



ANNUAL REPORT
FOR THE C.S. MOTT FOUNDATION
JANUARY 1ST– DECEMBER 31ST 2011

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1. SHORT SUMMARY

MOZAIK COMMUNITY DEVELOPMENT FOUNDATION is social enterprise that provides financial and advisory support to citizens' actions of common interest in communities of Bosnia and Herzegovina (BiH). Established in 2002, the Foundation aims to strengthen **social cohesion** within communities by empowering people to initiate common actions, mobilize local resources, influence local governments and conduct joint actions to address local issues. By building cohesive communities, Mozaik also builds trust and confidence, and supports reconciliation and nation-building processes in BiH.

In the 2011, Mozaik has supported **226** community initiatives, reaching the total value of **€553.646** out of which **58% was raised from local resources**. During the implementation of community initiatives **3.627 volunteers** were registered providing **55.739 hours of voluntary work**. In addition to these numbers, **€262.630** was granted to EkoMozaik and MaSta to support rural agricultural development, reconciliation and CSR promotion. Our annual budget for 2011 grew to **€1.190.599** (compared to €904.013 in 2009 and €813.137 in 2010)

In this year we entered into consolidation phase – since all of our programs had secured funds, we were focused on finding the right people for our social enterprise and establishing new cost-effective processes that will ensure our sustainability in the long run. Still, our programs grew in numbers, we successfully tested more effective mechanism for our CDD methodology, won another grant at global USAID call (\$1.2 mil) and thanks to the project “Empowering Women through Organic Farming” that we implement in partnership with our EkoMozaik, our assets increased for \$500,000 – we built the most modern greenhouse in the region. MaSta Agency was focused on building positive image of the whole social enterprise what resulted in over 940 media appearances during 2011. We are a few steps closer to being sustainable.

2. STRATEGIC STATEMENTS

2.1. VISION

Active communities – initiators of social and economic development

2.2. MISSION

Mozaik Foundation is a Bosnian and Herzegovinian social enterprise, which through financial and advisory support encourages people to organize and advance their own communities.

2.3. GOAL

Improve the social cohesion¹ and support the development of active and strong communities that recognize their own resources, take initiatives and together with the government and the business sector work on their own social and economic development.

3. 2010-2014 OBJECTIVES AND ACHIEVED PROGRESS IN 2011

OBJECTIVE 1 – PROVIDE SUPPORT TO TARGET COMMUNITIES BASED ON COMMUNITY DRIVEN DEVELOPMENT METHODOLOGY

How this objective supported the goal?

CDD methodology ensures mobilization of local resources, strengthening capacities within community to jointly work on social and economic development of their own communities, while building socially cohesive local communities.

Progress

¹ There is no globally accepted definition of "Social cohesion". We have therefore developed one based on extant definitions which best defines what we are working to achieve:

"Social cohesion is a state of harmonious and productive social relations where community members, irrespective of differences in social and economic status, share common values and goals, have a sense of mutual commitment and belonging to the community, a sense of solidarity, responsibility and mutual recognition, and participate in activities for the common good."

In 2011 Mozaik increased number of grants and supported initiatives, from 172 in 2010 to 226 in 2011. Thanks to CDD methodology, 58% of total value of supported actions was mobilized locally, encouraging individual and corporative philanthropy at the level of local communities – in total 2.056 individuals and 290 companies supported implemented actions.

In addition, 19 municipalities transferred over €90.000 to our accounts to support our programs. Within supported initiatives, **3.627 volunteers** were registered providing **55.739 hours of voluntary work**.

External evaluation of the YouthBank program, that has strong reconciliation element, reported that “Mozaik approach supports non-forced reconciliation that is more appropriate for BH society”.

OBJECTIVE 2 - PROVIDE CONTINUOUS QUALITY IMPROVEMENT TO CDD METHODOLOGY

How this objective supports the goal?

Quality control and continuous improvement of methodology ensures the best services for beneficiary communities, while increasing potential breadth of impact. Impact evaluation strengthens Mozaik's position and opens the door for further development.

Progress

We were looking for opportunities to strengthen our CDD network and CDD methodology and in 2011 we implemented the project School for CSOs in municipality Tesanj since 7 of our community advisors were actively engaged and improved our training materials. We also published the manual for local community councils on how to apply participatory approach in community development. We have started the process to develop process standards for CDD that will serve as quality improvement and self-assessment tool. Standards will be published in 2012.

OBJECTIVE 3 - CREATE STIMULATING ENVIRONMENT FOR CORPORATE SOCIAL RESPONSIBILITY

How this objective supports the goal?

CSR could have strong impact on mobilization of local resources and social and economic development. Through this objective, Mozaik is aiming to improve readiness of business to participate in community initiatives and contribute to development of communities and country. Simultaneously, through this objective we want to emphasize positive examples of corporate responsibility. Since this concept is still new in BiH, we aim at positioning Mozaik and its subsidiary MaSta as the leading agency for consulting business on CSR and developing portfolio for corporative philanthropy in the country.

Progress

Progress on this objective can be reported on three interrelated activities:

1. Strengthening and positioning MaSta Agency as leading promoter of social responsibility
2. Organizing DOBRO 11, our annual award for CSR
3. Supporting our two social businesses and positioning Mozaik as leading social enterprise

We completely transferred DOBRO to MaSta and its director had an opportunity to visit 15 most responsible companies and show her competences during the selection process. During the process, MaSta strengthen its connections with IFC, UNDP, Global Compact and other important stakeholders and position itself as competent and relevant player in CSR promotion in BiH.

DOBRO11 had 157 nomination and great promotion that culminated with the ceremony to announce the most socially responsible companies in BiH.

After finalizing all procedures, documents and staffing for its two socially responsible businesses, we believe that MaSta is ready to be independent at the market from 2012 and will continue to intensively support EkoMozaik this year until it is ready to be fully independent in 2014, when our big USAID supported project is finalizing.

Finally, Mozaik is recognized as successful social enterprise at the regional and global level thanks to director's networking through Schwab Foundation and World Economic Forum.

OBJECTIVE 4 - STRENGTHEN MOZAIK'S POSITION AT NATIONAL AND REGIONAL LEVEL

How this objective supports the goal?

Better visibility of Mozaik and CDD approach at national and regional level will contribute to spreading our impact on social and economic development in rural communities of BiH as well as region.

Results

Mozaik had over 940 media appearances this year – and all of them were positive. We are recognized as organization that provides creative and sustainable solutions to community development. Thanks to MaŠta, our communication is much clearer and

segmented to better address specific needs of every of our program, as well as social enterprise concept with its strategic units and products.

OBJECTIVE 5 – ACHIEVE SUSTAINABILITY

How this objective supports the goal?

Mozaik's sustainability would provide a source of continuous support for social and economic development of rural communities in BiH and region. Achieving sustainability would also improve Mozaik's standing in encouraging other organizations to effectively mobilize local resources (engage in philanthropic activities) rather than depending on donor funds.

Results

This year we were focused on establishing effective (and cost-effective) procedures in both of our companies, as well as in Mozaik itself. All new procedures are adopted and new IT system will start at the beginning of 2012. We are still working on our most precious resource – people! We hired new director in EkoMozaik and new Financial Manager. Our social enterprise is established and growing – total investment in both companies is significant and we expect to see first ROI during 2012.

4. OUTCOMES 2011

Mozaik is still focused on two main areas:

- strengthening impact on community development (quality improvement, national and regional outreach, local philanthropy, staff development) and
- self-sustainability (social enterprise, endowment, income-generating activities)

Main outcomes for the 2011 were:

- successful testing of CDD with different target group – LRM of over 70%

- secured funds for all four programs with clear strategies for the future
- Rules and Procedures developed for YouthBanks - self-sustainable model for empowering youth
- Five centers for children with disability entered into transition towards inclusive community centers.
- Our bottom-up advocacy actions resulted in change of policy
- Another project won at the global level - \$1.200.000 for YB program
- Over 940 media appearances - every important media in BiH reported on Mozaik's activities and achievements – strong presence at entity and national level.
- Social enterprise is established, documents, rules and procedures are in place – all developed with support from International Finance Corporation
- Programs fully transferred to the strategic units (MaŠta – CSR, PR for Mozaik and its programs and EkoMozaik – Honey and herbs with related products).

5. PROGRAMS AND ACTIVITIES

5.1. YOUTHBANKS

YouthBanks is the flagship program of Mozaik – it encompasses community development, participatory approach, great local resource mobilization, and activism, while having bottom-up impact on policies (youth strategies and local government budgets). In 2011 we finally succeeded to develop long-term strategy for this program – instead of thinking who will replace Mozaik in local communities, we decided that Mozaik will ensure institutional and financial sustainability of the program – we will provide 1st dollar incentive for local resource mobilization and provide technical assistance to municipalities and Board to run the program. This strategy is in line with and supports our long-term objective for Mozaik sustainability.

In order to support this decision, in 2011 we developed Rules and Procedures, through participatory process with municipalities and Boards, that defines roles and responsibilities of all involved and transfers more responsibility to municipality and Board. This approach, together with e-platform we will develop in 2012, will significantly decrease costs and raise possibility that YB program be sustainable. Rules and Procedures are finalized in seven municipalities – we are signing it, and in 10 municipalities we expect this process to be finalized in 2012.

The impact of the program is so important that Mozaik succeeded to win another three-year support from USAID, at the global call. Total of \$1.200.000 will be invested in establishing 15 more YouthBanks and strengthening national network of young leaders.

YouthBank provides youth in rural areas, ages 15-30, with real opportunities for meaningful joint activities, while at the same time building their social and entrepreneur skills. Young people that are involved in the program also gain confidence in themselves as leaders and agents of change. The YouthBank initiative consists of ethnically and gender diverse network of grant-making committees run by young people for young people. YouthBanks started in 2008 and today are active in 17 multiethnic communities of Bosnia and Herzegovina, supporting joint projects chosen and implemented by youth, which are beneficial for the whole community.

During the 2011, Mozaik, through YouthBanks program, supported 193 initiatives in total value of €375.522. Mozaik contribution was €157.504, (20% from USAID and BTB and 22% from municipalities) and 58% of total value was raised through local resource

mobilization from individuals (555), businesses (206), public institutions (152) and NGOs (16).

The main achievements of Mozaik through this program are:

- Increased number of supported initiatives (from 172 in 2010 to 226 in 2011)
- Great national promotion of successful mechanism for community development and youth activism.
- Improved cooperation with 17 municipalities, including financial contribution to Mozaik. Joint efforts of Mozaik, municipalities and Boards resulted in development of Rules and Procedures that are/will be signed with all 17 municipalities
- Recognized as important partner of USAID – won third grant at global call, what opened opportunities for further fundraising and partnership.
- Presence in the most rural parts of municipalities – up to 5.000 inhabitants – establishing a model that operates as a community foundation
- Supports Mozaik strategic goal towards sustainability.

5.2. CULTURAL HERITAGE

The program grew from the Living Heritage initiative (2002) with clear focus on economic development of Bosnia and Herzegovina, as one of the main motivator for citizen participation. In 2011, we decided to change the title of the program and instead of Cultural Heritage and Tourism, we will focus non-profit activities on Cultural Heritage and building national identity. Touristic part of the program will be transferred to modern Destination Management Center that Mozaik plan to establish in summer 2012. The project “Crossroads to Stay”, together with the Bosnian Kingdom Trail (form the last EU funded project) have been developed strategically, to improve Mozaik’s capacities and position to establish the first DMC and become a leader on the tourism markets. It is planned that DMC become an integral part of the Mozaik social enterprise.

Since September 2010, we implement the project “Crossroads to Stay” that expands tourism offer, and encourage tourist to stay longer in Sarajevo. “Crossroads to Stay” connects cultural institutions in Sarajevo into four one- and two-day tours, and it will increase the number of highly qualified city guides and tourism industry management staff. The project value is over €355.000 and will last until November 2012. We are proud that we succeeded to get Town of Sarajevo as co-financer of the project – they will contribute around €50.000, support all project activity and contribute to Mozaik’s

visibility and positive image at national level. This is the first time that we are working in big city and we were concerned if we will succeed to apply our methodology, but when it comes to cooperation with authorities, we are more than satisfied!

Mozaik is recognized for its expertise to raise capacities for sustainable management of cultural heritage by all 13 involved cultural institutions who become our close partners. We organized two international study tours to create opportunities for our institutions management to learn and apply new approaches that will make their institutions more sustainable and attractive. Right now, Mozaik opened the call for proposal where institutions have opportunity to apply for grants (up to €10.000 total project value) that will be used to apply gained knowledge and raise attractiveness of developed cultural routes. Five tour guides specialized in the cultural and historical heritage of the city of Sarajevo have successfully completed the training organized by Mozaik, and delivered by the World Association of Tour Guides.

However, we are faced with several challenges:

- a) Cultural institutions and their management are all facing tremendous pressure to function on a basic level. This leads them to question their existence, and therefore the implementation of this project, which would further build the capacity of institutions but demand even more effort from institutional managements
- b) We are struggling to motivate involved institutions to apply local resource mobilization techniques – bigger town means less connections and trust among people and they do not believe that LRM will work.
- c) We did not succeed to get House of A. Djerzelez to open House of Tourism, since the minister we were negotiating with was replaced and replacement do not want to support any activity of previous one.

However, we do have various mitigation strategies and are confident that the project will be of great success. We believe that cultural heritage is great incentive for economic development and building national identity and will continue to work on this issue.

In November 2011, EU approved another project where Mozaik is partner to Cultural Heritage without Borders and will have regional character – cultural heritage will be rehabilitate and contemporary practice of sustainable management of heritage sites applied in one town in BiH, Kosovo and Albania.

Main achievements of Mozaik through this program:

- Impact on tourist offer of Sarajevo, economic development of Sarajevo Canton and opportunity for another social business of Mozaik.
- Cultural institutions are closely cooperating as members of the work groups while implementing joint projects that are originally planned for the development of their institutions. In this way, there is an established, long-term cooperation amongst institutions that have recognized the power of joint effort.
- Mozaik Foundation has established good partnerships with government institutions and excellent cross-sectorial collaboration (tourism with culture; culture with education). Regional networking.
- Mozaik Foundation has evidenced its position as a social enterprise that organizes and empowers the management of cultural institutions towards innovative directions and new ideas. Mozaik is now recognized as the initiator of projects relevant to the culture of Sarajevo and Bosnia and Herzegovina.

5.3. PROGRAM PLUS - SOCIAL JUSTICE AND INCLUSION

This program aims to support inclusion of all community members, regardless of their differences. Program supports NGOs, public service providers, and other community members to mobilize own resources and remove physical and psychological barriers to more justice in the communities of BiH.

After significant contribution of Mozaik-Mott general purpose funds for three years, since 2008 the program is fully supported by Austrian Development Agency and Medicor through our partner Light for the World (Austria). Current project is approved in December 2010, with total value of over €215.000 for 30 months. Since we had great success with Putnam three-layer approach in this program, the current project is also built around the same methodology – first layer that is already implemented raised awareness on the need for inclusiveness into community, the second will be focused on getting support for sustainability of centers and third one to celebrate achieved results and sharing the best practice.

Although work with marginalized groups, especially children with disabilities, usually relies on humanitarian aid, we decided to transfer Mozaik entrepreneurial spirit instead. Within this program, five segregating centers for children with special needs will be transferred to inclusive community centers and develop income-generating activities that will have impact on their sustainability.

In 2011, five involved centers have introduced inclusive activities in their working calendars on regular basis. At the beginning, the centers had a hard time to get the community members who were not their usual beneficiaries in their centers due to all the prejudices and stereotypes. Challenge was to get parents of the children who are not beneficiaries of the centers for special needs to come to these centers for their own benefits. They showed a great resistance at the beginning asking: “Why there, why not somewhere else.” The reason for this lies in the fact that these centers are perceived as places for “those” persons i.e. places where “other” people go only to give donation and charity.

However, the project provided technical assistance in assessing the market and developing inclusive activities that are in line with the needs of community – parenting workshops, libraries, reading corners, playgrounds, etc. Then we offered the grant to fill in the gaps in capacities to be able to address those community needs. Finally, the community members started visiting these centers for the purpose of their own education, play-time or workshops, not to give charity or donation for the first time. This way the segregation is being dealt with at its grass-root level. Centers now got new allies i.e. new support in fighting prejudices and breaking up stereotypes about persons with special needs. Number of community beneficiaries is much higher than anticipated in our indicators!

Within this program, we have also supported 17 communities through small grants. This part is financed by the World Bank and Open Society Fund, where Mozaik is recognized as the best grant administrator for their funds.

This year, we focused small grants on creating and improving opportunities for employment of marginalized groups and are proud to report that nearly 60 people achieved working engagements, and through opening portals for employment, many others were given the same opportunity. Through various capacity building activities (workshops, trainings for blind people to use computers, training for employment in car washes, work in greenhouses, tutoring to pass examination for elementary school degree, training in web design, glass-painting, working with engraving machines, training locksmiths, etc.) many people received better opportunities for employment or to generate income along other revenues.

During the 2011, through this program, we supported 22 initiatives in total value of €137.052. Mozaik contribution was €61.135 and 55% of total value was raised through local resource mobilization from individuals (1.259), businesses (68), public institutions (28) and NGOs (36).

In addition, Mozaik together with MaSta organized a conference for over 80 participants from all over BiH on the topic of people with disability. Mozaik was selected by World Bank as the best offer to organize this event, which generated 10.000 EUR for Mozaik and MaSta.

Main achievements of Mozaik through this program:

- Mozaik is present in 22 communities, influencing social development and more justice for all
- Significant municipal and individual resources mobilized
- Opened opportunity to establish five community centers and transfer know-how on establishing and running social enterprise to them
- Mozaik recognized as a partner of World Bank and OSF

5.4. FOR ACTIVE COMMUNITIES

Through this Program communities receive small grants support for activities of common interest that actively involve citizens in its planning and implementation. Communities are strengthened in their capabilities for joint decision making and participatory planning of local development, as well as the capacity for the mobilization of local resources and lobbying for the interests of rural communities in the local government. Thanks to the CDD approach, capacity building necessary for organized community development, public advocacy and mobilization of local resources is ensured. This program provides great platform for testing and improving our CDD methodology.

Program is focused on small rural communities, with less than 5.000 inhabitants and during 2010 was implemented through two projects: "Equality in Rural Communities", funded by EU and regional project "Rural Community Culture" funded by Swiss Cultural Program.

“Equality in Rural Communities” aims at introducing CDD as main tool for local communities’ councils to involve all of their citizens in decision making processes, with focus on higher participation of women and youth. Through this project we are standardizing our CDD methodology and tested work with local community councils. The results are great. Councils applied CDD and raised the contribution that covers 71% of the total value of the actions.

In addition, thanks to our activities, two local municipalities adopted decisions to increase number of women on every election for local community councils. We are proud every time we succeed to influence policies through our bottom-up approach, since often our community actions are perceived as pure “infrastructural work” by other primarily advocacy organizations in the country.

“Rural Community Culture” is a regional project, where Mozaik is partner with organizations from Macedonia, Serbia and Kosovo, aiming at using culture as incentive for strengthening social cohesion, creating links between citizens and government and support social development in rural areas of Western Balkans.

In 2011 through this program we supported 11 community actions in both projects, with total value of €41.071, out of which Mozaik granted €14.082, and communities contributed €26.988 (66%).

Main achievements of Mozaik through this program:

- Regional cooperation on the implementation of Rural Communities Culture project – four organizations from Macedonia, Serbia, Kosovo and Bosnia and Herzegovina implement this project together.
- Presence in small rural communities with innovative approach
- Manual for LCCs members is developed, published and distributed to 138 municipal governments in BiH, and 38 CSOs

6. FOR-PROFIT UNITS

6.1. EKOMOZAIK

EkoMozaik’s primary goal is to generate sustainable jobs by using competitive advantages of rural Bosnia and Herzegovina. Simultaneously, EkoMozaik is a socially responsible company that generates income and directs all of its profits through Mozaik Foundation to developmental projects in Bosnia and Herzegovina.

EkoMozaik is a social business owned by the Mozaik Foundation, and located on the Bisina plateau in the Sekovici municipality. Over the past 12 months, EkoMozaik has achieved the objectives for which it can now boast; however, there were also many challenges that tested our flexibility and creativity.

EkoMozaik employs a director and 18 full time employees (administration, agronomist, bee-keepers/carpenters, and greenhouse workers). In addition, 72 women are engaged as seasonal workers. EkoMozaik owns 1.000 productive bee colonies and equipment to produce high-quality organic bee-hives. We started the process of HACCAP standardization and installed modern equipment of final honey production and packing. In 2011, we built and equipped the modern greenhouse of 5.000 m². This year EkoMozaik produced 33.500 kg of high-quality forest honey and we are looking for the best market to sell it.

Beside establishing and testing rules and procedures and hiring the best available human resources, EkoMozaik's work during the past year was focused on:

- Implementing the project "Empowering Women through Organic Farming" and Greenhouse
- Beekeeping and honey production, and
- Carpentry operation and beehive construction.

At the end of 2011, municipality of Sekovici finally regulated all the paper work to land 70.000 m² of land to plant phacelia and lavender and thus provide better positioning of our bees and much higher quantity of honey in 2012.

In 2012, EkoMozaik will focus on sustainable greenhouse production, while continuing to prepare pasture land and beehives so that our honey yield will be significantly higher than in 2011. EkoMozaik will continue to empower communities through sustainable jobs and marketable agricultural products.

6.2. MAŠTA AGENCY FOR PROMOTION OF SOCIAL RESPONSIBILITY

The MaŠta Agency goal is to become a leader in conceptual promotion of Corporate Social Responsibility and Social Entrepreneurship in BiH.

MaŠta enters 2012 focused on market orientation, which is a huge challenge, and also a great responsibility. In the past most of its activities were aimed at achieving the goals of Mozaik Foundation, including all programs/projects, it's daughter organization

EkoMozaik, and the selection of socially responsible companies in B&H „DOBRO“, while in this year we will work intensively on positioning ourselves in the field of promotion of Corporate Social Responsibility (CSR) to achieve success of the Agency itself.

2011 was for MaŠta a very challenging year, but also, altogether very successful in terms of promotion, building a corporate image and positioning the concept of social responsibility. Significant effort was put into building the image of the Agency itself, different programs of Mozaik Foundation, EkoMozaik, the selection of the socially responsible company of the year in BiH „DOBRO“ and building image of key staff members of Mozaik Foundation. The annual event for the client Weishaupt was organized for the second time, the visuals for GEF created, and a big conference for the World Bank was organized as well.

Considering the constraints we face in terms of the lack human resources (two employees), the lack of financial resources, the non-commercial character of the Selection of the socially responsible company of the year “DOBRO”, we are proud of the way the whole process has been run and implemented. We have decided not to continue with this award since CSR become very popular concept and do not need further promotion. In addition, MaŠta and Mozaik could be in the conflict of interest since the same companies could engage MaŠta for CSR consulting, and Mozaik will be more active in fundraising from companies, especially for its endowment.

We have recorded 940 media releases, interviews and appearances promoting the work of Mozaik Foundation, EkoMozaik and the selection “DOBRO” in 2010 and 2011. The estimated non-commercial value of the releases was €230.000.

After finalizing all procedures, documents and staffing for MaŠta, we believe that they are ready to be independent at the market from 2012. MaŠta will propose its strategic and operational plan to Governing board in January 2012 and we strongly believe that MaŠta will realize first return on investment in 2012.

7. MOZAIK'S DEVELOPMENT

7.1. STRATEGIC MAINSTREAMS

In April 2010, Mozaik has organized 3-day strategic planning meeting with all staff. Based on SWOT analyze we have identified critical issues and main challenges and

choices Mozaik is facing now and will be facing in the upcoming period related to programs, financial sustainability and overall organizational development, and which have shaped strategic directions for Mozaik further development. These strategic directions reflect some long-term challenges in organization, deep changes that we have introduced recently, as well external opportunities and threats. We have reviewed strategic mainstreams in November 2011 and decided to leave it unchanged:

Strategy of deepening: Our focus will be on in-depth development of existing programs and improving their quality and sustainability, rather than widening and establishing new ones. This strategy relates to staffing also – Mozaik does not have plans to enlarge number of employees significantly in the next five-year period (up to 15 employees in Foundation Mozaik programs). Our vision is to become innovative social enterprise that applies contemporary principles of corporative management and employs dedicated and innovative professionals who exceed their responsibilities. Improvements in HRs management and modernization of work and procedures are integral part of this strategy.

We do not plan to open any new programs in the two following years. We, however, might react opportunistically to opportunities that emerge and are in direct synergy with our strategy.

Strategy of synergism: Particular attention will be paid on ensuring synergy among all programs, as well as programs and for-profit units. This will ensure using potential of competitive advantage of being social enterprise.

Strategy for ensuring financial sustainability: As a social enterprise, in the next five-year period we want to lead three strong and recognizable non-profit programs, focused on rural development, youth participation and social justice and use competitive advantage to strengthen three for-profit socially responsible business: EkoMozaik, MaŠta Agency and Destination Management Centre grown from our forth program (Cultural Heritage and Tourism). These for-profit companies will provide financial sustainability of Mozaik Foundation, as well as provide additional value to our work, vision and mission

In light of above social enterprise developments and new partnership with government, our earlier Objective on building an Endowment will be pursued. An Endowment is important as it will provide the most solid financial sustainability to the Foundation. We are currently discussing the initial size of Endowment to be created and working on an Endowment Strategy.

Strategy of branding and differentiating Mozaik's know-how: Over the last few years we have witnessed other CS organizations copy our grant-making tools and principles while falling short in transparency, monitoring and resources and volunteer mobilization. Therefore Mozaik will develop clear communication strategies for Mozaik as a social enterprise and for its each program and for-profit entity. It will reflect our main values in every communication. Our main "protection" of know-how up to date was in our implementation that was never short of excellence. However, a more firm strategy of differentiating of know-how of our programs and companies needs to be developed and in place in the next period.

7.2. IMPROVING PROCESSES

Faced with dilemma of just simply adding staff to our payroll every time new or more complex projects come along, as an organization we have opted for dramatic improvement in our operational processes. This entailed redesign of our whole operation and introduction of several IT solutions which will help us in providing better outputs for same amount of man/hours providing better outcomes.

We are currently in the final stages of implementation of Microsoft Dynamics Navision. This is Business Management Software which will allow us to provide better service related to finance and administration for projects that we are implementing and it will provide comprehensive business control in our companies. This software will impact our finance/accounting, payroll, supply chain, manufacturing and sales. The training is at its final stage, and final adjustments are being made to the accounting behind the system. We are expected to go-live sometime in March 2012. We have also decided to implement Microsoft Exchange and host our e-mail locally on our servers. This reduces systemic and operational risks related to our current arrangement related to our e-mail, calendaring and tasks system. We are also in the process of transferring all of our web pages to our servers with the ultimate goal of providing unparalleled transparency related to projects we are implementing (providing on/line, real time reporting for all of our donors, and all relevant information related to our programs to beneficiaries of our programs).

All of this will reshape the way we do things and initial goal behind Productivity Improvement idea will be achieved. This will mean that we can rely on our staff to provide excellent results on multitude of projects and empower our SBU to provide excellence for our customers and in-turn provides sustainability that we are striving for.

All of this was easier since we received donation from Microsoft of \$167,844 in software and we look forward to exciting 2012 when our productivity will increase and one of the main weakness identified by staff (overload of staff) will be addressed.

7.3 HUMAN RESOURCES

This year again we confirmed our belief that right people on right places are crucial for achieving the goals. It is a great challenge to find the right people and still, we are not sure that we mastered the best ways to hire staff. However, at the end we are more than satisfied with current statues with HR – Mozaik has 15 full-time employees and three volunteer on every day basis, EkoMozaik grow to 18 full-time plus over 70 sessional and MaSta has two full time employees and one volunteer. In 2011, we had great challenge to find new director for EkoMozaik as well as agronomist. Finally, after head-hunting, we engaged Kristina Seslija to lead the EkoMozaik and success she achieved with HR, procedures and rules in EkoMozaik are great.

We had to employ several new persons: new director for EkoMozaik, new agronomist, person to overtake finance and administration management since Vesna Balta was promoted to Internal Control and Audit Director. We also hired new program manager for cultural heritage, since the old one have more experience in tourism and will lead our DMC once it is formed.

It was difficult to find skillful agronomist who is willing to work in Sekovici – just two persons applied for the job and one of them gave up as soon as she visited Bisina. So, we tried with the only candidate we had, but after few months, we decided that this was not a solution and canceled the contract. Finally, we succeeded to hire Ms. Csilla Choke, who is competent and dedicated employee and become valuable member of EkoMozaik team and great support to its director.

During 2011 we addressed one potential threat: our programs (profit and non-profit) require lot of efforts of staff involved, so very often they were not enough familiar with activities and issues of other programs and colleagues, often putting “his/her” program as the most important one. There is a danger of alienation among programs / departments and missing opportunity to capitalize on the fact that all of the programs are Mozaik’s and as such have additional value. However, we improved internal communication – regular monthly meetings lead by another staff member every time, daily in-formal gathering and joint work on events and promotions neutralized this threat.

Having in mind that Mozaik is finalizing deep structural changes (establishing social enterprise), we succeeded to clarify purviews and responsibilities of top management and staff members, and have clear understanding on transparency and confidence of internal data. Still there are things to be improved, but important steps are made forward.

Generally, human resources are on very satisfactory level. We plan to make certain changes in our finance and administration section in order to better use available resources, but are confident that finally we have the right people on the right places and that we can achieve great visions.

7.4 NETWORKS

Mozaik is eager to establish and maintain networks at national and regional level – we are still putting efforts in establishing regional network of indigenous grantmakers, looking for the best opportunity to advocate for philanthropy development, community development and CRS at national, regional and EU level. However, it does not go so smoothly as we envisioned. Also, we are still members of GEF, although participation in both of these networks was lower in 2011 since our executive director was on maternity leave and director had to maintain ongoing operations and pursue opportunities for networking that arise thanks to the award for social entrepreneur of the year 2010 in CEE.

We significantly improved relationships with and among members of our CDD network thanks to meaningful joint activities and more transparent and frequent communication. We have developed project to support CDD network and submitted it to EU – unfortunately, it was not approved. However, we believe in the idea and will look for another funding opportunity to pursue that idea.

8. LESSONS LEARNED

- We still need comprehensive and clear communication strategy for each brand in order to avoid the image of a foundation with excessively wide activity range, which cannot be streamlined. Serious progress is made here thanks to Mařta's communication – however, we need more time to make it clear for internal and

external channels. This remains the lessons for second year and we plan to work seriously on this in 2012.

- We need to discuss the notions we are using and naming – what out of our “local resource mobilization” is in fact individual or corporative philanthropy, what does it mean CDD, etc. During strategy planning we realized that within the MLR we imitate and promote a lot of philanthropy actions and fail to name it properly in our external communications.
- We have to improve our publications and our web presentation, but to find system solution that will maintain this part of communication at satisfactory level.
- Process management remains weak point of our work – a lot of time is being used on the things that are not important nor urgent.
- EkoMozaik and its product need to be carefully branded and positioned at the market, to assure visibility of all competitive advantage we have. We have to improve marketing and selling resources in EkoMozaik.
- We need to transfer responsibilities to our grantees in order to be able to keep fin/admin costs lower and thus be closer to sustainability.
- We need to be more careful when working with public institutions – they have different values and systems and it is much harder (or require different approaches) to achieve our quality indicators when working with them.

MOZAIK FOUNDATION, 2012