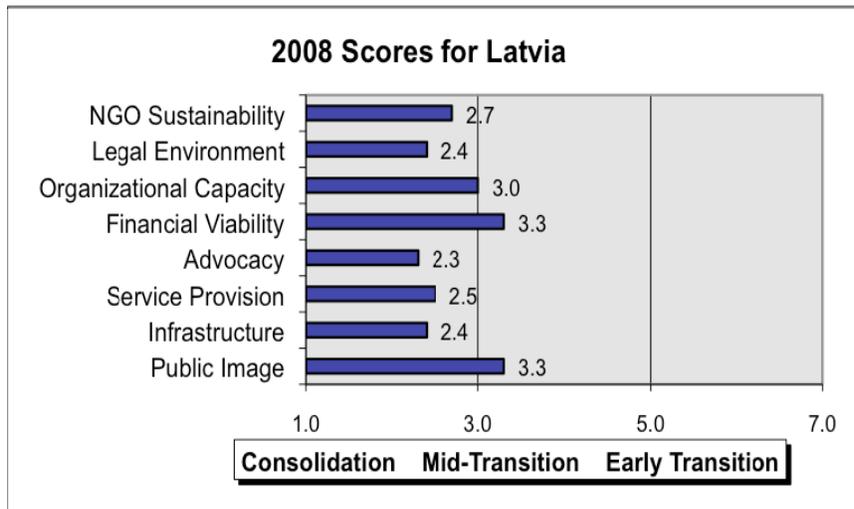


LATVIA



Capital: Riga

Polity:
Parliamentary Democracy

Population:
2,231,503 (July 2009 est.)

GDP per capita (PPP):
\$17,800 (2008 est.)

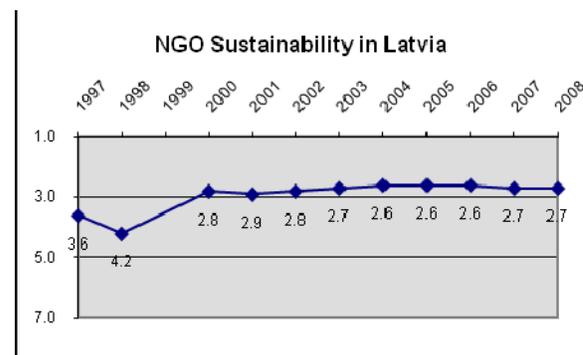
NGO SUSTAINABILITY: 2.7

As of November 2008, there were approximately 10,167 registered NGOs, including associations, foundations, trade unions, open society foundations, sport organizations, political parties and political organizations. The greatest number of NGOs is registered in Riga. The number of public benefit organizations, 1,246, shifts slightly from year to year, since the legal status of public benefit organizations has to be renewed annually by submitting financial and narrative reports to the Public Benefit Commission coordinated by the Ministry of Finance. Public benefit status may also be removed in cases where authorities have discovered misuse of funding.

The worldwide economic crisis has already affected the NGO sector, but the real impact will be more visible in the coming years. The sector has experienced challenges regarding funding, which influences both personnel recruitment and overall capacity of organizations.

To address the economic recession, the government introduced several measures to cut public expenditures, which had an impact on the NGO sector as well. Some financial mechanisms were recently established to support NGOs' work; however, the new measures have reduced co-financing from the government, which

inhibits NGOs' ability to apply for EU funding. A co-financing program for international projects administered by the Society Integration Fund since 2006 was reduced. The Ministry of Finance has introduced discussions regarding blocking the introduction of some of the EU Structural Fund support programs of which NGOs are recipients.

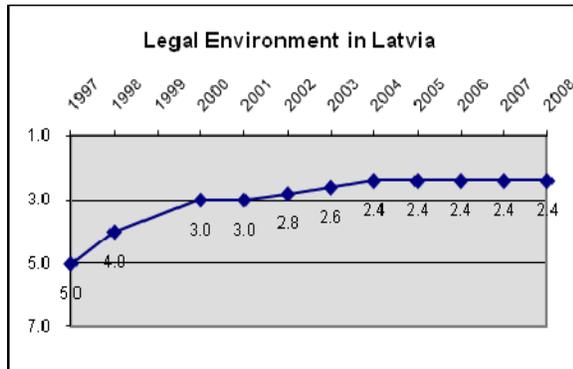


The Cabinet of Ministers decision to reorganize or close the Ministry of Special Assignment for Social Integration in order to cut the state budget for 2009 had a notable impact on civil society development in Latvia. The Ministry of Special Assignment for Social Integration was responsible for planning and implementing policy and programs to support civil society. The minister has stated that closing the ministry

will have little or no effect because its tasks will be fulfilled by the Ministry for Children and Family Affairs. The NGO sector attempted to express its concerns regarding these policy

changes; however, the ministries merely informed NGOs of the changes, as opposed to engaging them in the restructuring process.

LEGAL ENVIRONMENT: 2.4



Current legislation regarding the NGO sector, namely the Law on Associations and Foundations and the Law on Public Benefit, is very sound. The laws clearly explain NGO registration, structures, and regulations concerning operation. Still, state institutions interpret various legislative norms differently. The various offices of the State Revenue Service interpret the laws regarding annual reports differently than the NGO sector. Moreover, offices in the capital city differ in their interpretations from regional offices, possibly because regional offices lack expertise on NGO issues. For example, the offices in Riga offer more explicit and understandable explanations of NGO issues. Guidelines to explain the requirements of the laws and regulations to NGO representatives could help address this issue.

Bureaucratic procedures could also be simplified and optimized by making electronic signatures more affordable for the NGO sector. Currently, NGOs must go through the state cashier in order to request money transfers and perform other banking operations because they cannot afford

to pay the fees associated with the electronic signature service. NGOs would like the government to provide them with a discount for the e-signature service, which currently costs €129.

When calculating tax deductions for donations to public benefit organizations, the state refunds 85 percent of the donated sum to businesses, whereas the state only refunds individuals 25 percent. Nevertheless, the tax system for NGOs is quite supportive. For example, if the financial turnover of an NGO in a twelve-month period does not exceed LVL 10,000 (\$17,857), the NGO is not obliged to pay VAT. As soon as the turnover exceeds this amount, the organization has to register as a VAT payer. In general, the NGO sector would like to increase the minimum amount required to reach the VAT level. Due to inflation, more organizations are reaching the minimum amount and having to pay VAT.

The government is in the process of proposing changes to the way in which NGOs submit their annual financial reports, such as allowing NGOs to send the reports to the State Revenue Service via post. The government also proposed amendments to regulations that would allow NGOs to submit annual financial and narrative reports electronically in a single copy only to the State Revenue Service. Within ninety days, the SRS would send a copy of the report to the Ministry of Finance, adding information on the organization's status related to paid or unpaid taxes. This should reduce the number of administrative actions NGOs have to perform. The government is expected to pass these amendments in 2009.

ORGANIZATIONAL CAPACITY: 3.0

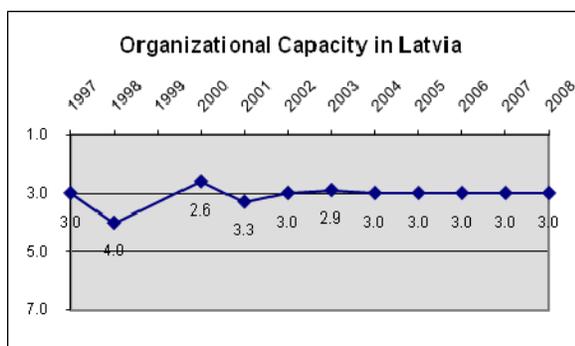
High inflation during the second half of 2008 greatly affected the NGO sector, particularly its

organizational capacity. As prices increased, NGOs were less able to sustain their activities.

The sector had very few opportunities to receive financial support, not only for the implementation of projects, but also for the strengthening of organizational capacity.

The NGO Fund established by the European Economic Area (EEA) and Norwegian Financial Mechanisms provides support for promoting organizational capacity. This fund incorporates three programs: the NGO Support Program, which has financed twenty-eight projects; the NGO Capacity Strengthening Program, which has financed thirty-five projects; and the Project Program, which has financed nineteen projects. All three of these programs will continue to finance more projects.

The development of the National Program for Strengthening Civil Society 2004–2009 has been a good mechanism for supporting NGOs across the country. The framework of the program includes earmarked funding for NGO activities and supports regional organizations working in the fields of civil society and advocacy. Until 2008, the program was administered by the Ministry of Special Assignment for Social Integration, but as of February 2009, it will be administered by the Ministry for Children and Family Affairs. The Ministry of Special Assignment for Social Integration provided subsidies to five regional NGO resource centers, as well as legal and accountancy consultations. The NGO sector has achieved recognition by local municipalities, which more widely introduced calls for proposals as one of the forms of NGO support.



Due to the financial complications in the country, organizations are forced to implement

projects that frequently do not correspond to their missions. The income of NGOs is not diversified, and generally, organizations have only managed to find an extremely small number of donors to support their activities.

Rather than working together, the NGO sector and the business sector compete. The business sector does not generally partner with the NGO sector. Some business representatives point out that NGOs are considered to be quite unprofessional regarding their attitude towards their work, lack a clear strategy, and are less effective. Most NGOs have not established quality standards. Businesses are more interested in short-term partnerships such as assistance with events as opposed to long-term partnerships through which NGOs and businesses work together on common issues. Further, some businesses are worried about being associated with the missions of particular NGOs, such as those working on sexual health or corruption issues. This lack of public-private partnerships influences the long-term sustainability of NGOs.

The NGO networks established when Latvia entered the European Union in 2004 have started facing financial difficulties, and since 2006, a new organization, the Partners in Ideas Foundation, has attempted to solve these problems by fostering public-private partnerships. The foundation was established with the aim of fostering a socially responsible society by promoting the practice of venture philanthropy, by applying business solutions to societal problems, and by unifying socially responsible companies and individuals. The foundation attempts to match businesses with NGOs to work on common issues. It also promotes pro bono support from businesses to NGOs. This kind of approach is a new concept in Latvia, but it has generated much excitement in the NGO community.

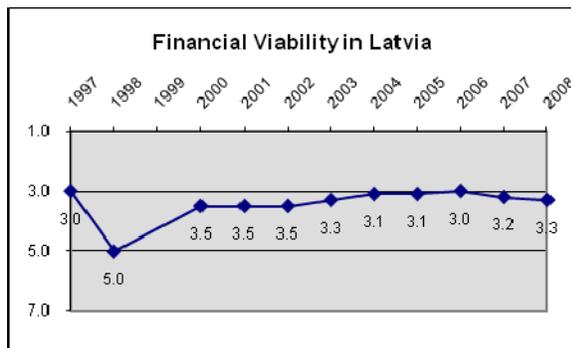
Organizational capacity in Latvia depends on an organization's ability to engage in projects without core funding from the state or municipalities. NGOs function from project to project, face obstacles in maintaining adequate personnel, and lack resources to recruit and train

volunteers to do quality work. While NGOs may be able to find volunteers to perform menial tasks or work at events, finding a volunteer who

can work on larger projects such as advocacy is difficult. Further, the public lacks the motivation to volunteer.

FINANCIAL VIABILITY: 3.3

The beginning of the year seemed more optimistic than the second half, due to fast-growing inflation. High inflation caused significant problems for NGOs, as they found themselves scrambling to cut costs. The funding NGOs receive is not enough to make up for the increased prices.



Previously, NGOs had to approach municipalities for support for events, and often funding was provided on the basis of relationships NGOs had with public administrators. Local municipalities, however, are increasingly introducing clear guidelines and calls for proposals to work with NGOs. These calls assist in promoting transparency and good governance concerning the distribution of financial support.

In 2006, the Movement of the Community Foundations was established. This movement has worked to establish a network of community foundations throughout Latvia, and has been lobbying for more community foundations. Currently, five community foundations exist in five different locations. During 2007, through the network of community foundations,

ADVOCACY: 2.3

Two primary documents – the Memorandum of Understanding (MOU) between NGOs and Government (created in 2005) and the Special Declaration for the Development of Civil Society in

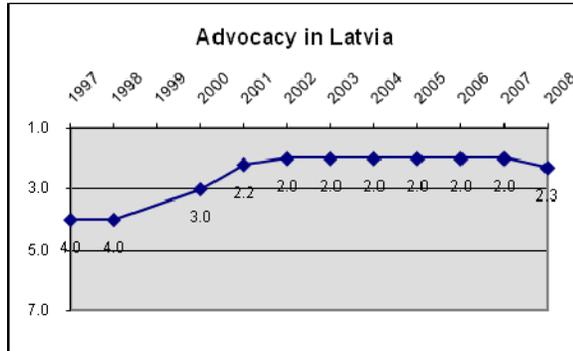
approximately €192,984 was collected and distributed for local projects. Twenty-seven percent of the funding for these small foundations, however, came from the Baltic-American Partnership Fund, which closed in 2008. Only 6 percent was donated by individuals, and the rest of the funding came from other sources.

Few funds are available for the support of NGOs. The 2007–2009 budget of the NGO Fund of the EEA Financial Mechanism is €5.27 million, divided into three different programs. Associations, foundations, and social partners (trade unions and labor unions) are eligible to apply for funding. Since funding is limited, the criterion for the selection of applications is rather strict. Most of the funding is for NGO projects, with a smaller amount dedicated to capacity building.

Unfortunately, NGOs do not concentrate on forming endowments or saving funds in order to ensure organizations’ long-term sustainability. The range of NGO sponsors or donors is not diversified; moreover, in 2008, due to the economic crisis, some NGO supporters began to face financial difficulties. Even large organizations felt the effects of this problem. Businesses generally support NGOs out of their budget lines for public relations. In the economic downturn, businesses decreased funds for public relations activities, which affected support for NGOs. Some NGOs started to experience severe financial difficulties by the end of 2008, which may force them to stop operating or close their programs in 2009.

Latvia and Cooperation with NGOs (created in 2007) – delineate the manner of NGO and state cooperation at all administrative levels. These documents are meant to serve as cornerstones for

participation of civil society within the policy process, not only nationally, but also internationally. In 2008, NGOs discovered that these initiatives were not satisfying their original aims.



The MOU was signed by the prime minister and NGOs. A council consisting of civil servants and NGO representatives was established to implement the MOU. The council's decisions can immediately be fulfilled by a resolution of the prime minister. However, the prime minister also has the right to refuse or ignore the recommendations of the council, which was the case on several occasions during 2008. The prime minister regularly canceled meetings or sent someone else in his place. During the development of the 2009 state budget, the state consulted trade unions and labor unions, but refused to fulfill the obligations of the MOU and meet with the council, despite multiple requests for meetings. The MOU states that a larger meeting involving the council, other NGO representatives and the prime minister should take place every six months; in 2008, this meeting did not occur.

The Special Declaration for the Development of Civil Society in Latvia aims to strengthen the development of civil society and foster dialogue between NGOs and the Parliament. Cooperation

SERVICE PROVISION: 2.5

NGOs provide various services in a range of fields, with social services making up the bulk of activities. By the end of 2008, there were 363 organizations registered in the Register of Social Services Providers.

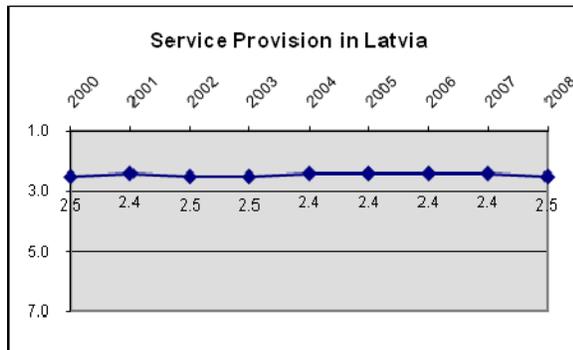
forums took place in 2007 and 2008, but the Parliament hesitated to fulfill the commitments agreed upon with the NGO sector. For example, during one of the forums, the Parliament promised NGOs that it would support a special budget line that would specifically support NGOs; however, the Parliament eventually reneged on the deal, stating that it was unable to fulfill its promise.

According to the declaration of the 2008 forum, a formal cooperation council has to be established in order to review and supervise collaboration between the parliament and NGOs. The Parliament has not yet appointed three people to be responsible for establishing the council. Commissions are monitoring whether or not the Parliament fulfills the aims of the declaration. In November 2008, NGOs initiated a meeting with the Parliament to renew the cooperation, but the Parliament did not satisfactorily answer questions regarding its inability to fulfill the commitments of the declaration. The Parliament claims to have assisted NGOs by establishing a website and an information center for the public in years past; however, the NGO sector would like Parliament to look at the larger issues affecting the sector.

The NGO sector had high hopes in the MOU and Special Declaration, both of which were created to improve the power of NGOs to advocate for their initiatives and ideas. Unfortunately, the documents have had little effect on the ability of NGOs to advocate and the sector must rethink its advocacy tools and methods. The decrease in NGOs' influence may also be explained by the scale of the issues the government faces during the economic crisis.

Some large NGOs have monopolized certain services and expanded from the capital city to the regions. For instance, the Samaritan Association of Latvia offers its services in nine cities covering the surrounding regions. These

services include home care centers in three cities and a public flat with twelve places for socially vulnerable people. Local municipalities partly subsidize these services, but the association has introduced minimal service fees for the clients who can afford to pay.



Organizations that used EU Structural Funds to pay for their service operations have faced difficulties. With the termination of funds for these projects, they have been unable to introduce paid services for vulnerable groups. For example, a women’s resource center called Marta, which provided free services within the framework of EU projects, confused clients when the funds ran out and the center was forced to start collecting fees for legal services.

The recipients of NGOs’ services are rarely able to cover the costs of the service provision. Therefore, NGOs seek cooperation with local municipalities, which agree to subsidize

INFRASTRUCTURE: 2.4

The network of state-supported NGO resource centers has been operational since 2005. Five of these centers receive subsidies from the Ministry of Special Assignment of Society Integration. The funding from this Ministry will be provided through 2009; thereafter, the NGO resource centers will have to sustain themselves. The centers are planning to introduce strategic planning and apply for other funding.

Some of the NGO centers located in the western part of Latvia, which function without government assistance, manage to organize activities and support for regional NGOs. These

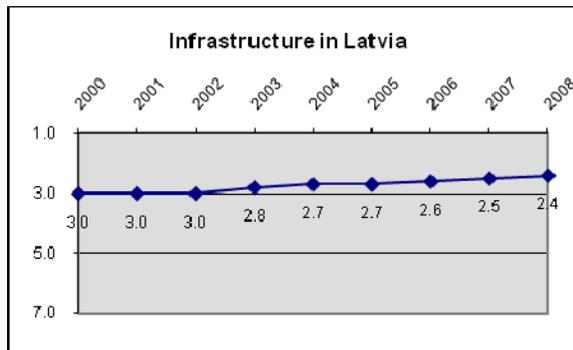
particular services. Organizations introduce income-generating projects to cover the costs of services, but the earned income is rather small. The above-mentioned resource center for women, Marta, cooperates with the distributors of Avon cosmetics, who sell blue bracelets symbolizing support for women suffering from domestic violence. Income from the sale of bracelets is allocated to the Marta Center. The crisis center Skalbēs runs a twenty-four-hour psychological support hotline for people in crisis situations, in addition to providing legal and psychological consultations to individuals and families. The Municipality of Riga supports these services. Nevertheless, some NGOs collapse because they do not receive co-financing for their services from the central or local governments.

In 2008, the government decided to instigate regional reforms that will affect service provision. These reforms, which involve redrawing regional borders, were designed in 2008 for implementation in 2009. By altering the location of the regional centers and sizes of the regions, these reforms will influence access to basic social services provided by local municipalities. While there have been protests against these reforms, the situation may be an opportunity for NGOs to develop and establish services for citizens in rural and more remote areas.

centers deliver basic legal, bookkeeping, and information support services. The resource center in Zemgale in the central part of the country even offers a leadership school for new NGO activists.

The centers arrange information days, prepare and disseminate informative materials among NGOs, and act as coordinating bodies organizing cooperation with the municipalities. For example, the resource center in Riga has worked with the municipality to facilitate a memorandum of understanding between the municipality and local NGOs. The memorandum

allows NGO representatives to get acquainted with the agendas of various city commissions and express their views on the topics discussed.



NGO resource centers have established databases about organizations working in their regions. The databases are a valuable information source, not only for the municipalities and other stakeholders, but also for researchers. However, the databases lack complete information on the NGO sector in Latvia.

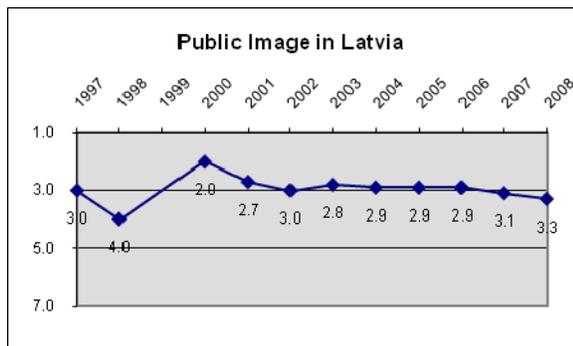
As mentioned, a network of five community foundations has been established. Most of the

foundations are active in collecting and distributing funding to local projects. Their income is somewhat diversified, yet most of the funding still comes from one donor, raising questions regarding long-term sustainability.

NGOs provide a wide range of trainings and produce materials in a variety of fields. Lately, NGOs have received offers from companies to attend seminars about the preparation of annual reports, accounting, and other topics. The seminar fee is quite high, but companies' provision of seminars indicates that the training services offered by NGO are insufficient.

Since 2005, Civic Alliance–Latvia (CAL) has served as the NGO umbrella organization and has provided information services for NGOs. The goal of CAL is to advocate on behalf of the NGO sector as well as activating civil society through information, education and cooperation. Currently, CAL has ninety-one members.

PUBLIC IMAGE: 3.3



Unfortunately, NGOs lack recognition within society, and due to limited resources, cannot afford to organize informative campaigns. The regional media publish articles about NGOs' activities as paid material and are not interested in information regarding the NGO sector. Some project proposals include special budget lines for preparing paid publications in newspapers. Rather than bolster NGOs' image, these articles create a subjective and incorrect image of the

sector. The media is accustomed to being paid for publishing positive news about NGOs. Public opinion polls show that a limited number of people are aware of NGOs' missions and work.

NGOs perceive that media are obliged to publicize their activities, while media representatives state that NGOs do not clearly understand how the media chooses its stories and sets its agenda. Still, some campaigns organized by NGOs—mainly environmental projects—have been well covered in the mass media. Internet media appear to be more supportive concerning dissemination of NGO news, perhaps because they have more space to allocate to a variety of issues.

Recently, politicians' comments in the media show a certain misunderstanding of NGOs' mission in society. For example, during an

appearance on one of the most popular analytical television talk shows, the Minister of Interior stated that representatives of the NGO sector should not be engaged in the expert commission charged with selecting the head of the leading anti-corruption authority of Latvia. (NGOs working on fighting corruption in Latvia are Transparency International, Latvia Delna, and the Public Policy Center Providus.) The minister's comment shows that even relatively strong organizations appear to lack the ability to ensure their participation in the decision-making process.

In 2006 and 2007, one of the daily newspapers, *Neatkarīga Rita Avīze*, conducted a smear campaign against the Soros Foundation, claiming that it was anti-government. This anti-NGO campaign left a negative impression in society regarding NGOs.