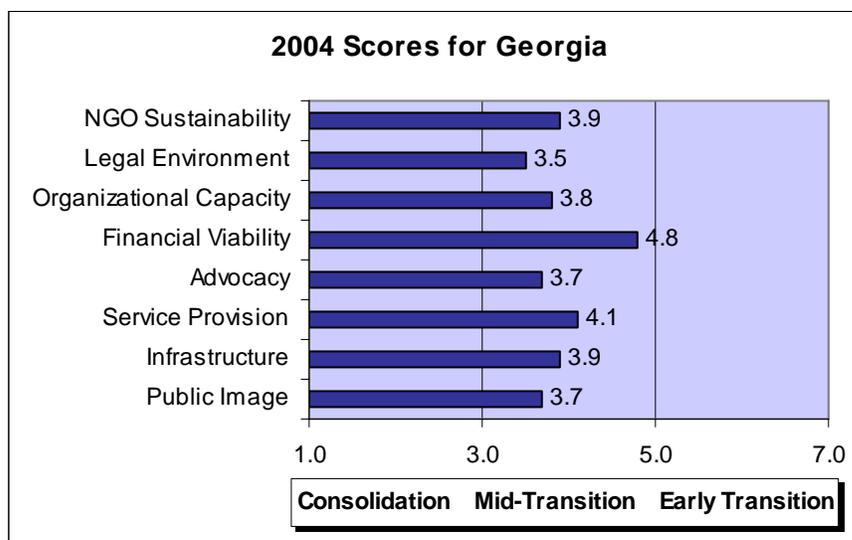


**GEORGIA**



**Capital:** Tbilisi

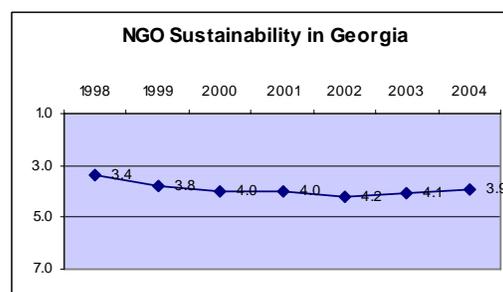
**Polity:** Presidential-parliamentary democracy

**Population:** 4,700,000

**GDP per capita (PPP):** \$2,500

**NGO SUSTAINABILITY: 3.9**

The overall NGO Sustainability score improved from 4.1 to 3.7 over the past year. The improvement was due in great part to the NGO community’s significant contribution to the Rose Revolution, in which NGOs, charging election fraud, led an opposition movement that ended in President Shevardnadze’s resignation. The downfall of the Shevardnadze regime created both opportunities for further development of the NGO sector, and new challenges. On one hand, the NGO leaders now filling posts in the new government are more likely to turn to the NGO sector for expertise and assistance, and consider issues of accountability and accessibility. On the other hand, many NGOs have been destabilized as their leaders leave for posts in the government. The Rose Revolution also gave NGOs a great deal of media exposure, and improved their image among the general public.



The NGO sector still faces many challenges including: financial instability and dependency on donor funding; lack of local philanthropy and incentives in the law to promote philanthropy; few identified constituents; underdeveloped services in rural areas; and insufficient networking within the NGO sector and with the government, media, and business community. In the absence of a strong, clear opposition party to check the ruling party’s power in Parliament and the executive branch, NGOs will have an important role in monitoring government

officials, offering objective and constructive criticism, and ensuring transparency and accountability.

This year, two panels were convened, one in Tbilisi and the other in Kutaisi. The panel results vary widely, as Kutaisi came back with significantly better scores. Kutaisi is Georgia's second largest city, and since Georgia gained independence, it has gained a significant amount of foreign funding, and

developed a strong network of support and information sharing among NGOs, as well as with the government and media. Another factor affecting the Kutaisi score is linked to the multi-year USAID-funded Georgia Community Mobilization Initiative Program (GCMI), which has increased levels of capacity within the local NGO sector in Kutaisi, the center of West GCMI.

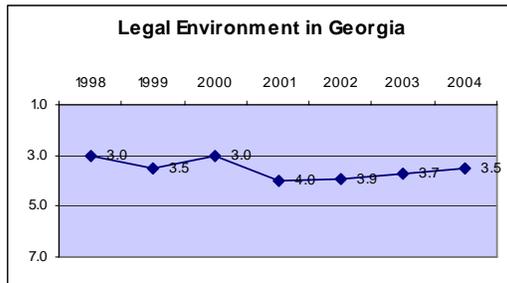
### LEGAL ENVIRONMENT: 3.5

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The current NGO legislation is progressive, and allows NGOs to form, express themselves, and seek funding without interference. Most NGO laws remain unchanged this year, including those governing registration procedures and taxation. The only development is a new provision that allows for reimbursement for accrued VAT.

the sector's dependence on foreign funding.

Many in the NGO community claim that the laws and regulations on NGOs are still unclear and ambiguous, and that critical issues remain unresolved. For example, the definition of "non-entrepreneurial organization" does not distinguish between NGOs and community-based organizations.



A coalition of NGOs has been lobbying the Parliament as it reviews a new Tax Code to preserve the benefits and incentives of the current law. The same coalition has lobbied for introduction of a broader definition of "charitable activities" and a deduction from the profit tax for businesses that make charitable donations. If adopted, the new tax provisions will create incentives to promote local philanthropy and decrease

The legal capacity of the NGO sector has significantly improved. NGOs now have much greater access to attorneys trained in NGO law. The Civil Society Institute, Georgian Young Lawyers Association, and the Horizonti Foundation are all providing training and continuing legal education opportunities to guarantee a well-trained population of attorneys to provide services to the NGO community. These services are made available in many locations, including online at [www.advocacy.ge](http://www.advocacy.ge), other NGO websites, and at the head offices of these organizations. There is still a problem with availability of services. Most are available in the capital and urban areas, but in small towns and rural areas, none

of the large national organizations are present.

The government has not harassed NGOs, either directly or with administrative penalties, though there are cases of tension with a few government officials. One example occurred in August 2004

when the Governor of Gori unofficially imprisoned an “excessively independent” editor of a newspaper. A number of NGOs organized a petition and protests in response, which drew unwelcomed visits from the local Tax Inspection Department.

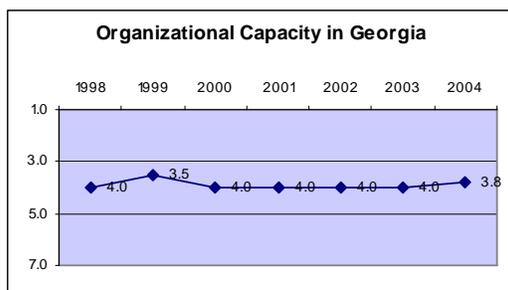
**ORGANIZATIONAL CAPACITY: 3.8**

While many NGOs have made significant advances in organizational capacity over the past year, many others have experienced setbacks as their leaders have left for posts in the government following the Rose Revolution. The NGO sector’s organizational capacity has also been compromised by the dependency on foreign funding. Though most NGOs understand the importance of strategic planning, short-term funding prevents organizations from looking much farther than their current grants. Despite these limitations, organizations are paying closer attention to their mission statements and better defining their visions. In Tbilisi, some of the leading NGOs have developed their organizational capacity and financial systems to the point that they are now able to directly access foreign donors such as USAID and the EU.

The NGO community’s failure to identify and build constituents has prevented it from developing credibility

and trust with the general public. Most organizations are not constituency-based but rather are built around a strong leader with a small staff of professionals. These organizations do not have a strong volunteer staff and only identify constituents project to project. The exceptions are groups such as teacher unions, journalist associations, and grassroots organizations that are all generally organized around a specific constituency and have a strong volunteer workforce.

Internal management and human resources are the weakest elements of NGO organizational capacity in Georgia. As mentioned, most NGOs are built around one strong leader and seldom follow the advice and guidance of their boards of directors. In addition, insufficient funding prevents most organizations from hiring long-term professional staff, leading to high rates of employee turnover and migration to for-profit entities. Most organizations do have access to some equipment such as printers, photocopiers and computers, but there is always a need for more. Unfortunately, the donor community does not generally fund such office



## 2004 NGO SUSTAINABILITY INDEX

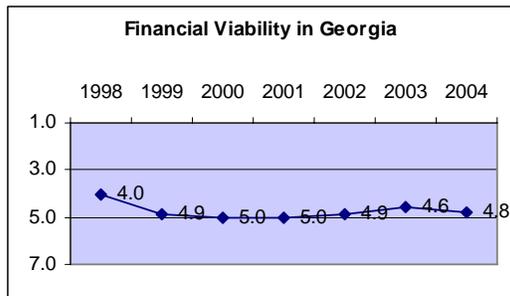
supplies and equipment, leaving many organizations without sufficient resources.

Despite these continued weaknesses, there is progress in that NGOs generally have a better understanding of the

importance of a well-developed organizational structure, procedures for their own institutional development, and mechanisms for diversifying their donor base.

### FINANCIAL VIABILITY: 4.8

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Though most other dimensions improved over the past year, financial viability actually slipped .2 points, as local philanthropy remains almost non-existent. The largest source of NGO funding is grants from foreign donors (95%), followed by economic activities (4%) and local philanthropy (1%). NGOs are becoming aware of their continued donor dependence and are developing strategies and tools to ensure their financial stability. More organizations, mostly larger NGOs in the capital, are taking financial management seriously, preparing annual budgets and financial reports, and commissioning external audits. Though this is in large part a response to pressures from foreign donors, the growing importance of financial transparency and accountability has also contributed to improvement in this area, as reflected by the Five Silver Principles of compliance to the Code of Ethics. Despite the realization that transparency is important, meaningful

and trustworthy external audits are expensive, and only twenty or so organizations have other transparency mechanisms, such as an active board or public annual reports.

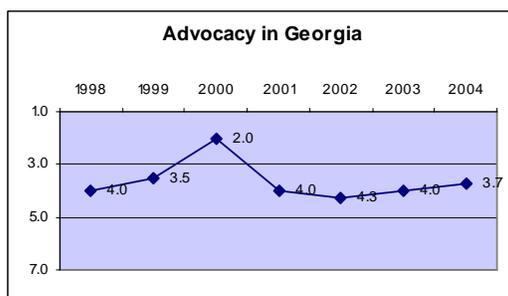
The NGO sector has many funding alternatives, as the law permits NGOs to charge fees for membership and for providing goods and services, as well as to compete for government contracts at both the local and national level. However, last year there was only one government contract awarded. The Kutaisi Council took bids for development of a Culture and Sports Program, and the final contract was awarded to a coalition of five NGOs, led by the Reform Support Center. There are other organizations that charge fees. The Humanitarian Charity House “Abkahazeti” charges fees for its business management training and micro-financing programs, and the Georgian Young Lawyers Association collects membership fees. Community organizations often recover thirty percent of the cost of their projects through in-kind contributions from their constituents and local governments. Many service organizations are trying to create alternative sources of public financing but lack the experience and public trust to be successful.

**ADVOCACY: 3.7**

The NGO advocacy dimension has improved over last year, as coalition-building and lobbying efforts have matured. The USAID-funded Citizens Advocate! Program (CAP) is a good example of sector-wide improvements. CAP-funded coalitions are addressing numerous topics and issues, targeting many different policy makers and representing a wide variety of constituents. Other newly-formed coalitions reach out to the media and government. One coalition has joined the Georgian Young Lawyers Association and Young Economists Association of Georgia (YEAG) with the Mother and Child Protection League to address youth-services issues. The Caucasian Environmental Defense Center has joined with the Inter-sectoral Committee of Interested Parties to address environmental issues. This coalition includes NGO representatives, officials from the executive branch and parliament, local government officials, teachers, and medical professionals. Yet another coalition advocates international donor rights.

powers and weakened Parliament, but the protests were not heard. Many in the NGO community had hoped that the government would more regularly seek out their expertise now that NGO leaders had become government officials, but only a few select NGOs have been consulted. Local and regional governments are more willing to seek out NGO expertise; in one recent example, the Head of the Kutaisi School Department thanked local NGOs for their much needed expertise and assistance.

There have been few improvements in political lobbying efforts, and again, most successes are at the local and regional levels. NGOs have a limited role in decision-making discussions and review of government initiatives, such as the review of educational reforms and the new draft tax code. The office of the Ombudsman has also requested that NGOs participate in independent public councils within the Ministries of Justice and Internal Affairs. However, political lobbying still focuses on the process and not the result.



Government officials still do not seek out NGO expertise except on important issues, and even then NGO opinions are not given much consideration. NGOs were very vocal about the constitutional changes that strengthened the executive

Lobbying coalitions have had some success in legislative efforts focused on social services, water and infrastructure, state budgeting and monitoring, and education. The Civil Society Institute is leading a coalition to lobby Parliament about retaining all of the benefits and incentives in the tax code, as well as introducing new charity exemptions. The Horizonti Foundation is lobbying to institute a 1% rule in which a portion of an individual's tax liability is dedicated to a charitable organization. The Caucasus Environmental NGO Network is lobbying to decrease the impact of the

## 2004 NGO SUSTAINABILITY INDEX

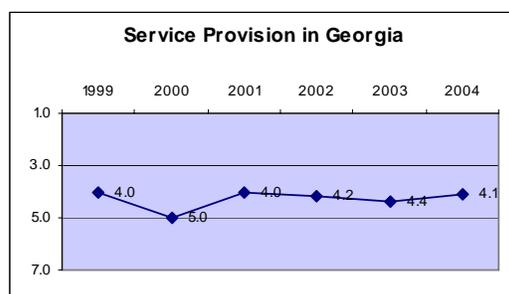
BTC/SCP pipeline construction on the Borjomi National Park. Some NGOs were actively involved in the Rose Revolution, and the International Society for Fair Elections and Democracies played a crucial role in publicizing the fraudulent election results.

Information exchanges and dissemination via Advocacy.Ge and the

Caucasus Environmental NGO Network as well as informational domains of local NGOs have promoted and facilitated coalition-building. These electronic news services are trying to bridge the divide between urban and rural NGOs and enable national rapid response to unfolding events.

### SERVICE PROVISION: 4.1

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The sector has made progress in the service provision dimension this year, as NGOs became more focused in their activities. NGOs are now providing services in all areas, including human rights, HIV/AIDS prevention, humanitarian assistance, training, agriculture, and others. Though all of these services are needed, they are not necessarily the result of thorough needs assessments that determine the priorities of communities and constituents. Government agencies, citizens, and other NGOs all take advantage of NGO services. With the exception of training providers, most NGOs do not charge

fees for their services, and income from fees makes up a small part of their budgets. NGO service providers are very attractive because they often do not charge fees and they are very accessible. Similarly, NGOs are at times a much better source of information because they lack the barriers and bureaucracy of government.

The government is very supportive of NGO service providers, and officials freely admit that many NGOs provide higher quality services than the government and reach more citizens. However, state funding is still not accessible, even though former NGO staff members were offered positions in the government following the Rose Revolution. The Government bidding process is generally not open and transparent, and most contracts are the result of personal relationships. Even when contracts are made, it can often take a long time to receive the funds.

### INFRASTRUCTURE: 3.9

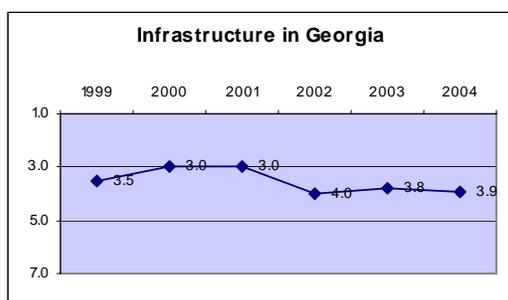
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Overall there are many capacity building organizations and experts in Georgia, though many of them charge fees for

their services. The main problem is that most of their services are available only in the capital, with an extreme shortage

of quality services in small towns and rural areas. While there are many capacity building organizations, there is a lack of NGO resource centers. The trend is to develop resource centers around themes such as the environment, human rights, health, advocacy, and so on, allowing NGOs to facilitate coalition building and networking. Over the past year more coalitions are forming around common interests, and taking advantage of the growing funding available for coalition efforts.

The sector also enjoyed other positive developments such as increased information sharing among NGOs and with the media and local government, as well as steps to develop links with the business community. For example, the Business Association and the NGO Code of Ethics Working Group have shared experiences and information about their codes of conduct. Despite these positive developments, the overall score for the Infrastructure dimension slipped due to the dissolution of the Kutaisi NGO House. The NGO House provided space for NGOs, as well as other services, resources and institutional development tools. Most NGO resources are now located in Tbilisi, leaving those in the region without.



**PUBLIC IMAGE: 3.7**

The Public Image dimension has significantly improved over the past year. Since the Rose Revolution, the media has taken much greater interest in the NGO sector and its activities, though media outside the capital provide better coverage and are more interested in NGO activities. Media in Kutaisi, for example, have been more than willing to cover environmental issues and often contact environmental NGOs for ecological and environmental information.

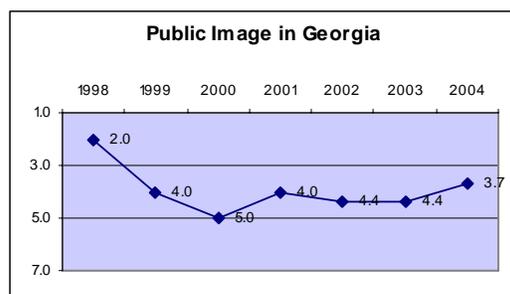
Department of Imereti suggested that teachers contact the Georgian Young Lawyers Association and other organizations if they have issues concerning their rights. Such endorsements give the NGO sector credibility. This is also a positive sign that the government recognizes NGOs as a resource for expertise and information.

The general public is beginning to trust the NGO sector more. In addition to positive coverage from the Rose Revolution, the government has been referring citizens to NGOs. For example, the head of the School

The business sector, on the other hand, has little interest in NGOs and generally views them as little more than freeloaders looking for donations. As it stands, the business community provides little support for NGOs, and NGOs provide few services for the business community. At times, NGOs do help develop relationships between the business sector and communities. In

## 2004 NGO SUSTAINABILITY INDEX

April and May of 2004, the Horizonti Foundation was asked by a group of businesses to assist with a joint review of the new tax code and in developing relationships with the government. In addition, the city councils of Batumi and Kutaisi asked the Georgian Young Lawyers Association to share the results of its campaign in Tbilisi to introduce mechanisms for approving project-based budgeting.



In general, NGOs realize they need to be more proactive in engaging the media and in developing a dialogue with the government and business sectors. To do so, NGOs have given more presentations and press conferences, and published articles and information about their work, all to enhance their public image. One problem has been that the media does not always cooperate, especially in the capital, where journalists focus on scandals or the most egregious human rights or social injustice cases. Public relations campaigns are often too expensive, and media outlets have yet to accept the idea of social advertising or public service announcements. Most NGOs do not have a clear media relations strategy and do not yet promote their activities or public image.

As NGOs take a greater role in society, the general public's knowledge of and trust in NGOs continues to grow. NGOs were very active during the public

hearings on the new Tax Code and the Constitutional amendments of 2003. They have also assisted different groups, including businesses, with legal advice and expertise. Both national and local governments have a good working relationship with NGOs. NGO representatives are often invited to city council advisory committee meetings in cities such as Tbilisi and Kutaisi, as well as meetings with Ministries of Environment, Finance, Infrastructure, Defense and International Affairs. The media is increasingly providing coverage of NGO activities, and NGOs often engage media outlets to publicize their activities. Many NGOs have started to hold press conferences and stakeholder forums, prepare and publish annual reports, and maintain websites.

One of the most important developments concerning the Public Image dimension is a new NGO Code of Ethics that promotes self-regulation. The sector considers the new Code of Ethics as a way to help organizations become more disciplined and professional, and in the end, gain the trust of the donor community and general public. Most organizations were able to provide input concerning the content and implementation of the Code. A signing ceremony began in Tbilisi in September 2004, and will travel to other cities until the end of the year. Once the signing ceremonies are complete, follow-up activities will ensure that signatories adhere to the Code's principles.