

Companion Guide:

# Ethiopia Legal Empowerment Toolkit





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[cehro.org](http://cehro.org) | [info@cehro.org](mailto:info@cehro.org) | Landline: +251-116-67-00-97

Twitter/X: [@CEHRO1](https://twitter.com/CEHRO1) | LinkedIn: [@CEHRO Ethiopia](https://www.linkedin.com/company/CEHRO-Ethiopia)



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# Abbreviations

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| <b>ACHPR</b> | African Charter on Human and Peoples' Rights       |
| <b>ACSO</b>  | Authority for Civil Society Organizations          |
| <b>CEHRO</b> | Consortium of Ethiopian Human Rights Organizations |
| <b>CoC</b>   | Code of Conduct                                    |
| <b>CSOs</b>  | Civil Society Organizations                        |
| <b>CSP</b>   | Charities and Societies Proclamation               |
| <b>ECSF</b>  | Ethiopian Civil Societies Forum                    |
| <b>ECSOC</b> | Ethiopian Civil Society Organizations Council      |
| <b>EMA</b>   | Ethiopian Media Authority                          |
| <b>FDRE</b>  | The Federal Democratic Republic of Ethiopia        |
| <b>FoA</b>   | Freedom of Association                             |
| <b>FoE</b>   | Freedom of Expression                              |
| <b>LJAAC</b> | Legal and Justice Affairs Advisory Council         |
| <b>NGOs</b>  | Non-Governmental Organizations                     |
| <b>UDHR</b>  | Universal Declaration of Human Rights              |
| <b>VAT</b>   | Value Added Tax                                    |

# 1. Introduction

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## 1.1. Profile of CEHRO

The Consortium of Ethiopian Human Rights Organizations (CEHRO) was registered on the 16<sup>th</sup> of March 2018 (re-registered as per Proclamation No. 1113/2019 with registration number 3932). Currently, CEHRO is comprised of 32 Civil Society Organizations (CSOs). The Consortium is working to promote the protection of Human Rights by creating a common platform for CSOs to have their voices heard and to initiate evidence-based advocacy. It is also working to strengthen the capacity of existing and new Human Rights organizations. CEHRO engages in capacity building of the secretariat, its members, and key stakeholders; coordination of members' strategic engagements to amplify unified voices (policy advocacy); and advocacy for enabling civic space in Ethiopia.

CEHRO has been working in the CSO sector for the last seven years with active funds and has comprehensive governance and compliance policies along with a five-year strategic plan. Over the past seven years, CEHRO has mobilized resources, implemented more than 50 projects, and partnered with more than 30 organizations. In terms of membership and engagement for policy-level advocacy, CEHRO is a member of AU ECOSOCC 4<sup>th</sup> General Assembly, a voting member of CIVICUS, has observer status at the African Commission on Human and Peoples Rights (ACHPR), is the Chairperson for the Ethiopian Civil Societies Forum (ECSF), is the Executive Committee member of the Ethiopian Civil Society Organizations Council (ECOSOC), a Board member of the Authority for civil Society Organizations (ACSO) and founding member of the Salama Hub of AFSC, as well as Vice-chairperson for the E-HORN. CEHRO is engaged in efforts that facilitate learning, consultations, collaborations, coordination, and capacity building. Regarding coverage, CEHRO and member CSOs work at the federal and regional levels.

## 1.2. The Purpose of the Companion Guide

This Companion Guide to the Legal Empowerment Toolkit provides CSOs with a practical, user-friendly reference that simplifies the national laws, regulations, and directives governing the CSO sector in Ethiopia. The Guide supports the Legal Empowerment Toolkit by offering detailed explanations, legal context, and content, enabling CSOs to understand their rights, duties, and compliance requirements more effectively.

## 1.3. How to Use the Companion Guide

This Companion Guide is designed to be used alongside the Legal Empowerment Toolkit. For each item in the Toolkit, users can refer to the corresponding section/s in this Guide for deeper explanations, legal references, and guidance. Users can begin by reviewing the Toolkit to identify the issue or provision concerned, and then use the Guide for information on the underlying laws, obligations, and procedures. The Companion Guide helps CSOs navigate requirements step-by-step, clarifies ambiguities, and strengthens their operational and regulatory obligations.

# 2. National Laws and Regulations Governing the Civil Society Sector

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## 2.1. The Federal Democratic Republic of Ethiopia (FDRE) Constitution

The right to Freedom of Association is a cornerstone of a democratic society, enabling citizens to actively participate in shaping their nation. It encompasses all types of organizations formed by citizens to safeguard their individual and collective interests. The Universal Declaration of Human Rights (UDHR) enshrines the right to Freedom of Association under Article 20. This Article states that “**everyone has the right to freedom of peaceful assembly and association.**” This right is fundamental to the functioning of a democratic society, allowing individuals to come together to pursue common interests, express shared beliefs, and advocate for collective goals.

The right to Freedom of Association includes the ability to form and join organizations, such as trade unions, non-governmental organizations (NGOs), and other Civil Society groups. It ensures that individuals can collaborate to promote and protect their rights and interests without interference or intimidation from the state or other entities. The Federal Democratic Republic of Ethiopia (FDRE) Constitution, under Article 31, enshrines this fundamental right and guarantees the freedom of every person to associate for any lawful purposes.

This constitutional guarantee is further strengthened by Ethiopia’s commitment to international human rights standards. As a signatory to both the International Covenant on Civil and Political Rights (ICCPR) and the African Charter on Human and Peoples’ Rights (ACHPR), Ethiopia recognizes these agreements as integral parts of its domestic law<sup>1</sup>. Both instruments unequivocally affirm the right to Freedom of Association.

CSOs, as the very manifestation of this right, serve as vital vehicles for the protection and advancement of a wide range of human rights. They empower individuals to unite in addressing societal challenges, advocating for reforms, and contributing to Ethiopia’s progress.

## 2.2. Laws Pertinent to Civil Society Organizations

Before the 2009 Charities and Societies Proclamation came into effect, the CSOs sector was regulated by the 1960 Ethiopian Civil Code. This code served as the main

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<sup>1</sup> Constitution of the Federal Democratic Republic of Ethiopia, 1995, Arts. 31 & 9(4).

legal document for administering CSOs. However, it faced challenges in addressing the growing demands of CSOs that flourished after the downfall of the *Derg* regime. The rapid expansion of these organizations highlighted the need for a more comprehensive legal framework.

Responding to strong appeals for updated legislation, the government of Ethiopia issued the Charities and Societies Proclamation in February 2009 as Proclamation No. 621/2009. This law aimed to better regulate and support the evolving CSOs sector, ensuring that organizations could operate effectively and contribute to the country's development. However, the 2009 Charities and Societies Proclamation CSP in Ethiopia has faced significant criticism for its restrictive nature. One of the primary defects was that it imposed excessive limitations on the activities of CSOs, particularly those involved in advocacy. The law restricted foreign funding to a maximum of 10% for organizations working on human rights, democracy, and conflict resolution, severely limiting their financial resources and operational capacity. Additionally, the 2009 Charities and Societies Proclamation granted broad discretionary powers to the government to interfere in the internal affairs of CSOs, including the authority to dissolve organizations without judicial oversight. This created a climate of fear and self-censorship among CSOs, undermining their ability to function independently and effectively.

In 2018, the Ethiopian government established the Legal and Justice Affairs Advisory Council (LJAAC) under the then Federal Attorney General's Office (now the Ministry of Justice) to advise on the revision and reform of various laws. After conducting a detailed diagnostic study of the Charities and Societies Proclamation, the Council recommended the repeal and replacement of the law with a new one, designed to address the shortcomings of the previous law and create a more enabling environment for CSOs. Based on this advice, the new CSOs law (Proclamation No. 1113/2019) was issued in March 2019. The details of the proclamation are discussed under Chapter 3 of this Companion Guide.

### **2.3. Labor Proclamation No. 1156/2019**

The Ethiopian Labor Proclamation No. 1156/2019 is a comprehensive legal framework that governs the rights and obligations of workers and employers in Ethiopia. This proclamation aims to ensure fair labor practices, promote industrial peace, and enhance productivity and competitiveness in the labor market. Key aspects of the proclamation include provisions on employment contracts, working conditions, occupational health and safety, and dispute resolution mechanisms. The stipulations of the Labor Proclamation significantly impact the operations of CSOs in the country. The proclamation establishes foundational rights for workers, including the right to join trade unions, engage in collective bargaining, and seek redress for grievances. It outlines responsibilities for employers, ensuring that they provide fair working

conditions, and mandates that workers are treated with dignity and respect. For CSOs, understanding these provisions is crucial as they both employ personnel and often play a role in monitoring compliance with labor laws and advocating for vulnerable workers, including those in informal sectors. The proclamation also emphasizes the importance of cooperation between governmental bodies and CSOs in promoting labor rights, enabling these organizations to function effectively within the legal framework while pushing for reforms that align with international labor standards. At its core, the Ethiopian Labor Proclamation outlines fundamental rights for workers, including the right to fair treatment, non-discrimination, and access to grievance mechanisms. For CSOs, these provisions serve as a critical foundation for developing internal policies that promote equitable employment practices. By adhering to the proclamation, CSOs can create an environment where employees feel valued and respected, which enhances job satisfaction and organizational commitment.

## 2.4. Income Tax Amendment Proclamation No. 1395/2025

The Federal Income Tax Proclamation No. 1395/2025 amended Income Tax Proclamation No. 979/2016 to address the gaps of the previous proclamation which was enacted 9 years ago and align it with the country's economic development. This proclamation outlines the taxation rules for individuals, businesses, and non-profit organizations, including CSOs.

### ► Key Provisions Relevant to CSOs

#### INCOME TAX EXEMPTIONS

- **Grants and Donations:** CSOs are exempt from income tax on grants and donations received from local and international sources. This exemption is crucial as it allows CSOs to utilize their funds directly for their intended purposes without the burden of income tax.

#### TAXABLE INCOME

- **Economic Activities:** If a CSO engages in an economic activity that generates income, such income is subject to income tax.
- **Rental Income:** Income from the rental of buildings owned by CSOs is taxable under Schedule 'B' of the proclamation.

#### VALUE-ADDED TAX (VAT)

- CSOs are subject to VAT on their purchases and sales, depending on the value of their annual transactions.
- The detailed rules are provided under the Value Added Tax Proclamation No. 1341/2024.

## DEDUCTIBLE EXPENDITURES

- **Charitable Donations:** The amendment broadens the scope of deductible charitable donations to include contributions made to government-prioritized development activities, as defined by a directive from the Ministry of Finance. While the standard deduction cap remains at 10% of taxable income, the amendment empowers the Ministry of Finance to raise this limit for donations supporting designated priority development sectors.
- **Operational Costs:** CSOs can deduct certain operational costs from their taxable income, provided these costs are directly related to their non-profit activities.

## 2.5. Hate Speech and Disinformation Prevention and Suppression Proclamation No. 1185/2020

The right to Freedom of Expression is a fundamental human right enshrined in the FDRE Constitution and various international treaties to which Ethiopia is a party, such as the ICCPR and the ACHPR. This right is crucial for the functioning of a democratic society, allowing individuals to freely express their opinions, seek and receive information, and participate in public discourse. However, like many other rights, freedom of expression is not absolute and can be subjected to certain limitations to protect other important societal interests.

One of the most significant pieces of legislation is the Anti-Hate Speech and Disinformation Prevention and Suppression Proclamation No. 1185/2020. This proclamation was enacted by the government of Ethiopia to address the growing concerns over hate speech and disinformation in Ethiopia and maintain social harmony, political stability, national unity, human dignity, diversity, and equality by regulating the dissemination of harmful content.

### ► Key Provisions of the Proclamation 1185/2020

#### DEFINITION OF HATE SPEECH AND DISINFORMATION

- **Hate Speech:** is defined as a speech that deliberately promotes hatred, discrimination, or attack against a person or a discernible group of identity, based on ethnicity, religion, race, gender, or disability;
- **Disinformation:** refers to the deliberate dissemination of false information with the intent to mislead the public or cause harm.

#### SCOPE AND APPLICATION

The proclamation applies to all individuals and entities, including CSOs, within Ethiopia's jurisdiction. It covers all forms of communication, including verbal, written, and digital media.

## PROHIBITION OF DISSEMINATING HATE SPEECH AND DISINFORMATION

Articles 4 and 5 of Proclamation No. 1185/2020 explicitly prohibit the dissemination of hate speech through any medium, including broadcasting, print, and social media, covering all forms of communication such as text, images, audio, and video. This prohibition applies to all individuals and entities within Ethiopia's jurisdiction and specifically targets speech that incites violence, discrimination, or hostility based on nationality, ethnicity, religion, gender, or disability. Additionally, the proclamation strictly forbids the dissemination of disinformation, particularly in public meetings and through various media channels, including broadcasting, print, and social media, in text, images, audio, and video formats. The focus is on preventing the deliberate spread of false information intended to mislead the public or cause harm. The proclamation outlines stringent penalties for violations, including fines and imprisonment, to ensure compliance.<sup>2</sup> CSOs are required to monitor their communications, report violations, and engage in public awareness campaigns to educate the public about the dangers of hate speech and disinformation.

## 2.6. Media (Amendment) Proclamation No. 1374/2025

CSOs play a crucial role in advocating for social change, raising awareness on various issues, and mobilizing communities. In the digital age, social media has become an indispensable tool for CSOs to amplify their voices and reach a broader audience. Platforms like Facebook, X, and Instagram allow CSOs to engage with the public, share information, and rally support for their causes. Through strategic use of social media, CSOs can effectively conduct advocacy campaigns, promote transparency, and foster community engagement.

The Media Proclamation sets out guidelines and requirements for the use of media, including social media, to prevent the spread of harmful content and ensure responsible communication.

Proclamation No. 1374/2025 is a significant legislative framework in Ethiopia, aimed at regulating the media landscape. This proclamation amended the previous media proclamation 1238/2021. The media proclamation has several implications for CSOs, particularly in terms of governance and operational provisions. As defined under the proclamation, media means, excluding books, social media, blogs, and photos, images and cartoons that are not part of a periodical, news agencies and all organs established to provide news or programs or news and programs to the public via periodicals, broadcasting service, and online media.

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<sup>2</sup> See Anti-Hate Speech and Disinformation Prevention and Suppression Proclamation No. 1185/2020, Federal Negarit Gazette, Year 26, No. 3, 2020, Art.7.

## ► Key Provisions relevant to Civil Society Organizations

In Ethiopia, any entity that has been granted legal personality under Ethiopian law has the right to apply for a broadcasting license. This includes organizations such as companies, non-governmental organizations (NGOs), and CSOs.<sup>3</sup>

This provision allows CSOs to own and operate media platforms, thereby enhancing their capacity to disseminate information and advocate for their causes. The Ethiopian Media Proclamation No. 1238/2021 establishes the Ethiopian Media Authority (EMA) as an independent body responsible for overseeing media operations. The EMA is tasked with regulating and licensing media operations, ensuring adherence to legal and ethical standards, and fostering high-quality journalism. Therefore, CSOs involved in media activities must obtain the necessary licenses and register with the relevant authorities. This ensures that all media operations by CSOs are transparent and accountable. The Authority was previously governed by a board of nine members, including two representatives from CSOs. As amended by proclamation no. 1374/2025, the nine members of the board are drawn from different bodies and parts of the society that have relevance to the media sector. The previous proclamation's inclusion of CSO representatives ensured that their perspectives and interests are considered in the regulatory process, promoting a more balanced and inclusive approach to media oversight. However, the amendment has revoked what was a meaningful inclusion of CSOs.

## ► Administrative Measures

The proclamation outlines various administrative measures for non-compliance, which CSOs must be aware of so as to ensure that they operate within legal boundaries and avoid penalties. By adhering to these regulations, CSOs can effectively contribute to a responsible and ethical media environment while advancing their advocacy efforts.

## 2.7. Computer Crimes Proclamation No. 958/2016

The Computer Crime Proclamation No. 958/2016 (often referred to as the Cybercrime Proclamation) was enacted to address the growing concerns related to cybercrimes in Ethiopia. This legislation provides a comprehensive legal framework for preventing, controlling, investigating, and prosecuting computer-related crimes. It aims to protect national security, public safety, and economic stability by establishing clear guidelines and penalties for various cyber offenses.

One of the key aspects of the proclamation is its definition and categorization of computer crimes. It criminalizes a wide range of activities, including unauthorized access to computer systems, data interference, system interference, and the use of computer systems to commit traditional crimes such as fraud and forgery. The proclamation also addresses the dissemination of child pornography, cyber-stalking,

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<sup>3</sup> See Media Proclamation No. 1238/2021, Federal Negarit Gazette, Year 27, No. 22, 2021, arts. 22/2.

and the distribution of malicious software. By clearly defining these offenses, the proclamation is intended to provide law enforcement agencies with the necessary tools to combat cyber-crime effectively.

The proclamation also introduces stringent procedural and evidentiary rules to facilitate the investigation and prosecution of cyber-crimes. It grants to law enforcement agencies the authority to conduct surveillance, intercept communications, and seize electronic evidence. These measures are designed to enhance the capacity of authorities to gather and preserve digital evidence, which is crucial for successful prosecutions. However, these powers are balanced with safeguards to protect individuals' rights to privacy and due process.

For CSOs, the proclamation has significant implications. CSOs often rely on digital platforms to carry out their activities, including advocacy, communication, and fundraising. The proclamation requires CSOs to implement robust cybersecurity measures to protect their digital assets and ensure compliance with the law. This includes securing their computer systems, safeguarding sensitive data, and reporting any cyber incidents to the relevant authorities. Failure to comply with these requirements can result in such penalties as fines.

# 3. The Scope and Nature of Civil Society Proclamation No. 1113/2019

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## 3.1. Major Changes Introduced by the 2019 CSOs Proclamation

### ► Recognition and Protection of Freedom of Association

Proclamation No. 1113/2019 recognizes citizens' right to exercise freedom of association and underscores the instrumental role of freedom of association in protecting other rights, and highlights the critical role of CSOs in holding the government more transparent, accountable, and participatory. The proclamation emphasizes the need for an enabling environment for CSOs to support development and democratization, the importance of balancing freedom and accountability within the sector, the value of nurturing a culture of volunteerism and charity in society.

### ► Funding and Membership-based Categorization System

Proclamation No. 1113/2019 refers CSOs as local (indigenous) and foreign, without affecting their sources of funds or areas of engagement. There are no restrictions on sources of funds either from domestic or foreign sources so long as the sources of funds are legal. This change eliminates the dichotomization contained in the 2009 Charities and Societies Proclamation and its implications on funding and operational areas.

### ► Objectives of CSOs and Areas of Operation

Proclamation No. 1113/2019 explicitly provides that all organizations have the right to engage in any lawful activity to accomplish their objectives. However, it prohibits foreign organizations from engaging in political advocacy.

### ► Registration

According to Article 58(2) of Proclamation No. 1113/2019, the maximum registration period has been extended to 45 days. Additionally, the Proclamation also simplifies the bureaucratic documentation and procedural requirements for registration.

### ► Renewal of Registration

Under Proclamation No. 1113/2019, registration is permanent and does not require renewal. Organizations are expected to prove their existence through annual reports to the ACSO.

### ► Self-regulation

The CSOs Council is primarily tasked to enact a comprehensive Code of Conduct (CoC) to CSOs, use enforcement mechanisms, represent the sector in the Board of the ACSO, and advise the ACSO on registration and regulatory issues. This endows the CSOs sector a self-regulatory right.

### ► Right to Appeal

In relation to the right to appeal against the decision to deny registration by the ACSO Board, Proclamation No. 1113/2019, under Articles 57(7), 59(8), and 77(5), provides that an applicant (CSOs whether local or foreign organizations) dissatisfied with the decision of the ACSO Board/ACSO may lodge an appeal to the Federal High Court without further conditions. This change ensures equal access to justice for both local and foreign organizations.

### ► Consortiums

Proclamation No. 1113/2019 allows the formation of consortiums providing mandates for consortiums including articulating the voice of members and advocating for their rights, building the capacity of members and supporting resource mobilization, conducting research and advocacy activities in areas of member engagement, and ensuring no competition with members. Furthermore, the formation of consortiums of consortiums is also allowed.

## 3.2. Types of Civil Society Organizations

Proclamation No. 1113/2019 categorizes CSOs based on their structure and country of origin into foreign CSOs and local CSOs.

- **Foreign CSOs** are those which are established abroad and operate in Ethiopia through a branch office which is registered by the Authority.
- **Local CSOs** are those which are established in Ethiopia by two or more persons who are Ethiopians or foreigner citizens residing with a view to operate in Ethiopia or other countries.

**Local CSOs** are further classified in to:

- An Association;
- Board-led Organization;
- Charitable Endowment;
- Charitable Trust; or
- Charitable Committee.

## A. Associations:

- **Associations:** Are defined by the CSO proclamation as organizations formed by five or more members, governed by a General Assembly as the supreme decision-making body. Unlike the 2019 Charities and Societies Proclamation, associations can promote members' rights and interests, benefit the public or specific groups, or pursue any useful objective.
- **Membership-Led:** Associations are characterized by being membership-led, with the General Assembly as the highest authority.
- **Structures:** This varies depending on the CSOs capacity and needs. Some have a management board and an executive director with staff. Others have an executive committee (president, vice president, secretary, treasurer) without a separate management team.

## B. Board-led CSOs

The Board is the ultimate decision-making body, established by two or more founders. The Board consists of 5-13 members, with a separate management team led by an executive director. Board members or their relatives cannot be part of the management team. This structure is common for think tanks and thematic CSOs.

## C. Charitable Endowment

Property is irrevocably designated for charitable purposes by donation, will, or agency order. It has a manager, auditor, and staff, with the Board as the supreme organ, consisting of at least three members.

## D. Charitable Trust

Specific property is administered by 3-5 trustees for charitable purposes, established by donation, will, or agency order. Unlike endowments, trusts are managed by trustees and can be for a definite or indefinite period.

## E. Charitable Committee

This variant of CSOs is composed of five or more individuals to solicit funds for charitable purposes, especially in emergencies. Requires agency approval to operate and must submit detailed accounts. Members are jointly liable for the committee's obligations and debts.

## 3.3. Understanding Program Costs and Administrative Costs

Understanding the distinction between program costs and administrative costs is critical for the effective financial management of CSOs.

### ► Program Costs

These are expenses directly related to the implementation of specific programs and projects. These include costs such as salaries for project staff, materials, training, and

direct service delivery expenses. Therefore, the cost which is incurred in connection with the implementation of a CSO's project will be treated as a program cost, including salaries of project and program staff, including program and project coordinators, project officers, specialists, experts, etc.

### ► Administrative Costs

Administrative costs support the overall functioning of the organization but are not directly tied to specific programs. These include salaries of administrative staff, office rent, utilities, and general operational expenses.<sup>4</sup> The administrative cost of an organization established for the benefit of the general public or that of third parties may not exceed twenty percent (20%) of its total income.

## 3.4. Guiding Principles for Establishing CSOs and Registration Process

Clear and exhaustive list of guiding principles for establishing CSOs are stipulated under Article 16 of Proclamation No. 1113/2019, emphasizing on inclusivity, non-discrimination, transparency, and accountability. Founders must ensure that their organizations are open to all eligible individuals or entities and operate transparently, maintaining accountability to their members and the public.

- **Duration of establishment:** Organizations can be formed for either a definite or indefinite period, offering flexibility in their operational timelines.
- **Voluntary membership:** Membership in CSOs must be voluntary, ensuring that individuals can join or withdraw at their discretion, promoting freedom of association.
- **Membership criteria:** CSOs have the autonomy to set their own criteria for membership. This allows organizations to tailor their membership requirements so as to align with their specific goals and values.
- **Equal voting rights:** Each member is entitled to an equal vote, ensuring democratic participation and decision-making within the organization.
- **Non-profit distribution:** Organizations cannot be established with the intent of distributing profits to members.
- **Democratic governance:** The formation and internal governance of CSOs must be based on democratic principles. This includes ensuring non-discrimination, independence, and neutrality in their operations.

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<sup>4</sup> Federal Democratic Republic of Ethiopia. Organizations of Civil Societies Proclamation No. 1113/2019. Federal Negarit Gazette, 25th Year, No. 33, Article 63(2), 2019.

- **Elected management:** Management should be handled by individuals elected with full participation from authorized bodies, ensuring that leadership is representative and accountable to the membership.
- **Membership rules compliance:** Admission and dismissal of members must comply with the organization's rules, providing a structured and fair process for managing membership.

The Authority will provide model rules that organizations may adopt, offering a standardized framework to guide the formation and governance of CSOs.

### 3.5. Rights and Duties of CSOs under the Proclamation No. 1113/2019

#### ► Freedom of Operations

Once registered, CSOs acquire legal personality, allowing them to enjoy the rights and powers conferred upon them. One of the key rights under the 2019 Civil Society Proclamation is freedom of operation. According to Article 62(1) of the 2019 Civil Society Proclamation, CSOs are permitted to engage in any lawful activities that support their objectives, provided they comply with the law. The proclamation does not impose restrictions on the objectives of organizations as long as they are lawful. This right includes the ability to lobby for changes to existing laws, policies, and practices, or to recommend the issuance of new laws and policies related to the organization's activities.

However, there are certain limitations and exceptions to this freedom of operation. For instance, consortiums are restricted from engaging in activities that compete with those of their member organizations. Additionally, foreign CSOs are prohibited from engaging in lobbying activities.

#### ► Freedom to Seek, Receive, and Use Resources

CSOs are permitted to seek and receive funding from both domestic and international sources.<sup>5</sup> These funds can be utilized in alignment with the organization's mission and objectives, ensuring financial support for their activities and initiatives.

Additionally, CSOs have the right to establish income-generating entities. The profits derived from these entities must be reinvested into the organization's programs and administrative costs. Notably, such profits cannot be distributed among members or employees under any circumstances. CSOs are required to include in their bylaws a provision that members or employees do not have any right to the organization's resources solely by virtue of their membership or employment, as outlined in Article 52 of the 2019 Civil Society Proclamation.

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<sup>5</sup> Article 63(1)c of Proclamation No. 1113/2019

CSOs may engage in income-generating activities through various means, including:

- Establishing a separate business organization (company)
- Acquiring shares in an existing company
- Conducting public collections
- Operating a business as a sole proprietorship

### ► Internal Financial Control Systems

CSOs must establish robust internal financial control systems to ensure the proper management and utilization of their resources. This includes maintaining accurate financial records, conducting regular audits, and implementing measures to prevent fraud and mismanagement.

### ► Management of Civil Society Organizations

Effective management is crucial for the success of CSOs. The 2019 Civil Society Proclamation outlines specific structural requirements for CSOs: charitable endowments must have a management board, a manager, and an auditor; charitable trusts should have a trustee manager, a trustee treasurer, and a trustee auditor; associations must have a general assembly and may have an executive committee, an internal auditor, and a manager/director as necessary; and board-led CSOs must have a manager in addition to the board. The proclamation also mandates ACSO to provide the necessary support to enable organizations to establish systems of internal governance and self-regulation.

### ► Reporting and Supervision

CSOs are required to submit regular reports to ACSO, detailing their activities, financial status, and compliance with legal requirements within three months after the end of each financial year. After reviewing these reports, ACSO may request additional information or explanations. The annual activity report must include an annual statement of accounts. All organizations must maintain books of account that record daily receipts of funds and expenditures, the names and identities of donors, sources of donations, and a record of assets and liabilities. A certified auditor must examine these books of account within three months after the end of the financial year. The Authority supervises CSOs to ensure they operate within the legal framework and fulfill their obligations to their members and the public.

### ► Self-Regulatory Frameworks

For decades, the CSO sector has been tightly regulated by the state. The new proclamation creates a mechanism for self-governance and self-regulation.

Article 60 of the proclamation mandates every CSO to have organizational rules, including: the organization's objectives, the executive body, its power and functions, internal governance structure, meeting and decision-making procedures and other necessary stipulations are listed under the article.

CSOs are allowed to establish their own internal rules and regulations, as long as they comply with the overarching legal framework set by the proclamation. This means that CSOs have the autonomy to govern their internal affairs, including their governance structures, membership criteria, and operational guidelines.

Article 2 (14) of Proclamation No.1113/2019 sets out a mandatory regulatory system under a voluntary code of conduct adopted by organizations through the Ethiopian Civil Society Organizations Council (ECSOC) to govern themselves. The proclamation mandates the Authority to:

- Encourage and support organizations to ensure they have internal governance systems that guarantee transparency, accountability, and participation.
- Provide necessary support to organizations to establish systems of internal governance and
- Self-regulation that ensure transparency and accountability, and to collaborate towards the implementation of these systems.
- Support CSO self-regulation and self-administration systems.

The ECSOC, established under Proclamation No. 1113/2019, serves as a self-regulatory body for CSOs in Ethiopia. Guided by the Code of Conduct for Ethiopian CSOs, ECSOC supports its members to adhere to ethical standards and best practices. The Council's organizational structure comprises various departments, each playing a pivotal role in its mission. The departments include the organizational management, program development and management, financial management, and human resource management. It also puts in place internal and external complaints and resource mechanisms, resource mobilizations and utilization, and prevention of conflict of interest.

# 4. The Authority for Civil Society Organizations

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## 4.1. Objectives of the Authority

The Authority for Civil Society Organizations (ACSO) is a governmental body established to oversee and support CSOs operating within the country. The Authority is established with the primary objective of regulating and supporting the activities of CSOs to ensure they operate within the legal framework and contribute effectively to the country's development and democratization processes.

## 4.2. Powers and Responsibilities of the Authority

ACSO is endowed with several key powers and responsibilities:

- **Registration and licensing:** ACSO handles the registration and licensing of CSOs, ensuring that they meet legal requirements.
- **Monitoring and evaluation:** The agency monitors the activities of CSOs to ensure compliance with their stated objectives and legal standards.
- **Annual reports examination:** ACSO examines the annual activity and financial reports of organizations and conducts the necessary follow-up in accordance with the stipulations under the proclamation.
- **Support for governance and accountability:** ACSO provides the necessary support to organizations to enable them to have systems of internal governance and self-regulation that ensure transparency and accountability, and work together towards implementation of the same.
- **Information center:** In collaboration with concerned regional government bodies, establish an information center that contains data on the number of organizations operating in the country, sectors and regions in which they operate, the number of their beneficiaries and members; analyze and disseminate the same through newspapers and websites.
- **Consultation forums:** ACSO organizes regular forums for consultation between federal and regional government bodies and CSOs.
- **Collaboration with sector administrators:** ACSO works in collaboration with sector administrators in carrying out its responsibilities.
- **Policy and law development participation:** ACSO encourages organizations to actively participate in the development of government policies and laws.

- **Research and advisory:** ACSO conducts research and advises the government on the roles of organizations in the protection of human rights, democratization, and development activities of the country.
- **Policy guidelines development:** ACSO develops policy guidelines to ensure that the development activities undertaken by organizations are, to the extent possible, aligned with the development plans issued by the government.

### 4.3. Structure of the Authority

The Authority is governed by a Board of Directors and managed by a Director General and deputies.

#### ► The Board

The Board comprises three government representatives, seven CSO representatives, and one expert knowledgeable in the workings of civil society, to be appointed by the Attorney General on the basis of his/her competence. The Ministry of Justice appoints the expert and government representatives, while the CSO Council elects three CSO representatives, and the National Federation of Disability Associations, women's associations, and youth associations designate two members each. The Chairperson is appointed by the Ministry of Justice. Board members serve three-year terms, with some serving four years for continuity. The Board sets policy, approves plans and reports, monitors law implementation, hears appeals, and can dissolve CSOs for legal breaches.

#### ► The Director General and Deputies

The Director General, accountable to the Ministry of Justice, manages the Authority's operations, represents it externally, prepares plans and reports, hires staff, and makes final decisions on CSO registration and operations. Decisions by registration or monitoring officers can be appealed to the Director General. Deputies assist in planning, coordinating, and directing activities, and act in the Director's absence.

# 5. Directives Issued by the ACSO

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## 5.1. CSOs Administrative Expense Implementation Directive No. 847/2021

The CSOs Administrative Expense Implementation Directive No. 847/2021 regulates how CSOs manage their administrative expenses. This directive is part of broader efforts to enhance transparency, accountability, and effective resource utilization within the civil society sector. Key provisions from the directive include:

- **Definition of administrative expenses:** Administrative expenses are expressed under the proclamation as costs related to the continued existence of an organization and its administrative functions. These include: salaries and wages of staff, office rent and utilities, office supplies and equipment, communication costs;
- **Expense limits:** CSOs are required to limit their administrative expenses to a maximum percentage of their total annual budget, typically set at 20%. This ensures that at least 80% of the budget is directed toward programmatic activities and direct services.
- **Reporting requirements:** CSOs are mandated to submit their financial statements to the authority, which shows assets and liabilities; changes in asset and cash flow statements of the organization with explanatory notes at the end of the budget year,
- **Monitoring and compliance:** The directive establishes a framework for monitoring compliance, which includes regular audits by the regulatory body to assess adherence to the directive. CSOs must cooperate with auditors and provide necessary documentation during audits

### ► Penalties for Non-compliance

The directive outlines specific consequences for failing to comply with its provisions, which may include:

- Written warnings
- Temporary suspension of the organization and investigation
- Dissolution of the CSO.

## 5.2. Directive on Liquidators Procurement, Sale and Disposal of the Assets of CSOs No. 850/2021

The Directive on Liquidators Procurement, Sale, and Disposal of the Assets of CSOs No. 850/2021 was established to provide a clear framework for the management of assets belonging to CSOs that are undergoing liquidation or dissolution. This directive aims to ensure transparency, accountability, and proper management of resources during the liquidation process.

### ► Definitions and Scope

The directive defines key terms such as "liquidator," "assets," and "CSOs" to clarify the framework's applicability. It applies to all registered CSOs in Ethiopia that are in the process of liquidation or dissolution.

### ► Appointment of Liquidators

CSOs must appoint a qualified liquidator to oversee the liquidation process if an organization fails to submit a report through the body authorized by organizational rule or within the allowed time; or a decision for dissolution is made by the body authorized to do so in its organizational rule.

### ► Responsibilities of Liquidators

Liquidators have a comprehensive set of responsibilities aimed at ensuring the orderly dissolution of an organization. They begin by thoroughly understanding the financial standing of the organization, compiling essential documents such as title deeds, ownership booklets, books of account, audit reports, and inventories of assets.

Once this is done, they take possession of the organization's assets and resources, signing off on the list of assets and liabilities with the management. They are tasked with sealing the assets and selling perishable goods and assets at their book value.

Additionally, they must have the assets valued by an independent professional valuer. Liquidators are also responsible for paying off debts and notifying creditors through widely circulated media. If the assets are insufficient to cover the debts, they can request donors to fulfill their pledges to cover the shortfall.

They lead the organization during the liquidation process, ensuring that the beneficiaries' needs are met and that ongoing activities aligned with the organization's objectives are not disrupted. They carry out all necessary activities to complete the liquidation, represent the organization in dealings with third parties, and prepare detailed final income and expenditure reports. These reports are then handed over to the designated Authority or the person appointed by the organization's supreme body. In cases where a business organization established by the CSO is involved and no decision has been made regarding its fate, the liquidator submits a proposed decision to the authority.

Finally, they prepare the final financial statement report and apply to have the organization removed from the Authority's register.<sup>6</sup>

### ► Procurement Process

The directive outlines a transparent procurement process for selecting liquidators, which includes:

- Issuing a public notice inviting bids from qualified individuals or firms
- Evaluating bids based on predetermined criteria such as experience, cost, and proposed approach.
- Documenting the selection process to ensure accountability.

### ► Assets Remaining after Liquidations

After settling all debts and dissolution expenses, the liquidator must transfer any remaining funds and assets to an organization specified in the articles of association or designated by the organization's supreme body, with prior approval from the Authority. If no such designation exists, the liquidator transfers the assets to the Authority, which may then allocate them to an organization with similar objectives, donate them to other organizations, or transfer them to the Civil Society Fund.

### ► Sale and Disposal of Assets

Liquidators must follow specific procedures for the sale or disposal of assets, which include:

- Publicly announcing the sale of assets to ensure broad visibility and competition.
- Conducting sales through competitive bidding or auctions, ensuring fair market value is obtained.
- Maintaining detailed records of all transactions, including the sale price and purchaser information.

### ► Reporting Requirements

Liquidators must provide regular updates to the relevant regulatory authority, including:

- Progress reports on the liquidation process.
- Final liquidation reports detailing asset sales, proceeds, and distributions.

A final report must be submitted upon completion of the liquidation, summarizing the entire process.

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<sup>6</sup> See Directive on Liquidators, Procurement, Sale, and Disposal of the Assets of Civil Society Organizations No. 850/2021, Article 8, Authority for Civil Society Organizations, Ethiopia.

### ► Compliance and Oversight

The directive establishes mechanisms for oversight and compliance, allowing regulatory authorities to monitor the liquidation process. Liquidators must cooperate with audits conducted by regulatory bodies to ensure adherence to the directive.

### ► Penalties for Non-compliance

The Authority may suspend or remove a liquidator for good cause. Additionally, the liquidator may be liable as per article 466 of the Civil Code.

## 5.3. Directive for the Administration of Civil Society Fund No. 848/2021

The Directive for the Administration of Civil Society Fund No. 848/2021 was established to regulate the management, allocation, and utilization of funds provided to CSOs. This directive aims to enhance transparency, accountability, and effective use of resources within the civil society sector.

### ► Scope of Application

The directive applies to all CSOs registered in Ethiopia that receive funding from governmental or non-governmental sources.

### ► Objective of the Fund

The primary objective of the Civil Society Fund is to support CSOs in their efforts to promote social development, human rights, and community welfare. The fund is intended to enhance the capacity of CSOs to implement programs that benefit the public, and to encourage and support organizations working with members of the community needing special support.

### ► Criteria for Selecting Fund Beneficiaries

CSOs must meet specific criteria to be eligible for funding, including:

- **Alignment with government strategy:** The proposal should align with specific strategic directions of the government.
- **Best practices and fund utilization:** The proposal should be based on best practices and demonstrate the potential for proper fund utilization.
- **Innovation:** The proposal should introduce novel concepts and methodologies.
- **Employment and tangible impact:** The proposal should create new employment opportunities and address actual issues tangibly.
- **Support for human rights organizations:** The Authority may facilitate funding for organizations working in human rights assurance and protection to encourage their work.

### ► Application Process

The directive outlines a standardized application process for CSOs seeking funding, which includes submission of a detailed project proposal, including objectives, activities, budget, and expected outcomes, and a financial management plan that demonstrates the organization's capacity to handle funds responsibly.

### ► Funding Allocation

The directive specifies how funds will be allocated among different projects and organizations, ensuring fairness and transparency.

Key elements include:

- Prioritization of projects based on community needs and alignment with national priorities.
- Fund Management: CSOs receiving funds are required to establish robust financial management systems, including:
  - a. Separate bank accounts for fund management.
  - b. Accurate bookkeeping and financial reporting practices.
  - c. Regular audits to ensure compliance with financial regulations and effective use of funds.

### ► Monitoring and Evaluation

The directive mandates that CSOs implement monitoring and evaluation mechanisms to assess the impact of funded projects. This includes:

- Setting clear performance indicators.
- Conducting regular progress reviews and evaluations to measure outcomes against objectives.

### ► Reporting Requirements

CSOs are required to submit periodic financial and progress reports to the relevant regulatory authority. These reports should include:

- Detailed financial statements showing fund utilization.
- Narrative reports outlining project activities, challenges, and achievements.

A final report must be submitted at the end of the funding. A competitive selection process to evaluate and approve funding proposals.

### ► Compliance and Oversight

The directive establishes oversight mechanisms to monitor compliance with its provisions, allowing regulatory authorities to conduct audits and reviews. CSOs must cooperate with audits and provide all necessary documentation for review.

## 5.4. Directive to Monitor, Regulate and Investigate Ethiopian Civil Society Organizations No. 1002/2024

The Directive to Monitor, Regulate, and Investigate Ethiopian Civil Society Organizations (CSOs) No. 1002/2024 was established to enhance the oversight and governance of CSOs in Ethiopia. This directive aims to ensure that CSOs operate within legal frameworks, maintain accountability, and effectively contribute to societal development while adhering to national interests.

### ► Definitions and Scope

- The directive provides clear definitions for terms such as "monitoring" and "investigation."
- It applies to all registered CSOs operating within Ethiopia, regardless of their funding sources or operational focus.

### ► Objectives of the Directive

- To establish a framework for the effective monitoring and regulation of CSOs.
- To ensure greater benefit to the society by enabling the organization to be transparent and accountable.

The directive outlines specific monitoring mechanisms, including:

- Regular reporting requirements for CSOs,
- Scheduled audits and evaluations conducted by regulatory authorities to assess organizational performance and adherence to legal standards.

### ► Regulatory Framework

CSOs must operate within a defined regulatory framework that includes adherence to national laws governing civil society, including registration, funding, and operational guidelines.

### ► Investigation Procedures

The directive outlines procedures for investigating allegations of misconduct or non-compliance by CSOs, which include initiation of investigations based on complaints from stakeholders, whistle blower reports, or findings from monitoring activities.

### ► Roles and Responsibilities

Regulatory authorities are tasked with overseeing the implementation of the directive, including ensuring that CSOs comply with reporting and regulatory requirements, providing guidance and support to help CSOs understand and meet their obligations. CSOs are responsible for maintaining accurate records, submitting timely reports, and cooperating with monitoring and investigation processes.

### ► Enforcement and Compliance

The directive outlines enforcement mechanisms to address non-compliance, which may include issuing warnings or notices of violation, imposing fines or penalties for serious infractions and suspension or revocation of registration for persistent non-compliance.

### ► Stakeholder Engagement

The directive encourages active engagement with stakeholders, including regular consultations with CSOs to discuss regulatory changes and gather feedback on the monitoring process and involvement of community members in assessing the impact of CSOs' activities.

### ► Capacity Building

The directive emphasizes the need for capacity-building initiatives to support CSOs in improving their governance and operational practices. This includes training programs on financial management, reporting standards, and compliance with regulations.

### ► Reporting and Transparency

Regulatory authorities are required to publish reports on the monitoring and regulatory activities conducted, enhancing transparency and accountability in the oversight of CSOs.

## 5.5. Directive on Faith-Based Charities

The Directive on Faith-Based Charities provides a comprehensive framework for the regulation and oversight of charitable organizations affiliated with religious institutions. By emphasizing transparency, accountability, and collaboration, the directive aims to ensure that faith-based charities contribute positively to society while adhering to legal standards.

### ► Definitions and Scope

- A faith-based charity is an organization established by a religious institution that possesses legal personality. It functions as a non-governmental and non-partisan entity, independent of any political connection with any political institution, and is founded to achieve lawful objectives.
- It applies to all religion-based charitable organizations that engage in charitable work. It also extends to foreign religion-based charitable organizations.

### ► Objectives of the Directive

The directive aims to establish a transparent registration and administration system for religion-based charitable organizations, recognizing their unique characteristics compared to other CSOs and acknowledging the relationship between the founding religious institution and the established charitable organizations.

## ► Registration

Faith-based charitable organizations must apply for registration to ACSO within three months of their formation to operate legally. Upon registration, the organization will obtain its legal personality in accordance with Proclamation No. 1113/2013. This process ensures that the organization is recognized as a legal entity, capable of entering into contracts, owning property, and being accountable under the law.

## ► Relationship between Founding Religious Institutions and Faith-Based Charitable Organizations

The founding religious institution has the right to donate or lease properties and provide workers to the faith-based charitable organization. In return, the charitable organization is required to adhere to the teachings, values, and objectives of the founding institution.

The religious institution has the authority to:

- Oversee and provide assistance to the organization's activities
- Suggest operational changes for the organization
- Track the organization's financial transactions and request reports as necessary.

## 5.6. Directive No. 939/2022 on Avoiding Conflict of Interest

Directive No. 939/2022 establishes guidelines to prevent and manage conflicts of interest within organizations, ensuring integrity and transparency in decision-making processes. This directive is crucial for maintaining public trust and upholding ethical standards in various sectors.

### ► Conflict of Interest

Conflict of interest means when a member of an organization has actual or potential interests that do not allow or are not considered to allow them to perform their responsibilities for the organization in an independent and free manner.<sup>7</sup> A conflict of interest arises when decisions made by individuals could lead to direct or indirect financial benefits for themselves, their family members, or close associates. However, merely having a financial interest does not automatically constitute a conflict of interest. It is essential for the organization's decision-making body to assess and evaluate any potential conflicts. This body is responsible for examining complaints and submissions related to conflicts of interest from members, leaders, and employees of the organization, as well as from other relevant parties.

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<sup>7</sup> Directive 939/2022 Article 2 (5).

### ► **Definition of Conflict of Interest**

The directive clearly defines what constitutes a conflict of interest, including situations where personal interests may interfere with professional responsibilities.

### ► **Disclosure Requirements**

Individuals are required to disclose any potential conflicts of interest to the relevant authority promptly. This includes financial interests, personal relationships, and any other situations that may compromise impartiality. The decision-making body, after examining the matter, shall determine whether a conflict of interest exists.

### ► **Management Strategies**

Organizations are mandated to develop and implement policies and procedures for managing conflicts of interest. This includes establishing review committees to evaluate disclosed conflicts and recommend appropriate actions.

### ► **Consequences of Non-Compliance**

Clear consequences for failing to disclose conflicts of interest or for engaging in activities that violate the directive are outlined, promoting accountability within the organization. Any member of the organization who fails to disclose a conflict of interest will face appropriate disciplinary measures.<sup>8</sup>

## **5.7. Directive to Determine the Conditions Under which Civil Society Organizations are Engaged in Income-generating Activities - Directive No. 937/2022**

According to Proclamation No. 1113/2019, CSOs in Ethiopia are allowed to engage in income-generating activities, such as business and investment ventures, to fulfill their objectives. If the organization's bylaws authorize such activities, they may proceed accordingly. In the absence of such provisions in the bylaws, a decision by the organization's authorized body will suffice. Therefore, CSOs can establish separate income-generating companies by allocating funds for their establishment, registration, and related enforcement matters.

### ► **Types of Business Organizations**

A CSO can independently, or through co-investment with two or more organizations, establish a business in any form recognized under the Ethiopian Commercial Code Proclamation No. 1243/2021. This includes share companies, private limited companies, one person private limited companies, and sole proprietorships.

CSOs, including charitable entities, are entitled to purchase shares from existing businesses or other enterprises. If these investments yield profits, the CSO can reinvest

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<sup>8</sup> Article 9, Directive No. 939/2022 on Avoiding Conflicts of Interest.

the earnings to acquire additional shares. For CSOs restricted by their donors or bylaws from establishing separate business entities, the Directive offers an alternative through a cost-sharing mechanism. This allows a CSO to charge a fee for its products or services, provided the fee does not exceed 25% of the minimum market value of the goods or services. Unlike other for-profit activities, the directive requires that CSOs be permitted to use the cost-sharing method.

### ► **Formation Notification and Annual Reporting**

When a CSO establishes a business company, it must notify the relevant authority within fifteen working days of the business commencing operations. The notification should include a letter announcing the establishment, the business license, any certifications of qualification, and the memorandum of association and bylaws.

Similarly, if an organization purchases shares, it must inform the authority within fifteen (15) days of the purchase. The company under which the business operates must submit a separate financial statement for the business, along with the annual financial statement and performance report.

### ► **Business Profit Allocation**

In principle, profits from the business organization should be used to support the charitable organization's programs or cover administrative costs. However, if the authorized body decides it is more beneficial, some profits can be reinvested into the business, following relevant laws or the company's bylaws. The company's financial statement must clearly show how the profits were earned and how they were used or spent.

### ► **Restrictions and Incentives**

There are several restrictions and incentives for CSOs engaging in business activities.

#### **RESTRICTIONS:**

- **Separation of assets and resources:** The assets and resources of the CSO and its business must not be mixed. Each must be used exclusively for its own activities.
- **Separate financial management:** CSOs involved in income-generating activities must open a separate bank account and maintain distinct books of account for their business, in compliance with relevant commercial and tax laws.
- **Prohibition on profit sharing:** Income and resources generated from business activities must not be transferred or shared for the personal benefit of members or employees of the organization.

## INCENTIVES

- **Support for government-aligned activities:** The Authority facilitates incentives for organizations engaged in business activities that align with government policies and strategies.

### ► Capital of the Business

The initial capital of a civil society business organization may be paid from a program or from money borrowed from a bank or from another source. This capital contribution is subject to any restrictions set by donor organizations regarding the utilization of donated money. The CSO must guarantee that the budget allocated as capital contribution does not affect the organization's mission and work activities. The capital allocated for the establishment of a business shall be allocated as a program or project cost. However, if the capital is found to be more than the amount allowed for program or project cost, the cost above this amount shall be charged as administrative cost.

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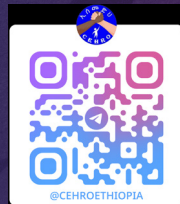
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1. The Federal Democratic Republic of Ethiopia (FDRE) Constitution ([find here](#))
2. Organizations of Civil Societies Proclamation No. 1113/2019 ([find here](#))
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9. Directive to Monitor, Regulate and Investigate Ethiopian Civil Society Organization No. 1002/2024 ([find here](#))
10. Directive on Faith-Based Charities ([find here](#))
11. Directive No. 939/2022 on Avoiding Conflict of Interest ([find here](#))
12. Directive to determine the conditions under which Civil Society Organizations are engaged in Income-Generating Activities - Directive No. 937/2022 ([find here](#))



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