



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

**NESST
Case Study
Series**

**Peru
October
2007**

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English

GEA: Balancing Mission and Success in the Marketplace

This case study was developed in cooperation with GEA.



www.grupogea.org.pe

The publication of this case study was possible thanks to support from the following foundations and institutions:



**Inter-American Development Bank
Multilateral Investment Fund**

Foundation Open Society Institute (Zug)



The Rohatyn Group

Tinker Foundation

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Executive Summary

Environmental Enterprise Group (Grupo de Emprendimientos Ambientales, or GEA), formerly known as the Environmental Consultancy and Advisory Office (OACA), was founded in 1992 as a nonprofit organization dedicated to activities related to the environment and health. Three members with work experience in nongovernmental organizations (NGOs) founded the organization after identifying a niche within the areas of environmental clean-up and environmental protection.

Since its founding, GEA has concentrated on developing self-financing activities¹. These activities fall into two categories: 1) services and consultancies directly related to GEA's program areas, and 2) the creation of a legal entity, economically and administratively independent from GEA, called ECOLAB, which provides environmental management services to the private sector. The enterprise, which was established by GEA's founders, transfers economic resources and business knowledge to GEA, the civil society organization (CSO²). Likewise, ECOLAB serves as a link between GEA and the system of private financing, for example to compete in public tenders for state funding. Based on the positive experience it has had with ECOLAB, GEA has created two other companies: Zero Waste (Zero Residuos) and Live Green Valley (ViveValleVerde).

The CSO faces three important challenges associated with its sources of self-financing. With respect to consultancies and services, an important challenge is to improve the institutional capacity to manage and administer these activities. A second challenge consists of increasing the quantity and percentage that the consultancies and services contribute to the organizational budget, which today is 34%. With respect to Zero Residuos and ViveValleVerde, the challenge is to formally guarantee the transfer of resources to the CSO and increase the amount of resources transferred.

Section A: Context

The early 1990s were significant years in terms of Peru's water and sewer infrastructure. First, the Peruvian government decentralized the state-run water and sewer companies and transferred their administration to local governments, which faced serious difficulties in fulfilling that responsibility. Problems with service management became widespread and the demand for solutions increased. Second, many state mining and energy companies were privatized in response to the government's demands for improved environmental management of these enterprises. Third, an epidemic of cholera broke out in Peru, spreading rapidly in areas with inadequate water and drainage services and exposing deficiencies in the country's infrastructure.

This was the context in which OACA – later known as GEA – was founded as an independent legal entity of the Institute for Environmental Development (IDMA), which GEA still belongs to today. When it began, the organization

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" to refer to self-financing activities that are designed by a CSO to significantly strengthen the financial sustainability and the mission impact of the CSO.

2 NESST uses the term "civil society organization" (CSO) to refer to a wide range of formally registered nonprofit, non-state organizations or community-based associations and groups that fall outside the sphere of the government and business sectors.



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worked in activities related to water and clean-up services in communities and later began to work in the areas of conservation, development and self-management.

The early 1990s were also of particular importance for CSOs in Peru³. For Dammert (2006)⁴, this period was marked by a shift in the way that CSOs were funded and consequently in their operations and programs. Although CSOs perceived that international cooperation agencies were leaving Peru and Latin America, funding to Peru did not decrease during this period. Rather, there was a shift in the relationship between cooperation agencies and CSOs wherein agencies were no longer interested in funding overall organizational and operational expenses, but rather concrete projects with definite results.

As a result, the members of GEA have always focused on making the CSO self-sustaining, first through offering services and consultancies and later through the creation of an independent company.

Section B: Organization Background

B.1. Mission and Programs

GEA is a private nonprofit organization, recorded in 1992 with the Public Registry under the name OACA. Its principal area of activity is the environment and its mission is defined as follows: "To promote a sustainable Peru, developing its economic, environmental and social capital" (GEA 2007); and its vision is "To lead innovative, integral projects to create just relationships between society, the economy, and the environment" (GEA 2007).

In the beginning, OACA carried out activities in the area of water and environmental clean-up in relation to the growing infrastructural needs of the country, primarily due to the cholera epidemic.

By the mid-1990s, the organization had accumulated significant experience. Likewise, the founders identified an increasing demand in the market for services in the environmental field. One of the causes of this growth was the development of the mining sector, where the concessions awarded by the State required that environmental impact studies be conducted. In 1995, the founding members decided to create ECOLAB, a company dedicated to developing and evaluating environmental management plans, for which it made use of a small laboratory created by OACA years before. Today, even though GEA and ECOLAB share both founders and members of the board of directors, these organizations remain separate legal entities.

Another important year for the organization was 1998, when OACA joined the Latin American Forum of Environmental Sciences (FLACAM), through which it diversified its work. Thus, it began to develop programs in three

3 Updated information on the actual number of CSOs in Peru is not available. According to Luis Castillo, an attorney with the National Association of Centers for Social and Development Promotion (Asociación Nacional de Centros de Promoción Social y de Desarrollo), there are approximately 19,000 civil non-profit associations (asociaciones civiles sin fines de lucro, or ACSFL) in the country, of which about 2,000 receive funding from international cooperation and are therefore considered NGOs (Dammert 2007).

4 Juan Luis Dammert is a sociologist and professor at the Catholic University of Peru (PUCP). He presented the document "Self-financing Activities of Civil Society Organizations in Peru: A National Assessment " at the Latin American Social Enterprise Symposium hosted by NESST in June 2006 in Santiago, Chile. The study was updated and published by NESST in 2007.



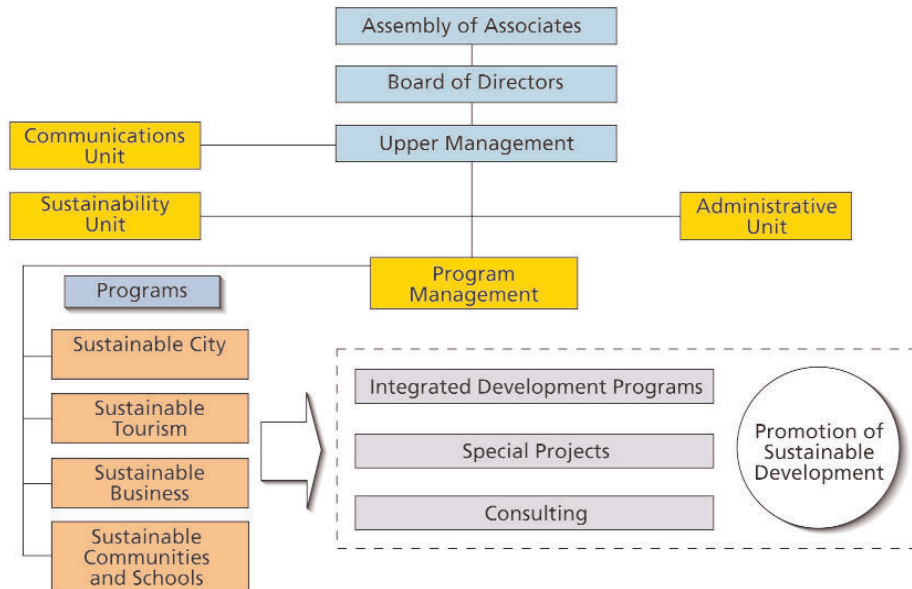
areas: 1) engineering and environmental management; 2) economic and community development; and 3) education, participation and culture. In 2004, the organization's members changed the name of OACA to GEA to more accurately reflect its activities and symbolize its mission.

GEA today manages sustainable and integrated development programs and seeks to revolutionize conventional government approaches to sectorial intervention. The organization carries out programs in partnership with or supported by other CSOs, government agencies, private companies and civil society. Among its most important programs are the following:

- Green Valley (ValleVerde), in Lurin and Pachacámac, Lima province: The objective of this program is the conservation and development of the river basin and promotion of self-management on the part of civil society. The program was initiated in 1998 and continues today.
- Revive the Rímac (Revivir el Rimac), upper basin of the river Rimac, Lima province: The objective of this program is the development of local capacity for the rehabilitation and conservation of the Rimac river. This program was developed between 2000 and 2003.
- Pro-Chili, upper basin of the Chili river in Arequipa province: The objective of this program is to build the capacity of local leaders and governments to integrate the Chili river with the Arequipa metropolitan area. This program was developed between 2000 and 2003.
- Good Voice (Buena Voz), Lima metropolitan area: The objective of this program is to form young leaders into proactive citizens, through projects to transform their communities and neighborhoods. This program was begun in 2003 and is currently being expanded at the national level (Lima, Arequipa) and regional level (Brazil).
- MUNDOCOLCA, Colca Valley: The objective of this program is the diversification of the local tourism sector, through capacity development and generation of employment opportunities for local residents. This program began in 2007.
- Center for Eco-efficiency and Social Responsibility (Centro de Ecoeficiencia y Responsabilidad Social, or CER): This program fosters the competitiveness of Peruvian companies through the adoption of cleaner production methods and socially responsible practices.



The following organizational chart illustrates the structure of GEA:



The Board of Directors meets three times a year. In these meetings, board members discuss issues related to the social mission as well as issues related to ECOLAB and its overall relationship with GEA.

The Assembly of Associates is made up of seven full associates and three youth associates, while the Board of Directors consists of a president and four members, including the executive director of GEA. The program team is comprised of 11 professionals, while the administrative staff consists of six people, in addition to 24 national and international collaborators.

B.2. Financial Information

With respect to GEA's financial situation, the leadership believes that it has sufficient funds to sustain its principal activities, although financing for current and proposed activities could be improved. In 2006, more than 50% of the financing for the organization's activities came from international development agencies, as shown in the following chart:

GEA Sources of Funding, 2006		
Source	Soles	% of total
International/foreign grants	427,353	52.08
Public/government (local and national) grants	85,000	10.36
Donations from Peruvian companies	31,936	3.89
Self-financing: fees for services (private and government clients)	276,252	33.67
Total	820,541	100.00



GEA's income is allocated to three principal areas: programs and activities, fundraising expenses, and administrative and office expenses. Administrative and office expenses represent 8% of the total.

Allocation of GEA Income, 2006		
	Soles	% of total
Programs and activities	744,441	89.87
Fundraising expenses	18,900	2.28
Administrative and office expenses	65,000	7.85
Total	828,341	100.00

Lack of financing has been a significant problem for the organization, particularly when it has affected cash flow. This is because Peruvian banks do not grant loans or bank guarantees to CSOs, which are not considered "financially credible." As a result, many times GEA's members have put up personal property as collateral to obtain loans, which has resulted in higher interest payments for the organization.

Section C: Self-financing

C.1. Start-up and Evolution of Self-financing

The primary motivation for starting self-financing activities was the development of GEA's institutional mission. GEA sought to generate new resources to finance its programs and operating costs, while reaching new clients through its mission-related services.

GEA's has two self-financing activities: services and consultancies provided by GEA and services provided by ECOLAB, the enterprise it established 12 years ago. More recently, GEA's positive experience with ECOLAB has led it to establish two new companies: Zero Waste, which is connected to ECOLAB and offers integral management of industrial waste, and LiveGreenValley (ViveValleVerde), a marketing company for products and services from the Lurín Valley which operates in two areas: Discover Green Valley (Descubre Valle Verde), dedicated to ecological and cultural tourism, and Buy Green Valley (Consume Valle Verde), which markets agricultural and artisanry products from the valley in accordance with fair trade principles.

The most difficult costs for GEA to cover are administrative and operating expenses, as well as professional and legal fees, which together represent approximately 10% of the organizational budget. Covering these expenses has always been one of GEA's primary motives for undertaking self-financing activities, because international aid agencies tend not to finance such costs.



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C.2. Consulting

Since its founding, GEA has consulted on sustainable development projects and carried out applied research. In terms of environmental services, GEA considers itself to be one of the top five consultants offering services to the Peruvian manufacturing sector, having conducted more environmental impact studies for the sector than any other consulting firm in the country.

GEA offers its services in regions throughout the country and works with multilateral institutions when they need consultants in GEA's field of expertise. Likewise, it provides consultancies in strategic management of community relations to the state as well as international entities and private companies such as Camisea – a natural gas exploitation project financed by the Inter-American Development Bank – and the oil exploitation operation of Graña y Montero, Peru's largest engineering and construction company.

The percentage of GEA's total income that these consultancies represent has steadily increased over the years, to 30% in 2006. The organization has accumulated valuable experience in the services it offers and is well-positioned in the market.

C.3. ECOLAB

ECOLAB was created in 1995 as a private company with two objectives. The first objective was the generation of economic resources to improve the institutional sustainability of GEA and the second was the technical and scientific development of human resources in the environmental area.

The purpose of the company is to meet the needs of clients who require environmental studies and environmental impact analysis, particularly companies in the oil production, electricity generation and mining industries. ECOLAB's areas of service have always been clearly defined because of its experience in environmental clean-up and its access to a suitable laboratory in which to work.

The creation of a company independent from the CSO represented for the founders the challenge of professionalizing the services it offered and understanding the logic of running a business. Likewise, GEA's management believed that by operating ECOLAB as a business, it would be more efficient and be more attractive to potential clients, such as private companies which prefer to do business with other for-profit companies rather than civil society organizations.

ECOLAB's partners did not base their activities on a business plan in the strict sense of the term, but rather operated with *ad hoc* strategies and through trial and error. None of the partners had previous experience in the development of business activities, in particular with administrative and financial issues. To overcome this, in the beginning GEA hired a lawyer and an accountant as consultants; both later joined the company as permanent staff members.



All of the stakeholders supported the creation of the company. Initially, GEA helped ECOLAB by transferring the use of laboratory equipment that one of founders – also a partner in ECOLAB – brought from England, and by providing the enterprise with office space.

Section D: Management of Self-financing

Consulting

Because of the nature of the activities that GEA carries out, it has a shared management structure; that is, the team dedicated to consultancies also works on programs. This is possible because the consultancies and programs are in the same line of work.

The consultancies are managed and evaluated by GEA's Sustainability Unit, whose director coordinates with the program directors and determines which consultancies will contribute to the professional development of the team as well as to the organization's finances. The directors carry out the majority of the consultancies, as they have the most experience in the areas of technical specialization.

The fact that GEA is a pioneer organization in environmental and sanitation matters has helped the CSO position itself in the market. The previous experience of the founders provided them with contacts at aid agencies that have become clients of GEA's consulting services. The founders believe that they have gained prestige with their clients, who also recommend them to other potential clients.

Some of the consultancies and services GEA provides are used as economic incentives for its employees. For example, the smaller studies awarded to GEA are entrusted to the organization's employees (rather than directors), enabling them to earn additional income.

ECOLAB

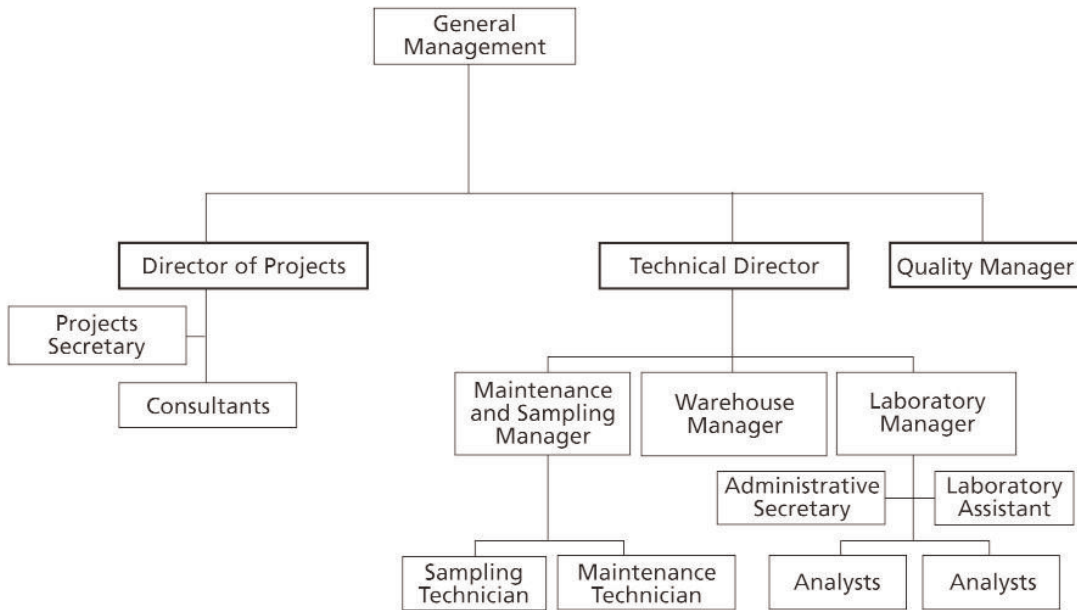
ECOLAB has its own finance, accounting and administrative departments, and its employees work independently from GEA. This is despite the fact that the three founding members of ECOLAB are also the founders of GEA. In both entities, the leadership keeps the focus on projects oriented toward social and environmental well-being, although for ECOLAB, they do so in a "more business-like manner but without a purely commercial focus"⁵.

Two of the board members shared by GEA and ECOLAB work full-time for GEA and dedicate about 5% of their time to ECOLAB, but only as members of the Board of Directors. ECOLAB today has 35 full-time staff members and since its founding in 1995, it has developed 300 programs for environmental monitoring, delivered 500 technical inspections, and provided 140,000 analyses of environmental samples/specimens.

5 Zucchetti, Anna. Current executive director of GEA. Interviewed on March 14, 2007.



The following diagram illustrates the current structure of ECOLAB:



The services that GEA and ECOLAB offer are different, as are their clients and market objectives, and as a result they do not compete with each other. While GEA principally develops projects oriented towards the promotion of sustainable development, ECOLAB specializes in environmental monitoring and analysis. GEA's principal client base consists of international cooperation agencies, government ministries, local governments and business foundations, while ECOLAB's most important clients are found in the manufacturing, hydrocarbon, mining and energy sectors. Nonetheless, the services of GEA and ECOLAB are complementary.

ECOLAB does not use its connection with GEA as a marketing tool nor as a way to achieve any type of benefit or advantage. Rather, the majority of the beneficiaries, clients and users of the services of both institutions are unaware of the connection between them. The reason for this, according to Anna Zucchetti, is that the work of CSOs often has political implications, which may dissuade certain private sector clients from doing business with them. However, Zucchetti also says that in her experience, when a CSO is known for providing quality services, many will prefer to work with the CSO rather than a private company. That is because the CSO is considered more serious, as it is not oriented solely to making a profit. Cooperation agencies, in contrast, are aware of the link between GEA and ECOLAB and support GEA's efforts to diversify its sources of financing through the operation of ECOLAB.



GEA's members view the trajectory of ECOLAB as a success. With this experience as a starting point, GEA recently launched Zero Waste, a company dedicated to the management of industrial waste. Now, the organization faces new questions about the relationship between Zero Waste and the CSO. Currently, GEA plans to make the company fully independent, while ensuring that it contributes a percentage of its net profits to the CSO as part of a social responsibility policy.

Section E: Legal Aspects

In 1992, GEA was founded and registered in the Public Registry of Lima as a nonprofit association. As such, it is exempt from paying income tax on income produced by its consultancies, as long as that income is reinvested in the organization for activities that contribute to the fulfillment of its social mission.

The law allows nonprofit organizations to carry out self-financing activities, as long as such activities are tied to the fulfillment of their social mission and the earnings are not distributed among the associates or the founding members. Likewise, the law permits the members and founders of a nonprofit organization to establish companies; the organization may participate as a member of a company, as long as the profits the company designates are reinvested in the CSO. In the case of GEA, the CSO has no legal or formal link with ECOLAB and only shares certain shareholders and directors.



For GEA, the creation of ECOLAB brought the challenge of professionalizing the services it offered and adopting business principles.

In Peru, there are no specific regulations governing the functioning of nonprofit organizations, nor is there extensive oversight by the National Superintendency of Tax Administration (Superintendencia Nacional de Administración Tributaria, or SUNAT) – or any other public entity – concerning the self-financing activities and use of resources by CSOs. However, the indirect distribution of profits, whether through the purchase of assets for personal use or payment of fees and salaries for services not offered, is not permitted. Thus, any distribution of profits by the founders is prohibited by law, which also prohibits the payment of salaries to associates who occupy positions within the organization. Because in GEA's case there is no formal link between the CSO and the business, ECOLAB's profits do not necessarily go to GEA. However, ECOLAB funds have been transferred to GEA under a policy approved by the board of directors.



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Section F: Challenges of Self-financing

Since its founding, GEA has faced various challenges at different levels related to its self-financing activities. In the case of the consultancies and services, it is worth noting the organization's limited experience and capacity in the area of administration and finance, particularly as it initiated its self-financing activities. Financial limitations at the time and an inability to cover fixed costs led to a decision to downsize the administrative team to just two people and to refrain from hiring an accountant that year, which significantly weakened the CSO's controls and monitoring. Although today the administrative team is larger, according to Anna Zucchetti, a key goal for GEA is the development of administrative and financial management procedures.

While GEA's consulting services contribute a significant portion of its overall budget (33%), this percentage is still far below the percentage contributed by international cooperation (52%). In this sense, the consultancies and services that it offers do not cover the greater part of the CSO's budget, which continues to be a challenge. Faced with this, the organization continues to search for new and different forms of self-financing, such as re-issuance and restructuring of the economic activities of the LiveGreenValley project.

Another challenge facing the CSO is the difficulty of maintaining a qualified team of professionals in the nonprofit sector, where salaries are lower than those paid by private, for-profit companies. The idea is to build a stable and highly qualified team which will not be easily persuaded to leave for higher salaries. At the moment, there is a high demand for professionals in the labor market, and as a result the organization has considered adopting an incentive system for its employees through which they could earn additional income from specific consultancies awarded to GEA.

With respect to ECOLAB, at least two important challenges have been identified. In the first place, although the company has benefited GEA by providing it with funds, knowledge and experience in the business field (ECOLAB is advising GEA on the development of a resource control plan), and serving as a link between GEA and the private financial system, it has only done so informally and largely because both GEA and ECOLAB share certain organizational members. Although the fund transfers from ECOLAB to GEA have been registered as such by both the company and the organization, there is no formal mechanism in place that guarantees that these transfers will continue in the future or that the financial support will be increased if the lab's income rises. For now, the directors have decided to focus ECOLAB's support to GEA on the transfer of expert knowledge rather than on financial support.

The creation of ECOLAB has posed a second challenge, according to GEA's executive director: bridging the different philosophies of the two entities. In Anna Zucchetti's opinion, GEA is guided by values, while ECOLAB functions in accordance with market principles. In this context, while the NGO has been able to maintain its focus on the mission for which it was founded while developing



independent business activities, this has not been an easy task.

The founders, who started GEA's activities from a social perspective, now dedicate part of their time to developing business activities, distancing themselves from the purely social and self-financing activities of GEA. For the founding members, this presents the difficult decision of whether to maintain certain mission-related activities, and to what degree, and whether to continue pursuing self-financing activities for GEA, or concentrate them exclusively within ECOLAB and Zero Waste. To address this challenge, the founders of GEA meet periodically to evaluate the work they are doing and reaffirm the principles and values for which they created the CSO and the company, to avoid losing sight of the social mission.

Section G: Effects of Self-financing

G.1. Consulting

In 2005, GEA provided 42 consultancies. In 2006, the fees earned from the consultancies provided to the State agencies and private institutions accounted for 34% of the income of the CSO. That represented a considerable quantitative leap with respect to previous years, in which the consulting services accounted for between 5% and 20% of overall income.

The services and consultancies offered by GEA have increased significantly in recent years, rising from a net amount of 26,841 soles in 2003 to 276,272 soles in 2006. This increase is explained in part by the accumulation of experience and contacts by the CSO during this period, in addition to an increase in demand for services related to environmental conservation. According to the executive director, the organization's client portfolio has expanded into the private sector, strengthening the image of the CSO. While GEA hopes to continue expanding its client base, the organization has set a policy that any new program or service must contribute to conservation and protection of the environment.

Although the organization's financial situation has improved year by year, it has still not achieved stability, given that it has not been able to generate untied resources to cover all of its administrative costs, and more than 50% of GEA's income still comes from international cooperation. Other challenges include maintaining cash flow, given that donations and payments for consultancies are sometimes delayed. For this reason, GEA is evaluating the possibility of creating business units within the organization that will enable it to get access to credit and more efficiently manage its business activities.

G.2. ECOLAB

ECOLAB reached break-even point about five years after its founding. Until 2006, all of its income, apart from what it transferred to GEA, was reinvested in the company. In 2007, profits were shared among the members for the first time.



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Among ECOLAB's clients are companies in the industrial manufacturing, mining, hydrocarbon and energy sectors. Major clients include Pérez Companc (now Petrobras), Graña and Montero, Energy Aguaytia, Maple, Petrotech and Petrolera Monterrico in the oil sector; and the Gloria Group, Farminindustria, Ambev, Backus and Johnston, Mepsa, Panasonic and Ajinomoto in the manufacturing sector. ECOLAB's current client portfolio includes close to 100 companies, to which it periodically offers consultancy and lab analysis services.

Each year, ECOLAB designates close to 63,000 soles (about US\$20,000) of its profits for GEA. This capital increases the flexibility of GEA's budget, and the funds are generally used to cover those costs not financed by grants. Likewise, a portion of ECOLAB's profits are designated for expenses incurred by GEA's directors. Since its founding, ECOLAB has transferred 535,000 soles (about US\$170,000) to GEA, or about 34% of ECOLAB's total profits. However, within GEA's annual budget (a figure close to US\$600,000), the amount contributed by ECOLAB is not significant, which is why the directors believe that ECOLAB's contribution to GEA should not necessarily be financial. At the moment, they are evaluating the possibility of purchasing property and allocating rent-free space for GEA to conduct its activities, as well as the establishment of an incubation fund for new social projects.

The fact that GEA and ECOLAB offer complementary services allows them to take advantage of synergies, and as a result resources mobilized by the founding members often benefit both entities.

ECOLAB has served as a link between GEA and the private financial sector, providing it with letters of guarantee so that GEA can compete for public funds (state-issued tenders), including "emergency" loans. This is important because, as previously indicated, CSOs in Peru are generally not considered credit-worthy by financial institutions⁶. In addition, ECOLAB transmits its business knowledge and experience to GEA, both in an informal manner as well as through its participation in the company Live Green Valley (which is being restructured).

Finally, ECOLAB has considered other financing options such as investing in the stock market, capitalizing on its profits and creating a trust fund for GEA to be used by GEA for operating expenses, among other things, and eliminate the need to generate these revenues on its own.

G.3. Effects on the Mission

The founding members believe that ECOLAB contributes to the development of the social mission of GEA, because it offers services that GEA does not provide, and enables it to reach a wider range of clients. Through ECOLAB, the portfolio of clients has grown to include mining companies, factories and other businesses.

Thus far, the financial objectives for which GEA was created have been the principal motivation for the founders. However, the creation of the company Zero Waste in 2007 reopened an internal discussion about the percentage of time that

6 Another organization in this group of case studies, the Association of Rural Educational Services (SER), identified this same problem.



staff members should allocate to the business versus the CSO. The directors of GEA have been evaluating whether the new company should maintain a relationship with the CSO or become fully independent from it. At the moment, they are more inclined towards the latter option, as one of the members of Zero Waste is not from GEA and does not identify with its social mission.

Two of the founding members of the CSO work at GEA and the third works with ECOLAB. In some respects, this has led to a deviation of human resources away from the nonprofit organization and mission-related activities. To mitigate this effect, the directors are currently evaluating the incorporation of new members who could contribute a greater business vision as well as knowledge both to GEA and its related companies.

There continues to be discussion among the board members regarding the relationship between GEA and ECOLAB. Some feel that GEA's reputation is a helpful marketing tool that attracts some clients; others, however, believe that there are many potential clients who would rather work with a private company than with a nonprofit organization. This is often the case with industrial, energy and mining companies that hire ECOLAB to carry out environmental studies.

G.4. Effects on Organizational Sustainability

With respect to the impact of self-financing activities on the sustainability of GEA, these have contributed to the diversification of its resources and enabled it to avoid exclusive dependence on international cooperation, which its directors consider a strength.

GEA has worked for some time to develop impact measurement systems, as international cooperation requirements have become increasingly strict with regard to the results obtained by the programs they fund. For this reason, GEA develops annual operating plans that include measurement systems, and hires tax auditors and independent accountants every year to ensure the transparency of its operations and uphold its commitment to best practices. As previously indicated, ECOLAB has also transferred to GEA its business know-how, increasing the CSO's capacity to manage its long-term sustainability.

Section H: Conclusions and Lessons Learned

The founding of ECOLAB, a company dedicated to providing services to clients not previously served by GEA and which has reached break-even point after six years, is considered a successful experience for GEA.

After 15 years of operation, during which GEA has accumulated a significant client portfolio for its services and consultancies and created an independent company in order to help finance the CSO, the organization now needs to reevaluate its institutional structure in order to maximize the support provided by these two self-financing activities. On the one hand, there is the potential to



formalize the relationship between GEA and ECOLAB to ensure that the company provides a minimum level of support for the CSO. On the other hand, GEA needs to develop a financial system that will allow it to separate its consulting revenues and expenses from those of its programs, in order to make better-informed decisions in relation to both. Similarly, GEA should evaluate whether its consultancies have growth potential and determine the level of resources necessary to implement a sustainability strategy.

In terms of the relationship between GEA and ECOLAB, the impact that the company has had on the sustainability of the organization is not easily ascertained, because specific goals were never established – either financial or mission-related – at the beginning. Also, the organization never established a formal relationship between the two entities (for example, by designating the CSO as a shareholder in the company).

A closer, more formal relationship would not necessarily have implied a greater transfer of resources to GEA. However, it might have provided the basis for developing a well-planned administrative system based on common goals and in which resources, both funding and human resources, would be shared. It is likely that GEA and ECOLAB would have been able to implement more strategic and transparent financial management systems. This lesson has direct implications for the structure that members ultimately decide upon for the relationship of GEA with Zero Waste and LiveGreenValley.

The transfer of financial support and knowledge from ECOLAB to GEA has been very positive. Better planning would permit GEA to improve administration of its consultancies and increase the likelihood of generating resources to cover administrative costs without necessarily affecting its mission. A CSO whose self-financing activities are well-planned and undertaken with a clear understanding of the potential risks to the organization's mission is better positioned to mitigate those risks, and in most cases to strengthen the mission.

For GEA, the principal risk posed by the creation of independent companies with no formal ties to the CSO is that they will ignore or omit important social and environmental issues. However, just as in the case of the CSO, if the founders and staff members of the enterprises carefully identify the goals and potential risks, they too will be in a better position to adopt the social vision of the organization to the business activities and have the desired impacts.



ECOLAB provides services to the private sector and transfers funds, knowledge and experience to GEA.