The 2000 NGO Sustainability Index

For Central and Eastern Europe and Eurasia

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USAID Field Personnel:
Charlotte Watson, USAID/Albania
Debbie Berns, USAID/Armenia
Bill McKinney, USAID/Azerbaijan
Elchin Guliyev, USAID/Azerbaijan
Gene Gibson, USAID/Azerbaijan
Christine Sheckler, USAID/Belarus
Larissa Komarova, USAID/Belarus
Ben Feit, USAID/Bonsia
Nadereh Lee, USAID/Bulgaria
Diana Arnaudova, USAID/Bulgaria
Lisa Petter, USAID/Croatia
Slavica Radosevic, USAID/Croatia
Carol J. Horning, USAID/Georgia
Manana Gegeshidze, USAID/Georgia
Marc Ellingstad, USIAD/Hungary
David Hoffman, USAID/Central Asia Republics
Michael Cox, USAID/Kosovo
Argjentina Grazhdani, USAID/Kosovo
Kathy Stermer, USAID/Macedonia
Vasile Filatov, USAID/Moldova
Ruxandra Datcu, USAID/Romania
Susan Reichle, USAID/Russia
Marina Grigorieva, USAID/Russia
Sylvia Babus, USAID/Ukraine

Local NGO Coordinators:
Jiri Barta, Nadace Via, Czech Republic
Kristina Mand and Merle Helbe, Network of Estonian Nonprofit Organizations
Srdjan Darmanovic, Center for Democracy and Human Rights, Montenegro
Kaija Gertner, NGO Centre Latvia
Vaidotas Ilgius, Vilnius NGO Information and Support Center, Lithuania
Kuba Wygnanski, KLON, Warsaw, Poland
Miljenko Dereta, Dubravka Vekat and Jekica Minic; Civic Initiatives, Serbia
Katarina Kostalova, SAIA-SCTS, Bratislava, Slovakia

USAID/Washington Editorial Committee:
Mark Levinson, Editor; Jennifer Stuart; Lawrence Robertson; Joshua Kaufman; and Mary Ann Riegelman

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FORWARD

Donald L. Pressley, Assistant Administrator
Bureau for Europe and Eurasia (E&E), USAID

USAID's Bureau for Europe and Eurasia (E&E) is pleased to present this 2000 NGO Sustainability Index. The Index is USAID's premiere instrument for measuring the strength and overall viability of NGO sectors in the transition countries of Central/Eastern Europe and Eurasia. This 2000 Index is the fourth in the Office of Democracy and Governance's series of annual reports.

This edition of the Index is truly an international team effort. Its scores are based upon consensus observations made in expert discussion groups in every country in the region. In those countries where USAID has active programs, the discussion groups include USAID Mission staff and partner assistance implementers, international donor organizations, and local NGOs and NGO support centers. Beginning with this issue, for the first time, we have formed a series of partnerships with local NGOs in each of the countries that have graduated from traditional USAID assistance, enabling the Index to continue to follow their progress, and allowing our readers to use them as a basis for comparison and a source of ideas.

While the Index was primarily developed to meet USAID field Missions' need for qualitative indicators in the area of NGO development, it is also relevant to other donors, local intermediary support organizations, and indigenous NGOs as well.

The seven dimensions of sustainability examined in the Index provide a description of what a sustainable NGO sector should look like, as well as a tool for gauging the strength and overall viability of NGO sectors in the region. The Index assists in the identification of progress, constraints and trends, as well as needs and opportunities in sectoral development.

We hope that our readers will find the information in the Index highly useful, and that it will help to facilitate cross-fertilization among programs in the design of on-going assistance strategies.

THE 2000 NGO SUSTAINABILITY INDEX
Table of Contents

Introduction and Trends Analysis *1*

Methodology
- *The NGO Sustainability Index: How is it measured?* *10*
- Ratings: What they mean in general terms *14*
- 2000 NGO Sector Score Sheet *15*
- Ratings: A Closer Look *18*
- Field Instructions *25*

Country Overview Statements
- Albania *27*
- Armenia *33*
- Azerbaijan *37*
- Belarus *43*
- Bosnia and Herzegovina *49*
- Bulgaria *55*
- Croatia *60*
- Czech Republic *66*
- Estonia *72*
- Georgia *77*
- Hungary *82*
- Kazakhstan *86*
- Kosovo *91*
- Kyrgyz Republic *96*
- Latvia *101*
- Lithuania *106*
- Macedonia *112*
- Moldova *118*
- Montenegro *122*
- Poland *126*
- Romania *132*
- Russia *138*
- Serbia *144*
- Slovakia *150*
- Tajikstan *156*
- Turkmenistan *160*
- Ukraine *165*
- Uzbekistan *171*

Statistical Annex *176*

THE 2000 NGO SUSTAINABILITY INDEX

INTRODUCTION AND TRENDS ANALYSIS

INTRODUCTION

This Index began in 1997 as a study of five dimensions of NGO sustainability in 17 countries. With the assistance of USAID's Advisory Committee on Voluntary Foreign Assistance (ACVFA) and with input from USAID Missions, the methodology has been improved so that the study is both more rigorous and more comprehensive. This 2000 NGO Sustainability Index measures seven dimensions in twenty-seven countries in the region plus Kosovo. For the first time this year, the Index also includes the countries of the Northern Tier that have recently graduated from traditional USAID assistance, and Belarus and Moldova.

NGO Index Dimensions of Sustainability

- Legal Environment
- Organizational Capacity
- Financial Viability
- Advocacy
- Service Provision
- Infrastructure
- Public Image

In order to improve the usability of the Index, beginning with this edition, we have provided a new statistical section in each country report. This section includes the capital and population of each country, along with a set of basic economic indicators, to give the reader a sense of the economic and demographic context in which NGOs in each country operate and seek to sustain themselves. All economic statistics quoted are for 1999, unless otherwise noted. For the sake of consistency, all economic and population statistics used are quoted from Freedom House's "Nations in Transit 1999-2000".

OVERALL FINDINGS

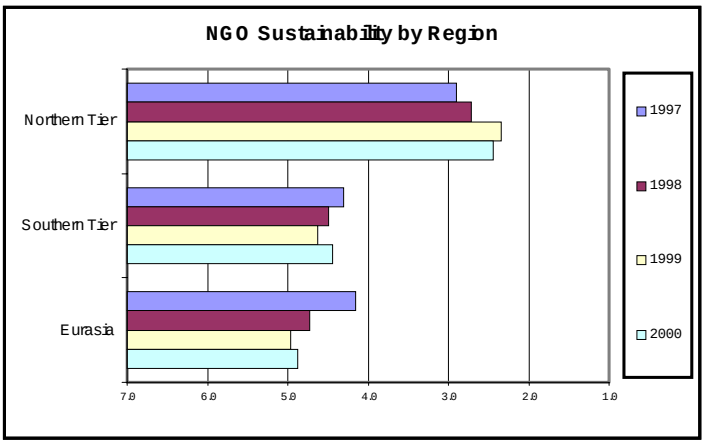
In the year since the last edition was published, dramatic events have taken place in the Balkan region that highlight the critical part played by civil society in the transition to democracy in former Eastern Bloc countries.

As the 1999 edition of this Index was going to press last year, indigenous NGOs were sharing lessons learned across borders and exploring new and expanded roles in the political process, playing a crucial part in the democratic process by monitoring, and providing civic education and voter mobilization programs in significant elections in Croatia and Ukraine.

As the 2000 edition of this Index comes together, a remarkable presidential election has just taken place in the Federal Republic of Yugoslavia, an election in which the

TRENDS ANALYSIS

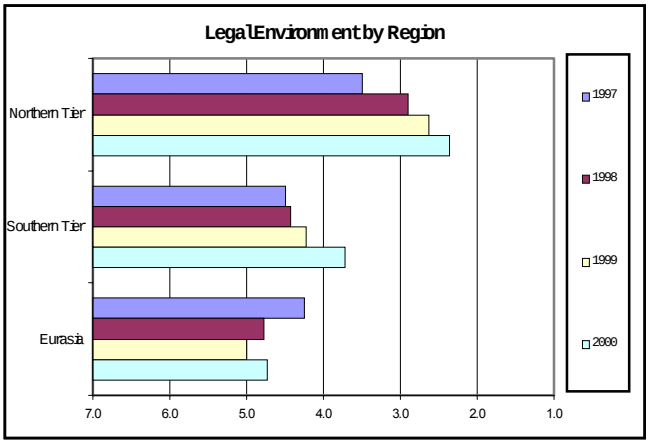
Serb people, armed primarily with the tools of civil society, brushed aside an authoritarian dictator. Despite difficult conditions, due to the repressive tactics of the regime, the Serbian people took an extraordinary step toward democracy and re-joining Europe and the world community.



These stunning achievements represent new opportunities and new openings for NGOs and civil society in general. They are not, however, in and of themselves, evidence of the consolidation of democratic transitional progress, and underscore the need for international donors to continue to support the on going development of civil society in the countries of CEE and Eurasia.

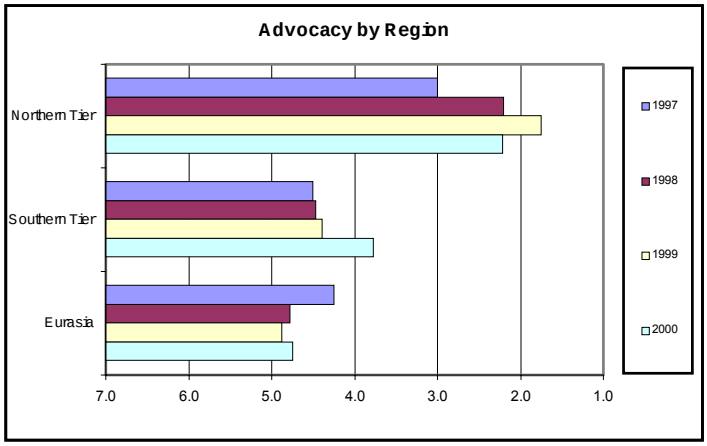
Positive Regional Trends:

NGOs are expanding their role in democratic society throughout the region. Information collected in the 2000 NGO Index shows that the sector is maturing, and strong cross-border networks of indigenous NGOs, international NGOs and donors have developed.

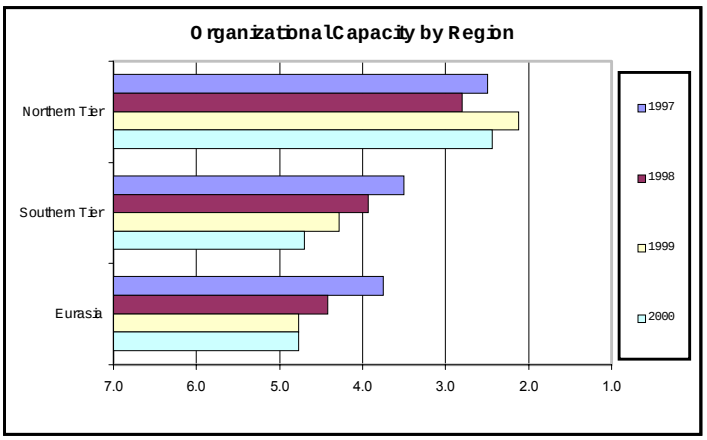


For example, though there is still need for improvement in many of the region's legislative structures, there are now sound legal and regulatory frameworks in place in a number of countries through-out the region, not just in the Northern Tier. In Macedonia, the Law on Citizen Associations and Foundations that was passed by the Parliament in 1998 has become a model that has been used in a number of countries. During 2000, implementation problems that had occurred during the year following enactment of the law were dealt with in a manner generally thought to be satisfactory to the NGO community. Further, new NGO legislative frameworks that embody a substantial number of international best practices have been put in place within the past year in Azerbaijan, Bulgaria, Kosovo, Kyrgystan, Romania, and Tajikistan.

New draft NGO laws are currently under review and discussion, with the full participation of local NGOs, in legislative bodies in Albania, Bosnia and Croatia. In Russia, new pro-NGO legislation is being advanced on the local and regional levels by NGO sector activists, including legislation on government contracts and procurement. In Serbia, the newly elected government of Vojislav Kostunica has stated that a new NGO law will be one of his government's priorities.



In both the Southern Tier of Europe and in Eurasia there is new excitement in much of the NGO sector. NGOs are making substantial progress in establishing good working relationships with local governments and State Ministries, playing an active role in policy development and public debate, and forming partnerships to deliver community services. In Albania, NGOs have been invited by local authorities to participate in the drafting of regional economic strategies. In Tajikistan, the government has approached a group of NGOs to draft the Republic's gender equality strategy. In Azerbaijan, the NGO community was involved in reviewing and commenting on draft NGO legislation eventually signed by the President in September 2000, that provides NGOs with recognition from the government and a legal basis to conduct their work. In the Federal Republic of Yugoslavia, the new government has accepted the economic platform of an NGO, G17 Plus, "as a well-conceived plan for getting out of the [economic] crisis."[1]



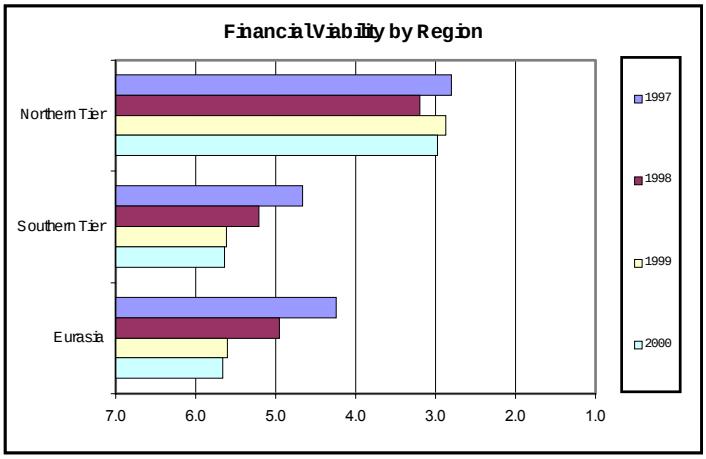
NGO infrastructures are also beginning to mature. Well-trained cadres of indigenous trainers are in place throughout the region, particularly in Northern Tier countries, but also in Azerbaijan, Bosnia, Russia, Tajikistan, Ukraine and others. NGO Resource Centers are well established in the Northern Tier, despite their continued financial dependence on international donors. Throughout the region, NGO resource centers are making major contributions to the development of the sector and reaching beyond the capital cities in Albania, Azerbaijan, Kyrgyzstan, Moldova, Turkmenistan, Ukraine and in a number of regions throughout the Russian Federation.

Strong NGO coalitions have emerged out of NGO election monitoring, civic education and voter mobilization campaigns in Slovakia in 1998, Croatia and, Ukraine in 1999 and Serbia in 2000. In Ukraine, the Freedom of Choice Coalition has been able to sustain itself following the November 1999 presidential election and seeks new avenues to express its civic concerns, including a focus on NGO-led anti-corruption campaigns. In

[1] Vojislav Kostunica, in a telephone interview with Belgrade NGO Resource Center "Civic Initiatives", published in "Exit 2000", a voter information supplement to four Saturday editions of the independent daily newspaper "Danas".

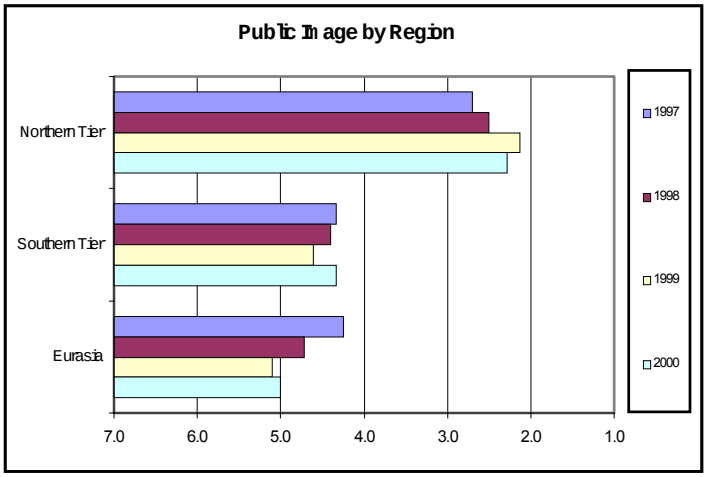
TRENDS ANALYSIS

Georgia, effective NGO coalitions are providing services to children and youth, the disabled and IDPs. Strong regional cross-sectoral coalitions have emerged in Georgia's Zugdidi and Samegrelo regions.



Cross-border NGO networks and partnerships are emerging. Many of the core NGOs from Slovakia's very successful OK '98 civic education and voter mobilization campaign have shared their experiences and helped NGO coalitions in Croatia, Ukraine and Serbia apply the lessons learned to their unique situations and circumstances. The Orpheus Civil Society Network, established by the European Foundation Center, has grown to connect 27 NGO information and support centers throughout Central and Eastern Europe and Eurasia, sharing information about private foundation and corporate funding, training and educational programs, advocating for the sector, and building partnerships throughout the sector.

Constraints to Progress:



Despite impressive progress, serious threats to NGO sustainability remain, even in the Northern Tier countries that have graduated from traditional USAID support. NGO organizational capacity is still limited, particularly in the Southern Tier and Eurasia. NGOs across the region lack crucial elements of organizational capacity such as strategic planning skills and an understanding of the appropriate role of boards of directors.

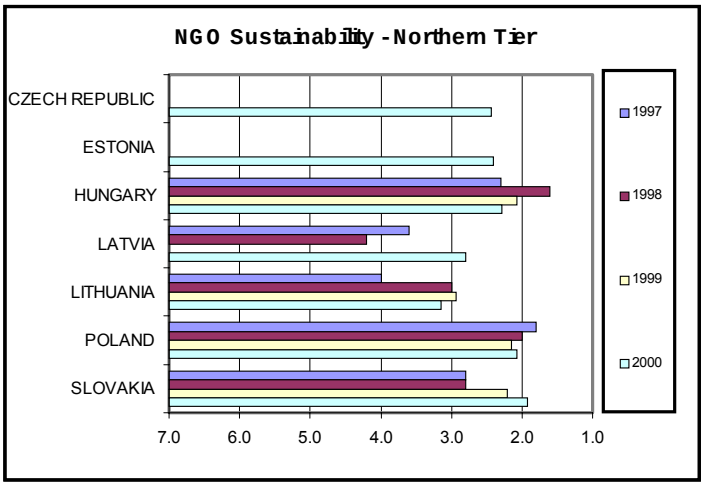
In the Southern Tier, despite large amounts of international donor money being spent in the Stability Pact countries, much of that investment is not being used in ways that sufficiently empower indigenous NGOs to build their constituencies and respond to the needs and priorities of their communities. In Bosnia, the lack of donor funds to address local priorities has contributed significantly to what many observers describe as an “ownership gap" where NGOs receiving donor grants often suffer from a weaker sense of mission and commitment than those who formed independently in response to community needs.

In the Southern Tier and Eurasia, NGO financial sustain-ability remains in the distant future. Even in the Northern Tier, financial viability remains a serious problem for most

NGOs. Only a few economies approach GDP levels of 1989, and societal traditions of philanthropy and voluntarism have not yet begun to take root. Sectoral infrastructure, regional cooperation and indigenous philanthropy still need substantial support, development and investment from international donors. The Orpheus Civil Society Network, for example, reports that its member NGO support centers remain deeply reliant on international donor funds, despite the intentions of most international donors to phase out grantmaking in many countries in the region. On average, only 10 to 20% of support center financial resources come from local government or corporate support, or from the Centers' own income-generating activities.[2]

REGIONAL TRENDS

The Northern Tier:



The gap in overall sustain-ability between the Northern Tier, and the Southern Tier and Eurasia remains. NGOs in the Northern Tier retain substantial advantages in each of the seven dimensions of sustainability, relative to their counterparts elsewhere in the region. In Slovakia, for example, during the past year the National Council of the Slovak Republic passed amendments to the income tax laws that will permit individuals to donate 1% of their income tax payment to support public interest organizations. The amended laws also exempt NGOs from income tax on activities connected to the organization's purpose. Further, a coalition of 120 NGOs formed the Civic Initiative for a Competent Act on Information Access, working closely with Members of Parliament to prepare and pass a broad Freedom of Information Act in Slovakia. In Poland, public advocacy activities of NGOs are increasing. Coalitions and umbrella groups are working on issues related to childrens' rights, rights of the disabled, reproductive rights, human rights and environmental protection.

Cross border activities that share experience and expertise are growing in importance for NGOs in the Northern Tier. These activities not only transfer ideas and practices, but have been successful in facilitating the development of creative indigenous ideas and practices.

Polish NGO trainers are providing services to DemNet/Croatia, and mentoring partner NGOs under the Polish-America-Ukraine Cooperation Initiative (PAUCI). Slovak NGOs, particularly those that were active in OK '98, the civic education, election monitoring and

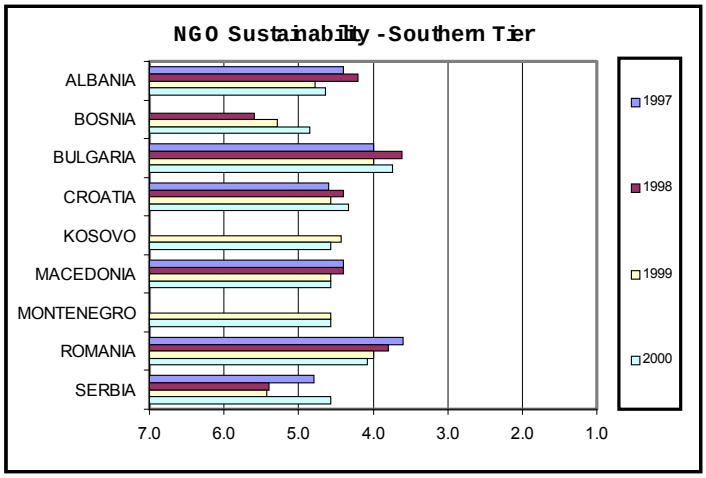
[2] *Ten Years of Civil Society Support in Central and Eastern Europe: Challenges for Building Support Infrastructure in the Region*, Orpheus Civil Society Network, European Foundation Centre, Orpheus Civil Society Project. November 2000. Page9.

voter mobilization coalition, shared their experience and skills with civic action NGO coalitions in Ukraine, Croatia and Serbia.

A degree of frustration, however, is becoming very apparent in the attitudes and perceptions of Northern Tier NGOs. This was particularly evident in the initial results of the expert groups empanelled in Poland, Hungary and the Czech Republic, Slovakia and the Baltics, as NGO activists compare themselves more and more with their counterparts in the European Union, rather than with those in the other transitional countries of the region. Where possible, we have tried to take this into account in arriving at final scores for each of these countries.

Nevertheless, the most intractable obstacles to sustainability continue to plague the sector. In the Czech Republic, there is a chronic lack of finances and Government support has been decreasing over the past few years. Further, the government's proposal for a new Law on Civic Associations, which was supposed to replace the Law on Associating of Citizens, was rejected by the Czech Parliament in May 2000. In Estonia, the general public is still largely indifferent to the activities of NGOs and media coverage is largely passive. In Latvia, NGOs still find it impossible to work together in coalitions and umbrella groups, because they believe that they are competing against each other for limited resources, and are therefore often uninterested in co-operating for the common good.

The Southern Tier:



Clearly, it is civil society in the Southern Tier region that has had the most challenging year, following the dramatic political changes in the Balkans. NGO coalitions and other civil society organizations were crucial to the dramatic political changes that took place, and will remain essential to consolidation of democratic progress as monitors and watchdogs of government policy and actions, and as providers of community services, in the absence of government resources. One of the most important challenges ahead for NGOs in formally authoritarian countries will be the need to learn how to work "with" rather than "against" the government, while continuing to monitor and challenge their new governments.

Throughout the Southern Tier, NGOs are increasing their advocacy capacity, forming coalitions and umbrella organizations, and improving their contacts with other NGOs throughout the E&E region.

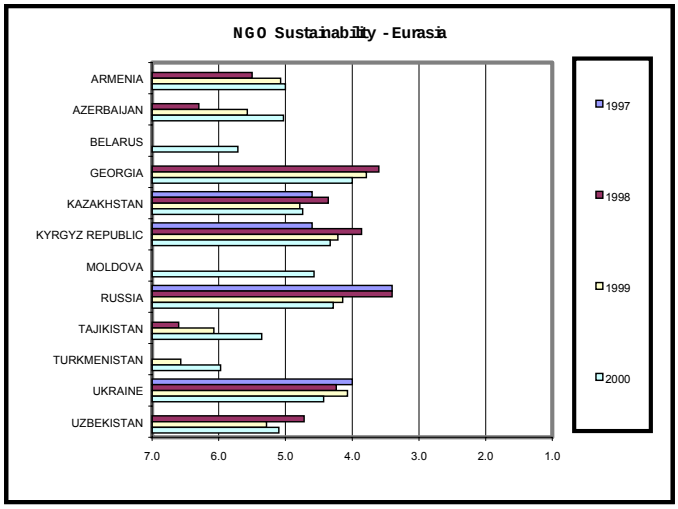
New NGO laws are in place in Bulgaria and Romania. The Bulgarian law, for example, introduces the concepts of public benefit organizations (PBOs) and mutual benefit organizations (MBOs) for the first time in the region. The law specifies catagories of public benefit activities, and provides State benefits exclusively to PBOs.

Nevertheless, serious constraints still hamper NGO sustainability. The financial viability of the sector is very poor, strategic planning and constituency development skills are weak, board development is virtually unheard of, and many societies are still plagued by ethnic rivalries, exceedingly weak economies and the aftermath of war.

Traditions of philanthropy and voluntarism are rare throughout the subregion. Government agencies, while generally becoming less hostile to NGOs, still tend to have little understanding of the merits of third sector activities. Most NGOs do not have a media strategy, and relations with the media are haphazard and ad hoc at best. In general, the public is not well informed about NGO activities.

TRENDS ANALYSIS

Eurasia:



Interestingly, while NGOs in the Northern Tier show increasing signs of frustration, the NGO experts that participated in the initial stages of scoring the Index in several Eurasian countries exhibited a great deal of unbridled enthusiasm over the first signs of improvement in the legal environments, infrastructures, and public image of NGOs in their countries. In Tajikistan, the government has slowly begun to implement a generally progressive NGO law passed in 1998, and the Ministry of Justice has begun to actively solicit NGO participation in the development of further NGO legislation. In Turkmenistan, small improvements in the number and availability of NGO Resource Centers, and the first joint NGO-Government activities in the areas of environmental curriculum reform and AIDS, have generated a good deal of excitement and enthusiasm for the initial signs of sectoral development.

Unfortunately, elsewhere in the region many governments remain hostile and suspicious of NGOs. In Belarus, the government required that all NGOs be re-registered in a campaign aimed largely at creating obstacles for sectoral development. In Kazakhstan, tax-police harassment of NGOs with international partners increased in 2000. Further, proposed changes to the Kazakhstani tax code could result in government interference and control over NGO programs by requiring international grants to be channeled through the Ministry of Press and Social Harmony in order to receive tax privileges. The proposed changes also roll back existing tax exemptions on NGO revenue generating activities. In Turkmenistan, the existing NGO law is not implemented at all, and government continues to harass NGOs that express criticism of national or local government. In Russia, government interference with the re-registration of politically controversial NGOs has increased.

NGOs remain heavily dependent upon international donor funds and new NGOs and NGO coalitions most often emerge around issues of importance to international donors, rather than issues of importance to local communities. There are some hopeful signs however. In Russia, NGO sector experts continue to find that Russian regional and local government agencies are the most likely sources of financial support. At least 40% of Russia's NGOs receive some form of government assistance. During 2000, legislation on government grants to NGOs for the provision of social services was passed in the cities of Stavropol, Novosibirsk, Kemerovo and Krasnoyarsk.

CONCLUSIONS

The 2000 NGO Sustainability Index continues to document profound changes that are taking place throughout Central and Eastern Europe and Eurasia. It is clear, however, that continued international donor support and capacity-building programs remain essential for indigenous NGO sectors in the Southern Tier and Eurasia. Even in the more sophisticated civil societies of the Northern Tier, partnerships and networks with western NGOs, and continued availability of international donor grants remain important to support financial sustainability.

A number of the key elements of civil society are coming into place. There is clear evidence of maturing legal and regulatory environments throughout the Europe and Eurasia region. Though still somewhat weak, steady progress is being made in the areas of public image and advocacy. With the support of international donors, there is a growing corps of NGO professionals and a substantial indigenous training capacity. And NGOs, particularly in the Southern Tier, are showing an impressive capacity to form coalitions and participate in nonpartisan political activities that support the strengthening of democratic roots.

Significant challenges remain. The most important of these are financial viability and continued improvement in credibility, public image and constituency building. In general, the new middle class is still too weak and unfamiliar with the role and capacity of NGOs to involve itself in charitable activities. Local economies are too weak to support robust civil society sectors without outside donor assistance.

NGOs will need more than money, training and technical assistance to establish healthy and strong community roots that can sustain them. Donor assistance needs to go beyond technical skills and financial assistance, and encourage NGOs to focus on their missions and their customers, public accountability and transparency.

Where government is highly hostile and suspicious of NGOs, major efforts may be needed to affect attitudes, practices and behaviors of the citizenry. In other cases, where citizens question the value of voluntarism or NGOs are perceived as little more than a means of avoiding taxes, NGOs and their international partners may need to focus on building credibility based upon NGO expertise and quality of services.

- Mark Levinson, Editor

METHODOLOGY

The 2000 NGO Sustainability Index
For Central and Eastern Europe and Eurasia

How is it measured?

Seven different dimensions of the NGO sector are analyzed in the Index: legal environment, organizational capacity, financial viability, advocacy, service provision, NGO infrastructure and public image. Individually, these dimensions can provide USAID Missions and partners, indigenous umbrella groups and intermediary support organizations, and other international donors with a reasonable measure of impact over time, and a basis for identifying both needs and opportunities in a strategic planning process.

In the Index, each of these seven dimensions is examined, with a focus on the following questions:

1. What has been accomplished?
2. What remains a problem?
3. Do local actors recognize the nature of outstanding challenges?
4. Do the local actors have a strategy and the capacity to address these challenges?

A brief explanation of the criteria used to evaluate each aspect of sustainability follows:

Legal Environment

For an NGO sector to be sustainable, the legal and regulatory environment should support the needs of NGOs. It should facilitate new entrants, help prevent governmental interference, and give NGOs the necessary legal basis to engage in appropriate fund-raising activities and legitimate income-producing ventures. The legal environment dimension of the Index analyzes the legal status of non-governmental organizations. Factors shaping the legal environment include the ease of registration; legal rights and conditions regulating NGOs; and the degree to which laws and regulations regarding taxation, procurement, access to information and other issues benefit or deter NGOs' effectiveness and viability. The extent to which government officials, NGO representa-tives, and private lawyers have the legal knowledge and experience to work within and improve the legal and regulatory environment for NGOs is also examined.

Questions asked include: Is there a favorable law on NGO registration? Does clear legal terminology preclude unwanted State control over NGOs? Are NGOs and their representatives allowed to operate freely within the law? Are they free from harassment by the central government, local governments, and tax police? Can they freely address matters of public debate and express criticism? Do NGOs receive any sort of tax exemption? Do individual or corporate donors receive tax deductions? Do NGOs have to pay taxes on grants? Are NGOs allowed legally to compete for government contracts/procurements at the local and central levels

OrganizationalCapacity

A sustainable NGO sector will contain a critical mass of NGOs that are transparently governed and publicly accountable, capably managed, and that exhibit essential organizational skills. The organizational capacity dimension of the Index addresses the operation of NGOs.

Questions evaluated include: Do NGOs actively seek to build constituencies for their initiatives? Do NGOs have a clearly defined Mission? Does the sector have a core of professionals who are experienced practitioners and trainers of NGO management? Does a core group of mature NGOs exist in a variety of sectors and geographic areas with well-developed missions, structures and capacity, including a recognized division between the Board of Directors and staff members? Do NGOs actively seek to build constituencies for their initiatives?

Financial Viability

A critical mass of NGOs must be financially viable, and the economy must be robust enough to support NGO self-financing efforts and generate philanthropic donations from local sources. For many NGOs, financial viability may be equally dependent upon the availability of and their ability to compete for international donor support funds.

Factors influencing the financial viability of NGOs include the state of the economy, the extent to which philanthropy and volunteerism are being nurtured in the local culture, as well as the extent to which government procurement and commercial revenue raising opportunities are being developed. The sophistication and prevalence of fundraising and strong financial management skills are also considered, although this overlaps with organizational capacity, described above.

Questions asked under this dimension include: Do NGOs raise a significant percentage of their funding from local sources? Are NGOs able to draw upon a core of volunteer and non-monetary support from their communities? Do NGOs have sound financial management systems? Do NGOs engage in membership outreach and constituency development programs? Do revenues from services, products, or rent from assets supplement the income of NGOs?

Advocacy

The political and advocacy environment must support the formation of coalitions and networks, and offer NGOs the means to communicate their message through the media to the broader public, articulate their demands to government officials, and monitor government actions to ensure accountability. The advocacy dimen-sion looks at NGOs' record in influencing public policy. The preva-lence of advocacy in different sectors, at different levels of government, as well as with the private sector is analyzed. The extent to which coalitions of NGOs have been formed around issues is considered, as well as whether NGOs monitor party platforms and government performance. This dimension does not measure the level of NGOs engagement with political parties.

Questions include: Are there direct lines of communication between NGOs and policy makers? Are NGOs able to

influence public policy? Have NGOs formed issue-based coalitions and conducted broad-based advocacy campaigns? Are there mechanisms and relationships for NGOs to participate in the political process?

Service Provision

Sectoral sustainability will require a critical mass of NGOs that can efficiently provide services that consistently meet the needs, priorities and expectations of their constituents.

The index reviews questions such as: Do the goods and services that NGOs produce reflect the needs and priorities of local donors and the community, as well as foreign donor grants and the government? Do NGOs have knowledge of the market demand? Do they have knowledge of the ability of the consumers of their services to pay for their products and services? Does the government, at the national and/or local level, recognize the value that NGOs can add in the provision of basic social services? Do they provide grants or contracts to NGOs to enable them to provide such services?

Sectoral Infrastructure

A strong sectoral infrastructure is necessary that can provide NGOs with broad access to Intermediary Support Organizations (ISOs) that provide local NGO support services. ISOs providing these services must be able to inform, train, and advise other NGOs; and provide access to NGO networks and coalitions that share information and pursue issues of common interest.

Questions include: Is there an indigenous infrastructure, including ISOs that supports NGOs? Do local community foundations or ISOs provide grants from either locally raised funds or by re-granting international donor funds? Do ISOs have an available body of information and curricula on the not-for-profit sector? Do NGOs share information with each other? Is there a network in place that facilitates such information sharing? Is there an organization or committee through which the sector promotes its interests?

Public Image

For the sector to be sustainable, government and communities should appreciation of the role that NGOs play in society. Public awareness and credibility directly affect NGOs' ability to recruit members and volunteers, and encourage indigenous donors. The Index looks at the extent and nature of the media's coverage of NGOs, the awareness and willingness of government officials to engage NGOs, as well as the general public's knowledge and perception of the sector as a whole.

have a positive public image of NGOs, including a broad understanding and Typical questions in this section include: Do NGOs enjoy positive media coverage? Does the media provide positive analysis of the role that NGOs play in civil society? Does the general public have a positive image of NGOs? What about the business sector and government? Have NGOs adopted a code of ethics or tried to demonstrate transparency in their operations?

Ratings: What they mean in general terms

The NGO Sustainability Index uses a seven-point scale, to facilitate comparisons to the Freedom House indices, with 7 indicating a low or poor level of development and 1 indicating a very advanced NGO sector. The following section elaborates on the characteristics of each level of development:

7 Erosion or no change since the Soviet era. A war, with its human and material costs, depleted economy, highly divided society or totalitarian regime and the like, has set the development of the sector back.

6 Little progress since Soviet era, one problem or constraint has replaced another. Facilitating the development of local capacity is severely limited by a hostile authoritarian regime, state-controlled media; brain drain; and/or a small or highly fractured community of activists with very little capacity or experience in organizing and initiating activities, running organizations, and/or little interest in doing so.

5 Programmatic success in developing the local capacity or facilitating progress in the aspect in question is hampered by a contracting economy; an authoritarian leader; highly centralized governance structure; a controlled or reactionary media; or a low level of capacity, will, or interest on the part of the NGO community. The absorptive capacity of the NGO sector is limited -- perhaps limited geographically to the capital city, or sectorally to two or three areas of activity or policy issues.

4 Progress in the aspect in question is hampered by the factors cited above, but to a lesser degree: perhaps by a stagnant rather than a contracting economy, a passive rather than hostile government, a disinterested rather than controlled or reactionary media, or a community of good-willed but inexperienced activists. While NGOs in the capital city or in three or four sectors are progressing, others lag far behind.

3 Foreign assistance is able to accelerate or facilitate reform because the environment is generally enabling and/or local progress and commitment to developing the aspect in question is strong. An enabling environment includes a government open to reform (legal), a growing economy (financial), some decentralization of governing structures (advocacy), or an independent media (image). NGOs in regional centers and in four or five sectors are beginning to mature.

2 The environment is enabling and the local NGO community demonstrates a commitment to pursuing needed reforms and to developing its professionalism. Foreign assistance continues to accelerate or facilitate these developments. Model NGOs can be found in most larger cities, in most regions of a country, and in a variety of sectors and issues.

1 While the needed reforms and/or the NGO sector's development is not complete, the local NGO community recognizes which reforms or developments are still needed, and has a plan and the ability to pursue them itself. Model NGOs can be found in cities and towns, in all regions of a country, in numerous different sectors.

The 2000 NGO SUSTAINABILITY INDEX

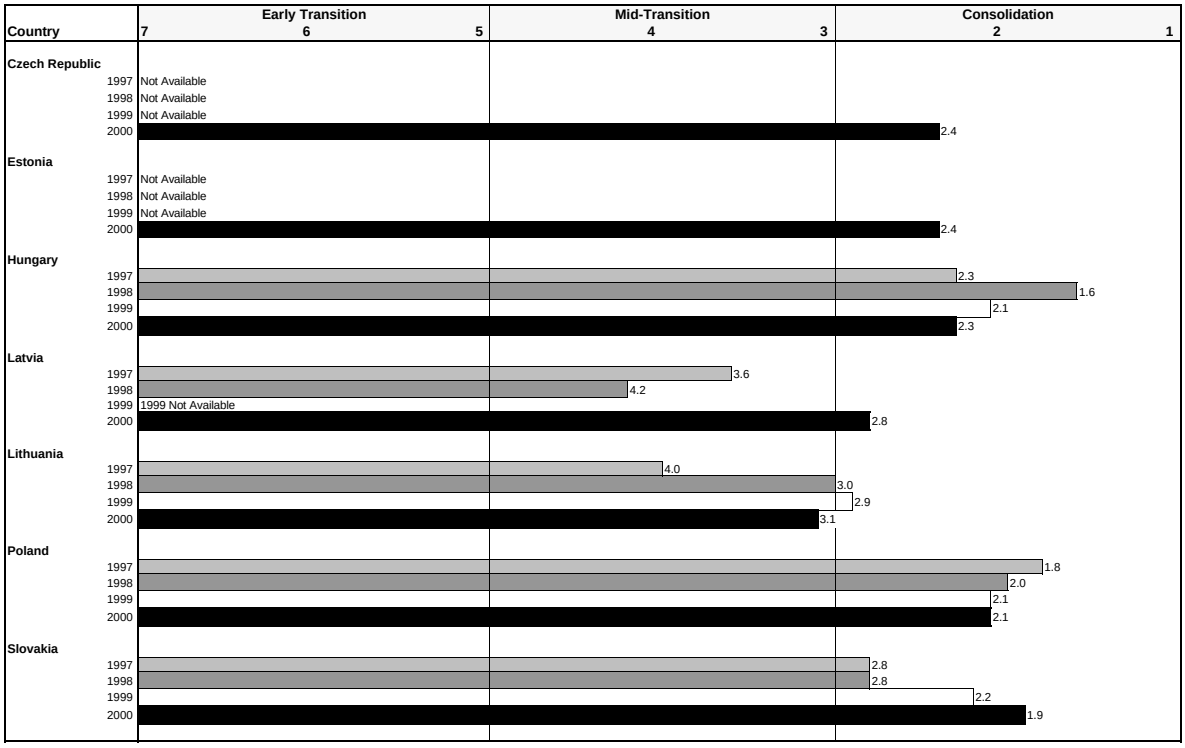
COUNTRY	LEGAL ENVIRON	ORG CAPACITY	FINANCIAL VIABILITY	ADVOCACY	SERVICE PROVISION	INFRA-STRUCTURE	PUBLIC IMAGE	OVERALL SCORE
NORTHERN TIER								
Czech Republic	2.0	3.0	2.0	2.0	2.0	3.0	3.0	2.4
Estonia	2.0	2.5	2.8	2.0	2.5	2.5	2.5	2.4
Hungary	1.0	3.0	3.0	3.0	2.0	2.0	2.0	2.3
Latvia	3.0	2.6	3.5	3.0	2.5	3.0	2.0	2.8
Lithuania	4.0	2.5	4.0	2.0	3.5	3.0	3.0	3.1
Poland	2.0	2.0	2.5	2.0	2.0	2.0	2.0	2.1
Slovakia	2.5	1.5	3.0	1.5	2.0	1.5	1.5	1.9
Regional Average	2.4	2.4	3.0	2.2	2.4	2.4	2.3	2.4
SOUTHERN TIER								
Albania	4.0	5.0	5.0	4.0	5.0	5.0	4.5	4.6
Bosnia	4.5	4.5	6.0	4.5	4.5	5.0	5.0	4.9
Bulgaria	3.5	4.5	5.2	3.0	3.0	3.0	4.0	3.7
Croatia	4.0	4.8	6.6	2.5	4.4	4.0	4.0	4.3
Kosovo	3.0	4.5	6.0	4.5	5.0	5.0	4.0	4.6
Macedonia	3.0	4.0	5.0	4.5	5.5	5.0	5.0	4.6
Montenegro	3.5	5.0	5.5	3.5	4.5	5.0	5.0	4.6
Romania	3.0	5.0	5.5	3.5	4.0	4.0	3.5	4.1
Serbia	5.0	5.0	6.0	4.0	4.0	4.0	4.0	4.6
Regional Average	3.7	4.7	5.6	3.8	4.4	4.4	4.3	4.4
EURASIA								
Armenia	4.0	5.0	6.0	5.0	4.0	6.0	5.0	5.0
Azerbaijan	5.0	5.2	6.0	5.5	4.5	4.5	4.5	5.0
Belarus	7.0	5.0	6.0	6.0	5.0	5.0	6.0	5.7
Georgia	3.0	4.0	6.0	2.0	5.0	4.0	5.0	4.1
Kazakhstan	4.5	5.0	5.5	4.5	4.7	4.5	4.5	4.7
Kyrgyz Republic	4.3	4.0	5.5	3.5	4.5	4.0	4.5	4.3
Moldova	3.0	4.5	5.5	5.0	5.0	4.0	5.0	4.6
Russia	4.0	4.0	5.0	4.5	4.5	3.5	4.5	4.3
Tajikistan	5.0	5.5	6.0	5.5	5.5	5.0	5.0	5.4
Turkmenistan	6.5	5.8	6.0	6.3	5.3	5.7	6.2	6.0
Ukraine	5.0	4.0	5.0	4.0	4.0	4.0	5.0	4.4
Uzbekistan	5.4	5.3	5.5	5.2	4.5	5.0	4.8	5.1
Regional Average	4.7	4.8	5.7	4.8	4.7	4.6	5.0	4.9

USAID - BUREAU FOR EUROPE AND EURASIA

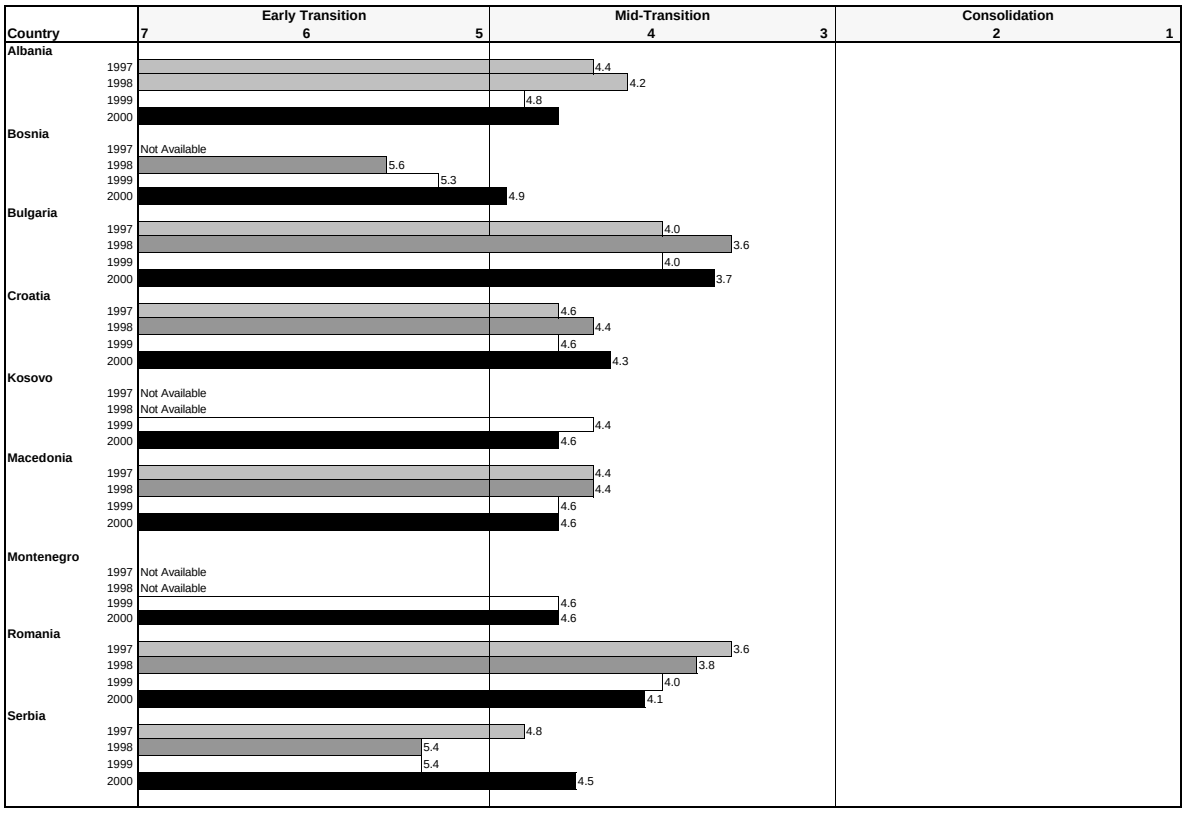
OFFICE OF DEMOCRACY AND GOVERNANCE

NGO Sustainability Index: 1997 - 2000

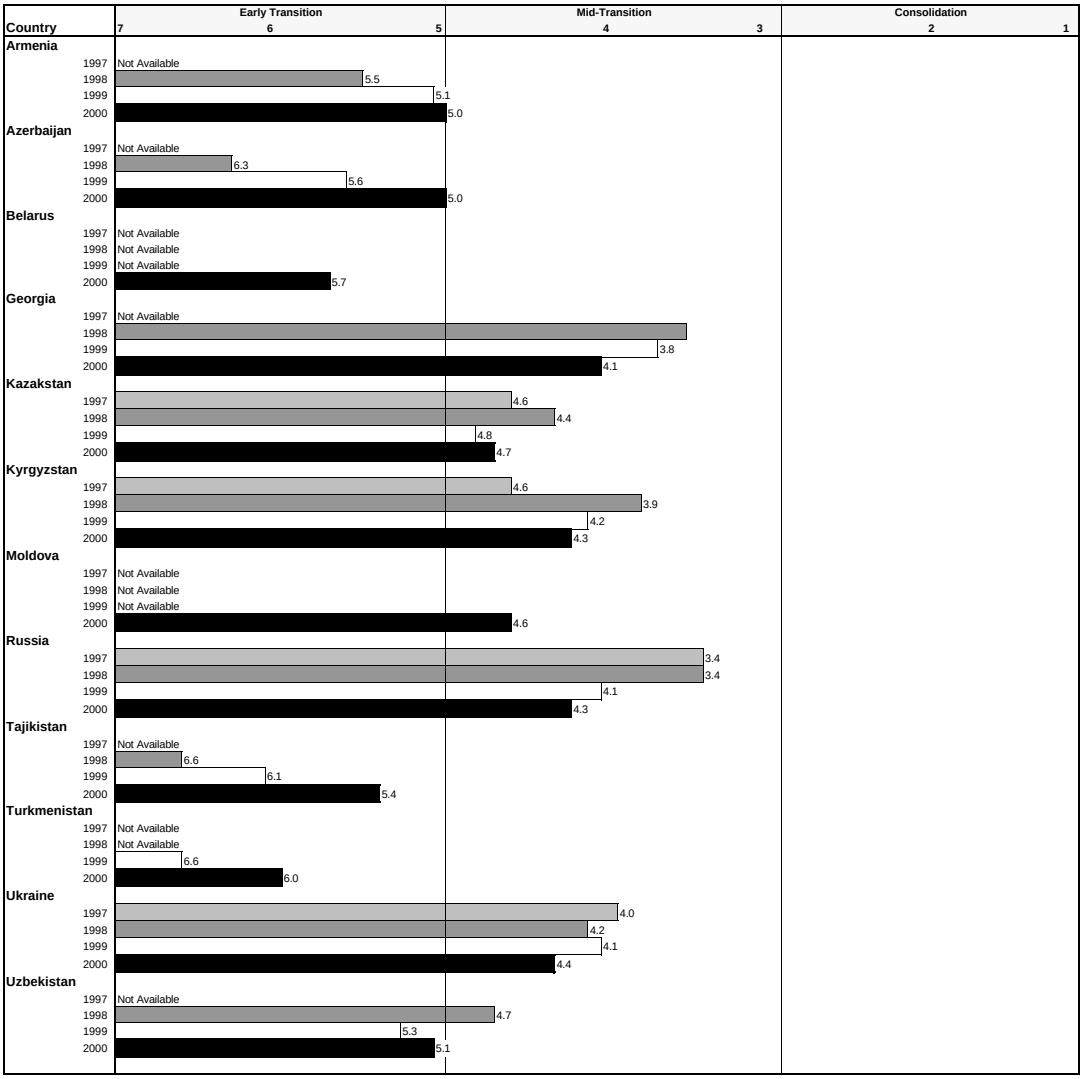
NORTHERN TIER



SOUTHERN TIER



EURASIA


Country
Early Transition
Mid-Transition
Consolidation
7
6
5
4
3
2
1
Armenia
1997 Not Available
1998 5.5
1999 5.1
2000 5.0
Azerbaijan
1997 Not Available
1998 6.3
1999 5.6
2000 5.0
Belarus
1997 Not Available
1998 Not Available
1999 Not Available
2000 5.7
Georgia
1997 Not Available
1998
1999 3.8
2000 4.1
Kazakstan
1997 4.6
1998 4.4
1999 4.8
2000 4.7
Kyrgyzstan
1997 4.6
1998 3.9
1999 4.2
2000 4.3
Moldova
1997 Not Available
1998 Not Available
1999 Not Available
2000 4.6
Russia
1997 3.4
1998 3.4
1999 4.1
2000 4.3
Tajikistan
1997 Not Available
1998 6.6
1999 6.1
2000 5.4
Turkmenistan
1997 Not Available
1998 Not Available
1999 6.6
2000 6.0
Ukraine
1997 4.0
1998 4.2
1999 4.1
2000 4.4
Uzbekistan
1997 Not Available
1998 4.7
1999 5.3
2000 5.1

Ratings: A Closer Look

The following sections go into greater depth about the characteristics in each of the seven dimensions of the sector's development. These characteristics and stages are drawn from empirical observations of the sector's development in the region, rather than a causal theory of development.

Given the decentralized nature of NGO sectors, many contradictory developments may be taking place simultaneously. Therefore we do not attempt to break out the characteristics of the seven dimensions into seven distinct steps of development. Instead, these characteristics are clustered into three basic stages: Early Transition, Mid-Transition and Consolidation. The Early Transition stage corresponds to a score of 5 to 7 points on the scale, the Mid-Transition stage corresponds to a score between 3 and 5 points, and the most advanced stage, Consolidation, corresponds to a score between 1 and 3 points.

Legal Environment

Early Transition (5-7):
The absence of legal provisions, the confusing or restrictive nature of legal provisions (and/or their implementation) on non-governmental organizations (NGOs) make it difficult to register and/or operate (i.e., regulation to the point of harassment). Assistance programs address status laws pertaining to registration, internal management/governance, scope of permissible activities, reporting, dissolution, and other topics; as well as the degree of bureaucratic and administrative impediments to NGO formation and operation; degree of state regulation, harassment of or violence toward NGOs.

Mid-Transition (3-5):
NGOs have little trouble registering and do not suffer from state harassment. They are permitted to engage in a broad range of activities, although taxation provisions, procurement procedures, etc. may inhibit NGOs' operation and development. Programs seek to reform or clarify existing NGO legislation, to allow NGOs to engage in revenue-raising and commercial activities, to allow national or local governments to privatize the provision of selected government services, to address basic tax and fiscal issues for CSOs, etc. The local NGO community understands the need to coalesce and advocate for legal reforms benefiting the NGO sector as a whole. A core of local lawyers begins to specialize in NGO law by providing legal services to local NGOs, advising the NGO community on needed legal reforms, crafting draft legislation, etc.

Consolidation (1-3):

TRENDS ANALYSIS

The legislative and regulatory framework begins to make special provisions for the needs of NGOs or gives not-for-profit NGOs special advantages such as: significant tax deductions for business or individual contributions, significant tax exemptions on CSOs, open competition among NGOs to provide government-funded service, etc. Legal reform efforts at this point are primarily a local NGO advocacy effort to reform or fine tune taxation laws, procurement processes, etc. Local and comparative expertise, as well as availability of legal services and materials, on the NGO legal framework exists.

Note: The International Center for Not-for-Profit Law (ICNL) contributed to defining these stages of development. ICNL's web site (www.icnl.org) provides comparative analyses of NGO laws.

Organizational Capacity

Early Transition (5-7):
NGOs are "one-man shows," completely dependent upon the personality of one or two major figures. They often split apart due to personality clashes. NGOs lack a clearly defined sense of mission. At this stage, NGOs reflect little or no understanding of strategic planning or program formulation. They lack organizational skills and procedures for budgeting and tracking expenditures; and they lack the ability to monitor, report on, and evaluate programs. Organizations rarely have a board of directors, by-laws, staff, or more than a handful of active members. Programs provide basic organizational training to NGO activists.

Mid-Transition (3-5):
Individual NGOs, or a number of NGOs in individual sectors (women, environment, social services, etc.), demonstrate enhanced capacity to govern themselves and organize their work. Individual NGOs in at least the major sectors -- environment, business, social sector, human rights/democracy -- maintain full-time staff members and boast an orderly division of labor between board members and staff. Local NGO support centers are founded to inform, train, and advise other NGOs. Activities include newsletters, libraries, consultations or other services. NGO activists may demand that training be at a more advanced level. Programs train local trainers and develop local language materials and locally sponsored courses to teach organizational skills. Local trainers learn how to facilitate: strategic planning exercises and program development, financial management structures, appropriate communication channels both within and outside an organization, and team building.

Consolidation (1-3):
A few transparently governed and capably managed NGOs exist across a variety of sectors. Essential organizational skills are demonstrated, and include how to recruit, train, and manage a volunteer network. A professional cadre of local experts, consultants and trainers in non-profit management exists. An ac

Financial Viability

cessible network for identifying trainers and consultants exists. NGOs recognize the value of training. The lack of financial resources may remain a constraint for NGOs wanting to access locally provided NGO management training. Topics of available training cover: legal and tax issues for NGOs, accounting and bookkeeping, communication skills, volunteer management, media and public relations skills, sponsorship and fundraising.

Early Transition (5-7):
New NGOs survive from grant to grant and/or depend financially on one (foreign) sponsor. NGOs at this stage lack basic fundraising skills, such as how to write a proposal. Programs seek to teach fundraising skills in order to diversify funding sources. Even with a diversified funding base, donors remain overwhelmingly international. A depressed local economy may contribute to this dependency.

Mid-Transition (3-5):
NGOs pioneer different approaches to financial independence and viability. Some might survive and continue to grow modestly, by reducing foreign funding and sticking to a minimal, volunteer-based operation. Individual NGOs experiment with raising revenues through providing services, winning contracts and grants from municipalities and ministries to provide services, or attempting to attract dues-paying members or domestic donors. NGOs begin to pool resources by sharing overhead costs, such as hiring one accountant for several NGOs. Efforts are made to simplify and/or establish uniform grant application procedures undertaken by donors or governmental agencies. A depressed local economy may hamper efforts to raise funds from local sources. Training programs accelerate financial viability by offering strategic planning, revenue raising and advanced fundraising skills through indigenous trainers and NGO support centers. NGOs begin to understand the importance of transparency and accountability from a fundraising perspective. NGO centers may provide "incubator" services to decrease administrative costs for fledgling NGOs.

Consolidation (1-3):
A critical mass of NGOs adopt rules on conflict of interest, prohibitions on self-dealing and private procurement, appropriate distribution of assets upon dissolution, etc., to win potential donors' confidence. In a conscious effort, the local NGO sector may lay the groundwork for financial viability by cultivating future sources of revenue for the sector. This might include lobbying for government procurement reform for NGO-delivered services, tax reform to encourage revenue-generating activities, providing exposure through NGO trainers and NGO support center to successful domestic precedents, cultivating a domestic tradition of corporate philanthropy, or cultivating international donors. There is also a growing economy, which makes growth in domestic giving possible.

Advocacy

Early Transition (5-7):
Broad umbrella movements, composed of activists concerned with a variety of sectors, and united in their opposition to the old regime fall apart or disappear. Some countries at this stage have not even experienced any initial burst of activism. Economic concerns become predominant for most citizens. There may be an increase in passivity, cynicism, or fear within the general public. NGO activists are afraid to engage in dialogue with the government, feel inadequate to offer their views and/or do not believe the government will listen to their recommendations. NGOs do not understand the role that they can play in "public policy" or do not understand concept of "public policy". Programmatic activities begin to introduce the importance of collecting empirical data and first-hand information in order to share facts rather than opinions with officials or concerned citizens.

Mid-Transition (3-5):
Narrowly defined advocacy organizations emerge and become politically active in response to specific issues, including issues that emerge during the transition: human rights, abortion, opportunities for the disabled, environment, etc. Organizations at Mid-Transition development may often present their concerns to inappropriate levels of government (local instead of national and vice versa). Weakness of the legislative branch might be revealed or incorrectly assumed, as activists choose to meet with executive branch officials instead ("where the power truly lies."). Beginnings of alternative policy analysis are found at universities. The beginnings of information sharing and networking between NGOs, and the existence of an NGO support center to inform and advocate its needs within the government may develop. Programmatic initiatives include training in advocacy techniques, coalition building, communication techniques, and policy analysis.

Consolidation (1-3):
The NGO sector demonstrates the ability and capacity to respond to changing needs, issues and interests of the community and country. As NGOs secure their institutional and political base, they begin to 1) form coalitions to pursue issues of common interest, such as children's rights or handicapped care; 2) monitor and lobby political parties; 3) monitor and lobby legislatures and executive bodies. NGOs demonstrate the ability to mobilize citizens and other organizations to respond to changing needs, issues, and interests. NGOs at stage three will review their strategies, and possess an ability to adapt and respond to challenges by sector. A prime motivator for cooperation is self-interest: NGOs may form alliances around shared issues confronting them as non-profit, non-governmental organizations.

Service Provision

Early Transition (5-7):
A limited number of NGOs are capable of providing basic social services--such as health, education, relief, housing, water or energy. Those who do provide such services receive few if any government subsidies or contracts. NGOs that produce publications, technical services or research do so only for their own members. Attempts to charge fees for goods and services are limited, and often fail. The volume of services to the poor is limited since there is little local private sector financial support and no cross-subsidization from services to better off constituencies.

Mid-Transition (3-5):
The contribution of NGOs to covering the gap in social services is recognized by government, which may on occasion subsidize or contract for these "public goods." NGOs recognize the need to charge fees for services and other products—such as publications and workshops—but even where legally allowed, such fees seldom recover their costs. The constituency for NGO expertise, reports and documents expands beyond their own members and the poor to include other NGOs, academia, churches, and government.

Consolidation (1-3):
Many NGOs provide goods and services, which reflect community and/or local donor priorities. Many NGOs produce products beyond basic social services to such sectors as economic development, environmental protection or democratic governance. NGOs in several sectors have developed a sufficiently strong knowledge of the market demand for their services, the ability of government to contract for the delivery of such services or other sources of funding including private donations, grants and fees, where allowed by law. A number of NGOs find it possible to cross-subsidize those goods and services for which full cost recovery is not viable with income earned from more lucrative goods and services, or with funds raised from other sources.

Infrastructure

Early Transition (5-7):
There are few, if any, active NGO Intermediary Support Organizations (ISOs), networks and umbrella organizations. Those that do operate, work primarily in the capital city and provide limited services such as access to computer equipment, faxes, email and meeting space. Local training and NGO development capacity is extremely limited and undeveloped. Primarily programs of international donors provide training and technical assistance. There is no coordinated effort to develop philanthropic traditions, improve fundraising or establish community foundations. NGO efforts to work together are limited by a perception of competition for foreign donor support and mistrust of other organizations.

Mid-Transition (3-5):
ISOs are active in most major population centers, and provide services such as distributing grants, publishing newsletters, maintaining a membership database, running a library of NGO literature, and providing basic training and consulting services. Other umbrella organizations are formed to facilitate networking and coordinate activities of groups of NGOs. Local trainers have the capacity to provide basic organizational training. Donors' fora are formed to coordinate the financial support of international donors, and to develop local corporate philanthropic activities.

Consolidation (1-3):
ISOs are active in all areas of the country and provide advanced training, legal support and advice, and philanthropic development activities. Efforts are underway to found and endow community foundations, indigenous grant-making institutions, and organizations to coordinate local fundraising. Local trainers are capable of providing high level training to NGOs throughout the country.

Public Image

Early Transition (5-7):
The general public and/or government are uninformed or suspicious of NGOs as institutions. Most the population does not understand the concept of "non-governmental" or "not-for-profit", including government officials, business leaders and journalists. Media coverage may be hostile, due to suspicion of a free but uninformed media, or due to the hostility of an authoritarian government. Charges of treason may be issued against NGOs. Due to a hostile atmosphere caused by an authoritarian government, if individuals or businesses donate to NGOs at all, they do so anonymously.

Mid-Transition (3-5):
The media generally does not tend to cover NGOs because it considers them weak and ineffective. Individual NGOs realize the need to educate the public, to become more transparent, and to seek out opportunities for media coverage. Individual local governments demonstrate strong working relationships with their local NGOs, as evidenced by their participation in advisory committees, consultations, public-private initiatives, and the funding of an occasional grant.

Consolidation (1-3):
This stage is characterized by growing public knowledge of and trust in NGOs, and increased rates of voluntarism. NGOs coalesce to mount a campaign to win public trust. Widespread examples of good working relationships between NGOs and national and local governments exist, and can result in public-private initiatives or NGO advisory committees for city councils and ministries. Increased accountability, transparency, and self-regulation exist within the NGO sector to win public trust, including existence of a generally accepted code of ethics or a code of conduct.

Field Instructions

Although the degree of expert vetting varied somewhat from country to country, the following instructions, given to USAID field officers for gathering data and drafting a country report, were followed:

1. Collect relevant information for each of the seven aspects included in the index and update your country overview statement.

2. Convene a group of 6-10 observers of the sector--drawing on donors, your NGO assistance implementers, representatives of NGO support centers, and representatives of the chief sub-sectors, such as women's, environmental, or human rights groups.

3. Share a draft of your updated overview statement with this "NGO Expert" group for its comments and additions. You may want to have a longer description for your own in-country usage and a more concise overview statement for our regional document. Two to four pages (2-4 pp.) per country are more than enough for the regional piece.

4. With the NGO expert group discuss each indicator within each dimension, on the score sheet provided, separately and rate it on the following scale:

   (1) The indicator in question is lacking or not implemented/utilized, posing a serious constraint on NGO sectoral sustainability.
   (2) The indicator in question is lacking or not implemented/utilized, constraining the NGO sector's sustainability to some degree.
   (3) The indicator in question is present and implemented/utilized to the degree that it has a somewhat positive impact on the NGO sector
   (4) The indicator in question is present and well enough implemented/utilized to nurture the NGO sector.

5. For each dimension, add up all of the indicator scores – yielding your raw sum.

6. Average the indicator scores for that dimension by dividing your working sum by the number of indicators you scored. Round if necessary to the nearest one tenth. (This step is necessary, you may notice, because the various dimensions have different numbers of indicators.)

METHODOLOGY

7. For each dimension, convert your average score into the final seven-point Index rating scale by looking it up on the following table:

Average Score	Dimension Rating*
3.6 to 4.0	1
3.2 to 3.5	2
2.8 to 3.1	3
2.4 to 2.7	4
1.9 to 2.3	5
1.5 to 1.8	6
1.0 to 1.4	7

*Note: The final index scale, on which the lower the number the “higher” the rating, inverts the more common sense score sheet scale, on which the lower the number the lower the rating.

8. After using the four new steps to systematically derive your rating for each of the seven dimensions of sector sustainability, simply average those ratings to get the final country Index number. (Note: You may wish to ask those members of your group whose scores differ markedly with the others' rankings ("outliers") to explain the reasoning behind their rankings.)

The methodology used by the committee at USAID/Washington to review the Index was as follows:

1. After USAID field officers of each country submitted a draft report, a member of the reviewing committee checked each country report for comprehensiveness. A first round of additions and clarifications were requested.

2. The USAID/Washington committee reviewed the overview statements, and discussed both the overall and individual sector rankings.

3. Any discrepancy between the field report and committee opinion was forwarded to the field. Field officers were asked to justify their original rankings.

4. After considering explanations from the field, the committee agreed upon final scores, which are the basis of this Index.