

Organizational Capacity Assessment and Budget Review Report

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Background



- EDTF was established to mobilize the donations of the Ethiopian Diaspora
- The fund is channeled for high impact and priority social and economic development projects
- EDTF Secretariat had launched its first call for project proposals in July 2019
- Call for proposals aimed of financing need based, high impact and replicable projects
- 410 proposals submitted, of which 242 proposals passed the primary eligibility and compliance check
- Pool of volunteers from Ethiopia and the Ethiopian Diaspora have conducted project review
- 22 proposals shortlisted for in-depth organizational capacity assessment and budget review

About the Assessment Team

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- EGA Management and Financial Solutions PLC was established in 2015
- Major service areas include
 - Business/Organizational Assessment and Reform/Restructuring
 - Strategy design, development, review and implementation support
 - Policies, procedures, systems design/review
 - Training and development
 - Project design/management support including proposal development, budgeting, conducting due diligence, partners selection & evaluation, reporting, etc.
 - Technical support to merger, acquisition and liquidation
 - Business/Organizational Feasibility plan and study

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- Major clients include Bi-lateral organizations, NGOs, Private companies
- Assessment team composed of 8 members divided into 4 teams
- Each team has one organizational development and one financial management expert
- All teams members have 2nd degree and above level of relevant academic qualification with over 20 years of experience each
- Team members worked for government, private companies, NGOs, UN Agencies, Academic Institutions, etc. both in-country and overseas
- Most team members have solid experience in conducting OCA
- Two members were part of the voluntary project review teams

Objectives of the Assessments



- 1) Conduct in-depth organizational capacity assessment
- 2) Review budget proposals submitted
- 3) Provide recommendations to the EDTF Board of Directors (BoDs)

a) Organizational Capacity Assessment

1. Verify whether the applicants have the required technical capacity and experience to implement the proposed project
2. Assess the applicant organizations' governance, management and administrative procedures as well as existence of accountability mechanisms
3. Assess the financial management, control mechanism, accounting systems and practices of applicant organizations

b) Budget Review

1. Review the completeness of the budget proposal and coherence with proposed project activities
2. Assess the bases for budget estimates and evidence of realistic costing of goods and services (e.g. credible primary or secondary market data used for budgeting)
3. Evaluate the proportion of direct and indirect costs and the rationale for the distribution
4. Validate coherence of budget with organizational, regional or national finance rules and regulations.

1) Review of key organizational documents, policies, procedures and systems

- Strategic Plan documents
- Organizational Structures
- Financial Management Policy
- Human Resources Management Policy
- Property Management Policy
- Sample personal files
- Organizational and project audit reports
- Project reports, etc.

2) Interview with grant applicants' leadership, management and staff

- Board of Directors
- Executive Directors/Managers of the main and co-applicants
- Head of programs
- Head of Finance
- Head of HR
- Head of Operations
- Key finance, HR and program staff

3) Meetings with various stakeholders

- Government counterparts
- Partners
- Beneficiaries
- Donors

4) On-site visits

- Visited 11 projects(ongoing and completed) being implemented/implemented by the applicant/s.

Limitations

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The assessment is constrained by:

- Delay in contract signing (contract signed on January 16, 2020 though the work was supposed to start on January 13)
- Failure to pay 1st installment which forced the consultant to use own resources
- Limited number of assessment days (total 10 working days ONLY) to conduct detail assessment
- Only 50% of the grant applicants' past or current projects visited due to time constraint
- Frequently changing service request and communication by EDTF

Major Assessment Results

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1. Organizational Capacity Assessment

a) Key Strengths

- With the exception of two, all applicants have a valid **Strategic Plan** indicating their vision, mission, strategic objectives
- All applicants (except one) have organogram showing both the governance (General assembly and Board) and management structure
- The composition of most of the applicants Board members shows that they have diversified and relevant education qualifications and experiences to provide guidance and support to the management
- Most of the management staff of the applicants have strong project cycle management, partnership management, Networking, Fund raising knowledge and skill

- All applicants, although they are at different levels, have basic organizational policies and systems in place
- Regular organizational and project audits conducted and filed by all applicants; No major findings with the exception of few
- Most applicants implement projects in hard to reach locations of the country. e.g Benishangul, Afar, Somali, Gambella
- The proposed projects target marginalized and vulnerable groups including (women, Persons living with HIV/AIDS, person with disabilities, children and Elderly)

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- All of the applicants maintain organizational accounts using computerized financial system; Financial transactions are managed through banks
- In all organizations, financial transactions are reviewed and approved by different staff; At least two signatories for bank accounts
- All applicants have strong working relationship with the local community, government, other development actors, etc.
- Almost all applicants have strong presence in their respective communities

b) Major Improvement Areas

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- Strategic plan documents of some applicants are incomplete and not finetuned
- Few applicants don't have Terms of Reference, code of conduct and conflict of interest statement to guide their BoDs behavior and actions while serving the organizations
- Most applicants don't have formally instituted and board-approved ToR for their senior management team
- Bylaws of most applicants are not well contextualized to their mission and vision; Lack clarity and consistency as well
- Except the senior management staffs, other staff members are less informed and oriented about SP

- Human Resources Management and Financial Management policy manuals of most organizations found to be outdated, incomplete and substandard
- Except few, most applicants do not conduct staff training need assessment and deliver purposeful staff development programs
- The staff performance management policy and practices of all applicants is found to be weak
- With the exception of few almost all applicants do not have electronic HR database
- Most, except few, applicants have program intervention quality Standards to plan and measure their interventions and service delivery

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- Most applicants, with the exception of few, do not have key policy manuals such as Program Quality Standards, Resource Mobilization, Sub-grant Management, Communication, Knowledge Management, Gender/Social Inclusion, and Safeguarding
- Except few, quite a number of applicants have weak Internal control systems and poor segregation of duties
- Except few, most of the applicants do not identify, document and disseminate their success stories and organizational learning
- Most applicants do not have structured annual program review meetings

2) Budget Review

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a) Key Strengths

- Many applicants prepared proposal budgets in reference to professional estimates (engineering), market price and historic records
- The proportion of program cost to overhead cost of most applicants found to be very good (4%-15% overhead)
- Most applicants, except very few, have allocated and committed matching fund for the project
- Project budgets are prepared based on strategic/project plans and jointly by program, finance, and administration staff

b) Major Improvement Areas

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- Few applicants couldn't substantiate their budget and costing process with evidences
- Few of the applicants' overhead cost found to be high (18%-24% overhead)
- Some of the applicants have not yet received a written commitment from institutions contributing the matching fund
- Few organizations have allocated small proportion of matching fund as low as 2% of the total project budget

Conclusion

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- The overall Organizational capacity assessment and project budget review result have shown that most of applicants have basic organizational capacities and also the project budgets submitted can be accepted with few modifications
- In addition to the results of its assessment, the Consultant found that the proposed projects are need-based, high impact and replicable
- Most of the proposed interventions are innovative problem-solving approaches that offer realistic, tangible, provide lasting solutions to critical social problems of the target groups.

Recommendations

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Grant Award decision

We recommend to award all applicants ranked from 1-21 as shown in the assessment score and ranking table with the following preconditions.

- The applicants to amend their budget estimates, match contributions and documentation of commitments as applied to their respective findings as stated in the observation section of this report and detailed individual budget report submitted.
- The applicants to commit to address the major findings of the organizational capacity assessment observations listed in the individual applicants report. The applicants should submit their action plans within two weeks of signing the project agreement. The priority areas to include Strategic plan, Finance staff capacity and Internal Control.

- EDTF to support the applicants to address the major organizational capacity assessment observations.
- The applicant organizations should report to EDTF confirming they have addressed the major areas for improvements within the first two quarters of the project implementation period.
- EDTF should organize a short (2-3 days) training program on the roles and responsibilities of each partners (EDTF and Applicants(implementers) and EDTF expectations including Financial management, accountability, transparency, reporting requirements, monitoring, etc.
- EDTF to institute strong monitoring and reporting system to track progress and compliance by all applicants/Implementing organizations.

Proposed Future Considerations

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The consultant would like to suggest the following issues to be addressed in EDTF future calls

1. Allow sufficient time to screen, shortlist and evaluate capacities and budget review of applicants.
2. Ensure clear understanding of the selection criteria by all volunteers/professionals responsible for selection.
3. In order to be focused and better competitive, the calls should be categorized by specific development sectors. For example one call can be on Governance only, the subsequent call can be Peace building, National Election, Human rights, etc. This way the calls can be also responsive to our country's current situation.