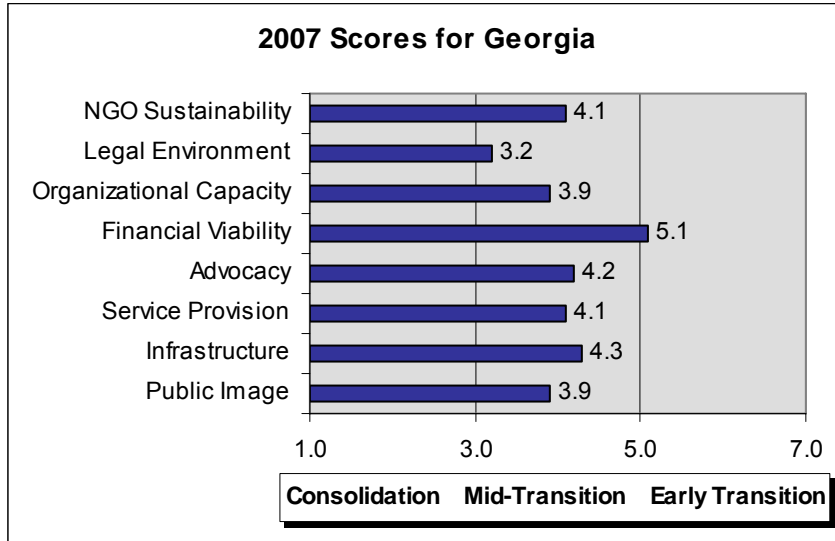


GEORGIA



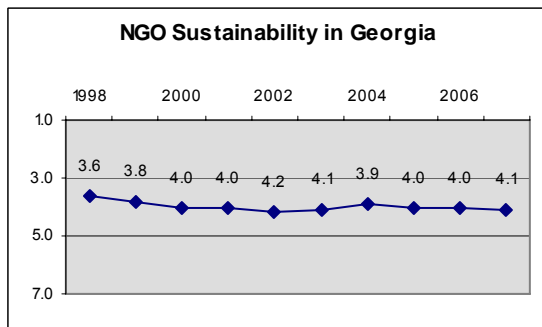
Capital: Tbilisi

Polity:
Presidential – Parliamentary Democracy

Population:
4,630,841 (July 2008 est.)

GDP per capita (PPP):
\$4,200 (2007 est.)

NGO SUSTAINABILITY: 4.1



The overall sustainability of Georgian NGOs deteriorated over the past year due to backsliding in advocacy, financial viability, service provision and infrastructure. NGOs’ ability to advocate continues to deteriorate as a result of their inability to establish productive working relationships with the Government. Government officials in Tbilisi and the regions have mixed attitudes towards NGOs, with examples of both confrontation and cooperation.

There is growing concern among NGOs about their continued dependence on donor funding, limited access to government funding, and the absence of local philanthropy. NGOs are less involved now in the provision of services than before the Revolution, as the government has assumed greater responsibility for certain public

services which traditionally were in the domain of the NGO community. Finally, NGOs in the regions are increasingly worried about the lack of access to information, technology, training and technical assistance, as well as declining levels of collaboration within the sector.

Georgia was gripped by a political crisis in the fall of 2007 when a series of anti-government protests were organized, leading to early presidential elections being scheduled for January 5, 2008. The crackdown on demonstrations, closure of an opposition private television station (Imedi TV), imposition of emergency rule, promotion of extra-constitutional measures to change the power structure in the country, and demands for the President to resign as a pre-condition to negotiations all raised red flags about both the Government’s and opposition’s commitment to the democratic process. While only a handful of activists were directly involved in the crisis, NGOs were accused of being associated with either the Government or opposition and seen as vehicles for government and opposition leaders to fulfill their political ambitions, distorting the image of the sector.

There are an estimated 10,000 registered NGOs in Georgia, although the number of active NGOs is significantly lower. Approximately 500 NGOs

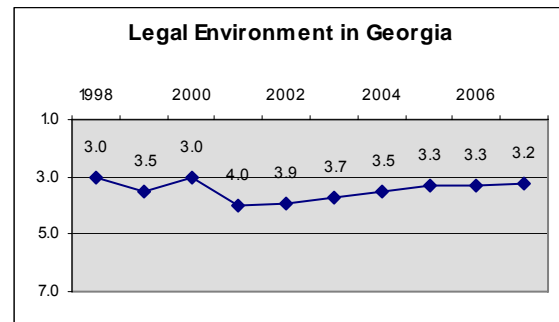
are intermittently active, with only 150-200 NGOs regularly active on a nationwide basis.

LEGAL ENVIRONMENT: 3.2

Georgian NGOs benefit from a fairly advanced legal environment. The government does not restrict the space in which NGOs operate or interfere with their work. Amendments introduced to the Georgian Civil Code last year simplified the procedures for registering and operating nonprofit organizations. The legal framework now presents fewer administrative impediments and legal actions against NGOs and NGOs are no longer subject to excessive reporting requirements.

The legal framework provides NGOs with numerous tax benefits, including VAT exemptions. That said, existing tax benefits are mostly focused on international donor funding, while there is still a need to improve incentives aimed at mobilizing domestic funding. While the Tax Code does include some tax deductions for contributions by businesses and individuals,¹ there are no exemptions for economic activities,

which are needed to encourage NGOs to engage more actively in such activities.

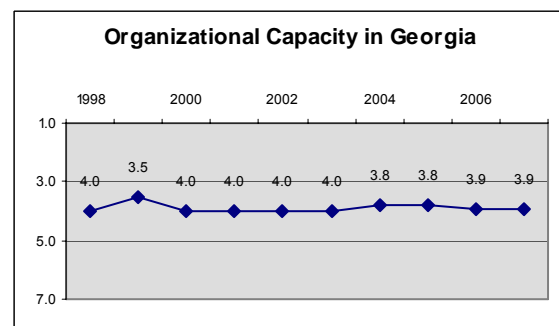


While NGOs can compete for government procurements and contracts, there are no legal mechanisms for the government to provide grants to NGOs. The absence of such legislation precludes NGOs from accessing national and local government funding sources and seriously hinders their financial viability.

ORGANIZATIONAL CAPACITY: 3.9

The growing divide between well-established and experienced NGOs and the remaining NGOs is the most notable trend related to organizational capacity. Large donors tend to fund the leading Tbilisi-based NGOs, and sometimes even help build their capacities to manage resources. These NGOs are increasingly committed to improving their financial management, internal regulations and governance. However, they do not retain wide constituencies, significant numbers of clients, or large membership bases, and can be viewed more as professional groups that represent the elite rather than broader society.

The majority of NGOs receive little capacity-building assistance. The number of active



organizations, particularly in the regions, continues to decrease; the remaining NGOs strive to find new niches and priorities, which have shifted with the changes in the socio-political environment. NGOs in the regions increasingly “specialize” on areas where donor

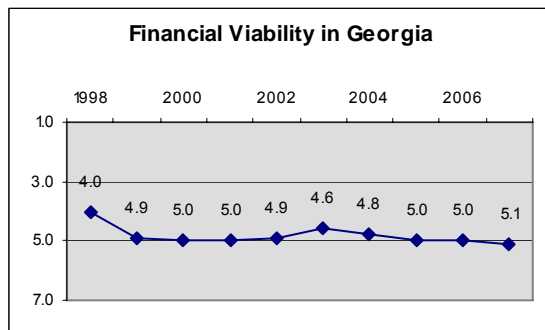
¹ These include profit tax exemptions on donations and membership fees, and tax deductions for charitable contributions.

funding is still available. Overall, the NGO community understands the need to improve its planning process, but has problems adjusting to the constantly changing environment and shifts in donor priorities.

NGOs agree that they are much weaker now in terms of human resources than before the 2003 Rose Revolution. In particular, NGOs have more

problems than ever in attracting and retaining highly qualified staff as they cannot compete with the higher salaries offered in the private sector. NGOs in the regions lack the funding to maintain permanent professional staff. Often, newcomers work with NGOs only long enough to get the experience they need to get more attractive jobs in the capital.

FINANCIAL VIABILITY: 5.1



Financial viability has always been the biggest challenge facing Georgian NGOs, and the situation is increasingly dire. NGOs are more and more concerned with their continued dependence on foreign funding. While decreasing, international support still comprises up to 95 percent of the budgets of both Tbilisi-based and regional NGOs.

The NGO community is also increasingly concerned about its limited access to government funding sources and the absence of local philanthropy. Tax incentives for corporate and individual donations introduced in the Tax Code have done little to stimulate domestic philanthropy. Local contributions are minimal, as NGOs are not skilled in identifying or soliciting domestic support. The business sector has little interest in NGOs, particularly in the

ADVOCACY: 4.2

NGOs and the Government were unable to establish productive working relationships with each other in 2007, and the Government's perception of the importance of NGOs continued to diminish. As in previous years, NGO interaction with government officials at both the

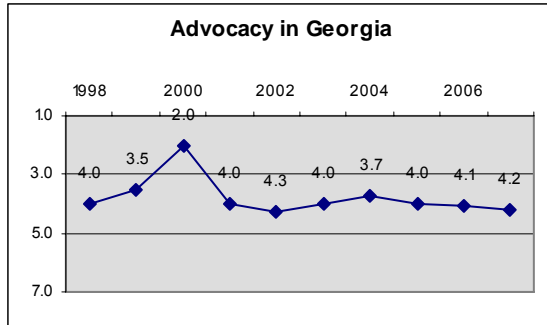
regions, and generally views them as little more than freeloaders looking for hand-outs. As a result, businesses rarely support NGOs, unless an organization has a close relationship with the local authorities. Given this bleak situation, there is no reason to believe that NGOs will be able to sustain themselves with purely domestic sources in the near future.

At the regional level, the situation is even more difficult. NGOs in Kutaisi, the second largest city in Georgia, characterize the state of the sector as "stagnant." Only three or four strong NGOs have more or less stable funding, while the rest are forced to operate from project to project. Regional NGOs also note that shifting donor priorities and the growing support for minority-related issues has resulted in an uneven distribution of funds at the regional level.

Some NGOs with relatively stable funding have started introducing income generating activities. For example, after assessing local demand, the Association of Young Economists in Kutaisi introduced fee-based services such as accounting courses and training in marketing, primarily to small entrepreneurs. The Association of Young Lawyers has introduced fee-based legal consultations; income from these services already makes up a significant part of its budget.

national and local levels was not institutionalized, and instead depended largely on personal relationships.

Cooperation between the State Anti-Trafficking Fund and the Georgian Young Lawyers'



Association serves as an excellent, but rare, example of effective cooperation between the Government and an NGO in developing legislation and raising public awareness. The success of the anti-trafficking program, and the increased effectiveness of these joint Government-NGO activities, directly contributed to Georgia being upgraded to Tier 1 by the U.S. Department of State in its 2007 Trafficking in Persons Report. Another local NGO, the UN Association of Georgia (UNAG) assisted the government in the preparation of Georgia's first report to the Council of Europe on the implementation of the Convention for the Protection of National Minorities.

The central government lacks vision and has yet to develop a strategy for utilizing the third sector's capacities. NGOs are increasingly frustrated that the government does not recognize them as a source of expertise and that their recommendations are not given much consideration. On the other hand, NGOs also acknowledge that they are not able to provide uniformly high quality analysis and policy advice in the areas where Government seeks external support, such as social services.

Watchdog NGOs played an important role in the lead-up to the January 5 presidential elections. With funding from the Open Society – Georgia Foundation, four well-known Georgian NGOs – the Georgian Young Lawyers Association, the International Society for Fair Elections and Democracy, Transparency International Georgia, and New Generation New Initiative – opened a media center that provided timely and reliable information about election monitoring activities, advised voters on election procedures, and collected information about possible violations in the electoral process. These same

organizations received considerable funding from the European Commission and USAID to support election observation, parallel vote tabulation, and voter education activities. Their findings from election day, as well as the pre-election and post-election periods, were published.

Although there are cases of NGOs interacting with local authorities, the nature of the interaction can hardly be described as true cooperation. Old habits die slowly and local authorities are often suspicious about NGOs because they are less susceptible to government influence and control. In addition, frequent turnover in local governments precludes the establishment of long-lasting relationships. For example, the Mayor of Kutaisi, Georgia's second largest city, was replaced seven times in the last three years and NGOs working on social issues in Adjara are constantly re-establishing working contacts with the Minister of Health, who has changed three times during the process of implementing one project. In addition, newly-appointed officials usually do not want to assume commitments made by their predecessors.

NGOs' effectiveness at the regional level is also limited by the fact that local governments hold no real power and have little access to resources. Regional NGOs have learned that the most efficient way to accomplish anything at the local level is to turn to the regional Governor, a presidential appointee.

Attempts by NGOs to influence directly the legislative process, especially in the regions, are generally only successful if there is a preliminary agreement with the executive government. The adoption of the Law on Tourism in the Autonomous Republic of Adjara, developed by the Civil Society Institute, serves as a rare

example of successful political lobbying on the local level. Another example is the collaboration of the Association of Young Economists and other NGOs with the local authorities to prepare an economic development plan for Kutaisi, which was expected to be reviewed and adopted by the end of 2007.

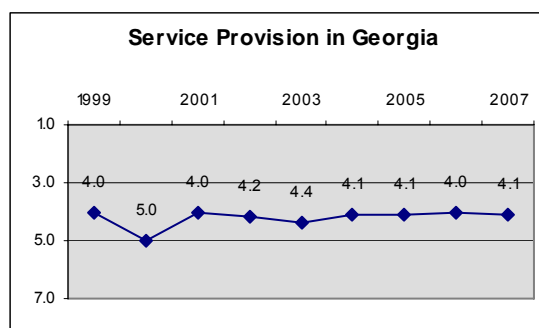
SERVICE PROVISION: 4.1

A recent survey conducted by the Civil Society Institute, a Georgian NGO, revealed that citizens most frequently turn to NGOs providing human rights protection and legal aid (56 percent) and social services (25 percent). The most experienced capital-based NGOs continue to provide specialized and high quality services in a variety of fields. Some training providers diversified their portfolios by including new services aimed at the business community that generated significant income.

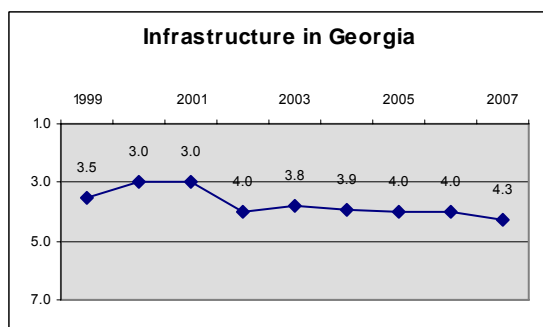
NGOs are less involved now in the provision of services than before the Revolution. The government has assumed greater responsibility for certain public services which traditionally were in the domain of the NGO community, thus leaving fewer opportunities for NGO participation. While there were several cases in which NGOs were allowed to compete for government contracts to provide services, including child care, NGOs have very limited access to national and local government funding

overall. With the gradual shrinking of international funding, most service providing NGOs tend to concentrate on areas where donor support is still available.

Given the nature of their work, NGO service providers, especially in the regions, do not generally charge fees for their services. By offering free services, they feel that they are more effective in reaching a wider population and meeting their obligations to the more vulnerable and marginalized sectors of society.



INFRASTRUCTURE: 4.3



After financial viability, infrastructure is the weakest of the seven dimensions of NGO sustainability, and continues to deteriorate. There are no NGO Resource Centers in the regions and it is difficult for NGOs outside of the capital to access information, training and technical assistance. Both coalition-building and inter-sectoral partnerships remain largely donor-driven activities. As donor funding for coalition efforts decreases, the level of collaboration also declines.

The most viable and visible coalitions are those created by capital-based NGOs, such as the coalition “For Transparency of Public Finances” that carries out independent analyses of the government budgetary process and monitors public expenditures. In 2006-2007, the coalition monitored the Millennium Challenge Georgia (MCG) program and the Baku-Tbilisi-Ceyhan Pipeline Company Grants program.

Communication and information-sharing among NGOs is becoming less frequent. Given shrinking resources, NGOs, especially in the regions, view each other as competitors and are reluctant to share information, technologies and know-how with each other. Networking and cooperation is more likely in smaller NGO communities, such as Adjara, where personal contacts create the basis for good working relationships. Another exception is Kutaisi, where the local branch of the Georgian Young Lawyers’ Association organizes monthly

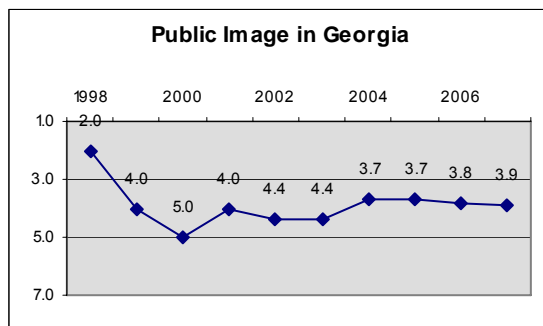
meetings for local organizations to share information and coordinate activities.

The demand for advanced and specialized trainings is on the rise in Tbilisi, where there are highly qualified training providers. However, such trainings have become inaccessible for most NGOs, which are unable to pay for them. The shift in donor priorities and funding has resulted in a situation where NGOs can finance costly training for other target groups, such as public servants, but can not afford high-quality trainings for their own staff.

In 2007, Internews-Georgia, with funding from the National Endowment for Democracy,

organized a series of meetings with NGOs throughout the country to discuss the goals and problems of the Georgian third sector and to produce a national NGO agenda entitled “Ten Steps to Liberty.” While well-intended, the project did not produce any significant results. The final conference – the first large-scale NGO gathering since 2004 – allowed NGOs to exchange opinions, but views were too diverse to reach common ground on a whole range of issues. The meeting also revealed an increased polarization of “pro-” and “anti-” governmental approaches within the NGO community.

PUBLIC IMAGE: 3.9



A 2007 survey assessing the public’s attitude towards NGOs found that 43 percent have heard about NGOs, 41 percent were completely unaware of them, and seven percent were not interested at all in their work. Only seven percent of respondents had adequate information about NGO activities.

Over the past year, Tbilisi-based NGOs realized that they need to be more proactive in engaging the media, and have started giving more presentations and press conferences, publishing articles and information about their work, and trying to enhance their public image. Media, in turn, showed more interest in findings and reports prepared by NGOs, especially the results of monitoring activities, such as that of the MCG Program, which was widely covered by both electronic and print media. At the same time, the work of service providing NGOs became less

visible and they found it increasingly difficult to attract media attention.

As in previous years, NGOs complained about media’s focus on scandals, human rights or social injustice cases. NGOs in the regions were particularly unhappy with the low professionalism of journalists who do not understand the nature of NGO work and therefore are unable to communicate it to a wider public.

NGOs are increasingly perceived as vehicles for government and opposition leaders to fulfill their political ambitions. During the intense political tension in the fall, the media primarily covered the activities of watchdog NGOs affiliated with oppositional parties, tainting the non-partisan image of the sector.

In Kutaisi, where public perception of NGOs in the past was largely based on their watchdog activities, diminishing civic monitoring efforts undermined the public’s trust of the sector. On the whole, Georgian NGOs are no longer perceived as effective tools for public oversight over the government.

For a number of years, NGOs in Adjara were actively involved in monitoring budget formulation and transparency of public expenditures. While Adjara NGOs are trying to

preserve collegial relationships with the government and refrain from public statements, the media, local authorities and the public often view the presentations of their findings as politically motivated, thus making it increasingly difficult to obtain government support for their efforts.