

Central Europe's Non-Profits Cope With Funding Vacuum

By Balazs Koranyi, Dow Jones Newsires

BUDAPEST (Dow Jones) -- Matthew Hayes has just finished loading his truck with crates of organic carrots, broccoli and eggs, and he's ready to take to the roads. He's about to deliver his goods to a dozen or so families around his farm in Godollo, a town of 28,000 in eastern Hungary. Organic farming is a relatively new concept in Hungary, but the market has quadrupled over the past two years and Hayes is hoping to capitalize on the boom. Though the business is growing fast, Hayes is struggling to find the money to expand. He needs a new truck and more storage space, and his old truck could use

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some work. While getting equity funding is difficult for any company in Central Europe, it's particularly hard for Hayes because his farm, Open Garden Foundation, is a non-profit company.

But a fledgling group could save the day for Hayes. The U.S.-based Nonprofit Enterprise and Self-sustainability Team, or NESsT, has set up a Central European fund to help non-profits find ways to generate the cash they need to operate. Through grants and extensive consulting work, NESsT aims to help them move their operations to a higher level and to get them to think like for-profit companies with a social goal. Hayes has turned to NESsT for seed capital - US\$65,000 to help stabilize his business and ensure it has the funds to grow - but money is only one way the organization tries to help non-profits cope with cash-flow troubles. It also teaches them how to make money from some aspects of their operations so they can fund other aspects that are never going to generate cash.

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return (sometime in the future), but we're mostly looking for a social return."

NESsT believes that any strong democracy must have a strong civil sphere, but Central Europeans have had little money or energy over the past decade to rebuild civil society. In the western world, civil societies operate mostly through non-governmental organizations (NGOs), primarily non-profit groups. But money in Central Europe is scarce and NGOs are slow to develop. Capital for non-profits began flowing in with the fall of communism 12 years ago, but sources dried up as the region's economies got on their

feet. Donors began to move eastward to help poorer countries, and many non-profits began to struggle for money. European Union membership will open some channels, but that's still a year and a half away.

"Ten years ago, when the (political) system changed, there were ample funds available...mostly through big organizations. Now those organizations are looking further east," said Hayes. "(Central Europe) has become too rich for them, I guess, and there's now a funding gap."

NESsT looks to fill that vacuum by teaching non-profit companies the skills to become self-sustaining. But NESsT insists that it's not about charity. It's into business plans, management skills, long-term strategy, business ethics and efficiency. It's into running a tight ship.

"The idea is to make the business side of an organization profitable, allowing it to fund its social agenda," said Joanna Messing, NESsT's enterprise development director in Budapest. "We help them make good management and business

decisions and make good contacts through our business advisory network of (about) 35 companies," Messing said.

Energy Center Bratislava, a small Slovak non-profit organization, was one of NESsT's first ventures in the region. ECB's mission is to cut energy use and limit damage to Slovakia's already bruised environment. "About 80% of Slovakia's buildings are energy-inefficient. And no effort has been made to renovate houses," Energy Center Director Roman Doubrava said. "But there's a huge potential for saving here. Energy prices rose 30% (on Jan. 1) and costs are already too high for people."

With NESsT's help, Energy Center set up a consulting center and for about EUR6 a pop, it audits buildings and determines ways of cutting energy costs. It tells people where insulation needs to be upgraded or what machine uses too much power. "The money we'll generate here will decrease our dependence on external sources and secure our existence," Doubrava said. The money is then used to run workshops, seminars and advertising campaigns.

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NESsT grants are limited and it needs fresh money by the end of the year. Yet Etchart isn't worried. NESsT is about to kick off a multi-million dollar fund-raising campaign and Etchart believes that there will be plenty of interest in NESsT's business model. "We're looking for

investors who identify with this model. Who see value in both financial and social returns," Etchart said.

Doubrava hopes Etchart is right. "What they do is very unique," he said. "I haven't heard of anything like it."

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