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**HOW CAN NGOs REACH SUSTAINABILITY
IN CRISIS SURROUNDINGS?¹**

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¹ This policy brief contains excerpts from the CCMCM “Aktiva” strategy for the period of 2004-2006

Overview

NGOs in Southeast Europe (SEE) take advantage of funding provided by foundations, international non-governmental organizations (INGOs) and international governmental organizations (IGOs) in a situation characterized by social, economic and political crisis. At some stage, it is likely this financing will cease, but the crisis will remain. As a result, the NGO sector may become dependent on the private sector for funding. However, it is questionable whether the private sector will be willing to cooperate with NGOs, which clearly lack expertise in creating and managing funds. Further, the third sector has a less than perfect track record in effectively utilizing donor funds, and some organizations have even been accused of money laundering. In this policy brief, the Center For Civil Motivation and Cultural Management Aktiva-Macedonia suggests several strategies NGOs can use to promote collaboration with the private sector. The most compelling argument for collaboration is that the third sector's international network is well-positioned to facilitate partnerships in return for private investment in NGO development.

I. Analyzing the Crisis

Creating a functional, productive civil society is a multidimensional process that requires the involvement of many stakeholders, including citizens, the government, governmental and non-governmental organizations, cultural institutions, professional associations, foreign organizations and diplomatic representatives. Although these parties can work together to create an effective civil society, this is not sufficient. It is equally important to establish a stable economy that can fulfill the basic needs of citizens. Thus, economic stability is a precondition for all other social activities, including culture, art and community development. Macedonia currently lacks the basic foundation for building a well-functioning civil society:

- Approximately 400,000 citizens in a population of 2 million are unemployed. Some participate in the “gray economy” just to put food on the table.²
- The nation's primary production sector, inherited from the former socialist regime, is dysfunctional and uncompetitive, resulting in rural-to-urban migration. Exacerbating this migration is the widely held view that work in the agricultural sector is "unpleasant, hard and backward," largely because of poor infrastructure and environmental conditions. The government, which is preoccupied with nationalism, politics and corruption, has failed to address this issue and take steps to improve the situation in rural areas.
- The industrial sector is extremely dysfunctional due to ineffective corporate management, market loss following Macedonia's separation from Yugoslavia, corruption and organized crime in the privatization process, and policies that have resulted in a poor climate for foreign investments.
- Government officials are corrupt and incompetent, and employee satisfaction is low as a result of poor wages, long working hours and inadequate health benefits.

² Data from the National Institute for Statistics in 2004

- The service sector is corrupt and plagued with cronyism.
- The third sector is corrupt and far from politically independent.
- A small number of firms control the information-technology sector, creating a monopolistic atmosphere.
- Macedonia lacks an effective financial sector, so citizens do not have access to credit, do not trust banks and do not feel confident about the security of their bank deposits. Further, many banks have not yet adopted modern banking procedures, such as electronic banking and lines of credit for small and medium size enterprises (SMEs). Instead banks remain highly dependent on the Central (National) Bank and, subsequently, on the Ministry of Finance.
- The stock exchange is ineffective and was involved in corrupt schemes during the intensive privatization period.
- The economy is currently in a recession. In the third quarter of 2004, the nation's GDP per capita fell to \$7,499, and its ranking dropped to 89th of a possible 111.³
- Political instability persists following the ethnic conflict between Macedonians and Albanians (from Macedonia and Kosovo) in 2001.

II. Finding a Solution

Stable macro- and microeconomic policy in Macedonian is needed to ensure an effective transitional society. Furthermore, increased collaboration between the private sector and NGOs will contribute to building a healthy, vibrant civil society. This collaboration could help to reduce governmental intervention in the economy, which many consider to be negative. Increasing the number of partnerships between foreign/domestic enterprises and the third sector would produce:

- Innovative, commercially sustainable methods for reducing poverty
- An improved business climate that would attract increased foreign investment
- Better ethics in the private sector
- Increased "know how" in managerial teams
- Reduced corruption in public administration
- Greater competitiveness in the market economy
- Increased trust in the financial sector

³ Data from The Economist, November 6, 2004

III. Achieving Sustainability

Current Situation in the Third Sector

CCMCM Aktiva carefully considers the use of every legitimate method for achieving financial sustainability while maintaining its commitment to humane values, fulfilling its mission and assisting its target group. However, attaining sustainability in a crisis environment is incredibly challenging.

Unfortunately, many NGOs in Macedonia were founded by individuals who had unethical motives and sought to reap personal benefits from the influx of donor funds from UNDP, FOSIM, EAR, UNICEF and the World Bank. Yet, other organizations were established with honorable intentions and a desire to assist their target groups. Regardless of their origins, both types of NGO are now facing the same funding dilemma as an ever-growing number of donors reduce programs or cut funding entirely. Even domestic sources, such as foundation-oriented NGOs (FONGOs), which relied heavily on foreign funding, are now finding themselves financially strapped.

In the past, business-oriented NGOs were practically nonexistent, and no effort was made to explore cooperative ventures with the business sector as a means for reaching sustainability. Recently, however, necessity has given birth to a new form of NGO – the business-oriented NGO (BONGO). A BONGO functions much like a private enterprise and receives the same tax benefits accorded to NGOs, attracts investments from other firms needed to build capacity and fund projects and seeks media coverage to publicize its activities. However, these new hybrids (half firm-half NGO) soon lose their altruistic identity and become profit-oriented. This is detrimental, because Macedonian civil society needs to make improvements in areas other than just the economy.

Aktiva has a two-pronged strategy for reaching sustainability while preserving its humane values:

- First, motivate the business sector to invest in Aktiva
- Second, leverage Aktiva's image in the business community to promote humane interest in helping fellow citizens

Motivating Business-Sector Investment

As a non-profit organization, Aktiva has objectives that are quite different from those of for-profit businesses and their affiliates. Therefore, Aktiva has the primary responsibility for initiating a cooperative relationship with companies and identifying financial motivators that would create a win-win situation for both sides. Ideally, the companies would profit, and Aktiva would obtain sustainable financial resources for the implementation of its mission, goals and activities.

Private financing would help Aktiva break the traditional cycle of NGO dependency on foundations and state institutions. This would build a framework enabling every NGO to function as a classical firm with its own administrative and financial structures as it enters the market, providing customers with information, services and products. Every managerial team

should be focused not only on other NGOs but also on attracting private investors by using creative methods and techniques that cast the organization in the best light. In Macedonia, there have not been many successful examples of effective, long-term profit-nonprofit cooperation.

Perspectives on Private Sources of Funding

CCMCM Aktiva designs and implements business partnerships by:

- Introducing a potential partner to Aktiva's mission, goals, past projects, strengths and weaknesses, as well as the methods being utilized to correct past shortcomings
- Defining the firm's role on a project basis or as an ongoing partnership and providing access to the information needed to assure the firm that its funds are being used appropriately
- Providing full media coverage and free advertising for the company whenever possible during sponsored events and programs
- Providing advocacy and lobbying for private-sector partners among citizens as well as at the federal and local levels
- Utilizing Aktiva's social-capital network to assist partners in locating business contacts and prospective partners
- Providing advocacy and lobbying on behalf of firms with foreign NGOs, foundations and multinationals in order to help them establish markets for the export of goods and services

Leveraging Capabilities to Reach Institutional Sustainability

Method 1: CCMCM Aktiva has the legal right to achieve sustainability by forming a commercial enterprise that can generate additional revenue necessary for the proper, dynamic implementation of its program activities. This is an excellent instrument that will produce greater cooperation with the business sector.

This commercial enterprise will use all the organizational capital to generate income and achieve a greater return on investment. This additional capital can be used to enhance the production and distribution capacity of corporate partners through advertisement and media coverage of the project's activities. Every partner that sponsors or donates money, services or goods to Aktiva needs to provide quality services to the citizens of Macedonia.

Method 2: CCMCM Aktiva will form an NGO Network in Macedonia between 2005 and 2006 and function as an administrative-training center and a financial body to allocate donated resources to all network members for developing their project capabilities. In this network, the fund-raising strategy is predicated on the business sector becoming the most important partner in the process of achieving financial sustainability for all members.

The network will have the following characteristics:

- Mission: Contribute to the development of Macedonia's NGO sector through increasing the number of network-based ventures, capacity building, fund-raising, proper allocation of financial resources, administrative consulting and project management
- Structure: Administrative center (CCMCM Aktiva), coordinating body comprising 10 local coordinators (NGOs), members with voting privileges (local NGOs), and associate members

This network will involve many private companies during the project implementation as key partners for providing services to targeted citizens. In order to stimulate corporate interest in helping to finance the network, members will use their collective capacities to assist in the advertisement and distribution of firms' products. In order to use the network's services, companies will pay a small administrative fee to cover operational costs (e.g., office, transport, etc.). They also may elect to contribute to the network's budget. Firms that bolster the financial viability of the network will be given special privileges for involvement in future projects.

Ways Companies can Benefit from Collaboration

Every democratic society is composed of a government, the private sector, NGOs and the civil sector. However, in today's global world, it is possible to set international standards for cooperation by building linkages between national institutions. One of the standards embraced by CCMCM Aktiva is to cooperate with foreign and domestic companies that belong to the category of socially responsible corporations, also known in Macedonia as "protective firms." These companies are not only interested in bolstering their profits, but also in taking responsibility for helping individuals, organizations and institutions overcome problems that deter them from equal entry into Macedonia's new, undeveloped market economy.

Aktiva's program for human rights and gender issues is designed to help the development of NGOs with the following target groups:

- Ethnic minorities
- Racial minorities
- People with mental illness
- Children with developmental and learning disabilities
- People with special needs
- People who suffer from sexual abuse
- Gay and lesbian minorities
- People diagnosed as HIV positive or with AIDS
- Former narcotics users
- People with extremely low incomes (also defined as the "underclass")

Private companies that help any of these socially marginalized groups will be respected and recognized for their achievements. Moreover, they will gain the advantage of participating in future cooperative projects created by the network and CCMCM Aktiva. Companies must provide all relevant documentation as proof of their social engagements and commitments (e.g.,

employment agreement between a firm and an individual, normally a recipient of social assistance at the unemployment bureau). This form of cooperation between NGOs and socially responsible corporations should become the model for promoting humanitarian values, democracy, social equity, robust judicial and political institutions, economic growth and political stability in Macedonia.

Here is an excerpt from a report written by Dejan Stevanovic, the program manager for human rights and gender issues: "Recently, the executive director visited Digiprint, a well-known print shop, and inquired about having leaflets and posters printed for the National NGO Fair. Before negotiating a price, he asked if the firm was interested in corporate social responsibility. The owner of the shop replied that he was. The initial conversation was followed by a brief introduction about our organization and the possibility of future cooperation between Digiprint and CCMCM Aktiva. Pleased by the information, the owner offered to sponsor the entire event. We decided to sign a memorandum and to put Digiprint's logo on each leaflet and poster as the official sponsor and partner in the program for human rights and gender issues. After this successful effort, our cooperation continued."

IV. Recommendations

NGOs must create strategies to encourage the private sector's investment in their activities. Extensive cooperation within the NGO sector is essential to facilitate this process. Furthermore, NGOs must cooperate to make the fund-raising process more organized, systematic and professional. The organization of this effort should be carried out by a specialist, and that is why we created the Center for Civil Motivation and Cultural Management Aktiva-Macedonia.

ABOUT THE AUTHOR

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