

NGO Sustainability: Creating Our Own Donations

By

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The Need to Become Self-sustaining

NGOs have commonly depended on funding from donor agencies, multilateral lenders, charitable institutions, and government ministries for their own administration and for conducting programs. In the past, these donor/NGO relationships generally worked well for non-profit, non-governmental organizations. However, in recent years, NGOs in countries like Thailand have been witnessing a marked decrease in available grants and other funding from both overseas and local donors. We have to assume that this trend will continue and that we must adapt accordingly.

NGOs must take into account prevailing trends in development and in public spending when planning for the future. Increasingly, public and para-governmental organizations in developing and developed countries alike are being transformed into enterprises that must perform in the marketplace. The prevailing wisdom is that this will generally improve the efficiency of these organizations as well as diminish tax burdens on working populations. Funding for NGOs is heavily linked to new public spending trends. NGOs either directly receive funding from government ministries and foreign government agencies or receive funding from multilaterals and larger NGOs that are influenced by government spending trends. Either way, NGOs cannot afford to ignore these changes.

Both the NGO community and the donor community are susceptible to any number of economic and political pressures occurring everywhere from the organizational level all the way up to macro variations in national and international economies. Donors are subject to funding constraints of their own and are often beholden to boards, larger organizations, government ministries, or even national legislatures that can limit their capacity to fund purely based on the quality of a project or the good record of a grantee. Some donors can even fall victim to severely limiting budget constraints that threaten their very existence. NGOs must be aware of these possibilities and diversify their sources of funding accordingly.

Additionally, Thailand and similar countries are increasingly considered to be too well off to receive international donor funding. As major donors concentrate more on dealing with countries in states of emergency, Thailand will have to deal with continued efforts at social development and poverty eradication more or less alone.



As other countries receiving aid “graduate” from less developed status, their civil societies will also find themselves in need of non-donor funding solutions.

Hence, NGOs must begin to develop at least some degree of self-sufficiency if they are to have any medium- to long-term plans and aspirations.

PDA’s Road to Business Solutions in Development

PDA has promoted sustainable communities through a progression of initiatives that have helped communities to become more self-sustaining and take control of their own circumstances. Ultimately, we have done this by understanding that communities must generate income locally in order to break free from cycles of poverty and dependency.

26 years ago, PDA began its work in community development with initiatives to slow population growth on the village level. These programs succeeded in enabling villages to free up resources that otherwise would only have been sufficient to maintain a subsistence level of economic activity. PDA then assisted the villages to improve sanitation and water supply, thus diminishing the time and effort spent by villagers in dealing with water- and sanitation-based illnesses. By easing the effects of overpopulation and disease that had hindered productive activities, villagers acquired the time and means to improve their surroundings and to consider various growth-oriented and entrepreneurial initiatives.

However, these communities still suffered from a lack of basic knowledge and skills without which they could not generate the sufficient income to participate in – and in some cases to withstand - the changing economic circumstances and growth patterns of Thailand and Southeast Asia. Their traditional growing and selling patterns had not prepared them to deal with more competitive markets for agricultural products and price shocks for inputs caused by international trade and macroeconomic pressures. This was compounded by the effects of deforestation and erosion with intermittent drought, which significantly diminished the fertility of the soil. Hence, the villagers needed skills in improved agricultural techniques, agri-business techniques, small manufacturing processes, business and entrepreneurial techniques, and even techniques to ensure long-term environmental sustainability.

PDA proceeded to provide the villagers with needed skills in developing and running small and medium agribusiness and manufacturing enterprises which included capacity-building in determining demand, limiting costs, marketing products, and maintain proper accounting procedures. Understanding the limited resources available to villagers to start businesses as individuals, PDA also promoted the establishment of cooperatives and business associations to assist villagers in pooling resources to achieve their desired goals.

This new business activity and organization of cooperatives brought villagers more into contact with local government regarding issues such as access to credit, tax structures, business licensing, and land-use. The needs of the villagers vis-à-vis government began to change and engender new requirements for responsiveness from



- and cooperation with – local government. PDA and its partnering villages realized that for the villagers to truly realize their goals of self-sufficiency, they would need representation in local government as well as institutions that would work for them rather than vice versa. Hence, PDA began to promote democratic-building activities.

Though we continue to provide all of these technical and advisory services countrywide, we also continue to evolve with the needs of our partnering communities. Now the most recent iteration of PDA's income-generating community development initiatives has been the Thai Business Initiative in Rural Development (TBIRD).

TBIRD's main goal has been to bridge the growing gap between the urbanized business sector and rural areas by attracting already successful business enterprises to set up operations in rural areas sometimes in partnership with local cooperatives or associations. As these partnerships and enterprises evolve, TBIRD shifts the focus in development away from the arena of international donors toward a more localized business community that can generate profits as well as promote the development of partnering communities.

PDA's TBIRD projects have already resulted in tenfold income increases for partnering villages, village-level manufacturing of clothes, shoes and leather goods, and reductions or reversals of villager migration to urban areas. The program's unique approach to rural development has earned international accolades by proving that corporations can effectively contribute their wealth of resources and skills to make rural communities more productive and sustainable in the long-term. As of February 2000, a total of 129 companies and individuals supported a total of 242 TBIRD projects throughout Thailand. Participating companies include Bata Shoe, Bristol Myer-Squibb, Nike Shoe Company, Mobil, Nestle, Singer, and Bridgestone.

One of the most successful TBIRD initiatives has been the Nike Village Development Project, where PDA, Nike, and the district of Chakkarat have implemented a comprehensive development program combining PDA's existing programs with the newly developed social agenda of the Nike Shoe Company. The project began with the location of a Nike shoe factory in Chakkarat the success of which has engendered village-level programs benefiting approximately 3,500 families who were previously struggling with a severe lack of resources and employment opportunities as well as frequent drought conditions. The project has promoted initiatives in small agribusiness enterprises, local reforestation, a Women's Development Program, a School Lunch Program, and a Revolving Loan Fund to be administered by the villagers to aid each other in income-generating or socially oriented pursuits. This is one of the ways that TBIRD can produce local funding to address local challenges.

Sharing Our Idea for Self-sustaining NGOs

PDA has applied its innovative vision of community development through income-generation to its own operations and programs. Since 1975, we have established 14 for-profit companies to help generate funds for PDA's work as a non-profit association operating out of Bangkok and 16 regional centers. Currently, the contributions from these companies cover a full 65% of PDA expenditures.



The most successful and well-known of these enterprises have been the Cabbages and Condoms (C&C) Restaurants. Lonely Planet has been singing the praises of the Bangkok C&C for over ten years now! C&C restaurants offer excellent food *and* they promote condom use in a fun and amusing manner. All the profits from the restaurants are used to fund PDA's development programs. PDA has also placed handicrafts shops near the C&C restaurants which sell products from our partnering villages.

Based on the success of our enterprises, we now would like to assist other NGOs in creating business arms that can evolve into sources of funding. We feel confident that developing self-sustaining NGOs through profitable business development is a timely innovation that could both revolutionize and harmonize the relationship between the business world and the world of social and environmental activism.

One Way to Get Started

We feel that a good way to determine whether PDA's model in this area is a universally applicable innovation is to test it through a demonstration project where PDA helps other NGOs to create for-profit companies to provide revenue in support of their work. We have developed a sample plan of action that could be implemented as is or treated as a module to be changed and adapted to varying circumstances.

We propose launching four new for-profit companies to serve as sources of funding for four NGOs. At least one of these ventures would endeavor to maximize profits in the way that PDA restaurants do, i.e. the more lucrative the better. At least one other venture would aim to optimize profits as for example would be done by setting up a fertilizer or seed supply business specifically to help poor farmers.

The project would be funded by a donor; managed by an intermediary such as PDA; and would consist of two phases, a project preparation and start-up phase followed by a financial transactions and business plan implementation phase.

In Phase I, the project would hire a consultant in business management to select four viable business types to correspond with four NGOs selected by PDA. The consultant would screen and select appropriate goods and services as the basis of likely profit-making ventures. The project would then hire four consultants to actually develop business plans for the NGOs. These consultants would also define the business skills necessary for the new venture to work and then assist the NGO in either finding appropriately skilled personnel or in developing the required business skills in available personnel. Phase I would take 12 months.

In Phase II, the project would provide working capital in the form of long-term, low interest loans and grants to each of the four ventures with PDA continuing in conjunction with the consultants to oversee and share its own experience as the companies move forward. We would provide each NGO with a start-up amount of \$250,000. Of the start-up amount, \$150,000 would be allocated as equity for the venture and \$100,000 would be provided in the form of a loan to be used for start-up operations, management, facilities, equipment, etc. Of the equity, each NGO would be given \$75,000 as a grant and thus would hold half the equity in the company while the other \$75,000 would be held by the intermediary on behalf of the donor. Once each



business begins to run a profit the NGO could either buy back or be given back the second \$75,000 in order to ultimately fully own its company.

The preliminary estimate of the first, formative phase for all four companies together is \$180,000. With the estimated \$250,000 in capital and loans from the second phase, the estimated total investment for three years will be \$1,180,000.

PDA would ensure that viable revenue-producing activities are defined, independent companies are legally established, the NGOs are trained to support these companies, and appropriate professional staffs are hired to make them successful. Assessing the success or failure of this project would be based on the extent of the profitability of these companies at the end of three years.

Apart from requesting funds from an international donor, we could later on involve the business sector as well. Many companies already give funds to NGOs or causes. In this case, we would suggest that a company or group of companies use their philanthropic funds to establish profit-making companies for NGOs. For example, we could envisage that ten years down the line, these “donor corporations” would have helped establish numerous profit-making ventures for NGOs.

Conclusion

We believe that this endeavor or some close variant of it would demonstrate the universal applicability of our model for NGO sustainability and thus eventually free NGOs from their present state of dependence on uncertain sources of funding.

