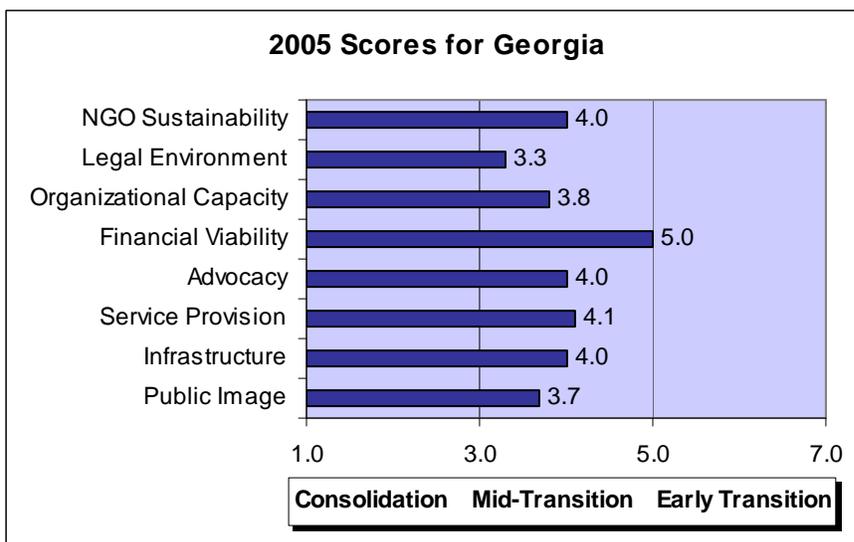


Georgia



Capital: Tbilisi

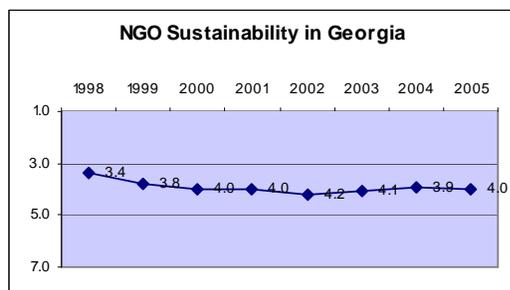
Polity: Presidential-parliamentary democracy

Population: 4,661,000

GDP per capita (PPP): \$3,300

NGO SUSTAINABILITY: 4.0

The overall NGO sustainability score decreased slightly over the past year. While improvements were made in the Legal Environment, Service Provision, and Infrastructure dimensions, they were offset by backsliding in the Financial Viability and Advocacy dimensions. The setbacks are attributed to the lack of progress that was expected in the period following the revolution.



The relationship between the Georgian government and civil society is occasionally contentious and is marred by limited cooperation. While NGO experts provide technical support, they have little influence over government policy. The reason is two-fold. First, government decisions are made by only a few officials, with little public participation and strategic planning. Second, NGOs still need to improve their ability to plan and work together in the constantly changing political environment. This includes balancing and better managing their sometimes conflicting roles as community watchdogs, policy advocates, and government partners. Organizations must also partner with one another to present a united front and build stronger working relationships with the business community and media, as well as improve their public image and increase their accountability to their constituents.

LEGAL ENVIRONMENT: 3.3

Reforms to the legal framework have led to improvements in the Legal Environment dimension score. The legal framework is now fairly supportive and permits NGOs to operate freely. The laws with the greatest impact on civil society are the Civil Code, the Law on Grants, the Tax Code, and the General

Administrative Code. The Freedom of Information Act is found in the Administrative Code and is especially important for the monitoring and watchdog groups. The Civil Code allows for an organization to exist as a union or a foundation. Since legal reforms in March of 2005, the Ministry of Justice oversees

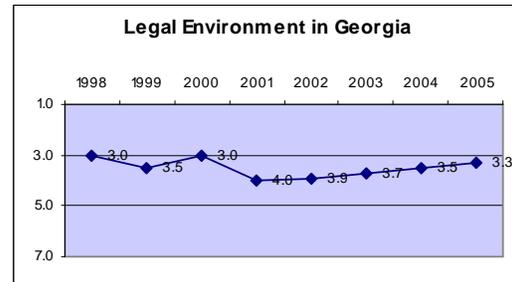
the registration process; the only problems have been the registration of local branches of NGOs located in the urban areas, attributed to the inexperience of the Ministry's staff in the regions. Generally, the law does not interfere with an organization's activities, and only a court can suspend or ban NGO activities. When the laws were adopted, many feared that the regulations were too vague and would allow government officials to take legal action against NGOs. To date no court has terminated an NGO's activities.

The new Tax Code, adopted in January of 2005, preserves the existing benefits and exemptions for NGOs. The Tax Code now clearly defines the term "charitable organization" and creates a new incentive for corporations, allowing them to deduct up to 8% of their total profits for donations that support charitable activities. This new deduction is the product of lobbying efforts led by the Civil Society Institute and other organizations. The changes provide incentives to NGOs working on social issues to re-register as charitable organizations, which allows them to take advantage of the new tax benefits. The Tax Code also creates a new mechanism for exempting NGOs from the Value Added Tax, though the administrative process, especially in the regions, continues to be problematic. Government officials must make a greater effort to fine-tune the implementation procedures for approving exemptions from the VAT and customs duties for international support of humanitarian activities. Despite the improvements to the Tax Code and other reforms, NGO representatives continue to express concern. While NGOs have generally not experienced any interference from the government, watchdog and monitoring

ORGANIZATIONAL CAPACITY: 3.8

The most significant trend to emerge with respect to organizational capacity of Georgian NGOs is the growing gap between the most well developed NGOs and the rest of the sector. The few top tier organizations improved their institutional capacity, and developed activities and set strategic planning consistent with clearly defined mission statements. They generally have sufficient funding to provide

groups are experiencing difficulties obtaining public information from some state agencies. Ironically, access to information has been most difficult from law enforcement agencies where former NGO workers now work.



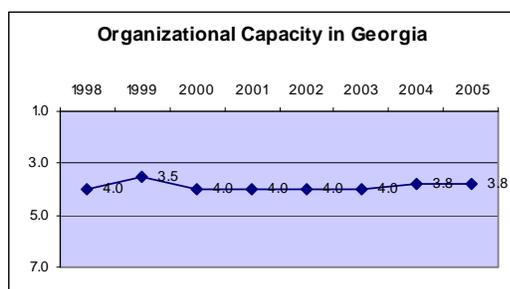
The law permits organizations to generate income by engaging in economic activities, as well as by competing for government contracts at both the local and national levels. In one recent example, a coalition of regional organizations won a contract worth \$145,000 from the Georgian Social Investment Fund, which supports institutional capacity building for local governance and community development. The NGO community must now start lobbying for a new Law on State Grants that would improve the state system for issuing grants and offering procurement opportunities in social services.

The demand for legal services increased over the past year. Despite their diminished funding, organizations such as the Georgian Young Lawyers Association and the Civil Society Institute continue to provide quality legal services for free, though they have been unable to meet the increased demand for their services. In the regions, NGOs find it nearly impossible to access quality legal services.

continuous services. Oftentimes they are members of coalitions and NGO networks, and have experience working with state agencies. These organizations also disseminate information through annual reports and other publications, and a few even boast annual budgets between \$100,000 and \$200,000. Relatively stable funding allows these

organizations to develop continually and improve their organizational structures.

The organizational capacity of the rest of the sector continues to deteriorate. NGOs, especially those in the regions, operate from project to project, often with large periods of time between these projects. While more of these organizations realize the importance of strategic planning, such dependence on short-term funding makes planning difficult to accomplish. Organizations that are able to contract from Tbilisi-based organizations generally have better organizational capacity than those with no links to the capital.



Even the advanced organizations that are able to influence public policy and advocate for reform have had difficulties identifying their priorities, which have shifted with the changes in the socio-political environment. Relationships with the government have grown more complicated, deteriorating from cooperative to antagonistic, interfering with the ability of NGOs to clearly define their goals. Overall, the NGO community understands the need to improve its planning process and the importance of working together in the constantly changing environment.

Georgian NGOs continue to struggle in their efforts to build constituencies and few have memberships. This is due in part to a lack of tradition and experience, but also society's lack of interest in influencing policy. Getting over these barriers is a long-term goal that will require a change in attitude. Organizations that

survive project to project and are unable to provide ongoing services have difficulties building constituencies. These organizations are often considered to be professional groups with a paid staff, while those in the regions lack the funding to maintain a professional staff. Young professionals often work with NGOs only long enough to get the experience they need to get jobs in the capital. Similarly, volunteers are often motivated by their desire to gain the experience they need to find another job or to secure a full-time job with the organization. Otherwise, incentives for promoting volunteerism are nonexistent in Georgia. Following the revolution, numerous leaders within the NGO community left their organizations for positions in the government. While this exodus of NGO leaders has had an adverse impact on a few organizations that relied on the vision and initiative of their leaders, it has not had a negative affect on the sector as a whole.

NGOs have laid the groundwork for a self-regulatory system and some organizations now follow both informal and formal codes of ethics. The Code of Ethics brought together a variety of civil society organizations under common principles of transparency, accountability, non-partisanship, publication of annual reports, availability of internal regulations, a functioning board, and dissemination of information. Seventy organizations have signed onto the Code of Ethics and sixteen have received awards for compliance.

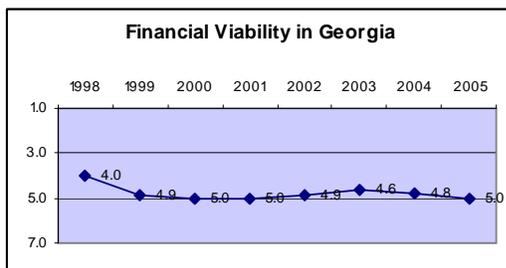
NGOs have a greater appreciation for the importance of well-organized plans for obtaining and managing donor funds. Internal governance and the use of boards of directors, however, are still inadequate even for the more advanced organizations. Most NGOs have the necessary office equipment, but internet access continues to be inconsistent since the service is expensive, power sources are unreliable, and communications networks are outdated.

FINANCIAL VIABILITY: 5.0

Only a few organizations have a variety of funding sources. NGOs continue to rely heavily

on donors, as only 5% of their total funding is earned from economic or charitable activities.

The new definition for charitable activities and the tax deduction for corporations, both found in the new Tax Code, were created to promote philanthropy. It is still rare for a corporation to create a charitable foundation and creating a culture of philanthropy will require long-term societal changes. The majority of membership organizations charge symbolic fees. For example, one organization in Ozurgeti only charges members 10 cents per month. At most, membership fees do not exceed 5% of any organization's budget. The Federation of Accountants and Auditors and the Federation of Businessmen, which collect 15 to 50% of their budget from membership fees, are the exceptions.



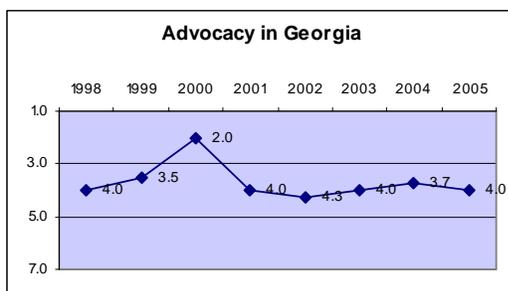
Organizations with funding sources are making efforts to improve their financial management

ADVOCACY: 4.0

The relationship between the government and civil society can be both cooperative and confrontational. Following the revolution, the government's perception of the importance of NGOs diminished. Government officials believe that they have integrated the best that civil society had to offer, and consider those that remained to be of little consequence. At the federal level, communication and cooperation vary from case to case, based on the personalities of the government officials and their perceptions of NGOs. The Ministry of Science and Education and the Ministry of Health and Social Welfare include NGO expertise in their policy discussions, and several organizations are involved in reforming the Tbilisi Mayor's office. Others are involved in drafting legislation, discussion of draft laws, and developing State programs. The political will of government officials still has tremendous

influence on the outcome of such activities and each government institution relies on its own team of NGOs making it difficult for others to get involved. The circle of NGOs collaborating with the government has narrowed.

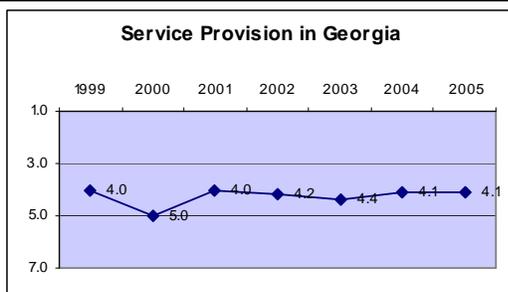
Although their technical expertise is often appreciated by government officials, NGOs have difficulty introducing and affecting new policies. In one example, government officials drafted and approved the major principles of the new Election Code then asked NGOs to fill in the technical details. Policy changes are more likely to succeed when officials are willing to consider the analysis and recommendations of NGOs. Watchdog organizations that criticize the government and its resistance to political opposition are "blacklisted." As a result, their activities are limited by government officials, they are unable to access information, and they become the subject of harmful rumors.



Coalition building is in large part initiated by international donors. The Citizens Advocacy Program was funded by USAID and supported eight coalitions, comprised of thirty-seven civil society organizations. These coalitions pursue issue-based grassroots advocacy campaigns

concerning water and sanitation, local governance and policy-making, elections, and human rights. In one advocacy campaign, which could serve as a successful model for other NGO coalitions working with local and regional governments, a coalition successfully advocated for improvements to a water supply system in Ozurgati. Another coalition in Adjara conducted four successful advocacy campaigns. Most recently, a coalition of NGO donors and local government officials totaling eight-thousand people applied significant pressure on the government to decentralize the decision-making process concerning territorial administrative reform. The issue is still under consideration.

SERVICE PROVISION: 4.1



The diversity of services offered by Georgian NGOs was exemplified by the organizations that attended the first Forum of Civil Society Organizations held in April 2005. Fifty-six organizations representing all of the different regions participated, including groups that offer services in human rights, education, local governance, economic development, environmental protection, and other health and social services that have been a top funding priority for the donor community. At the federal level, leading Georgian NGOs are now approaching government officials with quality analysis and advice on policy issues. Depending on the reception, organizations either partner with state agencies or have to resort to pressuring or lobbying for change. Local governments fail to recognize NGOs for their high quality expertise and services, and even if they did, local budgets limit opportunities for formal contracting.

Service organizations do target populations outside of their own membership. In one example, the Association of Young Economists, the Georgian Young Lawyers Association, and the Civil Society Institute directed approximately 60% of their resources towards building broader constituencies. Expert analysis, consultations, advocacy and lobbying are all directed towards serving the public, and information is regularly distributed throughout the NGO community. Organizations in the regions are not constituency-based, though they often respond to local demands.

Donor-dependency is an issue for NGOs. Donors often set their priorities according to their own views, and domestic organizations have little input. Instead, domestic organizations are forced to alter their priorities to match those of their donors, which may have a negative impact on their organizational and professional development.

NGOs know their markets and the needs of the public; they also know whether their constituents are able to pay or not. Because the primary consumers of NGO services are low-income citizens, organizations generally do not charge fees, or do so at a low rate. As mentioned, the services available do not satisfy the current demand.

INFRASTRUCTURE: 4.0

The majority of NGOs has less access to training and other technical assistance services than in the past. Though legal services are one of the few remaining services offered free of charge, the growing demand for such services limits access. While at the local level the capacity for offering such services is increasing, the best providers of NGO training charge significant fees and often become for-profit businesses. Most services are available in Tbilisi but not the regions. Organizations do not have access to comprehensive NGO Resource Centers, though the various services are offered by different organizations. Ozurgeti is an exception; the Internet Resource Center offers NGOs and the public significant services, and other NGOs offer specialized trainings, with materials available in the local language.

The Open Society-Georgia Foundation and the Eurasia Foundation, two grant-making organizations, are decreasing their presence and making fewer grants. A few local NGOs regrant international donor funds, though they are limited by a requirement that organizations register as foundations before issuing grants. This requirement creates a problem in

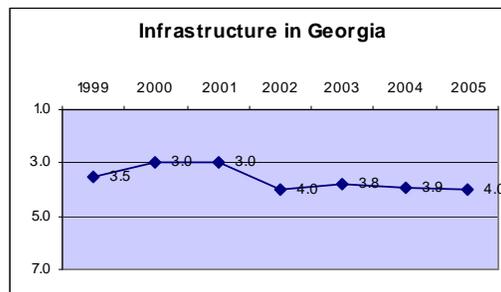
PUBLIC IMAGE: 3.7

The score for the Public Image dimension did not change from last year's score. During and shortly after the Rose Revolution, the public held NGOs in great trust. This was in part because NGO leaders were frequently on television. The public also associated parts of civil society with the new government due to the numerous NGO leaders that took positions in various government offices.

Civil society places great emphasis on its members sharing both common visions and values, and is often viewed as a single entity. An April 2005 poll found that though public perception of NGOs has improved, the public continues to be unclear about their role and activities.²⁴ This indicates that NGOs are

²⁴ The Public Opinion Poll was conducted by the Center for Strategic Research and Development of

networking and coalition-building because leading NGOs are limited to issuing grants to their coalition members.



Networking, coalition building, and inter-sectoral partnerships have been initiated largely by donors and are linked to specific projects. For example, the Citizens Advocate Program initiated the NGO-Business communications campaign in an attempt to build collaboration, but as soon as the program ended, the collaboration ended. In the regions, NGOs partner more with local governments than with businesses.

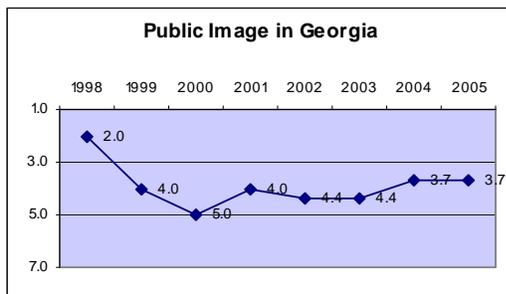
somewhat isolated from their constituencies and the target groups they are supposed to represent.

The cooperation between NGOs and the media during the Rose Revolution has gradually diminished. Over the past year, the media's attention to NGO activities has decreased considerably. Media coverage, especially in Tbilisi, is focused on scandals or meetings with high-ranking officials or other public figures. Ironically, the media continues to turn to civil society for analysis and commentary, though its coverage of NGO activities is lacking. NGOs in the region have greater success attracting media attention than those in the capital. Organizations in Ozurgeti report that local

Georgia (CSRDG), within the framework of USAID funded Citizens Advocate Program.

media will cover NGO activities when they are invited, but never do so by their own initiative.

The business sector is very cautious with NGOs, in large part because NGOs have not successfully presented their skills to business representatives. Even those corporations that may otherwise participate in charitable activities choose not to support NGOs, especially if the organization has tense relationships with the government.



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.