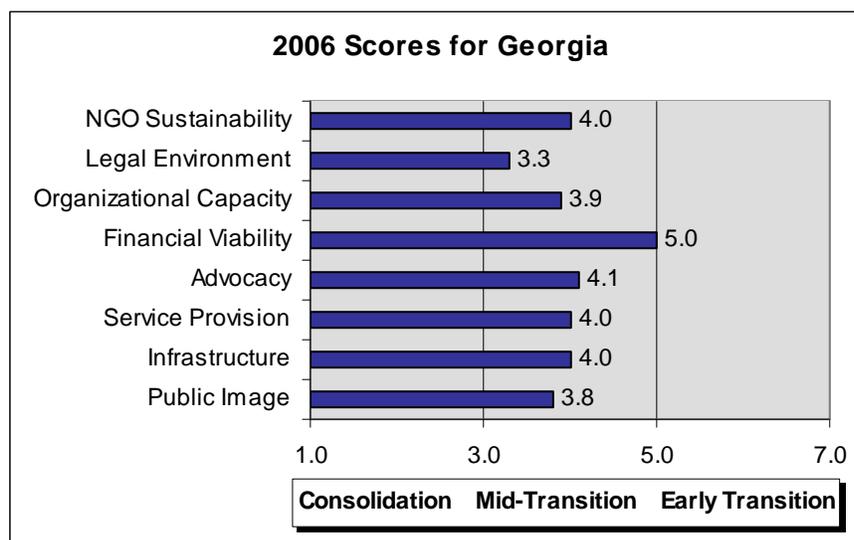


## Georgia



**Capital:** Tbilisi

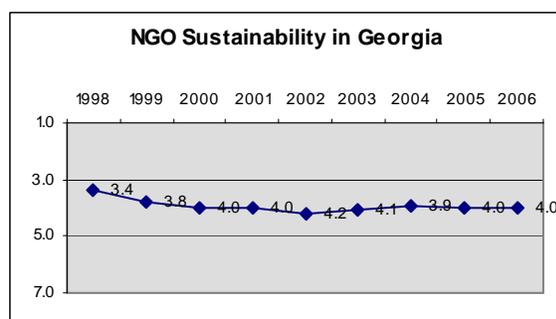
**Polity:** Presidential-parliamentary democracy

**Population:** 4,661,473

**GDP per capita (PPP):** \$3,800

### NGO SUSTAINABILITY: 4.0

Three years after the Rose Revolution, the government of Georgia has implemented an impressive program of governance reform in the area of anti-corruption and development of democratic institutions. The concentration of power in hands of the executive branch, however, continues to place pressure on civil society, particularly NGO watchdogs that serve as a check on state's power.



The overall NGO sustainability score did not change over the past year, as improvements in some dimensions were offset by setbacks in others. The legal framework governing civil society organizations is clear and supportive, and provides numerous tax benefits. The Service Provision dimension score improved as a result of increased demand from the public and private sectors for quality NGO services, as well as the expansion of NGO service delivery at the local level.

The setback in the Advocacy dimension reflects a growing distance between the State and the NGO sector, as well as a growing inability for NGOs to influence public policy and advocate for change. The lower score in the Public Image dimension reflects NGOs' diminishing public visibility and confidence in the NGO sector.

### LEGAL ENVIRONMENT: 3.3

Though the legal framework governing NGO activities in Georgia did not change over the past year, the Legal Environment dimension remains the most advanced of the seven dimensions. Overall, the laws are liberal and fairly supportive; they limit the State's control

over the sector, allow NGOs to operate freely, and provide NGOs with numerous tax benefits.

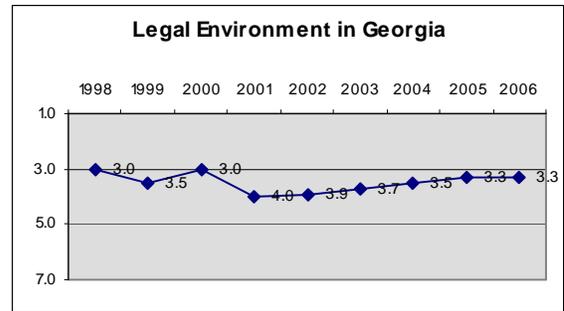
The Ministry of Justice made progress in preparing draft amendments to the Georgian Civil Code and will soon send them to the Parliament for review. If adopted, the

amendments will simplify the procedures for registering and operating nonprofit organizations, as well as eliminate existing inconsistencies in the current framework. The amendments are modeled after the system in the United States and will take a uniform approach to NGOs. As it is now, the Civil Code permits an organization register as a union or foundation, each with a unique set of requirements. The amendments will replace this system with a single type of nonprofit organization, which will include universities. The amendments offer hope of minimal administrative impediments and fewer legal actions against NGOs.

On September 1, 2006, the Tax Department within the newly established Revenue Service took over responsibility for registering NGOs from the Ministry of Justice. The NGO sector is expecting a transition period in which Tax Department officials will become familiar with their new roles, responsibilities, and the registration process. Based on past experience, the new legislation and regulations will likely cause an increase in demand for legal services by NGOs. In Tbilisi, the Georgian Young Lawyers Association and the Civil Society Institute continue to provide legal services at no cost. Legal advice is available in several secondary cities, including Ozurgeti and especially Batumi where legal services have become a major area of work for active NGOs. In other regions, however, NGOs have difficulties accessing legal services.

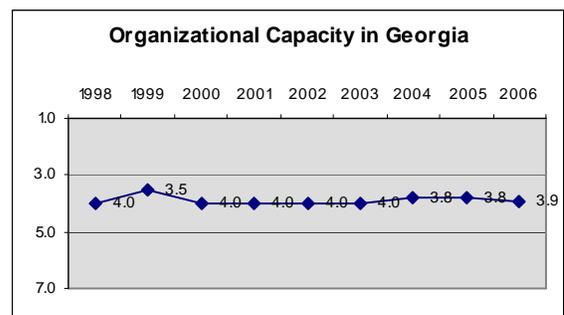
### ORGANIZATIONAL CAPACITY: 3.9

In both the rural and urban areas of Georgia, the gap between the well developed NGOs and the rest of the sector has grown over the past year. In Tbilisi and the secondary cities, NGOs may be divided into two categories: 1) elite organizations that develop and strengthen their own organizational capacities; and 2) the majority of organizations that operate from project to project.



The Tax Code provides a number of benefits for NGOs, including VAT exemptions and deductions for donations that support charitable activities. The law does not exempt NGOs from paying taxes on income from economic activities. This is an area of special concern to NGOs exploring additional sources of income to support their activities. While the Tax Code provides mechanisms to exempt NGOs from the VAT, the reimbursement process is flawed and lengthy, especially for NGOs in the regions. The numerous administrative barriers can draw out the reimbursement process for years.

The legal framework recognizes the right for NGOs to compete for government procurement and contract opportunities at both the national and local levels. The law, however, does not contain mechanisms for the State to provide grants to NGOs.



The number of active NGOs decreased in 2006, especially in the regions. In 2005, for example,

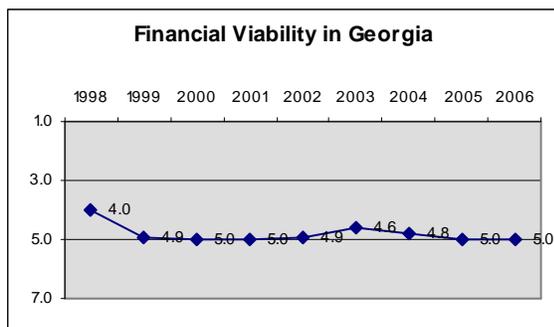
there were at least 70 organizations active in the Ozurgeti; currently only 20-25 organizations are active. Despite donor support for NGOs in the Adjara region, only 10 of the 60 organizations that emerged after the Rose Revolution are still active. Newly formed NGOs find it increasingly difficult to survive in the highly competitive environment. One approach to developing organizational capacity is the formation of coalitions between new organizations, those with a little more experience, and the more developed NGOs. Donors have promoted this approach in Adjara by designating funding specifically for coalition building.

Most NGOs in Georgia are more accurately categorized as professional groups than membership-based organizations. The top-tier, Tbilisi-based organizations find it increasingly difficult to retain qualified employees. Professionals often use NGOs for their own career advancement, working at reputable organizations until they are able to move on to more prestigious and well-paying jobs. NGOs in the regions lack the funding to maintain a professional staff. Volunteers often work as interns to gain the experience they need to secure jobs in the public and private sectors, or with other NGOs.

A few of the advanced organizations engage in strategic planning and attempt to adhere to their mission statements. The rapidly changing environment in Georgia, however, makes it difficult for NGOs to identify long-term priorities. Similarly, the lack of stable support and dependence on short-term, project-based funding from the donor community make it difficult for NGOs to conduct strategic planning. In practice, NGO activities are driven more by donor priorities than their mission statements.

Donors rarely provide Georgian NGOs with multi-year funding that would permit them to build organizational capacity, forge ties with communities, and develop action and strategic plans that serve the interests of their constituents and clearly articulated goals. Similarly, in supporting NGO activities, donors rarely allocate funding for institutional capacity building and other administrative costs. As a result, the internal structure of many NGOs, though strong on paper, is generally weak. Most NGOs are governed by strong executive directors and the use of boards of directors continues to be inadequate, even among the advanced organizations.

**FINANCIAL VIABILITY: 5.0**



The Financial Viability dimension remains the weakest of the seven dimensions. Local philanthropy is almost non-existent, and NGOs continue to rely heavily on foreign donors. Tax deductions for corporations in the new Tax Code were supposed to create incentives for

supporting charitable activities, though the benefits have yet to materialize. Creating a culture of philanthropy requires a change of values which comes incrementally.

Though the score for the Financial Viability dimension did not change, conditions vary across the regions. NGOs in Tbilisi and Ozurgeti report a significant drop in donor support, which makes up 95% of their funding, while NGO representatives in Batumi and Adjara report an increase in donor funding. A limited number of NGOs in Tbilisi and the regions enjoys funding from multiple donors, which ensures their financial viability for at least the short to mid-term. These NGOs have adopted the accounting systems necessary to comply with the reporting requirements of

large donors such as USAID, as well as conduct audits and publish annual reports.

Financial accountability is unchanged and even the most advanced organizations continue to struggle with financial planning. NGOs are unable to make financial projections due to the scarcity of resources and instable funding. The

shortage of qualified financial managers creates additional challenges for NGOs.

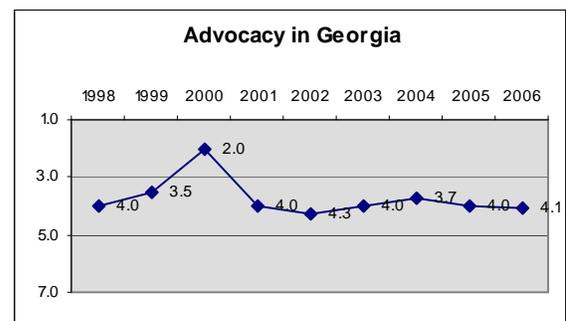
A small group of NGOs that provide training to the private sector was able to generate substantial income. Though it is not a significant amount, several NGOs in Adjara are able to generate income by providing fee-based legal services.

## ADVOCACY: 4.1

The decreased score in the Advocacy dimension reflects an increasing divide between the State and third sectors, as well as the increased inability for NGOs to influence public policy and advocate for change. While NGOs interact with government officials at both the national and local levels, these relationships are not institutional or systematic and largely depend on personal relationships and access to the ruling elite. President Saakashvili continues to occasionally meet with civil society representatives, though the circle of NGOs the government is willing to work with remains small. Cooperation is based on the personal preference of government officials and the reputation, professionalism, and the political independence of individual NGOs. Another factor is the personality-driven identity and agenda of NGOs and their failure to serve any specific constituency. As a result, NGOs are increasingly polarized according to the degree of access they have to public officials. In addition, NGOs are increasingly identified as 'pro' or 'anti' government, which threatens to tarnish the political neutrality of some within the sector.

With the exception of a small group of elite, politically connected organizations, most NGOs are ineffective in lobbying the government and advocating on behalf of their constituents. Those in the NGO sector have found it impossible to influence the policy-making process by lobbying or pressuring government officials. Formal mechanisms to integrate civil society in policy debates are limited. While the political interests of government officials dominate policy-making, once policy is in place,

government officials call upon the NGO sector to assist with implementation. The joint implementation of anti-trafficking legislation and the State action plan to combat human trafficking is one of many examples.



NGOs have a limited ability to provide empirically-grounded political advice, and there were few initiatives in any field to draft alternative concepts, strategies and policy papers. NGOs have a tendency to produce reports and advocacy materials that are one-sided and lack balanced analysis. There is a tendency among the NGO community to produce reports or advocacy materials that show only one side of developments, and lack a sense of balance in their analysis. Positive developments are rarely reported along with the areas of improvement. This may slow the development of a productive dialogue between government officials and representatives of the NGO sector, as officials are more willing to engage those that are able to provide balanced assessments.

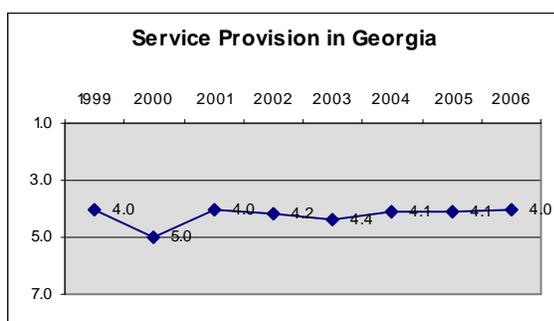
Though NGOs generally have difficulties forming relationships with government officials, once they do their relationships lead to tangible

and productive outcomes. School boards, state agencies, and official working groups that set reform agendas often include NGOs. The Ministry of Education and Science and the Ministry of Health and Social Welfare are leaders in this process and involve NGOs in their reform efforts. Similarly, the Ministry of the Interior largely depended on APLE, a local NGO, while developing its Code of Ethics. The

State and NGO sector have also worked together in Adjara, where the Civil Society Institute provided expert opinion on draft legislation on the Supreme Council of Adjara. In addition, a coalition of local organizations, with funding from the Eurasia Foundation, works closely with the Mayor's office to monitor the city budget and improve transparency of public expenditures.

## SERVICE PROVISION: 4.0

The Service Provision dimension experienced two significant developments, one positive and one negative. The government has taken greater ownership of certain public services, leaving less space for NGO participation. The government, however, has also recognized the experience and expertise of NGOs and delegated to them the provision of many basic social services.



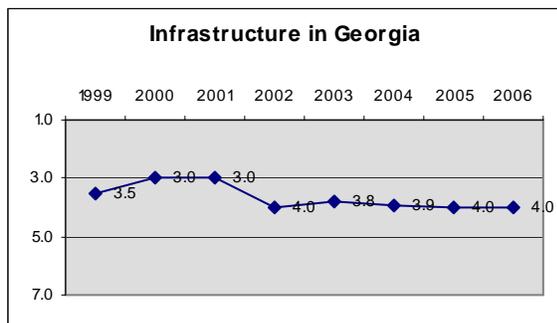
As part of the decentralization process, the Ministry of Health and Social Welfare began outsourcing certain services to NGOs, including a contract to *Partners-Georgia* to develop and train a team of welfare workers. When government officials lack the funds to contract with NGOs for services, they apply for donor support. The program to reintegrate disabled children in Ozugeti, for example, was funded by the United States Embassy with support from the Ministry of Education. At the local level, government officials at times recognize NGOs

for their expertise but lack the funding to offer contracts for services.

The government and donor community have both increased their demand for quality services which has led to an increase in services to offer. The local NGO UN Association of Georgia, for example, will assist the government to develop a national strategy and action plan to promote civic integration and tolerance among the multi-ethnic population of Georgia. Similarly, the Georgian Young Lawyers Association is partnering with the government to develop anti-trafficking legislation and raise public awareness of anti-trafficking of persons (A-TIP). The Georgian Foundation for Strategic and International Studies and the Civil Society Institute provide training for public officials in a variety of fields.

Georgian NGOs continue to offer a variety of services in the areas of education, environmental protection, healthcare, and social services for those with disabilities, children, or infectious diseases. The primary consumers of these services are low-income citizens, and NGOs generally do not charge fees and rely heavily on donor funding. Donor dependency continues to be an issue for NGOs. While NGO services generally respond to the needs of their constituents, local organizations have little input in identifying priorities and have to plan their activities according to the circumstances.

## INFRASTRUCTURE: 4.0

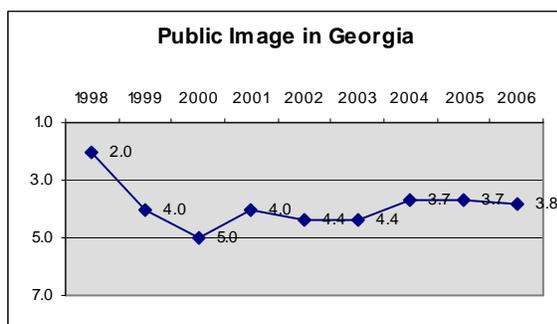


Though there are no traditional NGO resource centers in Georgia, top NGOs such as the Caucasus Environmental NGO Network (CENN) and CTC fill the voids in specific sectors such as the environment and education. In the regions, many advanced NGOs provide a number of technical services and training programs for their lesser-developed counterparts. In both Adjara and Ozurgeti, the

capacity of local organizations to offer such services is increasing. Networking, participation in joint-programs, and information-sharing is traditionally more common in small NGO communities in the regions. Such organizations often have a more collaborative relationship with the local media and are seen by local businesses as advocates for their interests.

Coalition-building and inter-sectoral partnerships remain largely donor-driven and linked to specific projects. As donor funding decreases, levels of collaboration also decrease and networking is limited to ad hoc initiatives rather than long-term partnerships. No community foundations exist in Georgia and two of the large, international grant-making organizations, the Eurasia Foundation and Open Society-Georgia Foundation, are gradually decreasing their presence and making fewer grants.

## PUBLIC IMAGE: 3.8



The NGO sector experienced significant setbacks in the Public Image dimension over the past year. Visibility of the sector decreased and NGOs have greater difficulty reaching out to the public. The public's perception of civil society organizations is mixed, due in part to media coverage which tends to focus on scandals, especially in Tbilisi.

Some in Georgia believe that NGOs are affiliated with the government. Poor and marginalized citizens, who suffer the most from

recent reforms, perceive NGOs and the government to be largely funded and influenced by the west and serving foreign interests. Other segments of the population perceive NGO watch-dog groups as anti-government. This view is reinforced by local television channels that are considered to be opposed to the government and pay more attention to NGO activities. Some organizations are engaged in what are perceived as political activities, which gives the impression that the NGO sector as a whole lacks independence from political parties.

The media continues to turn to civil society experts for analysis and commentary, but remains largely unaware of NGO activities. Many in the media refer to the "NGO community" without acknowledging the variety of opinions and beliefs within the sector. On the whole, public perception of NGOs is neither positive nor negative, and citizens remain unclear about the role of NGOs and their activities. The vigorous civic activism that

led the regime change in Georgia has gradually diminished; NGOs failed to harness momentum to build relationships with their potential constituencies. NGOs continue to be professional groups that are part of the elite rather than a part of the larger society.