

## **ORGANIZATIONAL DEVELOPMENT AND SUSTAINABILITY OF NON-GOVERNMENTAL ORGANIZATIONS IN CENTRAL AND EASTERN EUROPE**

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### ***Abstract***

*This article tackles the challenges faced by NGOs in Central and Eastern Europe in the beginning of the 21<sup>st</sup> century. With an organizational development and sustainability approach, the main issues taken into consideration are the internal problems (shortage of funds, lack of capacity, inefficient management of projects) and external problems (lack of supportive networks, information unavailability, no common perspective on priority issues, and overlap of interests) Moreover, in addition to developing NGOs at the national level, the trans-national character of issues facing civil society and sustainability require that NGOs develop a regional platform.*

*The main conclusion of this article is that if NGOs working in sustainability want the message they drum to be heard, they must start taking themselves seriously in order for their target*

*groups – government, businesses, citizens – to take up the rhythm.*

### ***1. Introduction***

In the beginning of 2004 a program was initiated that sought to establish a regional network of non-governmental organizations (NGOs) from Central and Eastern Europe (CEE) dealing with joint issues of environmental protection and consumer protection. Such a network would identify the need around the region to have a common platform that can facilitate work on cross-boundary cooperation; to look at problems affecting the region from a broader angle; and to increase the capacity of civil organizations as well as strengthen their mandates to operate in their countries.

The role of NGOs in reforming society is widely recognized (Kaldor et al., 2003), yet the capacity of these organizations to perform optimally is limited. Especially around CEE region,

NGOs face internal problems (shortage of funds, lack of capacity, inefficient management of projects) and external problems (lack of supportive networks, information unavailability, no common perspective on priority issues, and overlap of interests). Most of these problems are not unique to single organizations but occur widely and in similar circumstances across the region.

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The term Non-governmental Organization (NGO) is adopted and modified from the operational definition of the Johns Hopkins Comparative Nonprofit Sector Project.<sup>2</sup> The project identifies five structural or operational features that make up NGOs. These are: *Organizations* (with some structure and regularity to their operations); *Private* (with no affiliation to political parties and are not part of the apparatus of the state, even though they may receive support from governmental sources); *Not profit distributing* (i.e., they have no corporate affiliations and are not primarily commercial in purpose and do not distribute profits to a set of directors, stockholders, or managers); *Self-governing*; and membership or participation in them is *Voluntary*.

In the context of this paper, the use of the term, non-governmental organization, will generally be limited to those involved in issues of consumer protection, human rights, environmental protection or sustainable development. This therefore excludes the likes of churches, hospitals, schools, boy scouts, etc., without any contradiction to previously defined characteristics. Further, the term Civil Society Organizations may be used as a broad adaptation of the other forms of appellation such as “Civil society organizations”, “associations,” “non-

profit organizations,” “voluntary organizations,” “charitable organizations”, etc.

Today, the CEE Network is a partnership of 26 NGO member organizations in CEE and six partners, mainly international organizations and state agencies. Material for this article is based mainly on a three-year process of consultation, interviews and focus group discussions. The three-year period includes the preparatory phase for the establishment of the network (brainstorming, consultation and interviews), the founding conference (interview, focus group discussions and workshop outputs) and the current phase (post-foundation) during which the network has to become active.

The article explores a balance between practical implementation and theoretical academic/scientific concepts on NGOs and their networks. While supported by data, it is mainly qualitative. It is also explorative and some parts are based on the systematic observations of the author, being Project Manager of the process leading up to the establishment of the organization and currently the Chairman of the network.

This article is meant to explore possible grounds from which to further develop the new network, but also to challenge the current thinking of the NGO community in the region, with the hope that the search for answers would give it a stronger hand in dealing with the increasingly demanding mandates handed to NGOs both by the public and

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<sup>2</sup> Lester Salamon, M., Anheier, Helmut K., *The Emerging Nonprofit Sector: An Overview*, Manchester, (Manchester University Press, 1997a).

by the inclusive nature of the process towards more sustainable societies.

## **2. Opportunities and Challenges**

Some of the most influential changes in countries of Central and Eastern Europe (CEE) in recent years have been: the shift in the region to a market-based economy; and the accession of 12 former communist countries to the European Union, as well as current negotiations with more countries.<sup>3</sup> These have brought about new opportunities and new challenges. In both cases, the role of civil society in contributing to democratic and democratizing governance, in influencing production modes in the economy, and thereby contributing to developing a sustainable society has been heightened. This role is executed through civil society organizations, in effect non-governmental organizations.<sup>4</sup>

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<sup>3</sup> Joseph Stiglitz, E *Globalisation & its Discontents*, (New York: Norton, 2002).; Joseph Stiglitz E., and Hoff, Karla 'The Transition from Communism: A Diagrammatic Exposition of Obstacles to the Demand for the Rule of Law', in *Policy Research Working Paper Series* number 3352, The World Bank, (2004).

<sup>4</sup> Sustainability, *The 21<sup>st</sup> Century NGO: In the Market for Change*, London, Sustainability, 2003. See [www.sustainability.com](http://www.sustainability.com); Kaldor, Mary; Anheier, Helmut and Glasius, Marlies (ed.), *Global Civil Society 2003*, Oxford, Oxford University Press, 2003.

Kaldor, Mary; Anheier, Helmut and Glasius, Marlies (ed.), *Global Civil Society 2003*, Oxford, Oxford University Press, 2003.

For over forty years prior to the transition, the heavily controlled political system destroyed the non-profit traditions that had existed in these countries<sup>5</sup>; spun off organizations which were supposed to represent the voice of the masses but which were never independent of government and were in fact "institutions of social control" by communists<sup>6</sup>; and raised a generation that was so psychologically indoctrinated in command-and-control systems that people were indoctrinated as receptors, or at times passive resistors, of external orders.

The Johns Hopkins Comparative Nonprofit Sector project discusses the "larger processes and developments that have been, and are, taking place across the countries of [the CEE] region" as follows:

Their rich philanthropic traditions, and their relatively well-developed systems of private nonprofit institutions in the nineteenth and early twentieth centuries, were disrupted by war and the subsequent establishment of communist regimes. Only after the mid 1980s did the countries of Central and Eastern Europe move towards a true multi-sector society, when cautious

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<sup>5</sup> Eva Kuti, "Hungary", in *Defining the Nonprofit Sector: A Cross-National Analysis*, Salamon, Lester M., Anheier, Helmut K. (eds), Manchester, Manchester university Press, 1997. 471 - 492

<sup>6</sup> Salamon, Lester M., Anheier, Helmut K. (eds) *Defining the Nonprofit Sector: A Cross National Analyses*, Manchester, Manchester University Press, 1997b.

reforms opened up the first opportunities for the establishment of private institutions...Overall, however, before 1989, so-called “social organizations,” i.e., nationalized and government-controlled institutions took some of the roles nonprofit organizations assume in democratic market economies...these organizations were incorporated into the State apparatus, and enjoyed no independence.<sup>7</sup>

The older generations especially find it hard to comprehend the dwindling state availability, or “the withdrawal and redefinition of the State”.<sup>8</sup> Fifteen years of post-communism have proved not to be enough time for recovery, to fully regain such mental attitudes or to set up the mechanism and infrastructure that are needed to build an independent, organized and proactive civil society.

Yet the younger generation (born in the last, waning days of communism, or just after) is coming up, and characteristically seeks to assert its independence. One means of exercising this freedom has been an uneducated rush towards consumerism<sup>9</sup>; however

those in the alternative, growing civil society movement, have equally shown a passion. It is perhaps in this light that the most progressive NGOs in the region are those run by the younger generation. Some of that passion needs to be tamed and channeled, and there is compelling indication that this is coming to consciousness.

### ***3. New Roles and Growing Responsibilities***

In addition to developing NGOs at the national level, the trans-national character of issues facing civil society and sustainability require that NGOs develop a regional platform. Kaldor et al.<sup>10</sup> highlight the development of civic networks as a means of building “social capital” by “building relationships of trust and cohesion”, the importance being that “self-organization across borders creates social cohesion within trans-national communities.” However, an international cooperative effort should not overshadow the need for cumulative efforts to provide a subtle balance between generic, transferable action and action which truly reflects to local conditions.

- “Prompted in part by growing doubts about the capacity of the state to cope with its own welfare,

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<sup>7</sup> Lester M Salamon,., Anheier, Helmut K. (eds) *Defining the Nonprofit Sector: A Cross National Analyses*, Manchester, Manchester University Press, 1997b.

<sup>8</sup> Eva Kuti, “Hungary”, in *Defining the Nonprofit Sector: A Cross-National Analysis*, Salamon, Lester M., Anheier, Helmut K. (eds), (Manchester, Manchester university Press, 1997),471 - 492

<sup>9</sup> Cohen, Maurie J. *Sustainability: Science, Practice, & Policy*, Volume 1, Issue 1, (Spring 2005) <http://ejournal.nbii.org/>

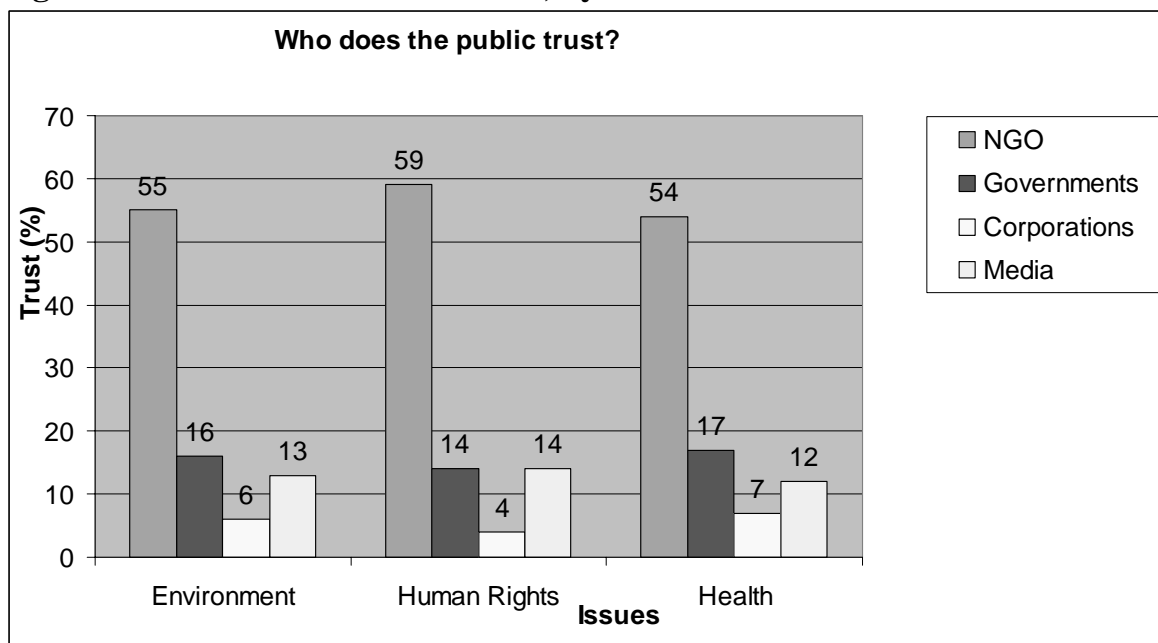
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EEA, Household Consumption and the environment, EEA, Copenhagen, 2005.

<sup>10</sup> Mary Kaldor, Anheier, Helmut and Glasius, Marlies (ed.), *Global Civil Society 2003*, (Oxford, Oxford University Press, 2003).

developmental, and environmental problems,” wrote

**Figure 1: Public trust in institutions, by sectors**



Source: Edelman Trust Barometer, 2003

Kaldor et al.<sup>1</sup>, “analysts across the political spectrum have come to see NGOs as strategic components of a middle way between policies that put primacy on ‘the market’ and those that advocate greater reliance on the state.” This mandate to NGOs is further emphasized by the public: data from annual surveys repeatedly reveal that the public trusts NGOs most – ahead of governments, media and corporations.

Below are some of the reasons for why NGO support continues to grow:

the opening up of ex-communist and other emerging or transition economies to markets, democracy and civil society models;

- the communications revolution, with the internet and other information

technologies linking and empowering individuals and groups worldwide;

- the withdrawal of government from many areas of service provision, especially to vulnerable communities;
- falling trust in traditional institutions (governments, church, business);
- on-going social inequality and continued environmental degradation.

To fill these new shoes, NGOs need to step up their game, not as responders but as drivers, leading the agenda for sustainability. For this to happen, they need to set a common vision for themselves, professionalize their working culture, develop sustainable financing mechanisms, and to engage in stakeholder dialogue and constructive partnerships. These issues are explored below.

<sup>1</sup> Kaldor et. Al., *Global Civil Society*, 2003

#### 4. *Lack of Vision*

Most of what is understood as sustainability within civil society organizations is intuitive rather than clearly defined. In a focus group session during the founding conference of the CEE network, 23 participants were asked to describe what was to them the vision of a fully sustainable society. As it turned out, largely all participants had differing answers, even when they shared some intersecting aspects. It was observed that some participants who came from the same organization had different views of what sustainability is. By and large, there were patterns; it emerged, albeit loosely, that environmental NGOs had a vision which was different from what consumer NGOs had, and which also differed from what cultural and grassroots NGOs had in mind. Though there are similarities in the sector, the so-called third sector, of what has come to be understood as NGOs; there remain large gaps between and among the organizations.<sup>22</sup>

The above example highlights one of the main issues affecting the NGO movement: a lack of shared vision. This

operates in two levels as described below:

- At the level of individual organizations, several NGOs do not have a common vision of what they are working towards. Some organizations have a vision written down on paper, but there is no common understanding of it by employees; it doesn't necessarily translate into the strategy or daily tasks of the staff.
- At a broader level, and perhaps more troubling, there is lack of a sectoral vision. There is no single shared and commonly interpreted vision of where the third sector is going with the society they are out to build, of what a sustainable society would look like, if achieved. In a broad sense, most NGOs attest to the unsustainability of contemporary lifestyles. They consider the need for sustainability as opposite to these lifestyles, a negation of the current system. The variety of interpretations of this leads to denial of what is at present. This might not be wrong in itself, yet it fails to propose a much needed alternative way. In refusing contemporary structures and yet not presenting a visionary direction of what a sustainable society would look like, NGOs are caught in a limbo.

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<sup>22</sup> Sustainability, 2003, Salamon and Anheier, *The emerging nonprofit sector*, 1997; Salamon, Lester M., Anheier, Helmut K., *The Emerging Nonprofit Sector: An Overview*, Manchester, Manchester University Press, 1997a.

Lester M Salamon,., Anheier, Helmut K. (eds) *Defining the Nonprofit Sector: A Cross National Analyses*, (Manchester, Manchester University Press, 1997b).

As a consequence, there is sometimes no coherence in activities carried out by the organization. Programs become disjointed from one phase to another, weakly linked, and fail to see common direction in actions.

Also because of a lack of vision and set direction, NGOs tend to become responsive (to government and business

agenda), instead of being proactive, leading the way to sustainability.<sup>13</sup> This reactive pattern has clearly been seen in the area of fundraising for programs, where NGOs respond to donors' whims, and also in policy processes where NGOs quite often limit themselves to making comments on policy drafts – a phase past the point where they could lobby for inclusion of their own ideas.

The mandate of the third-sector is thus not clearly understood by NGOs themselves, and less so by the public. Internal confusion has easily led to mixed signals for external stakeholders. This could be due to the sometimes low public awareness of issues they advocate, and loss of some of the public support they should have. In fact, analysts seem to suggest that NGOs generally enjoy a high amount of public trust, not mainly at the strength of their own workings but seemingly owing to the disappointing failures of governments, business and the media.<sup>14</sup>

The issue of lack of vision of a sustainable world is not limited only to NGOs. It extends to governments and to businesses, too. Because of the long

term nature of sustainability against the myopic perspectives of electoral-cycle government policies and corporate profit activities, visioning a sustainable society poses a challenge which neither policy instruments nor traditional economics methods are designed to handle.<sup>15</sup> In recent decades, Environmental Economics has fast become a “fashionable” academics area (see Financial Times, 2006) not least because of the new kinds of challenges that it opens.

### 5. *Developing a Shared Vision*

A vision, according to Brian Murphy<sup>16</sup>, “involves ‘seeing how things are’, particularly how things are for *oneself* – creating our own knowledge and perception and relevance rather than merely absorbing or adopting a prescribed perception. In seeing how things are, vision also involves seeing ‘how things are *not*’. And, finally, vision involves creating intention, ‘see how things might be’.”

An organization's vision (*where* it wants to go) lends to its mission (*what* it must do to get there) and is then broken down to a strategy (*how* it want

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<sup>13</sup> Peter Drucker, *Managing the Non-Profit Organization* (Oxford: Butterworth – Heinemann, 1990).

<sup>14</sup> Evelyn Iritani, “From the streets to the inner sanctum” in *Los Angeles Times*, (February 20, 2005); Fuchs, Doris, and Lorek, Sylvia, “Sustainable Consumption Governance: A History of Promises and Failures”, in the *Journal of Consumer Policy*, 28 (2005):261 – 288.

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<sup>15</sup> David C Korten, *When Corporations Rule the World*, (Kumarian Press, 1995).

Stiglitz, Joseph E *Globalisation & its Discontents*, New York: Norton, 2002.

<sup>16</sup> Murphy, Brian K., *Transforming Ourselves, Transforming the World: An Open Conspiracy for Social Change*, (London, Zed Books., 1999).

to get there).<sup>17</sup> These three are interlinked, and are effective in accomplishing objectives.

In the same focus group discussion referred to above, less than 50% of organizations said that they had a concrete strategy developed by breaking down the vision and mission of the organization. The rate dropped to 25% when asked those who had action plans derived from the strategy. It was then argued by some organizations that not being confined by a tight strategic action plan allowed the organization to be more organic, making it more flexible to adopt new trends and hop onto niche programs. (As shall be seen later, this attitude is part of the working culture of organizations that are donor-driven). The organic, spontaneous projects run by NGOs are easily adaptable to fluctuations in issues arising on the political agenda. Yet if these projects do not fall within a coherent pattern, each project building upon the previous, guided by an ultimate vision, there is a resulting inefficiency. It allows organizations to stretch themselves thin by engaging in irrelevant activities, at times in favor of those that are tempting to donors but less strategically relevant.

Together then, NGOs need to develop a vision, one which is commonly understood and shared. Such a vision must ideally be able to attract people

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<sup>17</sup> Covey, Stephen R. *The Seven Habits of Highly Effective People: Powerful Lessons in Personal Change*, (London, Simon & Schuster, 1989).

towards it. Each organization will then set its mission under this common vision. Peter Drucker<sup>18</sup> highlights a common mistake when NGOs set to developing their mission: setting a mission that is too broad and not feasible for the organization, “a hero sandwich of intentions”. A mission statement must be operational. This is then further broken down to a strategy, action plans, and periodic activities. To stay relevant, the mission and strategy should constantly be reviewed and adjusted against internal and external changes in the operational environment. A well defined vision would give room for creativity<sup>19</sup> and would present the organization as a force for policies and businesses to then respond.

## **6. Work Culture**

### **6.1 Staffing**

Workers in non-governmental organizations would usually fall under one of the following: full-time employees, part-time employees, or volunteers.

a) **Full-time employees.** They are usually the daily administrative and overall management staff. Because NGO employees' salaries are

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<sup>18</sup> Drucker, Peter *Managing the Non-Profit Organization* Oxford: Butterworth – Heinemann, 1990.

<sup>19</sup> Brian K.. Murphy. *Transforming Ourselves, Transforming the World: An Open Conspiracy for Social Change*, (London, Zed Books., 1999).



comparatively low, these positions do not necessarily attract the most formally qualified persons. Occasionally however, the head of the organization would be reasonably qualified, fortified by a strong sense of commitment. This head would also have most likely spent a long time within the NGO, thus is experienced in its field of activity and has a “feel” of the internal sense of the organization.

b) The more usual type, and a higher number, of workers are **part-time employees**. Usually they would be project coordinators, coordinators of minor programs, or persons responsible for periodic tasks within the organization. Quite likely, a part-timer would split his time to work for more than one organization, or would also be self-employed. Another category of workers for NGOs would be persons who are frequently subcontracted more specialized but less frequently occurring tasks, such as translation work, soliciting support for an idea or project, etc.

c) Because staffing is limited, NGOs usually rely on **volunteers**. These form, in numbers, the majority of workers within the organization. Most of them are students, part-time employees who volunteer the rest of their time to the organization, or persons of sympathy to the group’s course. According to statistics in Hungary, in 2000 “the number of volunteers exceeded 400,000; the almost 35.5 million hours of volunteer work corresponded to the working hours of about 17,000 full-time

employees. The value of volunteers’ work was estimated to approach HUF 18 billion” – approximately € 64 million (www.nonprofit.hu). Organizations with the highest number of volunteers are those that organize public campaigns or demonstrations, such as environmental groups, human rights groups, or generally groups dealing with issues to which the public is sensitive.<sup>20</sup> Volunteers usually have a high sense of motivation and loyalty to the objectives of the organization. Occasionally, some qualified professionals or retirees are called up to offer their services. Still, most volunteers are untrained for their particular tasks, and because they are offering their time out of good will, are not obliged to carry out work that, although might be necessary, they do not feel comfortable with. This last point, as shall be demonstrated soon, affects the way NGOs are managed.

## 6.2 Management

The NGO movement gathered momentum in the 1970s as a new, “alternative movement” (Harrison, Newholm and Shaw, 2005). It rose from the fringes of communities to the center of civil society by challenging

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<sup>20</sup> Sustainability), *The 21<sup>st</sup> Century NGO: In the Market for Change*, London, Sustainability, 2003. See [www.sustainability.com](http://www.sustainability.com)

human rights obscurities, Northern hemisphere-dominated trade, etc. This struggle against the mainstream has

**Table 1: Workforce and Revenue Patterns in CEE<sup>22</sup>**

	All countries *	Developing and transitional	Eastern Europe	Czech Rep.	Hungary	Poland	Romania
<b>Workforce (*A)</b>							
FTE paid	2.8%	1.2%	0.8%	1.3%	0.9%	0.6%	0.4%
FTE volunteers	1.6%	0.7%	0.4%	0.7%	0.2%	0.2%	0.4%
FTE total	4.4%	1.9%	1.1%	2.0%	1.1%	0.8%	0.8%
<b>Composition of workforce (*B, *D)</b>							
Service	63.3%	62.5%	44.7%	42.4%	40.0%	49.5%	58.2%
Expressive	32.4%	32.7%	50.3%	54.0%	55.2%	46.2%	36.9%
Other	4.3%	4.9%	5.0%	3.6%	4.7%	4.3%	4.9%
<b>Cash revenues (*C, *D)</b>							
Fees	53.4%	62.3%	49.0%	46.6%	54.6%	60.4%	28.5%
Government	34.9%	21.6%	31.5%	39.4%	27.1%	24.1%	45.0%
Philanthropy	11.7%	16.1%	19.5%	14.0%	18.4%	15.5%	26.5%
<b>Total support (with volunteers) (*D, *E)</b>							
Fees	42.4%	51.4%	42.9%	37.9%	52.7%	57.1%	13.0%
Government	27.2%	16.9%	24.6%	32.1%	26.2%	22.8%	20.5%
Philanthropy	30.4%	31.7%	32.6%	30.0%	21.1%	20.1%	66.5%
* Workforce: 35 countries; composition, revenues, and total support: 32 countries.							
*A - As percent of economically active population.							
*B - As percent of total civil society workforce (paid and volunteers).							
*C - As percent of total cash revenues.							
*D - Percentages may not add to 100% due to rounding.							
*E - As percent of total cash and volunteer support.							

Source: Johns Hopkins Comparative Nonprofit Sector Project

paradigms that were considered given at the time<sup>21</sup> –corporate led globalisation,

come to characterize the NGO movement, more strongly so in newly democratizing areas where civil society activism is at a young stage and gaining momentum. In positioning themselves against the dominating and ill-effects of capitalism, for example, NGOs have

<sup>22</sup> Note that contents of the table are drawn from a broader definition of NGOs than is used in this paper. Data on this table includes churches, hospitals, universities, etc.

<sup>21</sup> Ed Mayo in Harrison, Rob; Newholm, Terry and Shaw, Deirdre (ed.), *The Ethical Consumer*, (Sage Publications, 2005).

sought to define their operational style to be as far away from the corporate style as possible – irregular working hours, unclear hierarchy and structure, casual, sometimes streetwise dressing, community activism, low salaries, etc., are but a few. This is the “alternative cool”, said a participant in an NGO management course in Brussels organised by the European Consumers’ Organization, on behalf of the European Commission Directorate General for Health and Consumer Protection.<sup>13</sup>

Part of the attraction of this alternative cool – especially to young people and volunteers - is the *laissez-faire* involved at work. Some volunteers comment seeing NGO offices as community ground rather than a workplace per se. There may be work to do, and it eventually gets done – even if at self-determined paces – but people do not feel compelled to be as serious or “performance-driven” as in corporate offices. Many NGO staffs are friends with each other, thus it is hard to see the organizational hierarchy, to be strict with each other, or to know the line between professional relationships and personal ties. Some contend that this leads to the feeling of involvement and “job satisfaction” when people feel cared for and personally connected to the work environment. Others argue that there is a need for moderation; that the present situation has too much *laissez-faire*, professional standards are

thus lowered, and work ethics are mixed with interpersonal liaisons.

The period just after the founding meeting of the CEE network in 2004 was summer. This is an especially unruly time to expect intense output from NGOs in the region. Summer months, especially July and August, are unofficial NGO holidays. The sector-wide silent consensus is not to carry out serious tasks or to demand such of others. Activities slow down; phones go almost dead; one or two persons linger around the offices, usually alternating, to show a face; emails are not answered. After the founding conference, in spite of the agreement on follow-up tasks and close deadlines, some organizations could not be reached for joint project proposals that had been agreed upon weeks back.

Another trend worth exploring is the angry-activist predisposition. This refers to persons who are angry about, for example, the encroachment of capitalism into the cultural sphere – and foreign-owned multinational companies into areas considered traditionally of national significance. The NGO is generally popular among such people, who see it as a forum to fight against such unfair, exogenous forces and defend individual, cultural or universal human interests.<sup>24</sup> It is perhaps telling of these NGOs that many of their

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<sup>13</sup> See [www.BEUC.org](http://www.BEUC.org), [www.eu.int/comm/dgs/health\\_consumer/index\\_en.htm](http://www.eu.int/comm/dgs/health_consumer/index_en.htm).

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<sup>24</sup> Neera Chandhoke in Kaldor, Mary; Anheier, Helmut and Glasius, Marlies (ed.), *Global Civil Society 2003*, (Oxford, Oxford University Press, 2003), 410.

volunteers, and quite often their employees, are angry persons who join to fight off corporations. There is a similar case with human rights activists, environmental activists, anti-globalization activists, etc. Sustainability (2003) writes that “the values that many of those who have gone into NGOs hold are skewed when compared with those working in the mainstream worlds of business and government.” “They prioritize ethical; social or environmental issues in different ways and feel a stronger sense of outrage when these values are offended.”

From their side, corporations regard NGOs as unprofessional – not trained to cover their roles, acting emotionally, and without a clear agenda or proposed solutions to resolve issues they are up against. Governments are reluctant to take up the arguments of NGOs, owing to the lack of well-researched material to back their claims, and also for fear of being on the wrong side of companies – the backbone of the economy. Owing to these external perceptions, NGOs tend to operate in a sort of limbo, trusted and mandated by the public, unheard by the governments and institutions, ignored by corporations.

Peter Drucker, after 40 years of working in the nonprofit sector, reflects on a situation in the US 40 years ago that is still very much prevalent among CEE NGOs: “‘management’ was a very bad word in nonprofit organizations. It meant ‘business’ to them, and the one thing they were not was business.

Indeed, most of them then believed that they did not need anything that might be called ‘management’. After all, they did not have a ‘bottom line’.”

He continues, on identifying one of the major reasons why good management models for NGOs are difficult to come by:

...little that is so far available to the nonprofit institutions to help them with their leadership and management has been specifically designed for them. Most of it was originally developed for the needs of business. Little of it pays any attention to the distinct characteristics of the nonprofits or to their specific central needs: to their mission, which distinguishes them so sharply from business and government; to what are ‘results’ in nonprofit work; to the strategies required to market their services and obtain the money they need to do their job; or to the challenge of introducing innovation and change in institutions that depend on volunteers and therefore cannot command. Even less do the available materials focus on the specific human and organizational realities of nonprofit institutions; on the very different role that the board plays in the nonprofit institution; on the need to attract volunteers, to develop them, and to manage them for performance; on relationships with a diversity of constituencies; on fund-raising and fund development; or (a very different matter) on the problem of individual burnout, which is so acute in nonprofits precisely because the individual

commitment to them tends to be so intense.<sup>25</sup>

To their credit, NGOs are beginning to develop management training programs tailored to the NGO sector, and to have some sort of internal volunteer management programs. A longer stride, one which has been admitted to be costly, would be to actively engage in research into their core fields of activities, in order to present facts (rather than only raise emotions), analyses and proposals, and even move on to consulting stakeholders.

## **7. Financial Sustainability**

### **7.1 Classification of Revenue Sources**

The issue of financing has a pivotal contribution to the character of NGOs and their operations. It is not only a matter of how *much* funds are (not) available; it includes *how* the funds are raised, and from which donor.

The Johns Hopkins Comparative Nonprofit Sector Project<sup>26</sup> identified three broad classes of non-profit sector revenue:

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<sup>25</sup> Drucker, Peter *Managing the Non-Profit Organization* (Oxford: Butterworth – Heinemann, 1990), 175.

<sup>26</sup> Salamon, Lester M., Anheier, Helmut K. (eds) *Defining the Nonprofit Sector: A Cross National Analyses*, Manchester, Manchester University Press, 1997b.

Salamon, Lester M., Sokolowski, S. Wojciech, List, Regina, *Global Civil Society: An Overview*, (Baltimore, Johns Hopkins University, 2003).

- Private Charitable Giving, including gifts from individuals, corporations, foundations, and bequests, whether given directly or through various federated fundraising efforts;
- Government Support, or Public Sector Payments, including outright grants, as well as contracts for particular services and payments by public sector organizations to non-profit providers;
- Private Fees and Payments that the non-profit sector receives from the sale of its own services or some other product directly to the consumer.

Organizations in CEE show patterns in accord with the above classification. Financial income sources can be further classified into internally generated income and external funding sources.

External funding includes private charitable giving and government support or public sector payments. Characteristics of external funds are:

- **Core Funding.** This is financial assistance to support the basic operations and maintenance of the organization. It includes overheads, administrative cost, primary human resources, and the main activity of the organization. Such funds are available mostly to major organizations or to networks. Although such funding is rare in the region, well-branded organizations or those that have established strategic partnerships with donors sometimes benefit from them. Typical donors would be ministries of Western governments (especially of the Scandinavian countries, the Dutch and the English), ministries of countries in

which the recipient organization is based, The European Union (mainly to NGO networks active at the European Union level) and Foundations. The Soros Foundation, established by billionaire philanthropist George Soros is a major funding source of civil society core activities in the region ([www.soros.org](http://www.soros.org)).

- **Project-based funding.** Usually NGOs have to design a project and then write proposals to donor organizations to fund the project. The European Union is the major single source of funding of civil society projects in the region. There are also government funds, as well as those operated by private foundations. Usually the donor organizations would send out “calls for proposals” announcing the availability of funds, specific themes which it supports through the funding program, deadlines, application procedures etc. Project-based funding is the primary type of funding available to NGOs in the CEE.

- **Donations.** They come from private individuals (mostly those who sympathise with the cause of the NGO) and Foundations. In most cases, NGOs have to go out fundraising to get such donations and, again, only image-friendly or well-branded NGOs who have public sympathy end up cashing in. It should be mentioned that private donations to NGOs are not a very common thing in the region. The spirit of philanthropy needs to be uplifted to come close to matching levels of problems being handled by NGOs. However, in non-financial terms, donations could also be volunteers

giving their time and expertise at no charge to help in operations run by NGOs. If this is factored in and calculated according to paid hours, considering the booming nature of NGO volunteering in the region, the proportion of donations would rise considerably.

- **Corporate Funding.** Although quite often in needy situations, a majority of NGOs in the CEE have not yet come to terms with accepting financial donations directly from companies. The few that have accepted money speak about it in only low tones, and refuse to be mentioned, with the insinuation that a certain boundary within the sector has been transgressed. Corporations are interested in funding NGOs; for one, it presents their image to the public as more socially responsible. Tempting as the funds might be to the NGOs; they are still rejected and remain controversial.

Internal income sources are mainly Private Fees and Payments that the non-profit organization receives from sales of its own services or product directly to the consumer, e.g. membership fees, sales of publications or memorabilia, and consultation done to stakeholders on information, research, ‘green’ projects, development of ethical or environmental strategy, etc. There exists some degree of internally raised funds, but this is limited compared to the external. Internally raised funds are less pursued, partly due to the amount of effort involved in developing and maintaining the mechanism, but also because the public still has to learn or

be able to financially support NGOs championing public interest causes to which they subscribe.

## ***7.2 Funding Challenges***

Of all complaints raised during discussions about issues faced by NGOs, shortage of funds comes out on top. A tacit is that solving the problem of financial availability would go a long way to solving the other problems faced by these NGOs. But international NGOs and the more experienced ones of the West know that this is not necessarily the case.

Besides the general shortage of funds, when they are available they generally have short-term financing cycles. This curtails the ability of NGOs to plan well ahead; it derails a substantial amount of staff time towards fundraising, at the expense of operations more targeted towards strategic objectives; and it puts much pressure on the staff, sometimes forcing the organization to feel compelled to be more accountable to the donor than to other stakeholders of their causes.

Donor organizations, especially in the case of project-based funding, usually follow the contemporary “fashion” in civil society activity fields. As trends move from human rights to globalization to terrorism, etc, the fund allocations also sway. NGOs depending on these funds have to keep tailoring their project objectives – or become project-design artists - to be able to access funds. Furthermore, donor

funding limits the flexibility and autonomy of recipient NGOs as they need to follow the guidelines set by donors.

Many of the funds that were available to countries of the region after the collapse of communism are drying out. Funds by the European Union Directorate General for Enlargement, including the popular PHARE program<sup>27</sup> have dried up, most US and UK charities and foundations, respectively, formerly financing operations in so-called former soviet-bloc countries have now moved out of the richer new EU member countries towards the East. Slovenia, Hungary and Czech Republic especially suffer from this Eastward donor drainage given the relatively visible public affluence of these countries. A heated discussion among NGOs is the precarious donor vacuum that has been created and how to fill it.

Paradoxically, governments of the region have window dressing budgets for NGO activities that never materialize when needed. In the year 2000, in Hungary “28% of the [NGO] sector’s total income was allocated from central and local government budgets. However, this percentage is still far below the level of the government support to non-profit organizations in [Western] European Union countries.”<sup>28</sup>

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<sup>27</sup><http://ec.europa.eu/comm/enlargement/pas/phare/>

<sup>28</sup> [www.nonprofit.hu](http://www.nonprofit.hu)

A spin-off of the above is that governments have taken advantage of the internal competition by NGOs for limited funds to create a “divide and rule” approach. Governments foster competition and even rivalry by playing one NGO against the other in order to weaken their strength and ability to criticise or orchestrate opposition to unpopular ministry programs. At least three national level NGOs reported having been offered “exclusive contracts” by the governments only to be later withdrawn and given to another NGO.

### ***7.3 Towards a Stable Financial Base***

In a capacity building training on fundraising strategy for NGOs organized by the Association of Conscious Consumers Hungary, Consumers International, the international umbrella organization for consumer advocacy groups, identified the following characteristics as those of a financially sustainable organization:

- It has more than one source of income to ensure balance and avoid overdependence on any one specific donor source. It also needs a reasonable spread of donors but not so many that it spends too much time on reporting;
- It has more than one way of generating income. It also internally generates a reasonable percentage of its income to ensure that it is not totally dependant on donors;
- It has adequate financial systems, and overhead costs are as low as

possible (no more than 15% to 20% of total expenditure);

- It has a good public image to secure public trust and donations;
- It is clear about its values and has them built into its objectives, strategy, activities;
- It has built up reserve funds to sustain it for at least a year in case of no income.

After elaborating the above, the trainer asked the participants to use the criteria to evaluate their organizations whether they were in financially sustainable situation or not. Of the 12 represented, no organization was.

Owing to the critical nature of their work, NGOs do need to have financial autonomy from their donors. This would allow an organization to be able to make its own decisions about how it spends its funds, and to be able to reject external income that comes with strings attached as such funding could compromise its integrity or legitimacy. One step needed to start addressing the funding issue is for each organization to consciously develop a strategy on how to raise funds, which should be aligned with the organizational strategy. Such a strategy should be well focused, consider the efficient use of limited resources, and give room for the organization to perceive threats and opportunities. Elements of a fundraising strategy, according to an internal training pack by Consumers International, include:

- assessing the contemporary situation of the organization;



identifying organizational and budgetary needs;

- determining the fundraising target, i.e. the total amount to be raised within a certain period of time;
- identifying possible sources of funding and set income targets for these;
- identifying strategies for securing funds from those sources;
- identifying the resources the organization has available; drawing an action plan.

Certainly, such a plan can only work if it is a process that involves the management of the organization, and it is continuously being monitored and evaluated against the internal and external environment of the organization in view of its objectives.

NGOs in the region need to develop financial management systems which take into account the need to raise their quotas of internally generated income (through sales of publications, consultations to stakeholders in fields of their core competence, membership fees, etc). Given the current climate of donor drainage, the financially successful NGOs would have to be creative beyond traditional means that have worked until now.

### **8. Stakeholder Engagement**

As the challenges of sustainability become increasingly evident, so are strategies needed to achieve the

objectives of NGOs<sup>29</sup>. Increase in stakeholder diversity and complexity and the range of issues NGOs champion call for relevance of more active engagement in partnerships.

For several international organizations, the last decade has seen a move from confrontation (which has proved a highly effective means for raising awareness of critical issues) to cooperation with other stakeholders to produce solutions to pressing global challenges.<sup>30</sup> This trend is now mostly shown by large, brand name NGOs such as Greenpeace, WWF, Oxfam, etc, based in Western countries. This does not discount the need for partnerships among smaller, grassroots NGOs. The United Nations Environmental Program, Accountability, and Stakeholders Research Associates Canada acknowledge that in economically less advanced countries where formal structures are still coming in place, “stakeholder engagement often has emerged from adverse outcomes of poor governance practices by local or national governments. At one end of the spectrum, engagement by NGOs can mean an informal arrangement to hold discussions or to be present at an event.

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<sup>29</sup> Partridge, Katharine; Jackson, Charles; Wheeler, David; Zohar, Asaf, *The Stakeholder Engagement Manual Volume 1: The Guide to Practitioners*, (2005).

<sup>30</sup> Ben Schiller, *Business-NGO Partnership*, (Ethical Corporation, London, 2003).  
World Economic Forum, *Partnering for Success: Business Perspectives on Multistakeholder Partnerships*, World Economic Forum, 2005  
[www.greenpeace.org.uk](http://www.greenpeace.org.uk)

At the other end, engagement can be marked by long-term collaboration or partnership with business to complete a defined task or to achieve common goals.”<sup>31</sup>

In the CEE region, NGO projects usually have community impact but have a tendency of not having influence at levels that could bring in larger, systemic changes that are necessary. Their experience in community water management schemes, for example, developing local farmers’ markets, preservation of local plant species, etc, could have wider implications than just immediate benefits by the involved communities. Though these projects have public relevance, the management and outputs have no liaison to influential places that could make more meaningful use of outcomes and experiences – no seats in policy groups, thus their experience cannot help in designing better policy for wider benefit; their products or schemes cannot be used as replacement of less sustainable corporate models either. The potential of NGO efforts is thus not maximised.

According to Ethical Corporation<sup>32</sup> and Sustainability, a partnership is a cross-sector alliance in which individuals, groups or organizations agree to work together to fulfill an obligation or undertake a specific task; share the risks as well as the benefits;

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<sup>31</sup> Partridge, *The Stakeholder*, 2005.

<sup>32</sup> Schiller, Ben, *Business-NGO Partnership*, Ethical Corporation, (London, 2003).

and review the relationship and revise the agreement regularly.

### ***8.1 NGO Stakeholders and Levels of Engagement***

Levels of engagement could vary as below:

- no engagement, in which stakeholders operate independently in spite of intersecting interests. Such was the case in the 1970s when the civil society movement was gaining strength<sup>33</sup> in stringent opposition and adversarial attitudes towards, say, corporations – in the case of (anti-)globalization.

- one-off consulting, in which they work together once, say, on a common project;

- collaborative/retainer relationship, by which they come together more than once whenever a mutual need arises; and

- partnership based on a shared sense of mission and objectives.

There can either be intra-sector or inter-sector partnerships. Intra-sector partnerships are the more common, for example, business to business partnerships, or NGO partnerships, the CEE network of which is an example. The focus on this part is more on inter-sector partnerships.

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<sup>33</sup> Rob Harrison, Newholm, Terry and Shaw, Deirdre (ed.), *The Ethical Consumer*, (Sage Publications, 2005).

Harrison, Rob; Newholm, Terry and Shaw, Deirdre (ed.), *The Ethical Consumer*, (Sage Publications, 2005).

NGOs have relationships with several types of stakeholders. These may include: the corporations that they seek to influence; the communities they serve or operate within; other NGOs; individual members, volunteers and supporters; trade unions and industry associations; governments and public authorities; media; institutional funders, etc. For purposes of limited space, I will only dwell on NGO engagement with corporations and governments – the two being very strategic stakeholder groups where influence is possible, and yet the most difficult to map.

## **8.2 Engagement with Businesses**

At the World Summit for Sustainable Development in Johannesburg, 2002, Greenpeace and Shell shared a platform to talk about their partnership, bringing to a high profile presence a trend that has been in the making for a while.<sup>34</sup> Analysts of the situation have commented that the Johannesburg summit “heralded a new era for companies and NGOs to interact, helping to accentuate, cultivate and legitimise NGO-business partnerships in sustainable development” (See Ethical Corporation, 2005,<sup>35</sup> .

Some common examples of business-NGO partnerships are: Norwegian oil company Statoil and Amnesty Norway,

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<sup>34</sup> Cowe, Roger. “Business/NGO Partnerships: What’s the Payback?” in *Ethical Corporation*, (April 2004).

<sup>35</sup> Partridge, *The Stakeholder*, 2005. Cowe, “Business...”, 2004.

to train employees of Statoil to identify and solve business dilemmas in relation to human rights issues; FedEx and Alliance for Environmental Innovation, to reduce the environmental impact of FedEx’s vehicle fleet; German power company RWE and CARE International, to develop an “easyJet model” to deliver power supplies in emerging markets. Almost all major international NGOs could highlight one such partnership.

Down from the international level however, akin to corporate funding of NGOs, NGO-Business partnerships are still by far very controversial, not the least around the CEE region. “NGOs worry about getting ‘too close’. They fear falling out with their old-time supporters or losing their integrity. In dressing like business people, eating and drinking like business people, attending conferences like business people, they run the hazard of becoming just like ‘them’ – softened, co-opted and embedded.”<sup>36</sup>

On their part, companies fear that getting into partnerships with NGOs might just be talking and wasting time<sup>38</sup> or simply being funders of NGO projects.<sup>16</sup> Still, at the international

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<sup>36</sup> Ethical Corporation, “Business/NGO Engagement All the Rage” in [www.ethicalcorp.com](http://www.ethicalcorp.com), (London, Ethical Corporation, 2005).

<sup>37</sup> Tuxworth, Ben; Sommer, Florian *Fair Exchange?: Measuring the Impact of Not-for-profit Partnerships*, (London, Forum for the Future, 2003).

<sup>38</sup> Ben, Schiller, *Business-NGO Partnership*, (Ethical Corporation, London, 2003).

level, companies and NGOs have braved the risks involved and moved towards each other to work towards common objectives.

“There is now a widespread recognition that many of the world’s complex

social, environmental and economic challenges can only be resolved through cross-sector collaboration, such as partnerships, which often pool resources, competencies and

**Table 2: Potential Risks of NGO-Business Partnerships**

NGOs	Business
Being overwhelmed by corporate culture	Wasting time in talks, being inefficient
Being used for “Greenwashing” and offering lip service, for business PR	Divulging insider information to NGOs which could be misused
Losing objectivity; compromising on their principles and campaigns	Being treated as “cash cows” - mere funders, not partners
Extra work/costs; diverting scarce NGO resources	Legal risks should something go wrong
Losing public support for “selling out”; damage to reputation and loss of legitimacy	
Division, risks of creating divisions among supporters and within the NGO community	
Being used to do community engagement work on behalf of companies	

*Adapted from Schiller, 2005; Partridge et al., 2005; Sustainability, 2003*

**Table 3: Success Factors for Effective Partnerships**

1. Openness, transparency and clear communication to build trust and mutual understanding;
2. Clarity of roles, responsibilities, goals and “ground rules”;
3. Commitment of core organizational competencies;
4. Application of the same professional rigor and discipline focused on achieving targets and deliverables, that would be applied to governing, managing and evaluating other types of business alliances;
5. Respect for differences in approach, competence, timeframes and objectives of different partners;
6. Focus on achieving mutual benefit in a manner that enables the partners to meet their own objectives as well as common goals;
7. Understanding the needs of local partners and beneficiaries, with a focus on building their own capacity and capability rather than creating dependence.

*Source: World Economic Forum, 2005*

knowledge. NGOs are increasingly adopting this as a core defining strategy rather than as an activity that they pursue in addition to their key vision and mission,”<sup>39</sup>

### **8.3 Engagement with Governments**

To make broad systemic changes that sustainability requires, a change in our contemporary framework of operations is necessary.<sup>40</sup> Since capitalism is the dominating system and the state is the regulator, both have to be involved in the change process, with the state providing the framework within which businesses can act.<sup>41</sup> NGOs have been hard campaigners for this process of stronger regulation to support the move towards sustainability.

But capitalism is well established and market competition favours traditional models of operation - business-as-usual strategies – unless something major gives or governments step in. Yet the same business-as-usual models have been shown to be highly unsustainable. NGOs at both national and international levels must then move beyond campaigning. “Campaigning has been crucial in creating the pressure for business to take social and environmental issues seriously, but few companies have been willing to

sacrifice their competitive position for an ethical stance. This highlights the need for governments to regulate, in order to create the incentives for companies to do the right thing and to sanction those who breach acceptable standards.”<sup>42</sup>

NGOs have gathered more strength and public trust in the region, “partly explained by a deep distrust of central government and its institutions”, writes Eva Kuti.<sup>43</sup> “There seems to be a general preference to ‘work around’ government in an attempt to control economic, political, and social processes as directly as possible. The nonprofit organizations seem appropriate vehicles for this” (ibid). However, NGOs must resist the temptation to be heroes on a passionate rush to sidetrack governments. More inter-sectoral collaboration, not division, is needed to achieve a sustainable society. NGOs must therefore not “bite off more than they can chew”, while weighing their mandates.

The importance of the NGO sector is being more and more recognized by the state. In Hungary, “according to a decision by Parliament, nonprofit organizations providing basic social, health, and cultural services have a right

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<sup>39</sup> Partridge, *The Stakeholder*, 2005. Cowe, “Business...”, 2004.

<sup>40</sup> Tuxworth, *Fair Exchange?*: 2003.

<sup>41</sup> Maurie J. Cohen, *Sustainability: Science, Practice, & Policy*, Volume 1, Issue 1, (Spring 2005) <http://ejournal.nbii.org/>

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<sup>42</sup> Sustainability, 2003.

<sup>43</sup> Eva Kuti, “Hungary”, in *Defining the Nonprofit Sector: A Cross-National Analysis*, Salamon, Lester M., Anheier, Helmut K. (eds), (Manchester, Manchester university Press, 1997), 475

to the same per capita subsidies as public institutions.”<sup>44</sup>

Government agencies, including the Department for International Development in the UK and the Canadian International Development Agency, also now have programs specifically promoting NGO engagement with stakeholders. NGOs must start to influence policies, politicians, governments and regulators with more direct methods of engagement, and possibly partnerships. Green Liberty, a member of the CEE network, has been working with government personnel to draft better policies on green procurement. As another example, the Association of Conscious Consumers Hungary recently signed a contract with the Ministry of Environment Hungary to develop the section on Sustainable Consumption and Production of the Environmental Operative Programme, which is part of the National Development Plan from 2007 to 2013.

Engaging directly with the governments, regulators and policy makers is by far the most effective way of bringing large-scale changes, by putting effective frameworks within which stakeholders should act - NGOs can channel experiences and outcomes of their work, give expert opinions, consult on creating mechanisms and

infrastructure for a sustainable futures. If NGOs are to optimize their impact in the new market paradigm, they must shape their campaigning, advocacy and lobbying to ensure that public sector frameworks, rules and initiatives are efficient, effective and crucially politically sustainable (Sustainability, 2003).

## 9. Conclusion

NGOs are having increasing amounts of responsibilities in a region caught in rapid transition. The very nature of what a non-profit, non-governmental organization is means that they deal with issues or use approaches that are apart from those of other stakeholders such as governments, businesses, religions. NGOs usually deal with important issues which, because they are not necessarily profitable to the financial bottom line or popular for short-term electoral mandates, are ignored by businesses and governments respectively. But because of the means used by NGOs (considered rather unprofessional, not backed by researched facts and data, altruistic, emotionally charged) it makes it hard for the points to get across. Thus more often than not they are inefficient and fail to realize substantial results.

In the above regard, there is much that can be learned from countries with more established and effective NGO cultures. Of primary necessity are the following: to create a common and shared vision for the NGO community and for a sustainable society; to develop

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<sup>44</sup> Eva Kuti, “Hungary”, in *Defining the Nonprofit Sector: A Cross-National Analysis*, Lester M/ Salamon, Anheier, Helmut K. (eds), (Manchester, Manchester university Press, 1997), 482.

management systems that take into account the best of NGO working culture in combination with professional management styles; to build mechanisms of sustainability and gain financial autonomy; and to engage with stakeholders from a micro level through key actors (citizens and businesses) to the macro level (governments, regulators and policy). If NGOs working in sustainability want the message they drum to be heard, they must start taking themselves seriously in order for their target groups – government, businesses, citizens – to take up the rhythm. Perhaps a good place from where to start demanding change would be within the NGO community itself. Until that in-house cleaning and some internal adjustments are done, and soon, it would be hard for them to convince stakeholders of the importance and urgent nature of their call.

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