

# **Outlooks for NGO network self-financing:**

**Identification and evaluation of self-financing methods  
for non-profit environmental NGO electronic networks  
in South Eastern Europe**

Diplomarbeit

**Romana Glaser**

Betreuer:

Gabor Heves, MSc

*FHS Informationsberufe*

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### **Ehrenwoertliche Erklaerung**

Ich habe diese Diplomarbeit selbstaendig verfasst, alle meine Quellen und Hilfsmittel angegeben, keine unerlaubten Hilfen eingesetzt und die Arbeit bisher in keiner Form als Pruefungsarbeit vorgelegt.

Altaussee, 25. Mai 2004

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## Kurzreferat

Das Ziel dieser Diplomarbeit ist die Identifizierung und Evaluierung von Selbstfinanzierungsmethoden elektronischer Umwelt-NGO-Netzwerke in Suedosteuropa. Die Bereiche Finanzierung von NGOs, Vervielfaeltigung von Finanzierungsquellen und Selbstfinanzierung im Gegensatz zur traditionellen Finanzierung aus Spenden und Foerderungen werden beleuchtet.

Methodisch wurde folgende Vorgehensweise gewaehlt: Zu Beginn wurde ein Review der aktuellen Literatur ueber Finanzierung durch Spenden und Subventionen und Selbstfinanzierung allgemein durchgefuehrt. Weiters wurden Notizen und Einsichten bei einem Workshop zum Thema ‚Leitbild-orientierte Businessplanerstellung fuer elektronische NGO-Netzwerke in Suedosteuropa‘ gesammelt und persoenliche Kontakte hergestellt. Halbstrukturierte qualitative Interviews mit internationalen Experten und jeweils einem Vertreter jedes elektronischen Netzwerks in Suedosteuropa wurden durchgefuehrt.

Basierend auf dieser Vorgehensweise werden sieben Selbstfinanzierungsmethoden fuer elektronische NGO-Netzwerke in Suedosteuropa identifiziert und evaluiert. Drei Good-Practice-Beispiele von internationalen elektronischen NGO-Netzwerken beschreiben unterschiedliche Selbstfinanzierungsstrategien. Resultierend aus den Analysen wird indirekte Spendenunterstuetzung als bester Ausgangspunkt fuer Selbstfinanzierungsinitiativen suedosteuropaesischer NGO-Netzwerke gesehen. Es wurde erkannt, dass diese Netzwerke bereits ueber Potential und Wissen verfuegen, welches zur Erstellung von neuen Finanzierungsquellen genutzt werden kann. Auch wenn Spendengelder und Foerderungen in den kommenden Jahren wohl die Haupteinkommensquelle bleiben werden, demonstrieren die Ergebnisse und Good-Practice-Beispiele dieser Arbeit, dass Online-Netzwerke in Suedosteuropa groeBen Nutzen aus einem allmaehlichen UEbergang zu einem Selbstfinanzierungsmodell ziehen koennen.

Schlagworte:

NGO, Internet, Netzwerk, Finanzierung, Selbstfinanzierung, Umwelt, Suedosteuropa

**Abstract**

The purpose of this thesis is to outline and evaluate self-financing models for environmental NGO electronic networks in South Eastern Europe. It addresses issues related to NGO financing in general, diversifying financial sources and self-financing as opposed to traditional donor funding in particular.

The methodology is based on the following strategy: First, a review of current literature on NGO donor funding and self-financing is undertaken. Then, notes, personal contacts and insights into the topic are gathered at a workshop on mission-driven business plan writing for South Eastern European NGO networks. Finally, semi-structured qualitative interviews amongst international experts and one representative of each online network in SEE are conducted.

On the basis of the research, seven self-financing methods for NGO electronic networks in South Eastern Europe are identified and evaluated. Three good practices of international NGO electronic networks describe different self-financing strategies. One main outcome of the analysis is that indirect donor support is seen as the best starting point for self-financing initiatives for South Eastern European networks. It is found, that these networks already possess the potential and knowledge, which might be used to establish new revenue streams. Even though donor-funding is likely to remain their main source of income in the coming years, the findings of the thesis and good practices demonstrate that online networks in South Eastern Europe may greatly benefit from a gradual switch to a diversified self-financing model.

Keywords:

NGO, Internet, networks, financing, self-financing, environment, South Eastern Europe

## **Foreword**

During my obligatory work placement for university, which I did at a private company in Budapest in autumn and winter 2003, I found out about the Regional Environmental Center for Central and Eastern Europe (REC) in Szentendre, Hungary. My interest in getting to know this organisation, especially the information department and its library, grew. I got in contact with Kristina Vilimaite, the project officer for library and information services, and got the opportunity to visit the REC. Within this contact, the idea of writing my thesis there was born and discussed. Gabor Heves, project manager at the information programme, offered a topic related to the project on environmental electronic networking in South Eastern Europe (SEE). Writing my diploma about feasible financing methods for electronic networks matched the economic and information management focus of my studies. Gabor Heves agreed to supervise my work and an agreement on a two-month internship at the REC was reached. One highlight was that my participation in a workshop on mission-driven business planning in Rome was made possible. Through personal contacts made while working on my thesis I was able to learn about other cultures and countries of the SEE region. I am thankful for this experience. My stay in Szentendre remains as a memorable and instructive period of time.

I would like to very much thank Gabor Heves for his intensive support and advice including generous funding, and for integrating me in his project activities, especially the workshop.

Special thanks to Pavel Antonov, Robert Atkinson, Norbert Brazda, Oliver Zielke, Jan Haverkamp and Mark Surman for providing their specialist knowledge and commenting on my work.

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I would also like to thank Steven Graning and Adelheid Kaessens for proofreading this thesis.

Thanks to those at the REC, especially at the information programme, for offering pleasant working conditions and support.

## **Abbreviations**

APC	The Association for Progressive Communications
CEE	Central and Eastern Europe / Central and Eastern European
ICT	information and communication technology
ISP	Internet service provider
MDBP	Mission-Driven Business Planning
NESsT	Nonprofit Enterprise and Self-sustainability Team
NGO	Non-governmental organisation
NIOK	The Nonprofit Information and Training Centre
REC	The Regional Environmental Center for Central and Eastern Europe
REReP	Regional Environmental Reconstruction Programme
SEE	South Eastern Europe / South Eastern European

## List of Figures

<i>Figure 1</i> Sources of NGO financing.....	- 25 -
<i>Figure 2</i> Range of commercial and philanthropic approaches to an NGO's main interests.....	- 31 -
<i>Figure 3</i> Two NGO financing models .....	- 34 -

## List of Tables

<i>Table 1</i> Population and NGO overview by country or region as of July 2001.....	- 18 -
<i>Table 2</i> Proportional segmentation of current network financing sources .....	- 24 -
<i>Table 3</i> Contrasting two different categorisations of self-financing methods .....	- 36 -

**TABLE OF CONTENTS**

<b>KURZREFERAT .....</b>	<b>- 3 -</b>
<b>ABSTRACT .....</b>	<b>- 4 -</b>
<b>FOREWORD .....</b>	<b>- 5 -</b>
<b>ABBREVIATIONS.....</b>	<b>- 6 -</b>
<b>LIST OF FIGURES.....</b>	<b>- 7 -</b>
<b>LIST OF TABLES .....</b>	<b>- 7 -</b>
<b><u>1 INTRODUCTION .....</u></b>	<b><u>- 10 -</u></b>
<b>1.1 DEFINITIONS.....</b>	<b>- 10 -</b>
1.1.1 NON-GOVERNMENTAL ORGANISATION (NGO).....	- 10 -
1.1.2 NGO ELECTRONIC NETWORK.....	- 10 -
1.1.3 GEOGRAPHICAL DISTINCTIONS.....	- 10 -
<b>1.2 DISCLAIMER.....</b>	<b>- 11 -</b>
<b>1.3 BACKGROUND .....</b>	<b>- 11 -</b>
<b>1.4 PROBLEM STATEMENT .....</b>	<b>- 12 -</b>
<b>1.5 STRUCTURE AND AIM.....</b>	<b>- 13 -</b>
<b>1.6 STATE OF THE ART.....</b>	<b>- 13 -</b>
<b>1.7 METHODOLOGY .....</b>	<b>- 15 -</b>
<b><u>2 OVERVIEW OF THE ENVIRONMENTAL NON-PROFIT MOVEMENT IN SEE.....</u></b>	<b><u>- 17 -</u></b>
<b><u>3 NGO ELECTRONIC NETWORKING .....</u></b>	<b><u>- 19 -</u></b>
<b>3.1 OVERVIEW OF NGO ELECTRONIC NETWORKING.....</b>	<b>- 19 -</b>
<b>3.2 SEE ELECTRONIC NETWORKS.....</b>	<b>- 21 -</b>
3.2.1 CURRENT FINANCING SOURCES OF SEE ELECTRONIC NETWORKS .....	- 24 -
<b><u>4 NGO FINANCING .....</u></b>	<b><u>- 25 -</u></b>
<b>4.1 OVERVIEW OF NGO FINANCING SOURCES.....</b>	<b>- 25 -</b>
<b>4.2 DONOR FUNDING .....</b>	<b>- 26 -</b>
4.2.1 ADVANTAGES OF DONOR FUNDING.....	- 26 -
4.2.2 DISADVANTAGES OF DONOR FUNDING.....	- 27 -
<b>4.3 DIVERSIFYING FINANCING SOURCES.....</b>	<b>- 29 -</b>
<b>4.4 SELF-FINANCING .....</b>	<b>- 30 -</b>
4.4.1 IMPACTS ON THE NGO MISSION .....	- 30 -
4.4.2 CHALLENGES OF SELF-FINANCING.....	- 32 -
4.4.3 BENEFITS OF SELF-FINANCING.....	- 33 -

<b>5</b>	<b><u>SELF-FINANCING OF NGO ELECTRONIC NETWORKS.....</u></b>	<b>- 35 -</b>
5.1	INTRODUCTION.....	- 35 -
5.2	SELF-FINANCING METHODS FOR NGO ELECTRONIC NETWORKS IN SEE....	- 36 -
5.2.1	INDIRECT DONOR SUPPORT.....	- 36 -
5.2.1	MEMBERSHIP FEES.....	- 37 -
5.2.4	FEES FOR SERVICES .....	- 39 -
5.2.5	ADVERTISING .....	- 40 -
5.2.5.1	Merchandising.....	- 42 -
5.2.6	SUPPORT CONTRACTS.....	- 42 -
5.2.7	TAX DONATION .....	- 43 -
5.3	GOOD PRACTICES.....	- 45 -
5.3.1	BLUELINK INFORMATION NETWORK – BULGARIA .....	- 45 -
5.3.2	CHANGENET - SLOVAKIA.....	- 47 -
5.3.3	WEB NETWORKS - CANADA .....	- 49 -
<b>6</b>	<b><u>CONCLUSION.....</u></b>	<b>- 51 -</b>
6.1	RECOMMENDATIONS FOR SEE ELECTRONIC NETWORKS .....	- 52 -
	REFERENCE LIST .....	- 55 -
	PERSONAL COMMUNICATIONS.....	- 61 -
	APPENDIX .....	- 63 -
	INTERVIEW GUIDELINE.....	- 63 -
	CV OF THE WRITER .....	- 67 -

# 1 Introduction

## 1.1 Definitions

### 1.1.1 Non-governmental organisation (NGO)

Non-commercial public interest organisations, independent from government, whose primary purpose is to defend or promote a particular set of ideals (R. Atkinson, personal communication, 2004).

### 1.1.2 NGO electronic network

An institutional form of collaboration by NGOs, created to facilitate advanced online information exchange and to provide specifically designed Internet services. An NGO network is typically managed by a small team, itself established and supervised by a group of NGOs. The users can be split into a core target group of network member NGOs and a wider community of relevant people and institutions (G. Heves, personal communication, 2004).

### 1.1.3 Geographical distinctions

When the terms South Eastern Europe (SEE) and Central and Eastern Europe (CEE) are used within this paper, the following countries and regions are included:

SEE - Albania, Bosnia and Herzegovina, Bulgaria, Croatia, FYR Macedonia, Romania, Serbia and Montenegro, and Kosovo (which is currently under UN interim administration)

CEE - Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, FYR Macedonia, Poland, Romania, Slovakia, Slovenia, Serbia and Montenegro, and Kosovo (which is currently under UN interim administration)

The geographical scope of the sources used for citation and quotation is covered in chapter 1.6 within the section on state of the art.

## 1.2 Disclaimer

Within the scope of this thesis, when the terms “NGO” and “NGO electronic network” are used, most of the findings apply to both of them (for example, the mission, financing methods, institutional structure).

This thesis does not cover information on NGO legislation framing commercial activities of non-governmental, non-profit organisations. According to the 2002 NGO Sustainability Index (USAID, 2003), countries have a broad variation of laws, as well as an undefined and changing legal environment in some cases. Research on the legal systems of eight countries, and the elaboration of possibilities of dealing with certain laws, does not fall into the scope of this paper.

## 1.3 Background

The theme of this thesis emerged through a project carried out by the **Information Programme** at the **Regional Environmental Center for Central and Eastern Europe (REC)**.

The REC was established in 1990 by the United States, the European Commission and Hungary, with its head office in Szentendre in Hungary and country and field offices in 15 countries in CEE. The REC is a non-partisan, non-advocacy, not-for-profit international organisation following the mission of contributing to an improvement of the environment in the region. It is working on strengthening cooperation and enabling communication between various environmental stakeholders, such as NGOs, governments and businesses. A large number of projects are carried out within nine different thematic departments called programmes. Financially, the organisation’s work is based on funding from Japan and the United States, the European Commission, governments of several European countries, as well as other governmental and private institutions.

The REC was the main implementing agency of the **Regional Environmental Reconstruction Programme for South Eastern Europe (REReP)**, established within the Stability Pact for SEE. It includes Albania, Bosnia and Herzegovina, Bulgaria, Croatia, FYR Macedonia, Romania, Serbia and Montenegro and Kosovo (currently under UN interim administration). The programme focused on institution building and supporting environmental civil

society. Regional environmental cooperation and transnational projects were implemented to improve environmental health and reduce threats to nature. The programme also aimed to further the preparation of the region for European integration.

As part of REReP, the **Balkan Bytes** project on electronic networking among environmental NGOs in SEE was created. When REReP was concluded at the end of 2003, Balkan Bytes continued as an autonomous project. The initial target of the project was promoting **communication** and **cooperation** among environmental NGOs, by helping to establish **electronic networks** in all countries and regions covered by the Stability Pact. The project received funding from several European governmental and non-governmental donors. These funds were distributed based on work plans for the networks in each country, requiring and fostering bottom-up initiatives among the environmental NGOs supported by the project. Thus, motivation and the NGOs' own initiatives were stimulated.

When the project started, two acknowledged environmental networks already existed in Bulgaria and Romania. In Croatia, a non-environmental network was already being run successfully. In all other countries and regions environmental electronic networks were established during the project.

#### 1.4 Problem statement

This thesis focuses on the main challenge of SEE electronic networks: the continual search for funding. The need for **long-term planning** and **sustainability** of the established networks became readily apparent during the Balkan Bytes project. Most significant for the current project phase was the **falling level of financial support** from donors for the networks. As the REC is the main donor for most of these networks, the ongoing decrease of the project's budget has crucial impacts on their viability.

The thesis was designed in response to the demand for more sustainability among SEE electronic networks and the need to define possible **self-financing sources**. The thesis focuses on the question "What kinds of feasible self-financing methods are available for NGO electronic networks in SEE?"

In line with the networking project's geographical framework, NGO electronic networks in eight SEE countries are examined, particularly QKE (Center for

Electronic Communication) in Albania, EkoMrezaBiH in Bosnia and Herzegovina, BlueLink Information Network in Bulgaria, ZaMirNET in Croatia, Eko.Net in the FYR Macedonia, StrawberryNet in Romania, Volvox in Serbia and Montenegro, and Sharri.Net in Kosovo. In the particular case of Croatia, where an environmental electronic network does not exist yet, a non-environmental network is included on the basis of its unique historical background and experience relevant to the topic. A detailed description of all networks is given in chapter 2.3.

## 1.5 Structure and aim

Within the theoretical part of this paper traditional donor funding and self-financing methods are described, along with their advantages and disadvantages. Within the empirical part several self-financing methods for NGO electronic networks are identified and evaluated regarding opportunities and challenges in SEE. Good practices provide insight into the financial development and strategies of three networks. They were chosen to represent networks from varying economical and social environments at different stages and with diverse histories.

The aims of the thesis are to provide clarification on this highly relevant issue, make recommendations that would benefit SEE electronic networks, and to create sustainable financing models.

## 1.6 State of the art

In describing the state of the art on the thesis' topic, an essential issue is identified. Whereas general sections on financing and self-financing of NGOs rely on the literature available, chapters on self-financing of NGO electronic networks in SEE are new and provide unique insight into this issue. Self-financing methods for South and Eastern European networks have not been covered by any other work yet.

The background literature and studies for this thesis can be divided into three main spheres: **NGO electronic networking, financing of NGO electronic networks** and **general NGO financing with a particular focus on self-financing methods**. Although the scope covers environmental NGO electronic networks in SEE, sources available provide information about non-environmental as well as environmental NGOs. Geographical focuses also vary and include networks of

regions all over the world. These distinctions have been taken into consideration for the description of the state of the art.

Gabor Heves's master's thesis on **NGO electronic networking** in Central Europe, written in 1997, looks at environmental NGOs in all the former socialist countries. It contains a substantial historical review of NGOs, an overview of environmental networks and case studies. The principal theme is electronic networking in general, while financing aspects are lightly touched on (Heves, 1997).

The Balkan Bytes project began with a status and needs assessment of environmental electronic networking and cooperation among environmental NGOs in SEE. It is important to mention that the geographical distinction is therefore the same as in this paper. This study investigates the usage of information and communication technology (ICT) by environmental NGOs and collaboration among them. Needs for English language skills, information management, Internet publishing and technical skills were evaluated. At this time, a lack of equipment and reliable Internet connections has been identified, along with a lack of experience in electronic networking and the use of online tools. The results show that financial support was required to meet these demands (Heves & Lang, 2001).

The second category, **self-financing of electronic networks**, is mainly covered by papers, instructions and case studies provided by an international umbrella organisation for electronic networking. These works are concerned with identifying applicable self-financing methods to serve NGO networks all around the world. The case studies examine how self-financing initiatives have been realised in practice and offer practical solutions (Surman, Sitkin & Patenaude, 1999; Surman, n.d.).

In a scientific article from 2003 a comparison was made of the developing civil society in CEE and the emergence of the ICTs. Possibilities for using the Internet to generate income are shown. Networking and financing experiences are emphasised through examples from the Czech Republic, Hungary and Poland (Bach & Stark, 2003).

Concerning **financing and self-financing methods for NGOs**, a book on financial autonomy and alternative grant making as well as self-financing possibilities was published as far back as 1989. The focus of the manual was to determine financing strategies for various types of "Southern" NGOs (Vincent & Campbell, 1989).

A study from 1997 was carried out as a series of case studies, adapting findings from 1989. The main aim of this study is to show a broad variety of NGOs financing situations. Examples from various countries worldwide, economic situations, self-financing methods and NGOs with several thematic backgrounds and at different ages have been included (Davis, 1997).

Two years later in 1999, a similar survey was carried out among CEE NGOs. It involved types and challenges of self-financing approaches, views of donors in the region and an analysis of thematically differing NGOs in the Czech Republic, Hungary, Slovakia and Slovenia (Davis & Etchart, 1999a). In addition, a forum was held and findings were published (Davis & Etchart, 1999b).

Furthermore, two master's theses are available. One sought to evaluate the self-financing situation of Slovenian NGOs (Premrov, 1997), the other focuses on environmental NGOs in Bulgaria (Radovanova, 1999). A further work highlights developments in this field in the Czech Republic (Markova, 1996).

The publication *Planning for Sustainability*, written in line with a project on NGO self-financing ventures, constitutes another important source for this thesis. The project outcome reveals a detailed description of developing profit ventures for NGOs in CEE, including the Czech Republic, Hungary, Slovakia and Slovenia. Organisational capacity building and external assistance are singled out as important factors (Atkinson & Messing, 2002).

Three scientific journal articles provide further insight into the topic, pointing to examples of traditional international non-profit organisations. One article identifies distinctions between social missions and market orientation (Dees, 1998). A second article describes stages for preparing NGOs for their self-financing initiatives (Letts, Ryan, & Grossman, 1997) and thirdly, marketing alliances between NGOs and corporations are categorised (Andreasen, 1996).

In addition, several online reviews and printed pamphlets aid in evaluating and analysing this issue and comparing civil society organisations and commercial businesses (Skloot, 1988; Haverkamp, Verheije, & Schwartz, 1995; Ryan, 2001; Surman, 2002; Peizer, n.d.).

## 1.7 Methodology

Three different methods were selected for the development of this thesis. In the initial phase and as a starting point, a literature review was conducted to gain

insight into the subject. With this knowledge at hand, the next step was to take part in a Balkan Bytes workshop on NGO business plan writing. This four-day workshop offered great opportunities for informal communication, establishing personal contacts and interviewing highly relevant people. Qualitative methodology was used within the workshop participation and in interviewing experts as well as other people concerned.

The **literature review** was used to represent different views and the state of the art of self-financing as an alternative to donor funding.

The **Workshop on Mission-Driven Business Planning (MDBP)**, conducted for representatives of SEE electronic networks and guests from several other networks, lead to a collection of information and memos created within presentations, discussions and personal communication. Material was gathered in a systematic way, edited and revised by facilitators of the workshop.

Further, **semi-standardised qualitative interviews** were used to gain information on the concrete topic of financing SEE networks, on differences from other NGO networks with longer traditions and to learn about good practices. This methodology was chosen to follow a predetermined interview guideline, but also to adjust questions according to the interviewees' answers and varying degrees of knowledge (Berg, 1989, 17; Wengraf, 2001, 61-75). Interviews were conducted with one representative of eight SEE electronic networks, as well as with three representatives of non-SEE networks and two further experts with considerable experience in the NGO community and in online networking. Three experts were interviewed on special issues in a semi-standardised qualitative way. Follow-up telephone or email interviews were used to clarify indistinct points and provide greater depth on certain topics.

## 2 Overview of the environmental non-profit movement in SEE

Referring to a needs assessment among environmental NGOs in CEE (REC, 1997, 27) the history of the environmental movement reaches back to decades before World War II. During the communist era some environmental groups existed as part of the government's environmental education or nature preservation programmes or among youth groups of the communist party. Although similarities can be seen, this generalisation does not hold for all the countries and regions when looking specifically at the SEE area, due to the different histories of these countries (R. Atkinson, personal communication, March 17, 2004). As stated in the book *Defining the Nonprofit Sector* (Salamon & Anheier, 1997, 469) "(...) significant variations among post-Socialist countries exist (...)". These differences are present within the social, economic and political environments (Heves & Lang, 2002, 15). Whereas some NGOs might have their roots in the communist era, the majority of NGOs have been founded after 1989/90 (R. Atkinson, personal communication, March 17, 2004). During the 1990s, changes in the legal and administrative environment helped to shape the evolution of the non-profit movement, forming the current level of development of non-profit organisations (Salamon & Anheier, 1997, 469, 470). Years of war in the Balkan region also had a fundamental impact on the evolution of the NGO sector (Heves & Lang, 2002, 7).

Environmental NGOs were among the first and most active groups in the newly emerging civil society, benefiting from an increasingly stable system. A large number of environment-focused organisations were also pioneers in the level and extent of cooperative efforts, such as nation-wide campaigns or joint projects. All in all, environmental NGOs are playing an increasingly important role in the societies of SEE. They are bringing about an improved environment, an environmentally conscious society and better decision-making, making a strong contribution to a better functioning democratic system (G. Heves, personal communication, 2004).

Table 1 provides data on the population, the number of registered NGOs and NGO members of each SEE country or region.

Table 1 Population and NGO overview by country or region as of July 2001

	Population (million)	No. of registered NGOs	No. of NGO members
<b>Albania</b>	3.5	63	5,808
<b>Bosnia and Herzegovina</b>	3.8	127	84,676
<b>Bulgaria</b>	7.8	166	72,682
<b>Croatia</b>	4.2	151	80,183
<b>FYR Macedonia</b>	2	71	33,716
<b>Romania</b>	22.4	91	13,590
<b>Serbia and Montenegro</b>	10.5	160	198,915
<b>Kosovo</b>	2	12	539

*Source:* Serban, 2001, 25-619; Heves & Lang, 2002, 16

### 3 NGO electronic networking

#### 3.1 Overview of NGO electronic networking

In this chapter background information on NGO electronic networking will be given, leading to a description of the establishment of online networks in the countries and regions related to this thesis.

During their everyday operational activities, NGOs deal with information. It is essential to them to gather information from different sources, to analyse and handle this information, and to edit it and provide it to their members, the public or other stakeholders (Bach & Stark 2003, 6). In addition, communication and networking play a decisive role.

As highlighted by Peizer (n.d.), products and services that are made available by NGOs using the Internet as a main tool are valued differently than similar services offered by commercial companies. This appears to be due to the philanthropic needs and background from which these products and services arise. The services range from building an Internet service provider (ISP) for the NGO community - offering technical online as well as content solutions - to consultancy and training. (Surman et al., 1999, 4-6).

Looking at the **history** of electronic networking and recognising the huge potential in the emerging, computer-based communication technologies, environmentalists were among the first to use them as a strategic communication tool (Heves, 1997, 22-23).

The first demonstration of the power of electronic networking was at the Earth Summit in Rio de Janeiro in 1992, where environmental activists all around the world were provided an opportunity for real-time involvement (Antonov, 2002, 20, 21).

As far back as the 1980s, several independent, national, non-profit computer networks connecting individuals and NGOs had been established. Their aim was to facilitate information exchange and communication.

In 1990 the Association for Progressive Communications (APC) was created by seven networks around the world. Among the founders were the Swedish NordNet, NirvCentre in Canada, the Brazilian IBASE, Nicarao in Nicaragua, the

Australian Pegasus, IGC in the United States and GreenNet in the United Kingdom. Today APC is a non-profit association aiming to connect civil society groups through ICT around the world. It is referred to as the “network of the networks” (APC, 1998). Being an APC member is regarded as recognition of high performance. Members in Europe are ChangeNet in Slovakia, ComLink in Germany, Computer Aid International GreenNet in the UK, Econnect in the Czech Republic, GLUK in Ukraine, GreenSpider in Hungary, Pangea in Spain and Unimondo in Italy. In SEE the environmental networks BlueLink in Bulgaria and StrawberryNet in Romania, as well as the Croatian ZaMirNET, are members (APC, 1999-2004b).

During the 1990s four electronic networks were founded in CEE countries. The first was Czech Republic’s Econnect in 1991, followed by the Hungarian GreenSpider in 1993, along with the Romanian StrawberryNet in 1995, and finally by Most, established in 1997 in Poland. Their aim was to offer connection and provide a server to link NGOs. This generation of associations was soon followed by ChangeNet in Slovakia, formed in 1996, and BlueLink Information Network in Bulgaria, founded in 1998 (Antonov, 2002, 21; Heves, 1997, 44-61). As a general trend it can be noted that until the overall breakthrough of the Internet in the mid-1990s, technical connectivity was the main focus of these networks. After the rapid development of ISP companies, networks shifted their focus to content services. Examples include mailing lists, portals, news services, address lists and training courses (G. Heves, personal communication, 2004).

The Croatian network, ZaMirNET, is the only network that has a different history from the others. It was founded to serve the anti-war campaign in former Yugoslav countries. During the war this was often the only means of communicating across the battle fronts. After the war the Croatian part of the network remained active and now operates as a non-profit network service provider (ZaMirNET, n.d.).

In the year 2000, NGO electronic networking in SEE received a major boost by the Balkan Bytes project under the REReP. Through support of the REC and the sharing of experience by BlueLink Information Network (Bulgaria), StrawberryNet (Romania) and ZaMirNET (Croatia), five new environmental electronic networks in Albania, Bosnia and Herzegovina, FYR Macedonia, Serbia and Montenegro and Kosovo were created (Heves & Lang, 2002, 7; Antonov, 2002, 21).

### 3.2 SEE electronic networks

#### QKE (Center for Electronic Communication) - Albania

The Albanian electronic network was set up in December 2001 by four NGOs. The establishment was funded by two international donors (Center for Electronic Communication, n.d.). The network provides web hosting and web development services. On the portal side, an NGO directory, a calendar, information on conventions and environmental news are provided. The network organised various training programmes among NGOs and its coordinators represented QKE at several international networking events (REC Country office Albania, n.d.).

#### EkoMrezaBiH - Bosnia and Herzegovina

EkoMrezaBiH was founded in 2002 through financial support from international donors. The network has conducted training on electronic content sharing for environmental NGOs and maintains mailing lists (EkoMrezaBiH, n.d.). On the web portal, a news section, an event calendar, information on environmental legislation, links and an NGO directory are provided.

#### BlueLink Information Network - Bulgaria

In 1998 BlueLink Information Network was created by a group of eight NGOs from five different Bulgarian cities. Since the year 2000, BlueLink has been a member of APC (BlueLink, n.d.b). Activities of the network cover online content, service development and maintenance, the organisation of training for network users, cooperation with partners and promotion of SEE regional networking. BlueLink is a participant in the SEE content exchange programme, offering English-language environmental news from other networks on its website, as well as providing its own news to them. A news service offers information about Bulgarian environmental organisations and is sent to subscribers via an "Environmental News Monitor." Forty-six mailing lists, with 260 NGOs subscribed to the largest list, are supported. Events can be published by users on the Events Calendar. Moreover, announcements, campaigns, discussion forums, an online search tool and theme-oriented web pages can be found on the portal. BlueLink Information Network shows a high concern for forwarding its knowledge and experience to other networks in the region (BlueLink, n.d.a).

#### ZaMirNET and Green Forum - Croatia

Croatian electronic networking activities rely on the experience of ZaMirNET, which was established to support the anti-war campaign in former Yugoslavia and now operates as a non-profit Internet content provider serving civil society. ZaMirNET offers web hosting and email facilities, organises online training (for example, on project management) as well as technical training, and provides NGO information services on its web portal (ZaMirNET, n.d.).

In 1997 Green Forum was established as a non-electronic umbrella organisation of the country's environmental NGOs. It serves as a body to coordinate activities of the environmental movement. Even though Green Forum is essentially an off-line NGO platform, an internationally financed project is now being carried out to extend it into an online communications network, primarily by launching a news portal (G. Heves, personal communication, 2004).

#### Eko.Net - FYR Macedonia

Eko.Net was formed in 2002 on two grants from foreign foundations (A. Vojnovska, personal communication, February 26, 2004). The web portal provides environmental news, an event calendar, an address collection of stakeholders, information on environmental law in Macedonia, a forum and a virtual library. The number of subscribers to the mailing list increased from approximately 300 to nearly 900 during 2003. The network conducted 15 workshops on ICT tools for NGOs. A monthly printed bulletin on environmental issues is distributed to NGOs, municipalities, institutions, companies and citizens (Eko.Net, n.d.).

#### StrawberryNet - Romania

StrawberryNet started operating in 1995 and is a member of the Association of Progressive Communication. StrawberryNet hosts a web portal at [www.ngo.ro](http://www.ngo.ro) and offers several services to Romanian NGOs in the fields of environment, sustainable development, democracy and human rights. These services include web publishing, personalised discussion lists, support for actions and campaigns, web hosting, domain names and e-mail addresses. The network also organises training and participates in meetings offering support to other networks in the region. For

example, training on the use of so-called Action Applications (a tool for publishing content on the Internet, developed by APC) is organised (StrawberryNet, n.d.).

#### Volvox - Serbia and Montenegro

The Volvox electronic network was set up in 2001 with funding from an international donor (M. Bartula, personal communication, February 24, 2004). The network is linked to the portal of the Environmental Resource Center at [www.erc.org.yu](http://www.erc.org.yu), mainly using the sections for news, events and forums. The email discussion list distributed by Volvox showed an increase in subscribers from 30 to 200 during 2003. Volvox offers training for environmental groups. Furthermore, a monthly award distributing hours of free Internet access to NGOs was established to encourage and motivate NGOs to take an active part in the network (Volvox, n.d.a; Volvox, n.d.b).

#### Sharri.Net - Kosovo

The most recent SEE network was founded in 2002, receiving monetary and organisational support from one donor (B. Leci, personal communication, February 25, 2004). The network offers email accounts, web space and web page development to environmental NGOs. Other services are a mailing list of 900 subscribers, online campaigning, an online forum and a weekly electronic newsletter. Workshops for environmental NGOs on electronic networking are conducted. Unique among SEE networks, an Internet café as an “Environmental NGO Room” was established to serve NGO members with ICT facilities (REC Field Office Kosovo/a, 2003, 2-5).

### 3.2.1 Current financing sources of SEE electronic networks

Information on current financing sources of NGO networks in SEE is given in Table 2. Two networks that will later be presented as good practices, ChangeNet from Slovakia and Web Networks from Canada, are also listed. This makes a comparison of non-SEE networks and SEE networks possible. Donor funding, indirect donor support and further self-financing sources, such as membership fees, fees for services, advertising and merchandising, support contracts and tax donation are included.

Table 2 Proportional segmentation of current network financing sources

	<b>QKE</b> - Albania	<b>EkoMrezaBiH</b> - Bosnia and Herzegovina	<b>BlueLink</b> - Bulgaria	<b>ZaMirNET</b> - Croatia	<b>Eko.Net</b> - FYR Macedonia	<b>StrawberryNet</b> - Romania	<b>Volvox</b> - Serbia and Montenegro	<b>Sharri.Net</b> - Kosovo	<b>ChangeNet</b> - Slovakia	<b>Web Networks</b> - Canada
<b>Donor funding</b>	100%	100%	60%	80%	100%	98%	100%	100%	5%	
<b>Indirect donor support</b>			31%	5%		1%				
<b>Membership Fees</b>				5%					20%	100%
<b>Fees for services</b>			9%	10%		1%			72%	
<b>Advertising</b>									2%	
<b>Merchandising</b>										
<b>Support contracts</b>										
<b>Tax donation</b>									1%	

Source: Workshop on MDBP, 2004, February; O. Zielke, personal communication, March 17, 2004

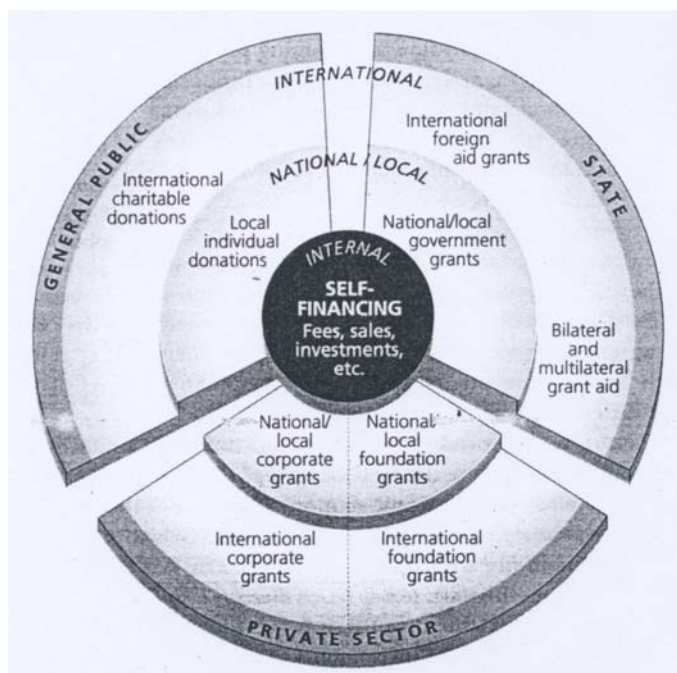
## 4 NGO financing

### 4.1 Overview of NGO financing sources

Referring to Salomon (1994, in Radovanova, 1999, 15), NGO revenue sources may be classified into three broad groups as follows: contributions from individuals, corporations and foundations, grants and contracts for particular services and earned income.

Figure 1 provides a specific overview of sources of NGO financing. It shows the variety of financing types, including self-financing as a possible additional source for generating revenue internally (Davis & Etchart, 1999a, 12). In general, support can be received through the state, the public and the private sector on an international, national or local level. Within the government, aid might be given through international foreign sources or bilateral/multilateral grants, as well as through national or local governmental grants. The private sector might provide corporate grants or foundation grants. Furthermore, according to Figure 1, financial aid from the general public may come through international charitable and local individual donations.

Figure 1 Sources of NGO financing



Source: Davis & Etchart, 1999a, 12

As described by Morales (1997, in Radovanova, 1999, 17) and listed by Atkinson and Messing (2002, 13), NGOs rely financially on foreign aid from official development agencies and external private and public donors. Additionally, their financing is based on contributions from domestic foundations, businesses and individuals, as well as from domestic government subsidies and payments, including grants and contracts. In addition, further revenue sources might be self-generated income and investment earnings (Atkinson & Messing, 2002, 13). According to Haverkamp et al. (1995, 8), government subsidies can appear in different forms, specifically as core subsidies to provide funds for the operating costs of an NGO, as project subsidies related and limited to certain projects, and finally as tenders for specific work that the non-profit organisation is asked to carry out.

European foundations can generally be categorised into four groups (Garonzik & Brown, 1998, xiii): independent foundations, corporate foundations, government-related foundations and fundraising organisations. There are also endowed, community and operating foundations. CEE foundations show specific characteristics defined as collector/distributor foundations or citizens-based charitable associations. Collector/distributor foundations use several sources, including the general public, for fundraising in order to finance their operational and grant making programmes.

In theory several financing sources are available for NGOs. But economic cycles and political changes have an impact on the fluctuation and variety of the sources (Radovanova, 1999, 17).

## **4.2 Donor funding**

Table 1 in Chapter 2 showed that the majority of SEE networks, notably the new generation, rely mainly on traditional donor funding. Currently, donors represent a fundamental source of financing in the non-profit sector. In this section, disadvantages and advantages of this widely spread financing method are described.

### **4.2.1 Advantages of donor funding**

According to Atkinson and Messing (2002, 15, 16), project grant funds in general do not interfere with an NGO's management. The funds become part of the

NGO budget and can be used in the agreed way. The procedure of donating grants and selecting award winners is, in most cases, transparent. Self-financing initiatives can be developed through offering assistance on using various financing instruments.

According to Vincent and Campbell (1989, 44, 45), donors have the opportunity of coping with the negative impact of traditional funding through various forms of grant making. Donors can provide emergency relief and welfare grants, small grants designed for development projects and flexible programme grants, leaving responsibility for decision making and the adaptation of plans to the NGO. Furthermore, institution-building grants to support the organisational development of the NGO, or uncommitted grants providing high flexibility, can be offered. This would contribute to building reserves.

#### 4.2.2 Disadvantages of donor funding

Relying on donor funding, NGOs may have to face various negative aspects. Basically, NGOs are affected by quantitative and qualitative limitations of funding sources (Davis, 1997, in Atkinson & Messing, 2002, 13). On the one hand, various NGOs are competing against each other for a restricted amount of funds offered. On the other hand, the quality - concerning short project timing, required topics and focus, restraints on using the money and limited types of financing tools - affect the financing situation of the organisation.

In addition, Atkinson and Messing (2002, 14, 15) describe the limitations of traditional grants in more detail. Initially, **inappropriate project periods** are seen as one limitation. Time allocated for the implementation of a project is therefore rather related to the planning of the grant programme and sometimes even tied to the donor's accounting year. Accordingly, it does not necessarily fulfil the project's requirements. Short project periods, furthermore, do not allow long term planning in development. However, funds are generally not accepted for terms longer than three years.

Secondly, donors might **set themes and priorities** for a certain project. Although they use advice from experts, the NGO community or results from research, these priorities sometimes do not meet the NGO's needs.

Regarding the **limited funds** available, NGOs might be forced to apply for project grants that are not necessarily associated with their own aims. Thus,

organisations might face a disconnection to their mission and demands, and also lose their relevance for the issue(s) they are concerned about. Another drawback is that people working for the NGO might feel disillusioned, or find themselves no longer able to reach the goals they were focusing on. All of these circumstances are encapsulated by the term “**donor-driven**”.

Another reason why traditional grant making can lead to disadvantages for NGOs is “**negative competition effects**”. These effects, caused when many NGOs are competing for rare funds, may result in inappropriate aims and work plans and, in the end, the failure of the project. Donors sometimes do not realise that the failure is due to the planning and awarding of the project grant itself. In addition, more experienced and developed NGOs compared to NGOs with less experience in fundraising may always be more successful within the process of proposing. By excluding these smaller NGOs, donors miss a chance to broaden their focus in the NGO community. In contrast, older NGOs with less innovative activities may be viewed as less attractive by donors. In some cases, donors prefer to invest their funds in newly established paradigms rather than in well known, ongoing activities.

A further important issue can be found in the **reporting pressure** put on NGOs by the donor. Reports tend to take a large amount of time and human capacity, often taken away from the project itself. Moreover, the system of forms and reporting to measure the output of projects is, in general, highly complex. Nevertheless, donors rarely monitor the tangible, direct impacts of the project, instead relying primarily on the project’s progress and final reports.

In addition, NGOs may have to deal with **expenditure constraints**. Some donors allow expenditures only for specific types of project costs, leaving few resources for the organisations to cover their core operating and administrative costs. Funds to advance project management skills or to strengthen the institutional structure of an organisation are scarce. In addition, Letts et al. (1997, 92) argue that foundations should find ways to provide grants that not only contribute to specific programmes, but also to organisational capability building.

### 4.3 Diversifying financing sources

As claimed by representatives of SEE electronic networks, a focus on conventional donor giving exists among NGOs. In addition, the philanthropic attitude among the general public in SEE is almost negligible, although there has been a slight increase. Very often networks run on only one or two grants at a time. If one of them finishes and a new one is not yet available, it may seriously endanger the continuation of network services. Being more or less dependent on one donor, networks face the disadvantages of traditional donor funding previously mentioned (Workshop on MDBP, 2004, February). Without taking additional financing methods into consideration, donors may turn networks into “consumers of others’ resources rather than producers of new, more varied, resources (Davis & Etchart, 1999a, 11).”

Diversifying their funding sources, as described in this chapter, might be a possibility for networks to answer these challenges.

In CEE, there seems to be a general trend showing the departure or at least waning of foreign aid (Duyvelaar & Kuiper, 1998, 6). International funding associations may, for instance, soon shift their focus to other areas like Central Asia (Workshop on MDBP, 2004, February). Nevertheless this trend can not yet be generally observed in all SEE countries. For example, some foundations might still focus on priority areas hit by current crises (R. Atkinson, personal communication, March 17, 2004). To create a certain level of organisational stability, an NGO’s financing strategy should be aimed at reducing dependency on donors (Davis & Etchart, 1999a, 11). To supplement and complement traditional grants, it is important to develop additional financing opportunities and find access to a multitude of sources and forms of financing.

As shown in Figure 1 in chapter 4.1, self-financing can be one additional source of income to common revenue sources (Davis & Etchart, 1999a, 11, 12). As Bach and Stark (2003, 4) suggest, broadening revenue bases can be most effectively realised by “re-combining, re-cognising, and re-presenting” existing and ideal resources. In addition, Ryan (2001, 20) points out that either the market or the social surroundings may provide opportunities to influence the financial situation of an NGO. But most importantly, non-profit organisations themselves should research possible funding niches.

#### 4.4 Self-financing

In line with the diversification of NGO financing sources, self-financing activities can contribute to the efficiency and effectiveness of NGOs, mainly by reducing the need for donated funds (Dees, 1998, 136). In this chapter, self-financing will be described from different points of view.

According to a definition by Atkinson and Messing (2002, 16), self-financing can be seen “as the procurement of revenue by internal entrepreneurial methods – in other words, strategies used by NGOs to generate some of their own resources to further their mission.” In connection with the appearance of self-financing strategies among the non-profit sector, a variety of terminology has emerged. As listed by Davis and Etchart (1999a, 17), terms like non-profit enterprise, earned-income strategies, income-generating activities, social enterprises, social purpose businesses, community wealth enterprises, public-purpose ventures, community-based businesses, affirmative businesses and productive enterprises are found. In the opinion of Dees (1998, 140), “self-funding is the new mantra” among NGOs.

##### 4.4.1 Impacts on the NGO mission

Most of the existing theories and practices merge civil society aspects with business aspects and emphasise the NGO’s mission. Within this thesis, self-financing is discussed from this perspective.

As Atkinson and Messing (2002, 16 adapted from Davis & Etchart, 1999a, 127) specify, self-financing initiatives can lead to a conflict between profit goals and the non-profit mission of an organisation. “Conflict may arise between the ideological drive of the mission and the financial drive of self-financing (Atkinson & Messing, 2002, 16).”

Responding to this conflict, Dees (1998, 147) has composed a framework which contrasts philanthropic and commercial aims to show a range of different opportunities. Figure 2 shows the motives, methods and goals in relation to the main stakeholders of NGOs. In the view of the author, this framework reflects social as well as entrepreneurial motives. Therefore it is referred to as “the Social Enterprise Spectrum.”

Figure 2 Range of commercial and philanthropic approaches to an NGO's main interests

		Purely Philanthropic	←————→	Purely Commercial
<b>Motives, Methods, and Goals</b>		Appeal to goodwill Mission driven Social value	Mixed motives Mission and market driven Social and economic value	Appeal to self-interest Market driven Economic value
<b>Key Stakeholders</b>	Beneficiaries	Pay nothing	Subsidized rates or mix of full payers and those who pay nothing	Market-rate prices
	Capital	Donations and grants	Below-market capital, or mix of donations and market-rate capital	Market-rate capital
	Workforces	Volunteers	Below-market wages, or mix of volunteers and fully paid staff	Market-rate compensation
	Suppliers	Make in-kind donations	Special discounts, or mix of in-kind and full-price donations	Market-rate prices

Source: Dees, 1998, 147

According to Dees (1998, 136-146), NGOs are facing the challenge of finding a financing method that sustains the organisation's mission, deals with limited sources in an effective way, is adoptable and realistic. In the writer's opinion, self-financing activities will not and should not substitute ideological initiatives.

To describe the difference between businesses with a social mission and NGOs, which use entrepreneurial activities to strengthen their financial situation, Davis and Etchart (1999a, 15, 16) found two main distinctions. Whereas both forms might be seen as ways of realising a "mission-driven business," they vary in particular according to the **priorities** they follow and the **destination of their income or profit**. While businesses prioritise profit making, non-profit organisations take their mission as their primary focus. Additionally, businesses distribute their revenue to their shareholders or owners. In contrast, the income generated by NGOs is reinvested in their mission-related work. Also Salamon, Anheier and Associates (1999, 3) write that NGOs do not return profit to managers. As highlighted by R. Atkinson (personal communication, March 27, 2004), non-profit organisations are also referred to as **not-for-profit organisations**. This synonym far better describes the position of NGOs in the field of commercial activities.

Related to this issue, Peizer (n.d.) exemplifies self-financed NGOs on the one hand and enterprises furthering a social mission on the other. The writer discusses “sustainability in a values-based enterprise” and “social impact in profit-based enterprises” as two diverse models.

#### 4.4.2 Challenges of self-financing

Referring to a study carried out among CEE (specifically Czech Republic, Hungarian, Slovakian and Slovenian) NGOs using self-financing initiatives, several challenges were identified. They included the identity of an organisation, its organisational capacity, capital and financing, and the external environment of the organisation (Davis & Etchart, 1999a, 127-128).

The **identity** of an NGO might be influenced by internal and external factors. Basically through inadequate clarification, some NGO members may fear that a profit-making focus may endanger the organisation’s mission. In the opinion of Dees (1998, 144) people working for NGOs “are uncomfortable with the style of operations common to for-profit organisations.”

As further stated by Davis and Etchart (1999a, 128), the NGO might have to put a lot of effort into explaining their new way of operating. Otherwise, negative impacts concerning the organisations’ prestige may be provoked. Maintaining public trust and ensuring transparency are therefore of crucial importance. Within **organisational capacity**, organisational expertise in business issues is emphasised. Self-financing approaches demand business-oriented management and planning skills as well as accounting ability. Generally, NGOs might not be able to provide this knowledge and adequate human resources. As recommended by Atkinson and Messing (2002, 17), analysis of these capabilities should be conducted by the organisation before launching self-financing strategies. Available **capital and financing** of self-financing initiatives may lead to additional challenges for NGOs (Davis & Etchart, 1999a, 128, 129): traditional donors generally do not provide funds to support self-financing initiatives. Start-up credits are therefore rather rare and non-governmental non-profit organisations do not have regular access to common capital sources like loans. Unclear regulations in legislation and taxation produce an intricate **external environment**. Entrepreneurial NGOs have to face vulnerability to market fluctuations. Unstable economies, diverse customer demands and challenging

competitors may have negative effects on the NGO's mission-driven business, just as on any other company. To summarise, there is evidence to suggest that "market discipline can be harsh" (Dees, 1998, 143).

According to G. Heves (personal communication, 2004), proper planning and adequate human resources strengthen non-profit organisations in handling challenges with regard to self-financing and enable them to greatly benefit from these initiatives. Benefits will be described in the chapter below.

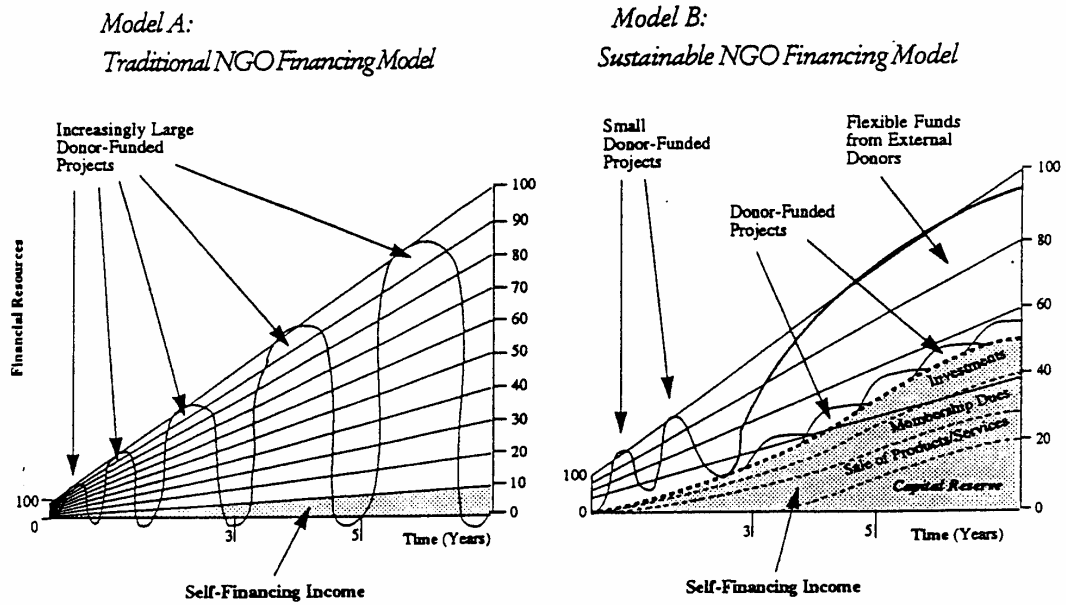
#### 4.4.3 Benefits of self-financing

Self-financing offers numerous advantages to NGOs' financial situations and the organisations themselves. More precisely, various key benefits are found.

Firstly and most obvious, additional financing activities **increase income** and therefore contribute to the stability of the organisation's monetary situation (Davis & Etchart, 1999a, 126). A second positive result is the **diversified revenue base**. Diversity leads to a stronger position against changes among funding sources and consequences of changing policies. In connection, dependence on donations can be reduced. Furthermore, NGOs can learn from using business skills and, through this, improve their **organisational capability in planning, management and efficiency**. This may result in advanced financial discipline. Increased liberty in decisions on using and distributing revenue is another benefit. Overall an NGO's self-confidence can be strengthened and supplementary value is added to its activities. The organisation also benefits from the opportunity to **develop its image and visibility**. Through increased visibility, donors may more easily observe the organisation (Davis & Etchart, 1999a, 126; Skloot, 1988, 7, 8). As Peizer (n.d.) believes, funding institutions appreciate successful NGOs that are self-sustaining and mission-driven.

Davis (1997, 16) has adapted two models from Vincent and Campbell (1989) contrasting traditional and sustainable NGO financing. Model A shows a low, stagnant income from self-financing and increasing highly fluctuating donor project funds. Through model B, a diversification of financing sources is shown. Several self-financing methods mix increasing revenue together with smaller and more flexible donor funds for long-term projects.

Figure 3 Two NGO financing models



Source: Davis, 1997, 16 adapted from Vincent & Campbell, 1989

In the opinion of Davis (1997, 17), self-financing is not necessarily more sustainable than donor funding and should not replace these funds. In his view, sustainability goes in line with independence from any type of income source. As shown in model B above, a balance between sources contributes to sustainable financing.

## 5 Self-financing of NGO electronic networks

### 5.1 Introduction

Within this chapter, connections between NGO self-financing issues and electronic networking are built. Detailed descriptions of specific income-generating instruments for NGO electronic networks in SEE are given.

For recently established NGO electronic networking, acting in the relatively new world of ICT may lead to significant impacts on their financial structure (Bach & Stark, 2003, 6). Surman et al. (1999, 4-6) evoke the term “mission-driven business planning,” which illustrates the challenge for electronic networks finding a balance between these two driving forces. The writer claims it is a “new way of thinking that blends the best from social movement organizing and business practice”.

Regarding the project on environmental online networking in SEE and the needs assessment conducted on “green” NGOs in the region in 2001, diverse recommendations related to the self-financing of the networks have been proposed by the respondents. Stressing an example, Bulgarian participants of the study showed a willingness to charge fees for the use of the network. Conversely, Albanian responses proposed avoiding fees for use of the network (Heves & Lang, 2002, 22). In spite of these oppositional points of origin, most SEE networks have been successfully established or effectively strengthened in most of the countries during recent years (Heves, 2003, 1-27).

Moreover, representatives of all networks have participated in a workshop on Mission-Driven Business Planning, working on the discovery and formation of possible self-financing activities for the network in line with their mission. As a result, business plans for each network were developed and the following self-financing opportunities were discussed: **indirect donor support, membership fees, fees for services, advertising and merchandising, support contracts and tax donation.**

At present, users are not very willing to pay for services, partially because of the very poor general financial situation of NGOs, but also because of attitudes. Nevertheless, as stated at the Workshop on MDBP (2004, February), the networks are encouraging ongoing discussions on this topic. In addition, more and more

network users demonstrate a willingness to consider some form of financial contribution in return for the benefits of the network's services.

To compare income-generating possibilities of SEE NGO online networks with an existing structure implemented by the Nonprofit Enterprise and Self-sustainability Team (NESsT) (Davis & Etchart, 1999a, 18, 19) Table 3 shows correlations and distinctions between the two.

*Table 3* Contrasting two different categorisations of self-financing methods

<b>NESsT structure</b>	<b>Workshop findings</b>
Membership fees	Membership fees
Fees for services	Fees for services
Product sales	Merchandising
Use of "hard" assets (e.g. equipment rental)	-
Use of "soft" assets (e.g. patents, copyrights)	Advertising
Investment dividends (e.g. mutual funds)	-
-	Indirect donor support
-	Support contracts
-	Tax donation

*Source:* Davis & Etchart, 1999a, 18, 19; Workshop on MDBP, February 2004

## **5.2 Self-financing methods for NGO electronic networks in SEE**

### **5.2.1 Indirect donor support**

Indirect donor support is a model for receiving a grant through a network member NGO that has first engaged the network in a project proposal and then successfully applied for a grant. Before submitting the proposal, the network works in close cooperation with this NGO. It consults the NGO in developing a strategy and plan for a certain service, offer or project that the NGO might like to receive. Ideally, a contract between the network and the NGO is established. The NGO includes this contract and the established concept in the proposal. If the organisation was successful in applying for the grant, it will forward parts of the fund to the network to pay for the service, offer or project (M. Surman, personal communication, March 19, 2004).

This model of financing can be used to gain income from any kind of service, offer or project realised by the electronic network. It varies from training through web site design to the establishment of thematic web pages (M. Surman, personal communication, March 19, 2004).

First of all, this is a great opportunity for an NGO to use network services, especially when it implements large-scale projects. Moreover, the NGO benefits from receiving ongoing support from the network. The support it receives may increase its capability in project planning and proposal writing (Workshop on MDBP, 2004, February).

In turn, the network strengthens its relationship to its customers by directly responding to an NGO's needs. As J. Haverkamp (personal communication, February 28, 2004) highlights, networks may more easily prioritise the NGOs' needs, because they do not receive anything directly from the donor. Dependence on the donor may therefore be avoided. In addition, by focusing on the project, the network may intensify knowledge of specific issues and extend its range of services. Technical competence and service quality may be improved. This method is seen to be the most realistic path towards self-financing, as NGOs in SEE mainly rely on donor funding (Workshop on MDBP, 2004, February).

However, the networks face the challenge of investing time and effort in consulting NGOs, even though the success of a grant is not guaranteed. It was also found to be of importance that the general needs of the NGOs should be assessed in advance. Awareness of this financing opportunity has to be raised among NGOs (Workshop on MDBP, 2004, February).

According to the findings at the Workshop on MDBP (2004, February), indirect donor support is currently received by StrawberryNet (Romania), BlueLink Information Network (Bulgaria) and ZaMirNET (Croatia). As suggested by M. Surman (personal communication, March 19, 2004), other networks may use already existing stable relationships to an NGO to work out a contract. In this case, personal contact and trust already exist and may contribute to initiating this cooperation.

### **5.2.1 Membership fees**

Membership fees, as defined by Davis and Etchart (1999a, 17), are a way of "raising income through dues from members (...) of the organization in exchange

for some kind of product or service or other benefit.” Several experienced networks, for example, Econnect in the Czech Republic and ChangeNet in Slovakia, have shown examples of offering service packages for a certain fee. Packages may, for instance, include email addresses and space on the web. Currently, only one out of eight SEE networks – ZaMirNET in Croatia - is charging fees for memberships to some of its members. Paying members do not show specific characteristics. A membership package includes dial up service at a special low price and two email addresses. The current membership fee for ZaMirNET is EUR 8 per month (Workshop on MDBP, 2004, February).

From the networks’ point of view, earning revenue from membership has various positive impacts. It was stated at the Workshop on MDBP (2004, February) and by Haverkamp et al. (1995, 7), that one main benefit is the stability of the income source. It contributes to the NGO’s budget on a regular basis – generally collected in a monthly period. Haverkamp et al. (1995, 7) claim that membership fees are a more flexible source of income, contrasting it with direct donor funding, where various conditions often need to be fulfilled. In addition, membership fees are directly related to the mission of an organisation, as members generally join an organisation on the basis of its mission (Davis & Etchart, 1999a, 36).

Membership fees help to build up a connection between the network and its members. Continuous contact and relationships can be strengthened and offer ways to promote the work of the network. It can also be used by the members as a channel for feedback to the NGO network. Accordingly, the opportunity to develop an online community arises (Workshop on MDBP, 2004, February).

During discussions among network representatives of SEE networks and of networks with longer traditions (Workshop on MDBP, 2004, February), several problems with introducing membership fees were brought to light, and possibilities for overcoming these challenges were offered. A main challenge in the SEE region is seen in the low readiness and willingness of NGOs to pay a membership fee for network services. At present, these organisations are accustomed to benefiting from being a part of the network without paying for the services provided. Indeed, experience has shown that it might take time to introduce membership dues. Time is therefore a main factor in developing the understanding of paying for membership. Within the following three to five years, this self-financing method might be gradually realised by all networks. On an ongoing basis, the networks should

demonstrate benefits and stress the mission to raise understanding. Prices for membership fees will, especially at the beginning, rather be at a symbolic level, but even at a later stage they should be affordable.

#### 5.2.4 Fees for services

Charging fees for services is mentioned by several authors (Davis & Etchart, 1999a, 18; Vincent & Campbell, 1989, 69, 70) and it is a well known self-financing method among the NGO networks community around the world (Surman et al., 1999, 9-15).

NGO network services are, in general, different from services offered by commercial companies. The difference is determined by the target group. NGO electronic networks design their services according to the needs and demands of the NGO community. Special issues, for instance fundraising, campaigning and NGO legislation, have to be covered and provided electronically through unique tools. The uniqueness of the services raises the chance of earning income through them. Paying for services that are customised to their particular goals might be more easily understood and accepted by NGOs. Furthermore, the network's services should reach the aim of being easily reproduced and reusable. Through replication, services can be used and sold several times and costs can be kept low (Surman et al., 1999, 9-15). For instance, once created, an Internet campaigning tool can be used for several different online campaigns.

It was discussed at the Workshop on MDBP (2004, February), that the development of new services might provide a higher amount of income for a particular time. However, increased human resources are needed, but only for a short period of time. Reusing the services may lead to a continuous income stream and reliability of the income. The amount of human resources needed for these services can be planned and the expertise of IT staff can grow (Surman et al., 1999, 10).

All but three NGO electronic networks offer their services for free. Only in the coming years might it become realistic for them to charge for their services. In most of the countries, NGOs are newly established, reliant on funding, and accustomed to receiving services for free. In general the financial situation of NGOs is very weak. Therefore, it appears essential for the youngest generation of networks

to learn from other networks' experience. Networks would also be wise to wait for the general NGO economic climate to improve.

Currently, BlueLink Information Network in Bulgaria, StrawberryNet in Romania, as well as the Croatian ZaMirNET are using fees for services as a contribution to their income. The Bulgarian BlueLink includes 9 percent income from services, such as web design, mailing list establishment and maintenance in its current financial base. The Romanian network charges fees for web hosting, database maintenance and web design from some members, covering 1 percent of the budget. ZaMirNET makes 10 percent of their revenue through web design and programming (Workshop on MDBP, 2004, February).

In general, bearing in mind that although focusing on specific needs and offering unique services might be important, quality should nevertheless remain high. Getting to know the needs of the NGO should be a priority. What is more, the usage and advantages of the network's services have to be continuously promoted. Through intensive awareness raising, the understanding among the NGOs will be strengthened and the willingness to pay may arise (Workshop on MDBP, 2004, February).

Furthermore, the size of the market niche has to be taken into consideration. It might be necessary to open up to other groups within civil society. StrawberryNet in Romania (M. Bako, personal communication, February 27, 2004) provides a good example. The network started charging fees for services among non-environmental NGOs. Previously, the network was targeting environmental NGOs, but as other groups showed interest in using the network's services, they were asked to pay and agreed to it.

### 5.2.5 Advertising

Advertising can be conducted from different starting points and can lead to a revenue stream for NGO networks in several ways. **Networks may offer advertising to companies** and generate income in this way. **Companies may offer free advertising to networks** and finally, **networks and companies may realise an advertising campaign together** to reach the public (Andreasen, 1996, 116-119).

To begin with, NGO electronic networks may offer a company advertising on their online portal in the form of ad banners for a certain fee. The majority of

SEE networks do already place banners on their web page, but currently none of them are using advertisements from commercial companies. Providing a specific space on a portal web site for ad banners can be a wise move (Workshop on MDBP, 2004, February).

As mentioned by Andreasen (1996, 116-119), non-profit organisations can instead license their name or logo to corporations in order to earn revenue. In practice, this option may only be open to NGOs with a strong reputation (for example, internationally operating organisations with a well-known tradition). The visibility of the new NGO networks might not be strong enough yet.

In addition, advertising campaigns can also be realised commonly by networks and commercial companies. Andreasen (1996, 116-119) refers to these campaigns as “cause-related marketing alliances.” Concerning SEE networks, companies interested in environmental protection or other social issues might be identified. If these companies try to reach potential customers through advertising activities, networks may get involved. The corporation and the network conduct the advertising campaign together. If new customers are acquired by the commercial company, the network might receive a certain monetary amount per customer. For their part, the company benefits from the image of the network. Concerning the youngest generation of networks, a stronger image and a higher visibility has to be built (Workshop on MDBP, 2004, February).

In a similar type of advertising cooperation, the company and the network identify a social issue they feel similarly about and together focus on raising awareness about it (Andreasen, 1996, 116-119). For example, networks in some SEE regions plan involvement in the “eco-tourism” sector. Advertisement campaigns might be implemented through the network’s Internet portal together with businesses working in the tourist sector. In exchange, these companies might offer financial support to the NGO network (Workshop on MDBP, 2004, February).

From the commercial company’s point of view, various aspects - such as the valuable image of an organisation, interest in the organisation’s activities and tax advantages - might be the reason to agree on advertising cooperation (Haverkamp et al., 1995, 9).

Furthermore, through advertising, cooperative relationships with local communities and companies may be established. Through the common visibility of the organisation and the corporation, an increased number of potential users of the

NGO electronic network might be reached. This might also increase the public presence of the network throughout the country or region (Workshop on MDBP, 2004, February).

Choosing a partner for a marketing alliance is a critical issue. A company's standards may not necessarily correlate with the non-profit organisation's mission (Andreasen, 1996, 131).

#### **5.2.5.1 Merchandising**

Davis and Etchart (1999a, 18) point to product sales as one possible form of self-financing. As seen in Table 3, this concept agrees with the idea held by networks managers (Workshop on MDBP, 2004, February) of earning income through selling merchandising products (for example, T-shirts, mugs). Several SEE networks have already gained experience in producing a certain product by publishing leaflets, brochures, stickers or bookmarks. Although these materials were used for promotion and networks were not planning to sell them, the experience might be used to develop other products which can be sold as merchandise (Workshop on MDBP, 2004, February).

#### **5.2.6 Support contracts**

With support contracts, a network offers technical support and charges their NGO clients a monthly or annual fee. Requests may include, for example, database maintenance, web site updating and general IT assistance. The support is conducted as support on demand. Assistance is requested by the NGO at the moment it is needed. The fee is paid regardless of whether the support is used. The organisation benefits from not having to pay for support by the hour (M. Surman, personal communication, March 19, 2004).

Through this contract, networks can add a stable, continuous revenue stream to their budget. A flat rate may be offered at a competitive price. Steadily dealing with technical issues helps the networks to remain up-to-date with technology. However, working in the support field may not be very challenging work. IT staff might prefer working in service development to ongoing routine technical support (Workshop on MDBP, 2004, February).

Another advantage mentioned at the Workshop on MDBP (2004, February) was that the image of the electronic network may improve through supporting NGOs with their day-to-day problems. NGOs might appreciate receiving reliable, affordable support that obviates the need for hiring extra personnel. Though, as M. Surman (personal communication, March 19, 2004) points out, NGOs might have high expectations and ask for disproportionate support in relation to the contract. It may be difficult to distinguish between appropriate and inappropriate levels of assistance.

To avoid pitfalls, the features and prices of the support service have to be clarified in advance and tested on selected organisations. If the testing period is successful, the network may prepare the technical and human resources to provide qualitative support. Only then should support be offered to all potential customers. The experiences of traditional networks have shown that introducing support contracts without testing the service before may lead to high costs and an unsuccessful launch of the service.

At present, none of the SEE networks provides support contracts to their users. Challenges predicted by network representatives mainly regard the market, as, for instance, experienced in Macedonia, where the country is dominated by a commercial company offering IT support. The network would need to find ways to become competitive. Networks may benefit from the focus on NGOs and their relationship to them. A market niche has to be discovered (Workshop on MDBP, 2004, February). As stated by M. Bako (personal communication, February 27, 2004) concerning the situation in Romania, the NGO community is still not strong enough to stick closely together. NGOs rather choose the cheapest option, instead of using the support offered by an NGO network.

### **5.2.7 Tax donation**

Tax donation “refers to legal mechanisms that allow tax payers to allocate a certain percentage of their previous year’s paid income tax” to NGOs eligible to receive such funds (NIOK, n.d.). This system offers an opportunity for individuals to participate in philanthropic matters and support NGOs without reducing their financial property. Typically, 1 or 2 percent can be forwarded to an NGO depending on country specific legislations. Experience in countries using the system has shown

that the visibility of NGOs increased. Awareness-raising campaigns on the percentage scheme are carried out to reach the tax paying public.

In SEE only Romania has adopted a law on tax donation to date. NGOs can benefit from this financing method as of 2005, when Romanian taxpayers will be able to allocate 1 percent of their previous year's income tax. According to A. Porkolab (personal communication, April 7, 2004), other countries in the region show interest in adopting the system, but have not begun drafting laws yet.

In the wider context of CEE, Hungary, Lithuania, Slovakia and Poland provide a percentage law to their taxpaying citizens and NGO beneficiaries.

## 5.3 Good practices

### 5.3.1 BlueLink Information Network – Bulgaria

In April 1998 BlueLink Information Network was established by eight NGOs situated in five major cities in Bulgaria. By the end of the year, a web portal was launched, different mailing lists were created, modems were distributed, and Internet and electronic networking training was conducted for NGOs. BlueLink has become one of the most advanced, most highly experienced networks in the SEE region and provides assistance to other SEE networks. On the web portal [www.bluelink.net](http://www.bluelink.net), daily news and events are published by NGOs, online campaigns are developed and thematic web sites established. BlueLink further offers web services, mailing lists and works on the strategic use of ICTs. An NGO database, a links directory and a virtual library provide essential information about and to the environmental NGO sector (BlueLink, n.d.b).

According to the history published on the networks web page, continuous support through international, national, governmental and non-governmental donors was received. BlueLink has successfully run a sequence of projects following its strategic mission (BlueLink, n.d.b).

The idea of self-financing initiatives, according to P. Antonov (personal communication, April 2, 2004), has been part of the network's financial planning since its establishment. Direct income from NGOs was already received in the first year of the network's existence. These self-financing activities, however, covered a very small portion of the budget. Due to the loose accounting requirements, this revenue was not even mentioned in the financial reports. Back then, BlueLink Information Network was not registered as an organisation and had to deal with undeveloped legislation on NGO accounting in Bulgaria.

Already in 1998 one NGO user of the network was paying for web page development and a monthly fee for six months of mailing list maintenance. This can be seen as a positive starting point for generating additional income and was followed by various similar cases. In addition, a price list for services was created, including separate prices for NGOs and other institutions. This list was not meant to be implemented immediately, but should give an overview which could be used internally for strategic planning. At a national meeting of Bulgarian NGOs in 1999,

charging for membership was suggested by one of the NGO representatives. One should bear in mind that at this time the culture of paying for services was not developed among NGOs, who were used to relying on grants and services offered free of charge.

Another success story concerning self-financing took place in the year 2000. The network had its first experience with well organised, indirect donor support. BlueLink was included in the proposals of two competing NGOs covering the requests for ICT services. Being involved in the proposals of two competing NGOs put the network in a win-win position. Finally, financial support was received indirectly through participation in a successful NGO project. In this case, the network's expertise perfectly met the needs of the NGO. Indirect donor support in cooperation with NGOs has been received several times to date.

There were also drawbacks. In 2001 BlueLink went through a proposal process, realising that a sufficient amount of time and human resources can not be provided. The network therefore missed a great chance to be involved in a demanding project.

A critical issue related to NGO self-financing activities was discovered, when looking at budgeting in the bi-annual report of the network for 2001 - 2002. Commercial activities are not explicitly mentioned in the budget until 2001. As stated by P. Antonov (personal communication, April 2, 2004), the current Bulgarian NGO taxation system allows NGOs to engage in business activities. However, once a certain type of activity is accounted for as business, it is impossible to include it as a non-profit activity ever again. To avoid this trap, different mechanisms for avoiding business formulations have been put in place.

BlueLink Information Network currently relies on donor funding at 60 percent, whereas 31 percent of the budget is covered by indirect donor support and 9 percent by service fees.

As further mentioned by P. Antonov (personal communication, April 2, 2004), strategic planning of the network continuously included aspects of self-financing. A business plan had already been developed in 1999. Strategic plans including self-financing initiatives are used to successfully propose and receive donor funds.

Recent discussions have taken place about creating a subsidiary that will generate self-financing. In addition, BlueLink is working on the development of an appropriate system for gathering membership fees.

### 5.3.2 ChangeNet - Slovakia

ChangeNet was founded as a not-for-profit association in 1996 (APC, 1999-2004b). But the history of the electronic network started earlier as a network among environmental NGOs based on FIDO technology. The network provided online communication tools via email and conferences. It was run by volunteers and services were available for free. The years 1995 and 1996 can be seen as a period of decisions and changes. The first decision was to introduce monthly membership fees. For this, fee members received an email address and access to the system. Members were informed and reasons for introducing the fees explained. After the transition period that followed, only a few NGOs decided to leave the network. Furthermore, it was found that the network can not rely on the paying members of environmental NGOs (40 environmental NGOs were registered in Slovakia in 1996). Therefore ChangeNet opened up to all Slovak NGOs with the aim of promoting solidarity, building bridges and improving communication among different types of NGOs. The start-up of financial support was guaranteed by a one-time project grant and by smaller grants supporting operating costs (N. Brazda, personal communication, February 26, 2004).

Still in 1996 a switch to new technology took place and the Internet portal site changenet.sk was established as a content platform, in addition to email services, web hosting and Internet access (Surman, 2002, 1). As N. Brazda (personal communication, February 26, 2004) further describes, a new server and an Internet connection were financially supported by a foundation. Indirect donor support could be received through grants, which were given to 50 NGOs to use the money for their Internet connection, telephone costs and the membership fee for ChangeNet. Through contact to Econnect, an NGO electronic network in the Czech Republic, technical support was received.

Membership fees were from now on connected with basic services that were demanded by NGOs. The first package included five email boxes, website development, web space and technical support.

ChangeNet also provided training on basic Internet skills and advanced training on strategic use of the Internet. This training was supported by several donors, and initially offered to members for free. Later on, fees for the training were introduced. This switch was possible and understandable for members, because other services with costs already existed and the indirect donor support has helped to establish stable contact with NGOs. Explanations on this field are usually based on personal communication and made clear in leaflets and on the web portal. In general, ChangeNet looks closely at their members' activities and financial potential. Therefore the organisation is able to offer discounts for members who are seen as being very active, but can not afford the money at a certain time. Experience has shown that these NGOs are willing to pay when they are able to, after regaining strength (N. Brazda, personal communication, February 26, 2004).

In 2001 ChangeNet decided to diversify their user base and offer their services to Slovak municipalities. As stated by the interviewee, donors are leaving Slovakia, and the NGO sector may soon face a lack of funding. With NGOs as their main customers, this development might also be a risk for ChangeNet (N. Brazda, personal communication, February 26, 2004).

In the year 2002, 10 percent of the budget was covered by sponsorships. For example, computers were donated for free by a commercial company (Surman, 2002, 3).

From 2001 to 2003 another formation within ChangeNet's financial strategy took place. A project to facilitate self-financing was funded by a three-year grant from a foundation. As a result, ChangeNet was relying only 5 percent on donor funding in 2003, compared to 75 - 80 percent in 2001 and 50 percent in 2002.

In the future it plans to cover 70 percent to 80 percent through self-financing activities generating income from services and membership fees. Of the financial base, 20 to 30 percent should be covered by grants or sponsorship. It plans to use the revenue from services and membership fees for day-to-day operations to remain independent from the donors' influence on the activities, and use grants and sponsorship for the improvement of services, as well as the creation of new services (N. Brazda, personal communication, Februar 26, 2004).

### 5.3.3 Web Networks - Canada

According to Surman (n.d.), the history of the Canadian electronic network developed as follows: Web networks were created in 1986 by Canadian environmentalists as a non-profit organisation. The initiators used their private resources to establish the network. After one year, the group received a small start-up grant and joined a non-electronic network as the network's online project. It was the first NGO electronic network in Canada. And at this time no other network of this kind existed in the country. It is important to mention that from the beginning a revenue stream was established. The network gained income by combining membership fees with ISP services. The target group was the environmental non-governmental sector.

In 1989 the online project became independent (under the name of NirvCenter). The network was continuously furthering the mission to facilitate electronic communication among civil society. Moreover, it was now opening up to more than "green" NGOs.

Honourably, the network was one of the founding members of APC in 1990. From 1990 to 1995, the organisation grew dynamically. The number of members increased from 300 to 4000 and in 1995 the network employed 30 people. Simultaneously services shifted from basic ICT offers (dial-up services) to more advanced services like databases and Internet based services. Soon content services, web page development and consultancy were added to the range of services.

Whereas the network relied financially on the large number of paying members, it had to deal with high human resources costs and debts. Searching for a solution to these problems, a partnership within the private sector was established in 1996 and the number of employees was decreased. As further described by Surman (n.d.), Web Networks outsourced its technical expertise and accounting to a private Internet company. The network itself continued to develop content services serving the NGO community and was therefore still aligned with its mission. According to them, shortly after forming an alliance with a corporation, significant disagreement over responsibilities and the flow of money arose. In addition, the non-governmental network was facing low acceptance by the commercial partner. It was rather treated

like a “charity case.” After less than one and a half years, the contract was annulled. The network took on technical as well as the accounting components again.

Taking lessons learned into consideration, Web Networks developed further partnerships with private organisations at the end of the 1990s. Cooperation with a commercial ISP and an e-commerce company was formed. In contrast to the first experience among the private sector, these relationships “were entered with intention of developing straight business relationships (Surman, n.d).”

Currently, the network’s aim is still serving NGOs with Internet tools and services. It remained a non-profit organisation, at the moment being 100 percent self-financed. In 2000 a loan was received to cover 5 percent of the budget for one year (O. Zielke, personal communication, March 17, 2004). Becoming totally self-financed resulted from several efforts based on strong human resources: lowered costs and the development of services needed by NGOs as well as awareness-raising among NGOs are essential for success (M. Surman, personal communication, March 19, 2004).

According to O. Zielke (personal communication, March 17, 2004), 70 – 80 percent of the revenue coming from self-financing activities would be ideal for an NGO network to become independent from donors. These activities create a stable base income that can be complemented by large, yet short-term grants.

## 6 Conclusion

This paper aims to discover and describe feasible self-financing methods for environmental NGO electronic networks in SEE. This original goal is achieved through a representation of five entirely self-financing models and the model of indirect donor support.

As another main part of this paper traditional donor funding, diversification of funding sources and self-financing have been described.

Three good practices give an insight into the development of self-financing strategies and lessons learned of networks of different origins and environments.

First of all, several main resources of financing for NGOs have been found. On a local or national level, as well as internationally, governmental grants and support through corporations, individuals or charitable foundations can be received. Interestingly, in CEE a special form of collector/distributor foundation exists. Additionally and as focused on by this thesis, earned income as self-financing approach is cited.

Various forms of donor funding are analysed, along with advantages and disadvantages of each. Donors can offer special grants to meet the needs of the NGOs and their members. At best, grants facilitating self-financing initiatives are provided. On the other hand, restrictions on project periods, topics and focus, the amount of funds available, reporting and the usage of grants represent major negative effects of this financing source.

Nevertheless, in SEE, also among NGO electronic networks, donor funds represent the main financing source for organisations.

To neutralise the dominance of donor funding, a diversification of resources is highly recommended. Diversification can be achieved through developing self-financing methods.

Whereas some authors regard self-financing of NGOs as commercialisation, this thesis refers to self-financing as income-generating activities furthering a mission, and to NGOs as not-for-profit organisations. In this sense profit is not distributed to shareholders, but recycled back into their mission-related work.

Difficulties caused through self-financing approaches may mainly affect an NGO's identity and an organisation's ability to deal with revenue-generating

initiatives. People working together with or for NGOs might not be used to dealing with business related activities.

More importantly, self-financing offers various advantages. Increased income, improvements in the ability to plan and manage efficiently, positive image and strengthened visibility, as well as stability against the fluctuation of donor funds, furthers the organisation's sustainability and financial independence.

However, organisations should not be dependent on one kind of financial resource. Therefore, self-financing is not necessarily more sustainable, even if it contributes to sustainability as an additional financial base. Especially in SEE, donor funds will not be completely replaced by earned income, but should not remain the only funding source. And as the general financial situation of NGOs in this region is rather poor, additional financing instruments have become particularly significant.

Aiming to strengthen NGO electronic networks' financial situations, income might be generated through their ICT and content service offers. Several self-financing methods for SEE networks have been discovered. Notably, membership fees, fees for services, advertising and support contracts are a future perspective for most SEE networks. Only two environmental networks - BlueLink in Bulgaria and StrawberryNet in Romania - have started to gain income through some of these activities. While this income contributes to the financial base at a very low level, it strengthens the motivation and strategy of the networks. Networks in Albania, Bosnia and Herzegovina, FYR Macedonia, Serbia and Montenegro, and Kosovo may start to realise self-financing activities in the near future, ranging from three to five years.

## **6.1 Recommendations for SEE electronic networks**

NGO electronic networks are at a starting point of establishing self-financing as an additional source of income. Several main points should be taken into consideration. General and specific recommendations regarding each self-financing method are described below.

*Indirect donor support* is probably the best starting point for generating income, as NGOs - the networks' users - rely mainly on donor funds. The forwarding of grants to the network helps to develop awareness among NGOs that services have a certain value and will not continually be offered for free.

Providing service packages, including special offers in return for a *membership fee*, may increase the fee's attractiveness. Through membership fees a steady relation to the NGOs as well as a stable ongoing income can be established.

Services of electronic networks should be of high quality, uniquely designed to meet NGOs needs and should be replicable. *Earning income through services* can be introduced among some network users that can afford to pay. It can be started through low fees and within specific cases.

Regarding *advertising* activities, choosing the right commercial partner to work with is crucial. The most realistic scenario for SEE networks is for the networks' portals to be used by companies to post their ad banners for certain charges. Companies may also offer free advertising to the online networks. Finding environmentally friendly operating business partners or companies operating in the field of eco-tourism offers the chance to form advertising alliances.

As several advertising materials have already been developed and used by all of the NGO electronic networks, knowledge in this field gives a valuable basis for creating and selling *merchandising* products.

Technical support provided through *support contracts* should first successfully pass a testing period. After taking this prior phase into consideration, SEE networks may try out this self-financing method together with closely related NGOs.

*Tax donation* as an additional source of income will be realised in Romania in 2005. For the Romanian network, as well as for all the other networks, it is of crucial importance to be informed and get involved in this initiative. Networks should exert themselves to become entitled beneficiaries of such funds.

In conclusion, for the networks it is important to be aware of additional financing possibilities opposed to donor funding. Further general recommendations for the successful implementation of self-financing are given below.

**Mission-driven business plans** have been developed by all networks. Having the business plan in mind helps to take the right strategic direction. It is recommended to point out the difference between mission-oriented NGO business ventures and commercial companies. Furthering a mission can be used to create a positive image of the network among different groups of interest.

The development of networks with a longer tradition – for example, ChangeNet in Slovakia and Econnect in the Czech Republic — has shown that they permanently have been one step ahead of the commercial sector. Being one of the

first on the market to offer a new service (for example, Internet connections at the beginning of the digital age) made it possible to charge fees from the beginning. Networks in SEE were established at a time when content services were given great importance. These networks can also take the chance to participate in new inventions or trends **ahead of the business sector**. Being open for new ideas in the networking field of activities is a main principal.

Networks may also benefit from working together with **well known NGOs** they have a stable relationship with and a reliable common ground for trying out specific self-financing opportunities. Good practices - three of them described within this paper - provide reliable facts and experiences regarding self-financing initiatives, which can be used by, and benefit, SEE electronic networks.

Following a long tradition of electronic networking and self-financing models, SEE networks can learn a great deal and avoid mistakes of their predecessors. **Taking experienced networks as an example**, major impacts on the networks financing strategy can be gained. Through cooperation and knowledge exchange, the **quality** of the services can be kept at a high level. Quality services are a main factor for success.

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## **Personal Communications**

**Workshop on Mission-Driven Business Planning for SEE electronic networks,  
February 25 – 28, 2004. Italy: Rome.**

### **Facilitators:**

Jan Haverkamp, ZHABA Facilitators Collective, Czech Republic  
Mark Surman, The Commons Group, Canada

### **Contributors:**

Gabor Heves, REC, Hungary  
Pavel Antonov, REC, Hungary

### **Participants from SEE countries and regions:**

Ladi Balla, Center for electronic communication, Albania  
Rzezearta Ago, Center for electronic communication, Albania  
Milena Bokova, BlueLink Information Network, Bulgaria  
Milena Georgieva, BlueLink Information Network, Bulgaria  
Viktor Bjelic, EkoMrezaBiH, Bosnia and Herzegovina  
Mate Gotovac, EkoMrezaBiH, Bosnia and Herzegovina  
Branimir Sloser, ZaMirNET, Croatia  
Jadranka Pelikan, Green Forum, Croatia  
Burim Leci, Sharri.Net, Kosovo  
Blerim Vela, Sharri.Net, Kosovo  
Anita Vojnovska, Eko.Net, FYR Macedonia  
Mihaly Bako, StrawberryNet, Romania  
Emilian Burdusel, StrawberryNet, Romania  
Mirjana Bartula, Volvox, Serbia and Montenegro

### **Guests:**

Norbert Brazda, ChangeNet, Slovakia  
Jason Nardi, Unimondo, Italy

## **Interviews**

### **Interviews with representatives of NGO electronic networks in SEE**

Ladi Balla, February 26, 2004  
Executive Director, Center for electronic communication, Albania

Viktor Bjelic, February 28, 2004  
Network member, EkoMrezaBiH, Bosnia and Herzegovina

Pavel Antonov, April 2, 2004  
Editor, Green Horizon quarterly, REC, Hungary  
Former Chair of the executive board, Former Coordinator/chief editor BlueLink  
Information Network, Bulgaria

Branimir Sloser, April 8, 2004  
Project assistant, ZaMirNET, Croatia

Burim Leci, February 26, 2004  
Coordinator, Sharri.Net, Kosovo

Anita Vojnovska, February 26, 2004  
Conent Manager, Eko.Net, FYR Macedonia

Mihaly Bako, February 27, 2004  
Executive Director, StrawberryNet, Romania

Mirjana Bartula, February 25, 2004  
Board member, Volvox, Serbia and Montenegro

### **Interviews with representatives of NGO electronic networks (non-environmental, non-SEE)**

Norbert Brazda, February 26, 2004  
Executive director, ChangeNet, Slovakia

Jason Nardi, February 27, 2004  
Centre director, Unimondo, Italy

Oliver Zielke, March 17, 2004  
Executive director, Web Networks, Canada

### **Expert interviews on specific issues**

Mark Surman, March 19, 2004  
President, The Commons Group, Canada  
1994 - 1998 Director of community and content, Web Networks

Jan Haverkamp, February 28, 2004  
Co-founder and facilitator at the ZHABA Facilitators Collective  
Member of the International Association of Facilitators  
1997 - 2000 'Project coordinator strategic Internet use' for Econnect, Czech Republic

Robert Atkinson, April 6, 2004  
Head of Programme - NGO Support and Capacity Building, REC, Hungary

Gabor Heves, 2004  
Project Manager, REC, Hungary

Aniko Porkolab, April 7, 2004  
Programme director, NIOK, Hungary

## Appendix

### Interview guideline

#### 1. Background questions on interviewed person

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1.1. Name

1.2. Name of the organisation (also English name)

1.3. Name of related network (also English name)

1.4. Email

1.5. Tel

1.6. Possibility of contact for follow-up interview/questions?

1.7. Networking experience

1.8. Experience with financing networks

1.9. Specific experience in SEE network financing

## 2. General questions on financing the network

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2.1. What were the main stages in the financial development since the establishment of the network?

2.2. Which financial means were used to establish the network?

## 3. Questions on current financing sources of the network

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3.1. What are the proportions of current financing sources of the network in percentages?

<b>Financing source</b>	<b>Percentage (total = 100%)</b>
Donor funding	
Indirect donor support	
Membership fees	
Fees for services	
Advertising	
Merchandising	
Support contracts	
Tax donation	

4. Questions on self-financing activities

*(if **self-financing is planned to be used** by the network in future – SEE)*

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4.1. Did the idea of self-financing strategies come up?

If yes, when?

4.2. Have you already identified a possible self-financing activity = a market niche?

If yes, what?

4.2.1. What are the reasons for focusing on this possible self-financing activity/ies?

4.2.2. When will the network start the self-financing activity/ies?

4.3. What could be the difficulties for operating the self-financing activity?

4.4. Are there any country-specific obstacles?

4.5. What do you think are the advantages of self-financing activity/ies?

4.6. To what extent do you think will self-financing contribute to the financial sustainability of the network?

5. General perspective

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5.1 What proportions of donor funding versus self-financing do you see optimal and why?

4. Questions on self-financing activities

*(if **self-financing will be used** by the network in future – non-SEE)*

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4.1 When did you first start with self-financing activities and who initiated it?

4.2 Which specific type(s) of self-financing activity is the network involved in?

4.3 How did the network decide to use this/these self-financing activity/ies?

4.4 What are the disadvantages for operating self-financing activity/ies?

4.5 Are there any country-specific obstacles?

4.6 What are the advantages of self-financing activity/ies?

4.7 Are there for-profit organisations providing the same services as the network?

4.8 Were there effects on the networks mission?

4.9 How has self-financing contributed to the financial sustainability of the network?

5. General perspective

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5.1 What proportions of donor funding versus self-financing do you see optimal and why?

## CV of the writer

**NAME** Romana Glaser

**DATE OF BIRTH** 28.10.1980

**NATIONALITY** Austrian

**ADDRESS** Fischerndorf 80, A - 8992 Altaussee

**EMAIL** romana\_gl@hotmail.com

**TEL** 0043 (0) 664 9167221



## EDUCATION AND QUALIFICATIONS

September 2000 – June 2004 University of Applied Sciences – Department of Information & Knowledge Management, www.infomanager.at / Eisenstadt AT

1999 – 2000 University of Vienna: Theatre Science, French (2 semester) / Vienna AT

1995 – 1999 Grammar School / Bad Aussee AT

June 1999 A level exam

## WORK EXPERIENCE

February 2004 – April 2004 „The Regional Environmental Center for Central and Eastern Europe“ / Szentendre HU  
> Writing thesis on NGO electronic networking in South Eastern Europe.

September 2003 - January 2004 “Zwack Unicum Rt.” / Budapest HU  
> Assistant for the Trade Marketing Team.

July, August 2003 “Zand Werbe- und Marketingberatung“ / Bad Aussee AT  
> Worked as a project team member in Event-Marketing projects.

July, August 2003 “Gasthof zum Hirschen“ / Altaussee AT  
> Waitress in the restaurant in the evening hours.

September 2002 – June 2003 Project in teams at the University of Applied Sciences – Department of Information & Knowledge Management  
> Sponsor: „so@net“ association / Oggau AT  
Relaunch of the homepage www.sozial.at.

February 2003	<p>„Zand Werbe- und Marketingberatung“ / Bad Aussee AT</p> <p>&gt; Worked as a project team member in Event-Marketing projects.</p>
July, August 2002	<p>„Zand Werbe- und Marketingberatung“ / Bad Aussee AT</p> <p>&gt; Created an Access Database and worked on event marketing drafts.</p>
February 2002 – June 2002	<p>Project in teams at the University of Applied Sciences – Department of Information &amp; Knowledge Management</p> <p>&gt; Sponsor: University of Applied Sciences / Eisenstadt AT</p> <p>Planned the participation of the university at the “Science Week”.</p>
February 2002	<p>„Restaurierwerkstaette Moser-Seiberl“ / Bad Aussee AT</p> <p>&gt; Documentary work with Adobe InDesign.</p>
July 2001	<p>„Stamford Summer School“ / Stamford GB</p> <p>&gt; Looked after children between 13 and 18 as a member of the supervisory staff and took pictures for a leaflet.</p>
June 2001 – January 2003	<p>„Kinder- und Jugendanwaltschaft Wien“ / Vienna AT</p> <p>&gt; Working on the technical support of the homepage <a href="http://www.kja.at">www.kja.at</a>.</p>
February 2001 – June 2001	<p>Project in teams at the University of Applied Sciences – Department of Information &amp; Knowledge Management</p> <p>&gt; Sponsor: „Kinder- und Jugendanwaltschaft Wien“ / Vienna AT</p> <p>Created a homepage: <a href="http://www.kja.at">www.kja.at</a></p>
January 2001	<p>„Filmarchiv Austria“ / Vienna AT</p> <p>&gt; Work placement at the documentation department and the library.</p>
November 1999 - January 2000	<p>„Marketing-Communications-Service“ / Vienna AT</p> <p>&gt; Project management.</p>
July, August 1998, 1999	<p>„Restaurant Seewirt“ / Altaussee AT</p> <p>&gt; Waitress in the restaurant, responsible for the breakfast.</p>
August 1996, 1997, 2000, 2001	<p>My parent’s hotel „Gasthof Loser“ / Altaussee AT</p> <p>&gt; Waitress.</p>

**ADDITIONAL SKILLS**

Competent in use of MS Word, MS Powerpoint, MS Acces, MS Excel, MS Project, Adobe Photoshop, Macromedia Dreamweaver.

Familiar with Macromedia Flash, Adobe InDesign.

Learned html, Oracle SQL.

Fluent in English – CAE Cambridge Certificate in Advanced English.

Basics of French and Hungarian.

**FURTHER INFORMATION**

July 2003	Language course at Debrecen, Hungary (2 weeks).
July 2000	Journey via interrail through England (3 weeks).
July 1995	Language course at St.Malo in France (3 weeks).
July 1994	Language course at Stamford Summer School in England (3 weeks).

**OTHER INTERESTS**

Taking pictures with my reflex camera, hiking, swimming, going to the cinema.