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**A Mid Term Evaluation
of the
Democracy Network Project in Slovakia**

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The Democracy Network Project in Slovakia
A Mid Term Evaluation
Executive Summary

This Project is a component of a larger USAID regionally funded effort to solidify the long term prospects for democracy in Central and Eastern Europe by strengthening indigenous public policy oriented non-governmental organizations. The Project is implemented by the Foundation for a Civil Society pursuant to a \$3 million cooperative agreement and includes sub-grants which are awarded pursuant to a competitive selection process using a panel of expert reviewers and training and technical assistance which is provided through workshops and consultations.

Implementation challenges have included clarification of the concept of “public policy” in a way that is pragmatically meaningful to Slovakia, whether to focus on core support or on projects, whether to offer support to a limited group of organizations or the NGO sector as a whole, whether to pursue a large grant policy to a few organizations or a small grant policy to many, the balance between Bratislava and rural based NGOs, the structure of the program cycle and the operation of the Democracy Commission.

Despite a weak donor base, a poor understanding of fund raising techniques, an absence of public advocacy skills and a deficient legal and regulatory framework, the NGO sector in Slovakia is generally dynamic and energetic, shows, strong leadership, an impressive amount of associational activity and has a growing sense of identity and an increasing appreciation of the potential role of the independent sector.

While this overall assessment is generally positive, the Slovak NGO sector does have four significant institutional deficiencies including a thin executive structure, lack of middle management, limited analytical capacity and dependence on foreign donors.

With respect to *specific* organizational needs Slovakian NGOs could benefit from a better understanding of the role and management of boards of directors, skills in financial modeling and strategy and a stronger capacity to do strategic planning.

Indigenous private sector support for the NGO sector is very limited and only beginning to emerge. However, there is no reason to conclude that habits of philanthropy are fundamentally at odds with Slovak culture and values. The prospective level of future giving from local private sources will be a function of national economic growth and will reflect the learned capacity of the NGO sector to locate, cultivate and access charitable support from corporations, individuals, and foundations. While corporate giving can be important, long run support is likely to come from individual donors.

With regard to impact, the evaluation concludes that DemNet’s approach to the concept of public policy was appropriate given the condition of the NGO sector, that DemNet has resulted in a broadened understanding of the importance of advocacy and public policy, a

deeper appreciation of the relevance of policy to program goals and a shift in emphasis within the NGO sector toward an emphasis on public policy. Individual grants demonstrate a link to systemic change, a positive impact on citizen participation and show success in reaching into rural areas. The sub-grants appear to be well timed and the rigorous and professional selection process has had a very positive result. However, there would be significant potential benefit to articulating an explicit exit strategy.

While there are pros and cons to a large grant strategy, it is critically important to provide supporting management assistance. One of the important findings of this evaluation, was that a significant number of grantees have not formulated practical and realistic program plans and financial strategies to address the fall-off in funding once the DemNet grant terminates. While DemNet has been successful both sectorally and from the perspective of individual grants, these gains are at risk unless considerable attention is devoted to helping recipients strengthen their organizational capacity and solidify their base of support.

The principal recommendation is that the Project concentrate on institutional strengthening during balance of Project life and work with a limited number of organizations that have already received a sub-grants. It is also recommended that the Project not proceed with Round V, that existing sub-grantees should be made eligible for a follow on grant, that DemNet design an “exit strategy” and a program of organizational strengthening, place particular emphasis on the formulation of financial strategies, restructure and re-focus the training and technical assistance program, terminate the voucher and mentor program and consider a Project extension if it can be demonstrated that a modest extension can be linked to the improved sustainability of sub-grantees.

An attachment to the Report discusses several conceptual problems associated with the term “sustainability”.

TABLE OF CONTENTS

Introduction	Page 1
Background	Page 2
Design and Start up Issues	Page 4
The NGO Sector in Slovakia	Page 7
Program Impact and Progress Against Objectives	Page 12
Training and Technical Assistance	Page 19
Programming Cycle and Selection Process	Page 20
Management and Administration	Page 23
Recommendations	Page 24
Attachments	
Attachment #1	Sustainability
Attachment #2	Organizations and Individuals Interviewed
Attachment #3	Sub-Grant Program Profile
Attachment #4	Scope of Work



I. Introduction

This is a mid-term Evaluation of a USAID funded Democracy Network Project (DemNet, or the Project) in Slovakia.¹ This Project is a component of a larger USAID regionally funded effort to solidify the long term prospects for democracy in Central and Eastern Europe (the Democracy Network Program) by strengthening indigenous public policy oriented non-governmental organizations. The overall DemNet effort is comprised of nine individual country projects and two region-wide support activities designed to provide targeted legal assistance to the country programs and support inter-regional communication and mutual learning. Country programs are implemented in all cases by a US based Private Voluntary Organization (PVO) through cooperative agreements with USAID - - in the case of Slovakia, the Foundation for a Civil Society (FCS). The core components of each Democracy Network project include grants to indigenous NGOs in four sectoral areas (democracy, environment, social services and economic growth) and the provision of training services. In each country a Democracy Commission, comprised of members of the US Country Team, has been established to provide policy oversight and to review individual proposals.

The primary purpose of this evaluation is to assess Project impact against anticipated objectives and to make recommendations that might improve Project performance during the last year of Project activity. A supporting objective is to assess the condition of the NGO sector in Slovakia and to analyze DemNet activity in the context of these changing conditions. The geographic focus of this evaluation is on the Slovakia country program, although the regional programs managed by the National Forum Foundation (NFF) and the International Center for Non Profit Law (ICNL) are referenced to the extent that they are relevant to country progress. The Report includes a brief discussion of Project management and administration to the extent that this is relevant to program performance. An attachment to the Report discusses the concept of sustainability .

This evaluation does not address the pros and cons of an emphasis on public policy, the larger issues of the role of the independent sector in strengthening democracy or the definitional attributes of a functioning civil society.

The field work for this evaluation took place during the period February 17 to March 7, 1997 and included a visit to the New York headquarters of the FCS, background discussions with ENI staff in USAID/Washington and 10 days of visits and interviews with grantees, advisors, technical experts and staff of USAID/Slovakia and other members of the Slovakia Democracy Commission, including the US Ambassador. The evaluation "team" consisted of a single outside evaluator, (the author of this report) who was accompanied by members of the DemNet staff and by a USAID staff member during

¹ A note on nomenclature. In this Report, the term "Project" refers to the DemNet Project in Slovakia. The term "Program" refers to the multi-country effort in Central and Eastern Europe. The "grant" refers to the grant to the Foundation for a Civil Society. "Sub-grants" refer to grants made by the Foundation to local non-governmental organizations. The word "activities" normally refers to things that are happening as a result of the sub-grants.

the first week of in-country interviews. Preliminary conclusions and recommendations were discussed with FCS/DemNet staff and with USAID/Slovakia prior to departure. A draft Report was submitted one week later and this, the final report, was prepared in early April.

II. Background

The Slovakian DemNet Project is a component of a larger region-wide Program to strengthen the prospects for democracy in Eastern and Central Europe. The rationale, intent and basic structure of the region wide Democracy Network Program was set forth in a Request for Application (RFA) in August, 1994. That document stated that the purpose of this multi-country effort was to “develop and strengthen the community of public policy oriented NGOs in 8 countries and one region of Central and Eastern Europe...the program outcome should be self sustainability after USG funding has ended, for those NGOs assisted under this program.” The program was to focus on organizations that worked in USAID’s priority areas of democracy, environment, economic growth and social welfare. The underlying rationale, as stated in the RFA was that although democratic structures were well established in the region, the development of democratic *practices* will take much longer and will require governments that are responsive to their citizens. Thus the US program was designed to help promising NGOs become “more effective at articulating public policy concerns, representing citizens’ concerns outside government and providing a watchdog function.”

In addition to outlining the program rationale and focus, the original RFA mandated that an oversight structure be established by each US embassy to be comprised of a Democracy Commission under the leadership of the Ambassador and including specified in-country representatives from USAID, USIA and other USG agencies. The purpose of the Commission was to “articulate coherent country democracy strategies and to monitor the implementation of such strategies.” Each Democracy Commission was to be involved in the selection of the implementing American PVO and was to *approve* all in-country sub-grants selected for funding.²

Within the overall framework of the original RFA and the basic similarity of the cooperative agreements that were negotiated with implementing PVOs, the specific approach, content and administration of individual DemNet activities in Eastern and Central Europe have differed significantly. This is, of course, appropriate and reflects the distinctive characteristics of democratic practice, varying conceptions of the basic terminology and the stage of development of the independent sector. The content and emphasis of the individual DemNet activities has also been influenced by USAID development priorities and individual US foreign policy interests and concerns in each country.

² In another section of the RFA the term is “concur”. It should be noted that In some countries in Central and Eastern Europe the Embassy had already established a review committee to review and approve small grants to local NGOs funded by USIA.

The DemNet Program in Slovakia was initiated pursuant to a three year, \$3,000,000 Cooperative Agreement with FCS in March of 1995 which was awarded in response to a prior proposal from FCS. The Program Description language of the Agreement is pertinent and specified:

“...the Democracy Network Program ...will develop indigenous public policy oriented NGOs involved in four priority development sectors...the grantee will administer...sub grants and technical assistance to help local NGOs to become self sustaining and capable of :

Influencing the formulation and implementation of public policy;

Serving as a forum for public policy debate and advocacy;

Mobilizing private resources....

Raising funds to further the purposes of the NGO and secure its financial and organization sustainability;

Operating democratically, effectively, efficiently and responsibly; and
Providing services to and advocacy for their constituents.”

The Agreement envisioned that the grantee would provide expertise and skills to indigenous NGOs in the area of public policy advocacy and manage two sets of related activities in support of those NGOs “*which have an interest in affecting public policy*”:

The making of sub-grants including the development of criteria, the design of a transparent selection process, advisory assistance to sub-grantees, monitoring and evaluation and assurance of geographic, ethnic and gender balance.

The provision of general institution building support in such areas as strategic marketing, membership development and financial planning, and the development of alliances and networks.

Sub-grants are awarded pursuant to a competitive selection process using a panel of expert reviewers. Grants are intended to “ increase the capacity and sustainability of NGOs as they improve their ability to represent the interests of citizens effectively in the formulation and implementation of public policy on a range of issues having a direct impact on the population.” Four grant rounds have been conducted to date with a total of 48 sub-grant awards averaging \$24,800.

Training and technical assistance is provided in four ways: through workshops and consultations conducted pursuant to contracts with the Slovak Academic Information Agency-Service Center (SAIA) and Partners for Democratic Change (PDCS); from the short term technical assistance program which provides funds for consultants and

advisors; from a “voucher” program which makes small awards to cover the costs of participation in workshops and seminars and through staff consultations.

III. Design and Start up Issues

While the conceptual framework for all of the individual Democracy Network projects is set forth in the original RFA, the application of these concepts to distinctive country contexts involves considerable adjustment and adaptation - - it is in part for this reason that the cooperative agreement mechanism was selected. Because the adaptation process proceeded with relative efficiency in Slovakia, it may be useful to summarize and comment on the programmatic and conceptual issues that were addressed as a background to the findings and recommendations set forth in this report.

There were seven fundamental issues and related decisions that the DemNet staff and USAID had to deal with in designing the Project and relating it to the situation in Slovakia:

Defining and adapting the concept of “public policy”. A common challenge in all DemNet Projects in Central Europe has been clarification of the concept of “public policy” in a way that is pragmatically meaningful in the particular country context.³ The difficulty has been three fold. First the term “public policy” does not translate easily; secondly, the concept of “public policy” is very much a western conception and the subordinate concepts of the public/private domain, the process of dialogue that gradually articulates a “public” policy and the premise of fluid interaction among interest groups and the legislative process is quite new and in some cases inapplicable; thirdly, few NGOs in the countries of Central Europe have the staff, resources and technical capacity to engage in lobbying and advocacy work.⁴ The challenge in adapting the principles of DemNet to the local situation is to develop a pragmatic definition that is sufficiently flexible to adjust to current realities while being consistent with original intent.⁵ If the conception of “public policy” for grant making purposes is far removed from the types of public policy activities the NGO sector is currently engaged in it will be difficult

³ It is not clear whether the designers of DemNet debated the pros and cons of a proactive approach that would have involved creating programs and institutions de nouveau in a western mold to pursue public policy concerns. If this approach had been adopted - - in lieu of the reactive approach that supports established or emerging capacity, the problem of adapting terminology to the local situation would have been avoided. Of course, other issues would have arisen.

⁴ Comments about DemNet experience in other countries of Europe are based on a reading of the reports from the Pocantico Conferences and from the evaluators experience in conducting two other DemNet evaluations in Poland the Baltic States.

⁵ Even in the United States the term “public policy” is conceptually complex and can lead to multiple and sometimes contradictory expectations. The idea of what constitutes a “public policy” activity can range from consciousness raising, to civic education to community organizing to a targeted lobbying efforts to change legislation. This definitional dilemma is noted because ambiguities with respect to intent can lead to quite different expectations of outcome.

to commit funds and considerable institutional development will be necessary before the Project can move forward. If the conception is too capacious and flexible, DemNet will simply support worthy ongoing activities without making a structural difference.

In Slovakia, the definition of public policy for the early grant rounds gave primary emphasis to the “public” component of the concept - - i.e. the process of bringing individuals together to work for mutual solutions to a community problem. The emphasis on “policy”, the techniques of policy analysis and western approaches advocacy and the legislative vehicles that make policy was given much less emphasis. In view of the nascent stage of voluntarism in Slovakia, the resistance to organized action and to organizations in general and the apparent prevalence of citizen apathy, this emphasis was logical and appropriate. In addition and importantly, a flexible definition of permissible activity allowed the Project to move quickly and respond to a wide range of opportunities that would have been precluded under a more constraining approach. The obvious disadvantage is considerable deviation from the original intent which had envisioned the more traditional emphasis on advocacy, citizen concerns and the watchdog function of NGOs. This more constraining approach could have been adopted but it would have required a quite different pro-active strategy that would have involved a much longer time frame and a deliberate attempt to cultivate and develop institutional ability as opposed to responding to ongoing activities and building on established capacity.

Focusing on Projects. A general issue in grant giving is whether to focus on core support to strengthen an organization that is doing worthy work or to focus on support of projects that will tend to shift the organization toward an area of emphasis that the grantor believes is important - - public policy, in this instance. This is an important distinction in the case of DemNet because it involves a choice between the two fundamental objectives of the program: building a core of sustainable NGOs on the one hand and developing their public policy/advocacy capacity on the other. In the case of the DemNet Project in Slovakia, an implicit decision was made to focus on discreet projects and to date only 3 of the 45 grants have been for core support - - although all grants do include an overhead component.

In retrospect, whether the emphasis on funding projects was correct is a difficult call. As discussed in the section of the evaluation on sub-grants, the projects funded by DemNet have had the consequence of broadening, and deepening the interest in public policy and have shifted the NGO sector toward more activities in this area. On the other hand, the major concern of the evaluation is that recipients are not adequately positioned to sustain these new directions. Had the emphasis been slightly more on institution building and core support for organizational development, this dilemma might have been less serious.

Support to the NGO sector as a whole. While it would be inappropriate to slavishly compare the evolution of the Project to the precise wording in the cooperative agreement, it is relevant in the light of some of the recommendations contained in this Report to note that the original intent appears to have been to give primacy to establishing a core of sustainable organizations and to focus on *only* public policy NGOs. Nevertheless, one of the early DemNet decisions was to offer training workshops and individualized training support to all NGOs who were interested rather than limiting training to only those organizations that had an explicit interest in influencing public policy.⁶ The advantage of this strategy was that it provided a vehicle to let Slovakian NGOs learn about DemNet, it indirectly supported Slovakia's largest and most important NGO training organization (SAIA) and it responded to a very real need for training in the basics of non-profit management. Although this evaluation recommends that during the remaining life of Project, training efforts and resources be concentrated on the core group of NGOs that have received sub-grants, the initial approach appears reasonable and legitimate in hindsight.

Large grant strategy. An important characteristic of the Slovakian DemNet program is the emphasis on large grants to a few number of organizations. This approach is balanced with a policy of limiting each recipient to a single grant. The pros and cons of this approach are discussed under the section dealing with sub-grants.

Rural emphasis. As discussed in the assessment of the Slovakian NGO sector, the growth of NGO activity has been heavily influenced by foreign governmental and private sector donors. The emphasis is inevitably on well developed, Bratislava based organizations who have had experience in grant writing and the language of grantsmanship. USAID and the Democracy Commission have opted for a distinctive grass roots orientation which was entirely appropriate in view of the importance of developing authentic indigenous capacity.

The structure of the program cycle. Although perhaps derivative of the USAID programming system and the basic parameters of the grant, an early implicit decision was made to cycle funds in discreet "rounds" and to respond to applications from NGOs rather than attempt to pro-actively stimulate applications in an area of prospective interest. As discussed in section V, this had important downstream implications in shaping the sub-grant portfolio and in determining the balance between sub-grant performance and organizational sustainability.

The operation of the Democracy Commission. The establishment of an in-country Democracy Commission is potentially conflictual. The structure is new,

⁶ The language of cooperative agreement, as noted above, is hazy on this point. A strict reading would appear to limit training to only those NGOs that are engaged in public policy. However, if view of the expanded and more flexible definition of public policy it could be argued that virtually all NGOs were potential activists and should therefore be entitled to training support.

can appear to cut across established lines of authority and can cause bureaucratic squabbling. The grants themselves tend to be in sensitive areas and to nascent organizations that can and sometimes do get into political hot water. Of greatest concern is a review and approval system that creates potential conflict between a group of local experts on the one hand and US Embassy officials on the other. These pitfalls are noted because in the case of the DemNet Slovakian program they appear, on balance, to have been skillfully avoided through effective communication, good staff work and a capacity to negotiate different organizational perspectives. It is particularly interesting that in Slovakia the Commission is by no means relegated to a “rubber stamp” role and has been given quite significant responsibility to select grantees from a rather long list of candidates.

IV. The NGO Sector in Slovakia

Assessment

Reflecting a world wide phenomenon, the NGO sector in Slovakia has grown dramatically since 1989. As in most transitional societies, reliable data is hard to come by and an understanding of the dynamics, incentives and fundamental issues tends to be based on anecdotal impressions and colored by the most current political controversy. The FCS proposal (prepared in early 1995) set forth an assessment of the sector that appropriately highlighted the immature condition and deficient institutional capacity. This assessment stressed the thinness of the domestic donor base, a poor understanding of fund raising techniques, an absence of public advocacy skills, a deficient legal and regulatory framework, very limited human resources, weak coordination among NGOs, a negative public perception of NGOs inherited from the communist era and, finally, an excessive concentration of NGOs in Bratislava.

Although these institutional characteristics still exist, there is some evidence that the situation has brightened. On the basis of 10 days of interviews, the evaluator arrived at the following broad conclusions with respect to the NGO sector in Slovakia:

Generally dynamic and energetic. The sector appears remarkably energetic and vibrant in view of its institutional immaturity and a legacy of 45 years of communism. Positive evidence includes the absence of wide scale organizational default, the capacity of the sector to coalesce in opposition to harmful legislation, the recent growth of regional advocacy groups and an overall atmosphere of purpose and possibility.

Strong leadership. Contrary to the concerns of some funders, the leadership of the NGO community appears to be youthful, full of energy and deeply engaged. There does not appear to be a significant problem with “burn out”, cynicism or eroding optimism. NGO leaders manifest a persistent belief that change is possible through voluntarism and citizen participation.

Emerging associational activity. The Slovak NGO sector has demonstrated a vigorous capacity to organize and coalesce for purposes of mutual gain and self protection. Policy conflicts with the current government have galvanized the sector and spurred the formation of national associations. The partial success of these endeavors have done much to create a “can do” mentality and to reverse an occasional strain of apathy. The establishment of the Gremium (and the “baby” Gremium’s) and the slow maturation of SAIA are a healthy manifestation of this trend.

Growing identity and understanding of the role of the independent sector. Slovakian NGOs appear to have a strong sense of sectoral identity, an understanding of the role of the independent sector and a sharpening picture of the sector’s potential role as a positive force for social change.

Institutional Weaknesses

Despite these broadly optimistic findings, there are four significant institutional deficiencies:

Thin management structure. The executive direction of many Slovak NGOs is too thinly spread as a consequence of a prevalent practice of holding dual positions or other part time employment, the contribution of “sweat equity”, a habit of switching from paid to volunteer status when funds disappear, excessive overtime and inadequate compensation. As would be expected, this occurs particularly in those NGOs that are located in outlying cities and rural areas. This problem is exacerbated by weak and inexperienced boards of directors, a lack of organizational discipline in the face of plentiful external resources from foreign donors and an absence of careful long term planning. As a consequence, many of the NGOs interviewed for this report appear to lack the strategic capacity to identify a clear direction and develop tactics to stay the course.

Lack of middle management. A second and related deficiency is the dearth of competent middle level technical management. This is particularly problematic with respect to efforts to strengthen the capability of these organizations to engage in advocacy and public policy. While the leaders of most of the NGOs interviewed for this evaluation appeared to have a solid grasp of the technical substance of their work and a consequent potential capacity to influence decision makers, there was little if any backstopping capacity within the organization. The intermediate level tended to be comprised of administrative staff, part time advisors and active board member with the next level consisting of volunteers. For many NGOs this means excessive dependence on an overworked and part time executive director, the absence of a trained and competent successor and quite significant vulnerability to the vicissitudes of organizational change.

Limited analytical capacity. A third problem facing many of the NGOs that were interviewed for this evaluation is their limited substantive and analytical depth or capability. Very few NGOs can afford to employ technical experts to do policy analysis and to prepare reports and compile information that will be effective in convincing governments and policy makers that an alternative approach is effective. While the leader/founders generally have the ability to understand the issues, analyze trends and prepare convincing argumentation, this capacity has not yet been institutionalized and will disappear when the leader departs. For these organizations to effectively break in to the arena of active advocacy where they will need to marshal hard facts and convincing data and present them in a convincing manner to a skeptical audience will require the development of an in-house policy planning capacity that does not now exist.

Dependence on foreign donors. The growth of the Third Sector in Slovakia is being fueled by off-shore donors. While, financial dependence on foreign sources is not currently perceived as problematic by the NGO community and while off-shore giving to Slovakian NGOs is well intentioned and without manipulative guile, the dependency on overseas support poses both sectoral and institutional dangers. Sectorally, the volume and variety of foreign funds tends to deter Slovak NGOs from the difficult task of changing their attitudes toward fund raising, cultivating local sources of support and developing hard headed financial strategies. Institutionally, there is some emergent indication that indigenous NGOs are shifting their programmatic priorities to court the priorities of foreign donors.⁷ While this may make tactical sense in the short run, it is likely to create problems when foreign donors begin to pull back their support and NGOs are forced to market their programs to local donors who may not have identical interests and priorities.

The issue is of particular relevance to efforts to strengthen advocacy and public policy capacity because these are subject areas that tend to be popular with offshore donors but that will be less easy to fund from indigenous sources because they are potentially political and controversial. Thus to the extent that DemNet is successful in shifting the NGO sectors balance point of emphasis toward public policy activities, without simultaneously building local funding sources for this type of activity, the Project will have the unintended consequence of forcing a greater reliance on foreign sources of support.

⁷ Several of the more successful Slovak NGOs are grappling with the dilemma of balancing between the availability of additional resources from willing donors on the one hand and maintenance of a sharp and integrated program focus on the other. This is particularly the case in those instance where the leader has been educated or received training in the west, has access to western donors and understands the language and priorities of the donor community. While this finding is not intended to suggest that these organizations are unworthy or that there is any mal or misfeasance, it underscores the difficulty that Slovakian NGOs face in developing clear and consistent institutional strategies.

With respect to *specific* organizational needs, while it is difficult to generalize with such a large, diverse and changing group of organizations, the following impressions emerge from interviews conducted for this evaluation:

Better understanding of role and management of boards of directors. Few if any NGOs are effectively using their boards for purposes of fund raising, outreach and strategic policy guidance. NGOs need to better understand the role and function of boards of directors and how to cultivate, select, train and manage effective boards. Executive directors in particular need to learn the subtle art of using their boards for strategic guidance, outreach and financial support. An emphasis in this area will have the dual impact of improving organizational performance and strengthening the public's image and knowledge of the sector.

Financial strategy and modeling. NGOs need particular help in developing *realistic* financial strategies based on hard headed assessments of the pros and cons of alternative sources of financial support. Repeatedly in interviews conducted for this evaluation there was the expressed view that "we will find the money somewhere" or that a funding angel would miraculously appear.⁸ Support should include a practical understanding of the pros and cons of revenue generating activities which are either misunderstood or regarded as a panacea.

Clarity of mission and strategic planning. NGOs are weak in the area of strategic planning particularly with respect to a sharp definition of their mission and a clear picture of the relationship between their many activities and their integrating purpose. Many NGOs would benefit from the type of disciplined thinking that comes from prioritizing goals or building "objective trees".

Building Financial Support

Indigenous private sector support for the NGO sector is very limited and only beginning to emerge. While the communist era has left some negative associations that may discourage associational activity in the short term, there is no reason to conclude that habits of philanthropy are fundamentally at odds with Slovak culture and values. To the contrary, the importance of community, family and church and traditions of rural self help are values on which philanthropy can effectively flourish. The prospective level of future giving from local private sources will be a function of national economic growth and the gradual inculcation of a culture of philanthropy. But it will also and importantly reflect the learned capacity of the NGO sector to locate, cultivate and access charitable support from corporations, individuals, and foundations.

Many NGOs interviewed for this report voiced pessimism with respect to the potential for *individual* giving and a reluctance to approach members of the community or others who were directly benefiting from the activities of the organization. This may reflect

⁸ Very few of the NGOs that were visited had looked at alternative funding scenarios or had worked through "what if" possibilities to determine how they would react to financial crises should these occur.

inexperience, a cultural reluctance to ask for funds or a preference for corporate support which is often thought of as relatively easy to obtain or a belief that tax incentives are necessary to trigger individual giving. While corporate giving can be important and is often less expensive to obtain, the largest long run potential for private sector support for grass roots charitable activities is almost certainly in many small gifts from individual donors. Individual giving can become very significant if local organizations can learn to cultivate their potential constituencies, develop basic fund raising skills and establish simple networking structures. However, the most important factor will be attitudinal change - - overcoming an ingrained reluctance to ask for support from friends, neighbors, beneficiaries and members of the community.

The Gremium structure and SAIA, to a lesser extent, provide a national institutional capacity for advocacy, networking, donor coordination and the establishment of norms of conduct. It appears that these worthwhile institutions can tap support from the foreign donor community. The emergence of umbrella groups and associations at the regional, municipal and local level is just beginning and with some reluctance as a consequence of pejorative associations with the communist infrastructure of organized activity. The long run importance of these local associations is considerable. While the format will differ from one community to another, local associations of NGOs can help nurture and coordinate the donor base of support, share facilities, help prioritize programs and fund raising efforts, share office space, encourage collaborations and occasional mergers and act as advocates for NGOs with newly established regional units of government.

Implications

To the extent that this brief assessment of the NGO sector in Slovakia is accurate it suggests the following:

- Attention should be focused on the professionalization of leadership. This should include efforts to upgrade the salaries of executives, establish NGO executive associations and in general strengthen the viability of a career in the independent sector.
- Donors and their NGO colleagues should give particular attention to strengthening middle management and to building either in-house analytical capacity or external analytical resources that NGOs can access.
- Priority should be given to provision of training and technical assistance in the areas of board development, strategic planning and financial strategy,
- Donors and DemNet in particular should continue to place priority on assisting NGOs that are outside of Bratislava in order to build the NGO community in Slovakia from the bottom up.

- The NGO community should be encouraged to actively mine the potential for individual giving without waiting for passage of tax legislation that would provide an incentive to support charitable activities. While tax incentives are helpful, their value in influencing philanthropic activity is frequently overestimated.⁹
- Special attention should be given by the donors to possibilities for supporting regional and municipal associations and NGO umbrella groups.
- Whether and to what extent the Gremium becomes engaged in political activity to a degree that will undercut its effectiveness in the long run or be problematic for the NGO sector is beyond the scope of this evaluation. It is important, however, to recognize that this is a possibility and that there may be periodic “defeats” and setbacks of a highly public and controversial nature. In general this potentially volatile and unpredictable situation suggests that the DemNet program maintain a cordial, supportive and active involvement with the participants without a high degree of financial exposure.

V. Program Impact and Progress Against Objectives

The Sub-grants Program¹⁰

As of the date of this Report, DemNet Slovakia has funded a total of 48 sub-grants. Of this total, 27 are in the Democracy sector, 13 are in the Social Sector, 5 are in environment and 3 are in economic development. Of the 48 grants, 45 were for discreet project activities and 3 were for broad institutional support. Twenty one sub-grants or 43% were to organizations located in Bratislava and the balance were to organizations resident in the outlying areas. For all four Rounds, the average size of a DemNet grant was \$25,000. Compared to amounts budgeted for sub grants in the cooperative agreement, a total of \$1.2 million has been committed to date, leaving a balance of about \$91,000.

With respect to the relevance of these grants to the crosscutting interest in public policy, the DemNet office has prepared an analysis which catalogues the sub-grants through December 31, 1996 (37 sub-grants) in a series of rings ranging from activities which are directly aimed at influencing legislation to activities that have only a loose connection to this purpose. (See Attachment #2) All grants meet the criteria for a “public policy” activity which was established at the beginning of the Project. The categories are summarized below.

⁹ Although obviously not fully analogous, studies in the United States have repeatedly shown that charitable support is a function of interest, involvement and value identification, not a search for a tax shelter.

¹⁰ The distinction for discussion purposes between the sub-grant program and the training program can be misleading. The DemNet staff have done a good job in integrating the two efforts. The training effort has improved the quality of the program and the sub-grants have been used to encourage organizations to seek training.

Cooperation with ministries or representative of ministries and/or lobbying at the ministerial level with the specific goal of changing or influencing development of legislation: 6 organizations.

Meeting and/or lobbying with MPs with the goal of changing their point of view toward specific legislative activities: 7 organizations.

Active involvement and cooperation with the state administration on the local level with the goal of providing information, motivating officials and implementing changes in day to day life:5 organizations.

Active involvement and cooperation with local government to change city policy and regulations toward satisfying citizen or target group requirements: 8 organizations.

Active involvement and cooperation with the media with the goal of providing the broader public with information on alternative solutions and activities in various areas: 2 organizations.

Active involvement an cooperation with the corporate community with goal of fundraising and/or changing their opinion on corporate giving: 3 organizations.

Active involvement and cooperation in implementation of grantee projects: 13 organizations.

Other activities, not easily catalogued above:7 organizations.

Findings

The evaluation reached five broad conclusions with respect to the sectoral impact of the sub-grants program and five conclusions with respect to the impact of the individual sub-grants. These conclusions were developed on the basis of interviews with DemNet staff, recipients, panel members and individual with expert knowledge of the Slovakian NGO sector and from a selective reading of proposals and sub-grant synopses.

Sectoral conclusions are:

DemNet’s definition of “public policy” is appropriate. DemNet’s emphasis on voluntarism, citizen participation and the possibility of systemic change as a consequence of civic action was appropriate and well timed in the context of the current state of development of Slovakia’s independent sector. The Project’s initial conception of a “public policy” activity as determined primarily through the existence of citizen participation made practical sense in the context of Slovakia at that juncture in its growth if one accepts the almost universal concern that the

principal impediment to a functioning democracy is citizen reluctance to become engaged because of an underlying belief that it will make no difference. A narrower or more sophisticated “western style” definition of public policy would have meant a limited concentration on a very few Bratislava based organizations

Broadened understanding of public policy. There is a wide consensus that DemNet has *broadened* the NGO sector’s understanding of the importance of an emphasis on public policy. As a consequence of DemNet, there is an increase in the *number of NGOs* in Slovakia that appreciate the value of influencing the formation of public policy and the relevance of the art of advocacy to the achievement of the social, economic and cultural objectives that these organizations believe to be important. This broadened appreciation of public policy has been a consequence *both* of the individual project grants and the grant making *process*. A hallmark achievement of the DemNet project has been its capacity to generate a substantive and informed dialogue on the program and on the subject of public policy through a myriad of outreach efforts from announcement meetings, to feed-back sessions, to press briefings and breakfasts, to the rigorous and professional process of grant selection.

Deeper appreciation of policy implications. While slightly less successful because of current rigidities in the political system, DemNet sub-grants have also *deepened* an understanding of the *specific content* of individual policy issues and the linkage between public sector policy and sectoral and/or local issues of concern to individuals. Implicit in this achievement is a more sophisticated understanding of systemic linkages and consequences. Repeatedly in interviews conducted for this evaluation, reference was made to systemic and contextual factors that were impinging upon the goals that these NGOs were pursuing whether economic, cultural, statutory or regulatory.

Shift in program emphasis. While difficult to substantiate in a quantitative manner, it appears that DemNet has had the result of *shifting the programmatic emphasis* of recipient NGOs toward public policy activities. This shift is in part a consequence of the individual grants which are broadly related to public policy. There is also some indication that regardless of the sub-grants, DemNet has generated a greater interest in the importance of public policy that would result in a shift of emphasis. This shift in emphasis is important because it has implications for efforts to strengthen the institutional viability of public policy NGOs. Financial support for these NGOs is currently very limited and primarily from foreign donors. At the same time, those NGOs that are gradually moving toward advocacy and a more aggressive public policy agenda are working in sensitive areas that tend to raise political hackles in a country where political pluralism is given little tolerance. If this shift in emphasis is to be sustained for the long run it is essential to build local sources of support that are willing to support controversial programs.

Limited capacity to conduct public policy analysis and advocacy. Echoing a point made in the sectoral assessment, very few of the NGOs interviewed for this assessment had the institutional capacity to initiate an effective advocacy effort aimed at passing, modifying or stopping the enactment of legislation or regulations. Weaknesses included limited network of contacts, poor understanding of the legislative or regulatory process, limited in-house analytical ability, thin executive staffing, a weak board structure and a lack of advocacy skills. While many NGOs had identified public policy issues and understood that their programs were influenced by these issues, few had been able to move to the second stage of being able to design and implement tactical initiatives to influence policy outcomes.

With regard to the impact of the individual sub-grants:

Plausible link to systemic change. For all of the sub-grants that were reviewed for this evaluation, there was a plausible link between what the project was attempting to do and some form of systemic change that could be influenced through the medium of public policy. In other words, grant recipients viewed the success of their projects not only from the point of view of whether it had a positive impact on the direct beneficiaries but whether the intervention had structural benefits across the sector, region or discipline.

Positive impact on citizen participation. DemNet grants have directly supported and encouraged greater voluntary citizen participation in societal problem solving and have served as a magnet to engage citizens in the life of their communities. Examples include efforts to expand a membership base, the design of a cellular outreach effort to establish environmental groups throughout the country, successful efforts to catalyze community opposition to a pollution problem or the construction of a dam, training to potentially conflictual communities on issues of race and ethnicity. In each case DemNet was supporting community solutions to perceived problems through a mechanism that strengthened collaboration.

Success in reaching into rural areas. The portfolio of DemNet activities has achieved a reasonable balance between established Bratislava based institutions and rural grass roots institutions. DemNet has been particularly effective in instances where it has been able to support both a central parent entity and one or more of the subsidiary elements. Because the NGO sector in Slovakia tends to be driven “top down” by off-shore donors, the emphasis on local activities is appropriate and desirable.

Sub-grants are well timed. By and large the DemNet grants appeared to have been strategically well-timed in the life of the organization to have beneficial impact and positive leverage. This is an important consideration in grant giving and reflects well on the selection process and on the capacity of those who are administering DemNet and on their understanding of organizational dynamics.

Positive benefits from selection process. Finally, the rigorous DemNet selection process has had an institutional benefit in helping applicants sort through multiple goals and develop a clearer picture of trade-offs, priorities and strategic direction.

Need for an explicit “exit strategy”. The DemNet Project has completed four Rounds of funding with approximately 1 1/2 years until scheduled Project completion. It was clear from discussions with recipients that there is differential understanding with regard to the terminal nature of the Project. In general and as discussed below, sub-grant recipients have not developed post DemNet funding strategies and the continuation of the projects funded by DemNet is problematic. The articulation of a detailed exit strategy would identify mechanisms to protect accomplishments that have been achieved to date and focus sectoral attention on the importance of establishing funding source to replace DemNet. In general, the discipline of developing an exit strategy will help to concentrate human and financial resources in areas of greatest need.

The Large Grant Policy

The early decision to provide large grants to a relatively small number of organizations is an important defining characteristic of the DemNet Project in Slovakia. It has both positive and negative features as well as important implications for the final phase of activities. On the plus side, it has meant:

The opportunity to make a dramatic difference in institutional performance and capability in a short period of time.

Access to considerable advisory leverage on the grantee’s strategic choices.

A manageable portfolio of grantees and consequent adequacy of oversight and monitoring.

On the negative side it has meant:

The danger of overwhelming grantees with a rate of sudden growth and a level of new resources that is beyond their capacity to effectively manage.

The foregone opportunity to work gradually with a grantee over a long period of time moving from small experimental activities to larger levels of institutional support.

The problem of replacement funding once the grant is complete, particularly in those instances where the grantee has added staff or developed an in house capacity which should be continued if the organization is to continue to effectively pursue its mission.

The inevitable tendency to “tilt” toward larger more professional organizations who have the demonstrated capacity to handle the funds in a prudent manner

Finally, a large grant strategy is high risk simply because the inevitable failures constitute a significant loss of financial resources that could have been used productively elsewhere.

To a significant extent, the large grant strategy was derivative of constraints imposed by the parameters of the cooperative agreement and the USAID program planning and budgeting system. These established a tight three year time frame and imposed considerable pressure to allocate funds quickly in order to have a demonstrable impact on the growth and maturation of the independent sector in Slovakia. This in turn led to the design of a process that would cycle funds in a series of discreet rounds in order to program the full budgeted amount during the life of Project. It precluded a more gradual and pro-active approach that would have involved a slow cultivation of institutional capacity and a more focused attempt to design, develop and support program initiatives that more clearly corresponded to the original intent of building public policy and advocacy capacity. While the pros and cons of the programming system are beyond the scope of this evaluation, it is pertinent to note that the inherent nature of that system has had a substantive impact on the design and implementation of the DemNet program in Slovakia and in other countries of Central and Eastern Europe.

Critical to the success of a strategy that emphasizes very large first time grants is the capacity of the providing institution to assess absorptive capacity, evaluate the inherent long term viability of the organization and provide organizational support in those areas where help is needed. This is particularly important with respect to helping recipient organizations identify alternative sources of support once the grant is completed so that the activities and institutional enhancements that were developed as result of the grant can perpetuate. In this respect, one of the important findings of this evaluation, based on interviews was that a significant number of grantees have not formulated practical and realistic program plans and financial strategies to address the fall-off in funding once the DemNet grant terminates. It should be emphasized that the deficiency is not narrowly related to inadequate fund raising capacity but includes a range of concerns related to overall organizational performance including immature governance structures, the absence of long rang plans, very thin technical capacity and inadequately developed networking structures. While most grantees speak optimistically of being able to find alternative sources of support, they have not developed the network of relationships or the solid marketing plans that will make this happen. A frequent belief, particularly in the social service sector, is that government funding will materialize either in the form of a direct subvention or through contract opportunities that will somehow materialize. This possibility is considered without reference to the implications of growing dependence on government and the consequent loss of independence that this might entail. The funding problem is exacerbated by lack of fund raising skills, a disinclination to aggressively seek

funds - - particularly from individual donors - - and very limited opportunities to generate revenue from service operations to government.

A related impression from interviews and from discussion with the DemNet staff is that there is inadequate appreciation of the significant potential for positive leverage that a large grant strategy provides to the funder. This is quite understandable in that the role of the DemNet staff to date has been to nurture and support and distribute resources to worthy activities. It has been difficult in this climate to adopt a “tough love” approach that would impose higher standards and that would require grantees to think through tough minded program strategies to ensure their long term viability, avoid wishful thinking and confront inconsistencies of approach.

Finally, and pertinent to the decision whether or not to proceed with a fifth grant round, there is some indication that the potential for generating worthy grant applications in the priority areas of advocacy and public policy and from grass roots, rural based organizations is beginning to decline. In view of limited activity in the area of public policy, the fact that DemNet has already generated a total a large number of applications, the prohibition against repeat grants and the narrowing of selection criteria, the decline could be anticipated.

Implications

The preceding discussion suggests the following:

There has been considerable success in generating an understanding and an interest in public policy issues and in raising consciousness with respect to the importance of influencing the public policy process. At the same time a great deal more needs to be done to equip NGOs with the tools and techniques of advocacy and the institutional structures that will make effective advocacy possible if a return on the DemNet investment is to be realized.

While DemNet has been successful both sectorally and from the perspective of individual grants, these gains are at risk unless considerable attention is devoted to helping recipients strengthen their organizational capacity and solidify their base of support.

With approximately one year left until the end of project, serious consideration should be given to shifting the focus of DemNet to emphasize capacity building and consolidation and solidification of progress made to date.

In view of limited human and financial resources, it may make sense to concentrate DemNet’s remaining efforts on working with the core group of sub-grant recipients who have received sub-grants under the program.

The policy of not awarding second grants should be reviewed. While it may be inappropriate to award grants for completely new activities, there appear to be instances where replenishment funds are needed to fully complete or round out a project or to capitalize on an important emergent opportunity. It may also be appropriate to augment grant funds to support a well conceived program of organizational development tailored to the unique needs of the recipient and involving a magnitude of resources not available through the voucher or mentoring support programs.

The DemNet staff should attempt to systematically think through the details of an “exit strategy” covering the last year of Project life in order to anticipate problems and focus remaining resources on areas of greatest need and potential.

VI. Training and Technical Assistance

At the beginning of the Project there was a good rationale for general sector wide training programs that would strengthen the broad capacity of the NGO sector to produce winning proposals for DemNet to fund and that, to a lesser extent, would serve as an introductory vehicle for DemNet to get to know the NGO community and visa versa.

The rationale for general training to the sector as a whole and to non-grantees in particular appears to have weakened:

There is indication that training and organizational development needs have tended to narrow and become specific to the unique needs of the organization and less appropriate to a class room setting e.g. board strengthening, strategic planning, fund raising strategy. This suggests a tailored, case specific approach to training and organizational development.

Several of the organizations interviewed for this evaluation either directly indicated a desire for a sustained relationship with an advisor or mentor or described the types of continuing organizational dilemma that suggests an intervention involving a longer term relationship.

As noted, the Project has reached a point where primary attention should be paid to working with current grantees to insure that the investment in their future is realized. In this context, the provision of generic training has a significant “opportunity cost” in both financial and human resource terms.

There is broad consensus that the core training programs contracted through SAIA are of good (not excellent) quality, that the topics have been responsive to the needs of the NGO community and that the workshop approach has been appropriate for this stage of development of the NGO community.¹¹ In the course of interviews, there was modest

¹¹ Partners for Democratic Change - Slovakia provides both workshops and individualized consultations and sponsors conferences. PDCS is a respected, well established training organization in considerable

concern that the SAIA training materials were not as up to date as would be desirable, that the case studies were occasionally of indirect relevance and that the approach was somewhat didactic. On balance the SAIA training programs receive good marks.

The impact of the other training efforts (voucher and mentor program) are difficult to ascertain in view of their very limited coverage and modest budget. In principal, it makes considerable sense to be able to access consultancies and training workshops that are specific to the needs of individual NGOs. On the other hand, the small volume of activity under these program categories suggests that either the demand does not exist or that these programs are not being aggressively marketed.

The small size (84 approved) of the voucher program, the fact that most vouchers are to organizations that have not received a grant and the relatively high overhead costs due in part to USAID participation in final approval raises questions as to whether continuation of this effort is cost effective, particularly in light of the paramount importance of focusing staff time and energy on working with grantees. (See recommendations.)

VII. Programming Cycle and Selection Process

Programming Cycle

The DemNet Project operates within the overall constraints of the USAID programming process. The Project has a start and stop date and a specified amount of funds to program that are set aside in specified categories. A critique of the USAID programming process and its impact on the implementation of DemNet is far beyond the scope of this limited evaluation. Nevertheless there are several defining characteristics of the DemNet Project that derive from the overall system and that merit comment.

Grant cycles. In Slovakia - - and in other countries - - a decision was made to program sub-grant funds in a series of cycles or rounds over the life of project in order to assure orderly obligation of Project funds. This makes sense from the point of view of systematic disbursement, but it may not coincide with the needs and institutional rhythms of grantees. An alternative that was not considered was the possibility of an "open window" approach whereby applicants would work with DemNet staff and submit applications when mature and ready to proceed. This approach would have put greater emphasis on the advisory role of the DemNet staff and the unique needs and characteristics of grantees.

Top Down Programming. In a related vein, the desire to fully commit budgeted funds within the allotted time period has been related to the large grants strategy and to the cycling approach discussed above. The desire to move quickly and have an immediate impact is a perfectly respectable motive. However, the provision of large grants prior to a process of organizational learning foregoes the opportunity

demand. Their offered programs include the role of the independent sector, organizational sustainability, advocacy training, and community initiatives training.

to work with the prospective grantee to shore up organizational deficiencies which may improve the impact of the grant and the long term viability of the recipient. Ideally, the annual budget for sub-grants would be derivative of the number and quality of applications that would arrive at DemNet's door in any period of time as opposed to the top down approach that is necessary as a consequence of the overall programming process.

It is appreciated that these two concerns are somewhat theoretical and certainly beyond the managerial scope of either USAID/Slovakia or DemNet/Slovakia to address. They are pertinent because in other countries there is growing interest in the possibility of establishing an endowment under the aegis of a quasi-governmental US/indigenous foundation that would pursue some of the purposes addressed by DemNet. This type of funding structure would have the flexibility to program funds in the responsive and individualized manner suggested above.

Terminal Date of Project. The Project is scheduled to end in March of 1998, three years after inception. Aside from the large budgetary question of whether or not the DemNet Program should be continued in part or all of Central Europe, the precise timing of Project closure in Slovakia should be examined from the substantive perspective of whether or not objectives have been realized. It is the view of the evaluator that the exact timing of Project completion should be built up from a judgment regarding the developed organizational capacity of core sub-grantees. While significant extensions are unrealistic, rigid adherence to a precise date could be counterproductive. It is also noted that national elections are likely to be scheduled during 1998 and it would be logical to continue DemNet with its emphasis on public policy and citizen involvement through that period.

Selection Process

The sub-grant selection process involves review by individual expert readers, a plenary panel process and a carefully constructed weighting system using established criteria. The process has been carefully designed and fine tuned over four grant rounds.

The challenges in designing a competitive review process are considerable and include finding qualified "expert" panel members, making sure they understand the selection criteria and managing the process for fairness and objectivity. A difficult challenge in any small community is to identify direct or indirect conflicts of interest which are sometimes not even apparent to the panelists.

Findings

USAID and the DemNet staff have gone to considerable effort to design a professional, open and unbiased selection process that is a model of transparency and that, in microcosm, validates important principles of equality and individual merit. As previously noted, those interviewed for this evaluation applauded the

selection process as a model of fairness and objectivity. Even factoring in the limited size and inherent bias of the sample group (they had all received grants) the near universal encomium is an impressive achievement.

The use of a large number of expert readers has had the positive additional benefit of widely publicizing the DemNet activity and providing access to decision makers and leaders in the NGO community. The involvement of these key individuals in debates and discussions regarding advocacy, public policy and the intrinsic attributes of a functioning democracy is an incalculable benefit of the DemNet Project.

Despite the high ratio of rejections to applications, the evaluation interviews did not reveal irritation or significant frustration at the selection process. A particularly positive attribute is the practice of applicant feedback whereby the DemNet staff sit down with the unsuccessful applicant to review the comments of expert panelists. This provides an opportunity to not only discuss institutional strengths and weaknesses but to further define the concept of public policy. Over 200 of these feed back sessions have occurred at considerable time and energy of the patient DemNet staff.

During two weeks of interviews there was no allusion to a conflict of interest or to a perception of bias or favoritism.

As implied throughout this report, USAID and the DemNet staff deserve credit for staying with the fundamental principles that were the basis for the Democracy Network Program to begin with. This is important because in other DemNet countries there has been an inclination to adapt DemNet to other mission priorities and to thereby blur the relationship of the Project to the initial intent which was to strengthen the NGO sectors capacity to be effective in the public policy arena.

Although minor, there was expressed concern with respect to the “closed” selection process employed by the Democracy Commission. In general, NGOs were not aware of or did not focus on the Democracy Commission as a separate decision making body although in the two instances where this issue arose the negative feelings were quite strong. This issue is noted because in other DemNet countries there have been serious controversies with respect to the role of the Democracy Commission that have undercut the immensely positive impression that an open, competitive peer panel selection process conveys. In a related vein, the evaluator was struck by the fact that the DemNet Director was not in attendance as an observer at the Democracy Commission meetings. While the issue may involve lines of bureaucratic authority, it would seem to be inherently sensible to have the primary implementing agent in attendance at meetings designed to apply overall DemNet strategy to the selection of individual grants so that that individual could hear the nuances and coloration of discussion and debate

as well as offering a technical resource should questions arise. This is a small concern in an otherwise effective operation.

VIII. Management and Administration

While not a central subject of this evaluation, there are several attributes of the management of the Slovakian DemNet Project which have affected the substance of activity and that are discussed briefly below:

Delegation of authority. The Slovakian DemNet staff appear to have full and adequate authority to implement the program without duplicative review or time consuming referrals or clearance. This applies both to oversight from the New York headquarters and to the FCS/Bratislava Office. Relations with both entities is perceived as generally supportive and helpful. This is important because the inherent nature of a cooperative agreement requires flexibility and adaptation. To the extent that a management structure is hamstrung with multiple oversight mechanisms - - which is not the case in this instance - - this adaptive capacity is reduced.

Internal communications. DemNet staff have developed effective, open and relaxed communications. There is a regular system of staff meetings, brown bag lunches, periodic staff retreats, strategic planning sessions and brainstorming meetings on issues such as the definition of "public policy" that contributes to an overall sense of shared purpose. Good communications is always important, particularly so in the case of DemNet because of the terminological ambiguities and the large number of participating organizations.

Staff morale. On the basis of a short visit, staff morale seems very good. After constructive discussions with USAID, The Director has made a significant effort to delegate greater responsibility to the staff. In general, the staff appear to function as an integrated team. They have excellent professional credentials and are deeply committed to Project objectives and to the principles and beliefs that undergird the DemNet program. As noted above, internal debate is frequent, open, substantive and of high quality. Importantly, Staff understand and appear to be able to handle the complex and multiple State/AID/FCS stakeholder interests that govern policy decisions.

Communications with USAID. Communications between USAID and the DemNet staff currently appear to be open and effective and characterized by mutual understanding and respect. This is not to say that differences have not arisen reflecting alternate institutional goals, complicated by the complex nature of the Project and the definitional difficulties discussed in this Report. Specifics are not important because the matters have been resolved. In sum, the inevitable tensions and differing interpretation of role and responsibility that inevitably arise in the case of cooperative agreements have been constructively managed.

IX. Recommendations

1. **Concentrate on organizational strengthening.** The principal recommendation of this mid term evaluation is that the locus of energy and activity during the last year of the DemNet project shift from the provision of *project resources* to grantees and general training to the NGO sector to an emphasis on *organizational development and institutional strengthening* in order to maximize the probability that the DemNet investment will have a lasting impact.

2. **Work with a delimited core of organizations.** A related recommendation is that the DemNet Project limit its scope of effort to a limited and manageable number of organizations as opposed to the entire NGO sector. Specifically, DemNet should:

Concentrate on a sub-set of *current* grantees.

Give emphasis to organizations where there is an interest and a potential capacity to engage in active public policy and advocacy work.

Provide a mix of organizational development support and advocacy skill development.

3. **Allow existing sub-grantees to be eligible for follow-on grants.** It is recommended that sub-grant be set aside for the amendment of existing grant proposals to add funds for the following purposes:

To complete a previously funded project in those occasional instances where the initial grant has proved insufficient.

To augment project activity in those occasional situations where it is clear that additional funds will make a significant institutional difference.

To support a tailored and sustained organizational development intervention.

To initiate a new project in those exceptional circumstances where a case can be made that the new activity is linked to the long term maturation of the organization.

4. **Maintain a small fund for applications that come from outside the pool.** A decision to work only with original sub-grantees could lead to criticisms of elitism and favoritism. For this reason, it is suggested that roughly 20% of remaining grant funds be set aside to respond to worthwhile applications that “come over the transom” and that comply with established DemNet criteria.

5. Initiate a deliberate and systematic program of organizational strengthening. It is recommended that the DemNet staff initiate a concerted, systematic and focused effort to work with existing grantees. The program should be tailored and case specific and should:

Diagnose institutional strengths and weaknesses.

Identify categories of training and support in the areas of advocacy and public policy analysis.

Assist in the development of a strong and viable governance structure.

Develop realistic and conservative financial scenarios and strategies.

Identify alternative sources of financial support and funding strategies to access that support.

Think through outreach strategies including the pros and cons of alternative membership structures.

Formulate organizational development plans that would include a tailored training program.

6. Place particular emphasis on the formulation of financial strategies. It is recommended that the DemNet staff shift the tone and optic of their relations with grantees to emphasize the importance of *hard-headed and realistic* financial and organizational planning.¹² An effort should be made to identify inconsistencies in approach (such as the negative consequence of dependence on the public sector) and excessively optimistic thinking. Consideration should be given to a staff retreat with a skilled facilitator who would help the DemNet staff:

Develop diagnostic techniques to assess the vulnerability of their clients.

Identify the full range of feasible interventions that could be used in a variety of alternative situations.

Formulate simple financial models to use in consultation with sub-grantees.

¹² The DemNet staff is highly competent and knowledgeable. Their job to date has been to identify and cultivate high quality project proposals and they have done this with considerable skill. As previously suggested, what is now needed is a proactive effort to engage grantees in the type of dialogue about their future that will identify those fundamental difficulties that can be addressed through a program of organizational development.

7. Do not proceed with implementation of a full blown Round V sub-grant award process. It is recommended that remaining DemNet resources be carefully husbanded to work primarily with existing sub-grantees to build their capacity. Program funds should continue to be made available to these organizations through peer review and a competitive application and selection process.¹³

8. Develop a detailed and systematic “exit strategy”. The allocation of human and financial resources during the last year of Project life will be much more effective if it is done within the guiding context of a deliberate exit strategy, regardless of whether there is an extension of life of project. Development of such a document will focus DemNet staff, recipients and USAID on the orderly termination of the Project, on the legacy that should be left in place once DemNet is completed and on mechanisms that can be used to protect the investment that has already been made.¹⁴

9. Restructure and re-focus the training and technical assistance program. The training and technical assistance program (and the variety of other smaller initiatives and activities) should be reviewed and restructured to support the integrating goal of organizational development.

With respect to SAIA, there are two options:

Complete the contractual relationship with SAIA on the basis of the declining demand for formatted workshops but consider the possibility of a grant to SAIA to strengthen its training capacity. (The latter should be timed and configured to support SAIA’s current internal planning and reassessment process.)

Re-negotiate the SAIA contract to place primary emphasis on training programs that support the recommended shift of emphasis. These would include: Board training and development; financial strategy and planning; strategic planning; building a membership organization; fund raising strategies. The SAIA courses should be designed to include a significant component related to hands on, tailored assistance to individual organizations.

Activity under the PDCS contract (negotiated through February, 1998) should be similarly shifted to focus as much as possible on DemNet grantees. In particular, PDCS staff could be extremely helpful in

¹³ Because DemNet is scheduled to terminate in March, 1998, future sub-grants will have a short life span of less than one year. In general, this is insufficient time to establish the type of close, dynamic working relationship with a sub-grantee that will lead to organizational strengthening.

¹⁴ Development of an “exit strategy” can and should be a positive and constructive process that can identify opportunities and lead to new initiatives. What is important is that USAID and FCS work through realistic termination scenarios and deal with the implications that surface from these discussions.

diagnostic work, in the preparation of tailored training and organizational development plans and the provision of sustained assistance to individual organizations in organizational development. In addition, PDCS should be asked to work directly with the DemNet staff to help them develop diagnostic instruments and practical strategies for working with their grantees

10. Terminate the voucher and mentor program and substitute similar efforts to concentrate on a core of existing grantees. Aside from the possible retention of SAIA workshops and continuation of the already negotiated PDCS contract, the provision of training and consultant assistance through the voucher and mentor program to the NGO sector as a whole should be terminated in favor of concentrated attention on existing grantees. (A variant of both programs could be continued for existing grantees, although the ceiling levels should probably be increased.)

12. Consider a Project extension if it can be demonstrated that a modest extension is linked to the improved sustainability of sub-grantees. With regard to the March, 1988 completion date of the DemNet Project, it would be appropriate for USAID and FCS to review the pros and cons of a modest extension in light of the importance of the upcoming elections and the obvious relevance of DemNet to effective democratic processes, and in view of the importance of timing the end of the Project in a manner that will maximize the likelihood that benefits will continue.¹⁵

¹⁵ It is assumed that this could be done on a "no cost basis" as a consequence of a re-budgeting exercise although it is understood that there are several important budgetary issues that are currently being negotiated and that the outcome on these matters will affect the availability of administrative resources.

Sustainability¹

The establishment of a core of “sustainable” public policy NGOs is the central goal of the Democracy Network Program. While this appears to be straightforward, the concept of “sustainability” is difficult to pin down. There are 4 conceptual problems:

First, non-profit organizations are, by definition, not sustainable in the sense that with rare exception they lack the capacity to perpetuate themselves through the generation of income. To the degree that a non-profit is self sustaining either from revenue producing activities or as the consequence of an endowment, the incentive to seek charitable support is diminished. Thus the concept of a “sustainable” non profit used descriptively is contradictory and when used to describe a program objective it may become self defeating.

Secondly, sustainability in the sense of long lasting can be viewed from either an institutional or programmatic perspective. The former tends to stress the perpetuation of the organization i.e. is the organization still in existence after period of time and has the grant that was provided been instrumental to that purpose? The latter, programmatic perspective, puts the stress on the impact on a beneficiary population, on a sector, a capacity or attitude i.e. regardless of whether the organization is in existence, has the grant had a positive and lasting effect? Grants that are designed to strengthen institutional sustainability generally include funds for such things as planning, administrative systems, executive development and board training. Grants that are intended to have a programmatic impact normally provide support for discreet projects.

A third difficulty with the concept of “sustainability” is that non-profit *organizational sustainability solely for its own sake* can be counterproductive. In the case of commercial organizations, the continued existence of the company is a prima facie argument that the organization is performing effectively otherwise it would go out of business. With non-profits, the relationship between performance and continued existence is by means as clear. Non-profits can and do become insolvent but in general they can be quite flexible and adaptive in changing course, down-sizing and converting to volunteer status and raising funds for the continuation of activities that are no longer important or where the organization has lost its comparative advantage. The result can be that the non-profit ends up diverting scarce human and financial resources from other worthwhile social endeavors.

The fourth practical difficulty with the concept of sustainability is that regardless of whether the purpose is programmatic or institutional, sustainability is an

¹ The introductory portion of this discussion draws on an evaluation of the DemNet Project in the Baltics prepared by the author of this report.

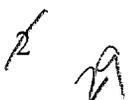
objective that can only be validated after a period of uncertain time. The things that need to be done that are broadly regarded as critical to sustainability can be identified, but it takes time to determine if these interventions have been successful.

A final clarification is the distinction between individualized (organizational or programmatic) sustainability on the one hand and sectoral sustainability on the other i.e. the maintenance of a *group* of NGOs. What the authors of the original DemNet concept appeared to have in mind was this type of *sectoral* sustainability i.e. the creation of independent sectors in the countries of Central and Eastern Europe that would be self maintaining in the sense that quality and level of NGO activity would be sufficient to attract a level of public and private sector support that would be adequate to support the viability of the sector over the long run. This type of “sustainability” implies considerable emphasis on building professional associations, the development of national and regional networks, supporting public education on the role of NGOs and the provision of leadership training.

The point of this brief discussion is not that there is a right or wrong definition of sustainability but that one needs to be clear with respect to the limitations of the term and to understand what type of sustainability is intended in alternative situations in order to tailor the intervention so that it will be most effective. To simply talk about organizational sustainability will tend to downplay lasting programmatic impact while to only focus on impact will tend to ignore the maintenance of an organizational delivery capacity.

In the case of the DemNet Program, the term “sustainability” tends to be used interchangeably and rather indiscriminately to generally imply a lasting result of some sort. In general, the initial emphasis on sectoral sustainability (a “core of sustainable NGOs”) has shifted to an emphasis on programmatic sustainability (the validity and impact of individual projects) to an emphasis on institutional sustainability, if the themes and recommendations set forth in this assessment are adopted. In retrospect, a theoretical case could be made for the reversal of this sequence i.e. first build the associations and support institutions, then strengthen individual organizations, then support worthwhile individual projects. However, grant making, capacity building and institutional strengthening are not that tidy and sequential and systematic theoretical models tend to fall apart in practice. Thus, while the bulk of DemNet’s grants have been for specific projects, they have also involved a “ramping up” of organizational capacity to implement these activities. Virtually all the DemNet grantees that were interviewed for the evaluation felt that they had matured as organizations as a consequence of the sub-grant. These structural gains were ascribed to:

Learning from the application and selection process.



Improved accounting and reporting systems as a consequence of requirements in the grant.

The opening of doors to other private sector donors.

Benefits from the interaction with DemNet staff.

The prestige and notoriety associated with receipt of a large grant from the US Government.

Training pursued as a consequence of the DemNet relationship.

In addition, the project grants themselves have paid for equipment, personnel and services that are broadly relevant to organizational strengthening.

The issue of institutional sustainability arises in connection with the three-way relationship between USAID, the implementing PVO and sub-grantees that receive funds under the Project. In general, recipients of cooperative agreements (actually grants with a high degree of collaboration and oversight) will understandably view the grant as a resource that has the intent and consequence of upgrading the capacity of the organization, even though the funds are passed through to indigenous NGOs. And in fact for several of the small implementing PVOs under DemNet, the relatively large DemNet grants have meant a very significant augmentation of institutional sophistication and capacity. USAID on the other hand may understandably view the cooperative agreement as a funding vehicle to accomplish a particular set of project objectives - - the "sustainability" of the independent sector, *not* the sustainability of the implementing PVO. These divergent perspectives can create differential expectations and undercut an effective working relationship. From the USAID perspective it is legitimate to specify what needs to be done, to monitor progress toward that objective and to think of the grant as a segregated fund to accomplish a specific purpose. Whether or not the implementing PVO benefits in the process is immaterial. From the PVOs vantage, the grant provides a legitimate opportunity to develop a capacity and strengthen sustainability in the particular country and in fact the perpetuation of an in-country presence is inherently desirable because it will allow the PVO continue working with local NGOs after the DemNet Program has been completed. These different perspectives can make it difficult to discuss and agree on rather fundamental operational questions such as re-negotiation of an overhead rate, the possibility project extensions, opportunities for cross-program benefits involving the core activities of the PVO, the design of an exit strategy and other matters where it is possible on the one hand to see the outcome as self serving and on the other to see it as promoting the legitimate health of the implementing organization.

In general, the strengthening of the implementing PVO is a viable objective as long as it is clearly secondary to the primary goal of building indigenous capacity. To neglect the capacity of the funding organization is to ignore an opportunity to leave a funding vehicle in place after DemNet has ended and discard an established set of systems and procedures

and an institutional capacity to process grants in a professional manner. This is particularly problematic in view of DemNet's short project life and in light of the rather ambitious goals the Program has identified.

	6:00 AM	7:00 AM	8:00 AM	9:00 AM	10:00 AM	11:00 AM	12:00 PM	1:00 PM	2:00 PM	3:00 PM	4:00 PM	5:00 PM
Feb 24 th				9:30 Arrival at Schwechat Airport, Vienna			12:15 - Lunch with Pat Lerner & Kathy Stermer - USAID					
Feb 25 th			8:30 Meeting with Kathy Stermer at USAID				12:00 Lunch with Filip Vagaè (Int't Youth Fnd.) at Harmónia Rest.		2:00 Mtg. with NPOA in their office	3:00 Meeting with Katarína Košičálová at SAIA-SCTS		
Feb 26 th			8:00 Breakfast with Frank Loy at Hotel Danube		10:00 Mtg. with Helena Woleková (SPACE) in FCS Office		12:00 Meeting with NGO Návrat in their office		2:00 Meeting with Union of Towns in their office at Prepoštská		4:00 Mtg. with Sándor Márai Foundation	
Feb 27 th		7:00 Departure to Zvolen by car			10:00 Meeting with NGO Slatinka in Zvolen		12:00 Lunch with Marián Porkert in Zvolen	1:30 Departure from Zvolen to Bratislava by car				5:00 Mtg Ralph Joh & Democ Commissi US Emba
Feb 28 th	6:40 Flight to Košice departs	7:30 Arrival in Košice		9:00 Departure from Košice to Tichý Potok by car	Site visit to Tichý Potok with NGO People and Water					3:00 Site visit to Tulčík with NGO VLK		5:00 ? Departur Košice by
March 1 st			8:30 Depart. from Košice to Michalovce by car		10:00 Meeting with NGO ZPMP Michalovce		12:30 Departure to Košice by car		2:00 Meeting with Sosna Foundation in Košice			5:35 Depa Liptovs Mikuláš by train (7:24)

22

	6:00 AM	7:00 AM	8:00 AM	9:00 AM	10:00 AM	11:00 AM	12:00 PM	1:00 PM	2:00 PM	3:00 PM	4:00 PM	5:00 P
March 2 nd							12:00 Site visit to the Public Benefit Fund			3:15 Departure for Ľilina by train	4:40 Arrival in Ľilina	
March 3 rd				9:00 Mtg. with Alena Mišicová at SAIA-SCTS Ľilina	10:00 Mtg. w. NGO Fórum Inteligencie at SAIA-SCTS Ľilina	11:30 Lunch with Soňa Holúbková (NGO Krajina harmónie)		1:00 Departure for Banská Bystrica by car	2:30 Mtg. with Juraj Zamkovský (CEPA) at SAIA-SCTS	3:30 Mtg. with Danica Hullová at SAIA-SCTS		
March 4 th				9:00 Mtg. w. M. Szontághová & D. Švihlová at Healthy City Fnd.	10:00 Mtg. with Healthy City Foundation in B. Bystrica				2:00 ? Visit of the DemNet training of SAIA-SCTS B. Bystrica			5:00 ? Departure Bratislav car
March 5 th			8:00 Mtg. with ZPMP in their office		10:00 Mtg. with Open Society Fund in their office		12:15 Lunch with Pavol Demeš at Arkadia					
March 6 th												
March 7 th			8:15 Breakfast with PDCS at Hotel Danube						2:00 Debriefing at USAID			

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