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Lessons in Transition

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

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Team Members:

Mary Ann Riegelman, USAID/ENI/DG	Lisa Petter, USAID/Moscow
Michelle Otterman, USAID/ENI/DG	Manana Gegeshidze, USAID/Tbilisi
James Watson, USAID/ENI/DG	Nino Saakashvili, Horizonti/Tbilisi
Mark Levinson, USAID/ENI/DG	Stephan Klingelhofer, ICNL
Jill Benderly, Star Network, Croatia	Doug Rutzen, ICNL
Mitch Benedict, USAID/ENI/DG	Joel Levin, Counterpart Intl./Washington
Valerie Estes, USAID/ENI/PCS	Karen Sherman, Counterpart Intl./Washington
Harry Blair, USAID/G/DG	Kimberli Brown, Counterpart Intl./Washington
Joshua Kaufman, USAID/G/DG	Terry Leary, Counterpart Intl./Ukraine
Slavica Radosevic, USAID/Zagreb	Aaron Bornstein, ISC/Bulgaria
Nina Majer, USAID/Poland	Andrea Usiak, AED/Washington
Sean Roberts, USAID/Almaty	Gregg Niblett, AED/Washington
Diana Arnaudova USAID/Sofia	Michael Kott, AED/Poland & Croatia
Lydia Matiaszek, USAID/Kiev	Mary Heslin, World Learning/Moscow
Marina Grigorieva, USAID/Moscow	

**Principal Author:
C. Stark Biddle**



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Executive Summary

Since 1989, USAID has made a significant investment in the development of the NGO sectors in CEE and NIS countries. The goal has been to solidify the long-term prospects for well functioning, representative democracy by establishing the attributes of what is broadly understood as “civil society”.

This Report is an attempt to capture what USAID and participating American NGOs have learned about the *process* of strengthening civil society in these countries. The emphasis of this study is on what *policies and strategies* work best.

This report is not an impact evaluation but is designed to be broadly relevant to the strategic design of future interventions and policy decisions. The Study starts with the premise that a strong civil society is desirable and democratic practices are more likely in countries where voluntarism is strong.

This Report is based on material assembled from field visits to 8 CEE/NIS countries and represents a synthesis of the principal themes and findings that were contained in the individual country reports and a review of extant studies and evaluations.

The structure and content of USAID’s NGO sector programs in CEE/NIS countries have differed to reflect varying conditions. However, there are important similarities including an emphasis on transparent grant making, the integration of training and technical assistance, and the use of an American NGOs in an intermediary implementation role.

There have been numerous studies that have attempted to measure and document the impact of these programs. There is broad consensus around a few broad conclusions.

- USAID support has clearly helped to fuel and sustain the explosive growth of the NGO sectors in CEE/NIS countries.
- Training and technical assistance has had a positive impact on the managerial competence of NGOs.
- Stronger NGO sectors appear to be particularly beneficial to women and minority groups and to be naturally reflective of those social concerns and public policy issues that are important to women.
- The prospects for financial sustainability have improved.
- Sectoral infrastructure has been strengthened.
- Important regional linkages have been established.

- The legal and regulatory framework governing the operation of the NGO sectors has improved.
- The application of professional grant making systems and procedures has had a positive demonstration effect.

These accomplishments have not been without difficulty. All of the USAID sponsored NGO support programs have experienced difficult periods of transition and re-design and most have grappled with fundamental questions regarding the purpose of the program, the choice of funding priorities and the design of selection criteria.

The NGO sectors in CEE/NIS countries are at differential stages of maturation but share important common characteristics including:

- **Extremely rapid growth.** This has meant high energy and commitment, an ability to attract youthful and talented leadership, a high level of contributed or “pro-bono” labor, institutional fluidity and responsiveness to emerging social and political issues. On the down side it has led to high organizational turnover, some bogus operations, weak strategic planning, poorly developed governance structures and the absence of intermediary support organizations. The NGO sectors have tended to grow without a parallel emergence of a broad based ethic of philanthropy and a wide public understanding of the role of not-for-profit organizations. Rapid change has meant that donors have tended to focus on the merits of individual projects and the strength of individual organizations as opposed to taking a broader sectoral perspective.
- The NGO sectors appear to be moving through roughly comparable stages of transition from voluntary to professional staff, from a founder/leader model to a broad based governance structure, from a single constituency to multiple constituencies and from a narrow attack on a delimited problem or issue to a broader concern for the contextual factors that give rise to that issue.
- **Reliance on Foreign Donors.** Foreign donors have fueled the growth of the NGO sectors. The positive consequence has been availability of seed capital and sophisticated advice and mentoring. But, foreign donors have brought their agendas and supported the growth of some organizations that would not have been able to obtain local financing. The sheer magnitude of funding is not sustainable and the current period of rapid sectoral growth is likely to be followed by a period of, consolidation, merger and dissolution.
- **Uneven public understanding of the role of the NGO sector.** There are significant gaps in public understanding and, in some countries a deeply negative perception of the underlying motives of NGOs. Factors that contribute to public suspicion include confusion about the role of NGOs, a suspicion that some are responding to foreign interests, the absence of laws that impose standards of transparency and efforts by NGOs to obtain special dispensations from government. NGOs on their part

frequently lack a well developed understanding of the responsibilities and role of public service organizations and the importance of cultivating, developing and responding to a public constituency.

- **Deficient Legal and Regulatory Structure.** Despite sporadic progress, specific areas of concern include the imposition of onerous and intrusive registration requirements, limitations on the authority of an NGO to engage in advocacy, restrictions on activities designed to generate revenue, inclusion of the state in some way or another in the apparatus of governance and the imposition of capricious limitations on administrative costs.
- **A difficult relationship with government.** NGOs are engaged in a difficult process of structuring roles and relationship with government. What is relatively easy, intuitive and natural for non-profits in the West is much more complex in these countries. The process is important and involves balancing between independence, financial survival and the importance of being influential.
- **Inadequate Managerial Capacity.** While most NGOs have a solid focus on *tasks*, they have difficulty seeing contextual implications. Many need help in strategic planning, board development and governance, private sector fund raising; and public and media relations.
- **Weak Sectoral Infrastructure.** In general, the NGO sectors in CEE/NIS countries do not yet possess an advanced infrastructure designed to do such things as protect against punitive government oversight, build a corps of professional staff, publicize the success of the sector, perform brokerage functions between donor and recipient and lobby legislatures to enact friendly legislation.
- **Energetic, Charismatic Leadership.** The NGO sectors have attracted youthful, highly motivated leadership. Many of these individuals have founded the organizations that they administer and lead through the force of vision and personality. On balance a positive attribute, the charismatic founder leader model has its drawback. Some of these leaders have an authoritarian in style and are poor at responding to the needs of constituents.
- **Poorly Formed Ethic of Autonomy.** A worrisome characteristic is the absence of deep concern regarding dependence on foreign donors and/or government. Many NGOs seem to be unflinching in their acceptance of the dismal reality that their future is tied to decisions made by offshore organizations.

Common issues faced by USAID in the design of NGO support programs include:

- Finding the right balance between strengthening the NGO Sector and addressing specific social problems.
- How to support rural groups that are less well developed.

- Design and integration of training and technical assistance.
- Managing the grant making Process.
- Translating organizational and programmatic priorities to the individual country setting.
- Reflecting an appropriate emphasis on women's issues.

The relative importance of sustainability has increased. All NGO support programs have a strong concern for "sustainability" however progress has been difficult because there are significant differences with regard to what sustainability means, how it should be pursued and how aggressive USAID and implementing NGOs should be in pushing local NGOs to diversify their funding base. Dilemmas include how hard to push for sustainability when the realistic prospects for alternative funding are limited, how fast to push the issue of "exit planning" or the development of a sustainability strategy, whether to approach organizational sustainability from a financial or organizational perspective and the choice and application of a host of positive and negative incentives that can be incorporated into the grant agreement.

Promising approaches to sustainability include: the creation of intermediary support organizations; developing community foundations; building government partnerships; structuring incentives in the grant agreement and using the media to create public awareness and support.

On balance, the relationship between USAID and implementing American NGOs has been successful. NGOs have brought a cultural sensibility, depth of understanding and strong conviction and commitment to their work. However, during the early years there were significant differences regarding basic strategy and implementation. In CEE countries, difficulties were exacerbated by the expanded and ambiguous role that was given to the Democracy Commissions. In all countries issues included differences with regard to fundamental program objectives; different views regarding the rate and pace of start-up; confusion with respect to independence of operation; translation of USAID's program priorities to country conditions.

Strategic and sectoral lessons that have been learned include:

- **The nurturing and development of NGO sectors is a staged, sequential long-term process.** The independent sectors in these countries are evolving through a process of maturation that is phased and sequential and that necessitates a long-term approach and changing forms of assistance tailored to evolving needs. USAID and implementing NGOs need to think strategically about follow-on programs that will sustain the limited progress that has been made.

- **New Programs need to be based on a realistic assessment of resource constraints.** A result of the fast growth of the NGO sectors is the likelihood of sharp contraction. While some progress has been made, in general these sectors are not yet sustainable. While consolidation need not be unhealthy, if it is too dramatic, the momentum behind the growth of the NGO sectors may dissipate.
- **Sectoral Infrastructure Development is Critical.** Support organizations can provide training, encourage professionalism and facilitate contacts. However, support organizations must develop a strong client constituency. While foreign donors can be instrumental in the provision of seed funding and help in program design, in the long run financial support will have to come from the organizations that utilize the services that are provided.
- **Financial and organizational dependence on foreign donors is a critical issue.** The current level of offshore support from foreign donors will not continue and the rate of growth of the NGO sectors in CEE/NIS countries is likely to plateau or decline as a result. The dilemma underscores the importance of financial sustainability. In the long run, the NGO sectors in these countries will need to fashion their own identity. The transition will require a pro-active approach on the part of donors to gradually back away from relations that are counterproductive. For USAID the gradual process of disengagement suggests the importance of early planning with respect to what type of sectoral or institutional capacity should be left behind to sustain the gains that have been achieved.
- **The emphasis on sustainability needs to shift from the organization to the sector as a whole.** Sustainability needs be defined and measured in sectoral terms and not with regard to the fate of individual organizations. A sectoral emphasis is important because it reflects the reality of foreign donor disengagement, the importance of structural change and the growing emphasis on intermediary support organizations. It also addresses some of the more pertinent criticisms of donor funded NGO support programs, that they are elitist, concentrate resources, build dependency, only deal with better-off western oriented NGOs that know how to cultivate and cater to foreign donors and that they reflect donor, not indigenous, priorities.
- **Investing in a supportive, but demanding, legal and regulatory environment will have a significant pay-off.** In most countries, the creation of a supportive legal context is a long-term, multi-step process involving a change in governmental attitudes and the way in which laws are enforced.

With respect to program design and implementation, lessons learned include:

- **A Multi-faceted Approach Has and will Continue to be Essential.** It has allowed these programs to respond creatively to a wide range of organizational and sectoral needs and to work in a more intensive and responsive manner with grant recipients than would have been possible if the programs had been narrowly limited.

- **The Basic Delivery Model has Proved Workable.** A tiered structure provides appropriate *space* between USAID and final recipients. The creation of this buffer permits the simplification of grant procedures, allows the translation of USAID's goals into meaningful language that local NGOs can understand and has softened the negative impact of abrupt swings in development assistance policy and allowed these programs to adjust constructively to USAID's new emphasis on indicators and results. However, continued direct involvement of American organization should depend on need. As these sectors mature the emphasis should shift toward working through indigenous organizations and through support groups that can have a structural impact on the sector as a whole, although an effort should be made to maintain mentoring relationships.
- **Program (or Functional) Concentration is Effective.** A program based approach provides more tangible impact than generic grant giving and encourages progress evaluation and change in direction when appropriate. It tends to be clearer to the public and to the NGO sector and is likely to be more strategic because it is content based and derives from an analysis of the needs of a particular sub-sector. A related lesson is that the capacity to advocate and influence policy can be indirectly enhanced by concentrating first on substantive issues.
- **Regional networks and linkages need to be enhanced.** Cross-border linkages have been extremely effective and NGOs have found that they can benefit from the experience of their colleagues in other countries and that approaches to social problems and public policy issues in one country can be directly relevant in another.
- **Increased attention must be concentrated on exit planning.** A failure to think strategically and at an early stage about the phase out of support misses a very real opportunity to identify those critical steps and organizational attributes that will be critical to the sustainability of the project and to the NGO itself.
- **Helping NGOs and government define and structure their relationship has high long-term importance.** The direction of NGO sectoral development will be importantly affected by the evolving definition of the role of government and the distinctive conception of "civil society" that emerges from this debate. Donors can play a valuable intermediary role.
- **Clarity of objectives is critical to an effective relationship between USAID and implementing NGOs.** Clear agreement on objectives, constant, full and open communication, a frank understanding of the limits of operational independence, and the existence of tangible, concentrated objectives will all tend to reduce misunderstanding.
- **Training needs to be strategic.** Training should gradually evolve from a classroom approach with a core curriculum to an on-site, tailored approach that addresses the individual needs of the organization.

- **The grant making process has a valuable demonstration effect.** The “tedious” and “burdensome” grant review, award and monitoring process has itself had a very positive demonstration benefit.

Finally, values are of transcendent importance. The long-term viability of the NGO sectors countries will rest on a bedrock of attitudes toward voluntary activity, citizen activism community involvement and the importance of charitable giving. A common, purpose of all NGO sector support programs is to change the way citizens see the NGO sector and to change the way NGOs view themselves and their role in society.

A critical question is whether these programs can nurture the roots of civil society that was resident in these countries prior to the advent of communism. Evidence to date indicates that civil society is emerging albeit in fragile form and dependent on unsustainable foreign funding for support.

I. Background.

Since 1989, USAID has made a significant investment in the development of the non-governmental (NGO) sectors in the countries of Central and Eastern Europe (CEE) and the Newly Independent States (NIS) and across the region as a whole.¹ The integrating purpose has been to build a strong and viable base of institutions that can represent and give voice to citizen interest and concern. The transcendent goal has been to solidify the long-term prospects for well functioning, representative democracy by establishing the attributes of what is broadly understood as "civil society": voluntary association, citizen activism, public policy dialogue, civic advocacy and an abiding concern for governmental accountability and democratic governance.²

Although projects designed to strengthen NGO sectors are not new for USAID - - many USAID Missions throughout the world have funded small NGO grants programs - - the magnitude, regional breadth and the direct conceptual linkage with civil society in transitional countries that are in the process of emerging from 70 years of communism is distinctive and sets these programs apart. Whether measured in aggregate dollar terms, number of participating countries, or sheer number of participating institutions and individuals, the level of the overall effort to build and strengthen civil societies in these countries has been immense.

The structure and content of the NGO sector programs in CEE/NIS countries have differed to mirror variations in country conditions and the differential stage of development of the NGO sectors. At the same time, these programs have important similarities and shared attributes. These include an emphasis on transparent grant making, the integration of training and technical assistance, and the use of an American NGO in an

¹ The choice of a phrase to describe the group of organizations that are supported by the various USAID sub-grant programs reviewed in this report is neither simple or without controversy. The phrases "independent sector" or "Third Sector" are terms that are used in the west but that have limited immediate meaning in Central Europe and the implication of "independence" may be inaccurate in some instances. The phrase "voluntary sector" is problematic because it also is a western term and can be interpreted as applying only to organizations supported by volunteers. The phrase "non-profit" or "not for profit" does not have wide currency in CEE/NIS countries. Thus, the term "non-governmental" or "NGO sector" while neither elegant or completely accurate is used by default in this report to describe the group of organizations that are assisted by the various programs that are discussed in this Study.

² A note on terminology. The term "civil society" has a long tradition in political philosophy, however it is a western concept with little direct meaning in post communist cultures and carries a slightly condescending tone and a vague implication that civility and stability should be maintained so that free market systems can flourish. In addition, the term "civil society" has several meanings. A broad definition of "civil society" that USAID has used is that it describes the multitude of non-state organizations around which society organizes itself and who may or may not participate in the public policy process in accordance with their shifting interests and concerns. A narrower definition is that "civil society" is composed of non-state organizations that push for more effective democratic governance through advocacy, policy analysis, mobilization of constituencies, and as a governmental watchdog. (See: Constituencies for Reform. USAID/CDIE, Assessment Report #12, February 1996) In general, when this Report refers to civil society it employs the broad definition except when explicitly discussing public policy and advocacy.

intermediary implementation role.

In addition and importantly, these programs - - particularly in Central Europe - - have been deliberately multi-faceted and strategic in design and have attempted to apply a unifying set of objectives and priorities and a common organizational structure to guide implementation in individual countries.³

USAID funded NGO sector support programs in CEE/NIS countries have a number of important common characteristics:

- Management and implementation by a single American NGO or a consortium of American NGOs.
- A program of sub-grants combined with training and technical assistance, sometimes mandatory with most sub-grants falling into the \$10,000 to \$50,000 range.
- Reliance on some type of reasonably transparent internal or external peer review process based on publicized selection criteria.
- The use of a funneling mechanism to narrow the pool of applicants to a manageable total.
- A structured funding cycle that moves from announcement to application to award pursuant to pre-established dates.
- In general, an emphasis on regional diversity and a conscious priority to organizations located outside the capital.
- In CEE countries, the addition of a regional program designed to foster regional linkages and respond to common issues and opportunities such as support for a stronger legislative framework.

Since the initiation of these programs in CEE/NIS countries, there have been numerous studies, evaluations and reports that have attempted to measure and document their impact. While there have been problems and set-backs and alternative critical voices, there is broad consensus - - validated in good part by the discussion groups that were convened

³ This emphasis on integrated design is particularly evident in the case of the Democracy Network Program (DemNet) that started operation in CEE countries in 1995. DemNet used a common focus on public policy organizations, established four sectoral priority areas, put in place a standardized decision making structure, incorporated a strategy toward training and included important regional components designed to promote and strengthen cross-border linkages and the NGO legal environment. DemNet also included funds for a series of internal DemNet conferences to promote self assessment and learning between DemNet countries and this mechanism was quite effectively employed as a venue for initial review and early comment on a draft version of this Study.

for this study - - around a few broad conclusions.⁴

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

Training and technical assistance has had a significant positive impact on the managerial competence of NGOs. Although difficult to measure in quantitative terms, organizational training has been beneficial to the gradual professionalism of the NGO sectors in CEE/NIS countries. While there are a variety of views on how training should be packaged, and what should be taught, it is clear that the impact of what has been done to date has been significant and positive.

Stronger NGO sectors appear to be particularly beneficial to women and minority groups and to be naturally reflective of those social concerns and public policy issues that are important to women. While USAID sponsored NGO sector support programs in CEE/NIS countries were not initially designed to give exclusive or primary emphasis to women's issues, they have been quite effective in responding to the types of issues that are of broad concern to women and they have supported advocacy organizations that directly address gender and minority issues. NGOs in general appear to provide equitable professional opportunities to women and women tend to be well represented in leadership positions in the organization.

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

Sectoral infrastructure has been strengthened.⁵ In several CEE/NIS countries,

⁴ The following broad conclusions are widely documented. See, for example, *Partnership Across Borders*, an overview of World Learning's program in NIS countries; *Citizens Participation Project Study*, a study of NGO strengthening programs in Bulgaria, *Changing Models of Foreign Assistance to the Third Sector in Central and Eastern Europe*, a 1998 study by the Pecat Foundation; *Democracy Network, Poland, Legacies and Results*; mid term and end of project evaluations for Poland, the Baltic States, Slovakia, the Central Asian Republics and the Czech Republic.

⁵ The term "sectoral infrastructure" is used in several instances in this Report to describe the full range of institutions, programs, laws and regulations that emerge to enhance the capacity and effectiveness of the NGO sector, broadly defined. These include intermediate support organizations, or ISO's that provide training, technical assistance and a networking capacity but also organizations and programs that promote a better understanding of the role of civil society, that facilitate charitable giving, establish professional standards and advocate for legislative reform.

intermediary support organizations are beginning to appear with capability to provide services to their NGO constituents ranging from basic networking and provision of training and technical assistance to centers that promote the development of philanthropy and charitable giving.

Important regional linkages have been established. Where there has been an attempt - - as in Central Europe - - the creation of cross-border linkages has proven to be extremely valuable and cost effective.

The legal and regulatory framework governing the operation of the NGO sectors has improved. While the legal environment remains problematic in many countries, there have been significant advances as a consequence of the technical assistance provided through USAID support. To cite just a few examples, new enabling legislation has been passed in Estonia, Hungary and Macedonia and revisions in the tax code or new framework law is likely soon in Bulgaria, Albania, and Slovakia.

The application of professional grant making systems and procedures has had a positive demonstration effect. A recurrent refrain among discussion groups members that participated in this study - - and supported independently by other evaluations - - was the beneficial impact of professional peer review and transparent grant making based on clear, objective criteria.

These accomplishments have not been without difficulty, controversy and challenge. The design and management of NGO support programs has constituted a learning process with the inevitable shifts in direction and debates about goals and priorities that such a process entails. Virtually all of the USAID sponsored NGO support programs have experienced difficult periods of transition and re-design and most have grappled with fundamental questions regarding the purpose and focus of the program, the choice of funding priorities and the design of selection criteria.

In addition to basic questions regarding strategic approach, all of the NGO grant programs have confronted management problems and have had to struggle with issues of coordination, unclear roles and complex decision making structures. In several countries, relations between the USAID mission and the implementing American organization have been difficult with fundamental differences regarding basic strategy. Many of the NGO support programs have had to address a host of individual criticisms including charges of political intent, cumbersome program design, poor understanding of the NGO sector, the creation of dependency relations, the problem of opportunistic grant seekers, elitism and concentration on a few winners, and a long list of other inevitable concerns and complaints regarding grant making and implementation. An occasional criticism has been that despite the rhetoric of empowerment, the approach has been directive and "top down" and that the grant programs have reflected western perception of social issues and goals rather than locally determined priorities.

II. Purpose of Study

This report is an attempt to capture some of what USAID and participating American NGOs have learned about the *process* of strengthening civil society in CEE/NIS countries. The emphasis of this study is on what *policies and strategies* have worked and what can be done in the future to make these and other programs like them more effective.

This report does *not* pretend to be a thorough impact evaluation or a comprehensive and detailed assessment of all of the varied NGO strengthening programs funded by USAID over the last ten years in this region of the world. However, the Report is designed to be broadly relevant to the strategic design of future interventions and to policy decisions that USAID and other donors will make with regard to continued involvement in the development and strengthening of NGO sectors in these countries.⁶

The Study starts with the premise that a strong and active civil society is a desirable objective and does not attempt to measure the impact of NGOs on the long-term prospects for representative government or to determine whether democracy is advancing or receding in individual CEE/NIS countries.⁷ While there are skeptical voices that argue that the pursuit of civil society manifests a narrow western agenda, this study accepts the proposition that institutional pluralism is a constructive and stabilizing force and that democratic practices are more likely to advance in countries where citizens can voluntarily assemble to pursue common interest and advocate for change than in countries where this is not feasible.⁸

The Study deals with USAID funded programs that are designed with the express intent of building the capacity of NGO sectors and strengthening civil society. The Study does not attempt to assess the many other USAID funded programs that address a range of specific social and public policy issues that may have had a beneficial indirect impact on individual NGOs and on the NGO sector.

This Report is based primarily on material assembled from field visits to eight CEE/NIS countries and a review of NGO support projects in those countries. Teams comprised of USAID/ Washington and USAID/mission staff and representatives from participating US NGO implementing partners visited Croatia, Poland, Ukraine, Russia, Georgia, Bulgaria,

⁶ Although Attachment 1 does contain a listing of useful practical lessons learned.

⁷ Although, the positive impact of civil society recently in Central Europe has been quite dramatic. In describing the reasons for the fall of Meciar in Slovakia, Timothy Garton Ash reports "But perhaps the most important was ...civil society. Even in the worst moments of Meciarism, Slovakia had an active civil society....There were independent radio stations, magazines and the private television station. And there were numerous non-governmental organizations.... There were mass meetings, posters, pamphlets, T-shirts, buttons, baseball caps and "Rock the Vote" concerts. Arguably, this swung the election." Timothy Garton Ash, *The Puzzle of Central Europe*, *The New York Review of Books*, March 18, 1999.

⁸ The issue is succinctly stated by Michael Ignatief in a March, 1995 article in *Foreign Affairs*: "The question in Eastern Europe is whether a social form that emerged [elsewhere] from below by accident over centuries can now be established from above, by design and in a hurry... without a robustly independent society, it is hard to see how they can withstand political demagoguery and the shocks of economic transition." Michael Ignatief, *Foreign Affairs*, March/April, 1995.

Uzbekistan and Kyrgyzstan during February and March 1999. During these visits, lengthy and in-depth discussion sessions were conducted with NGO officials. A common interview guide was used in order to structure the discussions and solicit a comparable database of views and perspectives. Subject matter included: the role of the NGO sector; strengths and weaknesses and future needs; the legal and legislative framework; program design and strategy; relations with government; programs for women and minorities; the grant making process; effective program initiatives that worked and implementation challenges. In addition, background discussions were held with USAID mission personnel and with individuals that possessed a solid understanding of the NGO sector in their countries. This Study represents a synthesis of the principal themes and findings that were contained in the individual country reports, supplemented by a review of studies and evaluations that have been conducted during the last five years.

III. Characteristics of CEE and NIS Non-governmental (NGO) sectors.

The CEE/NIS countries cover an area of rich historic, cultural and political diversity. Although roughly a decade ago communism linked these countries through imposition of a common ideological model, they have and continue to be highly differentiated and are now pursuing independent economic and political paths and are increasingly divergent in the challenges that they confront.

For purposes of analysis, there are several taxonomies for grouping the CEE/NIS countries that provide a background framework for a comparative understanding of the NGO sectors in these countries. Freedom House's *Nations in Transition, 1998* distinguishes between Consolidated Democracies (30% of the 28 countries), Transitional Governments (60%) and Consolidated Autocracies (10%). Of the eight countries visited for this Study, one (Poland) falls into the Consolidated Democracy category, six (Bulgaria, Russia, Croatia, Ukraine, Georgia and Kyrgyzstan) are Transitional and Uzbekistan is a Consolidated Autocracy.⁹

Nations in Transition also provides a rating of the comparative level of development of civil society in these countries through a weighted measure that is based on the rate of growth of NGOs, organizational capacity, financial sustainability and the friendliness of the legal and political environment. Not surprisingly, NGO sector development tends to be positively correlated with advanced stages of political freedom, economic development, and an active commercial private sector. Thus, applying the Freedom House structure, the NGO sectors in Uzbekistan, Kyrgyzstan and Ukraine are at a relatively low stage of development, Georgia, Russia, Bulgaria and Croatia fall in a middle category and Poland stands out as being by far the most advanced.¹⁰

⁹ *Nations in Transition, 1998, Freedom House.*

¹⁰ USAID's Bureau for Europe and the New Independent States also produces an annual NGO Sustainability Index designed to measure and track the development of the NGO sectors in CEE/NIS countries. This rating system also looks at organizational and financial capacity and the legislative context but includes advocacy - - or the ability of NGOs to influence public policy - - and the public image of the NGO sector as reflected in the media and in governmental and public attitudes. The 1998 Sustainability

While the NGO sectors are diverse and at differential stages of maturation and sophistication, there are a number of important common characteristics which have influenced program design, the manner in which programs are implemented and that will continue to shape the direction of NGO sector support programs in the future. They are as follows:

Extremely rapid growth. In all CEE and NIS countries where USAID has an active civil society program, the growth of the NGO sector has been rapid and in some cases explosive. This phenomenon is a consequence of a variety of complex social, political and economic factors. These include greater freedom of association, a heightened awareness of global (particularly environmental) issues and a vigorous response to the opportunities and responsibilities that come with democracy. Particularly for women, NGOs have provided a vehicle for self expression, an opportunity to take initiating leadership roles and a mechanism for dealing with pertinent social issues. An important factor has also been the dissolution of government run social organizations that followed the demise of communism and the rise of community based groups to deal with the unattended social problems that emerged in this vacuum. Foreign donor support has also served an important catalytic role as has open and free access through the media and the internet to western concepts of civil society and to information about the influential programs of western NGOs.

As a result of rapid growth, the NGO sectors in these countries have those organizational strengths and weaknesses typically associated with accelerated change. On the positive side, this includes extraordinary energy and commitment, a propensity to attract youthful and talented leadership, a high level of contributed or “pro-bono” labor, institutional fluidity and responsiveness to emerging social and political issues. In many CEE/NIS countries, the NGO sector continues to generate positive optimism and a sense that “this is where the action is.”¹¹

But rapid growth and a high rate of change have been problematic. Difficulties have included very high turnover of single issue organizations, the occasional emergence of bogus operations, weak strategic planning, poorly developed governance structures and the absence (until recently) of infrastructure or intermediary support organizations. NGOs tend to be weak in basic communications skills, have difficulty engaging in partnership relations and have a poorly developed sense of how to develop a constituency and what it means to be a public service organization. Most importantly, the rapid growth of the NGO

Index provides a picture that is basically similar to the Freedom House survey, with Poland, Hungary, Latvia and Lithuania in the forefront of development, Bulgaria, Romania, Slovakia, Ukraine and Russia and several others in a middle category and the Central Asian Republics at a lower level.

¹¹ Lester Salamon argues that the explosive growth of NGOs worldwide is an “associational revolution” with distinctive roots and characteristics that reflect the crisis of the welfare state, the failure of traditional development strategies, the growing concern with global environmental issues and the failure of socialism. These issues, Salamon argues, constitute a challenge to the modern state and create a vacuum increasingly filled through voluntary association. Lester M. Salamon, *The Rise of the Nonprofit Sector*, Foreign Affairs, July/August, 1994.

sectors in many of these countries has not been accompanied by a parallel emergence of a broad based ethic of philanthropy, a wide public understanding of the role of the independent sector and an intuitive appreciation of the importance of civil society and the creation of “social capital”.

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

In general, accelerated change, coupled with the desire to have an early positive impact has challenged the capacity to be phased and strategic in program design and donors have tended to focus on the merits of individual projects and the strength of individual organizations as opposed to taking a broader sectoral perspective.

While the rate of change has been rapid, the NGO sectors in these countries do appear to be moving through roughly comparable stages of transition or at least to be confronting and dealing with a sequential set of common issues. While a systematic analysis of this evolutionary process has not been attempted the most important transitions appear to involve levels of maturation at the organizational, programmatic and sectoral levels.

Examples of predictable patterns of change that appear to be occurring in all NGO sectors include the transition from voluntary to professional staff, the change from the founder/leader model to a broad based governance structure, the shift from a single constituency to multiple constituencies and the transition from a narrow attack on a delimited problem or issue to a broader concern for the contextual factors that give rise to that issue. These stages of organizational and programmatic growth appear to be accompanied by a parallel growth of institutions that come into existence to address weaknesses in the sector and to provide services to address these deficiencies.

Reliance on Foreign Donors. The growth of the NGO sectors in CEE/NIS countries has been heavily influenced by foreign public and private funders.¹² Foreign donors have not only provided important infusions of financial support that has fueled the growth of the NGO sectors, but their programs and policies have influenced internal priorities and their grant making practices have affected the structure and approach to grant making.

The impact of foreign donors has been disproportionate to the financial magnitude of their programs because their activities are highly public, they tend to work with larger, well known, well established NGOs often located in the capital center and they impose rigorous grant application, funds management and monitoring procedures that are viewed by local funders and by the NGO community as proxy measures of professionalism.

¹² This point is made in many of the NGO support program evaluations. Also see *Changing Models of Foreign Assistance to the Third Sector in Central and Eastern Europe*, Pecat Foundation, Warsaw, 1998.

The influence and financial leverage of foreign donors is further amplified because they tend to be a source of relatively scarce general support (as opposed to project) funds and by the tendency of these donors to support the same organizations that have been successful with other foreign funders. In part because the rigorous grant making procedures establish a managerial litmus test, but more importantly because of the positive aura of receiving funds from a prestigious foreign donor, grant support from these sources - - and particularly from USAID - - tends to be highly prized.

The positive consequence of the primacy of foreign donor funding is that emergent NGOs have had access to seed capital and to a relatively high level of sophisticated advice and mentoring. Donors, and USAID in particular, have brought a nuanced appreciation of the role of civil society, an understanding of public policy formation and advocacy, western styles of transparent grant making and high quality training and technical assistance.

At the same time, foreign donors have inevitably brought their own priorities and programmatic agendas, their own particular conception of the role that the NGO sector should play and - - especially in USAID's case - - a complex administrative structure that may appear bureaucratic and inappropriate. They have also - - with all good intent - - supported the creation and growth of some organizations that would not have been able to obtain local financing and they have inevitably demonstrated periodic bias in favor of groups that were skillful and sophisticated at courting the pleasures of the western donor community while not particularly responsive to the needs of their local constituencies. Most problematic is the fact that the sheer magnitude of funding from foreign sources has, to an indeterminate degree, contributed to a pervasive dependency on a source of funding that is not likely to be sustainable at current levels.

Uneven Public Understanding of the Role of the NGO sector. While the situation varies from country to country and is generally improving, there remain significant gaps in public understanding of the role and function of the NGO sector and, in some countries a deeply negative perception of the underlying motives of these organizations. Public attitudes toward NGOs have been influenced by years of communism and enforced "voluntarism" but may also reflect the historical absence of philanthropic activity analogous to western experience and tradition. Factors that may contribute to public suspicion include basic confusion about the role of NGOs, a suspicion that some NGOs are responding to foreign interests, the absence of laws that impose standards of transparency and visible and self serving efforts by NGOs to obtain special dispensations and preferential tax treatment. Ambiguous legal definitions and the absence of a set of clear categories that distinguish public service not for profit organizations from commercial entities can add to the confusion and create lucrative opportunities for unscrupulous groups.

Contributing to a negative public perception is the fact that NGOs on their part frequently lack a well developed understanding of the responsibilities and role of a public service organization and the importance of cultivating, developing and responding to a public

constituency. The frequent absence of a representative board of directors with roots in the community, a tendency to look for support to foreign donors, the prevalence of charismatic but sometimes authoritarian leaders and the common absence of strong communications skills all tend to disassociate the youthful NGO from the difficult but essential task of cultivating and listening to the constituency that in the long run will be vital to its success.

Deficient Legal and Regulatory Structure. Legislation governing the role and operations of the NGO sector has been enacted in virtually every CEE/NIS country. However, the quality and degree of supportiveness varies widely. Some countries encourage the growth of civil society organizations through legislation that clarifies roles and that provides tax incentives as in Poland. Others discourage voluntary organization by passing laws that are confusing or ambiguous as in Croatia. Some NGO laws permit a high degree of governmental intervention in the governance of the organization while others inhibit activities frequently necessary if the NGO sector is to grow and be sustainable. Problematic legislative structures range from those that are outdated but nevertheless benign (as in Romania) to those that are invasive and potentially controlling (as in Bosnia). Specific areas of concern may include the imposition of onerous and intrusive registration requirements, limitations on the authority of an NGO to engage in advocacy, restrictions on activities designed to generate revenue, inclusion of the state in some way or another in the apparatus of governance and the imposition of capricious limitations on administrative costs. In some instances these restrictions and limitations reflect a fundamental misunderstanding of the NGO sector, as is probably the case in Bosnia, while in other instance the intent is probably to restrict NGO activities for political purposes as may be the case in Croatia.

In general, the laws governing NGOs in CEE are more supportive and advanced than those in the NIS countries and more progress has been made in the northern tier countries than in the South. At the same time, there are important exceptions. For example, Latvia has lagged in NGO law reform while Albania and Macedonia are making significant progress. In the Russian Federation, Georgia and other Republics, have enacted comprehensive NGO laws, although some are excessively complex and implementation has been uneven. In Central Asia, legal reform is only just beginning and improving the legal environment will require consistent and long effort.

The creation of a positive and enabling legislative environment is both immensely important and equally difficult. Laws and the legislative process in many CEE/NIS countries mirror the ambivalence toward NGOs and, in some instances, the disrepute in which they are currently held. A bright spot is that in general NGOs have demonstrated a constructive capacity to collaborate and work together in support of framework legislation. However, in many countries, NGOs are not particularly skillful at making their case for legislative reform and associations with a mandate for advocating for the interests of the sector are not yet well established. An additional difficulty is that NGOs frequently find it hard to work and negotiate with government and to balance between constructive dialogue on the one hand and their adversarial role on the other. Often when they do, they

focus on self-serving changes in tax codes rather than on passage of a comprehensive structure that will both protect their legitimate interests while establishing effective governance systems and procedures to insure transparency and accountability.

A Difficult Relationship with Government. In virtually all CEE/NIS countries, the NGO sector is engaged in a difficult process of structuring a relationship with government and defining roles in a way that reflects the distinctive competencies of each group. What is relatively easy, intuitive and natural for non-profits in the West is much more complex and uncertain in post communist countries with 70 year-old histories of government hegemony, continuing alienation between government and citizens and mutual distrust between government and the NGO sector. This is an immensely important process because it deals directly with the inherent nature of civil society and the long-term sustainability of the NGO sectors. It is complicated by the fact that in many of these countries, government is currently the only significant source of funding for the NGO sector. It is clear is that the nature of the future relationship between NGOs and government in CEE/NIS countries will derive from the special history of the region and reflect an accommodation that uniquely reflects that background.

The process of conceptualizing and structuring relations with government will involve finding appropriate balance points with respect to the advocacy role of NGOs, their role as service providers and whether and under what circumstance NGOs should receive direct government support. The principal dilemma will be to balance between independence and autonomy, the practicality of financial survival and the importance of being influential. The issue is complicated by mixed motives. Many NGOs will want to have a direct impact in their area of concern by taking on some type of government funded social service role, but they will also want to retain the capacity to lobby government in order to change fundamental policies. Doing both simultaneously involves a high degree of sophistication and a very clear sense of institutional boundaries. Foreign donors can play an important role by supporting the process through exposure to western norms and practices and by sponsoring seminars, workshops and retreats where NGOs and government officials can directly discuss the concept of civil society and the dynamics of their changing relationship.¹³

Inadequate Managerial Capacity in Selected Areas. There is broad agreement that NGOs in CEE/NIS countries have shown improvement in basic management skills in such areas as financial management (though still weak in many organizations), office administration, program planning and program monitoring. The training offered through the various NGO support programs has moved NGOs to a higher level of professional capacity and many NGOs have become quite adept at proposal writing and have learned how to cultivate a congenial relationship with foreign donors.

While most NGOs have a solid focus on *tasks* - - the practical needs of a particular group,

¹³ Although interestingly, some NGO officials note that western models of NGO/government relations are inappropriate because in the west there are greater constraints on advocacy activities than is the case in many CEE/NIS countries.

the void left by the absence of government service or some concrete community issue, they have more difficulty seeing contextual implications, dealing with fundamental causes and understanding their potential role in addressing larger structural issues such as the need in many CEE countries to fundamentally alter attitudes toward mental illness.

In general, the NGO sectors in these countries benefit from high levels of education and have strong technical and subject matter expertise. At the same time, there is also broad agreement that many NGOs have glaring managerial weaknesses in four important areas: strategic planning, board development and governance, private sector fund raising, and public and media relations. Board development in particular appears to be an area that is not being adequately addressed and that is critically important to enhanced legitimacy, public outreach and fund raising. And while NGOs are better at planning and forecasting, most still need help in understanding the impact of external factors and in developing strategies that positions them in a manner that will optimize their distinctive capacities.

Weak Sectoral Infrastructure. A measure of the maturity of NGO development is whether there is a structure of support organizations whose purpose it is to promote the interests of the sector either through the internal provision of services to members or through external efforts to gain more favorable treatment of NGOs by public or private institutions. While there has been recent progress, in general, the NGO sectors in CEE/NIS countries do not yet possess an advanced infrastructure designed to do such things as protect against punitive government oversight, build a corps of professional staff, publicize the success of the sector, perform brokerage functions between donor and recipient and lobby legislatures to enact friendly legislation. In part the lack of infrastructure reflects donor preferences which have focused on projects, organizations and rapid and discernible impact. In part it reflects the parochialism of individual NGOs and their understandable preoccupation with their growth and survival and their reluctance to create new organizations that will require funding from a diminishing resource base. To an indeterminate degree, the disinclination to partner and cooperate reflects ingrained suspicion of the motives and agendas of potential partners, a lack of trust and a scarcity of “social capital” in these transitional countries.

In a related vein, the NGO sectors in CEE/NIS countries need support and encouragement in the formation of intra-sectoral linkages and mechanisms for collaboration and better information sharing. For a variety of cultural and institutional reasons, NGOs in these countries have difficulty forming alliances and working together. The reasons for this include the absence of a culture of cooperation, the legacy of communism where “voluntary” association was mandatory, intense competition for scarce resources and skepticism regarding the basic benefits of cooperation. While there has been progress and constructive examples of cross-border linkages, networking needs to be supported not only for basic purposes of information exchange but to facilitate the process of identity formation.

Energetic, Charismatic Leadership. Although not universally the case, the NGO sector in most CEE/NIS countries appears to have attracted youthful, highly motivated

leadership who are passionately committed to social, environmental or economic goals. Many of these individuals have founded the organizations that they administer and lead through the force of vision and personality. These individuals are part of a generation that can remember the communist period and can relate to the members of government that have emerged from that time. In some countries it appears that the NGO sector will provide an important source for future political leadership which may in turn provide a natural bridge to the values and aspirations of the NGO sectors in their countries.

While on balance a positive attribute, the charismatic founder leader model has its drawbacks. Thus, many NGOs are one person creations and may stay in business only as long as the founder is providing energy and direction. Some of these leaders are controlling and authoritarian in style and poor at cultivating and responding to the needs of constituents. Organization led by charismatic leaders may be institutionally quite shallow, weak in administrative process and poor at collaboration and networking. In general, leader/founder organizations are not strong at strategic planning and leaderships transitions - - when they occur - - are likely to be prolonged, unsystematic and sometimes traumatic.

Poorly Formed Ethic of Autonomy. A hallmark of civil society in western countries is a fundamental belief in the value of independence and a conviction that freedom from governmental control or interference from private sector funders is essential. Most NGOs that participated in the discussion groups for this Study would concur with that principle. But, in practice, effective autonomy can be easily compromised when organizations become reliant on single sources of support. A worrisome characteristic of several CEE/NIS NGO sectors is the absence of deep concern regarding dependence on foreign donors and/or dependence on government. Many NGOs seem to be unflinching in their acceptance of the dismal reality that their future is tied to decisions made by foreign organizations and that prospects for local funding whether from corporations, individuals or generated revenue is poor.

IV. Issues in Program Design.

This section discusses frequent and common issues that have been faced by USAID and implementing organizations in the design and re-design of NGO support programs in CEE/NIS countries as individual programs have evolved over time and adjusted to the growth of the sector and changing external conditions. Although there are considerable country by country variations, there are also important similarities involving key questions of structure, focus and approach.

Strategic Purpose - - the Balance Between Strengthening the NGO Sector and Addressing Specific Social Problems. All of the country programs reviewed for this study have had to struggle with finding the appropriate balance between an approach designed to get the NGO sector up and running on the one hand and a growing desire to have convincing impact on a particular problem area on the other. The former tends to be characterized by smaller seed grants to lots of different emergent organizations covering a

diverse range of topics with principal emphasis on capacity building; the latter by somewhat larger project grants to relatively more established NGOs in de-limited topical areas such as the problems facing women and minority groups, drug and alcohol abuse, improvements in health care or strengthening the service delivery capacity of local government.

In general, USAID funded NGO support programs have moved gradually from an initial primary emphasis on broad support to NGO sectors as a whole to a more focused attention on specific topical issues and social problems while reserving a small cache of funds for worthwhile applications that fall outside the priority areas. The shift in emphasis has not been without controversy. Those NGOs that no longer fall in a priority area argue that topical concentration can be elitist and favor the few over the many while neglecting the importance of sector capacity building. A related concern is that the gradual narrowing of focus inevitably mirrors the agenda of foreign donors but may not reflect local priorities and a third concern, discussed in more detail below, is that a concentration on topical issues can be difficult to manage in those instances where there is not a good "fit" between the objective and the country context.

A related issue is a perception that USAID's results-based planning system tends ineluctably to push the program toward tangible activities that can be monitored, measured and notched as success stories as opposed to efforts that are intangible, more difficult to measure but of longer term value - - such as infrastructure development, broad based capacity building or leadership training. And, as discussed in the section on relations with USAID, a rigid topical approach to grant making can be difficult to manage.

Rural vs. Urban (or National Capital) Focus. An important common issue has been whether and to what extent the NGO support program should deliberately decentralize and emphasize smaller, rural groups. This is a difficult choice because rural NGOs in general tend to lack necessary management and administrative procedures and require a greater amount of mentoring and training support. They are frequently isolated, lack access to networks, are relatively weak at advocacy and lack an understanding of the public policy process.

When there is heavy emphasis on demonstrating quick impact, there will be inevitable pressure to focus primarily on national, high profile, organizations with a well known track record. But the problem with working with national groups is that they tend to be already well funded by foreign donors and to mirror the priorities of the foreign donor community. These organizations may be highly dependent on foreign financing for their survival and find it quite difficult to build an authentic constituent base of local support. Ironically, the emphasis on impact and results in this instance may push donors toward supporting organizations that are not sustainable in the long run. In order to build a truly indigenous NGO sector with its own self-defined purpose it is important to work with local groups that are rooted in the community.

Design and Integration of Training and Technical Assistance. All NGO sector support

programs in the CEE/NIS have included a training and technical assistance component that has been in some manner integrated with a program of sub-grants. The way in which these elements have been packaged and delivered and the manner in which the composition has evolved over time has been quite different. In general, the design of the training component has had to address four related questions: whether the training is mandatory or discretionary; whether it consists of an established core or a flexible needs based curriculum; whether it is standardized or tailored to the needs of one or more organizations; whether it includes the possibility of follow-on consulting assistance to the participating organization. An important related issue is whether or not cost sharing should be required and if so, how much.

In general terms, training efforts have evolved from a formal, class room setting employing a core curriculum that covers managerial basics where attendance of grantees was mandatory to a more flexible, voluntary, needs based approach tailored to the attributes of participating groups and the needs of individual organizations. In all cases, the provision of training has been successfully linked to the provision of grant funds. In general and despite a broad conviction that cost sharing is important, the provision of training is usually free.

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

The design and adaptation of these grant making procedures has not been easy and has involved periodic disagreements between AID and the implementing NGOs and between NGOs and the local NGO communities. Specific issues have included the role of public advisory committees, whether to broadly or narrowly publicize the program, the function and composition of peer review panels, whether the grant cycle should be flexible or rigid, the pros and cons of a two or even three step application process and the frequency and intensity of monitoring and reporting. An important cross-cutting question has been how to narrow the applicant pool to funnel the number and diversity of sub-grant applications down to a manageable limit. The challenge here is to balance between the goal of broad outreach, wide access and extensive public awareness on the one hand and the immense difficulty of carefully reviewing hundreds if not thousands of sub-grant applications on the other. Various techniques have been devised including the use of tightly worded selection criteria, the adoption of a two or even three stage application sequence and pre-selection of a limited number of meritorious organizations. The problem has become somewhat more manageable as NGO support programs have become more programmatic and gradually evolved toward a narrower concentration on defined topical areas.

A related and more general issue has involved the nature or dynamic of the relationship between grantor and grantee and the role of the grants officer. In general, implementing NGOs have chosen to adopt an involved and activist role vis a vis their grantees

characterized by extensive background checking, frequent site visits, hands-on assistance in the preparation of grant proposals and continued involvement and mentoring during the life of the grant. In contrast, other foreign donors tend to be less involved and more formally systematic in their relationships with grantees.

Managing the Translation of USAID's Organizational and Programmatic Priorities to the Country Setting. The operation of virtually any program of sub-grants involves a process of moving from a set of donor objectives into a set of individual funding decisions that reflect these priorities. The objectives can be quite specific such as the reduction in the incidence of alcohol usage or they can be very general such as strengthening civil society and the prospects for democracy. The mechanism for ensuring a tight relationship between the objective and the individual funding decision can involve numerical set asides, percentage earmarks, topical or functional directives or the design of a review and selection process that will ensure that the objective receives appropriate weight. While it is completely appropriate for donors and USAID in this instance to identify and establish funding priorities, the process of translation from program objective to individual funding decision can be complex and difficult. A repeated theme that arose in discussion with implementing NGOs was the difficulty of moving from a set of pre-established program objectives in multiple areas to a program that is responsive to the changing needs of the NGO sector and adapted to the unique characteristics of the individual country.

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

Reflecting an Appropriate Emphasis on Women's Issues. There is a convincing case that programs that encourage women to move into advanced levels of professional responsibility, that seek to remove societal and legal barriers to their advancement and that respond to social issues that are of importance to women make very good developmental sense and should in general be given high priority in transitional countries. However, NGO support programs in CEE/NIS countries have by and large *not* placed explicit, deliberate advance priority emphasis on gender issues or on women's programs or on promoting women's access to leadership positions. This is emphatically not to say that women's programs have been ignored but rather that the initial program proposals did not give gender the same explicit priority accorded to, for example, public policy or the creation of intermediate support organizations or to helping strengthen local government.

At the same time, there is a general and broadly shared belief that NGO sector support programs have had a significant beneficial impact on programs and institutions that are of value to women and that women tend to be relatively well represented in positions of

leadership in those NGOs that have been funded by these programs.¹⁴ While there have been a few programs solely for women, occasional set asides of funds for women's issues and certainly verbal encouragement from USAID to give women's issues importance, in general, support to organizations that address these concerns has been a consequence of the normal and regular grant making process. Thus, these organizations and programs appear to have been funded not because they were women's programs *per se* but because they addressed social issues of importance and in a manner that was likely to be effective.

This raises an important question that is pertinent not only to women's issues but to other efforts to deal with a target population. By not deliberately setting aside funding for special programs for women, have these NGO support programs missed a very valuable opportunity or, to the contrary have these programs been quite naturally responsive to the needs and interests of women as articulated through an open, competitive public grants award process?

Underlying program design in most CEE/NIS countries has been the implicit hypothesis that the NGO sector accurately reflects the interests of women in a balanced and equitable manner. This assumption is justified by the fact that NGOs tend to be participatory, accord high value to principles of equality, focus on social programs that are of interest to women and generally place women in leadership positions to a higher extent than is done in other sectors. The corollary of the hypothesis is that programs that are of interest to women will be equitably represented in grant applications and equitably funded as a consequence of that process. An alternative and skeptical view is that the NGO sectors tend to mirror the same biases that characterize any society, that they are frequently not responsive to women's issues and that remedial programs explicitly designed to address women's issues need to be put in place. The truth is likely somewhere in-between. The NGO sectors in CEE/NIS countries are probably markedly more responsive and reflective of women's interests than other sectors while at the same time there may be considerable opportunity to move these programs forward at a faster rate than is currently being accomplished.

Evolving Program Design. While there are exceptions, the future evolution of individual NGO sector programs is likely to involve a number of common characteristics. These include: a continuing shift from broad sectoral strengthening to a more focused, programmatic approach; increasing reliance on local management and implementation by indigenous organizations; growing emphasis on building intermediate support organizations and a transition from structured, mandatory, curriculum based training to discretionary demand driven training.

Efforts to enhance sustainability are likely to increasingly focus on the viability of the sector as opposed to tactics for helping individual organizations; on the importance of initiatives designed to build an ethic of philanthropy as opposed to individual fund raising techniques and on the dynamic of the relationship between the NGO and the community

¹⁴ The program evaluations and studies reviewed for this Report did not identify the absence of gender specific programs as an important issue or recommend a stronger proactive effort to support women's issues.

and the constituency it serves as opposed to the relationship between the NGO and the donor that is supporting it.¹⁵

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

V. Different Approaches to Sustainability.¹⁶

The relative importance of sustainability as a program objective has gradually increased as NGO sector support programs have matured and as close out dates have become visible and in some instances imminent.

All NGO support programs that were visited voiced a concern for “sustainability” and in all CEE/NIS countries there has been some progress toward the creation of additional and alternative sources of NGO funding and in a few the results have been significant. In Poland, for example, there has been very important progress toward financial independence and the development of local sources of support and in the establishment of a center for the promotion of philanthropy. In Russia, NGOs are still heavily dependent on foreign donors but possess a strong desire to shed this relationship. In other countries there has been sporadic progress toward broadening sources of support and encouraging NGOs to be more proactive in the development of strategies that would ensure their financial future. Nevertheless, an underlying motif that ran through many of the discussions with NGO officials was a sense of deep resignation regarding the long term prospects for developing indigenous private sector sources of support coupled with the absence of a deep conviction that this was feasible or that the NGO community had either the capacity or responsibility to make it happen.

¹⁵ An important implication that follows from the observation that NGO sectors move through sequential patterns of maturation is that an early investment in a baseline analysis of sectoral strengths, weaknesses and basic characteristics can be useful in identifying the stage of development, clarifying needs and in positioning the program in a manner that will be most effective. Sectoral assessments will also establish baseline information against which to gauge subsequent progress.

¹⁶ The concept of “sustainability” can apply to an individual organization, the continuation of a program supported by many organizations or the viability of the NGO sector as a whole. In the broadest sense, it can refer to the overall capacity of a society to establish and support a not-for-profit voluntary sector and in this broad sense the concept encompasses virtually everything that is done under civil society support programs from legislative reform to grant making to management training. In general, the current meaning of “sustainability” coincides with the financial independence of a single organization and usually means a diversified funding base so that the loss of one or a few donors is not terminal. The weakness of this approach is that a sole focus on keeping an organization running may be counterproductive if the broader purpose is generic strengthening of the sector since a weak organization will divert scarce resources from stronger groups. In important respects, the fundamental vitality of NGO sectors rests on their fluid capacity to galvanize a response to an emerging social issue. From this perspective, the ebb and flow and life and death of individual organizations is natural and desirable. This may be little solace to an NGO that is going out of business, but it is an important perspective that needs to be kept in mind if these sectors are to flourish and remain healthy.

The subject of sustainability has been difficult because it cuts directly across complex questions regarding the role of foreign donors, the relationship between NGOs and government and whether and to what degree the application of western models of social capital and philanthropy are directly applicable to CEE/NIS countries.

While there is broad consensus that “sustainability”, is a good thing, there are significant differences with regard to what sustainability means, how it should be pursued and how aggressive USAID and implementing NGOs should be in pushing local NGOs to diversify their funding base and pursue and open up new sources of support.¹⁷ A very real and painful dilemma for those who are implementing NGO support programs is how far and hard to push for sustainability when the realistic prospects for alternative funding appear to be so limited.

A question that all NGO support programs have had to address is whether selection criteria should include factors expressly designed to give preference to organizations that are most likely to be sustainable in the long run. A priority emphasis on organizational sustainability will result in heavy support to groups that are already well diversified. The disadvantage of this somewhat Darwinian approach is that it tends to reward well established NGOs, that are often quite adept at cultivating good relations with foreign donors, while neglecting smaller, emergent groups that might in the long run have been quite successful. Pushing sustainability too hard can thus result in a monoculture of a few large, well established organizations without the vitality and energy that comes from diversity. The problem is exacerbated because of the difficulty of dis-aggregating different types of organizations and the tendency to apply standards of sustainability without differentiation. Thus, it is easier for some organizations to diversify their funding source than it is for others. NGOs working in an area like drug addiction might be expected in time to contract services to local governments while an NGO working in the human rights field will experience a much harder time since it cannot reasonably expect to receive government support, the business community may be reluctant and the NGO does not have a “product” to market for purposes of generating revenue.

A second related issue is how far and fast to push the issue of “exit planning” or the development of a sustainability strategy. One approach, employed for example in Ukraine, is to use the application process as a vehicle for preparation of an organizational assessment and the initiation of a discussion with the prospective grantee regarding income diversification, the importance of program maintenance and the inevitable reality that the relationship with the USAID funded program will come to an end - - and likely sooner rather than later. While realistic, this is a dialogue that is difficult to have when a relationship is beginning and when the mandate is to establish a broad and deep array of substantive contacts. It is also a form of “tough love” that may be especially difficult for

¹⁷ In a narrow and literal sense, not for profit organizations are rarely self financing or independent of the unpredictable decisions of donors. The process of seeking funds, cultivating relationships and working with donors is an important form of outreach and constituency building and a useful market mechanism for ensuring that the activities of social service organizations are relevant.

an American NGO to practice when the appropriate message should be initiative, empowerment and possibility.

A third challenge is whether to approach organizational sustainability from a financial or broader organizational perspective. The financial perspective emphasizes fund raising, revenue diversification, the design of revenue producing mechanisms and the search for funding partners. The organizational perspective emphasizes a clear mission, internal alignment of values, management style, organizational structure and the existence of strong MIS systems and sees financial strategy as secondary and derivative of larger strategic issues.

A final bundle of issues involves the grant process and the choice and application of a host of positive and negative incentives that can be incorporated into the grant agreement in order to maximize the likelihood that the program or the organization will continue. These could include the mandatory development of a sustainability plan, the requirement that technical assistance be sought and acted on, the imposition of a matching requirement, a formulaic limit on the size of the grant, whether to permit or prohibit a follow on grant, whether to require cost sharing for training and technical assistance and whether or not to mutually develop some form of exit strategy.

VI. Innovative Techniques for Building Sustainability

A review of USAID funded CEE/NIS NGO support programs shows a wide and rich diversity in instruments and techniques that can be usefully employed to encourage participating NGOs to move toward sounder financial footing. These include grant-matching requirements, cost sharing provisions, organizational assessments, training in strategic planning and organizational development and technical assistance in the design of revenue generating activities. In addition and importantly, the constant interaction and mentoring that can occur between donor and recipient can be immensely helpful in guiding the organization toward strategies that will maintain organizational health.

In particular, there are five strategies that appear to be emerging to promote sustainability:

The Creation of Intermediary Support Organizations. As NGO sectors in CEE/NIS countries gradually mature and become more differentiated and as their needs become increasingly sophisticated, intermediate support organizations are emerging to provide technical services and assistance. These organizations respond to the needs of the sector and can play a variety of roles:

- Networking to develop consensus, share information, build common understanding of issues and coordinate activities.
- Human resource development to strengthen organizational capacities and provide training and technical assistance.

- Financial resource mobilization to act as a broker between donor and recipient, lobby for friendly tax treatment and work to identify new and alternative sources of support.
- Research and information to analyze sectoral trends, identify issues and provide information about the sector to government, business and prospective donors.
- Establish professional standards and codes of conduct with respect to such things as fund raising, salary levels and related administrative procedures.

A particular benefit is that support organizations, when located outside the capital, can assist the development of smaller, rural NGOs and link these groups into a wider network of NGOs.¹⁸

In general, the growth of intermediate support organizations in tandem with the maturation of the NGO sector has proven desirable and facilitative and in at least two cases - - Russia and Bulgaria - - has become the primary focus of the USAID program. But the building of support capacity confronts several important issues which should be anticipated in the design and management of the program. Potential challenges include the difficulty of establishing legitimacy and credibility with member organizations, the inevitable propensity to engage in activities that are seen by constituents as being competitive, the inclination to diversify across too many areas and the danger of taking on technical assistance responsibilities that exceed current capacities. A very serious potential problem is that support organizations may of necessity have to compete for financial support from the same sources that support their member constituents and may, as a consequence, alienate those very organizations that they are attempting to assist.¹⁹

A practical question that cuts across these concerns is whether the support organization should be created *de nouveau* as was done in Russia or whether existing capacity should be built on, as will be done in Bulgaria.²⁰ The advantage of establishing a new entity is

¹⁸ As an example, in both Kyrgyzstan and Uzbekistan an effort has been made to establish NGO Support Centers around the country. The goal of these Centers is to deliver services directly to rural communities, help them to coordinate among themselves and with partners abroad, and facilitate partnerships among government, business, and the NGO community. These centers have directly contributed to the development of NGOs in regional cities by: serving as a source of information about grants and training opportunities; providing access to basic office equipment and email; and by acting as a hub, to foster increased collaboration.

¹⁹ For a conceptual framework see: Addressing Civil Society's Challenges: Support Organizations as Emerging Institutions, David Brown and Archana Kalegaonkar, IDR Reports, Volume 15, Number 2.

²⁰ Either intentionally or occasionally through happenstance, NGO sector support programs have acted as catalysts for the formation of local training organizations that can then provide continuing support to the sector. The likelihood of building this indigenous capacity can be increased through a policy of first attempting to work through local trainers and in-country resource or at least through a standard practice of "twining" expatriate trainers with a local person. In Central Asia, Counterpart has developed a cadre of more than 100 indigenous contract trainers. These trainers, who are also leaders and members of NGOs, work with Counterpart as well as other donors and NGOs to provide training services on demand to the NGO community. Some businesses have expressed interest in receiving training as well – on a paid basis. This process has greatly increased the local capacity for training.

better opportunity to launch a fresh approach, increased attractiveness to new funders and because existing organizations may not have the prospective competence to play a support role. The disadvantage is the higher cost associated with supporting a new organization and the antagonism that a new organization will engender when resources are scarce.

Developing Community Foundations.²¹ The concept of the community foundation provides a potentially attractive model that would have the multiple benefit of galvanizing financial support while at the same time linking NGOs more tightly to their constituencies and in Poland, the DemNet program has supported an assessment of the pros and cons of establishing municipal or regional community foundations.

Although community foundations cannot be established until there is at least some modicum of philanthropic activity, once created, they offer an excellent mechanism for building further community interest in the role and activities of the NGO sector. Community foundations can activate community involvement, educate both individuals and companies with respect to the potential value of supporting voluntary activity, act as a collection point for contributions and provide sophisticated portfolio oversight and professional grants management. But most importantly, because these foundations are directly engaged in the social rhythm of the communities they serve, they are well situated to positively influence habits and attitudes that are the bed-rock of societies that value and support the role of civil society.

Of course, community foundations are no simple panacea and they require careful design. Potential dangers include domination by a single donor for selfish or partisan purposes, the creation of large and expensive administrative structures, poor alignment with the values and problems of the community they represent and direct competition against the very organizations that the foundation is attempting to nurture. The most critical factor in the design of community foundations is the creation of an enlightened governance structure that is in tune with the needs of the community that is being served.

Building Government Partnerships. A number of the NGO sector support programs have attempted to facilitate a positive working relationship with government. Successful efforts have included conferences or retreats - - as in the case of the Social Partnership Conference in Uzbekistan - - where leaders from the NGO sectors and government officials can exchange views and have an opportunity to engage in deeper and meaningful dialogue and to explore opportunities for working together.²²

²¹ A community foundation is a grant making entity that has been established to support community programs. Normally, community foundations have a small endowment of their own and also administer small endowments on behalf of individuals or other organizations who lack the expertise or who do not wish to assume this administrative burden. A community foundation may in some instances provide support services, very much like an ISO. Similarly, an ISO may in some instances may grant to its constituent members.

²² In both Uzbekistan and Kyrgyzstan, discussion groups noted that their participation in a Social Partnership Conference completely changed their understanding of the role of NGOs. This conference, which was attended by representatives of NGOs, government, business and the media from the entire Central Asian region, explained and underscored the benefits of partnerships between and among these

The process of government dialogue is not easy for either the NGOs or government officials because of the high levels of suspicion and mistrust that frequently pervade the relationship. In general, NGOs particularly during the early stages of sectoral maturation will find it difficult to balance between their adversarial role on the one hand and their direct social service role on the other.

Helping NGOs identify and articulate tangible examples of impact, success and technical competence has proven to be especially important in overcoming government mistrust of the motives and professional capacities of these organizations. In countries where the understanding of the role of NGOs is less developed, workshops that bring together NGOs, government, business, and the media can break down communications barriers. In at least one country - - Ukraine - - the NGO support program has deliberately designed a grant program that requires a government match in order to encourage the development of working relationships with government.²³ In some cases, direct training of government officials with respect to the role and potential of the NGO sector may be appropriate if the intervention is linked to a real problem timed to coincide with an emergent opportunity for NGO participation. In rural Kyrgyzstan, local government is often the only traditional institution with resources and legitimacy upon which NGOs can draw for their own programs and a good relationship with local government is seen as a necessary precursor to successful program implementation.²⁴

Structuring Incentives in the Grant Agreement. While grant conditions alone cannot improve organizational capacity or create new funding sources, they can convey donor concern and provide an incentive to explore new funding sources. A variety of techniques

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

²³ Counterpart has developed a similar program to encourage linkages with business - - the Corporate Challenge grant program which provides a dollar-for-dollar match on donations from businesses to NGOs. The grant addresses two barriers to the development of civil society in the NIS: The lack of a culture of corporate philanthropy to contribute to the financial sustainability of NGOs; and distrust between government, business, and the NGO community. Counterpart's experience has shown that businesses in the former Soviet Union would like to contribute in various ways to the charitable work of NGOs, e.g. helping children, the elderly, or disabled. However, distrust - whether due to a lack of understanding, exposure, or experience with NGOs - acts as a disincentive. The Corporate Challenge grant addresses these concerns by employing a process that builds trust and credibility.

²⁴ Initially, local government in Kyrgyzstan was highly suspicious of their work. For many, the very term "non-governmental organization" was a significant hurdle, since rural officials often understood this term to imply formal opposition to government. The transition from suspicion to support was reflected in numerous stories from NGOs and attributed to two avenues to improved understanding of the fundamental NGO concept. In some cases, the NGO had a small but visible concrete success that brought real benefit to the village, such as a water pump or a micro-credit program. In other cases, officials participated in Social Partnership Training. After this, local officials tended to be supportive and provided assistance within their limited means.

have been tried to discourage dependency and encourage outreach. These include a policy of reducing the permissible size of a second grant; increasing the matching requirement for follow-on grants from (for example) 25% to 40% to 60% and requiring that the match be from a designated source such as a corporate funder. More directly, the grant itself can include funds that will support the design of initiatives intended to generate additional sources of funds such as a series of business apprenticeships with local companies and in Ukraine, the NGO support program is offering small loans to established NGOs to initiate enterprise that will subsequently generate revenue.

Using the Media to Create Public Awareness and Support. In the final analysis, the long-term viability of the NGO sectors in CEE/NIS transitional countries will depend on a supportive public opinion and a set of societal values conducive to voluntarism and philanthropy. While media skills are not a panacea, the media constitutes an important mechanism for affecting public norms.

NGOs are rarely sophisticated with regard to relations with the media and press. NGO activity lacks headline value, the concept of what an NGO is in the public mind may be poorly formed and NGOs themselves are frequently working through a self-conscious process of gradually sharpening their identity. NGO support programs can begin to address these problems through the provision of training in public relations and by including members of the press in conferences and workshops where they can learn about the activities of the sector. One innovative technique has been to use a public award to galvanize interest in the NGO sector while simultaneously strengthening media interest in what NGOs do. In Poland an annual contest is held to honor the Benefactor of the Year with extensive media and press coverage. The dual intent is to publicize the social utility of charitable giving while at the same time encouraging media coverage and building long-term media interest in the NGO sector. In Uzbekistan and Kyrgyzstan, a Constituency Building Component was added in order to build regional public awareness and support is given for the production and wide distribution of videos, radio and TV commercials and newspaper articles complemented by conferences and seminars, all designed to increase public awareness of NGOs.

VII. The USAID Relationship²⁵

²⁵ This Report has deliberately not dealt at length with the subject of USAID's process of re-engineering and the utility of indicators in helping managers achieve results. However, during the course of the Study, three preliminary conclusions emerged. Because these were not explicitly addressed in the discussion groups, they are included in footnote form. They are 1) the language and theory of results based management and the use of indicators seems to have percolated down to recipient NGOs and (right or wrong!) has quite quickly been accepted as the *lingua franca* of NGO management; 2) in general, application of results based planning and clarity with respect to what is to be achieved has been a helpful discipline in forging clarity between USAID and the implementing organization with respect to program priorities. Because imposition of the new system occurred in mid-stream for most of the NGO support programs, the transition has been difficult, although the results have been largely positive; 3) the emphasis on results and the deployment of quantitative indicators has had a subtle and sometimes unintended influence on choice of strategy and selection of grantees and has tended to push these choices toward outcomes with a higher degree of predictability and measurable output than would otherwise have

The nature of the relationship between the USAID Mission and the American NGOs who have been chosen to implement the program has been an important factor in the design of program strategy and an important influence on program impact. On balance, implementation of NGO sector support programs through American NGOs has been highly successful. These organizations have brought a cultural sensibility, depth of understanding of NGO sector institutions and strong conviction and commitment to their work.

However, and particularly during the early years, relationships with USAID have been difficult with significant differences regarding basic strategy and implementation. In retrospect, these tensions reflected the experimental and highly complex nature of NGO support programs, lack of clarity regarding roles and different views with regard to degrees of operational autonomy made more difficult by a continuing confusion over the modalities of the cooperative agreement grant instrument.

Relations were understandably complicated by the difficulty of reconciling divergent organizational cultures and a somewhat different set of program objectives. In some countries the existence of a complex and cumbersome consortium arrangement caused management problems. In CEE countries, difficulties were exacerbated by the expanded and ambiguous role that was given to the Democracy Commissions. In virtually all countries there were differences regarding the speed of start-up and the importance that should be assigned to demonstrating early results. Most of the implementing organizations gave priority to some form of sector assessments, slow and methodical design and wide public exposure to the approaching sub-grant program. USAID on the other hand - - while appreciating these points - - was understandably mindful of the political and congressional imperatives and the practical necessity to show early impact.

In retrospect, five areas were important in shaping the content and effectiveness of these relationships:

Ambiguity with regard to fundamental program objectives. NGO sector support programs are difficult to neatly define or categorize because they involve the location of varying points of emphasis along several continuums. These include:

- The goal of building the capacity of individual organizations as opposed to the goal of building the overall capacity of the sector;
- The relative importance of tackling explicit social or sectoral problem areas (project grants) versus the building of organizational capacity to subsequently pursue these issues;

been the case. This is not necessarily good or bad, although it has occurred unintentionally.

- The balance between urban and rural organizations, large and small organizations and new versus well-established groups.
- And, finally the difficult question of whether the pursuit of civil society is best accomplished through direct support to advocacy (or “public policy”) groups or through a more generic and indirect strategy.

Agreement on these points of emphasis is complicated by the fact that the terminology is inexact and confusing. Thus, there is apt to be little agreement on the precise meaning of such terms as “civil society”, “NGO sector”, capacity building or “sustainability”. These conceptual and terminological problems place a heavy premium on the necessity of very clear, unambiguous agreement on basic program objective and how to achieve them. Practically, they underscore the importance of good and constant communication, sharing of information and periodic face to face workshops and retreats to review goals insure alignment of purpose.

Different views regarding the rate and pace of start-up. Implementing NGOs were deeply conscious of the difficulties of designing an effective grants program. Based on their own principles of access, transparency and fairness, advance preliminary steps could include a long sequence of activities including: the preparation of a sector assessment that would reliably identify sectoral strengths and weaknesses; broad public outreach and distribution of program information; the careful identification of advisory groups and peer panel participants and the design of an equitable mechanism that would funnel applications to a manageable number. It is not that USAID missions disagreed with the validity of these steps but that the cumulative time and effort constituted a significant delay and contradicted the imperative to obligate funds, demonstrate results and - - most importantly - - have a positive impact on the viability and influence of the NGO sector. Both perspectives were valid but the contradiction led to significant tensions. In retrospect it would have been helpful if the initial approach had included a phased, sequential, time specific strategy to which both parties could accede.

Confusion with Respect to Independence of Operation. A crosscutting difficulty particularly during the early stages of program development involved different interpretations of the degree of operational independence. The cooperative agreement mechanism, which has been used as a funding vehicle in most CEE/NIS countries, permits a greater degree of involvement in program management by USAID than would be the case in a straightforward grant relationship. The justification for this higher level of engagement is based on concern regarding the quality of financial controls in small, grass roots organizations, a desire to ensure close compatibility with the USAID mission’s strategic priorities and an understandable sensitivity to the potential for serious unanticipated problems when working in such a complex and quickly changing

area. These are legitimate concerns and warrant close oversight and careful coordination.

However, a frequent difficulty was that the precise degree and nature of USAID involvement in program management - - particularly during the early years of the DemNet program - - proved to be both uneven and unpredictable and that a consequent high level of uncertainty clouded effective communication and made relationships difficult. When coupled with the periodic interventions of the Democracy Commissions and in the broader context of pressures to move quickly to obligate funds, it is understandable that serious tensions would emerge.

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

Problematic Role of the Democracy Commission (DC). While there may be other benefits, the Democracy Commission apparatus with its bureaucratic complexity, politicized agenda, and potential for personalized intervention has proven to be cumbersome and difficult to manage. It is especially problematic from the point of view of an American implementing NGO that is suddenly thrown into the turmoil of interagency wrangling.

The DC tends to act as a lightning rod for multiple agendas, to invite intervention and to derail carefully laid plans. Certainly in some cases it will be appropriate to coordinate individual grant proposals with the Embassy in order to avoid political embarrassments and of course it is fully appropriate that the USAID funded grant programs be in supportive compliance with US foreign policy goals in a particular country and that the Ambassador and USAID establish structures and communication mechanisms that can make this happen. The problem with the DC is that it is a forum that takes on an institutional life of its own and duplicates well established procedures and structures.

Having made this critical point, it is pertinent to observe that currently and in most CEE countries where the DC structure has been established, the DC is working reasonably well and the dust seems to have settled. Roles and relationships are understood and the propensity to use the DC to micro-manage has been overcome. In fact there is some emergent indication that the DC is beginning to perform a constructive educational role by engaging the Embassies in the more complex issues faced in building civil societies in transitional countries.

VIII. Lessons Learned

The NGO sectors in CEE/NIS countries are at widely different stages of development. Generalizations with respect to activities as diverse and complex as NGO sector support

programs are difficult and inevitably there will be prominent exceptions to general rules.

Despite this caveat, there are useful lessons that have emerged from ten years of programming experience and that are pertinent to the design of new programs and to the development of follow-on initiatives in CEE/NIS countries. These emerge from the previous discussion and to some extent echo material that has already been discussed. For purposes of discussion, the following observations are divided into those that address important strategic issues at the sectoral level and those that deal with more specific matters pertinent to the design and implementation of NGO support programs.

Strategic Lessons

1. The Nurturing and Development of NGO sectors is a Staged, Sequential Long-term Process.

The cultivation of the NGO sectors in CEE/NIS countries should not be seen by policy makers as a short term, single stage, restorative intervention. *The independent sectors in these countries are evolving through a process of maturation that is phased and sequential and that necessitates a long-term approach and changing forms of assistance tailored to evolving needs.* Virtually every NGO sector support program in the CEE/NIS region has been restructured to reflect changing conditions and this process of change and adaptation is likely to continue.²⁶

The staged, long-term nature of NGO sector maturation underscores the critical importance of careful transition or “end game” planning.²⁷ “End game” planning involves identifying what will be left behind when core programs end, what types of continuing support need to be designed and put in place to respond to evolving needs and what transitional mechanisms need to be structured in order to protect the progress that has already been made. *A serious danger is that donors will view their current efforts as single, discreet interventions and fail to understand the long-term evolutionary nature of the process.* USAID itself has shied away from the design of follow-on activities in Central and East European countries because of the transitional nature of the assistance program and a worry that the Agency’s commitment to phase-out will be called into question.

²⁶ Similarly, the growth and maturation of individual NGOs appears to evolve through a series of sequential stages. In general, the process is characterized by a shift in focus from concentration on a particular issue to a broader interest in root causes and a growing concern for structural change. This shift in programmatic focus is accompanied by a series of changes in management, culture and governance with increasing levels of sophistication and professionalization, a disciplined concentration on core competencies and a better understanding of how to cultivate a constituency and respond to the needs of the community. Despite some early path-breaking work by David Korten, the maturation process is imperfectly understood and requires more empirical analysis if it is to have practical utility in the design of assistance programs. As USAID’s NGO support programs become increasingly strategic, a sequential growth model could be extremely useful.

²⁷ To be clear, the Report uses the term “end-game planning” to refer to the design of program initiatives that could be put in place after a particular NGO support program has been completed within a country. The term “exit planning” is used to refer to individual grant relationships.

Implementing NGOs have also been reluctant to recommend follow-on programs and initiatives because they do not wish to appear to be self-serving. The consequence has been an unfortunate vacuum of creative long-term strategic thinking and the absence of initiatives keyed to the staged maturation of the NGO sectors in these countries. The design of follow on initiatives need not be vastly expensive as is illustrated in the Baltics with the design and funding of the Baltic American Partnership Fund. But the immense amount of time and effort and detailed planning devoted to the successful completion of that relatively small initiative underscores the importance of advanced long term planning and thinking in other countries as USAID moves toward phase out.

2. New Programs Must be Based on a Realistic Assessment of Resource Limitations and the Fragile Prospects for Sustainability.

A difficult consequence of the explosive growth of the NGO sectors in CEE/NIS countries is the likelihood of contraction. *With the exception of a few Northern Tier countries, the NGO sectors in most CEE/NIS countries are not financially sustainable and are not likely to be so for the foreseeable future.* Certainly, the rate of organizational formation cannot continue and already in most countries the current size of the NGO sector far exceeds the long-term funding capacity of foreign donors. Unless significant alternative financing sources can be identified and exploited, the current period of rapid sectoral growth is likely to be followed by a period of, consolidation, merger and dissolution.

The process of downsizing need not be unhealthy provided the consolidated NGO sectors continue to accurately reflect local priorities. The sectors and the individual organizations that comprise it may be stronger and more viable as a consequence. However, precipitous contraction may significantly undermine the gains that have been made to date and be so dispiriting that it threatens the future viability of sectoral development. A particular problem will be the likelihood that serious contraction will tend to push NGOs toward dependency relations with government before they have the institutional maturity to manage these difficult responsibilities. Contraction may also weed out the emerging, local grass roots organizations that in the long run constitute the most meaningful expression of civil society while sparing the well-funded national groups with solid political connections. Because the "market" mechanisms for allocating contributed resources are not yet fully developed in these countries, serious resource scarcities may be distributed capriciously and not according to merit.

3. Financial Dependence on Foreign Donors is a Critical Issue and Must be Addressed.

An important lesson from this study is the importance of reducing the severity of NGO dependence on foreign donor support. There is broad agreement that the current level of foreign support from such sources as EU/Phare, USAID, Soros and other private foundations is not likely to continue and that the rate of growth of the NGO sectors in CEE/NIS countries is likely to plateau or decline as a result. This will put significant pressures on those NGOs that foreign donors have chosen to support and pose an even

greater difficulty to nascent groups that are just emerging.

The problem of donor dependence goes beyond financial reliance and the continued existence of individual organizations. In the long run, the NGO sectors in these countries will need to fashion their own identity, albeit drawing on common experience and history and learning from each other. This maturation process will require a pro-active approach on the part of donors to gradually back away from relations that are counterproductive and to replace them with lower profile forms of assistance that will build broad sectoral capacities. The sequence of disengagement will be difficult. In the case of individual organizations, it requires a growing willingness to turn down requests for support and for NGO sectors as a whole it requires that donors design and move into program areas that are more indirect and difficult to measure than giving grants to worthy organizations.

The important implication for foreign donors is not that they should withdraw or diminish their efforts but rather that they should gradually move away from individual support relations that can solidify a mentality of dependency and give primary attention to structural and attitudinal change. The ability of donors and recipient NGOs to gradually move away from a structure of bilateral relationships will be heavily dependent on the ability of local NGOs to diversify their funding base and generate financial support from indigenous sources. This in turn will depend on their capacity to cultivate and build an authentic base of community and constituent support and to respond to the needs of these groups as opposed to the agendas of foreign donors.

4. Sectoral Infrastructure Development is Critically Important.

An emerging lesson is that an investment in NGO sector infrastructure has long-term systemic benefit and may be the most effective way to address the issue of sustainability while simultaneously moving gradually away from individual dependency relations. Support to intermediate support organizations, if done carefully and with due regard to the potential for internal competition, can address a wide range of fundamental sectoral weaknesses and deficiencies ranging from a poorly developed human resource base to the absence of mechanisms for bringing donors and recipients together to deficiencies in the legal and regulatory framework.

At a basic level, support organizations can promote networking and collaboration among NGOs, which is important for purposes of information sharing and experience but also to bolster a sense of identity and self-confidence. They can provide management training and have an important role in encouraging professionalism and higher standards of institutional performance including transparent and responsible governance structures, merit based methods of leadership transition, sensitivity to minority and gender issues, the adoption of systems for ensuring accountability to members and the public and the adoption of ethical fund raising practices.

Most importantly, the building of infrastructure capacity tends to strengthen an overall sense of sectoral credibility and identity. These qualities will in turn attract youthful and

capable leadership, build the legitimacy of the sector and gradually establish a climate conducive to charitable giving. Finally, the strategy has the advantage of gradually shifting away from a set of individual relationships with a relatively small number of NGOs to a wider affiliation with the sector as a whole.

However, support organizations run the danger of being “bodies without a soul” unless they learn how to cultivate a strong and supportive client constituency and to design and provide programs that respond to the felt needs of that constituency. While foreign donors can be instrumental in the provision of seed funding and help in program design, in the long run financial support will have to come from the organizations that utilize the services that are provided.

5. The Emphasis on Sustainability Needs to Shift from the Organization to the Sector as a Whole.

An important lesson that is a corollary of the preceding is that increasingly sustainability needs be defined and measured in sectoral terms and not with regard to the fate of individual organizations. Of course, this does not mean that grant programs should ignore the issue of revenue diversification or the extent of a grant recipient’s dependence on USAID or foreign donor support. If anything, these efforts to promote the financial viability of individual organizations through the application of positive and negative grant incentives should be increased and the practice of “exit planning” should be broadly adopted. However, a sectoral emphasis is increasingly important because it reflects the reality of foreign donor disengagement, the importance of structural change and the growing emphasis on intermediary support organizations. In addition it is an approach that deals with some of the more pertinent criticisms of donor funded NGO support programs, that they are elitist, concentrate resources, build dependency, only deal with better-off western oriented NGOs that know how to cultivate and cater to foreign donors and that they reflect donor, not indigenous, priorities.

6. Investing in a Supportive, but Demanding, Legal and Regulatory Environment will Have a Significant Pay-off.

It is clear that a supportive legal and regulatory environment is of pivotal important to the development of the NGO sector. This is, in part, to facilitate new entrants, prevent governmental interference and give NGOs the necessary legal discretion to engage in appropriate fund raising activities and legitimate income producing ventures. It is also to help define and clarify that intangible space that civil society occupies between government and the commercial sector so that the role and function of the NGO sectors comes into focus in the public mind. In most countries, the creation of a supportive legal context will constitute a long-term, multi-step process involving a change in governmental attitudes and the way in which laws are enforced.

Program Design and Implementation

The Study has also identified a number of lessons directly relevant to the design and implementation of NGO support programs in CEE/NIS countries and perhaps elsewhere.

1. A Multi-faceted Approach Has and will Continue to be Effective.

A unique aspect of USAID's approach in most countries has been a willingness to deploy a variety of instruments: grant making; integrated training and technical assistance; supportive regional programs and regional linkages; technical support for legislative strengthening and a fully developed delivery structure with an ambitious and complex grant making process. This comprehensive approach has sometimes appeared to be bulky and expensive and has raised difficult issues of sequence and coordination. At the same time, a multifaceted approach has allowed these programs to respond creatively to a wide range of organizational and sectoral needs and to work in a more intensive and responsive manner with grant recipients than would have been possible if the programs had been narrowly limited solely to the provision of grants.

Importantly, this approach has also established a valuable in-country institutional capacity that constitutes a future resource provided it can be adapted to changing needs and conditions. On balance, the validity of the multifaceted approach is warranted by the dynamic complexity of the NGO sectors and the enormous difficulty that donors face in building civil societies in these transitional cultures.²⁸

2. On Balance, a Two-Tiered Delivery Model has Proved Workable.

A tiered grant/sub-grant framework using American NGOs to allocate funds has been an effective structure provided there is clear agreement regarding basic goals and clarity with respect to the degrees of organizational autonomy. While a tiered system is expensive and cumbersome - - particularly in instances when there is disagreement regarding basic approach - - on balance it provides important advantages. Most obviously, the use of intermediary organizations avoids the deployment of a large complement of direct hire staff and gives the Agency the flexibility to choose an organization that is best suited to operate in a particular country. Importantly, implementing NGOs have demonstrated a strong intuitive understanding of the problems that confront the NGO sector and a sensitivity to the management dilemmas - - such as participation, ethnic diversity and gender balance - - that NGOs need to address. They understand the dynamic of the donor/recipient relationship, possess an ability to provide mentoring services to youthful and emergent organizations, have a good experiential understanding of the critical importance of community support and constituency building and a capacity to manage a sub-grant process in an open and transparent manner.

²⁸ The validity of the multi-faceted approach should not obscure the fact that there are a rich variety of instruments and techniques for building organizational and programmatic strength that exist outside the parameters of the USAID relationship. These include sister relations with regional or US based organizations, unusual funding opportunities such as "debt for nature" swaps, and collaboration with organizations that have little or no connection with USAID or international development assistance but that may nevertheless have an important substantive interest in the work of a foreign NGO.

Most importantly, a tiered structure provides appropriate *space* between USAID and the small, private indigenous organizations that are being assisted. The creation of this buffer has the practical benefit of permitting simplification and flexibility in the application of grant procedures and requirements. More generally, it permits and encourages the translation of USAID's goals and objectives into meaningful and relevant language that local NGOs can understand and establishes a platform for constructive communication. Specifically, reliance on intermediaries has probably softened the negative impact of abrupt swings in development assistance policy and allowed these programs to adjust constructively to USAID's new emphasis on indicators and results.

However, American NGOs possess their own organizational cultures, set of values and strengths and weaknesses which may not, in all instances, be initially and ideally suited to acting in an intermediary capacity. These include a strong desire for independence and autonomy, periodic misgivings with regard to the foreign policy component of NGO sector support efforts and some difficulty comfortably functioning within the procedural parameters of a bureaucracy. Some, because of their own experience, may find it difficult to take a firm and inflexible position with regard to such matters as cost sharing, matching requirements and exit planning.

Whether or not a multi-faceted two-tier funding model employing the capacities of an American organization should be continued should depend on analysis of the needs and characteristics of individual NGO sectors. In general, as these sectors mature the emphasis should shift toward working through indigenous organizations and through support groups that can have a structural impact on the sector as a whole. At the same time, implementing NGOs have established valuable mentoring relationships which should be sustained and have invested a considerable amount in the development of impressive capacities to effectively manage complex grants administration processes. In addition, American NGOs may be particularly well placed to help with programs that are deliberately designed to address changes in values and attitudes. As noted elsewhere, it is essential that the NGO sector support programs be phased out in the context of a long term evolutionary process and that the ending of these programs be done on the basis of a careful plan that will look to the next stage in the development of the sector.

3. In the Case of Continuing Sub-grant Programs to Individual Organizations, a Programmatic (or Problem Oriented) Approach to Grant Making will be More Effective than a Broad-based Attempt to Build Sectoral Capacity.

A grant making approach that is structured around a defined and substantive program of social concern such as strengthening local government or supporting environmental action appears to have a number of advantages even though the transcendent goal may be to increase overall sectoral capacity, institutional pluralism and civil society.

A program-based approach provides clearer and more tangible impact than generic grant giving and encourages progress evaluation and change in direction when appropriate. It is

an approach that tends to be clearer to the public and to the NGO sector and is likely to be more strategic because it is content based and derives from an analysis of the needs of a particular sub-sector. With respect to capacity building, a good argument can be made that interacting with grant recipients on the basis of content and what they do is more effective than generalized programs in management since it roots the training content in the real-life experience of the organization and tends to develop management approaches that are keyed to substance rather than theory.

A corollary lesson is that the capacity to advocate and influence policy can be indirectly enhanced by taking a programmatic approach.²⁹ This is important because an important tactical question is whether it is more effective to strengthen the ability to advocate *per se* or to work first on substantive issues. The conclusion from this study is that the more successful approach has been to concentrate primarily on substantive social issues and to encourage NGOs that are working in these areas to subsequently broaden their focus to include systemic changes in the policy context. This “bottom up” approach is comparatively advantageous because governments tend to resist “advocacy in a vacuum” while looking for practical, effective solutions based on technical competence. It also avoids pushing NGOs into the policy arena before they have the technical sophistication to support their case.

A programmatic approach has special relevance for women’s programs. A tentative lesson from this Study is that NGO sector support programs tend to be naturally responsive to the substantive social issues that are of interest to women and that women tend to benefit directly from these programs because they are relatively well represented in the organizations that receive funding. However, the lesson is “tentative” since the evidence tends to be intuitive and anecdotal and rests on the hypothesis that NGO sectors are relatively unbiased, reflective of the broad array of social concerns that face transitional societies and freely open to issues and concerns that are important to women. Whether or not this is the case is a question that needs to be posed and answered on the basis of analysis in individual countries. A related issue is whether a special effort should be made to develop and strengthen advocacy organizations that address issues of discrimination and bias or that promote the interests of women in general. While clearly this is a country specific question, the evidence from this study suggests that in general it is preferable to work with organizations on substantive issues and to encourage them to expand into policy analysis and advocacy rather than build the advocacy skills in a vacuum.

4. Helping NGOs and Government Define and Structure their Relationship has High Long-term Importance.

An important lesson from this Study is that the direction of NGO sectoral development will be importantly affected by the evolving definition of the role of government and the

²⁹ During the early stages of DemNet in Central and Eastern Europe there was a concentrated attempt to directly build a capacity to do public policy analysis and influence public policy choices. These early efforts were problematic because of a limited understanding of the meaning of “public policy” and scarce institutional capacity to perform these functions.

distinctive conception of “civil society” that emerges from this debate. The nature of government/NGO sector relationship is likely to differ from country to country but in all CEE/NIS countries, NGOs will need to learn how to work with government while maintaining their basic independence.

The practical implication of the preceding is that donors can play a valuable role as intermediaries in supporting communication and better understanding between government and the NGO sectors while at the same time underscoring principles of autonomy. NGOs need to be encouraged to be open and transparent in their dealings with government and to provide tangible case studies of successful programs. In addition, grant programs can be deliberately structured to encourage collaboration as has been done in Ukraine through the government challenge match program. Support for workshops, retreats and conferences where NGO and government leaders can work together on common problems should also be supported. And government officials themselves can be participants in training efforts designed to better understand the role of the NGO sector.

However, it is critically important that donors facilitate the process of engagement in a non-directive manner and that they remain balanced and cautious with regard to governmental partnerships. While these relationships may be fully appropriate and provide an important source of financial assistance in the long run, they may also threaten the autonomy of civil society institutions.

5. Regional Networks and Linkages Need to be Enhanced.

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

6. Increased Attention Must be Concentrated on Exit Planning.

An important lesson that flows from the earlier discussion of dependence on foreign donor support is that “exit planning” needs to be given much greater weight in the conduct of relationship with grant recipients. Understandably, in a new funding relationship with an NGO the principal focus is on project design, implementation and achievement of program objectives. Neither the implementing organization nor the NGO is anxious to spend much time or energy discussing the terminal phase of the relationship and precisely what will be left behind when funds from the grant cease to flow. However, a failure to think strategically and at an early stage about the phase out of support misses a very real opportunity to identify those critical steps and organizational attributes that will be critical

to the sustainability of the project and to the NGO itself.³⁰

7. Training Needs to be Strategic.

An important attribute of the CEE/NIS programs has been the linking and integration in various ways of training and the sub-grant programs. The use of grant funds as a “carrot” to encourage training early in a funding relationship has proved to be a very effective mechanism for reaching out to emergent NGOs in order to provide a basic core of skills needed to manage a USAID funded grant.³¹

What has also been learned from this process is that the content and approach to training needs to evolve over time to fit the changing needs of grant recipients and the changing characteristics of the NGO sector itself. In oversimplified terms, training should gradually evolve from a classroom approach with a core curriculum that may be mandatory for prospective recipients to an on-site, tailored approach that addresses the individual needs of the organization. In terms of cost effectiveness, there is broad consensus that tailored, on-site training is considerably more valuable than a classroom approach simply because it is directly relevant to the needs and experience of participants. There is also broad agreement that some degree of cost sharing, modest at first but gradually increasing over time, should be required in order to give value to the training experience and accustom NGOs of the importance of seeking continual training.

In terms of future training priorities, while there is considerable variation depending on the stage of NGO development, there is a special need for training and technical assistance related to: board development; strategic financial planning; media and public relations and government and the role of civil society. Board development - - understanding the role of the board, maximizing the usefulness of members and using the board for outreach, public relations and fund raising is marked as a particularly important priority area.

8. A Carefully Designed Grant Making Process Has Very Valuable Secondary Demonstration Benefits.

An important lesson from this Study is that the “tedious” and “burdensome” grant review, award and monitoring process that has been so carefully designed and administered has itself had a very positive demonstration benefit and in many respects the process is as important as the resources that are being transferred. The time and effort spent on building a structure that is credible and professional and that is viewed as being fair, transparent and equitable appears to warrant the investment. Psychologically, it has given recipients a strong sense of self worth and professional accomplishment. Practically, it has opened doors and established organizational bona fides. In a broad sense, an open and fair grant

³⁰ See *Exit Strategies for Donor-NGO Relationships*, C. Stark Biddle, Developing Alternatives, Volume 5, Issue 1, Spring, 1995.

³¹ In Bulgaria, for example, there were several examples of NGOs that had been turned down for grants that continued to seek training in hopes that they would ultimately become eligible as indeed proved to be the case.

review and selection process is emblematic of those societal attributes conducive to the flourishing of the NGO sector.

9. Clarity of Objectives is Critical to an Effective Relationship Between USAID and Implementing NGOs.

Despite a difficult beginning, the working relationship between USAID Mission and implementing organizations is on a positive footing. However, the evolution contains some valuable lessons:

Clear agreement on objectives is essential. For purposes of smooth implementation and a constructive relationship, it is essential that both parties have clear agreement on objectives and expected results. This is more challenging than it appears since the operative premise that there is agreement is frequently incorrect.

Constant, full and open communication is essential. When there is confusion between USAID and the implementing organization about expectations and roles, it pays to take a deep breath and take the time to clarify objectives.

A frank understanding of the limits of operational independence. It is very important for USAID missions to be “up front” with implementing NGOs when it comes to defining operational autonomy. Some of the early tensions involved basic confusion regarding the inherent nature of a cooperative agreement with NGOs viewing the instrument as a grant while USAID missions viewed it as a contract.

Tangible, concentrated objectives reduces misunderstanding. Generic objectives employing difficult terminology like “civil society” or “sustainability” are more likely to lead to misunderstanding than clear statements like “diversification of support” or “increased participation in volunteer activities.”

Complex consortium arrangements are difficult to manage. While not always the case, consortiums of implementing organizations appear to be cumbersome and evidence internal communications difficulties.

Concluding Remarks

The emerging NGO sectors in Central Europe and the NIS have looked enthusiastically to American practice and experience to guide their own development. A good argument can be made that western conceptions of civil society and exposure to the values implicit in American philanthropy are beginning to have a formative influence on the attitudes that are shaping the development of the independent sectors in CEE/NIS countries. While

these NGO sectors would, no doubt, have emerged and grown on their own, access to western practices and linkages with American organizations have had a positive effect on the shape and direction that private voluntary activity is taking and on the values that are guiding the emergence of the independent sectors in these countries.

While not always explicit, an integrating and centrally important theme that has emerged from this study has been the centrality of values and the importance of attitudes. The long-term viability of the independent sectors in CEE/NIS countries will ultimately rest on a bedrock of positive views toward voluntary activity, citizen activism community involvement and the importance of charitable giving. Thus, a common purpose of all NGO sector support programs is to change the way citizens see the NGO sector and to change the way NGOs view themselves and their role in society. A particular challenge is to help NGOs understand their role in relationship to their constituencies and in relationship to government. In this vein, perhaps the most serious concern that arose during the conduct of this study was a periodic sense of apathy and a pervasive view that NGOs were incapable of altering a paradigm of dependence on foreign donors or building an indigenous base of private sector support. This is a mindset that needs to change if these sectors are to gradually become self-financing and sustainable.

The evolving role and identity of the NGO sectors in CEE/NIS countries must, in the long run, mirror the unique history and experience of the individual culture. While western conceptions of civil society, voluntarism, the ethic of charitable giving are useful points of reference, these need to be translated into local vernacular if they are to take root. A three pronged approach is needed that will build the enabling legal environment, establish economic incentives to support the NGO sectors and cultivate the cultural norms that are the bedrock of societies where voluntarism, association, citizen action and private expression flourish.

In Robert Putnam's now famous study of administrative reform in Italy, *Making Democracy Work*, an argument is advanced that civil society may require centuries of nourishment if it is to function effectively - - the habits of voluntary participation, advocacy and petition for redress grow out of deep and long traditions and are rooted in long established family and community practice.³² Putnam's assessment underlines the importance of cultural values to the development of civil society and at the same time raises a troubling question regarding the likelihood that these structures can quickly materialize in societies that lack the appropriate traditions. As the 1998 volume of *Nations in Transit* suggests, the experience of communism may have cast a negative pall on the prospects for freedom and the likelihood that civil society can take root in former

³² Robert Putnam, *Making Democracy Work*, (Cambridge, MA: Harvard University Press, 1993.) Putnam has this to say about civil society and social capital: "Stocks of social capital, such as trust, norms and networks tend to be self-reinforcing and cumulative. Virtuous circles result in social equilibria with high levels of cooperation, trust, reciprocity, civic engagement and collective well-being. These traits define the civic community. Conversely, the absence of these traits in the *uncivic* community is also self reinforcing. Defection, distrust, shirking, exploitation, isolation, disorder and stagnation intensify one another in a suffocating miasma of vicious circles." (Page 177)

communist countries. The important question is whether and to what extent the cultural roots and traditions of civil society that may have been resident in these cultures before the advent of communism can be nurtured back to effective life. While this study cannot answer that question in a conclusive manner, the evidence to date is that the attributes of civil society or the stock of "social capital" does appear to be emerging in CEE/NIS countries albeit in fragile form and reliant on foreign sources of support that are not likely to be sustainable in the long run.

Attachment # 1

Implementation of NGO Sector Support Programs **Lessons Learned: A Short List**

A. Managing the Application, Review, Award and Monitoring Process

1. **Tight management.** Hands on Management is critically important...”the devil is in the details”. Working with emergent, poorly trained, unsophisticated small grass roots organizations requires careful, hands on management and oversight - - frequent field visits, tight monitoring, careful attention to financial reporting, constant explanation regarding recipient responsibilities, etc. This can gradually be relaxed as the sector grows and becomes more professional.
2. **The relationship with the grants officer is critically important and frequently undervalued.** The special relationship between the grants officer and the recipient can be very important. The grants officer should have a substantive mentoring role not just a monitoring and auditing role. This implies that the grants officer in an organization should be senior and have considerable freedom and flexibility.
3. **Do organizational assessments.** Despite the extra time, the preparation of basic organizational assessments is well worth the effort. They provide a bench mark against which to measure future progress, create a framework for dialogue with the donor and identify problems that need to be addressed.
4. **Funnel applications.** Some mechanism to gradually funnel applications down to a manageable limit while still being equitable always needs to be designed e.g. using simple concept papers for the first round, moving to more advance versions as applicants move through review hoops.
5. **Use a graduated application process.** Start with simple and short concept papers then move to a draft proposal then to the final stage of a complete proposal. Consider the provision of training and support to those who have moved through round one to help them perfect their application.
6. **Adopt a Flexible grant cycle.** The grant cycle should be open, flexible and rolling and should respond to the needs and rhythms of applicant organizations. Where possible applications should come in on “as ready” basis rather than against a pre-determined deadline. As a corollary, the pool of funds set aside for a particular cycle should not be rigidly pre-determined. If is too high this leads to over- programming, if too low then worthy projects get cut. The system should be flexible.

7. **Adopt external peer review.** External peer panel review systems are preferable to internal systems, provided a core group of experts can be identified. External review cultivates a broader constituency, has valuable public relations value and gives credibility to the whole process. It can be a headache to manage.

8. **Establish advisory committees.** In addition to technical review and where broad outreach and improved public relations is desirable, establish an advisory group of prominent individuals who can provide broad advice with regard to sectoral needs.

9. **Have an open information sharing policy with other donors.** This will help alleviate the problem of double funding and, if reciprocated, provides valuable additional information about the applicant.

10. **Simplify approval.** The review and approval process can be simplified and speeded up. In CEE countries USAID and Democracy Commission review is redundant. Mechanisms for including USAID officials on selection or review panels and avoiding a second review process need to be designed.

11. **Simplify reporting.** The monitoring and reporting burden can be gradually simplified as organizations mature and become more professional. The whole procedural panoply of reports and compliance requirements should be thought of in phased terms, evolving and gradually simplifying over time.

B. Working with Grant Applicants and Recipients

1. **Keep working with unsuccessful applicants.** Fully de-brief losing organizations on why they were unsuccessful; continue to provide training to losing groups; design workshops on proposal preparation especially for those whose applications were deficient.

2. **Provide Tailored training.** Generalized class room training while efficient and necessary in some cases where it is important to impart a core of basic competence (e.g. how to fill out reports and applications forms) is less effective than tailored and individualized training that responds to the special needs of the organization or a small group of organizations.

3. **Use a voucher system to insure that training reflects organizational priorities.** Training vouchers accomplish two things. They place a resource value on the training and enhance its perceived importance and they place primary responsibility in the grantee for identifying the training need and taking the initiative to do something about it.

4. **Maximize the flow of feed-back to both winners and losers.** The more information that is provided, the better the long-term quality of applications and the smoother the review and approval process. Feed-back is an important aspect of training and will also help create confidence that the process was transparent and fair.

5. **Use participatory needs assessment to “market” the provision of technical assistance.** The process of jointly conducting a needs assessment is an excellent way for recipients to come to the realization that they need a particular form of technical assistance.

6. **Engage in Exit planning.** Exit planning should always be part of the grant negotiation process. The idea that the relationship will end and that it is important to be clear about that in order to insure that something useful is left behind is very important and should be a subject for frank discussion.

7. **Constituent cost sharing essential.** It is very important to convince most NGO that members, constituents and beneficiaries can pay at least something, no matter how small for the services they receive. The inculcation of these values is extremely important and the longer this is avoided the more difficult it will be to establish a culture of giving and a mindset in the NGO that it is ok to ask for support.

8. **The “end game” is critical.** NGO support programs should always develop an end game long before the end has arrived. It is very important to be clear with respect to what the program is going to leave behind - - whether individual organizational capacity or sectoral capacity or a blend or a component. The existence of a clear end game is helpful in the relationship with USAID and gives organizing coherence to the overall effort.

C. Grant Incentives and Approaches

1. **Longer life of grant.** The life of grant period should be flexible and longer than one year. A life of grant of up to 3 years should be allowable when a strong case can be made.

2. **Increase the matching requirement for repeat grants.** To discourage dependency, second or third grants to successful applicants should require an increase in the size of the match.

3. **Use the matching requirement to achieve program goals.** Examples include a set aside of funds only for organizations who can match using government funds or who can match using corporate funds.

4. **Integrate assistance for maximum impact.** Training, technical assistance and grant resources should be packaged and integrated in a purposeful and strategic manner in order to create a “critical mass”.

5. **Provide follow-on Individual consultancies.** In cases where group training is offered, in almost all cases there should be an opportunity for provision of direct one on one consultancies to follow up on the training session and to work on adapting what was taught to the special needs of the organization.

6. **Require cost sharing.** Cost sharing should always be required in training except in those now rare cases where the training is simply to impart a special skill needed to deal

with USAID procedures. In general, it is imperative to impart the habit and practice of cost sharing where a service is provided.

7. Emphasize Financial strategy. NGOs need help in developing a financial strategy i.e. where financial planning and strategy come together. NGOs are pretty good at the financial basics but they don't think strategically about their financial future and attempt to identify opportunities and dangers and figure out a financial growth path that weaves through this thicket.

8. Distinguish between different types of strategic planning. The subject of strategic planning should be approached in stages. There are simple planning models and much more sophisticated models. It is important to use the right approach at the right time. Some western approaches that emphasize introspection and values assessment and stress internal alignment may be too sophisticated for small emerging NGOs.

9. Build on top of the grants program. A sub-grants program can have double duty impact if an effort is made to generate a broad discussion among the sub-group of grantees about the substance of the work that is being carried on. Thus it is important to augment the grants program with structured discussion about best practices, goals and success stories. This can enrich the whole process. Consider discipline based seminars and workshops.

10. Include funds for self-assessment in the grant. It is important to encourage self-assessment and evaluation. All sub-grants should contain a modest amount of additional funds for evaluation, which should normally be matched by the recipient.

11. Governance structures. A priority area is better and more effective governance systems. NGOs need help in setting up and operating effective boards. Consider workshops, consultancies, distribution of informational material. Make board training mandatory prior to receipt of grant.

12. Build regional linkages. Regional linkages are very important and regional training and workshops should be supported. A similar experience base means regional training and exchange programs are often more effective than overseas programs. Consider exchange programs, stopover visits for tours to the United States, support for e-mail linkages, grants deliberately designed to encourage substantive collaboration.

13. Strengthen capacity to work with the press and media. NGOs are unsophisticated in using the media but this is critically important if they are to build public support. Consider joint workshops, sponsored visits to media facilities, support for small grants to the media to cover NGO stories and issues, preparation of handbooks on media relations. Also consider assistance for the development of a public relations strategy.