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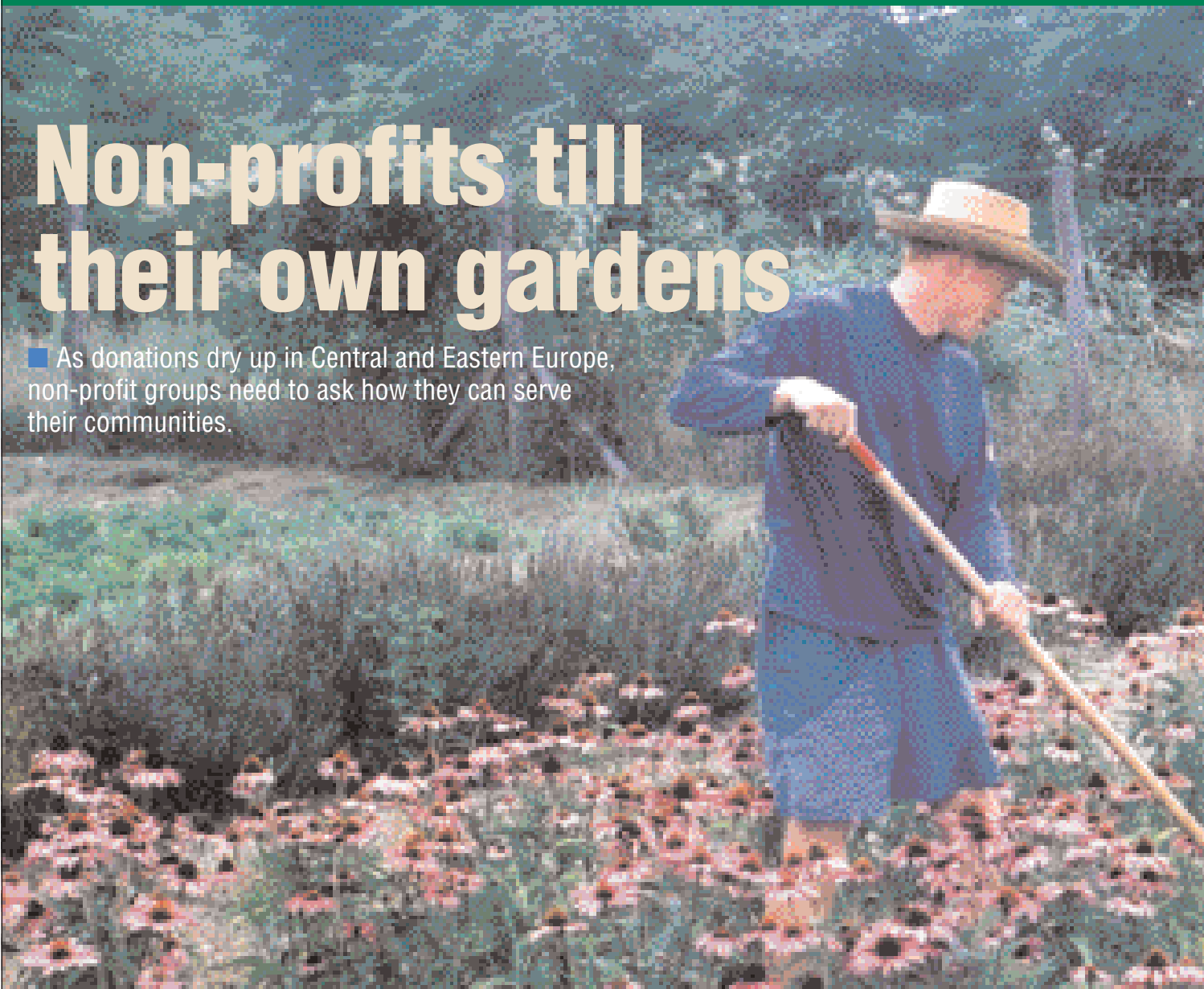
Sowing a future

As EU accession aid dries up, homegrown funds become key to environment

COVER STORY ■ 11-19

Non-profits till their own gardens

■ As donations dry up in Central and Eastern Europe, non-profit groups need to ask how they can serve their communities.



By Todd Schenk

The early 1990s brought charity for social purposes back to Central and Eastern Europe, giving rise to a proliferation of non-profit groups with various noble missions. To many outside the booming civil sector the abbreviation NGO was something like Ali Baba's mystical password to the cave of treasures. But a decade later Sesame seems almost empty. Eight Central and Eastern European countries are slated to join the European Union in 2004, and western organisations and governments are redirecting their largesse towards specific underdeveloped pockets, such as South Eastern Europe, or out of the region altogether. The Danish government, for example, was once a major donor of environmental projects throughout Central and Eastern Europe. This year, partly due to political changes but also reflecting a greater trend, it cut back support drastically.

Money that is available, both from external and domestic sources, is increasingly earmarked for one-time projects, with conditions and a limited time frame



COURTESY OF OPEN GARDEN FOUNDATION



within which it can be used. This makes for a rather unstable situation, as continuity and core operations are weakened. NGOs are increasingly stuck on a treadmill of short-term grant cycles to the detriment of their long-term aims. To regain financial stability, they need to find alternative ways to fund their work.

NGOs not only need to think more about where their money comes from, but

about changing their attitudes and becoming more mission-focused. At the recent "Environment for Europe" ministerial conference in Kiev, Cerasela Stancu, a grants manager at the Regional Environmental Center for Central and Eastern Europe, coordinated a side event on how NGOs are faring. "We have a situation in which more and more professional NGOs are competing for smaller pieces of the pie," she said.



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RAKING IT IN: Hungary's Nyitott Kert (Open Garden) Foundation sells home-delivery organic groceries (far left) to help sustain efforts such as a growing trial of *echinacea purpurea*, (cone flower, above), a medicinal herb that strengthens the immune system.

FINANCIAL ENGINE: The Slovakian NGO Vydra restored the Ciernohronska Forest Railway (near left) as part of an effort to promote sustainable development in the historic region of Cierny Hron.

One strategy to make NGOs more sustainable has been to develop their capacity to "self-finance." This is the focus of the Non-profit Enterprise and Self-sustainability Team (NESST). In cooperation with the REC's NGO Support Programme and partners in each country, the NESST ran a project in Slovenia, the Czech Republic, Slovakia and Hungary from 1997 to 2002 aimed at developing NGOs' ability to generate

their own funds. Some of the methods explored were membership fees, fees for services, product sales, use of hard assets (e.g. equipment rentals), use of soft assets (e.g. patents), ancillary business ventures and investment dividends.

One group that has begun making its own money is the Nyitott Kert Alapítvány (Open Garden Foundation) in Hungary. With a mission of promoting sustainable, community agriculture and healthy lifestyles, the group runs a home-delivery business in the Budapest area whose flagship product is the "Real Food Box." The boxes are stuffed with organic vegetables, fruit and other groceries that not only fill a niche in the local market but also mesh perfectly with the organisation's philosophy.

Not a cure-all

While it isn't a cure-all, self-financing can yield many benefits to NGOs. "One of the primary advantages is the diversification of income sources... which adds to the organisation's stability," said Joanna Messing, enterprise development director for NESST. She noted that these funding sources tend to be more stable and come with fewer conditions, allowing NGOs to spend them as needed. Exercises in self-financing also help NGOs "become more organisationally fit by building relationships with the community and strengthening management," Messing said.

However, self-financing is not an option for all environmental NGOs. "One of the disadvantages is that it is business after all; success is not a sure bet," Messing said. Because of this, she noted, "it is definitely not for NGOs already in a financial crisis; it is a long-term strategy." Messing said that self-financing brings a new culture into the organisation which some stakeholders may see as incongruous with a non-profit. It is also important to recognise that NGO employees and volunteers are usually not business people, so will need additional training in this area.

Philanthropy is still key

Although the standard of living in Central and Eastern Europe is improving, philanthropy has been slow to catch on. The problem is not merely cultural or political; many citizens, and even corporations and foundations, don't have the disposable income to adequately support NGOs. This is especially so in South Eastern Europe and Eurasia. "Precarious economies, slow growth, high unemployment, and a legacy of conflict constrain the development of indigenous financial support in many countries in the region," noted USAID's 2001 NGO Sustainability Index. "Professional NGOs remain almost entirely dependent upon international donor grants."

In the long term, however, domestic philanthropy will be a key source of funds for most environmental NGOs. It is evident that a culture of giving needs to be encouraged through such mechanisms as tax

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— Joanna Messing of the Non-profit Enterprise and Self-sustainability Team

breaks for donations, and the development of domestic associations, such as the Czech Donors Forum, that encourage giving.

As CEE countries are slowly becoming part of the west — economically and politically — their governments are adopting western practices of supporting NGOs. In Hungary, for example, taxpayers can choose to direct 1 percent of their income tax to a registered charity of their choice. In 2001, 1.3 million people, roughly a third of all taxpayers, chose to give through this scheme, generating HUF 4.3 billion (EUR 18 million) in revenue for participating organisations. Of this, HUF 820 million (EUR 3.4 million) went to 5,636 NGOs. This scheme provides a steady stream of income to successful NGOs with few strings attached. It also, for better or worse, encourages NGOs to both compete with each other and focus on their public profile.

Public contracts

Some NGOs have secured public contracts to do work traditionally handled by government agencies. The Bulgarian Society for the Protection of Birds, for example, manages protected areas, such as the Poda wetland, and was even asked by the Bulgarian Ministry for Water and the Environment to develop a new act for the conservation of biodiversity.

Governments contract NGOs to do this work for many reasons, including the belief that they are more efficient, have a greater interest in doing the job properly, and have more expertise in their particular areas. For the NGOs, this is an effective way to access funds and remain relevant.

But such relationships can compromise an NGO's independence and ability to provide a check against the government. NGOs have less freedom when they depend so much on state funding.

Ideally, governments would support NGOs with fewer conditions and not only on a project-by-project basis. NGOs can also find partners outside of government and the conventional donor community, including those in the private sector.

"In the end, there is no formula for NGOs to become financially sustainable," Stancu said. "It is up to each organisation to assess itself and its position and come up with its own road map." ■

— Todd Schenk is a project officer in the REC's NGO Support Programme.