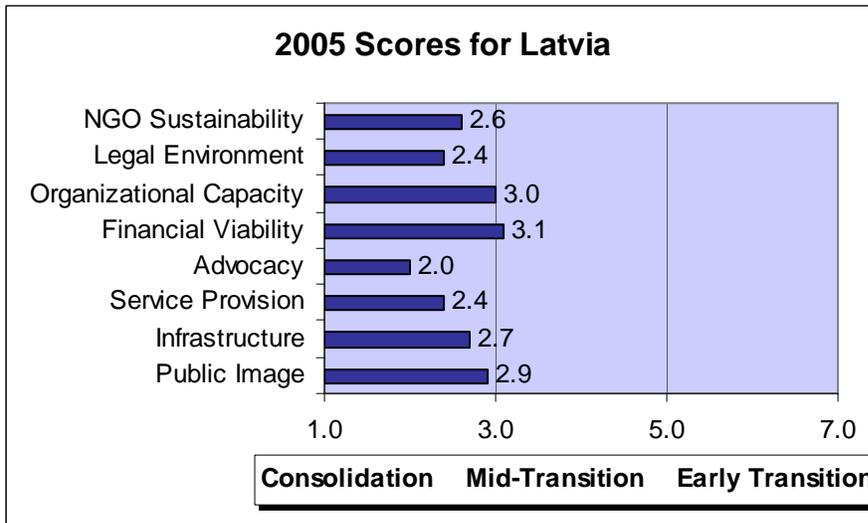


Latvia



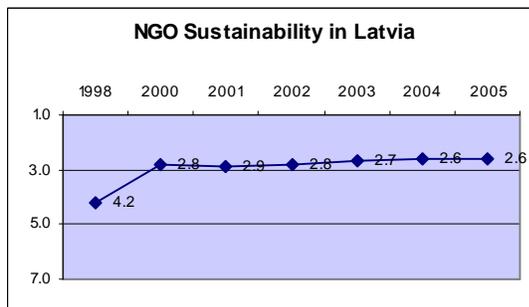
Capital: Riga

Polity: Parliamentary democracy

Population: 2,274,000

GDP per capita (PPP): \$13,000

NGO SUSTAINABILITY: 2.6



The year 2005 has been one of change for Latvian NGOs – both the economic and legal environments were transformed significantly. The changes are the result of short-term economic, administrative and social developments related to accession to the E.U. Inflation and the withdrawal of foreign donors, along with a tradition of weak philanthropy have had an adverse impact the ability of NGOs to operate efficiently. Though NGOs in theory have access to funding, the reality is that only a few already viable organizations with stable foreign and local partners are able to gain access. Government and E.U. grant-making organizations have created large administrative obstacles to funding. In addition, there are several new social issues that require NGO attention, such as the migration of Latvians to other E.U. member states.

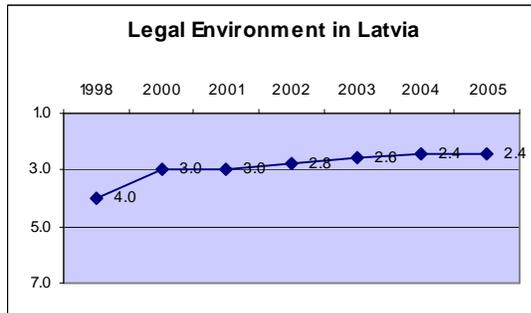
Legal reform has also had an impact on the NGO sector. All organizations were required by the new Law on Associations and Foundations that came into effect in 2004 to re-register by the end of 2005. In addition, there are new administrative rules governing NGOs' ability to receive tax exemptions. These major changes have resulted in many new opportunities. NGOs are now involved in new partnerships and E.U. cooperation networks, and many organizations have developed new lobbying skills that allow them to participate at the local, national and E.U. levels. Organizations are now better equipped to overcome social problems. Several organizations are consulting organizations from countries in transition such as Georgia, Ukraine, Kazakhstan and Moldova.

The government now recognizes the role of civil society in developing policy and new channels to promote cooperation have been introduced. These channels include the National Program for Strengthening Civil Society, which the government approved in February, and the Memorandum of Cooperation between the Government and Civil Society, signed by the Prime Minister and NGO representatives in July. The government and NGO sector have also negotiated a draft Declaration on Cooperation between the Parliament and

NGOs. In addition, NGOs participate in numerous government consultative bodies and

working groups.

LEGAL ENVIRONMENT: 2.4



The registration process is easy and relatively inexpensive, and re-registration of NGOs, as mandated by the Law on Association and Foundations, is free. Organizations do have some administrative costs such as for changing seals, organizing assemblies to adopt new bylaws, and the like. Many NGOs are using legal assistance. Eight-hundred NGOs registered in 2005, a slight increase over the number of new organizations last year.

Government institutions have made several attempts to limit the freedom of association in the name of national security and public order. A government working group contemplated amendments to the Law on Public Organization and Associations to increase government oversight of the NGO registration process and to make it easier to dissolve an organization for not following its bylaws. The Parliament did pass amendments to the law that regulates assembly, limiting the freedom to demonstrate and organize pickets. The amendments limit the location of demonstrations as well as expand the rights for local governments to prohibit demonstrations or pickets on national holidays. These restrictions were introduced to secure public order on dates that continue to be politically very sensitive. These days include the Day of Memory, which commemorates the soldiers that died during World War II. Latvian soldiers were recruited to both the German and Russian armies, depending on which one was occupying Latvia. In past years, demonstrators from different antagonistic

groups have been held in close proximity to each other. The government passed the amendments also to prevent politicians from using pickets in their pre-election activities. Presidential elections are scheduled for 2006, and Parliament passed the laws so that picketers have to be silent. The government has stated publicly that it wants NGOs to be involved in developing public policy.

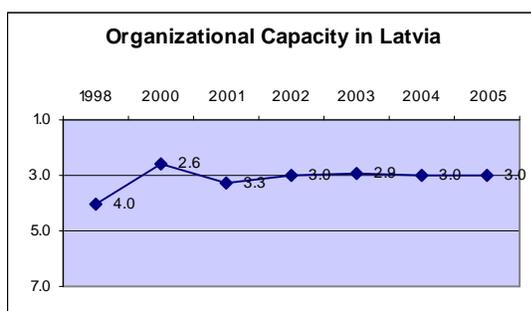
The Law on Public Benefit Status came into force in October 2004 and the Public Benefit Committee which grants public benefit status began to operate in April. It is comprised of ministry officials and NGO representatives from fields such as environmental protection, welfare, health, civil society, integration and sports. The Committee and its inclusive nature have increased the transparency of decisions on public benefit status. By December, the Committee had granted status to 534 NGOs. Under the new law, public benefit status is permanent and can be revoked only in cases of major misconduct.

Amendments to the Law on Corporate Income Tax came into effect in January 2005, and distinguish between sponsorship and Philanthropy. While this was an important step, the government has yet to create clear guidelines for separating commercial activities and philanthropy. This is of great concern to public benefit organizations which are subject to unclear auditing criteria. The VAT Law was also amended but the new provisions do not come into force until January of 2006. NGOs will receive the same tax exemptions as other legal entities that provide social services.

Though the registration process is relatively advanced, NGOs are not yet recognized as equal players in providing social services. Procurement opportunities, delegation of public tasks by both national and local governments, and conditions for receiving E.U. and other funding all favor government-run organizations.

ORGANIZATIONAL CAPACITY: 3.0

Official statistics contain data from both the old and new NGO registers. At the end of November 2005, the State Enterprise Register listed 3496 associations and 286 foundations that are registered under the new law. Data suggests that 5517 organizations have not re-registered and will be moved from the Register on January 1, 2006. Public Benefit status has been granted to 534 registered NGOs.



Though the re-registration process has increased NGO awareness of legal procedures, mission statements, and organizational structure, other aspects of organizational capacity have not improved. A typical NGO in Latvia is still a small organization of twenty members. The new law permits organizations to

operate without a two-tier organizational structure and many organizations have chosen to have Boards of Directors serve as their executive bodies, while their assemblies of members make all of the decisions.

The most advanced organizations conduct strategic planning. Long-term planning, however, is hampered by rapid change in the economic, legal and social environments. Most organizations rely on short-term planning for their financial survival and, at times, are involved in projects that are only remotely connected to their missions. Most organizations do not have a permanent staff and rely primarily on volunteers. The strongest organizations often have a few prominent employees. Paid positions are generally dependent on the project available. The Law on Foundations and Associations permits NGOs to reimburse their volunteers, though state officials often do not understand how to administer the rule. The fear that government officials will misinterpret the law, which would result in fines, makes organizations wary of rewarding volunteers or reimbursing their expenses. A draft law on volunteers, which will clarify these issues, was submitted to the government in December.

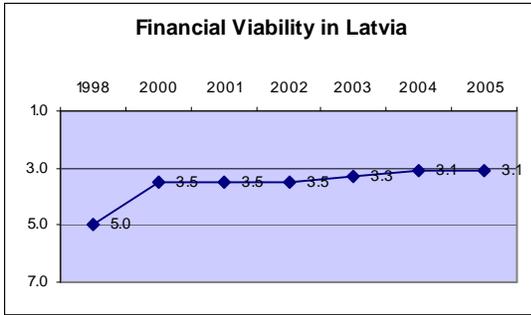
FINANCIAL VIABILITY: 3.1

There are few new initiatives to compensate for the gradual decrease of foreign funding. Four community foundations are active in Latvia, two of which were created in 2005. A charity internet website that solicits private donations for public benefit projects has made donating funds easier and more transparent. The Community Initiative Foundation was created to continue the Netherlands Queen Juliana Foundation's ten-years of support for social and health care infrastructure projects in the rural areas. As a local foundation, the Community Initiative Foundation now raises funds locally.

E.U. membership has paved the way for new sources of financing for NGO service organizations. Due to eligibility criteria and other conditions and procedures, only a small

percentage of organizations are able to access funding.

In February, the government approved the National Program for Strengthening Civil Society with the goal of promoting community initiatives and strengthening NGOs, as well as building cooperation between NGOs and the government. This program provides some limited grant assistance for NGO development, and gives the NGO sector some responsibility for the implementation of the national program. Though the program targets key issues in strengthening civil society, financial support is relatively limited.



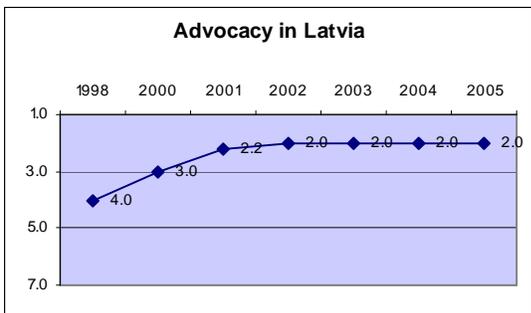
Surveys report that individuals are willing to donate small amounts of time and money to organizations involved in social issues,

environmental protection, and sports. Businesses are most willing to support sports, culture, and social organizations. Individuals and businesses provide little support for human rights or democratization issues such as transparency, anti-corruption, gender equality, and civil society development. Despite new funding opportunities, most NGOs rely on one or two sources and do not work to diversify further their sources of income. This is a result of inadequate administrative support for NGOs since administrative teams generally only focus on daily operations and not on developing long-term financial planning.

ADVOCACY: 2.0

The NGO sector has grown stronger over the past year and is able to cooperate better with the central government. Several large organizations established the Civic Alliance – Latvia, an umbrella organization that advocates on behalf of the NGO sector as a whole. In addition, NGOs and the Cabinet of Ministers signed a Memorandum of Cooperation in July 2005. The Memorandum envisages steps to improve the NGO environment and cooperation with government officials. It also creates monitoring and updating mechanisms for the document. As required by the National Program for Strengthening Civil Society, all ministries have appointed officials that are responsible for including NGOs in all decision-making. These officials have already begun to coordinate the implementation of best practices into their ministries.

In 2005, a joint working group drafted a Declaration on Cooperation to promote partnership between NGOs and Parliament. The Declaration will promote the use of public hearings by parliament committees and an annual joint NGO-Parliament meeting, and clarify procedures for involving NGOs in committee projects. The draft will be open for public hearings and discussed by Parliament committees before being enacted. Though laws, regulations, and agreements provide many opportunities for NGOs to cooperate with Ministries, Parliament and other government institutions, in practice they are often ignored by government officials, who often make quick decisions behind closed doors.



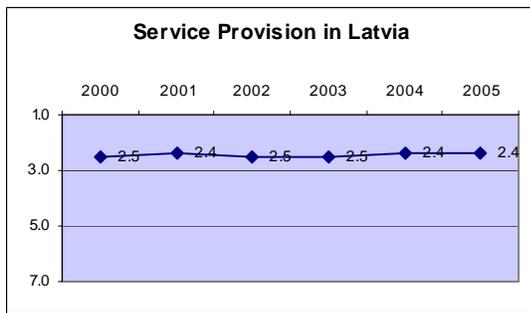
NGOs have developed a few strong, inter-sectoral coalitions concerning issues such as sound forestry. NGOs have won several recent cases in the Constitutional Court, a sign that the judiciary understands the role of NGOs in ensuring good governance.

SERVICE PROVISION: 2.4

NGOs provide a wide range of services in a variety of sectors. E.U. accession significantly changed the environment for NGO service

providers. Not only the needs of society, but also the regulatory framework and the availability of resources available to service

providers were altered. The E.U. has more stringent qualifications for service providers. The government has introduced a Register for Social Service Providers, and only five organizations have been able to meet the higher standards. NGOs are unable to compete for service contracts when local governments support their own service providers with administrative and operational costs. The State also guarantees student loans for social workers and teachers that work for local government institutions, but do not provide similar benefits for NGO employees.



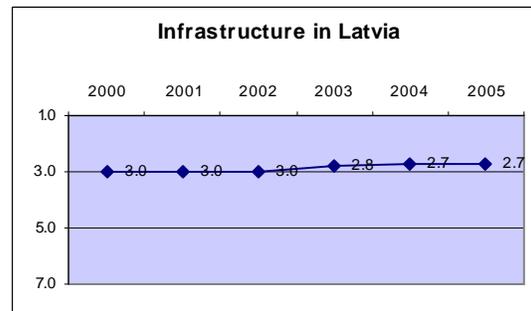
Several of the large, experienced organizations that provide social services have introduced a diversified approach with their clients. They collect fees for services from those that are able to pay, and cooperate with local social assistance departments that cover the costs of those clients who are under the poverty line. The smaller, self-help organizations, especially those outside the capital, on the other hand, volunteer their services. These organizations do not consider the income of their clients and are unable to meet the requirements established in the Social Service Provision. Though they are smaller, these organizations are the most responsive to people in need and the most flexible in their services. Even if the overall trend is positive, NGO service providers will need more time to adjust to operating under new administrative barriers before they will be able to sufficiently recover their costs.

INFRASTRUCTURE: 2.7

Civic Alliance-Latvia is an umbrella advocacy organization that promotes the NGO sector's interests. It has been successful in monitoring government policies and protecting the sector's interests with the government and Parliament. In Riga, NGOs do not have access to resource centers that offer technical assistance, computers, meeting rooms, or support with projects. Such centers are not financially viable and donors are no longer supporting them, which makes it difficult for new organizations. A new resource center is planning to open in 2006, which will be an improvement. NGOs in the regions do enjoy a network of NGO resource centers that provide technical support, information, and consultations, funded by both local governments and other sources. Next year, the National Program for Strengthening Civil Society will provide support for the resource centers in the capital and the regions.

NGOs have access to a few training opportunities on NGO management and

project development. Though a national program supports consultations and trainings for NGOs, there are few skilled trainers. Many trainers left for the private sector and there is not a system to train new ones.



One positive development is the emergence of NGO networks in areas such as elderly services, environmental protection, social services, poverty reduction, gender equality, and persons with special needs. These networks operate in close communication with their European counterparts and are becoming more effective in influencing E.U. and Latvian policies.

PUBLIC IMAGE: 2.9

Local media generally report on events organized by NGOs. Both national and local newspapers highlight NGO social service providers and people involved with philanthropy. Press releases by NGOs are treated the same as any others and are easily published. Experts from leading NGOs are often invited to appear on political talk shows and their opinions are often reflected by journalists.

Some influential newspapers have published articles against NGOs involved in democracy building, transparency and human rights. This began in 2004 when some organizations monitored pre-election expenses of political parties. Public image has also been affected by a media debate between NGO representatives and the President regarding the rights of NGOs to participate in the decisions concerning political appointments. The public does not yet have a clear perception of or a positive attitude towards NGOs, which are still viewed with some suspicion.

