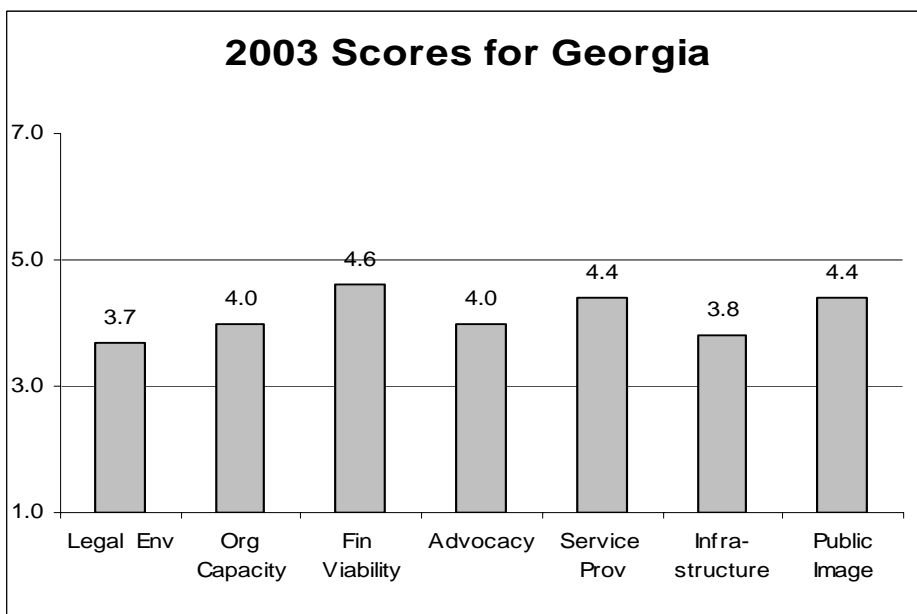


# GEORGIA



**Capital:**  
Tbilisi

**Polity:**  
Presidential-parliamentary democracy

**Population:**  
4,400,000

**GDP per capita (PPP):** \$2,664

## NGO SUSTAINABILITY: 4.1

NGO SUSTAINABILITY	
2003	4.1
2002	4.2
2001	4.0
2000	4.0
1999	3.8
1998	3.4

Daunting challenges continue to face Georgia's NGOs in their efforts to play a decisive role in reviving the country's faltering transition to a democracy and market economy.

NGOs seek to represent an unfamiliar and skeptical public, and they lobby an indifferent Parliament for legislation that would allow them to raise funds locally. NGOs fought off government attacks in the media and the legislature.

NGO leaders are cautiously optimistic about the future of the sector, however, as evidenced by the first up-turn in scoring

since the NGO Sustainability Index began tracking its progress. This reversal of the downward trend does not represent changes in the conditions affecting the sector so much as it reflects NGOs' enhanced ability to address them. This year NGOs demonstrated growing capacity to rapidly disseminate information, form coalitions, and take public positions. They began to discover their strength as they successfully united to protect freedom of expression, to promote decentralization, or to demand government transparency and access to public information.

Regional variations in the level of development of the NGO sector are significant. As Georgia's second city with a large concentration of IDPs, Kutaisi's NGOs are particularly well-developed, due in part to the significant donor funding they have re-

ceived over the past decade. As a result, they have developed a strong network of support and information sharing amongst themselves; regional and city government leaders vie for NGOs' attention; and the

public is familiar with NGOs as a result of the visible activities of several organizations.

**LEGAL ENVIRONMENT: 3.7**

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NGOs' awareness of and ability to influence the legal environment significantly improved during this past year. NGO legislation is quite progressive, allowing them

LEGAL ENVIRONMENT	
2003	3.7
2002	3.9
2001	4.0
2000	3.0
1999	3.5
1998	3.0

to form, express themselves and seek funding fairly freely. It is perhaps because of this freedom under the law that numerous initiatives sought to re-impose State control over NGOs.

Nevertheless, NGOs' successes in mobilizing on numerous occasions to thwart or neutralize regressive draft laws and regulations explain the improved score this year.

NGO registration procedures have improved over the past year as Amendments to the Georgian Civil Code were adopted to simplify registration of branch offices of both foreign and local NGOs. Several NGOs were able to participate in the re-drafting, and their suggestions were incorporated into the final Amendments.

Enhanced legal capacity has enabled NGOs to successfully respond to numerous regressive legislative initiatives this year. The new Advocacy listserv disseminates timely information on legislative issues to NGOs both in the capital and in the regions, while the Civil Society Institute (CSI) offers on-line consultations to NGOs who have questions on registration or legal compliance issues. In May 2003 the CSI initiated a Not-for-Profit Legislation

Monitoring Group composed of six leading NGO legal experts, who now track and react to NGO-related draft legislation before it becomes law. NGOs thus quickly mobilized to protest a draconian draft law "On Prohibition of Extremist Organizations", which would have rendered NGOs potentially liable to prosecution for contacts with any foreign entity. Through constructive engagement with the Ministry of Security, the current draft is far improved. NGOs also successfully lobbied to preserve their social tax exemptions in the Law on Mandatory Social Insurance, and their challenge to the Ministry of Finance's decree to register all grants with the State Treasury led to a court decision to suspend its implementation.

Nevertheless, many NGOs claim that the legal environment remains ambiguous, with numerous critical issues unresolved. Despite NGOs' lobbying efforts, the Tax Code allows neither deductions for charitable contributions made by businesses nor exemptions from the profit tax for income generated by NGOs. Such a tax regime has effectively stymied NGO efforts to develop a local funding base, and prolongs their dependence on foreign grants. Framework legislation remains vague on the ownership of foundations' property as well, and implementation of the regulatory regime by government agencies remains selective or haphazard. A recent study conducted by CSI found that most NGOs are unable to claim their VAT exemption or to report charitable contributions, and taxes unpaid by individuals contracted by NGOs are charged to those NGOs.

## ORGANIZATIONAL CAPACITY: 4.0

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No significant changes occurred over the past year in terms of NGOs' organizational capacity. The primary impetus for organ-

ORGANIZATIONAL CAPACITY	
2003	4.0
2002	4.0
2001	4.0
2000	4.0
1999	3.5
1998	4.0

izational development still comes from donors and international organizations rather than from within the sector. Due to an unfavorable tax regime, NGOs' utter dependence on foreign funding contributes to their sense of impotence whereby the nature and direction of capacity development are determined by donors. By this perspective project funding, as opposed to organizational funding, is seen to be a critical constraint to capacity development.

To date few NGOs have developed long-term strategies. Most have not determined specific strategic objectives, but rather are content with vague statements of purpose. Funding uncertainties are usually cited as a reason for NGOs' lack of strategies.

On the whole, NGOs do not mobilize volunteers. Developed NGOs tend to see themselves as professional organizations with motivated staffs rather than as volunteer groups. Where they have recognized

constituencies, these are often project-based rather than organization-based. Notable exceptions are various trade-based organizations, such as teachers' or journalists' associations, which maintain strong constituency orientations, and community-based organizations who mobilize volunteers for community activities.

Some NGOs report progress on staffing and personnel policies. These are usually developed either at the instigation of donors or by NGOs seeking to meet donor standards. Nevertheless, more NGOs designate specific functions to their staff members, though few NGOs are yet willing to subject themselves to oversight by independent volunteer boards.

A recent nationwide survey of NGOs confirmed that developed NGOs constitute only a fraction of the total number registered, and that capacity is concentrated in the capital city Tbilisi. Encouragingly, however, the study found that examples of developed NGOs can be found in most regions, and that capital-based NGOs are increasingly establishing links with NGOs in the regions or establishing branch offices. These findings suggest that there is a slow but steady dissemination of capacity from the center outwards, and that gradually the NGO sector will assume responsibility for its own development.

## FINANCIAL VIABILITY: 4.6

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Although the environment for financial viability has changed little, NGOs are becoming more aware of the strategies and tools they need to ensure their financial survival. Local resource mobilization is an accepted component of community development, and CBOs are becoming more adept at tapping community and local

government sources. And NGOs are taking financial and grant management more seriously.

Examples do exist of NGOs that have been able to develop local funding bases. A national study of active NGOs identified four with relatively large budgets (over

\$50,000) of which more than 50 percent was self-generated. Some international NGOs provide support to their local partner NGOs to establish fee-based services, such as Internet cafes or publications. CBOs routinely leverage 30 percent of the value of their community projects through in-kind contributions under the USAID-funded Georgia Community Mobilization Initiative. Regional NGOs are increasingly finding that local government bodies can be willing development partners, though they are limited in the resources they can contribute because legislation does not allow them to own property.

FINANCIAL VIABILITY	
2003	4.6
2002	4.9
2001	5.0
2000	6.0
1999	4.5
1998	4.0

increasingly finding that local government bodies can be willing development partners, though they are limited in the resources they can contribute because legislation does not allow them to own property.

Local funding is still the exception, however, and there is still no evidence of a trend. Most NGOs continue to see income generation and local resource mobilization as viable strategies only for CBOs and

NGOs with very small budgets. They cite crippling profit taxes as a disincentive for income generation, and they remain cynical and distrustful of local philanthropy. Foundations created by businessmen are suspected of being fronts for money laundering. NGOs are equally suspicious of State funds allocated for contracted services; NGOs in Kutaisi state that none of the health care institutions or NGOs had ever received any of the GEL one million allocated for health care support.

Due to their continued dependence on donor funding, therefore, more NGOs are taking financial management and transparency seriously. The national study cited above found that half of the sampled NGOs prepared annual budgets and had commissioned independent financial audits, albeit largely at donors' request and expense.

## ADVOCACY: 4.0

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NGO advocacy has become more effective over the past year as their capacities for forming coalitions and lobbying have matured. NGOs have become forces to contend with due to their familiarity with the Parliamentary and legal systems. Advocacy NGOs tend, however, to act on citizens' behalf rather than to involve them directly in their campaigns.

ADVOCACY	
2003	4.0
2002	4.3
2001	4.0
2000	2.0
1999	3.5
1998	4.0

NGO lobbying skills and relations continue to develop. NGOs are increasingly using the legislative tools at their disposal to moni-

tor government, such as Young Economists' budget monitoring of Zugdidi and Kutaisi municipal budgets, and Georgian Young Lawyers Association's (GYLA) use of litigation to block unconstitutional legislation. NGO leaders are increasingly seen as public figures, such as NGO representatives who chair several electoral commissions. Information dissemination, via Advocacy.Ge and the Caucasus Environmental NGO Network, has greatly facilitated coalition formation, a notable development this year. These electronic news services break down the information divide between Tbilisi and regional NGOs and enable rapid national responses to events.

## 2003 NGO Sustainability Index

NGOs played a pivotal and highly visible role in the Parliamentary elections. NGOs across the country participated in voter education through training, media campaigns and distribution of educational materials. An NGO, the United Nations Association of Georgia, managed an Elections Media Center which was a primary source of information for the media on election projects and monitoring missions. An influential voice during the election campaigns came from "Kmara!" (Enough!), a student movement led by a number of NGO activists. Kmara! held demonstrations across the country, and caught the attention of the press from its initiation in February 2003. Two NGOs, the International Society for Fair Elections and Democracy (ISFED) and Georgian Young Lawyers Association (GYLA) mounted nationwide election monitoring missions, and it was ISFED's appeal to the Constitutional Court that annulled the proportional election results.

Advocacy in the regions is reportedly more challenging. Regional NGOs cited their participation in discussions on amendments to the Law on Postal Services regarding telecommunication tariff rates.

They noted, however, that few NGOs have the skills or relations to effectively lobby. And where regional NGOs have succeeded in using the legal system, such as Kutaisi-based Sachino's fight against corruption, court decisions often remain unimplemented due to lack of cooperation from law enforcement agencies.

Georgian NGOs' attempts at mobilizing the public have met with limited success. NGOs did lead a petition effort that collected the 200,000 signatures needed to precipitate a constitutional referendum on the number of Parliament members. But despite wide media coverage and significant ecological and equity concerns environmental NGOs were unable to galvanize public opinion against the Baku-Tbilisi-Ceyhan oil pipeline. NGOs therefore still tend to legitimize their involvement in public decision-making based on their expertise and connections rather than on their representation of the public interest.

### **SERVICE PROVISION: 4.4**

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This is the one dimension of NGO sustainability where deterioration has been noted over the past year. The combination

<b>SERVICE PROVISION</b>	
2003	4.4
2002	4.2
2001	4.0
2000	5.0
1999	4.0

of the NGO sector.

of unfavorable legislation, clients' limited effective demand and donors' prioritization of rights over services all conspire to make service provision one of the less notable contributions

Georgian tax law treats all NGO income as profit, thereby hindering cost-recovery. Most NGOs that offer services therefore generally do so for free. NGOs' inability to recover costs discourages them from improving the quality, efficiency, and scale of their services.

Examples of successful services do exist. Many NGOs maintain community-based services for the most vulnerable groups, such as vocational training for the dis-

abled, home care for the elderly, or integrated centers for disadvantaged children, which constitute an important part of the social safety net that mitigates these people's harsh circumstances. Such services continue to require external assistance to address issues of quality, sustainability, and broader public support. Many NGOs

actively if haphazardly seek client feedback in order to improve or adjust their services, and some are making conscious efforts to reach out to isolated groups; the Georgian Young Lawyers Association, for example, has added postal services to its legal hotline to reach people in villages.

### INFRASTRUCTURE: 3.8

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Increased networking and information sharing amongst NGOs, and between NGOs, the media and local government, account for this year's improved score on Infrastructure.

Improvements have also been noted in information technology (IT). Both the Open Society Georgia Foundation and UNDP have programs to support NGOs' adoption of information technologies and website development. The national NGO survey found developed NGOs to be generally well endowed with communication equipment. Internet access, however, is far from universal; an NGO recently established the first public Internet access in Akhalkalaki, while the entire region of Racha has yet to gain access.

managed by Save the Children. Already noted are the new web-based information services for advocacy and environmental NGOs. Many NGOs, however, still lack access to training and information, particularly those without IT facilities.

The range and sophistication of services offered to NGOs also increased during the past year. New courses are being offered in advocacy, media relations, cooperation skills, government budget monitoring, legal compliance, and minority rights protection. One training agency, CTC, offers consultancy services in quality management systems based on ISO 9000 standards, and offers financial and accounting software to NGOs.

Some gains were made in inter-sectoral relations as well. Two new representative media associations, the Broadcasters Association and the Newspaper Publishers Association, were established this year, and many regional media outlets cooperated with NGOs to cover the Parliamentary election campaigns. Local government bodies are also seeing NGOs as natural allies; the Tbilisi Municipal Council for example has commissioned an NGO, the Institute for Education Policy, Planning and Management, to develop a model for school funding. And Kutaisi NGOs continue to report that local government bod-

INFRASTRUCTURE	
2003	3.8
2002	4.0
2001	3.0
2000	3.0
1999	3.5

Due to a number of major studies conducted this past year there is more information available for and about the NGO sector. These include studies on NGOs' organizational capacities, public opinion about NGOs, and legal constraints faced by NGOs. The studies were undertaken by Georgian NGOs under the USAID-funded Citizens Advocate! Program, funded by USAID and

ies share information and consult them frequently. Relations with central government remain problematic; officials are reluctant to share public information, for example, citing State secrets. Such es-

trangement between central government and the NGO sector hampers cross-sectoral efforts needed to address deep-rooted problems such as corruption.

### **PUBLIC IMAGE: 4.4**

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There has been no significant change in the public image of NGOs this year. The government continues to influence public opinion through its generally hostile attitude towards NGOs, particularly watchdog NGOs, which is reflected in the press. A national opinion poll showed that the public trusts NGOs more than the government; however, their view of both the governmental and non-governmental sectors is pervaded by cynicism. NGOs are slowly realizing that they must take steps to change the apathy and ignorance shown by the public towards them.

<b>PUBLIC IMAGE</b>	
2003	4.4
2002	4.4
2001	4.0
2000	5.0
1999	4.0
1998	2.0

While hostile statements by State bodies about NGOs in the press are not new, this year NGO image became the target. In particular, several leading watchdog NGOs were characterized as elitist. The media, particularly government-run stations and newspapers, has been eager to air such provocative statements, while they tend to be ambivalent about NGO coverage. NGOs continue to feel, therefore, that they face a public relations dilemma, and admit that they need to develop more effective approaches to working with the media.

A recent public opinion poll undertaken by the Center for Strategic Research and Development quantified the credibility gap facing NGOs. Two-thirds of respondents felt they were poorly informed about NGO activities, and only 13 percent had actually received services from NGOs. Half the population expressed no interest in volunteering with NGOs. Roughly 40 percent trusted NGOs, compared with 15 percent trusting government or Parliament, and 80 percent trusting the Orthodox Church. On the positive side, roughly half the population believes that NGOs successfully protect minority rights, and half expect NGOs to fight corruption.

Of note this year is that NGOs acknowledge the need for self-regulation. A growing number of NGOs recognize that it is primarily their own responsibility to regain the trust of the public through increased transparency on their use of funds or their relations with political parties, and have begun drafting a Code of Ethics for the NGO sector. Regional NGOs also note that project implementation brings a surprising increase in public trust. This recognition suggests a positive if gradual shift towards outreach and accountability to the public.

It is significant to note that following Georgia's "Rose Revolution" NGO analysts are convinced that the prominent role played by NGOs in voter education and election monitoring has had a very positive role on

their public image. In particular ISFED's Parallel Vote Tabulation results, which were markedly different from the results released by the Central Election Commis-

sion, legitimized the public anger that eventually led to President Shevardnadze's resignation.