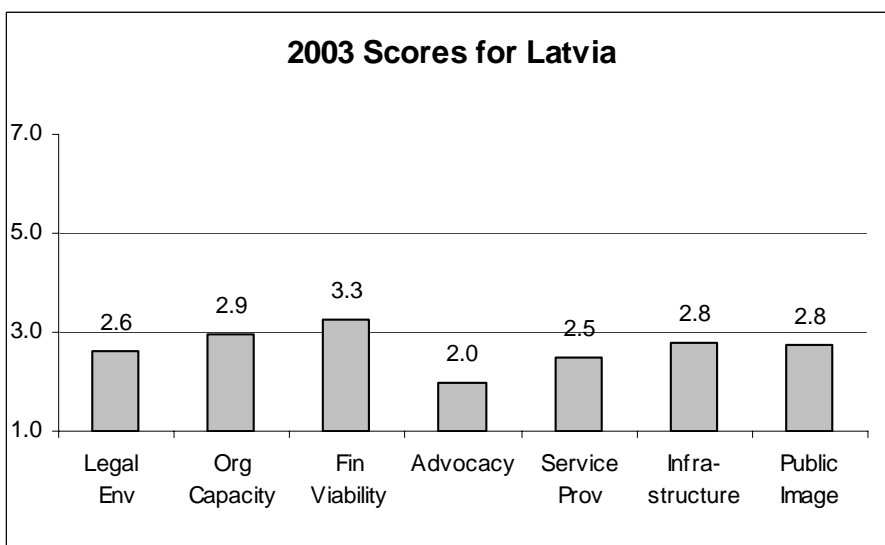


LATVIA



Capital: Riga

Polity:
Parliamentary
democracy

Population:
2,300,000

**GDP per capita
(PPP):** \$7,045

NGO SUSTAINABILITY: 2.7

The NGO sector in Latvia continues to slowly improve with noticeable advances in the areas of public image and legal environment. Latvia's Parliament (*Saeima*) passed a new law that positively impacts the sector and was a direct result of the lobbying efforts of the NGO coalition formed by the NGO Centre in Riga. The public image of the sector also improved during the year as more organizations recognized the need to operate in a transparent and accountable manner.

NGO SUSTAINABILITY	
2003	2.7
2002	2.8
2001	2.9
2000	2.8
1998	4.2

The greatest difficulty facing the NGO sector remains the sector's financial viability and the sustainability of individual organi-

zations. Despite nascent attempts at local fundraising, including the success of the country's first Community Philanthropy Foundation, most organizations still rely exclusively on the few remaining international donors for support, which places the majority of organizations in the sector in an unsustainable position.

NGOs are diversified and established throughout the country. They represent almost all segments of society and target all demographic groups. The sector remains the strongest in the capital and the largest cities. According to data collected by the NGO Centre in Riga, fewer than 1,000 NGOs are active throughout the country. Of the almost 1,000 organizations registered as clients of the NGO Centre, however, many are weak and lack resources.

LEGAL ENVIRONMENT: 2.6

LEGAL ENVIRONMENT	
2003	2.6
2002	2.8
2001	3.0
2000	3.0
1998	4.0

The Constitution of the Republic of Latvia guarantees the fundamental rights of association and free speech and these fundamental rights have been reinforced by laws

governing the NGO sector. NGOs are free to operate without government interference, they are free to express criticism of both the central government and local authorities, and they cannot be dissolved for political reasons.

In 2003, the most significant event to impact the NGO Sector in Latvia was the passage by Latvia's Parliament of the Law on Associations and Foundations that comes into force in April 2004. Both existing legislation governing the NGO sector and the new law facilitate the NGO registration process and reduce the regis-

tration fee. The new fee will be based on the administrative cost incurred by the State for processing the application. The new law simplifies the NGO classification system by creating two major categories of NGOs: foundations and associations. It also clearly outlines how the assets of an NGO will be distributed once it ceases to exist. The law will permit NGOs to engage in economic activity as long as it is not their primary activity.

Although the new law was passed in 2003, the greatest obstacle to NGO registration was the limited availability of information on the registration process. In addition, the detailed financial reporting requirements resulted in a number of NGOs inadvertently breaking the law because they did not understand the reporting requirements. The legal capacity within the NGO sector is limited.

ORGANIZATIONAL CAPACITY: 2.9

ORGANIZATIONAL CAPACITY	
2003	2.9
2002	3.0
2001	3.3
2000	2.6
1998	4.0

Although there are NGOs throughout Latvia, most of the sector's resources are concentrated in the capital and largest cities. Strong NGOs do exist, but they often have trouble building their membership because it is not

clear to the general population how to join the organization.

NGOs identify their mission statement in their statutes because they are required to do so by law, but few actually engage in any form of long term strategic planning.

Most organizations develop annual work plans and often apply for grants outside of their mission and core competencies because they need funding in order to continue their operations.

NGOs are typically staffed by unpaid volunteers, while paid workers serve on a contract to contract basis pending funding. Few donors pay staff salaries, so the only permanent staff member tends to be a part-time bookkeeper who receives a small fee for completing the many financial documents required by law.

The concept of volunteerism has raised a number of issues within Latvia's NGO sector. Because most organizations do not

have permanent, paid staff, work is conducted by volunteers who are dedicated to the organization's mission. However, attracting volunteers can be an administrative burden because the State does not recognize the status of volunteers and allows only employees with a legal work contract to be reimbursed for expenses. If a volunteer has a legal work contract, then the volunteer must be paid no less than the minimum salary with all income and social taxes. Receiving a salary, of course, means that the individual is not a volunteer.

Most organizations are small and in the early stages of development and consequently do not have a Board of Directors. However, more NGOs are becoming

aware of the advantages of having a governing board and a new training program started by the NGO Center has provided training and consultations to leading NGOs on the role and responsibilities of the governing board.

Most NGOs lack basic office equipment, and those that do have equipment received it as part of a grant but do not have the resources to upgrade or replace it. Few international donors provide subsidies for purchasing equipment because they assume that NGOs have all the equipment they need to operate.

FINANCIAL VIABILITY: 3.3

International donors are ending their support to Latvian NGOs and domestic sources of funding are slowly filling the

FINANCIAL VIABILITY	
2003	3.3
2002	3.5
2001	3.5
2000	3.5
1998	5.0

gap. Local sources of funding are, however, still not widely developed. As a result, most organizations are not financially sustainable and funding available does not meet NGO needs.

The lack of organizational sustainability is rooted in a number of causes. NGOs rely heavily on foreign donors and have not fully realized that they need to develop local sources of funding to replace diminishing international support. Organizations have not diversified their funding sources beyond the limited number of existing sources. They are still project driven and exist only as long as project funds are

available. In addition, NGOs capacity to conduct fundraising activities is weak.

Despite the financial difficulties facing the sector as a whole, Latvia now has one major example of successful local fundraising. The first Community Philanthropy Foundation became fully operational after a lengthy pilot project phase, and more communities have expressed interest in developing their own community foundation.

Although NGOs may have difficulties fundraising, they are proficient at managing the funds they receive and operational transparency is increasing. Most are accustomed to donors' financial reporting requirements, but few NGOs can afford a complete financial audit. A handful of organizations publish an annual report, but they are all required to publish a summary of their financial transactions.

ADVOCACY: 2.0

Successful cooperation between the NGO sector and the government continues. NGOs are represented at the weekly

ADVOCACY	
2003	2.0
2002	2.0
2001	2.2
2000	3.0
1998	4.0

meetings of the State Secretaries (the highest administrative body in each government ministry), and the NGO Center is asked to provide comment on all legis-

lation that affects the sector.

The Ministry of Social Integration published two handbooks on the NGO sector. One is a handbook for government officials on how to bring civil society into consultative policy discussions, and the other handbook teaches NGOs how to communicate with national level policy makers.

One of the most visible examples of NGO public advocacy was a coalition formed to stop the Ministry of Finance from decreasing the tax deductions that businesses can receive for contributions to NGOs.

Although there are no rules addressing lobbying, NGO are allowed to participate in lobbying activities. However, few organizations are comfortable with their lobbying abilities. Two notable examples of successful lobbying are the passage of the new Law on Associations and Foundations and the Diabetes Association's successful campaign to repeal the Cabinet of Minister's decision prohibiting diabetics from driving.

SERVICE PROVISION: 2.5

SERVICE PROVISION	
2003	2.5
2002	2.5
2001	2.4
2000	2.5

NGOs recognize that their clients should pay for services; however, NGOs do not recover their costs through fee-for-service

because they assume that their clients cannot afford to pay. Although the government recognizes the value of some specific NGOs, it does not support them financially.

INFRASTRUCTURE: 2.8

INFRASTRUCTURE	
2003	2.8
2002	3.0
2001	3.0
2000	3.0

Latvia has a network of Regional NGO Support Centers located throughout the country to provide infor-

mation and services to NGOs. Because the centers do not have a cost recovery mechanism in place, it is completely dependent on foreign donors to survive.

The number of formal coalitions within the sector is limited because NGOs still view

other organizations as competition for limited resources. However, informal networks are formed when organizations share a need to accomplish common goals. The passage of the NGO law resulted from an informal coalition that was formed to promote the interests of the

sector. Training opportunities in the sector are adequate, although the same limited number of trainers conduct almost all trainings on a wide range of topics. The most notable exception is the new training program for boards of directors, which is taught by a specialist in governance.

PUBLIC IMAGE: 2.8

The amount of coverage NGOs receive in the press varies between the capital city and the rural regions. NGOs enjoy good

PUBLIC IMAGE	
2003	2.8
2002	3.0
2001	2.7
2000	2.0

coverage at the local level and the amount of coverage in the national press is improving. All of the main daily newspapers currently have a journalist who understands the NGO sector and the major wire services have a department that covers civil society.

The sector does not have a large number of role models of successful, sustainable organizations, but the public perception of

coverage at the local level and the amount of coverage in the national press is improving. All of the main daily newspapers currently have a journalist who understands

NGOs is improving. According to one United Nations report, however, NGOs are still ranked below family, friends, local government, and commercial enterprises as a source of support for individuals in need. The public perception of the NGO sector is a backlash from the large, highly public scandals that hit the sector in previous years.

The NGO sector does not have a sector-wide code of ethics and no institutionalized mechanism exists for implementing such a code. Despite the lack of an official code of ethics, organizations are becoming aware of the need for transparency and accountability in their operations.