

LATVIA

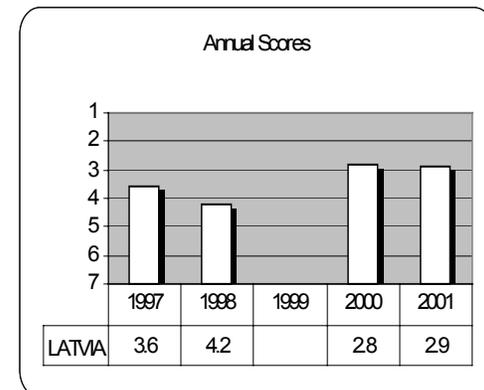
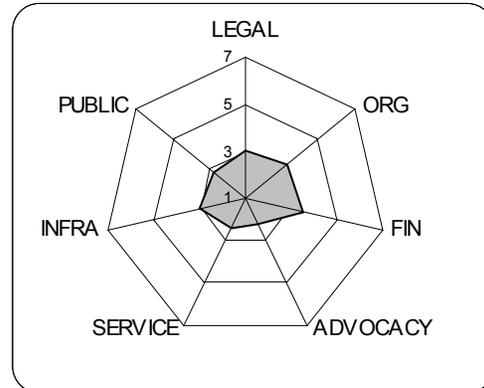
LATVIA

Capital: Riga	Foreign Direct Investment: \$399,000,000
GDP per capita (PPP): \$7,200 (2000 est.)	Inflation: 2.7% (2000)
Population: 2,400,000 2,385,231 (July 2001 est.)	Unemployment: 7.8%

OVERALL DESCRIPTION: 2.9

The NGO sector in Latvia is quite diversified. NGOs operate in all regions of the country, support all demographic groups, and undertake a wide range of missions. According to research conducted by the NGO Center in Riga, of the 5,000 NGOs registered in the country, only about 1,500 can be considered active. Of those, only about 800 can be considered truly viable. The NGO sector in Latvia has evolved into a two-tier system in which perhaps 50 of the most professional leading NGOs receive most of the support and resources, while the majority remains weak and lacks resources. Only the strongest organizations are likely to survive for any length of time.

While the NGO sector is gaining in strength overall, a decline in financial support from international donors threatens the long-term sustainability and organizational capacity of most NGOs. International donors are transferring their resources to other countries, but domestic sources of NGO funding have not yet developed. The future existence of a strong and independent third sector in Latvia depends upon the development of support from a variety of governmental, private, and international sources. Philanthropy, or charitable giving, has not yet taken root in the country and contributing to positive change and community development is not yet seen as a duty of every citizen.



LEGAL ENVIRONMENT: 3.0

The registration process for NGOs is relatively easy but costly. Registration fees are deemed to be quite high and, in some instances, restrictive for smaller organizations. Also, all registration must be done in Riga, so organizations must

travel to the capital to complete their paperwork. In addition, while registration is easy, the current legislation is somewhat vague and does not provide sufficient guidance to prepare organizations for what is required of them.

The capacity of the local legal community to support the NGO sector is negligible at best. There are some lawyers available in Riga, but very few serve the regions. The NGO Center provides basic legal advice on issues relating to registration or drafting statutes, but does not provide specific legal advice to NGOs with particular legal questions or problems.

The granting of tax-exempt status is not entirely transparent. Only five organizations have been granted special status that permits 90% of the donations they receive to be tax deductible; all other registered NGOs are entitled to only an 85% deduction. The certification process for tax deductibility must be completed annually, but can take months. This means that organizations may not

receive their tax-exempt certification until late in the year. The issue of tax deductions for businesses is largely irrelevant because only 25% of businesses pay taxes; the others report no profit and, therefore, do not pay taxes.

A new law governing NGOs has been drafted with direct involvement of sector leaders. It is hoped that the new law will be passed by Parliament by the beginning of 2002. The draft law proposes several changes in the legislation that currently regulates the NGO sector. It will clearly identify the difference between mutual benefit and public benefit NGOs, specify that only public benefit organizations are entitled to receive tax relief for donations, and develop an easy mechanism for individuals to receive tax credits for donations to public benefit NGOs.

ORGANIZATIONAL CAPACITY: 3.3

NGOs are beginning to understand the importance of raising the level of awareness of their activities within the community.

The organizational capacity of NGOs in Latvia is still relatively weak. All NGOs have a mission statement in their statutes, as required by law, but few actually engage in any form of strategic planning based on this mission statement.

Only the largest, most sustainable NGOs have a board of directors that exercises real oversight responsibilities over the organization and a division of the governance function from staff. In the majority of organizations, the same individuals perform both board and staff responsibilities, increasing the potential

for conflicts of interest. Only the most established NGOs have any paid staff, while the majority of organizations operate with only one or two volunteers fulfilling staff functions.

Most NGOs do not have basic office equipment. Those that do generally received their equipment as part of a grant from an international donor. Most organizations also do not have the resources to purchase equipment, or to upgrade or replace existing equipment. The sector is not developed enough to have comparable levels of influence that NGOs enjoy in fully developed countries. Even though there are strong NGOs in the capital and, to some extent, other large cities, many organizations outside of Riga have lost funding and are struggling to survive.

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FINANCIAL VIABILITY: 3.5

Foreign donors have begun to reduce their funding in Latvia, and this trend is expected to increase in the coming years. Previously, the Latvian NGO sector received 80% of its funds from foreign donors. Domestic funding sources have not yet developed sufficiently to replace this declining foreign donor support.

The national government does not provide financial support to the sector and local government assistance is limited, due to limited resources. Further, local governments are afraid of losing control over specific functions that they perceive to be their responsibility.

Support from local businesses is rare, particularly in the countryside, because the rural economy is not sufficiently developed. Some in-kind support is occasionally available from local sources, but

rarely exceed 10% of organizational needs.

For the most part, NGOs have implemented proper and basic accounting techniques and do not abuse their funding. However, independent audits are rare and few NGOs produce annual reports. Most are unable to engage in serious financial planning because they do not know the real costs of running their organization.

Earned income is not a significant part of NGO revenue although some NGOs are working to find ways to generate income. Earning income is difficult as the current Law on Public Organizations only allows organizations to earn income if it is not "systemic", without clarifying what is considered to be systemic.

ADVOCACY: 2.2

While the government has not overtly blocked NGO advocacy efforts, it also has not created a supportive environment or encouraged the sector's development. Mechanisms for lobbying are in place, but NGOs do not have sufficient experience to effectively use their collective strength and the government does not know how to appropriately respond. The government rarely seeks the opinions of NGOs on topical issues, and does not clearly understand how to appropriately consider the opinions of the sector when they are offered.

The most successful example of advocacy in the NGO sector is the draft NGO law, which was drafted with the involvement of sector leaders. At the end of 2000, the Minister of Justice and the Director of the NGO Center reached agreement on the need for a new NGO law based on the Center's extensive research of the sector and its subsequent recommendations.

Some issue-based coalitions have formed, as NGOs are beginning to understand that there is strength in numbers.

SERVICE PROVISION: 2.4

NGOs are generally responsive to the needs of their communities, but are more sensitive to the interests of foreign donors. In other words, most NGOs are more interested in attracting funds than meeting the needs of their constituents.

NGOs are rarely able to recover more than a small percentage of the cost of their services. The public believes that NGO staff should work for free, and that their services should be provided for free. Furthermore, most organizations are uncomfortable asking for a fee to cover their costs.

Complicating the development of cost recovery strategies is the fact that

many international donor grants bar their grantees from charging for the services provided under the grant. Such a policy tends to defeat the NGOs' drive towards sustainability and makes the organization dependent on donors for their existence.

Local governments often undervalue NGOs, because they perceive them as competitors for limited resources, and as a threat to the prestige associated with being the designated service provider. Furthermore, local governments have limited financial resources to give to NGOs. Meanwhile, national government support for the sector is almost nonexistent.

INFRASTRUCTURE: 3.0

Latvia has a network of 14 Regional NGO Support Centers throughout the country that encourages the sharing of information and provides access to basic services, such as computers, copy machines and fax machines. These centers do not, however, provide technical assistance. They are largely self-financed, on a fee-for-service basis, but do not recover the full cost of the services they provide.

Latvia has few grant-making organizations, which are limited to the capital, Riga. The NGO Center is currently working with the Baltic American Partnership Program on a pilot project that could lead to the first community foundation in Latvia. Before this can happen, however, legislation must be written to allow for the existence of community foundations.

Latvia has a large number of trainers and training opportunities, although the majority of training is at a basic level. Some organizations do offer more advanced training for those NGOs that have proven their sustainability and need a more sophisticated level of skills. Most NGOs, however, cannot afford to pay for training, and certainly cannot afford the true market value of training courses, so they are usually offered as part of a project subsidized by international donors.

A major positive development in the NGO sector in Latvia is the increase in intersectoral partnerships. There is a clear trend of more and more NGOs being asked to submit project proposals by businesses and local governments.

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PUBLIC IMAGE: 2.7

The NGO sector enjoys relatively extensive coverage in local media, with articles about NGOs and their activities appearing daily. Unfortunately, the sector receives little coverage in the national press. Media in Latvia do not provide free-of-charge public service announcements.

NGOs are learning to hold the government and businesses accountable by asking questions and working together for full transparency in the political system. While NGOs may enjoy government support at the ministerial level, the civil service is less supportive of the sector, as many civil servants see NGOs as competitors.

NGOs do not have organizational capacity to undertake public relations activities such as preparing materials or mounting publicity campaigns, although they do realize the importance of promoting their work through the media. Many NGOs have developed good relations with journalists at the local level.

NGOs do not have a printed code of ethics, but they are required to adhere to transparent norms of operation by international donors. As a result of the expenses involved, only a few of the leading NGOs publish annual reports.