Promoting Financial and Human Resource Management in Kosovo’s Nongovernmental Organizations (NGOs)

CAPSTONE PROJECT
ROCHESTER INSTITUTE OF TECHNOLOGY (RIT)
THROUGH AUK

VISAR SUTAJ

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Presentation Outline

- Defining the Problem
- Evaluating the Problem
  - NGO Capacity Assessment/Research Method
  - Research Results (Tables & Graphs)
- Research Limitations
- Making of CND
- Basic Financial and Legal Procedures
- Training Program on Finance and HR
- Closing Remarks
- Recommendations
Defining the Problem

- Out of 5000 registered NGOs in the Ministry of Public Administration (MPA), less than 10 percent of those remain active.

Problem Background

- The interdependent factors that have led to closing of many NGOs in Kosovo include:
  - Lack of funding from both international and local stakeholders
  - Financial mismanagement (no independent audits, annual reports, etc.)
  - Employment of inept HR (limited staff number, unaware of problems, etc.)
  - Lack of volunteer activities
Defining the Problem

Financial Viability in Kosovo

- 1999: 6.0
- 2000: 6.8
- 2001: 6.8
- 2002: 6.8
- 2003: 5.6
- 2004: 5.3
- 2005: 5.2
- 2006: 5.0
- 2007: 4.8
- 2008: 4.7
- 2009: 4.8
Defining the Problem

Organizational Capacity in Kosovo

Year: 1999 - 2009
Value: 4.5, 4.5, 5.0, 4.2, 4.3, 4.0, 3.9, 3.8, 3.8, 3.7, 3.7

Graph showing changes in organizational capacity over the years.
Evaluating the Problem

- NGO Capacity Assessment Methods
  - **Capacity Profile** – “assessment, analysis, and action planning tool that facilitates useful inputs for any NGO in strengthening organizational capacity.”
  - Qualitative and Quantitative Methods from Sarah Cook’s book, *Measuring Customer Service Effectiveness*

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Research Outline

Research type: One-to-one interviews and surveys.
Sample area coverage: Funding, finance management, human resources and volunteer work.
Sample size: Total of 5 respondents for interviews, 28 respondents for the Funding and Finance Management Questionnaire, and 19 respondents for HR Questionnaire.
Sample groups: 22 NGOs, 5 auditor, 1 government administrator, and 1 tax administrator.
# Evaluating the Problem (Research Results)

<table>
<thead>
<tr>
<th>Survey Opinion Polls on Funding</th>
<th>Not Agree (%)</th>
<th>Agree (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thirty percent (30%) of funding or more comes from local donors.</td>
<td>67.86</td>
<td>28.57</td>
</tr>
<tr>
<td>NGO has funding from three or more sources.</td>
<td>31.14</td>
<td>53.57</td>
</tr>
<tr>
<td>Basic program delivery can continue even if there is a funding shortfall.</td>
<td>50.00</td>
<td>32.14</td>
</tr>
<tr>
<td>Current funds meet project needs.</td>
<td>35.71</td>
<td>60.71</td>
</tr>
<tr>
<td>A long-term funding plan exists that result in the NGO’s self-sufficiency.</td>
<td>42.86</td>
<td>39.29</td>
</tr>
<tr>
<td>All projects have funding plans.</td>
<td>25.00</td>
<td>67.86</td>
</tr>
<tr>
<td>Constituent support to generate income from their willingness to pay for some services.</td>
<td>39.29</td>
<td>32.14</td>
</tr>
<tr>
<td>NGO has been able to generate income from providing services.</td>
<td>50.00</td>
<td>42.86</td>
</tr>
<tr>
<td>NGO has a functional online profile or website.</td>
<td>35.71</td>
<td>53.57</td>
</tr>
<tr>
<td>Survey Opinion Polls on Volunteer Work</td>
<td>Not Agree (%)</td>
<td>Agree (%)</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>High integration of volunteers with paid staff.</td>
<td>52.63</td>
<td>47.37</td>
</tr>
<tr>
<td>Volunteers are integrated into the planning and evaluation process of the organization.</td>
<td>36.84</td>
<td>57.89</td>
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<tr>
<td>Training programs are in place for volunteers.</td>
<td>47.37</td>
<td>47.37</td>
</tr>
<tr>
<td>Volunteers are recognized and thanked for individual and collective achievements.</td>
<td>26.32</td>
<td>68.42</td>
</tr>
</tbody>
</table>
Evaluating the Problem (Research Results)

**Funding Effectiveness**
- Extremely: 16.87%
- Somewhat: 28.97%
- Not very: 24.21%
- Not at all: 17.86%
- No opinion: 12.30%

**Volunteer Work Effectiveness**
- Extremely: 15.79%
- Somewhat: 39.47%
- Not very: 18.42%
- Not at all: 22.37%
- No opinion: 3.95%
Evaluating the Problem (Research Results)

### Finance Management Effectiveness
- Extremely: 39.61%
- Somewhat: 28.90%
- Not very: 11.69%
- Not at all: 4.55%
- No opinion: 15.26%

### HR Effectiveness
- Extremely: 36.36%
- Somewhat: 46.89%
- Not very: 10.05%
- Not at all: 1.44%
- No opinion: 5.26%
### Statistical Calculations – Funding and Finance

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Scale of Financial Management</th>
<th>Index APPROVAL INDEX*</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Not at all</td>
<td>Not very</td>
</tr>
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<td>11</td>
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<tr>
<td>Statement 2</td>
<td>3</td>
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<table>
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* APPROVAL INDEX - From (-100) "Not at all" to (+100) "Extremely"
## Statistical Calculations – HR and Volunteerism

### Scale of Financial Management

<table>
<thead>
<tr>
<th>Human Resources</th>
<th>Scale of Financial Management</th>
<th>Index APPROVAL INDEX*</th>
<th># of respondents</th>
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<td></td>
<td>Not at all</td>
<td>Not very</td>
<td>No Opinion</td>
</tr>
<tr>
<td>Statement 1</td>
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<table>
<thead>
<tr>
<th>Volunteer Work</th>
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</tr>
</tbody>
</table>

* APPROVAL INDEX - From (-100) "Not at all" to (+100) "Extremely"

### Funding Source

- 1.44%
- 10.05%
- 5.26%
- 46.89%
- 36.36%

### Financial Management

- 22.37%
- 18.42%
- 3.95%
- 39.47%
- 15.79%
Research Limitations

- Sample very small and not representative
- Respondents not well oriented
- Irrational fear of completing surveys online
- Lack of understanding surveys in English
Making of CND, Part I

- **Mission Statement**
  - The mission of CND is to encourage develop tools and services for local nonprofit organizations in Kosovo to carry out responsible financial and human resources activities.
    - **Financial Component**: (1) reporting, and (2) internal control.
    - **HR Components**: (1) recruitment, and (2) performance evaluation.

- **Goals and Objectives**
  - CND seeks to improve employee skills and learning on finance and HR through drafting manuals and conducting trainings.
  - CND in order to create and maintain its goals and objectives would require a variety of resources and strengths of its own: staffing, planning, financing, etc.

- **Board of Directors**
  - 3 individuals, developers
  - **Criteria**: skills of nonprofit work, language, and marketing

- **Staffing**
  - 15 individuals, implementers
  - Free of charge
Making of CND, Part II

- **Financial Risks and Implications**
  - Global financial instability and decline in terms of funding
  - CND Financial Sustainability Program:
    - Endowment Fund – restricted fund
    - Annual Campaigns – cultivate gifts from potential donors
    - Self-financing – create new skills and review ways it will operate to generate income

- **Program**
  - Guide to financial and legal procedures
  - Trainings on finance management and HR

- **Registration**
  - Zero (0) cost to setting up an NGO
  - Law on Freedom of Association of NGOs
    - NGOs with PBS: (1) submit audit report, and (2) annual report.
  - Regular meetings at the NGO RL Department
Basic Financial and Legal Procedures

- Expense Reports
- Legal Representation
- Audit Criteria
- Cash Management
- Tax Procedures and Requirements
Training Program on Finance and HR

- **Scope of Training**
- **Training Delivery**
  - Training Method
  - Training Time
- **Problems and Opportunities**
- **Training Resources**
- **Who is involved?**
- **Topical Outline**
  - Finance Management: financial reporting, record keeping, and in. control.
  - HR: recruitment, and performance evaluation.
- **Administration & Evaluation**
Closing Remarks

- **First Dimension**
  - It consists of factors *(i.e. FM and HR)* which lie largely within the span of an NGO’s control.
  - CND’s role – to help other NGOs carry out responsible activities.

- **Second Dimension**
  - It consists of the process *(i.e. funding and volunteer activities)* shaping the wider environment over which an organization has little control.
  - Research results show that local NGOs have major funding and volunteer deficits in Kosovo.
Recommendations on Funding Strategies

- **Establish Networking**
  - **Methods**: meet face-to-face, membership, online profiling, etc.
  - **Solutions**: more donors interested

- **Become Donor Independent**
  - **Methods**: partnership with the private sector
  - **Solutions**: increased income, financial discipline, and self-confidence

- **Establish Credibility**
  - **Methods**: concrete mission statement
  - **Solutions**: excellent quality work
Recommendations on Attracting Volunteers

- Young volunteers
  - **Methods:** newsletters, websites, bill-boards, etc.

- Training programs for volunteers
  - **Methods:** lectures, meetings, etc.
Thank You

Questions?