Tracking Trends in Ethiopia´s Civil Society Sector (TECS)

The Impact of the Proclamation on Charities and Societies’ Networks

FINAL REPORT

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The Development Assistance Group (DAG) was established in 2001 to foster information sharing, policy dialogue and harmonise donor support to Ethiopia in order to enable the country to meet the targets set in the Millennium Development Goals (MDGs). DAG also assists in the preparation, monitoring and evaluation of the country’s Poverty Reduction Strategy (PRS). DAG currently comprises 26 donor agencies providing development assistance to Ethiopia within the Paris Declaration principles of aid effectiveness and harmonization.

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Acronyms and abbreviations

CSA Charities and Societies Agency
CSO Civil Society Organisation
CSSG Civil Society Sector Group
GOE Government of Ethiopia
GTP Growth and Transformation Plan
IGR Intergovernmental relations
NGO Non governmental organisation

Charts and Tables

Table 1 Characteristics of the sample
Chart 1 The objectives of networks
Chart 2 Activities of networks pre and post Proclamation
Chart 3 Trends in funding 2009-2012 and projections for 2013-06-18
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Executive Summary

The research was a rapid assessment of 23 of the currently registered 52 networks (also termed consortia) representing Ethiopian Resident and Foreign charities, to determine the impact of Proclamation 621/2009 and most specifically the 70/30 guideline on these organisations. The research and analysis was mainly qualitative with interviews being conducted over a two week period in May 2013. A brief survey of international experience provides a comparison with the current Ethiopian situation. The findings and recommendations contained in the report were validated in a workshop held on 14 August 2013 and attended by 65% of the organisations interviewed.

The Ethiopian networks report a number of key objectives: promoting ethics and self regulation, facilitating an enabling environment, networking, fundraising for members, information sharing, representation and capacity building of members. Two phases of adaptation to the Proclamation are outlined. The immediate effect of implementation was that consortia representing Ethiopian Resident and Foreign Charities had to cease work in the proscribed areas: the promotion of human and democratic rights, the rights of children and people with disabilities, gender, conflict resolution, justice and law enforcement, equality of religions and nations and nationalities. However, this first phase of adaptation also included measures to reduce expenditure as networks were no longer permitted to engage in projects and as a result lost income. Although networks of Ethiopian Resident and Foreign Charities are not entitled to conduct advocacy, a number consider that they still have a role in policy dialogue.

A second phase of adaptation followed the implementation of the 70/30 guidelines which state that networks are not implementers and therefore do not have operational costs. There are fundamental contradictions between the two guidelines: directive 1 sets out the legitimate activities of networks (their operations) and while directive 2 acknowledges these functions, it states that consortia do not have operations. Directive 2 also sets out the permitted sources of income for consortia: membership fees and a percentage share of the 30% administrative allocation of funds raised by the network for their members. As a result of these restrictions on funds, networks have introduced changes to reduce their costs. Austerity measures have included: cutting back on office costs and administration but also reducing or devolving to members those activities which they feel to be the legitimate ‘operations’ of consortia: capacity building, monitoring and evaluation, research and information sharing, knowledge transfer and representation of members.

The interviews indicated that there was a great deal of confusion about the guidelines with some networks believing that that in their accounts they still had to demonstrate a division between administrative and operational costs, others choosing to present operational and administrative activities to demonstrate legitimate operations and others not showing a 70/30 split. Diverse implementation of the guideline by Agency staff was also reported.

The main impact of the 70/30 guideline is that networks see themselves as having been re-designated primarily as fundraisers for their members with a reduced role in what they regard to be their legitimate ‘operational’ activities. The funding projections for 2013 (chart 3) suggest networks are taking on the primary role of fundraisers in order to survive, although it is unclear whether they will achieve these targets.
The guideline has also had other impacts. Within the 70/30 guideline as applied to charities and societies, membership fees and activities like monitoring and evaluation and research appear as ‘administrative’ costs. Paying a membership fee is therefore a disincentive to network membership and members are likewise reluctant to take on tasks that increase their administration.

The relationship between donors and networks is also changing as a result of the guideline with donors having expectations that networks will conduct capacity building, be involved in supervising implementation of projects or monitoring and evaluation, which is increasingly beyond the limits of the networks. Between 2009 and 2012 the numbers reporting static membership went up, suggesting the networks are facing a tougher regime.

Comparing the networks with international experience, the research indicates that Ethiopian consortia are carrying out a number of key activities to a greater or lesser extent: promoting an enabling environment, advocacy/engaging in policy dialogue, conducting research and information gathering, capacity building, information exchange, quality control/monitoring and evaluation and fundraising. However, their perception is that the Agency sees their role only in terms of fundraising and in particular does not recognise their ‘operational’ activities. In addition, they feel that their representational and advocacy roles in respect of improving the enabling environment for civil society and engaging in policy dialogue are not recognised.

We are therefore witnessing the start of a potentially significant change in the trend of networks, with risks and ramifications for various stakeholders. For donors and the main Civil Society Fund programmes, there is a ‘value for money’ risk as networks pass on capacity building, monitoring and evaluation and knowledge sharing functions to their members, who may be less well equipped to deliver. In the medium term, these stakeholders may look to other channels to build capacity of Ethiopian resident charities, including academic bodies and consultancy firms.

The risks for networks (especially the smaller and sector focused ones) are first that their role is reduced and later their very survival is threatened. The ramification for members is that they will gradually see less value in networks as they (members) are asked to increase membership fees, to carry out more capacity building themselves (which adds to their administrative costs) and the other network roles decline (representation of members and advocacy).

Finally, the risk for line ministries and regional governments is that they lose their linkage to civil society and scope for improving policy and service delivery to hard to reach groups

**Key recommendations**

**For Government/Agency**

- A separate guideline for networks that recognises their legitimate operational activities.
• Consultation with the Agency on guidelines to allow networks to fulfil their designated aims and functions.

• Training for Agency officers to improve their understanding of networks and the implementation of guidelines.

• Consultation on the role that networks can play in improving policy and practice to promote achievement of the GTP.

For networks

• Improved consultation and collaboration amongst networks to promote an enabling environment for civil society and to take forward dialogue with Government.

• Improved consultation and collaboration amongst networks to present evidence on innovation and best practice to inform policy and promote achievement of the GTP.

• Further research to investigate the operation of networks and the understanding of network members, donors and the Government of their operations and functions.

For donors

• Improved understanding of the legal constraints facing networks and therefore the way in which funding is best channelled to achieve development objectives.
1 Introduction

1.1 Background

The Proclamation P621/2009 set a precedent in terms of providing a legal identity for networks (also known as consortia) of charities and societies. This was widely regarded at the time as one of the positive aspects of the Proclamation.

However, other aspects of the Proclamation set limitations on the operations of networks. For instance, networks were only permitted to include members of either locally funded CSOs (i.e. Ethiopian charities and societies) or foreign funded CSOs (i.e. Ethiopian resident charities and societies, and foreign funded charities), but were not allowed to have members from both categories. Insofar as networks engaged in operations, they (like their member organisations) were equally obliged to comply with the “90/10” rule, which meant that networks of resident and foreign charities and societies were not permitted to work in certain restricted areas (human rights, justice, democracy, conflict and others).

However, the most crucial challenge for networks has been the implementation of the “70/30” guideline on operational and administrative expenses. According to the guideline, consortia and networks are not permitted to have operating costs because they are not meant to be project implementers. In effect, the ruling reduces the role of networks to an administrative function. Networks claim that their role is far broader than administration: it involves coordination, representing members, sharing information, and building capacity among their members. These tasks require specialised skills and a due supervisory process. TECS research on the 70/30 guideline found that networks uniformly stated they are no longer able to undertake most of the activities for which they were established. This has led to a questioning of their very existence.

TECS research into the 70/30 guideline identified the early impact on a sample of networks. It was not clear, at that stage, whether networks would find a satisfactory way of adapting to the guideline without losing their wider role.

There are two main reasons for carrying out a rapid research study of networks at this stage. Firstly, it is important to understand the impact of the guideline at a point when most have completed or are in the final process of licence renewal. Secondly, given the growing challenges in the operating environment for civil society in which regulations proscribe the type activities for different types of CSOs, the wider role of networks is crucial in providing a mechanism to gather and synthesise member organisations’ issues and concerns and to represent member organisations at various dialogue fora (the Charities and Societies Sector Working Group and others, both formal and informal). It is therefore important to understand if networks are still able to play this role or whether they have simply become mechanisms for passing funding from donors onto their member organisations.

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1 Tracking Trends in Ethiopian Civil Society (TECS): Potential Impact of the Guidelines on Charities and Societies Operational and Administrative costs (70/30) 2012: Research on the Challenges and Impact of the 70/30 Guideline, 2013. A third round of research focusing on the accounts submitted to the Agency in 2012 is currently being conducted and will be published before the end of 2013.
2 Purpose and objectives

The overall purpose of this research is to understand the impact of the Proclamation and its guidelines, particularly the guideline relating to networks and the application of the 70/30 rule, on the ability of networks to adapt and to play a meaningful role in terms of coordination, representation, sharing information and capacity building of members.

2.1 Objectives of the research

The objectives of this research are:

- To identify the extent to which, and the ways and means by which networks have adapted to the guidelines, in particular the 70/30 guideline.
- To make a short synthesis of what role networks play in other countries in order to identify lessons learned.
- To identify what roles networks used to play before the implementation of the Proclamation and its guidelines particularly the 70/30 regulation, and the roles they are now able play under the current legislation.
- To identify the problems, challenges and opportunities faced by networks in their attempts to adapt to the current legislative environment.
- To understand the concerns and issues of networks regarding the civil society operating environment, particularly pertaining to their own beneficiary/member organisations.
- To propose recommendations to enable networks to play a full role in supporting their members in becoming more effective civil society organisations.
3 Methods

It should be noted that this piece of very rapid research sought only to gather information from the networks themselves. Considerations of budget and time did not allow gathering of data from the membership of networks. Interviews were conducted with a sample of 23 networks (almost 50% of registered networks, based on a purposive sample of the larger and/or more active networks) over a two week period in May 2013. Twenty were interviewed face-to-face while the remaining three (located out of Addis as regional networks) completed the questionnaire themselves and clarifications were sought by telephone. A copy of the questionnaire used can be found in the appendix. The table below shows the composition and characteristics of the sample.

**Table 1: Characteristics of the sample**

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Networks established before Proclamation</td>
<td>19</td>
<td>83</td>
</tr>
<tr>
<td>Networks established after Proclamation</td>
<td>4</td>
<td>17</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
<tr>
<td>Established during the 1970s</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Established during 1990s</td>
<td>5</td>
<td>22</td>
</tr>
<tr>
<td>Established after 2000</td>
<td>17</td>
<td>74</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
<tr>
<td>Networks operating nationally</td>
<td>19</td>
<td>83</td>
</tr>
<tr>
<td>Networks operating regionally</td>
<td>4</td>
<td>17</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
<tr>
<td>Membership: Ethiopian resident charities</td>
<td>10</td>
<td>43</td>
</tr>
<tr>
<td>Membership: Foreign and Ethiopian resident charities</td>
<td>12</td>
<td>52</td>
</tr>
<tr>
<td>Membership: Foreign Charities</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
</tbody>
</table>

There was considerable variation in the size of the sampled networks. The largest network interviewed has a membership of 360 and the smallest only 8 members.

The latest figures from the Charities and Societies Agency show that there are 52 registered networks, 7 of which are networks of Ethiopian societies. This report says that there are no registered networks whose members are Ethiopian charities, perhaps reflecting the decline, since 2009, in the number of charities registered as Ethiopian.

Although the sample of 23 networks represented nearly half of the total number registered, it was not large enough to warrant detailed quantitative analysis. Where relevant and possible, the number of organisations is cited. However, the analysis in this research is to illustrate trends and areas of agreement and disagreement and is primarily qualitative analysis. The findings and recommendations contained in the report were validated in a workshop held on 14 August 2013 and attended by 65% of the organisations interviewed.

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4 The development of networks in Ethiopia and an overview of the role of networks

3.1 The development of networks in Ethiopia

The majority of the networks interviewed (17) were established after 2000. The earliest network, established in the 1970s, came about as a result of the need for co-ordination of efforts to appeal for and disburse humanitarian aid in the famines of the time. This network and others that followed, then expanded and grew to encompass the activities of representation, capacity building, networking and information sharing that are characteristic of present day networks. A second wave in the growth of networks came after 2000 with international pressure from key funding bodies, including the IMF and the World Bank, to involve civil society in the production and monitoring of poverty reduction strategies worldwide. The role of civil society was expanded to participate in the consultation process and needs identification for these strategies, and the accountability mechanism for their delivery. Ethiopia was no exception. With the development of the first poverty reduction strategy, entitled the Sustainable Development and Poverty Reduction Programme (SDPRP), the involvement of civil society in the process of consultation and monitoring required the development of representation through networks.

Subsequently, networks grew to fill the space then allowed by government to speak on behalf of their membership. A large number of fora were established, and in the early years of the new millennium, networks of CSOs were vocal and prominent in discussions regarding the proposed regulatory framework for civil society. Indeed, many welcomed the legal recognition of civil society in general and networks in particular, whilst voicing objections to restrictions that would severely limit the activities of foreign-funded organisations by prohibiting their work in the areas of democracy, human rights, justice, peace building and conflict resolution and banning their participation in advocacy and policy development.

3.2 The role and functions of networks

Much has been written about the definition and roles of civil society. There are competing theories and views which vary according to country, cultural and political system. A frequently used definition is of an entity or space between family (and kin groups) and the state. From Western societies come discussions about plurality, competing voices and the development of democracy; in other cultures, civil society can be seen as supporting different social groupings but with different levels of interface with the state. However, the purpose of this section is not to delve into competing definitions and their links with democratic or non-democratic traditions but to acknowledge that the broad concept of civil society legitimises the existence of a large variety of organisational and social groupings and that representation or providing ‘voice’ for these various organisational groups is part of that understanding.

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3 This section draws on a number of sources which are listed in the bibliography.
This backdrop is necessary briefly to describe and to understand the reasons for the existence of networks and their roles, despite the variations across different countries and political systems of the world. We present here a very brief synthesis of possible network functions in order to assess the impact of the Proclamation in the Ethiopian context.

Primarily networks or consortia are associations of organisations. In the Ethiopian context these focus on charities and societies that are linked together because they have common/shared aims and objectives. Typically, Ethiopian networks of charities are formed because they are involved in similar areas of development work or because they are societies with members that have similar interests. Good examples of the former are the networks of charities that are devoted to education or various aspects of health development, often known as thematic or sectoral networks, for example, those working on HIV and AIDS, reproductive health, basic education, pastoralism or issues of disability. A further group is that of societies that represent youth groups or professional staffs of various sorts. There are also CSO umbrella groups for organisations that represent a broad spectrum of civil society groups. For instance, in the Ethiopian context, CCRDA has a large number of members representing development organisations operating in a wide variety of contexts.

3.2.1 Communication

A fundamental function of a network is communication: between and among member organisations; with the government on behalf of member organisations; enabling the government to hear the voice of various groupings in society and to communicate with those CSOs who work on their behalf. For example, the Ethiopian Government has often requested the larger umbrella groups, like PANE and CCRDA, to communicate with their members on the Government’s behalf, for instance during the development of the legislation and later in disseminating information about its guidelines.

The development of poverty reduction strategies is a good example of how governments have been able to consider the voices of a variety of different groupings within society; the consultations carried on by networks in many countries enabled some groups of poor people to voice their needs and concerns and for these considerations to be included in the strategy.

3.2.2 Consultation and dialogue

Consultation or dialogue goes beyond the communication of information and signals a debate or discussion between various parties which may be about a variety of issues. A key concern of networks world-wide has been to negotiate the conditions for effective dialogue between CSOs and government. In other words they have negotiated the conditions that will allow CSOs to perform their role as organisations as well as to facilitate a relationship between government and CSOs. This is often referred to as the ‘enabling environment’. In Europe, for example, CSO-government dialogue through umbrella groups and networks has promoted agreements around the conditions and regulations for service provision as well as broader discussions to facilitate ‘compacts’ between government and CSOs on their distinctive roles and responsibilities.

There are various other examples of the way in which governments use networks to communicate with different social groups. In many places, federations of trade unions have
the status of CSOs and negotiate with government on behalf of their members. Networks of CSOs may engage with government over issues of the role of civil society as a whole (the enabling environment) or over sector specific issues, for instance, health, education, economic development or transport. The development of networks is often actively encouraged by governments because this leads to more effective and efficient dialogue and improved policy. In Britain, for example, the government encouraged the formation of a network to support effective dialogue on overseas development. A more recent example, in the context of shrinking world energy supplies, is the development of networks devoted to sustainable energy production. Applying this in the Ethiopian context reveals the logic. The first round of registration of CSOs in 2009 enumerated 2847 organisations. Clearly individual consultation with such a large number is impossible; dialogue with representative networks is likely to be more manageable and efficient. In some countries governments will support networks financially, where it is in their interests to improve consultation for legislative and policy development and CSO capacity.

3.2.3 Advocacy

From the perspective of the CSOs, networks also provide a platform for advocacy; a means of contributing to and influencing policy and practice. The development of CSOs is often driven by responses to specific needs or problems. The flexibility and ability of smaller organisations to respond to identified problems and to experiment with innovative ways of addressing these needs is part of the fundamental rationale for the existence of CSOs. The information and experience gained in the development of innovative approaches enables CSOs to make an effective contribution to policy and practice but the process of advocacy and making that contribution is often brokered through a network of organisations working on similar issues. In some countries this becomes a formal and recognised part of policy and legislative processes; in others it is a system of representation and consultation. Whilst advocacy and CSO input into legislative and policy development may be more or less acceptable depending on the particular country, most governments accept that the experience of CSOs can contribute useful ideas and innovation. There are many excellent examples from various countries. For instance, work on women's economic empowerment and micro credit, innovated in CSOs in Bangladesh has been adopted worldwide through a variety of networks. In many countries it is networks of small micro credit organisations that together agree on the conditions for membership, loans and repayments. From the Ethiopian context, there is the example of the contribution of education NGOs to the development of policies for reaching out-of-school children and non-formal education for adults. Networks can play an important role in the discussion of legislative and policy options, contributing the direct experience of their members. Current concerns and responses to the issues of climate change are fuelling the development of national and international networks of relevant organisations concerned to contribute expertise and experience to developing effective policies. In the global context, where there are no physical boundaries to carbon emissions, global CSO networks play an important role in supplementing inter-governmental negotiations.

3.2.4 Research and information

Networks are also active in mounting research and collating information to contribute to the development of policy. CSOs that gain the trust of their beneficiaries are more able to
provide robust and valid information to inform policy. Networks are frequently the organisations that can mount such research and information gathering exercises. Access through their membership organisations to specific groups of people or experimental projects can allow research that would in some circumstances be difficult to mount, for instance by providing contact with hard to reach groups such as the homeless, street children or prostitutes. A good example is that of research on HIV/AIDS. Networks of organisations working with and representing people living with HIV/AIDS provided the means of researching effective preventative strategies, thereby contributing to more effective government policies.

Communication is a two way process: networks can also be an effective way of disseminating information and practice or passing messages from government to a wide variety of civil society organisations. For instance, new regulations or monitoring requirements at the direction of government might be best communicated to CSO service providers via networks.

### 3.2.5 Roles in relation to donor funding: channelling funds, supporting, monitoring and evaluation

From the perspective of donors, networks also have important functions. For example, donors may think of networks as a way of channelling funds to organisations that are supporting their preferred area of work. From a donor perspective, not only may the networks be required to channel funds but also to support, monitor and evaluate the interventions supported. Likewise, networks are often seen by donors as a way of building capacity. Improving CSO practice via a network can be a way of reaching 20 or more member organisations in one go. Examples of the ways in which networks build capacity can include providing training on improving organisational practice, for instance, CSO accountability and governance; leadership or management skills; good accounting practice; employment practice; project design and proposal writing; fundraising; monitoring and evaluation or sector specific work. An example of the latter could be training to highlight best practice in various aspects of agricultural practice or work with young people. Through their membership, networks are able to influence the development of the organisations and also draw on their expertise and experience to highlight and promote the diffusion of good practice.

### 3.2.6 Quality control

In some parts of the world, membership of a CSO network entails meeting specific conditions. This is common where organisations are engaged in delivery of a specific service and where the network exercises a ‘quality control’ mechanism. Examples here would include networks of providers of micro credit and paralegal services where membership entitles an organisation to deliver certain services and meeting conditions of service delivery. Pre-school education run by CSOs is often ‘quality controlled’ through membership of a network. There is also the important function that networks play in bringing together organisations working on similar issues to share experience, build skills and avoid duplication of effort and provision.
In summary, networks may play a variety of roles. The extent to which they are able to exercise these roles is highly dependent on the demands and attitudes of the other key stakeholders: the networks themselves, their member organisations, donors and governments. Nevertheless it is possible to enumerate a number of different functions that networks can play in the life of CSOs: representation of members and interests ranging from consultation to co-ordination and promotion of advocacy; capacity building of CSO and development of best practice in a variety of different fields; quality control of service provision or other practice through membership conditions, sharing of experience and information to define and promote best practice and co-ordination of members to avoid duplication of effort and maximise use of resources. These functions and the ability of the networks to perform such functions can provide the criteria against which to judge the efficacy of the legislative and regulatory framework provided by Proclamation 621/2009.
4 Overview of the provisions of the Proclamation on consortia

Proclamation Number 621/2009 did not say very much about the function of networks apart from legitimising their existence. Section 3 article 15 /3 states:

Charities may form a consortium charity to co-ordinate their activities. Particulars shall be determined by directives of the Agency.

These directives are shown in boxes 1 and 2.

**Box 1**
Directive on the conditions for the formation of charities and societies consortium (Directive number 1/2009)

A consortium is an independent institution formed to coordinate the common goals of charities and societies which are legally registered by the Agency.

**Permitted activities**
- Supporting members for the attainment of common goals
- Sharing ideas, information and experiences
- Building the capacity of members
- Working with concerned bodies to address the problems of members in attaining their goals and creating conducive environment

**Activities not permitted**
- A consortium may not directly engage in any charitable activity other than the activities listed above: networks may not implement projects

**Conditions under which establishing a consortium is prohibited**
- Ethiopian Charities cannot establish consortia with Ethiopian Resident Charities and Foreign Charities.
- Ethiopian Societies cannot form consortia with Ethiopian Resident Societies.
- Charities cannot establish a consortium with Societies.
5 The main findings

5.1 Objectives of the networks

Chart 1 sets out what the networks see as their current main objectives.

<table>
<thead>
<tr>
<th>Objective</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoting ethics and self regulation</td>
<td>2</td>
</tr>
<tr>
<td>Facilitating CSO enabling environment</td>
<td>4</td>
</tr>
<tr>
<td>Networking</td>
<td>11</td>
</tr>
<tr>
<td>Fundraising for members</td>
<td>13</td>
</tr>
<tr>
<td>Information sharing</td>
<td>16</td>
</tr>
<tr>
<td>Representation of members</td>
<td>17</td>
</tr>
<tr>
<td>Capacity building of members</td>
<td>20</td>
</tr>
</tbody>
</table>

In addition, many networks mention as an objective, working towards the interests of their particular subject group or specific area of expertise, for example, people with disabilities or orphans and vulnerable children. It is interesting to note that although most of the objectives shown in chart 1 fall within the definitions of directive 1 (box 1), fundraising is not listed. This objective only appears in a later directive which addresses how consortia should comply with the 70/30 ruling (see box 2) and lists a share of funds raised for members as one of the permitted sources of income for consortia. Over half of the sample of networks consider fundraising to be a key objective but, as later evidence will show, some are concerned that their role is now being defined primarily within this context.

5.2 Activities of networks pre and post Proclamation

As Chart 2 shows, the key difference between the activities of networks pre and post Proclamation is the cessation of work on the forbidden areas: the promotion of human and democratic rights, the rights of children and people with disabilities, gender, conflict resolution, justice and law enforcement, equality of religions and nations and nationalities. Interestingly, the chart shows only a small decrease in advocacy work. Fifteen networks still consider that they are able to influence policy and a similar number say that they are advocating for members on specific issues.

Examples given of influencing policy included: contribution to the formation of reproductive health policy and tax exemption for imported condoms to make them cheaper and therefore more readily available; interventions to secure non-formal education for street children and
on behalf of marginalized groups such as children and people with disabilities; and inputs to a recent policy on childcare.

When asked for examples of advocating for members on specific issues, the following examples were given: securing CSO access to Protection of Basic Services funds through lobbying of the Ministry of Finance and Economic Development; and enabling CSOs to gain CCM funds for work on HIV/AIDS, TB and malaria. Other instances included: networks organising workshops and inviting government officials in order to raise concerns; intervening with the Agency on behalf of members who had difficulties in licence renewal; and working with donors to reconcile differences between members.

Note: 4 networks in the sample were established after the Proclamation.

In the main, the key activities - of fundraising, maintaining databases of members, capacity building for members (e.g. on project proposal writing), information gathering and sharing, co-ordination and representation of members - show marginal increases post Proclamation. There may be a number of reasons for these increases including the implementation of the regulations themselves. For instance, the inclusion in the 70/30 guideline of fundraising as a
legitimate activity and the fact that the Agency can require networks to supply information about their members may have boosted information gathering activities. The rise in capacity building requires research since (as reported later), some networks suggested that they had devolved capacity building activities to their members as this was being regarded as an operational activity by the Agency. Alternatively, the reported increases may simply be that the networks’ survival mechanisms are focusing on those activities which they see as best serving their members.

5.3 Adapting to the Proclamation: the main changes amongst networks

Networks have undergone two different phases of adaptation to the Proclamation. The first occurred immediately after its introduction. When the limitations on membership according to category of charity or society (Ethiopian, or Ethiopian Resident and Foreign) became clear, consortia were excluded from implementing projects in their own right and the prohibitions on certain areas of work were introduced. The second phase of adaptation came with the introduction of the directive on 70/30 and the realisation that networks were to be categorized as having two sources of income: members’ fees and a share of funds raised for other members. Both phases of adaptation have had an impact on the funding and operations of networks.

5.3.1 Adaptation: the first phase post Proclamation

When asked about changes that they made to adapt to the Proclamation, the networks mention three main issues: the introduction of austerity measures; the changes to operational activities; and the shift in focus. The first two issues are linked in the sense that they occurred as a result of shrinking budgets. Over half of the sample mention that they reduced costs by scaling down staffing, reducing activities and ceased operational involvement in projects by devolving these activities to members.

The third issue is very clearly reflected in chart 2: the abandonment of prohibited areas of work and advocacy activities. For example, the networks spoke of:

‘retreating from advocacy and replacing it with awareness raising’
‘replacing the previous activities of children’s rights with education for girls’
‘cancelling out previous thematic unit on peace and reconciliation’
‘readjusting to focus on women’s economic development rather than gender equality issues’.

All those networks (19) that were established before the Proclamation said that these changes, although difficult, were planned. Some acknowledged that the introduction of the Proclamation had presented an opportunity in that it allowed them legal legitimacy. Regional networks also commented that the Proclamation and their legal right to exist had improved their relationship with regional government and had increased trust.

However, when asked about the challenges of the Proclamation, networks spoke of:

‘being forced to compromise in mission and objectives’
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‘inability to advocate, conduct research and influence policy which can contribute to development’
‘a reduction in the potential contribution of networks’
‘a feeling that the Agency wishes to see the networks disappear’.

Regional networks also pointed out the lack of regional laws to govern their operations. One regional network which had registered at federal level complained about dealing with the bureaucracy of registration which entailed very costly visits to Addis Ababa.

Despite the legal ban on advocacy and comments about a diminished role, as chart 2 indicated, many networks still list it as an activity.

**Case Study: Cutting back on knowledge transfer and experience sharing**
The network was established to promote educational development. It did this by organising training programmes to build the knowledge and expertise of members on contemporary educational development and by organising exchange visits amongst members from different regions to promote knowledge transfer, experience sharing and mutual learning. It has reduced these activities by trying to devolve them to be carried out by members. However, their members have also faced a challenge of taking a lead on these because such workshops count as an administrative cost. The network feels it has become difficult to promote experience sharing to learn best practices.

**5.3.2 A second adaptation phase: the impact of 70/30**
The issuing of the directive on the 70/30 in November 2011, some time after the implementation date of the Proclamation, brought new challenges for the networks. Box 2 shows what the directive says about consortia. Whilst many networks had already begun to realise their revised role as fundraisers, the 70/30 directive made this clear.

**Box 2**
70/30 directives on consortia

**Article 10**
Notes that consortia are established in order to co-ordinate, support and build the capacity of their members (in accordance with the Proclamation articles 15 (subsection 3) and article 55 (subsection 4). Their sources of income are: annual membership fees; and fees raised by the consortia on behalf of their members - an amount approved by their General Assemblies which is a part share of the 30% administrative costs of their members.

Consortia are not implementers and therefore do not have operational costs.

All assets and expenses of consortia shall be implemented based on the annual plan approved by the General Assembly.

The key problem for networks is that the directive on 70/30 says very clearly that there can be no operational costs for consortia. As a result, complying with the general 70/30 rule is
impossible for consortia and they are not required to do so. However, there are a fundamental contradictions contained in the legislation and its guidelines: directive 1 (box 1) sets out the legitimate activities of networks (their operations) and while directive 2 (box 2) acknowledges these functions, the directive states that consortia do not have operations. The confusion is compounded by the fact that capacity building and information gathering/sharing/research and monitoring and evaluation (often carried out by networks at the instigation of donors) are regarded in the other directives which apply to CSOs - as administrative functions. There are further inconsistencies for networks registered at the regional level where the rules on 70/30 are different.

The only real point of clarity in article 10 is that it designates fund raising as a legitimate way of raising money for networks and states that networks are entitled to a share of the funds that they raise for their members. The proportion of the share varies because it has to be decided by the general assembly but cannot exceed 30% because this is deemed to be the administrative costs for the project for which they have raised funds. Once this split of ‘administrative costs’ is agreed, this is reported to the Agency and along with the network work plan, becomes the legal document against which the networks have to report. It is not clear whether networks are entitled to raise funds in their own right for the activities that are considered to be the legitimate function of networks (as shown in box 1). The evidence from the research suggests diverse practice. Some networks have raised funds for what they regard as their ‘operational activities’ whilst others have not done so because they have viewed this as a possible contravention of the law.

From the interviews conducted it is clear that there is a great deal of confusion and uncertainty amongst networks themselves about what is permitted and how to present their accounts. Corroborative evidence from the third phase of TECS research into the impact of the 70/30 guidelines on CSOs, which included a small sample of networks, suggests at least three different interpretations: some have presented their accounts in 70/30 format as per CSOs as a result of misunderstanding; some have followed directive 2 and not presented a 70/30 format; while others have followed directive 2 but argued that they should present a 70/30 split because networks do have and can differentiate between legitimate operational and administrative costs.4

There is also confusion and inconsistency among Agency staff as to how the guidelines should be and are being implemented. From the networks’ perspective, they argue that they have operational costs which should be recognized and they should be allowed to fund raise for these in their own right in addition to fund raising for their own members. The following comment suggests that there is indeed much confusion about what the guidelines say and how they are being interpreted.

We asked the Agency for a clarification on the 70/30 Guideline particularly whether or not we have a 70/30 ratio for operational and admin costs. They said: “no, you don't have that”. But we tried to adapt the Guideline’s cost category to our Network and have tried to adhere to the operational and admin costs. Because, we still do have operational activities like members’ capacity building, information sharing, commissioning studies, conducting monitoring and evaluation, etc; all of which entail a substantial budget allocation. As most of these activities are considered as admin

4 Evidence of the Impact of the Guideline to Determine Charities’ and Societies’ Operational and Administrative Costs (70/30 guideline) Phase III, TECS, to be published September 2013.
costs, we tried to reduce the volume of the undertaking instead of quitting them all in all.

As a result of these restrictions and lack of clarity about what is allowed, networks have had to take further austerity measures. The split of funds raised plus members fees - which in most cases are low - have to pay for the networks’ own administration as well as the activities which they regard as the legitimate operational activities: capacity building, representation of members, research and information gathering, policy work and monitoring and evaluation.

5.4 Further austerity measures

Interviewees mentioned reducing administrative costs, such as telephone calls and stationery; staff reductions, (one organisation mentioned employing HIV positive staff because their salaries are regarded as operational costs); leaving vacant posts unfilled; moving premises to reduce rent costs and sharing rooms between staff; and using taxis instead of the organisation’s vehicles to avoid fuel and maintenance charges which are counted as administrative costs. One network said they had mothballed all the organisation’s vehicles in order to reduce administrative costs. One network interviewee described what had happened in his organisation.

Reducing the staff and sharing tasks among the remaining few ones in the form of restructuring. For example, the Executive Director himself has taken the additional task of policy research activities previously managed by a department head. Likewise, the Program Manager is now responsible for networking and partnership activities too, the task that was previously managed by another department of the network.

Other measures to reduce costs have included further devolvement of activities to the membership, including, in some instances, activities such as capacity building that are supposed to be the province of networks. Other examples cited were: reducing training from the originally proposed two rounds to one round; and cutting back monitoring and evaluation activities to a yearly instead of quarterly activity. Whist the financial stringencies imposed by the Proclamation and the directive on 70/30 have had major impacts on networks, there have been other side effects on activities and the relationship with donors and members.

Cast Study: Cutting back on monitoring and evaluation

This network works to support organisations involved in the prevention of HIV/AIDS and the care of people living with HIV/AIDS. It was a recipient of large funds from the Global Fund Programme (about 447 million Birr over the last 4 years) which it channelled to its members. The network believed that the guideline prohibited its work in monitoring and evaluating the use of this fund and therefore tried to reduce expenditure by limiting monitoring and evaluation to a yearly task. Their experience has showed that project implementation by members had deteriorated.
5.5 The impact on funding and fund-raising

Although not all networks mentioned fundraising, (that is working with donors to co-ordinate funds for various pieces of work) as a specific activity, it is clear that the majority in the sample (13) now see this as one of their main functions as the projections on funding suggest (see chart 3). One of the networks spoke about the need to engage and make their staff professional fundraisers.

Chart 3 below shows the numbers of networks reporting increases, decreases and static funding between 2009 and 2012. Over the years, increased numbers reported static or decreasing funds until the projections for 2013. The much larger numbers (13) reporting a projected increase for 2013 illustrates the role that networks are now trying to play in raising funds for their members. However, it should be noted that projected income does not represent actual funds committed in advance to the network. Rather the ‘projections’ illustrate the income that the networks believe they have to raise in order to survive.

Note: not all networks supplied funding data for all years

As explained earlier, the 70/30 directive (article 10) allows networks to take a share of the administrative costs of projects raised by the consortia for their members, to be agreed by the general assembly of the network. Asked about this, of those that answered, 6 networks reported a 80/20 split; 2 a 75/25 division and 4 a 70/30 arrangement. There were a further 4 variations between 90/10 to 60/40. A further 6 networks (including 3 regional ones) said that they were not raising funds for their members. However, not all ‘sharing ratios’ relate only to fundraising, as a strict interpretation of the guideline might imply. Some of the ratios reported also refer to the split of ‘costs’ channelled to members such as the costs of capacity building or general assembly meetings. Nevertheless, fundraising is becoming a necessary activity as one network explained:

We are forced to make fundraising as our major activity although our core objective is to promote and scale up the self-help development approach.
Although the directive leaves the decision on the actual split to the agreement of the general assembly some contradictory rulings by the Agency were reported by networks. The case presented below again illustrates the confusion around the interpretation of the directive as it affects networks and inconsistent treatment by Agency staff which was reported by several interviewees.

The percentage is 86/14% for the members and the Secretariat respectively. However, we had managed an 89% channelling to members last year reducing the share of the Secretariat to 11%. This was confirmed by the external auditor and we submitted the audit report to the Agency. Nevertheless … the Agency Officers have asked us to submit an excuse letter signed by the Board members for spending 11% because, according to the Agency’s officers, we can’t make any share-making deal with members as we don’t have an operational cost as a network. The argument from the Agency is that the 70/30 ratio is for the project beneficiaries and the implementing organisation’s admin cost and not applicable for the networks and their members.

Seven of the sample also commented directly on the difficulty of existing on just 20% of the funds raised for members. Others commented that they were to a certain extent operating on funds carried over from previous years and two suggested that they would probably not survive as networks.

**Case Study: Problems in funding: reduction in activities**

Previously the network has been reliant on donor funding and was well known for its activities on research and dissemination of good practice, knowledge transfer and lobbying and advocating for the interests of pastoralists. In 2012 the network agreed a 20/80% share at its general assembly, which meant it retained 1 million of the 5 million Birr it raised. But some members were unable to carry out their projects with only 20% for administration and in practice the network only retained an overall 13% of the funds it raised. The amount raised by membership fees is only 90,000 Birr per annum and insufficient for the network to function effectively. However, donor funding is now declining. In the view of the chief executive this is because the donors don’t want to channel funds first to the network and then to the members. As a consequence the network is unable to sustain its previous level of activities.

5.6 The membership of networks: a changing relationship

The Proclamation has also had an impact on the relationship between members and their network. Several reported that their members were increasingly unwilling to pay membership fees because, in their own CSO accounts, membership fees count as an administrative cost.

*As our members (are) predominantly local CSOs suffering from shortage of funds most of them are often reluctant to allocate a substantial share to the forum. Generally the process is challenging to convince all members on allocation of scarce resources.*
Other networks commented that the race is on to raise as much as possible in funds for their members since this is also a way of increasing their own income and sustainability. But for CSOs, giving up a share of your ‘admin funds’ is also a disincentive to membership of a network.

There is perhaps a further potential barrier to continued membership of a network. If the network takes a share of the 30% project funds deemed to be for administration, how are CSOs expected to administer their project on less than the 30%? This could act as a disincentive to membership unless the funds being raised are very substantial and costs can be decreased through economies of scale. If the network is seen to be encroaching on project funds, some members may also be tempted to do their own fund raising. Comments made in the validation workshop suggest that networks themselves need to raise awareness among their own members of the wider role of the network, beyond fundraising and to explain their need for finance.

The trend in networks towards becoming a ‘fundraiser’, if confirmed, would mark a distinct shift from the more traditional role of networks in terms of building capacity amongst members, including the capacity to prepare proposals to donors for funds and to design and write projects for effective delivery. It would mean that networks are taking on the mantle of some ‘intermediary CSOs’ which themselves have run into some difficulties with the Agency in the interpretation of the 70/30 guideline owing to their lack of operational activities.5

5.7 A changing relationship with donors

There were a number of comments from networks confirming that their new role in fundraising and the devolution of projects and implementation to their members were changing the relationship with donors. Several (4) mentioned that they had lobbied donors to channel funds via the networks in order to secure the networks’ survival, but that donors were not always happy with this revised role. Others commented again that they had devolved operational activities to the membership (12) but that the donors still wished the network to supervise and be involved in implementation. Two quotes from networks illustrate this point.

(We have been) drastically reducing the volume of activities supposed to be undertaken at the Secretariat level and devolving to members. But this has raised the concern of our donor partners since they signed the project agreements with us (rather) than with our members.

Donors are expecting our direct implementation of projects for which we secured funds from them. Hence when we try to implement through our members it means that we will be handling the project implementation against the agreement that we entered into with our donor partners. This is affecting the trust that our donor partners are having on us.

Donor expectations do not always reflect the new regulatory environment. There is a mismatch between what networks are permitted to do and donor ideas about what networks should be doing. Increasingly, donors are demanding high quality proposals and, once grants are made, expect the network that made the proposal to engage in implementation, or, at the very least, in effective monitoring and evaluation, and support to policy work. Not only are they expected to do this themselves, networks are also expected by donors to support CSO members in these activities and to build the capacity of these CSO members to deliver effectively. One network explained the consequences of the 70/30 guideline on their perceived mission and their funding relationship with a donor:

> We raised funds for policy research but since we are considered to have no operations we tried to persuade members to implement it at their level... But members failed to take it arguing that... it is little related to their major activities... and it increased their administration costs. As a result we returned three major grants to donors last year. So begging for funds from the donors ... and then begging members for implementation is a critical issue for us.

This particular interviewee mentioned that he thought that substantial funds for policy research, advocacy and networking were being diverted to other African countries. However, this view cannot be further substantiated by the research.

Other comments also suggest a changing relationship with donors. Whilst some networks have obviously been successful in persuading donors that they are viable organisations through which to channel funds for project implementation, others suggested that, increasingly, donors are opting for pooled funding systems, such as the EU Civil Society Support programme and the World Bank’s Ethiopian Social Accountability Programme in which networks are expected to compete alongside CSOs. A further comment reinforced the idea that donors may start diverting funds to other countries because they do not wish to be seen as ‘at odds’ with the Ethiopian Government. As one interviewee commented:

> We see that donors are diverting the possible funds that they are planning to channel to this country’s development through NGOs and their Networks. This is due to the fact that they are seeing that the government is not in favour of CSO/NGO networks and as a result, the donors do not prefer to be at odds with the government by supporting what government is not comfortable with. This indicates that Networks are in (a) trouble (d) situation at the moment in this country.

Another interviewee commented that he felt that the donor’s expectations of what networks might achieve in terms of influencing the government regarding improvements in CSO legislation were unrealistic.

> The donors are expecting the networks to force the government to change the law... it is beyond the capacity of the ...CSOs in general and that of CSO networks in particular.
5.8 Trends in membership of networks

As can be seen in chart 4, the number of organisations reporting an increase in members went up between 2009/10 and 2010/11, but the level of increase slowed between 2010/11 and 2011/12. There was a definite increase in the numbers reporting static membership over the period, although it should be noted that not all networks supplied membership data. Those reporting an increase argued that fund raising from donors and capacity building activities encouraged new members, but also noted that these activities only increased the network’s administrative costs.

Decreases in membership were explained by the fact that some members had left because they themselves were networks and this had become illegal (networks cannot join networks or become a network of networks). Others asserted that decreases were because CSOs could not afford membership fees. One network commented that, before the Proclamation, they had members from all types of NGOs but now their membership was limited to Ethiopian resident and foreign charities thus reducing numbers. Another commented that post Proclamation ‘members had panicked’ and presumably left the network.

Note: Not all networks supplied membership data. Range in membership 360 – 8 members

Those that reported static membership mentioned a number of different factors. Three said that they had waiting lists but were reluctant to admit new members because they would expect capacity building and fund raising and this would increase the network’s costs. One network mentioned that it was focusing on improving its own management before recruiting further members and another 2 suggested that they were concerned only to admit ‘quality’ members.

These comments illustrate once again the legal conundrum facing networks. If they do their job effectively and organise capacity building and fund raising and provide adequate support, the networks believe they will be penalised by increasing their own administrative
costs. If they do not admit members and therefore do not increase their costs they lose potential membership fees and shares of funds raised and therefore do not increase their income and viability.

5.9 **Licence renewal of networks and their members**

Despite ambiguities regarding the 70/30 rules as they apply to networks, most reported that they had successfully renewed their licences. Seventeen of the sample had renewed, 2 had two years to go before their current licence expired and 4 were in the process of renewal. Apart from continued confusion over the interpretation of 70/30, the networks did not report major issues in the process of renewal.

Fifteen of the networks reported knowing about problems that their members had encountered in licence renewal and several mentioned giving technical assistance. A number of key issues were mentioned as causing problems for members: the difficulties in interpretation of 70/30 and issues of non-compliance were mentioned by 7 networks. Three reported problems of obtaining project agreements either with federal or regional departments and 4 reported that members had run into conflict with the Agency staff because they were engaged in work on harmful traditional practices (HTPs) and the Agency regarded this as work on ‘rights’. Two networks reported that members had been questioned by the Agency about the income of chief executives, suggesting that the Agency was suspicious of misuse of funds. There were a number of issues reported by networks as problems encountered by members during licence renewal including: criticisms of having supported women’s entrepreneurship; inappropriate implementation of adoption and child care issues; questions of whether organisations had formed links with Moslem extremists; and incorrect advice having been given to an organisation that wished to change its registration category from that of a Ethiopian resident charity. This wide range of reported ‘issues’ in renewal of licences suggests further inconsistencies in interpretation of the law by Agency staff and also of their role and function.

5.10 **The state of networks: their perspective**

The findings suggest that, on the whole, networks have adapted to both the Proclamation and the implementation of the 70/30 guideline but with considerable costs to their activities and incomes. Of the 52 networks currently registered with the Agency 45 represent Ethiopian resident or foreign charities. In addition, within the sample, those which were due to renew their licences have gone through the procedure successfully. This suggests that on the whole networks are surviving. This is to a large extent supported by the evidence on funding and trends in membership.

When asked what benefits the legislation had brought, the overwhelming majority responded that there had been no benefits. On the contrary there had been a huge increase in the amount of time spent in communicating and negotiating with the Agency.

Overall, networks themselves see that their position has been eroded by the Proclamation and the guidelines have played a critical part in reducing their functions. Some interviewees suggested that, unless changes are made to recognise networks as having a separate and distinctive role, their usefulness will be seriously diminished. There were several comments suggesting that networks themselves were not good at working together and should try to operate as a group to make representation.
We should know that unless we stand in solidarity, we can’t make a meaningful dialogue and advocacy with the government and improve the environment in which we are operating.

However, in the main, interviewees commented that the rationale for the existence of networks had been taken away by the implementation of the law and guidelines. As the quotes below illustrate, diversion from their missions and the effective prohibitions on research, advocacy and monitoring and evaluation are seen as diminishing the role of networks.

The law and its 70/30 guidelines have made us a handicap and we are not functioning as an entity that has vision, mission and objectives because if we don’t undertake policy research and advocacy, monitoring and evaluation and capacity building we don’t see that our very existence is necessary. It looks like the government does not need our very existence.

The 70/30 guideline forced us to divert the very objectives of our formation as a network and imposed upon us…what was prescribed for networks like raising and channelling funds to members. This is tantamount to vision and mission diversion for us.

I don’t think we need networks for fund raising … as it can be done by one or two professional employees.

The legislation and the 70/30 guideline denied us operational roles and zipped our mouths not to speak (advocate) for ourselves…

Other comments focused on the selective and arbitrary implementation of the guidelines. However, the key issue is the lack of recognition of the activities of networks as operational and the effective reduction of networks to fund raisers. Some identified the results of this as reduced ability to serve marginalised groups, deliver on poverty reduction and the objectives of government policy.
6 Conclusions

Section 4 set out a broad understanding of the role of networks in civil society. This may be summarised as a number of criteria against which to judge the operation of networks in Ethiopia: to what extent are these activities being carried out by networks? Does the Proclamation enable or constrain these activities?

- Promoting and negotiating with government on behalf of members for an enabling environment for civil society
- Advocacy: using the evidence of member organisations to consult with government on development issues and to contribute to policy development
- Carrying out research and information gathering amongst members to inform policy development
- Capacity building for members
- Information exchange, experience sharing and knowledge transfer among members
- Quality control/regulation, monitoring and evaluation
- Fund raising

Comparing this list of core network activities against the findings of the research it is clear that networks operating under the present legislation, are carrying out all of these activities, but feel themselves constrained in their ability to do so and increasingly categorized merely as fundraisers. The key reason for the constraint is the operation of the 70/30 guideline which has only been operating in effect for one year but which places significant restrictions on the funding of networks. Further research is needed to determine whether or not the networks' predictions regarding funding and fund raising come to fruition. However, most networks report reductions in all activities with the exception of fund raising, as a result of the implementation of the 70/30 guideline and the lack of recognition of legitimate 'operational activities'.

However, what the findings also show is that there are serious inconsistencies in the legislation, in particular about what networks are allowed to do, what and for whom they can fundraise and how they should account for their activities. These inconsistencies have led to a large amount of confusion among networks about how the guideline on 70/30 is being interpreted and therefore what are legitimate activities and which are not. Similarly, there is evidence of inconsistent interpretation by the Agency.

There are also potential changes to the relationships with members and donors revealed by the research which may become more prominent if the guidelines on networks remain unchanged. Will membership decrease if the membership fees continue to be counted as an administrative cost, if networks are so strapped for cash that they fail to provide services for their members or if 'payments' to networks for fundraising eat into the costs of project administration for their members?

The findings also indicate a potential shifting relationship with donors. If donors continue to expect quality control and monitoring and evaluation to improve project implementation but the networks are unable to provide this, there may well be an impact on the survival rate of those networks increasingly dependent on a share of funds raised.
In summary, we are witnessing early signs of a changing trend in networks, which has both short term and medium term risks and ramifications for various stakeholders. These are set out in the table below.

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Short term risks/ramifications</th>
<th>Medium term risks/ramifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member CSOs (mainly resident charities)</td>
<td>Benefits of membership decline: members asked to increase membership fees and to carry out capacity building activities, which add to their own admin costs and may not have capacity</td>
<td>Value of networks lost (esp smaller, sector/issue focussed) as wider roles declines (coordination with others, dialogue with Govt, and support from donors)</td>
</tr>
<tr>
<td>Donors and main CS Funds (ESAP2, CSF and CSSP)</td>
<td>Value for money risk: networks no longer have resources to undertake capacity building, M&amp;E and knowledge sharing functions, so pass responsibility to members.</td>
<td>Donors and CS Funds turn to academic bodies and consultancy firms to deliver capacity building, M&amp;E and knowledge sharing UNLESS they can find a satisfactory way of justifying continued financial support to networks</td>
</tr>
<tr>
<td>Line ministries and regional governments</td>
<td></td>
<td>If more focused networks (most at risk) are weakened, Ministries/Reg Govt lose linkage to civil society and scope for improving policy and service delivery to hard to reach groups</td>
</tr>
<tr>
<td>Networks</td>
<td>Role increasingly reduced to funding proposals and representation</td>
<td>Cannot secure funding from donors (especially for smaller/more focused networks) as value for money risk becomes manifest. Lose membership as fundraising and other functions decline</td>
</tr>
</tbody>
</table>

At the close of the research period in May 2013 an interesting development regarding networks occurred which deserves to be reported. The Agency and a number of the networks met to discuss the establishment of a Federal Forum for Charities and Societies Affairs. This provisional title was adopted for a proposed Government/ Charities and Societies forum which would aim to:

… create a more enabling environment for their (CSOs) effective engagement in national development ..to serve as national representatives of charities and societies… and to put in place a foundation for the establishment the necessary arrangements guiding the interactions between members of Charities and Societies and the relevant organs of government…

The reported discussions indicate that the forum at federal level would be composed of networks representing all types of registered charities and societies. The Agency was said to be the instigator of the forum. This might suggest that there is now some recognition of the facilitating and advocacy role that networks provide in relation to their members. On the other hand, the Agency interest in the federal forum may be limited to a channel through which to cascade dissemination of guidelines and rules.

The recommendations detailed below if accepted and implemented would enhance the scope for networks to play a more active role in the federal forum and address the risks listed in the table above.
6.1 **Recommendations**

*For the Government/Agency*

Revision of the guidelines on networks and the 70/30 rules for networks to recognize their 'operational' activities and therefore the costs networks incur to enable them to carry out their legitimate activities and to present their accounts and plans in a clear and transparent manner.

Consultation and co-operation with the embryonic Federal Forum for Charities and Societies Affairs to ensure that revised guidelines are fair, workable, and enabling to allow networks to fulfil their designated aims and functions and promote achievement of the GTP.

Training for Agency officers to ensure that they understand the aims and nature of the work of networks and are able to interpret any revised guidelines accurately and consistently.

Consideration to be given to understanding the role that networks can play in improving policy and practice through consultation and constructive dialogue and to establishing sectoral policy fora in which networks representing CSOs can present research and the experience and evidence of their members to enhance achievement of the GTP.

*For networks*

Improved consultation and collaboration amongst networks, including support for the Federal Forum, to promote an enabling environment for all CSOs and to take forward meaningful and inclusive dialogue with Government on the role and activities of civil society.

Improved consultation and collaboration among networks working on similar development issues in order to present to Government well researched evidence on innovation and best practice to inform policy and promote achievement of the GTP.

Further research on networks and their operations and the understanding of donors, network members and Government of the functions and role of networks in civil society.

*For donors*

Improved understanding of the legal constraints within which networks are currently operating and therefore the ways in which funding is best channelled to achieve development objectives.
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Example of civil society networks operating in a national and global context: http://www.fdsd.org/what-we-do/civil-society-networks/#content


Annex

1 Questionnaire

Tracking Trends in Ethiopian Civil Society (TECS)

TECS is preparing a short research study on the recent experience of Networks with regards to the Proclamation and guidelines on civil society. We would be very grateful indeed if you could take a few minutes to answer the questions below. (Please just type in your responses). The study will set out the main arguments for Networks and describe the problems they have encountered since the implementation of the Proclamation and the guideline on 70/30. Please be assured that individual networks will not be named in the information bulletin. The target audiences for the information bulletin are: The Government, the Agency, donors and CSOs themselves.

Background information

- Name of the Network________________________________________________
- Name of respondent________________________________________________
- Phone # __________________________________________________________
- Position of respondent_____________________________________________
- Contact telephone number___________________________________________

1. Please describe the main characteristics of your network:
   - Types of member organizations (For/Res/Eth; ch/soc)
   - Organizational purpose of your network
   - Date you were established
   - Anything else?

2. Please describe briefly the key areas of activity of your Network before the Proclamation. Gathering information from your members (such as difficulties in complying with laws/guidelines)? Which of the following activities did you engage in?
   - Representing members at federal or regional Gov/CSO fora (eg. CSSWG, EITI Committee, regional fora, sector fora such as water and sanitation forum)?
   - Coordination with members and/or other networks?
   - Advocating for members on particular issues (for example)?
   - Engagement in policy influencing and advocacy?
   - Engagement in promoting an enabling environment for your members and the wider CSOs operations?
   - Sharing information with members, based on your role in representing or advocating on certain issues (how – newsletter, website, meetings, emails)?
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- Providing capacity building for members?
- Keeping and updating a database of members?
- Managing a library or resource centre for members?
- Fund raising for members?
- The advancement of human and democratic rights?
- Promotion of gender equality?
- Promotion of children’s rights?
- Promotion of the rights of people with physical disabilities?
- Promotion of the efficiency of justice and law enforcement services?
- Promotion of conflict resolution, reconciliation, and peace building?
- Promotion of equality of nations, nationalities and people?
- Promotion of equality of religion?
- Other activities – please specify

3. Please describe your current work after the Proclamation. Do you engage in any of the following activities:

- Gathering information from your members (such as difficulties in complying with laws/guidelines)?
- Representing members at federal or regional Gov/CSO fora (eg. CSSWG, EITI Committee, regional fora, sector fora such as water and sanitation forum)?
- Coordination with members and/or other networks?
- Advocating for members on particular issues (for example)?
- Engagement in policy influencing and advocacy?
- Engagement in promoting an enabling environment for your members and the wider CSOs operations?
- Sharing information with members, based on your role in representing or advocating on certain issues (how – newsletter, website, meetings, emails)?
- Providing capacity building for members?
- Keeping and updating a database of members?
- Managing a library or resource centre for members?
- Fund raising for members?
- The advancement of human and democratic rights?
- Promotion of gender equality?
- Promotion of children’s rights?
- Promotion of people with physical disabilities?
- Promotion of the efficiency of justice and law enforcement services?
- Promotion of conflict resolution, reconciliation, and peace building?
- Promotion of equality of nations, nationalities and people?
- Promotion of equality of religion?
- Other activities – please specify?

4. In your opinion what are the key adjustments that you have made?
5. Which of these adjustments were planned or intended and which ones were not?

6. How easy or difficult was it to make any of the intended and unintended adjustments? And what opportunities did you come across and what challenges did you face in the process of making the adjustments?

7. Please describe your experience of complying with/trying to comply with the 70/30 guideline. (Interviewer to capture the Network’s understanding of the Agency’s ruling re operational/admin and also understanding of the ruling regarding the split of funds raised by the Network for member organizations)

8. Has your level of funding increased or decreased since the Proclamation? Please insert the level of income you received for the following years.

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>Projected income 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
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</tbody>
</table>

9. Has your Network had to downsize or take additional measures to reduce expenditure since the implementation of the Proclamation or any of the guidelines? Please describe your experience briefly.

10. Has your membership increased or decreased? Please insert the membership number for the relevant years.

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
</tbody>
</table>

11. How would you explain any increase or decrease in membership?

12. If you fund raise on behalf of members does your Network receive a percentage of the money and if so, what percentage and how is this calculated?

13. Have you recently succeeded in renewing your license with the Agency [for networks which were set up in 2009 or earlier]?

14. If not, what problem are you facing?

15. Do you know how many of your members have been able to renew their licenses (of those who were re-registered with the Agency when it was set up in 2009)?
Number of members registered in 2009 ________________
Number of members registered in 2013 ________________
Number of members failing to renew their license in 2013 ________________

16. What if any challenges are members facing over renewal of licenses?

17. What increased role or role diversification has this Network/Consortium got as a result of the Charities and Societies Legislation?

18. What critical operational challenges are you facing as a result of the Legislation?

19. What coping mechanisms have you put in place to overcome these operational challenges?

20. Anything else you would like to supplement?

Thank you!
2 Terms of Reference

Tracking Trends in Ethiopian Civil Society (TECS)

Research on the Impact of the Proclamation and Guidelines on Networks

Draft Terms of Reference

6.2 Background to the TECS Project

At the High Level Forum between the Government and donor representatives, it was agreed that joint periodic reviews of the impact of the Federal Proclamation on Charities and Societies (PCS) should take place. In order to establish robust evidence on which to base informed and constructive dialogue, it was agreed to develop a project (Tracking Trends in Ethiopia’s Civil Society (TECS) that would track the developments of and in the sector and enhance implementation of the Proclamation and subsequent guidelines. As a result, a Joint Project Memorandum was prepared by the Civil Society Sector Group (CSSG) of the Development Assistant Group (DAG) to be the basis for the Tracking Trends in Ethiopia’s Civil Society (TECS) project.

A key concern of stakeholders was how the Proclamation would actually be interpreted and applied, whether or not it would foster the expected enabling environment and whether it would allow a constructive role of various forms and types of civil society organizations (CSOs) in the Government’s Growth and Transformation Plan (GTP), poverty reduction, the Millennium Development Goals (MDGs) and democratization processes. Hence, the purpose of TECS is to create a conducive and enabling environment through supporting research, dialogue and publication on emerging issues and trends in Ethiopian civil society sector, including those arising from the implementation of the Proclamation on Charities and Societies.

Background to Networks

The Proclamation P621/2009 set a precedent in terms of providing a legal identity for networks (also known as consortia) of charities and societies. This was widely regarded at the time as one of the positive aspects of the Proclamation.

However, other aspects of the Proclamation set limitations to the operations of networks. For instance, networks were only permitted to include members of either locally funded CSOs (ie Ethiopian charities and societies) or foreign funded CSOs (ie Ethiopian resident charities and societies, and foreign funded charities), but were not allowed to have members from both categories. Insofar as networks engaged in operations, they (like their member organizations) were equally obliged to comply with the “90/10” rule, which meant that networks of resident and foreign charities and societies were not permitted to work in certain restricted areas (human rights, democracy, conflict and others).
Understanding the impact of the 70:30 Guideline on Networks

Networks have been most challenged by the “70/30” rule on operational and administrative expenses. According to the guideline on this issue, consortia and networks are not permitted to have operating costs because they are not meant to be project implementers.

In effect, the rules set out in the guideline reduce the role of networks to an administrative function. Networks claim that their role is far broader than a purely administrative role: it involves coordination, representing members, sharing information, and building capacity among their members. These tasks require specialised skills and a due supervisory process. TECS research on the 70/30 guideline found that networks uniformly stated they are no longer able to undertake most of the activities they were established for and that this guideline puts their very existence into question.

TECS research into 70/30 identified the early impact on a sample of networks. It was not clear at that stage whether networks would find a satisfactory way of adapting to the guideline without losing their wider role. There are two main reasons for carrying out a rapid research study of networks at this stage.

Firstly, we wish to understand the full impact of the guideline on networks at a time when a) they have gone through another year of adapting to the guideline; and b) many will have gone through the process of renewing their licences (and some may have failed to renew their licences due to the inability to comply with the 70/30 or other guidelines).

Secondly, given the growing challenges in the operating environment for civil society, the wider role of networks is crucial in providing a mechanism to gather and synthesise member organisations’ issues and concerns and to represent member organisations at various dialogue fora (the Charities and Societies Sector Working Group and others, both formal and informal). We wish to know if there are any networks still able to play this role (and how), or whether they have simply become mechanisms for passing funding from donors onto their member organisations.

Purpose

The overall purpose of this research is to understand the full impact of the Proclamation and its guidelines, particularly the 70/30 guideline on networks, both in terms of their ability to adapt and their ability to play a wide role in terms of coordination, representation, sharing information and capacity building.

Objectives:

The specific objectives are:

1. To identify the extent to which, and the ways and means by which networks have adapted to the guidelines, in particular the 70/30 guideline.
2. To identify what roles networks used to play before the implementation of the Proclamation and its guidelines particularly the 70/30 regulation, and the roles they are now able play under the current legislation.

3. To identify the problems, challenges and opportunities faced by networks in their attempts to adapt to the current legislative environment.

4. To understand the concerns and issues of networks regarding the civil society operating environment, particularly pertaining to their own beneficiary/member organisations.

5 To make a short synthesis of what role Networks play in other countries in order to identify lessons learned.

6. To propose recommendations to enable networks to play a full role in supporting their members in becoming more effective civil society organisations.

**Outputs**

1. A concise policy brief, maximum 20 pages excluding annexes, outlining key findings and recommendations.
2. Presentation of the findings and recommendations in the policy brief, with civil society, government and development partner stakeholders.

**Approach and Methods**

The research will use quantitative and qualitative research methods and analysis. The main research tool, a questionnaire, will include structured (closed) and semi-structured (open-ended) questions. The closed questions will be analysed quantitatively. The open questions will be analysed qualitatively. Case studies of specific networks experiencing challenges will be included in the analysis.

Given the relatively small number of networks and the importance in fully understanding their changing role, it is desirable and feasible to include a significant proportion of the overall number registered in the sample. Interviews, based on the questionnaire, will be undertaken with a sample of networks registered in Addis Ababa, to ensure a range of different types of networks according to: type of member organization, size and sector. The target sample size will be 20-25, depending on the range of types of networks identified.

**Timing**

The research will be carried out between April and May 2013.

The research team will prepare a work plan and questionnaire.

**Profile of research team**

TECS proposes a team of three members:
Impact of the Proclamation on Consortia

• Team Leader: with a background in civil society, the regulatory framework and research. He or she will design the questionnaire, carry out some interviews in order to adapt the questionnaire and train the assistant, write the report and present the findings
• Senior Researcher: with a background in civil society and research; preferably with experience of working with networks. He or she will undertake most of the interviews and write up detailed notes from each meeting.

Tasks for Senior Researcher

The Senior Researcher will be required to:

• Provide comments/advice on the questionnaire tool and approach
• Identify a suitable sample of consortia/networks to interview, including the larger networks and some smaller organizations, in order to provide a balance in terms of type and sector of focus (and including the larger networks which are regionally based)
• Hold interviews with all networks identified in the sample (or telephone interviews/email in the case of more distantly located networks)
• Write up the notes from telephone interviews, following the questionnaire format
• Give comments and input to the report, which will be drafted by the Team Leader.
• Contribute to the dissemination of the report findings
• Advise and engage on dialogue arising from the findings, in collaboration with the TECS team

Management of research process

The TECS team will guide and supervise the research team at all stages of the research. The CSSG will be the main recipient of the findings and advise on how to take forward findings and recommendations. Given the prominent role played by the network CCRDA, the Team Leader will liaise with CCRDA at an early stage, in order to identify any particular issues and the advocacy potential for this research. The CSSG and other stakeholders will provide inputs at the dissemination workshop.