



**AN IMPACTASSESSMENT OF THE GLOBAL FINANCIAL CRISIS ON DONOR  
FUNDING TO ZIMBABWEAN NON-GOVERNMENTAL ORGANISATIONS AND  
RECOMMENDED STRATEGIES FOR SUSTAINABILITY**

**BY**

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## DECLARATION

I, **Itai Mazambani** do hereby declare that this dissertation is as a result of my own investigation and research, except to the extent indicated in the acknowledgements, references and by acknowledged sources included in the body of the report, and that it has not been submitted in part or in full for any other degree to any other University or College.

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## **DEDICATION**

To Shingirai, Alex, Ayden, Jayden and my beloved parents, Todd and Irene.

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It is a pleasure to acknowledge the advice and assistance of experts who have reviewed this dissertation. Particular thanks are due to Dr. Shepherd Bhero for the time and unwavering dedication he took in guiding this dissertation, Shingirai Mazambani my beloved wife for the inspiration and moral support.

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## ABSTRACT

This study assesses the impact of the global financial crisis on the inflow of donor funding to non-governmental organisations (NGOs) in Zimbabwe. NGOs have been instrumental in improving the livelihoods of many needy people in Zimbabwe. A variety of interventions have been made by NGOs in Zimbabwe. The financial woes that bedevilled the country from the late 1990's have ushered in tremendous hardships in Zimbabwe and NGOs mostly funded by donors from Western countries have brought some kind of relief to some communities. Over the years NGOs in Zimbabwe have been dependent solely on aid. In the wake of the global financial crisis, most Western economies are experiencing economic difficulties as well, resulting in diminishing donor funding to NGOs in Zimbabwe. The study sought to explore the mitigating measures that NGOs can adopt in order to not only 'weather the storm' but invent self-sustaining initiatives that could ultimately reduce donor dependence. From primary data of NGO funding in Zimbabwe between 2007 and 2012, it was established that there has been a significant reduction in donor funding inflows to the NGO sector in Zimbabwe as a result of the global recession. Almost all but one NGO heavily rely on donor funding for their operations.

The study further revealed that only five of the respondents engage in some local fundraising efforts otherwise the rest are deeply entrenched in the 'begging bowl' dependency syndrome. While there is no evidence of recovery from the recession in the Western World, the Eastern bloc where economies such as China, India and Japan appear to be less affected by the economic crisis. China for example boasts the fastest growing economy and arguably slowly overtaking the United States in becoming the world biggest. However, the study reveals that there is no donor funding emanating from the economic giant.

The study recommends that NGOs are managed the same as conventional businesses. They should have strategies to raise revenue. This can be by way of 'selling' consultancy services, setting up retail and manufacturing businesses, farming and enhanced fundraising from individuals and the corporate sector.

# TABLE OF CONTENTS

DECLARATION		i
DEDICATION	ii	
ACKNOWLEDGEMENTS	iii	
ABSTRACT	iv	
TABLE OF CONTENTS	v	
LIST OF ABBREVIATIONS AND ACRONYMS		viii
LIST OF FIGURES	ix	
LIST OF TABLES		x
<b>CHAPTER ONE</b>	<b>1</b>	
<b>1.0 INTRODUCTION</b>		<b>1</b>
1.1 Background		1
1.2 Research Problem		4
1.3 Research Objectives		5
1.4 Research Questions		5
1.5 Scope of Research		6
1.6 Ethical Issues		6
1.7 Limitations of the Study		7
1.8 Structure of the Dissertation		7
1.9 Chapter Summary		7
<b>CHAPTER TWO</b>		<b>9</b>
<b>2.0 LITERATURE REVIEW</b>		<b>9</b>
2.1 Introduction		9
2.2 Main features of the Global financial crisis		9
2.3 Impact of the Global financial Crisis on African economies		11
2.4 Impact of the global financial crisis on aid		14
2.5 Governance and Aid		21
2.6 Effects of Sanctions on socio-economic development aid		23

2.7	Nature and Role of NGOs	24
2.8	What constitutes aid?	26
2.9	Trend of aid flow in past 10 years	27
2.10	Sustainability and Alternative Strategies	28
2.11	Chapter Summary	32
<b>CHAPTER THREE</b>		<b>34</b>
<b>3.0</b>	<b>RESEARCH METHODOLOGY</b>	<b>34</b>
3.1	Introduction	34
3.2	Research Design	34
3.3	Research Strategy	34
3.4	Data Collection Methods	35
3.5	Population and Sampling Techniques	37
3.6	Research Analysis Procedure	38
3.7	Research Limitations	38
3.8	Chapter Summary	39
<b>CHAPTER FOUR</b>		<b>40</b>
<b>4.0</b>	<b>RESULTS AND DISCUSSION</b>	<b>40</b>
4.1	Introduction	40
4.2	Response Rate	40
4.2.1	Respondents by Sector	40
4.2.2	Years of operation	41
4.2.3	No of donors – Single or Multiple	42
4.2.4	Nature– Local or International	42
4.3	Impact of the Financial Crisis on Funding	43
4.3.1	Percentage of Respondents that experienced donor funding reduction	43
4.3.2	Impact of the Reduction to Operations	44
4.3.3	Sustainability Without Foreign funding	45
4.3.4	Major challenge in attracting donor funding	45

4.3.5	Percentage of respondents engaged in Local fundraising initiatives	46
4.3.6	Budget Reduction Experienced between 2007 and 2012	47
4.3.7	Percentage of Foreign Funding	50
4.3.8	Percentage of local funding	50
4.3.9	Percentage of Donor Funding from Eastern Countries like China	51
4.3.10	Chapter Summary	51
<b>CHAPTER FIVE</b>		<b>53</b>
<b>5.0</b>	<b>CONCLUSION AND RECOMMENDATIONS</b>	<b>53</b>
5.1	Introduction	53
5.2	General Conclusions	53
5.4	Recommendations	54
REFERENCES		59
APPENDICES		66



## **LIST OF ABBREVIATIONS AND ACRONYMS**

AFDB:	African Development Bank
ARV:	Anti-Retro Viral
CPA:	Country Programmable Aid
DAC:	Development Assistance Committee
DFID:	Department for International Development
FDI:	Foreign Direct Investment
GDP:	Gross Domestic Product
ILO:	International Labour Organisation
IMF:	International Monetary Fund
MDGs:	Millennium Development Goals
NANGO:	National Association of Non-governmental organisations
NGO:	Non-Governmental Organisation
ODA:	Official Development Assistance
OECD:	Organisations for Economic Cooperation and Development
OVC:	Orphaned and Vulnerable Children
PVO:	Private Voluntary Organisation
UN:	United Nations
UNDP:	United Nations Development Programme
UNICEF:	United Nations Children's Fund
USAID:	United States Agency for International Development
VHSSP:	Vital Health Support Programme
WTO:	World Trade Organisation
WHO:	World Health Organisation

## LIST OF FIGURES AND TABLES

<b>Figure</b>	<b>Page</b>
Figure 4.1: Distribution of Respondents by Sector	40
Figure 4.2: Years of operation in Zimbabwe	41
Figure 4.3: Percentage Local or International	43
Figure 4.4: Percentage that have experienced reduction in donor funding	43
Figure 4.5: Impact of Decreased Funds on Operations	44
Figure 4.6: Major Challenges in attracting donor funding	46
Figure 4.7: Percentage of Respondents engaged in local activities	46
Figure 4.8: Budget Reduction Experienced in 2008	47
Figure 4.9: Budget Reduction Experienced in 2009	48
Figure 4.10: Budget Reduction Experienced in 2010	48
Figure 4.11: Budget Reduction Experienced in 2011	49
Figure 4.12: Budget Reduction Experienced in 2012	49

## **LIST OF TABLES**

Table 4.1 Response Rate	40
Table 4.2 Local Funding of NGOs between 2007 and 2012	51

# CHAPTER 1

## INTRODUCTION AND BACKGROUND SETTING

### 1.0 INTRODUCTION

The growing influence of non-governmental organisations (NGOs) in development interventions in recent years in Zimbabwe reflects the state's incapacity to ensure the social well-being of its population. This has been largely as a result of the financial woes that bedevilled the country from the late 1990s to date. The government of Zimbabwe has not been capable of fulfilling its obligations. The height of this meltdown was between 2006–2008 where the hyperinflationary environment eroded the income levels of the working population. Many companies closed shop, the standard of living plummeted. The economy experienced high levels of hyperinflation, a decline in social development compounded by high unemployment of more than 90%. NGOs have demonstrated their usefulness to local development through their local activities. It is evident that, however, NGOs lack a stable financial base and have to rely on donor funding primarily from Europe and the USA.

### 1.1 BACKGROUND

The global financial crisis was triggered by the bursting of the United States housing bubble in 2007 and the after-effects of this are now being felt throughout the world. Western sources of funding for NGOs saw their assets decline by almost 22 per cent due to the economic meltdown. Consequently, there was a substantial drop in NGO funding as respective donors began to cut down on their contributions (IRIN, 2009). The World Bank has prepared a number of studies to discuss the impact of the crisis on developing countries' economies, especially on poverty alleviation and education (World Bank, 2008). Developing countries are expected to be negatively affected by the crisis in the form of declining demand for their exports, reduced investment (including FDI), shrinking remittances, and reduced development assistance (World Bank, 2008). This in turn will negatively

affect growth, tighten national budgets, increase unemployment, and reduce household incomes (World Bank, 2008). The global financial crisis was greatly exacerbated by the 'unscrupulous' behaviour of the major banks. This inevitably made the position of any country that had borrowed money worse off. Countries in the Sub-Saharan region including Zimbabwe were largely insulated from the initial stages of the financial crisis as the majority of the countries in the region are de-linked from the international financial markets (Bakrania & Lucas, 2009). However, with the worsening of the global financial crisis, the region as a whole has now been exposed to the downturn, and growth forecasts have been constantly dropping from 5% in 2008 to 1.7 % in April 2009 (IMF, 2009).

In light of the above, like many African countries, Zimbabwe relies on aid for social welfare in areas such as hunger relief, diseases treatment /prevention and community development. As an example in Zambia, overseas aid has played an important role. Green (2009:1) states that 'in 2006, with support from donors, Zambia made health care free for all in rural areas, providing free anti-retroviral treatment for people with HIV'. In Zimbabwe NGOs have been pillars of community development and poverty alleviation over the past decade. Attempts are made by many NGOs to be financially more self-sufficient, but overall, they continue to be financially dependent on external donors. The current financial crisis has been a 'wake up call' for NGOs in Zimbabwe as there have been significant reductions in donor funding. Donors have cut funding for programs due to the financial crisis (Nordling, 2009). NGOs approach to community development is that those receiving assistance become sustainable, so that they do not receive aid in perpetuity. Paradoxically, NGOs themselves rely on donor funding year in and year out. It would therefore appear that NGOs in Zimbabwe expect their beneficiaries to attain sustainability and yet the NGOs themselves display a dependency structure to donors.

In Zimbabwe, NGOs need to comply with the Private Voluntary Act (PVO), the Labour Act and the Finance Act. The regulatory environment does not prohibit NGOs from generating revenue. The Private Voluntary Organisation Act (Chapter 17:05, 1996) stipulates that a non-governmental organisation is one that is not

driven by profit. NGOs are philanthropic centred and their mandate and activities are designed to benefit the society. Registration as an NGO should reflect the non-profit making status. The terms non-profit, charitable and non-governmental organisations will be used interchangeably to refer to the same thing in this research. Not for profit implies that such organisations are not permitted to make profit from what they do, however there is no legislation that prohibits the generation of revenue. The NGO status describes the non-affiliation to any government departments and NGOs are generally formed voluntarily. In most cases they depend on donations for resources to perform their tasks. Sources of donations include the corporates, community, and fiscal budgets of the governments where the NGOs are domiciled or operate from, as well as foreign governments, foundations and businesses.

Due to the economic meltdown in Zimbabwe, the government and business community have not been able to support NGOs. The major donors have predominantly been from European and North American countries. Donor funding consistently flowed to Zimbabwe as the world realised the plight of Zimbabweans. A donor dependency syndrome over the years developed in the mind-set of Zimbabweans albeit unconsciously.

Many NGOs' strategic initiatives have been affected by the reduction of funding from the West. The impact of programmes is compromised as there is no adequate funding. In Zimbabwe the socio-economic situation has been largely supported by NGOs. Many hunger relief and health programmes are implemented by NGOs. There is concern however that the current financial crisis seems to endanger the sustainability of many NGOs operating in the country as historically funding has been forthcoming from the donor countries particularly in Europe and the USA. The economic crisis has caused a definitive strain on budgets all around the world. According to Voelker (2010) the global financial crisis has negatively affected the ability of international donors to provide funding in the fight of HIV/AIDS.

In 2011, members of the Development Assistance Committee (DAC) of the OECD provided USD133.5 billion of official development assistance (ODA), representing 0.31 per cent of their combined gross national income (GNI). This was a -2.7 % drop in real terms compared to 2010, the year it reached its peak. This decrease reflects fiscal constraints in several DAC countries which have affected their ODA budgets (OECD, 2012). The past 15 years saw dramatic successes in the fight against HIV. Between 2001 and 2009, funding increased almost nine fold(OECD, 2012).The international response to HIV is shrinking and commitments are uncertain because of the global economic crisis, change in donor policies and more recently the global financial crisis has compounded the situation.

The sovereign debt crisis in Europe has led to reductions in government development aid to developing countries (Doyle, 2012). Spain and Greece are the most affected and this has been reflected by a high percentage cuts in the year 2010/11. Doyle (2012) states that Europe as a whole reduced aid by 1.5%.The casualties of Europe's financial crisis are unfortunately the world's poorest people. The austerity measures introduced in Europe are negatively impacting the continuity of life-saving aid programmes (Doyle, 2012). In the year 2010-11, Spain cut its aid budget - the sixth largest in Europe - by nearly a third. Although Greece's programme was not much this was reduced by 40% (Doyle, 2012).

Over the last decade the trend has been for donor funding to increase in response to the rising numbers of people in need of assistance. With the current crisis, it is evident that aid will be slashed as many European countries and the USA divert more resources to mending their own ailing economies. European countries account for just over half of all global official development assistance and therefore the European financial crisis clearly indicates a huge reduction in aid.

## **1.2 RESEARCH PROBLEM**

NGOs in Zimbabwe are heavily dependent on donor funding from Europe and North America. The global recession has seen a dwindling flow of aid from developed countries to Zimbabwe.Major donor aid to developing countries fell by nearly 3% in 2011, breaking a long trend of annual increases in funding (OECD,

2012) this was the first drop since 1997. UNAIDS notes that the global economic crisis appears to have put an end to a decade of continued funding by donors – starting in 2009, for the first time in 2010, AIDS assistance fell by 10 percent ([www.hivaidszimbabwe.org](http://www.hivaidszimbabwe.org)). Continuing tight budgets in OECD countries have exerted pressure on aid levels. Manyeruke (2012) reiterates that “the amount of aid to Zimbabwe is declining because the main sources of foreign aid are countries in the North such as, Germany, United Kingdom, France, Norway, United States, Canada, and Denmark that have been affected by the global financial crisis”. The NGO sector has developed a ‘begging bowl’ syndrome and heavily dependent on donors for sustenance. In the wake of the financial crisis, the flow of donor funding may come to a halt and the survival of many poor communities and people will be under serious threat. Donor funding is very critical for relief, community development and fighting against diseases such as HIV/AIDS, tuberculosis and malaria which are a menace to the poor people in Zimbabwe. The repercussions of unavailability of donor funding can be calamitous and the effects quite far-reaching. Poor communities in Zimbabwe will probably suffer from hunger and malnutrition. Without aid, critical drugs like ARVs will not be available for those affected by HIV/AIDS. Donor funding is central for fighting diseases such as malaria and tuberculosis, since the Zimbabwean government does not have enough financial resources for health care.

### **1.3 RESEARCH OBJECTIVES**

The following are the objectives of the research:

1. To establish the level of donor funding before and from the onset of the global financial crisis.
2. To establish the NGO initiatives in local fund raising and the proportion of total budget.
3. To determine current challenges faced by NGOs in attracting donor funds.
4. To recommend possible measures that may reduce NGO dependence on foreign donor funding.
5. To recommend alternative sources of donor funding.



## **1.4 RESEARCH QUESTIONS**

1. What has been the impact of the global financial crisis on donor funding?
2. What percentage of funding is foreign and local?
3. What are the challenges faced by NGOs in attracting donor funding?
4. How sustainable are non-governmental organisations without foreign funding?
5. What percentage of donor funding comes from Eastern Countries like China?

## **1.5 SCOPE OF RESEARCH**

The research focused on the entire NGO sector in Zimbabwe at large. Restricting the research on one NGO may bring biased results. Therefore a representative sample of international and local organisations was used for the research. NGOs operate in various spheres, for example peace and human rights, community development, health, education and children's rights. The research covered NGOs from the various areas identified above. The country offices/ head offices of many NGOs are in Harare and therefore the research was conducted in Harare covering different types of NGOs. The global financial crisis gripped the world in 2008 and the study covered the period starting from 2008 to 2012. However, the period prior to 2008 will be considered to understand any significant changes which were induced by the global financial crisis.

## **1.6 ETHICAL ISSUES**

The primary ethical issues in research involve fabricating, falsifying, or misrepresenting research data. It is important to guard against such practices as they do not reveal the truth. Ethical issues also include trust, privacy, accountability, mutual respect, and fairness. For example some respondents may require privacy. Such preferences by respondents must be respected in order not to infringe on the rights of respondents. Society is likely to participate in research if they can trust the quality and integrity of research. Failure to comply with ethical practices can lead to a decline in standards and quality of research.

## **1.7 LIMITATIONS TO THE STUDY**

NGOs are not required by law to publish their accounts. It was difficult to obtain access to the financial statements in order to determine year on year donor funding received. There was also reluctance by NGOs to share information which they may deem confidential. Executives were too busy to respond to the questionnaires.

## **1.8 STRUCTURE OF THE DISSERTATION**

The dissertation is organised progressively into chapters dealing with specific aspects of the study. Chapter one provides an in depth introduction to the field of study, the background, research problems, objectives of the study, research questions, and scope of the study. It also includes relevance of the study to the researcher. Chapter two is a review of underpinning academic literature in the area of the study. This section taps on the existing body of knowledge. The literature is synthesized in order to understand the global financial crisis, the operating nature of NGOs and the reliance on donor funding.

Chapter three outlines the research methodology. This covers the techniques that were employed by in a bid to establish valid results. The methodology includes the design of the research, population and sampling techniques. This chapter also covers methods of data collection methods and the procedures of the research. Chapter four presents the research findings as well as a comprehensive analysis of the results. The results of the research are presented, analysed and discussed and this chapter forms the basis of the conclusions and recommendations in chapter five. Chapter five is the concluding chapter and it presents the wrapping up and recommendations. The last part of the dissertation includes the references and the appendices incorporating the research instruments used in the research to gather information for the research.

## **1.9 CHAPTER SUMMARY**

The first chapter is an introduction and cutting edge build-up of the background of the subject area. It also highlights the key research problem that the research

intended to address. The research objectives driving the research as well as the relevant research questions that attained the results are part of this section. Chapter One also covers the scope and limitations of the research. Ethical issues relevant to the field of research are also discussed.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.0 INTRODUCTION

This Chapter reviews the theoretical and empirical principles underpinning the global financial crisis, what constitutes donor funding and how NGOs operate. It reflects on some of the key concepts, issues, debates, perspectives and observations on how the financial crisis has impacted on the flow of donor funding to developing countries with a special focus on Zimbabwe by interrogating existing knowledge. The chapter's arrangement is such that it gives perspective of the global financial crisis, focusing on the causes and the subsequent ripple effects on the global economy. This Chapter explores the growing distress for donor funding as a result of the current global financial crisis and possible mitigating measures, with particular emphasis on NGOs in Zimbabwe.

#### 2.2 MAIN FEATURES OF THE GLOBAL FINANCIAL CRISIS

The global financial crisis which started in 2007 has its roots in the sub-prime mortgage business in USA (Manyeruke, 2012). The crisis has been referred to as the worst from the time when the world experienced The Great Depression of the 1930s. The crunch started in 2007, ignited by a liquidity crisis in the United States of America's financial system which spread like wild fire to Europe, resulting in an economic shrinkage in several of the major world markets. Manyeruke and Muqoyi (2011) argue that "the on-going financial crisis is alarmingly threatening to collapse the global economy". The principal causes of the global financial meltdown are global macroeconomic policies that affected liquidity. The crisis uncovered many fundamental problems in national regulatory systems governing the financial systems of developed countries. The financial calamity was brought about by inept financial management and dishonest, shoddy and unethical transactions in the financial institutions (Manyeruke & Muqoyi, 2011).

According to Teka and Magezi (2008) the financial crisis has developed in three phases, the leading stage was stimulated by the plummeting of stocks of the top banks and financial institutions in 2007. The effects of the crisis began to show

from mid-2007 to 2008 and the implication is that development aid to Africa has been affected (Manyeruke,2012).

In early 2008, the second wave started unfolding. This was as a result of the continued plunging of the world 'prime' banks and financial institutions. The free fall was further fuelled by creative financial practices. This was hugely by way of rechanneling "cash flows from one class of assets to another", especially to "commodities and energy resources" (Danylyshyn, 2008). The tight liquidity situation led to a consequent rise in the prices and shortages of commodities whose values rose to record rates and cyclically attracted further cash flow (Teka & Magezi, 2008). From January and July 2008, average metal prices in eight areas of the world rose by 81%, Brent oil price by 32%, and wheat prices grew by 79% (Teka & Magezi).

The third upsurge of the global financial crisis was unfolding in 2008 (Teka & Magezi, 2008). This crisis is being characterised by successive liquidating of the world's top financial companies. Many governments especially the United States and United Kingdom have had to bailout most of their ailing banks. For instance, in October 2008, the US sanctioned a \$700 billion and the British government approved a \$422 billion rescue packages to bailout crumbling banks and some main financial institutions (IRIN, 2008). The German government also followed up with a \$672 billion rescue package while the French government approved a \$491 billion package (Teka and Magezi, 2008). As a result of the fall in the banking system, the economy of Iceland plunged into a deep recession. The IMF has also approved about \$40 billion of loans as a check to the global financial crisis and thereby ensure stability of the economies of the emerging nations (Qayum, 2008).

Adison et al., (2011) presented the crisis "which originated in the North as three pronged: 1) Low demand and prices for exports, 2) climate change which is affecting agricultural produce and 3) malnutrition and hunger compounded by increase in food prices". In America and other former bubble economies, household debts are worryingly high, and banks needed to bolster their capital (El-Erian, 2009). The period preceding the financial crisis saw entrepreneurs

become millionaires literally overnight, typical examples are Google and Amazon(Weisman, 2009). Stocks were overvalued and banks' asset bases ballooned with mortgages and loans to consumers who then could not sustain the repayments. Properties were overvalued and property moguls would buy and sell, make mega profits without any productivity.

**HIGH LEVELS OF DEBT:** The period leading to the crash was characterised by high debt due to financial innovation - new instruments and ways of doing business that reduced risk and added little value to the economy. The olden system which led to the crash was characterised by 'misaligned incentives, irresponsible risk taking, lax oversight, and fraud' (Weisman, 2009).

**UNSUBSTANTIATED PROFITS:**Asset-based securities turned out to be critical in increasing the velocity of lending (Weisman, 2009).According to Harvard Business School professor William A. Sahlman,through alchemy, basically, people were able to make a profit (Weisman, 2009).

**RELAXED REGULATORY SYSTEMS:**The period prior to the global crisis was characterized by relaxed regulation. Many financial institutions exercised their judgment in matters of national interest. Government and other regulatory bodies did not play a major part.

### **2.3 IMPACT OF GLOBAL FINANCIAL CRISIS ON AFRICAN ECONOMIES**

The poorest countries of Africa have significantly been affected by this crisis (Prabhakar, 2010). The growth outlook has deteriorated severely. Macroeconomic equilibriums have deteriorated, with many economies experiencing worsening current account and budget deficits. The crisis has reducing trade, the backbone of current growth in Africa. The shortfalls in export revenues amounts to USD251 billion in 2009 and USD277 billion in 2010 for the continent as whole, with oil exporters suffering the largest losses (AFDB, 2009).Prabhakar (2010) argues that earlier predictions on the impact of the financial crisis on African economies have been wrong for one basic reason: They focused on the financial sector only while ignoring the other sectors. "This gross oversight, by IMF and World Bank,gave wrong signal, in terms of policy advice, to governments of African countries and

hence weakened their preparedness for the crisis” Prabhakar(2010) further argues. According to the IMF (2011) “initially, there was optimism that developing countries would be largely sheltered from the effects of the financial crash due to their marginalized status in the global economy and the fact that their financial sectors are relatively delinked from the international financial system”. Several prominent organisations were convinced that the economic slump that ravaged the developed economies would not be experienced by the developing nations. The global financial crisis smashed on African countries through slower export growth, reduced remittances, and lower commodity prices. In the Southern African region, the financial crisis hit South Africa more than any other countries. This is mainly because South Africa enjoys a healthy financial relationship with the developed countries. The ‘contagion’ effect means that South Africa was affected more than other African countries. Poorer and less vibrant economies such as Malawi experience minimal aftershocks.

The Table 2.1 below illustrates that economies in the Southern African region were and continue to be negatively affected by the world economic slump. Economies such as Zambia that are dependent on copper exports experienced a decline in demand for their product.

Table 2.1 Government Revenue (excluding grants) of SADC Countries as a % of GDP

<b>Country</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Angola	46.7	50.5	38	39.3
Botswana	36.7	32	38.8	32.4
DRC	14.7	18.4	17.8	17.8
Lesotho	63.5	62	61.2	53
Madagascar	11.7	11.7	11.1	11.6
Malawi	18.7	20	20.3	20.5
Mauritius	19.1	21	21.5	20.1
Mozambique	15.9	16	15.7	16

Namibia	31.5	29	27.1	26.9
Seychelles	35.9	36.1	38.5	35.2
South Africa	26.9	26.4	25.1	24.9
Swaziland	39.8	39.5	35.5	30.7
Tanzania	17.4	17.1	17.8	18.3
Zambia	18.7	18.6	15.6	15.9
Zimbabwe	5.6	4.2	28.3	28.7

Source: SADC Secretariat and IMF 2009

The GDP in developed countries fell by 4.3% in 2009 and were virtually flat in 2010 (OECD, 2008). The African Economic Outlook policy brief for June 2009 estimated world trade to contract by 13.2% in 2009 ([www.nedicozimbabwe.com](http://www.nedicozimbabwe.com)). This was the first decline in 60 years. For Africa, growth rates for 2009 fell to 2, 8% after 4 consecutive years above 5%. Southern Africa has already been hit by the crisis, Lesotho has recorded a decline in aggregate demand for clothing and textiles from the USA while OECD data forecasts negative growth rate of -2.0% in 2009 for South Africa, which is the biggest economy in the Southern African region ([www.nedicozimbabwe.com](http://www.nedicozimbabwe.com)).

African countries have experienced a significant decrease of their annual revenue, for example Angola's revenue declined from 50.5% in 2008 to 38.% in 2009. These statistics exhibit a drastic fall in revenue for African countries and that their economies have been ravaged by the recession. The impact is not only economic, but also social. Sustainability of the various initiatives is under threat (Prabhakar, 2010).

The crisis led to a reduction in private investment flows, making weak economies even less able to cope with internal exposures and development needs (Prabhakar, 2010). The recession which was initially perceived to be for 'the rich economies' has affected Africa in disease prevention and treatment and social development in general, a decline in export growth, commodity prices; foreign



direct investment, exchange rates, capital or remittances ([www.africapartnershipforum.org](http://www.africapartnershipforum.org)). Revenues for African governments have declined, reducing expenditure in infrastructure that enhances health, poverty reduction, improved water and electricity supply, formal settlements and support for agriculture ([www.africapartnershipforum.org](http://www.africapartnershipforum.org)). Social nets for the poor that had recorded significant improvement over the past two decades have been damaged leaving more people without the basic necessities, while the chances of the marginalised moving out of their trap are blocked. In fact the poverty cycle is more difficult to break as a result of the financial crisis. More and more households are finding themselves deep below the poverty line from the impact of job losses leading to increases in malnutrition and vulnerability to other diseases, while food security declines ([www.africapartnershipforum.org](http://www.africapartnershipforum.org)). Fewer health workers are employed and less is spent on health infrastructure, maintenance and running costs. Reducing running costs makes health spending inefficient as health workers lack supplies and other essentials and referrals become more difficult and workers become demoralised and frustrated and leave ([www.africapartnershipforum.org](http://www.africapartnershipforum.org)).

## **2.4 IMPACT OF THE GLOBAL FINANCIAL CRISIS ON AID**

Development organisations are faced with intense competition for reduced donor funding while at the same time the number of poor people in need of assistance is growing at an alarming rate ([www.nedicozimbabwe.com](http://www.nedicozimbabwe.com)). According to the International Labour Organization (ILO) Global Trends Report for 2009, an estimated 38 million more people will be unemployed worldwide by the end of 2009. The working poor or those earning less than US\$2 a day increased to 200 million in 2009 worldwide ([www.nedicozimbabwe.com](http://www.nedicozimbabwe.com)).

The global financial crisis has had devastating effects. The short term impacts have been severe in developed countries but developing countries are also feeling the effects long after the onset of the recession. Most developing countries depend on foreign aid which comes from donors through various development agencies. Philanthropy will be dramatically reduced and the trend appears to be affecting the developed countries to begin with ([www.foundationcenter.org](http://www.foundationcenter.org)). The

National Council of Non-profits in Washington D.C, USA reported that the damage to non-profits sector from the recession is mounting ([www.foundationcenter.org](http://www.foundationcenter.org)). Such is the gravity of the crisis that even in the US, non-profits are struggling to meet growing demand for services. Undoubtedly, this can be linked to a big number losing their jobs as a result of folding up of many firms that provided employment and a source of livelihood. In the United States the number of donors reduced by about 3.8% from January to June 2008 (Teka & Magezi, 2008). A survey undertaken by Prince & Associates, which included 439 of the most well to do families in United States revealed that 73% of respondents experienced a substantial negative impact on their finances as a result of the global financial crisis, but 51% of the respondents confirmed that intended to donate a reduced amount to charity in 2008 (Ho, 2008).

NGO Western Aid supported programmes in malaria, HIV/Aids, water sanitation, and anti-poverty campaigns have been affected. Many African economies are entangled in debt and the financial crisis has aggravated the situation. African civil societies had been fighting to have a bigger say on how WTO runs trade, goods transfer from the rich to the poorer countries and vice versa ([www.africapartnershipforum.org](http://www.africapartnershipforum.org)). This has been an area dominated and determined by powerful forces such as the USA and the EU. Only South Africa is part of that 'privileged club.' It is evident that South Africa will be affected more by the financial crisis due the 'contagion effect' ([www.africapartnershipforum.org](http://www.africapartnershipforum.org)).

Poverty levels have worsened in the developing countries and particularly Africa ([www.savethechildren.org](http://www.savethechildren.org)). According to Save the Children, nearly 1 out of three children are malnourished and this is likely to get worse due to the dwindling flow of funding. Further, many children in Zimbabwe lack access to education, health care and daily essentials for survival ([www.savethechildren.org](http://www.savethechildren.org)).

The global recession has hit both the Global Fund and PEPFAR, consequently funding for HIV/AIDS has been slashed ([www.aidsmap.com](http://www.aidsmap.com)). In 2009, almost 15% of donor pledges to the Fund went unpaid; in 2010, almost a quarter failed to materialise ([www.aidsmap.com](http://www.aidsmap.com)). The impact of the global economic crisis on HIV

funding became clear in 2011, when the Fund cancelled Round 11 after donors failed to deliver US\$2.2 billion ([www.aidsmap.com](http://www.aidsmap.com) ). Some developed nations such as Spain, Italy and Ireland alluded to local depressions. Others, including Germany, momentarily suspended aid after media reports highlighted alleged fraud among aid recipients, identified by the Fund's Office of the Inspector General ([www.aidsmap.com](http://www.aidsmap.com) ).

The global response to the HIV & AIDS epidemic has been unparalleled. Between 2007 and 2008, funding increased from US\$ 11.3 billion to US\$ 13.7 billion globally ([www.aidsmap.com](http://www.aidsmap.com) ). However, the global economic crisis is having dire consequences for HIV & AIDS funding. The effects of the reduction in funding are being felt particularly in sub-Saharan Africa, which has the highest infection levels of HIV & AIDS in the world, with approximately 25 million people infected ([www.ngopulse.co.za](http://www.ngopulse.co.za)). This amounts to more than 60% of global infections. Across the board, HIV & AIDS programmes in Africa are extensively funded by Western donors ([www.consultancyafrica.com](http://www.consultancyafrica.com)). In Zimbabwe, more than 350,000 people living with HIV and Aids might fail to access anti-retroviral drugs because of lack of donors. Many western donors were severely crippled by the 2008-9 'great recession' and most of the donor funds have dried up (The Zimbabwean Guardian, 2012). As of 2012, the gap will be US\$10 million and by 2018 it will be US\$227 million and about 358 000 people who will need treatment will not be able to afford it (The Zimbabwean Guardian, 2012). "The gap would be compounded by the withdrawal of Global Fund that has been funding 35 per cent of our people on ARVs; they have not committed themselves beyond 2014," (The Zimbabwe Guardian, 2013). The government of Zimbabwe's HIV/AIDS programme has relied heavily on donors in the past, with government contributing only 24 per cent of the total amount. Currently 35 per cent of people receiving ARVs are funded by the Global Fund, 18 per cent by USAID, 24 per cent by the National Aids Trust Fund (collected from the Aids levy) and 22 per cent from the Expanded Support Programme (ESP) it (The Zimbabwean Guardian, 2012).

Nations that are reliant on the United States government for assistance were brutally exposed by the effects of the global economic meltdown (Manyeruke

&Muqoyi, 2011). As early as 2008, there were fears that rich nations were going to slash foreign aid budgets in order to focus on mending their own ailing economies. "The global financial crisis raises inevitable concerns that there could be a decline in humanitarian funding for 2009..." said UN Secretary General Ban Ki-moon (Zarocostas, 2008). The global economic crisis is having significant consequences for growth and poverty in Africa. In Uganda, foreign support to NGOs declined in 2010 as a result of the global economic downturn and changes in development policies in countries like the Netherlands that were previously major funders (USAID, 2010). Some traditionally financially-sound NGOs were forced to scale down significantly due to funding cuts. For example, the Uganda National NGO Forum, the Foundation for Human Rights Initiative (FHRI), the Africa Leadership Institute, and Western Ankole Civil Society Forum, all scaled down their activities and even some staff during the year as a result of funding shortfalls (USAID, 2010).

Lunn(2009) asserts that the global financial crisis is hitting non-profit organisations with a double whammy – a cut in funding from donors at a time when there is a greater call on their services than ever. McCord (2010) concurs with the above assertion and states that the global financial crisis has had a devastating effect on poverty levels in developing countries. Lunn (2009) argues that "the current crisis is more of a problem for non- profits than for companies". More worryingly, McCord (2010) states that the World Bank estimated that as a result of the financial crisis the number of people living on less than \$2 a day would increase by 120million between 2009 and 2010. The World Bank further estimates that 100 million people face poverty because of escalating food and energy prices. Scholars like Manyeruke (2012) argue that "the global financial crisis has limited the capacity of both the NGO's involved directly or indirectly". Ndlovu (2009) stated that "the global economic crisis has worsened an already bad situation as the education and health sectors that survived on donor funding are not getting that assistance". The flow of aid was "rising steadily" prior to the financial crisis (Holmqvist, 2009).

South Africa is the economic giant of the African continent, but this robust economy has not been spared and NGOs in that country are reportedly facing a

cash crunch (Naidoo & Nkuna, 2009). The effects of the global economic crisis are being felt as sources of funding for the poor people in South Africa are increasingly becoming under pressure. The crisis has led to individual donors having less money and corporate revenue bases are shrinking and overseas aid flows have slowed (Naidoo & Nkuna, 2009).

Some of the prominent NGOs domiciled in the developed countries such as, Oxfam, World Vision, Save the Children expressed the view that programme development was sluggish in 2009 as a consequence of the squeeze (Gross, 2008). Oxfam's Finance and Information systems director, John Shaw, stated, "The growth we had assumed when putting plans together a year ago is not materialising. The overall picture is essentially flat" (IRIN, 2008). The Southern Africa Regional Director for Oxfam, Charles Abani reiterated that from an estimated one billion people living in poverty, the economic crisis had produced 135 million new poor people. The crisis has created new poverty on top of already existing poverty. Abani argues that the crisis has had a direct impact on poor countries as it has constrained people in developed countries from donating money, a situation which has led to lower income levels for charities (Naidoo & Nkuna, 2010). Red Cross Secretary General, Bekele Geleta, stated that if "it continues, if there is no turnaround fairly quickly, the financial crisis will have a serious impact on funding, no doubt" (Gross, 2008).

Economists argue that charitable donations are a "lagging indicator" and philanthropy a "luxury" since the main responsibilities of individuals is to satisfy the needs of their family by putting food on the table for their families, and from whatever is remaining, they can then consider giving to charity (Gross, 2008). The ramifications of the global financial crisis include inflation and rising unemployment. These have a pivotal influence on what goes to charity. Many companies and individuals have been affected by the slump in such a way that they are unable to offer the financial support they were well capable of providing in the good times. Households and individuals have been affected by the financial crisis in such a way that they do not have much disposal income that they can donate to charity. According to Chossudovsky (2008), bilateral foreign assistance,

which was already authorised and committed, would not be greatly affected in 2009, but will take a knock in 2010.

The financial crisis which started in America and spread to Europe has hit the very source of donor funding for NGOs in Zimbabwe. The gains that non-profit had gathered in the past is at a threat of being wiped away. Lunn (2009) believes that non-profit organisations ought to engage the donors, stating that 'the more they know the more they will donate, treat them as partners and stakeholders and not wallets to be plundered'. For average Africans, who generally have not thrived despite several years of good economic stability, the negative effects on livelihoods are likely to be rapid and unsettling. The economic crunch has deepened the effects of the food crisis particularly on the rural population which does not have any alternative source of income. Most African countries have experienced food shortages in recent years due to changing weather and rainfall patterns. For some countries, the consequences could be more disruptive as violence and opposition intensify. "A major dilemma for donors will be how to respond effectively to Africa's economic and political disruption even as they face a massive resource shortfall" (Manyeruke & Muqoyi, 2011). In these times of economic downturn "non-profit organisations dependency on donor funding is brutally exposed" (Shergold, 2009).

Poverty levels of African communities have been among the lowest in the world and this situation has been exacerbated by the crisis. According to World Bank (2010) "... an additional 53 million people in developing countries will fall into poverty on top of the 130-155 million generated by the impact of the food and oil crisis in 2008". It is projected that over 1.5 million marginalised people globally will survive on below \$2 per day. The proportion of the workforce in Africa making below US\$ 2 per each working day is projected to rise to 86.6 in 2009 from 82.2 per cent in 2007 (UNESCO, 2010). In the year 2009 alone, there were a staggering 27 million more deprived in Africa.

This trend of plummeting donor funding has raised questions on whether economic recession will sound the death knell for philanthropy in Ireland, which is

after all only in its infancy (Harrison, 2009). In terms of the threats to humanitarian aid, the current slump in stock markets is considerably restricting the initiatives. It is clear that many individuals, families and businesses that had planned to get involved in humanitarian work for the first time may not be able to do so, any intentions may be deferred. The global economic meltdown came at a time when economies in Southern Africa particularly Mozambique, Malawi, Zimbabwe and Zambia were “revolving in a debt crisis” (Manyeruke & Muqoyi, 2011). Faced with reduced aid flows, aid recipients would “experience sharp declines in income levels, an increased inability to pay civil service employees and security forces, as well as a decrease in the capacity of the state to provide basic goods and services” (Othineo, 2009).

More than half of all sub-Saharan African countries experienced a decrease of total CPA between 2008 and 2009, with cuts of \$1,030 million in aggregate (UNESCO, 2010). Although future CPA levels are expected to improve beyond 2009, a large number of countries are still projected to see decreases in their CPA projections as compared to 2008. Growth in 2010 and 2011 are mainly attributed to Angola, Democratic Republic of Congo, Kenya, Nigeria, South Africa, Tanzania and Uganda (UNESCO, 2010).

While it is generally the consensus that the financial crisis has resulted in a reduction of aid, some authors like Kauffmann (2009) argue that governance is a key factor in the flow of aid. Other authors believe that aid has not been affected by the financial crisis. Several current researches linked to charitable giving seem to support the notion that charitable thrives in recession. The Centre on Philanthropy at Indiana University in the US claims that “charitable giving has been recession-proof” (Blankinship, 2008). The argument is that the only fall experience was in 1987 and it was caused by some modifications to existing tax laws. Apparently, charitable donations have been consistent at least but also increasing most of the years (Blankinship, 2008). Advocates of a positive connection strongly believe that, “despite the times, people remain willing to make a difference where there is humanitarian need” (Teka & Magezi 2008). In the

similar manner, certain donors appear to recognise these difficult economic periods as an opening to amplify philanthropic efforts.

The more realistic school of thought argues that when it comes to aid flows, most analyses of the impact of the crisis raise the warning flag - "aid might be at risk" – but avoiding any projections (Holmqvist, 2009). The undesirable characteristic of aid being pro-cyclical, rather than working as a cushion in difficult times, is often pointed out (Bulir and Hamann 2006).

## **2.5 GOVERNANCE AND AID**

Another school of thought believes that governance plays a critical role in determining the flow of aid. Fifteen years ago, governance, anti-corruption and transparency were ignored, with many organisations primarily concerned about social development and in particular the hype surrounding the Millennium Development Goals (MDGs). In recent years due to scarcity of donor funding and donor fatigue the issues of governance will be a determining factor (Kauffman, 2009). Good governance is the system by which organisations make and implement decisions in pursuit of their strategic objectives. Zimbabwe has for a long time been ranked among Africa's finest in governance, but this position has been eroded considerably in the last 10 years. The past decade of economic and political crisis presented challenges to good governance. It promoted a culture of malpractices that include corruption, greed, bribery and cronyism (Gono, 2006).

Zimbabwe and Africa in general is viewed as a high risk continent by international donors (Kauffman, 2009). It is often believed that African economies are characterised by macro-economic instability, trade restrictions, and weak institutional environments regarding property rights, corrupt judicial systems, and inconsistent state regulations for economic activity. "Aid effectiveness has become an imperative in the aid industry, in contrast to over two decades ago, when official donors would not hesitate to provide major funding to governments like that of Mobutu in Zaire and Marcos in the Philippines" (Kauffman, 2009). While there has been much debate over the possible effect that the financial crisis may



have on donor funding for Africa, funds that are being distributed throughout the continent continue to be mismanaged(Kauffman, 2009).

In Kenya in 2008, several AIDS NGOs and the Ministries of Public Health and Medical Services were investigated for failure to account for approximately US\$ 166 million of the US\$ 512 million donated by the Global Fund over six years. That is more than 30% of the Global Fund aid the country received in that period. Similarly, on 24 January 2009, a Nigerian NGO, Children Rights Network (CHRINET), called for an investigation into the alleged embezzlement of US\$ 2 billion worth of funding for HIV & AIDS(Kauffman, 2009). Concerns have also been raised about the misuse of funds in Ghana, where budget and planning officers expressed concern that funds are not being used for their intended purposes. Uganda experienced significant cuts in funding, specifically from the Global Fund largely due to the mismanagement of grants which started with a suspension in August 2005, following a Global Fund audit that indicated that the Ministry of Health had misused US\$ 1.6million ([www.ngopulse.org](http://www.ngopulse.org)).

The Reserve Bank of Zimbabwe (RBZ) has also come under fire for diverting funds; US\$7.3 million meant for disease programmes was used for other purposes. Incensed protesters have said the RBZ's actions were 'unforgivable' and put HIV-positive Zimbabwean's lives at risk, in a time when they are most in need. President of the Zimbabwe HIV & AIDS Activists Union, Bernard Nyathi, stressed that the Global Fund should no longer channel donor funding through government. The Fund has since stated that money provided to Zimbabwe will be dependent on future behaviours and agreements, specifically referring to the fact that the funds should be channeled without interference from government ([www.ngopulse.org](http://www.ngopulse.org)).

"Countries that fail to establish acceptable standards of transparency and governance, within the bounds of good laws and an efficient criminal justice system, lose trust and support of their citizens and the international community"(Kauffman, 2009). Such countries find it increasingly difficult to attract trade and foreign investment. Foreign investors comfortably assess political risk,

business risk, market risk, currency risk but they increasingly shy away from risks of corruption that often results from poor governance. This further emphasizes the importance of good corporate governance in developing countries such as Zimbabwe (Corporate Governance in Africa-Case Study No. 6:1) Klapper and Love (2012) asserts that organisation level governance is lower where a weak legal system is in place. This was further supported by Corporate Governance in Africa-Case Study 6:6 where Zimbabwe scored low on regulatory state, professionalism, stability and reliability. It was also found out that Zimbabwe is a high risk with regard to rule of law, expropriation and corruption in government.

## **2.6 EFFECT OF SANCTIONS ON ECONOMIC DEVELOPMENT**

The majority of NGOs in Zimbabwe receive funding from Western Governments such as Britain, Netherlands, Germany and the USA. Many of these countries are not supportive of the political administration in Zimbabwe which has culminated in sanctions being imposed. Donors have responded to the political situation by “withdrawing their programmes or freezing further development assistance programmes in the country” ([www.rbz.co.zw](http://www.rbz.co.zw)). Some funding agencies have partnered with several NGOs and continued to implement activities in Zimbabwe albeit in new areas of focus. There has been more focus on HIV and AIDS, environment and social protection as well as human rights. This is in contrary to the implementation of more long term poverty alleviation and development oriented programmes.

With the onset of the global financial crisis, “the NGO community in Zimbabwe is now faced with dwindling resources, as donor funds have either been severely curtailed or re-directed to other countries” ([www.rbz.co.zw](http://www.rbz.co.zw)). Historically in Zimbabwe Official Development Assistance (ODA) was channelled through the treasury. With the introduction of trade restrictions and sanctions, most funding agencies now directly channel funds to the various NGOs. According to the National Association of Non-Governmental Organisations (NANGO), a considerable amount of funding earmarked for NGOs in Zimbabwe “has been diverted to other developing countries” ([www.rbz.co.zw](http://www.rbz.co.zw)). The period from 2000 has seen a flight of donors from the country as a result of the political

climate. Such departures from the Zimbabwe system have culminated in premature termination and hold-up of projects. Western countries imposed sanctions on Zimbabwe and this has triggered adverse sentiments and attitudes about the country to the extent of influencing social development. Both attracting investment in the private sector as well mobilising donor funding have been adversely affected by the sanctions imposed on the country.

## **2.7 THE NATURE AND ROLE OF NGOS IN ZIMBABWE**

NGOs perform their activities in developing countries either directly or indirectly. Direct intervention constitutes “actual execution of development activities and typical examples are, CARE International, World Vision, Plan International, Action Aid and Save the Children UK (Manyeruke, 2012). For indirect, those involved indirectly fund local partners and examples are Christian AID, and CAFOD. Regardless of the variations, all non-governmental organisations have some common structures; encounter similar or comparable operational challenges. All NGOs have a vision which is philanthropic driven. The thrust of NGOs is to foster sustainable development of a vulnerable target group. Moyo (2009) identifies three main categories of aid which normally shape the nature of NGO’s depending on the purpose they are set out to achieve. These include:

1. humanitarian or emergency aid
2. charity based and
3. systematic aid

Although there is no generally agreed legal definition to an NGO, a brief definition according to Anheier (2001) would be that an NGO is a legally constituted institute created by natural or legal persons with the aim of functioning independently from any government. In this context, the concept of non-governmental organisation is defined in the framework of service provision focusing on two sides to NGO activities, namely, service with the intention of improving the general welfare of people (humanitarian aid), and involvement in government institutions and policies.

It is important to note that most of the celebrated cases of social delivery in the first decade of independence in Zimbabwe were achieved in a context of partnership between the government and local and international NGOs that were engaged in community development programmes that cut across health, education and income generating projects (Murisa, 2010). NGOs and church related organisations were at the forefront of rolling out primary health care and education in rural areas. During that period NGOs became involved in a “fluctuating combination of drought relief and development work, notably in the communal and resettlement areas”(Helliker, 2008). The humanitarian organisations focus on human rights as well (e.g. right to food, right to shelter etc.), advocacy NGOs are more likely to be targeted as they directly question and campaign for human rights. This means that they are more involved in policies, laws and other issues affecting the promotion of human rights. There has been an emergence of organisations that are advocating for human rights particularly in the 1990s. Such NGOs seek to promote the constitutional rights of citizens. They seek to uphold good governance and lobby the governments to be answerable to their people. On a broad view, governments have interest in operations of NGOs. While in most countries NGO operations complement the efforts of government, in others NGOs are viewed as ‘the enemy of the state’. In Zimbabwe some NGOs have allegedly overstepped their mandate by pushing for ‘regime change’. Such NGOs meddle in the political web and seek to advance political interests of the donors.

A cholera epidemic in 2008 required international and regional intervention to halt the situation. This was by way of provision of clean water. In many urban and rural communities UNICEF drilled boreholes. Medical supplies to treat the outbreak were provided by IRC and MSF. From the inception of the government of national unity in 2009, DFID assisted in funding the government. The British organisation also financed the crafting of the new constitution for the country.

NGOs as institutions aim to advance development. The term "non-governmental organization," or "NGO," was first formalized within the United Nations system in 1945 with its inclusion in Article 71 of the United Nations Charter. The Article 71 provides the Economic and Social Council (ECOSOC) of the United Nations.

This brief history of NGOs is very important in understanding the framework in which they operate, their positioning in the Zimbabwean society and how their role has advanced in time. Although NGOs were influential in attaining the inclusion of human rights standards in the United Nations Charter in 1945, there was a very small number at that time, with a large number created to respond to various calamities. The scourge of HIV and AIDS resulted in many initiatives cross the globe. Globally, NGOs are involved in pressing forward for international human rights primarily by setting standards, documenting violations and lobbying for successful enforcement of the human rights norms.

In the period under review 2007-2012, there were many developments in Zimbabwe that affected the operations of NGOs. "With the onset of the global financial crisis, some NGOs in Zimbabwe have closed shop or cut down on salaries, number of employees and some projects have been discontinued" (Manyeruke, 2012). NGO funding and subsequent activities are dependent on generosity of donors. Most NGOs are heavily susceptible to revenue instability and insecurity that accompanies economic recession. In a recession, personal incomes fall, corporate profits decline and donor funding is less assured (Shergold, 2009).

## **2.8 WHAT CONSTITUTES AID/DONOR FUNDING**

According to Moyo (2009) aid is 'the sum total of both concessional loans and grants'. Abbas and Niyiragia as quoted by Manyeruke (2012) describe aid as 'a system of external support, taking multiple forms that assist a recipient government in achieving its integrated development plan.' In light of the above definitions, it is evident that Zimbabwe is heavily reliant on aid for development and it is factual that the "the situation has been worsened by the global financial crisis that has reduced the amount of aid for Africa (Manyeruke, 2012).

There has long been a debate over what can be classed as 'real' or 'phantom' aid. Country Programmable Aid (CPA) is a relatively new concept, introduced in 2007, which reflects the volume of resources transferred by a donor partner at country

level (UNESCO, 2010). CPA is defined as being ODA that subtracts from gross ODA aid that is:

- i. unpredictable by nature
- ii. entails no cross-border flows
- iii. does not form part of co-operation agreements between governments
- iv. is not country programmable by the donor
- v. is not susceptible for programming at country level (UNESCO, 2010).

CPA technically therefore, is a more realistic measure of direct aid flows to recipient countries themselves for their development needs (UNESCO, 2010). It should be noted that CPA as a measurement is still far from perfect i.e. included in CPA calculations are contributions for technical cooperation which recipient country governments would argue is an inefficient use of scarce donor resources and should not be counted as aid. Additionally, many would argue that the elimination of charitable aid to form the CPA definition is not practical in the case of fragile states for which humanitarian assistance forms a large part of 'aid'. However, despite these valid criticisms, CPA does get closer to the core of what beneficiary governments receive in aid levels.

## **2.9 TREND OF AID FLOW IN THE PAST 10 YEARS**

In April 2010, the OECD published projections of DAC donor ODA for 2010. This was the first ever comprehensive OECD assessment of pipeline ODA, based on a review of donors' budget plans in order to assess the extent to which Gleneagles and Millennium commitments. Aid has been steadily increasing until 2009 were significant reductions were witnessed particularly for Africa. Low income countries were predicted to witness a reduction of 0.5%. Sub-Saharan Africa was projected to particularly suffer, with falls of over \$1 billion (3.7%) (UNESCO, 2010).

While it is an option that African countries should look east for sources of aid as the financial crisis further deepens, Tan-Mullins et al., (2010) argue that aid from countries such as China is often viewed as 'rogue' aid. They argue that Western aid is perceived to be morally superior and more effective in as far as development outcomes are concerned.

## **2.10 ALTERNATIVE SUSTAINABILITY STRATEGIES FOR NGOs**

While aid money saves lives, facilitates development, and ultimately improves standards of living, some say it is wastefully distributed and can discourage poorly performing developing country governments from accepting their responsibilities (Doyle, 2012). “There are firm signs that the donor funds are drying up”(Manyeruke, 2012).Despite the seemingly hopeless situation, organizations need to quickly reorganize and move forward to keep delivering ([www.nedicozimbabwe.com](http://www.nedicozimbabwe.com)).

Considering the above sentiments, and the negative spiral effects from the global financial crisis, it is important that Zimbabwean NGO’s avoid over reliance on aid and develop alternative sustainability funding options. Manyeruke (2012) “believes that despite the financial crisis, Zimbabwean NGOs can be sustainable if the organisations are able to review their policy frameworks involving the engagement of grassroots and devising workable alternatives for development and strengthening accountability of resources. It is attainable that alternatives to fund economic development in poor countries “will reduce dependency on donor funding if implemented effectively”(Moyo,2009).The aboveperceptionsdepict that the global economic slowdown is likely to see corresponding cuts in authorisedaid. While it is practically impossible to predict the levels, IRIN (2008), estimated that reductions may be as high as one-third.

There is no silver bullet that in one shot will solve the funding gap created by the financial crisis. However, the unfolding global economic meltdown calls for NGOs to discoverimaginative and ground-breaking ways ofbreaking the dependency cycle. The crisis presents a window of opportunity that can be exploited to come up with ‘unorthodox’ ways of doing things.In the face of an imminent reduction in the amount of funding, organizations need to come up with strategies that assist them to cope with an increased number of aid dependent populations while making use of fewer resources. The recession may require organizations to focus primarily on their core business. Issues of aid effectiveness are increasingly dominating development discourse ([www.nedicozimbabwe.com](http://www.nedicozimbabwe.com)). The Accra Agenda for Action on AID effectiveness (2008) explicitly spells out the need to

achieve development results-and accounting for them. It stresses the demonstration of impact must be placed more squarely at the heart of efforts to make AID more effective ([www.nedicozimbabwe.com](http://www.nedicozimbabwe.com)). It is time that initiatives are adopted that call on NGOs to put on their thinking caps, move out of their comfort zones and 'think outside the box'.

### **2.10.1 Improving Governance**

There is a greater call for accountability, transparency and responsibility in the use of donor funds. Capacity building is key in order to satisfy donor requirements. There is a growing concern on issues of governance and donors are demanding organizations to adopt internationally recognized governance practices. The United Nations Commission for Human Rights in 2000 identified five key attributes of good governance. These are "transparency, responsibility, accountability, participation and responsiveness to the needs of the people". The shift towards linking good governance with sustainable human development and emphasizing principles such as human rights and rejecting prescriptive approaches to development assistance signals a serious shift towards the rights based approach in development practice. With the scarcity induced by the global financial crisis, it is logical that NGO's with higher levels of transparency and accountability will attract more funding. NGOs often achieve 'funding success' (i.e. large volumes of donor financial support) very quickly when they are compliant and governance conscious. Once they are 'discovered' and funded by one donor, the word about their existence quickly gets around the donor funding communities. Donors are keen to find well managed NGOs to fund. Partly because they lack criteria to judge NGOs, donors tend to adopt what is for them individually a rational rule of thumb: do what other donors are doing. Kauffman (2009) argues that shrinkage in aid is as result of bad governance more than anything else.

### **2.10.2 Conventional Business Mind-set**

The mind-sets of managers of NGO's require a paradigm shift. It is time that NGO's are managed in the same fashion as profit making businesses. NGO's expect to receive funding every year from donors, a practise that has created a severe dependency syndrome. Conventional businesses do not go out to seek



capital, loans or equity every year. From the seed capital it gets, a business should generate more money. For a company to seek capital every year it is surely a sign of inept management. NGO should generate more revenue from the donor funding they receive, thereby creating a sustainability approach.

Most companies are increasingly allocating funds for social corporate responsibility as a way of investing back into the community. However the perception presented by NGOs in Zimbabwe is that they are sufficiently funded. NGOs ought to develop organisational fundraising teams and fit such initiatives in the core business instead of implementing this in their spare times on an ad hoc basis. They should consider fundraising as an important element of their operations and embedded into organisational culture.

NGOs in Zimbabwe offer their services free of charge. In some countries a minimal charge is levied to the beneficiaries in order to reduce free 'hand-outs' approach, invoke a sense of ownership and in the process building a revenue base. In Senegal, many NGOs have started charging fees for the services they offer to beneficiaries to generate income. One particularly successful example is the Union for Solidarity and Mutual Aid in Dakar, which uses the revenues generated from providing ophthalmologic surgical services to improve their technique, expand access to care, increase the number of people receiving low-cost eye glasses, and cover a part of their operational costs. NGOs generally keep their prices at affordable levels to beneficiaries (USAID, 2010). Similarly, NGOs in Sierra Leone are raising revenue by contracting with local and central government and other stakeholders including donors to provide services. The services for which a minimum charge is levied include healthcare farmer training schools, and agricultural interventions such as milling grain and processing palm oil (USAID, 2010). In South Africa, the Goedgedacht Centre in the Western Cape has a conference centre and sells olive oil and related products to fund its poverty alleviation and youth programs (USAID, 2010). These are typical examples of NGOs that have successfully rid themselves of the "total dependence" syndrome. Many community-based NGOs can generate income through annual membership

fees. Members could borrow money on a revolving fund basis to the benefit of the wider community in terms of human development.

**Retailing:** NGOs can run businesses like shops to generate funds for their projects. Oxfam GB in the United Kingdom has a string of shops that sell second hand clothes. In East Asia some NGOs produce blankets and shoes which they sell to the beneficiaries and the communities at large. Proceeds are used to fund other projects Manyeruke (2012). In Australia charities generate from sale of merchandise.

### **2.10.3 Streamlining of structures**

Most NGOs have wide structures that gobble up donor funding in the form of administration and personnel costs. “Historically many NGOs in Zimbabwe were manned by volunteers” (Manyeruke, 2012) and working for charitable organisations was considered a calling. However, with the scarcity of funding there is greater call for accountability and efficiency which justifies employment of qualified staff. NGOs should embed a culture that is cost-conscious. Against the increasing certainty of funding reduction, NGOs must prioritise actions and reduce certain ‘flamboyant’ costs. For most NGOs administration is the largest cost driver and some of the excess layers require streamlining. Oxfam’s strategy is in “laying off redundant staff at both headquarters and regional centres, thus cutting 10 to 15% of administration costs” (IRIN, 2008). Oxfam spokesperson Dan Timms stated, “We are trying to streamline our operations in the UK which include some redundancies and also not filling some vacancies...cost-cutting could also affect some quite ambitious direct marketing and advertising plans. When you compare it to the actual programmes in the field, it's a low priority, so really we're going to be reining in our spending on those kinds of things that are not a need” (Teka & Magezi, 2008).

### **2.10.4 Enhance financial analysis**

Performance measurement in NGOs does not put much emphasis of financial aspects. There is no use of financial ratios to measure performance. Consequently this leads to ineffective utilisation of funds. There is no

sufficient measure of financial return. This can lead to rationalising of operations, identifying non-critical activities and designing 'doing more with less strategies'.

#### **2.10.5 Look East policies**

NGOs in Zimbabwe should cast their nets wider by exploring donor funding from the East. Fominyen (2012,) argued that non-traditional donors like Gulf States and the private sector should dig deeper in their pockets to help prevent West Africa's food crisis from worsening. In the same spirit, non-traditional donors should extend funding to poor African countries.

#### **2.10.6 Results based management**

Reduced funding means more emphasis by donors on aid effectiveness and efficiency. This is largely achievable through Results Based Management where donors are interested in the results realised from their funds rather than the processes or activities. The Paris Declaration on AID effectiveness has placed more emphasis on the end result of aid, the tangible difference it makes in poor people's lives ([www.nedicozimbabwe.com](http://www.nedicozimbabwe.com)).

#### **2.10.7 Contribution to Policy**

NGOs should contribute more to the policy making initiatives of the country, they are important stakeholder. Are there mechanisms and relationships for NGOs to participate in the various levels of the government decision-making processes?

#### **2.10.8 Visibility**

There is a greater call now for visibility to donors. NGO's should connect with donors via social networks such as Facebook, Twitter and You Tube. In Zimbabwe the business sector, though they may be willing to assist, are mostly shut out by NGO's. This is partly because NGO's have been perceived as 'cash rich'. There is need for more collaborative efforts.

### **2.11 CHAPTER SUMMARY**

Chapter Two reviews the underpinning literature in the area. This section looks at the existing literature in order to develop an understanding of the key areas of the

topic. It has reviewed literature in order to understand the nature of the global crisis, the role and nature of NGOs, donor funding and aid. The Chapter also seeks to establish mitigating measures that NGOs in Zimbabwe can implement in response to the ravaging financial crisis.

# CHAPTER 3

## RESEARCH METHODOLOGY

### 3.0 INTRODUCTION

The validity of the research findings are largely dependent on the research methodology used. In an attempt to have a comprehensive analysis in the NGO sector, the research adopted a multi method approach. In order to attain representative results, data was gathered through the use of questionnaires which were sent out to NGOs in Zimbabwe. Questionnaires were sent to NGOs that focus on the main areas such as peace and human right, orphaned and vulnerable children, food security, health, governance, gender, advocacy, poverty alleviation and environment. This was in order to avoid drawing conclusions based on one or few NGOs. Survey and interviews were also conducted. The reason for this approach was to try and cover for the limitations of each method.

### 3.1 RESEARCH DESIGN

The success of any research depends on how well it is designed and also executed. Generally, a poorly designed research no matter how well it is executed is likely to lead to inaccurate conclusions. A research design is a scheme or "blueprint" addressing key issues such as: which data to collect, what questions to study, identifying relevant data, and how to analyse and present the results. The best design depends on the research question as well as the orientation of the researcher (Saunders et al., 2009). Every design has its positive and negative sides. In sociology, there are three basic designs, which are considered to generate reliable data; these are cross-sectional, longitudinal, and cross-sequential. Research design can be divided into fixed and flexible research designs. Fixed designs are generally quantitative, while flexible designs are qualitative. Fixed designs are normally theory driven; otherwise it's impossible to know in advance which variables need to be controlled and measured. Flexible designs tend to allow for more freedom during the data collection process and this design has been used for this research.

### 3.3 RESEARCH STRATEGIES

Research strategies refer to the approaches to research. Robson (1995) identifies three main research strategies namely experiments, case studies and surveys.

- 1) **Experiments** – This has its origins in natural sciences and seeks to verify perceptions and helps in the selection of a course of action. In experiments the focus is on dependence of variables with one another normally from a cause and effect point of view.
- 2) **Case Studies** – Involves the gathering of detailed, thorough knowledge of data through varied collection techniques including observation, interviews and documentary analysis about a selected case or a selected small number of related cases.
- 3) **Surveys** – This strategy entails the collection of information in a standardized form from a sample. The sample of subjects is selected from the population ensuring that the sample is representative of the population. Collection of data is done through the administering of a questionnaire. Data collection is by questionnaire and involves quantitative methods of analysis (Robson, 1995).

The research strategies namely cross-sectional, case studies and survey were employed in the study. The cross-sectional strategy enabled the researcher to obtain information on variables in different context at the same time. Different organisations and groups of people were selected and the study conducted. The survey strategy was employed to further develop a varied understanding on the study.

### 3.4 DATA COLLECTION METHODS

The two main sources of data are primary and secondary sources. Appropriate data collection methods were utilised in order to tap from the two sources.

### **Primary Sources**

The research used a structured questionnaire comprised of questions that are predominantly closed ended designed to collect the required data. Open ended questions were also included for the qualitative responses.

### **Secondary Sources**

The major reasons of using secondary data are to compare other studies done in the same area and that it is less costly both financially and time wise. Secondary data is readily available from books and publications and the internet has been an essential part of this research. Information was gathered from public sources mainly the internet, journals, newspapers, articles, and publications.

### **Questionnaires**

A questionnaire is a “pre-specified list of questions which may require a range of responses from box ticking to comments. A questionnaire is a method of elicitation, recording, and collection of information. Malhotra (2004) describes a questionnaire as a formalized set of questions for obtaining information from respondents. The overriding objective is to translate the researchers information needs into a specific questions that respondents are willing and able to answer. While this may seem straightforward, a question may yield very different and unanticipated responses. The questionnaire that was used and designed accommodated both open ended and closed questions.

The biggest disadvantage of a questionnaire is that it does not tell the researcher the respondent’s reaction, it is not possible to pick body language. One of the disadvantages of using a questionnaire is that some respondents may not be able to return their papers. Also, the researcher might face some problems, where questions in the questionnaire might be misinterpreted. The researcher made use of email communication as this is clearly becoming the popular mode of communication. Questionnaires were sent through email so that respondents have the flexibility to complete these at convenient times.

### **Personal Interviews**

Interviews were also conducted to collect more data on the study. The limitations of this are that intended interviewees tend to be too busy to agree to an interview. Face to face interviews give an opportunity to clarify, adapt the questions as the interview progresses. Interviews provide an opportunity for the researcher to establish whether or not the respondent has clearly understood the questions. Interviews provide a further distinct advantage of non-verbal communication by the respondents. The interviewer asks the questions and the information obtained is noted and recorded on the questionnaire. The face to face interviews provided the researcher to further probe as appropriate. Seven interviews were conducted and notes taken. However, it was difficult to secure the interviews as most executives expressed that they had busy schedules. Some interviewees were not available due to the festive holiday.

### **Library and Internet Based Research**

Extensive research on the subject from the vast wealth of library resources was undertaken. There are a wide variety of published resources on the subject matter. It is important to highlight that the global financial recession is fairly a current chronic problem. The internet is awash with articles on this subject and constituted a great part of the research. There are practically very few or no books covering this area.

## **3.5 POPULATION AND SAMPLING TECHNIQUES**

A population is the collection of the entire entities. It is the whole of the organisations in the NGO sector. A population is any group of individuals that has one or more characteristics in common that are of interest to the researcher. As it is practically not possible to study all members of the population, sampling techniques become very critical. A sample is a selection of entities from the whole population. However the key issue is that it should be representative of the entire population otherwise results become biased. The sample included large, small, local and international organisations. A sample is a given number of informants from a defined population as a representative of that population. There is no conclusive information on how many NGOs exist in Zimbabwe.



### **Purposive sampling**

Purposive sampling was utilised in the research. Purposive sampling is one of the most common sampling strategies in qualitative research, with groups selected according to those who are involved in the actual work or those who will provide vital information. The population will first be broken down into clusters and a random sample will be taken and then the population of each cluster will be sampled and this can be used to produce effective samples.

### **3.6 RESEARCH ANALYSIS PROCEDURE**

While all the steps are critical, analysis and presentation of the data is quite important. Data was analysed and presented using graphical presentation using pie charts, histograms, and bar graphs and summarized so that meaningful conclusions can be derived. Data analysis is described as a process of looking at and summarizing data with the intention to extract useful information and develop conclusions. The process of data analysis is a body of methods that help to describe facts, detect patterns, develop explanations and test hypothesis. The researcher utilised data analysis packages such as SPSS.

### **3.7 RESEARCH LIMITATIONS**

It is widely acknowledged that the rate of respondents to questionnaires can be frustratingly low. Executives who provide the information that is required for any meaningful research tend to be busy such that securing an appointment for an interview can be a daunting task. Questionnaires that are sent out can simply be trashed. Respondents may be reluctant to divulge some sensitive information relating to their organisations. Respondents may be unsure as to the motives of a research and therefore misleading information may be availed to the researcher. The researcher had challenges in arranging face to face interviews. It took a lot of follow up to get back the completed questionnaires.

### **3.8 CHAPTER SUMMARY**

Chapter Three cover the research methodology used in the research. It explores the various strategies in research and their appropriateness for the study. The advantages and disadvantages of the various research strategies are appropriately studied. This chapter seeks to develop an appreciation of sampling techniques for selecting subjects used in the study.

# CHAPTER 4

## RESEARCH FINDINGS AND DISCUSSION

### 4.0 INTRODUCTION

This chapter presents and discusses the key research findings. The analysis was derived from the questionnaire which was used as a data collection tool. This chapter provides the basis on which conclusions and recommendations of the study are made.

### 4.2 RESPONSE RATE

Table 4.1 Questionnaire responses

<b>Questionnaires Sent</b>	<b>Questionnaires Received</b>	<b>Response Rate</b>
50	36	72%

Table 4.1 above shows an overall response rate of 72%. The questionnaire was sent out in December. The festive season presented challenges since respondents were on holiday and many organisations had their annual shut down. However, the total of 36 completed questionnaires received surpassed the targeted response which was 30 which represent (t) a small sample where the population is unknown (Wegner, 2003). The sample of respondents is considered to be fairly representative of the NGO sector in Zimbabwe.

#### 4.2.1 Respondents by Sector

The distribution of respondents across the entire NGO sector constituted reasonable representation of the NGOs operating in Zimbabwe. Figure 4.1 below shows that the Orphaned and Vulnerable Children (OVC) sector had the highest response of 17%, followed by Poverty Alleviation sector which had 14%. However, most major NGOs were represented in the survey. Consequently findings from

this study are expected to reveal the current status within the NGO sector in Zimbabwe.

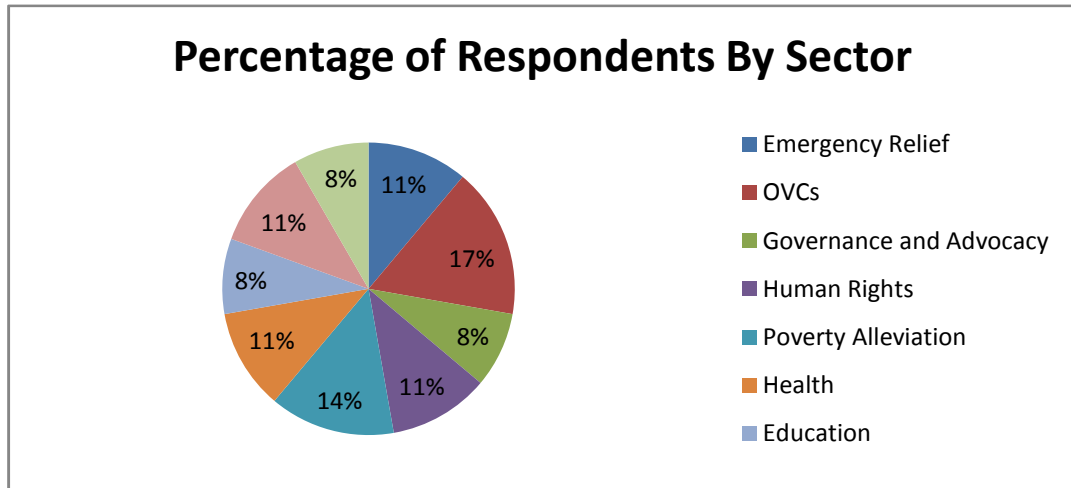


Figure 4.1 Distribution of NGOs that took part in the study

#### 4.2.2 Years of Operation in Zimbabwe

Figure 4.2 below shows how long the NGOs have been in existence in Zimbabwe. The results show that 70% of the NGO have been operating in Zimbabwe for over 10 years, 22% have been operating for between 5 and 10 years, while 8% have been in existence for less than 5 years. These results show that the NGOs have been in operation for longer periods, well before the onset of the financial crisis. This gives confidence in the results because it shows that the respondents are not 'new' organisations who might be failing to attract funds by the virtue of them not having a track record. The real impact of the global financial crisis will therefore be revealed since NGOs had the privilege to be able to compare the situation before and after the economic down-turn.

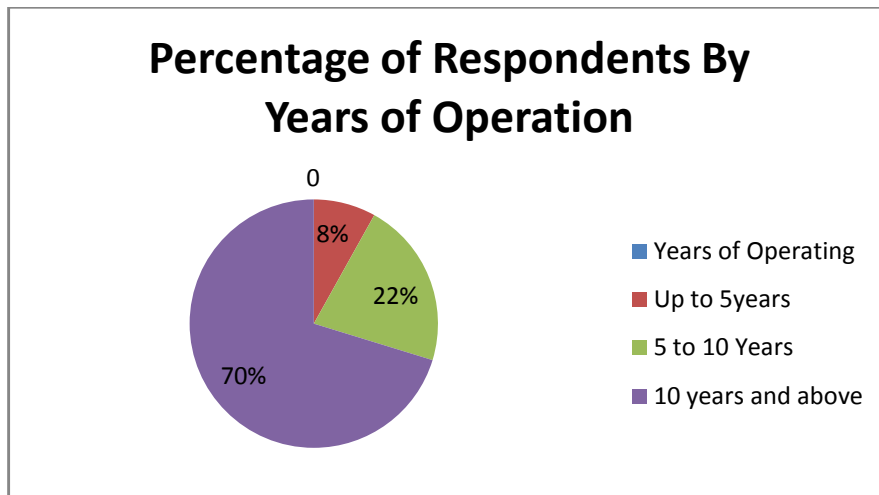


Figure 4.2 Years of NGO activities in Zimbabwe

#### 4.2.3 Number of Donors funding the NGOs

The findings show that all the respondents in the survey are receiving funding from multiple sources. This information is important because some NGOs could have experienced decline in funding due to circumstances of a single donor. The fact that NGOs receive funding from multiple donors helps to determine or identify the underlying cause of the decline in funding on a more general and broader perspective.

#### 4.2.4 Nature of NGOs – Local or International

Figure 4.3 exhibits the split between local and internationally based NGOs. About 78% of the NGOs are international and operate as affiliates of some organisations that are not domiciled in Zimbabwe and 22% are local organisations. It was necessary to compare the two types of NGOs in view of what Manyeruke (2012, p3) alluded to, 'the global financial crisis has impacted on all NGOs, big and small, local and international without exception thereby impacting negatively on development'. It is not immediately clear whether local and foreign-based NGO suffered the same effects.

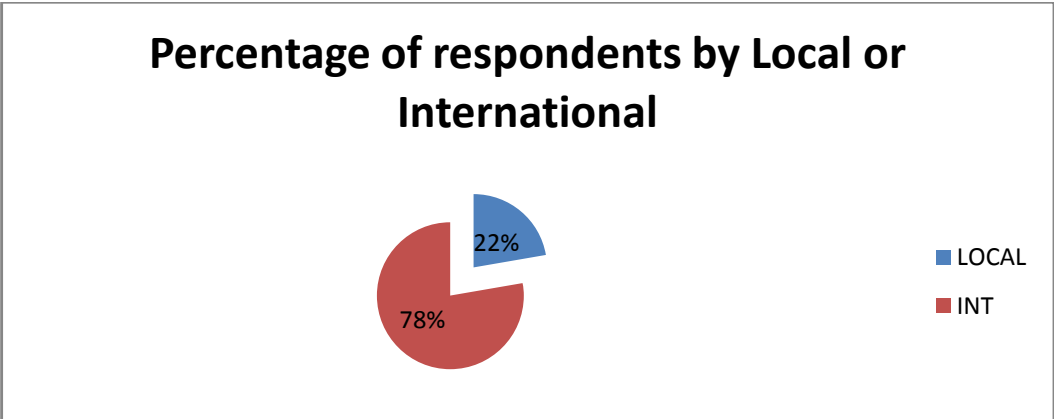


Figure 4.3 Split between local and international NGOs operating in Zimbabwe

**4.3 Impact of the financial crisis on funding**

**4.3.1 Percentage of Respondents that Experience Donor Funding Reduction**

Figure 4.4 shows that 94% of the respondents have experienced a reduction in funding since the onset on the world recession in 2007. This is a significant proportion implying that the financial crisis has had a major impact on the majority of NGOs in terms of inflow of donor funding. The comments from the 6% respondents that have not experienced a reduction in funding because they had multiple donors and thus were not affected to the same extent as those that relied on a single donor.

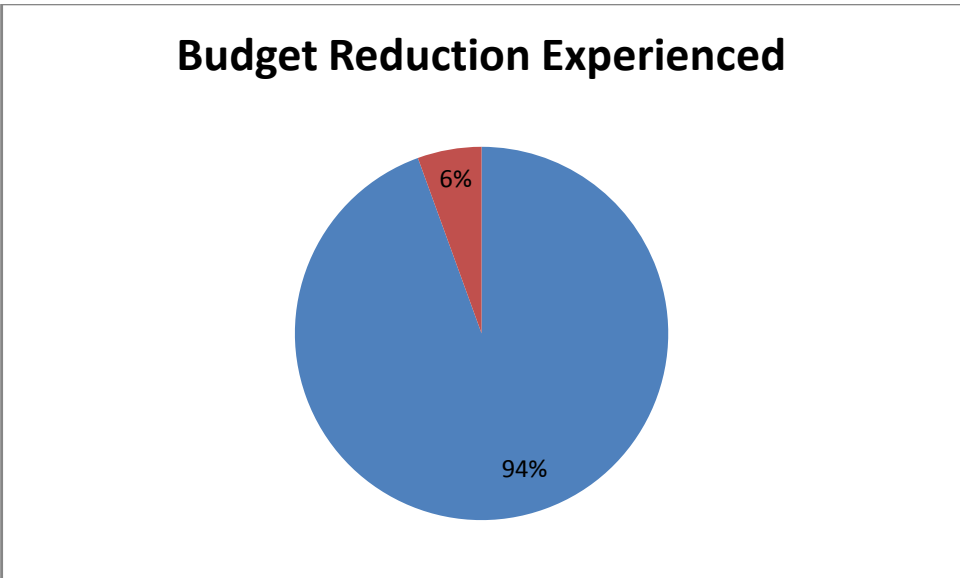


Figure: 4.4 Reduced NGO funding since 2007

### 4.3.2 Impact of the Decreased Funding to NGOs

Figure 4.5 reveals the impact that the reduction in funding has had on the organisations. About 35% of the respondents have had to scale down their activities. Twenty one per cent of NGOs have been forced to cut back on travel and 19% have cut down the complement of staff in the organisations.

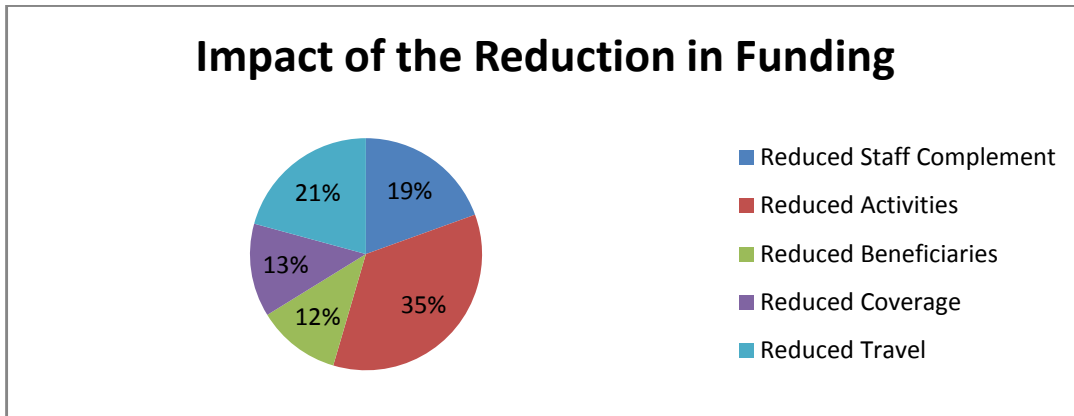


Figure 4.5 Effect of reduced funding to NGOs

From the comments received, some NGOs have had to streamline their organisational structures and even effect reductions in salaries, which in some cases, has had a negative impact on skills retention and staff morale. Because of a reduced resource base, the scope of NGO activities and area of coverage as well as the number of beneficiaries has also decreased as evidenced by 13% of the respondents who indicated that they have had to cut down on the geographical coverage and 12% have had to reduce the number of beneficiaries. According to Manyeruke (2012) "some of the biggest NGOs in Zimbabwe are retrenching staff or revising programs as their income streams flatten because of the global financial crisis. Oxfam GB, Save the Children UK and World Vision USA have also confirmed that "programme growth will slow as a result of the squeeze". The findings reveal that the global financial crisis has had seismic effects on the financial viability of NGOs in Zimbabwe. In Uganda, the impact of the reduction in funding has prompted NGOs to seek private sources of financing as NGO continue to scale down on activities ([www.ileap-jeicp.org](http://www.ileap-jeicp.org)).

### **4.3.3 Sustainability without foreign funding.**

All respondents indicated that they were not able to sustain their operations without foreign funding. They are not able to continue operating without foreign funding. This is a clear indication that NGOs have no other alternative funding options apart from foreign donors. It would appear that the local sources are not being considered within the NGO sector either because the local companies have no philanthropic inclinations or the NGOs are overly disposed towards foreign donor funding. The respondents expressed their concerns on the suppressed business environment as a cause of low local funding but also acknowledged the sector's dependency on foreign funding.

### **4.3.4 Major challenge in attracting donor funding**

Figure 4.6 below shows that 71% of the respondents believe that the financial crisis has been the major challenge in attracting donor funding. Bad or poor governance ranked the second, with 16% of the respondents citing this as a major challenge. The respondents commented that in times of scarcity of resources, the well managed organisations tend to get more preference from donors. The survey also shows that 10% of the respondents believe that sanctions have also contributed to the reduction in NGO funding in Zimbabwe. About 4% of the respondents cited other reasons, such as the political situation in Zimbabwe and that donors are hesitant to fund the organisations in Zimbabwe due to the prevailing political climate. Some donors and the NGOs they fund have been accused of harbouring political motives and hence come directly into conflict with the political establishment. Such organisations would tend to withhold funding if their ends do not appear to be achieved.



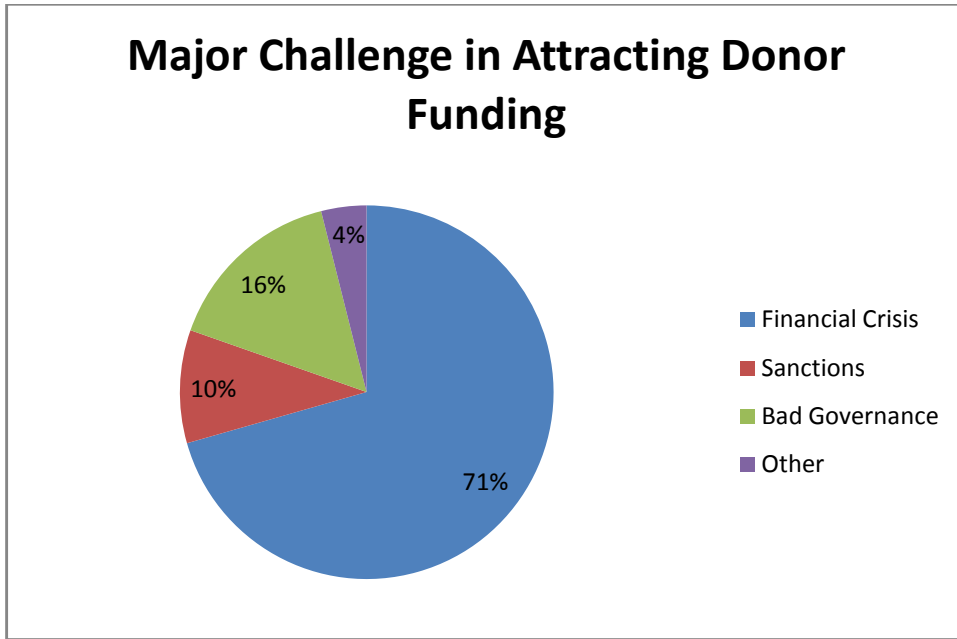


Figure 4.6 Causes of reduced donor funding

#### 4.3.5 Local Fundraising Activities

Figure 4.7 shows the various local fundraising activities that some NGOs in Zimbabwe are engaged in. About 19% of the NGOs raise funds from the corporate sector as well as individuals. However, this is being done in an unstructured manner. Traditionally funding for all NGOs has always come from the donors overseas and probably there is not enough know-how in mobilising local support.

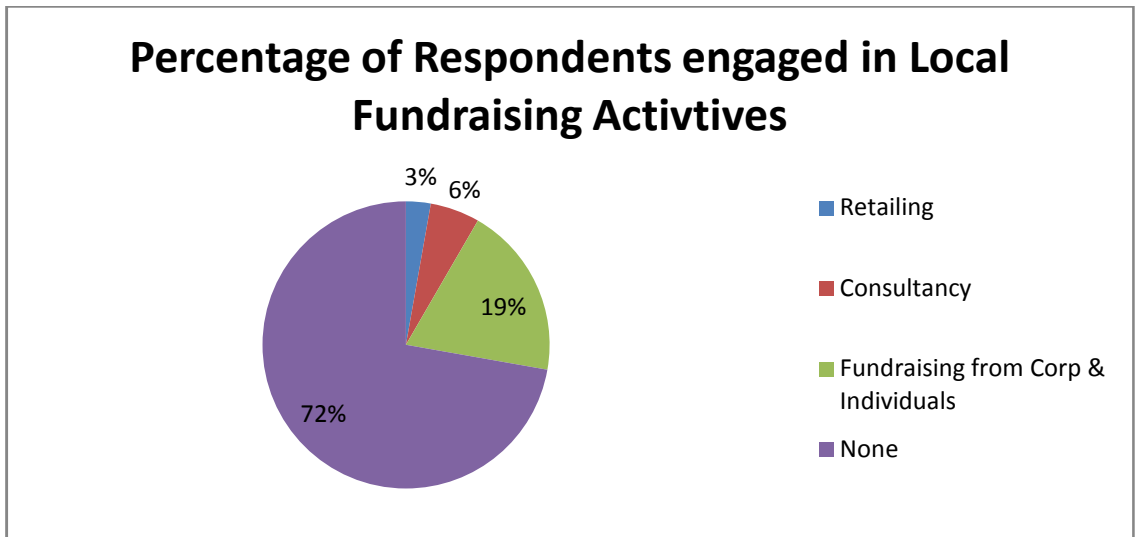


Figure 4.7 Fund-raising initiatives by some NGOs

Figure 4.7 shows that the majority (72%) of NGOs are not engaged in any local fundraising activity at all. It is evident that many NGOs can hardly self-sustain themselves should donor aid dry up altogether. Ten percent of NGOs raise funds from corporate and individual donations, 6% in consultancy and 3% from retailing. These are model NGOs who have broken from the culture of total dependence on external sources of revenue by taking proactive steps towards self-reliance rather than preparing budgets and crying out for alms.

#### 4.3.6 Budget Reduction Experienced in 2008

In 2008, 67% of the respondents suffered a reduction in donor funding as shown in Figure 4.8 below. About 17% of the respondents experienced not more than 10% decline, while 17% experienced reductions of between 20 and 30%. The economic crisis was beginning to bite as evidenced by the dwindling inflow of donor funds. This trend is comparable to the experiences in Uganda where foreign aid decreased from US\$222.29 million during the last quarter of 2007 to US\$178.9 million in the last quarter of 2008 ([www.ileap-jeicp.org](http://www.ileap-jeicp.org)).

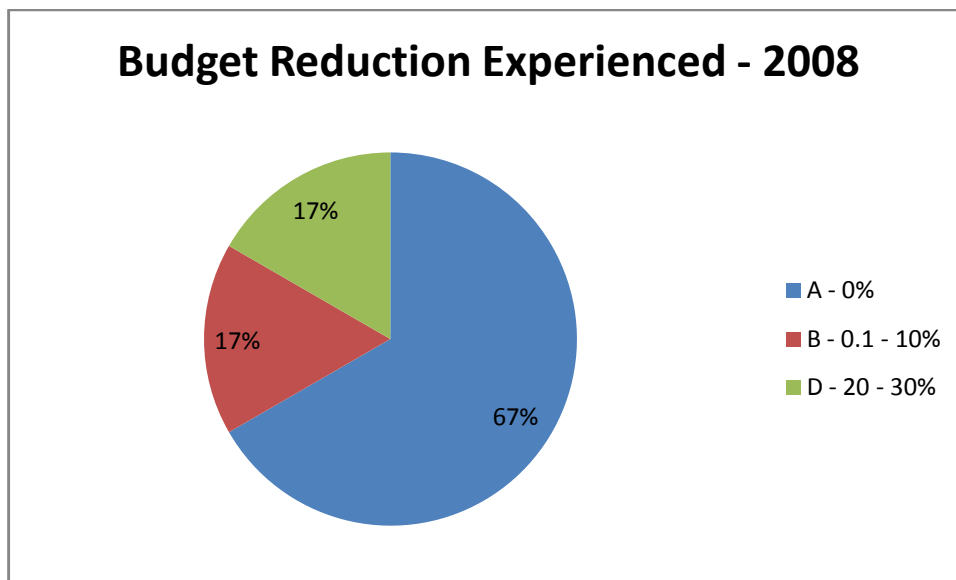


Figure 4.8 Budget cuts in 2008

In 2009 only 19% of the respondents did not experience any reduction in funding, 22% experienced reduction of up to 10% as shown in Figure 4.10. A significant proportion of the respondents (25%) had their funding reduced by between 30 – 40% and 6% experienced funding cuts of between 10 – 20 %. Eleven per

centexperienced budget cuts exceeding40%.A combined 81% of the respondents suffered somekindof funding reduction.The drop in NGO funding was also attributed to the shift in donor attention from community programmes to support programmes of the government of national unity that came to effect in February 2009 (USAID, 2010).

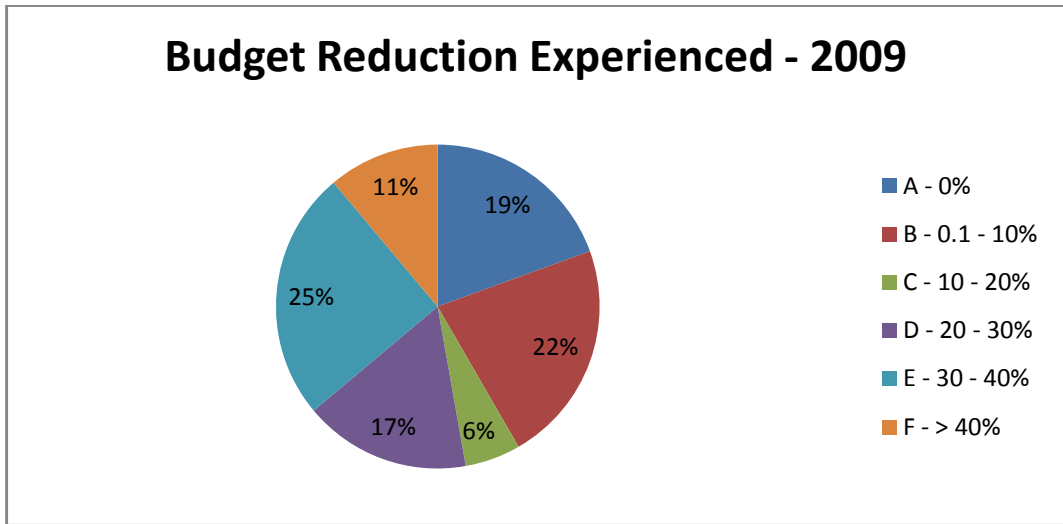


Figure 4.9 Budget cuts in 2009

The year 2010 saw a continuation of funding reductions across the sector with 13% of the respondents experiencing more than 40% funding cuts. The majority of NGOs (87% of the respondents) experienced a drop in funding as evident in Figure 4.11 shows that experienced funding cuts in 2010.

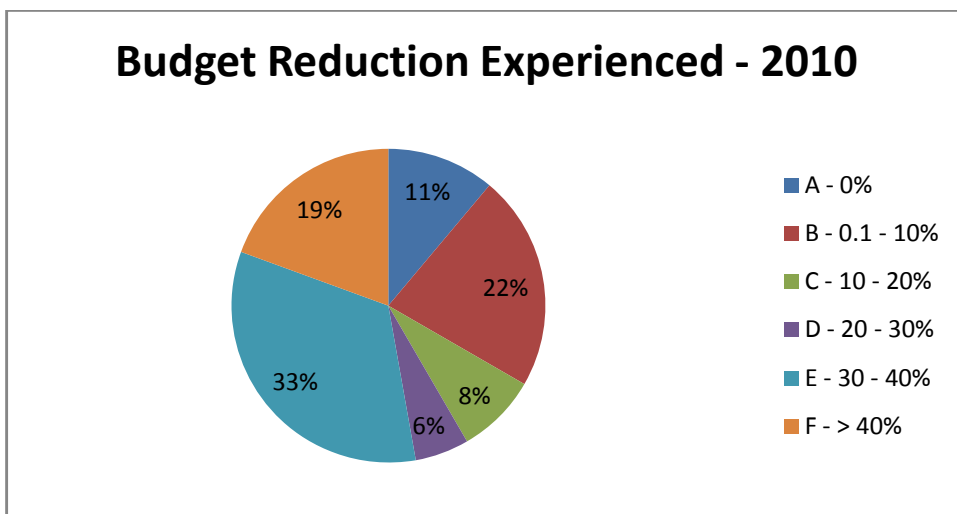


Figure 4.10 Budget cuts in 2010

The graph (Figure4.12)below shows that 36% of the respondents experienced budgetary cuts of between 10 and 20%.Only 6% of the respondents did not experience any reductions in 2011, implying that a whopping 94% of NGOs suffered budget cuts.

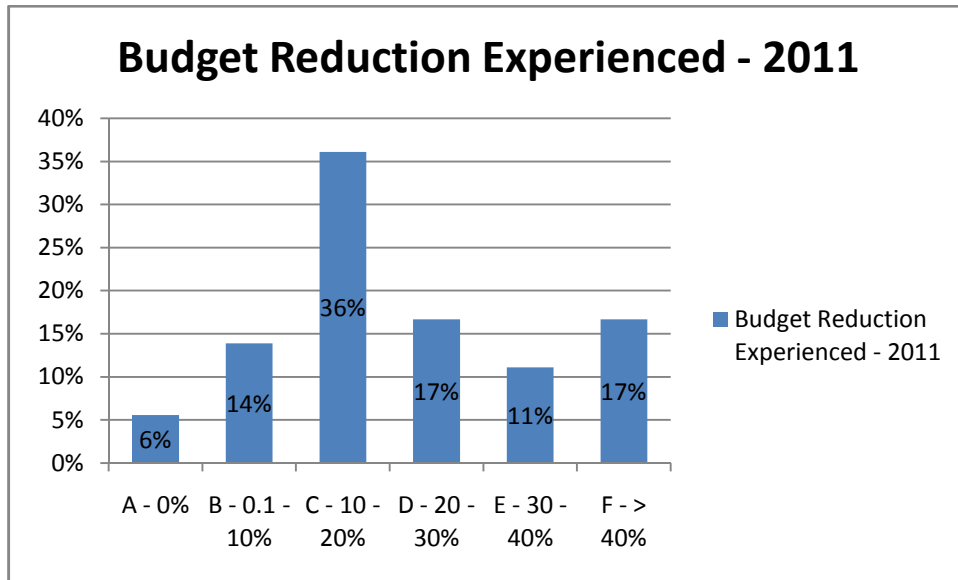


Figure 4.11 Budget cuts in 2011

According to the results of the survey, the worst budget cuts were experienced in 2012. Figure 4.13 show that 43% of the respondents experience reductions of more than 40%.

The results are worrying as they show a reduction in foreign funding when there is no alternative local income base.

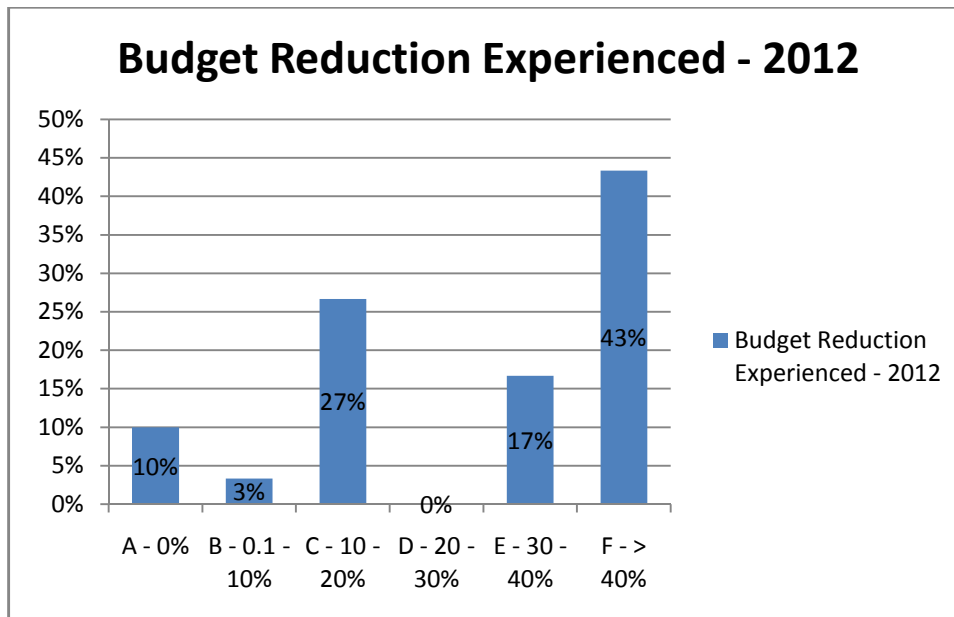


Figure 4.12 Budget cuts in 2012

#### 4.3.7 Percentage of foreign funding

All the participants that participated in the survey responded that at least 40% of their funding comes from foreign donors. This shows a very strong reliance of foreign funding. Hence the lack of creativity for in-house income generation will expose these NGOs to the vagaries of recessions and economic crises in donor countries.

#### 4.3.8 Percentage of local Funding

Table 4.2 below summarises the percentage of local income from the years 2007 to 2012. From 2007 to 2010, 90% of the respondents did not have any local income. It is also visible that only 3% of the respondents have been able to raise between 10 – 20% of their budget in local income in 2010. In 2012, 17% of the respondents managed to mobilise up to 10% of their income from local sources.

Table 4.2 Local funding of NGOs between 2007 and 2012

Income from local sources	NGOs in 2007	NGOs in 2008	NGOs in 2009	NGOs in 2010	NGOs in 2011	NGOs in 2012
0%	90%	90%	90%	90%	83%	83%
0.1 to 10%	10%	10%	10%	7%	17%	17%
<b>10 – 20%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3%</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

There is clear evidence of little local support for NGOs. The reasons could be historical in the sense that NGOs have been perceived as organisations that do not suffer financial difficulties. On the other hand, NGOs themselves have traditionally been insulated from the local domain, always keeping a distance and reluctant to knock on the doors of the local corporations for assistance. Some local businesses such as Econet and Renaissance Bank have had to start their own welfare units as part of their corporate social responsibility, thus short-circuiting existing NGOs.

#### 4.3.9 Percentage of Funding from Asian Countries

The study established that none of the respondents were receiving funding from the eastern countries such as; China, United Arab Emirates, Malaysia, India, Hong Kong, Japan and Singapore. Comments from the respondents suggested that these were not traditional donor countries for Zimbabwean NGOs. Aid has always been associated with Europe, Australia, and America. Just as the government has adopted a “look east policy”, the NGOs may have to follow suit.

#### 4.4 CHAPTER SUMMARY

The present chapter has demonstrated the progressive decline in foreign donor funding to NGOs in Zimbabwe since the emergence of the economic recession that has bedeviled the globe since 2007. The trend of decreasing donor income continues and the recovery is long in coming. NGOs that totally relied on such support are under serious threat for survival, unless they change the ethos to local

revenue generation and adopt mould-breaking strategic posturing. New unfamiliar challenges require fresh ideas that defy convention. There is no reason to cling to old ways that no longer suit modern day realities.

# CHAPTER FIVE

## CONCLUSION AND RECOMMENDATIONS

### 5.0 INTRODUCTION

The study sought to assess the impact of the global financial crisis on the flow of funding to NGOs in Zimbabwe. Chapter 5 presents the conclusions and recommended alternative strategies to mitigate the impact of the financial crisis.

### 5.1 CONCLUSIONS

In view of the findings of this study, the following conclusions are drawn:

1. About 93% of the non-governmental organisations studied have experienced a reduction in donor funding from the onset of the global financial crisis. It is evident that there has been a lack of preparedness and strategic planning to cope with the decline in funding. Since the onset of the financial crisis in 2007, there has been a continuous decrease in donor funding to NGOs in Zimbabwe. The year 2012 was the worst in this regard and there seems to be no respite in sight. The world recession is still on and at least for the foreseeable future; the crisis appears to deepen with each passing year.
2. Fundraising from local or internal sources is not common practice. About 72% of the NGOs that responded do not have any form of local fundraising activities. Many NGOs tend to sit back and expect funding from abroad with very little or no local fund raising initiatives. The dependency on foreign donor funding is a worrying trend particularly in times of global financial crises, where the donor countries are also constrained economically. While it may be argued that the Zimbabwean economy is not flourishing, it is important to note that it is not only money that may be needed. Donations in-kind like materials, land, time, and expertise are all useful elements in the sustainability menu. Excessive reliance on foreign donor funding has resulted in limited local resource mobilization.



3. None of the NGOs received funding from Eastern Countries like China, Japan, India or United Arab Emirates etc., countries whose economies are known to be vibrant. Countries such as the United Arab Emirates which boasts massive oil reserves and have not been as severely affected by the financial crisis as Western Europe.
4. NGOs in Zimbabwe are consumptive rather than productive in the use of donor funds. The funding is received and disbursed without any effort to build bigger resource bases. Once the donor tranches are spent, a begging bowl is extended for more aid. This is akin to a business seeking an injection of working capital every year. While this model has worked in the past, the economic crisis has changed the landscape to a more compelling one. The global economic recession has been cited by the respondents as the major factor causing the reduction in funding, coupled with political fall-out with donor countries and economic sanctions.
5. The reduction in funding has resulted in staff lay-offs, reduced area of coverage, reduced activities and curtailed travel of secretariat.
6. Operations for NGOs are not sustainable without foreign funding on which they are heavily and unduly dependent. Some NGOs will literally close shop if they fail to secure foreign funding.

### **5.3 RECOMMENDATIONS**

In view of the above conclusions, the following recommendations are made in order to attain financial viability:

#### **1. Strategic planning**

Strategic planning is critical for any organisation. NGOs need to review their visions, missions, values and objectives so as to grapple with the current challenges. It is recommended that strategic planning should become an imperative for NGOs. It has been reported that strategic planning by NGOs across Sub-Saharan Africa is largely an academic exercise (USAID, 2010). The situation has changed and such a casual approach will spell out disaster for many NGOs. NGOs need to develop contingencies or safety nets in order to cushion themselves from a sudden drought of funds from traditional sources.

NGOs should use various instruments to invest funds in preparation for rainy days.

## 2. **The intensification of local fundraising**

NGOs need to intensify initiatives of raising funds locally. First and foremost NGOs need to develop a fundraising strategy. It is recommended that committed and qualified personnel with creative skills in income generation be engaged. Often NGOs in Zimbabwe neglect the local market and lack the requisite skills to implement successful fundraising activities. It is also important to identify the needs of the organisation and split between cash and non-cash requirements.

Corporate funding from large companies occasionally flows to some NGOs. However, this is rather sporadic and ad hoc. It is recommended that NGOs consistently approach the corporate world and commercial institutions for financial support. It is recommended that the NGOs lobby with the government for strong corporate social responsibility laws in Zimbabwe. For example, in Sierra Leone, corporations are legally required to spend 3% of their annual profits on corporate social responsibility (CSR) (USAID, 2010).

NGOs can use the skills existing within their organisations to provide consultancy to the private sector, government departments and even in other NGOs. Retail outlets can be set up to sell merchandise to the public. NGOs can run retail shops to generate revenue. Oxfam GB in the United Kingdom has a string of shops that sell second hand clothes. In East Asia some NGOs produce blankets and shoes on a commercial scale. Proceeds are used to fund other NGO projects (Manyeruke, 2012, p8). In Australia charities generate revenue from sale of merchandise. Farming is another viable option, where NGOs can secure land from the government in order to engage in farming activities.

### **3. Tapping from Eastern Asian countries**

With no single NGO from the sample receiving funds from the Eastern countries, it is recommended that NGOs should actively make in-roads into these markets. NGOs can approach diplomatic missions in Zimbabwe from countries such as China, India, and United Arab Emirates and 'sell' their work and explore opportunities for funding partnerships.

### **4. Productive use of aid received**

NGOs can devise strategies, in consultation with donors, to invest funds and generate more revenue. NGOs are consumptive in their operations. The funds they receive are consumed in the hope that fresh budget lines will be financed from the same sources. It is prudent to take a leaf from some NGOs in East Asia that produce and sell blankets and shoes.

### **5. Strengthening of governance systems and organizational capacity**

With more non-governmental organisations chasing dwindling resources, only more transparent and accountable NGOs will attract funding better. It is therefore recommended that NGOs in Zimbabwe should improve their corporate governance and financial management systems. Separating management and governance functions within an NGO is a common problem throughout Sub-Saharan Africa. At times heavy organisational structures impose a financial burden where a large part of the budget finances salaries and wages of staff. Leaner and efficient structures are recommended. NGOs may work with volunteers as is the case in Rwanda where many NGOs depend on the efforts of local volunteers. In Mali, the Agency for the Employment of Youth (APEF) placed 2,000 youth volunteers in NGOs in 2010; retirees in Mali also offer their services to NGOs on a volunteer basis (USAID, 2010). In Tokyo, an NGO known as Peace Winds Japan has a volunteer to employee ratio of 4 to 1, a strategy to cut NGOs salary expenditures (Manyeruke, 2012, p7). Mozambique and Senegal both have volunteers on their books which they give travel and subsistence allowances rather than salaries (USAID, 2010). However, the volunteer scheme would probably be short-lived since the people may not offer their services for nothing while the secretariat receives hefty salaries, as exemplified by the economic meltdown

in Zimbabwe where the NGOs have been the best paying sector in the country. Perhaps volunteers can come in the form of students who need attachment or internship.

The need to travel may be reduced by the extensive use of information and communication technology (ICT). NGOs in Zimbabwe need not be left behind in the digital age of computers, mobile phones, fax machines, scanners and internet access, electronic mail and other advanced applications such as Skype.

## **6. Strategic networking**

NGOs have more chances with access to strong supporting infrastructure for training, information technology and networking services. To date NGO infrastructure in Zimbabwe remains weak. Kenya and South Africa host the strongest infrastructure, while NGOs in Angola, Burundi, and DRC suffer from extremely weak infrastructure (USAID, 2010). NGOs in Zimbabwe need to step up their efforts in building networks and coalitions to give civil society a stronger voice at the national level.

## **7 Public Image and Visibility**

The image and visibility to community and potential funders plays an important role in the credibility of the NGOs. Connectivity with donors via social networks such as Facebook, Twitter and You Tube can highlight the work of the NGO in the service to humanity. In Zimbabwe the business sector, though they may be willing to assist, are mostly overlooked by NGOs.

In Liberia and Sierra Leone it has been reported that while the public generally appreciates the work of NGOs, some people believe NGOs have unlimited resources (USAID, 2010). NGOs have been perceived as 'cash rich'. The same public perception is held in Zimbabwe where NGOs are believed to have a 'bottomless pit' full of resources. Public perception of the NGO sector has degenerated over the past ten years in Zimbabwe. NGOs were accused of having unfair access to elusive foreign currency. They were further accused of wasting resources on extravagant administrative costs, including expensive vehicles,

rather than service delivery. NGOs need to be transparent in their activities in order to portray their true image. This situation has been aggravated by some rogue officials who have enriched themselves by diverting funding meant for beneficiaries into their own pockets.

In Zimbabwe and Burundi, the government associates NGOs with the political opposition (USAID, 2010). Some NGOs in Zimbabwe have exhibited ulterior political motives by spearheading or bankrolling 'regime change' agendas. It is recommended that there is more collaboration between NGOs, government and the commercial sector.

It is recommended that NGOs in Zimbabwe showcase their contribution to social development to the public through media so that corporates, government and individuals can have an appreciation of the good work they are doing.

### **8Existence of a legally friendly environment**

For the NGO sector to be sustainable, the legal and regulatory environment should support the needs of NGOs. The government authorities in Zimbabwe should facilitate a quicker and easier registration process. The government should also address issues such as tax exemptions and value add tax (VAT). NGOs should easily register for VAT exemption and thus plough more into the needy people than the treasury.

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## APPENDIX

### Appendix A – Questionnaire



76 Pamvura Sunset Mews

Bluffhill, Harare

17<sup>th</sup> December 2012

Dear Respondent

#### **RE: ACADEMIC RESEARCH QUESTIONNAIRE**

My name is Itai Mazambani a final year Master of Business Administration (MBA) student at the Graduate School of Management, University of Zimbabwe. I am carrying out a research on the impact of the global financial crisis on donor funding to Non-Governmental Organizations (NGOs) in Zimbabwe. The main aim of the study is to explore alternative mitigating measures that NGOs can implement to sustain their operations.

I therefore kindly request you to spare a few minutes of your time to fill in the attached questionnaire which is part of the research. Please note that the responses will be used for academic purposes only and the responses will be handled with utmost confidentiality.

Please feel free to contact the researcher on 0772 260 084 or email address [mazambanii@gmail.com](mailto:mazambanii@gmail.com).

Your truthful submissions and cooperation is vital for the results of the study to be valid and reliable.

Thank you in advance for your time and assistance.

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**Itai Mazambani**

## QUESTIONNAIRE

Please complete and return electronically the questionnaire to the email address [mazambanii@gmail.com](mailto:mazambanii@gmail.com)

1. Please put a cross (X) in the space provided and provide a response to the question request.
2. Do not indicate your name and the name of your organization on the questionnaire.
3. Please note that your honest response will serve the purpose of the present study.

### SECTION A: BACKGROUND DATA

<b>1. NGO Sector you operate in</b>	(a)Emergency Relief <span style="float: right;">[ ]</span> (b)Orphaned and Vulnerable Children <span style="float: right;">[ ]</span> (c)Governance and Advocacy <span style="float: right;">[ ]</span> (d)Human Rights <span style="float: right;">[ ]</span> (e)Poverty Alleviation <span style="float: right;">[ ]</span> (f)Health <span style="float: right;">[ ]</span> (g)Education <span style="float: right;">[ ]</span> (h)FoodSecurity <span style="float: right;">[ ]</span> (i) Any Other (Please specify)
<b>2. How long has your NGO been operating in Zimbabwe?</b>	(a)0-5 years <span style="float: right;">[ ]</span> (b)5 – 10 years <span style="float: right;">[ ]</span> (c)10 and above <span style="float: right;">[ ]</span>
<b>3. Number of Donors</b>	(a)Single <span style="float: right;">[ ]</span> (b)Multiple <span style="float: right;">[ ]</span>
<b>4. Local or International</b>	(a)Local NGO <span style="float: right;">[ ]</span> (b)International <span style="float: right;">[ ]</span>

**SECTION B: IMPACT OF THE FINANCIAL CRISIS ON FUNDING**

5. Have you experienced reduced donor funding as a result of the financial crisis?

Yes: [ ] No: [ ]

6. If the answer to the above is yes, what has been the impact to your operations?

Reduced staff complement [ ] Reduced Activities [ ] Reduced Beneficiaries [ ]  
 Reduced Coverage (area) [ ] Reduced travel [ ]

Any other

.....  
 .....  
 .....

7. Please complete the table below for your organization using the following key:  
**A:** 0% (No change) **B:** 0.1 – 10% **C:** 10 - 20% **D:** 20 – 30% **E:** 30 - 40% **F:** More than 40%

Variable	Financial Year					
	2007	2008	2009	2010	2011	2012
Budget Reduction (%) Experienced						
Percentage of foreign funding						
Percentage of local funding						
Percentage of donor funding from Eastern Countries like e.g. China.						

**SECTION C: CONCLUSION AND RECOMMENDATIONS**

8. Is your organization sustainable without foreign funding?  
 (a) Yes [ ] (b) No [ ]

9. In your opinion, what is the major challenge in attracting donor funding for NGOs in Zimbabwe?

(a) Financial Crisis [ ] (b) Sanctions [ ] (c) Bad Governance [ ] (d) Any Other  
(Please specify).....

10. What local fundraising initiatives is your organization engaged in?  
(a) Retailing [ ] (b) Consultancy [ ] (c) Fundraising from Corporates and Individuals [ ]  
(d) Other

Please specify  
.....  
.....  
.....  
.....

11. Any other comment on the Impact of the Global financial crisis on NGOs and mitigating strategies (conclusion):  
.....  
.....  
.....

**THANK YOU FOR YOUR TIME.**