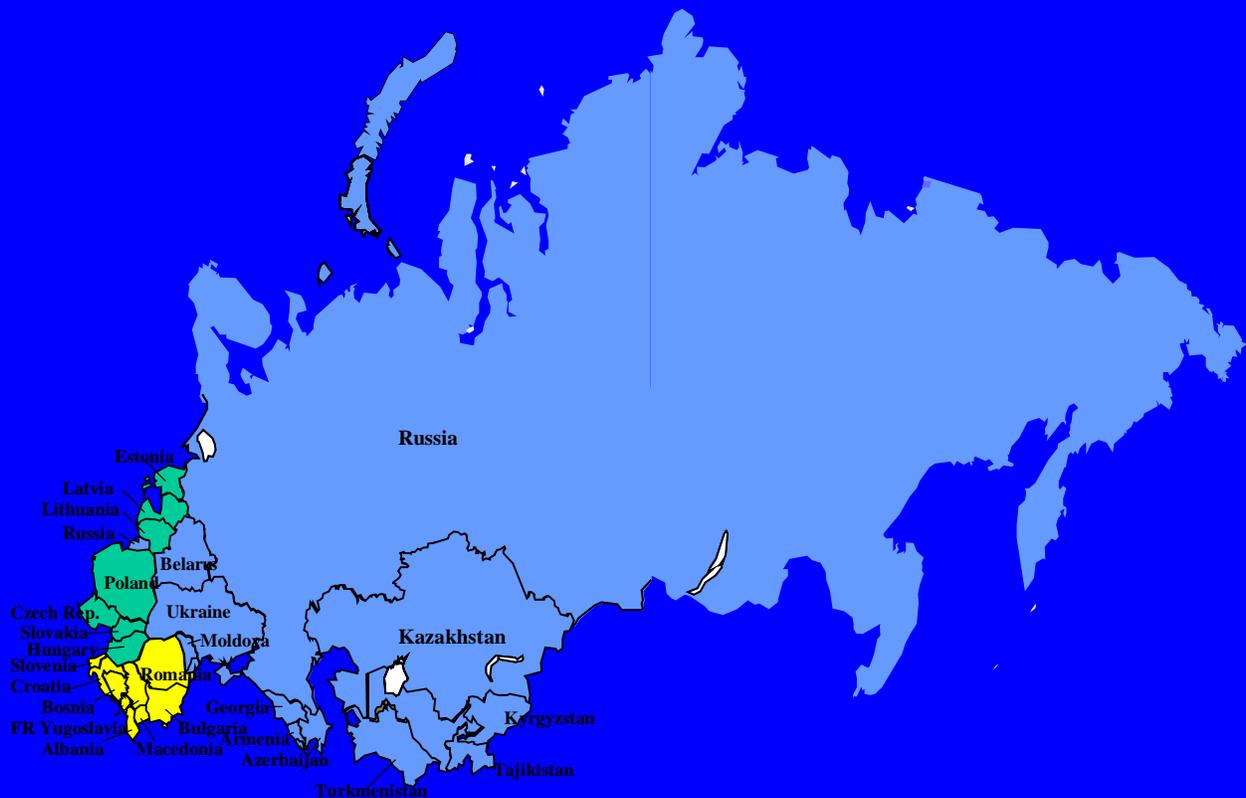


The 1999 NGO Sustainability Index



Developed by:



United States Agency for International Development
Bureau for Europe & Eurasia
Office of Democracy and Governance

Third Edition
January 2000

**In Memoriam
John P. Grant**

This edition of the NGO Sustainability Index is dedicated to the memory of John P. Grant, friend and colleague, who passed away this year while on assignment as USAID Mission Director in Sofia, Bulgaria. John had a vision of a vibrant civil society as the basis for lasting peace and prosperity throughout the region, and he worked indefatigably in pursuit of it. He supported and strengthened the NGO sector in innovative and far-reaching ways that have left an indelible mark not just on USAID programs, but on everyday people around the world. We hope that this Index, which John Grant helped develop and refine, will help further his ideal of "doing the right thing for civil society development, and getting it done right."

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THE 1999 NGO SUSTAINABILITY INDEX
Table of Contents

<i>Forward</i>	1
<i>The NGO Sustainability Index: What it is and how it is measured</i>	10
<i>Ratings: What they mean in general terms</i>	12
<i>1999 NGO Sector Score Sheet</i>	13
<i>1997 – 1999 Comparative Graph</i>	14
<i>Ratings: A Closer Look</i>	15
<i>Methodology</i>	20
 <i>Country Overview Statements</i>	
Albania	23
Armenia.....	27
Azerbaijan	30
Bosnia and Herzegovina.....	35
Bulgaria	40
Croatia	43
Georgia	48
Hungary.....	51
Kazakhstan	55
Kosovo	58
Kyrgyzstan	61
Lithuania.....	64
Macedonia	68
Montenegro	74
Poland.....	77
Romania	81
Russia	84
Serbia.....	88
Slovakia.....	91
Tajikstan	95
Turkmenistan.....	97
Ukraine	99
Uzbekistan.....	103
 <i>Statistical Annex</i>	 107

THE 1999 NGO SUSTAINABILITY INDEX:

FORWARD

INTRODUCTION

With the publication of the 1999 NGO Sustainability Index, the Bureau for Europe and Eurasia has taken another step forward in the continued development and improvement of this important instrument that gauges the strength and viability of the region's NGO sectors. Based on feedback from USAID Missions and implementing partners, and formulated with the assistance of the Advisory Committee on Voluntary Foreign Assistance (ACVFA), changes and improvements in this edition of the Index have been made to make scoring both more rigorous and more comprehensive. Readers will note two major changes:

- Two new dimensions of NGO sustainability-- service provision and sectoral infrastructure -- which in prior years were included as part of organizational capacity
- A refined, more objective scoring process.

While these changes make this year's scores harder to compare to those of prior years, we believe that the increased objectivity of the scoring and the additional information that the new dimensions provide will more than make up for the difficulty.

The 1999 Index also provides additional graphs and charts in a new Statistical Annex, that will enable the reader to compare scores in each dimension, both across the regions and over time. We hope the insights these graphs provide will prove valuable to donors and implementers alike.

Now that the Index is in its third edition, the data are beginning to provide a picture of progress, constraints, and sectoral self-perceptions within each sector and across the region. We can therefore make a number of general observations and identify a few trends.

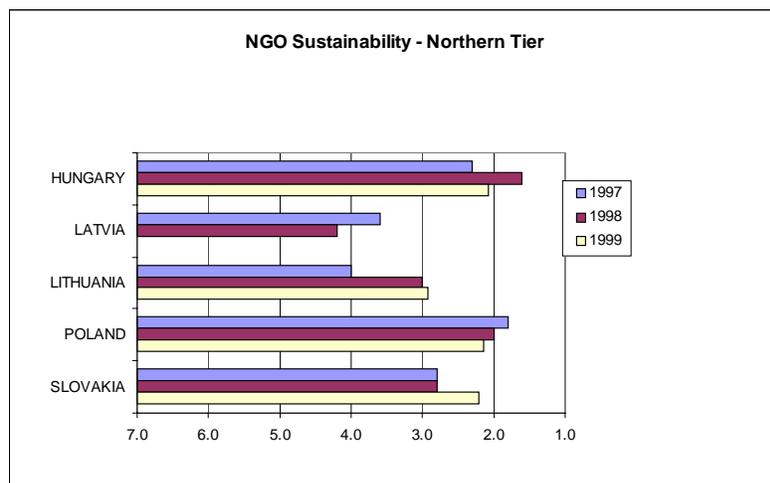
FINDINGS AND TRENDS

Northern Tier:

In the past ten years, the countries of the Northern Tier of Central and Eastern Europe¹ have made great progress in democratic transition and civil society development. The scores in each of the seven dimensions of sustainability that the Index now measures indicate that civil society in these countries has come far since the fall of their communist governments. These scores demonstrate that there is a growing community of capable and professional NGOs that have demonstrated an ability to participate in public policy debates, advocate effectively on behalf of their constituencies, and provide services that their communities need and value.

Unfortunately, rebuilding the traditions of philanthropy, charity and social responsibility that existed in the region prior to the Second World War have proven more difficult than establishing the forms, structures, and institutions of democracy and civil society.

Throughout the Northern Tier, legal structures and regulatory mechanisms are consistently being refined and improved. Legal reforms that meet international standards and support NGO development are continuing to be made to existing legal structures, largely with substantial local NGO input and involvement. However, there is still need for further reform and development of NGO legal and regulatory environments, as well as further development of local legal capacity to serve the not-for-profit sector.



Intermediary support organizations (ISOs) have emerged to provide technical services and assistance to NGOs. In Poland, for example, a network of seven NGO support centers has been established in the larger cities. These centers provide information, training, advisory services to NGOs on fund-raising, NGO management, preparing applications for funding, cooperation with local government, and promotion and cooperation with the media. The Academy for the Development of Philanthropy in Poland, with funds from the Stefan Batory, Mott and Ford Foundations is also facilitating the development of 14 community foundations.

¹ For the purposes of this paper the Northern Tier of Central and Eastern Europe consists only of Hungary, Latvia, Lithuania, Poland and Slovakia.

In Slovakia, the NGO sector has created its own infrastructure, including regional associations and national umbrella organizations. The Slovak Academic Information Agency-Service Center for the Third Sector (SAIA-SCTS) has eight branch offices in different regions throughout the country that provide information, advice, and training for NGOs. It also acts as a clearinghouse for information on Slovakia's NGO sector. Slovak NGOs hold an annual nationwide meeting called the Stupava Conference to discuss trends and issues, establish priorities and contacts, and increase cooperation. The Conference also elects a volunteer body, the "Gremium for the Third Sector", to advocate for and promote the interests of NGOs. The Gremium helps develop partnerships with government, business, and trade unions; explains and promotes the work of NGOs nationally level and abroad; and co-ordinates information and service activities for NGOs.

In Hungary, a strong cadre of well-trained professionals services the non-profit sector, although most NGOs find it difficult to pay for such services without foreign donor support. The Government of Hungary has begun constructing a network of Civic Houses, based in larger towns across the country; however, the exact scope of their mission remains unclear.

The Index's measurements show organizational capacity, advocacy skills, and the public image of NGOs remain strong and stable in the Northern Tier, generally showing steady progress. The scores in NGO financial viability, however, particularly in those countries in which USAID has discontinued bilateral aid, are beginning to reflect NGOs' concerns about sustaining themselves financially in an environment where foreign donors are reducing support and shifting priorities.

For these countries, all of which have either graduated from direct bilateral assistance or are scheduled to do so by September 30, 2000, political, social, and economic integration into Western Europe seems inevitable, though in most cases it remains years away. Despite this perception of inevitability and evidence of substantial progress in civil society sustainability, in countries like Hungary and Poland much of the original energy and enthusiasm of civil society development has given way to guarded optimism. In Slovakia, NGOs are still benefiting from the enthusiasm for civil society institutions generated by the highly successful civic education program *OK 98*. In the rest of the Northern Tier, however, economic recession, a substantial reduction of foreign donor support, and the lack of indigenous philanthropic development are beginning to hit home. Much of this disillusionment may also be due to the fact that NGOs in the Northern Tier are beginning to compare themselves more to their Western neighbors than to their counterparts in the former Warsaw Pact.

Southern Tier:

In the Southern Tier of Central and Eastern Europe², economic and political transformation is taking longer than originally hoped, and despite substantial progress,

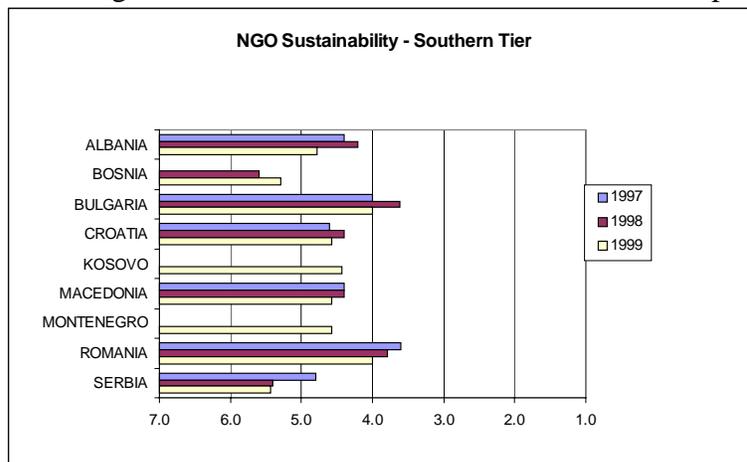
² For the purposes of this paper, the Southern Tier of Central and Eastern Europe consists of Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Macedonia, Montenegro, Romania and Serbia.

particularly in Bulgaria and Romania, civil society development clearly lags behind the Northern Tier.

Difficult economic and political circumstances greatly affected NGO sustainability. Two highly divisive and destructive wars in the Southern Tier sent shock waves throughout the economic, social, and political fabric of the entire region. Nationalist or populist movements have enabled a number of authoritarian or semi-authoritarian leaders to profit from continuing corruption, rising crime, and in the absence of civil society traditions of social and community responsibility, to maintain or to bring themselves back into power.

In places like Croatia and Serbia, political leaders have branded NGOs and civil society organizations as either instruments of the West or party to the political opposition. Still, the public image of NGOs in places like Croatia, for example, remain strong.

There is steady progress in improving the legal environment for NGOs throughout the Southern Tier. Local NGOs are actively participating in working groups that are drafting new legislation in Bulgaria and Romania. New laws have been passed in Macedonia and Montenegro that reflect a number of international best practices. In Albania, a new draft



NGO law that has been recognized as among the best in the Balkan region is awaiting passage.

Progress has also been made in the area of organizational capacity. Still, many NGOs throughout the Southern Tier still do not have well developed Boards of Directors. Many of the more sophisticated

NGOs are too dependent on donor support, which often results in organizations adapting themselves to be eligible for grants, rather than using their missions as a tool to develop constituencies and deepen roots in their communities.

Because of continued economic stagnation and widespread disillusionment with social and economic progress since the fall of communism, NGOs in Albania, Bulgaria, Macedonia and Romania are struggling to maintain the progress in developing positive public images that the Index had noted in prior years. In each of these countries, the government, public and NGOs themselves must better understand the role NGOs can play in an active civil society.

The largest NGOs in the Southern Tier are highly dependent upon international donor funding and pessimistic about their chances of developing alternative sources of local funding. Scores in the area of NGO financial viability continue to be mired in the "Early-

Transition³" phase. Although some organizations are able to charge for their services or collect membership fees, income from these sources is limited because of the poverty of the community. In some countries the legal structure works against NGOs earning income or individual and business philanthropy, by fully taxing all income and failing to provide for deductions for charitable contributions.

One positive trend is the progress made in improving NGO effectiveness in issue and constituency advocacy. This is particularly evident in Albania, Bulgaria, and Croatia. NGOs are beginning to form coalitions and partnerships with local authorities. In Croatia, for example, 148 unions, human rights, women's and ecology NGOs formed *Glas 99*, a loose coalition of groups that promote civic education and mobilize voters to support democratic change.

Nevertheless, Croatia still does not have a developed infrastructure of intermediary support organizations (ISOs). In fact there is only one NGO resource center, located in Zagreb. Additional ISOs could provide NGOs in other regions of the country with support in meeting registration and tax requirements, and provide training and assistance in financial management and fund raising. Still, some NGOs are able to support the development of smaller grassroots NGOs through sectoral coalitions of environmental NGOs, peace and human rights groups, and women's NGOs.

In Bulgaria, there are a number of resource and information centers throughout the country, although most provide only limited services. They have, however, been somewhat successful in attracting income from local sources. Romania also has a few NGO ISOs, but these organizations are still in the formative stage -- trying to define their role, struggling with a lack of resources, and developing and maintaining relationships with clients.

The public's frustration with government institutions, coupled with the developing organizational, advocacy, and service capacity of NGOs, can still represent an opportunity for the NGO sector. By understanding and effectively meeting the needs of their constituencies, NGOs can forge lasting and valuable relationships that support their long-term sustainability.

Eurasia (NIS):

The picture for NGOs in Eurasia⁴ is mixed. There are identifiable successes within each dimension of sustainability, and broad measures of capacity are increasing for a core group of NGOs throughout the region. Despite the impact of the Russian financial crisis, the NGO sectors in Georgia, Kazakstan, Kyrgyzstan, Russia and Ukraine, for example,

³ The NGO Sustainability Index clusters the characteristics of sustainability 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. For further discussion and description of these phases, please see "Ratings: A Closer Look", page 15.

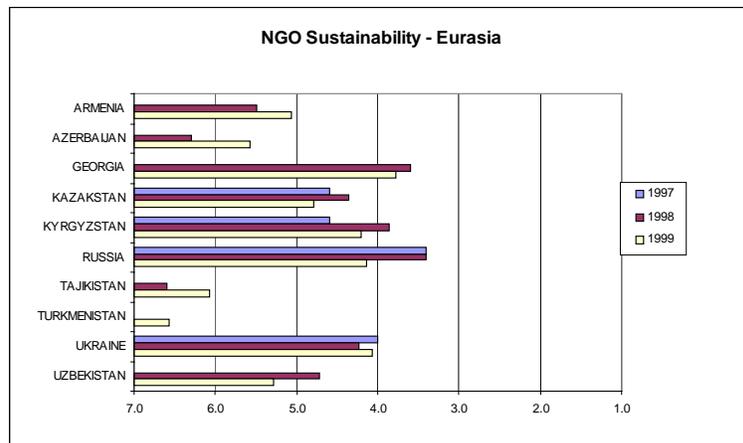
⁴ For the purposes of this paper, the countries included in the Eurasia region are Armenia, Azerbaijan, Georgia, Kazakstan, Kyrgystan, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

continue to score solidly in the Mid-Transition phase. Even in Tajikistan and Turkmenistan, the first real signs of civil society are beginning to emerge. Despite a decline in the overall measure of sustainability for the NGO sector in Eurasia, and despite a deteriorating financial and political environment with increasing pessimism and disappointment with reform, NGOs are making gradual progress or holding their own in the areas of organizational capacity, advocacy and public image.

In Kyrgyzstan, for example, new legislation was approved in 1999 that greatly improves the legal environment for NGOs by establishing a legal basis for the creation of non-profits and determining their clear distinction from commercial organizations.

In Georgia, the most highly developed NGOs have strategic plans and mission statements, paid professional staff, and access to modern office equipment. Most have a well supplied office with at least one computer, fax/modems and Internet access. Many NGOs are capable of augmenting their staff with volunteer labor, though the Labor Code of Georgia lacks any norms for volunteers and prohibits organizations from having such volunteers.

In Armenia, NGOs have been able to get favorable coverage in both print and broadcast media by inviting media to events and explaining how their activities benefit the community. Broadcast media, both state and private, have demonstrated a willingness to allow public service announcements to be broadcast free or for a minimal charge.



In Azerbaijan, the range of services provided by NGOs is growing, and the types of programs offered are continually becoming more diverse; these include services and programs in education, for children and youth, health, environmental protection, economic development, and humanitarian relief. While a majority of the population is still unfamiliar with NGOs, public awareness is steadily growing as these organizations increase in number and programming reaches out beyond the capital city of Baku.

Building the traditions and institutions of civil society in Eurasia is proving to be a much longer-term endeavor than originally thought. The Russian financial crisis has had serious repercussions in Russia and throughout the region. The devaluation of the ruble has had a major and sustained negative impact on local economies, and in turn on NGO resources. Trade and employment are down. Inflation continues to erode the value of NGO resources and increase operational costs. Those NGOs fortunate enough to have access to international donor support are finding themselves drawn more and more to international donor objectives that may not necessarily correspond to local priorities, just at the time

when community needs are increasing the most. As a result, many of the larger and more organizationally sophisticated NGOs are sometimes perceived as more concerned with getting donor funds than with providing necessary programs and services.

Coupled with limited traditions of civil society, high levels of distrust for public institutions, and general disappointment with the results of reform, NGOs are having a difficult time engendering positive attitudes about the importance and capacity of the Third Sector.

Still, NGOs are beginning to diversify their financial bases by introducing cost-recovery, fees-for-service, and other revenue-raising schemes, although these may in many cases carry serious tax liabilities. There is also evidence of substantial progress in NGO relations with local government. In Russia, for example, regional and local government agencies are beginning to be seen as the most likely sources of future financial support, rather than international donors. Local advocacy initiatives have gained strength in over thirty Russian regions, as demonstrated by local citizen councils that meet regularly to advise legislative and executive branch officials on policy. Local government officials are beginning to recognize the value that NGOs can add in the provision of basic social services.

The concept of associational life is beginning to take hold, and NGO sectors throughout Eurasia are continuing to grow. In Russia for example, since the 1995 mandatory re-registration of civic organizations, almost 240,000 organizations have been registered with the Ministry of Justice. Local experts estimate that only one quarter of these are active and engaged in civic issues, but the number and variety of organizations that have registered indicates that there is a growing variety of associational life in Russia. Grassroots organizations are forming for a variety of community purposes: trade unions, religious groups, consumer cooperatives, business associations, sports clubs, social and cultural organizations, etc. It is also clear, by their sheer number, that the majority of these organizations form and sustain themselves on local and volunteer resource, and receive no international donor support.

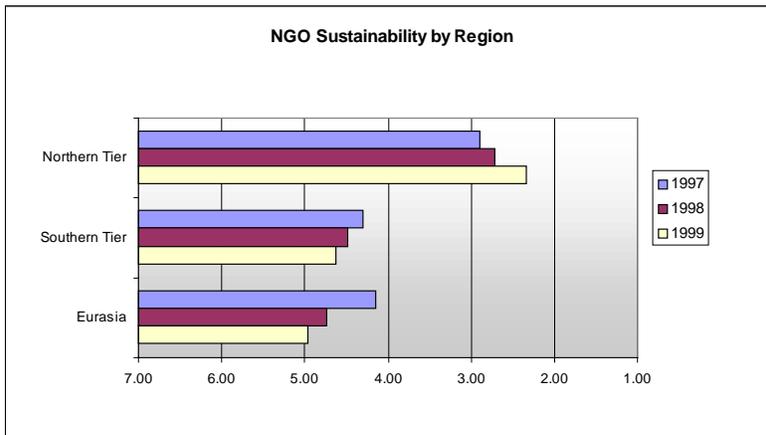
Throughout the region, there are encouraging signs of NGO cooperation, coalition building, and the capacity to become involved in civic issues. In Ukraine, for example, during the 1999 presidential campaign, nearly three hundred NGOs worked together in the *Freedom of Choice Coalition*, implementing 82 projects to educate and mobilize voters and to provide oversight of the electoral process. The wide range of projects included student mock elections, educational programs for handicapped and hospitalized voters, and the production of economic education brochures for voters. Coalition groups also monitored the media, fielded nearly 18,000 poll watchers on Election Day, conducted two independent parallel vote counts, and an exit poll.

In Russia, intermediary support organizations (ISOs) are sharing lessons learned, providing technical services and assistance at the local level, and facilitating partnerships with local government. For example, the Siberian Civic Initiatives Support Center (SCISC) in Novosibirsk coordinates a network of twelve support centers throughout

Siberia. SCISC is currently exploring fee for service models that Siberian NGOs can use under a grant from the British Know-How Fund. In partnership with the Points of Light Foundation, it is pioneering the development of voluntarism in Siberia. It is managing an annual NGO fair with a small grant pool, raised largely from local governments, for award to adjudicated winning projects. SCISC also operates as a "Social Chamber of Commerce" facilitating NGO/local government communication and partnership. All 12 cities that have local NGO resource centers also have local government agencies for NGO relations, and volunteer agencies have been established in eight of the twelve communities. SCISC has also been able to match local government funds with money from the Soros Foundation to establish community based mini-grant funds that provide grants to local NGOs.

CONCLUSION:

The 1999 NGO Sustainability Index documents the profound changes that continue to take place throughout Central and Eastern Europe and Eurasia. Despite the progress in civil society development, it is clear that continued international donor support and capacity-building programs are necessary for indigenous NGO sectors to achieve sustainability, particularly in the Southern Tier and Eurasia. Continued international support will be necessary for the civil society traditions of charity, a diverse associational life, social responsibility, and civic involvement to take firm root.



The data compiled in the Index shows that the majority of countries in the region have made real and positive progress in establishing a basic legal environment in which NGOs can operate. Although much progress is still needed in many countries, essential principles such as ease of registration and

freedom from state harassment have been established by the NGO legislation in all but a handful of countries.

With donor support, a core group of professional NGOs has developed in each country, that has the capacity to govern and manage themselves, participate in public discourse, and is capable of providing mentoring, assistance, and models for new and developing NGOs to follow. NGOs are providing a wide variety of valuable social and community services across the region, and there is a growing capacity among NGOs to form coalitions and participate actively in the political process by undertaking non-partisan civic education projects and activities that support free and fair elections.

Still, a number of the key elements of robust civil society remain weak. The most important of these are financial viability and NGO public image. The most sophisticated and professional NGOs remain, for the most part, no more than loosely rooted in their communities and will continue to require international donor support to sustain themselves. For the most part, tax legislation has not yet evolved to the point where it is broadly supportive of NGOs and charitable giving. In most countries, NGOs are either not allowed to have earned income, and like businesses, they are subjected to taxes on any income that they earn.

In general, the new middle class is still too small and unfamiliar with the role and capacity of civil society to involve itself widely in charitable activities, community associations or NGOs. Local economies are neither deep nor sophisticated enough to support thriving civil society sectors entirely with indigenous resources. For example, the EU estimates that even with the robust five to six percent annual growth rates that Poland has been experiencing over the past four years, it will take another thirty years for even the most successful post-communist countries to match average EU living standards and purchasing power. This has major implications for the ability of local economies to sustain diverse and vibrant NGO sectors without substantial outside financial support.

To reach sustainability, NGO sectors in Central and Eastern Europe and Eurasia will need to become more organic, supporting the community's capacity to form and re-form a variety of NGOs, civic groups, and associations that represent the community and respond to its needs. NGOs will need to build greater understanding within the community that the Third Sector is an effective means of providing services, sharing and distributing information and solving problems. NGOs will need to become more entrepreneurial, broadening their base of resources to include domestic public sources, domestic private philanthropic sources and earned income from economic activities.

In future years, USAID and international donor NGO capacity development programs will need to focus greater attention on sustainability issues: the ability of NGOs to earn and raise substantial financial support in their local communities, the ability of NGOs to deepen their roots in their local communities by meeting community needs, and the capacity of indigenous sectors to support organic sectoral growth and development through the services of local intermediary support organizations.

The 1999 NGO Sustainability Index

How is it measured?

Seven different dimensions of the NGO sector are analyzed in the Index: legal environment, organizational capacity, financial viability, advocacy, public image, service provision, and NGO infrastructure. Taken together, these dimensions provide a basic description of what a sustainable NGO sector should look like. Individually, these dimensions can provide Missions 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 representatives, 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: 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?

Organizational capacity. 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: 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.

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 dimension looks at NGOs' record in influencing public policy. The prevalence 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.

Public image. For the sector to be sustainable, government and communities should have a positive public image of NGOs, including a broad understanding and 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.

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, which supports NGOs? 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?

Ratings: What they mean in general terms

The USAID 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 1999 NGO SUSTAINABILITY INDEX

COUNTRY	LEGAL	ORGANIZATIONAL	FINANCIAL	ADVOCACY	PUBLIC	ORIGINAL	SERVICE	SECTORAL	FINAL	1998*
	ENVIRON.	CAPACITY	VIABILITY		IMAGE	AVERAGE	PROVISION	INFR.	RATING	CS SCORE
ALBANIA	4.0	5.0	5.0	4.0	5.0	4.6	5.0	5.5	4.8	4.3
ARMENIA	4.0	5.0	6.0	5.0	5.0	5.0	5.0	5.5	5.1	3.5
AZERBAIJAN	6.0	5.8	6.0	5.8	5.5	5.8	4.5	5.5	5.6	5.0
BOSNIA	5.0	4.5	6.5	5.5	5.0	5.3	5.0	5.5	5.3	6.0
BULGARIA	4.5	3.5	5.5	3.0	4.5	4.2	4.0	3.0	4.0	3.8
CROATIA	5.5	3.5	6.0	4.0	4.0	4.6	5.0	4.0	4.6	3.5
GEORGIA	3.5	3.5	4.5	3.5	4.0	3.8	4.0	3.5	3.8	4.3
HUNGARY	1.0	2.0	2.5	1.5	2.5	1.9	2.5	2.5	2.1	1.3
KAZAKSTAN	5.0	4.5	5.5	4.5	4.5	4.8	4.5	5.0	4.8	5.0
KOSOVO	3.0	4.5	6.0	5.0	3.5	4.4	4.0	5.0	4.4	--
KYRGYZSTAN	3.5	4.5	5.5	3.5	4.0	4.2	4.0	4.5	4.2	4.5
LATVIA										2.3
LITHUANIA	4.0	2.5	3.5	1.5	2.5	2.8	3.5	3.0	2.9	2.0
MACEDONIA	3.0	4.0	5.0	4.5	5.0	4.3	5.5	5.0	4.6	3.8
MONTENEGRO	3.5	5.0	5.5	3.5	5.0		4.5	5.0	4.6	
POLAND	2.0	2.0	2.5	2.5	2.0	2.2	2.0	2.0	2.1	1.3
ROMANIA	3.5	3.5	5.0	4.0	4.0	4.0	4.0	4.0	4.0	3.8
RUSSIA	4.0	3.5	5.0	3.5	5.0	4.2	4.5	3.5	4.1	4.0
SERBIA	6.0	5.0	6.0	6.0	5.5	5.7	4.0	5.5	5.4	5.0
SLOVAKIA	3.5	2.0	3.0	1.5	1.5	2.3	2.5	1.5	2.2	3.0
TAJIKISTAN	6.0	6.0	7.0	6.0	6.0	6.2	5.5	6.0	6.1	5.3
TURKMENISTAN	7.0	6.0	7.0	6.5	7.0	6.7	6.0	6.5	6.6	7.0
UKRAINE	5.0	3.5	4.0	5.0	5.0	4.5	2.5	3.5	4.1	4.3
UZBEKISTAN	6.0	5.5	5.5	5.5	5.0	5.5	4.5	5.0	5.3	6.5

INSERT SCORE GRAPH

Ratings: A Closer Look

The following sections go into further 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)

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 accessible 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.

Financial Viability

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.

Methodology

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

INTRODUCTION
1999 NGO Sustainability Index

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.)
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.

INTRODUCTION
1999 NGO Sustainability Index

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.