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Title

ASSESSING THE FINANCIAL LIMITATIONS ON PROJECT IMPLEMENTATION IN NGOs A CASE STUDY OF FAMILY PLANNING ASSOCIATIONS OF MALAWI (FPAM)

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ABSTRACT

This article investigates the pervasive challenge of financial limitations in Non-Governmental Organization (NGO) project implementation, using the Family Planning Association of Malawi (FPAM) as an in-depth case study. Framed by Resource Dependency Theory (RDT), the research employs a qualitative methodology including semi-structured interviews, focus group discussions, and document analysis to explore how donor dependency shapes operational realities. Findings reveal financial constraints, manifesting as insufficient funding, delayed disbursements, and restrictive donor conditions, critically disrupt project planning, compromise service quality, and undermine community trust. While FPAM employs reactive coping strategies like cost-cutting and donor negotiation, these are insufficient for fostering long-term resilience. The article identifies a consequential power imbalance inherent in the donor-recipient relationship, which limits organizational autonomy and strategic alignment with local needs. It concludes by proposing a multi-stakeholder framework for action, advocating for enhanced internal financial governance, strategic diversification of funding, donor policy reform towards flexibility, and stronger local partnerships. This study contributes context-specific evidence to the literature on NGO management in resource-constrained settings and offers pragmatic pathways from financial vulnerability towards sustainable impact.

Keywords: Financial Limitations, Project Implementation, NGOs, Donor Dependency, Resource Dependency Theory, Sustainability, Malawi, FPAM.

INTRODUCTION

Non-Governmental Organizations (NGOs) are pivotal actors in the development landscapes of countries like Malawi, filling critical service gaps in health, education, and social welfare. Their ability to implement projects effectively, however, is perpetually tested by a fundamental constraint: financial instability. Unlike for-profit entities, NGOs predominantly rely on external grants and donations, making them vulnerable to the shifting priorities and modalities of international aid. This dependency creates a paradox: organizations designed to foster local development and resilience are themselves often financially fragile and externally controlled.

This article presents a focused examination of this paradox through a case study of the Family Planning Association of Malawi (FPAM), a leading NGO in sexual and reproductive health. Using Resource Dependency Theory *(Pfeffer & Salancik, 1978) as* an analytical lens, we dissect how financial limitations more than mere budgetary shortfalls are systemic factors that dictate project planning, execution, and ultimate sustainability. The central argument posits that financial dependency is not just an operational hurdle but a structural condition that shapes organizational behavior, constrains autonomy, and can distort mission alignment.

The research was guided by three objectives: to examine the impact of financial limitations on FPAM’s project planning and implementation; to identify the coping strategies employed; and to propose evidence-based recommendations for enhancing financial resilience. By grounding the analysis in the lived experiences of FPAM staff, beneficiaries, and donors, this article moves beyond generic prescriptions to offer nuanced, context-specific insights relevant to Malawi and similar settings.

Background of study

Globally, NGOs served as key intermediaries between donors and local communities, addressing development gaps where government capacity was limited. In sub-Saharan Africa, NGOs faced significant financial challenges due to reliance on donor funding and fluctuating aid priorities *(Lewis & Kanji, 2009).* In Malawi, over 500 registered NGOs operated at national and community levels, heavily dependent on external grants *(Council for Non-Governmental Organizations in Malawi [CONGOMA], 2020).* Established in 1999, FPAM was a leading Malawian NGO dedicated to reproductive health and family planning, serving over 100,000 individuals annually through community outreach, clinic-based services, and advocacy *(FPAM, 2023).* Despite its prominence, FPAM grappled with financial constraints, including delayed funding disbursements and limited budget flexibility, which hindered project planning, monitoring, and long-term sustainability *(Chirwa & Kamanga, 2019).* This study was informed by Resource Dependency Theory *(Pfeffer & Salancik, 1978),* which posits that organizations reliant on external resources face constraints shaped by the availability and conditions of those resources. By focusing on FPAM, this research sought to provide nuanced insights into how financial limitations affected NGO project implementation in Malawi.

Problem Statement

Financial limitations are a critical barrier to effective project implementation in Malawian NGOs. Despite increased donor support, issues such as funding delays, stringent donor conditions, and limited domestic resource mobilization led to incomplete projects, reduced scope of activities, and diminished stakeholder trust. For instance, *Banda* and *Nyondo (2021)* found that over 70% of mid- sized NGOs in Malawi failed to complete projects on time due to funding challenges. FPAM, a donor-supported organization, faced similar issues, including insufficient operational budgets and difficulties sustaining long-term programs. These constraints threatened immediate project outcomes and the organization's long-term credibility. This study addressed the gap in context- specific research by examining how financial limitations impacted FPAM's project implementation and exploring strategies to mitigate these challenges.

RESEARCH OBJECTIVES

Main Objective

To assess the financial limitations of project implementation in NGOs, with a specific focus on financial limitations, using the Family Planning Association of Malawi (FPAM) as a case study.

Specific Objectives

The specific objectives were:

- To examine how financial limitations affected project planning and implementation at FPAM.
- To identify the coping strategies employed by FPAM to address financial constraints during project implementation.
- To propose recommendations for

enhancing project implementation in NGOs facing financial constraints.

Research Questions

The study was guided by the following research questions:

- How did financial dependency on donors influence FPAM's project planning, decision- making, and overall implementation behaviors?
- In what ways did donor conditions and funding patterns affect the power balance between FPAM and its donors during project implementation?
- How did financial limitations impact the effectiveness of FPAM's projects and service delivery to communities?
- What coping strategies did FPAM employ to manage donor dependency and maintain effective project implementation?

LITERATURE REVIEWS

Definition of Terms

- **Non-Governmental Organization (NGO):**

An NGO is a non-profit entity, independent of government control, that addresses social, developmental, or humanitarian issues, often focusing on underserved populations. NGOs typically rely on external funding sources, such as international donors, grants, or private contributions, to deliver services *(Lewis & Kanji, 2009).* In Malawi, NGOs like FPAM operate in sectors such as health, education, and poverty alleviation, filling gaps left by limited public resources. However, their independence is often constrained by donor priorities, which can influence program design and implementation *(Banks & Hulme, 2014).*

- **Financial Limitations:**

Financial limitations refer to constraints arising from insufficient, unpredictable, or restricted funding that hinder an NGO's ability to execute projects effectively. These limitations manifest as budget shortfalls, delayed disbursements, or restricted funding tied to specific donor agendas *(Kamanga & Chirwa, 2019).* For example, in Malawi, financial limitations often result in reduced project scope, staff layoffs, or interrupted service delivery, particularly in health-focused NGOs like FPAM *(Kumwenda & Tembo, 2022).* Such constraints can also exacerbate operational inefficiencies, such as weak monitoring and evaluation (M&E) systems.

- **Donor Dependency**:

Donor dependency describes an NGO's over-reliance on external funding sources, particularly international donors, which creates operational vulnerabilities and limits organizational autonomy. This dependency often leads to a power imbalance, where donors dictate project priorities, timelines, and outcomes *(Fowler, 2002).* In Malawi, donor dependency is pervasive, with over 80% of NGO funding coming from foreign sources, making organizations like FPAM susceptible to disruptions when donor priorities shift or funding is delayed *(CONGOMA, 2020).* This dynamic can undermine long-term sustainability and local ownership of projects.

- **Financial Resilience**:

Financial resilience is the capacity of an NGO to withstand and adapt to financial shocks, such as funding cuts or delays, through strategic financial management and diversified revenue streams. It involves proactive measures like building reserves, exploring alternative funding models, and strengthening internal systems *(Chiumia & Munthali, 2020).* For instance, resilient NGOs may use contingency funds or engage in income-generating activities to maintain operations during crises.

In the Malawian context, financial resilience is critical yet challenging due to limited local funding opportunities and a weak culture of philanthropy *(Mphande, 2021).*

- **Sustainability in NGOs:**

Sustainability refers to an NGO's ability to maintain its operations, programs, and impact over time without excessive dependence on external funding. It encompasses financial, programming, and organizational dimensions, including the ability to adapt to changing environments and engage local stakeholders *(Edwards & Hulme, 1996).* For FPAM, sustainability might involve integrating community-based funding models or leveraging partnerships with local businesses to reduce reliance on volatile donor grants. However, achieving sustainability in Malawi is complicated by economic constraints and donor-driven funding cycles *(Tandon, 2014).*

- **Project Implementation:**

Project implementation is the process of executing planned activities to achieve specific objectives within a defined timeframe and budget. In the NGO context, it includes delivering services, monitoring progress, and evaluating outcomes. Financial limitations often disrupt implementation, leading to delays, reduced service quality, or incomplete projects *(Bryson, 2018).* For FPAM, effective project implementation involves delivering family planning services, training staff, and engaging communities, all of which are sensitive to funding availability and stability *(Banda & Nyondo, 2021).*

Emperical Evidence

- **Financial Constraints in NGO Project Implementation**

Financial constraints are a well-documented barrier to effective project implementation in NGOs, particularly in developing countries. These constraints manifest in various forms, including insufficient funding, delayed disbursements, stringent donor conditions, and limited domestic resource mobilization. The following subsections explore these challenges in detail.

- **Insufficient Funding**

Insufficient funding limits NGOs' ability to cover operational costs, hire skilled staff, or scale up interventions. According to *Banda and Nyondo (2021),* over 70% of mid-sized NGOs in Malawi struggle to secure adequate budgets, leading to incomplete projects or reduced service quality. For example, FPAM's outreach programs require consistent funding for staff salaries, transportation, and medical supplies, but budget shortfalls often force the organization to prioritize certain activities over others *(FPAM, 2023).* Globally, studies confirm that underfunding undermines project sustainability, as NGOs struggle to maintain infrastructure or follow-up activities after donor support ends *(Lewis & Kanji, 2009).*

- **Delayed Funding Disbursements**

Delays in funding disbursements disrupt project timelines and erode stakeholder trust. In Malawi, *Chirwa and Kamanga (2019)* found that 60% of NGOs experienced delays in donor funds, causing interruptions in service delivery and increased administrative costs. For FPAM, delayed disbursements hinder the timely implementation of community outreach programs, as staff and volunteers cannot be deployed without operational funds *(FPAM, 2023).* Such delays also strain relationships with communities, who may perceive NGOs as unreliable.

- **Stringent Donor Conditions**

Donors often impose strict conditions on funding, such as earmarking funds for specific activities or requiring extensive reporting. These conditions limit NGOs' flexibility to adapt projects to local contexts. *Fowler (2000)* argues that donor-driven agendas can divert resources from core organizational priorities, reducing efficiency. In Malawi, NGOs like FPAM face challenges reconciling donor requirements with community needs, as funds may be restricted to short-term interventions rather than long-term capacity building *(Banda & Nyondo, 2021).* This misalignment exacerbates financial constraints, as NGOs incur additional costs to comply with donor mandates.

- **Limited Domestic Resource Mobilization**

NGOs in developing countries often lack access to domestic funding sources, increasing their reliance on external donors. In Malawi, weak private sector engagement and low public contributions limit NGOs' ability to generate local revenue *(CONGOMA, 2020).* FPAM, for instance, relies heavily on international grants, with minimal income from local fundraising or government support *(FPAM, 2023).* This dependency heightens vulnerability to external shocks, such as changes in donor priorities or global economic downturns.

- **Coping Strategies Employed by NGOs**

To address financial constraints, NGOs adopt various coping strategies, ranging from cost-cutting measures to innovative fundraising approaches. The following subsections discuss common strategies identified in the literature, with relevance to FPAM's context.

- **Cost-Cutting and Efficiency Measures**

NGOs often reduce operational costs by downsizing staff, limiting project scope, or sharing resources with other organizations. *Chirwa and Kamanga (2019)* note that Malawian NGOs frequently cut administrative expenses to allocate more funds to programmatic activities. However, such measures can compromise quality, as understaffed projects may fail to meet objectives. FPAM has implemented cost-sharing arrangements with local health facilities to reduce expenses, but this approach sometimes strains partnerships due to differing priorities *(FPAM, 2023).*

- **Diversifying Funding Sources**

Diversifying funding sources reduces dependency on single donors and enhances financial stability. *Lewis and Kanji (2009)* suggest that NGOs can explore corporate partnerships, crowdfunding, or social enterprises to generate income. In Malawi, some NGOs have initiated income-generating activities, such as selling agricultural products, to supplement grants *(Banda & Nyondo, 2021).* FPAM has explored local fundraising events, but these efforts yield limited revenue due to economic constraints in Malawi *(FPAM, 2023).* International examples, such as BRAC in Bangladesh, demonstrate success in diversifying funding through microfinance and social enterprises, offering potential lessons for FPAM.

- **Resource Dependency Theory (RDT) as an Explanatory Lens**

RDT provides a powerful framework for understanding these dynamics. It posits that organizations are not autonomous but are embedded in networks of resource exchange. Survival depends on acquiring critical resources from external actors who consequently gain power over the organization. For NGOs, the critical resource is funding, and the powerful external actors are donors.

This dependency leads to specific behaviors: organizations may alter their goals to align with resource providers, internal structures are shaped by compliance demands, and strategic autonomy is sacrificed for resource security *(Pfeffer & Salancik, 1978).* RDT thus frames financial limitations not as passive conditions but as active forces that shape NGO identity, strategy, and operations.

- **Knowledge Gap**

While the broad challenges are documented, there is a scarcity of deep, qualitative case studies from Malawi that examine the lived experience of financial dependency—how it tangibly affects daily operations, staff morale, decision-making power, and service delivery from the perspectives of all stakeholders. This study aims to fill that gap.

METHODOLOGY

This study adopted a qualitative, descriptive case study design, ideal for achieving an in-depth, contextual understanding of a complex real-world phenomenon (Yin, 2018). The research was conducted at FPAM's headquarters and operational sites in Lilongwe, Malawi.

Data Collection

Purposive sampling was used to select 15 key participants:

- **7 FPAM Staff:** Program managers, financial officers, and field officers.
- **5 FPAM Beneficiaries:** Users of services from urban and rural settings.
- **3 Donor/Partner Representatives.**

Data was triangulated through three methods:

- **Semi-structured Interviews** with staff and donors.
- **One Focus Group Discussion (FGD)** with beneficiaries.
- **Document Analysis** of FPAM annual reports, project proposals, and financial statements (2020-2023).

Data Analysis

All qualitative data were transcribed and analyzed using thematic analysis (Braun & Clarke, 2006). The process involved familiarization, generating initial codes, searching for themes, reviewing themes, defining and naming them, and producing the report. Analysis was guided by the tenets of RDT.

Ethical Considerations

The study received ethical approval. Informed consent was obtained from all participants, with guarantees of anonymity, confidentiality, and the right to withdraw.

Findings and Discussion

The analysis coalesced around three central themes that vividly illustrate the RDT dynamic at FPAM.

- **Constraining Reality of Financial Limitations**

Financial unpredictability was the dominant operational disruptor. Staff described project calendars as *"theoretical documents,"* with implementation frozen pending fund disbursement. As one program manager stated, *"A delay of two or three months means all mobilization... is suspended. We are constantly rescheduling, which damages our credibility."* Donor-imposed budget rigidity further crippled adaptive management. Funds earmarked for specific line items (e.g., medical supplies but not transport fuel) created impossible operational dilemmas. The consequence was direct service reduction. Beneficiaries reported intermittent mobile clinic visits, with one noting, *"The health worker tells us they are waiting for funds for fuel. We are left without access."* This aligns with RDT's assertion that resource controllers (donors) impose constraints that dictate the organization's actions and outputs.

- **Reactive Coping in a Cycle of Dependency**

FPAM's responses were characterized by reactive resilience, focused on survival rather than systemic change.

Internal Austerity: Staff reported freezing non-essential travel, rationing supplies, and even absorbing minor costs personally (e.g., using personal mobile data for work).

Donor Liaison as Negotiation: Significant managerial energy was spent negotiating for advanced tranches or budget reallocations, a process one manager called "a constant negotiation to maintain liquidity."

Informal Local Partnerships: Ad-hoc arrangements with government clinics for shared resources provided temporary relief but were unreliable and lacked formal commitment. These strategies, while necessary, exemplify RDT's concept of "coping" rather than "managing" the environment. They mitigate immediate scarcity but do not reduce the fundamental dependency.

- **The Undercurrent of Power and Altered Agendas**

The most profound finding was the subtle yet powerful influence of dependency on FPAM's strategic direction. The need to secure funding influenced project design. A staff member involved in proposals reflected on the tension between *"what our community data tells us is critically needed and what international donors are currently funding."*

Furthermore, the administrative burden of compliance was a significant indirect cost. An M&E officer lamented, "The focus becomes achieving what is measured and documented, sometimes at the expense of more nuanced, community-driven processes." This illustrates how donor power, exercised through reporting requirements, can reshape organizational activities and priorities—a core prediction of RDT.

CONCLUSION AND RECOMMENDATIONS

This study concludes that for FPAM, and by extension many Malawian NGOs, financial limitations are a structural condition rooted in donor dependency. This dependency creates a cycle of operational vulnerability, reactive management, and compromised autonomy that ultimately threatens the sustainability and integrity of development outcomes. Moving "beyond survival" requires a deliberate, multi-pronged strategy to manage this dependency more effectively and build genuine resilience.

Recommendations for NGO Management (FPAM)

- **Develop a Strategic Financial Diversification Plan:** Move beyond ad-hoc fundraising. Pilot mission-aligned social enterprise (e.g., fee-based training services) and launch a structured campaign to cultivate local philanthropy from businesses and the diaspora.
- **Strengthen Financial Governance:** Implement rigorous cash flow forecasting and scenario planning. Invest in training for senior staff on advanced donor negotiation to secure more core, flexible, and multi-year funding.
- **Formalize Local Partnerships:** Transform informal arrangements into formal Memoranda of Understanding with government and private partners, outlining clear co- financing and resource-sharing commitments.

Recommendations for Donor Agencies

- **Shift to Flexible Funding Modalities:** Increase the proportion of core institutional support and untied program funding. Simplify and harmonize reporting requirements across donor consortia to reduce the NGO compliance burden.
- **Invest in Organizational Sustainability:** Earmark grants for capacity building in financial management, strategic planning, and diversification strategies, recognizing that a strong partner is a more effective partner.

Recommendations for Policymakers & Umbrella Bodies (e.g., CONGOMA)

- **Create an Enabling Environment for Local Giving:** Advocate for tax incentives for corporate and individual donations to registered NGOs.
- **Facilitate Sector-Wide Dialogue:** Convene regular forums for NGOs, donors, and government to collaboratively develop principles for more equitable and sustainable funding partnerships.

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