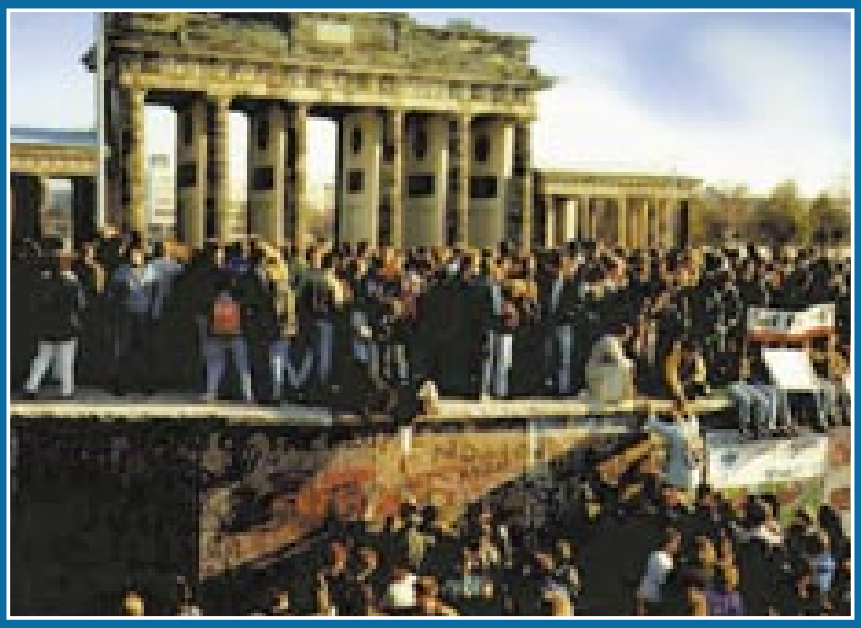
*U.S. Agency for International Development,*
*Bureau for Europe and Eurasia (E&E),*
*Office of Democracy and Governance*

# Lessons in Implementation: The NGO Story



## Building Civil Society in Central and Eastern Europe And the New Independent States

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*U.S. Agency for International Development,*
*Bureau for Eastern Europe and Eurasia (E&E)*
*Office of Democracy and Governance*

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## Building Civil Society in Central and Eastern Europe And the New Independent States

A Study Sponsored by the
Office of Democracy and Governance
Within USAID's E&E Bureau
And by Implementing Nongovernmental Partner Organizations

October 1999

## Team Members

Mary Ann Riegelman, USAID/E&E/DG
Michelle Otterman, USAID/E&E/DG
James Watson, USAID/E&E/DG
Mark Levinson, USAID/E&E/DG
Mitch Benedict, USAID/E&E/DG
Valerie Estes, USAID/E&E/PCS
Harry Blair, USAID/G/DG
Joshua Kaufman, USAID/G/DG
Slavica Radosevic, USAID/Croatia
Nina Majer, USAID/Poland
Sean Roberts, USAID/Central Asian Republics
Diana Arnaudova USAID/Bulgaria
Lydia Matiaszek, USAID/Ukraine
Marina Grigorieva, USAID/Russia
Lisa Petter, USAID/Russia
Manana Gegeshidze, USAID/Georgia
Nino Saakashvili, Horizonti/Georgia
Stephan Klingelhofer, International Center for Not-for-Profit Law
Doug Rutzen, International Center for Not-for-Profit Law
Joel Levin, Counterpart International Inc./Washington
Karen Sherman, Counterpart International Inc./Washington
Kimberli Brown, Counterpart International Inc./Washington
Terry Leary, Counterpart International Inc./Ukraine
Aaron Bornstein, Institute for Sustainable Communities/Bulgaria
Andrea Usiak, Academy for Educational Development/Washington
Gregg Niblett, Academy for Educational Development/Washington
Michael Kott, Academy for Educational Development/Poland and Croatia
Mary Heslin, World Learning/Moscow
Jill Benderly, Star Network, Croatia
Peter Wiebler, Freedom House/Hungary

C. Stark Biddle, Consultant, Principal Drafter
Michael Hopps (Conwal Incorporated), Editor

# Foreword

Don Pressley, Assistant Administrator,
Bureau for Europe and Eurasia (E&E), USAID

FOR THE LAST SEVERAL MONTHS I have followed with great interest the unfolding of this study, *Lessons in Implementation: The NGO Story.* For USAID, the story began in the early 1990s, when the Agency first entered Eastern Europe. Civil society at that time was either nascent or nonexistent in most countries of the region. Most populations lacked the basic rights of a democratic civil society: freedom of expression, the right to organize, to advocate one's interests, to form independent political parties, to hold free and fair elections. We decided early on that vigorous USAID support for local nongovernmental organizations would be a critical element of strengthening civil society in the region.

The explosive growth of local NGOs in Eastern Europe was just beginning in the early 1990s. As director of USAID's mission in Poland, I myself was lucky enough to witness this spectacular growth firsthand. At that time, we and most of our American NGO implementing partners were newcomers to the region. As such, we had a great deal to learn about the culture, traditions, and practices of the environment in which we were suddenly operating.

This study documents that, in nine short years, the efforts of USAID and its American NGO partners have dramatically strengthened the prospects for ultimate sustainability of NGO sectors in Central and Eastern European countries and New Independent States (CEE/NIS), which is our primary goal. We have much to be proud of. Together, we have helped

- Improve the legal and regulatory framework in which local NGOs operate. Thanks to USAID assistance, new enabling legislation benefiting NGOs has been passed in many CEE/NIS countries, and additional legislative improvements are expected soon.
- Strengthen the organizational competence of NGOs. With USAID assistance, nongovernmental organizations in CEE/NIS countries are rapidly making the transition from voluntary to professional staff and from single charismatic leaders to more institutionalized governance.
- Lay the groundwork for long-term financial sustainability of NGO sectors. Thanks largely to our efforts, many local NGOs (particularly in the region's northern tier) now have the capacity to raise funds from a diverse set of donors: the corporate sector, local governments, and local and international donors and foundations. Their managerial and organizational competence—a key to financial viability—also has increased, thanks to U.S. training and technical assistance.
- Institutionalize advocacy capacity. Our American NGO partners have had demonstrable success training NGOs to mobilize

citizens and other organizations to aggressively and effectively pursue common interests, at both local and national levels. In many countries in the region, NGOs now regularly lobby government. They have learned how to be both proactive and collaborative in government relations and are learning to balance their watchdog role with their partnership role.

There is still a great deal to be done, as this study affirms. In many countries the NGO sector is not yet on the road to financial viability. I consider the development of a viable, sustainable financial base for NGO work to be one of USAID's most critical challenges as the new century approaches. The likelihood that support from foreign donors—including ourselves—will plateau or decline over time urges us to confront this issue head-on and immediately.

Another vital area where more intensive work is needed is in creating and sustaining intermediary support organizations (ISOs) for NGOs, as the study describes. ISOs are indigenous centers or groups that can provide a mix of information, training, technical assistance, and grants to local NGOs. As donors disengage, ISOs will become a cornerstone of continuing support to local NGOs. USAID assistance now and in coming years can help to ensure that many more ISOs will be up to the task by the time the Agency leaves the region.

This study presents lessons learned on these and many other implementation issues encountered over the years. Its final chapter describes illustrative options for future programming, categorized by the stage of development attained by the NGO sector in particular countries. I urge readers not to skip this section.

I have asked our Democracy and Governance staff to launch a follow-on analysis of strategic programming choices for promoting NGO sustainability in E&E countries. It will be based on findings from this study and from E&E's NGO Sustainability Index. This new analysis, which will be ready soon, will set our course for NGO support programming for the next several years. Among other things, I expect this analysis to provide guidance on major regional legacy mechanisms—such as the Baltic–American Partnership Fund—that USAID can leave in place when our in-country presence ends.

Finally, a word about the process that produced the *Lessons in Implementation* study. This was truly a joint effort, in every sense, between USAID and its American NGO partners. Our Washington and mission staff worked hand-in-hand with American NGO staff in designing, managing, and carrying out the study. The study's high quality reflects this collegial process. I thank all involved for their efforts. I am convinced that this partnership will endure and prosper, setting an excellent example for future collaboration between governments and private nonprofit organizations.

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# Executive Summary

THIS REPORT conveys what USAID and participating American NGOs have learned about the process of strengthening civil society in Central and Eastern Europe (CEE) and the New Independent States (NIS).* The study starts with the premise that a strong civil society is desirable and makes democratic practices and traditions more likely to flourish. The report draws mainly on field visits to eight CEE/NIS countries (Bulgaria, Croatia, Poland, Georgia, Kyrgyzstan, Russia, Ukraine, and Uzbekistan), but also on existing studies and evaluations.

A main conclusion is that local NGO capacity in the CEE/NIS region has demonstrably increased as a result of donor assistance, including USAID's, and in turn, that NGOs have served as an effective vehicle for citizens to increase participation in their society. The provision of grants, technical assistance and training, along with mentoring provided through the various USAID NGO support programs, has greatly benefited individual organizations. USAID and other donor assistance has helped fuel the explosive growth of NGO sectors in these countries and has built sectoral capacity. Moreover, in each country surveyed, donor assistance contributed to NGOs' ability to successfully lobby, provide needed services, increase public awareness of pressing social and environmental problems, and improve the quality of life in communities.

This report provides USAID missions and implementing partners with relevant, accessible information that is important for strategic planning and design of future program interventions. The last chapter presents options for future programming within each of three developmental stages identified in the Bureau for Europe and Eurasia's NGO Sustainability Index: pretransition, transition, and consolidation.

## Major Lessons Learned

*1. Local NGOs must recognize and confront the issue of long-term financial sustainability, given declining donor resources.* The level of foreign support from USAID, EU/Phare, Soros, and other private foundations continues to drop, while indigenous corporate giving and government contracting–granting is just beginning to appear on a modest scale. NGOs need training and technical assistance in devising strategic plans and long-term diversifica-

*Although several of the New Independent States lie geographically in Europe, in a political sense they are outside of it. In most cases throughout the development community, and always for the purposes of this report, the term "Central and Eastern Europe" refers to Albania, Bosnia–Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Poland, Romania, Slovakia, Slovenia, and Yugoslavia; the New Independent States are Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

tion strategies. USAID and its American NGO implementing partners have a key role to play in such endgame planning, which should begin at the start—not the end—of NGO support programs.

The study identifies a number of diverse instruments and techniques that can be used to encourage participating NGOs to move toward a sounder financial footing. These include cost-sharing provisions, training in strategic planning and organizational development, and technical assistance in designing revenue-generating activities.

*2. The nurturing and development of NGO sectors is a staged, sequential, long-term process.* Policymakers should not see the cultivation of NGO sectors in CEE/NIS countries as a short-term, single-stage, restorative intervention. The maturation process for the independent sectors in these countries requires a long-term approach and forms of assistance that change with evolving needs. Virtually every NGO sector support program in the CEE/NIS region has been restructured to reflect changing conditions, and this process is likely to continue.

*3. Creating and sustaining a positive, enabling legal environment is immensely important and will pay off generously.* In many CEE/NIS countries, laws and the legislative process often reflect host-country ambivalence toward NGOs. Technical assistance provided through the International Center for Not-for-Profit Law has led to significant advances including new enabling legislation in countries as diverse as Estonia, Hungary, Macedonia, and Uzbekistan. Revisions in the tax code or a new framework law are expected soon in Albania, Bulgaria, and Slovakia. Investing in a supportive legal and regulatory environment by providing technical assistance, advice and regional networking opportunities yields a significant payoff.

*4. Sectoral infrastructure development is one critical element of sustainability.* Indigenous intermediary support organizations (ISOs) that provide training, encourage professionalism, promote the interests of the sector, mobilize financial resources and facilitate networks and coalitions, will be needed to maintain the infrastructure of support for NGO sector growth and sustainability after foreign donor support phases out.

*5. Increased management capacity is a key to NGOs' ultimate sustainability and effectiveness.* Training and technical assistance provided by Democracy Network and similar NGO support programs has significantly improved the managerial competence of NGOs. This assistance has helped CEE/NIS NGOs make the transition from voluntary to more institutionalized governance and professional staffing. In turn, the increased professionalization of the sector has strengthened NGO's credibility as advocates, service providers, and as vehicles offering citizens a chance to participate in their communities.

*6. Training and technical assistance for local NGOs should be closely integrated with small grants in a coordinated, activity-based approach.* Connecting grants with lessons learned and capacities developed in training provides more tangible impact than generic grant giving. Further, the process of application review and award must be transparent and accommodate significant local input.

*7. Training should increasingly focus on individual organizational needs.* As NGOs mature, training is more effective if it evolves from a seminar approach embodying a core curriculum that builds basic skills, to an on-

site, closely tailored approach that addresses the unique needs of the organization.

*8. Strategic reassessments of NGO support programs should be periodically undertaken.* A USAID mission should occasionally assess the NGO sector's stage of development and make any necessary corrections to programs—not only to take advantage of current targets of opportunity, but also to lay the groundwork for sustained sectoral development. The annual NGO Sustainability Index offers a framework for the strategic reassessment of program activities.

## Options for Future Program Design

Once a mission or program design team knows the level of development of a country's NGO sector, it can draw upon this study's program options framework, in chapter 9, which breaks down NGO development and sustainability into three stages.

In the first stage, *pretransition,* notable for an environment hostile to democratic reform, USAID and its American NGO implementing partners may wish to focus activities at "targets of opportunity," looking for inroads at both the grassroots level as well as providing cover for humanitarian and other groups that are pushing the envelope for reform.

In the second stage, *transition,* USAID has a wider range of programming options, which run the gamut from an early transition stage of political opening in which authoritarian regimes accept some liberalization, to a late transition stage where a fundamental redirection to a more open political system is under way. NGO programs in transition countries should be structured to quickly respond to the changing political situations, while also maintaining a strong focus on sectoral infrastructure development, including activities to

- Emphasize and develop the NGO sector as a whole through a broad-based grant and training program
- Increase understanding of the NGOs' role among the business community, government and the general public
- Build the capacity of NGOs to interact with legislators and government to improve the legal framework
- Begin the development of Intermediate Support Organizations (ISOs) to provide indigenous training, technical assistance and networking capacity to NGOs.

At the third stage, *consolidation,* the legal and economic environments are enabling and the local NGO community demonstrates a commitment to pursuing needed reforms and to developing its professionalism. In consolidation stage countries, USAID and its NGO implementing partners should focus upon the eventual departure of foreign assistance programs by strengthening NGO sectoral infrastructure and by linking weaker NGOs with stronger ones through partnership and mentoring programs. Additional interventions may include 1) strengthening local NGOs' links to the international community and to in-country funding sources through the use of partnership grants and 2) making direct grants to ISOs.

# 1

# Introduction: Purpose of Study and Methodology

THIS SPECIAL STUDY attempts to capture some of what USAID and participating American NGOs have learned about the *process* of strengthening civil society in CEE/NIS countries. The study emphasizes what implementation strategies and practices have succeeded—and not succeeded—and what can be done in the future to make these and similar programs more effective. Its purpose and methods are described below.

The study is *not* a thorough impact evaluation or a comprehensive assessment of all the NGO strengthening programs funded by USAID over the last 10 years in the E&E region. However, the report does address the critical issue of how future interventions by USAID and other donors can be most effective in developing and strengthening NGO sectors in these countries.*

## Structure and Purpose

Chapter 2 first presents a background section describing programs to support local NGOs that USAID and its American NGO partners have implemented over the last decade in Eastern Europe and the New Independent States. This section also summarizes key programmatic successes of these programs. Chapter 3 then sets out characteristics of the NGO sector in the region. Chapter 4 explores the major program design issues encountered in USAID NGO support programs, such as the balance between rural and urban situations, integrating technical assistance and training with grants, and appropriate ways to ensure the involvement of women as participants and beneficiaries.

Chapters 5 and 6 stress the *sustainability* of local NGOs and of NGO sectors, describing progress to date on such matters as revenue-raising, creating intermediary support organizations, NGO–government–business partnerships, and support for community foundations. In chapter 7, the report discusses the relationship between USAID and its American NGO implementers. Chapter 8 summarizes major lessons

*Chapter 8 presents a list of useful lessons learned.

learned over the course of the study, and chapter 9 presents options for future program design, with suggestions for practical design steps for program implementers, depending on the stage of development of a country's NGO sector. Appendices B–I highlight innovative practices developed by several American NGO implementers.

A key premise of the study is that a strong, active civil society is a desirable objective. It does not measure the impact of NGOs on the long-term prospects for representative government or determine whether democracy is advancing or receding in individual CEE/NIS countries.* While skeptics argue that the pursuit of civil society manifests a narrow Western agenda, this study accepts the proposition that institutional pluralism is a constructive, stabilizing force and that democratic practices are more likely to advance in countries where citizens can voluntarily assemble to pursue common interests and advocate change than in countries where this is not feasible.†

The study deals with USAID-funded programs designed with the express intent of building the capacity of NGO sectors and strengthening civil society. The study does not attempt to assess the many other USAID-funded programs that address a range of specific social and public policy issues that indirectly may have benefited individual NGOs and the NGO sector.

## Methodology

The study is based primarily on material assembled from field visits to eight CEE/NIS countries and a review of NGO support projects in those countries. In February and March 1999, teams consisting of USAID/Washington and field mission staff and representatives from participating American NGO implementing partners visited Bulgaria, Croatia, Georgia, Kyrgyzstan, Poland, Russia, Ukraine, and Uzbekistan. During the visits, the teams conducted in-depth discussion sessions with representatives from NGOs, government, business, and the media. A common interview guide was used to structure the discussions and solicit a comparable database of perspectives. Subjects included the role of the NGO sector, implementation challenges, relations with government, the grant-making process, program initiatives that succeeded, program design and strategy, the legal and legislative framework, programs for women and minorities, strengths, weaknesses, and future needs. Background discussions were held with USAID mission personnel and local individuals who solidly understand the NGO sector in their countries. The study synthesizes the principal themes and findings contained in the individual country reports. It is supplemented by a review of studies and evaluations conducted over the past five years.‡

*That said, the positive impact of civil society recently in Central Europe has been dramatic. In explaining the fall of Prime Minister Vladimir Meciar in Slovakia, Timothy Garton Ash reports: "But perhaps the most important was… civil society. Even in the worst moments of Meciarism, Slovakia had an active civil society…. There were independent radio stations, magazines, and the private television station. And there were numerous nongovernmental organizations…. There were mass meetings, posters, pamphlets, T-shirts, buttons, baseball caps, and Rock the Vote concerts. Arguably, this swung the election" (Ash 1999).

†The issue is succinctly stated by Michael Ignatieff in his essay "On Civil Society": "The question in Eastern Europe… is whether a social form that emerged from below, by accident and over centuries, can now be established from 'above, by design and in a hurry….' Without a robustly independent society, it is hard to see how they can withstand political demagoguery and the shocks of economic transition."

‡A partial list of USAID implementing partners that have worked on NGO strengthening activities in CEE/NIS countries is found in appendix A.

# 2

# Background

SINCE 1990, USAID has invested significantly in regional programs and bilateral support to develop the nongovernmental sectors* in the countries of Central and Eastern Europe (CEE) and the New Independent States of the former Soviet Union (NIS). The integrating purpose of those investments has been to build a strong, viable base of institutions that can give voice to citizen interests. The transcendent goal has been to solidify the long-term prospects for well-functioning, representative democracy by establishing the attributes of what is broadly understood as "civil society": voluntary association, citizen activism, public policy dialog, civic advocacy, and an abiding concern for governmental accountability and democratic governance.

Projects designed to strengthen nongovernmental organization sectors are not new for USAID—many Agency missions throughout the world have funded small NGO grants programs. However, the magnitude, regional breadth, and direct conceptual linkage with civil society in countries still emerging from 70 years of communism sets these programs apart. The level of overall effort to build and strengthen civil societies in these countries has been immense—in aggregate dollar terms, in the number of participating countries, and in the number of participating institutions and individuals.

In Central and Eastern Europe and the New Independent States, USAID has supported a wide range of civil society groups, which can be divided into four general categories based upon their purposes:

- Democracy (human rights, legal advocacy groups, policy reformers)
- Free market development (business associations, think tanks)
- Environment (awareness, preservation, and advocacy)

*The choice of a phrase to describe the group of organizations supported by the various USAID subgrant programs reviewed in this report is neither simple nor without controversy. The phrases "independent sector" and "third sector" are used in the West but have limited immediate meaning in Central Europe, and the implication of "independence" may be inaccurate in some instances. The phrase "voluntary sector" is problematic because it also is a Western term and can be interpreted as applying only to organizations supported by volunteers. The phrase "nonprofit," or "not for profit," does not have wide currency in CEE/NIS countries. Thus, the term "nongovernmental," or "NGO sector," while neither elegant nor perfectly apt, is used by default in this report to describe the group of organizations assisted by the various programs discussed here.

**What Is Civil Society?**

The term "civil society" has a long tradition in political philosophy, but it is a Western concept with little direct meaning in postcommunist cultures. It has various meanings. A broad definition of civil society, as USAID has used it, is the multitude of nonstate organizations around which society organizes itself and that may or may not participate in the public policy process in accordance with their shifting interests and concerns. A narrower definition is a society composed of nonstate organizations that push for more effective democratic governance through advocacy, policy analysis, and mobilization of constituencies, and by action as a governmental watchdog (USAID/CDIE 1996). In general, when this report refers to civil society it uses the broad definition, except when explicitly discussing public policy and advocacy.

- Social safety net (such as providing humanitarian relief, municipal services, or health services)

While all NGOs face similar basic organizational challenges, the nature of an NGO's mission affects its development and sustainability in different ways. For example, service providers may have an easier time tapping into indigenous funding by charging fees, while a human-rights or other advocacy NGO may always depend more heavily upon foreign assistance. This paper does not attempt to delineate the very diverse needs among NGOs, but it highlights the need to target grants, training, and technical assistance to meet those diverse individual needs.

## Common Characteristics Of NGO Sector Programs In the Region

The structure and content of the NGO sector programs in Central and Eastern Europe and the New Independent States have differed to suit variations in country conditions and the development of their NGO sectors. At the same time, the programs have important similarities. They include an emphasis on transparent grant-making, the integration of training and technical assistance, and the use of an American NGO in an intermediary implementation role.

The programs—particularly those in Central Europe—have deliberately been multifaceted and strategic in design. They have attempted to apply a unifying set of objectives and a common organizational structure to guide implementation in individual countries.*

USAID-funded NGO sector support programs in CEE/NIS countries share several important common characteristics:

- Management and implementation by a single American NGO or a consortium of American NGOs
- A program of subgrants combined with training and technical assistance, sometimes mandatory, with most subgrants falling in the range of $10,000 to $50,000

*This emphasis on integrated design is particularly evident in the case of the Democracy Network (DemNet) program, which began operating in Central and Eastern Europe in 1995. DemNet used a common concentration on public policy organizations, established four sectoral priority areas, put in place a standardized decision-making structure, incorporated a strategy toward training, and included important regional components designed to promote and strengthen cross-border linkages and the NGO legal environment. The program also included funds for a series of internal conferences to promote self-assessment and learning among DemNet countries. This mechanism was used effectively as a venue for initial review and early comment on a draft version of this study.

- Reliance on some type of reasonably transparent internal or external peer-review process based on publicized selection criteria
- Use of a funneling mechanism to narrow the pool of applicants to a manageable number
- A structured funding cycle that moves from announcement to application to awards, with preestablished dates
- In general, an emphasis on regional diversity and a conscious priority for organizations located outside the capital
- In Central and Eastern European countries, the addition of a regional program designed to foster regional linkages and respond to common issues and opportunities such as support for a stronger legislative framework

## Programmatic Successes to Date

Since these programs were initiated in CEE/NIS countries, many studies have attempted to measure their impact. As noted throughout the report, in their haste to gain a foothold in the region, donors and NGOs made some early mistakes. However, there is also broad consensus—validated in good part by the discussion groups convened for this study—on the successes:*

*USAID support clearly has helped fuel and sustain the explosive growth of NGO sectors in CEE/NIS countries.* The provision of grants, technical assistance and training, and the mentoring and psychological support provided through various NGO support programs has benefited individual organizations, built sectoral capacity, and helped address specific societal issues.

*Training and technical assistance has significantly boosted NGOs' managerial competence.* This is clear, even while views differ on how training should be packaged and what should be taught. Although difficult to measure in quantitative terms, organizational training has advanced the growing professionalism of the NGO sectors in CEE/NIS countries.

### Polish NGOs' Funding Sources

In a 1997 survey of more than 5,000 Polish nongovernmental organizations, less than 20 percent of respondents cited foreign assistance as a source of funds. Although more than 60 percent stated that they collected membership fees, the fees accounted for only 4 percent of those NGOs' total budgets. The survey showed that government funds provide about 33 percent of NGO budgets, increasingly from local governments contracting for services with NGOs. Nearly 25 percent of the NGOs' collective budgets surveyed come from the private sector in business and corporate giving. Foreign grants account for only 18 percent of the collective budgets.

*Stronger NGO sectors appear especially to benefit women and minority groups, as well as naturally reflecting social concerns and public policy issues important to women and minorities.* Although NGO sec-

*See, for example, World Learning (1998); *Citizens Participation Project Study* (1998), a study of NGO strengthening programs in Bulgaria; Pecat Foundation (1998); *Democracy Network, Poland, Legacies, and Results* (1998); and midterm and end-of-project evaluations for the Baltic States, the Central Asian Republics, the Czech Republic, Poland, and Slovakia.

tor support programs that the Agency has sponsored in CEE/NIS countries were not initially designed to emphasize women's issues, they have been effective in responding to them. Further, programs have supported advocacy organizations that directly address gender and minority issues. Most NGOs appear to provide equitable professional opportunities to women. And women tend to be well represented in leadership positions in these organizations.

*NGOs' prospects for financial sustainability have improved.* While the situation varies dramatically from country to country, the long-term funding prospects for emergent NGO sectors have slowly improved. Corporate giving is beginning to appear on a modest scale. The potential for government support is being debated. And in some countries, evidence of individual philanthropic activity is slowly emerging. The more advanced NGOs have begun to demonstrate greater awareness of the need to formulate long-term diversification strategies.

*Sectoral infrastructure has been strengthened.** In several CEE/NIS countries, intermediary support organizations capable of serving their NGO constituents are emerging. Their services range from basic networking and provision of training and technical assistance to creating centers that promote philanthropic development.

*Important regional linkages have been established.* Where there has been an attempt to bring NGOs together to solve common problems and learn from one another's experiences, creating cross-border linkages has proven extremely valuable and cost effective.

*The legal and regulatory framework governing operation of the NGO sectors has improved.* Though the legal environment remains problematic in many countries, technical assistance provided through USAID support has led to significant advances. Among these, new enabling legislation has been passed in Estonia, Hungary, and Macedonia. Revisions in the tax code or new framework law is expected soon in Albania, Bulgaria, and Slovakia.

*The application of professional grant-making systems and procedures has set a good example for indigenous NGOs.* A recurrent refrain among discussion group members who participated in the study—a view supported by other independent evaluations—was that professional peer review and transparent grant-making based on clear, objective criteria had a beneficial effect.

These accomplishments have not come without controversy and challenge. Virtually all of the USAID-sponsored NGO support programs have experienced difficult periods of transition and redesign. Most have grappled with fundamental questions about program purpose, funding priorities, and appropriate selection criteria.

All of the NGO grant programs have confronted management problems and struggled with coordination issues, unclear roles, and complex decision-making structures. In several countries, the USAID mission and the im-

*The term "sectoral infrastructure" is used several times to describe the full range of institutions, programs, laws, and regulations that emerge to enhance the capacity and effectiveness of the broadly defined NGO sector. These include intermediary support organizations. Among ISOs are groups that provide training, technical assistance, and networking capacity. They also include organizations and programs that promote a better understanding of the role of civil society, facilitate charitable giving, establish professional standards, and advocate legislative reform.

plementing American organization have differed fundamentally over basic strategy, for example:

- To support public policy NGOs or community-based organizations; and
- To develop intermediary support organizations or to offer broad-based support to many NGOs.

Many of the NGO support programs have also faced issues of implementation, including

- Cumbersome program design
- Creation of dependent relations due to the high proportion of foreign funding in NGOs' budgets
- Dealing with opportunistic grant seekers
- Countering charges of political intent, elitism and concentration on a few winners

An occasional criticism has alleged that, despite the rhetoric of empowerment, the approach has been directive and "top down," and that grant programs have reflected Western perceptions of social issues and goals rather than locally determined priorities.

USAID and its partners have learned a lot about effectively implementing NGO support programs in the CEE/NIS region over the past nine years, and have adjusted program design and implementation accordingly. This study is only part of a far larger documentation that USAID and its partners can now draw on for optimal future programming.

# 3

# Characteristics of Nongovernmental Sectors Throughout the Region

CENTRAL AND EASTERN EUROPE and the New Independent States cover an area of rich historic, cultural, and political diversity. Although roughly a decade ago communism linked these countries through imposition of a common ideological model, they have been and continue to be highly differentiated. They now pursue independent economic and political paths and are increasingly diverse in the challenges they confront.

For purposes of analysis, there are several taxonomies for grouping the CEE/NIS countries that provide a background framework for a comparative understanding of the NGO sectors in these countries. Freedom House's *Nations in Transit 1998* distinguishes among transitional governments (16 of the 27 countries considered here), consolidated democracies (7 others), and consolidated autocracies (the remaining 4). Of the eight countries visited for this study, six (Bulgaria, Croatia, Georgia, Kyrgyzstan, Russia, and Ukraine) fall into the transitional category, one (Poland) is a consolidated democracy, and one (Uzbekistan) is a consolidated autocracy (Karatnycky and others 1998).

*Nations in Transit* also rates the comparative level of development of civil society in those countries through a weighted measure based on organizational capacity, financial sustainability, NGOs' growth rate, and the friendliness of the legal and political environment. Unsurprisingly, NGO sector development tends to be positively correlated with advanced stages of political freedom, economic development, and an active commercial private sector. Thus, applying the Freedom House structure, the NGO sectors in Kyrgyzstan, Ukraine, and Uzbekistan are at a relatively low stage of development; Bulgaria, Croatia, Georgia, and Russia fall into a middle category; and Poland stands out as by far the most advanced.

While the NGO sectors are diverse and at varying stages of maturation and sophistication, they share important common characteristics that have influenced program design and the manner in which programs are imple-

**The NGO Sustainability Index**

USAID's Bureau for Europe and Eurasia (E&E) produces an annual NGO Sustainability Index that measures and tracks development of the NGO sectors in CEE/NIS countries. Its rating system examines organizational and financial capacity and legislative context but also includes advocacy (NGOs' ability to influence public policy) and the NGO sector's public image as reflected in the media and in governmental and public attitudes. The 1998 Sustainability Index provides a picture similar to the Freedom House survey, with Hungary, Latvia, Lithuania, and Poland in the forefront of development; Bulgaria, Romania, Russia, Slovakia, Ukraine, and several others in a middle category; and Armenia, Belarus, Tajikistan, and among those nations at the lowest level.

mented. These common elements will continue to shape the direction of NGO sector support programs in the future. They follow in nine main sections.

## Extremely Rapid Growth

In all Central and Eastern European countries and New Independent States where USAID has an active civil society program, the growth of the NGO sector has been rapid and in some cases explosive. This is a consequence of various social, political, and economic factors, including

- Greater freedom of association
- Heightened awareness of global issues (particularly the environment)
- Vigorous response to the opportunities and responsibilities that accompany democracy

As government-run social organizations dissolved after the demise of communism, they left a vacuum that was filled by new community-based groups that dealt with previously unattended social problems. Foreign donor support was an important stimulus for reform**,** as was open and free access through the media and the Internet to Western concepts of civil society and to information about the influential programs of Western NGOs.

Because of the rapid growth, NGO sectors in these countries display the organizational strengths typically associated with accelerated change: institutional fluidity, a high level of pro bono labor, extraordinary energy and commitment, a propensity to attract youthful and talented leadership, and responsiveness to emerging social and political issues. In many CEE/NIS countries, the NGO sector continues to generate optimism and a sense that "this is where the action is."* For women especially, NGOs have provided a vehicle for self-expression, an opportunity to take leadership roles, and a mechanism for dealing with pertinent social issues.

But rapid growth and accelerated change come with a price. Change in CEE/NIS countries over the past decade has also featured

- High turnover of single-issue organizations and occasional bogus operations

*Lester Salamon argues that the explosive growth of NGOs worldwide is an "associational revolution" with distinctive roots and characteristics that reflect the crisis of the welfare state, the failure of traditional development strategies, the growing concern with global environmental issues, and the failure of socialism. Those issues, Salamon argues, constitute a challenge to the modern state and create a vacuum filled increasingly through voluntary association (Salamon 1994).

- Weak organizational skills, particularly in the areas of strategic planning, governance, communications skills, partnership relations, and constituency building
- The absence (until recently) of sectoral infrastructure or intermediary support organizations

In many CEE/NIS countries, the rapid growth of NGO sectors has not been accompanied by the rise of a broad-based ethic of philanthropy, wide public understanding of the role of the independent sector, or an intuitive appreciation of the importance of civil society and the creation of so-called social capital.

For donors, the pace of growth has made it difficult to keep abreast of developments in the sector and to know whether they are working with organizations with a viable, authentic constituency. Foreign donors and USAID in particular have tended to view their involvement in these countries as restorative and transitional. Such a short-term perspective makes it hard to design programs that anticipate future developments.

In general, accelerated change—coupled with the desire to exert an early positive impact—has challenged donors' capacity to be phased and strategic in their program design. Instead, donors have tended to concentrate on the merits of individual projects and the strength of individual organizations.

NGO sectors in these countries do appear to be moving through comparable stages of transition—or at least to be dealing with a sequential set of common issues. While systematic analysis of this evolutionary process has not been attempted, the most important transitions appear to involve levels of maturation at the organizational, programmatic, and sectoral levels. Predictable patterns of change seem to be occurring in all NGO sectors: from voluntary to professional staff, from the autocratic model to a broad-based governance structure, from a single constituency to multiple constituencies, and from a narrow attack on a delimited issue to a broader concern for the contextual factors that give rise to that issue.

## Impact of Foreign Donors

Foreign public and private donors have profoundly influenced NGO expansion in CEE/NIS countries.* Not only have foreign donors provided financial support that has fueled the NGO sectors, their programs and policies have also influenced internal priorities. Moreover, their grant-making practices have affected the local structure and approach to grant making.

For a host of reasons, the impact of foreign donors has been disproportionately greater than the financial magnitude of their programs. Their activities are highly public. They tend to work with larger, well-known, well-established NGOs often located in the national capital. And they impose rigorous procedures for grant application, funds management, and monitoring that local donors and the NGO community view as proxy measures of professionalism.

Donors' influence and financial leverage are further amplified because donors can be a source of relatively scarce general support funds (as opposed to project funds) and because different donors tend to support the same organizations. Grant support from these

*This point is made in many of the NGO support program evaluations, including one by the Pecat Foundation (1998).

sources (particularly from USAID) is highly prized—in part because rigorous grant-making procedures establish a managerial litmus test, but, more so, because of the status attached to receiving funds from a prestigious foreign donor.

The primacy of foreign-donor funding has given emergent NGOs access to seed capital and sophisticated advice and mentoring. Donors (USAID in particular) have brought a nuanced appreciation of the role of civil society, Western styles of transparent grant making, an understanding of public policy formation and advocacy, and high-quality training and technical assistance.

At the same time, foreign donors have brought their own priorities and programmatic agendas, their own conception of the role the NGO sector should play, and (especially in USAID's case) a complex administrative structure that may appear bureaucratic and inappropriate. They also have supported (with good intentions) the creation and growth of some organizations that were unable to obtain local financing. Inevitably, they have demonstrated periodic bias toward groups that were skillful and sophisticated at courting the Western donor community while not responding well to their local constituents' needs. For example, the Democracy Network program's initial focus upon public policy NGOs left out numerous grassroots groups that were working to address immediate community needs. In response, each DemNet program slowly evolved to better meet each country's NGO needs.

Most troubling is that, for NGOs that do receive foreign donor funding, the sheer magnitude of foreign assistance relative to the size of NGO budgets has contributed to a reliance on outside funding that is unsustainable at current levels. As described in chapter 6, USAID and its implementers are working closely on developing innovative techniques to reduce this dependency while strengthening NGOs' sustainability.

## Uneven Public Understanding Of the NGO Sector's Role

In most of these countries, there are significant gaps in the public's understanding of the function of the NGO sector. Some countries have a deeply negative perception of the underlying motives of these organizations. Such attitudes have been influenced by years of communism and enforced volunteerism, but they may also reflect the historical absence of Western-style philanthropic activity. The public sometimes suspects NGOs of responding to foreign interests and making self-serving efforts to obtain special dispensations and preferential tax treatment. The new states have no laws imposing standards of transparency. Ambiguous legal definitions and the absence of a clear set of categories that distinguish public service, nonprofit organizations from commercial entities can add to the confusion and create lucrative opportunities for unscrupulous groups.

Some NGOs fail to understand the role and responsibilities of a public service organization and the importance of cultivating, developing, and responding to a public constituency. The lack of a representative board of directors with roots in the community, a tendency to seek support from foreign donors, the prevalence of charismatic but sometimes authoritarian leaders, and the absence of strong communications skills are common problems. All these factors tend to distract a youthful NGO from the difficult but necessary task of cultivating and listening to the constituency that is vital to its ultimate success.

## Deficient Legal and Regulatory Structure

Nearly all CEE/NIS countries have enacted legislation governing the role and operations of the NGO sector. But the quality and degree of supportiveness varies widely. Some countries encourage the growth of civil society organizations through legislation that clarifies roles and provides tax incentives, as in Poland. Others discourage voluntary organization by passing confusing or ambiguous laws, as in Croatia. Some NGO laws permit a high degree of governmental intervention in the governance of the organization, while others inhibit activities frequently necessary if the NGO sector is to grow and be sustainable. Problematic legislative structures range from those that are outdated but benign (as in Romania) to those that are invasive and potentially controlling (as in Bosnia). Areas of specific concern include

- Limitations on the authority of an NGO to engage in advocacy
- Restrictions on activities designed to generate revenue
- Inclusion of the state in the apparatus of the NGO's governance
- Imposition of capricious limitations on administrative costs
- Imposition of onerous, intrusive registration requirements

In some instances these restrictions reflect a fundamental misunderstanding of the NGO sector (as is probably the case in Bosnia), while sometimes the probable intent is to restrict NGO activities for political purposes (as in Croatia).

In general, the laws governing NGOs in Central and Eastern Europe are more supportive and advanced than those in the New Independent States. More progress has been made in the northern-tier countries than in the south. But there are important exceptions. For example, Latvia has lagged in NGO law reform, while Albania and Macedonia are making significant progress. Georgia, Russia, and other republics have enacted comprehensive NGO laws (although some are excessively complex), and implementation has been uneven. In Central Asia, legal reform is just beginning, and improving the legal environment will require long, consistent effort. Indeed, the recent passage of a new law on Foundations and Associations in Uzbekistan will stand as a test case regarding this government's commitment to proper implementation.

The creation of a positive, enabling legislative environment is immensely important but difficult. In many CEE/NIS countries, laws and the legislative process reflect host-country ambivalence toward nongovernmental organizations. NGOs have generally demonstrated a constructive capacity to collaborate in support of framework legislation. But NGOs in many countries are unskillful at making their case for legislative reform, and associations with a mandate for advocating the interests of the sector are not well established. Nonetheless, there appears to be a natural sequence of legal reform: first an enabling framework legislation is developed; then tax issues are addressed in related laws; and finally, the relationship between NGOs and government is defined.

The International Center for Not-for-Profit Law has developed a successful methodology regarding legal reform in this sector, which stresses NGO–government cooperation as early as possible in legislative drafting. See appendix B for a discussion of ICNL's methodology and experience in the CEE/NIS region.

## A Difficult Relationship With Government

In virtually all Central and Eastern European countries and New Independent States, the NGO sector is engaged in a difficult process of structuring a relationship with government and defining roles in a way that reflects the distinctive competencies of each group. What is relatively intuitive and natural for nonprofit organizations in the West is much more complex in postcommunist countries with 70-year histories of government hegemony, continuing alienation between government and citizens, and mutual distrust between government and the NGO sector. Developing a constructive relationship is an immensely important process because it deals directly with the inherent nature of civil society and the long-term sustainability of the NGO sectors. It is complicated by the fact that, in many of these countries, government is currently the only significant source of funding for the NGO sector.

**Divided Views of the NGO Sector in Croatia**

When foreign donors began helping or creating local nongovernmental organizations to provide psychosocial and humanitarian assistance, the Croatian government felt it was being bypassed. Thus, the regime raised practical financial objections to NGOs in addition to political ones. Following Croatia's independence, NGOs were viewed by the government, the media, the general population, and the NGOs themselves as divided into two sides—those loyal to the government and those critical of it. With virtually no middle ground, and high animosity between the sides, the effects of this divide persist.

The process of structuring relations with government will involve defining the advocacy role of NGOs, their role as service providers, and under what circumstances NGOs should receive direct government support. *The principal difficulty will be to balance autonomy, the practicality of financial survival, and the importance of having influence. Mixed motives complicate the issue.* Many NGOs will wish to directly influence their area of concern by taking on some type of government-funded social service role, but they will also hope to retain the capacity to lobby government to change fundamental policies. Doing both simultaneously requires a high degree of sophistication and a lucid sense of institutional boundaries. Foreign donors can support the process by exposing indigenous NGOs to Western norms and practices and by sponsoring seminars, workshops, and retreats where NGOs and government officials can discuss together the concept of civil society and the dynamics of their changing relationship.*

## Inadequate Managerial Capacity In Selected Areas

There is broad agreement that NGOs in CEE/NIS countries have improved in such areas as financial management, office administration, program planning, and program monitoring. The training offered through NGO support programs has raised NGOs to a higher level of professional capacity. Many have become adept at writing proposals and cultivating congenial relationships with foreign donors. *At the same time, there is broad agreement that many NGOs have serious*

*Some NGO officials note that Western models of NGO–government relations are inappropriate because in the West there are greater constraints on advocacy activities than in many CEE/NIS countries.

**Combating 'Founder's Syndrome' in Bulgarian NGOs**

Throughout Central and Eastern Europe and the New Independent States, many nongovernmental organizations are run primarily by one dynamic personality rather than benefiting from the managerial capacity and financial protection of a board-run structure. If staff are not trained, and a board of directors does not exist, an NGO faces a difficult struggle to find its identity after the founder leaves.

Even in Bulgaria, where many NGOs have boards of directors, organizations tend to have poorly developed governance structures. Often, distinction between boards and staff are blurred and board roles inadequately defined. To combat this problem, the current Democracy Network program in Bulgaria places greater emphasis on board development than the previous program did. A U.S.-based organization, the National Center for Not-for-Profit Boards, will provide technical assistance to support this program.

*managerial weaknesses in four important areas: strategic planning, private sector fundraising, board development and governance, and public and media relations.* Board development in particular appears to be a poorly addressed area that is critically important to enhanced legitimacy, public outreach, and fundraising. Although NGOs are better at planning and forecasting, most still need help comprehending the impact of external factors and developing strategies that will optimize their distinctive capacities.

Finally, most NGOs show a solid emphasis on *tasks:* the practical needs of a particular group, the void left by the absence of a government service, or some concrete community issue (the NGO sector in most of these countries benefits from high levels of education and expertise in technical matters). However, they have more difficulty grasping contextual implications, dealing with fundamental causes, and understanding their potential role in addressing larger societal issues such as the need in many Central and Eastern European countries to alter fundamental public attitudes toward mental illness or the environment.

## Weak Sectoral Infrastructure

***Intermediary Support Organizations***

A measure of the maturity of NGO development is whether there is a structure of support organizations intended to promote the interests of the sector either through the internal provision of services to members or through external efforts to gain more favorable treatment of NGOs by public or private institutions. *While there has been recent progress, the NGO sectors in many CEE/NIS countries do not yet have an advanced infrastructure to protect against punitive government oversight, build a corps of professional staff, publicize the sector's success, perform brokerage functions between donor and recipient, and lobby legislatures* (see chapter 6 for a discussion of intermediary support organizations). In part, the lack of infrastructure reflects donor preferences for projects, organizations, and rapid and discernible impact. It also reflects individual NGOs' parochialism and their preoccupation with growth and survival, as well as their reluctance to create new organizations that will require funding from a diminishing resource base.

**Forming a Successful Coalition to Support Free and Fair Elections In Slovakia: The OK '98 Civic Education Campaign**

A critical factor in Slovakia's return to democratic political reform was a successful collective nonpartisan civic education effort led by 11 Slovak NGOs, entitled *OK '98,* with a number of DemNet grantees in key leadership positions. The civic campaign evolved into a network of more than 50 NGOs, across all regions and sectors of civil society, with funding coordinated through the Slovak Donors' Forum. USAID training of organizers and participants of OK '98 included coalition building, media relations, advocacy skills, and financial and project management training.

OK '98 conducted 58 independent election projects throughout Slovakia, including public education programs, voter motivation projects, and independent election monitoring activities.

According to domestic and international election observers, the OK '98 campaign made a significant contribution to the free and fair nature of the 1998 parliamentary elections in Slovakia, and to the result of an 84.3 percent voter turnout. At a critical time in Slovakia's history, its NGO community was able to mobilize effectively. It used the necessary organizational ability, networking and coordination skills, and commitment to democratic values, to significantly and positively influence the democratic political process that strengthens the roots of democracy in Slovakia.

***Challenges to Coalition Building***

NGO sectors in CEE/NIS countries need support and encouragement in the formation of intrasectoral linkages and mechanisms for collaboration and better information sharing. NGOs in these countries have difficulty building coalitions. The reasons for this include the absence of a culture of cooperation, the legacy of communism where "voluntary" association was mandatory, intense competition for scarce resources, and skepticism regarding the basic benefits of cooperation. While constructive examples of cross-border linkages exist, networking must be supported not only for basic purposes of information exchange but also to facilitate the process of identity formation. As NGO sectors mature in CEE/NIS countries, donors should reinforce the idea and practice of strength in numbers.

## Energetic, Charismatic Leadership

Although not universally the case, the NGO sector in most CEE/NIS countries seems to have attracted youthful, highly motivated leadership passionately committed to social, environmental, and economic goals. Many of these leaders have founded the organizations they administer and lead through force of vision and personality. They are part of a generation that remembers communism, and they relate to the members of government who have emerged from it. In some countries it appears the NGO sector will provide an important source of future political leadership.

The model of an NGO led by a charismatic founder has drawbacks. Many NGOs are one-person creations that will stay in business only so long as the founder furnishes energy and direction. Some of these leaders manage in an autocratic style that is poor for responding to constituents' needs. *Such organizations may be institutionally shallow, weak in administrative process, and poor at collaboration and networking.* Leadership transitions—when they occur—are likely to be prolonged, unsystematic, and sometimes traumatic.

**When to Prepare for a Decrease in Foreign Funding? A Look at Bulgaria**

The *Lessons in Implementation* Bulgaria field team found that few local NGOs they interviewed had thought about their financial viability beyond the presence of USAID and other major donors in their country. Until the Agency recently extended its Bulgaria program, USAID's implementing partner and many of the NGOs had understood for the last few years that the Mission would close in 2002—yet the field team found no endgame planning under way to provide for this eventuality.

It is now clear that more might have been done under the first DemNet program to prepare NGOs to plan proactively for the time when donors would withdraw. Any emphasis on endgame planning is mainly the responsibility of the donor and the implementing organization.

USAID/Bulgaria and its implementing partner for the second DemNet program are now talking openly with NGO recipients about imminent closeout dates and methods to plan for the sustainability of NGOs the Agency has supported.

## Poorly Formed Ethic of Autonomy

Two hallmarks of civil society in Western countries are the fundamental belief in the value of independence, and the conviction that freedom from government control or interference from private sector donors is essential. Most NGOs that participated in the discussion groups for this study would concur with that principle. But, in practice, effective autonomy is easily compromised when organizations become reliant on single sources of support. A worrisome characteristic of NGO sectors in the region is NGOs' lack of concern about their dependence on foreign donors or government. Many NGOs seem undaunted by the dismal reality that their futures are tied to decisions made by foreign organizations and that prospects for local funding (whether from corporations, individuals, or generated revenue) are poor.

# 4

# Issues in Program Design

THIS CHAPTER discusses issues that both USAID and implementing organizations have faced frequently while designing and redesigning NGO support programs in CEE/NIS countries. Although there are considerable country-by-country variations, there are also important similarities involving structure, emphasis, and approach.

## The Balance Between Strengthening the NGO Sector And Addressing Specific Social Problems

All the country programs reviewed for this study have struggled to find the appropriate balance between simply establishing the NGO sector and addressing a particular problem area. Getting the NGO sector up and running tends to require smaller seed grants to many different emergent organizations covering a range of topics, with the emphasis on capacity building. Addressing specific problem areas usually means getting somewhat larger project grants to relatively more established NGOs in topical areas such as the environment, problems facing women and minority groups, drug and alcohol abuse, improvements in health care, or strengthening the service delivery capacity of local government.

USAID-funded NGO support programs in CEE/NIS have gradually shifted their emphasis from their early concentration on broad support to NGO sectors as a whole to keener attention on specific topical issues and social problems. At the same time, they have reserved a small cache of funds for worthwhile applications that fall outside the priority areas. The shift has aroused controversy. For example, shifting the focus of NGO programs from humanitarian relief to "democracy building" when a time of crisis ends in a country, as in Croatia and Armenia, changes the playing field of NGOs. Another shift in focus in USAID's programs has been from an emphasis on supporting only "advocacy" NGOs to supporting a broader range of groups that increase citizens' ability to participate more fully in their communities.

When shifts like these occur, NGOs that no longer fall in a priority area argue that topical concentration can be elitist. They say it favors the few over the many while neglecting the importance of sector capacity building. Also, the gradually narrowing focus inevitably follows the agenda of foreign donors and may not reflect local priorities. Nonetheless, a programmatic shift that is based upon a realistic assessment of the sector can improve the likelihood of the whole sector's sustainability.

**Changing Focus of an NGO Program In Response to a Midterm Evaluation: A Case Study From the Baltic States**

Typical of the change of emphasis from broad support of the NGO sector, to a more focused approach of supporting a limited number of NGOs working in specific topical issues, is the evolution of the DemNet program in the Baltic states.

Based upon a midterm evaluation of the DemNet program, the U.S.–Baltic Foundation (USBF) made major modifications to its program and approach. Emphasis shifted from broad grant giving to a targeted approach of building the capacity of a core group of NGOs active in four key areas of the sector: democracy, social safety net, free market development and the environment. Ten NGOs were selected to participate in Lithuania and 13 in Latvia.

Targeted training and technical assistance programs were prepared for each NGO, based on individualized technical needs assessments. Training focused on institutional strengthening, and was followed by a project grant, made with the goal of demonstrating each NGO's ability to affect public policy.

## Rural Versus Urban (National Capital) Focus

Should NGO support programs deliberately decentralize and emphasize smaller, community-based rural groups? And, if so, to what extent? This is a difficult choice because rural NGOs tend to lack the necessary management and administrative procedures and require a greater degree of mentoring and training support. Frequently they are isolated and lack access to networks. They often are relatively weak at advocacy and lack understanding of the public policy process. However, as the name implies, community-based groups arise to meet the immediate, genuine needs of a community—whether they improve local health services or access to clean water.

When there is heavy emphasis on demonstrating a policy change or other large impact, inevitably there will be pressure to assist high-profile national organizations with a known track record. But the problem of working with national groups is that they tend already to be well funded by foreign donors and to share the priorities of the foreign-donor community. These organizations may depend on foreign financing for their survival and find it difficult to build an authentic constituent base of local support. Ironically, the emphasis on impact and results may push donors toward supporting organizations that are not sustainable in the long run.

To build a truly indigenous NGO sector with its own self-defined purpose, it is important to work with local groups rooted in the community, improving their ability to enhance the lives of people within their community.

## Design and Integration Of Training and Technical Assistance

All NGO sector support programs in Central and Eastern Europe and the New Independent States have included a training and technical assistance component that has been integrated with a subgrants program. The design of the training component usually has had to address four related questions:

- Whether the training is mandatory or discretionary
- Whether it rests on an established core or a flexible needs-based curriculum

**Maximizing Synergies From Training, Technical Assistance, and Grants To Develop an NGO's Capacity: A Case Study From Slovakia**

DemNet/Slovakia, implemented by the Foundation for Civil Society, worked closely with the Association for the Assistance of People With Mental Handicaps in the Slovak Republic (ZPMP is the Slovak abbreviation) over the period of the program. The ZPMP is Slovakia's national umbrella organization that addresses needs and rights of the handicapped. Together, DemNet/ZPMP focused their efforts on improving ZPMP's ability to serve its primary constituency (the disabled) in many ways: through grants to ZPMP's national headquarters office and two of its branches, through ZPMP members' participation in DemNet's grant selection process, through technical assistance support in an important organizational restructuring process, and through close cooperation of the two groups during many public events.

- Whether it is standardized or tailored to the needs of one or more organizations

Whether it includes the possibility of follow-on consulting assistance to the participating organization (a related issue is whether cost-sharing should be required, and if so, how much)

Most training efforts have undergone significant change. As NGOs become more sophisticated, training evolves from a formal classroom setting with a core curriculum that covers managerial basics to a more flexible, voluntary approach tailored to participating groups' attributes and individual organizations' needs. In most cases, the provision of training has been linked successfully to the provision of grant funds. Despite the conventional wisdom that cost-sharing is important, training is usually free, but in more developed countries, vouchers are provided to NGOs, who can then "cash them in" with the training providers of their choice.

## The Grant-Making Process

A hallmark of USAID-funded NGO support programs is the thoroughness and rigor of the subgrant application and review process. In general, the process is characterized by considerable emphasis on broad public awareness, wide and equitable access, clear selection criteria, expert peer panel review, transparency in decision-making, and great care to avoid any appearance of a conflict of interest.

Designing and adapting these grant-making procedures has not been easy. Periodic disagreements have arisen between USAID and the implementing NGOs and between NGOs and the indigenous NGO communities. *Specific issues have included the role of public advisory committees, whether broadly or narrowly to publicize the program, the function and composition of peer-review panels, whether the grant cycle should be flexible or rigid, the pros and cons of a two- or even three-step application process, and the frequency and intensity of monitoring and reporting.* One crosscutting question: how can the applicant pool of subgrants be narrowed to a manageable number? The challenge here is to balance between (on one hand) the goal of broad outreach, wide access, and extensive public awareness and (on the other) the immense difficulty of carefully reviewing hundreds of subgrant applications. Various techniques have been devised: use tightly worded selection criteria, adopt a two- or even three-stage application sequence, and preselect a

limited number of meritorious organizations. As NGO support programs have become more programmatic and evolved toward more narrowly defined topical areas, the problem has become more manageable.

There is also the issue of the relationship between grantor and grantee. Most implementing NGOs have adopted a hands-on role toward their grantees, characterized by extensive background checking, frequent site visits, active assistance in preparing grant proposals, and continued involvement and mentoring during the life of the grant. In contrast, other foreign donors tend to be less involved and more formally systematic in their relationships with grantees.

## Applying USAID's Organizational And Programmatic Priorities To the Country Setting

Operating virtually any subgrants program involves moving from a set of donor objectives into a set of individual funding decisions that reflect such objectives. The goals can be *specific* (such as reducing alcohol consumption) or *general* (such as strengthening civil society and the prospects for democracy). The mechanism for ensuring a tight relationship between the objective and the individual funding decision is multifarious. *It can involve numerical set-asides, percentage earmarks, topical or functional directives, or the design of a review and selection process that will ensure that the objective receives appropriate weight.* While it is completely appropriate for donors and USAID in this case to identify and establish funding priorities, the process of translation from program objective to individual funding decision can be complex. In discussion with implementing NGOs, a repeated theme arose. It was the difficulty of moving from a set of preestablished program objectives in multiple areas to a program that responds to the NGO sector's changing needs and adapts to the individual country's unique characteristics.

Aside from the difficulty of simply managing a grants program with multiple categorical goals, the principal problem is to make sure there is a long-term fit between the program goal and the country situation. If, for example, the concept of public policy is weak or nonexistent, or if a hoped-for group of environmental organizations does not exist, building long-term capacity may be impossible. Where there is little or no long-term interest or fit, the likelihood of building a strong constituency and sustaining support is small.

## Gender Issues and Women's Participation In Civil Society Development

Women have benefited from the growth of the NGO sector in Central and Eastern Europe and the New Independent States. They

### Women's Role in Croatian Civil Society

The leadership women provided in Croatia's war-relief effort helped jumpstart civil society in that land. Women continue to play an important role in activist and humanitarian nongovernmental organizations in Croatia, because of the leadership opportunities that civil society organizations offer them relative to government and business sectors, where men still dominate. While few international donor efforts in Croatia zeroed in on gender issues and women's NGOs, many women's groups received substantial donor attention and support. That was because they had taken the lead in interethnic reconciliation efforts in the Yugoslav successor states.

have found a means of participating more fully in their societies by joining an NGO and often received needed services from an NGO. Further, women have gained greater legal protections and professional opportunities due to advocacy by NGOs.

However, when examining gender issues in civil society development, it is essential to separate a) the role of women as actors in NGOs from b) the role of NGOs in addressing women's issues. They are not the same, and it should not be assumed that women's participation in the sector guarantees that issues of specific interest to women, such as labor policy, will be addressed. A closer look at why women participate in the NGO sector, and what they have achieved to date, follows.

### *Why Are So Many Women Active In the Civil Society Sector?*

Women have become active in the civil society sector, particularly in advocacy and social service organizations, for two reasons:

- It offers women one of the few avenues currently available to them to promote broad-scale socioeconomic change, not just change connected with women's issues.
- It is a sector that is relatively devoid of corruption. This is attractive both because of women's dislike of corruption *per se* and concern about physical harm.

The outcome has been the rise of numerous women leaders who have brought change in arenas ranging from resolution of interethnic conflicts to modification of land distribution policies. In Uzbekistan, for example, women play a very important role in the NGO sector—leading efforts in professional association building, providing social services, and improving the quality of life in their communities. In rural areas, traditional barriers to participation in business and government, compounded by an increasingly difficult economic situation, have channeled women's efforts into the NGO sector. Women face credibility problems as they begin to or-

#### When Programs Evolve Too Quickly: The Case of Bulgaria

During the first phase of the DemNet program in Bulgaria, USAID and other donors concentrated on supporting individual NGOs' programs and developed the capacity of these single organizations, rather than working on the sector's ability to provide for itself.

In anticipation of the eventual USAID mission closeout, a new NGO program was developed, with emphasis on creating intermediary support organizations (ISOs) that could advocate for the interests of the sector as a whole, serve as a magnet for donor funds, and provide technical and organizational training to hosts of smaller organizations.

However, a recent assessment of the existing abilities and potential for ISOs in Bulgaria has shown that only a few organizations currently have the skills necessary to serve such support functions. A revised USAID bridging strategy between individual NGO support and sectoral support is under way. The Bulgarian case underscores the importance of donors' not getting too far out in front of the sector in their attempts to address systemic problems within the sector.

ganize themselves, but they have found creative ways to overcome these barriers.

Reflecting their importance as actors in the sector, approximately 50 percent of interviewees for the *Lessons in Implementation* country studies were women.

### *How Can Civil Society Help Women To Surmount Barriers?*

Thanks in great measure to the success of international support of NGOs in the region, both women and men now have a stronger voices in public decision-making and, consequently, more effective democratic governance. However, in many countries, women's voices are still not as powerful as men's. This is not because of failures of NGOs but, rather, because of the economic, political, legal, and sociocultural barriers to women's full participation in many of these emerging nations. However, civil society offers a very powerful means of overcoming constraints and promoting women's comparable collaboration in political and economic decision-making.

The degree and type of obstacles differ, depending upon a range of variables. However, some generalizations are possible, particularly regarding the New Independent States and Southern Europe. Most common is that, although there is usually—but not always—*de jure* equality, there is not *de facto* parity. This is the situation in a number of arenas that limit participation in a democracy. A recent study of women's issues in Georgia that was conducted in conjunction with the *Lessons in Implementation* study is not a template for the entire region, yet it summarizes the most common barriers for women in the region: 1) human rights violations, 2) employment and economic discrimination, and 3) political inequality. The study also highlights how a variety of NGO's raise awareness of, and advocate for change in, each of these three areas.*

### *What Kind of NGOs Address Women's Issues?*

Women's issues are ably addressed by both non-gender-specific NGOs and NGOs comprised solely of women. The men and women of many civil society groups that are not considered "women's" NGOs are addressing women's issues within the context of their larger programs. For example, in Central Asia, Georgia, and Russia, ABA–CEELI is working with lawyers' associations to examine areas of legal discrimination and actions to correct it.

There is no single definition of "women's" NGOs, but, in general, the term refers to those that work primarily on problems related to women, families, or children. A study of Georgian women's NGOs estimates that there are 60 active women's organizations out of 1,000 total. In the report, organizations list their primary sectoral emphases as social (44 percent), children (29 percent), and human rights (27 percent). They see the focus of their activities as obtaining and distributing information (58 percent), education and training (50 percent), and lobbying (38 percent). Sixty-four percent had active memberships of 25 persons or fewer.

### *Women's Issues and NGOs: The Future*

A detailed assessment of USAID policies and practices regarding gender and civil society was not a part of this *Lessons in Imple-*

**Caucasus Women's NGO Needs Assessment* (1998).

*mentation* exercise. However, the data collected for this section indicate that, in general, programming decisions are made on an *ad hoc* basis, without specific regard for gender and NGO activities. Civil society efforts will grow even more effective when women as well as men are explicitly targeted in strategic and implementation planning. In turn, eliminating or reducing the barriers to women's full participation in the society will hasten the democratic transition in the region.

As is true of gender issues in other sectors, many determinations are being made without sufficient information. A more strategic approach is needed, which will require, as a first step, collecting good data. The E&E Bureau of USAID has launched a data-gathering effort on both country-specific and regional levels.

## Evolving Program Design

Future NGO sector programs are likely to share some characteristics, including

- Broad sectoral strengthening is apt to be replaced by a more concentrated, programmatic approach.
- NGO sectors probably will rely increasingly on local management and implementation by indigenous organizations.
- There may be a growing emphasis on building intermediary support organizations.
- A transition will probably occur from structured, mandatory, curriculum-based training to discretionary, demand-driven training.

Efforts to enhance sustainability will become increasingly important in several areas:

- To the sector's viability (as opposed to tactics for helping individual organizations)
- To initiatives designed to build a philanthropic ethic (as opposed to teaching individual fund-raising techniques)
- To the dynamic of the relationship between the NGO and the community and the constituency it serves (as opposed to the relationship between the NGO and the donor supporting it)*

Finally, in all countries there will be a need for continuing attention to the legal and regulatory environment.

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*An important notion following from the observation that NGO sectors mature through sequential patterns is that investing early in a baseline analysis of sectoral strengths, weaknesses, and basic characteristics can be the most effective way to identify the stage of development, to clarify needs, and to position the program. Sectoral assessments will also establish baseline information against which to gauge subsequent progress.

# 5

# Different Approaches To Sustainability

As NGO SECTOR support programs have matured, and as USAID close-out dates become imminent, the importance of sustainability has increased.

Officials from all NGO support programs USAID visited by Lessons in Implementation teams expressed a concern for sustainability. Almost every CEE/NIS country has made some progress toward creating alternative sources of NGO funding. In a few the results have been significant. Poland, for example, has made extraordinary progress toward financial independence. There, local sources of support have materialized and a center for philanthropy promotion has been established. In Russia, NGOs still rely heavily on foreign

**What Is Sustainability?**

The concept of sustainability can apply to an individual organization, the continuation of a program supported by many organizations, or the viability of the NGO sector as a whole. In the broadest sense vis-à-vis NGOs, it can refer to the overall capacity of a society to establish and support a not-for-profit voluntary sector. In this broad sense the concept encompasses virtually everything that is done under civil society support programs—from legislative reform to grant making to management training.

In general, the current meaning of "sustainability" coincides with the financial independence of a single organization and usually means a diversified funding base so that the loss of one or a few donors is not terminal. The weakness of this approach is that a sole concentration on keeping an organization running may be counterproductive if the broader purpose is generic strengthening of the sector, since a weak organization will divert scarce resources from stronger groups. In important respects, the fundamental vitality of NGO sectors rests on their fluid capacity to galvanize a response to an emerging social issue.

From this perspective, the ebb and flow and life and death of individual organizations are natural and desirable. This may be little solace to an NGO that is going out of business, but it is an important perspective to maintain if these sectors are to flourish and remain healthy.

donors but have a strong desire to shed that relationship. Other countries have progressed sporadically toward broadening sources of support and encouraging NGOs to be more proactive in developing strategies that would strengthen their financial future. Nevertheless, an underlying motif that ran through many discussions with NGO leaders was deep pessimism regarding the long-term prospects for developing indigenous private-sector sources of support, given the dismal macroeconomic picture in many CEE/NIS countries. Leaders expressed a lack of conviction that the NGO community, apart from their own organizations, had either the capacity or responsibility to make it happen.

Sustainability has been a touchy subject. It raises tough questions about the role of foreign donors, the relationship between NGOs and government, and whether and to what extent Western models of social capital and philanthropy can work for CEE/NIS countries.

While there is broad consensus that sustainability is a good thing, significant differences exist over its finer distinctions. What does "sustainability" mean? How should it be pursued? How aggressively should USAID and implementing NGOs push indigenous NGOs to diversify their funding base and pursue and open up new sources of support.* A very real and painful quandary for those implementing NGO support programs is how far and hard to push for sustainability when the realistic prospects for alternative funding, such as revenue generation or support from local government and businesses, appear so limited. The financial viability dimension of the NGO Sustainability Index provides one measurement tool to help USAID and other donors measure the progress of the NGO sector as a whole over a period of time. Individual NGOs can develop a comparable scale to measure their own progress toward sustainability.

All NGO support programs have had to address whether selection criteria should include factors expressly designed to give preference to the organizations most likely to be sustainable in the long run. Emphasizing organizational sustainability will result in heavy support to groups that already are well diversified. The disadvantage of this somewhat Darwinian approach is that it tends to reward well-established NGOs that are adept at cultivating good relations with foreign donors, while neglecting smaller, emergent groups that might have been tremendously successful over the long run. Pushing sustainability too hard can result in a monoculture of a few large, well-established organizations that lacks the vitality that comes with diversity.

An additional problem arises when a donor supports "winners" without disaggregating different types of organizations and applies standards of sustainability without differentiation. For example, NGOs working in an area such as drug addiction might be expected in time to contract services to local governments. In contrast, an NGO working in human rights will have a much harder time diversifying its funding base. Iit cannot reasonably expect to receive government support, the business community may be reluctant to be associated with it, and the NGO lacks a "product" that will generate revenue. As it is easier

*In a narrow and literal sense, not-for-profit organizations are rarely self-financing or independent of the unpredictable decisions of donors. The process of seeking funds, cultivating relationships, and working with donors is an important form of outreach and constituency building, and a useful market mechanism for ensuring that the activities of social service organizations are relevant.

for some organizations to diversify their funding sources, donors and implementers should take this into consideration when developing a program that emphasizes sustainability.

A related issue is how far and fast should the issue of exit planning (also known as endgame planning) or the development of a sustainability strategy be pushed? An approach employed in Ukraine is to use the application process as a vehicle to prepare an organizational assessment and initiate discussion with the prospective grantee about income diversification, the importance of program maintenance, and the inevitable reality that the relationship with the USAID-funded program will come to an end—and likely sooner rather than later. Such a realistic dialog is difficult to maintain when a relationship is burgeoning and when a mandate directs establishing a deep and broad array of substantive contacts. That form of "tough love" may be especially difficult for an American NGO to practice when the appropriate message should be initiative, empowerment, and possibility.

Another dilemma is whether to approach organizational sustainability from a financial or broader organizational perspective. The financial perspective emphasizes fund-raising, revenue diversification, design of revenue-producing mechanisms, and the search for funding partners. The organizational perspective emphasizes a clear mission, internal alignment of values, management style, organizational structure, and the existence of strong management information systems; financial strategy becomes secondary and derivative of larger strategic issues. A balance between the two perspectives can be reached as an organization matures.

A final set of questions to ponder involves the grant process and the choice and application of a host of incentives (positive and negative) that can be incorporated into the grant agreement to maximize the likelihood that the program or organization will continue. Should developing a sustainability plan be mandatory? Should technical assistance be sought and acted upon? Should a matching requirement be imposed? Should there be a formulaic limit on the size of the grant? Should a follow-on grant be permitted or prohibited? Should cost-sharing be required for training and technical assistance? And should some form of exit strategy be mutually developed? Depending on the answers, an NGO program can draw from some of the innovative approaches to sustainability discussed in the next chapter.

# 6

# Innovative Techniques For Building Sustainability

THERE EXISTS a rich diversity of instruments and techniques that can be used to encourage participating NGOs to move toward sounder financial footing. These include

- The introduction of revenue raising techniques
- Grant-matching requirements
- Cost-sharing provisions
- Organizational assessments
- Training in strategic planning and organizational development

The constant interaction that can occur between donor and recipient can help guide the latter toward strategies that will maintain organizational health. This chapter reviews five strategies that appear to be emerging to promote sustainability of both individual NGOs, associations, and of the sector as a whole.

## Developing NGOs' Ability To Raise Revenues

When the legal and economic environments in E&E countries allow, NGOs are finding creative ways to raise revenue. They may charge fees for services provided that are related to their mission, or charge membership dues. One approach gaining increasing attention is to create a spinoff business to support the NGO, called a "social enterprise." In this way, NGOs are able to provide needed services and still achieve financial self-sufficiency by launching private, self-supporting business ventures. Examples include sewing factories, agribusinesses, bakeries, and ecoenterprises. As described further in appendix I, social enterprises can benefit NGOs and the communities they serve in several ways:

- NGOs become less dependent upon donor funds as a result of income generated by the enterprise.
- NGOs are more apt to apply businesslike management practices and approaches, such as client-driven service delivery and professionalization of staff and services back to their social service programs.
- Social enterprises deepen NGO impact within the community by creating new jobs, by introducing environmentally safe products and techniques, and by delivering needed services and products.

**The Role of NGO Support Centers in Central Asia and Russia**

In both Kyrgyzstan and Uzbekistan an effort has been made to establish NGO support centers nationwide. The purpose of these centers is to deliver services directly to rural communities, help them coordinate among themselves and with partners abroad, and facilitate partnerships among government, business, and the NGO community. The centers have contributed directly to the development of NGOs in regional cities by acting as hubs to foster collaboration, by providing access to basic office equipment and e-mail, and by offering information about grants and training opportunities.

In Russia, NGOs are increasingly working with local administrations, businesses, and media. Successful partnerships are becoming more common. Lessons learned are being shared through the NGO networks that have developed around local resource centers. All 12 Siberian cities with NGO resource centers also have local government agencies for NGO relations. Volunteer agencies have been established in 8 of the 12 cities. More than a thousand positive NGO-related pieces have appeared in print or broadcast media outlets throughout the country. Laws on competitive social contracting have been enacted or are being developed. The business sector has become much more aware of the value of NGOs.

However, the extent to which NGOs are encouraged to start up remunerative enterprises, be they related to, or separate from the NGO's mission, raises a question. How far can a nonprofit organization go before it becomes a small business enterprise that should be treated as such? Examples of aspects that become problematic include legal issues such as taxation, and the perception of the NGO by the public as merely a "shell" for a profit-making business.

Another area to consider before encouraging an NGO to create a "social enterprise" is its organizational strength and management capability. Indeed, an NGO must attain a relatively high level of development before it can take on the additional responsibility of running an enterprise without losing sight of its mission, or being stretched beyond its capacity. A close look at the short and medium term future of current "social enterprises" is merited before firm conclusions can be made about the universal applicability of this approach.

## Creating Intermediary Support Organizations

As NGO sectors mature, they become more differentiated. And as the sectoral needs become increasingly sophisticated, intermediary support organizations (ISOs) are emerging to provide technical services and assistance. These organizations respond to the needs of the sector and can play a variety of roles:

- Networking to develop consensus, share information, coordinate activities, and build common understanding of issues
- Developing local staff to strengthen organizational capacities and provide training and technical assistance
- Mobilizing financial resources to act as a broker between donor and recipient, lobby for friendly tax treatment, and work to identify new and alternative sources of support
- Providing research to analyze sectoral trends, identify issues, and provide infor-

### Developing the First Indigenous Foundation In Georgia: The Horizonti Experience

ISAR, USAID's implementing partner, invested a significant amount of training and technical assistance in its field office staff in Tbilisi, as part of a long-term strategy to increase the indigenous capacity of the Georgian nongovernmental organization sector. Over a period of three years, isar facilitated the transformation process of this field office into Horizonti, the first indigenous foundation registered under Georgia's new civil code. Horizonti now operates under a subgrant agreement with ISAR, allowing it to continue its usaid-funded NGO support activities in Georgia in the areas of technical assistance, training, and subgrants.

mation about the sector to government, business, and prospective donors

- Establishing professional standards and codes of conduct for such things as fundraising, salary levels, and related administrative procedures

Notably, support organizations located outside the capital can help develop smaller rural NGOs and link these groups to a wider NGO network.

The growth of intermediary support organizations in tandem with the maturation of the NGO sector has usually proven desirable and facilitative. In at least two cases (Bulgaria and Russia), it has become USAID's primary emphasis. But several challenges must be considered when designing a program to build support capacity: the difficulty of a new ISO in establishing credibility with client NGOs, the inevitable propensity of an ISO to engage in activities that its constituents may deem as competitive, determining how an ISO can avoid the inclination to diversify across too many areas, and the danger of taking on technical assistance responsibilities that exceed an ISO's current capacities. As highlighted in the case of Bulgaria noted earlier, support organizations may need to compete for funding from the same sources that finance their NGO clients and may, as a consequence, alienate the very organizations they are attempting to assist.*

A practical question cuts across these concerns. It is whether the support organization should be created anew, as was done in Russia, or whether existing capacity should be built upon, as will be done in Bulgaria. Establishing a new entity means having the opportunity to launch a fresh approach.

### Developing Local Training Capacity in Central Asia

NGO sector support programs have acted as catalysts to form local training organizations that can then give the sector continuing support. The likelihood of building this indigenous capacity can be increased through a policy of first attempting to work through local trainers and in-country resources (or at least through a standard practice of using expatriate trainers in training of local trainers).

In Central Asia, Counterpart International Inc. has developed a cadre of more than 100 indigenous contract trainers. The trainers, who also are members and leaders of NGOs, work with Counterpart, other donors, and NGOs to provide the NGO community with training services on demand. Some businesses have expressed interest in receiving training as well—on a paid basis. This process has greatly increased the local capacity for training.

*For a conceptual framework, see Brown and Kalegaonkar (1999).

### Developing Locally Endowed Community Foundations in Poland

Under the DemNet/Poland program, the Academy for Educational Development conducted a feasibility study on community foundations. Despite a lack of prior knowledge of community foundations among local leaders in the studied communities, and the lack of a Polish institution that could serve as a model for a community foundation, the study was highly positive about the prospects of establishing locally endowed community foundations in Poland.

The study determined that there was an initial readiness of the three sectors to work together and make contributions to the foundation:

- *Local government* leaders were supportive if the goals and objectives of the community foundation were consistent with community development strategies and policy, and if the foundation's effectiveness and efficiency were at least on a par with those of city agencies.
- *Local business* leaders were supportive providing that adequate donor scrutiny of fund use would ensure the implementation of the foundation's goals and objectives, that the foundation was professionally managed, and did not expect to replace local or regional government in areas of their responsibility.
- *NGOs* were supportive provided that the community foundation was structured in such a way as to preserve the independence and identity of cooperating NGOs, that NGOs could influence foundation grant policies, and that no major donor expected to take over management of the foundation.

Finally, the study found communities that possess an active and innovative local government, large and economically sound businesses, active NGOs, a population greater than 25,000, and the capacity to provide funding for important community needs at approximately 30 percent of municipal funding, have the potential to successfully support a locally endowed community foundation.

But building a new entity also means incurring the higher cost naturally associated with supporting a new organization, and facing possible resentment from existing groups that are informally providing support services to others. Also troubling is the possibility that local actors may resent the "top down" approach of a donor, rather than drawing from existing resources.

## Developing Community Foundations

The concept of the community foundation* suggests an attractive model that offers the dual benefit of galvanizing financial support while linking NGOs more tightly to their constituencies. In Poland, the DemNet program has supported an assessment of the pros and cons of establishing municipal or regional community foundations.

*A community foundation is a grant-making entity that has been established to support community programs. Normally, community foundations have a small endowment of their own and also administer small endowments on behalf of individuals or other organizations that lack the expertise or do not wish to assume this administrative burden. A community foundation may in some instances provide support services, very much like an intermediary support organization.

Community foundations cannot be established until there is at least a modicum of philanthropic activity in the country. Thus they are a model primarily for the more advanced countries of Central and Eastern Europe. Once created, they offer an excellent mechanism for building further community interest in the NGO sector's role and activities. Community foundations can engage in a variety of activities. They activate community involvement and educate individuals and companies about the potential value of supporting voluntary activity. They can act as a collection point for contributions and provide sophisticated portfolio oversight and professional grants management. But most important, because these foundations are immersed in the social rhythms of the communities they serve, they are positioned to influence habits and attitudes of societies that value and support civil society.

Of course, community foundations are no absolute solution. They require careful design. Without it, they may be dominated by a single donor for selfish or partisan purposes. Or they can fall victim to large and expensive administrative structures, slip out of alignment with the values and problems of the community they represent, or find themselves directly competing with the very organizations they are attempting to nurture. The greatest imperative in designing community foundations is an enlightened governance structure that suits the needs of the community being served.*

## Building NGO Partnerships With Government and Business

Many NGO sector support programs have tried to build a positive working relationship with the host-country government and business. Retreats and conferences (such as Social Partnership Conferences in Central Asia)—for NGO sector leaders, government officials, and businesses—can facilitate that relationship.

Communication can be particularly hard for NGOs and government officials. Suspicion and mistrust frequently pervade the relationship. NGOs, particularly during the early stages of sectoral maturation, often find it difficult to balance their adversarial role with

### Social Partnerships

Discussion groups in both Uzbekistan and Kyrgyzstan noted that their participation in Social Partnership Conferences completely changed their understanding of the role of NGOs. Those conferences—attended by representatives of NGOs, government, business, and the media from the entire Central Asian region—explained the role of each of these groups in society, and underscored the benefits of partnerships between and among them.

In fact, many focus group participants cited attendance at one of the conferences as critical to their understanding of the role of NGOs and how social partnerships can be built among the various sectors. A concerted effort to invite and involve journalists before, during, and after the conference brought much media attention to the meeting. The meeting also sparked formation of a Regional Journalist Association, comprised of journalists interested in covering the NGO sector.

*See appendix E for a detailed description of how the Foundation for Civil Society introduced the community foundation model to the Czech Republic.

### Linkages With Business: Corporate Challenge Grants in Ukraine

Counterpart International Inc. has developed a program to encourage linkages with business: the Corporate Challenge grant program, which provides a dollar-for-dollar match on donations from businesses to NGOs. The grant addresses two barriers to the development of civil society in the New Independent States: lack of a culture of corporate philanthropy to contribute to the financial sustainability of NGOs; and distrust among government, business, and the NGO community. Counterpart's experience has shown that businesses in the former Soviet Union would like to contribute in various ways to the charitable work of NGOs, such as helping children, the elderly, or disabled. However, distrust—because of a lack of understanding, exposure, or experience with NGOs—acts as a disincentive. The Corporate Challenge grant addresses such concerns by employing a process that builds trust and credibility. See appendix F for more information.

their direct social service role.

Helping NGOs identify and articulate tangible examples of impact, success, and technical competence has proven especially important in overcoming government mistrust of these organizations' motives and professional capacities. In countries where the appreciation of NGOs' role is less developed, workshops that bring together NGOs, government, business, and the media can break down communication barriers. In at least one country (Ukraine), to encourage working relationships with government, the NGO support program has deliberately designed a grant format that requires a government match.

Another approach to building partnerships with government and the business sector is to empower an NGO to bring the community together around a common issue in a cooperative planning process. Under the Community Partnerships component of the Macedonia DemNet program, implemented by the Institute for Sustainable Communities, an NGO serves as the lead organization in a community's Local Environmental Action Plan (commonly known as LEAP) process. The LEAP involves all of a community's sectors—including local government and business—in identifying and developing a strategy to solve environmental problems (see appendix G).

Directly educating government officials about the role and potential of the NGO sector may be appropriate if the intervention is linked to a real problem timed to coincide with an emergent opportunity for NGO participation. For example, in rural Kyrgyzstan, local government is often the only traditional institution with resources and legitimacy

### NGO–Government–Business Partnerships in Russia

Russian nongovernmental organizations are increasingly developing issue- or project-specific partnerships with government bodies and private enterprises. For example, Faith (a Novosibirsk-based NGO dedicated to breast-cancer awareness) teamed with local government, university health services, and a few doctors to provide three days of free breast-cancer screening for more than a thousand Siberian women. The local medical professionals were persuaded to donate their time, and the local administration and business provided funding, space, and publicity.

### Gaining Support From Local Government: A Focus on Kyrgyzstan

At the outset of the USAID's NGO program in Kyrgyzstan, local government officials were highly suspicious of NGOs' work. For many, the very term "nongovernmental organization" was a significant hurdle, since many rural officials thought it suggested formal opposition to government.

The transition from local government's distrust of NGOs to supporting them was reflected in many stories from Kyrgyz NGOs. The improved understanding of the fundamental NGO concept usually came about in one of two ways. In some cases, the NGO had a small but visible concrete success that brought real benefit to the village. The success might be a water pump or a microcredit program. In other cases, officials participated in Social Partnership Training in which they learned how NGOs can contribute to the improvement of a community. After one of these events occurred, local officials later tended to be supportive and to provide assistance within their limited means.

from which NGOs can draw for their own programs. A good relationship with local government is seen as a necessary precursor to successful program implementation.

## Structuring Incentives In the Grant Agreement

While grant conditions alone cannot improve organizational capacity or create new funding sources, they can convey donor concern and provide an incentive to explore new funding sources. A variety of techniques have been tried to discourage dependency and encourage outreach. These include

- A policy of reducing the permissible size of a second grant
- Increasing the matching requirement for follow-on grants from (for example) 25 percent to 40 percent to 60 percent
- Requiring that the match come from a designated source such as a corporate donor

More directly, the grant itself can include funds that will support the design of initiatives intended to generate additional sources of funds such as a series of business apprenticeships with local companies. For example, in Ukraine, the NGO support program is offering small loans to established NGOs to initiate enterprises that will subsequently generate revenue.

### The Journalism Internship Program: DemNet/Czech Republic

This program sought to educate future professional journalists about the issues and activities of nonprofit organizations. The goal was to increase press coverage (and public awareness) of the role of nongovernmental organizations in transforming Czech society. Program participants included students from the journalism schools of Masaryk University in Brno and Palacky University in Olomouc and from the mass communication department at Charles University in Prague. The program consisted of journalism student internships with NGOs, a lecture series, and an awards competition for the best articles written by students about a specific NGO or the sector in general. See appendix H for a detailed description.

## Using the Media to Create Public Awareness and Support

Ultimately, NGO sectors' long-term viability in transitional CEE/NIS countries will depend on a supportive public opinion and a set of societal values conducive to voluntarism and philanthropy. Media skills are not a sure cure, but the media constitute an important mechanism for affecting public norms.

Few NGOs are media savvy. Many of their activities lack apparent headline value. The public's concept of an NGO may be poorly formed, and NGOs themselves need to work through a self-conscious process of gradually sharpening their identity before they can project it outward. NGO support programs can begin addressing this by providing training in public relations and by including members of the press in conferences and workshops where they can learn about sector activities.

One successful technique has been to use a public award to galvanize interest in the NGO sector while simultaneously strengthening media interest in what NGOs do. In Poland an annual contest is held with extensive media coverage to honor the Benefactor of the Year. The dual intent is to publicize the social utility of charitable giving while at the same time building long-term media interest in the NGO sector.

In Kyrgyzstan and Uzbekistan, a "Constituency-Building Component" was added to Counterpart Consortium's USAID-funded NGO support program, to build regional public awareness of NGOs and their role in society. This program component produces and distributes videos, newspaper articles, and radio and TV commercials. These are complemented by conferences and seminars—attended by members of the press—all designed to increase public awareness of NGOs.

# 7

# The USAID Relationship

THE NATURE of the relationship between a USAID mission and the American NGOs chosen to implement NGO support programs is an important factor in designing program strategy. It also influences program impact. On balance, implementation of NGO sector support programs through American NGOs has been successful. These organizations have brought a cultural sensibility, depth of understanding of NGO sector institutions, and strong conviction and commitment to their work.

But implementer relationships with USAID have been difficult, particularly during a program's early years, when significant differences have surfaced over basic strategy and implementation. These tensions reflect a number of sensitive points. One is the experimental and highly complex nature of NGO support programs. Another is lack of clarity about roles. A third is different views on the degree of operational autonomy. All of this difficulty has been compounded by continuing confusion over the modalities of the cooperative agreement grant instrument.

The difficulty of reconciling diverse organizational cultures and a somewhat different set of program objectives has also complicated relations between USAID and its implementing partners—or among the partners themselves. In some countries a complex and cumbersome consortium arrangement has caused management problems. In virtually all countries there were disagreements over the speed of startup and the importance that should be assigned to demonstrating early results. Most of the implementing organizations gave priority to some form of sector assessments, slow and methodical design, and wide public exposure to the approaching subgrant program. USAID officials, by contrast—while appreciating those points—were mindful of congressional imperatives and the practical necessity to show early results.

In hindsight, we see four areas that shaped the content and effectiveness of these relationships:

- Ambiguous fundamental program objectives
- Different views on rate and pace of startup
- Confusion over independence of operation
- The problematic role of the Democracy Commission in Central and Eastern Europe

## Ambiguous Fundamental Program Objectives

NGO sector support programs are difficult to neatly define or categorize because they address a multiplicity of goals, each of which requires specific emphasis at a given time.

### The Effects of USAID's Reengineering

This study has deliberately not dealt at length with USAID's reengineering process and the utility of indicators in helping managers to achieve results. During the study, however, three preliminary conclusions emerged:

- The language and theory of results-based management and the use of indicators have percolated down to recipient NGOs and, rightly or wrongly, rapidly found acceptance as the lingua franca of NGO management.
- Application of results-based planning and clarity about what should be achieved has helped both USAID and implementing organizations to understand program priorities.
- The emphasis on results and the deployment of quantitative indicators has subtly influenced strategy choices and grantee selection. Further, it has tended to push those choices toward outcomes with a higher degree of predictability and measurable output than would otherwise have been the case. USAID has recognized this phenomenon and is now promoting greater use of qualitative performance measures in democracy programming.

These areas include

- The goal of building local organizations' capacity as opposed to the goal of building the sector's overall capacity
- The relative importance of tackling explicit social or sectoral problem areas (project grants) versus building organizational capacity to subsequently pursue these issues
- The balance between urban and rural organizations, large and small organizations, and new versus well-established groups
- Whether pursuing civil society is best done by directly supporting advocacy (or public policy) groups or through a more generic and indirect strategy

## Different Views On Rate and Pace of Startup

Implementing American NGOs were deeply conscious of the difficulties of designing an effective grants program. Going by their own principles of access, transparency, and fairness, they could take several preliminary steps:

- Prepare a sector assessment that would reliably identify sectoral strengths and weaknesses.
- Distribute program information to the public.
- Carefully identify advisory groups and peer panel participants.
- Design an equitable mechanism that would cull applications to a manageable number

USAID missions do not disagree with the validity of these steps per se, but the cumulative time and effort each step requires constituted a significant delay and contradicted USAID's imperative to commit funds, demonstrate results, and—most important—to enhance the viability and influence of the NGO sector. Both perspectives are valid, but the contradiction has aroused significant tensions. In retrospect, it would have been helpful if the initial approach to NGO programming across the region had included a

phased, sequential, time-specific strategy on which both USAID and its implementing partners could agree.

## Confusion Over Independence of Operation

A crosscutting difficulty, particularly during the early stages of program development, involved different interpretations of the degree of operational independence. The cooperative agreement mechanism, which has been used as a USAID funding vehicle in most CEE/NIS countries, permits a greater degree of involvement in program management by USAID than would be the case in a straightforward grant relationship. The higher level of engagement derives from three considerations:

- Concern for the quality of financial controls in grass-roots organizations
- Desire to ensure close compatibility with the USAID mission's strategic priorities
- Sensitivity to the potential for unanticipated problems that comes from working in such a complex, quickly changing area

USAID's involvement in program management—particularly during the early years of the Democracy Network program—has proven uneven, partially attributable to project management staff personality and degree of training. Given the periodic interventions of the Democracy Commissions and pressures to move quickly to commit funds, it is understandable that serious tensions would emerge.

Over the long run, USAID missions and the implementing NGOs have established a solid working relationship. It is based on a growing consensus about program objectives and better understanding of the institutional pressures that bear on the relationship.

## The Democracy Commission's Problematic Role

In CEE/NIS, the Democracy Commission is an embassy-led group of representatives of different U.S. government agencies operating in a given country. (USAID is always represented on the Commission.) In the early days of the Democracy Network Program, the Democracy Commission's function was to review and give final approval of small grants; in some countries it still does. The Democracy Commission also manages a separate, free-standing small grants program funded by the U.S. Information Agency.

The Democracy Commission apparatus—with its bureaucratic complexity, politicized agenda, and potential for personalized intervention—has proven difficult to manage. It is particularly problematic for an American implementing NGO thrown into the turmoil of interagency wrangling.

In the early years of DemNet, the Democracy Commissions tended to act as lighting rods for multiple agendas. In some cases it was appropriate to coordinate individual grant proposals with the U.S. Embassy and the Democracy Commission to avoid political embarrassments. And it is still appropriate that the USAID-funded grant programs comply with U.S. foreign policy goals in a particular country and that the ambassador and USAID establish structures and communication mechanisms that can make this happen. The problem with the Democracy Commission is that it sometimes has taken on an institutional life of its own and has duplicated well-established procedures and structures.

That said, the Democracy Commission arrangement is now working reasonably well in most Central and Eastern European countries where it has been established. The dust seems to have settled. Roles and relationships are understood, and the propensity to use the commission to micromanage has abated. In fact, there is some indication that the Democracy Commissions are beginning to perform a constructive educational role by engaging U.S. embassies in the more complex issues faced in building civil societies in transitional countries.

# 8

# Lessons Learned

THE NGO COMMUNITIES throughout Central and Eastern Europe and the New Independent States are at widely different stages of development. Generalizing about activities as diverse and complex as NGO sector support programs is problematic. Inevitably there will be prominent exceptions to general rules.

But useful lessons have emerged from 10 years of programming experience—lessons that pertain to designing new programs and developing follow-on initiatives in CEE/NIS countries. Following are broader-level implementation lessons learned, followed by lessons that apply more strictly to USAID support programs for NGOs.

## Major Implementation Lessons Learned

*1. Local NGOs must recognize and confront the issue of long-term financial sustainability, given declining donor resources.*

The level of foreign support to NGOs in CEE/NIS from USAID, EU/Phare, Soros and other private foundations continues to drop, while indigenous corporate giving and government contracting–granting is just beginning to appear on a modest scale. To cope with this reality, NGOs need training and technical assistance in devising strategic plans and long-term diversification strategies. USAID and its U.S. NGO implementing partners have a key role to play in such endgame planning.

The time to engage local NGOs in endgame planning is when activities begin. The study found that most NGOs assume that donor support will last indefinitely—an assumption that reinforces dependence on donors and blocks creative planning by NGOs for their own futures. It is the joint responsibility of USAID and its implementing U.S. NGO partners to defuse that thinking early on, to raise consciousness, and to spark endgame planning with and by recipient NGOs.

Endgame planning involves identifying what will be left behind when core programs end, what types of continuing support need to be designed and put in place to respond to evolving needs, and what transitional mechanisms need to be built in order to protect progress.

*2. The nurturing and development of NGO sectors is a staged, sequential, long-term process.*

Policymakers should not see the cultivation of NGO sectors in CEE/NIS countries as a short-term, single-stage, restorative intervention. *The process by which the independent sectors in these countries are maturing ne-*

*cessitates a long-term approach and changing forms of assistance tailored to evolving needs.* Virtually every NGO sector support program in the CEE/NIS region has been restructured to reflect changing conditions. This process is likely to continue.

The maturation process will require donors to gradually introduce support to the sector as whole—through intermediary support organizations, for example—as small grants to individual NGOs phase down. The transition may be difficult, but it will need to happen. The pace of this transition should be linked to the pace of economic reform and to the consequent upturn in a country's economic profile. Even if total resources are going down, in a depressed economy USAID, if not other donors, must stay the course with some level of direct grants to local NGOs. A precipitous change to indirect support, such as through ISOs, would be harmful to an NGO community struggling to stay afloat.

For countries where USAID has closed out, creative options such as the Baltic American Partnership Fund (BAPF), the proposed Central and Eastern European Trust for Civil Society (the Trust) and the proposed NGO Partnership Grant Program can solidify the maturation process. Like the proposed Trust, the BAPF is a second generation NGO support mechanism providing financial resources, but empowering local NGO communities to establish priorities and utilize local training capacity. The proposed NGO partnership program is envisioned as a means of continuing and strengthening U.S.–indigenous NGO partnerships.

*3. Creating and sustaining a positive, enabling legal environment is immensely important and will pay off generously.*

A supportive legal and regulatory environment is critical to developing the NGO sector. It facilitates new entrants, helps prevent governmental interference, and gives NGOs the necessary legal basis to engage in appropriate fundraising activities and legitimate income-producing ventures. It also helps define and clarify the intangible space civil society occupies between government and the commercial sector, so that NGO sectors' functions become clearer in the public mind. In most countries, establishing a supportive legal context will be long-term, multistep process involving changes in governmental attitudes and the way laws are enforced.

Technical assistance provided through USAID's grantee, the International Center for Not-for-Profit Law (ICNL) has led to significant advances, including new enabling legislation in countries as diverse as Estonia, Hungary, Macedonia, and Uzbekistan. Revisions in the tax code or a new framework law are expected soon in Albania, Bulgaria, and Slovakia.

*4. Sectoral infrastructure development is one critical element of sustainability.*

An investment in NGO sector infrastructure has long-term systemic benefit. It may be the most effective way to address the issue of sustainability while simultaneously moving away from dependency relations. Assistance to intermediary support organizations, if provided carefully and with due regard to the potential for internal competition within the NGO sector, can address a wide range of fundamental sectoral deficiencies. These range from a poorly developed personnel base to the absence of mechanisms for bringing donors and recipients together to deficiencies in the legal and regulatory framework.

ISOs can promote networking and collaboration among NGOs, which is important not only for information-sharing and experience but also to bolster a sense of identity

and self-confidence. They can provide management training and encourage professional standards of institutional performance, including ethical fundraising practices and transparent governance structures that are accountable to the public. Most important, building infrastructure capacity strengthens sectoral credibility and identity. Such qualities will attract youthful and capable leadership, build the legitimacy of the sector, and gradually establish a climate conducive to charitable giving.

Still, ISOs run the risk of being "bodies without a soul," unless they cultivate a strong and supportive client constituency and learn how to design and provide programs that respond to the felt needs of that constituency. Although foreign donors can help provide seed funding and design programs, financial support ultimately must come from the organizations that use the services provided.

*5. Helping NGOs and government define and structure their relationship is critical in the long term.*

The nature of the government–NGO sector relationship is likely to differ from one country to the next, but in all CEE/NIS nations, NGOs must learn how to work with government while maintaining their basic independence.

The practical implication of this is that donors can play a valuable role as intermediaries in supporting communication and better understanding between government and the NGO sectors. USAID should encourage NGOs to be transparent in their dealings with government. Grant programs can be deliberately structured to encourage collaboration, as they have been in Ukraine through the government-challenge match program. USAID should also encourage support for retreats and conferences where NGO and government leaders can work together. And government officials themselves should participate in training efforts designed to improve their understanding of the positive role of the NGO sector.

*6. Regional networks and linkages need to be enhanced.*

Cross-border linkages have been extremely effective. NGOs have found they can benefit from their colleagues' experience in other countries. Approaches to social problems and public policy issues in one country can be directly relevant in another. Particularly in policy analysis and in relations between NGO support groups, regional connections are beginning to form that will deepen the substantive quality of the work being done and accelerate NGO sectors' maturation.

USAID should support more linkages among northern-tier CEE countries and NIS countries and among northern-tier and southern-tier countries—through joint action projects on cross-border issues such as pollution and through conferences bringing together leading regional experts.

## USAID-Specific Lessons Learned

*7. Increased management capacity is a key to NGOs' ultimate sustainability and effectiveness.*

Training and technical assistance provided by Democracy Network and similar NGO support programs has significantly improved the managerial competence of NGOs. This assistance has helped CEE/NIS NGOs make the transition from voluntary to more institutionalized governance and professional staffing. In turn, the increased professionalization of the sector has strengthened NGOs' credibility as advocates, service providers, and as vehi-

cles offering citizens a chance to participate in their communities.

*8. Flexible approaches to NGO support—tailored to local conditions—have worked in the past and will continue to work in the future.*

An invaluable aspect of the approach USAID uses in most countries has been its willingness to deploy various instruments: grant-making, technical support for legislative strengthening, integrated training and technical assistance, supportive regional programs and regional linkages, and a fully developed delivery structure with an ambitious and complex grant-making process.

Sometimes this approach has appeared cumbersome and expensive. But it has allowed country-level NGO support programs to respond creatively to a wide range of needs and to work more intensively and responsively with grant recipients than would have been possible if programs had been limited to providing grants.

*9. A tiered grant–subgrant framework enabling USAID to work through American NGOs to allocate funds has worked well, when there has been clarity about basic goals and the degree of organizational autonomy of the U.S. NGO.*

Using intermediary American organizations provides flexibility to choose the implementing NGO best suited to operate in a particular country. Notably, implementing NGOs have demonstrated intuition of the problems that confront the local NGO sector, and sensitivity to various management quandaries—such as participation, ethnic diversity, and gender balance—that NGOs need to address. U.S. NGOs understand the donor–recipient dynamic, are able to mentor youthful and emergent organizations, comprehend the importance of community support and constituency building, and can manage a subgrant process transparently.

A tiered structure provides appropriate space between USAID and the small, private indigenous organizations being assisted. This buffer yields the practical benefit of permitting simplification and flexibility in the application of grant procedures and requirements. It encourages translation of USAID's objectives into terminology that local NGOs understand and establishes a platform for constructive communication. Further, reliance on intermediaries has probably softened the effect of abrupt swings in development assistance policy and allowed programs to adapt to USAID's monitoring procedures.

*10. Training and technical assistance for local NGOs should be closely integrated with small grants in a coordinated manner. This approach is further enhanced when grants are given for specific activities that NGOs can develop as their skills increase.*

Linking grants with lessons learned and capacities developed *during training* produces more tangible impact for grant recipients than grant giving alone. This is the case because follow-on grants root the training content in the real-life experience of the local NGO, emphasizing learning that is tied to substance rather than to theory.

A corollary lesson is that an activity-based approach provides clearer and more tangible results than generic grant giving. A grant-making approach structured around a defined and substantive program of local social concern (such as strengthening local government's ability to provide services or supporting environmental action) has several advantages, even though its overarching goal may be to increase overall sectoral capacity, institutional pluralism, and civil society. As

an NGO's capacity increases, its impact in both the specific area of concern, and in the overall sector, will be enhanced.

*11. NGO development efforts will be even more effective when women are explicitly targeted as beneficiaries in strategic and implementation planning. In turn, eliminating or reducing the barriers to women's full participation in society will hasten democratic transition in the region.*

Women have greatly benefited from the growth of the NGO sector in CEE/NIS—be it through participating more fully in their society by joining an NGO, by receiving needed services from an NGO, or by gaining greater legal protections and professional opportunities that have resulted from advocacy by NGOs.

However, the data collected for this study indicate that, in general, programming decisions are made on an *ad hoc* basis, without specific regard for gender and NGO activities. A more strategic approach is needed, which will require, as a first step, collecting good data. With this data, the development of civil society programs can have a greater impact on increasing women's opportunities in the region.

*12. Training should increasingly focus on individual organizational needs.*

An important attribute of the CEE/NIS programs has been the integration of training and the subgrant programs. The use of grant funds as a "carrot" to encourage training early in a funding relationship has proved effective for reaching out to emergent NGOs to provide a basic core of skills needed to manage a grant from USAID.*

This process has also taught that the content and approach to training needs to evolve to fit the changing needs of grant recipients and the changing characteristics of the NGO sector itself. Training should evolve from a classroom approach with a core curriculum that may be mandatory for prospective recipients to an onsite, tailored approach that addresses the organization's individual needs. In terms of cost effectiveness, there is broad consensus that tailored, onsite training is more valuable than a classroom approach simply because it is directly relevant to participants' needs and experience. There is also broad consensus that some degree of cost sharing (modest at first but gradually increasing over time) should be required—to give value to the training experience and accustom NGOs to the importance of seeking continual training.

As for future training priorities, while there is considerable variation throughout the stages of NGO development, a special need remains for training and technical assistance related to board development, strategic financial planning, the role of civil society, and media, public relations, and government. Board development—understanding the role of the board, maximizing the usefulness of members, and using the board for outreach, public relations, and fundraising—is particularly important.

*13. A carefully designed grant-making process pays off in many ways.*

The "tedious" and "burdensome" grant review, award, and monitoring process has offered invaluable secondary benefits—or exerted a strong ripple effect. In many respects the process is as important as the re-

*In several countries visited by *Lessons in Implementation* teams, NGOs that were initially turned down for grants continued to seek training in hopes they would ultimately become eligible. Many did indeed receive grants later.

sources being transferred. Time and effort spent building a credible, professional, transparent structure seem to warrant the investment. Psychologically, it has given local recipients a strong sense of self-worth and professional accomplishment. Practically, it has opened doors and established organizational credibility. In a broad sense, an open and fair grant review-and-selection process is emblematic of those societal attributes conducive to the flourishing of the NGO sector.

# 9

# Options for Future Program Design

THE FOLLOWING represents an illustrative framework for NGO program design, flowing from the findings and conclusions of this study as well as the Bureau for Europe and Eurasia's NGO Sustainability Index. This framework is not intended to be prescriptive, and makes a number of assumptions gleaned from USAID and its partners' experience in this sector to date.

Experience has shown that whenever time allows, a mission or program development team should first assess the NGO sector's stage of development in a country, and then design a program that not only takes advantage of current targets of opportunity, but also lays the groundwork for sustained sectoral development. A sector assessment can also be conducted at any time during a program, to serve as a tool to refocus program elements as needed.

Most USAID missions in the region will have a good idea of the level of NGO development in their country from their work on the E&E NGO Sustainability Index. Missions can use the annual update of this Index as a useful feedback tool. Consequently, we have deliberately configured this programmatic framework to correspond with the NGO Index ratings scale. This framework places NGOs within the context of their political and economic environment, and divides the field into three phases: *pretransition, transition,* and *consolidation.* A brief discussion of the essence of each of these phases, and illustrative program interventions, follows below.

## Pretransition Countries

In Pretransition countries, NGOs operate in an environment where government is hostile to calls for reform and represses political activity. A description of this stage might include 1) programmatic success in developing local capacity of NGOs or facilitating progress of the NGO sector is hampered by a contracting economy, 2) an authoritarian leader, 3) highly centralized governance structure, 4) a controlled or reactionary media, 5) or civil conflict. The absorptive capacity of the sector is limited—perhaps limited geographically to the capital city, or sectorally to two or three areas of activity or policy issues.*

*The definitions for the pretransition, transition, and consolidation stages are adapted from USAID's *Constituencies for Reform: Strategic Approaches for Donor-Supported Civic Advocacy Programs (*February 1996). These incorporate the descriptions of stage I, stage II, and stage III from the Bureau for Europe and Eurasia's NGO Sustainability Index (October 1998).

Countries ranked at this stage in the 1998 NGO Sustainability Index were

| | | |
|---|---|---|
| Armenia | Belarus | Bosnia |
| Serbia | Tajikistan | Turkmenistan |

We recommend that for countries in the pretransition stage, USAID and its NGO implementation partners focus programs in the following areas:

***Sectors and Organizations Supported***

- Provide broad-based project grants and technical support to "nonthreatening" humanitarian and social service NGOs.
- Support projects that bring immediate, tangible benefits to communities such as social service delivery, youth programs, income generation, community development.
- When possible, give direct support and donor cover to human rights advocacy groups and others pressing for government reform.
- Support associations of legal professionals where available and support individual legal professionals active in human rights and other reform areas.
- Support NGOs carrying out civic education programs to increase an awareness of democratic processes and the role of civil society.

***Legal and Regulatory Framework***

- Support organizations and activities that work to create a legal framework in which NGOs can operate.

***Support Services***

- Create or foster the development of NGO information and support centers either by supporting existing groups or by establishing new ones.
- Develop a cadre of local trainers, including those living in rural areas who can speak to the needs of rural organizations.
- Support networking, internships, etc. that bring people out of the country to share experiences and knowledge, to foster internal and international linkages.
- Use partnerships as a mechanism to provide NGOs with access to sector-specific technical skills training.
- Participate in and strengthen donor coordination activities.

***NGOs and Other Sectors***

- Facilitate dialog among local NGOs, business and government to show the value and capacity of NGOs as viable partners for sustainable development.
- Educate government officials about the NGO sector.
- Raise the profile of NGOs in the media by educating journalists and making NGO information available to them.

## Transition Countries

The range of transition countries runs from an early transition stage of political opening in which an authoritarian regime accepts some political liberalization, to a late transition stage where a fundamental redirection of a more open political system is under way. NGO programs in transition countries should be structured to quickly respond, if necessary, to the changing political situations.

***Early Transition***

Progress in NGO development is hampered by a stagnant rather than a contracting economy, a passive rather than hostile government,

a disinterested rather than controlled or reactionary media, or a community of goodwilled but inexperienced activists. While NGOs in the capital city or in three or four sectors are progressing, others lag far behind.

### *Late Transition*

Society has agreed on new rules for democratic governance in the early transition period and now the major task is ensuring that political actors and government begin conforming to them. At the most liberal level of this stage, foreign assistance would be able to accelerate or facilitate reform because the environment is generally enabling or local progress and commitment to developing NGOs is strong. An enabling environment includes a government open to political and legal reform, a growing economy, some decentralization of governing structures, and an increasingly independent media. NGOs in regional centers and in four or five sectors are beginning to mature.

Countries ranked at this stage in the 1998 NGO Sustainability Index are

| | | |
|---|---|---|
| Albania | Bulgaria | Croatia |
| Georgia | Kazakhstan | Kyrgyz Republic |
| Latvia | Macedonia | Romania |
| Russia | Ukraine | Uzbekistan |

For transition countries, USAID and its NGO implementing partners should focus their efforts in the following areas:

### *Sectors and Organizations Supported*

- Develop issue-based coalitions and professional associations
- Broaden grant programs to focus on and develop the NGO sector as a whole, in addition to focusing on the survival of individual NGOs
- Direct grants strategically to selected NGOs that show promise or potential
- Introduce mentoring–partnering relationships in grant programs

### *Legal and Regulatory Framework*

- Focus on legal and regulatory framework issues, making sure that NGOs are able to register, receive funds and operate by 1) engaging in dialog on what the legal framework should look like and 2) building the capacity of NGOs to interact with legislators and government
- Ensure that new NGO laws are effectively implemented and that both NGOs and government officials are trained on their implementation

### *Support Services*

- Strengthen the variety and sophistication of support services
- Expand access to support services to more isolated parts of the country
- Localize ownership of NGO support centers.
- Begin the development of ISOs to provide training, technical assistance and networking capacity to NGOs
- Integrate training and technical assistance with grants
- Move from broad-based training to individualized onsite technical assistance in targeted areas
- Lengthen the time frame of grants to 24–36 months.

### *NGOs and Other Sectors*

- Support social partnerships between government, business and NGOs by educating

government officials and business about NGOs and about ways that they can work together.

- Strengthen the advocacy capacity of NGOs and train them in how to improve their public image.
- Launch civic education campaigns to educate citizens about their rights in a democracy (such as OK '98 in Slovakia).
- In providing support to social service NGOs, encourage them to think beyond strict service provision and to advocate on behalf of the interests of their constituency.
- Support and engage think tanks and academic institutions to teach and research on NGO and civil society topics.
- Create corporate "good citizenship" awards and other incentives to encourage a culture of philanthropy.

***NGO Constituencies***

- Educate NGOs to reach out to the media.
- Educate journalists about the NGO sector.
- Foster constituency development for NGOs through the use of community mobilization methodologies.
- Foster community-based internal governance and board development
- Train NGOs in recruiting and managing volunteers.
- Foster the development of volunteer support centers.
- Raise the public profile of NGOs through community NGO fairs and other events.

***Financial Sustainability***

- Introduce corporate and government challenge grants to encourage collaboration among the three sectors on specific local needs
- Foster local fundraising and earned income
- Facilitate cost-sharing on grants
- Teach and require NGOs to raise funds from business as part of a grant proposal
- Urge the use of cost-recovery fees and fees for service
- Educate NGOs about the impact of international donor eventual departure and their "exit strategies"
- Encourage social enterprise
- Foster NGO contracting with local governments

## Consolidation

This phase is marked by a deepening of democratic governance within society's institutions and culture. Society and government can adapt to change and deal with major reform problems within the rule of law. Basic and operational rules have been agreed upon, and the mechanisms to ensure political participation and government accountability are in place. At the consolidation stage, the legal environment is enabling and the local NGO community demonstrates a commitment to pursuing needed reforms and to developing its professionalism. Foreign assistance continues to accelerate or facilitate these developments.

By the end stage of the consolidation phase, not all needed reforms or the NGO sector's development may be completed, but the local NGO community recognizes which reforms or developments are still needed, and it has plans and the ability to pursue them itself. Model NGOs can be found in cities and towns, in all regions of a country, in numerous sectors. A critical mass of NGOs draws financial support from diverse funding sources.

- Countries ranked at this stage in the 1998 NGO Sustainability Index are

  Czech Republic Poland Estonia
  Slovakia Hungary

For consolidation countries, USAID and its NGO implementing partners could consider the following interventions:

- Strengthen local NGO links to the international community and to in-country funding sources through the use of partnership grants, targeted regional visitor programs, etc.
- Foster the establishment and development of community foundations
- Make direct grants to ISOs
- Continue where necessary to improve the legislative and regulatory environment, through targeted, narrowly focused technical assistance
- Create postpresence mechanisms like the CEE Trust for Civil Society and the Baltic American Partnership Fund to fund strong civil society organizations in USAID-graduated countries—these will be crucial to the future financial sustainability of NGOs.

NGOs are operating in every country in the cee/nis region, no matter what the country's stage of development. Often support to NGOs is the only assistance that USAID and other donors can offer in pretransition countries, where an authoritarian environment or collapsing economy precludes activities in other sectors.

Through the areas of action outlined above, USAID and its partners must stay the course in pretransition countries, so that civil society groups can survive and later flourish when conditions improve. As countries move through to the consolidation stage, the challenge above all becomes how to cement the financial sustainability of the NGO sector, so that 5 to 10 years after USAID and other donors depart, the NGO sector remains vital and viable for the long term.

As the new century begins, a key focus of USAID will be to determine the most effective assistance strategies for sustainability of the NGO sector in countries that have achieved or are approaching the stage of consolidation.

# Appendix A

# List of Implementers

What follows is a partial list of American NGO program implementers who have worked on NGO strengthening activities in Central and Eastern Europe and the New Independent States. A more complete list of all U.S. implementers that work with NGOs in CEE/NIS is being compiled.

**CENTRAL AND EASTERN EUROPE**

**Albania, Bosnia–Herzegovina**

American ORT
Celeste Scheib Angus, Director
1900 L Street, NW, Suite 603
Washington, D.C. 20036
Tel: (202) 293–2560
Fax: (202) 293–2577
E-mail: ortdc@aol.com

**The Baltics: Estonia, Latvia, Lithuania (program closed)**

U.S.–Baltics Foundation
733 15th Street, Suite 1026
Washington, D.C. 20005
Tel: (202) 393–3338
Fax: (202) 393–3388
E-mail: usbf@aol.com

**Bulgaria, Macedonia**

Institute for Sustainable Communities
Barbara Felitti, Director of Programs
56 College Street
Montpelier, Vermont 05602
Tel: (802) 229–2900
Fax: (802) 229–2919
E-mail: bfelitti@iscvt.org

**Croatia, Poland (Poland program closed)**

Academy for Educational Development (AED)
Greg Niblett, Senior Vice President
Andrea Usiak, Program Manager
1255 23rd Street, NW
Washington, D.C. 20037
Tel: (202) 884–8787
Fax: (202) 884–8752
E-mail: gniblett@aid.org, ausiak@aed.org

**Czech Republic (program closed), Slovakia**

Foundation for Civil Society
Wendy Luers, President
Mailing address:
P.O. Box 2235
New York, NY 10021
Tel: (212) 717–9778/9
Fax: (212) 717–5255
E-mail: info@fcsny (general), wluers@fcsny.org

**Federal Republic of Yugoslavia (Serbia, Montenegro, Kosovo)**

Institute for Democracy in Eastern Europe (IDEE)
Irena Lasota, Director of Programs
Eric Chenoweth, Director of Training and Publications
2000 P Street, NW, Suite 400
Washington, DC 20036
Tel: (202) 466–7105
Fax: (202) 466–7140
E-mail: eric@idee.org, irena@idee.org

The STAR Project of Delphi International (program closed)
Nalini Shetty, President
1015 18th Street, NW, Suite 1000
Washington, DC 20036
Tel: (202) 898–0950
Fax: (202) 842–0885
E-mail: postmaster@delphi-int.org

**Hungary (program closed)**

United Way International
701 North Fairfax Street
Alexandria, VA 22314
Tel: (703) 519–0092
Fax: (703) 519–0097

**Romania**

World Learning, Inc.
Susan Nealis, Project Manager
1015 15th Street, NW, Suite 750
Fax: (202) 408–5397
Washington, DC 20005
Tel: (202) 408–5420
E-mail: susan.nealis@worldlearning.org

**NEW INDEPENDENT STATES**

**Russia**

World Learning, Inc.
David Payton, Project Manager
1015 15th Street, NW, Suite 750
Washington, DC 20005
Tel: 202–408–5420
Fax: 202–408–5397
E-mail: david.payton@worldlearning.org

**Belarus and Ukraine, Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan)**

Counterpart International
Karen Sherman, Vice President for Programs (West NIS)
Arlene Lear, Vice President for Programs (Central Asia)
1200 Eighteenth Street, NW, Suite 1100
Washington, DC 20036–2561
Tel: (202) 296–9676
Fax: (202) 296–9679
E-mail: ksherman@counterpart.org, alear@counterpart.org

**Azerbaijan, Georgia, Russian Far East**

Initiative for Social Action and Renewal in Eurasia (ISAR)
Kate Watters, Director of Programs
1601 Connecticut Ave., NW, Suite 301
Washington, DC 20009
Tel: (202) 387–3034
Fax: (202) 667–3291
E-mail: kwatters@isar.org

**REGIONAL**

International Center for Not-for-Profit Law (ICNL)
Doug Rutzen, Vice President
733 15th Street, NW, Suite 420
Washington DC 20005
Tel: 202–624–0766
Fax: 202–624–0767
E-mail: drutzen@icnl.org

Freedom House NGO Regional Networking Project
Peter Wiebler, Project Director
18 Menesi Ut
1118 Budapest, Hungary
Tel/fax: 361–385–3108
E-mail: wiebler@freedomhouse.hu

# Appendix B

# Lessons Learned In NGO Law Reform

THE INTERNATIONAL CENTER for Not-for-Profit Law (ICNL) has learned a host of innovative practices from its work on nongovernmental law reform in Central and Eastern Europe and the New Independent States. This appendix highlights four specific lessons. A synthesizing theme is that reform must result from an indigenous, transparent, participatory process. International organizations such as ICNL help catalyze the process, by bringing important stakeholders together and providing technical assistance and comparative analysis. The interplay between the respective roles of indigenous and international participants is crucial to the ultimate success of any NGO law reform activity.

## Leadership by Indigenous Institutions and Individuals

In order for an NGO law reform process to succeed, indigenous institutions and individuals must assume ownership of activities. Of course, international organizations can serve as catalysts for the process and provide technical assistance and comparative perspective, but they should not actually write the laws, nor should they lead lobbying efforts. By supporting local initiatives, international organizations reinforce the notion of self-help, promote democratic values, and help ensure that laws appropriately reflect local conditions.

Local leadership presupposes local capacity. ICNL has therefore made capacity-building a cornerstone of its work, concentrating on NGO representatives, government officials, judges, and private lawyers. Among other activities, ICNL has

- Provided training, comparative information, and technical assistance to organizations and individuals engaged in NGO law reform
- Developed training programs to ensure that NGO representatives understand the law
- Worked with indigenous judges and ministry officials to create professional development seminars on NGO law

Appendices B through I were drafted by American NGO implementers.

- Trained law students and practicing lawyers through internships, conferences, courses on NGO law, and continuing legal education seminars

## Drafting Groups Representing All Interested Parties

The degree to which the reform process invites participation by all potentially interested parties frequent determines a particular project's success. A process that represents the views of NGOs, government officials, parliamentarians, and others leads to good laws, a stronger likelihood of enactment, and a vested interest among participants in continuing the reform process. Of course, there are often obstacles to such cooperation, including lack of coordination between ministries and, sometimes, open hostility between the government and NGOs.

ICNL believes that information can help bring people with different views together. Once the most vested stakeholders meet to discuss substance, they often decide to form a drafting group to address unresolved issues. In Albania, for example, the Berisha government proposed a law that would have imposed severe restraints on NGO activities, and there was palpable tension between NGOs and the government. ICNL organized a seminar in Budapest to discuss "regional best practices in NGO law." It attracted NGO representatives and the drafters of the restrictive law. As a result of this meeting, the participants agreed to form a joint NGO–government working group, which has now produced one of the most progressive draft laws in the region.

Similar drafting groups exist throughout the CEE/NIS region. Virtually all have succeeded in enacting legislation that meets local needs and conditions. In contrast, the Bosnian NGO community embarked legal reform activities in isolation from the government. While the working group was in the midst of preparing its draft, the government enacted an extremely restrictive Law on Foundations. It is now proving exceptionally difficult to generate governmental support for further revisions to the NGO legal framework.

## Broader Public Participation

It is not sufficient to have a collaborative drafting group composed of a few NGO representatives and government officials. All stakeholders should have a chance to provide input on legislative reform.

Several innovative practices have developed in Central and Eastern Europe. In Hungary, an NGO government drafting group published its draft law in a leading national newspaper. This encouraged input both from NGO representatives and the broader public. The drafters then organized town meetings around Hungary to promote further public participation. Comments were codified and reflected in the final version of the draft, which was enacted in 1997.

In Macedonia, the working group used broadcast and print media to publicize principles to be included in the new law. They then distributed the draft to all active NGOs and convened a series of roundtable discussions to refine it. Similarly, in Lithuania, the parliament organized a public hearing at which prominent NGO legal issues were discussed. In all these cases, fostering public participation has helped reinforce the democratic process, ensured the relevance of the legislation, and promoted trust among sectors.

## Cross-Border Linkages

Regional and international linkages validate and strengthen the commitment of network members, while sharpening their skills by supplying them with comparative information and expertise. ICNL has promoted these linkages through cross-border consultations, regional conferences, seminars, academic networks, and other activities.

Information does not flow merely from west to east or north to south. But there is true information *sharing* among countries. For example, ICNL asked a Bulgarian lawyer to provide comments on the Hungarian law, and Macedonian colleagues provided information to Croatia. In addition, significant information sharing occurs among regions. The drafter of the Polish Law on Associations provided technical assistance in Uzbekistan and Azerbaijan, ICNL's Czech partner assisted in Ukraine and Russia, and German experts are studying Central and Eastern European models as they prepare new legislation for their own country. A core group of NGO law specialists has emerged in Central and Eastern Europe and the New Independent States, and they are advancing NGO law reform both in their own nations and internationally.

# Appendix C

# Case Study: Strengthening Intermediary Support Organizations in Poland

THE DEMOCRACY NETWORK Program in Poland,* a USAID-funded project implemented by the Academy for Educational Development, sought to strengthen individual public policy NGOs and an indigenous network of NGOs whose purpose was to support and promote the development of the NGO sector in general. DemNet/Poland was fortunate in that a loose network of NGO support groups had already been established before the project began. The groups had significant differences in skills, knowledge, and abilities. In 1995 they had just begun working as a consortium on joint projects.

The Academy for Educational Development contracted with six organizations, now known as the Network of Information and Support Centers (or SPLOT, its Polish acronym),† to conduct an informational and outreach campaign to help qualified organizations throughout the country apply to the project for grants and training. DemNet specialists prepared SPLOT staff through workshops and individual meetings to assist organizations with the application process. Several dozen informational sessions were held throughout Poland to inform NGOs about the project, distribute applications, and offer assistance.

The activities conducted under this initial contract gave SPLOT a new understanding of how the consortium could better serve the NGO community in Poland. In working with individual groups on DemNet applications, SPLOT helped organizations grapple with

*DemNet was conducted in Poland during 1995–98 and funded 91 projects implemented by 67 NGOs.

†This was called the Open Society Network (Siec Wspolpracy Spoleczensta Otwartego) during 1995–98. The network includes the following independent organizations: Biuro Obslugi Ruchu Inicjatyw Samopomocowych (or BORIS) of Warsaw; Regionalne Centrum Informacji i Wspomagania Organizacji Pozarzadowych of Gdansk; Stowarzyszenie Wspierania Organizacji Pozarzadowych MOST of Katowice; Wielkopolskie Centrum Informacji i Wspomagania Organizacji Pozarzadowych of Poznan; Fundacja Srodkowoeuropejskie Centrum Ekonomii Dzialania Spolecznego of Lublin; and the Warsaw-based KLON/JAWOR Information Bank on NGOs.

concepts new to Poland, such as public advocacy, results-oriented projects, and unit pricing in preparing budgets. The consortium also saw how by working together it could improve its own organizational abilities and increase the types of services offered to NGOs.

After the initial contract for outreach and technical assistance in the application phase of DemNet, SPLOT entered into two additional contracts with the project. It expanded its services to assist grantees with program and fiscal reporting requirements, to develop and conduct individualized workshops based on the grantees' expressed needs, and to improve its own organizational sustainability. This work was coordinated through a series of monthly meetings of SPLOT staff enabling the network to systematically plan, coordinate, and monitor its activities. DemNet staff also attended the meetings to provide information, resources, assistance, and feedback. The synergy among SPLOT, DemNet, and its grantees resulted in several new products for the third sector community:

A standardized set of training programs and materials was developed, tested, and conducted to improve Polish NGOs' management and technical skills. Topics include securing business sponsorship, professional newsletter production, Internet resources for NGOs, human resource management, and how to work with local government authorities. Also taught were public relations and promotional skills, and financial management using a specially designed spreadsheet to track income, expenditures, and cash flow. The workshops were developed in response to the needs DemNet grantees expressed and were offered in five cities across the country (Warsaw, Gdansk, Poznan, Lublin, and Katowice). Accomplishments included the following:

- A computerized database on funding sources was developed and is continually updated. Available at every network member's headquarters, this database was the first established in Poland that included public, private, national, and foreign sources of financing for NGO projects.
- A systematic feedback mechanism was developed and used to assess the quality and appropriateness of services the network members offered NGOs. This simple questionnaire also served to identify additional needs to help the network determine new offerings for their clients.
- The skills of results-oriented project planning and transparent budget development transferred to the network by DemNet enables network SPLOT to help its NGO clients prepare better grant proposals in an increasingly competitive funding environment.
- An assessment tool was developed to evaluate an organization's level of development across four areas: management systems, financial resources, and external relations as well as programs and service delivery. This tool presents a range of an effective NGOs' attributes and helps groups identify areas within their own organizations that must improve or change.

The network also enlarged its own managerial capacity, enhancing future sustainability and raising skill levels by

- Signing an agreement to serve as a platform for the scope and procedures of cooperation among the six groups
- Preparing a multiyear development plan that sets forth its strategies for future program direction and financing

- Standardizing its internal financial and program reporting requirements, facilitating the monitoring of progress and expenditures on joint projects, and fund-raising for new ventures
- Instituting performance standards adhered to by each network member on the services provided to clients to ensure quality
- Attending a specialized training program on project evaluation conducted by U.S. experts

Since SPLOT began working with the DemNet program, it became involved with the United Nations Development Program's Umbrella Project to develop a blueprint for service procurement to help local governments contract more effectively and equitably with NGOs. SPLOT has helped create eight volunteer centers in as many Polish cities. It has created Internet services for the third sector and an archive of documents and film on NGOs. SPLOT continues providing technical assistance, training, and information–referral services to Polish organizations. It publishes manuals and periodicals to improve the effectiveness of these groups, continue supporting local efforts to establish programs of cooperation between government authorities and NGOs, and work with representatives of the third sector from several countries, including Belarus, Germany, Lithuania, Northern Ireland, Romania, and Russia.

# Appendix D

# Cooperation Between NGOs and Local Government In Poland

DEMNET/POLAND concentrated on strengthening Polish nongovernmental organizations' ability to influence decision-making at the local government level. To lessen reliance on foreign sponsors and promote community-based civic culture, DemNet also actively promoted the development of local government-funded grant programs. To establish such programs, it was necessary to facilitate relations between two potential partners who were both relatively new to their respective roles.

The first elections for truly independent municipal governments in postcommunist Poland were held in 1990. Previously, municipal offices executed decisions only from the central government. Over the past nine years, local governments have been "struggling to modernize and further develop local infrastructure, [and] improve the standard of municipal services in their communities," as decentralization of public functions require local government to be responsible for more services (Hall 1998).

At the same time, legislative changes facilitated the establishment of independent, citizen-based organizations. Quickly growing to more than 30,000 associations and foundations, these NGOs provide services and represent the interests of a broad range of sectors. Both the new emerging NGOs and the recently established local governments required time to develop a sense of identity and acquire the practical experience required to work on joint endeavors.

The grant resources and technical assistance DemNet provided accelerated a process that was just beginning in Poland in 1997—the development of open and transparent local government–approved programs of funding for activities conducted by NGOs. DemNet staff and consultants worked in 15 communities throughout the country to help with this process. They identified local partners either in government or in the NGO community. They held seminars to break down barriers of mistrust, to present the legal framework (recently established in Poland

with its new constitution) for including NGOs in the public procurement process, and to inform and dispel myths about the roles, responsibilities, and functions of one another's sectors. They helped community organizations form coalitions and identify appropriate partners within local government. They then worked as a team to draft a set of principles and guidelines for cooperation, which were presented to the city or town council for review and eventual approval.

Because of these efforts, by July 1998 seven local government–supported grant programs were established through ordinances passed by municipal councils, with open and transparent criteria of eligibility, participation, and award. The councils had prepared and submitted four grant programs for consideration, and local authorities appointed four liaison officers to work with the community's NGOs.

Major components promoting the success of these endeavors included educating local authorities and local NGO leaders together about the expectations of such a program and involving local government and NGOs that have matured to a fully functioning level. The NGOs must be professional organizations, with high-quality services and financial accounting systems that comply with ethical, legal, and professional standards. Local government must understand and be willing to engage in a participatory relationship with its community's organizations, increasing the base of participants assuming responsibility for identifying and solving local problems (Klosowski 1998).

To further foster NGO–local government partnership, the Academy for Educational Development required each grant recipient to involve local governments in its funded projects in an appropriate capacity. AED trained the grantees how to create partnerships with local governments and other local partners. In some cases, local government partnership involved provision of in-kind resources for the project. In other cases, an NGO's involvement in a town council social welfare committee was essential to achieving a project's goals. DemNet actively promoted civic culture at the local level by working in seven cities to create partnerships between local government and NGOs.

Beyond what they garnered from their grant programs, DemNet grantees achieved a great deal by working with public officials. Fifty-two additional local ordinances were passed as a result of grantee advocacy activities, which included

- Increasing apartment owners' rights in city-managed properties
- Adopting citywide educational policies through a participatory process involving teachers, students, parents, and local government authorities
- Establishing elected neighborhood councils that advocate for residents' needs at city hall

Citizens involved in local NGOs participated in the process of creating local economic or sustainable development plans in 17 communities. They persuaded local governments to adopt policies to conserve energy, recycle, and protect local mountain wetlands.

As a result of DemNet grant programs, local governments appropriated funds for new activities and services in their communities, such as public transportation for the disabled, communitywide efforts to combat alcoholism, and civics and environmental education programs in local schools. Organizations also influenced national decisions, securing

the introduction of funds into the national budget to support the development of foster care, initiating a nationally funded assistance program for autistic children, and inserting an article into Poland's new constitution to guarantee children's rights—in compliance with policies promulgated by the United Nations.

When DemNet began in 1995, the Academy for Educational Development commissioned a report on the state of public policy NGOs in Poland. Its author, Kuba Wygnanski, then wrote: "The development of groups whose main activities are public policy–oriented is just beginning." It seems that Polish NGOs have come a long way since. DemNet has instilled awareness in Polish organizations that simply providing services is not enough. To effectively resolve problems facing a community, an NGO must also be actively engaged with all local partners—especially government—in developing civil society.

# Appendix E

# Corporate and Community Philanthropy

THROUGH THE DEMOCRACY Network Program, the Foundation for Civil Society (FCS) used various methods to introduce new or underdeveloped concepts to the third sector in the Czech Republic. This appendix discusses two areas—community and corporate philanthropy—on which FCS spent significant time and effort addressing matters beyond the formal training and grants programs.

Following the withdrawal of USAID and other foreign donors from the country, one of the greatest obstacles to sustaining the Czech third sector is the poor understanding of its value that persists in Czech government and business circles. One of the DemNet program's principal aims was to help the Czech NGO sector support itself over the long term by promoting corporate giving and introducing models of community philanthropy. Through all aspects of its programming, DemNet tried to address the issue of philanthropy both for the sector as a whole and for its individual grantees.

In late 1995 the Czech Donor's Forum, an informal group of major foreign and Czech donors, began meeting. The DemNet project manager and the FCS–Prague office director were asked to join the core group. Its founders intended to create a forum for major donors to share more information about their funding and, in some cases, their exit strategies. Early on, it was clear that this group could also play an important role in promoting corporate giving, serving as an interlocutor between Czech NGOs and the local corporate sector.

In June 1996, the DemNet program staff made arrangements for Peter DeCourcey Hero, executive director of the Community Foundation of Santa Clara County, California, to visit the Czech Republic. There were multiple reasons for his visit. First, it was felt that Hero, with his extensive experience fundraising from corporations and private individuals in the United States, could help inform discussions at the Donor's Forum and in other donor circles of how best to approach and work with the corporate sector in the Czech Republic. Second, it was felt that Hero might be able to advise one of the program's strongest grantees, the Regional Fund, in approaching local corporations for

financial support. Third, the DemNet staff and consultants wished to investigate the relevance and applicability of the community foundation model in the Czech context, since this model has been so successful in the United States and is burgeoning in the United Kingdom.

Hero's work with the Regional Fund has had significant impact, in great part because community foundations appeared to offer a structure that allowed the executive director and his staff to better achieve the goals of the foundation and its interest in responding to other community needs. On this and follow-up visits in fall 1996 and April 1997, Hero worked with Regional Fund staff to generate ideas, respond to implementation problems, and develop an outline of the next steps the foundation needed to take. His trip also assisted in presenting this new model to Regional Fund stakeholders, including board members, corporate representatives and local authorities in Usti nad Labem, as well as to members of the Prague-based Czech Council on Foundations.

The Czech Council on Foundations is an advisory body appointed by the Czech government and charged with developing a plan to distribute funds from the second wave of privatization that were designated, by law, for foundations. Hero's April 1997 presentation to a group of politicians, ministry officials, and NGO sector representatives introduced the community foundation model as a mechanism for supporting civil society organizations both regionally and locally. Additional meetings with major Prague-based donors helped introduce and develop local donor support for the model and for the Regional Fund's noteworthy decision.

But DemNet's central role in introducing the community foundation model to the Czech Republic was not limited to Hero's consultations and presentations. After the Regional Fund declared interest in becoming the first Czech community foundation, the DemNet program staff saw value in establishing contact between the Regional Fund and the Healthy City Foundation, an already fully operational community foundation in Banska Bystrica, Slovakia. This relationship began in fall 1996 with an exchange of materials and basic information over the phone. The ongoing, regular exchange of information between these two foundations, initiated by DemNet, resulted in a decision by the organizations to submit a joint proposal for an EU/Phare partnership grant. The grant would allow the organizations to implement a capacity-building training program for emerging community foundations and similar organizations in the Czech and Slovak Republics. The project also would open opportunities for the organizations to meet regularly to share ideas and experiences crucial to their development and sustainability, such as financial mechanisms for giving and how to make community-needs assessments. In October 1997, the Regional Fund learned that its proposal was on the short list of projects awaiting a final funding decision.

As the community foundation model appeared to hold promise as a model of local philanthropy for the Czech Republic, it became necessary to develop a more comprehensive understanding of the financial systems, grants and other programs of U.S. community foundations and the specific challenges they face. Thus DemNet encouraged Jolana Novotná, the manager of its Public Relations and International Programs, and Tomás Krejcí, financial manager for the Regional Fund, to use the U.S. internship program of the National Forum Foundation (now Freedom House). With

considerable logistical support from Peter Hero, these two Regional Fund staff members in June 1997 visited community foundations that served various localities in the United States. Their assessment of the opportunity and the knowledge they gained was overwhelmingly positive.

The Foundation for Civil Society also was instrumental in generating and conceptualizing the first regional conference on community foundations, held in spring 1997 in Warsaw. The conference, spearheaded by the European Foundation Centre and partially funded by the Freedom House, brought together representatives of assistance programs, experts from U.S. and Western European community foundations, and leaders of Bulgarian, Czech, Polish, and Slovak NGOs. The meeting considered the obstacles to community foundation development in the region. The most difficult challenges facing emerging Central and Eastern European community foundations were seen as endowment building and creating, then marketing, manifold mechanisms for giving and investing funds.

In attempt to ensure sustained progress in introducing this model beyond the lifetime of the Czech DemNet program, the DemNet project manager attended the Annual Conference of Community Foundations in Chicago, in September 1997. Former DemNet consultant Jirí Burta, who played a central role in supporting the Regional Fund in its transformation into a community foundation, also attended this meeting.

Finally, components of the Capacity-Building Workshop Series (particularly the Board Development and Diversification of Funding workshops) concentrated on developing local corporate resources. Further training and consultations on these topics, at this critical juncture, would greatly benefit the entire NGO sector. To develop community foundations and other philanthropic mechanisms, and to build endowments and systems for raising and investing funds, three other things are necessary: better marketing, stronger community leadership skills, and a methodology for data collection and needs assessment. Education must continue for Czech businesses (large and small) about the not-for-profit sector—through examples of its impact on society and the business advantages of developing corporate giving strategies.

The VIA Foundation, a newly established Czech NGO, is the programmatic successor to the Foundation for a Civil Society's work with the Czech third sector. As such, the VIA Foundation will continue to work in community and corporate philanthropy through ongoing involvement in the Czech Donor's Forum, and development of a U.S. Information Agency–funded corporate philanthropy database. VIA will also work on delivering new training projects for NGOs to improve their ability to cultivate corporate and individual donors. The foundation also will work in partnership with the Regional Fund, donors, and project consultants interested in advancing corporate giving and other giving practices in the region. FCS and the VIA Foundation also will cooperate on a corporate citizenship award project sponsored by the Citicorp Foundation to encourage local Czech businesses to support the third sector. If successful, the project will become an annual activity in the Czech Republic and expand to include other Central and Eastern European countries.

# Appendix F

# The Corporate Challenge Grant Program: Promoting NGO-Business Partnering

COUNTERPART INTERNATIONAL Inc. created the Corporate Challenge grant in 1995, a 100 percent dollar-for-dollar match on donations from businesses to nongovernmental organizations. The grant addresses two barriers to developing civil society in the New Independent States:

- The lack of a culture of corporate philanthropy to contribute to NGOs' financial sustainability
- Distrust among government, business, and NGOs

Counterpart's experience has shown that businesses in the former Soviet Union would like to contribute in various ways to NGOs' charitable work by, for example, helping children, the elderly, and disabled. But distrust—whether because of a lack of understanding, exposure, or experience with NGOs—often acts as a disincentive. The Corporate Challenge grant uses a process that builds trust and credibility. The program includes the following steps:

- NGOs participating in a Counterpart-sponsored program are introduced to the Corporate Challenge grant and strategies for approaching businesses.
- With Counterpart guidance, NGOs design programs that meet the criteria of the Corporate Challenge grant program in their country of operation.
- On their own initiative and by using outreach strategies developed in Counterpart training, NGOs cultivate relationships with businesses in their local communities.
- Using the match concept offered by the grant, NGOs identify a business donor. After the business has made its donation, Counterpart provides matching funds to the NGO.
- Counterpart works closely with the NGO to implement its program, providing technical assistance and training, then monitoring the program's progress.

- Counterpart and the NGO report to the business donor on the program, helping to reassure the business that its donation was worthwhile.

Through this process, NGOs and businesses form partnerships that can lead to ongoing collaboration, interaction, and long-lasting benefits in communities served. The grant helps NGOs overcome distrust, build solid reputations, leverage private sector resources, and develop community-based philanthropy. Counterpart has implemented the corporate challenge grant in NGO support programs across the New Independent States. Some examples of its successes:

- In Ukraine, the Counterpart Alliance for Partnership (or CAP) program succeeded overwhelmingly in matching up local businesses with NGOs: More than 45 grants, matching more than $225,000 in business contributions, have been awarded to local NGOs. Of all contributions, 98 percent come from local businesses. For example, a grant matching a $5,000 contribution from Ukrainian corporate sponsor Voltex helped the Disabled Yachtsmen's Club purchase sports equipment. The equipment is used during summer to help provide physical and psychological rehabilitation for the disabled. The club has extended the equipment's benefit to disabled people by making it available to another local NGO, Tserebral, for indoor use during winter.
- In Central Asia, Counterpart has awarded 29 Corporate Challenge grants that have mobilized $370,000 from U.S. and indigenous corporations. For example, a grant matching a $10,000 contribution from Chevron allowed Special Olympics of Kazakhstan to purchase specialized equipment, secure additional sponsorship, and participate in the 1997 World Winter Special Olympic Games in Canada. The NGO now works with 14 chapters across Kazakhstan, owing in part to the publicity and pride generated by the 35 medals they won.

# Appendix G

# Community Action Projects

COMMUNITY ACTION projects (CAPs), used throughout the world, are a way to bring a community's various sectors together to develop a common vision of what they wish their community to be like, then to take concrete actions to help make that vision a reality. The CAP process* provides a framework to systematically identify and analyze problems and set priorities for action. Actively engaging many people in the process makes for better decisions and builds support for solution strategies, making them more likely to be effectively implemented. CAPs focus on finding low-cost solutions that can be implemented immediately, with local skills and resources.

Civil society organizations (CSOs) often take the lead in the CAP participatory decision-making process. In Macedonia, the Community Partnerships component of the Macedonia DemNet program, implemented by the Institute for Sustainable Communities (ISC), draws upon the strength of environmental CSOs to help communities develop local environmental action plans (LEAPs). The LEAPs process involves creating a community vision, assessing community conditions, identifying and prioritizing specific problems, and developing strategies for solving those problems. With assistance from ISC, a community that wants to develop a LEAP must also form a citizens' committee of as many as 40 members including individual citizens; government officials; and representatives from CSOs, business, and industry. The process affords citizens an opportunity to work collaboratively with local government on issues that affect their communities.

The value of the LEAP process is shown by the replication of it that has begun. In one LEAP community the participatory decision-making process has been applied to address cultural heritage issues. In another case, a new community without financial support from ISC is replicating community action efforts. The local NGO partner in the village of Labunista, site of one LEAP project, has been approached by officials from the nearby village of Delogozdi for assistance in conducting their own LEAP. The Delogozdi mayor, the village's municipal council, and local businesses have pledged financial support to develop the project. ISC has provided advice for the effort. This is ISC's first experience in which local government and local businesses are offering to give funds to an NGO for a community action project. It also is a model of the concrete changes in institutional relationships that can be achieved through LEAPs.

*This should not be confused with the Counterpart Alliance for Partnership (CAP) in appendix I.

# Appendix H

# The Democracy Network/Czech Republic Journalism Program

THE DEMNET JOURNALISM program was created to stimulate interest among future professional journalists about the issues and activities of nonprofit organizations and thereby to increase press coverage of nongovernmental organizations' role in transforming Czech society. Participants included students from the journalism schools at Masaryk University in Brno and Palacky University in Olomouc and from the mass communications department at Charles University in Prague. The program, which ran during 1996 and 1997, consisted of internships, a lecture series, and an award competition for the best articles written by students about a specific NGO or the sector in general.

DemNet project manager Julia Szanton and journalism program coordinator Zuzana Pultrová managed the lectures and internships with the three universities, the outreach and administration of applications from host organizations and students, and an award competition.

The DemNet project manager met with the administrators of the journalism schools to explain the project's goals. Once the administrators agreed to participate, a contract specifying the conditions of cooperation between the faculties and the Foundation for Civil Society was signed with each university.

The journalism internship program sought student candidates by sending information leaflets to the faculties. Often this was followed up by a brief lecture at each university telling the students about the program. If a student was interested, the Foundation for Civil Society sent the student an information leaflet and an application.

To find host NGOs, DemNet mailed information to selected organizations. Information about the project was also published in a May 1996 newsletter that reaches most NGOs in the Czech Republic. If an NGO expressed interest, it received a letter, an information leaflet, and an application.

If a student indicated interest in a specific NGO, the Foundation for Civil Society contacted the organization on the student's behalf. Otherwise, FCS helped the student choose an organization. FCS began the process by offering the student options based on interests outlined in the application. A letter with a list of options went to the student, and the student could contact any of those organizations. When a final choice was made, FCS called the organization and confirmed the internship. If the student was unable to make a suitable choice, FCS tried to offer other options.

When an organization fit the project criteria and there was agreement to cooperate, letters went to the student and the NGO confirming the internship. The letter to the student included a timesheet, which had to be completed and sent to the Foundation for Civil Society and the student's university after the internship concluded. The student had to commit to 40 to 60 hours of work and received 75Kc an hour, or about US$2.50 (transportation and accommodation funds were made available when applicable). Copies of any articles the student wrote during the internship also had to be sent to FCS and the faculty. With the letter to the host NGO, DemNet included an evaluation form to be completed and returned to FCS after the internship was completed. It was used to assess the intern's work, as well as the internship's impact on the host organization.

Interns were expected to help their host NGOs prepare or revise informational materials (brochures, press releases, and the like) or organize meetings or press conferences to improve the organization's contacts with local and national media. The NGO was required to provide a brief description of the intern's responsibilities. During the internship, each intern had to write an article about the host organization or one of its projects. In most cases, the intern developed both a professional and a personal interest in the NGO sector and in his or her community. Students were encouraged to work with organizations in their hometown or the city where the university was located, to foster long-term cooperation.

The journalism lecture series required coordination between lecturers—generally NGO or media figures with experience in civil society development—and the universities. The DemNet program was responsible for finding qualified speakers and covering lecture fees. DemNet staff sent out letters inviting prominent NGO and media personalities to participate in the series. After speakers were confirmed, staff would contact the universities to coordinate dates and topics. The universities arranged dates, times, and locations. They were also responsible for administering the lecturer's fee, arranging and paying for accommodations and transportation, and publicizing the lectures to both students and journalists in the area.

A competition for the best student article, called "The NGO Sector Through the Eyes of Young Journalists," was organized as an incentive to promote the NGO sector in the Czech Republic. Most participants came from the NGO internship program, but students at any faculty or university in the Czech Republic who had written an article about the NGO sector could apply. The Foundation for Civil Society composed a selection committee of faculty members from two universities as well as journalists and editors from various Czech newspapers. The committee selected three prizewinners, with first prize earning 6,000Kc (about US$200), second prize 4,000Kc, and third prize 2,000Kc.

The DemNet program opened these activities in November 1996 and received positive responses and excellent results. The three universities the Foundation for Civil Society approached all agreed to participate.

During November 1996 through June 1997, the journalism internship program received 27 student applications, approving and placing 24 interns. All was completed by the end of June. NGO responses to the program were extremely favorable, and the demand to work with the journalism students was strong. Of the 24 students, 8 were placed in environmental organizations, 3 in democracy building organizations, 11 in social safety net NGOs, and 2 in community revitalization groups.

The internship breakdown by geographic location coincided with the sites of the universities. Central Bohemia (including Prague) and Southern Moravia had the highest number of placements, with seven interns each (Charles University is in Prague, Central Bohemia; Masaryk is in Brno, Southern Moravia). Five interns were placed in Northern Moravia, site of Palacky. Southern and Western Bohemia each received two interns, and one went to Eastern Bohemia. Northern Bohemia was the only region not to receive an intern. Clearly, most of the students interned near their universities. But few worked in their hometowns, and there was some overlap—some students worked in the region of a university not their own (for example, students from Charles working in Southern Moravia).

Through the journalism lecture series, four well-attended lectures were held from late 1996 to June 1997. A small sampling of their topics:

- "The Development of Democratic Institutions and Processes: Civil Society and Human Rights," given by Jirí Pehe from the Open Media Research Institute
- "Prostitution as a Societal Problem: The Positive and Negative Role of the Media in Its Solution," given by Dr. Hana Malinová

In "The NGO Sector Through the Eyes of Young Journalists" competition, four winners (a first, a second, and two third places) were selected from 62 entries by the distinguished selection committee. The committee also gave to all applicants for the prize written comments on the articles reviewed. The deadline for submission of the articles was 30 April 1997, and a public ceremony to award the prizes was held on 25 June 1997. The Foundation for Civil Society organized the awards ceremony, hosted by U.S. Ambassador Jenonne Walker at her residence.

Publication of all of the articles was and continues to be instrumental in improving NGOs' image in the eyes of the people. The winning articles were published in the Czech and English version of *The New Presence* monthly and in the leading local English newspaper, *The Prague Post.* The winning articles were also sent out to stakeholders.

Thanks to the initial funding by USAID through the DemNet program, the journalism program became an important element of NGO development programming in the Czech Republic. Subsequent to USAID's sponsorship, the Swiss Embassy in Prague took custody of the program.

# Appendix I

# Social Enterprise Development: Promoting Sustainable NGOs

SINCE ITS FOUNDING in 1965, Counterpart International Inc. has supported the development of sustainable nongovernmental organizations in transitioning economies by promoting NGO-owned and -operated social enterprises. The approach is based on solid evidence that NGOs can provide needed social services and still achieve financial self-sufficiency by launching private, self-supporting business ventures. Examples include sewing factories, agribusinesses, bakeries, and ecoenterprises. A viable model for sustainable NGO development, these for-profit spinoffs benefit NGOs and the communities they serve in several ways:

- NGOs are less dependent upon donor funds as a result of income generated by the enterprise.
- NGOs are more apt to apply businesslike management practices and approaches such as client-driven service delivery and professionalization of staff and services back to their social service programs.
- Social enterprises deepen NGO impact within the community by creating new jobs, by introducing environmentally safe products and techniques, and by delivering needed services and products.

Because most indigenous NGOs lack the financial and technical wherewithal to get such enterprises up and running, Counterpart offers comprehensive assistance to interested NGOs in such areas as identifying social enterprise opportunities, developing business plans, attracting startup capital, pricing and marketing products and services, and developing budgeting, accounting, and financial planning systems. The Counterpart Alliance for Partnership (CAP), a USAID-funded program in Belarus and Ukraine, helps social service NGOs such as the Disabled Rehabilitation Fund launch businesses that enhance organizational sustainability and create jobs. CAP-sponsored NGOs operating social enterprises have so far generated more than $38,000 in income to beneficiaries.

**Social Enterprises at Work**

The Disabled Rehabilitation Fund operates a wheelchair repair business that provides home pickup and delivery services. The business employs nine people with disabilities. The Assistance to Handicapped Children Association operates a potato chip production line that employs eight young disabled people and their parents.

Counterpart's goal is to catalyze the long-term sustainability of NGOs by developing social enterprises. Objectives of this program include

- Improve NGO management practices and promote client-driven service design and delivery through social enterprise training and technical assistance
- Establish a revolving social enterprise fund to capitalize social enterprises parented by NGOs with the potential to address vital community needs

Core activities will

- Offer Counterpart's five-day social-enterprise seminar covering business startup and management topics such as cash flow, pricing, marketing, break-even analysis, and business plan development
- Provide ongoing one-on-one technical assistance by an in-house social enterprise adviser and Peace Corps volunteers to help NGOs revise their business plans, apply for loans or recoverable grants, develop staff and management capabilities, and institute credible accounting principles
- Facilitate apprenticeships between NGOs and businesses in their communities to help NGOs gain firsthand experience of the "how-to's" of business startup and management
- Provide startup capital through a recoverable grant facility that offers interest-free loans to NGO-operated social enterprises.

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