Sustainability of NGOs in Kosova: Challenges of the third sector and the ways forward: [presentation given May 18, 2010]

Dardane Nuka

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Capstone Project Proposal

Sustainability of NGOs in Kosova

Challenges of the third sector and the ways forward

Submitted as a Capstone Project Proposal in partial fulfillment of a Master of Science Degree in Service Management at the American University in Kosova

Dardane Nuka

May 2010
Acknowledgements

I would like to thank all the people who contributed in my capstone project with advices, provided information and helped in conducting the survey.

Especially, I’d like to thank my capstone consultant Hajrulla Ceku who helped and advised me during all the time to the completion of this project with his professionalism and enthusiasm.

I am particularly grateful to my family and my fiancée for their patience and understanding, the moral support and encouragement they gave me from the very beginning of my Master studies to this day.

Another special gratitude goes to my project mentor, professor Brian Bowen for his professional guidance and continued advice throughout this capstone project.
ACRONYMS
APEH - Hungarian Tax and Financial Control Administration
CEE – Central and Eastern Europe
CEO – Chief Executive Officer
CSO – Civil Society Organization
EU – European Union
HUF – Hungarian Forint
ISC – Institute for Sustainable Communities
KMDLNj – Council for the Defense of Human Rights and Freedoms (Këshilli për Mbrojtjen e të Drejtave dhe Lirive të Njeriut)
LDK – Democratic League of Kosova (Lidhja Demokratike e Kosovës)
MKD – Macedonian Denar
MPS – Ministry of Public Services
NATO – North Atlantic Treaty Organizations
NGO – Non-governmental organization
NIOK – Non-profit Information and Training Center (Nonprofit Információs és Oktató Központ)
OSI – Open Society Institute
PDK – Democratic Party of Kosova (Partia Demokratike e Kosovës)
PISG – Provisional Institutions of Self-government
UNDP – United Nations Development Programme
UNMIK – United Nations Mission in Kosovo
UPSUP – Student Union of University of Prishtina (Union i Pavarur i Studentëve të Universitetit të Prishtinës)
USAID – United States Agency for International Development
USD – United Stated Dollar
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ANNEX 4: Results of the questionnaire
1. Abstract
This capstone project addresses the problem of sustainability of NGOs in Kosovo as the vast majority of NGOs face serious difficulties in sustaining their work. Except for a small number of Kosova NGOs, that managed to achieve a desirable level of institutional and financial sustainability, the rest tend to be failing. According to the numbers provided by the NGO Registration and Liaison Office of the Government of Kosovo, out of the around 5000 registered NGOs, about 10% are estimated to be still active or partially active.¹

The research methodology of this capstone project was quantitative and qualitative based on surveys and interviews. While, comparative case studies from countries which went through transitional periods was analyzed and presented in order to give a comparative and analytical approach to the issues.

This capstone project concentrates on two groups of important factors which affect the NGOs sustainability. The primary group involves 3 main factors: 1) financial, 2) organizational viability and 3) legal. The secondary group involves other four factors: 4) program effectiveness, 5) human capacity, 6) networking and 7) long-term impact on society.

![Table 1. Key project factors](image)

<table>
<thead>
<tr>
<th>PRIMARY FACTORS</th>
<th>SECONDARY FACTORS</th>
<th>NON GOVERNMENTAL ORGANIZATIONS (NGOs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial resources</td>
<td>Organizational viability</td>
<td>5000 NGOs registered after 1999</td>
</tr>
<tr>
<td>Private giving</td>
<td>Program effectiveness</td>
<td>300-500 active (2005-2010)</td>
</tr>
<tr>
<td>Legal environment</td>
<td>Human capacity</td>
<td>25 included in the survey</td>
</tr>
<tr>
<td>Philanthropy –generated the main recommendations</td>
<td>Networking</td>
<td></td>
</tr>
</tbody>
</table>

This capstone project makes recommendations on how to overcome the difficulties and challenges regarding NGOs’ sustainability. In order to evaluate these seven factors there was conducted a survey with 50 NGOs. This survey contains two questionnaires, one for active NGOs and the other for inactive ones. Both active and inactive NGOs were selected randomly out of approximately 150 active NGOs and all the inactive ones. The survey
focused on three specific sectors of NGOs: environment, think-tank, and democratization and human rights. The first questionnaire finds out the reasons and the factors that helped NGOs remain active and also the challenges they face everyday. The second questionnaire aims to find out the main reasons that led the most NGOs to become inactive. The results of the survey give a comparative approach of active NGOs versus inactive ones.
2. Background and creation of NGOs in Kosova

2.1. Historical background

Kosova as a province in the former Yugoslavia before 1989, had its status elevated in 1974, when it began to enjoy wide autonomy almost like the other republics of the federal Yugoslavia. However, this status downgraded by armed forces, when the Milosevic regime took full control of all public authorities and enterprises in late eighties. Forced out of their jobs, the Kosova Albanians, who constitute around 90% of the population, declared their independence in the early nineties. They organized a parallel system of services and peaceful resistance led by the Democratic League of Kosova (LDK).²

This parallel system was repressed by the Serbian regime, and gradually led to armed resistance in 1998, followed by the military bombing and ground intervention by NATO in 1999. Kosova was then governed by the United Nations Security Council Resolution 1244, with the United Nations Interim Administration Mission in Kosova (UNMIK) assuming ultimate authority.³ The closed nature of the political system, at both local and international levels, has significantly inhibited effective public engagement in policy decision-making processes.

<table>
<thead>
<tr>
<th>Date</th>
<th>Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>Autonomy Status of Kosova was abrogated</td>
</tr>
<tr>
<td>1998</td>
<td>Kosovar armed resistance</td>
</tr>
<tr>
<td>1999</td>
<td>NATO bombing</td>
</tr>
<tr>
<td>2001</td>
<td>Kosova’s central elections</td>
</tr>
<tr>
<td>2008</td>
<td>Kosova declared its independence</td>
</tr>
</tbody>
</table>

Table 2. Historical events and the first active NGOs

Kosova held local elections in 2000, out of which the first democratically controlled municipal assemblies emerged. In 2001, Kosova-wide central elections were held, which formed the Kosova Assembly and the Kosova Government, named the Provisional Institutions of Self-Government (PISG). In 2002, when the second local elections were held, several municipalities elected different parties. In 2004, the central authorities also changed hands, putting the Democratic Party of Kosova (PDK) in opposition. Local elections scheduled to be held in 2006 were delayed until 2007, where elections were held
at central, municipal and mayoral levels. The 2007 elections were markedly different from the earlier elections; they were more democratic with open lists for all three levels and direct elections at the mayoral level. These most recent elections also resulted in a peaceful handover of power at the central level and in most municipalities.  

Kosova declared its independence in 2008 and has been recognized by many states. It is the prospect of eventual membership in the EU that remains the key motive for the citizens of Kosova to move their new country towards democracy. The recent financial crises will also be a key challenge for the Kosovar Government and NGOs.

2.2. Problem background
Kosova experienced massive expansion of NGOs in the aftermath of the conflict of 1999 which was largely fueled by an increased presence of international donors and involvement by international NGOs with civil society concerns. However, international involvement and levels of donor contributions to Kosovar civil society has steadily declined in recent years as the focus has generally shifted from humanitarian relief and recovery, to the support of Kosova public institutions.

A substantial infusion of money combined with the desire to change Kosova, led to the financing of organizations that were committed to reconciliation. Therefore, for several years, the position of most international organizations was viewed skeptically by the majority of the population. In turn local NGOs were viewed by these skeptics as naïve, and unable to perceive the exploitative interests of these foreign donors.

The funding that came rapidly in the aftermath of the 1999 war began to dry up almost immediately, heralding a shift in priorities with increased support to the public authorities of Kosova. Overall, Kosovar NGOs have been characterised as having weak relationships with citizens because of historical, cultural and political reasons; in some cases this has led to a tendency for NGOs to be run as elite organisations.
Sustainability is one of the most crucial concerns that NGOs face nowadays in Kosova. There are many factors that make NGOs in Kosova not sustainable but the main one being financial resources, followed by other important ones:

1. Financial resources
2. Organizational viability
3. Legal and policy framework
4. Program effectiveness
5. Human capacity
6. Networking and
7. Long-term impact on society

All these factors are connected to each other and only if applied together, an NGO will be completely sustainable. For example, if an organization’s governance is weak (organizational viability), sooner or later it will affect its credibility such that donors will not fund it (financial viability), thus resulting with reduction in interventions (program effectiveness) which may have adverse effects on long term benefits for the community (enduring impact).^5

2.3. Challenges and needs of NGOs

2.3.1. NGO’s sector background – before 1999

Civil society in Kosova went through two developmental phases: civil resistance and solidarity in the 1990s, and the post-war period and building democratic governance after 1999. ^6~While most of the Albanian civil organizations [during the 1990s] were service providers, they were strongly politicized and nationally oriented as they embodied the goals of the Albanian Kosovar nationalist struggle and were the means of peaceful resistance to the Serbian regime. Others pursued this goal through advocacy on the world stage.^"^7

The first NGOs began to appear only in the late 1980s organized mostly by young people, writers and journalists. Looking back at the origin of NGOs in Kosova, it is evident that it is related especially to the crisis in Kosova as a result of the annulment of its autonomy by Belgrade.
### Table 3. First active NGOs before the war

<table>
<thead>
<tr>
<th>1980-1990</th>
<th>Mother Teresa Association</th>
<th>Charity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Council for the Defence of Human Rights and Freedom</td>
<td>Human rights</td>
</tr>
<tr>
<td></td>
<td>Kosovo Helsinki Committee</td>
<td></td>
</tr>
<tr>
<td></td>
<td>KMDLNJ</td>
<td></td>
</tr>
<tr>
<td></td>
<td>LDK</td>
<td>Political movement</td>
</tr>
<tr>
<td></td>
<td>Union of Independent Trade</td>
<td>Youth organizations</td>
</tr>
<tr>
<td></td>
<td>Post Pessimists</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Pjetër Bogdani Club</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Alternativa</td>
<td></td>
</tr>
<tr>
<td></td>
<td>UPSUP</td>
<td>Students</td>
</tr>
<tr>
<td></td>
<td>HANDIKOS</td>
<td>People with disabilities</td>
</tr>
</tbody>
</table>

Some of the very first NGOs that were established from 1980 -1990 are KLDMJ, LDK, Mother Teresa Association, the Council for the Defense of Human Rights and Freedoms (1989), the Kosova Helsinki Committee (1990) and the Union of Independent Trade Unions also (1990). With the appearance of the above mentioned NGOs Kosova experienced a consolidation of NGOs’ movement. At the local level, a small number of other organizations representing other interests emerged in this period, including youth (Post Pessimists, Pjetër Bogdani Club, Alternativa), students (UPSUP), the disabled (Handikos), and those engaged in radio and the print Media.  

### 2.3.2. NGO’s sector background after 1999

Kosova’s NGOs went through a massive expansion during the first 4 – 5 years after the war of 1999. There were many international donor organizations and a big involvement of international NGOs in dealing with civil society concerns. This international involvement has declined the last years as the focus of the international organizations has shifted to supporting the Kosovar public institutions. This period of rapid expansion of NGOs in Kosova was also called the period of international and national “mushrooming NGOs”. In the first years after 1999 there were many NGOs being established as this period was seen as a prosperous time for civil society. Unlike in 1990 the NGOs’ role after the war changed. It wasn’t anymore civil resistance but was dominated by programmes on human rights, reconciliation, multi-ethnicity, reconstruction and institution-building.
According to UNDP Human Development Report 2008, large scale of financial and technical support from international donations resulted with massive growth of number of NGOs, which was not necessarily followed also with the increased quality of their work. “Easy to get” funds combined with the dependence from foreign donations, created many donor-driven NGOs, as well as “hibernate” ones who become active only upon available funds.11

3. The seven factors related to sustainability of NGOs
This chapter looks at each of the seven factors and their impact on the sustainability of NGOs.

3.1. Financial resources
Most NGOs are not financially sustainable and depend on donors. In Kosova all donors are international organizations, as the private sector is not developed and doesn’t finance or even participate in NGOs’ initiatives.12 Sole dependence on foreign funds and limited human resources are amongst the greatest challenges facing NGOs today.

The relative shortfall in finance by international donors has not been compensated for by local sources: “The majority of NGOs are dependent on short-term funding from one donor, and many smaller NGOs are without any significant financial support.”13 Due to the weak economic situation, inadequate tax structure, and lack of public understanding of their value, NGOs in Kosova are not close to becoming financially sustainable.

While numerous organizations could become institutionally sustainable within 2-3 years, financial sustainability remains a distant goal. NGOs will need to do their best to diversify their sources of funding in their bid to become more independent, as well as to widen and deepen their constituency to be able to use their membership for voluntary tasks as well as membership fees.

“Nearly all NGO revenue falls within three broad categories … (1) government funding, (2) private giving, or philanthropy, and (3) self-generated income.”14 There
are many possible revenue streams for NGO operational and programmatic activities. These sources include, but are not limited to: government support through direct public funding or indirect subsidizing such as tax exemptions, foreign aid, earned income from economic activity and membership fees, and private philanthropy.

3.2. Legal and policy framework
The legal environment for NGOs and civil society in Kosova may be described as a generally enabling one, however, with serious challenges confronting stakeholders in the implementation of the laws. Until November 1999, NGOs operated in a legal vacuum, which presented considerable obstacles to their development. On 15 November 1999, UNMIK issued Regulation 1999/22 on Registration and Operation of the Non-Governmental Organisations in Kosova, which was the first step towards setting up an institutional and legal status for the NGO sector.\textsuperscript{15} The UNMIK’s NGO Registration and Coordination Unit were established as an implementing mechanism for this regulation. Two years later, in September 2001, UNMIK issued Regulation No 2001/19 on the Executive Branch of the Provisional Institutions of Self Government, which presented the legal basis for the establishing and functioning of the country’s governmental institutions. As per this regulation, the Ministry of Public Services was responsible to “assist in the administration of policies related to civil documents, vehicle registration and NGO registration”.\textsuperscript{16}

In July 2004, the Ministry of Public Services enacted Administrative Instruction MPS 2004/6, which established the NGO Division within the Department of Registration Services. Upon its enactment, the responsibility for NGO registration, monitoring and coordination was handed over to national institutions. In March 2006, aiming to allot increased institutional capacities for provision of services to NGOs, the NGO Division was elevated to the Department for NGO Registration and Liaison\textsuperscript{17}. On February 12, 2009 the Assembly of Kosova adopted the \textit{Law on Freedom of Association in Non-governmental Organizations} (NGO Law). This law regulates the establishment, registration, governance, operation and termination of NGOs generally in line with European and International best
practices. Furthermore, it establishes the so-called Public Benefit Status, which provides for tax exemptions and benefits for qualifying NGOs.\textsuperscript{18}

Currently, there are three ongoing legislative drafting processes: (1) draft sponsorship law being developed by the Ministry of Culture, Youth and Sports; (2) draft law on value added tax, being prepared by the Ministry of Finance; (3) draft law on youth empowerment and participation, with special regard to issues of volunteering, being developed also by the Ministry of Culture, Youth and Sports.\textsuperscript{19} Currently, the NGO Law is undergoing an amendment procedure and the main focus is on the following issues: limiting registration of NGOs to those which pursue a public benefit purpose, the scope of the law, property and resources of NGOs, grounds for termination of NGOs, public benefit status and supervising and monitoring of NGOs.

In this regard, the current legal framework presents an “open door” based on legislation such as the Law on Access to Official Documents and the Rules of Procedures of the Assembly, it is possible for NGOs today to have access to key information and participate in the legislative process at a basic level.\textsuperscript{20} However, there are major challenges in making this theoretical possibility a reality: (1) The law stops short of presenting any obligations in relation to consultation mechanisms (except at the local level); (2) The Administrative Instructions fail to give best practice guidance on how to actually implement the participation procedures; in some cases even represent a “step back” compared to the law, hindering its effective implementation; (3) There is a lack of culture and routine of participation especially in the central government.\textsuperscript{21} In general, participation is more encouraged by the legal framework and also happening more frequently at the local level.

In addressing the challenges, stakeholders will need to consider the need for an overarching policy or law that would provide a general framework for participation; as well as determine concrete mechanisms to improve the current legal framework at all levels, but especially in the relations with government, both in terms of access to information and also in consultation mechanisms. This could entail a focus on capacity building of both sectors to ensure that existing mechanisms are more fully utilized.\textsuperscript{22} Although there is a general understanding that the legislation concerning NGOs in Kosova is moderately enabling and
reflects European standards, according to a recent organizational survey conducted by an international organization with a number of active and consolidated NGOs, around 77% of respondents reported that their organizations faced illegitimate restriction or attack by local and/or central government.23

3.3. Organizational viability
Organizational viability is being able to maintain the organizational strength while fulfilling its mission and vision. NGOs in Kosova need to employ good governance structures such as an elected board, strategies financial audits, annual reports, a conflict of interest, and guidelines for carrying out duties.

Although many organizations have governance structure in place, it is often focused on conformance with regulations. And this is very important, but governance should also support the organization’s efforts to improve performance. Successful organizations adhere to governance principles and periodically evaluate results to ensure the continuity of effectiveness of the governance system. Based on their environment, different NGOs should adapt a governance system or change as it changes itself towards future opportunities.24 Transparency, effectiveness and accountability at senior level ensure a good organizational viability. “An organization exercises good governance when it has an internal system of checks and balances that ensures the public interest is served.”25

3.4. Program effectiveness and accountability
Program effectiveness plays an important role in NGOs’ sustainability. The more effective their program is the more their life-tan is ensured. Having an effective program means being able to continuously provide quality services to target groups meet the demands of the target groups, increase credibility through showing accountability to the society they serve and ensure that program objectives are met.26 NGOs are founded on the principle that citizens have a right to associate freely. Most countries in CEE acknowledge this right in their constitutions and through legislation. They may also affirm it by extending direct or indirect financial support to NGOs, which can include full or partial exemption from taxes.
In return for this support, NGOs pledge to pursue activities that meet a public or community need rather than the private profit-making interests of stockholders.\textsuperscript{27} NGOs are expected to demonstrate a high level of accountability to their community. This community includes members, beneficiaries, donors, the government, and other stakeholders or constituencies.

An NGO is accountable to its community when it demonstrates regularly that it uses its resources wisely and doesn’t take advantage of its privileges to pursue activities contrary to its nonprofit status. An NGO is accountable when it is transparent, readily opening its accounts and records to public scrutiny by funders, beneficiaries, and others.\textsuperscript{28} Through these acts of accountability, an NGO shows to be committed to democratic values and contributes to the building of civil society.

3.5. Human capacity
From the point of view of the managerial approach of an NGO, human capacity is another necessary resource in order for an NGO to be sustainable. As this is the responsibility of the top-level leadership, the commitment to sustainability, the planning, project-writing and progress review involves directly the CEO and top board leadership therefore, “these people should possess exceptional ability in three major thinking domains of reasoning, insight and self-knowledge and be highly skilled in the internal and external processes that constitute them”.\textsuperscript{29}

Another issue is that only a few NGOs can afford to keep full time staff, these are mostly the NGOs that conduct income generating activities. NGOs in Kosova have generally managed to attract suitable employees. They are generally professional, but there are few volunteers. Even interns are rare. However, some NGOs have been able to recruit volunteers, in particular NGOs dealing with young people and, to an extent, women’s NGOs.\textsuperscript{30}

Lacking volunteers and having to support staffs that tend to be considerably better paid than those in the government makes the organizations particularly vulnerable to
fluctuations in the donor community. Many individuals have left when private sector professional employment started to pick up, or when well paid political positions were offered. Many organizations have failed to expand beyond dependency on one person for day-to-day operations.

3.6. Networking
Networking is important to the success and sustainability of NGOs’. Basically, a network is a communication devise. It is a mechanism that links people and/or organizations that share some kind of common goal. An NGO would also strengthen its position if part of a network. Generally, organizations are registered in a formal way, have a permanent address, and a defined ownership and authority. While, networks do not need these formal characteristics and they are generally less bureaucratic and hierarchical. Although networks could be described as a form of organization, they often distinguish themselves by their emphasis on disseminating information and linking organizations and individuals.

In Kosova, in 1999 there were few NGO networks established most of which were either short-lived or ineffective in mobilizing their potential and creating powerful synergies. Different factors affected this situation such as internal disagreements between member organizations, diversity of interests represented within the same network and diverse civil society environment. Therefore, the process NGO networks and coalitions must act around shared common interests, and avoid as much as possible the donor driven networks.

Indeed, one of the reasons why NGO network don’t have a more unified voice is generally believed to be the intense competition for donors. While, NGOs networking and partnerships with different ethnic groups or regions are still rare. A diverse civil society environment makes it quite difficult to establish and maintain sustainable NGO networks. Therefore, the process of building NGO networks and coalitions must follow a natural line of coming together to act around shared common interests, and avoid as much as possible the donor driven and “positive perception” networks.
3.7. Long term impact on society
This relates to the process of empowering target groups and engaging them in organizational processes by institutionalizing changes in behavior, developing community capacities, creating a sense of ownership and social capital.  

Several NGOs’ initiatives in Kosova were quite successful in shaping government policies and decisions. One example is the Forum 2015 advocacy campaign against the Kosova C power plant, which raised public awareness about this energy project. Additionally, the Organization for Anticorruption and Dignity (COHU) campaign to improve the process of licensing and accrediting private universities has been very influential. Among the most visible advocacy initiatives have been the protests and strikes organized by trade unions in vital sectors such as health, education, and law enforcement. One noteworthy initiative was lobbying for the recognition of Kosova undertaken by Forum 2015 and a group of civil society activists who sought to generate support within the Arab world for the state of Kosova.
4. Methodology and survey results

This capstone project aims to shed light on the main factors that make an NGO in Kosova remain sustainable enough as to be able to contribute continuously to the society’s needs. It tends to offer a list of solutions and strategies, as well as successful examples of self-sustainable NGOs. The methodology is both quantitative and qualitative based on the survey and interviews. The results of the survey where both active and inactive NGOs participated are also an important indicator of what’s the level of sustainability of NGOs’ and what needs to be done and what sort of strategies are to be implied.

Both questionnaires are focused on three specific sectors on NGOs: environment, think-tank, and democratization and human rights. The first questionnaires with active NGOs is conducted via email, sent out in two batches, to associate NGOs and to less known ones. The interview with inactive NGOs includes 5 NGO and was conducted face-to-face while the interviewees asked to remain anonymous but not showing either their name or the name of the NGO they represented. This was the condition on taking the interview with them.

The distribution of the questionnaires was carried by two people including the project mentor. Attached to the survey was also a cover letter including information for this capstone project, and further explanations for the NGOs participating in the survey. The interview with the inactive NGOs was done just by me.

The findings of the questionnaires are fully presented in ANNEX 4 of this final report followed by conclusions and recommendations for both active and inactive NGOs. In this report under survey’s results are presented to answers which point out the most emerging needs and the most challenging constraints. There will be also an analysis of the main factors of sustainability which result to be the ones that mostly affect the long-life of NGOs in Kosova.
4.1. The Survey

4.1.1 Description of the four phases of the survey

This survey analyzes the reasons and factors that lead most NGOs in Kosova to collapse and what could be some solutions to help NGOs to consolidate their capacities and sustain their ability to contribute to the society’s needs in a solid level of sustainability. The survey will consist of four phases listed below.

The questionnaire is conducted with 20 active NGOs. It consists of 40 open and optional questions (see ANNEX 1) which aims at analyzing different aspects of their sustainability, be it institutional (space, staff, equipment) or financial (income, annual budget, expenditure), and will also focus on finding out the reasons that kept them active but will also analyze the challenges they face in their every day work.

The interview consists of 20 questions, 15 of which were the same as in the questionnaire for the active NGOs while 5 questions dealt only with the factors of their collapse. The questions of the interview aimed also at getting their opinion on what could be a way out of sustainability.

Analysis of the main factors based on the survey brings to attention the main factors that affect the sustainability of NGOs based on the importance of the role they play in the long-life of an NGO. The approach is analytical and its results tend to show how these factors can help NGOs in Kosova to revival or be sustainable especially in the most critical fields identified through this capstone project through the questionnaire and the interview.

Case studies present examples from two countries from Central and Eastern Europe which went through similar but not the same situations as Kosova did, as well as one example from the region, respectively Macedonia. The case studies tend to bring a comparative and analytical point of view about NGOs from other countries and see how their experience could be at help to Kosova’s NGOs’.
4.2. Survey results

The survey was conducted with 20 Kosovar NGOs, who are active organization in their respective fields and which were chosen randomly. The questionnaire, which contained 40 questions (open and optional), aimed at analyzing different aspects of their sustainability, be it institutional (space, staff, equipment) or financial (income, annual budget, expenditure). The survey was conducted with NGOs operating in three specific sectors (environment, think-tank and democratization & human rights), in order to have more specific area-based and sectoral analysis of sustainability issue.

Besides the survey with active ones, an interview with 5 inactive ones was conducted as well. They were also supposed to take part in the survey but because of their refusal to do so and because of being very difficult to contact them, the interview with only 5 of them was the back up option to find out the reasons of their stagnation.
4.2.1. Results of the questionnaire with active NGOs

Fig. 1. Based on the last financial year, what percentage of financial resources of your organization came from the following resources:

![Bar chart showing percentage of financial resources from different sources]

- a. central and local institutions
- b. local private companies
- c. international donors
- d. individual donations
- e. membership fees
- f. service providing fees
- g. other

Fig. 2. Do you consider your organization as financially sustainable?

![Bar chart showing responses to financial sustainability]

- a. yes
- b. no
- c. at a some point

Fig. 3. Do you have an endowment budget?

![Bar chart showing responses to endowment budget]

- a. yes
- b. no
- c. we plan to have one
According to the results from the survey, in the group questions dealing the Financial factor, when asked about their financial resources bases on the last financial year, 75% of NGOs declare that ‘foreign donors’ are the only or main financial sources of their projects and activities. Only a small percentage of funds (in some cases none) come from other sources, namely: governmental institutions, corporate financing, membership fees, services, etc make up the other 25 %. While, some 55% of respondent NGOs report that their income has increased in comparison to the previous year, while 30% reveal that their expenditures remained same level.
One of the questions posed a very direct question to organizations, asking whether they consider their organization financially sustainable. Only 25% replied positively, in contrast with 50% of them who said “at a certain level”.

When they were asked if they ever benefited from any private giving, there was an almost unanimous answer, with 95% of them saying that this never happened.

As for the endowment budget, 75% of NGOs said that they do not have one but are planning to build it in the future. And 25% said that do not have it. According to these results, at the moment none of them have an endowment budget.

Although NGOs report a certain level of financial stability in the questions about financing, there is almost an absolute consensus (85%) that Kosovar organizations usually apply to funds other than their field of operation. This brings us to the problem of profilization of NGOs, one of the main challenges of civil society sector in Kosova.

Fig.6. Generally, laws and regulations for NGOs in your country are…

Fig. 7. Does government involve NGOs in consultations procedures in legal environment
Fig. 8. Are you clearly informed about the participation during overall legislative process?

![Bar chart showing the percentage of respondents who are clearly informed about participation during the legislative process.](chart)

Fig. 9. To what extent are available the information of the practices of law-drafting?

![Bar chart showing the percentage of respondents who have access to information about the practices of law-drafting.](chart)

While their opinions regarding the legal environment of NGOs (enabling environment), varies from “limiting” (35%) to “moderately enabling” (50%). They also say (70%) that they have never been involved by the government in consultations during the overall legislative process. 70% of NGOs say that they can access only some information of the practices of law-drafting available. While 30% think that there is no such information available. This brings to the other answer they gave about participation procedures in legal environment, where 75% said they are not clearly informed about these procedures.
Fig. 10. How do you evaluate the capacities of your organization for writing project-proposals?

Fig. 11. How do you evaluate the capacities of your organization for project management?

Fig. 12. Do you have a good governance structure in place?
Fig. 13. How strong is the cooperation between your organization and other international/local NGOs

![Bar chart showing cooperation levels]

Fig. 14. How do you evaluate the influence and impact of your organization on the field you operate?

![Bar chart showing impact levels]

When asked to assess their internal capacities, NGOs report average skills in project-writing (35%), fund-raising (60%), and project management (35%). These results are clearly indicative for the general level of institutional capacities of NGOs in Kosova (one has to restate that the NGOs surveyed are considered among the active and most active ones in country).

As for the organizational viability, 85% of NGOs said they need to improve the governance structure. But almost all NGOs report good relationships with their Boards, while some 35% of them declare not having proper office spaces (premises) for work.
In the questions regarding human resources 50% say that they have 1-5 members who work as volunteers and 25% have 6-10 volunteers. The number of people who receive a salary varies from 1-5 (65% of NGOs) to over 20 people say only 5% of the NGOs.

Based on the answers given to questions related to the cooperation that kosovar NGOs have with local and international NGOs, 85% of them said that their partnership with other NGOs is average. While the 95% said they have no partnership with multi-ethnic NGOs.

Due to the fact that the surveyed NGOs can be considered as active ones, they assess the impact of their work/activity to be in a considerable level (around 75%).

In the question of challenges/hurdles they face, NGOs’ most frequent responses were: long-term financing, premises, governmental funding, finances, working environment, lack of professionals in the sector, lack of internal funding, high dependency in foreign funding, internal capacities, unqualified staff, lack of cooperation with governmental institutions, financing not on time form the donors, lack of appropriate legislation for specific issues, not appropriate working conditions, difficulties in finding long-term financing, lack of assistance from the local institutions etc.

With regard to concrete solutions for their sustainability, respondents raised the following issues: internal capacity building, long term planning and financing, networking, governmental support (institutional and financial), service provision, professional staff, volunteering, professional management, access to information, corporate financing, diversification of income sources, etc.

Among the reasons that helped them survive, active NGOs list: the cooperation with Albanian and non-Albanian NGOs; strategic level efforts with long-term commitment; Innovative and cross-cutting approach; honesty and accountability towards donors, partners and beneficiaries; permanent efforts in human capacity building; and cooperation with governmental institutions. These reasons will serve as recommendations to inactive ones.
4.2.2. The interview with 5 inactive NGOs

Interviewing the inactive NGOs was very difficult as it was almost impossible to contact them. Even in case the contact was found they weren’t available to complete the questionnaire as they wouldn’t reply the emails at all. Only 5 of them accepted to take this interview but with the condition to remain anonymous. They are afraid that the fact they have failed may create problems in their future jobs, be it working with an NGO or another job.

The interviewees were asked most of the questions from the questionnaire but from their answers came out some other issues or factors that made them fail and which were not discussed in the proposal as the main factors. For example an interesting answer to the question what they believe is one of the reasons why they couldn’t provide any more financial resources was that their NGO hadn’t built sufficient trust and credibility in the community and among donors to be able to attract support from donors, partners, beneficiaries and public institutions.

Another reason they believe made them go inactive, is that they lacked long-term financial resources but also other tangible assets needed for survival such as appropriate space (office), human resources, in which case they had people leaving the NGO because of job offers they received from international organizations. They also said they were not able to allocate resources for recruiting and training competent staff for fund-raising, especially when they had to do so for several times as the trained ones would leave the NGO. These NGOs also said that they were dependent only on international donors and they never benefited from any private giving or institutional. They also never had an endowment budget.
4.2.3. Cross analysis of the main factors

This chapter looked at the seven main factors determining the sustainability of NGOs in Kosova. A thorough analysis of these factors suggests that financial resources do play a crucial role in providing stability for NGOs. While the legal and institutional framework is relatively supportive and enabling to the operation of NGOs in Kosova, the diversification of financial sources is a must to ensure organizational viability and thus produce more effective projects and programs that would directly impact the image of NGOs in the eyes of the society. Although there are several options that were discussed in this capstone, especially in the case-studies section, the Central European (especially Hungarian) percentage philanthropy model has proven to be quite effective in providing additional income sources for NGOs that face funds shortages as a result of donor withdrawal from their respective countries. In addition, the sustainability of the third sector in Kosova might benefit from the private philanthropy, as an alternative source of financing projects and institutional expenses of running an NGO.

Kosovar NGOs face serous problems in developing internal human and institutional capacities, mainly due to high turnover of their staff towards other, better-paid sectors (international organizations, private sector, state administration, etc.). NGOs must invest in their human resources by motivating their staff and improving the working conditions. Volunteering is one of the alternative means of ensuring stronger human resources. In addition, NGOs must considering networking with organizations working in the same field, or with others, in order to strengthen their acting capabilities and producing more tangible results. This will directly impact the effectiveness of NGOs work vis-à-vis the societal needs and problems, and in return increase citizens’ trust for civil society.

Kosovar civil society is still maturing and needs fundamental reforms to become a sustainable sector, both in financial and organizational aspects. Although this chapter analyzed the seven influential factors separately, they are just different integral units of the same wholeness. The sustainability milestones can be achieved only when the combination of these factors take effect, namely in the case of an enabling legal environment, with
strong institutions, where alternative financial sources are introduced and the sector becomes attractive for qualified and enthusiastic people, who are currently leaving towards other opportunities. In addition, the sector must work towards building confidence within Kosovar society, by acting stronger through established networks and other types of alliances and delivering more result-oriented programs and projects that will aim at finding concrete solutions to citizens’ needs and concerns.

Kosovar society is showing decreasing trends of social capital, especially after 1999. The social links and trust, which was the central unifying element that kept the society bound during the occupation times, has slightly lost ground. NGOs are crucial to acting as a force for social change and have a clear responsibility in fighting to bring the trust back to citizens’ lives. The first step, however, is the sector’s internal strengthening and capacity building. It has to build mechanisms of acting stronger and a result-oriented approach and mentality. Only then, it can reflect confidence and demonstrate ability to become the real representative of the citizens.
5. Case studies - Case studies form Central and Eastern Europe (Romania, Hungary and Macedonia)

In order to bring another perspective of NGOs other than in Kosovo there will be presented two case studies from two different countries such as Romania and Hungary. The purpose is to have these examples of revival and sustainability of NGOs from other countries that came out of transitional periods and compare with Kosovo’s situation under which NGOs development is affected. A third case study will show the situation of NGOs in Macedonia, a country of Balkans.

The case studies approach one of the most important factors of sustainability which is financing. One of them looks into the resource centers and the other one into private giving (philanthropy) as opportunities for NGOs’ sustainability. They also underscore the similarities of problems and constraints faced by NGOs in this region.  

All of the case studies will offer examples of funding resources for NGOs in general. Through the case of Romania will be shown why resource centers are needed and the constraints they face, while Hungary will be presented as an example of “1% law” as a useful tool for helping NGOs in countries in transition.

5.1. Romania case - Resource Centers as supporting organizations

*Rationale*

This case study was prepared based mainly on the research work “Shoes for Shoemakers: NGO Resource Centers in Romania”, conducted by Raluca Negulescu, and published as part of the OSI’s Local Government Initiative book titled “NGO Sustainability in Central Europe: Helping Civil Society Survive”, published in 2005 and edited by Katalin E. Koncz. This case has been intentionally chosen, due to the many similarities between the third sectors in both countries. Similar to Romania, Kosovar NGOs and resource centers operate an environment with decreased funding opportunities and an uncertain situation with regard to long-term organizational and financial sustainability. This is especially worrisome for the intermediary organizations, where funding constantly decreased in parallel to the rest of civil society organizations in both Romania and Kosovo. Meanwhile,
local resources and domestic philanthropy have not developed enough to provide an adequate level of funding for resource centers to survive. In Romania, some of the centers have downscaled their operations or even closed, while most of the others do not have a life expectancy of more than one year with the existing finances.

There are two models of resource centers in Romania: the ones that were created as projects within stronger organizations, and were never institutionalized; and the ones that were founded as independent NGOs. According to the given research study, both types of structures displayed a strong donor-driven behavior, but in each case, the donors did not make support commitments of longer than two years. In general there was insufficient funding; a poor fit between the mission of the center and that of the hosting organization; a lack of local constituencies and locally adapted services; and a lack of strategic planning and leadership in the case of resource centers operating within stronger organization. In the case of centers run as independent NGOs there was a lack of locally raised resources; insufficient cooperation and communication among centers; unsatisfactory performance in recruiting and retaining highly qualified and motivated staff; insufficient diversification and innovation; and a low capacity to recover some costs via paid services, such as training, consulting, and research.39

**Historical background of civil society in Romania**

Both Romania and Kosova went through similar paces of regime change and system transition, making civil society a relatively new and unprecedented sector. The relatively young Romanian nonprofit sector was born in a challenging environment. In a society where civic participation, volunteerism, and philanthropy are only in the very early stages of development, NGOs have had to cope with government distrust, media hostility or indifference, and insufficient funding. These groups have fought hard to survive and to make use of rather scarce opportunities for growth. Information, training and technical assistance, discussion forums, specific publications, and advocacy for the sector have generally been produced by an uncoordinated combination of providers. Among these providers, resource centers for NGOs have played a very important role in promoting the growth and professionalization of the sector, which is still far from sustainable. For a
healthy civil society to thrive in Romania, the sustainability of support structures, such as NGO resource centers, is very important. These centers provide services to a large number of beneficiaries in various fields of NGO activity, and they have proven to be capable of achieving significant multiplier effects. The crucial role that resource centers have played in the evolution of Romanian NGOs is documented by a series of studies and reports, whose conclusions generally state that such organizations are still critical for the future consolidation of the sector.  

The evolution of supporting or intermediary organizations

It was clearly demonstrated, especially in Central and Eastern European countries, that the intermediary organizations (like NGO resource centers) bring important benefits. In Romanian case they managed to bring improved access to funds for the communities they serve, a better regional balance in the flow of resources, greater awareness of changing needs and opportunities to articulate these changes, a reduction in the cost of maintaining operations (compared to the costs of bigger donors); opportunities for cost sharing for a number of donors, etc. Although some of these achievements apply to Kosova as well, there is a considerable discrepancy between two places, as Kosovar resource centers have shown incapability in certain areas, especially in improving access to funds and reducing costs of operations. Another important momentum of Romanian experience with resource centers was that much of the early support and development of the sector came from international organizations and agencies, through professional trainers, advisors, information resources and publications now exist within the sector. However, there is a critical need to develop intermediary support organizations and particularly regional NGO resource centers to overcome the lack of resources for NGOs outside the principal cities.

The role of resource centers in the NGO sector in Romania

As the research study indicates, strong and financially stable resource centers have been considered essential for the sustainability of the NGO sector in Romania. Resource centers have been a key factor in seeding civil society, accelerating the progress of the NGO sector, and using scarce resources effectively to build capacity of nonprofit organizations. When
services provided by resource centers were downscaled or interrupted, consequences were serious, not only for the centers themselves, but also for the sector as a whole.

The experience of the CEE countries with civil society development, have shown that the sustainability of resource centers is important for the NGO sector for the following reasons: in the absence of such support structures, NGOs will ask donors to do the same things that a resource center can do more cost effectively, donors have difficulty performing these services because they have neither the detailed information, nor the flexibility, nor the capacity—which includes available personnel and customized competencies, resource centers not only help established NGOs but also newly emerging organizations, thereby encouraging associative behavior and supporting grassroots NGO activity, resource centers promote the sector, increasing its visibility and trustworthiness, two features that are essential to stimulate private giving and creation of social capital, no single NGO has the capacity to undertake this activity, resource centers provide accurate and up-to-date assessment of NGO needs and performance, thus enabling donors, administration and businesses to make informed strategic decisions in their relationship to NGOs, resource centers give NGOs tools to become more sustainable, from up-to-date information to complex training and customized assistance, these centers are a suitable vehicle for facilitating communication among NGOs and they also facilitate partnerships between NGOs and other sectors and advocate for the interests of the sector as a whole.\textsuperscript{41}

\textit{Causes for lack of sustainability in resource centers}

Resource centers were generally set up and supported as a consequence of several donors’ conclusion that such structures are needed for cost-effective development of the nonprofit sector. These donors, however, did not coordinate their efforts, nor did they have a long-term funding strategy for resource centers. As a result there were variable funding levels and, consequently, a waste of expensive resources, including qualified staff, relationship capital, and documentation and knowledge about the sector. At the end of 2002, records of active resource centers indicated that the demand for their (free) services was still exceeding their capacity. Although some of these resource centers had been established almost 10 years ago, all respondents of this research expressed serious concerns with
regard to their funding. These funding concerns centered around three relevant points of view: the amount, which respondents considered insufficient to meet the demand for services; the sources, which have almost exclusively consisted of foreign money, in a higher proportion than external funding for the sector as a whole; and the donors’ inconsistent commitment to support resource centers, which have experienced serious interruptions in funding in the past few years. It cannot be said that existing Romanian NGO resource centers have achieved sustainability.

Why are resource centers needed?
The research study on the Romanian resource centers concludes that there is a great need for these types of organizations, in order to improve and sustain the while third sector in the country. In particular, the study suggests that:

- Support organizations are still needed for the Romanian nonprofit sector to become sustainable,
- Existing centers, with some very desirable recommended improvements, are the most appropriate support operators for the nonprofit community, and
- Sustainability has two important components: financial and non-financial.

The study cites Mr. Tony Venables of ECAS claiming that “Sustainability has nothing to do with fundraising. Fundraising is simply a consequence of an organization fulfilling a useful function.” Thus, the lessons learnt from the Romanian resource centers, as well as the respective quote do provide a strong model and orientation to be followed and considered, while working to improve the sustainability of civil society.

Some options for resource centers (recommendations)
The following recommendations have been put forward for the sustainability of Romanian NGO Resource Centers, which to a greater extent apply to Kosovar civil society as well: thinking and acting strategically, building real constituencies, improving cooperation and communication, looking for ways to achieve sustainable diversification, enhancing staff qualifications and motivation, attempting to recover costs by providing services for fees, promoting transparency and best practices, improving partnerships with public
administration, especially local governments, promoting social corporate responsibility and philanthropy, and working proactively with donors to influence their strategies.

5.2. Hungary Case – One Percent Law

The 1% Law

The concept of the one percent law first appeared in Hungary in 1991 as a result of efforts by the Alliance of Free Democrats, the liberal party, to reform the mechanism used for funding religious organizations, rather than all nonprofit organizations. Their rationale behind the reform was to allow people to participate in state budget allocations. The plan did not come into being until December 12, 1995, when Parliament adopted Law CXVII/1995, which included the one percent provision. This completely new form of donation was introduced in Hungary by Act CXXVI of 1996 (the so-called “1% Law”). According to the law, Hungarian citizens can give 1% of their previous year’s paid income tax to a nonprofit organization of their choice. The donation process itself often cannot be realized due to the missing link between the organizations and the taxpayers. The primary objective of the law was modified, from reforming the financing structure of religious organizations to creating an additional source of income for NGOs. The method used to implement the provision and to provide a list of eligible beneficiaries, was regulated by a separate act, which was passed by the Hungarian Parliament on December 19, 1996 (Law CXXVI/1996). Following the implementation of the new law, governmental funds for nonprofit organizations were reduced. It is still only a minority of Hungarian taxpayers who make use of the possibility offered by the 1% scheme. Adherents of non-governmental organizations have repeatedly suggested finding a way in which such organizations receive the remaining or “lost” part of the 1% of tax revenue citizens do not designate. Several people suggested that the government or some kind of an independent body should allocate that money. In June 2003, the Hungarian Parliament passed a law establishing a National Civil Fund to allocate further money to non-governmental organizations independently of the decisions of taxpayers. The Fund’s annual budget is to match the total of taxpayers’ 1% designations to non-governmental organizations the previous year, and a new decision-making mechanism for allocating funds is foreseen which will see a much reduced role for Parliament in this area.
Who is eligible?

The two types of organization eligible for the one percent designation included: public institutions—primarily local and national cultural institutions—and NGOs that were active in at least one of the following areas: preventive medicine, health care, social services, culture, education, research, public safety, human rights, environmental protection, protection of cultural heritage, sports and leisure activities for youth and the disabled, care for children, the elderly, the poor, and the disabled, and preservation of national and ethnic minority rights (including Hungarian minorities living abroad). Following an amendment in 1998 this list was extended to include: consumer protection, employment rehabilitation and employment related services, Euro-Atlantic integration, flood prevention, services for public benefit organizations, and the promotion of public transport. Private foundations, volunteer associations and other institutions run by churches lost their eligibility in 1997 when the new Law CXXIX, passed by Parliament, stated that another one percent of personal income tax could be used to support religious organizations. Since the introduction of the law, some conditions were changed and further amendments were made.45

According to a survey conducted by NIOK, the Hungarian NGO, in June 1999, on large organizations with an income of over HUF 10 million (approximately USD 48,000), the one percent allocation accounted for an average of four percent of their budget, while in smaller organizations with an income below HUF 100,000 (approximately USD 480) there was much more dependence on the one percent system, which provided approximately 25 percent of their annual budget. In 1998, organizations received an average of HUF 295,000 (approximately USD 1,430) from the one percent scheme. In 46 percent of these cases, the income from the one percent scheme did not exceed HUF 100,000, and in four percent of the cases, it exceeded HUF 1 million (USD 4,800). All the organizations that sought the support of taxpayers received at least 35 times more than what they invested in promotional activities.46
**Multiplier effects**

The Hungarian practice with 1 percent law was soon adopted by other CEE countries. It took a whole parliamentary term – from 1998 to 2002 – for the system of 1% tax allocation to become a part of Slovak tax legislation. There were several phases of advocacy in favor of 1% allocation. According to the general political climate, there were changes in the legal environment and also in the NGO sector regarding the structures and groups who “dealt with” the 1% allocation issue.\(^{47}\) The system allowing up to 1% of tax to be directly transferred by Personal Income Tax and Lump Sum taxpayers to public benefit organizations of their choice constitutes one element in building a wider legal framework to support the NGO sector’s development in Poland. The 1% system was adopted by the Polish Parliament as the part of the Law on Public Benefit Activity and Volunteerism in April, 2003. For many years Polish NGOs had been calling for the passing of a law of this kind in order to address a number of key questions including a new legal status for NGOs carrying out public benefit activities, incentives to encourage public philanthropy, issues linked to volunteering, more transparent rules for co-operation between public authorities and NGOs and other issues important for the NGO sector linked to taxation and investments.\(^{48}\) Moving to the actual process of developing the 1% provision, it is possible to identify five phases in Romania’s case: the preparations, the launch, the combat, the culmination and the victory. The process took from August 2003 until 13 December 2003.\(^{49}\)

**Criticism**

The various requirements aimed at applying and executing Hungary’s so-called 1% Law were greeted by NGOs partly with incomprehension and partly with a great deal of criticism. The most common complaints were the bureaucratic process, the amount of administrative work involved, and long delay between a taxpayer’s designation and the actual arrival of the sum – all of which were thought to be excessive. Critics also pointed out that APEH, the tax authority had conflicting interests and was therefore not likely to handle cases fairly. Certain NGOs have also repeatedly voiced the wish that the organizations who receive designated amounts should get access to the names of those allocating money to them. This demand, which doubtless appears justified, is not only
based on the desire to thank the “donors” in at least a brief letter but also to consolidate their network of supporters.

Looking back over the past few years it can be ascertained that criticism was strongest in the first couple of years following the introduction of the law, but subsequently became weaker and today is not noticeable at all. This is partly due to the process whereby NGOs have come to fully understand the regulations involved and have learnt how to apply them. They have also realized that in order to gain a higher number of supporters, it is in their fundamental interest to publicize their activities and make themselves known to taxpayers.\textsuperscript{50}

\textit{Conclusion}

The percentage system idea introduced in Hungary in 1996 soon found its followers in other countries of the region and has been widely promoted by NGOs and their networks. By the spring of 2003, modified versions had been adopted in Slovakia, Lithuania and Poland. Romania is the latest country to enact a percentage law. Interest in a percentage system is high in the Czech Republic.

The grounds for the percentage system’s popularity are manifold. First and above all, in the whole region the general conditions under which NGOs operate are similar, or rather the problems they face are similar. In particular, the need for financial resources is the very common feature of their situation. This is a result, inter alia, of the rapid growth in the number of organizations residing in the same limited “territory”, a substantial part of which is, additionally, occupied by politicized organizations of the “old regime”. Further, we suffer from a lack of general agreement on the division of work between the state and non-governmental organizations, the withdrawal of western donors, the weakness of domestic philanthropy etc. All these common problems lead to the belief that there are also common solutions.\textsuperscript{51}
5.3. Macedonia – Financial Resources

Funding opportunities

Over the last four years central government has allocated civil society between 4 and 7 million EUR annually. The amount of government funds budgeted for NGOs in 2008 was approximately €5.5 million, which was not fully allocated (USAID 2009). Approximately 1.2 million EUR are allocated to social purposes from lottery funds each year.$^{52}$

It is not clear what proportion of the annual government allocation for “transfers to non-governmental organizations” is dedicated to CSOs, as other types of not-for-profit organization, such as trades union, religious communities and political parties are also included under this budget line. Despite this, central government is now an important source of CSO funding Government funds are available through the individual line ministries and state institutions for, broadly speaking, service delivery and humanitarian activities. Although a Code of Good Practices for the financial support by government of citizens associations and foundations exists, government institutions rarely allocate support to CSOs in a transparent manner according to clear and equitable criteria. Very often funds are allocated to arbitrarily pre-selected beneficiary organizations and only a very few state institutions distribute funds through open calls to tender. Lack of transparency appears particularly acute in the case of lottery funds. The criteria for applying for these funds are not made public and the greater part between a very small number of predetermined beneficiaries.$^{53}$

In recent times a proportion of the government civil society allocation (around 12% of the total) has been subject to a more transparent procedure, following the guidelines set out in the Code of Good Practices. However, no priorities have been established or specific areas to be funded, so the allocation is open to all CSOs regardless of whether it works at the national or local level and regardless of its organizational objectives. Each year around 100 CSOs receive grants, meaning that support for each organization is very small and sufficient to cover only very limited actions.
In 2009, this allocation was designated a Programme for financing the activities of associations and foundations alone, worth 15,000,000 MKD (approx 245,000 Euro), and is now disbursed according to five priority objectives. By ensuring programme criteria and transparent procedures, including clearly defined scoring of applications, the programme is a major step forward in ensuring transparency and standards in the allocation process and also the targeting of funding to increase its effectiveness.\(^{54}\)

**Local government funding sources**

Financial support of CSOs by municipalities is too small to be considered of any significance. Municipalities have very limited funds available for all non-recurrent expenditure; in many cases they have no funds at all to support CSO projects.

**Private and corporate giving**

This remains an undeveloped area and the amounts raised by CSOs from these sources are also relatively insignificant. An analysis made by ISC of around 200 CSOs in Macedonia, observed that only 5% of their funds come from business.\(^{55}\) CSOs need to build their skills to generate resources locally and to take advantage of the Law on Donations and Sponsorships for Public Activities, which has so far not facilitated an increase in charitable giving. Corporate Social Responsibility is still not an integral part of business strategies and consequently neither is corporate giving.

There is no data on the extent of the support of NGOs by individuals, but almost certainly it remains very low as there is no tradition of giving through organizations for social causes.\(^{56}\)
6. Discussion and Recommendation

6.1. Discussion

Based on the survey results, the seven factors discussed in the proposal are all still challenges that NGOs in Kosova deal with. But the most crucial one results to be the financial factor followed by legal environment, public trust and philanthropy.

Financing - The findings from questions dealing with financing show that even though these NGO are active they still have a very hard time in finding donors. The existing NGOs are active not only because they could raise funds and find donors consistently, but because of the other factors which play an important role in sustainability and this served them to attract only foreign donors (75%). The active NGOs claim that financing is crucial but not sufficient for comprehensive sustainability. There are other strategic issues, such as the need to improve management capacity in order to increase transparency and build supporting constituencies.

Legal environment – the survey results indicate the poor cooperation between NGOs and the government. NGOs said that there is no support from local or institutional government support. Their answers also show that there is not enough support in the form of indirect non-financial assistance from the local governments, including the use of public property at no cost or at reduced rates. NGOs in Kosova consider as very important to cooperate with the local governments especially in areas like exchange of information, consulting, and involving representatives of NGOs in long-term development plans.

Public trust – public trust is another factor that came out from the answers of inactive NGOs. According to them because the community didn’t have enough trust in their activities, the NGOs couldn’t increase their long-term sustainability by attracting donations. Now they know that to achieve this, an independent institution should have been created to collect information on NGOs from the courts and tax offices, and the information should have been available to the public. This could have provided the missing transparency that also now it keeps impeding the private donations to NGOs.
Philanthropy - Philanthropy is what many NGOs see as a great help to their financial situation. Currently, philanthropy is not very present in Kosova. From the answers given we can see that 95% of NGOs declared that they never benefited from the private giving. While, philanthropy is seen in many countries as a kind of mutual aid activity, which implies that some NGO activities may receive much more support than others. Most NGOs believe that philanthropy would increase in Kosova in case tax incentives take place. This is where they see government playing its role by contributing this way in the survival of NGOs after the period of foreign donors’ withdrawal. It is obvious that private giving to NGOs in Kosova is very low comparing to other countries that went through transitional phases. The surveyed NGOs say that also non-financial philanthropy would be at help for them.

6.2. Recommendations

This capstone project will be a practical guiding tool for NGOs in many respects of sustainability. Particularly it will provide examples and suggestions on how to diversify the incomes and become financially sustainable. One of the suggestions that this capstone project aims to provide is the Corporate Philanthropy which urges the private sector to contribute financially for different community needs, through financing civil society projects and other activities and the Percentage Philanthropy which urges individuals contribute form their income to civil society development.

To active and especially inactive NGOs

- NGOs are expected to find alternative financial sources and means to ensure institutional and financial sustainability. Government funding, private donations, self-generated income and other funding options would help NGOs avoid sole dependence on international donors.

- In order to develop adequate internal governance structures it is always needed for more transparency and accountability. One of the most serious barriers to
effectiveness for Kosovar NGOs is a deficient governance structure. It is of crucial importance to adopt democratic principles of internal governance, which would enable greater transparency and promote the development of mechanisms to ensure responsibility.

- Establish an endowment budget as a mean of overcoming difficult periods of financial shortages.
- Strengthen internal human capacities through capacity building programs in their respective filed of operation.
- Participate in regional and European networks to benefit from positive experiences and be part of regional projects.
- Strengthen formal and non-formal networking amongst NGOs operating in the same sector to better coordinate activities and become more influential.
- Promote voluntary work as a mean to reduce costs of intervention, especially in areas where funding is scarce
- Do follow-up evaluations in the end of the projects in order to assess the implementation, identify the weaknesses and verify the results.
- Apply long-term planning strategies in running the organization, focusing on assumptions and future trends.

**To the government**

- Adopt necessary legislation to enforce percentage philanthropy, as an additional source of financing the civil society activity. As the examples form other Eastern and Central European countries show a very useful mean of helping NGOs, Kosova government should adopt this example and provide necessary legislative and policy measures to introduce the Because of the high level of unemployment in Kosova not many people could contribute from their incomes. Therefore, the government should identify the ones whose salary is over 400 euros which will be targeted by the non-obligatory 1% tax.
• Amend the NGO law, and ensure flexible tax legislation and fiscal incentives for philanthropy which are generally a good motivation for NGOs. The current tax law affecting NGOs also needs to be made more flexible, and special attention is to be paid to developing fiscal incentives for corporate philanthropy as a way of encouraging the community (especially corporations) to support NGOs financially.

• Greater involvement of civil society organizations in public consultations for policy and law making processes.

• Initiate the dialogue with NGOs and introduce policy and legal mechanisms to facilitate the cooperation between government and civil society.

• Adopt necessary legislation and policy reform to officially recognize and award the voluntary work.

To inactive NGOs

• Human capacity - NGOs could specialize on a specific area and train their staff on issues/topics adequate for their organization

• Networking – NGOs are expected to work closely with other local/international NGOs in project designing, grant application, project implementation etc (learning by doing).

To donors

• Design and offer long-term funding (grant-giving) schemes for NGOs,

• Consult NGOs regularly and involve them in needs assessment exercises when designing the grant-giving schemes,

• Foresee operational budgets within the project budgets, as well as increase the number of institutional grants,

• Coordinate activities with other donor organizations in the country, to avoid possible overlap and channel the development assistance more effectively
References / Endnotes

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ANNEX 1: QUESTIONNAIRE

This questionnaire is part of the survey done with NGOs in Kosovo and other countries concerning their sustainability. The survey is done on behalf of the research form the Master’s thesis (capstone) “NGOs sustainability in Kosovo” by Dardane Nuka (AUK, RIT)

All the data taken from this questionnaire will be used for generating statistical data about the situation of the organizations of civil society in Kosovo, and in comparison with other sustainable organization in other countries. The findings of the survey will be presented publicly on the presentation of the Master thesis at AUK.

1. Human capacity

1. Data about the organization:
   a. Name:
   b. Address and phone
   c. Contact person and e-mail
   d. Main field of operation:

2. How many members of your organization are volunteers and how many of them get salaries?

3. Has your staff held any training for managing and working staff on topics respective to the filed of operation or other?

4. Do you have enough human resource to implement the projects?

5. Do you have the full support of your board of directors for any taken initiative?
   a. yes      b. at a certain level      c. no

6. Do you think you have had enough professional trainings for your staff?
   a. yes      b. not enough      c. no

2. Networking

7. Is your organization a formal member of any supporting network?

8. In the last 3 months, have you met any other organizations that work on similar issues?

9. How strong is the cooperation with the local/international NGOs?
   a. poor      b. average      c. good

10. Do you have any partnership with multi-ethnic NGOs?

11. Which are the 2-3 main factors that affect the short-living or ineffective partnership between NGOs?

12. Do you have any cooperation with non-Albanian NGOs?
   a. yes      b.

3. Financial
13. Based on the last financial year, what percentage of financial resources of your organization came from the following resources:
   a. Central and local governmental institutions __________ %
   b. Local private companies __________ %
   c. International donors __________ %
   d. Individual donations __________ %
   e. Membership fees __________ %
   f. Service providing fees __________ %
   g. Other (please explain): __________ %

   TOTAL 100%

14. How many people get a salary and how many are volunteers?

15. Compared to last year, your organization’s incomes are...
   a. increased    b. decreased    c. remained the same

16. Compared to last year, the expenses of your organization are...
   a. increased    b. decreased    c. remained the same

17. How would you evaluate the approach of civil society organizations in getting funds from donors:
   a. Most organizations apply for funds also out of their field of their operation
   b. Most organizations apply for funds only within the field of their operation

18. Do you think your organization is financially sustainable?
   a. yes    b. at a certain point    c. no

19. Have you ever benefited from private giving?
   a. often    b) rarely    c. never

4. Program efficiency

20. How would you evaluate the influence and impact of your organization on the field you operate?
   a. no impact    b. limited impact    c. obvious impact    d. high impact

21. How would you evaluate the capacities of your organization for ...
   a. writing project-proposals    i. limited    ii. average    iii. good
   b. finding donors    i. limited    ii. average    iii. good
   c. project management    i. limited    ii. average    iii. good

22. Do you have the needed facility (office and other) to work comfortably
   a. yes    b. at a certain level    c. No
23. Which are 2-3 main obstacles and challenges that your organization faces with (in implementation, finances, sustainability, operational field, etc)?

24. Which are some reasons that made your organization sustainable and successful?

25. Do you have an endowment budget?
   a. yes    b. no, but we plan to build one    c. no, and we are not planning to have one

5. Organizational viability

26. What is your organization’s mission statement?

27. What are your organization’s goals and objectives?

28. Which is your organization’s target group (audience)?

29. Which need/specific need your organization tries to fulfill?

30. Do you have a good governance structure in place?
   a. yes    b. our governance needs to improve    c. no

6. Legislation

31. Generally, laws and regulations for civil society in your county are...
   a. very limited    b. limited    c. convenient at a certain level    d. Totally convenient

32. Does government involve NGOs in consultations during overall legislative process?
   a. yes    b. at a certain point    c. no

33. To what extent is the information of the practices of law-drafting available?
   a. yes    b. at a certain point    c. no

34. Have you established any kind of cooperation with the government?
   a. yes    b. at a certain point    c. no

35. Has your organization ever been involved in any political decision-making?
   a. often    b. rarely    c. no

36. Do you think tax reduction and incentives to urge corporate philanthropy will improve the financial situation in your organization?
   a. yes    b. at some point    c. no

37. Are you clearly informed about the participation procedures in legal environment?
   a. yes    b. at some point    c. no

7. Impact in society

38. Has there been any follow-up evaluation to measure the impact the project has had in society?

39. Have you done any research that shows how is your contribution perceived by the community you serve?

40. Have you worked out any projects that produced an independent and on-going project?
ANNEX 2: Project Consultant

The project consultant is Hajrulla Çeku, a civil society expert, active in this sector since 2000. He holds a BA in Political Science from University of Prishtina and an MA degree in Local Development from University of Trento (Italy) and partner European universities. His master thesis concerned the methods of citizen participation in local decision-making processes.

His current (ongoing) research works include: Civil Society Index of Kosova (with Civicus World Alliance), and Kosova National Integrity System Assessment (with Transparency International). He was a contributor of the: Kosova Human Development Report 2008 “Civil Society and Development” (chapter on Sustainability of Civil Society).

Hajrulla co-authored several policy papers during his work with two Kosovar think-tank organizations, Forum 2015 and Foreign Policy Club. He is (or was) also engaged in Balkan Policy Institute (analyst), Cultural Heritage without Borders (consultant), Civil Society Consulting (manager), NGO EC Ma Ndryshe (activist) and University of Prizren (lecturer).

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Phone: +37744116448. E-mail: hajrulla.cek@gmail.com
ANNEX 3: Names of NGOs participants in the survey

1. Ec Ma Ndryshe
2. IKS – Iniative Kosovare per Stabilitet
3. KDI – Kosova Democratic Institute
4. KRrK – Iniicativa Kosovare per stabilitet
5. YIHR – Zouth Initiative about Human Rights
6. FRACTAL
7. Fare Verde –Kosova
8. Red Cross of Kosova
9. KYL – Kosova Zoung Lawyers
10. KPJ - Klubi për Politik të Jashtme
11. KCSF - Fondacioni Kosovan për Shoqëri Civile
12. FOL 08
13. ATTA - Academy for Training and Technical Assistance
14. Dragash Youth Center
15. QPA- Qendra per Politika dhe Avokim
16. Hanemli
17. Kosova Education Center
18. Dora - Dores
19. Youth Step
20. Prehja
ANNEX 4: Complete results of the questionnaire

1. How many members in your organization are volunteers?

<table>
<thead>
<tr>
<th>a. 1-5</th>
<th>b. 6-10</th>
<th>c. 11-20</th>
<th>d. over 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>60</td>
<td>50</td>
<td>40</td>
<td>30</td>
</tr>
</tbody>
</table>

2. How many members in your organization get paid?

<table>
<thead>
<tr>
<th>a. 1-5</th>
<th>b. 6-10</th>
<th>c. 11-20</th>
<th>d. over 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>70</td>
<td>60</td>
<td>50</td>
<td>40</td>
</tr>
</tbody>
</table>

3. Has your staff held any professional trainings on respective topics in the field you operate?

<table>
<thead>
<tr>
<th>a. yes</th>
<th>b. not enough</th>
<th>c. no</th>
</tr>
</thead>
<tbody>
<tr>
<td>70</td>
<td>60</td>
<td>50</td>
</tr>
</tbody>
</table>

4. Do you have enough human resources to implement the projects?

<table>
<thead>
<tr>
<th>a. yes</th>
<th>b. no</th>
<th>c. depends on the activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>70</td>
<td>60</td>
<td>50</td>
</tr>
</tbody>
</table>

5. Do you have the full support of the board of directors for any taken initiative?

<table>
<thead>
<tr>
<th>a. yes</th>
<th>b. no</th>
<th>c. not always</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>90</td>
<td>80</td>
</tr>
</tbody>
</table>

6. Is your organization a member of any supporting network?

<table>
<thead>
<tr>
<th>a. yes</th>
<th>b. no</th>
</tr>
</thead>
<tbody>
<tr>
<td>90</td>
<td>80</td>
</tr>
</tbody>
</table>
7. In the last three months have you met with any other organizations that work on similar issues?

8. How strong is the cooperation between your organization and other international/local NGOs?

9. Do you have partnerships with any multi-ethnic NGOs?

10. Compared to last year, your organization’s income are...

11. Compared to last year, the expenses of your organization are...
13. How would you evaluate the approach of NGOs in getting funds from donors?

14. Do you consider your organization as financially sustainable?

15. How do you evaluate the influence and impact of your organization on the field you operate?

16a. How do you evaluate the capacities of your organization for writing project-proposals?

17a. How do you evaluate the capacities of your organization for finding donors?
19. Do you have the needed facility (office and other) to work comfortably?

- a. yes
- b. no

20. Generally, laws and regulations for NGOs in your country are:

- a. very limited
- b. limited
- c. convenient at a certain level
- d. totally convenient

21. Does government involve NGOs in consultations during overall legislative process?

- a. yes
- b. no
- c. sometimes

22. To what extent are available the information of the practices of law-drafting?

- a. totally available
- b. not available at all
- c. only some information are available

23. Have you established so far any kind of cooperation with the government?

- a. yes
- b. no

24. Has your organization ever been involved in a process of decision-making considering laws about NGOs?

- a. yes, often
- b. rarely
- c. no
25. Do you think tax reduction to businesses and other incentives by the government would improve the financial situation in your organization?

26. Are you clearly informed about the participation procedures in legal environment?

27. Has there been any follow-up evaluation to measure the impact the project has had in society?

28. I have you done any research that shows how is your contribution perceived by the community you serve?

29. Have you worked out any projects that produce an independent and ongoing project?

30. Do you have a good governance structure in place?