

NGOs need to be more businesslike: Part 1



GLOBAL INSIGHT BY DR TINASHE KAPUYA

Dr Tinashe Kapuya is an agricultural economist. Email him at tinashekapuya@gmail.com.

This week's column is written in collaboration with Juanita Pardesi, the executive director of the Seriti Institute. Email: juanita@seriti.org.za.

The general expectation is that non-governmental organisations (NGOs) should provide services either free of charge or at the very least, much cheaper than businesses would. This is especially so in the development sector, where services are delivered primarily for the social good.

Decades of experience with NGOs have shown that the idea that they should be run as loss-making entities is wrong. In many respects, this has led to high tolerance levels for underperformance and has created a culture of under-delivery, and a lack of results.

Then there is the question of whether NGOs can survive if they continue to do what they have always done. State resources to fund public programmes are becoming increasingly scarce, and funding from multilateral institutions, business, and the international donor community is tight.

The pressure to demonstrate sustainability has become critical. In fact, most public programmes and development projects are focusing on sustainability as a key precondition for funding.

BECOMING SELF-SUSTAINING

Sustainability in developing public programmes and projects essentially means making initiatives self-sustaining over time. The logic is that when a programme or a project can pay for itself, this frees up resources for other important priorities. It is a fair demand, but it often entails traditional NGOs having to radically change the way they operate.

In practice, sustainability has demanded a fundamental rethink and a shift away from the traditional NGO approach of implementing community development initiatives purely as a free 'public good' to what is known as 'social enterprises' that are inherently concerned about their own survival.

A social enterprise approach typically seeks to strike a balance between implementing a mandate at reasonable cost and trying to set aside reserve funds that can be reinvested through future community development initiatives.

This means that NGOs cannot afford to provide services at a cost below market rates.

AN OPTIMAL REVENUE MODEL

How, then, do NGOs achieve an optimal and diversified revenue model to build a surplus that can be used as a buffer for future ploughback investments?

Firstly, they need to have competent management that is responsive to the demand for high levels of accountability and transparency. As pointed out, an approach that is not sensitive to market realities has in the past undermined the performance of NGOs. However, this is changing, with the new focus on monitoring, evaluation and learning, which requires more rigorous performance benchmarks.

Secondly, the social enterprise model, which is now becoming a de facto standard, demands a more pragmatic management regime. It is often not feasible to undertake feel-good project initiatives, though they may have broad-based impact.

An example is the signature organisational workshop methodology, initiated a decade ago by the Johannesburg-based Seriti Institute and tested within government's Community Works Programme. Organisational workshops proved to be one of the most powerful ways of organising communities when undertaking community-based projects. However, they are resource-intensive and may not be affordable when NGOs are financially constrained.

Thirdly, the social entrepreneurship model is a relatively novel approach, which is yet to be fully embraced, and is often misunderstood. This has a lot to do with the fact that cultural dynamics within organisations take time to change.

However, it is becoming increasingly important to teach social entrepreneurship to managers of projects and programmes in a more structured manner as the new ways of thinking push aside old models.

Through the Seriti Solutions Exchange, a wide range of technical solutions are offered, based on the institute's experience of almost a decade in the field. These are geared to making NGOs self-sustainable.