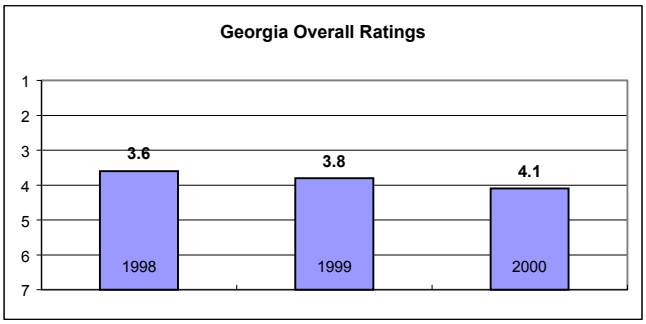
GEORGIA

Capital: Tbilisi	Inflation: 20%
GDP per capita: $1,033	Unemployment: 14.5%
Population: 5,400,000	Foreign Direct Investment: $96,000,000

OVERALL RATING: 4.1

During the last year, the third sector in Georgia expanded geographically, with NGOs now active in almost all regions of Georgia. As the number of NGOs in-creases, however, so do many of the sectoral challenges. Most NGOs still face problems related to programmatic and financial sustainability, as well as public image. In addition, partnerships between different sectors are rare and sporadic. Despite this, a few well-developed, strong, sustainable organizations do exist.



LEGAL ENVIRONMENT: 3.0

The registration process for NGOs in Georgia is straightforward, but lacks sophistication. The Civil Code recognizes only two types of NGOs: associations and foundations. Recently passed laws, including the Law on Creative Unions and the Law on Youth and Children's Creative Unions, contradict the Civil Code and provide special status and benefits to post-Soviet type NGOs in identified areas. This preferential treatment restricts the creation, registration and functioning of new NGOs in those spheres. In addition, several national organizations have encountered problems when registering their local branches.

Georgian law provides considerable freedom to organizations regarding internal management and bookkeeping. However, the law lacks detailed instructions, especially on financial reporting and taxation. A new law regulating accounting and bookkeeping will come into effect in January 2001, and introduces a more complicated system of bookkeeping. Training NGOs as well as tax offices will prove crucial for securing timely and correct implementation of the law.

There are no significant instances of direct governmental interference in NGO activities. The lack of a law on public meetings, gatherings and rallies has not adversely affected NGO activities to date.

An increasing number of organizations provide legal services and consultations to NGOs. Highly professional legal assistance is available for organizations in the capital city. The situation is worse in

some of the regions, especially in southeast Georgia.

The Tax Code, and the drawbacks in its implementation, creates an unfavorable environment for the development of the sector. The tax law al-lows non-profit organizations to carry out limited income generating activities; however, no tax advantages are provided. NGOs are taxed as commercial organizations when involved in income generating activities. The legislation governing commercial enterprises also regulates NGO income, thus making the financial sustainability of the sector problematic. Although the law does not limit donations, it does not provide tax exemptions to physical or legal entities either.

The Law on State Procurement allows NGOs to participate in official tenders, but there are few, if any, instances of this occurring. The Parliament has yet to hold hearings on the draft Law on Charity. Reimbursement of the VAT tax remains a big issue. Only a few organizations have appealed to the court and have managed to regain their funds. However, these problems are not considered a targeted government constraint. The Horizonti Foundation has prepared a package of proposals to submit to the Parliament this fall.

ORGANIZATIONAL CAPACITY: 4.0

Constituency building remains one of the biggest problems facing the third sector in Georgia, but some progress was made in the last year as a few organizations attempted to target more activities toward building their constituencies.

The majority of organizations have mission statements, but due to financial constraints and donor funding they tend to work on a project to project basis. Most organizations do not have long-term plans and strategies. A small number of organizations have well-developed organizational management structures. The vast majority of organizations do not have supervisory boards and there is no separation of functions between governing and executive branches. Most organizations have permanent employees with secure wages. Some organizations manage to attract volunteers. Although the Labor Code of Georgia prohibits legal entities from recruiting volunteers, it is possible to convert donated time into a money index and devaluate it, thus avoiding the problem. Nevertheless, the Code needs amending.

In Tbilisi and the regions, the majority of NGOs have well-equipped offices with at least one computer. In some regions, however, communications systems are unavailable or have deteriorated, and Internet/email access is limited.

FINANCIAL VIABILITY: 6.0

Overall, the financial sustainability of NGOs has proven tenuous. Inclusion of indicators such as the level of local support and diversification of financial sources in the 2000 Index caused a significant decline in the score for this dimension from last year's score of 4.5. Funding from local sources is insignificant, with few instances of local philanthropy. Only a handful of organizations experience any success when they attempt community fundraising. Due to

the lack of local funds, inter-national donor organizations remain the primary source of NGO funding. Some NGOs manage to raise funds from western foundations. In-stances of government or business support within Georgia are rare. While funding sources remain stagnant, the number of NGOs continues to increase. This expansion of the sector increases the shortage of funds.

The majority of NGOs lack sound financial management systems. Reports are produced mainly to satisfy donor requirements. Legislation allows an NGO to earn income from the provision of goods or services. However, in such a case, the NGO is taxed as a commercial, for-profit organization.

ADVOCACY: 2.0

NGOs cooperate with governmental agencies primarily in the legislative branch at the national level. Neither an official structure nor a well-organized easily accessible mechanism exists to regulate the cooperation of NGOs with government. There are a few examples of successful cooperation, but for the most part personal connections account for the success. Since 1998, a special advisory council in the State Chancellery has mediated relations between the President and NGOs. Despite its two-year history, the efficiency of the council remains questionable.

NGOs in Georgia have not implemented any large-scale advocacy campaigns. There are no formal coalitions, although human rights groups have been active and successful in working together to a certain degree. NGOs are increasingly aware of possibilities to influence political decisions from non-partisan positions. They understand the necessity of a well-developed legal framework in different spheres, as well as the importance of public monitoring. A group of leading NGOs, with the support and participation of the Horizonti Foundation, is actively engaged in the legal re-form process.

SERVICE PROVISION: 5.0

Service provision by NGOs is developing at a relatively slow pace. In comparison to the total number of NGOs, the percentage of service providing organizations is very low and their geographic service coverage is limited. The main fields in which services are provided are legal services, management, bookkeeping, technical and computer services, and psychosocial and human rights services. NGOs do not need a government-approved license to provide services in these fields. In other fields, where government approval is required (mostly social services such as education and health care), NGO services are only sporadically provided. In many crucial fields (such as housing and water supply management), NGOs cannot provide services because the government is not willing to decentralize state services.

The high standards of the services that are provided by NGOs have triggered the interest of the government and business sectors, as well as many international organizations. Despite their high quality, services and products in most cases cannot recover production costs. Though the legislation allows NGOs to carry out commercial activities, it does

not provide tax exemptions. Income generating activities are taxed at the same rate as commercial activities. Consequently, NGOs often fail to cover their production costs.

Government agencies, at least on the national level, are increasingly aware of the importance of the third sector. Despite this fact, and the positive image of NGOs, especially the leading organizations, the government is generally not interested in contracting for these services and products.

INFRASTRUCTURE: 3.0

The process of creating and developing NGO resource centers is underway. In several cities there are technically equipped centers that are accessible for NGOs, for example the Horizonti office in Telavi and centers in Zugdidi, Gori, and Kutaisi. In other cities, such centers have yet to appear. Horizonti and a few other organizations carry out mobile organizational management training in most regions of Georgia, according to the region's identified needs. Only a few organizations receive income from the marketing of such services.

NGO coalitions that have been formed do so according to a field of activities or geographical location. However, their social and political influence is limited, and no coalitions have formed specifically for the purpose of defending NGOs' interests.

The Horizonti Foundation provides management training for Georgian NGOs throughout the country. The training is conducted in Georgian, and where needed, in Russian. Horizonti offers special management literature in Georgian. Within the last year, the professional level of Horizonti trainers has improved considerably. Pursuant to a program developed by Johns Hopkins University, the Horizonti trainers have become certified through testing and examination. In the future, Horizonti wants to expand its activities to educate regional trainers. Horizonti is also the only organization that pro-vides management services for Georgian NGOs.

Sectoral cooperation between the government and the third sector takes place mainly at the national level, although there is some progress in relations with the business sector.

PUBLIC IMAGE: 5.0

The media does not pay appropriate attention to NGO activities or the role that NGOs play in civil society. In fact, the media paid even less attention to NGOs during this year than last. Some of the publicity that the sector did receive was negative. There were several cases in which NGOs were publicly accused of corrupt practices. In addition to the media's inability to contribute positively to public opinion building, NGOs themselves generally lack contacts with their constituencies, with the exception of some of the leading NGOs. Consequently, a positive public opinion of NGOs has not yet been established. In several regions throughout Georgia, the mere existence of NGOs remains unknown.

Acknowledgment of NGOs by the business and government sectors remains

inconsistent. The central government acknowledges and tries to cooperate with NGOs, although such cooperation has yet to develop into financial assistance. In the regions, with individual exceptions, dialogue between NGOs and governmental agencies has yet to be achieved.

Progressive representatives of the business sector acknowledge the role and meaning of the third sector. They try to learn about the activities and resources that NGOs offer. Businesses at the national level also are beginning to develop a strategy for future cooperation with NGOs. Business enterprises have begun to see a mediator role for the third sector in relations between the business sector and society, and to see NGOs as supporters of their interests. Relations between the business and NGO sectors have not only begun, but promise significant positive developments in the future. However, it must be mentioned that such interest by the business sector has few financial or legislative implications and merely constitutes an expression of moral or conceptual support.

Openness and transparency are characteristics not yet present in Georgian NGOs. With a few exceptions, non-profit organizations have not implemented independent financial audits. A majority of NGOs have not made their annual reports public and have not institutionalized a code of ethics.