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USAID's Approach to NGO Funding in Slovakia and Hungary

Nina Vucenik

Most studies that assess assistance to Eastern Europe for democratic and economic transition focus on its overall impact-successes and failures. They either analyze the progress of one country or of one sector across several countries, but none examine the actual process of grant giving from inception to conclusion, the chain of transactions between a foreign donor and local recipients. In this paper, I focus on grants given for the development of the non-governmental sector. Perhaps this is a dull and overlooked topic because it follows a standardized pattern of award giving. These grant processes, however, are interesting because they operate in a bicultural environment. They import new bureaucratic patterns, and, thereby, effect changes toward democracy. This same bureaucracy is then utilized to minimize and prevent potential problems that may arise due to cultural differences and business behavior. A byproduct of this new bureaucracy is that they effect the creation of civil society and democratic processes in an unexpected manner.

The paper traces the grant making process by following the strategy of the United States Agency for International Development (USAID) for supporting the non-governmental sector in Central Europe. It focuses on "intermediary agencies"

that USAID employs to implement its programs. The paper is built around a small case study of USAID's relationship with its partners in Slovakia and Hungary and is based on interviews with four officials from these organizations. The interviews form the core of the paper. I wanted to test whether the gathered material supports the literature written on the role of non-governmental organizations in transition processes in Eastern Europe. The paper is not a scholarly inquiry into this issue, but rather a journalistic narrative of interviews and derived observations.

Hungary and Slovakia were chosen because USAID is still active in each country. The projects, however, are slated to close in the next two years. The USAID mission in Hungary officially closed its office in September 1999, leaving the USAID Regional Support Center for Eastern Europe as the only operating body in Hungary. The Slovak mission is scheduled to close in August 2000. When a mission closes, one officer is left behind to oversee current projects. The last officer from the Hungarian USAID mission now works within USAID's regional office. Similarly, after the Slovak mission closes, one officer will stay to supervise the ongoing project. USAID support for NGOs in Poland and the Czech Republic has already closed, and the two countries are considered to be "graduated" from USAID assistance. Overall, USAID is transferring its limited funds to other areas where the need for democracy assistance is deemed to be greater, that is, to the Balkans and to the CIS countries.

Why NGO assistance

Support to non-governmental organizations is one segment of a broader USAID democracy assistance portfolio; other areas include assistance to labor, development of free media, training of political parties, etc. Democracy assistance has been a part of the U.S. portfolio since the 1980s, when democracy promotion became a part of U.S. foreign policy. The field, however, exploded in 1989, when Eastern Europe embraced the transition to democracy. For the first time, democracy assistance was directly linked to the development of civil society, today considered essential for a functioning and stable democracy (USAID, *Lessons in Implementation*: 15). According to USAID, non-governmental organizations are at the center of civil society. USAID defines civil society as "a multitude of nonstate organizations around which society organizes itself and that may or may not participate in the public policy process in accordance with their shifting interests and concerns" (USAID, *Lessons in Implementation*: 15). Other external factors that contributed to the upsurge of democracy assistance, as well as the fall of communism, included the end of the

cold war, a new global wave toward democratic regimes, and new ideas about development (Carothers: 44).

Non-governmental organizations have mushroomed across Eastern Europe since 1989. In Hungary over 60,000 NGOs have been registered in the last ten years. In Slovakia, their number exceeds 14,000. These numbers, however, are inflated because certain organizations are not truly functioning, some fell apart and others cannot be dissolved because of inadequate legal provisions. In Hungary, for example, an organization cannot be officially dissolved because the Hungarian law does not recognize such acts. According to some estimates, approximately 30,000 registered organizations in Hungary exist only on paper (the DemNet Foundation: interview).

While non-governmental organizations span the entire spectrum of organizations, most are various religious, cultural or sport associations. The number involved in advocacy and public policy is much smaller. These types of organizations, however, are integral to democracy because they call for change and fight for neglected causes. Foreign donors are primarily interested in funding them, as they consider their existence and work crucial to democracy. At the same time, these organizations find least support from their governments and least understanding from the constituency. They are novel and still in the process of defining their place in society.

Advocacy NGOs are occasionally misunderstood by the government and are perceived to be working against the state's interests. This is especially the case in countries where the democratically-elected government exhibited undemocratic tendencies, such as in Slovakia during the Meciar regime. Also, these NGOs started addressing issues that were shoved under the carpet during communism, for example, gender or minority issues. The state may find these issues disruptive, while the public considers them trivial.

Overall, the public is unsure of the role of these NGOs. On one hand, it does not understand their work, and on the other, their manner of operation has incurred criticism. Terms advocacy and public policy are new in Eastern Europe. They were imported with the rest of the jargon that accompanied democratic processes. Actually, East European languages did not even contain the proper vocabulary to translate these terms from English. In addition to the lack of understanding of their role, the public is slightly turned off by their manner of work.

The manner in which these advocacy NGOs operate has incurred much criticism. Some researchers have pointed out that NGOs have established great rela-

tionships with foreign funders, but are quite isolated from the local population.¹ The attitude and views of the local population towards NGOs reflect this opinion. They do not necessarily see the wider societal benefits provided by NGOs, but consider some their causes and issues irrelevant and imported. Instead, the population sees NGO staffers as having great salaries, travel opportunities, etc.

Background on democracy assistance

Democracy assistance has become integral to foreign policy and interest in it has blossomed. It has evolved into an exciting field that attracts eager, young activists and gives them an opportunity to positively contribute to the world. These Western activists found their counterparts in Eastern Europe, where the NGO sector offers a way to engage in a social dialogue and affect society through a venue other than politics, which is regarded as corrupt and dirty.

The impact of democracy assistance, however, has not been adequately studied. There are two reasons for this oversight. On the one hand, the nature of the profession precludes the possibility to assess the field and its effects. People involved in democracy assistance are more inclined toward action than retrospection. Also, the structure of the profession keeps these professionals moving from one project to the next. On the other hand, American academicians, although acutely interested in democratic transitions in a country, have paid scarce attention to democracy assistance given to that country. They do not realize how wide the field has become, nor how influential it is in democratization processes (Carothers: 8, 9). Insufficient knowledge about the field produces ineffective and inadequate dispensing of such assistance and leads to unnecessary repetition. (Carothers: 10).

When the United States government, as well as other private and public Western donors, rushed to Eastern Europe to offer assistance and expertise, they were enthusiastically welcomed. However, the euphoria soon subsided and criticism ensued. By 1995, the United States was criticized that its aid was designed on an ad-hoc basis and that generic programs successful in Latin America were simply applied to Eastern Europe, completely ignoring local circumstances. Some practitioners-turned-critics, pointed out that overall donors did not have a clearly devised strategy, but acted opportunistically, reacting to circumstances (Quigley: 3). Others charged the West with trying to recreate democracy in its own image (Quigley:

¹ A project conducted by the Carnegie Endowment for International Peace, "Democracy and Rule of Law Project" presents a such study.

108). Gradually, programs were modified to better suit local circumstances and to be more effective.

Since the mid-90s, the donor community and interested academicians have organized seminars, conferences and meetings to analyze employed strategies. The effectiveness of programs is being debated and assessed in these fora. Whether an increase in effectiveness has been achieved is beyond the scope of this paper. Assistance mechanisms, however, specifically grant-giving mechanisms, have had an effect on recipient countries. They have helped create a new bureaucratic structure. A side lesson of these programs has been that democracy and civil society do not just happen. They are governed by an elaborate set of bureaucratic procedures, which, on the one hand, stifle expression, while, on the other, allow for democracy to function by ensuring that established transparent procedures apply to all.

USAID operating procedure

USAID has a specific strategy in dispensing aid. Instead of directly awarding grants to NGOs, USAID contracts another agency to do this work. This intermediary agency serves as an implementor of USAID programs. It acts as a buffer between the two sides, absorbing USAID demands and simplifying administrative and control mechanisms for recipients. Through this strategy, USAID assistance should, in theory, reach more recipients because it is widely dispersed. USAID strategy for NGO support in Slovakia and Hungary can be divided into two phases with regard to the implementor. Initially, USAID cooperated with American NGOs that administered USAID's projects under the DemNet program.² In the second phase, this cooperation was shifted to local foundations that implemented USAID's projects. Under the DemNet program contracts were signed for three years, from 1995 until 1998. Extended for an additional year, they terminated in 1999.

The American organizations awarded the cooperative agreement to implement the envisioned projects were The Foundation for a Civil Society in Slovakia and the United Way International in Hungary. In the second phase of assistance, when the DemNet program ended, USAID signed new three-year cooperative agreements with indigenous foundations. In Slovakia, the current USAID-sponsored program, known as "Your Land," is administered by the consortium of two organizations, the Ekopolis Foundation and the ETP. In Hungary, the foundation in charge of im-

² The Democracy Network program, known as DemNet, was USAID's initiative across Eastern Europe to initiate, support and advance the work of the non-governmental sector.

plementing USAID project is called the DemNet Foundation. The name of this foundation is not to be confused with the previous USAID-designed DemNet program. The DemNet Foundation, however, did stem from the DemNet program.

The procedure to select an American or indigenous implementor is the same. USAID announces a tender which describes the type of program it wants to sponsor and interested organizations submit their implementation strategy. An organization is selected for the role through a competitive process, in which the quality of the proposal and its ability to administer the program are judged.

While the role of the intermediary organization, whether American or indigenous, should be the same, certain problems and benefits arise when working with either. An indigenous organization is, of course, preferable. It understands "the lay of the land." It has a more direct communication with the grantees and is more likely and able to help them. According to the staff of the Ekopolis and DemNet foundations, they are in weekly telephone contact with the grantees and visit them on average once a month. However, finding an indigenous organization able to satisfy rigid USAID requirements to become a cooperative partner may be difficult. The application paperwork is immense: it is detailed and long, averaging the stack of 1000 pages. When USAID tender was announced in Hungary, 50 organizations picked up the application forms, but only seven applied. Taking into account that organizations may find the application requirements difficult and may not fully understand them, USAID held an information session at which interested organizations were acquainted with the process and asked questions (USAID, Hungary: interview). Still, the number of applicants was low. Another aggravating stipulation is that a non-American organization needs to be audited by an independent party to be able to enter into a working relationship with USAID. This condition does not apply to American organizations because they are regularly audited in accordance with U.S. tax laws.

The underlying assumption for initiating cooperation with indigenous organizations is that civil society, particularly the NGO sector, has taken root in the transitioning country. In the early 1990s, however, the situation in most Eastern European countries had not attained the adequate level of maturity needed in these areas. In such cases, cooperation with American organizations is necessary. In the early stages of democracy aid, donor efforts are geared towards democracy promotion, as there are no substantial democratic movements to assist (Quigley: 9).

To categorize needs different countries have and judge their level of evolution towards democracy, USAID devised a Sustainability Index. It is a yearly publication whose third edition was released in January 2000. The index divides countries

into three different stages of development: pretransition, transition, and consolidation. These stages correspond with countries' levels of freedom as reflected in the legal environment and public image, and the sector's maturity as assessed from its organizational capacity, financial viability and infrastructure. Only in the consolidation phase do favorable conditions exist to engage indigenous organizations in implementation. In the first two scenarios, USAID has to cooperate with American intermediaries, because local foundations do not yet exist, and if they do, they are too weak to sustain USAID requirements. However, since American intermediaries need to establish local foundations in order to be registered, the underlying idea is that by the time they withdraw the established foundations will be self-sufficient.

In addition to these objective hindrances that make it easier to use an American intermediary, there are also some subjective ones. USAID fears congressional inquiry or unflattering media attention if any discrepancies regarding the use of funds surface. USAID, therefore, places great emphasis on monitoring the funds. It believes that an American organization is less likely to commit fraud or misuse them because business ethics are similar. American organizations are required by U.S. law to keep thorough financial records, are subject to audits, and are physically closer to USAID. Also, the survival of the American contracting community actually largely depends on these government funds (Carothers: 258). On the other hand, these organizations are in a position to manipulate USAID decision processes. Large contracting organizations, which traditionally serve as USAID implementing partners, have strong connections in Washington, and lobby friends in Congress to secure them cooperative agreements with USAID. Thus USAID, under pressure from Congress, occasionally funds projects that do not necessarily merit funding (Carothers: 258; USAID Hungary: interview).

Needless to say, working through an American implementor has many shortcomings that are most visible in the field. An American implementor is more expensive than an indigenous one. Salaries for the expatriate staff are correlated with the ones in the United States, allowing for a high living standard in the recipient country. Salaries of the local staff are also above the country's average. In addition to high salaries, a certain percentage of the funds is retained by the organization's headquarters in the United States. These expenditures, naturally, take away from the resources that should be given to final recipients, the grantees. A USAID official roughly estimated that only 50 percent of funds trickled down to grantees when an American implementor was used. By using an indigenous implementor, the amount increased to 80 percent (USAID Hungary: interview).

Relationship between USAID and implementing partners

Putting aside these general observations on advantages and disadvantages in working with different types of organizations pose, USAID's partnerships in Slovakia and Hungary played out differently due to specific characteristics of contracted organizations. Overall, cooperation with The Foundation for a Civil Society (FCS) in Slovakia was more fortunate than with the United Way International in Hungary. Both were perceived as a foreign entity in each respective country, but The Foundation for a Civil Society seems to have had a more favorable position. Its main asset was that the director was a Slovak-American and, thus, understood Slovak circumstances and spoke the language (USAID Slovakia: interview). In Hungary, the relationship between USAID and the United Way International slowly unraveled, as their goals apparently diverged after some time. It appears that the United Way International misused the funds and tried to establish a series of United Way Internationals in Hungary instead of implementing USAID's program (the DemNet Foundation, Hungary: interview).

In 1999, USAID signed cooperative agreements with indigenous organizations. The indigenous intermediaries became the sole administrators of USAID funds in the two countries. This consolidation of funds through a local implementor was also a part of the phasing out strategy. Agreement was signed with the Ekopolis Foundation and the ETP for "Your Land" in Slovakia and with the DemNet Foundation in Hungary. When the "Your Land" project was awarded the agreement, the decision was considered a small milestone within the Slovak NGO community. Used to years of favoritism and opacity, the Slovaks assumed that FCS will be awarded the contract because of the previously established working relationship with USAID. Some organizations probably did not even compete for the contract, thinking it would be useless. The "Your Land" project, however, won on its merit (the Ekopolis Foundation: interview). Neither the Ekopolis Foundation nor the ETP had a professional relationship with USAID previously.

The Ekopolis Foundation, the senior partner in designing and supervising the "Your Land" program, entered the USAID agreement as a mature and experienced entity. Founded in 1991 by several private Western donors as an environmental NGO, the Ekopolis Foundation has evolved into a solid organization with a diverse financial base. Aware of its limitations, it paired up with the ETP to achieve the capability to run the "Your Land" program. "Your Land" is just one of the several programs that the Ekopolis Foundation runs, thus the organization's existence will not be jeopardized once the project terminates. At first the Ekopolis Foundation was skeptical about working with USAID, but the experience has been quite posi-

tive. "Americans tend to be more trusting," Juraj Mesik explained, adding that there are no strings attached to the agreement like with the European Union (the Ekopolis Foundation: interview).

The consortium of the Ekopolis Foundation and the ETP is a symbiotic relationship. The Ekopolis Foundation is located in Banska Bystrica, a town in central Slovakia, with several offices spread throughout Slovakia. Such wide dispersion allows for a closer relationship with the grantees. The ETP, on the other hand, is based in Bratislava, where it has easy access to USAID and other governmental offices.

The DemNet Foundation in Hungary has evolved from a completely different set of circumstances that are reflected in its views about the relationship with USAID. During USAID's cooperation with the United Way International, the foundation was the means for the United Way International to register itself in Hungary, and thus, appropriately named the DemNet Foundation. During the scandal between USAID and the United Way, the DemNet Foundation managed to reorganize itself, strengthen its organizational capacity and, in the end, was able to compete for the cooperative agreement. The DemNet Foundation is now an independent organization, fully capable of administering the USAID project. However, it is the only project the foundation administers, and is therefore almost fully depended on USAID funds. While it is beginning to expand its donor base, some 95 percent of its funding still comes from USAID. This dependency makes its future uncertain (The DemNet Foundation, Hungary: interview).

The organization also notices some weaknesses in its relationship with USAID, when compared to other USAID partners. It is a young, foreign organization that obeys the established rules and USAID hierarchy. It has no clout or friends in Washington and lacks the strength to endure in some requests which USAID initially vetoes. It realizes that American organizations, in their tactics to secure funds, often bypass obligatory bureaucratic procedures or lobby their contacts in Congress. Also, more experienced foundations know how to "creatively budget" their expenses to secure the optimal funding. The DemNet Foundation, however, cannot afford such practice because of its status nor would it be deft in doing so (the DemNet Foundation, Hungary: interview).

Although the Ekopolis and DemNet foundations have had different beginnings, both have become proficient in dealing with USAID. They have internalized the bureaucracy system imported from the United States, including its negative aspects. These two implementors are disseminating these acquired skills further through their work with grant recipients.

Funding opportunities

Both the “Your Land” project and the DemNet Foundation offer grants in five areas. “Your Land” funds: community development and philanthropy; rural program; advocacy; and women, minorities and tolerance. The four categories covered by the DemNet Foundation are similar. They include: rural development; social services; advocacy; and Roma. In addition to these four categories, grants can be awarded through a fifth one called “special opportunities.” These separately allocated funds provide an opportunity to finance extra projects, unexpected issues that do not fall within the four categories, but which USAID or the implementor thinks should be addressed.

Non-governmental organizations apply for funding through one of four categories. Grants are awarded for one year. If the proposal is rejected, the organization can reapply every grant round. If the organization gets the grant, it can reapply for the following year, although its chances to be awarded again decrease. Receiving funds from one of the four categories, however, does not restrict the organization from applying for a grant announced under “special opportunities.”

Grants are awarded for projects that NGOs want to execute, not to NGOs for financing their structural costs. However, a portion of grant money can be used for education and training of NGO staff. USAID considers this “technical assistance” an investment into the particular NGO as well as the means to strengthen the overall NGO sector. Technical assistance is given if either the intermediary organization or the NGO itself notices inadequacies in organizational or administrative areas. Education is covered from the awarded grant. The organization chooses a trainer from a list of local trainers with expertise in relevant fields (USAID Hungary: interview; the DemNet Foundation: interview). Assistance helps the NGO improve its work, organization capabilities and strategic planning, but ultimately, it teaches the NGO how to work more efficiently and become more appealing to potential future donors.

Application procedure

USAID is often criticized for being slow and inflexible, yet in funding these grants it appears to be quite efficient. The application process for selecting the intermediary organization and grantees on average does not take more than three months. The application window from the announcement of the grant to the closing date lasts one month. Once the applications are collected, final decisions are made usu-

ally within six weeks. In the case of subgrantees, the first installment of money is sent shortly after.

The decision whom to fund consists of four steps, which were slightly different under the DemNet program than now. During the DemNet program, the steps consisted of the following: First, projects that did not meet the required criteria were eliminated. The remaining applications were then evaluated by outside experts who were selected local professionals with expertise in areas relevant to the grants. Each expert evaluated between 10-15 applications; each application was evaluated by two experts. Following this individual evaluation, projects were read by the entire expert panel that broke up in small groups in order to evaluate a larger number of projects. Applications were assigned a cumulative grade, composed of individual and group evaluations. They were then presented to the Democracy Commission, a body composed of various U.S. embassy staff, that made the ultimate decision on funding. The applications that best satisfied the four categories were awarded grants which included project feasibility, organizational impact, sectoral impact and societal impact (The Foundation for a Civil Society: 9). A major weakness in this selection process was that the Democracy Commission occasionally did not follow the experts' recommendations but decided to fund a project that received a mediocre score. This practice produced resentment among evaluation experts, who felt their input and work was pointless (the Ekopolis Foundation: interview).

When the indigenous foundations became implementing partners, the selection process slightly changed to fit the new circumstances. The philosophy behind selection, however, remained the same. Now, the applications are first reviewed by program managers within the foundation who remove the unacceptable ones. They are then sent to outside experts comprised of various professionals who rate the applications. Graded projects are then presented to the local USAID office that reviews the scores and makes its decision. The Democracy Commission is no longer assembled to decide on projects. Instead, applications are reviewed by USAID staff and the foundation's board of directors. For a grant to be awarded both USAID and the board need to give their consent. Projects with the highest cumulative score are awarded grants (the Ekopolis Foundation: interview). This dual approval ensures that grants are given to the best projects and decreases the possibility that an NGO will receive money because of favoritism or connections. The approval also ensures more transparency in the process. This selection process illustrates the applicants acceptable competition channels in a democratic, unbiased environment and forces them to behave in the same manner.

Implementor and grantees

Using an intermediary organization has two positive aspects for USAID. On the one hand, USAID is not involved in daily bureaucratic procedures and thus can fund a wider variety of projects around the world. On the other hand, because sub-grantees are not required to report directly to USAID, they avoid the rigid financial regulations and requirements posed by USAID. Thus, in theory USAID reaches more grantees and its programs have a wider impact.

The main problem implementors face in dealing with the grantees is their ineptitude in recording their work. In general, it is difficult to get the grantees to write evaluation reports, which consist of financial and narrative segments. They do not know what evaluations are, nor do they understand their importance. They misinterpret telephone conversations with the intermediary or their visits for mandatory evaluations, believing such informal exchanges are sufficient (The DemNet Foundation: interview). Some NGOs, although deft in managing the organization and the allocated funds, had not dealt with evaluations before. This is particularly evident with Roma NGOs, where the staff successfully runs the organization, but is not schooled in writing reports (The Ekopolis Foundation: interview). In the first few years, NGOs were very confident about their abilities and regularly refused additional education. However, they soon became aware that they lack skills necessary to successfully satisfy donors' demands and, now, willingly request training (The DemNet Foundation: interview).

Financial control, in addition to thorough bureaucratic procedures, is an efficient way to minimize problems and keep programs on track. Thus, a grantee receives the funds in three installments. The first installment is sent upon award. In order to receive the second installment, the organization must submit a progress report. The last installment, the smallest of the three, given near the end of the grant period serves as an impetus for the NGO to complete its final paperwork.

USAID is often criticized for being a large inert institution where things move slowly with little room and incentive for change. Such elaborate bureaucratic processes, however, seem to be needed in multi-cultural and tiered environments to safeguard against misuse of funds and avert cultural misunderstandings. For example, NGOs inexperience in writing reports.

Measuring effectiveness

How to measure the impact and judge whether the employed approach was suitable has been a major question for grant making programs. Measuring democracy assis-

tance presents a problem: Projects on average last three years during which recipients receive one-year grants. Although organizations have a chance to reapply for the funds the second time, the grant is usually awarded once. However, noticeable democratic changes in a country occur gradually over a longer time period. This discrepancy in time frame makes it difficult to evaluate the impact of a single grant.

Also, measuring tools available for such a short term period are quantitative assessments. Criticism about Western aid to Eastern Europe revolves around this issue. Critics charge that these quantifiable monitoring methods are often misguided. For example, success is currently measured according to the number of workshops held and participants attended, instead of assessing the quality and need for such workshops (Wedel, Harper: 26).

Another already mentioned shortcoming is that democracy assistance has not been taken seriously by academicians and not many studies exist on the topic (Carothers: 8). Only in the last few years has assistance for democracy building in former-Communist countries been systematically analyzed, such as the study conducted by the Carnegie Endowment for International Peace. But these reports are just trickling in.

Inadvertently, the best measure of USAID work was seen in Slovak government elections held in 1998. A multitude of NGOs, most of which were financed by USAID, conducted the "OK '98" campaign. They mobilized the society to vote, especially urging young voters to cast their vote. Such a nation-wide campaign definitely impacted the election turnout and resulted in a pro-democratic government (USAID Slovakia: interview).

While it may be difficult to assess the impact of awarded grants for the above mentioned reasons, organizational and management skills acquired through training programs have left a mark on the trained staff. This improved competence should benefit the work of NGOs and help them function more efficiently. Moreover, the staff disperses this acquired-professionalism farther through interaction with other entities.

Sustainability

Concerns about the programs' effectiveness lead to another concern, the question of sustainability. Since these NGOs largely depend on foreign funds, what will happen once the funds dry up presents a serious problem. As already mentioned, USAID is withdrawing from Slovakia and Hungary within the next two years. This withdrawal jeopardizes the implementors as well as the funded NGOs.

Paying attention to sustainability is a new development in the donor community. It is a part of a new global trend in the evolution of civil society. There is a push to go local and support NGOs involved in advocacy of social and economic issues rather than just explicitly democracy-related issues. Traditionally, USAID has not paid sufficient attention to sustainability of supported programs. (Carothers: 249-250). USAID's approach, however, is changing as its recent activities in Eastern Europe attest. Aware of its impending withdrawal from the region, USAID conducted a study in 1999, titled "Lessons in Implementation: The NGO Story" in which it documented successes and failures of its engagement in Eastern Europe during the cooperation phase with its American implementing partners. The study affirms that development of NGOs is a long-term process which will continue long after USAID leaves. It also acknowledges that it is the responsibility of USAID and the implementing partners to help the supported NGOs devise a survival strategy once their funds dry up (USAID, *Lessons in Implementation*: 58). In addition to these concerns, USAID has identified a number of areas necessary for the NGOs viability.

However, the fault lies with the recipients as much as with donors. Once its program terminates, the donor assumes that its work in that country is over and that the country has attained a certain level of development in which its assistance is no longer crucial. Much criticism has been directed at USAID's decision to terminate its funding to Central Europe. The primary flaw in the U.S. approach to democracy assistance was the underestimation how long transition processes will last. Its withdrawal is considered premature, especially since only now the impact is beginning to be discerned. On the other hand, most NGOs are shortsighted. They are too preoccupied with the present and too focused on solving daily problems. They assume that donor support will last indefinitely and do not devise strategies for the future (USAID, *Lessons in Implementation*: 58)

Unfortunately, NGOs do not have much choice. USAID study recommends that NGOs should establish working relationships with local governments and develop (USAID, *Lessons in Implementation*: 58-63). It also suggests that NGOs will need to rely more on domestic funding opportunities. But, Eastern European economies are not strong enough to support the non-governmental sector. The culture of philanthropy and corporate giving is alien. Some fledging opportunities for domestic funding are starting to appear in Hungary and Slovakia. Several larger firms have started giving small donations, for example. (the DemNet foundation: interview). Also, a new tax provision that went into effect in 1999 in Hungary, al-

lows citizens to allocate 1% of their taxes to an NGO of their choice. The same law will go into effect in Slovakia in 2002.

It will take a long time before these domestic funding opportunities will be able to fully replace the foreign donor community. In the field, the interviewed officials acknowledge that some consolidation in the NGO sector will occur. They do not consider the consolidation to be necessarily negative. It may actually strengthen the sector as the weak organizations will be weeded out. Unfortunately, the organizations that will be in the greatest jeopardy are NGOs dealing with advocacy or promoting social change. They are inherently harder to sustain domestically in a democracy-seeking country, yet needed for development. Thus, some officials have expressed concerns about their future, and, ramifications for further democratic development. Perhaps, not dwelling on the future then becomes their coping strategy.

Conclusion

This paper focused on the grant making procedure as conducted by USAID. It depicted the relationship between USAID and its partners, American and indigenous. It outlined the interaction between the implementors and the recipients, and pointed to problems that arise in their exchange. All of these interactions are governed by bureaucratic processes that allow for grant distribution. This created bureaucracy in and of itself contributes to the internalization of democratic processes as dozens of individuals involved in these exchanges learn to behave according to set norms. These rules of engagement then demonstrate that democracy is not a spontaneous occurrence but a thoroughly organized process that functions only if all stick to the established norms.

This paper did not explore the dynamics between NGOs and their constituencies, nor did it attempt to analyze the relationship between NGOs and the community in which they operate. How effectively the recipients have used the given funds and what their impact has been presents another topic.

Certain personal limitations encountered during the interview process may have resulted in some inaccuracies. For example, had I had the opportunity to speak with the interviewees more than once, a different picture may have arisen. Also, had I spent some time at their actual work place, I might have become aware of other issues. Assessing the relationship between donors and recipients is a work in progress, where the posed concerns present some of the challenges to be addressed in future projects.

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