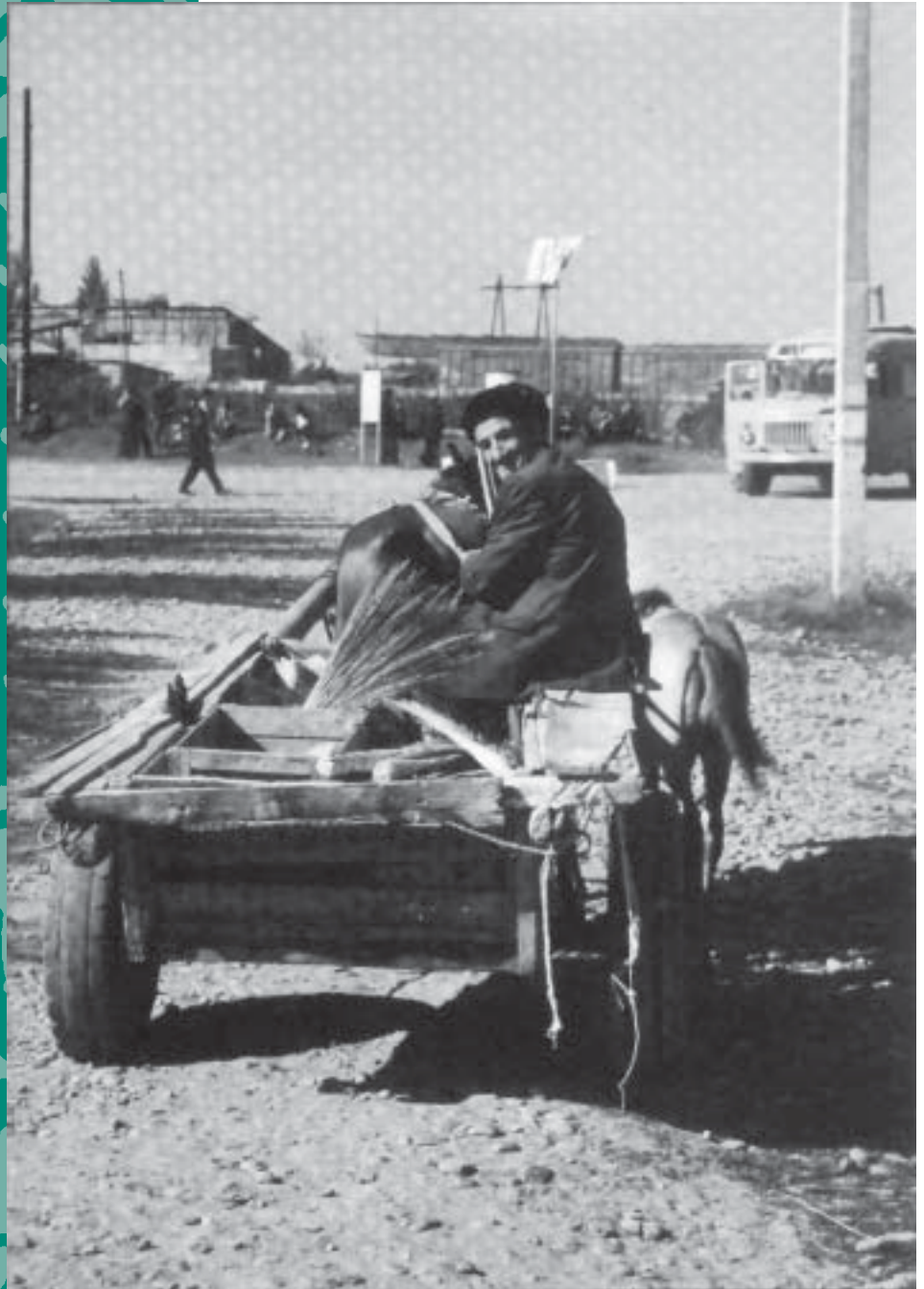


Give & Take

A Journal on Civil Society in Eurasia

Summer 1999
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Local Fundraising:
Benefits and Limits of
Domestic Support



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Mission Statement
ISAR promotes citizen participation and the development of the nongovernmental sector in the countries of the former Soviet Union (FSU) by supporting citizen activists and grassroots nongovernmental organizations (NGOs) in their efforts to create just and sustainable societies.

ISAR's offices work to facilitate partnerships between and among NGOs in Eurasia and the United States, and to educate the public in the US and Eurasia about the unique role that grassroots organizations play in shaping a positive transformation in the countries of the former Soviet Union.

ISAR History
Established in 1983 by Harriett Crosby and Nancy Graham as the Institute for Soviet-American Relations, ISAR originally served as a clearinghouse on US-USSR citizen exchange and published the journal *Surviving Together* until the end of 1997.

Opinions expressed in articles appearing in *Give & Take* do not necessarily reflect ISAR's views.

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On the Cover: An Azeri refugee makes his rounds selling hand-made brooms in a refugee camp in Southern Azerbaijan. Photo by Elnor Babaev.

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Seeking Local Sources of Support: Successes and Challenges

Writing in *Foreign Affairs* about Western assistance and its role in building civil society in Central Europe, Michael Ignatieff asked “whether a social form that emerged from below, by accident and over centuries can now be established from above, by design and in a hurry.” Ignatieff’s question is all the more pertinent in regards to assistance to the former Soviet Union (FSU), which was behind the iron curtain far longer than Central Europe.

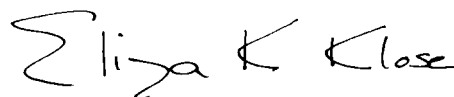
Western assistance cannot build civil society in former Soviet countries, it can only speed and strengthen its development. Western grants offered to those committed to change can magnify their force and power. The key, therefore, is to identify and support individuals who care more about changing their communities than enriching themselves.

One of the ways to identify the people likely to spearhead reform is to look for those who have attracted support from their communities, organizations that have won the trust and help of their neighbors because of the clear value of what they do. Even in a time of extreme privation in the FSU, such groups are attracting money, volunteers and in-kind support to carry out their missions, whether helping the disabled, educating children or conserving nature. This issue of *Give & Take* offers many examples.

Savab Dunyasi Association in Baku and Sadibda in Tbilisi have organized marathons and festivals to raise money for desperately ill children. The EcoCenter Zapovedniki in Moscow has successfully helped its network of thirty-plus nongovernmental organizations (NGOs) solicit support from government, industry and local citizens to protect Russia’s underfunded nature reserves. When its Western grant money was frozen in a Russian bank last August, the Youth EcoCenter in Dushanbe, Tajikistan began to subsidize its nonprofit training activities by offering paid translation and printing services to commercial firms.

From the surveys of NGOs in Georgia and the Russian Far East discussed in this issue, it is clear that providing paid services is one of the most promising sources of long-term funding for the Third Sector in the FSU. As a result, many NGOs in Russia have banded together to campaign for passage of a “Law on Social Contracting” at the regional and federal level (see story on page 12). The law would give NGOs the right to compete with businesses and government agencies to provide social services. Passage of the proposed law would not, however, address the problem of confiscatory tax rates applied throughout the FSU against all earnings, whether the earner be a for-profit or not-for-profit entity. And as we learn from Vadim Nee at the International Center for Not-for-Profit Law in Central Asia, post-Soviet attitudes and mistrust of public voluntarism combine with a negative legal environment to hinder the growth of NGOs in that region.

Given the many obstacles to NGO development in the FSU, some Westerners conclude that private charitable initiative cannot develop without Western assistance, that the nascent Third Sector will collapse without Western funds. The articles in this issue suggest that the process of reform is underway and will continue, at least at the grassroots level. It is up to Western funders to decide whether they wish to help the process along by supporting catalytic groups and individuals or let civil society develop as it did in the West, “by accident and over centuries.”



Eliza K. Klose
Editor in Chief

New Uzbekistan Law Renews Hope for NGO Development

In April 1999, Uzbekistan adopted a new law regulating nongovernmental, noncommercial organizations. The new law applies to nonprofit organizations—legal entities that do not pursue economic gain as their main goal. It allows for the establishment of philanthropic foundations for the first time in Uzbekistan and also gives foreigners the right to establish an NGO.

The new law simplifies the registration procedures for foundations and other NGOs by requiring less documentation from each applicant. Under the previous legislation, onerous information requirements meant the registration process could turn into a long, complicated process with uncertain results.

According to the new law, NGOs are required to give the public open access to information regarding their property and financial status. If exercised properly, such transparency requirements could help raise public awareness about the activities of NGOs and lead to greater trust between the public and the NGO community. In addition, a newly established Public Register of Legal Entities will give the public access to information on the registration status of individual groups.

Despite these positive elements in the new legislation, it leaves many important issues unresolved. The law does not adequately define the authority granted to government bodies that are expected to monitor the NGO community. This lack of definition could potentially enable government officials to interfere arbitrarily in NGO activities. Another problematic point is that the law lists a broad series of reasons by which the authorities may deny an NGO the right to register. Furthermore, it fails to define clearly the procedures by which an NGO may appeal a denial before a court of law. The new law also perpetuates the restrictive requirement that an NGO must include in its charter every activity it plans to engage in and requires re-registration every time an organization plans to change or expand its field of operations.

Most commentators on the new legislation agree that ultimately the effectiveness of the law will

depend upon the way it is implemented and enforced by the authorities. The Uzbekistan government plans to develop implementing regulations over the next few months. These regulations will demonstrate whether the government and the NGO community will be able to work together effectively to improve the legal and regulatory environment for the Third Sector in Uzbekistan.

For more information on the new NGO law, contact Richard Remias at the International Center for Not-for-Profit Law (ICNL) in Central Asia in Almaty, Kazakhstan; ph: 7-3272-62-16-44; fax: 7-3272-60-86-06; <rremias@cpart.alma-ata.su>.

More Restrictions Imposed on Belarusian NGOs

While NGOs, political parties, and trade unions in Belarus are struggling to re-register with varying degrees of success under President Alexander Lukashenko's January decree, the presidentially-appointed legislature is targeting civic organizations with other legislative amendments to the civil code. On June 30, the House of Representatives of the Belarusian National Assembly adopted several amendments to laws regulating the activities of political parties, trade unions and public organizations in Belarus. The legislators banned the use of the words "popular," "national," "Belarus," and combinations thereof in the names of Belarusian NGOs, thereby criminalizing such organizations as the Belarusian Popular Front. Other amendments established the minimum number of members required for registering an NGO. Under the new legislation, a person acting on behalf of an unregistered organization will be fined a minimum of 10-15 months' worth of wages. Repeated offenses will entail a fine of 50-100 months' worth of wages or 15 days in jail. A new provision, added to the law "On Press and other Media," prohibits the dissemination of printed materials on behalf of an unregistered NGO.

-Charter 97

Cultural Traditions Shape Community Views on Solving Social Problems

by Vadim Nee

FROM THE MOMENT WESTERN assistance to the nongovernmental sector in Central Asia began in the early 90s, hopes for the further development of the sector have been tied primarily to replacing foreign aid with local sources of financing. Now that international aid to NGOs in Central Asia is decreasing, the need to develop local sources of support has become even more critical. The prospects for local fundraising partly depend on improving the legal environment, but ultimately NGOs in Central Asia cannot become sustainable unless the general public can change their historical expectations concerning the role of government and the capability of citizens to play a role in public life.

Local organizations in Central Asia rightly complain about the poor environment in which they must operate—the lack of tax incentives for charitable donations, the lack of support from government agencies and the deteriorating economic situation. Since becoming independent in 1991, Central Asian governments have paid little attention to the need for the reform of legislation relating to the nonprofit sector. Instead they have generally relied on Soviet-era laws or borrowed from legal systems created in other FSU countries. Government officials have tended to take an interest in the nonprofit sector only when they had a personal stake in a specific social problem. Some nonprofits have benefited, at least temporarily, from such support, only to find themselves abandoned once the official lost interest. The governments of Kyrgyzstan, Uzbekistan and Tajikistan recently adopted new laws regulating NGOs—largely due to requirements placed on them by Western donor organizations—and Kazakhstan plans to pass new legislation on NGOs and charities in the near future. Turkmenistan, however, has not begun to consider changing its NGO legislation.

The adoption of new NGO legislation, however, will not serve as a universal panacea for the NGO sector in Central Asia. Far more important than legal change is the need to change traditional attitudes toward the role of the private citizen. NGOs can only succeed if they can encourage people to join forces to identify and solve community problems.

Traditional Views Hinder Support

By and large, the Central Asian organizations that have successfully found local funds are those that reflect traditional views concerning social needs. These groups address problems that were acknowledged under the Soviet regime, such as rehabilitation for the disabled, aid to veterans or assistance to people with chronic illnesses. Other serious social problems do not receive sufficient attention or are being addressed in inadequate ways. The number of such problems is rising every year, but NGOs formed to deal with them receive little community support.

Most people, for example, continue to view environmental protection as the work of eccentrics or, at best, stubborn, lone enthusiasts. Part of the reason environmental activities receive little support is the poor economic situation in the region, which limits the ability of environmental enthusiasts to work as volunteers. Yet economic constraints alone do not explain the problem. People are prepared to give money to ensure their children get a higher education, but few are willing to expend even a small amount of effort or money to ensure a healthy environment. Many people continue to believe that the only way to help the needy is to give alms to the poor or to state-run institutions like orphanages. Few would give money to service agencies set up by people like themselves.

Under the Soviet system, the government itself set up so-called “public organizations,” such as the Young Communist League, children’s funds or societies for the handicapped. These groups operated under a “voluntary-compulsory” system of contributions, whereby an official would suggest how much one should donate to support each group. Aside from making such contributions, people were not required to participate actively in these public organizations, much less get involved in dealing with issues like human rights or advocating for legal reform.

When the Central Asian states gained their sovereignty, some of the public organizations continued to operate, although in revised form. In many cases these organizations were placed under the patronage of top government officials, their relatives or regional leaders. In this way, they brought in additional revenues

Many people continue to believe that the only way to help the needy is to give alms to the poor or to state-run institutions like orphanages.

for federal or local governments through the Soviet style voluntary-compulsory system of contributions. The existence of such organizations seriously hindered the ability of other, more independent NGOs to solicit donations from the private sector.

Another reason for the slow development of the Third Sector in Central Asia is that many of the early NGOs were set up as private initiatives to professionalize existing state organizations. Though these efforts offered an alternative to the official state-controlled welfare system, they tended to get bogged down in the same bureaucratic inefficiencies and be governed by the same limited concepts of service provision.

The existing legal system and its abuse by government-supported NGOs have further contributed to the public's poor image of the nonprofit sector. Legislation that provided tax exemptions for nonprofit organizations has generally applied only to government-organized groups. One official in Kyrgyzstan asserted that tax incentives could not be offered to NGOs because they would be abused. When asked why he felt this way, he cited the corrupt activities of government-organized groups that had been offered such incentives. Thus, honest NGOs are caught in a vicious cycle in which they are unable to benefit from tax-free support because the public believes that passing such laws will only lead to corruption and abuse.

Limited Options for Fundraising

Despite these problems, some Central Asian NGOs have developed methods for attracting local funds. Some have raised sponsorship support for such activities as sporting events for the handicapped or art exhibitions. Others have generated funds by offering commercial services to for-profit firms. However, public fundraising events like charity races, auctions, lotteries or other campaigns to raise funds from the public have usually been unsuccessful. Most NGOs do not have the necessary resources to organize such events and there is little incentive for businesses or citizens to make charitable donations since the law gives them no tax benefit for their contributions.

A number of Western organizations have conducted seminars to demonstrate how community groups in America and Europe raise money, but this instruction is rarely effective since the situation for Central Asian NGOs differs greatly. Training programs that present case histories of local organizations that have successfully attracted community support might be more effective. But such success stories cannot be duplicated successfully unless they are presented in a way that communicates the goals, activities and commitment of the model organizations.

Western grant programs have also affected the way the public views nonprofit work in Central Asia. The government and the community often see Western grant money as a form of humanitarian aid. As a result, many people feel it should be distributed equally to all those who need it. Despite the fact that local organizations benefit a great deal from foreign grants, the common opinion that such funds have been inequitably distributed has contributed to the generally negative view of the nongovernmental sector. The mass media has exacerbated the situation by publishing a large number of recent articles about indiscriminate Western funding for local NGOs.

Central Asia's inconsistent legal codes make it difficult for grant makers to follow the letter of the law. Nonetheless, Western funders must make every effort to distribute money in ways that do not further alienate NGOs from the communities they serve. Irresponsible distribution of cash grants, top-down encouragement of unsustainable NGOs and the tendency to measure success through the creation of western-style services have cast a negative light on NGOs supported by Western grants. Such actions strengthen the stereotypes established under the voluntary-compulsory Soviet system of charity, which benefited a special few and placed responsibility for assisting the needy in the hands of a limited number of organizations.

For the time being, developing NGOs in Central Asia still need Western financial assistance. However, greater trust must be built between the nonprofit sector and the public since NGOs will have to depend on local support after foreign sources dry up. For that reason, it is imperative that foreign funders operating in Central Asia demonstrate fairness in project selection and exercise wider public review in the awarding of grants.

It will require many years of difficult work to overcome the Central Asian public's traditional views of nonprofit activity, but greater transparency will help local citizens understand the need for new methods and organizational structures to solve social problems. Legislative reform can help generate more community support for NGOs, but by itself it will not attract the resources necessary to sustain the NGO sector. These resources will come only with the development of greater understanding of the role of NGOs and of the importance of wide community participation in confronting the challenges brought by independence. ●

Vadim Nee is a legislative consultant for the International Center for Not-for-Profit Law in Almaty, Kazakhstan. Translated by Andy Reese.

Greater trust must be built between the nonprofit sector and the public since NGOs will have to depend on local support after foreign sources dry up.



Leaving No Stone Unturned In Georgia

by *Lia Chakhunashvili*

ALTHOUGH THE THIRD SECTOR IN Georgia relies heavily on Western donors, nonprofits do succeed in raising money from local sources. With varying intensity and success, Georgian NGOs are making use of almost all of the existing methods for raising funds locally.

Government Funding

Within the Georgian government, there is a growing philosophical commitment, and a developing legislative framework, for government support of the nongovernmental sector. Both the executive and legislative branches of government have expressed their interest in collaborating with Georgia's Third Sector, as well as in providing financial assistance. In 1998, with the support of President Eduard Shevardnadze, the Department of Relations with NGOs and Political Parties started to develop a government fund to support the growth of civil society in Georgia. Likewise, the chairman of the Parliament, Zurab Zhvania, promised NGOs that he would try to find government sources of funding to ensure active NGO involvement in social services.

At the local and municipal levels, governments occasionally give NGOs money or provide them with in-kind contributions, such as free office space or the use of unoccupied buildings. For example, the Tbilisi mayor's office gave the NGO Child and Environment a five-year lease on a building where the group could organize a shelter for homeless children.

Opportunities also exist for NGOs to serve as partners or subcontractors to government agencies implementing projects with funding from international donors. The NGO Bemoni was invited to lead an anti-drug campaign in secondary schools as part of a joint World Bank-financed program between Curatio International Foundation, the International Center for the Civic Development and the Georgian Ministry of Health Care. With funding from the UNDP, the Ministry of Environment and Natural Resources hired the Noah's Ark Center for the Recovery of Endangered Species to implement a national biodiversity program.

Despite these positive examples, the opportunities for NGOs to raise money from government sources are still limited. Georgia's national budget is small and largely depends on international financial institutions. An unexpected rise in inflation in December 1998

placed additional pressure on the national budget to respond to the many needs of the country with limited funds.

In 1997-98, the **Georgian Horizonti Foundation** conducted a needs assessment investigating the funding situation for the country's NGO sector. At the time of the needs assessment, government funding constituted the smallest portion of income for educational NGOs, yet it provided the largest for women's NGOs. Interestingly, humanitarian relief organizations did not receive any government support (see chart).

Individual Giving

Although Georgian legislation provides no tax deduction to private citizens who make contributions to nonprofits and 80 percent of the population lives in substandard conditions, individual giving still occurs in Georgia. However, donors often choose to help the needy by giving to them directly rather than contributing to nonprofit organizations.

Donations from individuals, both cash and in-kind, are largely made to NGOs that work with vulnerable segments of the population, such as disabled children or the elderly. Sasoeba, a drug rehabilitation center, recently received a donation of clothing valued at \$500 from an individual wanting to help addicts and their families. Occasionally, artists also give NGOs their works to auction for cash.

Horizonti's research indicates that individual donations provide the largest percentage of income for youth organizations (see chart). Individual contribu-

tions also comprised almost half the income for humanitarian relief organizations in Tbilisi and environmental NGOs in rural parts of the country. Oddly, relief organizations outside the capital received fewer individual contributions. Educational NGOs and human rights groups both reported less than 10 percent of their income coming from individuals.

Memberships

Generally, membership fees provide little income for NGOs, although certain types of NGOs have succeeded in attracting members and securing dues from them. The Georgian Young Lawyers Association collects membership fees by using a flexible collection system that sets different rates for students and professionals. Student organizations, however, such as the Association of Students, have had difficulty collecting even a small membership fee, as the student members are struggling financially. The Horizonti needs assessment revealed that memberships provide 62 percent of income for youth organizations. Memberships are a solid source of income for environmental groups as well, generating 47 percent of their funds.

Self-Financing

The major hindrance to self-financing activities for Georgian NGOs is that the money they generate is taxed at the same level as businesses. However, most groups do try to engage in some sort of income-generating work; only children's NGOs and human rights groups do not report any such activity.

One of the most common methods of self-financing is consulting. Consulting generally ties in with an organization's mission and can help a group grow professionally and provide income. It also can

advance an NGO's reputation by demonstrating the meaningful services it provides. However, consulting is not a major income source for NGOs. The Business Law Center provides fee-based consultations, but receives only five percent of its budget from this work.

Another nonprofit self-financing mechanism is the creation of independent enterprises. Heavy taxation inhibits the creation of new business and therefore such activity is rare. Nonetheless, a few organizations have had success in financing their programs by creating a business. NGO enterprises in Georgia are created either with capital given by an international donor or with private money. Nonprofits running enterprises sometimes turn to banks for credit, and associations of the disabled have had great success with this. The Handicapped People's League runs an import/export business, a shoe factory, a pharmacy venture, a television studio and a transportation service. Clearly such enterprises can provide other social benefits within their community.

Fundraising Events

Increasing numbers of NGOs are conducting charity events such as exhibitions and concerts to raise money for their projects. Such events bring an NGO into the public view and create fun opportunities for charitable giving. Although most charity events do not raise large sums of money, there are some exceptions. The NGO First Step plans to build a model facility for treating and raising disabled orphans. Once a year, First Step organizes a gala dinner, during which a charity lottery is held. The organization has already organized three such events and raised a significant portion of the money needed to start their new project.

Private Sector Donations

Currently, there are several legislative and economic conditions which discourage charitable giving by private business. Georgian legislation does not provide tax deductions to businesses that make charitable donations. Businesses in Georgia struggle with the country's incomplete legislative base, as well as a difficult economic climate and uncertain profit margins. Like individual donors, business owners in a position to give must choose between giving directly to needy individuals or supporting an NGO with their hard-earned resources.

Information gathered in the Horizonti needs assessment illustrates the difficulties of soliciting NGO support from the private sector (see chart). Businesses are most likely to help youth NGOs, while other types of groups receive little or no support.



PRIVATE SECTOR FUNDING FOR GEORGIAN NGOS

Yet NGOs have received some support from businesses in the form of money and in-kind donations. The Agara Sugar Plant, the major sugar producer in Georgia, provided the House of Mercy Catharsis with one ton of sugar. With a \$650 donation from a business, the Peter Pan Association purchased clothes for homeless children and internally displaced persons.

Sometimes businesses provide NGOs with financial assistance in exchange for advertising. Members of the Speleologists Morioni Club wear the brand name of their sponsoring company during their cave explorations and expeditions.

A year and a half ago, a commercial enterprise called the Cartu Group established the Cartu Foundation, the first corporate foundation in Georgia. In establishing the Foundation, the Cartu Group sought to respond to the many needs of the population and organize its charitable giving more effectively. Naturally, the group hoped that the establishment of the foundation would have a positive influence on its image as well. The Cartu Foundation currently gives scholarships to students and scientists, helps young painters exhibit their work and funds publications.

Endowments

Establishing an endowment is quite uncommon for foundations or NGOs in Georgia because the country's financial market is underdeveloped and there are limited low risk investment possibilities.

Adgilis Deda is the only known foundation in Georgia that has an endowment. The foundation provides NGOs with small grants for implementing community development projects. The foundation was established by the community-based group Society Varketili with a \$20,000 award received from the US

Percentage of NGO Income

Children's
Educational
Environmental
Healthcare
Human Rights
Women's
Youth

government and the European Union. In order to sustain its grantmaking, Adgilis Deda only donates the income generated from investing this seed money in business ventures.

The fundraising methods employed by Georgian NGOs demonstrate the sophistication of many groups and illustrates the ingenuity they summon to finance their good work. While they are leaving no stone unturned in their quest for financial stability, Georgian NGOs are stymied by conditions that are largely out of their control and they remain reliant on Western funders to keep projects going. The enrichment and diversification of local sources of support for Georgian NGOs in the future will depend on the general economic and social development of the country—a process in which NGOs will surely play a key role. ●

Lia Chakhunashvili is the managing editor of Horizonti magazine, the quarterly journal of the Horizonti Foundation.

Russian Far East Survey Outlines NGO Funding Sources

by Eliza Klose

DURING THE SPRING, THE ISAR office in the Russian Far East, together with a network of regional resource centers, undertook a comprehensive survey of local NGOs. The purpose of the survey was to gain a better understanding of the needs and conditions of the NGO community served by the resource centers. The polling effort included interviews with 813 organizations from nine regions of the Far East (Khabarovsk Krai, Sakhalin

Oblast, Sakha Republic, Primoriye Krai, Amur Oblast, Jewish Autonomous Oblast, Magadan Oblast, Kamchatka Oblast and the Koriak Autonomous District), or roughly 60 percent of regional NGOs. The questions covered their memberships, activities, attitudes, resources and relationships with local citizens, business, government and other NGOs. The answers have been entered into a database and analyzed by sociologists familiar with handling poll data. Along

with extensive information on the status of the local NGO movement, the results offer insights into its sources of support.

Organizations in each of the nine regions were asked to indicate where they found their funding. The most common sources of financial support overall were membership dues and local contributions; 40 percent of the respondents mentioned these two types of funding. Twenty-four percent said they received fees for services and 22 percent said they received funding from both local and regional government sources. Only 13 percent of the 813 NGOs reported receiving grant support from Western foundations. Although 35 percent of the NGOs in Kamchatka reported receiving Western grants, only nine percent of the NGOs surveyed in Sakha reported such grants. On the other hand, 38 percent of Sakha NGOs reported receiving support from government agencies and 36 percent said they received fees for services, far more than NGOs in other regions.

According to Valentina Dmitrieva, head of the NGO Resource Center in Yakutsk, capital of Sakha, the reason for the high level of government support for Sakha NGOs is that the president of the republic has made an effort to build citizen support, respects the services of NGOs and engages them in a variety of state-sponsored activities. Increased government

outreach to NGOs began after Sakha asserted its independence within the Russian Federation in 1992 and gained a larger share of the income from its diamond mines and other natural resources. Since the northern republic is vast and sparsely populated—a region half the size of the United States with only a million people, most of them indigenous Yakuts—it has received relatively little attention from Western funders.

Another objective of the survey was to determine the extent to which Far East NGOs saw their role as offering services to the community and received support, financial or otherwise, for such services. The survey therefore included questions relating to the number of NGOs that were compensated for services they provided, either in money or in some other way. The survey revealed that 38 percent of the NGOs questioned reported receiving at least some financial compensation for their work and many more reported support in terms of volunteer labor, barter, in-kind contributions, such as office space or transportation, or some kind of special privileges, such as discounts or tax exemptions. The compensation came from different sources: about 32 percent from those who received the services, 27 percent from government agencies, 18 percent from commercial structures, 12 percent from Western foundations and 7 percent from other Western organizations, such as NGOs or businesses.

The resource center network that organized the survey believes that providing services is one of the most promising sources of support for NGOs in Russia at the current time, but the survey revealed that relatively few Far East NGOs understand their role in this way. Instead, most NGOs limit their mission and activities to a specific cause that has compelling interest for them, such as a local youth program, clean-up campaign or nature protection project. They generally concentrate on winning support for their causes from local or Western funders rather than redefining or expanding their operations to include fee-for-service activities. According to survey results, most would like to improve their professional and management skills. Few, though, have considered developing their capacities to provide a community service, although doing so might give them a source of income, better demonstrate their value to the community and improve their relations with business, government and the public at large.

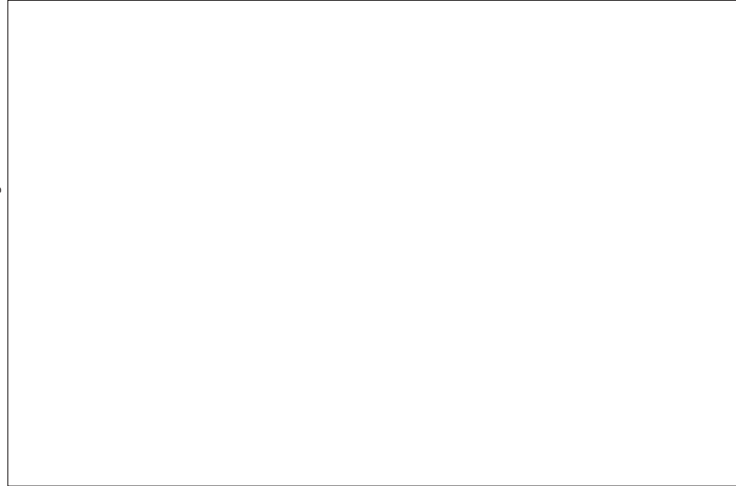
Given the poor environment for philanthropy in Russia today, such an attitude to service provision could hinder the development of the NGO community from the point of view of the Far East NGO support centers. In a time when many government agencies in the



Russian Far East have ceased to provide for the public, NGOs that could offer services for the poor, the sick, the old, the young, the disabled or displaced would help their communities in a vital way and raise the standing and influence of the Third Sector. For this reason, ISAR-Far East and the network of NGO resource centers feel they should promote a broader awareness among local NGOs as to the value of expanding their capabilities to provide community services. Although these efforts would not directly support NGOs involved in advocacy, monitoring and public participation activities, strengthening any one component of the Third Sector will ultimately raise the visibility and credibility of the sector as a whole. ●

Eliza Klose is the editor in chief of Give & Take.

courtesy of ISAR-Moscow



Environmental education programs are among the popular youth programs offered by NGOs.

Charitable Support from Local Business: Impressions from Blagoveshchensk

Amur-Batushka, the NGO resource center in Blagoveshchensk—a town of 250,000 tucked away on the Amur River on the border of China—has proven itself to be one of the most enterprising places in the Russian Far East in terms of attracting public support for the Third Sector. In March, it organized the region's first NGO Fair to highlight the work of eleven of the city's best known NGOs. These included the local branches of the Russian Red Cross, the Children's Fund and the Socio-Ecological Union; the regional Women's Council and the Young Lawyer's Association. Together these groups donated over \$65,000 in goods and services to the community. The contributions included \$28,000 in vehicles adapted for use by the disabled, \$1,000 in medicine, \$3,500 in hearing aids for children, 54 televisions for disabled veterans and 60 wheelchairs.

The Mayor of Blagoveshchensk officially opened the fair and hundreds of people attended. Among the events was a roundtable on charitable giving in the Amur region. Amur-Batushka, which has established an annual "Sponsor of the Year" award for local business, invited many of their donors to attend, but only one took part publically, this year's winning sponsor, Irina Militetskaya, director of a firm called Centropol.

In her remarks at the roundtable, Militetskaya spoke for the rest of the business community: "Russia is probably the only country in the world where charitable activity is not profitable for business. We are saddled with taxes and fees from all sides and if we

manage to make some profit after all that, we are taxed 50 percent on that money. How much can we afford to give to charity given these conditions?"

In spite of the difficult tax environment, Militetskaya assured the audience that her organization would not stop giving. "Since our company is located in the Amur region and earns its money here, we feel we must give something back to the region and the people who live here. ... Centropol has contributed to charity since we began doing business, and we intend to keep on doing so. ... In order to concentrate our efforts, we have decided to support educational institutions and NGOs involved in educational activities."

"As for changing the tax environment for charitable giving, we're powerless," Militetskaya added. "Can our suggestions effect some kind of change? Can we realistically fight the current situation? I don't think we're in a position to do so yet."

At the end of the fair, when the organizers looked through the questionnaires filled out by those who took part, they learned that representatives from 13 other local businesses had also attended. They just chose to do so without announcing their presence. The organizers concluded that perhaps they had feared being descended upon by the needy NGO community and preferred to remain incognito and make their own decisions about whom to support. ●

- adapted from an article in the March/April '99

ISAR-Far East journal

Social Contracting: A New Vision for Social Services in Russia

by *Nodar Khananashvili and Oleg Zykov*

REALIZING THAT THE RUSSIAN government's social programs have failed to provide a safety net for the country's most vulnerable citizens, Russian society is seeking a new way of bringing services to those in need, while also making the most of limited resources. Nonprofits and legislators have rallied behind the idea of social contracting, an innovative approach that would revolutionize the way the Russian government manages its social services.

The idea of social contracting grew out of the recognition and understanding that nongovernmental initiatives are an effective and often inexpensive way to tackle social problems. Underpinning social contracting are two main principles—NGOs have the right to compete with government agencies and commercial entities for government funding to implement social programs; and all program implementers must be subject to independent, external evaluation to maintain the quality of service delivery.

There are many ways to implement social contracting, but key approaches include developing competitive mechanisms for providing social services, establishing an equal playing field for different actors (private, public and nonprofit) to compete for contracts, and reducing the role of government agencies in the practical resolution of social concerns. To ensure an equal playing field, an independent evaluation institution needs to be established.

Promoting the Idea of Social Contracting

The Moscow-based **No to Alcoholism and Drug Addiction Foundation** (NAN) has been working on the issue of social contracting since 1994. NAN's goal is to gain acceptance for social contracting within society, thereby ensuring more effective social programs and policies in Russia. NAN leaders understand that public support for constructive social activity, as well as the development of broad-based private movements, will help create the conditions for putting social contracting into practice.

In 1994, NAN initiated work on the Russian draft law on social contracting. Since then, various other NGOs have also made a case for social contracting throughout Russia. NAN has focused its lobbying efforts on four main objectives: passing laws to

establish a legal basis for social contracting, creating precedents for social contracting, setting up educational programs on social contracting and conducting public relations campaigns to increase awareness about the issue.

So far, more than 20 draft laws have been developed in Russia's regions. Two books on the topic have been published and a third book, "The Dark Times of Social Policy in Russia," will be published in August. Seminars with government officials and NGOs on social programs and other forms of intersectoral interaction have been held in many regions. NAN has also brought the idea of social contracting to the Russian public in newspapers and television shows.

Significance of Social Contracting

It is particularly important to create clear and effective mechanisms for social work in Russia today, when certain social problems are reaching crisis levels. The loss of spiritual and social reference points and the lack of a cohesive national identity are primary indicators of an unstable society, one that is incapable of addressing its problems or helping individuals and vulnerable groups. Regardless of funding constraints, Russian society needs a new vision for a targeted and active social policy capable of addressing the current situation. Both the upper echelons of power and society as a whole must come to understand this fact.

Nongovernmental actors can play a pivotal role in this vision. They currently run a number of concrete programs aimed at helping society's vulnerable groups. Their projects address socially significant issues, such as providing specific assistance to various groups (the poor, handicapped, elderly, refugees, inmates, victims of violence, homeless children, etc.) and conducting massive social programs for children, families, and different at-risk groups. There are organizational, material, medical, psychological, legal and informational aspects of how this social assistance and support is implemented. It involves providing housing, refuge or food, giving people the opportunity to get an education or obtain professional skills, or providing different forms of counseling.

Effective social contracting would create mechanisms to ensure that the government identifies the best

Regardless of funding constraints, Russian society needs a new vision for a targeted and active social policy capable of addressing the current situation.

work being done on a significant social problem and then invests in those initiatives. Thus, the government could put its limited resources to work in the most cost-effective way. Social contracting also ensures the employment of the most active and dedicated citizens. If adopted, it would improve the availability and quality of the social services that Russia provides its citizens, thus increasing the well-being of the Russian population and reducing social strife and discord.

Status of Legislation

Currently, social contracting has the active support of the Yabloko party, including Duma deputies Valerii Borshchev and Anatolii Golov, and Moscow City Duma deputy Irina Osokina. These politicians are working to promote the passage of the appropriate laws on the federal level and in the city of Moscow.

However, three times over the past several years the Russian government has reacted negatively to the bill. Opponents argue that there is no need for a new law because there is already a law on the books—"On Deliveries of Products for the State's Needs." Yet the current law fails to acknowledge that issues related to the delivery of products are not compatible with questions about the development of an NGO social service sector. Despite the essential differences between the existing and proposed laws, confusion about them persists within the Cabinet of Ministers, the body responsible for implementing laws on the federal level.

In Russia's regions, the level of acceptance of social contracting varies. While most regions, including St. Petersburg, Perm, Novosibirsk and Volgograd, have drafted legislation and held some discussion, only Tyumen and Ekaterinburg have put social contracting into effect. Several other regions, such as Nizhnii Novgorod, Tomsk and Yaroslavl, have approved legislation but have yet to implement it. Moreover, the law passed in the Tyumen Region is being misapplied.

In summary, social contracting has become the banner under which many social service NGOs have united to protect their rights, secure income and initiate full-fledged cooperation with the government and commercial sectors. Social contracting would end the population's reliance on government agencies to render needed social services. It would, instead, offer government funding for active nongovernmental or private sector groups providing meaningful assistance to the Russian population. In turn, the public would be more closely involved in creating and overseeing the country's social services. If NGOs and politicians can successfully implement a policy for social contracting, they will lay a new foundation for Russia's evolving society, enriching it with the idea of civic consent. ●

Oleg Zykov is the president of NAN and Nodar Khananashvili is the chief of NAN's judicial department. Translated by Andy Reese.

Social contracting would end the population's reliance on government agencies to render needed social services.

Building Support for Russia's Reserves

by *Natalia Danilina*

OVER THE PAST FEW YEARS IN Russia, public support for state nature reserves, national parks, and other protected territories has grown significantly. The **Ecocenter Zapovedniki**, a Moscow-based NGO, has played a pivotal role in hastening this positive development. The Ecocenter measures public awareness of protected areas and provides park and reserve managers with the skills they need to attract the support of the citizens living close to these territories. Through networking, training and other educational programs, the Ecocenter has helped the staffs of protected territories build bridges to local political and business leaders, as well as to the general public. Engaging these different groups as stakeholders has helped ensure the survival of Russia's protected areas in a time when very little federal support is available.

Since its inception, the Ecocenter has created a network of 32 NGOs that are affiliated with Russian nature reserves and national parks throughout the country. Through events and direct outreach, the NGOs attempt to educate the public about the value of the protected territories in their regions. They also try to secure funds or in-kind contributions from the local community to support cooperative projects linking the parks and those who live nearby.

NGOs in the Ecocenter network have found many different ways to heighten public interest in and raise money for the protected territories they seek to support. In 1998, for instance, the Ecofund Chazyi, an NGO working in conjunction with the Chazyi and Malii Abakan nature reserves in the Khakassiya Republic, conducted a children's art show on the premises of the Supreme Council of the republic. The

courtesy of Ecocenter Zapovedniki

of the government, bank executives, the head of the local monastery and other respected community leaders. The board helped them raise \$5,000 from local businesses to create a museum exhibit at the reserve and another \$1,000 from the regional opera theater. In addition, the Tatarstan Ecofund, a government-controlled fund consisting of fines paid by polluting factories in the region, contributed close to \$10,000 for March for Parks in 1998 and doubled its donation in 1999. The Raifa-Sviyazhsk Fund also raised \$1,500 in membership dues from the community in 1998, a significant sum in an agricultural region.

The NGO supporting Vodlozerskii Park in Karelia has raised \$23,000 in grants and in-kind goods and services for environmental camps, March for Parks, student seminars and special trainings for regional expeditions. The support came from the Ministry of Education, the State Environmental Committee, the regional administration of the Pudozhskii region of Karelia and independent businesses.

One way the Ecocenter Zapovedniki helps network members achieve such results is by offering regular seminars on fundraising. The seminars introduce the NGO staff to representatives of funding agencies, Russian and Western, who explain what they look for in proposals. The seminars give the NGO representatives a chance to share stories about successful strategies and to role play situations that typically arise with potential donors—dealing with a bored bureaucrat or winning over a local businessman who does not care about nature. The Ecocenter also describes its own fundraising efforts, such as publishing books, brochures and calendars that illustrate the beauties of Russia's nature reserves. The Ecocenter received \$28,000 from the federal ecological budget and \$2,000 from private individuals to offset the publishing costs.

These are but a few examples of how Ecocenter Zapovedniki's partner NGOs have developed relationships with local government agencies, enterprises and banks in order to win support for the parks and reserves with which they work. Perhaps the sums Russian sponsors donate are not large in comparison with Western donations, but local philanthropy is new in Russia and economic conditions are poor. It is too soon to say if local sponsors can ever completely replace Western funders. Nonetheless, NGOs have begun to work with local sponsors and achieved tangible results. This suggests that in time, if the right approaches are developed, there is real potential for local philanthropy in Russia. ●

Natalia Danilina is the director of the Ecocenter Zapovedniki.

Residents enjoy the Smolenskoye Paozorye music festival.

deputies of the Council were so impressed by the exhibit, they voted to donate \$16,500 to support the two nature reserves. Ecofund Chazyi also secured a \$17,000 donation from the Siberian Aluminum Company for the annual March for Parks event, Russia-wide festivals to celebrate nature reserves.

In 1999, the NGO established to support the Smolenskoye Paozorye national park organized the first-ever Russian music festival for parks in collaboration with the regional administration. The organizers received \$5,000 to run the event, which attracted many potential regional donors and energized the local community. The event also drew cash and in-kind donations, ranging in value from \$40 to \$300, from the central regional administration, a ceramics factory, a local business, a sanitarium and even private citizens.

The Bureya Ecocenter, in cooperation with the Bureya nature reserve in Khabarovsk Krai, helped secure a rent-free, three-room apartment from the Ural branch of the Baikal-Amur Railway to serve as an office for reserve staff, and another local business donated a truck to the reserve. In 1997, the regional administration of Chegdomin donated a building complex to the Ecocenter and provided office space for the agricultural employees of the reserve. And then, in 1998, Mezskom Bank offered the organization a \$7,000 grant to strengthen the work of the reserve.

The Raifa-Sviyazhsk Fund, an NGO working with the Volga-Kamskom nature reserve in Tatarstan, has created a board of trustees that includes representatives

State Funding: A Double-Edged Sword

by *Tatiana Sineaeva and Ilya Trombitsky*

IN THE SPRING OF 1993, MOLDOVAN scientists, journalists, lawyers and students banded together to form the **Biotica Ecological Society**. Biotica's three priorities are environmental law, biodiversity conservation and nonprofit legislation.

From the beginning, Biotica leaders realized that qualified NGOs could successfully lobby the government for stronger environmental programs and laws. Recognizing that Moldovan government structures often lack the time and expertise to consider the nuances of an environmental issue, Biotica provides independent NGO input vital for creating environmentally sound policy. In order to retain their independent voice and nonpartisan reputation, Biotica leaders do not accept government money and look instead to other funding sources.

The Funding Climate in Moldova

Moldovan law states that money from state budgets should only be distributed to NGOs on the basis of open competition, but in reality, public money is usually distributed to people who have government contacts, making it difficult to access. This happens because public servants do not understand the role of the Third Sector in society and because NGOs have difficulty exercising their rights in a country where the rule of law is not firmly established.

The situation with state environmental funds is only slightly better. This year, the Ministry of the Environment started a small grants program in which all legal entities, including NGOs, can compete for grants ranging from \$1,000-\$2,000. The boards of Moldova's different environmental funds determine who should receive this money. While the process is meant to be transparent and ensure that groups have equal access to funding, NGOs do not have adequate say in the distribution of grants. Moldova's 80 environmental NGOs are represented in the process by only one person, who sits on the boards of both of the country's two largest environmental funds.

While many environmental NGOs expect to receive some funds from government budgets, Biotica tries to avoid the complications connected with government funding. In order to retain its right to criticize state actions, Biotica has developed a different way of working with the government. The organization actively cooperates with the Ministry of Environment,

not asking for money, but working as an independent advisor and watchdog. This has led to a relationship where Biotica is respected by the Moldovan government as an independent body. However, in eschewing government funding, Biotica is left with few other sources to tap.

With Moldova's severe economic crisis, the country's internal resources for NGOs are limited. Income from businesses tends to be minimal and sporadic, and given Moldova's lack of a philanthropic tradition, donations to nonprofits are rare. Business leaders need positive examples, and although a law on foundations was recently adopted, no national, politically independent grant-making foundation yet exists in Moldova. Another problem is the tax code, which does not clearly delineate the status of NGOs and leads to confusion about their rights. Realizing that NGOs often spend money more effectively and are better prepared to address the country's problems than the government, Biotica leaders have decided that their only choice is to turn to international foundations in order to find the freedom and funding to implement their programs.

Working with the Government

Biotica's stance on government funding and outreach to foreign funders has been fruitful. In all of the organization's areas of activity, Biotica has been able to implement successful projects that have enhanced both Moldova's legal structure and natural surroundings. Working on biodiversity conservation, Biotica led the push for the parliamentary regulation "On Measures for Conservation of the Dniester River Ecosystems and Biodiversity," which the organization drafted and which was adopted in 1997. Biotica has also organized trips and field study tours along the Dniester River and is now preparing a draft for a Moldovan-Ukrainian treaty on the river, which will be presented at the second International Conference on the Dniester.

In the area of environmental legislation, Biotica has been a vocal proponent of several laws and has proposed numerous amendments to the Moldovan draft laws "On Protective Zones of Rivers and Water Bodies," "On Wildlife," and "On Drinking Water." With support from the Eurasia Foundation, Biotica authored and lobbied for the law "On Access to Environmental

Information,” which was passed in Moldova on its first reading. The law was also adopted as a model law by the Interparliamentary Assembly, the representative body of the FSU.

Biotica continues its work as a government advisor and monitor in the sphere of nonprofit legislation. From 1994-96, Biotica worked on the Law “On Citizens’ Associations” with support from USAID through the Eurasia Foundation, drafting the law and presenting it to the Parliament. The law was passed in May 1996 and went into effect the next January. This law established an independent charity commission, which certifies nonprofits, thus making them eligible for tax exemptions. Biotica also published a book entitled “How and Why NGOs are Created” in 1997, written in both Romanian and Russian. The book was the first in Moldova to present public opinion on the nonprofit sector, the legal and financial framework for NGOs, recommendations for people wanting to form an NGO

and model registration documents. Currently, at least half of the country’s new NGOs use the book to prepare their registration documents.

Despite Biotica’s experience with foreign funding, the organization’s leaders realize that there are disadvantages to working with international donors. First, far fewer funders operate in Moldova than in neighboring Ukraine and Russia. For example, the Charles Stewart Mott Foundation, the W. Alton Jones Foundation and the Ford Foundation do not work in Moldova. Secondly, the local offices of the international grant makers that do work in Moldova often have come on the invitation of a certain faction in Parliament, which can create potential conflicts of interest. Biotica therefore focuses its funding efforts on private foundations that have no political ties. ●

Tatiana Sineaeva and Ilya Trombitsky are co-directors of the Biotica Ecological Society.

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Government Support for NGOs in Tomsk Strengthens Environmental Citizen Groups

Cooperation between the state and nongovernmental sectors has not been common in Russia, but in the Siberian city of Tomsk, steps toward uniting the two have begun. A new experiment in government support for NGO activity occurred this spring when the Tomsk regional Ecofund, a government-controlled fund consisting of fines paid by polluting factories in the region, contributed \$2,500 to a grant pool for Tomsk environmental NGOs. Each administrative region has the authority to establish an Ecofund from the fines and the money is earmarked for environmental protection efforts. However, until now, NGOs have been stymied in their efforts to receive the Ecofund money.

When the financial crisis hit a year ago, ISAR-Siberia approached regional administrators in several cities proposing that they direct some of the Ecofund money to citizen environmental initiatives, and the Tomsk Ecofund agreed to do so. ISAR-Siberia offered their grant-making expertise to run the program and matched the Tomsk contribution, generating a total grant pool of \$5,000.

The Ecofund and ISAR-Siberia organized a review board, which met in June to consider proposals. The board awarded six grants, supporting a citizen

monitoring project, a journal covering local environmental problems, the printing of environmental inserts for a local newspaper, a training for student environmental inspectors, and two environmental education projects. The support for environmental education was natural for the Tomsk administration, which has traditionally funded training and youth programs. Alexander Adam, chairman of the regional Committee on Ecology, which controls the Ecofund money, said, “When talking about environmental protection activities and policies, the emphasis needs to be on youth.”

The new cooperative relationship has given the Third Sector a more prominent role in the community and created an effective and transparent mechanism for distributing resources toward environmental NGOs. According to Yuri Shirokov, director of ISAR-Siberia, the Tomsk officials who participated in the project were impressed by the quality of the projects proposed by the local NGOs and expressed interest in holding another grant round later this year. ISAR-Siberia plans to initiate similar cooperative projects with administrations in other Siberian regions such as Omsk, Kemerovo and Krasnoyarsk.

- ISAR-Siberia



Sustainability through Self-Financing: Lessons From Central Europe

by Lee Davis and Nicole Etchart

THE LATE 80s AND EARLY 90s WAS A period of third sector “extroversion” in Central and Eastern Europe (CEE), marked by a rapid influx of international financial assistance and an interest in models from the West. This period has been replaced by one of third sector “introversion,” in which the sector moves to consolidate its identity and financial sustainability within its local community. As a result, NGOs are increasingly turning from traditional philanthropy to the marketplace to identify additional local sources to supplement their contributions from public and private donors. In CEE, this trend is accelerated by the fact that international donor resources are disappearing and local philanthropic resources remain insufficient to meet growing needs. The loss of funding leaves the future financial sustainability of many NGOs uncertain and illustrates the necessity of diversifying NGO financing sources.

In response to these trends, the **Nonprofit Enterprise and Self-sustainability Team** (NESsT) launched the Sustainable NGO Financing Project (SNFP) in 1997. The SNFP assists NGOs in the Czech Republic, Hungary, Slovakia and Slovenia to diversify their funding sources by developing their capacities to use “self-financing” strategies. Self-financing refers to a number of entrepreneurial strategies for generating income: membership dues, fees for services, product sales, use of “hard” (equipment or property) or “soft” (copyrights, patents, licensing agreements) assets, ancillary business ventures, and interest on savings or other investment dividends.

SNFP is now a collaborative effort of NESsT and five partner organizations located in the Czech Republic, Hungary, Slovenia and Slovakia. The project does not aim to commercialize NGOs. It has two primary goals: to develop the capacity of NGOs to use self-financing strategies effectively and responsibly; and to develop financing mechanisms for providing capital to NGO entrepreneurs to start up or expand self-financing activities.

In 1998, the SNFP consortium created an initiative called “action research.” SNFP partners first documented and analyzed cases of NGOs utilizing self-financing strategies in their own countries and

examined the obstacles to implementing such approaches. The year-long action research conducted by the SNFP team confirmed that a number of NGOs have succeeded in using self-financing strategies both to generate income and to further the mission of their organizations.

Numerous environmental NGOs in the region have already begun to employ creative and potentially lucrative “eco-enterprises.” In the Czech Republic, the Eco Centrum in Brno publishes, sells and distributes books on nature, ecology and healthy life styles and operates a graphic design and print production studio. These activities together generate nearly 80 percent of its operating budget. The Lipnice Summer School in Prague generates 90 percent of its financing from summer environmental education programs and has established a separate company that offers outdoor team-building courses for corporations.

Social welfare and cultural NGOs are also covering some of their costs by offering their products and services at a fee or by accepting public or private contracts. The Children’s Foundation in the Czech Republic rents its charter bus to travel agencies for tours and generates over 15 percent of its annual operating budget. In Hungary, two foundations have signed contracts with German and Italian firms to manufacture and distribute goods. One of the foundations generates 90 percent of its income and the other earns 55 percent of its budget this way.

Among cultural NGOs, groups like KUD Center in Ljubljana, Slovenia have turned to self-financing strategies to finance alternative cultural events that state or local governments will not support. KUD operates a cafe with an exhibition space and sells tickets, books, T-shirts and CDs, generating over 50 percent of its annual income through these activities.

Community development NGOs like Cierny Hron Micro-Region in rural Slovakia and the Szeged Foundation in Hungary have also increased local employment opportunities and bolstered tourism, while generating significant income and furthering their missions.

The NGO cases documented by the SNFP team also indicate that self-financing is not a panacea for

NGOs are increasingly turning from traditional philanthropy to the marketplace to identify additional local sources to supplement their contributions from public and private donors.

solving all nonprofit sector financing issues. Through self-financing, some NGOs can increase their long-term viability and independence. But some leaders implement self-financing strategies inefficiently, with little or no planning or preparation. NGOs also face numerous challenges in implementing self-financing strategies and some strategies do not suit all NGOs or all countries. Questions of management, access to credit, conflicts between for-profit and nonprofit missions, legal and tax climate, potential competition with for-profit businesses, public accountability and potential abuses are all recurring issues that NGOs in CEE face as they pursue self-financing strategies.

This year the SNFP team is focusing on capacity building—developing the tools and services for assisting local NGO entrepreneurs. The team is also developing venture financing. In 2000, NESsT plans to launch a strategy to directly invest in the start-up or expansion of NGO self-financing enterprises.

The trends in funding for NGOs in CEE represent a panorama of NGO financing that affects NGO leaders around the world. But the problem with NGO financing is not only one of quantity, but also of quality. Fundamental problems exist with the current financing

mix. The heavy focus on project grants as the primary financing instrument for the nonprofit sector significantly hinders the ability of organizations to develop the core capacities they require to strengthen and sustain their work. This trend has created a marked dependency on international donors and has promoted a vision of project spending instead of organizational investment.

Self-financing is one additional strategy NGOs can use to leverage local resources for organizational development and sustainability. If used effectively and responsibly, self-financing will generate not only additional resources for an NGO, but specifically the unrestricted general support funding NGOs find most difficult to leverage from other funding sources. This benefit alone should entice NGOs to think beyond the current financing situation and seek new and entrepreneurial ways to generate income. ●

Lee Davis and Nicole Etchart are the co-directors of NESsT. This article is excerpted from "Defining a New Panorama" in The NGO Venture Forum: Profits for Nonprofits (Budapest: NESsT, 1999). For copies of NESsT publications, write to <nesst@igc.apc.org>.

Life After Grants: NGOs Explore Options

by Yuri Skochilov

MOST NGO LEADERS HAVE experienced the alarming moment when work on specific grant-funded projects ends and ongoing financing of the organization must be secured. Money must be found to pay for office space, communications and salaries as well as to keep programs running. Organizations primarily relying on grants for funding are particularly hard hit by this problem, as inevitably there are gaps between grants. For most Central Asian grant recipients, grant money accounts for 80-100 percent of an organization's yearly budget.

While the end of a grant often ends the life of an individual organization, the end of a grant-making program can have even more catastrophic results. When, after stimulating the activity of many organizations, a funder ceases to give grants, a "mass extinction" of organizations that have been living from grant to grant often occurs. Entire areas of NGO activity can be decimated, as NGOs close or move on to different issues in search of support from other funders.

Funders often ask NGOs to describe how they will sustain their projects, and NGOs are accustomed to describing in their applications how they will finance their activities with internal resources or other sources of funding. Most NGOs have not actually studied these other sources of funding, however, and most lack the knowledge and experience necessary for soliciting funds from local government or private donors.

Compounding the problem, the development of individual and corporate philanthropy, which would provide local NGOs with important resources, is in embryonic form in Central Asia. Soviet rule undercut older charitable traditions, the current tax structure does little to promote charity and many people struggle just to support themselves, never mind give to others.

While the opportunities for NGOs to receive government funding have somewhat improved in recent years, most NGOs have little chance of receiving state funding. The Ministries of Environmental Protection in the Central Asian countries have received funding from powerful international donors such as



the World Bank, UNDP and others that require them to involve NGOs in their work. Nevertheless, the access of most NGOs to this funding is limited, since the ministries already have contacts with NGOs they know will not cause problems.

Self-financing provides an alternative way for NGOs to support their activities, but very few Central Asian environmental NGOs have successfully implemented self-financing projects. Among these is the Ashgabat Ecology Club Catena in Turkmenistan, which provides e-mail service to commercial and noncommercial organizations. By charging fees to government and commercial entities, it is able to serve NGOs free of charge. The Kazakhstani nonprofit newspaper *21st Century* has also earned money for its nonprofit activities by providing printing services to businesses.

The challenge for these two NGOs and others like them is that in order to build their resource base and satisfy their commercial clients they must constantly update their technology and equipment. Yet the only funds available to them are grants that support their nonprofit activities and they do not have money to invest in their for-profit services. Successful self-financing for most NGOs requires finding ways to build a long-term resource base in the course of carrying out grant-supported projects, taking such steps as investing in technology and developing trained, professional staff. Few organizations in Central Asia have begun to operate in this longer term way; the majority continue to count on Western grants for survival.

Other problems also face NGOs that try to pursue the self-financing option. Several environmental organizations making the effort to offer paid services find themselves in competition with government and commercial institutions, and since their resource base is weak and they lack knowledge of marketing, it is difficult for them to compete successfully. Furthermore, as an organization seeking to practice self-financing tries to run its business legally, it comes up against various controllers and inspectors, all of whom view burgeoning profits as an attractive target. The burden of paying taxes and bribes often smothers NGO initiative.

Youth Ecocenter, an NGO based in Dushanbe, Tajikistan, conducted an analysis of the self-financing situation several years ago and facilitated a dialogue on successful and unsuccessful self-financing experiences with other NGOs. This discussion enabled the Ecocenter to create a plan, under which, for the last three years, the organization has trained staff and strengthened its resources. Now the Youth Ecocenter

has developed unusually strong computer resources for a Tajik NGO and has five highly qualified trainers on its staff.

During the Russian financial crisis in August 1998, the Youth Ecocenter lost all the money it had saved in Russian banks and was forced to put ideas for self-financing into practice. After almost a year of conducting paid trainings for other NGOs and providing various commercial services such as translation, computer courses and printing, The Ecocenter has reached the point where it can support its noncommercial educational, environmental and information projects. Steps have been taken to run programs as cost effectively as possible, holding seminars in a park as opposed to a conference hall and reducing expenses for non-essential supplies. The Ecocenter has been able to hold onto core staff, but the people who were not prepared to work voluntarily or for a smaller salary during the transition period had to seek jobs elsewhere. The successful self-financing experience of the Ecocenter is partly due to the lack of competition in Tajikistan, but the organization had also consciously prepared itself over a period of time to take on such income-generating activities.

The situation in other Central Asian countries is more complicated, since NGOs compete with both businesses and other NGOs in offering paid services. While this competition is not so strong in Tajikistan, in other countries it is a reality, and only those NGOs that are able to produce a higher quality product than their competitors will succeed.

Finding resources locally, whether from corporate charity, the government or income generation projects, is difficult and time consuming. But it has now become necessary to put into practice some of the ideas that were previously only written into proposals to please funders. In the future, when Western funding decreases further, it will be necessary to spend more and more energy on investigating local resources and strengthening internal resources to support NGO programs. ●

Yuri Skochilov is director of the Youth Ecocenter. Translated by Amy Forster.

courtesy of Counterpart Consortium

Volunteers make hamburgers at a fundraising picnic in Dushanbe.

Azeri Organization Attracts Resources For Thalassemia Treatment

by *Saida Babaeva*

SINCE 1993, THE **SAVAB DUNYASI Association** has been working to help children with thalassemia, a serious form of anemia, which can be fatal if undetected and untreated. Savab has assisted families with afflicted children gain access to blood transfusions, medicine and money since the cost of treatment is extremely high. Savab has also

courtesy of Savab Dunyasi attracted donors by educating the public about the disease and its symptoms and how it is transmitted. By informing Azeri society about the challenges faced by afflicted children, Savab has drawn attention to the disease, attracted support and technical assistance and generated a desire to help families manage this treatable disease.

Thalassemia, which most frequently strikes people of Mediterranean and Middle Eastern descent, is one of the most common hereditary blood diseases. In Azerbaijan, one out of every 12 people carry the thalassemia gene and more than 2,000 children suffer from a serious form of the disease.

Every year, 600-700 children are born with thalassemia and many die before the age of one, especially in rural regions where it is difficult to treat.

The treatment for children with severe forms of thalassemia consists of monthly blood transfusions and daily, lifetime use of the drug desferal, a very expensive medication, which generally costs \$70-80 a week. Given that the average salary in Azerbaijan is around \$20 a week and the government is unable to subsidize treatment, none of the families battling the disease can afford the cost of treatment.

Savab has taken on the job of helping such families and at the same time has tried to change the public image of children who have the illness. By organizing children's art shows, poetry readings and concerts, Savab has not only raised money for its thalassemia campaign, it has also given children with thalassemia a chance to show that they are not mentally and socially different from other children.

The association's most successful fundraising event took place on May 8 of this year, International Thalas-

semia Day. Savab organized a charity marathon that included radio and television programs, newspaper stories, and public events that attracted numerous government officials. ANS, a local television and radio station, offered airtime to highlight the plight of afflicted families throughout Azerbaijan. ANS broadcast shows and music for children as well as a video, which the station had produced for free, dramatizing the experience of children suffering from thalassemia and the difficulty of its treatment.

In the course of the marathon, Savab collected over \$15,000 from local donors that will be used to acquire desferal for several months. The society of Azerbaijani-German women also offered to help purchase the drug at a lower price. The marathon achieved its goals because Savab members were able to attract prominent guests, assistance from the media and international recognition for the cause. Coordinating the event was not easy, in particular attracting local resources from businesses and television companies. The effort succeeded because of the steady work over several years to publicize the problem of thalassemia and develop a base of support.

Savab plans to continue its campaign to publicize and prevent the disease. Association members have established contacts with local youth organizations and university students to create a working group to fight thalassemia, which will help young people learn about the disease and steps that can prevent its further spread. As part of the effort, Savab has developed and distributed brochures in Azeri and conducted a series of press conferences in the Baku press club. It will also continue to work with the medical community. In some cases, Savab has been able to persuade doctors to provide transfusions and other treatment free of charge for families that are unable to cover the costs.

While the government has not yet provided resources for treating people with thalassemia, Savab has shown that the community is not helpless. When citizens understand a problem and join forces, they can find resources and help improve the lives of their neighbors. ●

Saida Babaeva is the president of the Savab Dunyasi Association.

Children with Thalassemia celebrate one child's sixth birthday.



Ukrainian Youth NGO Canvasses Business Community for Financial Support

Anthill, a Ukrainian NGO based in Kyiv, was established to work with at-risk teenagers. Initially, Anthill funded its programs with grants from Western foundations, however, as the organization grew, it decided it should look for sources of support that were closer to hand and did not require the time-consuming process of writing proposals. Given that Ukraine had a rich tradition of charity before the Soviet era, it decided to explore local funding possibilities.

The organization made its first approach to local sponsors in connection with an Earth Day festival for young people in 1998. Since Western funders rarely support one-time events, Anthill staff decided to seek local sponsors to provide the money and in-kind contributions they needed, such as prizes, sports equipment and the materials for cleaning up a section of the Dnieper River. Anthill launched its fundraising campaign by writing solicitation letters and visiting numerous local businesses to publicize the festival. Organizers did not target a specific type of business, but instead went door to door seeking promotional materials and products to use as prizes. After five days of hard work, Anthill gathered 2,500 prizes and supplies worth over \$5,000.

Next Anthill offered businesses the chance to make on-location presentations of their products in exchange for a donation of \$350. They knew that businesses wanting to hold open-air promotional events in Kyiv have to pay municipal fees ranging from \$1,000-\$1,800. Nonprofits, on the other hand, are permitted to conduct their activities for free in city parks. Thus, businesses that sponsored Anthill were able to promote themselves at a much lower cost. To enhance their solicitations, Anthill was careful not to approach businesses that were direct competitors and immediately disclosed how they planned to use any donated funds. They also listed all sponsors on their Earth Day materials and posters. Of the 50 businesses they approached, five agreed to sponsor the festival. With this support, Anthill was able to print leaflets, buy radio equipment and make posters. After the event, they had some prizes left over to use for future events and have been able to reuse the donated equipment.

The success of their Earth Day efforts inspired Anthill to try to raise enough to run a summer camp to give the disadvantaged teens they serve a chance to get outside the city. First, they developed a detailed plan

and budget to determine what they needed, given that Ukrainian law makes it easier for businesses to donate products rather than money. They also realized that employees at local businesses might be interested in sending their own children to the camp.

With these thoughts in mind, Anthill made a list of potential contacts and decided which of their materials and information would make the most effective pitch. Developing tactics for finding support was much easier than actually securing it and the search lasted close to two months, but in the end Anthill's fundraising strategy paid off. Donors contributed food, drinks and camping equipment covering most of the camp's major expenses. To thank the donors, Anthill produced a video about the camp which mentioned the name of each business sponsor at least once. The organization then personally delivered the video with letters of gratitude to each sponsor. Thanks to this year's success, Anthill feels confident that it can organize a camp again next year and turn to local sponsors instead of Western funders for support. ●

- Oksana Kosmina, director of the Anthill Children's Center. Translated by Schelene Smith.

Sadibda Helps Sick and Disadvantaged Children in Georgia

In Soviet times, Rustavi, Georgia, was a prosperous city, employing thousands in its chemical and metallurgical factories. Now those factories are closed and Rustavi residents are facing hard times. Families with chronically ill children suffer most, as their children often lack food and medicine. The NGO Sadibda was established in 1997 to provide relief for these families.

Sadibda helps parents obtain free medical care, runs health camps for sick children and organizes supervised activities for disadvantaged youth. One of its early efforts was organizing a group of 25 teenagers who play weekend concerts for and with disabled children. Concert costs are covered by donors and they provide an unusual opportunity for healthy young people to join forces with children less fortunate than they to bring pleasure to young audiences.

In April, Sadibda organized a music festival in which children—disabled and healthy—competed for prizes. Over 200 children from eight schools in three cities participated and the best young musicians were honored at a gala concert later in the month. Prizes were donated by local government officials and businessmen, and the opening was presided over by the head of the municipal government. Festival costs, including equipment, concert hall rental and the printing of posters and programs, were covered by ticket sales and local donations. Sadibda's activities have been featured in the media, helping others realize the importance of creative financing.

- Pavle and Elizbar Tvaliashvili, co-directors of Sadibda

Ukrainian NGO Revives Ancient Methods for Resource Management

Bucking the trend of looking to modern technology for new approaches to natural resource management, the Ukrainian environmental organization Gaia is looking to the past. This spring, Gaia hosted two forums on reviving sustainable methods of natural resource management used by ancient cultures indigenous to the region. The first forum, held in April, included NGO representatives, archaeologists and ethnologist-historians from various parts of Crimea while the second, in June, included representatives from throughout Ukraine.

One participant, for instance, demonstrated methods for watering gardens used by ancient Greeks who lived in Crimea. Rather than watering above ground, where water quickly evaporates, these long-ago inhabitants used a form of subterranean irrigation, which allowed roots to absorb more water.

Gaia and forum participants have collected and compiled the ideas presented at the first forum in a booklet entitled "Legacy of Our Ancestors." The booklet contains materials gathered from archival sources. The second forum launched an initiative group for a nationwide program to revive ancient methods of resource management. The group agreed to continue gathering information and will create demonstration models for future meetings. The initiative group includes one Tartar representative, which has inspired participants to make more of an effort to reach out to Ukraine's diverse ethnic groups, since the elders of those groups are often the best repositories of information about traditional methods of resource management.

Armenian Group Promotes Consumer Rights and Public Participation

The Anna Union of Women's Consumer Rights Protection has recently begun a new campaign called Advocacy for Adoption of the Law on Consumer Rights. They launched the campaign on May 3 with the first in a series of television programs entitled "Your Interest, Consumer." The

Union lobbies for the adoption of new consumer law through media projects and community education. The group's work corresponds with wider efforts to improve the situation for consumers in Armenia by strengthening legislation.

So far, the group has completed three of a planned five episodes in the television series, each of which is to present pending consumer legislation and inform citizens about the proposed law. The programs also features health professionals who explain the links between illness and toxic food products and other consumer goods. After broadcasting the series in the provinces, the Union will organize public meetings to discuss consumer rights and encourage greater consumer awareness. The series highlights specific health threats and educates people on how to avoid dangerous products.

Other Union activities include a magazine called *Consumer* and research into specific violations of health standards in the region. Though not specifically a women's organization, the Union has given special attention to helping mothers identify ecologically safe foods for their children. In the future, the Union hopes to open its own independent laboratory, which will do analysis on food products and other consumer goods.

-Armenian Assembly of America NGO Center

Chita Council Links NGOs And City Hall

Over the last year, NGOs in the city of Chita in the Russian Far East have established a Cooperative Council to improve communication with the city's administration. NGOs in the city have divided themselves into ten groups of five, according to their fields of activity. Each of the ten groups has selected one delegate to serve on the Council. By meeting regularly with the ten NGO representatives of the Council, the municipal government has gained access to information about the activities and achievements of 50 organizations. Svetlana Bagin, director of the NGO resource center in Chita, says that although the Council is still fairly new, Chita NGOs have already begun to benefit from its existence.

-ISAR-Far East

Index of Organizations

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