



**NESsT**  
Nonprofit  
Enterprise and  
Self-sustainability  
Team (NESsT)

**NESsT**  
Case Study  
Series

**Croatia**  
January  
2006

**13**

**English**

# Zelena Akcija (Green Action) Supplementing Donor Funds Through Several Small-scale Self- financing Activities

Zelena Akcija was established in 1990 with the aim of promoting the preservation of the environment and sustainable development. Aware of the need to seek long-term funding solutions and encouraged by its beneficiaries and the general public who expressed interest in purchasing merchandise with the NGO logo, Zelena Akcija decided to turn toward self-financing. T-shirts and pens sold at events and auctions became the first source of self-financing revenues. In addition to merchandising, which grew out of market demand, the NGO has developed other activities which are commensurate with its human resource and capital resources. The collection of membership fees, set at a symbolic minimum rate, has been practiced since the establishment of the organization. Having secured a long-term lease on a summer resort on an island on the Croatian coast, the NGO has carried out its renovation and the premises are now available for rent to a variety of clients, mostly other NGOs who hold their events there. In the coordination of these events Zelena Akcija, moreover, provides organizational and logistics services for a fee. Although at less than 5% self-financing contributes a minimal share of the annual budget, the NGO is considering other development and growth opportunities. This effort is assisted by a three-year institutional grant which also supports activities towards securing the financial sustainability of the organization.

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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.

NESsT would like to thank the Staples Trust, one of the Sainsbury Family Charitable Trusts in London, for the generous support that made this research and publication possible.



NESsT wishes to thank Zelena Akcija for its participation in this case study.



Zelena Akcija's mission is to promote the preservation of the environment and the Green Phone was set up in 1992 to collect the complaints of the public on environmental issues.

## 1. Background

Zelena Akcija (ZA) is a non governmental and non profit organization established in 1990 and actively involved in environmental issues at the local, national and international level. Its mission is to promote the preservation of the environment in accordance with the principles of sustainable development. Based on an advocacy and activism approach, the main programs of the civil society organization (CSO) include the running of the Green Phone, the biodiversity protection program and the energy and climate program. The Green Phone was set up in 1992 to collect the complaints of the public on environmental issues. The complaints are recorded and forwarded to competent authorities. The Green Phone team, moreover, organizes various events, roundtable discussions, and campaigns. The aim of the protection of biodiversity program is to monitor the implementation of the biodiversity strategy, contribute to the protection of the Velebit area, campaign against forest fires and work on the protection of forests. The energy and climate program promotes renewable sources of energy and efficient consumption of energy.

Zelena Akcija is registered as a non-profit organization (udruga) managed by a seven-member Executive Board headed by the president. The highest organ of the CSO is the Assembly consisting of 250 members. The Assembly elects the members of all other bodies. The work of the Assembly and the Executive Board is supported by an expert council which has an advisory function. A three-member Supervisory Board is in charge of supervising the material and financial operations of the CSO. The CSO employs a full-time staff of six and relies on the support provided by some two dozen volunteers.

## 2. Financial Information

### 2.1. Income

In 2004, the budget of Zelena Akcija amounted to HRK 2,345,000 (approximately USD 410,000). Self-financing activities<sup>1</sup> contributed almost 3.86% to the total budget, a significant increase from 0.9% the previous year. The largest share of self-financing income was secured through the provision of organizational and logistics services for other CSOs. The CSO relied extensively on international donors who contributed 81.00% to last year's budget. Government sources contributed 15.14%. It is planned that in 2005 the heavy reliance on international donors will be more evenly divided between them and government sources, each contributing 48.03% and 47.56% respectively. Income from self-financing is expected to increase marginally to 4.41%. Donors include WWF, the European Commission, Heinrich Boll Stiftung, City of Zagreb, Department for International Development, Regional Environmental Center and others.

<sup>1</sup> 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.



## 2.2. Expenses

<u>EXPENSE</u>	2005 (projected)	2004	2003
Administrative/Office expenses	32%	35%	38%
Fundraising expenses			
Programs/Activities	68%	65%	62%
Other (specify):			
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Table 1: Sources of Income (2003)-(2005)  
(Percentage of Total)**

<u>SOURCE</u>	2005 (planned)	2004	2003
<u>FOREIGN/INTERNATIONAL SOURCES</u>			
- foreign/international grants	48.03%	81.00%	72.00%
<u>PUBLIC SOURCES (LOCAL/NATIONAL)</u>			
- government grants	47.56%	15.14%	27.00%
<u>SELF-FINANCING</u>			
- membership fees	0.10%	0.07%	0.009%
- fees for services	2.50%	2.00%	0.49%
- product sales	1.00%	0.98%	0.42%
- use of hard assets	0.81%	0.81%	
<u>- IN-KIND DONATIONS</u>			
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The organization was motivated to start using self-financing in an attempt to find a long-term solution to the decrease of the availability of donor funding.

## 3. Self-Financing Activities

The self-financing activities undertaken by ZA go to back to 1994. The CSO plans to develop them further so that they would initially contribute around 5% of their budget. The organization was motivated to start using self-financing in an attempt to find a long-term solution to the decrease of the availability of donor funding. The incentive also came from their members and target public who were inquiring about the possibility of purchasing promotional materials bearing the ZA logo. As a result, ZA began to sell promotional materials to the public including T-shirts, cups and pens. This activity was further developed by organizing the celebration of Earth Day every year which started in 1999. At present this event represents the major marketing tool for increasing ZA visibility and for attracting sponsors for organizing this event.

ZA has received an institutional grant for 2005 from the National Foundation for the Development of Civil Society aimed at strengthening their financial sustainability through self-financing, among others. It is thus expected that self-financing activity will further develop in 2005. This is the institutional grant primarily aimed at



supporting the organization's institutional development and sustainability and the funds will be invested in office, administration, logistics and some of the human resources costs. The Foundation grant also enabled ZA to employ a full-time executive director who will, among other activities, develop strategic fundraising and self-financing activities. During this year it has also been planned to devise a financial strategy with the assistance of external experts in order to define financial priorities and set a framework for future action.

**Table 2: Types of Self-Financing**

1. Membership dues	Since its establishment, the NGO has been collecting annual membership fees. Membership dues are obligatory and symbolic.
2. Fees for services	Zelena Akcija provides services to other NGOs who are planning to organize events. ZA takes care of the organization and logistics for which it charges a fee.
3. Product sales	At its events, ZA sells different promotional materials bearing its logo.
4. Rental of "hard assets"	ZA was awarded a long term lease on a resort on the island of Solta. The premises have been renovated and the NGO is able to rent it to other clients wishing to hold events there.

Incentive for the enterprise came from their members and target public who were inquiring about the possibility of purchasing promotional materials bearing the organization's logo.

#### 4. Start-Up

Aware of the need to diversify the funding base given the decreasing commitment of donors, and seizing the opportunities provided by the beneficiaries and the general public who were inquiring about the possibility to purchase memorabilia with the ZA logo, the CSO began the sale of items such as T-shirts, pens and jackets in 1994. This activity required minimum startup funds which were secured from internal organizational funds and partly from donor funds from another project.

The renovation of the summer resort on the island of Solta required a more significant investment which was secured through negotiations with donors and internal savings. Some funds have been obtained through a grant from the Royal Danish Ministry; however the total funds needed for the renovation of the premises have not yet been secured. The total renovation budget is estimated at USD 40,000 - 50,000 which includes the reconstruction and the set up of the planned environmental education center. The lack of funds has, for the time being, prolonged the renovation.



At present, Zelena Akcija is also considering renovating a facility on the ground floor of the building in which its office is presently housed and setting up a snack bar. This will require substantial funds which have yet to be secured and the permit issued by the municipal authorities.

## 5. Management

The self-financing activities are managed internally by existing organizational staff. This was the most logical choice as the CSO has the internal capacity and human resources to carry out the ideas which were developed. Self-financing activities have been planned and organized by ZA's president and carried out by ZA's secretary and one more member of ZA staff. In the future this activity will be carried out by ZA's executive director in accordance with the ZA financial strategy.

Three staff work part time on the self-financing activity, assisted by several volunteers. A limited amount of senior management staff time, not exceeding 25%, is currently dedicated to overseeing the self-financing activity.

## 6. Effects of Self-Financing on the Organization

### 6.1. Financial Performance of the Self-Financing Activities

The financial performance of the different self-financing activities varies. The resort at Solta previously served as military barracks which were donated to the NGO by the Croatian Army, therefore no rental costs are incurred. The management expects that the premises will start earning revenue as soon as the renovation has been completed and the education center has been fully equipped. In the summer of 2006, Zelena Akcija already used the Solta premises for one of its own seminars, which are offered to participants for free. The organization is also hoping to rent the facilities out to another organization for the purposes of a seminar for a rental fee to be determined. The NGO is nevertheless confident that the income from the self-financing activity will continue to increase over the short-term and stabilize at around 5%. So far, ZA has not gained any market recognition in the broad sense as the products are not intended for the public in general, but are rather aimed at people who already have some knowledge of the NGO and what it does. Merchandising products are either sold directly upon inquiry by client or at events organized by the NGO throughout the year, in an irregular fashion, rather than through a deliberate market strategy. Revenues are not sufficiently large to cover costs of personnel time, but the organization is optimistic about the prospects of growth.

### 6.2. Social Impact

Although ZA's self-financing activities are limited in scope, the CSO is confident that they have had a positive effect on the mission of the organization. Merchandising, for instance, has brought Zelena Akcija closer to its target group, increasing the visibility of the organization and assisting the promotion of the mission of environmental protection.

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### 6.3. Financial Sustainability

Given the limited share of the budget which is presently secured through self-financing, the activity has had a negligible impact on the financial sustainability of the organization. At less than 4% of the total budget in 2004, the income earned from self-financing was too small to allow its allocation to other significant activities.

Zelena Akcija has an ongoing commitment toward self-financing and the expectation is that initially a stable 5% of the budget will be secured through self-financing activities over the next 2-3 years. The CSO will, nevertheless, continue to rely on external private and government donors for the necessary funds. Self-financing so far has helped to cover only a small portion of costs (basically operational costs), which continued to be covered from project grants.

### 6.4. Organizational Sustainability

ZA continues to reaffirm its commitment to self-financing as a way to enable the CSO to ensure organizational sustainability. This effort is assisted by an institutional grant from the government which the CSO has secured. The institutional grant is secured for the year 2005 only and it will be extended over the next two years under condition the grant requirements are met by the end of this year.

The chosen self-financing activities contribute to the ability of the CSO to achieve its mission and maintain the quality of the implemented programs. Their volume, however, is too small to have any decisive impact at this stage.

The management feels that at present, ZA is sustainable in terms of human resources and skills. Being one of the most prominent environmental CSOs in Croatia, the CSO enjoys a good reputation among its stakeholders and the general public. However, the ZA skills mainly relate to running thematic programmes and projects related to the environment and it lacks a financial expert who would be in charge of planning and running new commercial activities such as an organic food shop that the CSO has been contemplating.

## 7. Conclusions and Lessons Learned

Although ZA has been undertaking self-financing activities since 1994, they have remained fairly underdeveloped and small-scale. The NGO is aware of the potential benefits derived from self-financing in terms of decreasing the dependence on donors and increasing financial and organizational sustainability over the long term. At the same time, self-financing activities have been initiated in a rather ad hoc manner, using emerging opportunities, rather than in a planned and deliberate way. ZA has not done sufficient market or financial analyses so far to estimate the financial potential of their self-financing activities; they have relied rather on a feel for market demand. This fits well with their innovative character, always wanting to try new ideas. However, they are beginning to realize that business analysis is necessary for judging the viability of enterprise ideas. At present, it is too early to evaluate the actual impact on the financial, social and organizational aspects of the NGO. Nevertheless, given the potential benefits, the NGO is keen to continue developing the present activities and expanding onto the new ones, all mission-related operations.