

INCOME GENERATION THROUGH NGO ENTERPRISE

By Richard Holloway

1. Being "Business-Like"

Producing goods and services to sell and thus create income - either for an individual or an organisation - requires a business like approach, in the literal sense of the word. But this produces a problem since it is well known that most people involved with NGOs are not familiar with business principles and business practice. NGO people have rarely had to face the kinds of decisions and the ways of working that are common with businessmen and businesswomen. They have not had to face the problems that businesses have had to face. And yet, if NGOs are going to get involved in earning income for themselves, they have got to start thinking and behaving like business people.

Two aspects of the problem then surface:

- a. How much experience do NGO people have with business?
- b. Do NGO people want to behave like business people?

If NGO people have a very negative impression about running businesses, they are unlikely to take this idea up as a way of creating income for their NGO.

So let us do two exercises:

1. The first is simply to ask people from the NGO one by one to tell us what involvement they have ever had with business, either directly, or through relatives (were their parents involved in business?), and what kind of business it was. Those that have had involvement with business, ask them what problems they (or their relatives) faced in the business world.
2. The second is to ask people from the NGO what would they name as the characteristics of business people.

It is likely that the results of these exercises will demonstrate that:

- very few NGO people have had experience of business (most NGO people have come into the work from social work, religious life, the civil service, academia),
- very few people have any idea of the kinds of problems that businesses face,
- quite a few NGO people have negative impressions of business people.

It is not uncommon for NGO people to talk about business people as ruthless, selfish, corrupt. On the other hand some people will put forward other very positive characteristics of business people - like hard working, good decision makers, far-sighted. It is important for the NGOs thinking of going into business to think and talk about their perceptions of business, and hopefully agree that there is no reason why a respectable and admirable person cannot be involved in business, and no reason why they and their organisations cannot be involved in business.

2. The Non-Issue of "Non-Profit"

As soon as we start raising the issue of NGOs running businesses, NGO people are very likely to raise the issue of their non-profit status. This is not just a legal issue (can an NGO make a profit?), but also a philosophical issue often based on unclear ideas about what "profit" is. This, in turn, reflects the lack of familiarity that most NGO people have with the world of business. It is important to get a few definitions straight:

1. For an ordinary profit making business, the word "profit" means an excess of income over expenditure which is distributed to private hands - either to the owners of the business or the shareholders in the business.
2. For an NGO, if there is any income, it is re-invested, or ploughed back into the work of the NGO. It is not "profit" because the work is never finished, the income is always used for the work of the NGO, and it is not distributed to anyone.

Therefore an NGO can try hard to get as much income as it can for its operations, and this is not profit - since it is never distributed to people beyond the work of the organisation. A non profit NGO can (and should) raise or generate income, and this does not compromise its non-profit status.

This is not difficult for most people to understand - for they have seen people selling T-Shirts or crafts to raise money for an organisation, but it is made more complicated by public and government attitudes, and by NGO practice.

The Government, when setting up the laws or statutes under which NGOs are legally registered have usually tried to make a distinction between NGOs and Businesses, and one of those distinctions is that NGOs are non-profit making. This statement should say "non-profit distributing" but unfortunately it does not, and few government officials are prepared to listen to the arguments from the SDNGO side to clarify this point.

The Public have become increasingly suspicious about NGO pretenders masquerading behind a social purpose, are quick to be suspicious about

businesses run by NGOs because they see this as another way in which NGO people are enriching themselves.

NGO people are used to revenue generating enterprises for their beneficiaries (often enterprises run on charity rather than business principles like schools for the blind selling embroidery, vocational training centres selling furniture) in which the income is used to run the program. They are not, however, so accustomed to generating revenue for the NGO itself, to pay for its administrative and running costs separate from individual programs.

Because of these problems of perception and attitudes, NGOs - and those who are involved with NGOs - like Government) need to be made aware of the legitimacy and rightness of NGOs generating money for their own operations. The laws will be different in different places, but NGOs need to argue the point with whatever authorities make the rules, that:

- NGOs should not be expected to rely on foreign contributions,
- NGOs should try and generate income,
- NGOs should not be prevented from doing so by restrictive legislation - so long as the income is not distributed to private individuals as if it were a business.

3. Different Ways of Earning Income

With those general problems clarified, let us look at the 4 different ways in which NGOs can earn income

- **Building income together - as part of a community economic activity**
- **Recovering (all or part of) the costs of Programs**
- **Income from enterprises linked to the NGO's Mission**
- **Income from enterprises not linked to the NGO's Mission**

Let us take these one by one:

- **Building income together as part of a community economic activity**

Here an NGO has helped to establish an income generating activity (IGA) for its target group e.g. chicken farming, or pottery. In the usual way of things the target group people earn their income from this activity, and the NGOs role is to set it up and provide the required training. What is suggested here is that the NGO has a share in the activity, either by way of a share of the income, or itself runs a part of the operation, just like one of the target group people. Just as the IGA earns the target group some income, so it does the NGO.

There are two incidental factors that contribute to the value of this strategy:

- a. it encourages the NGO to make sure that IGA is, in fact, generating income. This may seem obvious, but many NGOs continue to run highly subsidized "enterprises", without checking if they are actually profitable. NGO stories are replete with unsaleable baskets, and unprofitable craftware. If the IGA makes no money, the NGO makes no income.
- b. if the NGO is taking a part of the income, it forces the NGO to consider what part is of the income is going to the producers. It is not unknown for an NGO to set up an IGA which is actually exploitative of the producers - either because of ignorance of market pricing, or possibly avarice. An income for the NGO should not mask exploitation of the producers.

CORR - The Jute Works from Bangladesh and Jairos Jiri Association from Zimbabwe illustrate this way of earning income:

CORR - The Jute Works

CORR - The Jute Works started life in Bangladesh after the war of Independence in 1972 to offer some way of providing income to the larger number of Widows in the aftermath of war. It capitalized on the local crop, jute, and the skills of village women in making pot holders (thika) from the jute fibre - a skill that was purely functional in the village context where such hanging pot holders were an essential part of handling liquids. CORR -The Jute Works saw export market opportunity in this skill, by buying the thika from the women to sell overseas as decorative plant pot holders. It arranged the women in groups and gave them training in new products and techniques, bought their output, and placed it overseas through alternative marketing organisations and a mail order catalogue.

The sales of the craft work were divided: part of the income went back as a dividend to the producers (and this was used by the women's groups for a variety of useful activities like improved water supplies, or tree planting): part went to pay for the administrative costs of CORR - The Jute Works, and part was put into a reserve fund. From time to time, depending on the size of the reserves, CORR - The Jute Works would fund development activities for the women's groups beyond the craft operations - like latrine building.

CORR - The Jute Works was living and expanding on the backs of the craft production of the women, but was doing so in a way that enabled the organisation to be both self-sustaining, and a source of further funds. CORR - The Jute works has not taken foreign funding since its third year of operations (1975). The most difficult aspect of its operation is keeping up with the buying patterns of of the people in the countries to which they export, and feeding these ideas back to the manufacturers. The enterprise (and the organisation) will only continue if they remain smart entrepreneurs who research the market and produce for it, being prepared to change as the market dictates.

From: The Worldwide Fundraisers Handbook - a guide to fundraising for Southern NGOs and Voluntary Organisations. IFRG and DSC. 1996

Jairos Jiri Association

The Jairos Jiri Association, probably the largest organisation of its kind in Africa, serves more than 10,000 disabled people annually in Zimbabwe. It has a wide range of programs including scholols and psycho-therapy treatment centres for children, a scholarship program to assist secondary and post-secondary students, a traning centre and farm for for agricultural education, and outreach and follow-up integration programs: altogether there are 16 centres all over the country.

One of the Association's main activities is the provision of specialized education plus vocational training for the disabled. It operates five craft shops, two furniture factories and a farm that produces food for nearby residents and graduated trainees. These craft shops provide a great opportunity for disabled people to obtain skills and to produce high quality goods including furniture, artificial limbs, wood, mateal, and leather crafts and china.

In addition to serving as training centres and as a way to publicize the Association, the craftshops generate a considerable amount of revenue for the Association. Jairos Jiri began to generate income in 1959 to support its programs. The goods produced by the disabled clients are sold in goodwill stores to the general public, including tourists. The Association covers 43% of its expenses from the revenues of these shops. They started their operations with external donor funds (about US\$ 200,000) and have been producing profit since establishment.

One important lesson from Jairos Jiri is that the stores could not be managed as part of the charitable programs. According to the Executive Director, they should have been operated as a separate business activity from the beginning, adopting business principles and strategies.

From: Sustaining Civil Society - Strategies for Resource Mobilisation. CIVICUS 1997

- **Cost Recovery**

Many NGOs are confused by the idea of cost recovery. Since NGOs are meant to work with the poor, and many of them are set up to provide services to people who cannot afford to buy these services, how can they possibly expect the poor to pay (wholly or partially) for these services? Experience has shown that the poor are not absolutely poor, and that they can pay for some of the costs of services, provided those services are services that they need and want, and providing that they are delivered in ways that they can have some control over. It is true that the very poorest may well not be able to pay, but there is room for cross-subsidising i.e. charging enough from the poor, so that free services can be offered to the poorest.

Some SDNGO people object to cost recovery from political or ideological convictions. They feel that the state should offer free services to the poor, and so should SDNGOs. They see SDNGOs as an aspect of the Welfare State.

Other SDNGO people have a different ideological perspective - that the market economy is what should be promoted, and that in a market economy everything has a cost.

The most persuasive arguments in favour of cost recovery come from some people's experience that people (poor or otherwise) do not value services that are free: if they have to pay for them, they will not only value them more, but will use them more effectively.

It is fairly straightforward to argue that services which help people to make money should be paid for, and nearly all NGO micro-credit schemes, almost as an article of faith, demand a service charge. Some vocational training programs also require payment for the courses undertaken, sometimes up-front, sometimes from the income earned following the course when the graduate is gainfully employed.

It is also fairly straightforward to argue that services which help people to become more productive and thus earn more for themselves should be paid for. Thus, for example literacy programs, health and rehabilitation programs, and land reform programs are likely to increase individuals' earning powers, and such individuals could pay for the services either up front, or with deferred payments once the greater income is earned.

If programs are, however, dealing with the absolutely poor, or are providing services which have no earning potential (like tree planting, post disaster relief, help to People Living With AIDS (PLWAs), birth control or orphans) it is difficult to think how the NGO can recover even part of the costs. In such cases there seem to be three possibilities:

- the arguments that people will find the money if they value the service,
- part cost recovery where the service has to be paid for but at a highly subsidized price,
- cross-subsidies where the price of services is set at a level where the ordinary poor can afford it, but where enough income is earned to offer free services to a smaller number of absolutely poor.

An NGO which is serious about thinking through cost recovery ideas needs to be entrepreneurial (can tree-planting make money? Can condoms earn money?), but at the same time very pragmatic. If the service is priced beyond what the poor can afford, they will not use it - and the NGOs mission is perhaps jeopardised. Some Governments applying IMF structural adjustment programs with cost recovery on clinic services, for instance, have found that the program results in people dying at home because there is no way they can afford the costs of visiting the clinic.

PROSALUD in Bolivia illustrates this way of earning an income

Prosalud - Self- Financing Health Services

PROSALUD's objective is to function without outside support, recovering its costs from the sale of its health services and products. In the health sector, recovering costs by charging fees for health services delivered to low-income families is often considered impossible. Charging fees that are high enough to cover the costs of services appears to discriminate against the very poor, who live on the edge of subsistence and often have no money on hand to pay for services or goods of any kind.

This conventional wisdom, however, seems to be belied by the PROSALUD experience in Bolivia. PROSALUD already has a growing system of health facilities in operation that are self-financing through the fees that it charges. Clients are predominantly low-income families. Services include free preventative health care and child survival interventions. Curative services are provided free of charge to families that cannot pay (between 8-13% of PROSALUD's patients). PROSALUD has conclusively demonstrated the feasibility of self-financing primary health care services, even in a country as poor as Bolivia.

From: The Worldwide Fundraisers Handbook - a guide to fundraising for Southern NGOs and Voluntary Organisations. IFRG and DSC. 1996

- **Enterprises Linked to the SDNGO's Mission**

Here the question that the NGO has to ask itself is: "Are there any spin-offs from the NGO's main work (or mission) which can make money from a different market?" For instance - is it possible to market for a price to a richer group of clients the same services that the NGO is providing free to the NGO's target group? If the NGO is, for instance, running a nursery to produce fruit tree seedlings, can these be sold to better off farmers as well as given free to the NGOs target group?

Or, for instance - is it possible that the NGO's skills and equipment be packaged differently to appeal to a different market? Can the NGO's photo-copier operate commercially in the evenings and at weekends? Can the NGO's computers be used in commercial training courses as well as used for the administrative business of the NGO? Can the NGO's accounting system be sold to others? Can the NGO's surveys of its working areas be sold to banks, advertising agencies, government programs?

Or, for instance, is there some new saleable product or service possible using the NGO's core experience? Consider the example of an NGO working with AIDS in an African country: most of its work was free AIDS testing and counselling to the public. It realized, however, that shame and confidentiality were an important aspect of PLWAs and some people did not want to be seen coming to their down town clinic. It therefore offered a two-tier service in two different locations - their usual free clinic open to the public, and a more confidential service in another more secluded site - for which people paid.

Two examples are *Pact - USA* and *Yasan Bina Swadaya, Indonesia*

Pact: Health Insurance for NGOs

Pact, a US NGO, has a health insurance plan for its employees, as do many other US NGOs. The particular health plan is a good one and very well run. Pact found that other US NGOs were asking it for advice on running their own health plan, and were very receptive to Pact offering to include their organisation into the Pact health plan. Soon pact was earning a modest but important income from providing health insurance facilities for a number of other US NGOs. It knew how to do it, it could relatively easily scale up, it had a number of other interested potential customers, and it could do the work without undermining its services to its own employees.

From: The Worldwide Fundraisers Handbook - a guide to fundraising for Southern NGOs and Voluntary Organisations. IFRG and DSC. 1996

Yayasan Bina Swadaya

Yayasan Bina Swadaya in Indonesia is an organisation specialising in improving the lives of small farmers and fishermen through savings, credit, and the formation of co-operatives. Its early work was to encourage rural poor farmers to save their money and take take out credit to expand their small self-employment possibilities. The Yayasan (which means "Association") charged a service fee for the credit which went some way towards paying for the costs of the credit scheme. The Yayasan found that many of its customers wanted to raise chickens, but that obtaining day old chicks was a real problem. It therefore went into the business of hatching and producing day old chicks and selling them, making a small profit, to its customers. It found that other people apart from its target group, also wanted this service and so it also started to sell day old chicks in the market place. It started a small extension newspaper for its target group on improving farming practices, and found that this newspaper filled a need for for a farmers magazine that existed beyond its immediate target froup. It also geared up its production for the market place. It then found that its skill and experience of running its original savings and credit operation was at a premium for other development agencies, and that other organisations wanted to know how this could be done. The Yayasan started a consultancy service, offering its senior employees on short term hire to other development agencies.

Through its work with foreign development agencies it realised that there was a market for the kind of knowledge about Indonesia life that was part of its essential way of working, and so it offered alternative tourism services to the supporters of foreign development agencies. Everything that it did to make money was a spin off from its original mission, based on skills developed in the course of activities connected to that mission.

From: The Worldwide Fundraisers Handbook - a guide to fundraising for Southern NGOs and Voluntary Organisations. IFRG and DSC. 1996

NGOs need to really do some brain-storming to consider what resources they are offering, and what they are owning - and then think entrepreneurially if and how they can find some way in which these resources can make money for them. Simply by being in a place that others consider exotic is a potentially saleable resource, as we can see from *Alternative Tourism*

Alternative Tourism

The usual kind of tourist is one who craves creature comforts familiar back home, but likes them packaged in an exotic setting. They are often unaware of the actual environment in which they spend their holidays since what they see and experience is decided for them by hotels and tour operators. There is, however, a small but increasing number of tourists for whom a visit to a foreign country is an "alternative" opportunity to learn more about that country, including the reality of life "behind the scenes".

Basically there are two kinds of NGOs who have appreciated that they have special knowledge and experiences which are marketable and can earn money - those who offer tourists an introduction to the realities of life in a particular country - and can organize exposure tours to villages and aspects of rural and urban life that other tourists would miss (these are offered in India and Thailand, for instance); and NGOs who are involved in environmental matters who offer eco-tourism, that is specialized visits to places of particular environmental interest often combined with exposure to particular environmental problems (these are offered in Nepal and Madagascar, for instance). As with much tourism, the ethical problems arise not as a matter of principle, but when the numbers involved escalate. It is difficult for the most sensitive and committed tour guide to bring the 500th tourist to look at the misery of the rubbish mountain pickers of Bangkok, as it is difficult to preserve the wilderness conditions required for the interesting biological diversity in Madagascar under the visits of very many tourists, however pure the motives of the tour organiser.

From: The Worldwide Fundraisers Handbook - a guide to fundraising for Southern NGOs and Voluntary Organisations. IFRG and DSC. 1996

- **Income from Enterprises not linked to the SDNGO's Mission**

Here the NGO is looking for anything which earns good returns on capital. To be successful, however, NGOs should think of the following points:

- a. it should not require too high a degree of business acumen, since, as we have seen previously, NGOs are usually inexpert in this field. NGOs would not be advised to go into the retail marketing trade or import/exports, but they might go into renting property or a meeting room. Of course, if the NGO can acquire or hire business skills, this need not be a problem.
- b. It should not be anything that compromises the existing work of the NGO. An NGO working with alcohol abuse or drug addiction would not be advised to open a bar, however lucrative it might be. The public would not consider the NGO to be serious.
- c. It should not be something that drains human resources from the main work of the NGO.

On the positive side, NGOs should look for ideas that capitalize on the free skills and experience of well-wishers to the NGO. If someone offers the NGO a

building, then the NGO could go into the property renting business: if anyone was able to reliably advise the NGO that there was both a source and a market for second hand clothing, then the NGO could go into that business.

A very important point for the NGO to consider is whether the income generating activity can be compartmentalized away from the main work of the NGO. If an NGO gets into a business unconnected with its mission, there is a strong tendency for the business to sap the strength of the NGOs main work. The Zambian Red Cross and PROSHIKA, Bangladesh illustrate positive and negative examples of this issue

Enterprises of the Zambian Red Cross & PROSHIKA Bangladesh

The Red Cross in Zambia raises 87% of their income from the rental of offices and flats. The original Red cross Building has been owned by the red cross since at least 1964. They have also received in the past ownership of 6 flats which they have rented out since then. In 1991 they approached Finnish Red Cross for a loan in order to build a second building. Finnish Red Cross agreed, and when the building was finished in 1992/3 the World Bank rented the office space on the third floor (they have subsequently moved to larger premises).

Rental from the office space brings in a substantial amount of money which is usually paid for a year in advance. The rent from flats is on a monthly basis. All of their administrative and most of their continuing project support comes from rental together with smaller amounts of other domestic fundraising. For special projects of relief work, the Red Cross applies for funding from outside sources, typically their sister agencies (e.g. British or Finnish Red Cross, or their umbrella agencies International Committee of Red Cross and Red Crescent Societies). Mrs. Munkanta says: "we do not have the headache of chasing funds. We are able to operate in a more secure financial environment which has allowed us to follow through with programs and be innovative. You still have problems with flats being unoccupied or dealing with the demands of tenants, but it is generally a good experience"

From: "Depending on Ourselves - Zambian experiences in domestic fund mobilization" by Hull and Holloway. Pact Zambia. 1996

PROSHIKA, a large Bangladeshi NGO was helped by CIDA to buy a bus company which it intended to run as an income generating enterprise. No-one in PROSHIKA had ever managed a bus company before, and the inter-city bus business in Bangladesh is not only very competitive, it is also pretty lawless as businesses try and capture passengers from each other.

PROSHIKA soon got bogged down in problems of maintenance, ticket collection, cash flow problems, and, in the end, found that it was taking much too much of the senior management's time - time that should have been spent on the economic and social development work that PROSHIKA was set up to do.

Added to this the business itself was not making much money - certainly not enough to justify the management time that was being spent on it. Sensibly PROSHIKA divested itself of its bus company and stuck to what it was good at. It is now generating income for itself from a service fee on its large credit programme, by running an internet service provider, and by renting out a spare floor in its own office block.

From: "The World Wide Fundraiser's Handbook - a guide to fundraising for Southern NGOs and Voluntary Organisations: by Michael Norton. DSC & IFRG, London 1997

4. Issues to consider in NGO Revenue from Earned Income

Experience suggests that the following issues are likely to be important obstructions to an NGO's ability to earn income from enterprises:

- ***The conflict of an SDNGO culture and a Business culture***

As we discovered in the exercise on the first day, NGO people and business people have different characteristics. It is well to recognize this rather than expect NGO people to easily move between cultures. Some of the most successful NGO enterprises have worked because they have managed to attract competent business people to the NGO who are prepared to work for a wage rather than a share of the profits. They have allowed them to run the enterprise according to their own experience, separate from the main work of the NGO.

It is also true that a move into income generation may not be well received by some of the staff of your organisation who may consider that this was not the reason they joined - and opt to leave. The new ideas need to be fully discussed within the organisation.

- ***The Lack of Business Management Skills and Experience***

We have remarked on this before. NGOs either need to engage in an enterprise that does not require such acumen, like renting buildings, or hire in such expertise which will be paid from the income of the enterprise

- ***Planning/Allocating Human and Financial Resources***

If an NGO is deciding to go into business by starting an enterprise, the NGO has got to decide what part of its financial resources, and what part of its human resources (i.e. its staff) should be allocated to the enterprise. The NGO may not be able to use any of its present financial resources because of its donors regulations, and may need to fund raise separately for the enterprise (see later): it may also not find that its staff are happy to be moved from, for instance, working with street kids to running a printing press. The NGO manager needs to think through carefully the management implications, and also make sure that the Board understands and agrees to the ideas. There are important questions to decide on - such as "Should the enterprise be managed as a separate entity?", "What profit levels should be demanded?", "To whom should the enterprise report?"

- ***Access to Capital***

Where can the NGO hope to get the capital with which to start an enterprise? This is a crucial matter for an NGO, and one which often causes pessimism in an NGO otherwise interested in earning income.

There are many answers to this:

- a. from money raised by the NGO separately from external sources e.g. subscriptions, membership, local fundraising, interest on investments
- b. from funds specifically requested from external donors
- c. from gifts in kind (e.g. a building)
- d. from a bank loan - just like other entrepreneurs

If an NGO is trying to get funds from external donors to start an enterprise, we have to face the fact that many donors do not think in these terms, and haven't yet dealt with the paradox that they are trying to encourage the growth of NGOs and their self-reliance, but they are reluctant to invest in self-sustaining income generations schemes for NGOs. Some donors are enlightened and are prepared to think in these terms, but many need to be educated by SDNGOs about the importance of such funding.

Public Perception

If your NGO's name becomes more associated in the public's mind with, for instance, property rental than working with street kids, you may have a problem with the public's perception of your NGO and what it does. The public and the Government may be more than usually suspicious that your NGO is a money making scam for its directors. You will need to either be less overt about the income generating side of your operation (e.g. call it by another name) or spend some time educating the public that every time they rent your property they are helping street kids.

- ***Legal Status***

Following on from the points made earlier about the muddled understanding that the Government has about NGOs that try to earn income, there may well be complications about the legal status. In the UK it is common for NGO income generating businesses to be set up legally as tax paying businesses with the profits then "covenanted" i.e. pledged, or legally agreed to be passed over to the original NGO. Such an arrangement clearly and transparently shows anyone that the enterprise is not for personal profit. It is likely that all NGO owned businesses will, initially, attract tax. Unless there is some blanket law to allow such enterprises to be given tax free status, each NGO will probably have to argue the case for tax free status enterprise by enterprise. The NGO should use the argument that the income earned will be used to deal with social problems for which the State would otherwise have to use its own resources, and thus ought to be rewarded by the State by releasing it from contributing to the State's income through tax.

NGOs will find that these ideas have to be argued against a possibly hostile audience, and that success is likely to be achieved by strength in numbers and influential champions

Competition with the Business Sector

Part of the hostility to an NGO business and its requests for tax free treatment is likely to come from the existing business community , particularly when the NGOs go into fields that compete with them - property, service provision, trading. Such people will not see why you should be able to undercut their prices because you do not have to pay tax, or because you are subsidised in some way.

It is unlikely that NGOs will be too threatening to the business community, but this may be a problem in particular cases. There seems to be two ways of approaching this problem:

- a. by educating the business community about the value of what your NGO is doing, and getting them on your side
- b. by persuading the Government to declare certain kinds of enterprises reserved for NGOs and community organisations - this is the case, for instance, in Nepal for handloom weaving to make the traditional Nepali mens hats, and in the USA, for making car licence plates.

• *Relations with External Donors*

Donors should be delighted that NGOs are thinking entrepreneurially and should be very interested to invest in their enterprises in order to allow them to be financially self-reliant. Sadly very few think like this, and some back up their position by reference to previous miserable failures in this area. It is often the case that previous attempts were poorly prepared.

In some cases external donor agencies have skills available to help NGOs because another section of the agency deals with small scale industry and entrepreneurship development. There is usually a divide between the two fields, however, and NGOs wanting to start enterprises are not linked to these resources of the agency.

If an external donor is interested to support the entry of an NGO into an enterprise, it will ask all the same sorts of questions that have been posed in this section:

- a. will it interfere with the main mission of the organisation?
- b. will it be profitable?
- c. will it attract unwelcome or hostile comment?

d. will the NGO be able to run it?

These are all important questions which the NGO should anyhow be asking itself:

Once the external donor has decided to support an NGO profit making enterprise, it may have a variety of other support mechanisms with which it can help - funding, technical assistance, business assistance, sourcing of markets (for export goods), bank guarantees and others.

Inter-donor meetings at both a national and international level to discuss their responses to NGO enterprise creation are very much needed - too much of the present thinking about and response to the issue is ad hoc and unplanned.

Further Reading

1. Chapter 2: "Earning Income through Trade and Exchange" by Horacio Morales Jr. in "Sustaining Civil Society - Strategies for Resource Mobilisation" edited by Fox and Shearer. CIVICUS. 1997.
This contains further case studies, lists for further reading, and resource organisations.
2. "New Directions in NGO Self-Financing" by Lee Davis. Social Change and Development Occasional Papers 1997. The John Hopkins University School of Advanced International Studies (SAIS), Washington. 1997
3. Chapter 5: "Income Generation" in "The WorldWide Fundraiser's Handbook - a guide to fund-raising for Southern NGOs and Voluntary Organisations" by Michael Norton. Directory of Social Change and International Fundraising Group. London 1997.
This contains list for further reading and resource organisations,
4. Grassroots Development Vol 19. No. 2, 1995. A Journal of the Inter-American Foundation.
5. "Generating Revenue" by the International Federation of Red Cross and Red Crescent Societies, Geneva 1995

Resource Organisations

1. Non-Profit Enterprise and Self Sustainability Team (NeSsT)
3104 Grindon Avenue,
Baltimore MD 21214,
USA
Tel/fax:1-410-426-3671
Email: nesst@igc.apc.org

NESsT can provide trainers in this field.

2. The Philippines Business for Social Progress (PBSP)
3/F Magallanes cor. Real St.,
Intramuros,
Manila
Philippines
Tel: 63-2-527-7741
Fax:63-2-527-3740

PBSP has an international training program (in English)