
RATINGS: GENERAL DEFINITIONS

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.

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)

The legislative and regulatory framework begins to make special provisions for the needs of NGOs or gives not-for-profit organizations 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 inter-national. 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 and think tanks. 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 this stage of development 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 of 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.