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Eco Center Caput Insulae Beli (ECCIB)

Becoming Financially Autonomous While Capitalizing on Hard Assets and Know-How

Eco Center Caput Insulae Beli (ECCIB) was established in 1993 with the aim of protecting the endangered species of the Eurasian Griffon as well as the natural and historic heritage of the island of Cres. Faced with the impossibility of securing permanent financing from long-term sources and public funds, and given the difficult position held by CSOs in Croatia due to volatile fundraising opportunities, ECCIB was aware from the very beginning that it would have to rely on alternative sources of funding, self-financing being the most viable option. The first self-financing activity, undertaken in 1995, provided accommodation for volunteers working at and groups of schoolchildren visiting the Center. Since then, self-financing activities have expanded to include consultancy work in the environmental field, provision of guided tours for tourists and groups of school children, charging of admission for guided exhibitions and the sale of souvenirs. Designing the self-financing activities to ensure their compatibility with the organization's mission, ECCIB relied heavily on the support of the volunteers working in the Center and in-kind donations in their implementation. It's been a lot of hard work but ECCIB now pride themselves in being the self-financing success story of the Croatian civil sector. In 2004, revenue from self-financing contributed 21% of the total budget and the organization is entertaining a number of creative ideas for the expansion of these activities in the future.

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This case was prepared by the Nonprofit Enterprise and Self-sustainability Team (NESsT), an international nonprofit organization with offices in Budapest, Hungary and Santiago, Chile. NESsT is committed to strengthening the financial sustainability of civil society organizations (CSOs) working for social change and development through the development of self-financing strategies that both generate additional income and further the missions of CSOs.

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1. Background

Founded in 1993, Eco Center Caput Insulae Beli (ECCIB) has based its work on achieving sustainability through the coexistence of humankind and nature. ECCIB's mission is to protect and preserve the natural diversity, autochthonous values as well as the cultural and historic heritage of the island of Cres. To this end, the work of ECCIB is focused on five main programs: (1) protection of the Eurasian Griffon; (2) protection of the overall natural heritage of the Tramuntana region on northern Cres; (3) protection of the historical heritage of Tramuntana; (4) related educational programs for students of all ages; and (5) eco-tourism and volunteer programs.

In legal terms, ECCIB is organized as a non-profit organization and non-governmental organization (udruga) headed by a four-member Board. ECCIB has 9 staff members, full-time and part-time employees as well. In addition, the civil society organization (CSO) relies on some 350 volunteers annually contributing some 13,000 work hours per year. The work is directed by the president and founder of ECCIB.

2. Financial Information

2.1. Income

ECCIB relies on international donor and state support for two-thirds of its budget. The remainder of the budget is secured through self-financing, private sources and in-kind donations. Fundraising from international donors has become increasingly difficult as most are in the process of leaving or have already left Croatia. The state has remained a stable source of funding, although a difficult one. Grant procedures are often non transparent, often looking at the organization, rather than the merits of the proposed project. Additionally, the public sector tends to award only a fraction of the funds requested, which makes it difficult for CSOs to implement projects. Amounts that might be satisfactory to smaller CSOs, are not enough for organizations the size of ECCIB. ECCIB plans to decrease its reliance on external donors by further increasing the amount of income earned from self-financing.

In 2004, ECCIB's budget amounted to HRK 650,000 (approximately USD 110,000). Self-financing¹ activities contributed 21.53% to the total budget, the largest share comprising revenue earned from guided tours, guided exhibitions, school camps and preparation of environmental studies. More than one-third of the budget, 38.47%, was secured through international sources, while government grants contributed 30.77%. The planned budget for 2005 is 46% larger than the budget from the previous year, yet the shares of the contributions made by the different sources remain virtually identical. Donors have included relevant ministries, local governments, Academy for Educational Development, Regional Environmental Center and a number of other private and corporate donors.

¹ NESsT uses the term "self-financing" to refer to diverse strategies used by civil society organizations to generate their own revenues (sale of products, service fees, use of hard or soft assets, and dividends or investment income). NESsT uses the term "social enterprise" when these strategies are carefully assessed and planned to significantly strengthen the financial sustainability and the mission impact of the CSO.

(ECCIB) protects the endangered species of the Eurasian Griffon as well as the natural and historic heritage of the island of Cres.



2.2. Expenses

In 2004, programs and activities accounted for 41% of total expenditures, up from 39% in 2003. Administrative and operating expenses fell in 2004 to 38% from 45% the previous year. Given the nature of the activities conducted by the CSO, new equipment and investment in facilities account for a significant share of the expenditures. In 2004, this cost grew to 20%, up by 4% in comparison to 2003. The planned expenditures for 2005 are as follows: administrative and operating costs 36%, fundraising costs 3%, programs and activities 48% and new equipment 13%.

Table 1: Sources of Income (2005 (planned) - 2003)

| SOURCE | 2005 (planned) | 2004 | 2003 |
|---|----------------|-------------|-------------|
| FOREIGN/INTERNATIONAL SOURCES | | | |
| - foreign/international grants | 36.84 | 38.47 | 37.31 |
| PUBLIC SOURCES (LOCAL/NATIONAL) | | | |
| - government grants | 31.58 | 30.77 | 37.31 |
| PRIVATE SOURCES (LOCAL/NATIONAL) | | | |
| - individual donations | 2.10 | 2.30 | 1.49 |
| - corporate grants | 5.26 | 5.38 | 5.97 |
| SELF-FINANCING | | | |
| - fees for services | 10.53 | 10.77 | 8.95 |
| - product sales | 5.26 | 5.38 | 2.98 |
| - use of soft assets | 1.05 | 0.77 | 0.75 |
| - use of hard assets | 4.21 | 4.61 | 3.73 |
| - IN-KIND DONATIONS | 3.15 | 1.54 | 1.49 |
| TOTAL | 100% | 100% | 100% |

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3. Self-Financing Activities

ECCIB began considering ways to achieve financial and organizational sustainability ever since its establishment in 1993. The choice of self-financing activities came naturally: in line with its environmental and educational mission, the CSO charges admission fees for guided tours of the exhibition and the trails in the surrounding area offered to its target groups, students of all ages and tourist groups. The volunteer program has been particularly successful, and has been growing since its inception. It started out of necessity in 1995 as volunteers were needed to do the work for which no staff could be hired because of the lack of funds. By now, some 350 volunteers contribute their work time for the benefit of the CSO, at the same time covering their cost of room and board. They are accommodated on the premises of ECCIB, an early 20th century school building which has been thoroughly renovated for this purpose.



Table 2: Types of Self-Financing

| | |
|-----------------------------------|--|
| <p>1. Fees for services</p> | <p>ECCIB staff is often commissioned by government agencies at different levels to prepare various environmental impact studies. The proceeds from this activity go toward the organizational budget.</p> <p>ECCIB has set up an exhibition hall which tells the story of the Eurasian Griffon. Admission fee is charged for all visitors who in turn receive a guided tour.</p> <p>As part of its Educational Program targeting students of all ages, ECCIB has developed daylong or weekend programs which comprise guided tours in the exhibition halls, on the trails, and of the town of Beli. A fee is charged for participating in the program.</p> <p>Admission fees are charged for guided tours of the Center and the surrounding areas provided for groups of tourists and carried out by Center staff.</p> |
| <p>2. Product sales</p> | <p>A small souvenir shop operates on the premises of the Center. It targets the tourist and students who attend the tours or participate in the program. The souvenirs are produced by volunteers or commissioned by artists.</p> |
| <p>3. Rental of "hard assets"</p> | <p>Since 1995, ECCIB has been running a successful volunteer program. Volunteers who stay at the Center cover the cost of their room and board.</p> |

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4. Start-Up

Having tried out conventional forms of fundraising from government sources, corporations and foundations, ECCIB came to the realization that dependency on donors who were unwilling to commit over the long term and provide support for investments which were crucial to the mission and the sustainability of the CSO was not a solution. Donors would withdraw eventually and corporations would only sponsor activities for a given period of time. The decision to undertake self-financing activities was largely supported by internal stakeholders.

In retrospect, it is difficult to assess the total amount of initial investment needed. This is partly due to the fact that it was mostly comprised of capital investment which was spread out over 12 years and consisted in a significant share of volunteer work. ECCIB estimates that it has spent approximately USD 100,000, most of which has been invested in the renovation of the Center which provides accommodation for volunteers and visiting school groups. 30 percent of the USD 100,000 in start up costs was raised from project funding. Volunteer work accounts for some 60% while the remaining 10% was raised through in-kind donations. Self-financing activ-



ities have been a reliable source of income ever since they were launched, creating opportunities for further growth. These opportunities have not been fully seized, however, due to difficulties in securing the necessary financial investment. This remains a challenge that has yet to be overcome.

5. Management

The self-financing activity is managed internally by the existing staff. The President of the CSO holds the ultimate responsibility. The Board of Directors is constituted by the four project managers. Given the scope of the activity, such a structure was the most adequate and it has been preserved to date. ECCIB has recognized, nevertheless, that the president dedicates most of his time to managing the self-financing activities.

The implementation of the self-financing activity has allowed for the hiring of three additional staff, who work on the self-financing activity, as well as programs. The decision on how the self-financing income should be used is reached at joint meetings between the Board of Directors and all employees.

6. Effects of Self-Financing on the Organization

6.1. Financial Performance of the Self-Financing Activities

Contributing one-fifth to ECCIB's annual budget, self-financing is an important factor of organizational sustainability. About one-half of the organization's self-financing income is secured through fees for services charged to visitors for guided tours of the exhibition hall and the trails. The sale of souvenirs and fees charged to volunteers and school groups who stay on the premises account for the rest in roughly equal proportion. ECCIB consulting services and environmental impact studies can be a source of revenue, and lucrative as individual assignments. However, they have not become an important source, as requests are irregular and unpredictable.

In the initial period, operations costs were greater than income generated. Nowadays, depending on the activity, their gross profit margin ranges from 20% to nearly 100%. The margin is lower for the rental of accommodation facilities which have required significant investment and have higher operating cost. It is highest for the sale of souvenirs which are often handmade by volunteers, thus minimizing their cost of production.

It is expected that the income earned from self-financing will continuously grow, probably doubling within the next three years due to larger sales in increasing businesses.

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(Percentage of Total)

6.2. Social Impact

The effects of self-financing on the mission of the organization have been overwhelmingly positive. Since the activities are fully linked with and based on the mission, they have contributed to its promotion among the target group, both as it relates to environmental and the educational aspects. Implementation of the self-financing activities and the earned revenue has improved the ability of the organization to achieve its mission. While self-financing had no apparent effect on the definition of the mission, it has contributed to fuller and better achievement of ECCIB's mission.

The effect of self-financing on relations with stakeholders and the public has generally been positive. ECCIB enjoys growing support from the local community, the municipality and the mayor. These stakeholders would like to support the organization financially, but they are not able to at this point in time, so they are happy to see that ECCIB finds ways to generate revenue for itself through self-financing activities. Volunteers and visitors are extremely happy and satisfied with the programs offered by ECCIB. The self-financing activities have made possible a greater number of visitors which has increased from 500 initially to more than 8000 annually at present. Because of the upgrade of its accommodation capacity, ECCIB has moreover been able to accept a higher number of volunteers. Since part of the income earned is allocated for employee salaries, it has increased employment security in the organization.

Another important aspect of relations with the public is the fact that ECCIB has become a prominent environmental organization in Croatia. As the press clippings reveal, the CSO's activities receive substantial coverage and enjoy significant access to the media.

In terms of relations with peer CSOs, there is often the misperception that ECCIB has more resources than it needs. A number of times ECCIB's proposals were turned down when evaluated by CSO representatives with the explanation that they "have plenty of money" and are not in need of additional funds. Initially, there was also some tension with the local tourism board because ECCIB and the board compete for funds.

6.3. Financial Sustainability

Income earned from self-financing activities has contributed to greater autonomy of the organization, particularly in implementing projects for which resources were otherwise difficult to identify such as the refurbishment of the residential premises or the maintenance of the vehicle fleet which are crucial for the day-to-day operations of ECCIB.

To ensure even greater autonomy and decrease the dependence on donors, ECCIB plans to increase the share of revenue earned from self-financing. In the words of

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the President, the organization wants to keep independent from politics and donors as well as retain the power to decide on the use of the funds.

ECCIB has a number of ideas on how to develop this activity further so that it could account for an increasing share of the budget. This entails further development of premises so that the exhibition area can be increased, and the accommodation facilities expanded for better comfort of the volunteers. The expansion will require significant capital investment. ECCIB has been relying on international donors to secure the necessary funds and plans to continue raising funds from them.

6.4. Organizational Sustainability

Thus far, self-financing has had no effect on the organizational culture. As the president of the CSO explained, ECCIB operates based on the belief that what it does is good. This belief seems to be shared with the committed employees and the large numbers of volunteers who work for ECCIB every year. From the human resource and operational management point of view, however, the growth of the activities has constituted an imposition on the time and workload of the employees.

Another area of concern is that of staff retention. Given their somewhat remote island location and low salaries, it is difficult to keep staff for more than a couple of years. This is surely an issue that ECCIB will need to deal with as its programs and self-financing activities continue to grow, requiring long-term management. Use of increased untied revenues to raise salaries will certainly help to solve this situation.

With a stable and growing demand for its products and services, the sustainability of the self-financing activities of ECCIB seems to be secured. The CSO's development plans include expanding the exhibition area to cover the immediate premises of the center so that admission could be charged at the entrance to the complex and a wider variety of programs could be offered to the public. Specifically, they envision the following:

- 1) To set up an interactive exhibition on the forest which would be attractive for groups of schoolchildren but also tourists in general.
- 2) To rearrange the courtyard as a rest area for tourists who have participated in the tours. Water fountains would be made available and they would have the opportunity to browse in the souvenir shop.
- 3) To set up another exhibition hall in the proximity of the cage where Eurasian Griffons are cared for. The hall would be separated from the cage by special glass which would allow for the Griffons to be undisturbed. The hall could accept one class-size group who would be able to listen to presentations and lectures. The hall would also house a souvenir shop as the present arrangement is too small to satisfactorily meet the needs.

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It is likely that a separate profit entity would have to be set up to manage the souvenir shop and its operations. It seems like the separation of profit activities from the CSO's operations would streamline the operations of the CSO itself, and make compliance with the legal framework easier. It might also entail limiting the level of self-financing activity of the nonprofit entity, and simplify the relations with the suppliers and the buyers. However, these are assumptions that ECCIB is investigating, through consultations with other NGOs and the National Foundation for Civil Society Development. Rearranging staff (employing them all in the for-profit subsidiary) might endanger the CSO's ability to apply for funds in the future.

ECCIB's long-term goal is to switch to self-financing to the greatest possible extent. This is seen as a way to ensure the sustainability of the organization over the long run both in terms of being able to undertake activities which are vital for the mission of the NGO but for which it is difficult to secure donor funding and establish a reliable source of funding.

7. Conclusions and Lessons Learned

ECCIB is firmly committed to self-financing. In their view, the benefits have by far outweighed the costs, securing the organization a degree of independence and giving them greater flexibility in deciding the use of revenues generated through self-financing activities. Self-financing has also strengthened the CSO's fundraising position as it has allowed the organization to be in the position to contribute a portion of its own funds toward potential projects. Most importantly, perhaps, it has contributed to the financial and organizational sustainability as self-financing now constitutes a significant and stable source of income for the organization. Due to self-financing, ECCIB has been able to employ more staff and implement more programs.

Since the type of self-financing activities conducted by the organization required significant capital investment, the lack of start-up funding has constituted one of the greatest obstacles. This was partially overcome by using a gradual approach and spreading the investment over a number of years. This has yet to be fully completed as the organization plans to continue the expansion of the premises. The unclear legal framework in Croatia and the still suspicious attitudes toward the CSO sector pose additional obstacles.

In retrospect, the ECCIB is quite satisfied with the achieved results of its self-financing activities and seems will positioned to expand and improve them in the future.