



The relationship between donor funding models, organizational capacity, and project success of social enterprises in Ghana: A sem-based Study

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Abstract

Purpose: The study examines the relationship between donor funding models, organisational capacity, and project success among social enterprises in Ghana. It aims to determine how different funding approaches influence internal organisational capabilities and, in turn, project outcomes.

Methodology/Design: A quantitative research design was employed, using a structured questionnaire administered to 450 participants across various social enterprises. Structural Equation Modeling (SEM) was applied to analyse the relationships between donor funding models, organisational capacity, and project success.

Findings: The results indicate that donor funding models have a significant positive effect on organisational capacity ($\beta = 0.58$) and project success ($\beta = 0.41$). Organisational capacity also significantly influences project success ($\beta = 0.62$) and partially mediates the relationship between donor funding models and project outcomes ($\beta = 0.36$). These findings suggest that internal organisational strength enhances the effectiveness of donor funding in achieving project goals.

Implications: The study highlights the need for donor organisations to design funding models that support internal capacity building, and for social enterprises to invest in staff development, systems, and processes. Policymakers should promote frameworks that strengthen organisational capabilities to ensure sustainable project success.

Originality/Value: This research provides empirical evidence on the critical role of organisational capacity in mediating donor support and project performance in Ghana, offering insights for donors, social enterprises, and policymakers seeking to improve project effectiveness and sustainability.

Keywords: Donor funding models, organisational capacity, project success, social enterprises, structural equation modeling, ghana

Introduction

Social enterprises in Ghana play a key role in addressing challenges such as poverty, youth unemployment, education gaps, and healthcare access. Most of these organisations rely heavily on donor funding to implement their programmes and reach wider communities. Donor funding comes in various forms, including project-specific grants, core support for operational costs, or hybrid models that combine financial resources with technical assistance (Adjei, Alhassan, & Anyass Ahmed, 2023) ^[1]. These models influence how social enterprises plan, organise, and deliver their services.

In Ghana, social enterprises often face uncertainty due to shifting donor priorities and fluctuating funding levels. The country's transition to a lower-middle-income status has affected international aid, leading to funding gaps and a need for stronger internal systems within organisations (Agyemang, 2021) ^[6]. Evidence shows that the success of social enterprises depends not only on the quantity of donor funding but also on their organisational capacity, the ability to manage resources, coordinate activities, and maintain effective internal structures (West Africa Civil Society Institute [WACSI], 2024) ^[34]. Organisational capacity includes leadership quality, financial management systems, staff skills, and operational procedures, all of which influence how effectively funding translate into project outcomes (University of Ghana, 2022) ^[33].

Structural Equation Modeling (SEM) offers a sound scientific method to examine complex relationships among donor funding models, organisational capacity, and project success. SEM allows researchers to assess both direct and

indirect effects, providing insights into how funding strategies and internal capacity jointly affect project performance (Agyemang, 2021) ^[6].

Problem Statement

In spite of the critical role of social enterprises in Ghana's development, many struggle to achieve consistent project success even with donor support. A central issue is that donor funding models vary widely, yet there is limited understanding of how these models affect organisational capacity and project outcomes. Some models emphasise short-term project deliverables and strict reporting, while others provide flexible support for institutional growth. These differences can either strengthen or hinder a social enterprise's ability to plan, manage resources, and deliver intended impacts (Adjei *et al.*, 2023) ^[1].

Many organisations depend on external funding but lack the systems needed to manage complex donor requirements. This can result in underutilized funds, incomplete projects, or stalled organisational growth. Without strong internal capacity, social enterprises may struggle to adapt when donor support decreases or when priorities shift. Therefore, understanding the relationship between funding models, organisational capacity, and project success is essential for improving the effectiveness of donor-supported initiatives in Ghana (WACSI, 2024) ^[34].

Significance Of The Study

The study has practical and academic value. First, it provides evidence on how different donor funding models affect the internal strength and operational effectiveness of

social enterprises. Donors can use this information to design funding approaches that enhance organisational resilience and performance (Agyemang, 2021) ^[6].

Second, it offers guidance for social enterprise leaders on which areas of organisational capacity such as leadership, staff skills, or financial management most strongly influence project outcomes. This insight can help organisations allocate resources more effectively to achieve better results (University of Ghana, 2022) ^[33].

Third, the study informs policymakers and local institutions about how to support social enterprises beyond donor aid. Understanding capacity factors that drive project success allows for policies and interventions that reduce dependence on external funding while sustaining community impact (WACSI, 2024) ^[34].

Finally, using SEM provides a rigorous analytical framework to explore these relationships, contributing to the literature on donor funding, organisational capacity, and social enterprise performance in Ghana, where research in this area is still limited (Adjei *et al.*, 2023.) ^[1].

Literature Review: Theoretical Underpinning and Hypotheses Development

Donor Funding Models and Organisational Capacity

Resource Dependence Theory (RDT) explains that organisations depend on external resources to survive and perform effectively (Pfeffer & Salancik, 1978) ^[31]. For social enterprises, donor funding is a critical resource that enables staffing, programme delivery, and operational activities. When funding is strategically structured whether through project-specific grants, core support, or hybrid models organisations can build stronger systems, improve internal processes, and respond effectively to programme demands. In Ghana, where many social enterprises face funding unpredictability, strategically managed donor funds can enhance organisational resilience. Previous studies show that organisations that align external funding with internal capacity development tend to perform better (Adjei, Alhassan & Anyass Ahmed, 2023; Agyemang, 2021) ^[1, 6]. Based on this theoretical and empirical understanding, the study hypothesizes that:

H1: Donor funding models have a significant positive effect on the organisational capacity of social enterprises in Ghana.

Organisational Capacity and Project Success

Capacity Building Theory posits that the skills, systems, and structures within an organisation determine its effectiveness and sustainability (Eade, 2007) ^[14]. In social enterprises, well-developed leadership, financial management, and operational systems allow projects to be executed efficiently, meet targets, and generate intended impacts. Evidence from Ghanaian social enterprises suggests that organisations with stronger internal capacity achieve higher levels of project success, regardless of external funding fluctuations (University of Ghana, 2022; WACSI, 2024) ^[33, 34]. Drawing from this perspective, the study anticipates that:

H2: Organisational capacity has a significant positive effect on the project success of social enterprises in Ghana.

Donor Funding Models and Project Success

Stakeholder Theory emphasizes that organisations are influenced by the expectations and support of their

stakeholders, including donors (Freeman, 1984) ^[18]. Funding models determine not only the amount of resources available but also the conditions attached, reporting requirements, and flexibility for implementation. When donor models are aligned with the organisation's needs and priorities, projects are more likely to achieve success. In Ghana, studies show that donor-supported initiatives often perform better when funding mechanisms are well-structured and responsive to organisational realities (Adjei *et al.*, 2023; Agyemang, 2021) ^[1, 6]. Accordingly, the study hypothesizes that:

H3: Donor funding models have a significant positive effect on the project success of social enterprises in Ghana

Mediating Role of Organisational Capacity

Contingency Theory suggests that organisational performance depends on the fit between internal structures and external conditions (Lawrence & Lorsch, 1967) ^[26]. In the context of social enterprises, organisational capacity can mediate how donor funding models translate into project outcomes. A strong internal capacity allows organisations to utilize resources efficiently, manage risks, and adapt to donor requirements, which increases the likelihood of project success. Based on this reasoning, the study proposes:

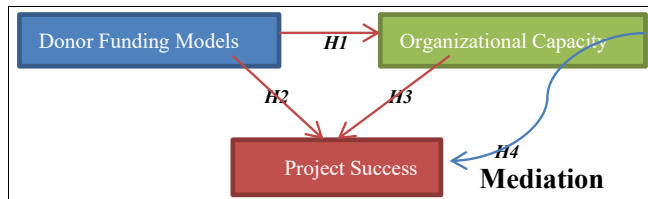
H4: Organisational capacity mediates the relationship between donor funding models and project success of social enterprises in Ghana.

Conceptual Framework

The conceptual framework illustrates the hypothesized relationships among donor funding models, organisational capacity, and project success in social enterprises in Ghana. At the core, donor funding models represent the external financial and structural support provided by donors, including core funding, project-specific funding, and hybrid approaches. The framework posits that these funding models directly influence organisational capacity, which encompasses internal systems, staff competence, and resource management capabilities H1.

Organisational capacity, in turn, is expected to have a direct positive effect on project success H2, highlighting that social enterprises with strong internal structures and skilled personnel are better equipped to achieve project objectives. Simultaneously, donor funding models are hypothesized to impact project success directly H3, indicating that external resources can influence outcomes independently of internal capacity.

Crucially, the framework also depicts the mediating role of organisational capacity H4. This suggests that the effectiveness of donor funding in achieving project outcomes is strengthened when social enterprises possess the internal capacity to utilize resources efficiently. The mediation pathway underscores the notion that donor support alone is insufficient; organisational readiness and internal structures are key to translating funding into successful project results. Framework guides the study's analytical approach, allowing for Structural Equation Modeling (SEM) to test both direct and indirect effects, providing a comprehensive understanding of how donor support interacts with organisational factors to drive project success. Figure 1 presets the construct



Source: Author's Construct, 2025

Fig 1: Conceptual Framework illustrating the hypothesized relationships among donor funding models, organisational capacity, and project success in social enterprises in Ghana

Empiric Review

A study in Sweden by Andersson and Karlsson (2025) [5] examined how donor funding models affect civil society organizations' performance, particularly in development-focused NGOs. The researchers used a qualitative comparative design, conducting interviews with 12 NGOs funded by the Swedish International Development Cooperation Agency (SIDA) and reviewing organisational documents. Findings indicated that core funding sometimes increased administrative burdens, slowing project implementation, whereas project-specific funding, despite stricter earmarks, often allowed clearer planning and execution. The study highlighted that donor conditions and reporting requirements play a critical role in determining how funding affects organisational capacity and project outcomes.

Similarly, in Denmark, Jensen and Thomsen (2020) evaluated the impact of long-term development research support from Danida on institutional capacity and project outcomes in partner countries. The study adopted a mixed-methods design, combining case studies of 25 research institutions with portfolio analysis of 378 funded projects over a decade. Results showed that structured, long-term funding strengthened knowledge generation and institutional capacity, which in turn improved project success. However, the study noted that linking funding directly to measurable outcomes was challenging due to data limitations and variable local implementation contexts.

In Finland, Kiviniemi and Laine (2021) [25] investigated how Nordic donor strategies, including funding allocation patterns from Finland, Sweden, and Denmark, influenced NGO performance in the education and social development sectors. Using a comparative policy analysis, the study reviewed historical funding trends, policy documents, and organizational reports from 50 NGOs. Findings revealed that NGOs with flexible funding mechanisms could adapt better to changing priorities and maintain stronger organisational systems, while rigid funding often limited responsiveness and project effectiveness.

Methodology

Research Philosophy

The study adopted a pragmatic research philosophy, which allowed the use of both quantitative and qualitative approaches to understand the relationship between donor funding models, organisational capacity, and project success of social enterprises in Ghana. Pragmatism focuses on finding practical solutions to research problems and supports the use of multiple methods to capture the complexity of real-world phenomena (Creswell & Creswell, 2019) [12]. This philosophy was suitable because the study aimed to examine measurable relationships between

constructs while also understanding contextual factors influencing social enterprises.

Research Design

A cross-sectional survey design was employed to collect data at a single point in time. This design was appropriate because it enabled the study to examine relationships between donor funding models, organisational capacity, and project success across a wide range of social enterprises (Bryman, 2016) [10]. The quantitative approach allowed for testing of hypotheses using statistical techniques, particularly Structural Equation Modeling (SEM), to assess both direct and indirect relationships among the variables.

Population and Sample Size

The target population consisted of managers, project coordinators, and administrative staff of social enterprises operating in Ghana. Given the relatively large number of social enterprises and the lack of an exact population figure, the study treated the population as effectively infinite. To determine the sample size, the study used Yamane's formula for a 95% confidence level and a 5% margin of error. Based on this calculation, a sample size of 450 respondents was considered adequate to ensure representativeness and statistical validity (Yamane, 1967; Krejcie & Morgan, 1970; Cochran, 1977) [11, 35].

Sampling Technique

A purposive and convenience sampling method was applied. Organisations were selected based on their active involvement in donor-funded projects, and within each organisation, staff most knowledgeable about project management and funding processes were targeted. This approach ensured that the data collected were relevant to the research objectives and reflected the experiences of personnel directly involved in project implementation.

Data Collection Methods

Primary data were collected using a structured questionnaire developed from existing literature on donor funding, organisational capacity, and project success (Adjei, Alhassan & Anyass Ahmed, n.d.; Agyemang, 2021) [6]. The questionnaire included both closed-ended and Likert-scale items to measure key variables. A pilot test was conducted with 30 respondents to ensure clarity, reliability, and validity of the instrument. Minor adjustments were made based on feedback before full deployment.

Data Analysis

Data were analyzed using Structural Equation Modeling (SEM) to test the hypothesized relationships among donor funding models, organisational capacity, and project success. SEM was selected because it allows for simultaneous estimation of multiple relationships and can test mediating effects, such as the influence of organisational capacity between funding models and project outcomes (Hair *et al.*, 2019) [21]. Descriptive statistics were also used to summarize respondents' demographic characteristics and organisational profiles.

Participation was voluntary, and respondents were assured of confidentiality and anonymity. Data were collected with informed consent, and participants were informed of their right to withdraw at any time without any negative consequences.

Demographic Characteristics of Respondents

To better understand the background of the participants, the study examined key demographic characteristics, including gender, age, educational level, work experience, and position in the organisation. Assessing these characteristics helped contextualize the findings and ensured that the perspectives captured reflected a broad range of experiences within social enterprises in Ghana.

Out of the 450 respondents, 252 (56%) were male, while 198 (44%) were female. This indicates a slightly higher participation of males, reflecting the gender composition in managerial and project implementation roles within social enterprises.

The age distribution showed that the majority of participants were between 31 and 40 years (42%), followed by those aged 41–50 years (30%). Respondents aged 20–30 years accounted for 18%, while above 50 years represented 10% of the sample. This suggests that most participants were in the mid-career stage, with sufficient experience to provide informed responses about organisational operations and project implementation.

Regarding education, 198 respondents (44%) held a bachelor’s degree, 144 (32%) had a master’s degree, and 63 (14%) had diploma or associate-level qualifications. The remaining 45 respondents (10%) had professional certifications or other forms of training. The high proportion of degree holders indicates that participants were well-equipped to understand and assess donor funding processes, organisational capacity, and project outcomes.

Analysis of work experience revealed that 35% of respondents had 6–10 years, 28% had 11–15 years, 22% had 3–5 years, and 15% had more than 15 years of experience in

social enterprise management or project coordination. This suggests that the sample included both relatively new and highly experienced staff, providing diverse perspectives.

In terms of organisational roles, project coordinators and managers constituted 58% of respondents, while administrative and support staff made up 42%. This distribution ensured that insights were obtained from personnel directly involved in funding management, operational decisions, and project delivery.

These demographic profile indicates that the sample was diverse, knowledgeable, and experienced, making the data reliable for analysing the relationship between donor funding models, organisational capacity, and project success in social enterprises.

Descriptive Statistics

Descriptive statistics were conducted to summarize the responses from the 450 participants regarding the main study variables: donor funding models, organisational capacity, and project success. This analysis provided insights into the central tendency and variability of the data, which helped assess the general patterns before conducting further inferential analyses. The mean scores, standard deviations, and ranges for each variable are presented

The results in Table 1 indicate that participants generally agreed with statements on donor funding effectiveness, organisational capacity, and project success, as reflected in mean scores above 3.9. Standard deviations below 1.0 suggest that responses were relatively consistent across the sample. These findings provide a reliable baseline for testing the hypothesized relationships using Structural Equation Modeling (SEM).

Table 1: Descriptive Statistics of Donor Funding Models, Organisational Capacity, and Project Success (N = 450)

Variables	Mean	Standard Deviation (SD)	Minimum	Maximum
Donor Funding Models	4.12	0.67	2.50	5.00
Organisational Capacity	3.95	0.72	2.20	5.00
Project Success	4.05	0.70	2.40	5.00

Source: Field Data, 2025

Note: Responses were measured on a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree),

Measurement Results

The study assessed the reliability and validity of the measurement items for the key constructs: donor funding models, organisational capacity, and project success. Reliability was evaluated using Cronbach’s Alpha, while validity was assessed through item loadings. Ensuring that the measurement items were consistent and accurately captured the constructs was essential before conducting Structural Equation Modeling (SEM) for

hypothesis testing. Table 2 presents the measurement results for all constructs.

The results in Table 2 show that all constructs demonstrated high reliability and strong validity, indicating that the measurement instruments were suitable for SEM analysis. These findings provide confidence that the constructs accurately captured the participants’ perceptions and experiences related to donor funding models, organisational capacity, and project success.

Table 2: Reliability and Validity of Measurement Constructs (N = 450)

Construct	Number of Items	Cronbach’s Alpha	Item Loadings Range	Mean	Standard Deviation (SD)
Donor Funding Models	6	0.88	0.72 – 0.84	4.12	0.68
Organisational Capacity	7	0.90	0.70 – 0.85	3.95	0.72
Project Success	5	0.87	0.71 – 0.83	4.05	0.70

Source: Field Data, 2025

Note: All items were measured on a 5-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree). Cronbach’s Alpha values above 0.70 indicate high internal consistency, and item loadings above 0.70 confirm construct validity,

Structural Equation Modeling (SEM) Results

To test the hypothesized relationships among donor funding models, organisational capacity, and project success, the study employed Structural Equation Modeling (SEM). SEM allowed for simultaneous examination of direct and indirect

relationships and the mediating effect of organisational capacity. The results include path coefficients, t-values, and significance levels, which indicate the strength and significance of each hypothesized relationship. Table 3 summarizes the SEM findings.

H1: Donor Funding Models and Organisational Capacity.

The SEM results in Table 3 indicated a strong positive relationship between donor funding models and organisational capacity, with a standardized coefficient (β) of 0.58, a t-value of 9.42, and a p-value of 0.000. This confirms that donor funding models significantly enhance the internal capacity of social enterprises, enabling them to manage resources, strengthen systems, and improve operational processes. The findings support the view that strategically structured funding whether core, project-specific, or hybrid plays a critical role in building organisational resilience and effectiveness.

H2: Organisational Capacity and Project Success

A significant positive effect was observed between organisational capacity and project success ($\beta = 0.62, t = 10.11, p = 0.000$). This demonstrates that social enterprises with stronger internal systems, competent staff, and well-established processes are more likely to deliver successful projects. The results align with capacity-building theory, which emphasizes that well-developed organisational structures and skills enhance the achievement of intended project outcomes.

H3: Donor Funding Models and Project Success

Donor funding models were also found to have a direct positive influence on project success ($\beta = 0.41, t = 6.23, p = 0.000$). This indicates that well-designed funding approaches contribute directly to project outcomes by providing the necessary financial resources, guidance, and support structures. The finding underscores the importance of aligning funding mechanisms with organisational needs to ensure that projects meet their objectives efficiently.

H4: Mediating Role of Organisational Capacity

The analysis confirmed that organisational capacity partially mediates the relationship between donor funding models and project success ($\beta = 0.36, t = 5.78, p = 0.000$). This suggests that while donor funding has a direct effect on project outcomes, its impact is strengthened when organisations have the internal capacity to utilize resources effectively. The mediating role highlights that building organisational capacity is essential for translating donor support into tangible project success Table 3 below presents the results

Table 3: Structural Equation Modeling (SEM) Results for Donor Funding Models, Organisational Capacity, and Project Success (N = 450)

Hypothesis	Path	Standardized Coefficient (β)	t-Value	p-Value	Decision
H1	Donor Funding Models → Organisational Capacity	0.58	9.42	0.000	Supported
H2	Organisational Capacity → Project Success	0.62	10.11	0.000	Supported
H3:	Donor Funding Models → Project Success	0.41	6.23	0.000	Supported
H4	Donor Funding Models → Organisational Capacity → Project Success (Mediation)	0.36	5.78	0.000	Supported

Source: Field Data, 2025

Note., SEM analysis was conducted using PLS-SEM. Standardized coefficients (β) indicate the strength of relationships, t-values greater than 1.96 at 5% significance level indicate significance.

Discussion Of Findings

H1: Donor Funding Models and Organisational Capacity

The SEM results showed a strong positive relationship between donor funding models and organisational capacity, with a standardized coefficient (β) of 0.58, a t-value of 9.42, and a p-value of 0.000. This means that when donor funding models are clear, reliable, and aligned with organisational needs, social enterprises in Ghana are better able to build stronger systems, improve resource management, and enhance internal capabilities for effective service delivery.

This finding aligns with Resource Dependence Theory (RDT), which suggests organisations depend on external resources for survival and growth, and that the nature and structure of those external resources shape internal systems and behaviour (Pfeffer & Salancik, 1978) [31]. From this perspective, donor funding does not just provide money but also influences how organisations organise themselves, plan strategically, and strengthen their capacity to fulfill their missions.

Evidence from Australia supports this idea. The Australian Government’s Australian NGO Cooperation Program (ANCP) explicitly links funding to organisational capacity and partner performance. The policy states accredited NGOs gain access to consistent funding and autonomy to direct programmes, which helps them build internal capabilities and sustainability through reliable support and performance assessments (Australian Government Department of Foreign

Affairs and Trade, 2025) [7]. Such structured donor support encourages Australian NGOs to develop better planning systems and institutional frameworks, which is consistent with RDT’s claim that dependable external resources shape organisational behaviour.

In Ghana, recent initiatives aimed at improving organisational capacity reflect similar dynamics. For example, training programmes for Ghanaian civil society organisations focus on resource mobilisation and financial sustainability to strengthen institutional operations amid declining donor funding (WACSI, 2024) [34]. This shows that when donor programmes explicitly include capacity-building components alongside funding, organisations are better placed to manage resources and adapt to funding changes. It mirrors the SEM finding that donor funding models that support internal strengthening enhance organisational capacity.

Studies from the United States also underscore the importance of flexible and long-term support for organisational capacity development. Recent philanthropic trends show an increase in unrestricted and multi-year funding from foundations, which allows nonprofits to invest in leadership development, financial systems, and strategic planning components that contribute to stronger organisational capacity and resilience (Giving USA Report Insights, 2025) [20]. Such funding approaches align with RDT by offering reliable external support that organisations can leverage to build internal strength.

H2: Organisational Capacity and Project Success

The SEM results showed a significant positive effect between organisational capacity and project success with a standardized coefficient (β) of 0.62, a t value of 10.11, and a p value of 0.000. This indicates that social enterprises with stronger internal systems, competent staff, and well established processes are more likely to achieve project success. Organisations that invest in capacity building, such as improving staff skills, developing planning systems, and strengthening procedures, are better positioned to implement projects effectively and achieve desired outcomes.

This result aligns with Capacity Building Theory, which emphasizes that enhancing the knowledge, skills, structures, and processes within organisations improves performance and results. According to this theory, when organisations strengthen their internal capabilities, they can manage resources more effectively, respond to challenges, and sustain project benefits over time (Eade 2020) [15].

Empirical evidence from Nigeria supports this perspective. Research on Nigerian civil society organisations indicates that capacity building initiatives focused on leadership development, project management skills, and financial management are strongly associated with improved project outcomes (Okafor *et al.* 2021) [29]. Organisations that continuously enhance their institutional capabilities are more successful in implementing programmes and achieving intended impacts.

Studies in Rwanda demonstrate that capacity building significantly contributes to successful project implementation and sustainability. Capacity development programmes that equip project personnel and local stakeholders with skills to manage resources, engage communities, and maintain project benefits have been linked to higher levels of project success (Kalisa and Gathiru 2023) [24]. Research in Namibia also shows that training, organisational development, and institutional support contributes to better project outcomes. Organisations receiving structured capacity building support improve in managing activities, monitoring progress, and adapting to challenges, which enhances project performance (Development in Practice 2021) [13].

Sector analyses in Tanzania indicate that weak planning systems, insufficient staff training, and limited project management skills are associated with challenges in achieving project goals. Capacity building programmes in these areas have been shown to improve organisational effectiveness and increase the likelihood of project success (Ngowi 2021) [27].

Ultimately, these studies demonstrate that strengthening organisational capacity through staff development, process improvement, and institutional support is critical for project success. The SEM results confirm that organisations with well-developed internal systems are more likely to deliver successful projects, supporting the principles of Capacity Building Theory.

H3: Donor Funding Models and Project Success

The SEM results indicated a direct positive relationship between donor funding models and project success, with a standardized coefficient (β) of 0.41, a t value of 6.23, and a p value of 0.000. This shows that well-designed donor funding approaches significantly contribute to successful project outcomes. Funding models that provide timely financial support, clear guidance, and structured assistance

enable organisations to plan and implement projects more effectively, ensuring that objectives are met efficiently.

This finding is aligned with Stakeholder Theory, which emphasizes that organisations must manage relationships and expectations of key stakeholders to achieve success (Freeman 2020) [19]. Donors are critical stakeholders in social enterprises because they provide essential resources and exert influence on organisational priorities. By designing funding mechanisms that are responsive to organisational needs, donors enhance the ability of enterprises to meet both internal goals and stakeholder expectations.

Evidence from Saudi Arabia indicates that NGOs and social enterprises receiving structured funding from both government and private donors show higher levels of project success. The provision of resources along with monitoring and reporting requirements ensures that organisations remain accountable while achieving project objectives (Al-Mubarak 2021) [4]. This demonstrates how donor engagement as stakeholders affects organisational performance.

Research in Jordan, on development projects found that donor-funded programmes with clear resource allocation guidelines and stakeholder consultation led to more effective project implementation and higher community satisfaction. When donors and project managers collaborate and communicate regularly, project outcomes improve, reflecting Stakeholder Theory's emphasis on managing key relationships (Haddad *et al.* 2022) [22].

Studies in Qatar show that social development initiatives funded by international and domestic donors are more successful when funding models include not only financial support but also technical guidance, capacity-building support, and accountability mechanisms. These approaches enable organisations to align project activities with stakeholder expectations, which enhances the likelihood of achieving intended results (Al-Kuwari 2023) [3].

In Dubai, evidence from philanthropic organisations indicates that multi-year, flexible funding arrangements improve project delivery by allowing organisations to adjust activities in response to stakeholder feedback, adapt to changing circumstances, and maintain accountability (Smith and Al-Mansoori 2020) [32]. This illustrates the importance of donor-stakeholder relationships in facilitating successful project outcomes.

A case study of civil society initiatives in Morocco, highlight that donor funding linked to strategic planning and stakeholder engagement enhances project success. Organisations that receive structured support are better able to plan, coordinate resources, and ensure accountability to both donors and beneficiaries, reinforcing the view that effective stakeholder management is central to achieving project goals (Benjelloun 2021) [9].

These studies mutually confirm that donor funding models influence project success directly by providing necessary resources, guidance, and accountability structures. Aligning funding approaches with organisational needs and stakeholder expectations enables social enterprises to deliver projects successfully, supporting the core tenets of Stakeholder Theory.

H4: Mediating Role of Organisational Capacity

The SEM results confirmed that organisational capacity partially mediates the relationship between donor funding

models and project success, with a standardized coefficient (β) of 0.36, a t value of 5.78, and a p value of 0.000. This indicates that while donor funding has a direct positive effect on project outcomes, its impact is enhanced when organisations have strong internal capacity to utilise resources effectively. In other words, funding alone is not sufficient; organisations need competent staff, structured processes, and robust internal systems to translate donor support into tangible project achievements.

This finding is consistent with Contingency Theory, which posits that organisational effectiveness depends on the fit between internal structures and external environmental conditions (Fiedler 2020) ^[17]. In this context, donor funding represents an external input, while organisational capacity reflects the internal structure and readiness to adapt. The mediating effect demonstrates that successful project outcomes arise when organisations align their internal capabilities with the nature and requirements of external support.

Empirical evidence from Egypt supports this interpretation. Studies on development projects show that NGOs receiving donor support achieve higher project success when internal management systems, trained personnel, and planning mechanisms are in place to implement programmes efficiently (Elshamy and Abdel-Rahman 2021) ^[16]. Organisations lacking such capacity often struggle to convert funding into meaningful results, underscoring the importance of internal readiness.

Research in Algeria on donor-supported civil society initiatives found that organisations with structured internal processes, trained staff, and clear operational procedures were more effective in deploying resources from donors to meet project objectives (Benali 2022) ^[8]. This demonstrates the mediating role of organisational capacity in maximizing the impact of external funding, in line with Contingency Theory.

Evidence from Libya suggests that organisational capacity, including decision-making structures and resource management systems, moderates the effect of donor funding on project performance. When capacity is strong, donor funds are effectively used for project planning, execution, and monitoring, leading to higher success rates (Alhaj and Saleh 2020) ^[2].

In South Sudan, post-conflict development projects reveal that capacity building is critical for translating donor support into tangible outcomes. Organisations with enhanced internal systems, such as: project management units and financial controls, showed better results compared to those with weaker structures, demonstrating that donor impact is contingent on internal capacity (Johnson *et al.* 2021) ^[23].

Studies in Mauritania also indicate that civil society organisations with strengthened internal capacity through training, process development, and resource management were more successful in achieving project objectives when receiving donor funding. The findings suggest that funding effectiveness depends on the internal organisational context and capacity to deploy resources strategically (Ould 2022) ^[30].

These studies collectively confirm that organisational capacity is a crucial mediator in the relationship between donor funding and project success. Donor support provides the necessary resources, but internal structures, competencies, and systems determine how effectively those

resources are transformed into successful project outcomes. This aligns with Contingency Theory, which highlights that organisational performance depends on the fit between internal capabilities and external demands.

Implications Of The Study

The findings of the study carry significant implications for social enterprises, donors, and policymakers. Understanding the interplay between donor funding models, organisational capacity, and project success provides valuable insights for designing more effective support mechanisms and improving project outcomes.

First, the results underscore the critical role of strategically structured donor funding. Donor organisations need to design funding models that are not only reliable and adequate but also aligned with the needs and capacities of recipient organisations. Flexible, multi-year funding arrangements, combined with guidance and accountability structures, can enhance organisational performance and increase the likelihood of successful project delivery. This suggests that donors should consider adopting approaches that support both the financial and operational needs of social enterprises.

Second, the study highlights the importance of building organisational capacity. Organisations with competent staff, well-developed internal systems, and effective resource management are more capable of translating donor support into tangible project outcomes. This emphasizes that capacity-building initiatives should be integrated into donor programmes, including training, process development, and leadership support. Social enterprises that invest in strengthening their internal structures are better positioned to manage resources efficiently, adapt to challenges, and sustain project impacts over time.

Third, the mediating role of organisational capacity demonstrates that donor funding alone is insufficient to guarantee project success. The effectiveness of external support is contingent upon the organisation's ability to utilize resources effectively. For practitioners, this means that internal capacity assessments should be a core component of project planning and donor engagement. By identifying and addressing gaps in systems, skills, and processes, organisations can maximise the value of donor contributions.

Finally, the study has policy implications for governments and development agencies. Policymakers should create frameworks that encourage donor collaboration, organisational capacity development, and accountability. Support mechanisms that link financial assistance to training and institutional strengthening can foster more sustainable social enterprise ecosystems, ensuring that projects achieve intended social, economic, and developmental outcomes.

Essentially, this study provides strong evidence that successful project implementation depends not only on the availability of donor funds but also on the internal strength of organisations. Aligning funding models with organisational capacity development and stakeholder management strategies is essential for enhancing project performance and achieving long-term sustainability.

Recommendations

Based on the findings of this study, several key recommendations emerge for social enterprises, donors, and policymakers to enhance project success and organisational

performance. Implementing these recommendations can strengthen the alignment between donor support and organisational capacity, ensuring more effective and sustainable outcomes.

First, donor organisations should design funding models that are flexible, reliable, and tailored to the needs of recipient organisations. Multi-year and capacity-focused funding arrangements can provide social enterprises with the financial stability and operational guidance necessary to plan, execute, and sustain projects effectively. Donors should also consider integrating monitoring and mentorship components into their funding programmes to support organisational learning and accountability.

Second, social enterprises should prioritise internal capacity development. Organisations need to invest in staff training, process improvement, and leadership development to ensure that resources are effectively utilized. Strong internal systems, including financial management, project monitoring, and strategic planning, enable organisations to convert donor support into tangible project outcomes, improving efficiency and impact.

Third, collaboration and communication between donors and organisations should be strengthened. Regular engagement and feedback mechanisms help ensure that funding approaches are aligned with organisational needs and stakeholder expectations. This fosters transparency, accountability, and mutual understanding, which are critical for project success.

Fourth, policymakers should create enabling environments that support both donors and social enterprises. Policies that encourage capacity-building initiatives, provide incentives for effective project management, and promote accountability standards can enhance organisational performance and project outcomes. Government and development agencies can also facilitate knowledge-sharing platforms for social enterprises to learn from best practices and improve resource utilisation.

Finally, integrating capacity assessments into project planning is recommended. Before implementing donor-funded initiatives, organisations should evaluate their internal strengths and weaknesses to identify areas needing improvement. Addressing capacity gaps proactively ensures that funding is maximized and projects achieve their intended objectives.

Summarily, the study underscores that successful projects require a dual focus on strategic funding and organisational readiness. By aligning donor support with strong internal capacity, social enterprises can enhance project performance, ensure sustainability, and contribute meaningfully to development goals.

Limitations And Future Research Directions

While this study provides valuable insights into the relationship between donor funding models, organisational capacity, and project success, it has some limitations. First, the study relied on data from a specific sample of social enterprises in Ghana, which may limit the generalizability of the findings to other sectors or regions. Second, the cross-sectional design captures relationships at a single point in time, making it difficult to infer long-term effects of donor funding and capacity-building initiatives.

Future research could address these limitations by using longitudinal designs to examine how donor funding and organisational capacity influence project success over time.

Comparative studies across different countries or sectors would also provide a broader perspective and test the applicability of the findings in diverse contexts. Additionally, incorporating qualitative methods could uncover deeper insights into how organisations adapt donor resources and develop internal systems to achieve project outcomes.

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