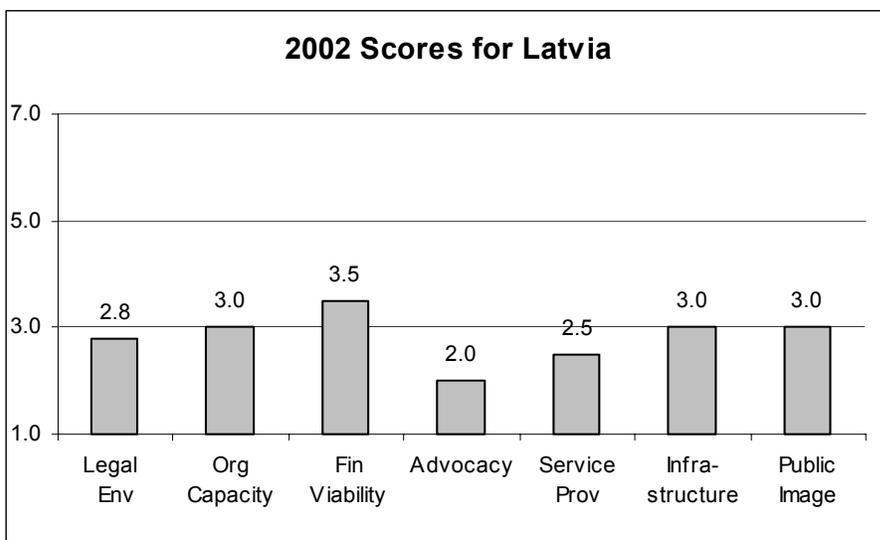


LATVIA



Capital: Riga

Polity:
Parliamentary
democracy

Population:
2,366,515

**GDP per capita
(PPP):** \$7,800

NGO SUSTAINABILITY: 2.8

The Latvian NGO sector remains widely diversified. NGOs work in all regions of the country, support all demographic groups, and undertake a wide range of programs. In addition, Latvian NGOs benefit from a network of Regional NGO Support Centers throughout the country that provide them with access to information and basic services, and the Volunteer Center based in Riga that provides training and support for volunteers.

NGO SUSTAINABILITY	
2002	2.8
2001	2.9
2000	2.8
1998	4.2

According to the NGO Center in Riga, there are over 900 NGOs that are somewhat active. However, the majority of these are organizationally and financially

weak. Declining international donor support remains the biggest difficulty for NGOs, threatening both the long-term sustainability and organizational capacity of most NGOs.

While the overall state of the NGO sector in Latvia has not changed dramatically over the past year, there have been several notable developments. Law students have been trained to assist NGOs with registration, thereby improving local legal capacity. NGOs are now represented in the weekly meetings of the State and there is a requirement that NGOs comment on all draft legislation. There has also been an increase in intrasectoral partnerships and a new draft law governing the sector has been written and is currently awaiting passage by the Parliament.

LEGAL ENVIRONMENT: 2.8

LEGAL ENVIRONMENT

2002	2.8
2001	3.0
2000	3.0
1998	4.0

At present, the Latvian NGO sector is governed by the 1992 Law On Public Organizations and Associations. While far from perfect, the law allows NGOs to operate with relative ease. NGOs can register without serious problems and are protected from undue state interference or control.

Among the weaknesses of the law are several provisions related to the financial sustainability of NGOs, specifically earned income and tax benefits. For example, the law allows organizations to earn income if it is not "systematic", but does not clarify what this means. As a result, organizations are often reluctant to charge for their services. The process of obtaining tax-exempt status is also problematic. Currently, only three organizations have been granted special status that permits 90% of the donations they receive to be tax deductible; all other organizations are entitled to only an 85% deduction. Furthermore, the certification process for tax deductibility must be completed annually and can take several months, which means organizations may not receive their tax-exempt certification until late in the year.

NGOs and the government have been working to address these and other problems in the legal environment over the past several years. A new law has been drafted with direct consultation from sector leaders and is currently awaiting passage by the newly elected Parliament. The proposed law makes several improvements

over the current law. For example, it no longer treats political parties as NGOs. It also clearly defines the differences between member and public benefit organizations, and specifies that only public benefit organizations are entitled to tax deductions. It also creates a mechanism to allow individuals to receive tax deductions for donations to public benefit NGOs. Passage of the draft legislation has been delayed because of opposition to one particular provision. As opposed to the current legislation that grants special tax-exempt status to three organizations, the draft legislation would eliminate this special category and treat all organizations equally. The three organizations that would lose their special status are therefore opposed to the new legislation and have the support of many leading politicians. However, a new government was elected in October 2002, and the authors of the legislation hope that a compromise can be reached and the draft passed by the spring of 2003.

Another advance in the legal environment is that the local legal capacity for the NGO sector has improved because of a joint NGO Center/State Enterprise Register project that trains law students to advise NGOs on registration. The NGO Center also provides basic legal advice on issues relating to registration or drafting statutes, but does not provide legal advice to NGOs with particular legal questions or problems. Overall, local legal capacity remains weak and few lawyers are interested in working in the non-profit sector, as pay is low and non-profit law is not taught as part of the law school curriculum.

ORGANIZATIONAL CAPACITY: 3.0

The organizational capacity of NGOs in Latvia has not changed significantly over the past year. Many NGOs still exhibit serious

ORGANIZATIONAL CAPACITY	
2002	3.0
2001	3.3
2000	2.6
1998	4.0

weaknesses, which they do not know how to address.

In an effort to increase sectoral capacity, the Baltic - American

Partnership Program (BAPP) has initiated a program that provides training grants to twenty organizations. Among the topics on which organizations have received training are board roles and responsibilities, public relations, volunteer training, organizational planning, and bookkeeping.

Less than 1% of NGOs have a board of directors that exercises real oversight responsibilities over the organization and a division of roles between the board and

the staff. In most organizations, board and staff responsibilities still rest in the same individuals, thereby increasing the potential for conflicts of interest. Another potential source of conflict is that most board members also work in other NGOs, which leads to divided loyalty when the two organizations apply for funding from a limited number of donors. Only the most well-established NGOs have any paid staff, and the majority of organizations operate with only one or two volunteers.

According to research conducted by the NGO Center, 80% of NGOs have Internet access, although not necessarily on their premises. Most NGOs do not have any basic office equipment and those that do generally received their equipment as part of a grant from an international donor. Organizations do not have the resources to purchase equipment or to upgrade or replace existing equipment.

FINANCIAL VIABILITY: 3.5

The vast majority of funding for the sector still comes from foreign donors. Unfortunately, foreign donors are reducing their

FINANCIAL VIABILITY	
2002	3.5
2001	3.5
2000	3.5
1998	5.0

activities in Latvia, thereby threatening the stability of the sector, as domestic funding sources have not yet developed. What little support there is from local businesses

is generally in-kind, and is insufficient to meet organizational needs. Local government support is also rare, although local authorities outside of Riga are also beginning to make in-kind contributions such as meeting space in municipal buildings.

Earned income is also not a significant part of NGO revenue, due to the above-mentioned difficulties with the legal environment in this regard.

In general, organizations have not diversified their funding sources – funding generally comes from one donor for a specific project. However, of those few NGOs that conduct organized fundraising campaigns, almost all receive further support once a relationship has been established with a donor.

For the most part, NGOs have implemented proper accounting techniques and do not abuse their funding.

ADVOCACY: 2.0

ADVOCACY

2002	2.0
2001	2.2
2000	3.0
1998	4.0

example, NGOs are now represented at

NGOs in Latvia have made significant progress in terms of institutionalizing their interactions with the government on legislative matters. For ex-

the weekly meetings of State Secretaries, the highest administrative body in each government ministry. In addition, the NGO Center is asked to provide comment on all legislation affecting the sector. Finally, all draft legislation must have an annotation that NGOs have been contacted for comment.

SERVICE PROVISION: 2.5

SERVICE PROVISION

2002	2.5
2001	2.4
2000	2.5

However, NGOs recover only a small percentage, if any, of their costs. In part, this is due to the perception that organizations should not

NGOs in Latvia are widely diversified, working in all regions of the country, supporting all demographic groups, and implementing a wide range of programs.

charge if they receive donor support for providing services. As mentioned previously, the legal environment also discourages NGOs from earning income. Government authorities do not provide financial support for organizations to provide social services. Indeed, many local governments view NGOs as competitors for funding from the national government for the provision of social services.

INFRASTRUCTURE: 3.0

INFRASTRUCTURE

2002	3.0
2001	3.0
2000	3.0

access to information and basic services, including office equipment. These centers charge fees for the services they provide, but recover only a small percentage of their full costs. The Volunteer Center based in Riga provides training and support for volunteers.

Latvia has a large number of trainers and training opportunities. Although the majority of training is at a basic level, some or-

Latvia has a network of Regional NGO Support Centers located throughout the country that provide NGOs with

ganizations offer more advanced training for NGOs requiring more sophisticated skills. Unfortunately, most NGOs cannot afford to pay for training, and certainly cannot afford the true market value of the courses, so training is generally offered only as part of projects subsidized by international donors.

There are currently efforts to encourage the development of community foundations. The NGO Center in Riga has developed two successful community philanthropy pilot projects, which are a model for other communities who may be interested in starting similar local initiatives. However, due to limited community resources, any community foundations that may be formed in the future would most likely de-

pend on foreign sources for the funds needed to create an endowment.

A major positive development in the Latvian NGO sector is the increase in in-

trasectoral partnerships. While in the past information was a source of competition, today the mutual benefit of sharing information is widely recognized.

PUBLIC IMAGE: 3.0

The NGO sector enjoys relatively extensive coverage in the local media, but little

PUBLIC IMAGE	
2002	3.0
2001	2.7
2000	2.0
1998	4.0

coverage in the national press. Latvian media outlets do not offer free-of-charge public service announcements. Most NGOs do not have the organizational

capacity to undertake public relations activities, although they realize the importance of promoting their work through the media.

Unfortunately, the public image of NGOs has worsened in the last year, in large part due to the actions of one of the largest cultural organizations in the country. The press reported that this organization, which already had preferential tax treatment from the government, was building an expensive new hockey arena, an act considered by many to be outside of the

organization's mission. Consequently, the state inspector's office launched an investigation into the organization and its funding sources. As a result of this incident, the public now views donations to NGOs to be a form of money laundering, although, in reality, most organizations do not receive large cash donations.

In contrast to the negative public perception of NGOs, government opinion of the sector seems to have improved. The government has begun to think of the sector as a source of information when debating draft legislation, and NGOs are now included in the state secretaries' meetings and asked for their opinions on draft legislation.

A code of ethics has been written for the sector and the Volunteer Center has written a code of ethics for volunteers, both of which are widely utilized.