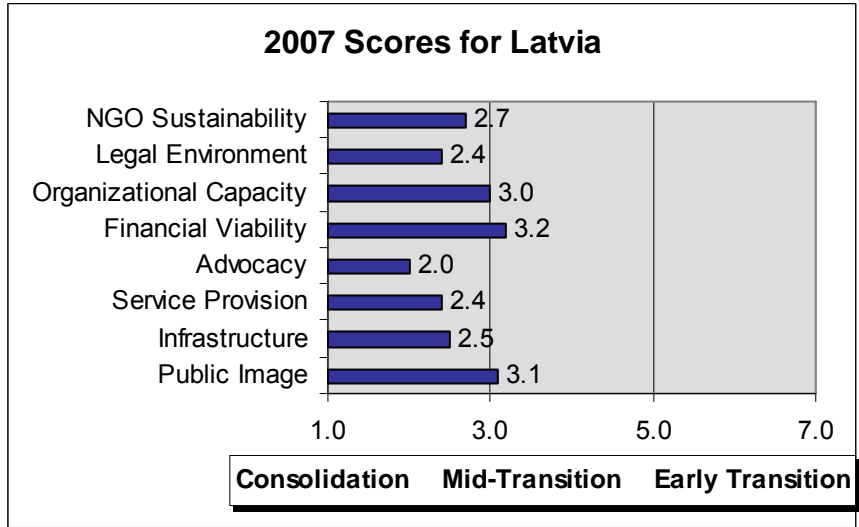


LATVIA



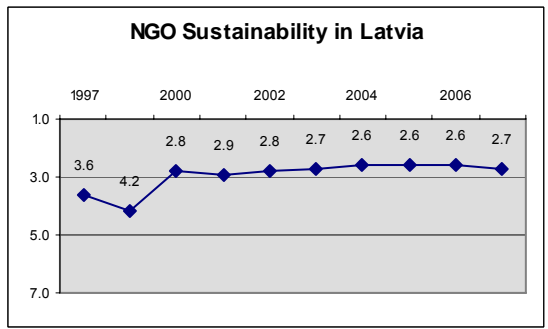
Capital: Riga
Polity: Parliamentary Democracy
Population: 2,245,423 (July 2008 est.)
GDP per capita (PPP): \$17,700 (2007 est.)

NGO SUSTAINABILITY: 2.7

The year 2007 was characterized by high inflation and scarce sources of funding for advocacy groups, along with considerable citizen activism and harsh public criticism and debate on the role of NGOs. Although the 2006 parliamentary elections did not bring about major changes in the governing coalition, coalition parties began to exert influence in a way that undermined Parliament. The new government began to take action without consulting civil society. In order to address the growing power imbalance, civil society organized several large demonstrations and proposed a number of new referenda, one of which included giving citizens the right to recall Parliament.

The average annual inflation rate for 2007 was 10.1 percent, with a 14.1 percent rate in December suggesting a rising trend. Consequently, many NGOs are trying to respond to the additional socio-economic problems faced by vulnerable groups, although there are no resources in place to address these needs. While there are funding sources for service provision, many NGOs who provide such assistance cannot reach the standards that are required for funding.

The largest donors supporting civil society development have left Latvia. Although there are government funds available, resources are very limited for advocacy organizations, especially for those which work on human rights protection, anti-corruption, civil society and community development, development assistance, gender equality, and consumer rights protection. Private donors – both enterprises and citizens – concentrate their support on organizations that work in the fields of sports, children, and culture. Therefore, many organizations, especially those working in advocacy, have run into financial difficulties and other problems.



LEGAL ENVIRONMENT: 2.4

2007 brought no major changes to the legal environment for NGOs. The registration procedure is simple and relatively inexpensive. Still, NGOs would like to introduce a mechanism to register either electronically or by mail. Currently, all organizations must go to Riga to register, which can be difficult and costly for small groups located far from the capital city.

The government attempted to introduce an amendment to the Law on Associations and Foundations that would make it possible to force the closure of organizations not acting in accordance with their bylaws. However, Latvian NGOs advocated successfully against the amendment and defeated it.

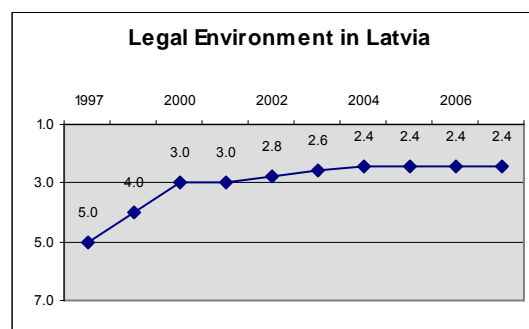
As previously mentioned, civil society proposed several referenda to address the growing power imbalance. The first referendum, which proposed changes in security laws, gained little support. Despite this, the governing coalition, perhaps influenced by the citizen initiative, made legal changes in line with the referenda proposed by civil society. The second referendum, which will give citizens the right to recall the Parliament, is still in process. The third referendum, which will guarantee the amount of pensions, will take place in 2008.

The misuse of public benefit status by some organizations has led the government to propose amendments to the Law of Public Benefit Organizations. The draft amendment envisages the introduction of more complicated reporting requirements to ensure more transparency in the use of donated resources, where the sums of money in question are high.

Some organizations argue that financial reporting requirements are too complicated. Changes in the required format of accounting reports were not explained. Therefore, many organizations were harassed by the State Revenue Service and the Ministry of Finance for submitting reports using old forms. The Ministry of Finance threatened to eliminate the tax benefit status of those public benefit organizations

which used the old forms. These organizations were forced to redo their accounts, which caused many problems. For example, some organizations did not receive approval for their tax benefits in time.

NGOs can express their opinions freely. Although some conservative politicians react harshly toward the expression of some organizations' liberal values, the government ensures security during events that reflect both ends of the political spectrum. For example, police ensured safety during the day of commemoration of World War II, as well as during Gay Pride celebrations.



Local legal capacity is still low. Consultations are available from law firms at commercial prices. However, the government does subsidize a certain number of consultations, which are free for NGOs. The 2004-2006 program of NGO Law reform, which prompted organizations to apply for status as public benefit organizations, associations, or foundations, has ended, and most organizations have already gone through the necessary legal hurdles to claim their status. Furthermore, the Enterprise Register offers all the information and supplementary materials necessary to register an association or foundation. Thus, NGO demand for legal services has declined.

NGO income is tax-exempt. Associations and foundations that qualify for public benefit status enjoy generous tax exemptions for donations from business entities. Individuals who donate to public benefit organizations also get some tax deductions. However, there is a heavy tax

burden on employees of NGOs. For example, some authorities even attempt – in accordance

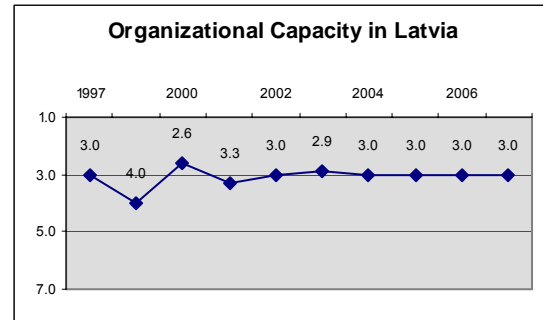
with the Labor Law – to tax voluntary work, which is a new concept in Latvia.

ORGANIZATIONAL CAPACITY: 3.0

The 2006 report mentioned the significant difference in capacity between strong, large organizations and smaller, weaker organizations. In 2007, evidence has demonstrated that, while this dichotomy still exists, larger organizations are not as strong as imagined. In fact, they suffer from the same structural problems as smaller organizations – a weak membership base, staffing problems, and difficulties coping with the bureaucratic conditions of EU funds.

Although there are some large, countrywide organizations, such as the Federation of Pensioners and Red Cross, most organizations tend to be small, with staffs of 15 people or less. This can be explained by the legal requirement laid out in the Law on Associations and Foundations that obliges organizations to host annual meetings of all members, which are difficult and expensive to organize. Therefore, organizations choose to attract supporters in other ways – as sponsors, honorary members, and clients. Latvians are not very active in public life. Only 10 to 20 percent are involved in social groups or activities, such as religious organizations, sports and culture, and only one percent are involved in political parties. The percentage of those who actively participate in or support organizations concerned with civil society and democracy issues is around five percent. In practice, policies are made by very narrow circles of people or organizations that do not represent society. There are very good mechanisms for participation in Latvia, but few organizations – around 150 – have the capacity

to use them. Professional associations are the best equipped to protect their interests.



Handbooks on strategic planning and good governance are available at NGO resource centers. There are also trainers and moderators available at market price. Some larger, professionalized organizations use these methods to organize their work. However, most NGOs have not taken these practices into account, as their priority is to cope with everyday survival.

The NGO sector is not very competitive with other sectors. Organizations rely on a few professionals, a support staff with high turnover, and a small group of volunteers. The structure of available funding requires a high level of bureaucracy; therefore, even small organizations need at least a part-time bookkeeper and a project manager. A system of business consultations for the NGO sector has started to develop – companies devote their human resources to teach financial management, marketing, public relations, and other skills.

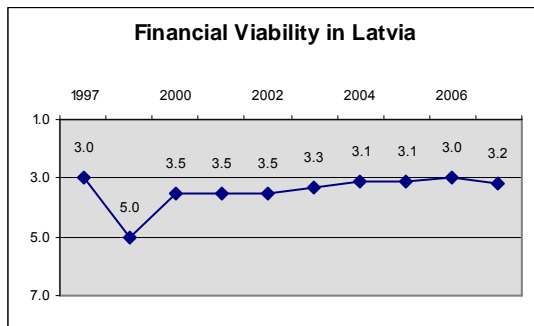
FINANCIAL VIABILITY: 3.2

Scarce foreign resources and the high Latvian inflation rate are the primary stumbling blocks to the financial viability of NGOs, especially those concerned with civil society and democratic development. There have been cases of advocacy organizations dissolving or narrowing their activities due to a lack of resources. Despite some progress in this realm, local

resources are still not sufficient to solve the financial needs of the sector.

The Norwegian/EEA funds – approximately \$2.8 million – provide much of the funding for civil society; however, this funding was still insufficient to meet demand, which meant that a large number of qualified projects were unable to receive support from these funds.

Government funding for NGOs is scarce and is mostly directed towards service provision. A study conducted by the Civic Alliance of Latvia



reveals the lack of a clear system or criteria for allocating government funds. After a presentation of the results of the study at the State Chancellery, the Ministry of Finance established a working group to establish eligibility criteria for the award of government funding. Nonetheless, criteria and procedures are insufficient without the political commitment to ensure the delivery of funds. That debate still continues. Some ministries also provide direct funding, usually in the form of small grants directed toward civic engagement activities, youth groups, children's issues, etc.

Local government support has increased but does not cover the excess costs created by Latvia's high inflation. Several local governments (e.g., Jekabpils, Jelgava, Liepaja, Aluksne) have developed systems to co-finance NGO projects. For example, sometimes local governments help to cover some administrative costs, such as transport and office space.

Local enterprises, banks and corporate foundations support various activities, primarily in the fields of sports, culture, and charity.

ADVOCACY: 2.0

During 2007, several strong advocacy NGOs that were previously funded by foreign donors, such as the Patients Rights Protection Centre, failed to secure enough local funding to continue their operations. Two crisis centers benefiting children in Riga and families in Talsi dissolved because the government authorities that had previously procured their services refused to buy

Individuals also actively donate to organizations working with children, people with special needs, and talented children who lack financial resources to pursue their studies. In addition, there has been a slight increase in funding from private sources, which has generally been allocated through indigenous foundations.

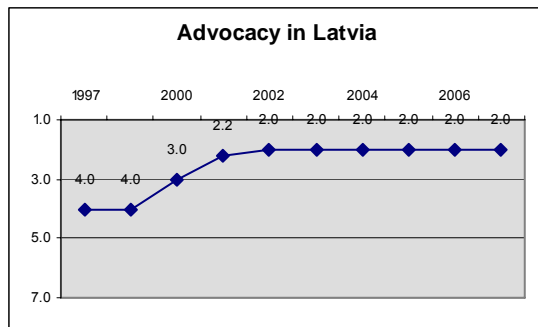
Most donors require very precise accounting; therefore, NGOs must develop sound financial management systems. Sometimes the requirements are too burdensome, causing organizations to give up and not apply for funding. Ensuring cash flow in projects funded by government institutions and the EU is difficult because these institutions process expenditure reports very slowly. Consequently, some organizations periodically come close to bankruptcy due to poor liquidity.

Economic activities are allowed by law and NGOs try to develop such services – renting premises, offering translation services, opening shops and coffee places. However, officials and the public lack a genuine understanding that earned income is a legitimate source of income for NGOs. A one-year support program developed by the U.S.-Baltic Partnership Program and AB.LV, a private Latvian bank-founded charity, has created new opportunities to apply for co-funding to establish endowments. Still, it is too early to say that there is enough local funding to meet NGO needs, particularly those of advocacy organizations, which suffer from weak membership bases and traditionally receive few if any individual donations. Moreover, EU Structural Funds and Latvian government support mostly assist service providing organizations.

the services at the true cost, which was \$5 higher per person than the government was willing to pay. Despite these setbacks and problems, the sector as a whole successfully participates with the government in addressing societal problems.

There are several very advanced communication systems with ministries and the central

government, which contribute to positive advocacy results. Since 2001, NGOs have been



monitoring all projects developed by ministries. An NGO representative, nominated by the NGO community, participates in all State Secretary meetings, which convene the highest administrative civil servants of all ministries. The representative then ensures that around 200 NGOs receive information about new projects on a weekly basis. This system also gives NGOs the opportunity to comment on drafts of interest and advocate their interests at ministerial meetings and with the Cabinet of Ministers. The Civic Alliance of Latvia offers consultations and support to those NGOs that are interested in using the mechanism.

Since 2005, there has been a consultative body seated next to the Prime Minister's Office – the Committee of Memorandum – that consists of both NGO and ministry representatives. NGOs raise issues of concern at the meetings of the

SERVICE PROVISION: 2.4

EU Structural Funds and Latvian government funding are both directed towards service provision and have led to a slight improvement in NGO service provision in 2007. NGOs are introducing service fees for their constituencies, in addition to developing services for businesses and wealthy clients.

Although NGOs can freely compete with businesses for service provision contracts, they are in a poor position to recruit workers to deliver those services compared to institutions formed by the national and local governments. For example, only those social workers who work in government institutions can be

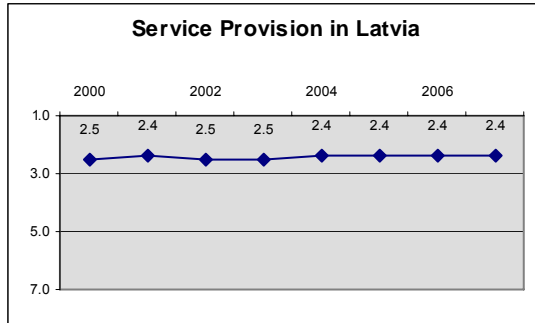
reimbursed for continuing education credits. Local governments set prices for the services, not calculating the administrative costs of bidding organizations. They also think NGOs should offer less expensive services because they have traditionally had access to foreign funding, donations and volunteer work.

Committee. The State Chancellery, an institution that ensures the work of the Cabinet of Ministers, decides how to solve the issues and assigns tasks to ministries for further consideration and subsequent reporting. Ministries have also introduced NGO liaisons who gather information about NGOs interested in cooperating, offer them information, and consult with them regarding the work of each ministry.

In May 2007, the first Parliament-NGO Forum was organized, and the Parliament Declaration on Cooperation with NGOs states that the Forum will be an annual event. Nevertheless, the Forum has not brought about results thus far because most politicians are still two-fold in their attitudes toward NGOs. Although there is good cooperation between particular Parliament Committees and NGOs, this cooperation is not institutionalized. Politicians tend to use the involvement of NGOs as a public relations tool, but are not genuinely interested in substantive cooperation.

Although there are very good communication and cooperation channels, only around ten percent of NGOs use them because of a lack of advocacy resources – knowledge, expertise, time, and financing. Furthermore, since advocacy organizations suffer from poor funding and high inflation, other organizations may prove resistant to funneling their resources into advocacy issues.

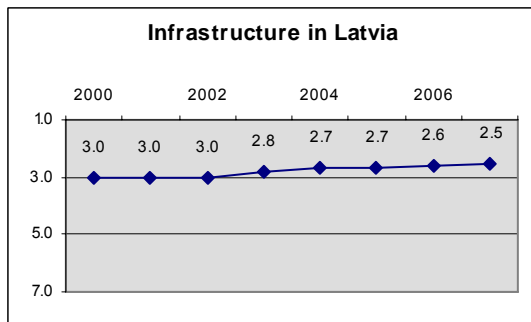
NGOs that offer social assistance are in an ambiguous situation. On the one hand, they are invited to register as service providers, a requirement for receiving local government funding. On the other hand, most social assistance NGOs cannot reach the high standards, such as specialized education



requirements, that the Register requires, and the government does not offer funds to help NGOs reach these standards. NGOs can be fined if they provide social services without suitable registration.

INFRASTRUCTURE: 2.5

Latvia has a network of NGO resource centers, as well as a network of community foundations. These networks cooperate to introduce new practices in the country. In addition, the Civic Alliance of Latvia offers free, weekly newsletters on current events and a weekly digest on draft regulations developed by ministries to over 600 subscribers. It also offers a monthly newsletter on funding opportunities. The Latvian Youth Council issues a newsletter for youth organizations. The Secretariat of the Ministry of Special Affairs in Integration also publishes a monthly online newspaper, *Civil Society e-news*.



Microsoft Latvia and Unilever Baltic donated \$40,000 to the Community Initiative Foundation (formerly the Oranje Fund) 2007 program for strengthening community centers and promoting civic engagement. Community foundations in Latvia are in the process of professionalization, with emphasis on organizational development

NGOs can usually recover their costs if they provide services to wealthy clients or businesses. Socially vulnerable groups, however, are unable to cover the full cost of services themselves; therefore, NGOs must attract funding from state and local governments, individuals and foreign sources to help cover their expenses.

The central and local governments do not understand that they should not develop services that are already offered by NGOs, which occasionally results in an overlap of services. For example, a ministry established a crisis hotline for children instead of supporting the already existing hotline of an NGO, thereby causing the subsequent closure of said NGO.

and local fundraising to finance different grantmaking activities and increase public visibility. Community foundations generally support local initiatives, such as playgrounds. They are successful in promoting inter-sectoral partnerships and involving business communities in solving local problems. A new foundation called Partners for Ideas started coordinating business support for NGOs, mostly in the form of consultations. Furthermore, several foundations have created endowments.

Coalitions are an everyday practice in Latvia. There are large, strong coalitions working successfully and systematically on issues of disability, gender equality, and children, at both the national and European levels. There are also formal and informal email and SMS communication networks that allow for ad hoc coalitions targeting specific needs or emergencies. For example, in just half a day, the Latvian chapter of Transparency International Delna gathered about 5,000 people to protest an unfair decree of the Prime Minister to fire the Director of the Bureau of Fight against Corruption.

Some NGOs successfully organize campaigns involving NGOs, businesses and, artists. For example, the Latvian chapter of the World Wide Fund for Nature, in cooperation with businesses, artists and government institutions, currently runs a campaign to protect salmon.

In general, EU funds are rarely used to strengthen NGO infrastructure directly. Nonetheless, EU funds directed towards improvement of public infrastructure, for

example, roads, Internet, and public libraries, have an indirect, yet positive, effect on the NGO support infrastructure.

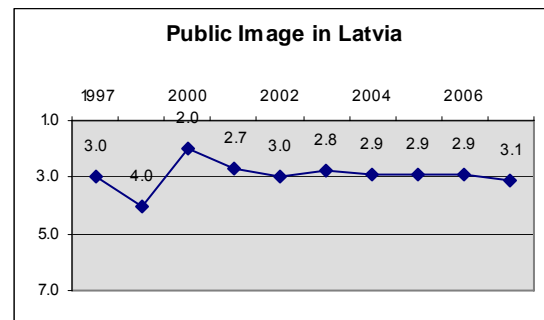
PUBLIC IMAGE: 3.1

The public image of NGOs is not uniformly positive. The unbalanced attitude and actions of the new coalition government has negatively affected NGO public image, particularly with the conservative media. For example, despite events such as the Parliament-NGO Forum and invitations from the Prime Minister for NGOs to discuss their issues with government ministers, the Speaker of Parliament undermined NGOs by requesting them to refrain from criticizing Parliamentary decisions, while the Prime Minister publicly denounced NGOs as trouble-makers. The conservative media focused on these negative instances, and were also very critical of NGOs that promoted liberal values; they have created and promoted the image of NGOs as foreign agents who implement the secret plans of their donors against traditional Latvian values and the nation state. These stereotypes are promoted also by conservative politicians. Therefore, part of society is suspicious of NGOs.

At the same time, the liberal media report positively on issues brought to the national policy agenda by NGOs. NGO experts are quoted on the news. Nevertheless, liberal media usually concentrate on particular events, debates, and personalities, such as experts, without always highlighting links to the NGOs involved.

Regional and local media traditionally write about NGO activities in a positive or neutral way. Media coverage depends on the public relations skills of an organization.

Mutual understanding among sectors is still poor. Both the government and those NGOs which have no experience in cooperation have misguided perceptions of each other. The same is true of business-NGO relations.



The Latvian NGO sector is looking forward to developments in 2008, especially following the change in government in December 2007. The Prime Minister resigned under societal pressure that criticized the unjust and non-transparent manner of decision making at the political level.