



THE WILLIAM DAVIDSON INSTITUTE
AT THE UNIVERSITY OF MICHIGAN BUSINESS SCHOOL

POLICY BRIEF #23

**BUILDING SELF-SUSTAINABLE HUMANITARIAN NGOS IN
BELARUS: CHALLENGES OF FINDING INCOME AT HOME**

Ina Ramasheuskaya*

January 2005

* Ina Ramasheuskaya is a first-aid program manager at the Belarusian Red Cross Society

This policy brief discusses the major constraints on the development of financially viable non-governmental organizations (NGOs) in Belarus and the existing models of economic activity in the non-profit sector. It also outlines policy recommendations for developing innovative approaches to NGO self-sustainability.

Overview

Although the overall condition of the third sector has worsened significantly in Belarus over the past two years, the number of non-profit organizations actually has increased. According to recent data, there are 2,300 registered public organizations in the country. Of those, 740 are international and national and the rest are local. Currently, the structure of the Belarusian non-profit sector shows a low level of specialization, and different organizations are grouped into categories solely on the basis of their self-described activities. Approximately 25% of Belarusian non-profits say their main activity is centered on “social protection and rehabilitation.” This type of organization tends to proliferate faster than other groups. In 2000, for example, only 5.8% of NGOs were engaged in social protection and rehabilitation. Charitable organizations, which now make up 17.2% of the non-profit sector, also have expanded over the past two years.

However, no clear societal or legal distinction is made between membership organizations of mutual assistance (e.g., associations for parents of disabled children) and organizations whose activities do not directly benefit their members (e.g., non-profits that raise funds for local orphanages). For instance, a membership organization of Chernobyl victims, which receives humanitarian assistance from Western charities, can also identify itself as a “charitable” group.

Both types of organizations are usually described as “social” or “humanitarian,” and their activities include information sharing, providing services, advocacy and implementing joint projects with governmental social-protection agencies. Local donations and grants to all NGOs are not considered income and, thus, are exempt from income tax. However, Belarusian tax regulations do not allow donors to take tax deductions for their donations to NGOs. The Belarus National Assembly is still reviewing draft legislation on charitable activities, which was developed and submitted by a group of NGOs in 2001.

Belarus’ existing legal environment does not encourage NGOs to earn revenue. Although NGOs are permitted to engage in economic activities authorized under their organizational statutes, these pursuits and profits are subject to the same tax rates and regulations as those of for-profit companies. As a result, humanitarian organizations lose the overall effect of any benefits, such as rent reductions, that they negotiate with governmental agencies.

Several independent NGOs have contracts with the government to provide social services, but for the most part, such contracts are now extended mainly to state-controlled pro-governmental organizations.

The majority of humanitarian activities carried out by Belarusian social organizations are based on financial aid and resources supplied by international donors and foreign partners. In many cases, international partners are the only true constituents of Belarusian non-profits. Thus, the

predominance of this donor-recipient relationship overshadows most of the interaction between NGOs and their constituents, including needs analysis, continuous communication and accountability. This concept is supported by many local and foreign experts, who note that third-sector leaders generally perceive NGO accountability as financial accountability to donors, not to society. In the following discussion, we consider the extent to which humanitarian NGOs are affected by the current situation in which foreign funds constitute the main source of NGO funding.

I. International cooperation

Goal-setting

The majority of Belarusian humanitarian organizations still do not have a clear vision of how their activities will affect a specific social problem. Moreover, many NGO leaders do not believe that a public organization can solve a particular problem at all. In most cases, the objective of humanitarian activity is identified with the activity itself, i.e., “to help people,” since social problems are usually perceived as permanent. Consequently, Belarusian humanitarian organizations possess a peculiarly traditional, and somewhat static, view of social reality and their place in it. This approach is characterized by the “institutionalization” of charitable activities. Thus, when assistance is received from international partners, it is typically used to help existing state-owned welfare institutions (e.g., orphanages, hospitals and retirement homes). Any initiative to modify the delivery and content of foreign aid must come from the international partners. While Belarusian social NGOs struggle to overcome their image of “distributors of humanitarian assistance,” foreign assistance to the third sector continues to be influenced by numerous factors that deserve analysis by foreign-policy experts. In this constantly changing environment, humanitarian NGOs often prefer to stick to the reliable strategy of maintaining the social image that is most likely to keep international funds flowing.

Fund-raising

Humanitarian NGOs prefer foreign funding to local fund-raising. Despite political and logistical barriers and strict administrative regulations, international assistance remains the most accessible, and therefore preferred, source of funding for social initiatives and programs. Over the past five years, the amount of foreign assistance has dropped significantly (by an estimated 60% to 80%). However, the process of seeking and acquiring external funding is not yet complicated enough to force significant numbers of NGOs to look for available funds at home. At the same time, foreign funding enables NGOs to avoid contact with the general public, which frequently is suspicious and even jealous of non-governmental organizations. Under such conditions, it is only natural that NGOs prefer to obtain funding from cooperative international organizations operating in accordance with strict rules and procedures rather than to face a long, tedious process of establishing trust with the local community.

Services

Recently, critical attention has focused on the problems of communities that have been receiving international assistance for a long period of time. In response, international humanitarian-aid providers have started to develop projects that set specific standards of effectiveness and transparency and also introduce ethical and operational norms for assistance. These measures are

expected to encourage greater accountability among international organizations toward their beneficiaries. Still, there are indications that the priorities and legitimacy of local non-profit organizations could be seriously challenged in cases where they receive massive international funding. This is especially problematical in Belarus because non-profit organizations haven't had a chance to develop their own priorities, gain legitimacy and build trust.

The main obstacle to effective cooperation between Belarusian humanitarian organizations and their Western partners appears to be the permanent crisis mode spawned by the very nature of their relationship. Non-profits seeking easily accessible foreign funding are more interested in sustaining the feeling of permanent crisis among both their international partners and their domestic beneficiaries. Crisis mode eliminates the need for setting realistic goals and carefully planning activities. It also evokes and sustains dependency, helplessness and irresponsibility on the part of beneficiaries. Past experience shows that terminating relatively stable foreign funding often leads to a spontaneous struggle for survival, a shift in mission and the implementation of ideologically unconnected projects.

II. Business-NGO relations

Most social-NGO leaders recognize that successful partnering with local businesses is very important for their organizations. It is commonly believed that commercial enterprises have a social responsibility to support public groups, especially charitable organizations. However, in assessing trends over the past five years, third-sector leaders report business-sector representatives have shown decreasing or stagnant interest in cooperating with non-governmental organizations. This decline can be attributed in part to the fact that unprofitable enterprises make up to 50% of all registered businesses in most regions of Belarus.

The three key factors needed to ensure secure, mutually supportive business-NGO partnerships are strong personal relationships, good organizational reputations and outstanding personal traits among business owners and NGO leaders. Most popular forms of business-NGO cooperation are gratuitous donations of goods and services, and cash contributions.

Several practices negatively affect the relationship between the business sector and public organizations. These include:

- The mandatory connection of state-owned welfare institutions (e.g. orphanages, hospitals and retirement homes) to business enterprises. Often the general public regards this practice, known in business circles as a “social racket,” as philanthropy.
- The practice of collecting mandatory donations for the financing of governmental projects, such as staging public events and redesigning and constructing public buildings.
- The refusal by commercial enterprises to engage in any philanthropic activities so as to avoid paying extra duties for the support of welfare facilities and other state-run institutions.

According to some experts, commercial enterprises prefer to provide assistance directly to “end beneficiaries,” i.e., the individuals actually in need, thereby avoiding contacts with social organizations. The main reasons for this behavior are:

- To ensure that assistance is provided directly to the beneficiary
- To avoid official transfer-of-funds records by giving cash assistance rather than making a bank transfer of funds to the non-profit organization’s account
- To get direct feedback on the beneficiary’s reaction and positive changes in the person’s life

As a rule, leaders of humanitarian organizations regard the successful solicitation of assistance from a business enterprise for an “end beneficiary” as a positive outcome of their activities. However, this may indicate a lack of trust for organized philanthropy, an attitude that still prevails in the business community. In the current context of business-NGO relations, humanitarian organizations often are viewed as go-betweens that retain for their own use a portion of the funds intended to assist the poor. That fact most successful business-NGO projects are based primarily on the personal relationship between a business owner and NGO leader suggests there is a low level of appreciation for social projects carried out by humanitarian organizations.

State-owned and private enterprises do not seem to differ significantly in their willingness to cooperate with NGOs. Rather, the willingness to help a good cause is often prompted by a financially healthy business, a business owner’s personal interests and a lack of other humanitarian commitments.

Successful cooperation between the two sectors depends on more effectively communicating the mission, work practices and principles of NGOs, and adhering to philanthropic values. NGOs must respond to the expectations of their business partners by increasing their participation in actual charitable activities, engaging in careful long-term planning of joint activities and, most important, adopting realistic social projects that can make significant improvements in beneficiaries’ lives.

III. Economic activities

According to a recent survey by the United Way Belarus, more than 70% of responding NGOs indicated that their organizational statutes do allow economic activities. However, fewer than 20% of the NGOs reported they were engaged in economic activities that generated a portion or all of their organizational income. NGO entrepreneurial activities can be divided into three different types:

- Providing regular “for fee” services, such as training, consultation and medical assistance, which basically covers the administrative expenses of an organization

- Social enterprises in which income generated by for-profit activities covers the cost of social projects
- Exchange of services for donations, which currently is the most widespread method of local fund-raising for humanitarian non-profits.

We examine the last two types of economic activity, in as much as the first type merely allows NGOs to maintain their organizational structure and can be considered a kind of entrepreneurial pursuit.

Social entrepreneurship

There are a few isolated examples of successful social enterprises. Typically, for-profit activities include providing household and personal services and operating small-scale manufacturing facilities (e.g., sewing shops and repair garages). These activities usually employ disabled individuals and those from socially vulnerable groups, and the income generated goes to support other charitable programs run by the organization.

Social entrepreneurship is promoted by international organizations seeking to encourage the Belarusian humanitarian organizations they support to achieve or at least move toward self-sustainability. Over the past year, the Counterpart Alliance for Partnership (CAP) program supported by USAID implemented a special project designed to assist NGOs in developing social enterprises. Through the project, several NGO professionals received training in drafting business plans, performing market analyses and other management activities. However, CAP's license was not renewed, resulting in the premature termination of this project.

In most cases, however, poor business-management skills and an unfavorable business climate make it difficult for NGOs to pursue for-profit activity. Likewise, the business sector is woefully underdeveloped and, for the most part, struggles for existence amid a rapidly increasing number of bureaucratic and administrative obstacles.

Successful examples of social entrepreneurship hinge upon a high level of cooperation with state authorities that provide financial subsidies, individual tax exemptions for entrepreneurial activities, rent-free premises and discount rates for office space.

One factor that contributes to social entrepreneurship in NGOs is the ability to provide very specific, extremely saleable services, such as language courses, legal consultation, personal-development training and youth-exchange programs. However, these endeavors frequently evolve into commercial for-profit activities. In attempting to develop social entrepreneurship, non-profit organizations often find it difficult to recruit and retain qualified professionals capable of assessing target groups, existing markets for services and economic effects of organizational activities. Furthermore, NGOs attempting to develop for-fee services that achieve some level of cost recovery must first deal with popular perceptions and client expectations that NGO services should be free of charge.

Exchange of services for donations

Exchanging services for donations is a widespread method used by Belarusian humanitarian organizations for generating income. Although, strictly speaking, this is not a true economic activity, it nevertheless helps many organizations recoup their expenses and maintain long-term social programs.

A first-aid training program operated by the Belarusian Red Cross is one example of exchanging services for donations. Initiated in 1998 with assistance of the U.S. Department of State, the program originally involved the revision of teaching methods, the training of new instructors, the procurement of modern training equipment for practicing first-aid skills and the publication of scientifically sound educational materials. Over the next three years, the Belarusian Red Cross created technical-program bases in four of seven regions of Belarus, trained more than 100 instructors and developed standards for the provision, monitoring and evaluation of training activities. Supported by the British government's Department for International Development (DFID), the Belarusian Red Cross provided one-day first-aid training for more than 3,000 individuals representing several priority groups: students at secondary schools and universities, teachers, social workers and people with disabilities. This increased the level of organizational expertise in the field while conveying a positive national image and drawing public attention to the importance of first-aid training and accident prevention.

In 2003, the Belarusian Red Cross considered the idea of offering first-aid training services for a fee to the general public. However, marketing-survey results proved disappointing. Although 90% of the respondents rated first-aid skills as "important" and "very important" for their well-being, 95% answered "no" to the question, "If paid first-aid training is available, will you attend such training?" Among the most frequent reasons given for this negative response were (in descending order):

- Low income level
- The Red Cross should provide first-aid training free of charge
- The State should provide free training
- No assistance is needed to learn first-aid skills

In another attempt to turn first-aid training into a fund-raising tool, the Belarusian Red Cross approached groups rather than individuals with its offer. This approach proved more successful. Many Belarusian enterprises and organizations expressed interest in training their employees in first aid. Although this training is still provided free of charge, the Belarusian Red Cross is assisted in its cost-recovery efforts by financial and in-kind support from the participating businesses and organizations.

The DFID still finances the program, but more than 60% of the training is provided to groups that eventually make donations to the Belarusian Red Cross, thereby contributing to the launch of other social projects and helping to maintain the NGO administrative structure. In three years, this practice of exchanging services for donations is expected to make the program self-sustaining and to support periodic refresher training for instructors, the publication of new educational materials and the expansion of program activities to the three remaining regions.

Successful implementation of this strategy depends upon developing the business skills of the Red Cross personnel involved in the program. Long-term planning requires an understanding of the needs and requirements of target clients, an analysis of different cost-recovery mechanisms and a comparison of the potential advantages offered by new initiatives, such as developing specialized courses for different target groups. Once the “services for donations” initiative is in place, there is hope it will encourage even more advanced forms of economic activity, i.e., social entrepreneurship, in the Belarusian Red Cross.

In retrospect, the experience of moving toward the introduction of paid services can be very stressful both for an NGO, particularly a humanitarian organization, and its beneficiaries. This transition requires a completely new way of thinking and an ability to assess the economic effects of the change. In this context, developing a “services for donations exchange” strategy appears to be an acceptable transitional goal that encourages an organization’s leadership to acquire business-management skills, gain familiarity with potential markets for offered services and assess current competitors, including for-profit businesses. Consumer organizations involved in such an exchange express greater willingness to provide financial support for the non-profit if they are asked for donations rather than payments.

Providing educational services for the young, active segment of the population makes the most business sense, because young people are more comfortable with idea of paid services. They also are better able to understand the concept of independent NGOs and are more oriented toward professional development. Therefore, NGOs that offer professional-development training (in leadership, journalism, communications and business management), as well as with post-training consultation and information support seem to have greater potential for creating paid services.

Recommendations

The key factor for achieving self-sustainability in Belarusian social organizations is greater business sophistication. Although a low level of awareness of market economics still pervades all sectors of Belarusian society, NGOs can play a significant role in improving this situation. Over the past 10 years, NGOs introduced innovations in communications, social work and project management by leveraging their international contacts, greater flexibility and relative absence of ideological constraints. Governmental organizations and the business community later adopted many of these new practices. Because of their distinctive characteristics, non-profits can become leaders in the implementation of advanced, cost-effective assessment methods and marketing techniques, bringing innovative approaches to business management. Popularizing these new methods will have a very positive impact on the Belarusian economy by helping to overcome the fear of competition, reducing dependency on state subsidies and bringing about a higher level of business efficiency.

Another important factor for developing successful NGO-business projects is increasing the involvement of volunteers with specific business skills. Currently, non-profits are challenged by the need to employ highly paid professional project and finance managers in order to comply with official requirements for a high-quality financial-reporting system. By realistically assessing the actual need for these professionals, calculating the required work time and expected results

and recruiting volunteer assistants, NGOs can reduce their overall employment costs and encourage the concept and practice of volunteerism.

The third critical factor for success is targeting paid services toward young people. NGOs can stimulate personal and professional development by providing access to balanced, up-to-date information on different aspects of social life in Belarus and worldwide, thereby helping constituents to overcome feelings of dependency, helplessness and social apathy. This orientation requires improved communications with constituents and clients. Increasing the transparency and accountability of NGOs will help young people understand how money is spent, how the introduction of paid services will benefit social activities, how decisions about resource allocations are made and how constituents can participate in improved social programs.

The development of effective, independent and transparent humanitarian NGOs will ultimately earn public respect, increase community participation in NGO activities and improve understanding and cooperation among different sectors. In time, it is hoped this will lead to greater awareness of the third sector's important function in society and eventually to more favorable conditions for non-profit organizations in Belarus.

ABOUT THE AUTHOR

INA RAMASHEUSKAYA, has been a first-aid program manager at the Belarusian Red Cross Society since 1998. For the past six years, she has been involved in creating an effective, modern first-aid training system administered by non-profit organizations. In 2004, Ramasheuskaya received a master's degree in NGO administration from the European Humanities University in Minsk. Over the course of her studies, she conducted research on Belarusian philanthropy and humanitarian organizations in the development of civil society.