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AMERICAN UNIVERSITY IN KOSOVA
Master of Science Degree Program on Service Management
through Rochester Institute of Technology (RIT)

Promoting Financial and Human Resource Management in Kosovo's Nongovernmental Organizations

Submitted as a Capstone Project Proposal in partial fulfilment of a Master of Science Degree in
Professional Studies at RIT Center for Multidisciplinary Studies

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Acronyms and Abbreviations

ATRC	Advocacy for Training and Resource Center
CND	Center for NGO Development
CSI	Civil Society Index
EN	Euclid Network
EU	European Union
HR	Human Resources
MPA	Ministry of Public Administration
NGO	Non-Governmental Organizations
NGO RL Department	NGO Registration and Liaison Office
PBS	Public Beneficiary Status
RFP	Request for Proposals
TAK	Tax Administration of Kosovo
USAID	United States Agency for International Development
VAT	Value-Added Tax

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Executive Summary

The nonprofit sector is not yet developed in Kosovo to serve public needs towards poverty reduction, advocacy, community organizing, etc., that are not usually served by the government or in the private sector. Despite the fact that there are 5000 registered Nongovernmental Organizations (NGOs) in the Ministry of Public Administration (MPA), less than 10 percent of those remain active. This is a statistical finding confirmed by the NGO Registration and Liaison Department at MPA, though the percentage of active NGOs may be lower as indicated during the project research. Out of 500 registered NGOs, only 22 NGOs were surveyed, whereas approximately 350 to 400 NGOs claimed that they were no longer active with their programming.

The interdependent factors that have led to closing of many NGOs in Kosovo are funding deficit, financial mismanagement, employment of inept human resources (HR), and lack of volunteer activities. The research results taken from interviews and surveys of active NGOs have put more negative weight on funding and volunteer activities. Accordingly, NGOs in Kosovo do not have adequate funding plans and cannot survive if there is funding shortfall. This is highly important in a country where international donor support is declining and local support remains feeble. This demands that NGOs start initiating more effective fundraising and self-financing strategies to turning nonprofit services into profit-making services in order create and maintain funding on behalf of the organization and its staff, not its board members. Yet more important, the practice of recruiting volunteers is not being utilized, a method that could help a nonprofit sector survive. Engaging volunteers without pay brings no cost to an NGO, and mutually, it generates diversity and credibility.

Though both funding and volunteerism are important, this capstone project takes a new direction to analyze problems and recommend solutions more on finance management and HR. It is that 5 to 10 percent of active NGOs in Kosovo that have adopted proper financial and HR resources, while inactive NGOs lack such resources. This justifies the cause of their demise. Of those active NGOs surveyed during the project research, in total more than 39.61 percent *extremely agree* and 28.90 percent *somewhat agree* that proper financial systems are in place. The table below illustrates in detail the percentage of survey rating per statement, categorized as **not agree** or **agree**.

Survey Opinion Results on Finance Management	Not Agree (%)	Agree (%)
The financial position of the organization is reviewed in monthly basis.	28.57	57.14
Adequate internal control mechanisms (i.e. cash receipts, payroll, etc) are in place.	14.29	75.00
The NGO uses a cash model to pay small expenses that require two signatures.	25.00	67.86
The board of directors receives financial reports at every regular board meeting.	25.00	50.00
Independent audits are performed with regular and appropriate frequency.	10.71	67.86
Internal monthly/quarterly reconciliation of bank statements and accounting are done.	17.86	67.86
Adequate controls exist to avoid overspending.	07.14	82.14
Financial systems and reports provide reliable current information.	10.71	82.14
Financial reports are always timely and trusted.	17.86	60.71
Staff members are well informed about the NGO law, tax laws and other laws relevant.	14.29	60.71
Employees income and rent tax are paid regularly in monthly basis.	07.14	82.14

The negative results are more apparent when auditors and the tax administrator enter the picture. The two auditors and the tax administrator each stated during the interviewing process

that there is lack of internal control at current active NGOs in Kosovo, and that tax requirements, if not neglected, are not reported regularly.

Of those active NGOs surveyed during the project research, in total more than 36.36 percent *extremely agree* and 46.89 percent *somewhat agree* that adequate HR practices are in place. The table below illustrates in detail the percentage of survey rating per statement, as categorized **not agree** or **agree**.

Survey Opinion Results on Human Resources	Not Agree (%)	Agree (%)
Have been pleased with the work performance of my colleagues.	15.79	78.95
All skill areas are competently covered.	15.79	78.95
The organization has more than 10 individuals employed with or without pay.	21.05	78.95
The organization has enough human resources to implement different projects.	10.53	78.95
Capacity and attitude exist to contract out for other skills as needed.	0.00	94.74
Interpersonal skills and group training are provided as needed.	26.32	73.68
Staff members have opportunities to contribute to the organization's work plan.	5.26	89.47
Majority of staff members hold a University degree related to the NGO's work-plan.	5.26	84.21
Staff performance evaluation is done in a yearly basis.	10.53	84.21
Staff members have a full understanding of issues.	15.79	84.21
Staff morale is high.	0.00	89.47

The survey results shown above represent only those 5 to 10 percent local NGOs that manage to maintain employees satisfied and hire in permanent basis. The results clearly show that the respondents agree that there are enough human resources to implement different projects, and that staff members are well educated and have full understanding of societal issues.

This capstone project was designed to develop and provide knowledge and identify skills for local inactive NGOs only on how to improve on finance management and HR. The project does not intend to teach local NGOs fundraising and voluntarism. The action plan to implement the mission statement demands a more concrete step towards opening a new NGO, named the Center for NGO Development (CND). This organization, if executed properly, will be a resource and full-service training center to help other local NGOs strengthen internal finance and HR capacities. It is anticipated that CND will succeed and enlarge its mission by adapting self-financing strategies and contracting volunteers to produce products and services in forms of manuals and trainings for which an NGO client will be charged a fee.

The basic financial and legal procedures for CND and any other registered local NGO are of great importance in this capstone project. They serve as a reference tool for meeting financial requirements (i.e. expense reports, cash management, etc.) and tax requirements (i.e. personal income tax, corporate income tax, etc.). The financial and legal procedures ensure that all NGO administrative activities are carried out properly in accordance with international accounting standards and relevant Kosovo laws. Beyond financial and legal procedures, the training program, enclosed in this capstone project report, lays out subject matters on finance management and HR. The training program covers financial reporting, record keeping and internal control for the finance management module; whereas for HR, it covers recruitment, introductory period, and personnel files. These training sessions are only basic and introductory subject matters that CND anticipates to teach other local NGOs in Kosovo.

Foreword

The capstone project assesses problems facing the nonprofit organizations in Kosovo and offers solutions to overcoming them. The capstone project is a reflection of experiences, ideas and research put together in a timeline of six (6) months. The two most important research studies that identified problems on finance management and human resources (HR) are (1) USAID 2009 NGO Sustainability Index Report, and (2) CIVICUS Civil Society Index Report. In addition, there were three project advisers that gave research advice and technical support in initiating and finalizing the capstone project. The detailed background of each technical adviser is summarized in Appendix 1.

The report is organized into seven chapters, and it follows a linear structure of identifying and evaluating the problems, and, more importantly, recommending solutions in a form of an action plan. **Chapter one** (1) begins by laying out the core problems that relate to nonprofit organizations. The findings presented in this section are taken from online research and reports. **Chapter two** (2) introduces in great detail the methodology of assessing certain capacities in terms of funding, finance management and human resources. It must be highlighted that volunteer work is an HR component that has been analyzed separately to measure the amount of it used and promoted in the NGOs in Kosovo. The methods used were interviews and surveys. The respondents of either method will not be listed or released in this report for the purpose of confidentiality. **Chapter three** (3) presents research results which indicate that funding and volunteer work are more problematic than finance management and HR. **Chapter four** (4) defines a business plan for making of a local NGO that will help local NGOs become sustainable. The name of the organization is the Center for NGO Development (CND). This chapter persuades its readers through the CND goals and objective and the means of implementing its program. **Chapter five** (5) covers the basics to finance and legal procedures required for an NGO to operate. **Chapter six** (6) represents an example of a training program designed specifically to help local NGOs in finance and HR management. The final **chapter seven** (7) encloses a discussion and recommendations for future improvements more in terms of funding and volunteer work.

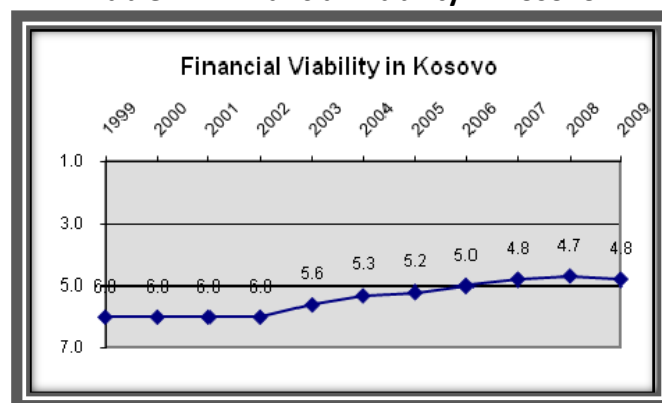
The target readership for this publication is the indigenous NGO community interested in organizational development, seeking to develop their accounting system. These NGOs wish to benefit from their insider's view and promote adequate practices of managing finance and hiring and retaining long-term employees and volunteers. The capstone project shows research findings and lessons learned for encouraging and helping other NGO to reflect on their current systems.

Chapter 1: The NGO Financial Viability and Organizational Capacity in Kosovo

The nongovernmental organization (NGO) sector in Kosovo is relatively young and underdeveloped. It began developing in 1990s and only in earnest after the war in 1999. Since then NGOs have played an important role in the “process of state building, including reconstruction of the state and institution building.”¹ Despite it being young, the NGO sector has been experiencing a rapid increase in the last decade, exceeding 5000 registered NGOs in the Ministry of Public Administration as of year 2009.² However, out of all registered NGOs in Kosovo, according to the NGO Registration and Liaison Department only 500 NGOs are active (10 percent). The results do not vary considerably amongst countries in Balkans. In Montenegro, only 100 NGOs out of 4,400 are active and functional whereas in Albania more than 50 percent of NGOs are considered to be active.³

The current problem is that international foreign assistance in region is disappearing and local funds remain insufficient to plug in the gaps. This has been clearly identified in the European Union (EU) Progress Report, “The number of active [NGOs] ... is decreasing”⁴ due to lack of international funding. Similar problems for Central and Eastern European countries have also been identified in USAID Sustainability Index Report for 2009. The index report for NGOs in Kosovo highlights financial viability factored by “economic recession, a substantial reduction of foreign donor support, and the lack of indigenous philanthropic development.”⁵ See **Table 1.1**.

Table 1.1: Financial Viability in Kosovo



According to the USAID report, the scoring from 3.0 to 5.0 shows that NGOs in Kosovo are still at an early developing phase, and have not reached the point of having good financial

¹ Advocacy Training and Resource Center (ATRC), *Third Sector Development in Kosovo: Challenges and Opportunities*, 2000, p. 6.

² United States Agency for International Development (USAID), *2009 NGO Sustainability Index for Central and Eastern Europe and Eurasia*, 13th Edition, June 2010, p. 78.

³ Euclid Network, *Reach for the Stars: Guide to Develop the Financial Sustainability of NGOs in the Western Balkans*, 2009, p. 7.

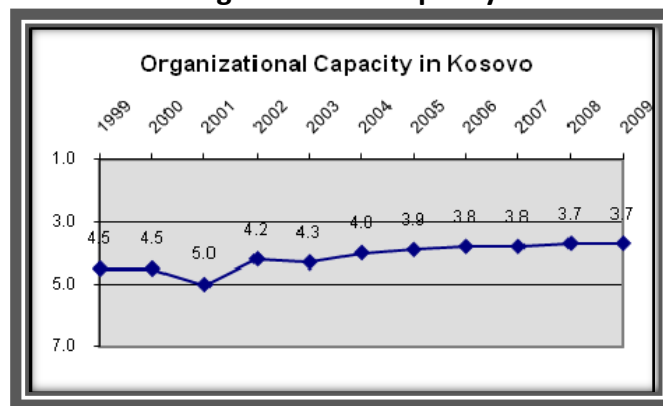
⁴ Commission of European Communities, *Kosovo Under UNSCR 1244/99 Progress Report*, Brussels, 14.10.2009 SEC (2009) 1340, p. 18.

⁵ Atkinson, Robert & Messing, Joanna, *Planning for Sustainability: Supporting NGO Self-Financing Ventures*, February 2002, p. 12.

managements systems in place (including independent audits and annual reports), and a diversified funding system with multiple funding sources coming from both local and international donors. The indicators influencing financial viability of an NGO include the state of the economy, government support, foreign donor support, and the extent to which philanthropy is being nurtured at a local level.⁶ On the latter, there is no strong culture of philanthropy, nor are there sufficient and transparent local regulatory and tax incentives to help stimulate nonprofit activities. As indicated also in a research study conducted by Euclid Network (EN) in 2008 for only countries of Western Balkans, “fewer than 6% of interviewed NGOs have managed to raise funds from local businesses.”⁷ Moreover, the EN reports that finance management is another problem. The results show that many international donors do not require audit reports, and therefore, NGOs are taught to view audits as an unnecessary cost.

The financial challenges in the NGO community have made it difficult for local NGOs to hire and maintain permanent and quality staff. The Civil Society Index (CSI) measures accredited human resources relatively low. The inability of NGOs to raise and maintain funds is partially one of the reasons why organizations cannot retain competent staff during different project life cycles.⁸ Hence, many NGOs fail to expand beyond dependency on one or two persons for daily operations. The average number of individuals being employed goes only up to five. In many cases NGO top managers are not necessarily experts in the field of their NGO work or not aware of the legal and social environment in which they work. Most of NGO staff members are ill informed about NGO and tax laws that may affect their organizational activities. Furthermore, many NGOs are required to hire temporary staff *ad hoc* for specific projects because they cannot afford to keep full-time staff.⁹ These are all indicators shown in the USAID index report where organizational capacity is scored very low, between 3.0 and 5.0. See **Table 1.2**.

Table 1.2: Organizational Capacity in Kosovo



The score of 3.7, according to the USAID index report, shows that majority of NGOs do not have a clear mission statement and lack a clear distinction between responsibilities of board members and staff. This is partially because NGOs do not have permanent well-trained staff,

⁶ United States Agency for International Development (USAID), *2009 NGO Sustainability Index for Central and Eastern Europe and Eurasia*, 13th Edition, June 2010, p. 13.

⁷ Euclid Network Report, p. 9.

⁸ CIVICUS Civil Society Index (CSI) for Kosovo Report, p. 215.

⁹ ATRC Report, p. 13.

and volunteers are not usually integrated. The practice of recruiting volunteers has not been applied due to lack of interest and attitude.

1.1 Case Studies in the Region

The development of NGOs in Central and Easter Europe countries in general has been considered a “necessary step towards a fully functioning democracy”¹⁰ that has always been supported by international donors. The 18-month project Euclid Network (EN) that was initiated in April 2008 financed by the British Foreign and Commonwealth Office (FCO) revealed rather interesting points about NGO management in Kosovo and its neighboring countries: Albania and Montenegro. The EN project was organized by domestic NGOs in series of job-shadowing exchanges and training master classes and conferences. The research findings show similar challenges amongst neighboring countries regarding the financial sustainability of NGOs. See **Table 1.1.1**.

Table 1.1.1: Main Funding Sources in Albania and Montenegro

Country	Main Funding Source	Statistical Data
Albania	International donors	More than 88% international financial support
Montenegro	International donors	Only 0.08% from local financials support

The NGOs in all countries tend to be heavily dependent on foreign funds and lack support from local organizations and the government. In Albania, 88 percent of the interviewed NGOs declared international donors as among their funding source, left with a very small margin of contributions given by the local government.¹¹ This is a typical case in Montenegro where local financial support does not exceed 0.08 percent or €1 million.¹²

The EN report also characterizes the NGO finance system as poorly maintained and managed, one that does not operate under proper audit standards of governance.¹³ Most of NGOs in Albania and Montenegro view audits as an unnecessary cost, and as a result, are not usually audited. Furthermore, staffing is another challenge and common trend in Albania and Montenegro as indicated in the EN final report. In Kosovo, NGOs attract professionally trained and educated employees that tend to move on to the private sector after gaining experience in civil society. The lack of staff capacity and skills is also a problem in Albania where a majority of staff employed in the NGO sector are hired on an *ad hoc* project basis.¹⁴ There are about 85 percent of Albanian NGO directors with an undergraduate or postgraduate degree; meanwhile 29 percent of NGO employees have only

¹⁰ Atkinson, Robert & Messing, Joanna, *Planning for Sustainability: Supporting NGO Self-Financing Ventures*, February 2002, p. 11.

¹¹ Euclid Network Report, p. 9

¹² Euclid Network Report, p. 9

¹³ Euclid Network Report, p. 9.

¹⁴ Euclid Network Report, p. 8

secondary school education.¹⁵ More so, there is no culture of integrating volunteer work in the nonprofit industry in all the three countries which makes sustainability a challenge for this sector. In Montenegro, NGOs cannot afford to pay their staff regularly and do not register staff members in order to avoid paying income taxes. This limits opportunities to develop staff capacity and skills for sustainability.¹⁶

¹⁵ Euclid Network, p. 8

¹⁶ Euclid Network, p. 8

Chapter 2: NGO Capacity Assessment Methods

The first step to confirm on the research findings was to measure the internal service quality where improvements need to be made. The resource method used for the capstone project was the *NGO capacity profile* for examining organizational issues pertinent to finance management and HR. In addition, funding and volunteer work were cross-examined to draw in more comparative data. The research outline is summarized below.

Research Outline

Fieldwork dates: May 4 – 23, 2011.

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.

The *capacity profile* is “an appreciation, assessment, analysis, and action planning tool”¹⁷ that facilitates useful inputs for any NGO in strengthening organizational capacity. The *capacity profile* for the capstone project facilitated a more structured assessment in a form of interviews and surveys. This mixed approach of measuring internal problem areas has been introduced by Sarah Cook in her book Measuring Customer Service Effectiveness. Following her logic, it was rather important to conduct exploratory research or interviews prior to surveying respondents. The findings from one-to-one interview were used to identify what was working well and what needed to be improved. The feedback can also be presented to identify trends and commonly held views and opinions by comparing and contrasting data. Once interviews were finalized and results analyzed, the research was in a much better position to determine what measures were needed to provide quantitative hard data.

The field research was conducted amongst a representative sample of the respondents. The sample represented respondents from four different sectors: (1) nonprofit organizations, (2) auditors, (3) government administrators, and (4) tax administrators. The list of NGO respondents was wide ranging: chief executive, board members, finance managers, project managers, office managers, etc. Due to research limitations, external respondents had to be considered. This was rather a much smaller sample of respondents that included auditors, and a government officer.

2.1 Qualitative Method – Interviews

The qualitative method helped identify respondents’ “views and the reasons behind them.”¹⁸ This has been attained through conversations or informal one-to-one interviews.

¹⁷ Peace Corps for Field Assistance and Applied Research, *An NGO Training Guide for Peace Corps Volunteers*, Publication No. M0070, 2003, p. 80.

¹⁸ Cook, Sarah, *Measuring Customer Service Effectiveness*, p. 18.

The interviewing process undertook five (5) respondents engaged in-depth discussions. The two (2) respondents came from two different nonprofit organizations that had management responsibilities. The other three (3) respondents came from different working background, one being an auditor from a local audit firm, one being an administrator working at the NGO RL Department within the Ministry of Public Administration (MPA), and the last being a tax agent at the Tax Administration of Kosovo. The plan of interviewing the latter group who had oversight over nonprofit organizations would generate more accurate research results.

The interview process began with an “opening statement” in which the purpose of the assessment was stated and confidentiality guaranteed of how data were going to be processed. See **Appendix 2**. The timing and location of conducting interviews occurred during afternoons in each respondent’s office. The interviewing lasted one hour. It involved asking questions, listening to and accurately recording responses, and following with additional appropriate questions if necessary. The interviewer found that “by asking one or two questions relating to a component sufficient discussion in the topic area will be generated to determine the organization’s capacity.”¹⁹ Thereafter, well in advance the interviewer selected the *capacity profile* questions that were appropriate for each respondent. The questions asked had to be categorized by color, where questions in black were the majority of questions asked to local NGO employees. The questions in blue were dedicated to an auditor from a licensed audit firm, green to the NGO RL Department, and brown to the TAK. The interviews had to be first recorded in a voice recorder and afterwards reviewed and documented on paper.

2.2 Quantitative Method – Surveys

The quantitative method was more factual in terms of identifying “improvement areas and trends.”²⁰ This involved conducting of surveys in order to produce a more robust and reliable measurement system. The capacity profile survey reached a large amount of people, a sample of twenty seven (28) respondents for funding and finance management sections, and nineteen (19) respondents for the HR sections. This was an effective approach of quantifying opinions expressed in survey statements by a mix group of respondents. This type of survey was a *Likert-scale* to measure the level of service delivery in the three functional areas – funding, finance management and HR – from a scale 1 to 5 (1 being **not at all** and 5 being **extremely**). This is also known as a ‘magical and miserable’ rating to measure internal service effectiveness. The questionnaires were designed in plain English, so that the wording was clear. See **Appendix 3 and 4**. The purpose of dividing the surveys into different subsections was to include as many respondents as possible to answer questions only that applied to his or her area of expertise and experience. Hence, the auditor and the administrator from the Ministry of Public Administration (MPA), who is responsible for NGO oversight, were asked to answer question only related to finance and not HR and volunteer work, whereas the tax officer was asked more specific questions about tax related issues. It was more feasible to contact respondents by email given the limited time and unknown location. The answers were anticipated to be returned in a timeline of two weeks.

¹⁹ Cook, p. 18

²⁰ Cook, p. 18.

Chapter 3: Research Findings and a Comparative Analysis

The research findings suggest that local NGOs in Kosovo are in need of improvement in the area of funding, finance management and HR. They all can be summarized by method used to determine the 'scale of service' delivery in each component. The type of service defined in the research study is an NGO internal service assigned to complete certain activities.

3.1 Interview Results

The in-depth interviews, conducted face-to-face, were helpful in exploring a range of views, opinions and feelings prior to using structured quantitative methods. The outline of each respondent's answers can be summarized as in the following:

1. NGO respondent/s – the two (2) respondents have expressed their concerns about the current organizational status in terms of funding, finance management and HR. They each viewed **funding as the main problem**. According to them, the problem with limited funds has made it extremely difficult for NGOs to operate, and therefore, they are more likely to **terminate their projects** as a result. Contrary to remedying this problem, local nonprofit organizations tend to **not have any long-term plan for building on financial resources** whether that may be funding other local and international donors or recreate products and services that may interest constituents to actually buy. Consequently, only few NGOs can afford to keep employees on permanent basis who generally **lack professional competencies** do to the job. In closing, the two respondents were not sure whether there are adequate finance practices used at work, though they seemed a little more positive about finance management than funding and HR.

2. Audit Firm respondent – the one (1) respondent gave more negative insight about the current finance management practices at local NGOs in Kosovo. The auditor from a licensed audit firm who had audited local NGOs in the past has complained that **NGOs do not pay payroll, petty cash and basic supplies on a regular basis** and that not all accounting records meet donor's and government's financial reporting requirements. The specific accounting flaws recognized by the auditor during NGO audits that were considered illegal by law included few of the following: cash payments exceeding **€500 threshold**, **no petty cash limits standardized**, **negligence to pay tax on income** and office rent, etc. The auditor has also mentioned that most of local NGOs do not set internal rules and procedures in a form of a manual that can be used by employees.

3. NGO RL Department respondent – the one (1) respondent also gave more negative insight about the current finance management practices at local NGOs in Kosovo. This public servant said that NGOs that are not granted a Public Beneficiary Status (PBS) are not obliged, and therefore, **do not get audited on a regular basis**. Furthermore, the Finance Director at the NGO RL Department who is responsible for monitoring financial activities of local and international NGOs in Kosovo has stated that NGOs are **not consistent with the mission** because they are heavily dependent on donor requirements and interests.

TAK respondent – the one (1) respondent has declared that tax on income and rent is **not paid regularly** on a monthly basis, and that there is **no tracking mechanism** at the tax administration to ensure that penalties are given. Partially, as a result, the respondent from TAK has also mentioned that NGOs do **not withhold personal income tax and tax on rent**. This is difficult to achieve in a very complex fiscal environment given the uncertainty of the NGO law and limited effectiveness of tax administration to enforce any rule.

3.2 Survey Results

The survey results confirm and indicate that NGOs in Kosovo fall short in terms of funding, finance management and human resources. There were two surveys and within each survey there were two components and sections. For the Finance Management survey, there was the funding and the finance management section. See **Appendix 3**. For the HR survey, there was the HR section and the volunteer work section. See **Appendix 4**. Out of 28 respondents, 22 were from an NGO background, 5 auditors, and 1 from the NGO RL Department at MPA. High dependency on foreign funds is again identified as the biggest problem facing NGOs in Kosovo. See **Table 3.2.1**.

Table 3.2.1: Survey Opinion Polls on Funding	Not Agree (%)	Agree (%)
Thirty percent (30%) of funding or more comes from local donors.	67.86	28.57
NGO has funding from three or more sources.	31.14	53.57
Basic program delivery can continue even if there is a funding shortfall.	50.00	32.14
Current funds meet project needs.	35.71	60.71
A long-term funding plan exists that result in the NGO's self-sufficiency.	42.86	39.29
All projects have funding plans.	25.00	67.86
Constituent support to generate income from their willingness to pay for some services.	39.29	32.14
NGO has been able to generate income from providing services.	50.00	42.86
NGO has a functional online profile or website.	35.71	53.57

From looking at the **Table 3.2.1**, more than 67 percent of respondents have **NOT** agreed that thirty percent of funding or more comes from local donors. About 50 percent of respondents have **NOT** agreed that the NGO programs can continue if there is funding shortfall and that they are unable to generate income from providing services. The most positive indicator from these survey results presented in **Table 3.2.1** is that more than 67 percent of respondents have agreed that all projects have funding plans.

In analyzing the survey results of the eleven (11) statements from the Financial Management Section, financial monthly reviews are a concern to respondents. See **Table 3.2.2**.

Table 3.2.2: Survey Opinion Polls on Finance Management	Not Agree (%)	Agree (%)
The financial position of the organization is reviewed in monthly basis.	28.57	57.14
Adequate internal control mechanisms (i.e. cash receipts, payroll, etc) are in place.	14.29	75.00
The NGO uses a cash model to pay small expenses that require two signatures.	25.00	67.86
The board of directors receives financial reports at every regular board meeting.	25.00	50.00
Independent audits are performed with regular and appropriate frequency.	10.71	67.86
Internal monthly/quarterly reconciliation of bank statements and accounting are done.	17.86	67.86
Adequate controls exist to avoid overspending.	07.14	82.14
Financial systems and reports provide reliable current information.	10.71	82.14
Financial reports are always timely and trusted.	17.86	60.71
Staff members are well informed about the NGO law, tax laws and other laws relevant.	14.29	60.71
Employees income and rent tax are paid regularly in monthly basis.	07.14	82.14

About 28.57 percent have **NOT** agreed that financial position of the organization is reviewed in monthly basis. Though most of NGOs agree to this statement, more than 57 percent, it is important to recognize that all the auditors did **NOT** agree that the financial position of the organization is reviewed in monthly basis. The auditors' answers present more accurate results because they are less biased with their answers. Furthermore, there also seems to be lack of oversight in terms of spending especially when two authorized signatures are not being mandated within an NGO, about 25 percent of respondents did **NOT** agree to this statement. About 25 percent of respondents did **NOT** also agree to the statement "the board of directors receives financial reports at every regular board meeting." In most other statements or questions in **Table 3.2.2**, as the survey results indicate, local NGOs do keep up with their financial requirements and procedures such as conducting regular audits, internal monthly reconciliations, internal controls, etc.

The survey results from the HR section were more positive and promising, something that has not been anticipated before the field research was undertaken. See **Table 3.2.3**.

Table 3.2.3: Survey Opinion Polls on HR	Not Agree (%)	Agree (%)
Have been pleased with the work performance of my colleagues.	15.79	78.95
All skill areas are competently covered.	15.79	78.95
The organization has more than 10 individuals employed with or without pay.	21.05	78.95
The organization has enough human resources to implement different projects.	10.53	78.95
Capacity and attitude exist to contract out for other skills as needed.	0.00	94.74
Interpersonal skills and group training are provided as needed.	26.32	73.68
Staff members have opportunities to contribute to the organization's work plan.	5.26	89.47
Majority of staff members hold a University degree related to the NGO's work-plan.	5.26	84.21
Staff performance evaluation is done in a yearly basis.	10.53	84.21
Staff members have a full understanding of issues.	15.79	84.21
Staff morale is high.	0.00	89.47

From reading the research findings, it seems that managers and employees in the nonprofit organizations were pleased with the work performance of colleagues, with only about 15 percent of respondents who were **NOT**, and that there is always a positive attitude to contract other skills if required. The more problematic areas in human resources section were lack of training and not enough individuals employed. More than 21 percent of respondents did **NOT** agree that the organization has more than 10 individuals employed with or without pay. And more than 26 percent of respondents did **NOT** agree that interpersonal skills and group trainings are provided as needed.

Furthermore, volunteer work is not usually practiced in the NGO community as it was indicated from the survey results. See **Table 3.2.4**.

Table 3.2.4: Survey Opinion Polls on Volunteer Work	Not Agree (%)	Agree (%)
High integration of volunteers with paid staff.	52.63	47.37
Volunteers are integrated into the planning and evaluation process of the organization.	36.84	57.89
Training programs are in place for volunteers.	47.37	47.37
Volunteers are recognized and thanked for individual and collective achievements.	26.32	68.42

More than 52 percent of respondents did **NOT** agree that there is high integration of volunteers with paid staff in the nonprofit sector, and more than 47 percent of respondents did not agree that there are training programs designed specifically for volunteers.

The survey results can be analyzed can each be categorized per subsection. Out of all four (4) sections, funding and volunteer work were rated comparatively lower than anticipated. See **Chart 3.1.1** and **Chart 3.1.2**.

Chart 3.1.1: Funding Effectiveness

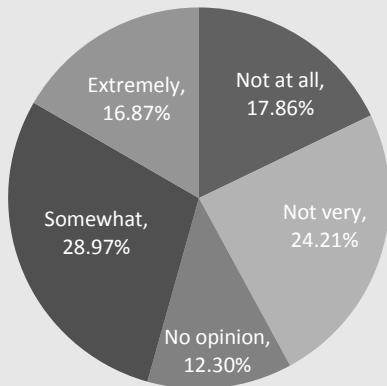
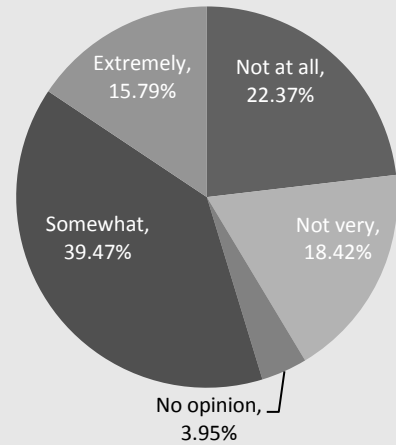


Chart 3.1.2: Volunteer Work Effectiveness



The results in the above charts were gathered from the funding source section and from the volunteer work section of the surveys. Accordingly, more than 17 percent did **not at all** agree and more than 24 percent did **not very** agree that NGOs have proper fundraising programs. More than 22 percent did **not at all** agree and more than 18 percent did **not very** agree that NGOs integrate volunteers in their organizations.

The other two subsections, finance management and HR, have been rated more positively than anticipated prior to research initiated. See **Chart 3.1.3** and **Chart 3.1.4**.

Chart 3.1.3: Finance Management Effectiveness

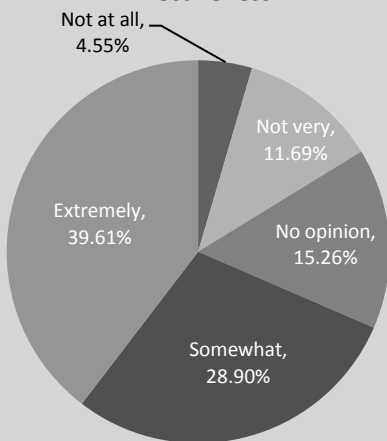
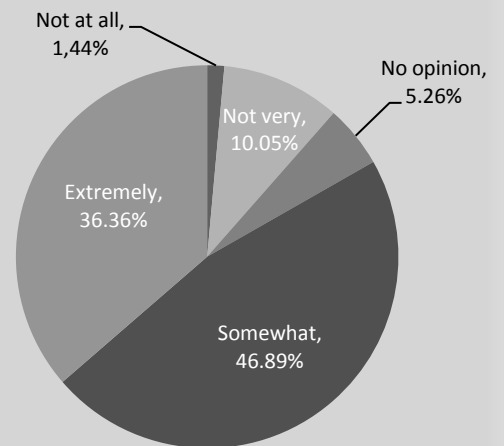


Chart 3.1.4: HR Effectiveness



Accordingly, less than 5 percent of respondents did **not at all** agree and less than 12 percent did **not very** agree that there are proper management practices being used in nonprofit

organizations in Kosovo. Or, to draw a comparison, more than 39 percent did **extremely** agree and more than 28 percent did **somewhat** agree that finance management of NGOs in Kosovo is adequate. See **Chart 3.1.3**. As for HR, less than 2 percent did **not at all** agree and less than 11 percent did **not very** agree that HR is in good shape. Or, to draw a comparison, more than 36 percent did extremely agree and more than 46 percent did somewhat agree that HR is not a problem. See **Chart 3.1.4**.

3.3 Research Limitations and Opportunities

The research approach – despite its credible intentions – had its own limitations in terms of time and skill of designing and delivering interviews and surveys. The sample of respondents was not representative and overall very small. It was revealed that many respondents rated each system that did not relate to his or her level of expertise. This came across while reading the contacts information section of the survey and analyzing the responses to the survey. The respondents were overall more positive than anticipated in their ratings because they feared that their negative responses about their NGO could lead to personal problems. This has more weight especially when respondents are asked to fill in electronic surveys. This is also the case with the auditors who would want their answers to be treated with greater confidentiality given that they want to maintain warm relations with the local NGOs. In addition, another risk that could be a problem was that some of the respondents did not speak English well, and therefore, did not understand the questions to be able to answer them as accurately as possible. The interviews were most effective during the assessment process. The meetings with all NGO members, auditors, tax servant, etc. gave the research more insights about the current problems in terms of funding, finance management and HR.

Chapter 4: Making of the Center for NGO Development

The capstone project is purposely designed to help nonprofit organizations in Kosovo develop and improve internally in the field of finance management and human resources (HR). The project outcome is the making of a self-sustainable local NGO to help them do so. The name of the newly created nonprofit organization will be the Center for NGO Development (CND). CND once established will transfer knowledge, skills and attitude in variety of forms to all other NGO staff members in utilizing effective practices of managing finance and human resources. This is a unique project built to meet NGO needs for continuous organizational development. The core building blocks of setting up CND in Kosovo are presented in the following subsections.

4.1 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. CND will be working with indigenous NGOs to build internal capacity and “effectively use resources to provide their clients with needed services.”²¹ The finance component will cover financial reporting and internal control responsibilities whereas HR will concentrate more on recruitment and performance evaluation. The NGOs in Kosovo are in need to develop capacity in these to areas of study to be sustainable and effective. The project required a brief study of legal and accounting rules and procedures for opening an NGO.

4.2 Goals and Objectives

The project objectives are designed to improve NGO employee skills and accelerate employee learning on finance and HR management. CND will seek to achieve its objectives by drafting manuals and training indigenous NGOs. CND anticipates that internal growth enables NGOs to succeed with their programming. 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. The word of caution for CND is when external grants enter the picture, the seeking and having these funds tend to veer off the CND program from its initial purpose.

4.3 Board of Directors

The board of directors are considered the developers whereas the executive director and employees the implementers. The developers will enable CND to meet both client and community needs. The plan is for CND to originally be formed around a core of three individuals who are serious and committed to support the organization. The admission criteria for board members include the following²²:

- ✦ Minimum of 2 years in front-line community work;
- ✦ Ability and capacity to communicate and network effectively;

²¹ Peace Corps for Field Assistance and Applied Research, *An NGO Training Guide for Peace Corps Volunteers*, Publication No. M0070, 2003, p.1.

²² Mostashari, Ali, *An Introduction to Non-Governmental Organizations (NGO) Management*, June 2005, p. 8.

- ✦ Ability to represent and promote the NGO publicly;
- ✦ Comfortable to work within a team setting, and be gender sensitive;
- ✦ Speak English, and preferably Serbian;

These board members will present the “foundation for the mission of the organization and framework of expectation that make it possible for the management, staff, and volunteers to focus upon the day-to-day tasks of making that mission a reality.”²³ Fundraising will be a major responsibility for all board members. At the very beginning, they each must make a personal commitment for paying cash for the creation of the organization.

4.4 Staffing

The implementers will include all employees and volunteers that will be engaged in different activities and services that CND will offer. The first step is to create a group of 15 to 30 volunteers who do have the skills in required areas of services. The volunteers are required to work for free to encourage financial and organizational stability in the nonprofit sector. It is rather tempting to assign volunteers to CND that will do good development work and can afford to cover some of their expenses. The role of a volunteer is that of a facilitator who will be assisting NGOs with “organizational development of delivery of technical [finance and human resources] services.”²⁴ Once CND generates a small pool of funds and volunteers, it will eventually move towards contracting full-time permanent employees. The idea is to try motivating employees as extensively as possible. The motivation indicators for employees will differ from those used for volunteers. The employees at CND will be motivated more by professional development and challenges at work. They expect to be given more responsibility, benefits and special recognition. That is why the motivational process concentrates more on intrinsic motivation, or trying to keep employees motivated, rather than actually motivating them extrinsically (like the volunteers).

4.5 Financial Risks and Implications

The global financial crisis has put many NGOs at risk of closing due to lack of funds available in the nonprofit sector. This fact has been identified in many developed and developing countries, including the Balkan region. Therefore, the risks and difficulties must be measured beforehand for CND to ensure that the organization will be accountable and sustainable financially. The competitive dynamics within the nonprofit community in Kosovo together with the decline of international funding insists that CND becomes more unique with its financial sustainability plan.

CND has already an attractive program to raise money and recruit volunteers free of charge, and it is very important to build organizational skills. At the very beginning phase, the individuals who will be interested in this line of work will not be paid. Meanwhile, fundraising should attract clients from the nonprofit community to help raise money. This can be achieved in variety of forms.

²³ <http://www.nonprofitexpert.com/accounting.htm>

²⁴ Peace Corps for Field Assistance and Applied Research, *An NGO Training Guide for Peace Corps Volunteers*, Publication No. M0070, 2003, p.12.

4.5.1 Endowment Fund

CND understands the importance of initiating an NGO endowment fund to be financed partially by itself and NGOs in Kosovo. This type of fund is restricted, meaning that only “the interest of the fund can be spent, not the principal that anchors the endowment,”²⁵ to ensure that the original funds grow over time. This requires that CND makes longer-term plans while attracting more donors. Starting an endowment fund also requires a big commitment by both the board and NGOs in Kosovo that foresee CND’s role as very important. It is very difficult to win the commitment of all NGOs because it requires NGOs to think first beyond themselves and secondly to think beyond today or even tomorrow.

Establishing an endowment account is taking an active role in securing CND’s future. This requires direct marketing where in most cases there are ways to reach large number of people by: direct mail, telephone, advertisements, etc. Endowment fund may include a bigger audience: municipality, small and large businesses, private foundations, community foundations, service clubs, religious groups, employee funds, etc. It is the responsibility of CND to be organized and specific as to what it wants when you ask these people. A brief plan with budgets and other supporting documentation goes a long way in opening the doors and minds of the people it wishes to influence.

4.5.2 Annual Campaign

CND will organize the annual campaign to seek operating funds not only from international donors but individuals, private, and corporate funds as well. The purpose to conducting a campaign is to cultivate gifts from potential donors in the areas of service. This campaign is not a special event that could cost CND a lot of commitment and time. It is a focused, timed philanthropic endeavor that, if executed properly, will derive a high rate of return. Finally conducting a structured campaign allows CND to begin the process of elevating donors from an annual gift to a major gift. The annual campaign will allow CND to not only raise money but accomplish the very meaningful goals: (1) sell the mission in sharing its reasons for existing and asking for an investment in return, (2) create relationships with donors, and (3) engage board members in capacity-building. The campaign will allow CND to focus on the mission and connect with donors while developing meaningful relationships that will lead to sustainability.

4.5.3 Self-Financing

Initiating self-financing strategies depends on NGO’s organizational and financial situation. CND’s services on teach finance and HR can be extremely rewarding to any NGO that demands those services. In order for CND to implement a self-financing program, it needs to create new skills and review the ways it will operate as an organization that will charge clients a fee for services they get from CND. The challenges towards self-financing weight far less than the benefits CND will get from selling manuals and training programs to other local NGOs. CND identifies finance management and human resources as two important

²⁵ Fritz, Joanne, *How to Start an Endowment for your Nonprofit*, About.com Guide, p. 1.

areas where support is needed from where income will be generated. Self-financing will require extensive marketing campaigns and networking with both local and international NGOs.

4.6 Program

The plan for CND is to be and remain the center of information, standards and research services on finance management and HR. CND strongly believes that any NGO without effective and efficient financial and human resources policies and procedures will not truly become and remain sustainable. The most prominent methods or forms of helping other local nonprofit organizations include manuals, training, etc. The NGO service delivery plan is designed for managers of medium sized nongovernmental organizations that are not well known for being successful. Those in large and more successful national and international NGOs may also find the program useful, especially individuals who work closely with national or local partners and wish to understand some of the organizational challenges involved.

CND will take the following steps after conducting a financial health assessment of each NGO to determine financial viability: (1) provide an updated guide to financial and legal policies and procedures, and (2) identify key training programs on finance and HR management.

4.6.1 Basic Financial and Legal Procedures Manual

CND will be at the forefront of range of initiatives to develop standards of practice for managing finance and HR. The guide to financial and legal policies and procedures will teach NGOs routine NGO financial and legal operations in Kosovo. The policies and procedures set in the manual will help an NGO comply with internal policies and local financial and legal requirements.

4.6.2 Training on Finance and HR Management

CND will organize training programs designed to meet current and evolving needs of indigenous NGOs. The sample of a training program is presented in greater details in Chapter 6. Training courses are interactive with small groups of participants coming from different NGOs and will offer excellent opportunities for networking. Some of the course will be given for free, especially at the beginning, and some will charge a fee. For all clients, payments will be standardized and are based on requested time for developing training services. At the end of each training session, a Certificate on Finance and HR Management will be granted. CND will contract trainers with previous training experiences in the field of finance and HR.

4.7 NGO Registration

The legal rules and procedures for establishing and registering CND are relatively easy and accessible according to the current *Law on Freedom of Association of Nongovernmental Organizations*. The initial costs to registering CND are almost zero. No fee is required to

register an NGO and apply for the Public Beneficiary Status (PBS). The NGOs that have been granted PBS are exempted from Value Added Tax (VAT) or customs duty when importing goods. The NGO with PBS, however, is required to file the Annual Report and Financial Report to the NGO Registration and Liaison Office inclusive of an opinion from an independent auditor (if exceeding one hundred thousand Euros). The process of registering CND as an NGO will require regular meetings with the NGO Registration and Liaison Department at the Ministry of Public Administration (MPA). Short visits to the NGO RL Department of the MPA will be mandatory in ensuring that all the legal knowledge for opening and maintaining an NGO is obtained.

Chapter 5: Basic Financial and Legal Procedures

The basic financial and legal requirements for a nonprofit organization, including CND, cover financial expense reports, cash management, legal representation, audit criteria, and tax rules and procedures. Such requirements make a great reference tool for those individuals who either manage an NGO or wish to open one and want to make sure that all the basic financial and administrative activities are carried out properly in accordance with international accounting standards and Kosovo laws. The reporting deadlines are presented in Appendix 5.

5.1 Expense Reports

The expense reports should be prepared in every NGO office in either by-weekly or monthly order depending on the weight or amount of NGO activities. The expense reports can be generated by any financial application. The most common applications used in the NGO industry are Quicken and QuickBooks. The expense reports after being generated by the Finance Manager should then be reviewed and approved by the Executive Director. It is critical that all expense reports are finalized and approved on time. The basic principles in financial management “start in the critical areas of cash management and bookkeeping.”²⁶ The financial managers or officers should learn and practice “how to generate financial statements (from bookkeeping journals) and analyze those statements so as to develop a real understanding of the financial condition of the organization.”²⁷ The financial statements can conceptualize well the financial position of the organization. The financial position of any organization should be reviewed in monthly basis with a special focus on the budget, expenditure and revenue.

5.2 Legal Representation

The organization or any foundation should have an official name and address to be registered at the Ministry of Public Administration, the NGO Registration and Liaison Department/Office (hereafter referred to as the “NGO RL Department”). Upon any NGO registration, the organization is allowed to operate as a foreign nonprofit organization. The new *Law on Freedom of Association in Nongovernmental Organizations* enforced in February 2009 sets out legal provision that should be weighted and applied equally by both local and international NGOs in Kosovo. The list of laws relevant to NGOs can be summarized in the table below:

- ✦ **Law No. 03/L-134**, Law on Freedom of Association in Non-governmental Organizations
- ✦ **Law No. 03/L-222**, Law on Tax Administration and Procedures
- ✦ **Law No. 03/L-161**, Law on Personal Income Tax
- ✦ **Law No. 03/L-162**, Law on Corporate Income Tax
- ✦ **Law No. 03/L-146**, Law on Value Added Tax (VAT)

²⁶ Keulder, Theuni and Benz Erika, A Practical Guide to the Financial Management of NGOs, p. 5

²⁷ Keulder, Theuni and Benz Erika, A Practical Guide to the Financial Management of NGOs, p. 5.

The NGO has to designate one individual as the authorized representative of the NGO who is accountable for approving annual reports, audit reports and any NGO paperwork that is required by the NGO RL Office.

5.2.1 Change of Authorization

If the NGO is to change the authorized representatives, the office would need to (1) complete a request form, (2) submit a notarized statement, and (3) provide a copy of a passport of the new authorized representative. Once all the documents are accepted and reviewed, the NGO RL Department issues a Decision Letter (*Letër Vendimi*). For more questions and answers, the NGO RL administrator can be contacted. The office is located in the first floor of the New Government Building.

5.2.1 Public Beneficiary Status

The NGO Registration Certificate and the Public Beneficiary Status Certificate are granted to all NGOs. The nonprofit organizations and foundations with the Public Beneficiary Status have to engage in certain programmatic activities that serve the public beneficiary. However, NGOs that do not abide by the rules and procedures set in the *Law on Freedom of Association in NGOs* will be given a suspension of the Public Beneficiary Status. The benefits of gaining the PBS include “tax and fiscal benefits, except those which are essentially charges for municipal public services.”²⁸ For any NGO to gain or regain its Public Beneficiary Status, it must complete and submit (1) an annual report with respect to its operations and activities only within Kosovo, and (2) audit report for the fiscal year.²⁹ These are two requirements mandated by the *Law on Freedom of Association in NGOs* (Law No. 03/L-134). The annual report must be completed every year by the end of March for the reporting period of January 1 until December 31. The audit conducted by an independent auditor or audit firm must also be submitted in a written form only if the annual expenditures exceed the threshold of €100,000. This is simply to just show whether the “financial statements present fairly, in all material respects, the organization’s financial position for the reporting period.”³⁰ The list of licensed auditors can be found in the NGO RL Office or the Ministry of Finance website.

5.3 Audit Criteria

The NGOs in Kosovo should be expected to maintain a state of audit readiness. This means that records pertinent to the financial aspects must be readily accessible for an audit at any time. According to the *Law on Freedom of Association of NGOs*, the NGOs in Kosovo that spend more than €100,000 and wish to be entitled tax privileges and exemptions must get an audit. The first step is to send a Request of Proposal (RFP) to at least three credible and licensed auditors or audit firms. The three most notable audit firms in Kosovo are BU & Partners, Deloitte, and Grant Thornton. Once the RFPs are received, a bid analysis must be organized based on references, experience and price. The list of documents that need to be

²⁸ Law No. 03/L-134, Law on Freedom of Association in Non-governmental Organizations, Article 17

²⁹ Law No. 03/L-134, Law on Freedom of Association in Non-governmental Organizations, Article 18

³⁰ Law No. 03/L-134, Law on Freedom of Association in Non-governmental Organizations, Article 18

prepared for the auditors include: office policies and procedures manual, bank statement (January 1 until December 31), and variety of expense reports depending on the auditor’s request. The auditors then will create and audit sample test based on what they have received from the NGO in terms of financial statements. Audit requires that a Finance Manager or whoever is in charge of accounting and management to be very detail-oriented and to ensure that there is always back-up documentation and approval for any payment. Besides finance, the table below identifies personnel and procurement documents that need to be prepared as well.

Personnel	<i>Biodata</i> , CV, selection memo, interview notes, salary memo, employee contract or LSP, timesheets, OFAC checks, etc.
Procurement	Request for Quote or Proposal (RFQ or RFP), quotes received by either email or in hard-copy, bid analysis, authorized approval of payments, OFAC checks, etc.

The auditors, after auditing all the financial activities of the field office for a particular year, generate the audit report and can complete the finance section of the annual report since they are already familiarized with the financial data. The finance section of the annual report is composed of the *balance sheet* and *financial statement*. The auditor/s besides the audit report also gives a management letter for internal use only. The management letter covers certain matters that were recognized and considered by the auditor/s deficient that could adversely affect the organization’s ability to initiate, record, process, and report financial data consistent with the assertion of management in the financial statements. In response to the reportable conditions, audit firms give recommendations of this kind:

- ❖ The office should limit cash payments and they should not exceed the 500 EUR threshold.
- ❖ The office should ensure that all the payment details in every invoice match those of the company.
- ❖ The office should always withhold pension contributions and tax on personal income from employees and consultants that it pays.
- ❖ The rents for international staff or consultants should always be paid directly to their bank account instead of the landlord’s.

For more information about the office rules and procedures of withholding and reporting pension contributions, tax on personal income, and tax on rent please refer to the sub-sections. Failure to provide the auditor with reliable documentation could lead to questioned costs and possibility result in cost disallowances.

5.4 Cash Management

NGO should maintain cash management procedures that are at the highest standards. It is essential separate all duties involving cash handling (making cash deposits and withdrawals), authorizing transactions (making cash payments), recording cash transactions in any

financial application/software, and reconciling the cash and bank accounts. The auditors often recommend that organizations commit to bank payments rather than cash. The Finance Manager or Accountant in general with any rule and procedure should be held responsible for obtaining receipts from vendors. Any discrepancies or irregularities should be brought to the attention of the Project Manager.

5.4.1 Bank Account

The NGO should have one bank account in both currencies, Euro and Dollars. The Dollars (USD) account should be considered as a reserved account that when required it can receive cash or pay cash in Dollars. The Euro (EUR) account will be used to either make payments through wire transfers or make withdrawals to add cash in the petty cash box. It is highly recommended that any Finance Manager visits the bank early in the morning anytime from 8:30am until 11:00am. This is the time period when the bank is less busy, and therefore, any security risk can be mitigated or avoided. The transactions that are carried out through the bank are of the following nature: hotel accommodation, internet, translation and interpretation services, paying the landlords, payroll, and any other expense exceeding €500 threshold. Payroll and rent payment are those activities that demand more attention and universal instructions to be presented to any NGO whereas the other activities can be performed differently.

The practice of paying NGO local employees and consultants is straightforward. The Finance Manager pays staff members at the very last day of the month or the very beginning. Salary payment is made on a monthly basis, on or around the 30th of the month. If the 30th falls on a weekend or holiday, salary payment will be made on the closest preceding business day. The advance payments should not be practiced and are not usually recommended. Salary or wage should be paid through the NGO bank account to each individual's bank account. Salaries can be deposited directly into the employee's specified bank account. Therefore, it is mandatory that all staff members give bank details to the employer. In addition, employee time-sheets need to be distributed to the Finance Manager for the Executive Director to approve the salary or wage payments. Each employee is responsible only for his or her own record keeping. The Finance Manager before making the salary/wage payments is required by law to withhold and pay pension contributions and tax on income. The employer reserves the right to deduct appropriate amounts from staff salary, or from any other money that the employer owes to staff. The Finance Manager can use a tax software application **Pagat Ver. 1.41** to do so. The **Table 5.4.1** illustrates in more details how pension contributions and tax on income should be withheld.

Table 5.4.1: Pension Contributions and Personal Income Tax Withholdings

September-11		2,187.66					109.38	109.38	218.77	2,078.28	163.43	1,914.85
		<u>Contributions</u>										
Nr	Name	Press "2" if CND Second Employer	Gross Salary	From Employee	From Employer	Contributions from the Employee	Contributions from the Employer	Total Contributions	Total Salary	Total Income Tax	Net Salary	
1	XX		1,530.00	5.00%	5.00%	76.5	76.5	153	1,453.50	123.15	1,330.35	
2	XX'	2*	173.91	5.00%	5.00%	8.7	8.7	17.39	165.21	16.52	148.69	

The employees or consultants who are contracted by CND as the second employer are charged 10 percent (10%) on income tax. That’s why number 2 is entered in the third column of the application software where automatically the individual is charged 10 percent (10%) on income tax. For more details of how pension contributions and income tax are withheld and paid, please refer to the incoming sub-sections.

The Finance Manager is responsible to pay the landlord in monthly basis depending on the provisions set in the Lease Agreement. The landlord for the office lease is usually paid in advance for the upcoming month. The rent should be paid through the bank account. The Finance Manager is responsible to pay 9 percent (9%) tax on rent every month. Please see table below.

ID Number	Name	Last Name	Gross Rent	Tax Percentage 9%	Income Tax Total	Net Pay
XXXXXXXXXX	X	X	1,538.46 €	138.46 €	138.46 €	1,400.00 €

For more details and instructions on tax on rent, please refer to the sections in the chapters to come. **Important Note:** It is not the landlord’s responsibility to withhold and pay tax on rent. It is the NGO’s responsibility to do so.

5.4.2 Cash Account

Any NGO office has a “cash box” account that is kept under a lock under the Finance Manager’s table. The Finance Manager should hold the key to the cash box which means that preferably only he or she gets to open it when necessary. The cash amount maintained in regular basis can go anywhere from €100.00 to €1000.00 depending on the office needs and expenses. The opening of the cash box should be minimized. It should only be opened to make petty cash payments or to be counted in compliance with monthly reporting requirements when finance reports need to be approved by the Project Manager or the Director. The monthly or bi-monthly cash counts are required which are to be performed with the Finance Manager under the discretion of the Project Manager or the Director. Two people should always be present when counting cash and the Director must sign the cash count log sheet to certify that it is correct.

5.5 Tax Procedures and Requirements

The Finance Manager is held responsible by the taxpayer (i.e. Employer) to abide by the Law on Tax Administration and Procedures (Law No. 03/L-222) to pay over any tax on behalf of the NGO under the legislation applicable in Kosovo without any notice or demand from the Tax Administration of Kosovo (hereinafter “TAK”). TAK has the status of the Executive Authority and has full autonomy within the Ministry of Finance. This governmental body is “responsible for applying the provisions of this law [Law on Tax Administration and Procedures], the Law on Personal Income Tax, the Law on Corporate Income Tax, the Law on Value-Added Tax and any other legislation applicable in Kosovo that requires it to administer.”³¹ The NGO is subject to any kind of tax administered by the Tax Administration of Kosovo (TAK) and “shall obtain a fiscal number before engaging in any economic

³¹ Law No. 03/L-222, *On Tax Administration and Procedures*, Article 2

activity.”³² The fiscal number certificate shall read, “This fiscal number is issued by Tax Administration of Kosovo, under the Article 11 of the Law No. 2004/48 On Tax Administration and Procedure, as amended and supplemented with the Article 7 of the Law No. 03/L-071.”³³ This fiscal number certificate should be kept safely and accessed easily at all times.

NGO is subject to any tax under the legislation in Kosovo and “shall submit to TAK or its agent a completed tax declaration required by such legislation.”³⁴ The tax forms are developed by TAK and can be found in this website: <http://www.atk-ks.org/?lang=en>. On the very left side of the welcome page the Finance Manager would be able to access all tax electronic services and in this particular case he or she would need to enter “**download tax forms.**” The application will automatically ask for a fiscal number. Once the fiscal number is entered, click “*vazhdo*” (continue). This will get the Finance Manager to all tax declaration options as abbreviated and translated below:

- ✦ **WM** – Personal Income Tax
- ✦ **FCPK** – Employer Form
- ✦ **WR** – Rent Tax
- ✦ **CD** – Corporate Income Statement

Once downloaded, any tax declaration “shall include the taxpayer’s identification number (fiscal number), a computation of the tax due, and all other information required by the applicable legislation or administrative instructions issued pursuant to such legislation.”³⁵ The computation of tax will be explained in more details in the next sections to come. The date for paying and submitting a tax declaration shall be prescribed in the legislation imposing the tax. For any error discovered or recognized, the taxpayer may submit an amended tax declaration in a tax declaration that has already been submitted. The “deadline for submitting an amended declaration is six years after the due date of the declaration being amended.”³⁶

The Finance Manager, on behalf of the employer, is responsible to create “records of account in written or electronic form which determines their liability to pay or withhold tax.”³⁷ This is also to show that the taxpayer regularly keeps “books and registers compatible with the tax legislation.”³⁸ The person required to create records is the Finance Manager who “shall retain those records for a period of at least six years after the end of the tax period in which the tax liability to which they relate arose.”³⁹ The specific books and records that determine NGO liability to pay or withhold pension contributions and income tax are prepared and retained by an electronic application, **Pagat Ver. 1.41**, which was given to nongovernmental organizations in 2009 for free. This excel application is a payroll program that is used to calculate *only* the amount of pension contributions and income tax

³² Law No. 03/L-222, *On Tax Administration and Procedures*, Article 11

³³ Fiscal Number Certificate

³⁴ Law No. 03/L-222, *On Tax Administration and Procedures*, Article 14

³⁵ Law No. 03/L-222, *On Tax Administration and Procedures*, Article 17

³⁶ Law No. 03/L-222, *On Tax Administration and Procedures*, Article 18

³⁷ Law No. 03/L-222, *On Tax Administration and Procedures*, Article 13

³⁸ Law No. 03/L-222, *On Tax Administration and Procedures*, Article 13

³⁹ Law No. 03/L-222, *On Tax Administration and Procedures*, Article 13

required to be withheld from each employee's or consultant's monthly salary or wage. **Pagat Ver. 1.41** basically calculates how much an NGO should pay the employee and TAK.

The taxpayer or an NGO that is required to calculate taxable income by adjusting for tax purposes the income and expenses reported in its financial statements is required to submit to the Tax Administration an annual tax declaration on or before March 31 of the year following the tax period.⁴⁰ The tax declarations for tax on income can simply be printed from the **Pagat Ver. 1.41** to be attached the annual tax statement that can be accessed at <http://www.atk-ks.org/?lang=en> by following the same instructions of downloading tax forms. The form will be abbreviated WA which stands for the *annual tax report*.

5.5.1 Pension Contributions and Personal Income Tax

The NGO is required by law to withhold and pay pension contributions and personal income tax on behalf of its employees pursuant to legislation in force. The excel table below from **Pagat Ver. 1.41** illustrates how pension contributions and income tax are being withheld.

Jun-11		2,187.66	Contributions				109.38	109.38	218.77	2,078.28	163.43	1,914.85
Nr	Name	Press "2" if CND Second Employer	Gross Salary	From Employee	From Employer	Contributions from the Employee	Contributions from the Employer	Total Contributions	Total Salary	Total Income Tax	Net Salary	
1	XX		1,530.00	5.00%	5.00%	76.5	76.5	153	1,453.50	123.15	1,330.35	
2	XX'	2*	173.91	5.00%	5.00%	8.7	8.7	17.39	165.21	16.52	148.69	

Studying from the excel table, five (5) percent of total pension contributions is withheld by employee and employer separately. This means that only 5 percent will be deducted from the gross salary amount of an employee. The employee, in example numbered 1, who has a gross salary of 1530.00 Euros, will have a net salary 1453.50 Euros before personal income tax is withheld. With respect to pension contributions, gross income shall include "contributions made by an employer on behalf of an employee to the Individual Savings Pension system."⁴¹ With respect to wages or salaries, the gross income shall include: "salaries paid on behalf of an employer for work that the employee does under the direction of the manager or employer, bonuses, commissions, and other forms of compensation ..., income from temporary work performed by an employee,"⁴² etc. The Finance Manager is also required to deduct personal income tax in addition to pension contributions from all local employees and consultants. Stipulations on how much income tax should be paid are provided by Law on Personal Income Tax (Law No. 03/L-161). The monthly income tax brackets or rates are well defined in Article 6 of the Law on Personal Income. For each monthly tax period, income tax should be charged at the following rates:

- ✦ For taxable income eighty (80) Euros or less, zero percent (0).
- ✦ For taxable income over eighty (80) Euros, for percent (4%) of the amount over eighty (80) Euros.

⁴⁰ Law No. 03/L-162, *On Corporate Income Tax*, Article 34

⁴¹ Law No. 03/L-161, *On Personal Income Tax*, Article 9

⁴² Law No. 03/L-161, *On Personal Income Tax*, Article 9

- ✦ For taxable income over two hundred and fifty (250) Euros up to four hundred and fifty (450) Euros, six point eight (6.8) Euros plus eight percent (8%) of the amount over two hundred and fifty (250) Euros.
- ✦ For taxable income over four hundred and fifty (450) Euros, twenty two point eight (22.80) Euros plus ten percent (10%) of the amount over hundred and fifty (450) Euros.

The excel application **Pagat Ver. 1.41** automatically calculates pension contributions and income tax once the gross salary amount is entered in the “gross salary” column. The previous table is a copy of the application taken as an example to show how the net salary is calculated for it to be paid to employees. To make more sense of the math, see how examples of number 1 and 2 have been calculated.

Example 1

0 to 80 Euros equals zero (0).	
80 to 250 Euros equals 4% (.04) x 170 Euros (250 – 80) which equals:	06.80 Euros
250 to 450 Euros equals 8% (.08) x 200 Euros (450 – 250) which equals:	16.00 Euros
450 to 1453.50 Euros equals 10% (.10) x 1003.50 Euros (1453.50 – 450) which equals:	100.35 Euros

The total income tax comes to: **123.15 Euros.**

Example 2

It has been explained well before that any individual who is contracted by CND as the second employer is charged 10% on income tax. An “employer who is not the employee’s principal employer shall withhold an amount equal to ten percent (10%) of the wages for each tax period.”⁴³ That’s why the number 2 is entered in the third column of the application software where automatically the individual is charged 10% on income tax. In our example, the 10% of the total salary (165.21 Euros) is 16.52.

If the NGO fails to withhold, collect, or pay over a withholding tax or collect tax, “any person responsible for withholding, collecting or paying over such tax, and who willfully fails to withhold, collect, or pay over the tax, shall be personally liable from his or her own assets for the amount of the tax not withheld, collected or not paid over.”⁴⁴ Therefore, it is the Finance Manager’s responsibility to report to the tax authorities all employees and consultants contracted by the NGO. It is well clarified in the law where it says that for the due payment of contributions and other legal duties, the employer is obliged to report the employee to the Tax Administration of Kosovo.

The instructions on how to do complete and submit the tax forms at the bank are shown in the table below:

The Finance Manager would have to enter the Tax Administration website: <http://www.atk-ks.org/?lang=en> and click on the very left side of the page where it says **Download Tax Forms**. To be able to download any tax form, in this case Tax on Personal Income, the Finance Manager would have to enter the fiscal number and press continue (or **vazhdo** in Albanian). The organization name will automatically come up and tax form options to download. The Finance Manager would then choose option Tax on Income, abbreviated **WM**, and select the period for which the income tax is being paid. Unfortunately, this is all in Albanian language. The period should ideally always be the previous month as the NGO is to pay staff at the very last day of the month or the very first day of the month. After downloading the

⁴³ Law No. 03/L-161, *On Personal Income Tax*, Article 38
⁴⁴ Law No. 03/L-222, *On Tax Administration and Procedures*, Article 26

form, please make sure that all the contacts are accurate and up to date. If not, please change. In line with the example given in the table above, the Finance Manager would have to concentrate on line 8, 9, 10, 11, 12, 13 and 14. In line 8, the *total gross salary* amount of all staff will be entered, from our example it would be €2078.28. In line 9, the *total tax amount* paid would be entered, €163.43. These numbers may vary depending on the number of staff and amount of salary/wage being paid. The total number of people employed would be entered in line 10. The total number of people paid less than €80 would be entered in line 11 (which would be 0 in our example). The total number of people paid between €80.01 and €250 would be entered in line 12 (which would be 1 in our example). The total number of people paid between €250.01 and €450 would be entered in line 13 (which would be 0 in our example). The total number of people paid more than €450.01 would be entered in line 14 (which would be one in our example). After completing line 8 and 9, please print three copies of the first page, get it approved and pay through the bank. The bank will stamp all copies and keep one copy for itself, give one copy to the Finance Manager and send the other copy directly to TAK. For more instructions on how to complete the tax form, please read through the last page of the form.

The instructions on how to do complete and submit the pension contributions forms at the bank are shown in the table below:

The Finance Manager would have to enter the Pension Contributions Trust Fund website: <http://www.trusti.org/trusti/Home/tabid/36/language/sq-AL/Default.aspx> (or type www.trusti.org) and click on the very up-right corner entry **eTrusti**. To be able to access the account the Finance Manager would have to enter the fiscal number and password and press enter (or **Hyrje**). Once signed into the account, the Finance Manager can upload an excel spread sheet that would look like the following table where all the calculation and the amount of pension contributions withheld would show up.

Number	ID #	Name	Surname	Salary	Employee	Employer	Total
1	xx	xx	xx	1,530.00	76.50	76.50	153.00
2	xx	xx	xx	173.91	8.70	8.70	17.40

Once the spreadsheet is uploaded, the Finance Manager gets a message in Albanian that gives the option of downloading the form in PDF. For more details about the spreadsheet, the Finance Manager can contact the Pension Contribution Trust Fund. They trust would able to give an NGO spreadsheet template that can be used to register the pension payments every month and upload it in the account. The reason for uploading the spreadsheet is to get a pension contribution form in return that will be printed and approved to be paid at the bank. The period should ideally always be the previous month as the employer is paying staff at the very last day of the month or the very first day of the month. After downloading the form, the Finance Manager needs to make sure that all the contacts are accurate and up to date. If not, he or she would need to change. The calculations of how much pension contributions should be given to an employee are all done in the PV application. This means that the table above already reflects the very first PV spreadsheet. Unless otherwise specified in administrative instructions, all taxes pension contributions shall be paid to a bank licensed by the Central Bank of Kosovo (CBK). The bank will stamp all copies and keep one copy for itself, give one copy to the CND Finance Manager and send the other copy to the TAK.

5.5.2 Tax on Rent

Any NGO is liable to tax on rent for renting the office space and is “opt to maintain records of actual expenses incurred in the rental activity.”⁴⁵ Such taxpayer shall be allowed a

⁴⁵ Law No. 03/L-161, *On Personal Income Tax*, Article 28

deduction from gross income from rent an amount equal to ten percent (10%).⁴⁶ In order to cover the costs of repairs, collection charges and other expenses paid or incurred there's a 1 percent reduction, so CND is responsible to withhold and pay only 9 percent (9%) on rent. There is also another article in the Law on Corporate Income Tax (Law No. 03/L-162) that quotes, "each taxpayer who pays rent to resident or non-resident persons shall withhold tax at the rate of nine percent (9%) at the time of payment or credit and remit the tax withheld to an account designated by the Tax Administration in a bank, or financial institution."⁴⁷

The table in the next page illustrates an example of how tax should be withheld. The 9 tax percentage of the net payment in this example is €138.46. This is the amount that will have to be paid through bank on the very first days of the month for the previous month.

ID Number	Name	Last Name	Gross Rent	Tax Percentage 9%	Income Tax Total	Net Pay
XXXXXXXXXX	X	X	1,538.46 €	138.46 €	138.46 €	1,400.00 €

The instructions on how to do complete and submit the tax forms at the bank are shown in the table below:

The Finance Manager would have to enter the Tax Administration website: <http://www.atk-ks.org/?lang=en> and click on the very left side of the page where it says **Download Tax Forms**. To be able to download any tax form, in this case Tax on Rent, the Finance Manager would have to enter the fiscal number and press continue (or **vazhdo** in Albanian). The organization name will automatically come up and tax form options to download. The Finance Manager would then choose option Tax on Interest and Rent, abbreviated **WR**, and select the period for which the rent is being paid. Unfortunately, this is all in Albanian language. The period should ideally always be the previous month. For example, if you are paying in June, the tax period declared and paid would be the month of May. After downloading the form, the Finance Manager needs to make sure that all the contacts are accurate and up to date. If not, please change. In line with the example given in the table above, the Finance Manager would have to concentrate only in section **b** of the form and enter the following: €1538.46 in line 13 and €138.46 in line 14. These numbers may vary depending on the future Lease Agreements set by CND when moving to a different office location. After completing line 13 and 14, please print three copies of the first page, get it approved and pay through the bank. The bank will stamp all copies and keep one copy for itself, give one copy to the Finance Manager and send the other copy to the TAK. For more instructions on how to complete the tax form, please read through the last page of the form.

5.5.3 Tax on Corporate Income

Tax on corporate income remains a liability for an NGO in terms of reporting at the tax authorities. The corporate income tax is 10 percent (10%) of taxable income.⁴⁸ According to article 3 of the Law on Corporate Income Tax (Law No. 03/L-162), nonprofit organizations are considered as taxpayers that are registered under the Legislation on the Registration and Operation of Non-Governmental Organizations in Kosovo. However, nongovernmental organizations that are registered in Kosovo and have received and maintained a Public

⁴⁶ Law No. 03/L-161, *On Personal Income Tax*, Article 28

⁴⁷ Law No. 03/L-162, *On Corporate Income Tax*, Article 30

⁴⁸ Law No. 03/L-162, *On Corporate Income Tax*, Article 6

Beneficiary Status are exempted from the corporate income tax.⁴⁹ At the same time, this does not mean that an NGO should not report to tax authorities a zero sum corporate income tax. The annual statement should be submitted to the tax authorities no later than March 1.⁵⁰ The statement shall be in a format prescribed by the tax administration which can be accessed at the tax administration website: <http://www.atk-ks.org/?lang=en>. The Finance Manager would have to click on the very left side of the page where it says **Download Tax Forms**. To be able to download any tax form, in this case Tax on Corporate Income, the Finance Manager would have to enter the fiscal number and press continue (or *vazhdo* in Albanian). The organization name will automatically come up and tax form options to download. The Finance Manager would then choose option Tax on Corporate Income, abbreviated **CD**, and select the period for which the income tax is being paid. Unfortunately, this is all in Albanian language. The period reporting period should be January 1 until December 31. Given that an NGO is not considered a corporation, meaning that it does not divide its capital into a specific number of shares, it should still report a zero sum of income gained for the whole year. In this case, the Finance Manager is responsible to enter zeros in the annual corporate income tax statement. The same instructions should be followed for filling in the quarterly statements on corporate income tax. The form is abbreviated **IS** which stands for Quarterly Installments for Small Businesses. After both annual and quarterly statements are printed out, they should be taken and submitted directly the Tax Administration located in Mother Theresa. There should be two copies per each printed so one remains at the tax authorities and the other statements (stamped by the tax authorities) should be taken back and filed in both electronic and hard-copy.

5.5.4 Value Added Tax (VAT)

The NGOs that are financed by international donors are often exempted from Value-Added Tax (VAT). The United States Agency for International Development (USAID), for example, under an agreement with the Kosovo Government certifies certain NGO implementers to be exempted from VAT both on importation/intra FRY inflow and domestic purchase of goods and services. Most recently, TAK has set a rule that all organizations, including nonprofit, must report on purchases exceeding 500 EUR. The purchases include both products and services. The form can be accessed at the TAK website: <http://www.atk-ks.org/kontakti/?lang=en> on the very left side of the page below where it says **Download Tax Form**. The instructions on how to fill in this form are well defined in the website. The vendors listed in the form should all be giving the NGO a VAT number if the number cannot be found in their invoices of the amount exceeding 500 EUR. This is ONLY for vendors that have exempted the NGO from VAT. The report on purchases exceeding 500 EUR is an annual report that covers the time period from January 1 until December 31, and it is to be submitted by March 31.

5.5.5 Tax Audits

The books records maintained in the NGO office should “kept in conformity with generally accepted accounting principles of Kosovo as supplemented by the International Financial

⁴⁹ Law No. 03/L-162, *On Corporate Income Tax*, Article 7

⁵⁰ Law No. 03/L-162, *On Corporate Income Tax*, Article 3

Reporting Standards.”⁵¹ The Director General or any authorized TAK officer may make visits, not including audits, to confirm compliance with tax laws in force, to obtain information pertinent to subsequent audit activity, and to collect past due tax debts as considered necessary without prior notice to the taxpayer.”⁵² More specifically, the Director General may (1) make a copy from any book, record, computer or similar record storage device of information to which access is obtained, (2) require transfer of possession of any book or record, (3) retain any such book or record for as long as it may be required for determining a person’s liability, (4) require the provision of any password protecting information on a computer or similar record storage device, (5) make checks on person’s assets and liabilities, etc. The audit conducted by TAK is based on “case selection method” to minimize the potential for abuse of tax administration’s authority. For the audit, “the Minister shall issue a legal-act to describe the procedures which must be followed in initiating, conducting, and finalizing an audit.” It should be described the following: “who can be audited, scope of audit (taxes and years), notification, cash register checks, place of audit, compliance checks, informational visits, spot checks, obligations of the taxpayer, etc.”⁵³ “If a taxpayer’s books or records have been lost or destroyed or other circumstances exist that make a determination of a tax liability impossible, the Director General shall make an assessment based on an estimate. The estimate must be based on assets, turnover, production costs, comparative costs, and other direct and indirect methods that are relevant for calculating the tax liability.”⁵⁴

⁵¹ Law No. 03/L-222, *On Tax Administration and Procedures*, Article 13

⁵² Law No. 03/L-222, *On Tax Administration and Procedures*, Article 14

⁵³ Law No. 03/L-222, *On Tax Administration and Procedures*, Article 17

⁵⁴ Law No. 03/L-222, *On Tax Administration and Procedures*, Article 19

Chapter 6: Training Program for NGO Development

This training program is a guide to organizational sustainability in the nongovernmental organizations (NGOs) in Kosovo. The training course gives trainees critical insights on finance management and human resources. The finance component will cover financial reporting and internal control responsibilities whereas HR will concentrate more on recruitment and retention. The training program is aimed primarily at nongovernmental organizations' staff with management responsibilities. The training design will take ten days to produce for a course length of five working days, Monday to Friday, for it to be implemented and delivered. This intensive five-days training curriculum provides a comprehensive foundation to learning about organizational sustainability. The trainees are expected to learn effective skills that could be utilized in their NGOs considering the level of personal and professional development they will inherit from the training program.

6.1 Scope of the Training

There is a growing demand for non-governmental organizations in Kosovo to be more effective. The goal of this training program is to prepare trainees with the knowledge, tools, and the techniques to create sustainability so that NGOs can be more effective in the community. This is simply a guide to build on knowledge in organizational management and development. An increase in the NGO effectiveness has to come from the top management, NGO board, by bringing together organizations and leaders with a shared commitment; building capacity by training; and developing management and governance tools. The method used is an inside-out approach to help trainees build their capacities in management – interactive discipline of sharing common practices.

6.1.1 Audience

The training program is specifically designed for the managers of medium sized NGOs. Those in large national or international NGOs may also find the training useful. The training course does not include NGO employees of lower level, microfinance institutions, trade unions, governmental institutions, and any other type of organization driven by a political or for-profit purpose. The seating arrangements that will be used are a *fan-type* seating to “allow trainees to see from any point in the room ... [so] that they can easily switch from listening to a presentation to practicing in groups, and trainees can communicate easily with everyone in the room.”⁵⁵

6.1.3 Length of Course

The intensive five-day course will provide a comprehensive and solid foundation in management. The course will be taught in a timeline of five working days, Monday to Friday. The schedule will look like a regular working schedule from the morning session until very late afternoon.

6.2 Training Delivery

⁵⁵ Noe, Raymond A., Employee Training and Development, 5th Edition, p. 167.

The content of the training program refers to development initiatives that need to be undertaken in order to improve trainee skills and accelerate the pace of employee learning. The first three days of the training will be more concentrated in the functional areas to organizational maturity: finance management, and human resources.

Finance Management	Human Resources
Financial Reporting	Recruitment
Record Keeping	Introductory Period
Internal Control	Personnel Files

It is important to note that about 70 percent of the training will be instructor-led and the rest would be in a form of group exercises or participation. In the last two days of the training, more emphasis will be put on group exercises to work more on lessons learned.

6.2.1 Training Method

The training method takes a formal and interactive approach conducive to learning. For the first three days of training there will be lectures of 35 up to 45 minutes during the early morning and afternoon sessions as an introduction to facts and knowledge specifically for designed modules. There will be time offs for questions and discussion. In addition to lecture, there will be group exercises to enhance learning not only from the trainer and discussions but also in the form of team contributions. The group exercises will vary by subject or topic matter but at the end each team member is expected to participate and provide feedback at the end. The groups exercises will be more used at the end of the training, the last two days, when trainees would get to discussions about lessons learn and how they will apply new knowledge and skills in their workplace. This is an interactive type of approach to encourage collective work and creativity to produce something better and more interesting for the training program. It is probably the most effective approach to help trainees conceptualize their theoretical knowledge and skills given by the trainer with their work experiences and observations based on the trainer’s facilitation. The interactive approach will be used as a method to encourage participants to look for resources and strengths rather than problems and needs in their journey of discovery. The method will clearly take some time to facilitate reflection and application using the trainer’s skills and expertise.

6.2.2 Training Time

The course timeline will be from Monday to Friday, 9:00am until 6:00pm. The lunch break will be given at 1:00pm until 1:55pm. It is important to also schedule time at the end of the day to discuss with trainees how and what they have learned from the course and group activities. There needs to be an assessment to how confident they feel in learning all the training objectives. In addition, at the end of day there should be time for questions and ideas to what additional training activities would be useful to filling any gaps in learning for the future.

6.3 Problems and Opportunities

During the training sessions, problems and opportunities may arise at all levels. Some of the problems that may evolve can be technical (i.e. lack of lightning and electricity, etc), lack of trainee interest, limited time, lack of logistics support and coordination, etc. However, the opportunities weight far more than the problems. The great opportunity on hand is learning about organizational development which can be applied by trainees in their workplace. Training overall will be a great approach to systemize explicit concepts into a knowledgeable system for using information in practice. It will give opportunities and materials to enable learners to experience, observe, and gather information related to the activities. The opportunities besides learning include rewards for free that will be given to every trainee such as certain manuals categorized by modules presented, a financial or bookkeeping software, trainer certificate, etc. The training certificate is a great example that should be considered mandatory for all trainees to teach their staff after completing the course. Serving as a teacher in their own NGO and even community “can be rewarding for employees and managers if they are recognized by the company or if the training experience is linked to their personal development plans.”⁵⁶ In addition, networking is another advantage that the trainees will inherit from the training since they will get to know each other better and to relate to each other in ways that are most conducive to a learning environment.

6.4 Training Resources

The budget line items presented in the next page should be considered for the design and delivery of the training. The line items can be divided into direct and indirect costs. In terms of direct costs, the cost the trainer per hour is 96 EUR which roughly amount to about 3848.00 EUR for the whole week training. Considering that there will have to be two trainers to teach the course, the total price only per trainer will be 7696.00 EUR. See table below for more expense details.

Type of Cost	Expenses	Amount
Direct Costs	Trainer	€7696.00
	Materials	€650.00
	Travel	€1100.00
	Renting	€470.00
	Food/Drinks	€840.00
	Printing	€150.00
Indirect Costs	Invitations	€45.00
	Salaries	€900.00
	Communications	€80.00

The expenses on materials include chart makers, paper, file folders, notebooks, pen, pencils, highlighters, pencil sharpener, bags, staplers, tape, etc. Travel refers to all expenses incurred

⁵⁶ Peace Corps for Field Assistance and Applied Research, *An NGO Training Guide for Peace Corps Volunteers*, Publication No. M0070, 2003, p. 80.

for covering transportation for the trainers, evaluator and the trainees. The renting of equipment and classroom is expensive and they will be rented out in the building where the training is taking place. In terms of equipment, a projector and a laptop will be used. Food and snacks are also important for the trainees to be fed and stay healthy during the training. The indirect costs are costs that are not directly related to the training, and those include invitations that need to be sending to the trainees to participate via email and mail, salaries for administration staff, communication and coffee breaks. The training will take place in downtown area, Room 107 at Grand Hotel. The room is very quiet and private that will be used only for the training for the whole week. It can be used for lectures, presentations, discussions, small group exercises.

6.5 Who is Involved?

The stakeholders involved in the training program are the developers, performers and trainees. The developer is the person/s who creates the program whereas the performers are the trainers who perform on behalf of trainees to facilitate learning and understanding of NGO development. One of the trainers who will be presenting the course is the founder of CND since he understands the NGO business well for working more than three years in this sector. The other trainer that will be involved would be someone of more training experience who has great communication and presentation skills and understands the key components to the learning process. The course is for trainees who are interested to learn and give feedback. The goal of the trainer would be more of a facilitator to ensure there is interaction in between trainees. The idea is to help participants think smart in creating a plan for their NGO organizational development and how to maintain it. The organizational development will require learning about NGO functions in financial and human resources to help trainees plan better and strengthen the organization's ability to perform outside in providing services for the community. For an effective training process, after the needs assessment and positive feedback of employee readiness for training, creating a learning environment is the next step to follow.

6.6 Topical Outline

The course outline is organized in two separate modules, finance management and human resources, that will be presented during the training.

6.6.1 Finance Management

The training program will be designed to guide local NGOs to routine financial operations. There needs to be financial policies and procedures set forth in order to maintain compliance with donor regulations and generally accepted financial management and accounting principles. This is the only way that an NGO can ensure an efficient and well run base for operations. Any organization must emphasize stewardship through their management and reporting activities for all funded resources as required by international accounting principles and Kosovo laws, more specifically by the *Law on Freedom of Association in Nongovernmental Organizations*.⁵⁷ An NGO may engage in economic activities for the purpose of supporting its not-for-profit activities, in compliance with Article

⁵⁷ Blackbaud, p. 1.

4, and provided that income realized through economic activities is used solely to accomplish the purpose specified in the NGO statute.⁵⁸ This module aims at giving local NGOs the tools to financial reporting, record keeping, and internal control.

6.6.1.1 Financial Reporting

The reporting system should consist of clear procedures to making sure that the organization has all the funds to purchase the goods and services required to conduct its affairs in the community in a cost-effective manner. This is to say that the NGO cannot be burdened with complicated finance procedures. To avoid the misappropriation of cash, simple procedures require double approvals and double checks for any payment issued on behalf of an NGO activity. This also suggests that board of directors should receive financial reports at every other board meeting. Hence, financial reports should always be finished in timely and trusted manner. This is a great way to encourage any NGO to review its financial position in monthly basis.

6.6.1.2 Record Keeping

This refers to accounting procedures of recording earnings and spending from contracts to receipts of what has been purchased. This is a proof to all transactions that have taken place for which the organization is held accountable. It is important that details are included per transaction that makes it easier in terms of clarifying expenses and keeping the organization out of trouble when there is an audit. During the training program, free bookkeeping software will be given with a manual per trainee for them to take and use in their organization. In the course there will be no training on the software considering that most of trainees will not deal with finance where they work. This bookkeeping software, known as cash book, will list all the expenses in line categories.

6.6.1.3 Internal Control

Theunis Keulder and Erika Benz state in their research state in the *Practical Guide to the Financial Management of NGOs* that in order to avoid financial mismanagement, it is vital to have internal financial control mechanisms and policies in place. According Keulder and Benz, “internal accounting control comprises a series of procedures designed to promote and protect sound management practices, both general and financial.”⁵⁹ This section is more about controlling money better so that it is not misused by anyone. To control the money better it is safer to keep the money in the bank account or small amounts in petty cash. For any expense or payment there needs to be an approval from higher management staff. It is really important that qualified staff is employed to deal with finances and make sure that monitoring of expenses is being done in monthly basis. The Executive Director/Financial Officer shall be responsible for ensuring that financial control are in place and adhered to and, more specifically, that expenditures remain within the budget, expenditures are only for the purposes set out in the budget, and financial documentation, including quotations, invoices and receipts are collected and filed in an orderly manner. At the end, there needs to be reconciliation between the bank and cash book balance which is

⁵⁸ Law No. 03/L-134, Law on Freedom of Association in Non-governmental Organizations, Article 16

⁵⁹ Keulder, Theuni and Benz Erika, A Practical Guide to the Financial Management of NGOs, p. 5.

an accurate measure of making sure that money is spent wisely. Reaching out to these objectives “requires that [the] organization clearly states procedures for handling each area, including a system of checks and balances in which no financial transaction is handled by only one person from beginning to end.”⁶⁰ Other internal controls, according to Keulder and Benz, include controls on cash receipts, payroll, grants and fixed assets.

6.6.2 Human Resources

This module describes HR practices that can be used by local NGOs in Kosovo. The module is divided into the following phases: recruitment, introductory period, and personnel files.

6.6.2.1 Recruitment

The first phase is recruitment for which any NGO at first needs to open position for employment based on programmatic needs. If the position fits within the overall approved project budgets, NGO will carefully screen all applicants and comply with local laws to fill the open positions. For the job description, the NGO would have to list the duties and responsibilities of a position. The following action must be taken to document the employee’s job description:

- ◆ The Executive Director must write a job description for each position.
- ◆ Each employee must receive a written copy of his or her specific job description.
- ◆ A copy of the applicable job description must be placed in each employee’s personnel file.

This process of recruitment ensures that competent and best applicants are hired and retained to work for an NGO. The interviewing methods vary amongst NGOs; however, it is important to make sure that staff members have a full understanding of issues and objectives of an NGO.

6.6.2.2 Introductory Period

The trainees need to learn about the introductory period of 90 days which allows the Executive Director or Project Manager to assess the employee’s aptitude, interest and ability to perform the position in a satisfactory manner. During the ninety (90) day Introductory Period, the Executive Director and the employee will engage in orientation and training during when the Director will assess if the employee’s performance is satisfactory. The Executive Director must document the successful or unsuccessful completion of the 90-day Introductory Period. The process of the introductory period ensures that all skills from employees are covered and that the organization has enough and competent human resources to implement different projects. It is a type of performance evaluation that any NGO should practice with all employees, not only the new ones.

6.6.2.3 Personnel Files

The Executive Director of an NGO, or his/her designee, must create a personnel file for each employee that contains the following: signed original offer letter, CV, application, copy of

⁶⁰ Keulder and Benz, p. 6

identity card, job description, performance reviews, personal documents, emergency contact information, and other required legal documents. This is something that is not being practiced in many indigenous NGOs in Kosovo, and it needs to improve.

6.7 Administration and Evaluation

The administrative part of the training will ensure that the training will be properly organized and coordinated. At first, after the needs assessment all the trainees will have to be registered. Then the training room needs to be arranged and contracted with any of the hotels in Prishtina. The back-up equipment such as projector, laptop, printer, copier, etc. need to be checked whether they are working even in the last minute before the training starts. At the end of the training, the evaluation needs to be disseminated to all of them. To administer a training evaluation, the *Kirkpatrick's Level of Evaluation* model will be used to measure the participants' levels of reaction and learning only. It is easier to measure how satisfied trainees are with the training overall and whether they have learned anything whereas measuring the applicability of the newly acquired knowledge and the bottom line impacts is very difficult and it would be time consuming. The metric used to measure reaction of what the trainees have thought about the training is a survey. The training survey will be very brief and questionnaires will refer more to the satisfactory level of how much pleased trainees were with the training content and the trainer. In terms of measuring the learning curve and improvement will be tested more during group exercises in the very last two days of the training when all trainees will get to participate and debate amongst each other.

Chapter 7: Discussion and Recommendations

The capstone project research results indicate that local NGOs in Kosovo, more specifically, inactive NGOs constantly experience funding deficit, financial mismanagement, employment of inept human resources, and lack of volunteer activities. In the content of Mr. David Lewis' book, The Management of Non-Governmental Development Organizations, these would be considered common threats of two different dimensions: "one which consists of factors which lie largely within the span of an NGO's control while the other consists of processes shaping the wider environment over which an organization has little control."⁶¹ The first dimension covers problems which can be controlled by the NGO, in terms of finance management, and HR. The second dimension covers problems which can be influenced or even changed by an NGO, in terms of funding, and integrating volunteer activities.

The purpose of creating CND is to help local NGOs more in the first dimension, teaching how to avoid financial misconducts and employing inept and temporary human resources without providing opportunities to professional growth. 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. CND will be working with indigenous NGOs to build internal capacity and "effectively use resources to provide their clients with needed services."⁶² This can be achieved through creating manuals and conducting trainings. These are types of services that CND plans to serve for local NGOs to learn to report regularly all their finance and legal requirements. The plan here is to develop an effective internal management system to maintain transparency and accountability.

The local NGOs in Kosovo cannot further their cause by only concentrating on the factors that are under their control, finance management and HR, assuming that they have reached a point of perfection. Instead, local NGOs ought to be more open and creative not to neglect risks and recourses from the second dimension which surround them.⁶³ The capstone project research findings of all active NGOs interviewed and surveyed show that local NGOs have major funding problems in Kosovo. They either cannot find donors, local and international, nor do not produce products or services that are of purchasing power parity. This, in return, leaves no interest and opportunities to drive in volunteers to help out.

CND may be used as a theoretical model to fundraising and attracting volunteers, which are highly considered open systems. Its initial step to raise funds through an endowment fund and annual campaigns are important strategies that an NGO should consider adapting besides the strategy of self-financing. Yet more important, its practice of recruiting volunteers through providing opportunities of growth can be utilized to help an NGO survive. Engaging volunteers without pay brings no cost to an NGO, and mutually, it builds diversity and credibility. The recommendations can be summarized as in the following:

⁶¹ Lewis, David, The Management of Non-Governmental Development Organizations, Second Edition, 2005, p. 141.

⁶² Peace Corps for Field Assistance and Applied Research, *An NGO Training Guide for Peace Corps Volunteers*, Publication No. M0070, 2003, p.1.

⁶³ Lewis, David, The Management of Non-Governmental Development Organizations, Second Edition, 2005, p. 163.

7.1 Recommendation on Fundraising Strategies

Nonprofit organization in Kosovo shall integrate two forms of fundraising mechanisms. First, it must integrate a philanthropic mechanism into its traditional grant-making approach. Most of NGOs do not need foundation grants for operations if they are sustainable. The fact is that NGOs tend to decline and lose their capacity when they become significantly dependent on external grants. This suggests that NGOs need to approach the government and private sector to contribute in many ways and forms for the benefit of the community as a whole. In other words, the NGO activities have to appeal both sectors in order to attract funding from them.

Second, an NGO must develop self-financing activities to diversify its financial base. This requires more expert advice and support from the private sector in forms of training, preparing business plans, and implementing. Capacity building means involving local experts to provide assistance and trainings to determine self-financing initiatives and how the project will interact and relate to nonprofit organizations. The NGO moving towards a private sector requires a “close understanding of local business opportunities in the community.”⁶⁴ Yet, the risk involved here is the lack of ability to manage self-financing ventures.

This joint approach of fundraising is very much diversified. CND will treat grants as only temporary funds given that they may be spent at any time, and that grants may veer off CND from its original purpose. This is a similar problem with private foundations that are recently becoming more restrictive and specific in their grant application and requests as to what activities should occur and at what amount of Euros.

The most effective strategies to achieve financial independence are (1) establish networking, (2) become donor independent, and (3) establish credibility.

7.1.1 Establish Networking

This enables the NGO communicate with “local NGOs and representatives from international NGOs, local UN offices, large employers in the area, etc.”⁶⁵ They key players to contact will be of these categories: media, large employers, international organizations (UNDP, UNICEF, etc.), international NGOs (Save the Children, Oxfam, World Vision, etc.), local NGOs, local universities, volunteers, embassies, governmental institutions, etc. The methods to networking include the following: meet face-to-face, membership, online profiling, and regular meetings with possible funders. The end solutions as a result of networking are that more funding will come from donors and from at least two or more sources, and funds will more likely meet project needs. Overall, fundraising is a major component of what a board’s role is all about. How well an organization is funded

⁶⁴ Lewis, David, The Management of Non-Governmental Development Organizations, Second Edition, 2005, p. 152.

⁶⁵ Cravens, p. 3.

determines how extensive their programs can be for their community. If there is limited fundraising, the ultimate fault falls on the board of directors.

7.1.2 Become Donor Independent

This enables an NGO to generate a percentage of its income necessary to carry out its mission even when there is limited quality and quantity of funds. This, of course, requires talent to reevaluate the organization's products and services, and select what can be purchased. One of the ways to do this is to seek partnership with corporations in order to create employment opportunities and generate revenues for the clients. The documented self financing experiences are the following: increased income, diversified revenue base, greater flexibility of funding, improved organizational planning and management, improved financial discipline and oversight, positive impression to the donors, and increased self-confidence. As a result, basic program delivery can continue even if there is funding shortfall because this is a long-term funding plan.

7.1.3 Establish Credibility

This requires "time, effort and personal attention?"⁶⁶ This can be achieved by designing a more concrete programmatic mission. The purpose of having a concrete mission is to establish the organization reputation for excellent, quality work. This means that NGOs should stop seeing every problem as a project for which they could obtain funds. The following activities are absolutely essential to attract international and local funds: list of references, official documentation, budget, clear writing, research potential donors, etc.

7.2 Recommendation on Attracting Volunteers

Volunteerism should be viewed as a cornerstone by which the rest of an NGO is built. It is always useful and cost-effective to employ volunteers for the board of directors. Besides board members who should be non-paid to serve as volunteers, an NGO should attract youth volunteers considering that unemployment is very high in Kosovo and there are not many opportunities of professional development. Volunteers can be used for many different activities, including helping NGOs to raise funds. Volunteers should have a clear understanding of fundraising philosophy of providing human rather than monetary resources. The expectations of any NGO "should be that the volunteer will provide training opportunities for counterparts and other NGO staff, and assist the staff in learning how to research and prepare for funding proposals."⁶⁷

The cost to integrating volunteers should not be a lot. In a nonprofit world successful NGOs should have a large number of volunteers. The costs of hiring volunteers are relatively low for screening, placing and training volunteers. More importantly, it is worth spending for striving to be more diverse in the volunteer base in order to be a mirror of communities that an NGO serves. This is to say that an NGO must have the skills of conducting interview, screening volunteer portfolios, and hiring.

⁶⁶ Cravens, p. 3.

⁶⁷ Peace Corps for Field Assistance and Applied Research, *An NGO Training Guide for Peace Corps Volunteers*, Publication No. M0070, 2003, p.13.

Appendix 1: Project Consultant Biodata

The technical advisors for the capstone project were Gani Asllani, Shqipe Pantina, and Taulant Hoxha. Each consultant had extensive NGO or civil society work experience. Their approach to NGO issues and solutions has been very helpful to completing the capstone project. There is a short biography for each shown below.

Gani Asllani

The first capstone project consultant is Gani Asllani who is to an extent aware of organizational problems in the NGO community Kosovo. He brings local NGO knowledge and experience of more than 10 years in the field of accounting and tax procedures. His support in identifying problems and solutions in nonprofit organizations was very credible. He currently works as an accountant for many international and local NGOs in Kosovo. Mr. Asllani is a member of SCAAK Society of Certified Accountants and Auditors of Kosovo from December 2010. In addition, he was willing to provide guidance and review the very final draft of the capstone project report prior to submitting to the Graduate Program Coordinator.

Shqipe Pantina

The second capstone project consultant is Shqipe Pantina who is more aware of NGO challenges in meeting civil society needs in Kosovo. She currently leads an NGO, Kosovo United States Alumni (KUSA), which she has established in 2009. Her technical support involved a thorough guidance to opening an NGO. She was extremely helpful in terms of giving insights to funding and administrative challenges for sustaining an NGO. Ms. Pantina has a Bachelor's Degree in English and Political Science from University of Prishtina, and Master's Degree in European Integration and Regionalism.

Taulant Hoxha

The third capstone project consultant is Taulant Hoxha who is currently a Project Coordinator at an NGO, Kosovo Civil Society Foundation (KCSF). Mr. Hoxha was very helpful in organizing ideas and research topics for the capstone project. He is currently writing a country profile on Kosovo for the Civil Society Index (CSI) research study which is an action-research project that aims at assessing the state of civil society in different countries around the world. The project is coordinated by CIVICUS. Mr. Hoxha's research findings have been used for the capstone project report considering that they are reliable and can be used as a baseline to tackle current NGO problems. Mr. Hoxha has a Bachelor's Degree in Medicine and Political Science from the University of Prishtina.

Appendix 2: Interview Sheet

Opening Statement

The interview is specifically organized as part of the Capstone Project for the completion of the Master's Program at Rochester Institute of Technology. The interviewer would need the interviewee approval to using a voice recorder and note-taking during the interviewing process.

Interviewee Name and Last Name: _____





Organization Name: _____

Date and Time: _____

Interviewee Signature/Approval: _____

The interviewee personal information and answers given will be kept highly confidential and used only for generating statistical data on current problems in finance and management. The personal information of respondents will be used internally and not presented in the capstone project. However, the findings of the interviews will be presented in the final project report and final project presentation.

The interview takes a Capacity Profile approach to analyzing current issues and needs for improvement in finance and management of your and other functioning NGOs in Kosovo. The research study is focused only on few functional areas. This, however, does not mean that every question must or should be asked by the interviewer. The questions are each categorized by color per respondent:

Local NGO  Audit Firm  NGO Liaison Office  Tax Administration 

The interviewing process will not take more than one (1) hour once the respondent approves to commit to answering some of the questions below.

Funding Source

- ✦ What are the existing sources of the NGO's funding? Does your NGO get funds from three or more sources?
- ✦ What is the long-term plan for developing financial resources?
- ✦ What alternative sources of funding might be available for the NGO?
- ✦ What percentage of costs is covered by constituents?
- ✦ Does any source provide more than 40 percent of the NGO's funding?

Finance Management

- ✦ Are reliable cash flow projections in place to facilitate financial planning?
- ✦ Are restricted donors' funds placed in separate bank accounts?
- ✦ What internal controls are in place to prevent the theft or misappropriation of cash and other assets?
- ✦ Are funds not currently needed invested to earn a return on the money?
- ✦ Is the accounting system automated?
- ✦ Are these procedures for reporting and recording in-kind contributions?
- ✦ How often are financial statements furnished to the NGO's Board of Directors?
- ✦ Are payroll, petty cash, and basic supply costs paid on time?
- ✦ Do accounting records meet donor's and government financial reporting requirements?
- ✦ Do NGOs reconcile cash accounts on a regular basis?
- ✦ Do NGOs get audited in regular basis?
- ✦ Is income tax and rent tax paid regularly in monthly basis?

Human Resources

- ❖ Is work organized individually or by teams?
- ❖ Are staff members motivated and committed to the mission of the NGO?
- ❖ Do staff members have the skills and competencies required to support the achievement of the NGO's mission?
- ❖ What are the training opportunities for staff to develop job-related skills?
- ❖ Is there a written employee manual?
- ❖ Is hiring a systematic, open process?
- ❖ Are salaries based on performance and market value of the jobs?
- ❖ Are staff members assigned and promoted according to performance?
- ❖ Are job tasks and job descriptions consistent with the mission of the NGO?

Volunteer Work

- ❖ How do volunteers assist the NGO?
- ❖ Do volunteers have structured tasks?
- ❖ How are volunteers mobilized and trained?
- ❖ Is volunteer help regular and consistent?
- ❖ How are volunteers thanked for their service?

Appendix 3: Funding and Finance Management Survey

CAPSTONE PROJECT QUESTIONNAIRE ON FINANCE MANAGEMENT

Help us improve the financial management of local NGOs. This questionnaire is entirely confidential and will be used only for the purpose of completing the Capstone Project. Please start by filling in your personal information.

Name and Last Name:
Organization Name:
Job Title:

For each statement below, **highlight** the number to the right that best fits your opinion on the financial management indicators in your NGO. If you are a licensed auditor please respond to the statements using your overall judgment taken from your experience in auditing local NGOs. Please fill in survey statements and sections that apply to you or fall within your area of knowledge or experience. For those statements that you cannot answer, please highlight "no opinion."

Funding Source	Scale of Financial Management				
	Not at all	Not very	No Opinion	Somewhat	Extremely
Thirty percent (30%) of funding or more comes from local donors.	1	2	3	4	5
NGO has funding from three or more sources.	1	2	3	4	5
Basic program delivery can continue even if there is a funding shortfall.	1	2	3	4	5
Current funds meet project needs.	1	2	3	4	5
A long-term funding plan exists that result in the NGO's self-sufficiency.	1	2	3	4	5
All projects have funding plans.	1	2	3	4	5
Constituent support is evident from their willingness to pay for some services.	1	2	3	4	5
NGO has been able to generate income from providing services.	1	2	3	4	5
NGO has a functional online profile or website.	1	2	3	4	5
Financial Management	Scale of Financial Management				
	Not at all	Not very	No Opinion	Somewhat	Extremely
The financial position of the organization is reviewed in monthly basis.	1	2	3	4	5
Adequate internal control mechanisms (i.e. cash receipts, payroll, petty cash, etc.) are in place.	1	2	3	4	5
The NGO uses a petty cash model to pay small expenses that require two authorized signatures.	1	2	3	4	5
The board of directors receives summary financial reports at every regular board meeting.	1	2	3	4	5
Independent audits or external financial reviews are performed with regular and appropriate frequency.	1	2	3	4	5
Internal monthly or quarterly reconciliation of bank statements and accounting records are done.	1	2	3	4	5

Adequate controls exist to avoid overspending.	1	2	3	4	5
Financial systems and reports provide reliable current information	1	2	3	4	5
Financial reports are always timely and trusted.	1	2	3	4	5
Staff members are well informed about the NGO law, tax laws and other laws relevant to financial management.	1	2	3	4	5
Employee income and rent tax are paid regularly in monthly basis.	1	2	3	4	5

Please return this form to the Visar Sutaj at vsutaj@uwalumni.com by May 20, 2011. The results of the survey will be published and will be kept confidential.

Thank you very much for your feedback.

Appendix 4: HR and Volunteer Work Survey

CAPSTONE PROJECT QUESTIONNAIRE ON MANAGEMENT OF HR

Help us improve your working organization. This questionnaire is entirely confidential and will be used only for the purpose of completing the Capstone Project. Please start by filling in your personal information.

Name and Last Name:
NGO Name:
Job Title:

For each statement below, **highlight** or **bold** the number to the right that best fits your opinion on the HR management indicators in your NGO. Please fill in statements and survey sections that apply to you or fall within your area of knowledge or experience.

Human Resources	Scale of Human Resource (HR) Management				
	Not at all	Not very	No Opinion	Some-what	Extremely
Have been pleased with the work performance of my colleagues.	1	2	3	4	5
All skill areas are competently covered.	1	2	3	4	5
The organization has more than 10 individuals employed with or without pay.	1	2	3	4	5
The organization has enough human resources to implement different projects.	1	2	3	4	5
Capacity and attitude exist to contract out for other skills as needed.	1	2	3	4	5
Interpersonal skills and group training are provided as needed.	1	2	3	4	5
Staff members have opportunities to contribute to the organization to the fullest extent of their abilities.	1	2	3	4	5
Majority of staff members hold a University degree related to the organization's work plan.	1	2	3	4	5
Staff performance evaluation done in a yearly basis.	1	2	3	4	5
Staff members have a full understanding of issues	1	2	3	4	5
Staff morale is high.	1	2	3	4	5
Volunteer Work	Scale of Human Resource (HR) Management				
	Not at all	Not very	No Opinion	Some-what	Extremely
High integration of volunteers with paid staff.	1	2	3	4	5
Volunteers are integrated into the planning and evaluation process of the organization.	1	2	3	4	5
Training programs are in place for volunteers.	1	2	3	4	5
Volunteers are recognized and thanked for individual and collective achievements.	1	2	3	4	5

Please return this form to Visar Sutaj at vsutaj@uwalumni.com by May 20, 2011. The results of the survey will not be published and will be kept confidential.

Thank you very much for your feedback.

Appendix 5: Reporting Deadlines

The table below shows a list of reports that need to be completed on time.

Report	Submitted To	Due Date
Finance Expense Report (FER)	Head Office	n/a
Tax on Personal Income and Rent Tax	Tax Administration	1 st until 5 th of the month
Tax on Personal Income Tax	Tax Administration	31 st of March
Pension Contributions	Tax Administration	1 st until 5 th of the month
Tax on Corporate Income (annual report)	Tax Administration	31 of March
Tax on Corporate Income (quarterly report)	Tax Administration	Every 3 months
Report on Purchases exceeding 500 EUR	Tax Administration	31 st of March
Annual Financial Report	NGO RL Office	31 st of March
Annual Audit Report	NGO RL Office	31 st of March