from 2.7 to 3.5(20%), 2.8to 3.6(13.3%),2.6 to 3.7(18.3%),2.5 to 3.6(18.3%) , 2.4 to 2.9(8.3%) and 2.5 to 2.9(6.7%) rate of capacity improvement. The overall progress was between 6.7 % lowest to 20 % .These scores summarizes all items under section 4.3 all items.

Compliance is a terminology stressing out the ability of the organization to implement its internal policies and processes, meet relevant statutory regulatory requirements as well as donor funding requirements. Researcher anticipated to link compliance requirements with capacity development.

All funding mechanism revisited for each local (grant agreement) is subject to two types of funding conditions and described as general terms and condition There are conditions which cut across to all local partners and those requirements which are organization specific depending on the identified gap or challenge and these are special ward conditions. Donor funding conditions

The Key donor conditions noted from grant agreements include the following in no specific order; local NGOs must have strong accounting systems and internal controls, qualified staffing, ability to produce accurate and quality reporting, timely submission of financial reports and use of donor funds for intended purposes. Others include suspend or terminate grant with 30days notice, comply with USAID marking and branding plan and certification of ant terrorism act which is mandatory from USAID.

Information on Compliance to Funding Conditions and Statutory Regulation in Relation LNGOs CD

The table 4.6 below shows the average capacity development scores in relation to compliance to applicable rules, regulations and donors conditions. The score above sows that four (4) out of six (6) local NGOs benefited from compliance and adherence to standard accounting regulations and funding requirements as they moved from emerging to marginal stage of capacity .

Emerging stage it indicates that the organization still needs substantial improvement to be a learning and growing organizational while marginal is considered a learning organization with some improvement required to grow and expand.

This analysis covers all the subsections under 4.3 as discussion continues hereunder

Table 4.6 Compliance to Funding Conditions and Statutory Regulation in Relation To Capacity Development

	July 2012		June 2013	
	1st Score	OD stage	2nd score	OD stage
JIDA	2.7	Emerging	3.5	Marginal
TDFT	2.8	Emerging	3.6	Marginal
YADEC NZEGA	2.6	Emerging	3.7	Marginal
WEGCC	2.5	Emerging	3.6	Marginal
TYNF	2.4	Emerging	2.9	Emerging
AICT	2.5	Emerging	2.9	Emerging

Source: analyzed data,(2013)

Despondences were concerned with award conditions as some contribute to a great extent in capacity development of organization and individuals within the organization.

Compliance on accounting procedures, records, reporting, cash management, internal control and policies, support on policy issues, reporting deadlines, separate bank accounts**,** office set up, ethics and best practices were ranked highly between 4 to 5 out of 6 contributing on financial management capacity development.

One participant insisted that "*our organization are young and growing in order for us to expand and retain mature organization such conditions reminds us on strengthening our systems and implement the best practices which are foundations to strong institutions*"

Also stressed out that the requirement by donor that organizations must have operating and administrative policies in place to receive funding all these have capacity strengthening elements. *you know most of our local NGOs are owned by founders without having strong systems in place to record, report track and manage funds one may find that funds are used for unintended purposes or trespassing the relevant mandatory statutory regulations such as labor laws when it comes to human resources issues such as payment of staff benefits, staff contracts, annual leaves and termination of employments. Or some would not wish to pay staff tax income deductions as required by laws.*

4.3.1 Accounting Record keeping The requirement to keep accounting records and to sufficiently and accurately support the expenses items has helped many organizations improve their documentation and filing systems overt the past 12months.

We had weak system of documentation and record keeping habits but the requirement from our partner (Pact) has helped as see ourselves as among the organizations knowing what they do, whey they want to go and how to do it. We have improved a lot document are easily accessed and traceable.

4.3.2 Monthly submission of financial reports Though this one is challenging, local NGOs appreciate monthly reporting as it allows for monthly tracking of expenditure and unachieved activities as well as budgetary control. It is easy to track any variations or errors or misuse of funds when reporting on monthly basis. It allows on follow up on monthly projections and plans.

The big challenge we have as learning NGOs is timely reporting and quality of report to our donors and for our management. Most of us do not submit report on time and even when it is timely it lacks quality and completeness that’s why we need to put effort tie our expenditures to planned activities and follow procedures while preparing.

4.3.3 Separate bank account, cash reconciliation and fund tracking

This facilitates easy tracking of funds and tracing of errors and related variances. *One responded commentated that have personally enjoyed my work as I can resolve all unexpected issues through monthly reconciliations ,it is easy tracking variations for specific funding rather than having multiple donor account which complicate the issues of fund tracking and reconciliation of variances*

4.3.4 Office set up and staff recruitment *other requirements are quit for helping local NGOs have positive working environment and improvement. Pact required us to set an office and we had just a single and very limited room but this helped us acquire a standard office where we can work comfortably as compared to our previous working environment*

Some of us we just had few staff but with the needs assessment result on the need to recruit additional staff among which was an accountant. Having more qualified accountant than what we previously used to do has helped us improve our documentation, reporting and reducing queries which require finance technical expertise.

4.3.5. Development of new policies and Improvement existing policies

Funding requirements in establishing key none existing and improving existing policies has helped strengthening and implementation of internal policies and procedures. Statement from one participant, confessing the importance of some funding requirements saying, *'Previously we did not know the importance of having detailed human resource policy, we were not systematically documenting the employees details such as recruitment process (competition by documenting job advertisement, application and offer letters, detailed contracts, job descriptions and looking at labor laws).*

Responded commended that previously they were doing things informally without following up on policies or sometimes with no written policies. Compliance requirement has helped local NGOs improve their capacity in many ways and cash management is amongst other things. Three to five respondents were concerned on their improvement in managing cash on hand and at bank.

We are now paying staff salaries through bank as opposed to previous practices we had to draw cash and pay our staff at the office which is too risky and we have managed to reduce the amount of cash handling which is positive to us. This is donor requirement and is good practices I can say.

4.3.6 Limitation of Some Compliance Requirements

Monthly disbursement of funds was among the concerns raised by respondents during discussion, respondents were concerned with monthly disbursement of funds intended for various programming and an administrative activity as being very challenging and it is limiting their pace in achieving intended goals."I may consider this as disempowering as Pact should consider disbursing funds on quarterly or bi monthly to enable local NGOs improve and achieve their program goals accordingly. It is acceptable reporting on monthly basis but disbursement should consider our concern.

De obligation of Unspent Fund was another issue considered of great concern, respondents were frustrated with the ideal of de obligation of funds clause after the funding period has passed in a respective financial year. The concern was that Pact and USAID to be flexible enough to consider allowing local NGOs (implementing partners) to use the fund for activities which were not accomplished in the previous financial year due to unforeseeable circumstances such as delay of funds, natural calamities such as excessive rains impeding implementation of intended activities.

4.4 Relevance of Pact Capacity Development Delivery Approaches or Modalities

This section is in response to study objective number three (3), which assessed the approaches or modalities used in delivery of capacity development activities to influence sound financial management to Tanzanian LNGOs.

Questions were around whether the approaches used by Pact and other donors are relevant to reflect the situations underground. These include tailed workshop trainings to address common short and long term gaps identified across the regions, organizational specific mentorship and coaching this approach designed to cater for addressing specific organization gaps and peer experience sharing and field visits.
Technical assistance (consultancies, outside expertise) and policy development as well as provision of in kind support whenever it is identified as very crucial to performance of an organization. Inkind assistances include procurement of motorcycles, office working tools such as computers, photocopy machines, printers, too for record keeping such as cupboards or file cabinets

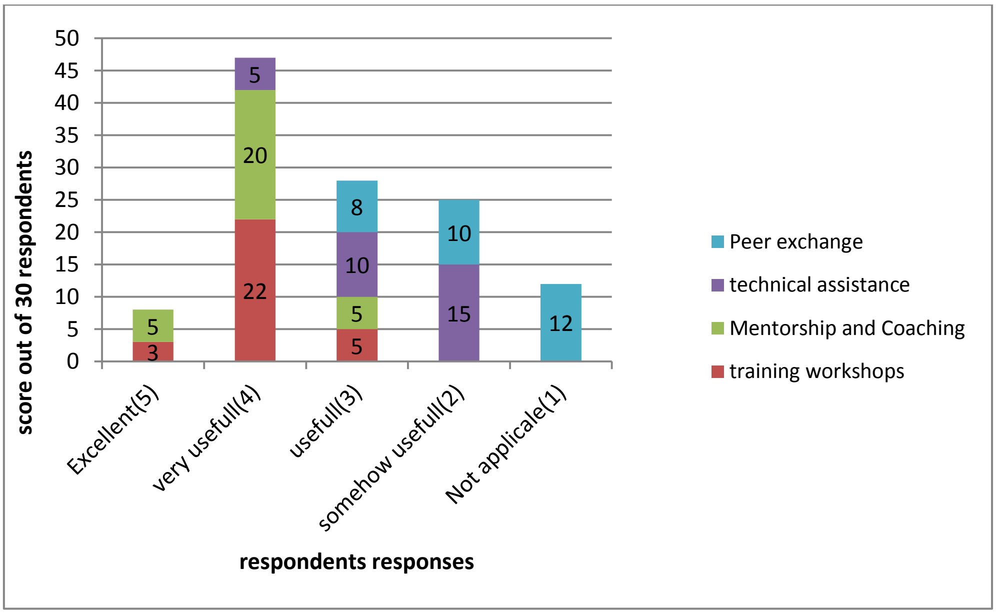
Respondents were also asked to evaluate the helpfulness of a variety of types of capacity development delivery modalities that can be categorized into four groups: workshop training, mentorship and coaching funding, peer experience, and technical assistance.

4.4.1 Workshops, Mentorship and coaching, Technical support and peer Experience

Respondents were asked to determine whether each specific type of modality would be, excellent, very helpful, somewhat helpful, or not helpful in addressing their capacity building needs in managing finances. These responses were coded on a five-point scale where 5 exellent,4 indicate very helpful, 3somewhat 2indicate helpful, 1 indicate not helpful, or not applicable.

The figure below presents respondents opinions on pact capacity development approaches and modalities

Figure 4.3: Respondents Response on the Relevance of Capacity Development Delivery Modalities



Source: survey data 2013

Mentorship and coaching

The focus group attendees seemed to indicate that some type of follow-up dialog after their workshops might improve the effectiveness of the training, as well as convince them to participate in more training and development. Mentorship and coaching is very useful (20/25) as it involves both parties (mentor and mentee) identify the gaps collectively and agreeing on how to address it setting timeframe, responsibilities and way forward.

Participants during group discussion extended their comments as follows; *as much as we need to be trained of various issues geared to improve our effectiveness and performance we also need more of field mentoring and coaching visits to ensure that what we learn through training workshops and from e-mails and phone call or teleconference medias are well translated into practical skills at our offices .for instance presentation of documentation and reporting ,bank reconciliations, segregation of duties and budgetary issues ,issues of obtaining reliable supplies or procurement at its depth require both trainings and hands on practical experience.*

Mentorship and coaching is well appreciated as it brings on board the issues specific to a particular organization, it intends to address the gaps or challenges directly affecting a given NGO rather than training which tries to address cross cutting issues among the organizations thus each modality has its special role to play at some or certain levels of addressing capacity development issues explained by the manager from International NGO

Supportive supervision and technical assistance, which may consist of improving the skills of staff, management or board members through workshops or some type of training. Technical assistance can also include direct assistance from an expert in a particular area, such as outside consultants or staff from supporting partner organization (Pact).

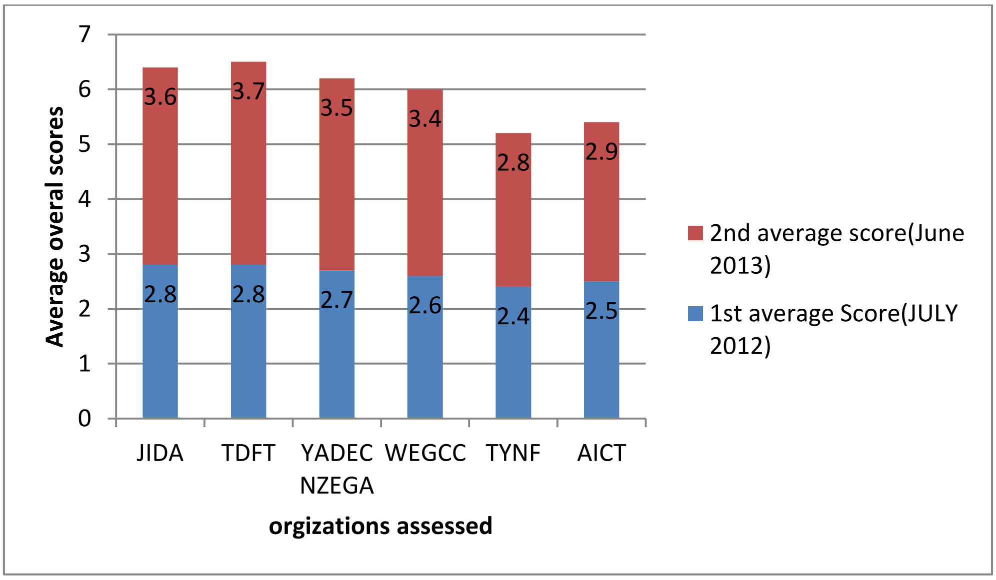
Though this approach is not very common yet our partner in development can still use this approaching in bringing skills from other expertise or experience from other areas such as issues o policy development, training on information technology (accounting packages. auditing experience).this was ranked(10 usefu,15somewhat useful and 5very useful

4.4.2 Conclusion

The figure below presents the overall capacity development progress or status of local NGOs after being exposed to various capacity development activities.
local NGOs under study under showed a significant progress in managing funds over the last 12months from July 2012 to May 2013 .four (4) out of six (6) local NGOs were able to move from second stage of organization development(emerging) to third stage which is known as marginal. Refer figure 4.4 below

Organization ranked as emerging shows the need for substantial improvement in most areas while those ranked marginal is that stage where the organization starts to stabilize, understand and implement some of key policy.

Figure 4.4: Showing Overall Average Capacity Development Progress within 12 Months



Source, analyzed data 2013

The overall percentage increase in capacity development has been noted to be substantial and such increase was noted to be between 8 % to 18% increase in capacity within twelve (12) months of exposure to various capacity development skills, experience and knowledge sharing as shown in table 4.4 below

Table 4.7: Overall Financial Management Capacity Development Progress within 12Months

	July 2012		June 2013		12Months Increase in CD
	1st Score	OD stage	2nd score	OD stage	%N tage increase
JIDA	2.8	Emerging	3.6	Marginal	16
TDFT	2.8	Emerging	3.7	Marginal	18
YADEC NZEGA	2.7	Emerging	3.5	Marginal	16
WEGCC	2.6	Emerging	3.4	Marginal	16
TYNF	2.4	Emerging	2.8	Emerging	8
AICT	2.5	Emerging	2.9	Emerging	8

Source: Analysed data 2013

Scores for each capacity area was between 1 and 5,one being the lowest and five being the highest scores ,for this study the lowest before was 2.4(baseline) and 2.8 after assessment**.** And the highest was 2.8(baseline) and 3.6 after assessment

Score rating scale

1 = Nothing in place needs urgent attention

2 = Needs substantial attention

3 = Needs some improvements

4 = Needs some minor adjustment but without urgency

5 = No need for improvements: system are adequately implemented & utilized

Capacity development rating scale

1 = Nascent Organization Capacity

2 = Emerging Organization Capacity

3 = Marginal Organization Capacity

4 = Expanding Organization Capacity

5 = Mature Organization Capacity

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter is organised into five sections, the first section is an introduction part of the chapter, the second section, provides a discussion of the key findings of the research, the third section provides the overall conclusion of the research, the fourth section, provides the general recommendations of the findings and the last section gives suggestions on areas for further research

5.2 Summary

The study explored the contribution of INGOs in capacity development of Tanzanian LNGOs in managing financial resources. In which Pact Tanzania was a case study and Tabora region was a population under study under which six local NGOs were studied. The objective was to assess the contribution of capacity development organizations, (for this case International NGOs versus Local NGOs) in developing financial management capacity of LNGOs.

To obtain solid and relevant information to back up this study the researcher went further and investigated on whether donor funding requirements and compliance to statutory regulation influence LNGOs capacity in managing finances as well how relevant are the approaches or modalities used in delivery of capacity development activities to Tanzanian LNGOs context

Review of related literature has shown how donors, capacity development organizations, NGOs and international community in development sector is concerned with capacities development as key ingredient in facilitating organization performance, sustainability and achieving its mission or goals. Various literatures both theoretical and empirical have shown the existence of gaps in knowledge, information or publication related to financial management capacities of local NGOs.

Literature has shown that there has been many publications on capacity development initiatives in various capacity areas such as governance, planning, human resources management, monitoring and evaluation, networks and relations, private public partnerships, resource mobilization and financial management.

However empirical literature has shown that many studies in capacity development provide details in nonfinancial management capacity areas and stressing the need for further detailed studies and capacity development assistance in this.

The summary of key findings can be briefly summarized based on the research objectives as follows.

5.2.1 Contribution of INGOs in Strengthening Financial Management Capacity Development of Tanzanian local NGOs.

The study showed some positive progress in various areas studied (accounting, record keeping, internal controls, reporting and best practices in managing finances) .However it is not clear whether these progress are sustainable due to short time of program performance as CD itself is a process and time bound, it takes effort, commitment and availability of resources to achieve CD sustainably as well as the influence of other factors or areas of CD. Capacity development should be looked at three dimensions and that CD providers and donors should consider the long term CD initiative as well as consider funding assistance separately for CD other than programming activities rooted into CD.

5.2.2 Donor Funding Compliance Requirements and Its Influence to Tanzanian LNGOs Capacities in Managing Financial Resources

Some Donor funding conditions have proven to contribute to strengthening of LNGOs internal financial management systems and practices, such that within a year some organizations were able to review policies, comply with Tanzania statutory regulations, improved quality of reporting. Some donor conditions are considered too harsh and disempowering example De obligation of uncased fund at the end of the fiscal financial year which automatically affects the ability of organizations to achieve some of their targets, objectives or course of actions

5.2.3 Relevance of Pact CD Approaches in Strengthening Capacities of Tanzanian LNGOs

Approaches used to deliver capacity development activities used by Pact was appreciated by most respondents as it is considered participatory ,multidisciplinary ,multidimensional ,comprehensive and involving(baseline studies, identifying CD gaps, developing CD plans, training ,workshops, mentoring and coaching, fields visits and supportive supervisions),support of working tools, office space.

However CD initiative should consider wider array and long term perspective as well as considering the other CD areas how they influence each other while sustainability and availability of funding is considered as key challenges .many organizations consider themselves missing the element of sustainability due to lack of diversification of funding and that key personnel's who are currently well equipped with relevant skills may not be maintained by organizations thus human CD is held questionable to achieving sustained CD to LNGOs who are highly donor aid dependent

5.3 Conclusion

Overall financial management capacity development of local NGOs is much related with donor pressure in meeting certain requirements as well as commitment of local NGOs in addressing identified gaps. The study have shown that with availability of financial resources, time and relevant skills and expertise local NGOs capacity can be strengthened to allow better performance in achieving organizational objectives.

5.4 Recommendations

the findings and recommendations in this document aim to provide the needed knowledge and information for drawing up and designing capacity building plans and training activities that better respond to the NGOs needs and requirements and that would contribute to increasing the capacities and broadening the knowledge of

NGOs and civil society organizations to better contribute to promoting social development in the country. It is hoped to also serve as a useful source of information to improve coordination in the provision of capacity development solutions.

Recommendations are categorized into two four areas, General recommendations, specific recommendation to developed NGOs (donor NGOs), recommendation to local NGOs and recommendation for future studies.

5.4.1 General Recommendations to Capacity Building Organizations (Managers or Officers)

With the aim of improved capacity of local NGOs in managing financial resources, the study recommends that capacity building interventions focus on strengthening structural strategic needs of NGOs through the following:

(i). Diversify the methods of capacity development delivery, to include opportunities other than training, including mentoring, coaching and development of toolkits and training manuals.

(ii). Establish follow up mechanisms of the trainings provided to assess and encourage the participating NGOs utilization of the skills and knowledge gained. Such follow up could be in the form of follow-up workshops, post-training in-house visits or interviews. The follow up of the participant's utilization of the training should be joint process involving both the local NGO management and the developed NGO supervision (direct supervisor of the trainee)

(iii). Continue funding policy for training workshops mentorship, and technical assistance

(iv). Establish follow up mechanisms of the trainings provided to assess and encourage the participating NGOs utilization of the skills and knowledge gained. Such follow up could be in the form of follow-up workshops, post-training in-house visits or interviews. The follow up of the participant's utilization of the training should be joint process involving both the local NGO management and the developed NGO supervision (direct supervisor of the trainee) For example, to provide the budgeting training in August, one month before the month when the Tanzanian local NGOs are supposed to submit their annual budgets to the donor

5.4.2 Recommendation Specific to Donors

Recommendation to donors covers two main areas, compliance requirements (non claimed funds and capacity development funding assistance

(i). Some compliance to donor funding conditions are too hard to bear and it seems disempowering at times .Donors needs to be flexible in some areas to accommodate the existing situation in a specific country particular Tanzania. Conditions such as de obligation of funds as non-claimed funds, monthly disbursement of funds in the most cases are very disempowering to local NGOs. Thus should allow carrying forward non-claimed funds to the next financial year during an agreement period. Donors needs to be flexible agree on a common stance which would require negotiations of these positions taking into consideration on challenges of delays of funds by donors themselves.

(ii). Lessening some compliance requirements which could be disempowering to local NGOs such requirements includes non-claimed funds (de-obligation) of outstanding funds.

(iii). Funding community or donors to increase or diversify capacity building funds. It is recommended that donor community to consider increasing the funds for capacity building to local NGOs in the area of financial management systems as well as other key management and operations. Such funds could support annual audits, strengthening policy systems, information technology for finance e.g. installation of accounting packages, workshop trainings and mentorship for senior managers, directors or board members who are directly involved in the decision making and review ,approval of financial reports and budgets.

5.4.3 Recommendations to Local NGOs

(i). Commitment to capacity development and readiness to change is fundamental for strong sustainable financial management capacity and systems in local NGOs sector. Since most local NGOs are owned and lead by founders it is time for owners or founders to think of maintaining strong financial systems, policies and implementation of best practices as the key to financial sustainability and attracting more funding from donors. Donors or partners would want to work or invest their fund to organizations with strong systems in place and with low risks hence local NGOs must strengthen their internal controls and nurture capacity development plans with available scare resources.

(ii). Compliance to best practices, donor condition and mandatory rules and regulations is a critical drive to strong financial management capacity, local NGOs should strive in achieving high standard to compliance as it increases the reputation and performance of the organizations

5.4.4 Recommendation for Future Research

This study was conducted to local NGOs in partnership with Pact Tanzania implementing OVC program in Tabora region. This study was carried out as an interim study just twelve (12) months after the local NGOs under study were exposed to various capacity development skills and knowledge sharing. For these organizations to have acquired full capacity in managing finances they must have at least been exposed to various skills, experiences and knowledge sharing for at least five (5) years which is the life of the project under funding which is anticipated to end on May 2015.

(i). Researchers, research institutes, students, government and donor community should consider carrying out the same study in to the organization studied as midyear evaluation in 2015 or post evolution after program completion.

(ii). Additionally the same study should be conducted in Other regions implementing OVC program or cover other specific topics in managing funds or other local NGOs who are working on other development programs other than OVC but under ministry of health and social well fair to determine the general status of local NGOs capacities in managing development funds (donor)

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APPENDICE

i) Local NGO Employees Questionnaire

Part A: Respondents' Information

1. Sex
    - Male
    - Female

2. Age (years)
    - 0-18
    - 19-37
    - 37-55
    - 55 and above

3. Level of education
    - Primary school leaver
    - Secondary education
    - College certificate
    - College diploma/post graduate diploma
    - University education

4. What is your job position/title ………………………………..

5. Are you employed on full time or part tie basis?
    - Full time
    - Part Time

6. How long have you been working with Your NGO?

    - 1- 2 years
    - 3 – 5 Years
    - 6 -10 Years
    - 10 and Beyond

Part B: Employees' knowledge of financial management

7. How does your NGO manage funds?
   - Proper keeping of records
   - Budgeting and budgetary control
   - Monthly reporting
   - Control of finances vs activities
   - Implementing finance procedure
8. What are the proper ways of funds management?
   - Employing qualified accountants
   - Proper keeping of accounting records
   - Proper control of finances
   - Compliance to statutory regulations
   - Proper management and control of cash
   - Monthly financial reporting and reconciliations
   - Training accountant and senior members of management involved in finance management
   - Proper communication

Part C:

Compliance to donor funding requirements and statutory regulations

1. Do you know donor funding requirements with regard to Pamoja Tuwalee program?

- Yes
- No
- Not sure

2. If yes ,for question 1,please mention some of donor funding requirements with regard to Pamoja Tuwalee program?

- Monthly expenditure reporting
- Opening a separate bank account

- Employee qualified staff
- Budget is controlled by both donor and the project(partner)
- De obligation of outstanding funds at the end of operating financial year(current)
- Verification of expense
- Being audited

3. Are there any challenges related to donor funds requirement?

- Yes
- No

4. If yes, please mention some and what is your opinion on it?

5. How do you rate Pact funding conditions and regulatory requirements
   (i) Fair
   (ii) User friendly
   (iii) Not user friendly
   (iv) Very user friendly
   (v) Very fair
   (vi) Not fair

Part D: Pact capacity development delivery approach

1. Do you know any capacity development delivery approach used by Pact (e.g mentoring, training ?
   - Yes
   - No
1. How do you rate capacity development modalities by Pact and other capacity building organizations? by considering rating scale (Excellent 5(4),Very usefull(4),Usefull (3),Somehow usefull(2),Not useful/not applicable (1)
   (i) Workshop trainings

(ii) Peer experience

(iii) Technical assistance

(iv) Mentorship and coaching

2. Do you have any opinion in Pact capacity development approach?
   - Yes
   - No

   If yes please explain briefly

3. Is there any on job training or mentoring conducted in collaboration with Pact with regard to financial management?
   - Yes
   - No

4. If yes Please mention any on-job training/mentoring activity you attended on funds management (by Pact)

5. Was such training/mentoring activity or training helpful?
   - Yes
   - No

   a). if yes briefly explain how did it help you?
   b). if no briefly explain why it did not help

6. Is there any capacity development challenge faced by your organization?

7. If yes in question 6 above, please mention it and briefly provide way forward or suggestion for improvement

ii) Focus group discussion question guide

A. Influence of INGOs in strengthening financial management CD of Tanzanian LNGOs

- Why financial management capacity development is is important to your NGO?
- What are liquidation requirements for Pact Tanzania?
- What type of financial report do you usually submit to report your organization expenses to Pact?
- Do you understand the tips for Bank reconciliation?
- What challenges that your organization face in dealing with liquidations or finance reporting ?
- Do you have a filing system for key documents? What documents do you keep in
- Have you procured any equipment or services in the last 12 months? What procedure did you follow? Did anyone have a different experience?

B. compliance to donor fund requirements and statutory

  - Is your funding tied to donor compliance conditions? If yes what are those conditions?
  - Are donor conditions good or bad? If good mention some and their influence in your organization performance. If bad mention it and its impact to your organization.

C. **Relevance of Pact approaches to capacity development**

- Do you think Pact is a capacity building organization? Yes /No?
- If yes on question above, do you think approaches used by Pact in developing Local NGOs capacity is relevant to you and your organization? If yes please list some of the approaches and give examples.

iii) International NGO Employees Questionnaire

Part A: Respondents' Information

1. Sex
- Male
- Female

2. Age (years)
- 0-18
- 19-37
- 37-55
- 55 and above

3. Level of education
- Primary school leaver
- Secondary education
- College certificate
- College diploma/post graduate diploma
- University education

4. What is your job position/title ………………………………..

5. Are you employed on full time or part tie basis?
- Full time
- Part Time

6. How long have you been working with Your NGO?

- 1- 2 years
- 3 – 5 Years
- 6 -10 Years
- 10 and Beyond

Part B: Employees' knowledge of financial management

7. What key areas or knowledge that local NGO must practice in managing finances?

- Knowledge records keeping
- Budgeting and budgetary control
- Financial reporting(monthly expenditure reporting)

- Control of finances vs activities
- Implementing finance/accounting procedure

8. What are the proper ways of funds management by local NGOs?
    - Employing qualified accountants
    - Proper keeping of accounting records
    - Proper control of finances
    - Compliance to statutory regulations
    - Proper management and control of cash
    - Monthly financial reporting and reconciliations
    - Training accountant and senior members of management involved in finance management
    - Proper communication

9. Is there any challenge with regard to LNGO funds management?Yes/No?

If yes in question 9 above please mention it

Part C:

Compliance to donor funding requirements and statutory regulations

1. What are funding requirements with regard to Pamoja Tuwalee program?

-
-
-

2. Are there any challenges related to funds requirement?

- Yes
- No

If yes in question 2 above, please mention some and what is your opinion on it?

3. Do funding compliance requirements contribute to local NGOs capacity development?
    - Yes

- No

  If yes please briefly explain how does it help?

Part D: Pact capacity development delivery approach

2. What are Pact capacity development delivery approaches?

- ....
- ....
- ....

3. Is there any capacity development challenge faced by your organization?

4. If yes in question 6 above, please mention it and briefly provide way forward or suggestion for improvement

- To pact
- To local NGOs

vi) **Documentary review schedule**

- Pact CISP Tool
- Pact OD Roadmap Tool(excel)
- Adopted Pact OCA-organization Capacity Assessment Tool(excel)