

**THE REVIEW OF
THE NGO SECTOR
IN LATVIA
2013**



Civic Alliance – Latvia

Authors

Inta Šimanska
Jadviga Neilande
Kitija Bite
Rasma Pīpiķe

Editor of Latvian edition
Design

Inga Skuja
Elfa Raude

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Glossary

Advocacy - legitimate and legal activities implemented by organizations or individuals by contacting the decision-making process participants with a view to implement legislative changes and development documentation by explaining the necessity of the changes and the procedures of their implementation to a wider society.

Agenda (political) – questions about changes in regulatory enactments suggested by public authority.

Association – an organization founded by at least two people, which carries out activity to reach the goal stated in the article of association.

Civic Participation - party involvement in the decision-making process with the aim of achieving a change in the current situation through a variety of participatory tools: active or passive participation in the elections, the voice of the public administration, participation in advisory boards.

Civil society - Population, which is free from the state power, but cooperates with it in order to prevent the disparities in the population caused by market, so being national intermediaries in the relations of the state and the market. Residents voluntarily unite to protect the needs of certain groups in society in the decision-making process.

Decision-making process – a formalized set of activities of public administration institutions, which have introduced measures allowing officials to take a decision and to implement it.

Deinstitutionalization – transition from institutional social and health care to independent life in society or care (for children – a family environment) as a result of political process.

Donation – 1) on the basis of agreement, a voluntarily transfer of the property or funds to achieve public benefit organization's statutory objectives; 2) voluntarily transfer of the property or funds to provide assistance to those who need it.

Foundation – an organization that was founded to redistribute property or financing of the founders to reach the defined objective.

Human security – freedom from fear and poverty.

Lobbying – conscious communication with the public authorities representative carried out in the interests of an individual to influence the actions of a representative of the public authority to initiate a project, its development, coordination, approval or promulgation process in order to gain personal or indirect benefit.

Non-governmental organization – voluntarily formed organization (association, foundation, trade union, political party) by persons that leverages resources and performs activities of organization objectives.

Public administration – a set of institutions whose activities are subject to the Cabinet of Ministers or its supervision.

Public administration – a set of institutions, which in the public interest ensure the creation of laws and regulations, enforcement and monitoring, while they are subordinate to political power, such as municipalities and municipal institutions, courts and other institutions.

Public benefit organisations – associations and foundations, the aim indicated in the articles of association, constitution or by-laws of which is public benefit activities, as well as religious organisations or the institutions thereof, which perform public benefit activities, if such associations, foundations and religious organisations have been granted public benefit organisation status and if they use their income for activities of non-commercial nature and directed to ensuring public benefit activities.

Regulatory Enactment – legislation act approved by the public administration (local, national) institutions. Laws and regulations are laws, rules, regulations, instructions, recommendations, and other provisions containing legislation.

Securability – person's ability to be and feel secure and to re-establish a state of security and sense of security when these have been compromised

Social capital – a set of resources (the network of social connections and level of confidence), which create substantial benefits to improve the quality of oneself and his/her family life.

Voluntary work – physical or intellectual work carried out by a natural person free of charge in order to benefit the community or a definite group of society.

Introduction

Research *The Review of the NGO Sector in Latvia. 2013* gives the possibility to make sure, why the following belief is correct and should be supported:

Self-organisation skills developed by the population of Latvia give significant contribution and strengthen the growth of the quality of life at an individual and community level, therefore the task of state establishments is to support and strengthen formal and non-formal operation of population groups.

If a person has the motivation and is provided with the tools to improve the life quality of oneself and the community, in order to feel satisfied and secure as well as to be responsible and protect the environment, then, firstly, mutual trust and confidence increases, which is significant precondition for the development of a small country; secondly, the number of employers increases and unemployment decreases; and thirdly, the amount of the expenses, which tax payers must invest in lessening social, environmental and other problems, decreases. That is why in 2013 association *Civic Alliance – Latvia* conducted a research about the work and activities of non-governmental organisations, because one of the forms of society's self-organisation is the establishment of associations and foundations along with the involvement of population in the work and activities of organisations, as well as their participation in decision-making process.

Associations and foundations are both a form of civic self-organisation and the indicator of civil society's activity. The more inhabitants get involved in public life and administration, the more active civil society is. The research examines the association and foundation activities in different ways, using the term "non-governmental organizations" (abbreviated - NGOs). The research does not examine and analyze other forms of civil society: political parties, trade unions and religious organisations.

The goal of the research

To create the review of the NGO sector in Latvia by identifying the environment of NGO operation and changes in it and analysing the influence on the development of associations and foundations in comparative perspective from 2011 to 2013 in Latvia.

Specific tasks of the research

1. To obtain, collect and analyse the information, which characterizes the development of the NGO sector from 2011 to 2013.
2. To collect and analyse the balance sheet data of associations and foundations in 2011 and 2012.
3. To study and analyse the ways how NGOs defend the interests of their members in decision-making process, how cooperation with public authorities is implemented and how society is involved in decision-making process.
4. To obtain and analyse the information about the kinds of support for NGO operation and development at a national level by conducting an in-depth study on country's financial support mechanisms and giving proposals to increase their efficiency.
5. To obtain and analyse the information about society's attitude and assessment of involvement in NGOs and their activities.

6. To analyse the developments in the NGO field by taking into account the timely events in the political, economical, social sphere of Latvia and in the development of information communication technologies.
7. To conduct comparative analysis between the conclusions of two researches: *The Review of the NGO Sector in Latvia. 2013* and *The Review of the NGO Sector in Latvia*.

The main attention of the research has been paid to the changes defined in 2013 (e.g. information about the cooperation, civic participation and the activities of organizations given by NGO leaders and public authorities) and financial data of associations and foundations in 2012. However, the opinion of population about NGOs, civic participation, trust and other aspects is from 2013 as the research was conducted in that year. Small part of data reflected in the research is from 2010. This is justified by the fact that in 2013 it was not possible to get more up to date information, because the responsible authorities had not collected the relevant data yet.

The research *The Review of the NGO Sector in Latvia. 2013* consummates the results of the research *The Review of the NGO Sector in Latvia*¹ by giving to-date information and offering new research directions, which were not conducted in the research of 2011.

Five reasons why the operation of associations and foundations must be researched:

1. to identify the development of civil society;
2. to improve the understanding of the residents of Latvia on the notion of self-organisation and its benefits;
3. to obtain to-date information about the work of non-governmental organisations;
4. to provoke the change of thoughts and actions in the use of methods with the goal to create Latvia as a country of prosperous, active and responsible citizens until 2030*;
5. to have the policy planners informed about the contribution of associations and foundations in the development of welfare, education, culture and national economy and the improvement of environment and nature protection.

¹ Baltic Institute of Social Sciences. *The Review of the NGO sector in Latvia*. 2011. Society Integration Foundation, Riga.

* One of the key points in the policy document *Sustainable Development Strategy of Latvia until 2013*.

The Scope of the Research

Seven data collection methods have been used in the research *The Review of the NGO Sector in Latvia. 2013*. Variety of methods ensures that comprehensive and in-depth information about every aspect of the research is obtained.

One of the expected results of the research was the possibility to receive the answer about the influence of non-governmental sector on the economic, political, public and social processes in Latvia. The assessment of the influence caused by associations and foundations on decision-making process and their ability to provoke and cause changes in different fields was obtained by the results from questionnaire of inhabitants and NGOs during the research process. The research provides a comprehensive insight into NGO funding issues (income and expenditure, sources of funds, payment of taxes, etc.), however, during the research process it was not possible to obtain data that show the direct impact of NGOs on the Latvian economy, for example, the part of NGOs contribution to the national income. The calculation was not possible because the state agencies that collect statistics do not distinguish between associations and foundations as a separate category of analysis.

1. Analysis of documents

In the research, the method of document analysis gives the assessment of the laws and regulations in force that affect, facilitate and reduce the operation of associations and foundations in Latvia. The following laws and regulations have been analyzed:

- *Associations and Foundations Law*;
- *Public Benefit Organisation Law* (and regulations binding);
- *The Law on Accounting* (and regulations binding);
- *Freedom of Information Law* (and regulations binding);
- *Public Procurement Law* (and regulations binding);
- *The Law on Budget and Financial Management* (and regulations binding);
- *The Law on Local Governments* (and regulations binding);
- *The Law on Prevention of Conflict of Interest in Activities of Public Officials* (and regulations binding);
- *State Administration Structure Law* (and regulations binding);
- other legislation.

At the same time, the policy development documents: Sustainable Development Strategy of Latvia until 2030, the National Development Plan for 2014 – 2020, the declaration and action plan of the government, Guidelines on National Identity, Civil Society and Integration Policy (2012 – 2018) and other policy development documents that affect the establishment, operation and development of associations and foundations.

In addition, the findings of the studies, which have been conducted about different aspects of NGO sector in 2011 and 2012, have been taken into account. The following criteria of analysis have been taken into account:

- resources of an organisation;
- operation areal of an organisation;
- implemented activities of an organisation;

- involvement of inhabitants in NGO activities and events;
- funding available to NGOs.

2. Statistical analysis of the data

Statistics about the financial indicators of associations and foundations has been obtained to characterise the structure of revenues and expenses for associations and foundations in 2011 as well as to analyze the link between the balance sheet and the development of an organisation and its financial independence. Data about the dynamics of NGO sector's growth dynamics have been obtained and they have been reviewed from regional and annual terms.

Data of statistics have been collected from the following registers: State Revenue Service, Ltd. "Lursoft IT" and The Central Statistical Bureau.

The data about the financial indicators of associations and foundations have been obtained from State Revenue Service. The obtained data have been analyzed from different aspects:

1. information on the submitted annual reports of associations and foundations, 2010 and 2011;
2. summary of revenues and expenditure account of associations, foundations and trade unions in 2010 and 2011;
3. information on the personal income tax reductions in 2010 and 2011 in accordance with *The Law on Personal Income Tax*, Section 10;
4. information on the corporate income tax reductions in 2010 and 2011 in accordance with *The Law on Enterprise Income Tax*, Section 20;
5. the number of legal entities covered by *The Law on Enterprise Income Tax*;
6. the number of associations and foundations, which on 1 January 2011 and 1 January 2012 are registered as a VAT taxable person;
7. the value added tax revenues in 2010 and 2011 from associations and foundations;
8. the information on associations and foundations, which in their annual reports of 2010 and 2011 show income from economical activity;
9. the number of employees and performers of economic activity on 1 January 2011 and 1 January 2012;
10. information on the number of employees in associations and foundations and their income from professional activity in 2010 and 2011.
11. information on the amount of debtor and creditor finances in 2010 and 2011;
12. financial indicators of public benefit organisations.

Data from Ltd. "Lursoft IT" databases were used to reflect on the changes of NGO establishment activity over a definite period of time and the activity of NGO establishment in the regions. Also information from the annual reports of 98 associations and foundations in 2012 was collected. Data were required from the associations and foundations registered on Ltd. "Lursoft IT" database. They were selected based on the following criteria (total number of selection – 100):

Territory/amount:

- 45 annual reports from NGOs in Riga;
- 5 annual reports from NGOs in Liepāja;
- 2 annual reports from NGOs in Jurmala;
- 2 annual reports from NGOs in Daugavpils;
- 2 annual reports from NGOs in Jelgava;

- 1 annual report from other municipalities (at the discretion of the author – from different regions, where the income from economic activity is not 0).

Field of operation:

- culture and leisure – 39 annual reports;
- development and management – 21 annual reports;
- law, advocacy and politics – 11 annual reports;
- professional associations – 10 annual reports;
- education and research – 5 annual reports;
- social services – 3 annual reports;
- philanthropy and volunteering – 3 annual reports;
- health – 2 annual reports;
- environment – 2 annual reports;
- strengthening of spirituality – 1 annual report;
- other – 3 annual reports from other fields of operation (at the discretion of the author – from different regions, where the income from economic activity is not 0).

Central Statistical Bureau provided data about the job fill in associations and foundations, education level of employees and their pay in 2011 and 2012.

3. Interviews with representatives of public administration and businesses

Interviews were held with representatives from municipalities and other public administration establishments (including specialists and executives from the Saeima committee, State Chancellery and ministries) as well as representatives of enterprises in order to obtain evaluative information on NGO operation in definite region or country as a whole in definite period of time and to obtain views on the factors promoting or hampering mutual cooperation. The total number of interviews – 25. Interviews took place in 2013.

4. Focus groups with representatives of NGOs

Focus group interviews were held in those municipalities of Latvia, where the number of NGOs exceeds 2% or was near to that number. These interviews were held in Talsi, Daugavpils, Jelgava and Valmiera. One focus group consisted of six to nine respondents. In focus group interviews, the discussions were held about the following topics:

- what is the importance of NGO operation in particular municipality/Latvia?
- what is the contribution of organisations to the welfare, development and economy of the particular municipality?
- to which extent do the NGOs promote civic participation in the decision-making process?
- how do the NGOs promote the transparency of their operation and enhance the public trust?
- which are the factors promoting or hindering NGO operation?

Participants of the focus group were NGO leaders, selected by observing even division of field and duration of operation, as well as municipality representatives. Interviews were held in the beginning of 2013.

Focus group leader had already prepared questions about different topics in advance in order to get the opinion of every participant. Their opinions have been recorded in

audio material. Quotations from the interviews to justify the views of the researchers have been used in the description of research results.

5. Quantitative survey of NGOs.

Association and foundation survey at the national level was conducted during the research. 295 respondent questionnaires in total were included in data processing, 208 questionnaires were filled in completely, the other 87 – just partly. The survey covered the following topics:

- main aspects of NGO operation;
- NGO cooperation with partners;
- involvement of society in the work of NGOs;
- information about employees, members and supporters;
- influence of NGOs in the decision-making process;
- funding available to an organisation to provide its operation and implementation of activities.

General descriptive methods of statistics – summary tables with bar, zone graphs or histograms were used to describe respondent parameters. Indicators of central tendency (arithmetic average, median) and dispersion indicators – standard deviation and standard error for data corresponding to the normal distribution, were evaluated. 25th and 75th percentile were calculated to the data, which did not meet the normal distribution.

Quantitative survey took place from May 8 to 15, 2013. It was conducted electronically.

6. Quantitative survey of inhabitants

Public opinion poll, conducted by the research agency *Latvian Facts*, took place from October 11 to 21, 2013.

Survey gives information about the following aspects:

- inhabitants' participation in civic community activities over the last three years;
- inhabitants's assessment on personal and organisations' ability to influence the decision-making process in Latvia;
- confidence in state's and public institutions;
- involvement in the operation and activities of organisations;
- assessment of the individual benefits from the involvement in the operation and activities of organisations;
- projections about the involvement in the operation and activities of organisations in the next 12 months;
- factors, which promote the involvement in the operation and activities of organisations;
- participation in public activities as a volunteer and motivating factors;
- perception of associations and foundations fields of activity;
- assessment of services provided by organisations.

1003 permanent residents of the Republic of Latvia, aged 15 to 74, were involved in the survey, according to the principle of stratified random. Survey was conducted by the method of direct (personal) interviewing in respondents' homes. Random route method was used to select the homes of respondents. Selection of respondents was conducted using Kish matrix.

The obtained data have been compared with the population survey conducted in 2011 by *Latvian Facts*.

7. Media monitoring

The goal of media monitoring was to record the publicity about non-governmental organisations by collecting the information on associations and foundations and processes related to civil society. Qualitative analysis of publicity collected the information about the non-governmental publicity in printed media in Latvia (in Latvian and Russian, national and regional publications and newspapers), on the internet (the most popular news portals in Latvian and Russian) and on TV channel programmes from July to September, 2013. The following publicity aspects have been assessed in the publicity analysis:

- total amount of publicity (number of materials, where non-governmental organisations have been mentioned);
- representatives of civil society as experts (representatives of NGOs speak on an issue);
- division of publicity in different media (number of materials in particular media);
- themes of publicity (themes in relation to which NGOs have been mentioned);
- type of publicity coverage (mentioned in neutral, positive or negative context);
- views on non-governmental organisations (views expressed about the operation of NGOs in general or about a particular NGO);
- publicity of non-governmental organisations on television (publicity on LTV1, LTV7, LNT and TV3).

In the given period of time, NGOs have been mentioned in 2155 materials. The qualitative analysis was conducted by Ltd. LETA.

1. General Characteristics of the Operation of Associations and Foundations.

“Associations let us believe in the country and let it save resources”

/Jānis Bordāns, Minister of Justice/

First chapter of the research presents general information about the non-governmental sector. Information about NGO goals of operation and the ways of achieving them and their legitimacy as well as kinds of activity and fields, how the environment of operation – political and economic – influences the development and activities of associations and foundations, has been covered.

Characteristics of situation:

Criterion	Indicator
Number of associations and foundations in Latvia	17 550 ²
Number of public benefit organisations in Latvia	1984 ³
Amount of non-governmental organisations per 1000 inhabitants, average indicator	8,48 ⁴
Part of inhabitants, which are members in some organisation, %	4%
Part of inhabitants, which participate in a group of interest, %	16%
Part of inhabitants, which have been involved in NGO activities in the last three years, %	32%
Part of inhabitants, which have worked voluntarily, %	3%
Public confidence in the associations and foundations, %	35%

1.1. The objective of non-governmental organisations

The objectives of associations and foundations are versatile, because organisations hold their activities in different spheres, where inhabitants see the need for activity and start self-organisation. The result of inhabitant self-organisation can be non-formal (intensive mutual cooperation among people to carry out a certain activity) and formal (an association or a foundation has been established and registered). Different resources and sources can be used to reach the goal.

Accordingly, the targeted activities of organisations can be divided into two categories:

² SIA “Lursoft IT”. *Sabiedrisko organizāciju, to apvienību, biedrību un nodibinājumu dibināšanas dinamika*. Interneta vietnes www.lursoft.lv sadaļa *Lursoft statistika/Biedrības un nodibinājumi, un sabiedriskās organizācijas*. Resurss apsk. 03.07.02013.

³ Valsts ieņēmumu dienesta sniegtā informācija par situāciju 2013. gada 1. jūlijā.

⁴ SIA “Lursoft IT”. *Sabiedrisko organizāciju, to apvienību, biedrību un nodibinājumu dibināšanas dinamika*. Interneta vietnes www.lursoft.lv sadaļa *Lursoft statistika/Biedrības un nodibinājumi, un sabiedriskās organizācijas*. Resurss apsk. 03.07.02013.

1. reforming activity or activity focusing on changes – associations and foundations carry out activities to achieve changes in the views or actions of their target group or wider part of society. This activity is characteristic to advocacy organisations, e.g. an informal group of non-governmental organisations* together with the Ministry of Welfare start activities to define the term *deinstitutionalization* and to develop the offer of alternative social services at a national and regional level in order to successfully reintegrate those people, who currently receive institutionalised care (e.g. orphanages, social care centres and other institutions);
2. conservative operation or strengthening of existing order– associations and foundations carry out activities to support a definite target group within the existing situation and the framework of existing regulations, e.g. by organising trainings and courses, which provide young people or people of pre-retirement with knowledge and additional skills, or by giving information about the social services, which improve the quality of life to children with mental disabilities, available in the city, region and country.

As in other countries, also in Latvia a small part of all organisations works steadily and in long-term to reform the existing order by working in the field of advocacy and legislative influence.

Advocacy is a prudent course of activities, which is designed to directly or indirectly influence the decision-making process and to convince the other parties concerned on the need for changes to the existing order and to introduce measures to facilitate the progress of the change. Advocacy activities are divided into two types:

1. advocacy of personal interests – resident has the resources to start the activity, which alters the existing order, himself and to promote a favourable decision for himself in the field of health care, education, building management and others;
2. advocacy of public interests – opportunity to those, who do not have the resources, to speak to a representative of their interests and thus ensure that the needs and wishes are taken into account in the decision-making process. Advocacy of interest representation is practiced in areas such as child protection, nature and environmental protection, animal welfare and others.

In most cases, associations and foundations in Latvia work in the manner of conservatism and only a small part calls for decision makers to make substantial changes to the existing order. Such a finding is not unique to Latvia, because all over the world, organisations are established to:

1. prevent the negative impact of various changes in society, such as the provision of assistance to the people after natural or man-made disasters or strengthening the ability to feel safe to those children who have remained in Latvia with grandparents or distant relatives, because parents have to work abroad;
2. provide alternative services to residents or to expand the range of existing services (e.g. by improving the knowledge of youngsters about the events in the country and society, involving pupils and students in the movement of debates, which is also an extra-curricular activity, or providing home care services to the

*Informal association of non-governmental organizations of social services for the implementation of de-institutionalization process consists of Latvian organizations: Latvian SOS Children's Villages Association, Latvian Movement for Independent Living, the city of Riga "Care Child", the Resource Centre for People with Mental Disability" ZELDA "and the Latvian people with special needs cooperation organization "SUSTENTO".

- population) or to organise volunteer movement, which participates in the search of missing children and adults, or help quitting addictive substances etc.;
3. provide an alternative vision of the processes taking place in the country, for example, explaining the need for the introduction of the single European currency (the euro), and its consequences, or raising awareness that Latvians are the residents of Latvia, who recognize themselves as belonging to the Republic of Latvia, rather than just looking at being a Latvian in narrower context than nationality;
 4. inform population about their rights and opportunities, such as informing young people about international volunteering opportunities or consumer and patients' rights, so that in potential cases of violation, residents would recognize the infringement and reduce or eliminate its negative impact;
 5. help inhabitants find a way to express themselves creatively or professionally, so improving the quality of life, for example, singing in a choir or attending handicraft classes, or sharing knowledge about medical questions with people who do not work in the field of health care or pharmacy;
 6. raise awareness about the activities on behalf of public benefit and to coordinate such activities as voluntary work, voluntary donations and patronage.

Leaders of associations and foundations indicate that the organisation has not changed its objectives during its operation and continues to work according to the goals defined in the article of association. Summarizing the findings of the research, it can be concluded that the objectives of associations and foundations are as follows:

1. to carry out activities, which no other (municipality or state institution) is doing or does partially in order to improve the quality of life for the target group;
2. to inform the public about the various activities that take place in a particular sector or that are relevant to the specific target group;
3. to motivate and educate people, giving the opportunity to improve the knowledge and skills needed in the labour market, the improvement of the organization's work or personal growth;
4. to offer free goods and services for those groups who are at risk of poverty or who have significant restrictions (e.g., special food supply for seriously ill children);
5. to organize leisure activities for different population groups.

Changes, which have taken place in the operation of organisations during the past year are: extending/narrowing the target group (changes in the number); activities focused on new target groups (for example, an NGO, which worked with seniors, is also working with pre-retirement people now, or an NGO, which worked with children with special needs, is working also with the parents of these children etc.); change of cooperation partners (cooperation with state institutions or education establishments in Latvia has extended or narrowed, and new partners abroad have been obtained.) Thus, the organisations adapt to new situations during their operation, because they see the need to expand the scope of operation and beneficiaries.

The organization's ability to operate successfully in order to reach its defined objectives is determined by several factors:

1. united understanding from the association's or foundation's management and team about the objectives and tools to implement its activities;
2. inner capacity of an organisation – labour, involvement of volunteers and members, facilities, funding and other resources;
3. local and national position/attitude towards the necessity of NGO operation, as evidenced by the development of various support tools for both the NGOs

- operation and activities – provision of space, involve experts, organisation of joint events and services, support for fundraising;
4. public attitude towards the operation and nature of non-governmental organisations.

The research clarified the views of population in Latvia about the work of non-governmental organisations. Respondents were asked: “In your opinion, what do non-governmental organisations do (associations, foundations, religious organisations, trade unions)?” (see image 1. The views of population about NGO operation). Like in 2011, also the survey of 2013 shows that non-governmental activities mostly are identified with charity and provision of good leisure activities.

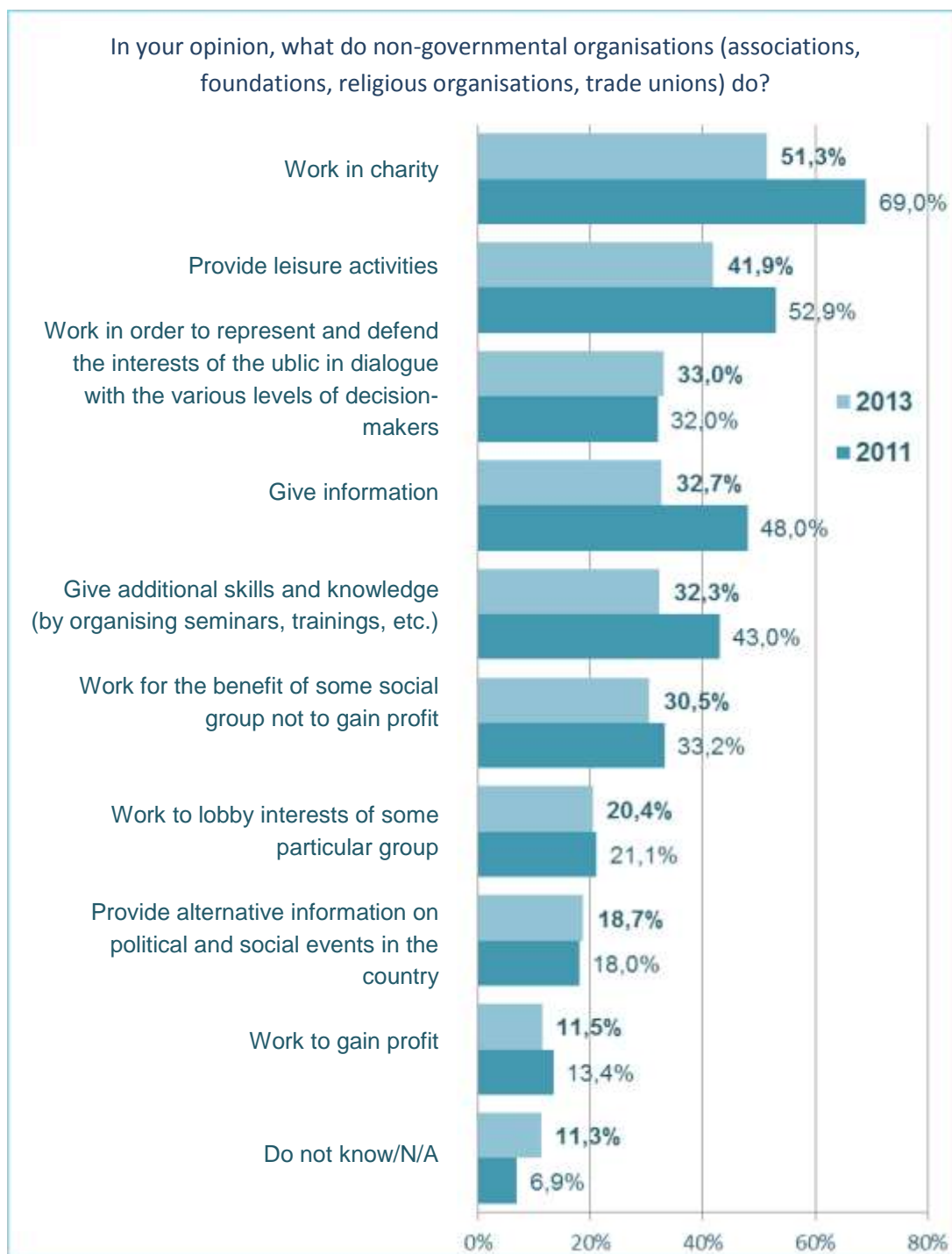


Figure 1. The views of population about NGO operation.

Source: *Public opinion on the NGO sector in Latvia. Public opinion poll. 2013.*

Most of Latvian respondents, when answering the question about the work of non-governmental organisations, most frequently told that non-governmental organisations:

- work with charity (mentioned by 51% of respondents);
- work with provision of leisure activities (42%);
- work to represent and defend the interests of the public in a dialogue with decision-makers at various levels (local, national institutions) (33%);
- give information (33%);
- give additional knowledge (by organising seminars, conferences, trainings, conducting studies, analytical materials) (32%).

Activity of organisations has an impact not only on the improvement of interests and skills of members, volunteers and supporters, but it can also impact the occurrence and process of positive changes in a particular area. In one of discussions (Riebiņi municipality in Latgale) the leader of youth association *Jaunie spārni [New wings]* pointed out that the results of organisation's activity can be felt both by the participants and the population of the municipality. Also other associations of Riebiņi municipality state that their operation focuses on increasing prosperity among the municipality's population. Several objects have been created and improved in the municipality and all population benefits from it (places for leisure and children playgrounds have been created). Thus, there is once again another question to investigate – to what extent does the number of non-governmental organizations and activities in a certain area have a positive impact on the welfare of population?

In order to determine the extent to which non-governmental organizations and the number of activities in a certain area have a positive impact on the welfare of population, the study identified the following criteria:

1. number of non-governmental organisations per 1 000 inhabitants in one municipality;
2. the indicator of territorial development index for a given municipality*;
3. the relationship between NGO's density and the size of territorial development index for a given municipality.

The researchers of political science have demonstrated that the traditions of civil society have a significant impact on economic development and social welfare as well as the functioning of democratical institutions⁵. Thus, when developing the research, the following assumption was made: the higher the density of NGOs per 1 000 inhabitants, the more developed particular community is. During the research *The Review of the NGO sector in Latvia. 2013*, the group of researchers found that there is statistically significant positively weak correlation between the density of NGOs and the index of territorial development in Latvia as a whole. So – the larger the density of NGOs, the higher index of territorial development. Taking into account, that there is weak correlation between these indicators, it is necessary to identify in other studies, how correlation increases or weakens in other years. Participation of population in the development of personal and community welfare is an important resource, when planning the development of community, in order to reach higher indicators, for example, the rise of GDP value and the amount of collected personal income tax, the rise of non-financial investment and reduction of unemployment. Participation and cooperation strengthens community and civil society as well as strengthens freedom of speech and promotes economic growth.

* Territory development index is based on the developed common methodology in the country for determining the level of development of the territory. The index includes indicators such as Gross Domestic Product per capita at current prices; the unemployment rate as a percentage; personal income tax revenue per 1 inhabitant in local budget, in lats; Non-financial investment per 1 inhab., in lats; the dependency ratio; population density per 1 inhab., km²; number of economically active commerce and enterprises per 1 000 residents; population changes over the last five years. Source: State Regional Development Agency. *Assessment of the level of territorial development. Assessment methodology*. Riga, 2012. p. 2.

⁵ Kārklīņa, R. *Kā pētīt pilsonisko kopdarbību laukos: Jaunu pētniecisku ietvaru un metodiku pienesums [How to study the civic synergy in the countryside: contribution of new research framework and methodology]*. 2012. Riga, p. 4..

1.2. Quantitative changes in the NGO sector

17 550 associations and foundations were established in 3 July, 2013 (this absolute figure is used throughout the research). In comparison, there were 16 700 organisations registered in the beginning of 2013 (03.01.2013). The number of organisations has increased by 800 in seven months. Over the past three years (since 2010) the number of organisations has increased by 1 702 associations and foundations every years. It means that on average at least 142 associations and foundations are established every month, but 40 organisations – weekly. The largest increase of organisation number was observed in 2010: 1 839 new associations and foundations were established (see Figure 2. Changes in the number of NGOs.).

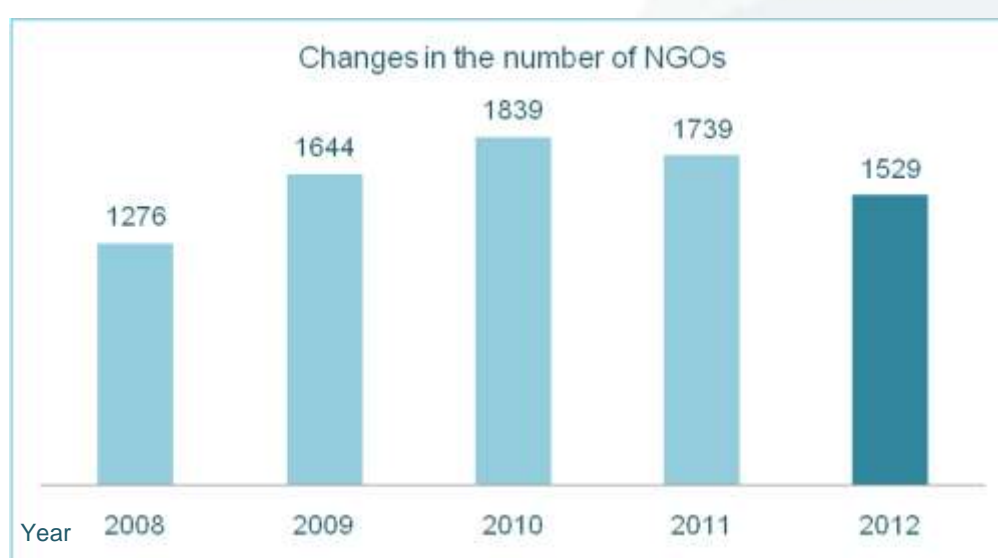


Figure 2. Changes in the number of NGOs.

Source: *Division of public organisations, associations and foundations according to the municipalities/cities of Latvia*. Ltd. "Lursoft IT".

The trend that the highest amount of associations and foundations has been registered in Riga has remained constant. Almost half or 45% (7 813 associations and foundations) from all NGOs registered in Latvia are located in Riga. Meanwhile the number of organisations registered in other largest municipalities (from the total amount) (see Annex 1. Number of organisations in the municipalities of Latvia until 3 July, 2013^{*}.) is:

1. Liepaja – 5% or 885 organisations;
2. Jurmala – 2,5% or 440 organisations;
3. Daugavpils – 2,5% or 430 organisations;
4. Jelgava – 2%⁶ or 347 organisations.

^{*} Please take into account that there are 2 organisations included in the official statistics with an unknown place of registration.

⁶ Ltd. "Lursoft IT". *Dynamics of establishing public organisations, their unions, associations and foundations*. Website www.lursoft.lv section *Lursoft statistika/Biedrības un nodibinājumi, un sabiedriskās organizācijas*. Accessed: 17.07.2013.

When investigating the number of associations and foundations from a regional aspect, it can be seen that the highest number of organisations is represented in Riga region (2953), but the lowest number – in Zemgale region (1441) (see Figure 3. Number of NGOs in the regions.).

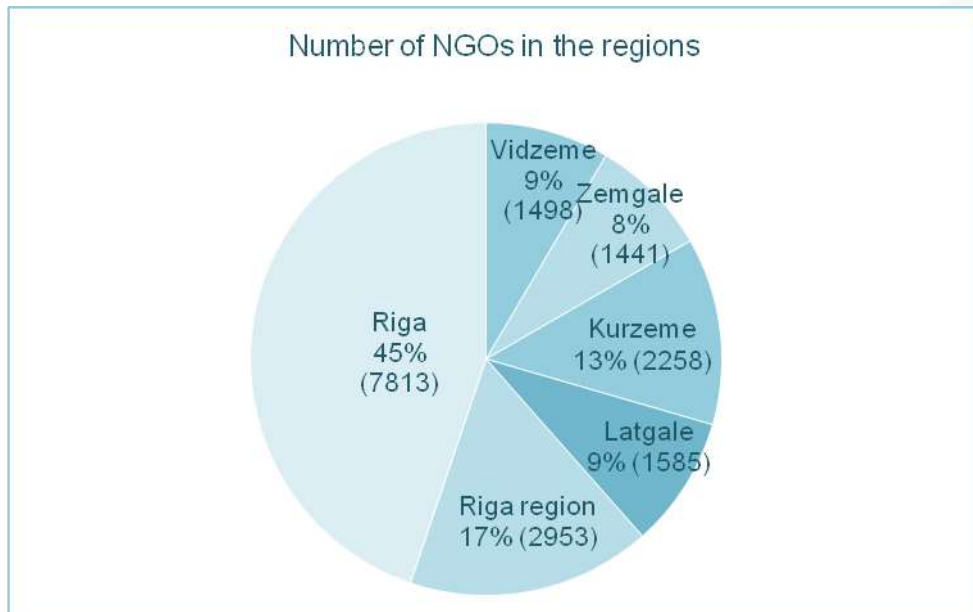


Figure 3. Number of NGOs in the regions.

Source: *Division of public organisations, associations and foundations according to the municipalities/cities of Latvia*. Ltd. "Lursoft IT".

In Riga region, 15% or 440 associations and foundations are registered in Jurmala city. The number of organisations in the city has increased by 111 in the last two years, but the ratio has decreased by 1%. Ogre municipality has the second highest number of NGOs registered in Riga region – 247 organisations or 8%. Since 2011 the growth in the number of organisations has been relatively small – 45 new organisations have been registered. In comparison with 2011, 10% from all associations and foundations registered in Riga region were from Ogre municipality. In 2013, this number decreases to 2%. Kekava municipality is the third in the number of organisations in the region – 7% or 203 organisations are registered there. The number of organisations in Kekava municipality has significantly increased in the last two years – 81 new organisations have been founded. In 2011, Tukums municipality was ranked as the third with 128 organisations or 6% of the total number of organisations in the region. In 2013, the number of organisations in the region was 160 or 5% from the total amount of NGOs in the region. Up to 2013 there has been small increase in the number of organisations since 2011 – 32 new organisations have been established. In 2013, The smallest number of organisations in Riga region was in Seja municipality – only 17 associations and foundations, which is 0,6 % from the total number of organisations in the region, however, the density of NGOs in Sēja is very good – 7,41 organisations per 1000 inhabitants.

In Kurzeme region a large part of organisations have been registered in Liepaja city (39% or 885 associations and foundations, which is 2% less from the total number of organisations than in 2011). The second largest number of organisations in Kurzeme is in Ventspils city – 233 organisations or 10%. But there are 228 associations and

foundations in Kuldīga municipality, which is 59 organisations less than in 2011, but still it is 10% from the organisations registered in Kurzeme region as it was also in 2011. The smallest number of registered organisations in Kurzeme region is in Mersrags – 10 registered associations and foundations were active in 2013, which is 0,4% from the total number of organisations. There is also small density of NGOs per 1000 inhabitants in Mersrags municipality – 6,11 associations and foundations.

Daugavpils holds a significant number of organisations in Latgale region – 430 associations and foundations or 27% from the total number of organisations in the region. 113 new organisations have been registered in Daugavpils from 2011 to 2013, thereby the ratio of NGOs registered in the city remains constant versus the NGOs registered in the region (constantly, 27% of the NGOs registered in Latgale are in Daugavpils). Significant changes in the number of NGOs has been observed in Rezekne municipality. Rezekne municipality holds a total number of 212 organisations or 13% of the NGOs in the region, which is by 71 NGOs more than in 2011. Thereby Rezekne municipality is the second in the number of associations and foundations in Latgale region. In 2011, the municipality holding the second largest number of NGOs, was the city of Rezekne (134 associations and foundations). In 2013, the city of Rezekne had 179 registered associations and foundations or 11% from the total number of NGOs in Latgale region. Since 2011, 45 new associations and foundations have been registered in Rezekne city. Zilupe municipality holds the smallest number of associations and foundations registered in Latgale region and in Latvia as well. There were five organisations or 0,3% from the total number of organisations in Latgale and 0,04% from the total number in Latvia registered in Zilupe in 2013. Accordingly, Zilupe is the municipality with the lowest density of NGOs per 1 000 inhabitants in Latvia. There are 1,49 organisations per 1 000 inhabitants in Zilupe municipality.

In Vidzeme region, 199 associations and foundations or 13% from the total number of NGOs registered in the region are located in the city of Valmiera. Since 2011, there are 43 new organisations registered in the city of Valmiera. The ratio of organisations versus the total number of organisations in the region has decreased by 2% in Valmiera in the last two years. It means that there are more organisations registered than before, which is a good indicator for the sector as a whole. As in 2011, Madona municipality has the second highest number of registered NGOs. There were 186 organisations or 12% from the total number of NGOs in the region registered in Madona municipality in 2013. Since 2011, 30 new organisations have been founded in Madona municipality. As in the case of Valmiera, also here the ratio of organisations versus the total number of organisations in the region has decreased by 2%. Similar decrease in the number of NGOs can be observed in Alūksne municipality, because the ratio has decreased by 2% also here. 9% or 137 of the total number of associations and foundations in Vidzeme region were registered in Alūksne municipality. Since 2011, 21 new organisations have been registered in Alūksne municipality. However, the municipality of Varakļāni is the municipality of Vidzeme region having the smallest number of organisations in the region – 12 associations and foundations or 0,8%. Varakļāni municipality has extremely low NGO density per 1 000 inhabitants – only 3,37 NGOs.

In Zemgale region, the city of Jelgava holds the highest number of associations and foundations. In 2013, there were 347 associations and foundations or 24% of the total

number of NGOs in Zemgales region. Since 2011 the number of organisations has increased by 69, however, the ratio of NGOs registered in 2013 has decreased by 2%, if compared with 2011. A significant increase of regional importance in the number of NGOs has been observed in Jelgava region. In 2011, there were 74 associations and foundations or 7% from the total number of organisations in Zemgale region, but in 2013 there were 162 organisations registered, which is by 88 NGOs more or 11% from the number of NGOs in the region. Bauska region is the third municipality by the number of NGOs in Zemgale region. Bauska municipality had 127 NGOs or almost 9% from the total number of NGOs registered in Zemgale region in 2013. Since 2011 the number of organisations in Bauska region has increased by 29. The smallest number of NGOs in Zemgale region is in Sala municipality – 16 associations and foundations or 1% from the total number in the region. Sala municipality has also relatively low NGO density per 1 000 inhabitants – 4,21 associations or foundations.

When comparing the changes in the number of organisations with the data from 2011⁷, no significant changes can be observed. For instance, also in 2011 Zemgale region has the smallest number of organisations established, but Riga city and its region – the highest. However, there have been some small changes:

1. the number of organisations registered in Riga has decreased by 1%;
2. the number of organisations registered in Riga and Vidzeme region has increased by 1%.

These variations are to be considered indicative as they do not show a clear trend. As a result, the reasons, which could influence the changes in the number of organisations and associations in particular cases, will not be explained in the scope of the research.

In order to determine the exact changes in the quantitative indicators of the NGO sector, which could also be comparable in a certain period of time, the following corrections must be done:

1. data on the number of associations and foundations, which are reflected on the databases of NGO statistics from Ltd. “Lursoft IT” (information available on website www.lursoft.lv) and it must be recorded with certain regularity – once in a quarter – by stating the changes in the NGO division according to cities and municipalities. At the moment information about the organisations and their number in division of cities and municipalities is available about the previous week, but no definite time has been shown, e.g., January 1, 2013 or June 1, 2013;
2. the classification of non-governmental organisations would greatly facilitate the acquisition of quantitative statistics on areas of activity in which associations and foundations develop activities. Currently, in order to obtain the data, it is necessary to conduct a survey of big selection, which is resource consuming activity;
3. the need for annulment of the *Law On Public Organizations and Associations Thereof* operating since 29.12.1992. Section 1 of this law states:

In order to mutually co-ordinate activities and reach the goals specified in the articles of association, several natural or legal persons may establish a public organisation on the basis of voluntary participation

⁷ Baltic Institute of Social Sciences. *The Review of the NGO Sector in Latvia. 2011.* Society Integration Fund, Riga, p. 21.

and community of goals, establishing a joint management body in accordance with the procedures prescribed in this Law.

Use of the term "public body" actually is null and void by setting up the *Associations and Foundations Law* (since 01.04.2004.) And the *Law on Political Parties* (since 01.01.2007.).

It is important to evaluate the density of non-governmental organisations per 1 000 inhabitants, because it shows the possible tendencies on what is happening the public processes in definite communities (see Annex 2. Density of organisations per 1 000 inhabitants in the municipalities of Latvia.), that means that this indicator reflects on the involvement of society in civil society activities. However, it mainly refers to public expressions of self-organization. NGO density is calculated as the ratio between the number of organizations registered in the municipality and the permanent resident population.

The largest density of associations and foundations is in Pavilosta. There are 13 associations and foundations per 1 000 inhabitants in Pavilosta municipality. In total, there are 37 associations and foundations in Pavilosta, and in the first six months of the year (in 2013) no new organisation was registered. Second highest density of NGOs per 1 000 inhabitants is in Riga and Liepaja – 12 organisations. In the first six months of 2013, there were 281 organisations registered in Riga and 39 organisations – in Liepaja. However, there were 11 organisations per 1 000 inhabitants in Marupe municipality (total of 178, the rise in the first six months by 26 newly established associations and foundations) (see Figure 4. Density of NGOs in Latvia).

Municipalities with the lowest density of NGOs in Latvia must be mentioned. There are three such municipalities:

- Zilupe municipality – 1,49 organisations or the total number of five registered associations and foundations;
- Varaklani municipality – 3,37 organisations or the total number of 12 organisations;
- Jaunjelgava municipality – 3,80 registered organisations per 1000 inhabitants (in total – 22 associations and foundations).

NGO density per 1 000 inhabitants in cities:

1. Daugavpils – 5 organisations;
2. Jurmala – 9 organisations;
3. Jelgava – 6 organisations.

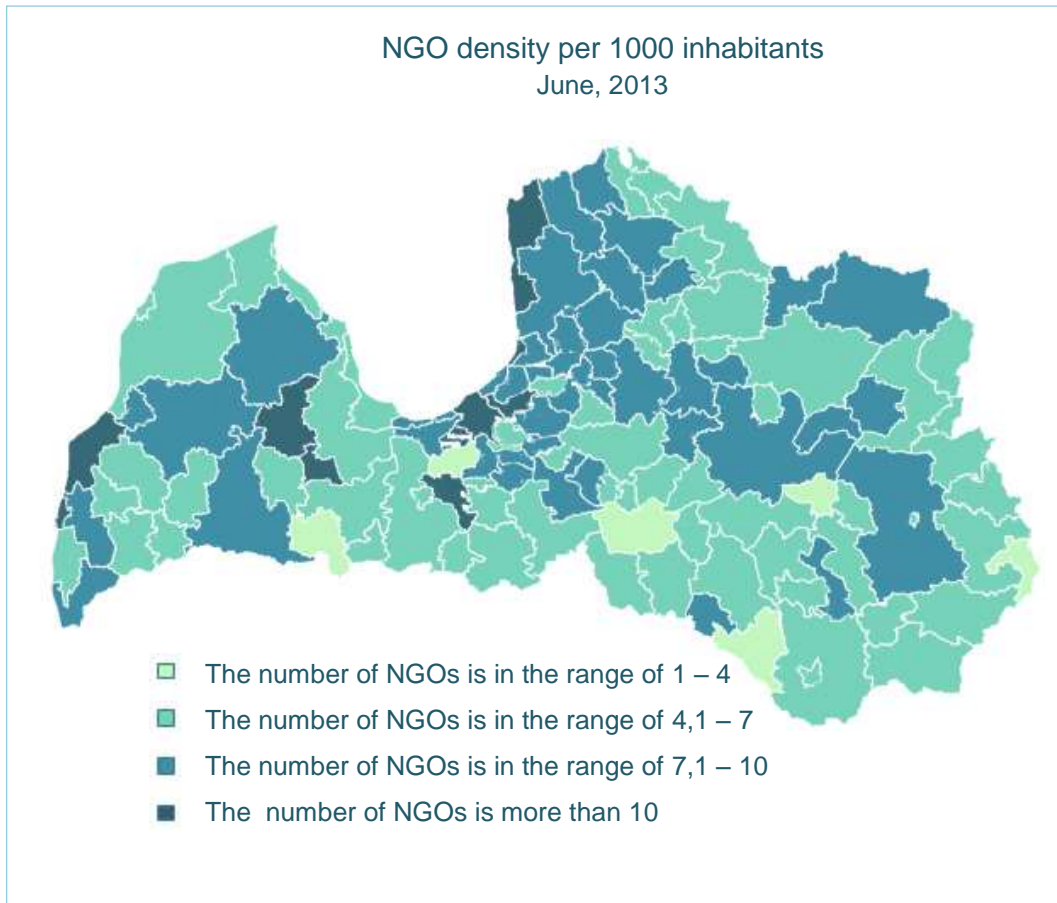


Figure 4. Density of NGOs in Latvia.

The average indicator on the density of NGOs per 1 000 inhabitants in Latvia is 8,48 associations and foundations. When viewing the data by the regions of Latvia, the highest density of NGOs per 1 000 inhabitants in Latvia can be observed in Riga region (including Riga) with density close to the average indicator in the country. Kurzeme and Vidzeme with slightly lower indicators take the second place, but the lowest density of NGOs per 1 000 inhabitants is in Latgale (Image 5. Density of NGOs in regions.).

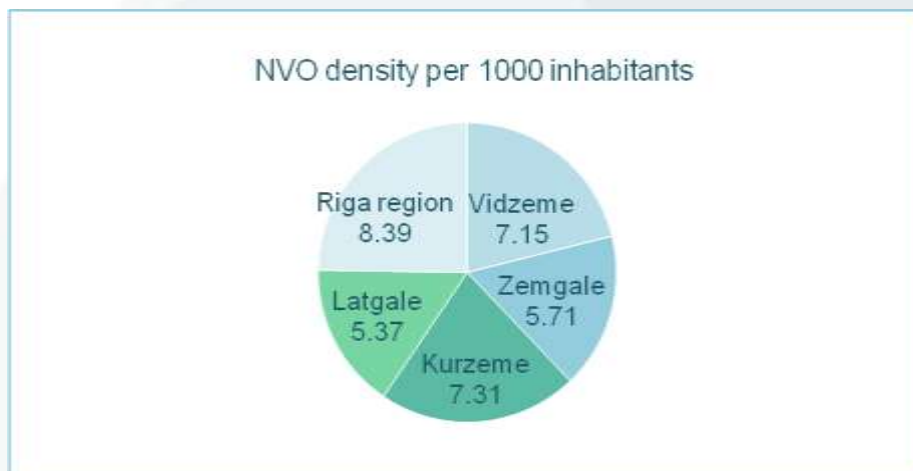


Figure 5. Density of NGOs in regions.

Source: *Division of public organisations, associations and foundations according to the municipalities/cities of Latvia*. Ltd. "Lursoft IT".

The obtained data suggest that the NGO density per 1 000 inhabitants is highly uneven in different regions. Within a single region there are some municipalities with a high density of NGOs per 1 000 inhabitants, while there are a number of municipalities in which the density of NGOs per 1 000 inhabitants ranges from four to seven organizations. For example, in Kurzeme, where one of the municipalities has the highest density ratio of NGOs in Latvia, only five out of 20 municipalities have a higher figure than the national average. These municipalities are: Pavilosta (12,98), Liepaja (11.53) Rucava (9.37), Kuldiga (9.18) and Grobina (8.88). Vainode holds the lowest rate in Kurzeme region – 4,21 organisations per 1 000 inhabitants. Overall, there are 11 municipalities in Kurzeme where the density of NGOs per 1 000 inhabitants is less than seven organizations.

The fact that the density of NGOs per 1 000 inhabitants has increased since 2011 (see Figure 6. Changes in the density of NGOs per 1 000 inhabitants.) can be evaluated positively. As it can be seen, the average rate in the country has increased by 2,7. It means that on average there are almost three organisations more per 1 000 inhabitants in the country as it was in 2011. The largest increase in the density of NGOs can be observed in Riga and its region. Since 2013, Riga has 3,3 associations and organisations per 1 000 inhabitants more than in 2011.

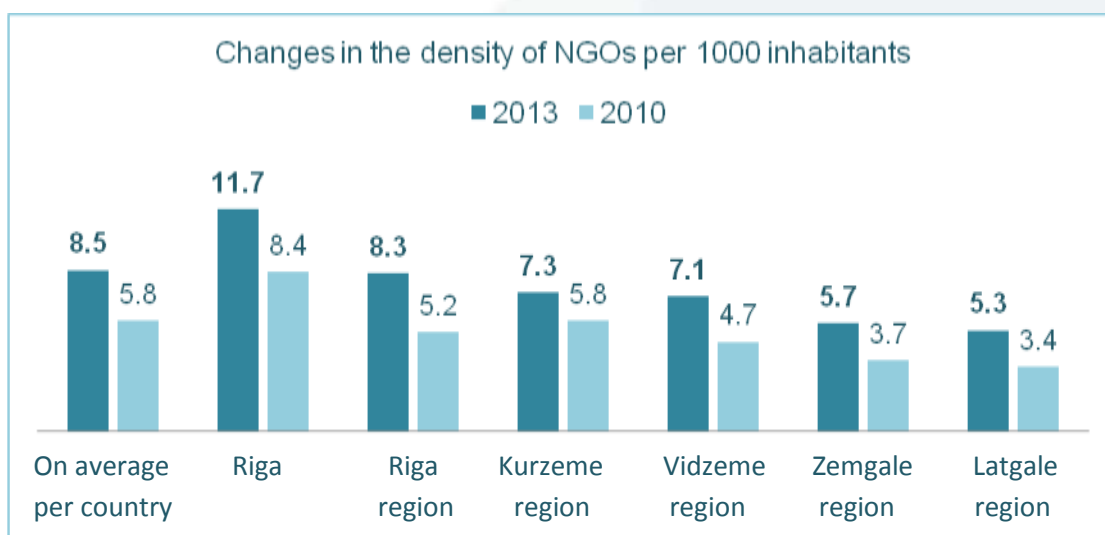


Figure 6. Changes in the density of NGOs per 1 000 inhabitants.

Source: *Division of public organisations, associations and foundations according to the municipalities/cities of Latvia*. Ltd. "Lursoft IT".

Attention must be paid to the fact that the Ministry of Culture has defined that the resultant policy indicator, which should be achieved in 2014 in relation to the increase in the number of organizations per 1 000 inhabitants is 7,8⁸. The Ministry believes that the result can be achieved if at least once a year information campaigns on opportunities for participation in decision-making, involving local governments and their resources (libraries, cultural centers, museums, schools, NGOs) are organised. According to the ministry, this would be the activity, which would have a direct impact on the increase of NGO density in municipalities and in the country. Despite the fact

⁸ Ministry of Culture. *Guidelines on National Identity, Civil Society and Integration Policy (2012 – 2018)*. 2011. Amended on December 12, 2012. Riga. p.25.

that this activity was not implemented in the first six months of 2013, the number of organisations has increased and the density of NGOs per 1 000 inhabitants has changed. As a result, it can be concluded that the ability of self-organisation and skills of motivation to create an organisation are influenced by another mutually linked events in the society and the country, because the growth in the number of NGOs happens without any direct impact from the country to improve the operation of associations and foundations.

1.3. The operation of public benefit organisations

The number of non-governmental organisations directly shows the civil activity both in a definite community and in the country as a whole. Civil activity is also the operation of organisations with the aim to work on behalf of public benefit (excluding the activity “elections”). Global studies on civil society organisations show that:

1. organisations promote and protect democratic state system;
2. organisations have a positive impact on reducing poverty and development of economy.

The number of organisations that have chosen to receive the status of public benefit organisation shows the activity of organisations working for community or wider society. Granting the status of public benefit is one of indirect ways of funding from the state, because:

1. organisations can attract donors easier as donors can apply to tax credit;
2. organisations can use the facilities owned by the municipality or the state for free;
3. organisations can receive the property of the municipality or the state to use free of charge;
4. property tax is not applied to the building or engineering structure belonging to the organisation*.

According to the information given by the State Revenues Service, 320 applications from the organisations to receive the status of public benefit organisation were received, but the status of public benefit organisation (PBO) was assigned to 263 associations and foundations or 82% from January 1 to December 31, 2012. But 172 applications were examined and 120 were assigned to receive the status of public benefit organisation from January 1 to July 1, 2013.

The number of organisations, which had received the status of public benefit organisations by January 1, 2013 was 1955, but until July 1, 2013, this number had increased to 1984.⁹

When examining the data about the organisations assigned to PBO in 2009, it can be concluded that the number of organisations having received the status has increased by 540, if compared with 2013. 11% from the total number of associations and foundations had obtained the status by July 3, 2013. Similar proportional division was

* These benefits are established and regulated by the Cabinet.

⁹ Information provided by the State Revenue Service Tax Department Legal Division.

also in 2009, when the status of PBO was assigned to 12% of organisations from the total number of NGOs¹⁰.

Organisations can apply for receiving the status of public benefit organisation in fields of its activity. Fields of activity, which can receive the status of PBO (please take into account that one organisation can receive the status of PBO in several fields of activity):

1. disease prevention – 16 organisations have a valid PBO status;
2. the provision of assistance to disaster and emergency situations – field of activity for 21 NGOs;
3. promotion of science – field of activity for 70 NGOs;
4. promotion of health – 111;
5. environmental protection – 111;
6. protection of human and individual rights – field of activity for 121 NGOs;
7. promotion of education – 306;
8. raising the welfare of the public, especially the poor and socially disadvantaged groups of people – field of activity for 428 organisations or 22% from the total number of associations and foundations having received the status of PBO;
9. promotion of culture – 469 or 24% from the total number of organisations;
10. development of civil society – 593 or 30% from the total number of organisations having the status of PBO;
11. charity – 706 or 36% from the total number of organisations having the status of PBO;
12. supporting sports – 731 or 37% from the total number of organisations having the status of PBO.

The granting and withdrawal of public benefit organisation is carried out by the State Revenue Service. The decision is made on the basis of recommendation from the public benefit committee. PBO status mostly is withdrawn to organisations, which work in the following fields:

1. the provision of assistance to disaster and emergency situations – 24% from the total number of organisations have their status withdrawn;
2. promotion of education – 23%;
3. protection of human and individual rights – 21% of applications have their status withdrawn.

The status of public benefit organisation can be withdrawn if the State Revenue Service, when verifying the compliance of public benefit organisation, finds infringements in any of the documents submitted - public benefit organization's annual report, the previous annual activity report and the State Revenue Service information regarding the payment of taxes, and the certificate of municipal real estate tax payment. If associations and foundations are deprived of public benefit organization status, then they probably had the following problems:

1. due to lack of knowledge and skills, organisations incompletely reflect their financial situation;
2. organisation's field of activity in a certain direction has not been corresponding to PBO status.

¹⁰ Baltic Institute of Social Sciences. *The Review of the NGO sector in Latvia*. 2011. Society Integration Fund. Riga, p. 25.

Public benefit organizations in particular are monitored and especially examined by the State Revenue Service whether the organisation has engaged in the activities of public benefit in the period reported. At the same time a number of independent studies and findings confirm that those organizations which have received public benefit status, operate more actively and responsibly than organizations that have not acquired the status.

1.4. Internal efficiency of organisations

Associations and foundations can better achieve the objectives set out in the Articles of Association, if the organization has defined specific aspects of operation and implementation of good governance principles. Good governance is determined that the organization's decision-making power and the executive are separate; members and partners must understand the organization's decision-making processes; within an organization is defined by managers, employees, members, volunteers and activists of the role and specific responsibilities. Thus, the organization is clear about the resources that it needs to implement the statutory objectives. These resources are: employees, members, and volunteers; technologies; space; financing; partners. In addition, to enable an organization to effectively carry out its activities, it is determined how it works (remotely or physically all together), the operating frequency and intensity, as well as projected, or will require additional resources to implement the measures.

Associations and foundations can reach their goals stated in the articles of association more successfully, if particular aspects of operation have been defined and good governance principles have been implemented. These principles determine that the organization's decision-making power and the executive are separated; members and cooperation partners must understand the organization's decision-making processes; the role of managers, employees, members, volunteers, activists and specific responsibilities within an organisation is defined within an organisation. Thus, the organization has clarity about the resources that it needs to implement the objectives stated in the articles of association. These resources are: employees, members, and volunteers; technologies; space; financing; partners. In addition, to enable an organization to effectively carry out its activities, it is determined how it works (remotely or physically all together), the operating frequency and intensity, as well as it is projected, if additional resources will be required to implement the measures.

Non-governmental organizations internal efficiency is largely influenced by external factors: the available funding, legislation, public support and public image. Therefore, to minimize the potential impact of external factors, organization leaders must invest resources to strengthen internal efficiency, creating internal motivation and support systems; attracting human resources that are specialists in their field and loyal to the objectives of organization; offering work that gains recognition and evaluation in the community and the local society.

1.4.1. Operation frequency of organisations

One of the inner efficiency elements in an organisation is its style of operation. Given that the management of an organisation has problems to raise funds for permanent remuneration of specialists and employees, then its style of operation is one of the

inner efficiency motivation activities. Flexible working hours along with the possibility to work remotely are often offered to employees, members, volunteers and activists. For an organization to ensure a high quality of its results, it is necessary to define flexible working time conditions: the deadline by which the obligations are met; format and timeliness of communication with the organization's management and colleagues; information circulation system. Organization leaders recognize that flexible working hours and the ability to perform duties remotely is an important motivating factor for the association or foundation, when it cannot provide adequate remuneration for the performance of one's duties. At the same time the motivating factor has high risk factor of poor implementation of one's duties, therefore the management of an organization should apply a variety of human resource management techniques that are especially important if the work of an association/foundation is intense.

On the other hand – the frequency and intensity of organisation's human activity directly indicates the frequency of NGOs operation. The more frequent the operation is, the more frequent are its activities. But frequent activities of associations and foundations is a good indicator for the development of NGO sector.

In the framework of the research, in addition to the focus group interviews with NGO leaders, a survey of associations and foundations was conducted in order to find out the information about different aspects of organisation. The obtained data show that 57% of respondents carry out activities on a daily basis, 22% of NGO work takes place a few days a week and 21% of cases - as required (see. Fig. 7. The intensity of NGOs operation.).

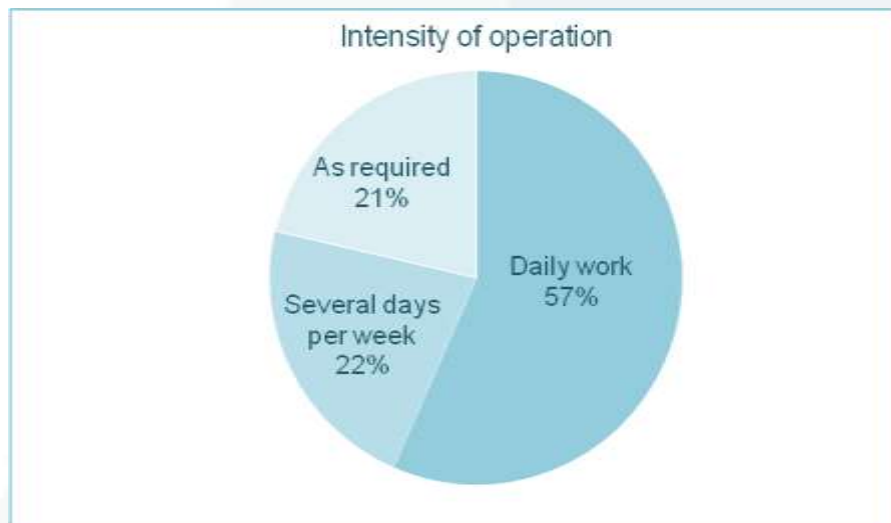


Figure 7. The intensity of NGO operation.
Source: *NGO survey, May, 2013.*

Like in 2011, also in 2013 the answers of NGO survey's respondents show that the intensity of organisation's operation increases, if an association or a foundation has any of the following signs:

- there is at least one full-time employee in an organisation;
- an organisation has a long experience in operation (especially, if it has been founded before 2000.);

- NGO works at a regional or national level or it has a wide cooperation network¹¹.

Additionally, the respondents of the focus group stated that daily activity takes place on a frequent basis, if a particular project is being implemented or there have been raised funds for the activities of an organisation. Organisation leaders, who have raised funds for a permanent operation of an association or a foundation, state that the operation takes place on a daily basis or several days a week. So the organisation can both expand its activities in its main field of operation and expand its operation or work in the field of knowledge transfer to other organisations, for instance, by organising conferences and seminars. In 2013, there were several practice exchange activities among the organisations from different regions, for instance, organisations from Valmiera went to get experience from the NGO centre of Kurzeme in Talsi, but the representatives of Ventspils organisations went to see the results of work implemented by NGOs from Valmiera, e.g. the activity *Labdarības noliktava (Warehouse of Charity)* carried out by *Valmieras Novada Fonds (Valmiera Municipality Fund)*.

The organisation's ability to identify the problems defined in the society comes from its regularity and intensity of communication with its members and target audience. Problems are identified more precisely, if organisation leaders are informed about the data about the situation in the municipality and the country from the results of surveys as well as the results of local and international studies.

Several interviews with organisation leaders during the survey show that the needs of target groups are identified through intensive communication with members and target group (mostly the communication takes place over telephone and face-to-face meetings). Communication with target group and members is not characterised by regularity. Communication rarely takes place at the same time, for example, on the first Wednesday of every month. However – communication is intense (it happens often), and, thanks to whistleblowers, it is possible to identify potentially problematic situations and take action to prevent or mitigate them. The strong ability of organisations to react to a problem specific to one person is directly subordinate to the ability to make a prediction as to whether the problem will be a factor in the greater population. There is a greater potential to identify a problem that is characteristic to a greater part of society, if organizations communicate with each other and if the organization is a member of some association.

An example. Vidzeme University Student Union addresses the individual social, cultural and academic needs of each student. When determining that there are several students facing similar problems in Vidzeme University, it is expressed and dealt with at the national level – in Student Association of Latvia.

When comparing the data about the intensity of NGOs operation in 2011, it can be seen that there are significant changes in the frequency of organisations operation. In 2013, most of the organisations were working on a daily basis rather than as necessary, as it was in 2011 (see Fig. 8. Changes in the intensity of NGOs operation.).

¹¹ Ibid, p. 45.

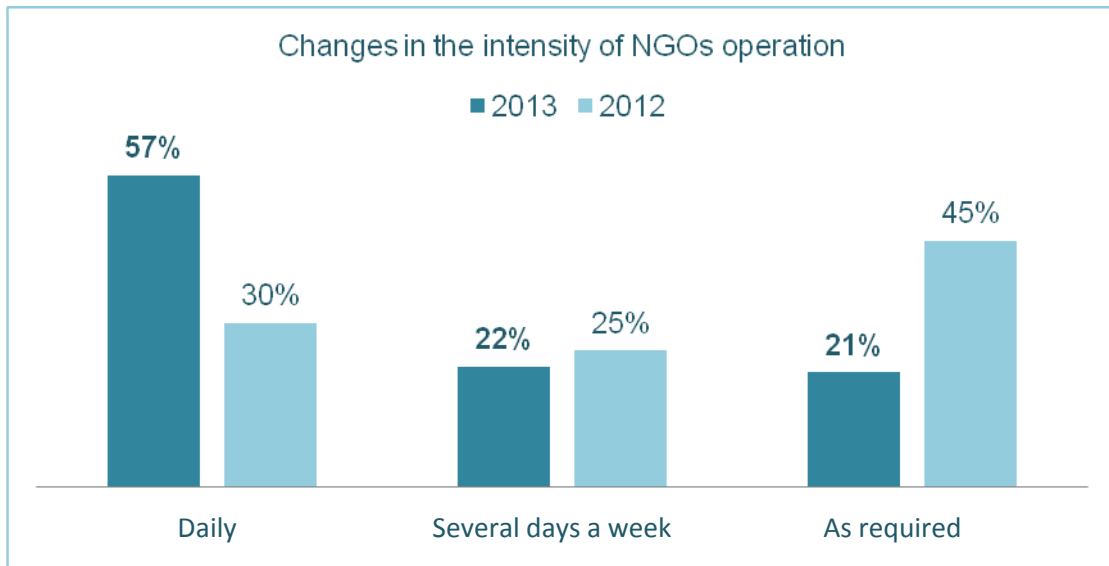


Figure 8. Changes in the intensity of NGOs operation.

Source: *NGO survey, May, 2013.*

Significant changes can be observed in the fact that the intensity of operation has increased for those organisations, which do not have the status of public benefit organisation. Possible factors for the increase in NGO operation's frequency are as follows:

1. cooperation among organisation has become more frequent;
2. capacity of organisations has become stronger;
3. organisations have raised more funds for their operation and activities;
4. the number of employed people has increased along with the number of volunteers or members, who carry out certain activities in the organisation.

The responses from the focus group interviews show that since 2011, the intensity of NGO operation has increased, because organisations cooperate with each other more frequently in order to implement events and actions together. The analysis of NGO survey shows that the intensity of cooperation with other NGOs increases when the scale of organisation's operation increases.

1.4.2. Human resources involved in the operation of organisations

Human resources of an organisation consist of its founders, members, board or council, employees, volunteers and supporters. Amount of human resources available to the organisation to carry out activities to reach certain goals, is defined both by the fields of operation and the scope of activities and the amount of available funding. It is typical that the organisations set up for leisure and development of skills attract more members and supporters than organisations working in the field of advocacy or nature protection or others, where specific knowledge and a certain level of professionalism is required.

The role of founders, status of members and their duties as well as the structure of organisation's administration – the administrative body (the board) and the decision-making body (the council) – is stated when submitting the articles of association (or

during the operation of organisation), if organisations are willing to work according to the principles of good governance. Organisation can be formed by natural and legal persons, as well as organisation members can be natural or legal persons. According to the data of NGOs, in most cases (68%) the members of organisations are natural persons, in 23% of cases members are both legal and natural persons, but in 9% of cases – only legal persons (see Fig. 9. Organisation's membership.)

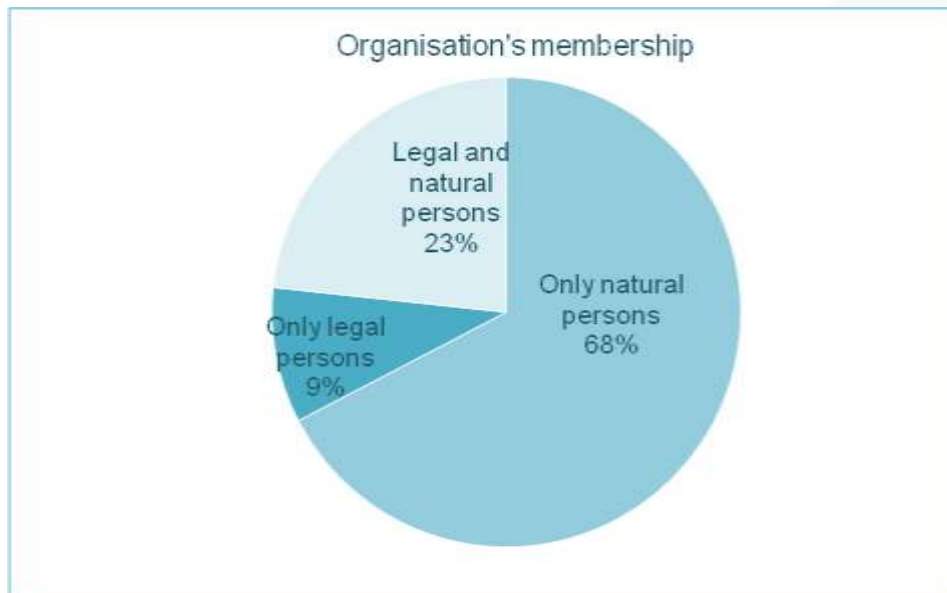


Figure 9. Organisation's membership.
Source: *NGO survey, May, 2013.*

When a non-formal group creates the articles of association, it states the administrative structure of an organisation and its vision on the size of organisation and the number of people necessary to provide its operation. By defining that the administrative body consists of council and the board, it means that the organisation sets up definite structure and hierarchy so it could operate according to its objectives. As a result, in the moment of founding, a presumption is made that an organisation will be able to attract a large number of people who will support it and will contribute to its operation and development. However, if it is defined that an organisation has only the board and one member of the board, then already at the moment of establishment, it is presumed that the organisation will be small.

When an organisation involved legal persons as members, it gets a potential to be used for reaching the objectives of an organisation. Legal entity can offer its competencies and experience along with resources in order to collaborate in reaching objectives.

Data of the NGO survey show that the average number of organisations in Latvia is 28 (the median ratio). It is important to take into account that the structure and fields of activity for organisations are different and it is also responsible for the number of members and their dynamics. There are organisations with two to ten members. There are also organisations having departments and regional branches, as a result, the number of members is even several thousands of citizens (the members of these organisations are usually natural persons).

Studies confirm that the organisations' ability to work independently is mainly influenced by that if the organisation can attract funding to employ people. The data from the NGO survey show that absolute majority of organisations employ people by using funding from different projects. Mostly organisations have one employee, but others invest their free time and voluntary work. It must also be taken into account that there are organisations in Latvia having more than 140 employees.

The results of the NGO survey show that organisations rarely have seasonal employees. Mostly seasonal employees work in organisations providing tourism or leisure services, for instance, Karosta Rescue Society (Liepāja) employs a guide from May to September and foundation palīdzesim.lv employs specialists during summer months in order to provide the necessary support in organisation of camps.

Volunteers are a resource, which lets the organisation to carry out its main field of activity and develop. The data from the NGO survey inform that the average number of people working daily in an organisation are five and the maximum number of people is 300.

Analysis of the NGO survey data shows that there is a correlation between the variables discussed in this chapter: "type of organisations' human resources", "number of human resources" and "duration of organisation":

1. the increase in the number of employees in the projects leads to increased intensity of cooperation with other NGOs;
2. intensity of operation increases, when the number of members in the organisation increases along with its duration of operation.

More information on the number of organisation employees, amount of remuneration and level of education can be obtained in the chapter about the funding in sector of non-governmental organisations.

1.4.3. Involvement of population in the operation of organisations

It is essential for organisations to involve citizens (directly or indirectly) in their work as far as possible. Involvement of population gives to organisation: current information about the needs of target group and helps to find new ways to satisfy them; proof that the organisation is vital to a specific target group and community as a whole; funding (membership fees, donations) for organisation of events, to attract specialists and provide the operation of an organisation.

Population gets involved in the operation of organisations in different ways: by offering their knowledge and skills, by donating material and financial resources, as well as supporting the organisation by attending its events and donating their free time. They can also bring their specific knowledge and skills, such as advising on legal or accounting matters, as well as by donating their free time to look after children or walk the dogs from shelters. For example, the crisis center for women and children *Māras centrs* attracts people who are willing to donate their time to children, by helping to give lessons or prepare homework, as well as simply looking after younger children.

There is an assumption that an active approach reflects the level of population's responsibility for the processes taking place in society. Therefore, one of the indicators

of self-organisation initiative and responsibility is the number of enterprises in the country as well as another indicator – the number of associations and foundations.

The number of associations and foundations and its increase in different regions shows that the population wants and is ready to carry out joint actions to achieve certain goals and to make changes in the development of community. In the case of associations, the legitimacy of an organisation is partly certified by the number of members, supporters and volunteers: the more people are involved in the work of an organisation, the more necessary becomes its operation. One part of population gives its support to an organisation by becoming its member or a member of board or council, while another part – by participating in the activities carried out by the organisation. It must be taken into account that the way of population's involvement in organisations differs among the organisations working in different fields. For instance, an organisation, which works in the field of social help and the number of its activists does not exceed five, can involve several hundreds of inhabitants, which provide indirect (by donating money or things) or direct help (by participating in the organisation of events or implementation of activities). For example, foundation palidzēsims.lv has only three employees and it has also three members of the board, but organisation raises several tens of thousands of euros to organise different events and help children.

There is also another kind of experience: an organisation, working for the benefit of its members, has a large number of directly involved people, for example, different professional associations or associations providing the organisation of leisure activities (for example, *Latvian Hunters Union* has more than 7480 members¹², *Farmers Parliament* unites more than 900 agricultural producers and *Jelgava Pensioners Association* having more than 270 members). There is also the third category, which characterises the involvement of population in the operation of NGOs. Namely, population gets involved in the operation of NGO by supporting the objectives of organisation, besides the way of involvement – member – is easy to obtain and the involvement/recruitment of population is carried out by, for instance, association *Latvian Red Cross*. In the beginning of 2013, it had 11 322 members, 1 351 volunteers, 27 committees, 318 local divisions, but *Latvian Red Cross Youth Organisation* – 18 divisions with 224 members¹³. It should be noted that large organizations have established their organizational structure – branches are created, thereby covering a large part of the country.

According to a public survey, socially active social demographic groups are Latvians, women, respondents with higher education, respondents aged 44 years, financially most stable respondents and residents of the numerically largest (four or more family members) families¹⁴. Public poll results show that the Latvian people engage in such public / civic activities:

1. an interest group (choir, dance group, hobby group etc.) – 16%;
2. parish activities – 9%;
3. trade union – 7%;

¹² Latvian Hunters' Association. *Members*. Website www.lms.org.lv section *Biedri*. Accessed: 19.12.2013.

¹³ Latvian Red Cross. *Latvian Red Cross – 95*. Website www.redcross.lv. Accessed: 19.12.2013.

¹⁴ Latvian Facts. *Public opinion on the NGO sector in Latvia. Public opinion poll.* 2013. Riga, p. 21.

4. some association – 4%.

Looking at the data above, it must be noted, that very often the legal form of an interest group is an association, for example, choir *Gaudeamus* from Riga Technical University and *Latvian Society of Street Gymnastics Sports*.

Way of population's involvement in the operation of organisation depends on different factors:

1. field of organisation's activity;
2. activities of an organisation;
3. way of involvement in the work of organisation (a member, volunteer, supporter etc.);
4. personal motivation of a person.

In order to clarify the ways of citizens' involvement in the work of NGOs and their motivational factors, the study surveyed organizations and residents. The task of NGO survey was to find out: 1) the three most common forms of citizens' involvement in organizations; 2) the motivating factors for citizens to be involved in the activities and operation of an organisation. NGO survey results show that people get involved in the work of organizations in an active way:

1. by helping to organise projects, events – 28%;
2. by participating in projects (for example, by participating in clean-ups of surroundings) – 27%;
3. by giving ideas/making proposals – 25%;
4. with donations – 14%;
5. other ways – 2%¹⁵.

Respondents of NGO survey gave their assessment on the motivation of citizens and legal persons to get involved in the operation of organisations. As shown by the results of the survey (respondents had to assess three most important motivators), then:

- the possibility to get new contacts/information was assessed as the most motivating factor (41%);
- the second most motivating factor was friendly atmosphere in the organisation (37%);
- the third factor – organisation unites activists of some profession (37%)¹⁶.

NGO survey respondents indicate that in recent years, assessment of the motivation of the population has changed (see. Figure 10. Motives of population to join an organization.).

¹⁵ Web Research. *NGO operation in Latvia in 2012*. 2013. Riga, p. 30.

¹⁶ *ibid*, p. 36.

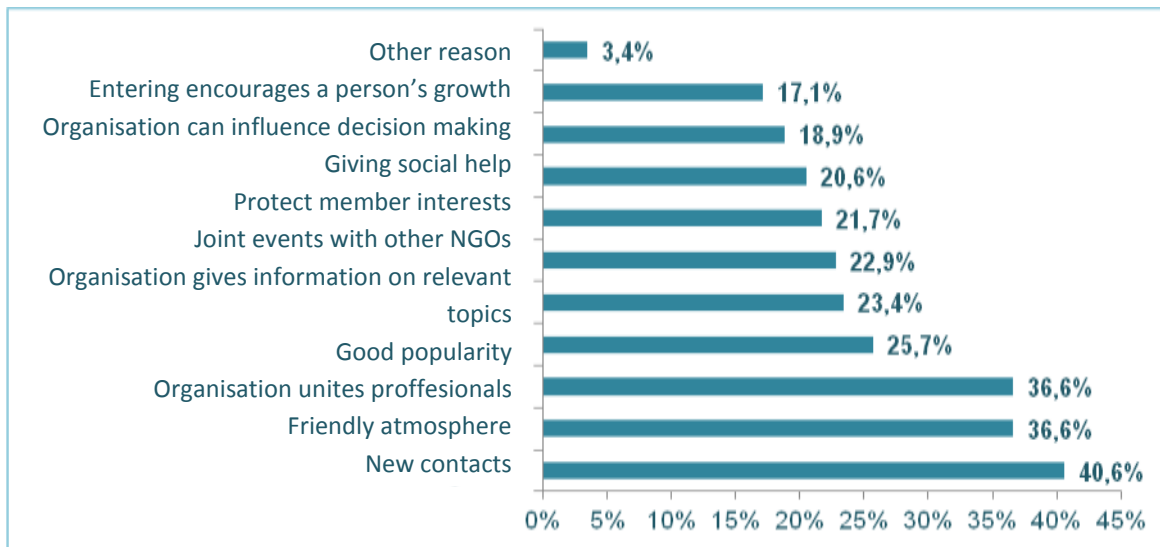


Figure 10. Motives of population to join an organisation.
Source: *NGO survey, May, 2013.*

As it can be seen in the figure, three most popular factors have remained the same, but their importance has changed. In 2013, respondents assessed that exactly the ability to get new contacts and information was the most important, but in 2011, it was mentioned as the third.

Within the framework of the NGO survey, representatives of organisations had to assess the benefits of population from participation or work in an association or foundation. Representatives of NGOs mentioned three most significant possible personal benefits:

1. interesting experience – 66%;
2. sense of fulfillment – 59%;
3. feeling of having spent free time usefully – 46%¹⁷.

Survey among the population of Latvia was conducted as a part of the NGO survey, in order to clarify the public opinion about the NGO sector. The results of this survey about the most significant individual benefits from the participation of work in social activities are:

1. new contacts obtained (mentioned by 21% of respondents);
2. free time spent usefully (20%);
3. increased general well-being (18%);
4. obtained useful/helpful information (12%)¹⁸.

When comparing the information given by population with that of the representatives from NGOs about the benefits of a person from participation or work in social activities, it can be seen that data match. It means that there is sustainable communication between the population involved in the activities and non-governmental organisations.

¹⁷ Web Research. *NGO operation in Latvia in 2012*. 2013. Riga, p. 30.

¹⁸ Latvian Facts. *Public opinion on the NGO sector in Latvia. Public opinion poll*. 2013. Riga, p. 22.

When comparing the data from the survey of population about the individual benefits in 2011, it must be concluded that there are some differences (see Fig 11. Individual benefits from participation or work in social activities.).

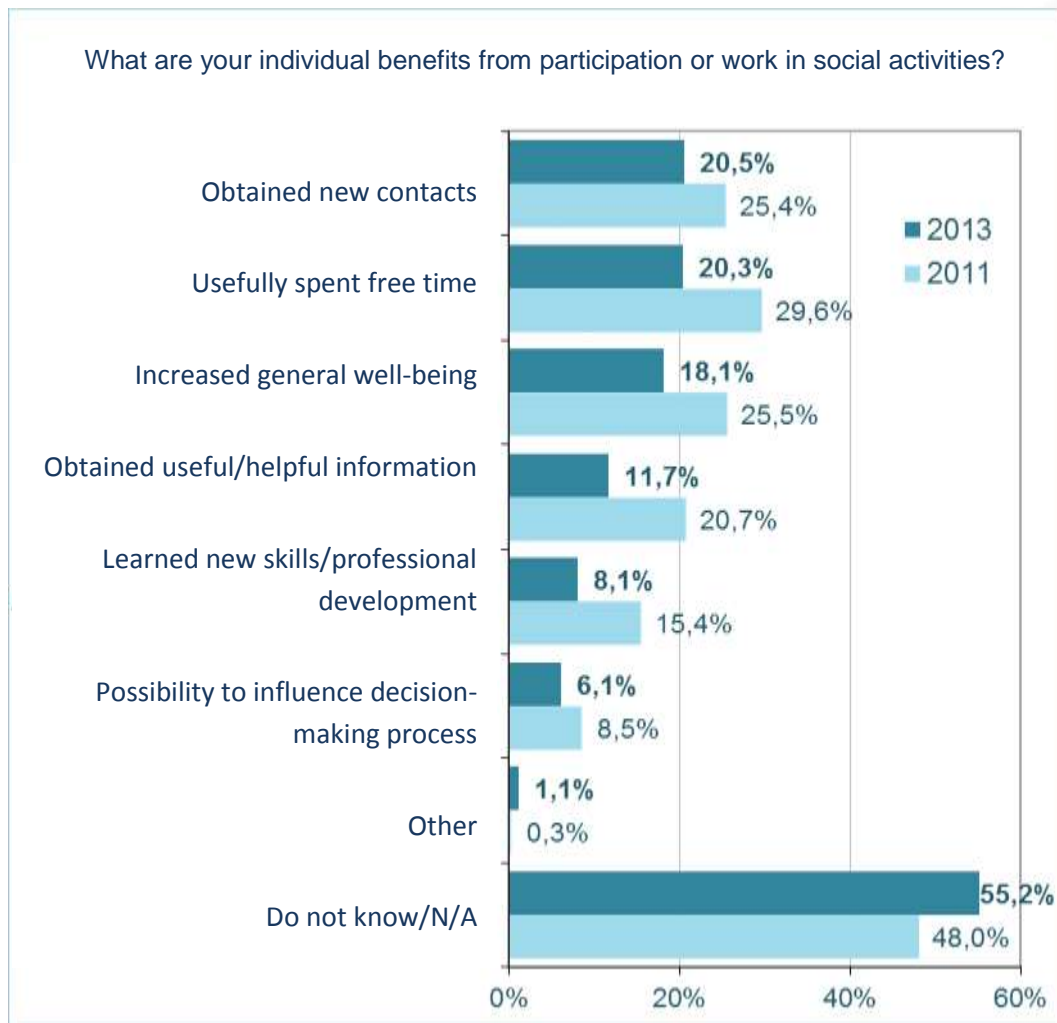


Figure 11. Individual benefits from participation or work in social activities.
 Source: *Public opinion on the NGO sector in Latvia. Public opinion poll. 2013.*

As it can be seen from the figure, the listing of individual benefits is constant, however, there are adjustments in the priority list of benefits. In 2011, the proportion of Latvian people considering the usefully spent free time as the most important benefit from the participation and work in social activities was a bit higher (mentioned by 30% of respondents).

In order to get an idea of the Latvian population participation in civic/social activities, respondents were asked about participation in any of the activities in the last three years. The responses indicate that over the last three years 83% of the Latvian population have participated in the civil/social activities (see Fig. 12. Citizens' participation in civic/social activities over the last three years.)

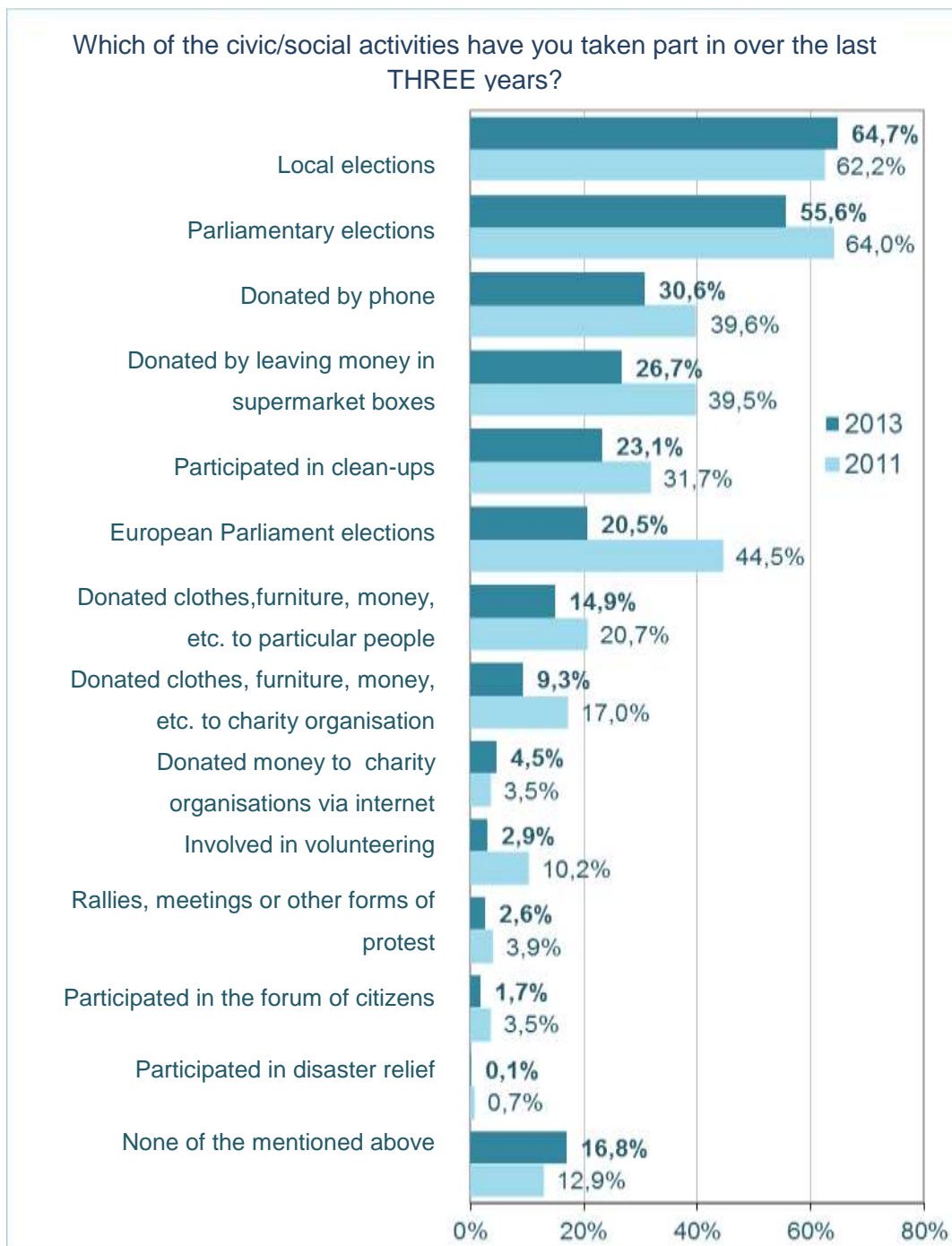


Figure 12. Citizens' participation in civic/social activities over the last three years.
 Source: *Public opinion on the NGO sector in Latvia. Public opinion poll. 2013.*

Analysis of the results of the survey respondents groups established by various socio-demographic characteristics reveals that socially most active group are people with higher education, aged 25 – 44, nationality "Latvian" and sex "woman".

From the civic/social activities included in the questionnaire, largest part of respondents have participated in local and parliamentary elections (respectively 65% and 56%). They were followed by charity actions: donating by calling (31% of respondents); donating by placing money in donation boxes at supermarkets (27%); participation in clean-ups (23%). In 2013, almost all activities (except the participation in local and parliamentary elections via the internet) were done by fewer respondents than in 2011.

During the past year, 15% of respondents have met or contacted with a municipal employee or deputy. 8% have met or contacted with an employee from a state institution, minister or member of the Saeima. 10% of respondents have carried out other socio-political activities (participation in gathering signatures, public discussion etc.) in order to find a solution to some personal, family problems or social group issues. Also in 2013 all these activities were carried out less often than in 2011¹⁹.

Market and social research center *Latvian Facts* explains that civic/social activities within two years have decreased for two reasons: first, in spring of 2011, a substantial dissatisfaction with the political representation in parliament could be observed in the society; secondly, the economic situation in the country has increased along with increased confidence in state power and other sectors.

As a result of the referendum of 2011, The 10th Saeima was dismissed and early Saeima elections were declared. They were the first early elections in the history of Latvia. Negative attitude towards the political situation in the country motivated the population to participate more actively in civic activities. It was the reason, why in the spring of 2011, the trust in state and public institutions was so low. Such dissatisfaction with the current/political situation is not observed in the country at the moment, therefore the confidence in state and public institutions is significantly higher and the ability of NGOs to influence socio-political processes in the country is regarded as much higher. But civic activities have decreased, because, obviously, a part of society believe that there is no need to be involved in them.

When conducting the research, it was important to find out the assessment of Latvian population regarding the involvement in NGO activities in order to gain insight into the population's assessment of more active citizenship (see Fig. 13. Expected involvement in the operation of NGOs during next year.). 13% of Latvian population plan to join some public groups/organisation during next 12 months, it is less than in the research of 2011 (-6%). Most often, such a step was foreseen by those people, who are already members of some non-governmental organisation, as well as youngsters, Latvians and respondents with higher education. Most often respondents (6%) plan to join some interest group (a choir, dance group, hobby group, a club etc.). Less than 2% of Latvian population plan to join other public groups/organisations. Unfortunately, most of the Latvian population – 73% – do not plan to join an NGO next year.

¹⁹ Latvian Facts. *Public opinion on the NGO sector in Latvia. Public poll data.* 2013. Riga, p. 9.

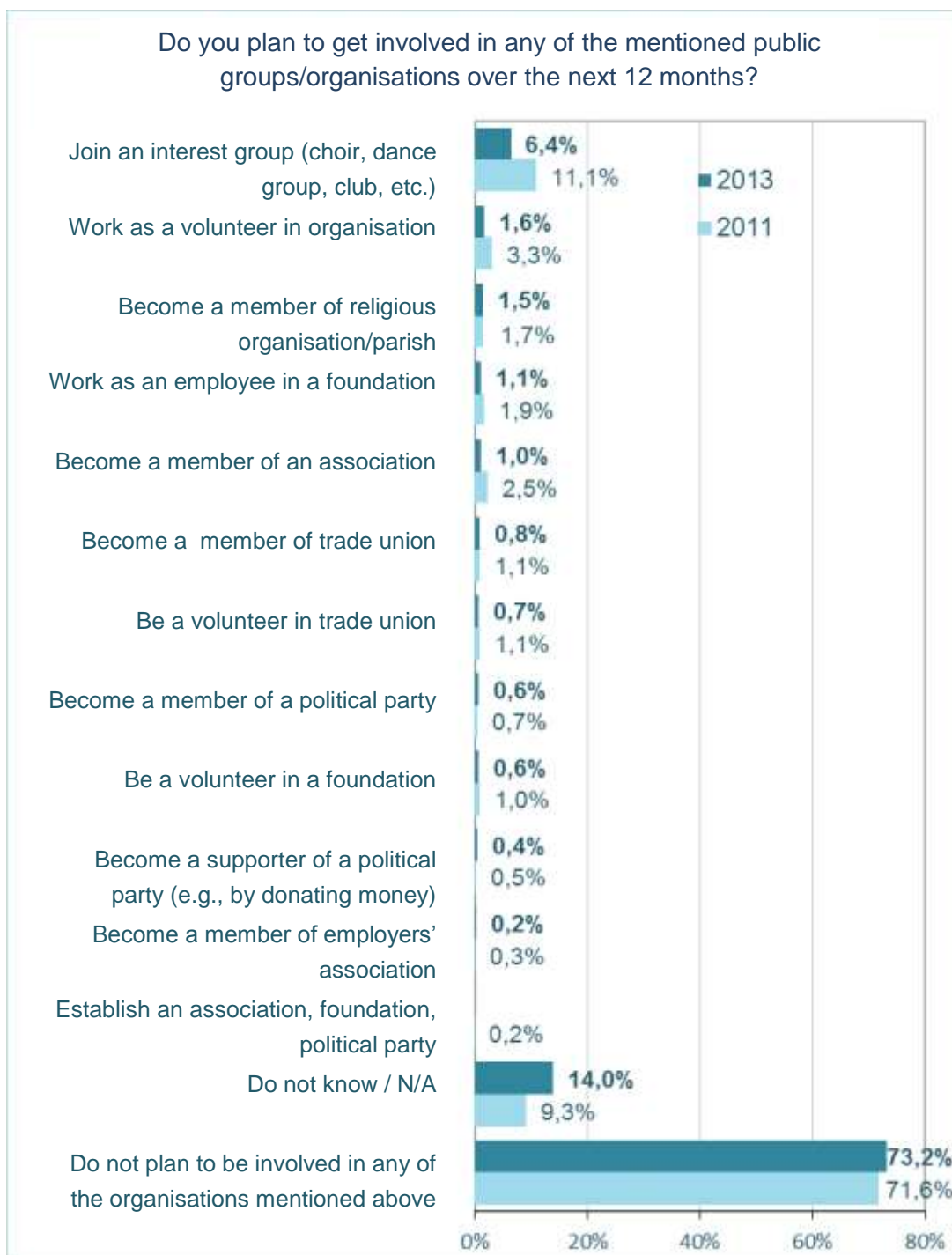


Figure 13. Expected involvement in the operation of NGOs during next year.
 Source: *Public opinion on the NGO sector in Latvia. Public opinion poll. 2013.*

As it was mentioned before, population can be involved in the operation of NGOs also in non-formal way – as volunteers or share their knowledge or skills voluntarily with those who need them also when it is not connected with the operation of associations or foundations. The population of Latvia can become volunteers or contribute their competencies and free time both to NGOs and to particular people with definite needs. Association *brīvprātīgais.lv* has created an electronic data base, which eases the

movement of volunteers in Latvia²⁰. Firstly, every person interested can look through classifieds from organisations and establishments looking for volunteers. Secondly, potential volunteer can fill in an electronic form so informing the representatives of associations about their willingness and readiness to volunteer in the name of public benefit.

During the research, the involvement of Latvian population in volunteering was clarified. Respondents were asked about their volunteering experience and if there was any plan of volunteering in the next 12 months. The results obtained show that 7% of Latvian population have been volunteers during the last year. In comparison to the research of 2011, the number of such respondents has decreased almost by half (-6%). Most often the responsibilities of a volunteer were carried out in social events by respondents who are already members of some non-governmental organisation (18% of respondents) as well as youngsters and Latvians (see Figure 14. Involvement in volunteering.)²¹.

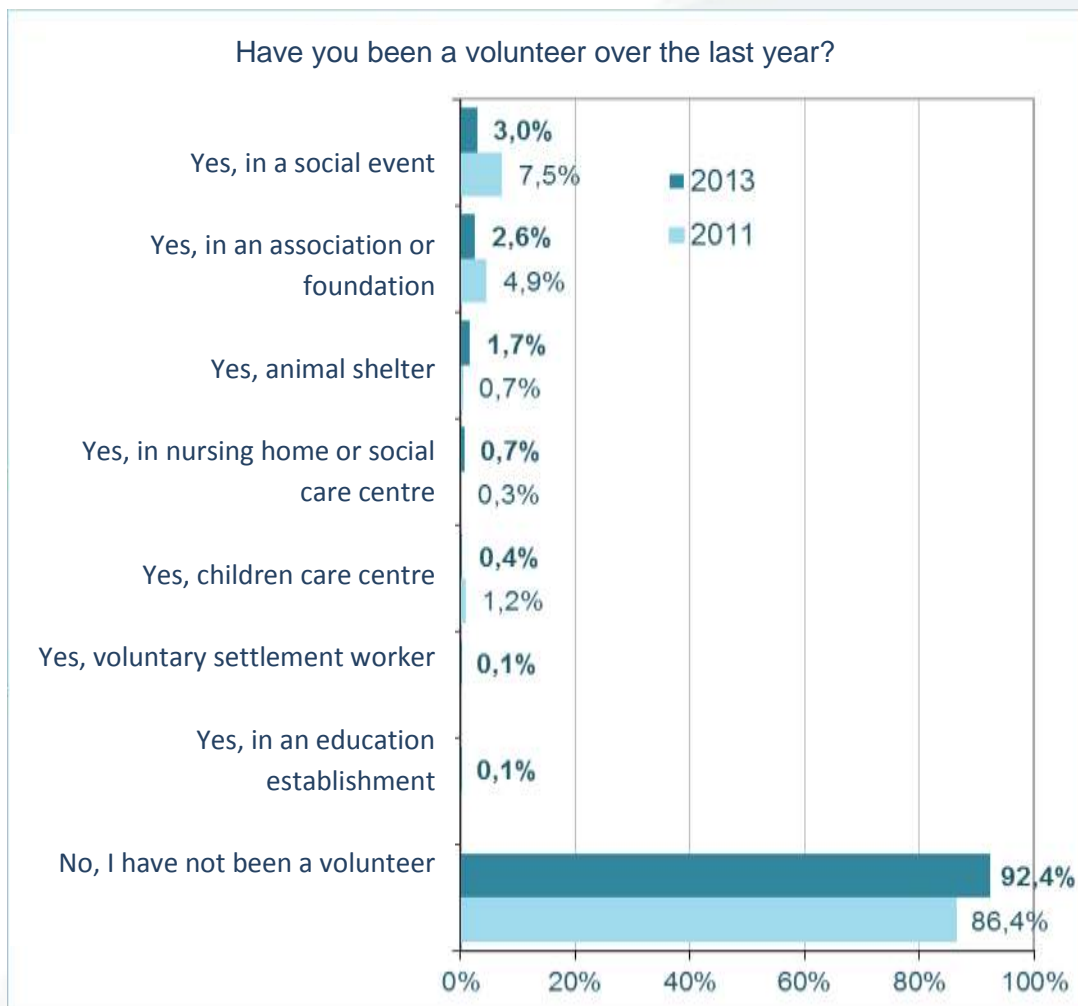


Figure 14. Involvement in volunteering.

Source: *Public opinion on the NGO sector in Latvia. Public opinion poll. 2013.*

²⁰ brīvprātīgais.lv. *Portal of volunteering*. Website www.brivpratigais.lv section *Brīvprātīgais darbs*. Accessed: 19.12.2013.

²¹ Latvian Facts. *Public opinion on the NGO sector in Latvia. Public opinion poll. 2013. Riga. P. 30.*

When analysing responses given by different respondent groups, it can be seen that the following population groups contribute their skills, knowledge and free time voluntarily and unselfishly most often:

1. it is twice more likely that women will take up voluntarily duties rather than men;
2. the most active volunteers are people having more free time, but without any accumulated specific knowledge and skills, therefore there is a greater likelihood that people aged 15 – 24 will do volunteering;
3. there is a greater likelihood that Latvians and Ukrainians will do volunteering more often than the representatives of other nationalities;
4. volunteering will be more often carried out by people with low level of income per one family member, however, also those inhabitants who have average and high level of income often contribute their skills, knowledge and time in the name of public benefit. The difference between the first and the latter two groups is negligible – only 1%;
5. there is a greater likelihood that inhabitants of Zemgale (in 20% of cases) will volunteer, while in Latgale such likelihood is the lowest (3%);
6. inhabitants having more than 4 members in their family take up volunteering more often than families having one or two people²².

When continuing to look at the obtained results about the experience in volunteering, it can be seen, that the activity to volunteer in animal shelters (+1%), nursing homes or social care centres (+0,4%) has slightly increased. 7,6% of respondents have been volunteers during last year. Mostly volunteering has been done in social events. Those respondents who are members of some non-governmental organisation as well as youngsters and Latvians have participated in volunteering most often (18% of cases).

Negative fact is that the vast majority (92%) of the Latvian population have not been involved in activities, where they can voluntarily contribute their time and skills, since 2012, while in 2011 similar response was given by 87% of population. As explained by the market and social research agency *Latvian Facts*, it must be taken into account, that in the spring of 2011, society was still experiencing the consequences of economic crisis. Currently, the economic situation is assessed more favourably and, according to the society, it has stabilised. Different indicators show it, for example, the results of survey about the socio-economic situation in Latvia and the changes of financial situation in family. One of the most significant indicators, which characterises the changes of socio-economic situation in the country, is consumer confidence index. In April, 2011, consumer confidence index was “-30,7”, but in October, 2013, it was “-14,3 points”. This suggests that currently the population as a whole foresees both the financial development of their families, the economic situation of Latvia and changes in unemployment level in the next 12 months more optimistically and they do not see the need to be personally involved in the creation of changes in the society.

However, in order to facilitate the involvement of the Latvian population in voluntary work, regardless of their personal and financial situation of the community, the study identified factors that encourage people to perform duties on a voluntary basis, or to

²² Latvian Facts. *Public opinion on the NGO sector in Latvia* Public opinion poll. 2013. Riga, pp. 140 – 141.

contribute their spare time. According to the public polling data, the motivating factors for active involvement in voluntary work are:

1. more free time (mentioned by 26% of respondents);
2. obtained interesting experience (19%);
3. positive experience/example of other volunteers (12%);
4. information, which could be contributed to the society by volunteering (11%);
5. joint events for volunteers (11%);
6. information about establishments and organisations, where one could work as a volunteer (11%)²³.

When analysing the results of survey about voluntary work, responses given by various social groups were analysed. As a result, it was revealed that inhabitants, who are members in some organisation, and those, who are not, are motivated by the same factors:

1. more free time (stated by 32% of respondents, who are members in some organisation, and 23% of respondents, who are not members in any organisation);
2. obtained interesting experience (stated by 26% of respondents – NGO members and 15% of respondents – non-members in any NGO);
3. positive experience/example of other volunteers (ratio between respondents NGO members and non-members is 17% versus 9%).

Similar situation can be observed in responses given by two groups of respondents – “Latvians” and “foreigners”. It is worth mentioning that there is a great difference of opinion about one of the motivating factors – “joint volunteer events”. Specifically, 15% of Latvians believe it is important to participate in joint volunteer events (15% of respondents state it as the fifth most significant motivating factor), but the group “foreigners” has it as only the seventh most important factor (positive answer was given by only 5% of respondents). The group “foreigners” has stated that the most significant factors that encourage to engage in voluntary activities are:

1. more free time (stated by 19% of respondents);
2. obtained interesting experience (stated by 17% of respondents);
3. positive experience/example of other volunteers (stated by 11% of respondents);
4. information, which could be contributed to the society voluntarily (stated by 10%);
5. training for engaging in voluntary work (stated by 7%)²⁴.

As usually, exactly associations and foundations organise volunteering, then NGO representatives were asked to state what would motivate the citizens of Latvia to get engaged in volunteering activities in organisations (see Fig. 15. Motivating factors for voluntary work.). NGO representatives mentioned the following most significant factors for more active citizen involvement in volunteering in organisations (respondents had to choose three options):

1. possibility to get interesting experience (mentioned by 66% of respondents);
2. feeling of satisfaction (59%);
3. feeling of usefully spent free time (46%)²⁵.

²³ Latvian Facts. *Public opinion on the NGO sector in Latvia* Public opinion poll. 2013. Riga. p. 32

²⁴ Ibid, p. 144.



Figure 15. Motivating factors for voluntary work.
Source: *NGO survey, May, 2013.*

Human resources in an organisation also consist of its members – the representatives of legal persons. Other associations, foundations, enterprises and establishments of public governance can become members of an association. Involvement of legal persons in the operation and administration of an association can make a big return: professional skills of representatives, extension of contacts, capacity for joint task implementation/event organisation, extraction of current information etc. During the survey, representatives of organisations had to evaluate also the motivating factors of legal persons to become a member of an organisation. Similar as in the evaluation of 2011, also in the survey of 2013, “organisation unites professionals of some field/profession” was mentioned as the most important (51%), followed by “possibility to get new contacts” as the second (38%) and the third being “organisation can influence decision making” (35%)²⁶. Also the evaluation of motivating factors among legal persons has changed. It should be especially noted that the factor “organisation can influence decision making” has become quite significant in the evaluation of 2013. It means that representatives of organisations have received confirmation that their effort to bring changes in regulatory enactments has been assessed.

For a legal person to become a member in an association, it takes into account that a definite decision-making procedure, which can be time consuming, has been observed. Legal person has to make a decision about both participation in an association, which means – commitment, and the nomination of suitable representative, whose active work could ensure the advocacy of legal person’s interests.

1.5. Organisation cooperation with partners

Over the last five years, greater interaction as well as cooperation with other stakeholders on various issues can be observed in the sector of non-governmental organisations. Organisations cooperate with other associations and foundations, enterprises and establishments of public governance, education establishments and media. Increase in cooperation can be linked to the demand of implementing a project

²⁵ Web Research. *NGO operation in Latvia in 2012*. 2013. Riga, p. 31.

²⁶ Web Research. *NGO operation in Latvia in 2012*. 2013. Riga, p. 37.

in cooperation with a partner as stated by funding providers. Another reason can be the shift in NGO paradigm. Organisation leaders have understood that cooperation with other partners from different sectors requires not only large resources, but also provides added value:

1. the range of expertise is expanded;
2. regional coverage is expanded;
3. target group can be reached more successfully;
4. available resources expand;
5. organisation's popularity is promoted.

It was revealed in the focus group interviews that large resources are required from an organisation, where people work voluntarily in their free time, and that is the main obstacle, why no networking is done. Also it was revealed that representatives of NGOs have a vague understanding of networking and receiving support. NGO leaders and activists often point out that networking and receiving support are activities of the same kind and meaning. Cooperation between an NGO and establishment of public governance is characterised by such features as:

1. taking joint responsibility for reaching pre-defined objectives;
2. joint work with separated spheres of responsibility to reach one objective, for example, organisation of joint events;
3. information exchange among stakeholders involved;
4. feedback and performance of expertise.

In turn, the support received from the public administration is characterized by such features as:

1. the allocation of funds for NGOs to carry out activities;
2. the financial benefit to the operation of NGOs (free use of space, payment of utility bills etc.);
3. providing advice on a variety of issues, such as the property tax rebate application, co-operation with municipal officials, the municipal networks, etc.

Partnership is the highest form of cooperation characterised by the ability of both parties to take responsibility and also the division of resources for reaching definite objectives. Most exact examples characterising partnership are – organisation of a conference to inform wider public about current events as well as the implementation of the delegation of administrative tasks.

During the survey, NGO representatives were asked to give their evaluation on cooperation partners over the last 12 months, as well as the frequency of cooperation. Data of NGO survey (see Figure 16. NGO cooperation partners) reveal that most often associations and foundations work with the representatives from NGO target groups – mentioned by 71% of respondents; cooperate with other NGOs (50%) and cooperate with society on the whole (48%)²⁷. Data of NGO survey show that public benefit organisations cooperate more often with other NGOs than organisations without the status of public benefit²⁸. Vidzeme and Kurzeme organisations cooperate with other NGOs more often, but Latgale associations and foundations – rarely (never).²⁹.

²⁷ Web Research. *NGO operation in Latvia in 2012*. 2013. Riga, p. 3.

²⁸ *ibid*, p. 43.

²⁹ *ibid*, p. 48.

Besides NGOs with the status of public benefit more often cooperate with establishments of local municipality than NGOs without such status³⁰.

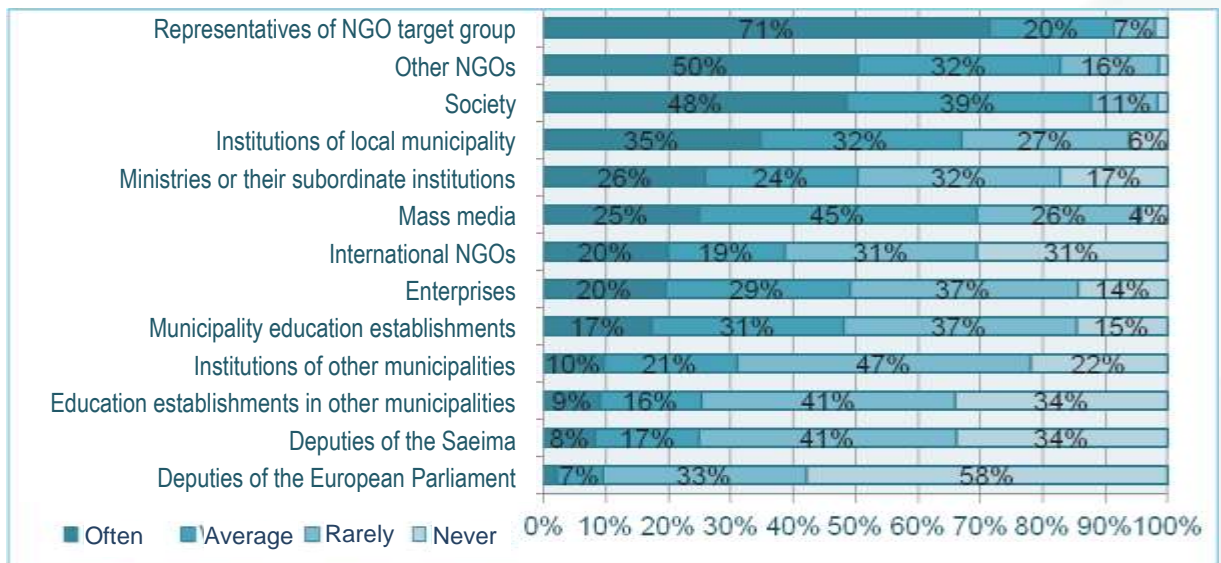


Figure 16. NGO cooperation partners.
Source: *NGO survey, May, 2013*.

As it can be seen in the figure above, in 2012 NGOs cooperated with other municipalities and their establishments, education establishments and deputies of the Saeima the least. More than half of respondents stated that there has not been cooperation with deputies of the European Parliament, as well as largest part has stated that they have not had cooperation with international NGOs.

When analysing the obtained data from NGO survey in detail, it can be concluded that foundations more than associations cooperatw with other municipalities and their establishments³¹. It can be explained with the fact that very often the objective of foundation is linked to a definite target group not to a definite place of operation. Also organisations working at a national level cooperate with other municipalities and cities more often.

When analysing the responses about cooperation with ministries and their establishments, there is a confirmation that NGOs with the status of public benefit cooperate with ministries more often than associations and foundations without this status. Besides, organisations with only physical persons as members cooperate with ministries more rarely than NGOs having both physical and legal persons as members. NGOs from Riga region and with the region of operation being “the whole republic” cooperate with ministries more often, but NGOs from Kurzeme, Latgale and Zemgale region – more rarely³². In this category, there are organisations founded in Riga, the partners of which are legal persons and which work in the advocacy of members and

³⁰ Ibid, p. 50.

³¹ Web Research. *NGO operation in Latvia in 2012*. 2013. Riga, p. 56.

³² ibid, p. 62 – 69.

wider groups, besides, these organisations have branches in other municipalities, for example, *Employers' Confederation of Latvia*.

During the survey, representatives of organisations pointed out the issues and frequency of cooperation with each of the mentioned partners. It must be taken into account, when interpreting the data of the survey, that organisation's cooperation frequency with the particular partner must be assessed in accordance with the objective of operation and target group. For example, the objective of operation can be organisation of leisure events for children of a particular municipality, which means wider scope of cooperation with partners, but the objective of operation for the respondent can be also maintenance of an animal shelter. In this case, the main partner of cooperation is larger part of society and particular municipality.

Respondents of the NGO survey state that most often organisations cooperate with other NGOs (See Fig. 17. NGO as a cooperation partner and reasons for cooperation.) to:

1. ensure that the objectives of an organisation are reached – mentioned by 52% of respondents;
2. implement joint projects – 38%;
3. implement advocacy activities – 31%³³.

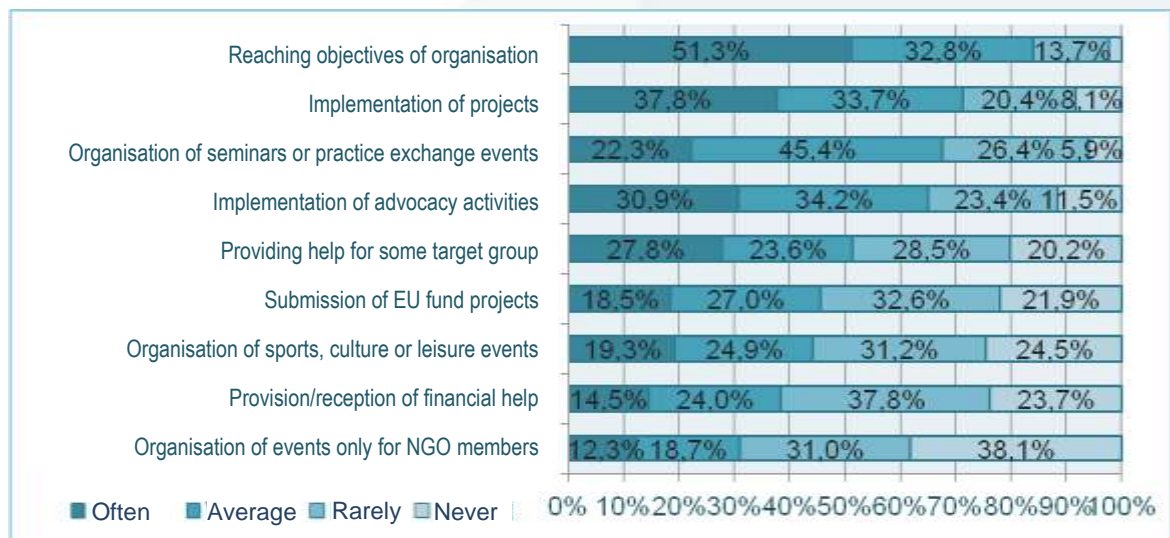


Figure 17. NGO as a cooperation partner and reasons for cooperation.
Source: *NGO survey, May, 2013*.

Respondents of the NGO survey have pointed out that in 35% of cases the organisation represented has never cooperated with another organisation to have joint events only for the members of NGOs. These data can be explained with the belief of organisation representatives that there is direct feedback between its members and administration. As a result, it is not necessary to involve other organisations to have joint events and activities for the members of an organisation. At the same time it does not mean that organisations mutually do not cooperate to get qualitative results of operation. It is proved also by the claim from respondents than in half of all the cases an organisation cooperates with other NGOs to reach its objectives.

³³ Web Research. *NGO operation in Latvia in 2012*. 2013. Riga, p. 7.

It can be concluded from the data of the NGO survey that organisations cooperate most often with other partners:

1. to reach those objectives the partners of which are other NGOs, local municipality as well as ministries, their establishments and enterprises;
2. implementation of advocacy activities – partnership is implemented with other NGOs, local municipality and its establishments, as well as ministries and their establishments;
3. implementation of various-scale projects – most often takes place in partnership with NGOs, ministries and their establishments;
4. giving help to some target group – most often it is organised in cooperation with municipalities, their establishments and enterprises.

But most rarely organisations cooperate with partners to solve the following issues:

1. when preparing EU fund project applications, organisations most rarely cooperate with local municipalities, their establishments and enterprises;
2. when organising events for wider audience, most rarely the partners are ministries and their establishments, local municipality and their establishments and other NGOs;
3. when organising events only for NGO members, partnership most rarely is formed with ministries and their establishments, local municipality and its establishments as well as enterprises and other NGOs.

Data from the NGO survey confirm the link between the organization's duration, number of members and collaborative effort. Cooperation intensity is greater if the organization has:

1. longer experience of operation (it has worked for several years);
2. more employees;
3. more members and volunteers³⁴;
4. wide scale of operation, e.g., activities are carried out in the municipality, city and region³⁵.

In order to have NGO cooperation with public administration sector, entrepreneurs and media based on the principles of equality, definite regulatory enactments must be observed to promote cooperation and partnership (see *State support for the operation of associations and organisations*). The most important set of regulatory enactments in the sector of non-governmental organisations is about the rights of association.

1.6. Operation of organisations to lessen social inequality

There is a belief in the society that organisations mostly work in social field (51% of Latvian citizens believe that NGOs mostly work with charity), however, according to the data of the NGO survey in 2011, 3% or 418 organisations from all NGOs provide social services³⁶.

According to the summary from the *Ministry of Welfare*, almost 200 associations and foundations (184) were registered as providers of social services. An NGO can become a provider of social services fulfilling the demands stated in the regulations of the Cabinet of Ministers no. 291 *Requirements for social service providers, and in*

³⁴ Web Research. *NGO operation in Latvia in 2012*. 2013. Riga, p. 45.

³⁵ Web Research. *NGO operation in Latvia in 2012*. 2013. Riga, p. 46.

³⁶ Ministry of Welfare. *Register of Social Service Providers*. Website www.lm.gov.lv section *Sociālā aizsardzība/Sociālo pakalpojumu sniedzēju reģistrs*. Accessed: 03.06.2013.

accordance with the *Social Services and Social Assistance Law*. These regulations state:

1. general requirements for the operation of social service providers;
2. requirements, which social service providers must comply with during the provision of social services;
3. requirements, which are laid down for the place, where social services are provided, if the respective social service is not provided in the customer's home³⁷.

According to the data from the Ministry of Welfare in June 3, 2013, 89% from all legal persons included in the register of social service providers were associations and foundations. Largest part of NGOs, which have registered as the providers of social services, are associations (79%) with their actual address in Riga (46%). Largest target group receiving social services are adults with mental disorders (38%). Data cross-section of the social service providers is as follows:

1. place of service provision (actual address):
 - Riga – 46%;
 - Kurzeme – 21%;
 - Vidzeme – 12%;
 - Latgale – 11%;
 - Rigas region – 6%;
 - Zemgale – 4%.
2. age group of clients :
 - adults – 46%;
 - both genders (both adults and underage people) – 38%;
 - underage people – 11%;
 - adult women – 2%; adult men – 2%.
3. Recipient group of service (more than 20 different groups have been defined):
 - people with mental disorders – 38%;
 - disabled people with physical impairments – 30%;
 - retired people – 26%.

Organisations apply to become the providers of social services to ensure the quality of their services according to the standards set by the state and to receive the delegation from the municipality or the state to carry out social, rehabilitation or care services.

In order to find out the ways, in which organisations participate in lessening social inequality, during the survey, NGO representatives stated the activities carried out by their organisations. Most respondents (47%) told that organisation carries out activities in advocacy of certain target group's interests, but 40% of respondents pointed out that they do not carry out activities to lessen social inequality. A small proportion of organisations (14%) participate in collecting donations for certain needs³⁸.

At the same time public survey data indicate that citizens have expectations and have had experience to consult with NGOs in addressing social problems. 4% of the Latvian population have turned to non-governmental organisations for assistance, and it is considerably less than in 2011 (9%). Mostly less financially-backed respondents,

³⁷ The Cabinet of Ministers of the Republic of Latvia. *Requirements for the Providers of Social Services*. Effective as of 07.06.2003.

³⁸ Web Research. *NGO operation in Latvia in 2012*. 2013. Riga, p. 32.

unemployed, respondents from the numerically largest families (more than four members of the family) have requested assistance from non-governmental organizations. The choice of turning for help to non-governmental organizations most often was determined by the fact that:

1. there has already been good cooperation before (stated by 32% of respondents);
2. suggested by relatives and acquaintances (32% of cases);
3. suggested by social worker or other specialist (mentioned by 32%);
4. NGO is an organisation, which helps people with the same problems as respondent has/specialises in solving the same problems as those of respondent (29%).

Almost all (87%) these respondents have received the expected help from a non-governmental organisation. Only 3% of respondents were disappointed by the services of a non-governmental organisation. In comparison to the results of 2011, the results of 2013 are more positive – then only 76% were satisfied with the help received from a non-governmental organisation, but dissatisfied – 12% of respondents who had had connection with an NGO³⁹.

Associations and foundations are recognized partners in the community to reduce social inequalities, which is ensured by both the high quality of activities carried out by an organization and availability of services, as well as flexibility and publicity activities carried out by the organization. For organizations to successfully deliver public services in the social field, the importance of laws and regulations that define and regulate both social services and the organization as a whole are of great importance.

1.7. Freedom of association, the legal environment

The first section of the Constitution of the Republic of Latvia defines that Latvia is an independent, democratic republic. It means that the state of Latvia is independent in its decisions and operation and it observes the principles of democracy. Democracy framework applies to all the regulations included in the Constitution. One of the fundamental principles of democracy has been especially emphasized in the Constitution – human rights (included in Section 8 of the Constitution). In particular, Section 102 of the Constitution protects the democratic principle of "the right of association," which declares that man is not an isolated individual, but focused on community and is enjoying full rights of it.

The natural privilege of a man is not only to work for oneself and be as oneself, but also the ability to coordinate one's actions and combine efforts with one's fellow human beings, acting jointly. The importance of freedom of association is manifested in the fact that the idea of freedom of opinion and expression has a very limited role, if the opportunity to express one's thoughts, ideas, beliefs and opinions to people united in the name of similar goals was not provided⁴⁰.

Freedom of association belongs to the civil and political rights. Civil and political rights in turn are a prerequisite for the functioning of other rights, they form the basis for

³⁹ Latvian Facts. *Public opinion on the NGO sector in Latvia. Public opinion poll.* 2013. Riga, p. 40.

⁴⁰ The Ombudsman of the Republic of Latvia. *Freedom of Association.* Website: www.tiesibsargs.lv section *Pētījumi un publikācijas*. Accessed: 02.03.2013.

organizational democracy and exist as a value on the basis of which the public authorities must limit themselves and must work towards them.

That kind of freedom system with fundamental rights such as freedom of association, freedom of thought, freedom of conscience and expression serves as an additional guarantee to this freedom. Therefore, freedom of association is also seen as a fundamental part of communication⁴¹. This is reflected in *The International Covenant on Civil and Political Rights*, which states that everyone has the right to freedom of association, including the right to form and join trade unions for the protection of their interests, regardless of affiliation to a particular ethnicity⁴². International Covenant applies also to Latvia.

Freedom of association, as well as freedom of expression and freedom of assembly are both civil and political rights. Freedom of association as a civil rights guarantee the protection of individuals from unwarranted public authorities and other private interference and harassment. *UN Universal Declaration of Human Rights* enshrines the right to freedom of peaceful assembly and freedom of association⁴³. Freedom of association as the right of communication can be in a wide variety of forms – cultural, sports, artistic, educational, charitable, leisure, ideological interest groups and other associations of persons. Freedom of association is recognized as a social human being's desire to unite with other people in order to promote their common objectives. Freedom of association protects individuals from isolation. The right to form associations is an essential part of this freedom.

Freedom of association in contrast to the freedom of assembly is more formal, organized and independent. Casual contact is not enough to be classed as an established association. It requires some effort and thoughtful person steps to create an association and its organizational structure.

Previous studies have shown that there are several components of freedom of association, which is vital for such freedom to exist: the right to form associations, join and run the association, the right to privacy in relations of association, the right to a fair trial, the right to receive funding (including grants and donations), the right not to be limited indirectly (for example, additional burdens and obligations) as well as individuals and societies freedom of choice⁴⁴.

Freedom of association in the country also creates positive obligations. Article 102 of the Constitution obliges the state to create a legal system (framework) which provides practical freedom of association, freedom of expression. The state must establish procedures for that how people can exercise their private autonomy in matters of

⁴¹ Neimanis, J. 102. *Ikvienam ir tiesības apvienoties biedrībās, politiskās partijās un citās sabiedriskās organizācijās [Everyone has the right to form and join associations, political parties and other public organisations]*. Book: Latvijas Republikas Satversmes komentāri [Comments on the Constitution of the Republic of Latvia]. Chapter VIII Cilvēka pamattiesības [Basic human rights]. Riga, Latvijas Vēstnesis. 2011, pp.395.- 412.

⁴² The United Nations Organisation. *International Covenant on Civil and Political Rights*. Article 22. Website: www.tiesibsargs.lv section: *Tiesību akti/ANO dokumenti*. Accessed: 14.02.2013.

⁴³ The United Nations Organisation. *Universal Declaration of Human Rights*. Website: www.tiesibsargs.lv section *Tiesību akti/ANO dokumenti*. Accessed: 14.02.2013.

⁴⁴ The Ombudsman of the Republic of Latvia. *Freedom of Association*. Website: www.tiesibsargs.lv section *Pētījumi un publikācijas*. p. 33. Accessed: 02.03.2013.

association, to ensure the stability of legal relations of those parties, as well as third-party rights and public interests.

As stated by the Supreme Court Administrative Department Judge J. Neimanis, a national responsibility to determine the expression of freedom of association does not create the right to demand a legal framework from the state; it depends on the practical expression of the principle of democracy. Freedom of association does not further positive obligations, the right to seek financial support from the state, etc., to the extent such obligations are not incurred by the legislature itself. Freedom of association is not a basic social right, and therefore it is not derivable from the obligations of the state⁴⁵.

Although the state has no positive obligation to support the work of associations and foundations, however, civil society has a crucial role in the existence of a democratic state. Civil society strengthens democracy, including providing better public administration, decision-making, active democratic participation, link between authorities and confidence in them, citizens, public interest groups and law enforcement. One of the main forms of civil society are associations and foundations. They are an important way to achieve public participation in policy-making, as citizens engage in them more than in political parties. Non-governmental organizations can make a significant contribution to the debate on policy action as well as engage a wider audience. These organisations are of great importance in the interest representation of socially vulnerable groups⁴⁶.

1.8. Public recognition of organisations

To raise awareness of the importance of organizations and activities in various areas - organization of environmental protection events, organization of discussions between citizens and local municipalities, collecting donations for people with rare diseases - associations and foundations are actively using social networks such as www.draugiem.lv, www.facebook.com, www.twitter.com, their websites, post articles on their blogs, have press releases and opinionated articles, give interviews to the press.

Thus, organizations both promote their activities and create transparency of organization's operation, thereby increasing confidence. One of the simplest form of information used by organizations, is presentation of information on planned and implemented events. Thus, organisations inform their target groups, the decision-makers, as well as the wider public about the developments carried out by the organization, indirectly promoting the spread of good practice. In turn, more complex way of presenting information is organisation's prepared opinionated articles and interviews with organisation's experts on the latest developments and existing problems, which publicly state the position of the organization, its ideology on a particular issue and the commitment to carry out certain future activities.

⁴⁵ Neimanis, J. 102. *Ikvienam ir tiesības apvienoties biedrībās, politiskās partijās un citās sabiedriskās organizācijās [Everyone has the right to form and join associations, political parties and other public organisations]*. Rīga, Latvijas Vēstnesis. 2011, pp.395.- 412.

⁴⁶ Vilka, I., Strupišs, A. *Pilsoniskās sabiedrības attīstība Latvijā: situācijas analīze [Development of Civil society in Latvia: situation analysis]*. Secretariat of Special Assignments Minister for Social Integration. 2004. Rīga, p. 5.

Provision of information through social media and other information channels is an essential activity that informs citizens about the work of organisations. Another way, how an organization can inform about its activities is by designing and printing various publicity materials and spreading them. However, a major drawback of printed information materials is that they reach not less active, but active population, which is contrary to the purpose of information provision, namely to inform those who do not know. In addition, printing of information materials is an activity demanding additional costs. Instead, organizations widely use social networks to inform the wider public about their activities and to publicize their views. Representatives of associations and foundations admit that in the past five years, the number of printed publicity materials has significantly reduced and publicity on the internet has increased. However, leaders of organizations emphasize that the printed materials are an essential tool for disseminating information to specific groups and they are printed, although in smaller quantities than before.

Awareness of an organisation in the society is not only the effort of an NGO, but also a question about the responsiveness of mass media. Results of NGO focus group interviews show that dissemination of information in the local newspaper about the activities of an organisation has gained response from journalists and newspaper executives. Representatives of local mass media recognize organisations, which have worked for a while and they willingly publish the information given by associations and foundations. However, local newspapers little use NGOs to obtain commentary of an expert.

In particular, municipality newspapers available free of charge for any local resident or the most part of them, must be separated out. Municipality support in creation of NGO publicity is the possibility to place articles in the municipality newspaper. There are municipalities, which has a part of newspaper dedicated to the operation of associations and foundations. It can be considered an experience of very good collaboration. In the informative edition of Valmiera municipality *Valmiera domā un rada /Valmiera thinks and creates/* there are articles in united and consistent format prepared by the representatives of associations and foundations⁴⁷. Similar example of good experience is the informative newsletter of Talsi municipality - *Talsu novada ziņas* or *Talsi municipality news*, where organisations can publish information about the expected or implemented activities⁴⁸.

Separate charity and social field organisations have formed good partnership with both Latvian and Russian mass media, which increases their possibility to collect donations for activities as well as get funding for ill children and people with special needs. For example, foundation palīdzesim.lv organised a collaborative project with one of the most popular women's magazine in Latvia *Santa*. Its objective was to help children in hardship⁴⁹.

⁴⁷ Valmiera Municipality. *Valmiera thinks and creates*. Website www.valmiera.lv section *Informative publication "Valmiera thinks and creates"*. Issue no. 70, 29.10.2013. Accessed: 03.11.2013.

⁴⁸ Talsi Municipality. *Talsi Municipality News*. Website www.talsi.lv section *Talsu novada ziņas*. Edition no. 65, 03.11.2013. Accessed: 01.11.2013.

⁴⁹ USAID. *2012 CSO SUSTAINABILITY INDEX for Central and Eastern Europe and Eurasia. 16th Edition*. 2013, p.120.

Media monitoring was conducted as a part of the research in order to find out the publicity of non-governmental organisation in the printed media of Latvia, internet and television broadcasts from July to September, 2013. In the given time frame, associations and foundations were mentioned in 2155 materials in Latvian and Russian (see Annex 3. Sources of non-governmental organisation publicity). Representatives of non-governmental organisations appear as experts (speaking on an issue) in 589 materials, which forms 27% from the whole publicity of non-governmental organisations. Most often the operation of associations and foundations has been reflected on internet portals *diena.lv*, *la.lv* and *apollo.lv*. From the national newspapers, the largest publicity for organisations has been in *Latvijas Avize un Diena*. The most popular themes in relation to which the media referred to non-governmental organizations were social support, agriculture and the environment (see Figure 18. Publicity themes of NGOs.). Most commonly (90%) non-governmental organizations were mentioned in neutral context in the media, 9% of materials were positive, while 1% - negative.

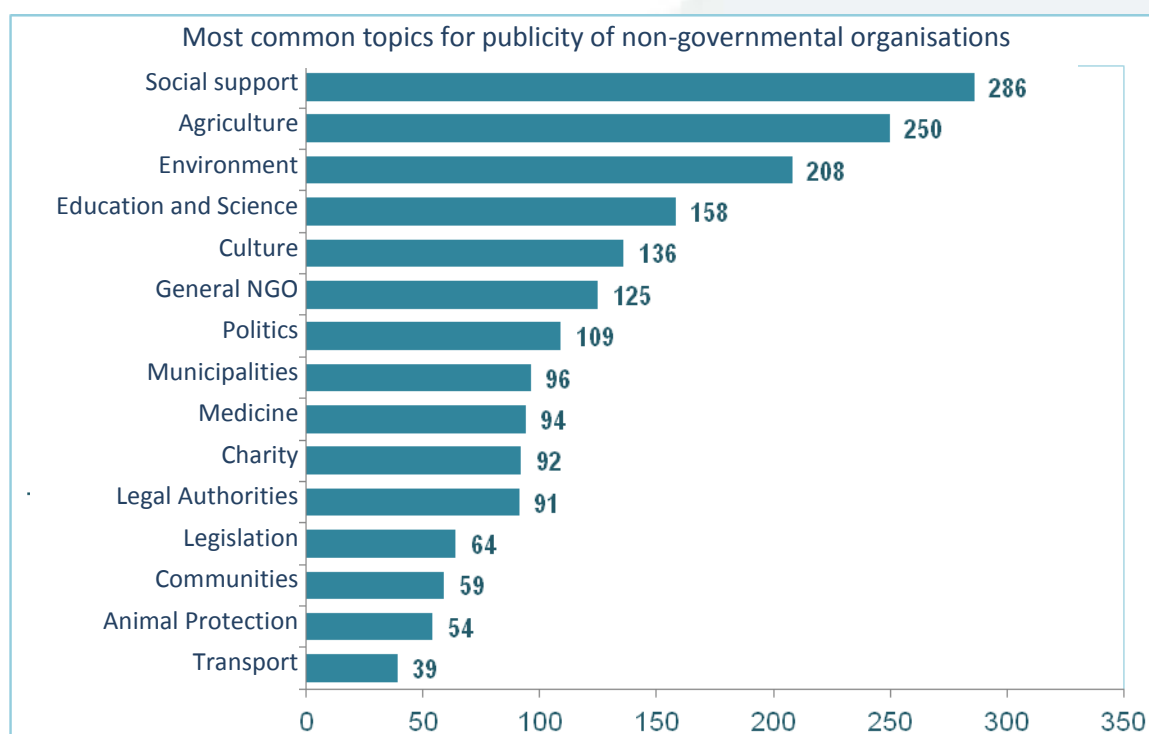


Figure 18. Publicity topics of NGOs.
Source: *Qualitative analysis of publicity*, LETA, 2013.

On TV channels, associations and foundations were most frequently mentioned in connection with social support. 94% of materials were neutral, while 6% – positive. In total, NGOs have been mentioned 35 times on public television during the set time period.

Different facets of NGOs have been reflected in media materials:

1. NGOs as event organisers;
2. representatives of associations and foundations as experts and consultants;
3. organisations as the promoters of civic activity.

Despite the fact that most organizations do not have the resources to attract a person who would ensure the publicity about the organization's activities and the activities of associations and foundations, leaders have mastered the skills on how to develop cooperation with the media. In most cases, skills are acquired by self-instruction, contacts with the media are made on a personal level and the target group is defined in accordance with the knowledge acquired through operational experience. The mentioned combination is good in order to turn to creation of public opinion

This combination is good so that organizations at a minimal level could form public opinion and become opinion leaders in the public space.

2. Financial Review of Non-Governmental Organisations

The second chapter of the research *The Review of the NGO sector in Latvia 2013* reflects the financial data of associations and foundations in 2012, because the research was conducted in 2013, when the data about the financial review were not available.

2012 was the time in the NGO sector characterised by hardship to raise funds for the provision of associations and foundations operation. Firstly, it was characteristic that funding was available only for implementation of definite activities not for the provision of daily operation. Secondly, in 2012 associations and foundations attempted to start or expand its commercial activity.

Association *Civic Alliance – Latvia* and regional NGO resource center experts inform that there are many organizations, which are not aware of their opportunity – to engage in commercial activities in ancillary way. The second challenge faced by associations and foundations, is a battle for scarce resources, which "invites" organisations to expand its activities in areas or activities for those target groups, which are contrary to the organisation's accumulated knowledge and expertise. According to the information from *NGO Sustainable Development Index 2012*, organizations are faced with the dilemma of economic activity. The dilemma is: organizational goals as opposed to their adaptation to the requirements of the sponsor or any other target group and the lack of capacity to attract adequate funding for the operation of an organization⁵⁰.

At the same time, in 2012, active operation continued at the state level to organise the division of public funding for the NGO sector. In early 2012, The Ministry of Finance launched a dialogue with stakeholders - non-governmental organizations and public funding supervisors (the Corruption Prevention and Combating Bureau (CPCB) as well as with the Ministry of Justice and Social Integration Fund) - to specify the budget allocation, spending, tracking, monitoring and reporting procedures for associations, foundations, religious organizations and companies, taking into account the CPCB report on *The improvement of regulatory enactments on the operation of state or municipality-funded institutions*⁵¹.

In order to facilitate the operation of associations and foundations, on January 1, 2012 amendments to the Law on Accounting came into force. These amendments require that organizations with a turnover (revenues) of economic activities in the reporting year does not exceed 25 000 lats, can have single entry bookkeeping system. Amendments to the Law were proposed by the *Cesis Disabled Society*, with regard to the associations of the disabled, but the *Civic Alliance – Latvia* carried out advocacy activities in order to cover a wide range of associations and foundations.

Simultaneously during the research, several organisation leaders informed that there are problems in communication with the State Revenues Service (SRS). There have been several cases in Kurzeme, Zemgale and Latgale regions, when employees of SRS have not understood the specifics of associations and foundations in relation to the regularity of income, its amount and remuneration. Thus, leaders of organizations, in order to avoid the penalties, have had to invest additional resources in explaining the specifics of associations or foundations to the employees of SRS.

These facts indicate that there is no clear and definite understanding in the country about the contribution of associations and foundations to the development of the country on the whole and that these organisations are not to be considered as resource

⁵⁰ USAID. *2012 CSO SUSTAINABILITY INDEX for Central and Eastern Europe and Eurasia. 16th Edition.* 2013. p.117.

⁵¹ Resolution of the Prime Minister No.87/2011-JUR-80, 19.07.2011.s

consuming units, but they give a significant contribution of resources to the development of the country in different ways and a wide range of disciplines.

The second chapter of the research includes information on the revenues and expenditures of associations and foundations in 2012 (its total amount and amount in each position of revenues and expenditures), conclusions and an extended review on the financial data of 100 public benefit organisations.

Situation's attributes

Criterion	Indicator
Total revenues of associations and foundations, lats (2012)	232m.*
Average revenues per organisation, lats (2012)	14 677
Revenues of public benefit organisations, lats (2012)	102m
Total expenditures of associations and foundations, lats (2012)	220m
Expenditures of public benefit organisations, lats (2012)	94m
Donations made by individuals, lats (2011)	4m
Donations made by legal persons, lats (2011)	27m
Amount of mandatory payments of State social insurance, lats (2012)	7m
Amount of NGO remuneration, lats (2012)	32m

2.1. Revenues from the operation and activities of associations and foundations

Associations and foundations are non-profit organizations that develop activities according to the objectives stated in the articles of association. However, the operation of organizations needs revenues to enable them to buy materials for the implementation of various activities, such as felting courses, to purchase medicines for dogs in animal shelter, psychological counseling, conferences, preparation of educational materials, preparation of an advertising campaign for an organization, etc. Organization revenues is generated from voluntary donations (money and materials) and membership fees, as well as specially raised funding - the organization's economic activity (in the form of ancillary), and public funding (funding provided by the local municipalities, institutions and ministries in the form of contests and other ways), as well as the obtained inheritances.

In order to obtain data on the revenues and expenditures of associations and foundations in Latvia, the State Revenues Service for the needs of research summarized and presented data from the submitted annual reports of organizations. 14 138 NGOs or 78% of associations and foundations from all non-governmental organisations submitted Information of its financial activity in 2012 to the State Revenues Service (calculations are based on the total number of associations and

* According to the Latvian Bank and European Union countries irrevocably fixed exchange rate at 0.702804 lats per euro.

foundations that year) of which 1 984 were public benefit organisations, but in 2011 – 13 659 NGOs of which 1 763 were public benefit organisations⁵².

According to the information provided by the State Revenues Service in 2012, associations and foundations had revenues of 70 926 18 lats (including membership fees), received grants totalled to 49 935 528 lats, operating income was 53 420 65 lats, and other revenues – 57 764 907 lats, thus **the total revenues of NGOs were 232 046 989 lats**⁵³. On average, revenues per organisation in 2012 was 14 677 lats, which is 3 744 lats less than in 2009.

To compare, the review of public benefit organisation revenues in 2012 shows that:

- membership fees, entry fees and other annual fees were 6 302 51 lats;
- donations and gifts were in the amount of 33 538 71 lats;
- inheritances – 179 26 lats;
- grants – 30 957 96 lats;
- revenues from economic activity – 9 902 92 lats;
- other revenues – 21 274 97 lats⁵⁴.

Total revenues of public benefit organisations in 2012 were **102 156 33 lats**. When looking at the percentual division of revenues, it must be concluded that the balance of revenues has been evenly distributed. Revenues from membership fees is 10% from the total amount of revenues, received donations and gifts – 21%, other revenues – 25%.

Total amount of association and foundation revenues have increased over the last three years. Total revenues of the NGO sector in 2010 were 189 million lats, in 2011 – 214 million lats, but in 2012 – already more than 232 million lats.

When looking at the amount of the NGO sector revenues, several factors, which directly influence the revenues amount and structure in the NGO sector:

1. total number of associations and foundations significantly increases every year, as a result, also the activities of organisations to raise funds increase;
2. In 2012 the national joint-stock company *Latvian State Forests* (LSF) donated 420 000 lats to organizations: *Foundation Ziedot [To donate]*, *Latvian Samaritan Association* and the *Latvian Children's Fund* to promote social welfare. By contrast, LSF donated 560 000 lats to *The State Culture Capital Foundation* and 1.4 million to sports in order to promote culture and arts⁵⁵. According to the information provided by LSF the following contracts were signed in 2011 for the amount of:

- foundation *Fund Ziedot* – 400 000 lats;
- *The State Culture Capital Foundation* – 800 000 lats;

⁵² The State Revenue Service. *Number of NGO annual reports*. Riga. 2013.

⁵³ The State Revenue Service. *The collection of association and foundation revenue and expenditure accounts*. Riga. 2013.

⁵⁴ The State Revenue Service. *The collection of association and foundation revenue and expenditure accounts*. Riga. 2013.

⁵⁵ Latvian State Forests. *The Ministry of Agriculture and the organisations of social assistance, culture and promotion of art sign letters of intent about receiving donations from the Latvian State Forests*. Website: www.lvm.lv section *LVM/Sociālā atbildība/Jaunumi*. Accessed: 14.12.2013.

- association *Latvian Olympic Committee* – 2,4 million lats⁵⁶;
3. revenues of association *Latvian Olympic Committee (LOC)* consists of state budget allocations, which together with other types of revenues formed the total revenues of 9,07 million lats in 2013⁵⁷. According to the public information given by LOC, revenues of association in 2012 was 8,5 million lats and 9,5 million lats in 2011⁵⁸;
 4. from 2010 to 2013 associations and foundations implemented projects for NGO capacity strengthening within the EU Social Fund:
 - in the first round of selection 781 000 lats⁵⁹ were available;
 - in the second round of selection 826 600 lats⁶⁰ were available;
 - in the third round of selection 710 000 lats⁶¹ were available.
 5. association *Employers Confederation of Latvia* within the *European Social Fund* (without competition, a special commitment of the government to strengthen social partners' capacity) received the support of 1.1 million lats during the period from 2009 to 2015 in order to promote the development of regional social dialogue and to improve the social partners participation in policy-making and implementation⁶².

NGO sector's total revenues are characterized by high scores on average per single organization, but it must be taken into account that the average does not reflect the true situation. A large proportion of organizations does not apply for "large project tenders," because they do not have the resources that would attract funding for this organization, average income level is less than 1 000 lats per year. If there were all data available about the revenues of all organisations, it would be possible to calculate the true average, but for objective reasons there was no free of charge access to these data.

2.1.1. Donations for the operation and activities of associations and foundations

Donating for solving definite needs or supporting the operation of civic-society organisations is an important philanthropic activity carried out by a person or an

⁵⁶ Latvian State Forests. *Contracts on gifts and donations concluded in 2011*. Website www.lvm.lv section *LVM/Sociālā atbildība/Ziedojami*. Accessed: 14.12.2013.

⁵⁷ Latvian Olympic Committee. *The Budget of Latvian Olympic Committee for 2013*. Website www.lok.lv section *LOK/Finanses/Budžets*. Accessed: 14.12.2013.

⁵⁸ Latvijas Avīze. *LOK apstiprina budžetu 8,5 miljonu latu apmērā [Latvian Olympic Committee approves a budget of 8.5 million lats]*. 23.03.2012.

⁵⁹ Society Integration Fund. Selection round 1. Website www.sif.lv section *Finansējuma avoti/Eiropas Sociālais fonds 2007-2013/ESF 1.5.2.2.2. apakšaktivitāte „Nevalstisko organizāciju administratīvās kapacitātes stiprināšana”*. 14.12.2013.

⁶⁰ Society Integration Fund. Selection round 2. Website www.sif.lv sadaļa *Finansējuma avoti/Eiropas Sociālais fonds 2007-2013/ESF 1.5.2.2.2. apakšaktivitāte „Nevalstisko organizāciju administratīvās kapacitātes stiprināšana”*. 14.12.2013.

⁶¹ Society Integration Fund. Selection round 3. Website www.sif.lv section *Finansējuma avoti/Eiropas Sociālais fonds 2007-2013/ESF 1.5.2.2.2. apakšaktivitāte „Nevalstisko organizāciju administratīvās kapacitātes stiprināšana”*. 14.12.2013.

⁶² Society Integration Fund. *Strengthening the administrative capacity of Employers' Confederation of Latvia in the regions*. Website www.sif.lv section *Finansējuma avoti/Eiropas Sociālais fonds 2007-2013/ESF 1.5.2.2.1. apakšaktivitāte „Sociālo partneru administratīvās kapacitātes stiprināšana”*. Accessed: 13.12.2013.

enterprise. Donations by a person are usually led by emphatic motives (at a personal level) or it is willingness to invest in local community or definite group of society in order to give back to society some part of the resources earned thanks to local resources. As donations are also monetary, then they are transferred to the section of association or foundation revenues. Donations can be attached both to the provision of organisation's operation and activities and to the implementation of different programmes.

In 2013, company *GlaxoSmithKline Latvia* financially supported ten patient organisations by donating them 6 978,73 lats⁶³. Also the members from *Association of International Research-based Pharmaceutical Manufacturers* followed the pattern and donated 21 402 lats to patient organisations in Latvia⁶⁴. In turn, organisation *Latvians in Ireland* started campaign of collecting donations in order to help members from *Disabled association in Incukalns*.

When having a more detailed analysis of NGO revenues in the context of received donations from legal persons, *The State Revenue Service* informs that in 2011*:

- 1 608 organisations received donations from legal persons;
- there were 4 411 contributors;
- the amount of donations given by legal persons exceeded 27 million lats.

When calculating the average amount of a donation, every person has contributed more than 6 200 lats for NGO activities⁶⁵.

Main conclusions about the donations from legal persons (when comparing the data from the corporate income tax declarations and annual reports of associations and foundations):

- the number of donation recipients, which received donations from enterprises in 2011, has increased by 97 or 12% in comparison to 2010;
- in 2011, the amount of money donated by enterprises to associations and foundations has increased by 51 million lats or 3% in comparison to 2010;
- in 2011, the number of associations and foundations, which have received donations from legal persons registered in the Republic of Latvia, has increased by 150 or 9% in comparison to 2010;
- the number of legal persons registered in the Republic of Latvia, which donated to associations and foundations in 2011, has increased by 368 or 8% in comparison to 2010;
- in 2011, the amount of donations, which were received from legal persons registered in the Republic of Latvia, increased by 2,3 million lats or 8% in comparison to 2010.

Citizens and enterprises can choose to donate money to support definite initiatives or to give support. Charity organisation *Varonis* regularly posts on its website www.varonis.lv information about children and youngsters in need for extra funding to cover medical expenses or to purchase food or goods necessary for supporting both

⁶³ GlaxoSmithKline Latvia. *GSK Latvia publishes the contribution given to patient organisations in 2013*. Website: www.gsk.lv. Accessed: 14.02.2014.

⁶⁴ Association of International Research-based Pharmaceutical Manufacturers. *SIFFA members support to patient organisations in 2013*. Accessed: 20.03.2014.

* During the preparation of the research, SRS had no possibility to reflect on information about 2012.

⁶⁵ The State Revenue Service. *Information about enterprise donations to associations and foundations*. 2013.

their life and health. Organisation posts information on its website and states the amount of money necessary for the particular need and invites everybody to donate.

Also physical persons or population of Latvia have been active by donating money to associations and foundations. SFS informs that in 2011*:

- 1268 organisations received donations from population;
- 23 890 citizens of Latvia had donated money to NGOs;
- the amount of donations exceeded 4 million lats⁶⁶.

Main conclusions from the donations given by physical persons (when comparing the data from annual income statements and annual reports of associations and foundations):

- in 2011, the number of associations and foundations, which received donations from physical persons – residents, has increased by 126 or 10% in comparison to 2010;
- in 2011, the number of natural persons (residents), which donated to associations and foundations, has increased by 1075 more than in 2010 and the money donated has increased by one million lats or 5% in comparison to 2010.
- the amount of donations received from physical persons (residents) in 2011 has increased by 1,4 million lats or 32% in comparison to 2010.

The increase in the number of contributors and donations characterises the establishment of patronage culture in the society of Latvia. Citizens and legal persons are responsive to support people in hardship. It must be noted that social advertising published in media and addressing large part of population promotes the responsiveness to donate. If large part of population donated money to solution of definite needs without the presence of other factors (e.g. social advertising, tax reductions), then it could be clearly stated that the culture of patronage has been in the society of Latvia since 2006.

The other part of patronage culture is the skills and knowledge as well as the free time voluntarily contributed by citizens in order to organise and participate in the activities of civil society. According to the data of public poll from *Latvian Facts*, volunteering was carried out by 7,6% of Latvian citizens in 2012, which is 6% less than in 2011. In order to determine the level of patronage culture in Latvia, research on the donation forms of Latvian citizens and their motivation in comparative perspective.

2.1.2. NGOs as value added tax payers

Economic activity in ancillary form is legally allowed. This activity lets organisations raise extra funding to ensure their operation and implementation of activities. Usually this economic activity covers such activities as: organisation of seminars and conferences,

* During the research, data of 2012 were not available.

⁶⁶ The State Revenue Service. *Information about enterprise donations to associations and foundations*. 2013.

When analysing the data, it must be taken into account, that a part of organisations have been the payers of value added tax. Value added tax is applied to the organization that has engaged in an economic activity and provides value-added taxable services or sells goods, regardless of its objectives or results, if it is or is not registered with the value added tax register in the State Revenue Service⁶⁷. Consequently, according to law, non-governmental organisations are engaged in economic activity and value added tax can be applied.

NGOs must pay value added tax, if they are registered with the register of value added tax payers. Law states that the domestic taxpayer is entitled not to register with the State Revenue Service of value added tax register if taxable supplies of goods and services provided in the previous 12 months does not exceed 35 000 lats⁶⁸.

According to the information from SRS, 632 associations and foundations were registered as VAT payers in 2012, which was 4,4% from the total amount of NGOs on January 1, 2012*, but 4,7% from all NGOs were registered as VAT payers in 2011.

In 2012, associations and foundations that have become VAT payers were 31 organisations more than in 2011. It can be linked either to the increase in economic activity (supply of goods, service provision) or to receiving services from the European Union.

It can be concluded that other associations and foundations – VAT payers – have made pre-tax deductions. Pre-tax is the stated amount of tax for the purchased goods or received services in the invoices from other tax payers, if the goods or services have been received in order to provide taxable transactions. It must be taken into account that the reduction of pre-tax can be doubted if associations or foundations have no further intention of supplying goods or providing services.

Revenue from the value added tax in 2010 was 95 409,75 lats; on average per year – 3 290 lats. Revenue from the value added tax in 2011 was 50 076,55 lats; on average per year – 134 lats. By percentage, the payment of value added tax in the budget has decreased by 45 333,20 lats or 48% in 2011.

2.2. Expenditures of the NGO sector

Associations and foundations have expenditures as a result of their operation. Expenditures are formed by goods and services necessary for implementation of activities and daily operation. For example, one of Riga NGO incubator's (organised by *Civil Alliance – Latvia*) participants was a non-formal association of parents preparing and hosting activities for the little patients of Children's Clinical University Hospital (13 lessons were organised in three months, 186 children attended them). In order to host lessons, activists purchased goods worth 150 lats, which were covered from the project *Bridge 2012* supported by Riga City Council.

⁶⁷ The Saeima of the Republic of Latvia. *Law on Value Added Tax*. Latvijas Vēstnesis No.197, 14.12.2012., Section 3 (1,2).

⁶⁸ Ibid, Section 59 (1).

* There were 14 676 associations and foundations registered on January 1, 2012

The activities of organisations, their implemented activities are different and distinct. As a result, expenditures of an organisation and their amount varies greatly. The expenditures of small organisations consist of different goods, for example, snacks purchased for organisation meetings, but for large organisations they consist of remuneration, social tax, rent and utilities, purchase of goods and services and others.

According to the information provided by the *State Revenue Service*, total expenditures in the NGO sector in 2012 were 220 million lats (Ls 220 137 356)⁶⁹. Positions of expenditures and amounts for the NGO sector were as follows:

1. payments to people – almost 20 million lats or Ls 18 920 798 or 9% from the total amount of expenditures;
2. material expenditures – Ls 28 911 302 or 13% from the total amount of expenditures;
3. wages – Ls 31 849 227 or 14% from the total amount of expenditures;
4. social tax payments – Ls 7 210 841 or 3% from the total amount of expenditures;
5. depreciation and write-offs of the fixed assets – Ls 10 530 522 or 5% from the total amount of expenditures;
6. other expenditures – Ls 121 944 527 or 55% from the total amount of expenditures;
7. taxes – Ls 770 139⁷⁰ or 0,3% from the total amount of expenditures.

Total amount of expenditures for organisations of public benefit were Ls 94 561 74 in 2012. The amount of expenditures for organisations of public benefit differs from the total amount of the NGO sector:

1. payments to people are 13% from the total expenditures, which is a higher proportion than the total number of the NGO sector;
2. expenditures on materials are 12% from the total amount of expenditures;
3. wages are in the second position – 16% from the total amount of expenditures;
4. social tax payments are 4% from the total amount of expenditures;
5. depreciation and write-offs of the fixed assets make 5% from the total amount of expenditures;
6. other expenditure are 51% from the total amount of expenditures;
7. taxes are 0,1%⁷¹ from the total amount of expenditures.

NGO expenditures have gradually increased (as well as revenue) over the last three years. In 2010, they were 177 809 172 million lats, in 2011 – 194 744 088 lats, and in 2012 – more than 232 million lats.

2.2.1. Debtors and creditors

Information about existing debtors and creditors stated in the submitted reports of organisations gives an explanation about the true financial situation of associations and foundations. It means that an organisation has given goods or services to another person, but has not received a payment for it. But creditors are persons that have lent

⁶⁹ The State Revenue Service. *Collection of association and foundation revenue and expenditure account*. 2013.

⁷⁰ Ibid.

⁷¹ Ibid.

financial means to associations and foundations. There are two types of creditors – short-term (debts repayable in a year) and long-term (repayable after a year).

Short-term loans from financial institutions are principal loans due to be repayed in a year from the balance sheet date, and also late interest payments.

Long-term loans from financial institutions are principal loans due to be repayed in more than a year from the balance sheet date as well as late interest payments.

Other loans are association and foundation long-term loans from other persons as well as its debts for fixed assets taken as lease (finance lease).

Other creditors are obligations of associations, foundations or trade unions to other parties for short-term loans, received goods or provided services, as well as obligations regarding employees for the unpaid wages, remunerations or other payments to their accounts in financial institutions.

When analysing the data collected by the State Revenue Service about 2011, it can be seen that debtors are 31 million lats worth (31 971 036), and they are significantly less than short-term creditors. There is negative difference – 11 280 540 lats.

2010 in comparison to 2011:

1. number of debtors has increased by 355 entities;
2. debtor receivables have increased by 3 496 763 lats;
3. number of short-term creditors has increased by 396;
4. obligations of short-term creditors have decreased by 1 118 009 lats;
5. the number of long-term borrowers has increased by 125;
6. obligations of long-term creditors have increased by 5 771 265 lats.

Information about NGO debtors and creditors in 2011

There is no certainty about the actual value of debtors in the annual reports of associations and foundations, because regulatory enactments do not require these entities to separate doubtful and bad debtors. As a result, there can also be such debtors in the total amount of them, which have not settled their obligations for more than a year.

In 2011, the amount of debtors was Ls 31 971 036 and it was significantly less than those of the short-term creditors – Ls 43 251 576, which results in negative difference – Ls 11 280 540. Besides, 891 associations and foundations created the difference in the amount of Ls 891 000, which has not been covered by debtors.

Short-term creditors consist of debts to employees (wages), labour taxes (income tax and state social insurance contributions), short-term interest credit, short-term liabilities to credit institutions, financial leases, debts to suppliers and contractors, and others.

Evaluating the fact that debtors have not covered short-term liabilities to 891 associations and organisations, one can doubt, if the mentioned entities will ever be able to cover their liabilities or they have other means to cover them – money and stock, by that meaning, if 891 organisations have goods worth Ls 11 280 540 (taking into account that associations and foundations can have economic activity only to achieve the objectives stated in the articles of association). As a result, there can be

such goods as second-hand and almost new goods (humanitarian aid), self-produced souvenirs (craft work).

It has been found out during the review that 885 associations and foundations have significant long-term debt payable – Ls 55 804 177. It is possible that long-term creditors for associations and foundations mostly consist of receivables from credit institutions and are closed for a period of 10 to 20 years, such as the purchase of fixed assets – buildings, land, means of production, vehicles, room furnishing, renovation, leasing, construction, etc. If it is assumed that these commitments are for a period of 20 years, then on average it is Ls 2 790 209 per year. Dividing this amount with the number of associations and foundations (885), which have received a long-term loan, then the liabilities per one entity are in the amount of Ls 3 153. It is possible that Ls 3 153 is not a big figure and it is actually possible to pay it up if the associations and foundations have debtors, stocks and cash. Because the assets must cover also the short-term liabilities.

Information about NGO debtors and creditors in 2010

There is no certainty about the actual value of debtors in the annual reports of associations and foundations, because regulatory enactments do not require these entities to separate doubtful and bad debtors. As a result, there can also be such debtors in the total amount of them, which have not settled their obligations for more than a year.

In 2010, the debtors Ls 28 474 273 were significantly less than short-term creditors – Ls 44 369 585, therefore there is a negative difference – Ls 15 895 312. Besides, 850 organisations create this difference, which was not covered by debtors.

Evaluating the fact that debtors have not covered short-term liabilities to 850 associations and organisations, one can doubt, if the mentioned entities will ever be able to cover their liabilities or they have other means to cover them – money and stock, by that meaning, if 850 organisations have produced goods worth Ls 15 895 312. In 2010, 760 associations and foundations had a significant debt to long-term creditors – Ls 50 032 912. If it is assumed that these commitments are for a period of 20 years, then it is Ls 2 501 646 per year. Dividing this amount with the number of associations and foundations (760), which have received a long-term loan, then the liabilities per one entity are in the amount of Ls 3 291,64.

2.2.2. Employment in the NGO sector

According to the data of SRS, in 2011, there were 16 084 citizens (calculations include employees that have worked one day) employed in associations and foundations, in total receiving 30 850,38 lats. According to calculations, it can be concluded that the average monthly wage of an employee has not exceeded 160 lats⁷². More informative

⁷² The State Revenue Service. *Information about the employed in associations and foundations*. 2013.

and up to date information is given by *The Central Statistical Bureau (CSB)*. Namely, according to the data from the CSB, there were on average 9 259 citizens having an employment agreement or contract for work performance in the NGO sector in 2012 (average indicator for 12 months). In comparison to 2011, the number of employees has increased by 785 employees⁷³. The information from the CSB shows that in 2012 the average gross salary for an employee in the NGO sector was 488,50 lats, which is 23 lats more than in 2011⁷⁴.

Employees of the NGO sector have high academic and professional knowledge, as evidenced by the *Central Statistical Bureau* survey data for the year 2010. 49% or 3520 employees of the NGO sector had acquired higher academic education (bachelor, master or professional bachelor's/master's degree or the second level professional higher education) in 2010, 20% of employees had acquired general secondary education, 19% - vocational secondary education, 501 or 7% of the employees had acquired the first level professional higher education (college), 4% had attained primary education (including vocational training) and 2% (110) of cases employees had acquired scientific degree⁷⁵ (see Fig. 19. The level of education among the employees of the NGO sector.).

The obtained level of education	Number
Scientific degree	110
Academic education (bachelor, master's degree) or professional bachelor's/master's degree or second level professional higher education	3520
First-level professional higher education (college)	501
Vocational secondary education	1322
General secondary education	1408
Primary education, including basic vocational training	264
Primary education	4
TOTAL	7 129

Figure 19. The level of education among the employees of the NGO sector.

Source: Latvian Central Statistical Bureau. *Employees by level of education in foundations and associations*. 2013 Data Source: Survey of businesses, institutions, foundations, associations and foundations in the survey.

Workplace in the NGO sector is often positioned as a place, which motivates the employee to express and take the initiative as well as to introduce it using creative methods. Thus, NGOs are considered to be motivating and professionally useful first workplaces. Besides, the motivation of NGO employees is promoted by the opportunity to work from home and to gain additional professional knowledge on a regular basis by participating in seminars and courses. Also individual's skills of communication are improved by having to communicate with various people, including those from abroad.

⁷³ Latvian Central Statistical Bureau. *Total number of employees on the last calendar working day of a quarter in 2011, 2012, people*. 2013.

⁷⁴ Latvian Central Statistical Bureau. *The average monthly GROSS salary per employee*. 2013.

⁷⁵ Latvian Central Statistical Bureau. *Division of employees according to their level of education in associations and foundations*. 2013.

So one can conclude that highly qualified employees, experts in a definite field, are employed by the NGO sector, which in turn influences the quality and efficiency of organisations. As a result, the resources necessary to employ people is a significant factor and can be compared to the remuneration in other sectors. It clearly shows the direct impact of the NGO sector on the development of the state.

2.3. Structure of NGO revenues and expenditures. Case studies.

In order to get a clearer picture of the financial situation of NGOs, a detailed analysis of the data from more than 100 annual reports of associations and foundations* in 2012 was conducted, because during the research, data from the *State Revenue Service* were not available about the situation in 2012. Selection of 100 associations and foundations was carried out by observing the geographical coverage and the indicators of the NGO density in the certain municipality as well as by taking into account the NGO activity in their respective fields. One of the criteria was also to select those organisations which keep their accounting records in the double entry system. Data were obtained from the database of associations and foundations provided by Ltd. "Lursoft IT". Those associations and foundations having their balance sheet data analysed within the scope of this research work in different fields: health, real estate management, science and technology, creativity, religion, policy research, public relations, assistance to the poor, culture, education, agriculture, sports, environmental protection, tourism, etc.

The objective of the analytical report is to disclose the financial risks of associations and foundations (debtors and creditors) from the annual reports of 2012 and subsequent problems in the operation of the NGOs (economic activity), which in turn reveals the obstacles existing in applying taxes and regulatory enactments. The task of this subchapter is to reflect the obtained financial data about the operation of NGOs, the balance sheets of the NGO sector, the overview of the revenues and expenditures subdivided into certain positions.

Balance sheet consists of asset positions of long-term investment (investment in intangible fixed assets), the long-term financial investments (long-term loans), current assets (stocks, materials, goods), debtors, stock and cash. Also the liability positions of funds, long-term creditors (long-term loans from financial institutions, other loans) and short-term creditors (short-term loans from financial institutions, taxes, other creditors) are analysed in the balance sheet. Revenue and expense account analyzes income (membership fees, entrance fee and other annual contributions, received donations and gifts, inheritances received, received grants, operating income, other income). Revenue and expense account also analyzes expenditure on cash payments: for people (salaries and social security contributions), material costs, depreciation and write-offs of fixed assets, other expenses, taxes.

* Please pay attention that the annual report should give a clear picture of the NGO funds, their sources and the financial position at the end of reporting year (balance sheet date), as well as NGOs economic transactions, income and expenses during the reporting year. Not later than March 31 of the following year, NGOs must submit annual report or its parts – revenue and expenditure account and the report of donations and gifts – a copy or copies approved by the governing body of NGOs to the State Revenue Service.

2.3.1. Analysis of revenue position data

Revenue and expense account analyzes income (membership fees, entrance fee and other annual contributions, received donations and gifts, inheritances received, received grants, operating income, other income). The total received income of 100 associations and foundations is almost 27 million lats (Ls 26 829 740), including (see Fig. 20. Division of revenue positions.):

1. membership fees, entrance fees and other annual contributions – Ls 405 153 or 1,5% from the total amount;
2. received donations and gifts – Ls 1 262 472 or 5%;
3. received inheritances – Ls 592 Ls or 0,0022%;
4. received grants – Ls 4 517 184 or 17%;
5. income from economic activity exceeds 11 million lats (Ls 11 025 075) or 41%;
6. other income – Ls 9 619 264 or 36%.

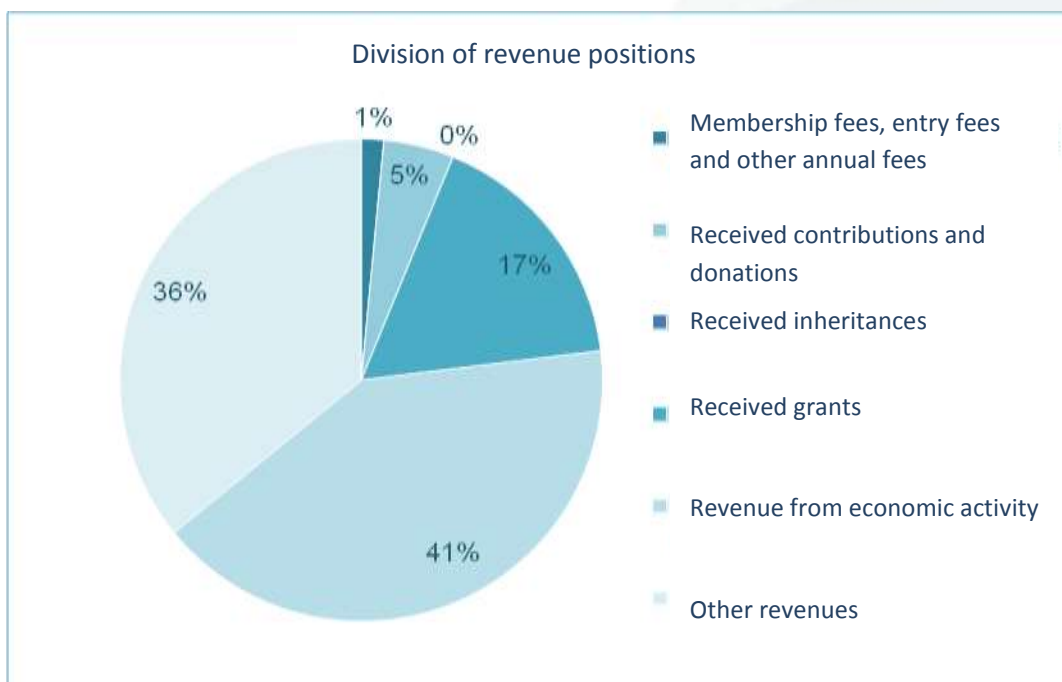


Figure 20. Division of revenue positions.
Source: 100 PBO annual reports. Ltd. "Lursoft IT".

As it can be seen in figure 20, the highest proportion in the structure of income is from the revenue of economic activity, followed by other income and grants.

Membership fees, entry fees and other annual contributions represent membership fees, entry fees and other annual contributions of NGO members, member candidates, members of the board or participants collected in the reported year (paid in cash or to a bank account)

Regulations on the annual reports have not set a mandatory requirement to indicate the transcript of the received membership fees, entrance fees and other annual contributions paid by its members, candidate members, members of the board or other participants in cash. of NGOs received at the box office its members or candidate members, members or participants minimum annual cash payments. Membership fees,

entry fees and other annual contributions do not form the basic income of the NGO sector.

2.3.2. Received donations and contributions

Monetary donations or contributions in cash or to the organisation's bank account as well as the donations and contributions of received movable and immovable goods (in kind), which are evaluated in money, based on the stated value in the documents supporting donations and contributions are stated in the received donations and contributions of the NGO for the reported year.

Transcription of the kinds of donations is shown in the annual report's *Report of donations and contributions*. As a result, the reader of the annual report can get a clear picture of the received and spend donations of the NGO. Received donations and contributions form 4,71% from the total income of Ls 26 829 740. Received donations and contributions do not form the basic income of the NGO sector.

2.3.3. Received inheritances

Cash or movable or immovable property received as inheritance are shown in the position *Received inheritances*. Financial inheritance is assessed by the money paid in cash or to a bank account. Inherited movable or immovable property is assessed on the basis of the value stated in the documents of inheritance.

It is not obligatory to have the transcription of the kinds of inheritance. As a result, it is not possible to make conclusions on the types of inheritances. From the total amount, the received inheritances form Ls 592 or 0,0022% (a very small part of the revenues). Received inheritances do not form the basic income of the NGO sector as their percentual gain is insignificant against other revenues.

2.3.4. Received grants

Position of received grants shows grants received from the state or municipality establishments or the budget of state or municipality. There is an obligatory requirement to show transcription of the received kinds of grants and their use. Therefore conclusions about their kinds can be made, for example, which institution has given certain type of funding or what objectives was the grant used for. Such transcription of information in the annex of annual report eliminates the risk of wasting the received grants.

From the total amount, the received grants form Ls 4 517 184 or 16,84%, which indicates a positive feature of the state and municipality sector to financially support the NGO sector. Received grants do not form the basic income of the NGO sector.

2.3.5. Revenue from economic activity

Position *Revenue from economic activity* shows the received dividends from the investments in corporations, revenues from the sales of goods or services, deducting sales and other discounts and the amount of revenue reductions from customer claims (if any), as well as the value added tax and other taxes directly related to sales, if they are included in the total amount of the mentioned revenues. If an NGO has sold production, goods or has provides services on credit or deffered payment, then those revenues, which have not been paid until the date of the balance sheet, must be included in the total amount of revenue.

The second and third paragraph from Section 1 of *The Commercial Law* state that commercial activity is an open economic activity, which is performed by merchants in their name for the purposes of gaining a profit. Commercial activity is one of the types of entrepreneurial activity. The third paragraph of this section states that economic activities are any systematic, independent activities for remuneration. While the first paragraph of Section 7 in the *Associations and Foundations Law* states that an association or a foundation has the right to perform economic activity in the form of complimentary activity, which pertains to the maintenance and utilisation of its own property, as well as to perform other economic activity to achieve the goals of the association or foundation. The second part of this section states that the income of an association or of a foundation may be utilised only for the achievement of the goal specified in the articles of association. Profit obtained from economic activity of an association or a foundation may not be divided among the member of an association or the founders of a foundation.

Regulatory enactments governing associations and foundations of report creation, do not foresee stating the "Accrued revenue" in the balance sheet. Accrued revenue is formed when the services have actually been provided, the product has been sent, but it will be invoiced in the next accounting year. The following item can be stated in the balance sheets by merchants. If an NGO is engaged in economic activity (as shown by the statistics of the 100 NGOs investigated, income from economic activity is 41.09%), then this parameter is important for the emergence of such revenue risk.

There is no mandatory obligation to indicate the transcript of the kinds of income from economic activity in the annual report. Therefore it is not possible to make conclusions.

Taking into account the things mentioned above, this situation creates a reasonable risk to public benefit organizations by nature. A legitimate question: if the NGO actually is not engaged in commercial activity, and whether the NGO management should be registered as corporation that pays the corporate income tax of 15% of taxable income (profit) to the state budget? In the current situation, there is a risk of tax avoidance.

Revenue from economic activity forms Ls 11 025 075 or 41,09% from the total amount of Ls 26 829 740, which means that the basic income of the NGO sector is formed by the revenue from economic activity, the same as it is for merchants, not by received membership fees or donations. The data from case studies show alarming information about associations and foundations, which have high income ratio, because almost half of their income are from economic activity. When looking at the average indicators, 40% is the highest possible margin for complimentary economic activity. It means that

economic activity for several selected entities violates the conditions of ancillary activities, which is a negative parameter.

2.3.6. Other revenues

Position *Other revenues* shows the income received from insurance claims, compensations, fixed assets, other long-term investments or current assets sales and other cash proceeds from the financing sources that are not prohibited by law. *Other revenues* also indicates the positive difference resulting from the foreign currency payable receivables and the remaining payment of foreign currency into lats, as well as the negative differences resulting from the remaining foreign currency debts into lats. No mandatory requirement is set to indicate the transcript received by other types of revenue in the annual report. Therefore conclusions cannot be done, because it is not known whether the largest proportion of these revenues or other types form the largest share of the fixed assets and current assets.

Other revenues form 35,85% or Ls 9 619 264 from the total revenue, which shows that the basic income of the NGO sector is not only the revenue from economic activity, but also others, which can be from the sale of fixed or current assets. Therefore other revenues can be assumed to be partly equal to the income from economic activity. For example, an NGO can receive insurance payment for a damaged real estate being used in economic activity or compensation for a real estate lost in a natural disaster.

2.3.7. Data analysis of expenditure positions

Revenue and expense account analyses the expenditure on cash payments to persons, material expenses for salaries and social security contributions, fixed assets and depreciation and write-offs of intangible assets and other expenses and tax payments. The analysis of these positions aims to identify financial risks and associations and foundations compliance with legal requirements. The main task was to study and reflect, if NGOs use their resources for the goals stated in the articles of association or they are used for the benefit of NGO management and their members.

When looking at the obtained data about 100 public benefit organisations, it can be concluded that total expenditures are 25 million lats (Ls 25 417 802). Positions of expenditures and their amount are: expenditures of administration and economic activity – Ls 25 380 952 or 99,86% from the total revenue, including:

- cash payments to people – Ls 313 454 or 1,23%;
- material expenses – Ls 2 522 032,91 or 9,94%;
- salaries – Ls 4 434 203 or 17,47% from the total amount of administration expenses;
- social security contributions – Ls 1 054 932 or 4,16%;
- fixed assets and depreciation and write-offs of intangible assets – Ls 475 180 or 1,87%;
- other expenses – Ls 16 581 151,89 or 65,33%;
- taxes – Ls 36 850 or 0,14%.

According to the Regulations of the Cabinet of Ministers No. 11 *Regulations of the Administrative Expenditures of Public Benefit Organisations*, public benefit

organisations can include the following expenditures in the position of administrative expenditures: management of organisation, maintenance, advertising and other expenses related to the acquisition of revenue necessary for the implementation of its activities stated in the articles of association as well as taxes related to this process. For the interpretation of these regulations, also the clarification from the *Public Benefit Organisation Law* must be seen, which states that the administrative expenditures of PBOs cannot exceed 25 percent from the general donations used in the particular taxation period (calendar year).

Total amount of expenditures in the investigated organisations significantly exceeds the limits stated in the PBO Law, because the expenditures of administration and economic activity on average are 99% not 25%. It is unsatisfactory and it shows the drawbacks of granting and withdrawing the status of PBO in cases, when the norms stated in the law are breached.

2.3.8. Remuneration and social security contributions

Position *Cash payments to people* show money payments (if there are such) done by an organisation founded to protect, for example, the rights and interests of socially vulnerable group of people and low-income people and families, or by an NGO in connection with other type of public benefit activity. Also those money payments to people can be shown, which, according to the articles of foundation, can be paid from the property of foundation.

From the administrative expenditures, money payments to people are Ls 313 454 or 1,23%, which is insignificant amount and does not influence total expenditures.

Estimated salary, remuneration or other sums of payment before the deduction of tax or other payment stated in the law (gross sum) is indicated at remuneration.

Transcription of salaries is shown in the annual report, if the members of institution's management have received salary or remuneration for definite types of expenditures. Report must show the total amount of salaries or remuneration and explanation about which types of expenditures have been reimbursed. It gives information to understand if management institutions in the NGO sector receive reasonable remuneration.

Also the average number of employees having a job agreement per year and the total amount of their remuneration must be indicated in the annual report. This suggests how much the average pay received in the NGO sector is. The indicators can be compared to commercial rates and conclusions can be drawn about the proportionality of compensation.

Of administrative expenses are salaries Ls 4,434,203, or 17.47%, or approximately 1/6 part of which is relevant to the amount of other expenses, as the NGO sector primary aim is to make public or public benefit activities, rather than to receive membership fees and donations to spent on almost 20% of employees' salaries. Number of employees 100 NGOs investigated a total of 728 natural persons, with the result that each show a body of about 7 – 8 people.

From the administrative expenses, salaries make Ls 4 434 203 or 17,47%, or around 1/6 part, which is relevant to the amount of other expenses, as the primary aim of the NGO sector is to make public or public benefit activities rather than to receive membership fees and donations to spend almost 20% on employees' salaries. Number of employees in 100 NGOs investigated is a total of 728 natural persons, which means that there are around 7-8 employees in each of the organisations investigated.

If gross salary per one employee from 100 NGOs is calculated, then it is Ls 6 090 94. Monthly gross salary per one employee is around Ls 508. Remuneration is a significant part of NGO expenditures.

When analysing the investigated 100 NGOs, it can be concluded that there are NGOs without employees and there are NGOs having no more than 10 employees, however, there are also separate NGOs employing 12, 14, 22, 28, 41, 86, 105 and 112 people.

When evaluating the situation mentioned above, there is a question, if NGOs really work as public organisations, if they can afford to hire such amount of employees and calculate for each of them more than Ls 500 large gross salary with the state mandatory insurance contributions of 24.09%. The salary of such size is not even received in the sector of commerce, where approximately 40% of employees receive the minimum wage and lower than that (200 lats).

Perhaps some public organisations are created to optimise taxes? Additional expenditures are necessary also to cover the mandatory insurance contributions. Therefore carefully detailed research or audit and inspection are necessary to understand if there are no commercial risks in the NGO sector.

The calculated sums of the state mandatory insurance contributions, gross sums of payments to employees in cases of disability regulated by the state, payments to private pension funds and other employee-related social security payments calculated by an association, foundation as an employer for the reporting year are indicated in the social security payments.

Report does not reflect on taxes, however, the state mandatory insurance contributions are not separately divided for employers and employees. If gross salary is Ls 4 434 203 and it is multiplied by the employer's mandatory insurance contributions of 24,09%, then it results in – Ls 1 068 199,50. However, Ls 1 054 932 are indicated in the position of *Social security contributions* in the *Revenue and expenditure* account. Difference between the calculated and the indicated amount is Ls 13 267,50.

Why is there such a difference, which should not be there, if the mandatory insurance contributions of 24,09% are deducted from the gross salary stated in the expenditure account of accounting? One of the possible answers is that the calculated author's fees are indicated in this position. Another possible answer – income that is not subject to income tax and is not mandatory state social insurance contribution object, such as the daily subsistence allowance, life and health insurance, private pension fund contributions, compensation for personal passenger vehicles, etc. non-taxable objects as defined in the *Law on Personal Income Tax*, Article 9.

Social security payments are Ls 1 054 932 or 4,16% from the total amount of administrative expenditures. Total costs of labour force are approximately 22% or 1/5.

If the calculated wages and employer's mandatory insurance contributions are stated versus membership fees, donations, inheritances and grants, then there is a difference of Ls 696 266. Revenue and expenditure difference is in the amount of Ls 1 411 938. So NGOs do not spend all the revenue received. Overall, this and the salary position are an important source of expenditures.

2.3.9. Expenditures of materials

In the position of *Expenditures of materials* the following items are stated: bought or received materials, goods or other stock received as donation or contribution in the reporting year. Used bought materials, goods and other stock is assessed based on the amount of money paid for them, but the stock received as donation or contribution is assessed based on the money, which has been recorded in the revenues. In exceptional cases, if the type of inventory balances in previous years have been assessed lower than the initial book value, they are valued on the basis of the assessment recorded in the beginning of the accounting records.

In the balance sheet, materials are shown according to the data from inventarisation, because it is mandatory and it is done in reality. Therefore the respective amount after the results of inventarisation is recorded in the balance at the end of the year. Asset side of the balance sheet must always have real inventory data. Associations and foundations keeping accounts by double accounting principles, actually list materials when they are received, rather than when the payment is received. The cash flow principle is observed only by those organizations which follow a simple bookkeeping accounting principle, because they do not keep balance sheet, which reflects the NGO fund balances.

At the end of the year, in the balance of NGOs there are materials, which have been purchased in the last days of the year. If an NGO does not record the expenditures on these materials in the *Revenue and expenditure account*, then the material balance cannot be recorded on the *Balance sheet*, if no payment has been received for them. In this case data of inventarisation will not match with those, which should be recorded in the balance sheet.

At the end of the year, there often can be cases, when the good has been received and no many has been received, but the good has been sold. It creates a situation, when the actual income is not coordinated with the expenditures, because the revenue has been admitted, but the expenditures cannot be admitted in the particular year. Is it right to admit those expenses next year, for which the revenue was got last year?

In addition, there are separate accounts on the merits of goods and materials relating to the sale in economic activity and the use for providing the operation of NGOs. This means that NGOs can have purchased goods, such as, for example, second-hand goods (humanitarian aid), which are sold on. But expenses - materials necessary for the NGO office expenses - only to to the administrative costs of an organisation.

Regulatory enactments stating the bookkeeping of the NGO sector, do not indicate the principles on which NGOs can record their material expenses – according to the method of periodic inventarisation or according to the perpetual inventory method. The

management of organisations can decide the possible methods, but then it must be understood that by using the perpetual inventory method, materials must be recorded in the balance accounts and they must be written off according to their use, but, if using the period inventarisisation method, materials must be recorded in expenses at once and their balance must be corrected at the end of the year according to the data of inventarisisation. Legal entities drawing up the annual report according to the *Annual Report Law*, can form respective calculations of *Profit* or *Losses*.

In addition, the question arises as to why the *Revenue and Expenditure account* has the section of *Administration expenses*, consisting of NGO material costs, if NGOs have operating expenses, causing income from economic activity? Such division of revenue and expenditure sections does not correspond to the real situation.

From the administrative expenses, material expenses are Ls 2 522 032,91 or 9,94%. Material expenses Ls 2 522 032,91 versus the revenue from economic activity are Ls 11 025 075 or 23%. As a result 23% can be seen as the provisoric margins for goods or services in the case of their sale. Material costs are on average a significant part of the expenses of NGOs.

2.3.10. Depreciation and write-offs of fixed and intangible assets

Section *Depreciation and write-offs of fixed and intangible assets* shows the balance sum of depreciation of fixed assets being in the possession or finance lease by the association and foundation in the reporting year along with the impairment amount of intangible assets.

Depreciation can be calculated according to the period of fixed and intangible asset use stated by the NGO management. In economic activity, depreciation is written off by two methods: linear or degressive method. Such choice is not included in the regulatory enactments of NGO accounting. Therefore it is not possible to assess the method by which NGOs deduct depreciation as it is not required to state it in the annual report.

Depreciation and write-offs of fixed and intangible assets is 1,87% from the administrative expenditures and it is insignificant section of expenditures.

2.3.11. Other expenditures

Other expenditures consist of:

1. property insurance payments and expenses or losses incurred after the sale or liquidation of fixed assets and other long-term investment;
2. the negative difference resulting from the foreign currency debtors and foreign currency conversion to lats, as well as the positive difference resulting from the foreign currency balance conversion to lats. In exceptional cases where the relevant stock balance at the end of the year is ranked lower than the initial book value of this item, then the difference is written off;

3. other expenses, including the cost of services received by others, rental of premises, heating, lighting, as well as stationery, postage, telephone, travel and advertising expenses, and other current expenses, penalties (if any) and other exceptional charges.

Loss from sale of fixed assets arises when they are sold at a lower value than the residual value in the balance sheet. Loss of fixed asset liquidation occurs when the fixed asset is written off the balance by the act of accounting and donated or contributed to other people. As NGOs do not make the corporate income tax return and do not pay this tax, then in those cases there may be a risk that these assets are not sold or donated to people who are not connected with the NGOs. Because the company implementing those practices should increase the taxable income and pay income tax, with the exception of donations entitled to 85% corporate income tax credit as regulated in the *Law on Corporate Income Tax*. In turn, the NGO has no tax consequences if the State Revenue Service does not prove the opposite, that is, it do not see any signs of a business and not treat it as sales of fixed assets or donation profiting a person associated with the NGO.

Section *Other expenses* includes most of the NGO office expenses. If these expenses are not transcribed by each position in the report, there is a risk that these expenditures may also include the personal expenses of members (fuel, food, travel expenses during recreational activities, etc.), which would be subject to personal income tax.

Other expenses make Ls 16 581 151,89 or 65.33% from the administrative expenditures and more than half of other expenditures. It is a significant section in the *Revenue and Expenditure account*.

2.3.12. Taxes

In the tax sections of the *Revenue and Expenditure account* in division of tax types, the calculated tax sums are identified (such as property tax payment for the land as well as for buildings and structures, if the foundation or association is not exempt from property tax payments on its owned buildings and structures).

Of the total expenditure taxes are LVL 36,850, or 0.14%. These expenses are insignificant to total, they only show that NGOs own real estate - buildings and land - and it is not exempt from paying property tax.

2.3.13. Difference of revenues and expenditures

The annual report's section *Difference of revenues and expenditures* indicates the reporting year revenue excess over expenses - as a positive number - or the excess expenditure over revenue - as a negative number. Total revenues in 100 NGOs investigated in 2012 were Ls 26 829 740 and expenditure in these 100 NGOs were Ls 25 417 802 in 2012. Difference between revenues and expenditures is Ls 1 411 938, or total expenses to total revenue percentage are 94.74%. It can be concluded that approximately 5% make up the surplus or income or profit of the NGO revenue, which according to the decision from the NGO management is indicated in the reserve fund of the balance sheet.

Proposals

1. In the case of those NGOs, which have the annual report and have economic activity, it is necessary to state in the regulatory enactments that a mandatory annex, where all transcriptions of the sections of revenues and expenditures including an explanation should be added in the annual report.
2. To define the characteristics of economic activity in the *Associations and Foundations Law* and the *Commercial Law* by which NGOs must re-register in the *Latvian Register of Enterprises* as an enterprise.
3. *The State Revenue Service* must audit separate NGOs having significant part of their revenue from economic activity and having high amount of remuneration and employees.
4. To determine in the *Law on Accounting* certain conditions and criteria for NGOs which implement economic activities and which have employees, debtors and long-term liabilities in terms of turnover, number of employees and the balance sheet total.

2.3.14. Balance sheet

Balance sheet is an integral part of the annual report showing the NGOs resources and the source of funds (assets and liabilities) and their balances on the balance sheet date, for example, on December 31. Resources are indicated as the assets in the balance sheet, but their sources – as liabilities in the balance sheet. Total assets must be equal to the sum of the balance sheet liabilities.

Long-term investments or current assets bought by NGO or received as donations, contributions, inheritances or in other way are shown as the assets in the balance sheet (see Figure 21. 100 NGOs annual reports, section "Balance sheet", structure of assets.).

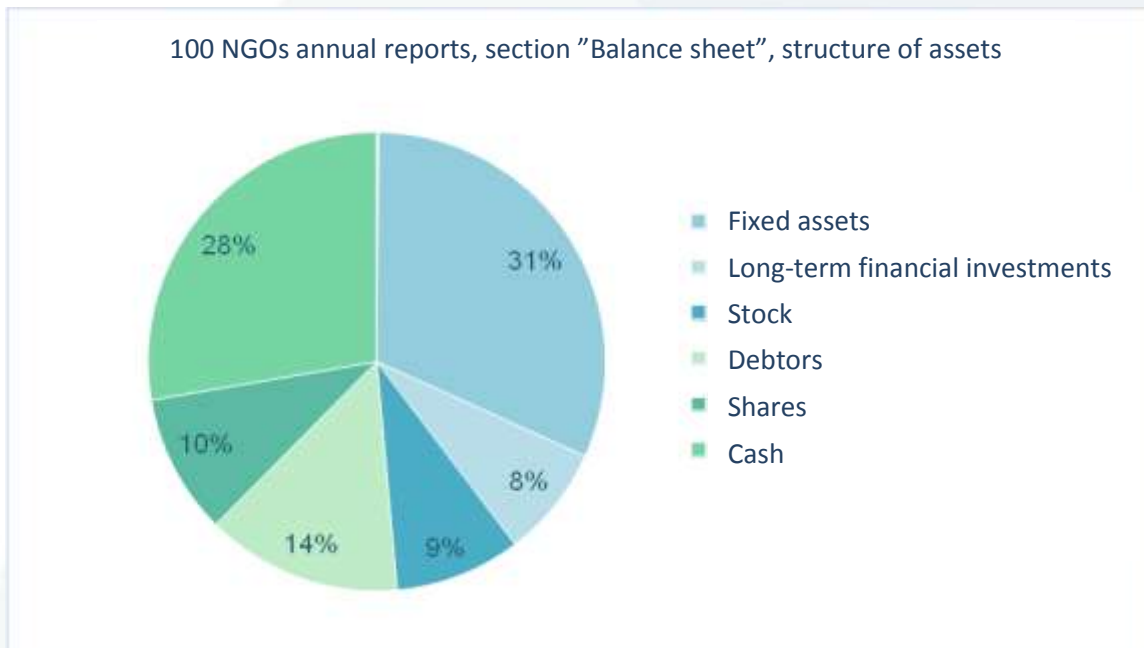


Figure 21. 100 NGOs annual report section "Balance sheet", structure of assets.
Source: Annual reports of 100 PBOs. Ltd. "Lursoft IT".

The analysis of 100 PBO annual reports shows that the long-term investments of the group investigated together account for more than 6.5 million lats or Ls 6 538 247, including:

1. intangible assets – Ls 21 885;
2. fixed assets – Ls 5 278 895 (real estate – Ls 3 839 868; other fixed assets – Ls 1 439 027);
3. long-term financial investments – Ls 1 237 467 (stocks and shares – Ls 1 230 467; long term loans – Ls 7 000).

By contrast, current assets make up EUR 9 890 717, including:

1. savings – Ls 1 411 804 (materials – Ls 269 958; goods – Ls 1 137 346);
2. debtors – Ls 2 326 580;
3. stocks – Ls 1 581 380;
4. money – Ls 4 570 953.

As it can be seen, fixed assets take the largest percentage of NGO balance sheet assets (32%), followed by money (28%) and debtors (14%).

Conclusions about balance sheet indicators

1. Intangible assets.

As *Intangible assets* the remaining value of NGO intangible assets is shown (such as computer programs residual value if the price is not included in the purchase cost of the computer and the purchase agreement entitles the software to be used permanently). To draw more specific conclusions, it is necessary to identify how many computers each NGO has and then ask about software licenses or to carry out the audit. Intangible assets for 100 NGOs are Ls 21 885, which forms an insignificant amount from the total amount of balance sheet assets – only 0.13%.

2. Fixed assets.

Section of balance sheet assets consists of two transcripts of the section: the section of *Real Estate* and from the section of *Other assets*.

In the structure of *Real Estate*, the initial value of NGO land (because depreciation for the land is not calculated) as well as the remaining value of buildings, constructions and perennial plants (if there are any) are recorded, but in the structure of *Other assets* the remaining value of other fixed assets than real estate (vehicles and other fixed assets) are recorded.

Fixed assets for NGO are necessary to maintain the NGO operation, office and economic activity. NGO can obtain fixed assets from donations, contributions, inheritances, purchases and finance lease.

The remaining value of intangible and fixed assets is calculated by deducting all depreciations and the sums of depreciation and write-offs from the previous years and the reporting year from the initial value. Depreciation methods are not stated in the regulatory enactments.

The initial value for intangible and fixed assets theoretically is assessed based on:

1. the amount of money paid for them, if they are purchased or produced by the organisation;
2. the amount is recorded in the revenue, if they are received as donation, contribution, inheritance or other way.

The following conditions of payment can not be observed by NGOs keeping double-entry accounting on an accrual basis. NGOs can buy assets on lease (installment purchase), and this means that the original value of fixed assets accounted for the value are indicated in the supplier's invoice, excluding accrued interest. Exceptionally, interests are included in the asset's value if they are paid until they are put in operation.

In the case of leasing, initial payment may not be done or partial payment can be done for the fixed asset. It must be accounted by the value indicated in the supplier's invoice.

Annual depreciation of intangible assets and write-offs of fixed assets are usually calculated by evenly dividing depreciation sums during the use of assets, which correspond to respective initial value of intangible assets and fixed assets calculation. The management of association, foundation or trade union state the life (in years) of intangible or fixed asset units. There are no definite methods, which can be used for NGO stated in regulatory enactments Only two methods – linear and degressive – exist in theory of accounting.

In order to conclude, what the aim of fixed asset usage is and they way they have been obtained, detailed information is necessary. There is a requirement to indicate the proof of initial value for intangible and fixed assets in the annual report, however, detailed information about calculations of depreciation and exclusion of remaining value, increase of value respective to capital investment should be necessary as well.

Fixed assets for 100 organisations of public benefit are in the amount of Ls 5 278 895, which is 32% from the total assets of balance sheet or 1/3. This indicates a moderate liquidity. Liquidity means the financial position to cover the amounts payable at any time. Low levels of liquidity will point to the fact that there is a subject of insolvency risks.

Real estate to total assets is 73%, and other fixed assets to total assets is 27%.

By examining 100 NGOs, real estate is owned by 15 NGOs of various amounts, such as from Ls 959 to Ls 1 277 491.

Most part of 100 NGOs have other fixed assets. Largest sums are Ls 138 330 and Ls 203 910. Taking into account these higher sums of fixed assets, a separate research for the particular organisation can be done to make sure if the fixed assets are necessary for its operation or they can be considered as benefits used by NGO members for their hobbies (for example, luxury cars or water transportation).

3. Stocks and shares.

In the section of stocks and shares, the NGO participation in corporate enterprises, based on the amount of money paid, or, if the participation has been paid in-kind, the respective evaluation has been indicated. Stocks and shares received as donation, contribution, inheritance or other way are recorded in the balance sheet, based on the amount of money recorded in the revenues. In exceptional cases, if the market price for

stocks or shares is significantly smaller than the initial value recorded in the revenues, then the market price of these stocks and shares is indicated in the balance sheet. Difference is written off in expenditures.

Stocks and shares belonging to an NGO are stocks, which give the respective organisation additional income – dividends. Enterprises are more involved in such economic activity, or it is created by founding daughter companies. NGOs according to their nature itself should not be involved in stock or share sale or trade to gain revenue. An exception could be the case, when stocks and shares have been received as donation, contribution or inheritance.

Therefore a separate research about NGOs should be conducted in order to evaluate the necessity of these stocks and shares, because one of 100 NGOs investigated has stocks or shares worth Ls 1 217 590.

Long-term financial assets in the balance sheet to total assets is 7%.

From that stocks and shares are Ls 1 230 467, but long-term loans are Ls 7 000. One organisation from 100 has given a loan. Loans should not be allowed in the NGO sector, because of fraud risks or bad debt risk. NGO main field of operation is of public nature; NGO can organise charity events (public benefit) and to make donations for people subject to regulatory enactments.

Long term Liabilities show the money lent to NGOs with the return deadline of more than a year from the date of the balance sheet as well as the debt of the lessee's lease (finance lease) for a fixed asset. In order to conclude if an NGO can actually sell the item on finance lease to any other person, the verification of the organization must be carried out.

4. Stocks.

Investigated NGOs show stocks worth Ls 1 581 380 which is 10% to total assets in the balance sheet. It can be concluded that the NGO sector owns 17% of these objects including stocks and shares. It is high indicator for the NGO sector, because stocks have more of a commercial nature. Several questions arise: how did NGO get these stocks? Did organisation inherit them or receive them as donation or contribution or purchased them? What was the reason for buying them? It is important that commercial enterprise is entitled to pay corporate income tax on such revenue from stocks and shares.

5. Inventory.

According to regulatory enactments, inventory and stocks are indicated in the balance sheet, based on the amount of money paid for them, if they have been purchased or based on the recorded amount of money in the revenues or if they have been received as donation, contribution, inheritance or other way. In exceptional cases, if the respective market or stock exchange price is significantly smaller than the initial recorded value, the lowest value is indicated in the balance sheet. Difference is written off in the expenditures.

These requirements in regulatory enactments are wrong, because, when the accounts are kept by the double principle, transactions are indicated when they occur, for example, when receiving the stock with an invoice or consignment bill. If stocks are received at the end of the year, then very often money for them is not paid. It may not

be paid, even if the received stocks for which NGOs have gained revenue is already sold. Acquired stocks must be obligatory stated in the accounting records, hence they must be stated in the annual report. Otherwise, the annual report contains false information.

In the annual report, it is not intended to provide detailed information about stocks – for which the money has been paid and for which not.

Regulatory enactments on the accounting records of the NGO sector do not state the methods for recording inventory – by the perpetual inventory method or by the periodic inventory method. Also the regulatory enactments on the accounting records of the NGO sector do not state the methods for NGO inventory evaluation - using the weighted average method or FIFO method. There is no mandatory requirement to transcribe the kinds of materials (goods, inventory) and overestimated inventory on a net market value in the annual report.

There can be situations, when the inventory in the NGO sector is discounted. Inventory can be illiquid, and it causes damage to the NGO sector. However, regulatory enactments do not require to reflect it in the annual general report and it is not intended for saving. NGO sector in this case can use these funds to cover losses.

Inventory to balance sheet assets account for 9%. Materials from inventory are worth Ls 269 958, but goods – Ls 1 137 346. Goods are 80% of inventory. It proves that the inventory for NGO has not been purchased to maintain daily operation, because materials are only 20%, but the rest of inventory consists of goods used for economic activity.

If NGOs have inventory of low value, it is indicated by materials, but there is a separate account for them in the accounting. Materials can also be meant for production, if an organisation is involved in such activity.

17 organisations (out of 100) have goods in their balance sheet. The largest sums of goods are in the amount of Ls 341 129 and Ls 608 675. Also 17 organisations have material surplus. The largest surplus of materials is in the amount of Ls 224 767. Such indicators point to the fact that certain entities are engaged in the exploration of open economic activity - trade. To make more precise conclusions, it is necessary to conduct a research or audit separate NGOs.

6. Debtors.

Debtors section indicates the NGO claims of other persons. When a receivable is payable in foreign currency, the amount of the balance shall be converted in accordance with the Latvian lats set by the Bank of the foreign exchange rate at that date. After conversion of foreign currency payable receivables, the resulting increase in lats is recorded in revenue, but the assessment of the reduction in lats (hereinafter - the negative difference) is written off in expenses.

Also tax overpayment, advance payment receivables to NGOs can be in the debtor section. As regulatory enactments do not require to transcribe debtors in the annual report, there is no information available about their kinds.

As regulatory enactments do not state the assessment of debtors according to net value, it means that NGOs should indicate the real debtor receivables in the balance sheet, but doubtful (who do not pay the debt and have initiated insolvency) and bad (which have declared bankruptcy) would have to be written off in expenditures (losses) if there is a risk they will never be recovered. Enterprises can make savings, but the NGO sector is not expected to do it. If only such debtor losses can be taken into account by dividing funds.

There is a high risk in the cases, when the receivable accumulates on the advance payment person and the person does not return the money for a long time or does not submit the supporting documents. Tax legislation regulating this situation has already been settled, and NGOs must also comply with tax requirements. Debtors against the balance of total assets made up 14%.

7. Cash.

The balance sheet section *Cash* indicates NGOs cash on hand and the non-cash amount in lats and foreign currency in bank accounts. If the money in cash or bank account is in foreign currency, it shall be converted in accordance with the Latvian lats set by the Bank of the foreign exchange rate at that date. After the conversion of foreign currency balances resulting positive difference is recorded in revenue, but the differences are written off in expenditures.

Cash balances to total assets is 28%. This indicates a moderate liquidity.

Analysis of the liability section of the balance sheet

The debts of association and foundations as well as long-term and short-term creditors are shown in the liability section of the balance sheet. This section continues the case studies of balance sheet sections from “100 associations and foundations with obtained status of public benefit organisation” in 2012.

Funds together constitute revenue of Ls 8 909 515, including:

1. general fund – Ls 2 349 791 or 14% to the total amount of balance sheet;
2. earmarked funds – Ls 2 100 153 jeb 13%;
3. reserve fund – Ls 4 459 571 jeb 27%.

Long-term creditors form Ls 1 311 188 or 7% versus the total amount of balance, including long-term loans from credit institutions, which are Ls 1 085 815 and other loans, which are Ls 225 373.

Short-term creditors form Ls 6 208 261, including:

1. short-term loans from credit institutions are Ls 184 788 or 1% from the total amount of the balance sheet;
2. taxes and state mandatory social insurance contributions are Ls 259 885 or 2% to the total amount of the balance sheet;
3. other creditors are Ls 5 763 588 or 35% to the total amount of the balance sheet.

The largest percentage in the liabilities of NGO balance sheet are created by reserve fund (27%) and other creditors (35%).

Conclusions on the balance sheet positions

1. Funds.

Revenue excess over expenditures, which have taxes and sums of social contributions included, is credited to the reserve fund in the balance sheet. Expenditure excess over revenue is written off from the reserve fund of the balance sheet in the amount of its balance. Outstanding expenses covered by the means from reserve fund are indicated as a negative figure in the section *Reserve fund* of the balance sheet.

An organization can build one fund for unrestricted use - reserve fund - or on the basis of articles of association or decisions of administrative bodies, the means of this fund may be reallocated for funds of limited use – an earmarked and general fund. General fund is generally attributed to *long-term investment*.

Earmarked fund is formed also then, if a donation for a definite aim has been received and it must be used only for the goals stated in the agreement. Balance sheet shows the unused balance of earmarked donations.

Assets and liabilities relating to the funds for *limited use* are recorded and accounted for separately in accounting records.

Revenues arising from the sale or liquidation of long-term investment or working capital held down in restricted fund as well as settling liabilities are recorded as an increase in the fund balance. Expenses and losses incurred after the use of the funds from the restricted fund or the sale or liquidation of long-term investment or working capital held down in restricted fund as well as settling liabilities are recorded as a decrease in the fund balance.

General fund of 100 NGOs investigated account for 14% of the total amount of liabilities from the balance sheet.. Earmarked fund accounts for 13% of the total amount of liabilities from the balance sheet. This fund is meant for restricted use. However, the reserve fund of these organisations accounts for 27% of the total amount of liabilities from the balance sheet. Also this fund is meant for restricted use.

2. Long-term loans from credit institutions.

Long-term loans from credit institutions state the loan principal amount, the due date of which is set more than one year after the balance sheet date, as well as the interest payments of these loans, for which the payment is overdue (hereinafter - the late interest payments).

Long-term loans from financial institutions of the investigated 100 NGOs account for 7% of the total balance sheet liabilities. This means that NGOs have borrowed loans from banks for a long time. From these 100 NGOs eleven have taken long-term loans (on December 31, 2012, the remaining sums were from Ls 1 700 to Ls 770 766). Looking at the largest amount of debt with the repayment period of 20 years, one organisation had to credit liabilities in the amount of Ls 38 538 per year.

As it can be seen, some PBOs have quite significant sums, and the question arises – how will these NGOs, which actually do not have to implement economic activity, be

able to repay loans in such amount? It is not possible to forecast donations and contributions, but membership fees cover just part of payments, for example, for rent.

In the annual report, there is a requirement to indicate detailed information about all the main liabilities, which have not been included in the balance sheet, the guarantees given by NGOs, as well as those in which the guarantee could result in liabilities. *The sums of loans, interest rates and repayment deadlines* must be indicated. If the loans are secured by collateral, it shall be reported to, and it shall indicate which object of property is used as collateral.

3. Other loans.

Structure of other loans stated NGO long-term loans from other entities as well as its debt for finance lease on fixed asset. There is no requirement in the annual report to transcribe the types of loans. *Other loans* of 100 NGOs investigated account for 1% of total liabilities in the balance sheet. The amount is insignificant, if it is not taken into account that separate NGOs have other long-term loans in the amount of Ls 21 723, Ls 55 300 and Ls 107 786, but the amount of those NGOs having liabilities from other loans are 14 from the 100 organisations investigated.

4. Short-term loans from credit institutions.

NGO principal payments, the deadline of payment for which is in a year's time from the balance sheet date, as well as the late interest payments are indicated at the section of short-term loans from credit institutions.

Short term loans from credit institutions account for 1% of total liabilities in the balance sheet. It is insignificant amount and does not leave big influence. Nine out of 100 NGOs have short term liabilities to banks. Largest sums are Ls 12 656, Ls 24 440 and even Ls 140 562. A question arises – what is the organisation doing, if it can repay a loan in the amount of Ls 140 562 in a year's time? Monthly payment on average is Ls Ls 11 713,50. It is significant amount for an organisation, if its main field of activity is not of economic nature.

5. Taxes and mandatory state social insurance contributions.

Section of taxes and state mandatory social insurance contributions indicate the total amount of NGO liabilities in relation to state and municipality budget for the payment of taxes and duties, as well as the mandatory state social insurance contributions. In the annual report, they are transcribed by types of taxes, payments, deductions, late payment penalties, fines, etc.

Organisations in their annual reports have reported liabilities to the state budget related to the personal income tax, the state compulsory social insurance contributions, value added tax (VAT only), property tax (if there is no exemption), natural resource tax (when selling goods) and the different charges and penalties. As a remainder of the 100 organizations in the balance sheet on December 31, 2012 the total tax liability balance was 2%, which is not a significant amount of the total amount of liabilities in the balance sheet.

6. Other creditors.

NGOs liabilities to other parties for short-term loans, goods received and services rendered, as well as obligations with respect to employees about the salaries, reimbursements or other payments not transferred to their accounts in credit institutions or paid from NGOs treasury are stated as other creditors.

From 100 organisations investigated, other creditors account for 35% from the total liabilities in the balance sheet, which is significant section in the NGO balance sheet. In order to evaluate the section of this balance sheet, additional information from the annual report is required, but it is not a mandatory requirement. It can only be presumed that the largest part of this sum consists of debt for purchased goods or services, which must be actually paid in a week, month, quarter or year.

Proposals

1. To conduct enhanced inspection and audit of random NGO annual reports.
2. To determine accounting requirements separately for double and single entry of accounting in accordance with the principles of accrual and cash basis.
3. To determine the order for fixed asset enumeration, kinds of evaluation and depreciation.
4. To determine kinds of inventory enumeration and evaluation.
5. To identify requirements to attach transcriptions of the balance sheet sections in the annex of the annual report.
6. To determine kinds of enumeration and evaluation of debtors.

Annual report verification

NGO's annual report is verified by the audit commission appointed by the board of organisation (meeting of members or other institution specified in the articles of association), which participates and conducts the inventory of material resources (fixed assets, stocks, cash and other), inventory of accounting records and examination of supporting documents and assessment of the annual report compilation and verification of its compliance with laws and regulations.

During the audit, all notes are recorded and saved. The audit commission may make written proposals and objections to the correction of errors in accounting policies, compliance, assessment of the annual report and other issues.

The audit commission's provides the organization's management with the findings of the audit report and certified auditor gives also the review of the annual report.

Conclusions

Regulatory enactments do not define the competency of the NGO audit commission. As a result, there is a risk of just formal verification of NGO's annual report. This in turn creates a risk to provide false, misleading, vague, nebulous information in the annual report. Thus, the user of the annual report can draw the wrong conclusions and make such decisions, which could result in negative financial consequences for NGOs. For example, risks of insolvency, inability to settle with creditors, debt, employees, tax receivables and other events. If the audit is performed by a professional - auditor - then

these risks are decreasing. As the auditor's services are not free of charge, not all organizations can afford it.

Proposals

It is necessary that regulatory enactments state for organizations keeping double-entry bookkeeping and whose income for the year exceeds Ls 25 000 to have mandatory annual review of the accounts by sworn auditor's and auditors' opinion should be attached to the annual report.

Analysis of financial indicators

In a form of experiment, the analysis of economic indicators was conducted for 100 organisations investigated similar to that of enterprises (limited liability companies). Data from *Revenue and Expenditure account* and *Balance sheet* of 100 NGOs investigated have been used (see Fig. 23. Result of financial indicators for selected NGOs.).

No.	Financial indicator	Result	Norm	Conclusion
1.	Gross profit margin	77%		
2.	Nett profit margin	5%		
3.	Return on equity	16%		
4.	Asset turnover ratio	0,1633	> 1 or = 1	Under norm
5.	Fixed asset turnover ratio	5,08	> 1 or = 1	Above norm
6.	Current asset turnover ratio	2,71	> 1 or = 1	Above norm
7.	Total liquidity ratio	1,59	> 2 or = 2	Under norm
8.	Current liquidity ratio	1,37	> 1 or = 1	Above norm
9.	Absolute liquidity ratio	0,99	> 0,3 or = 0,3	Above norm
10.	Proportion of liabilities in the balance	0,46	0 - 0,5	Norm

Figure 23. Result of financial indicators for selected NGOs.

Source: *Annual reports of 100 PBOs. Ltd. "Lursoft IT"*.

Risk, which could significantly influence the financial situation of NGOs is the total liquidation ratio, which is less than the norm. It means that NGOs possess current assets to cover short-term liabilities.

Conclusions about the revenue and expenditures of the NGO sector

1. In 2012, funding was available for the implementation of certain activities not for providing daily work.
2. In 2012, associations and foundations became more active to start and expand their complimentary economic activity.
3. Voluntary income of organisations consists of donations (materials and money) and membership fees, as well as especially attracted funding – economic activity

of an organisation (as complimentary activity) and public funding (grants provided by municipalities, establishments and ministries in a form of competitions and others), as well as the obtained inheritances.

4. NGO revenue over the last three years has gradually increased. In 2012, the total revenue of the NGO sector was more than 232 million lats, in 2011 it was more than 214 million lats and 2010 – 189 million lats.
5. In 2011, the amount of donations received from legal persons registered in the Republic of Latvia increased by Ls 2 312 552,93 or 8% in comparison with 2010.
6. In 2011, the amount of donations received from physical persons increased by Ls 1 411 204,33 or 32% in comparison with 2010.
7. In 2012, 642 associations and foundations were registered as VAT payers, which is 4% from the total amount of NGOs on January 1, 2012*, but in 2011 4,7% NGOs were registered as VAT payers. Data about the situation in 2011 show that 373 or 61% from value added tax payers did payments in the amount of Ls 50 076,55. Percentually, the amount of value added tax paid in the state's budget has decreased by Ls 45 333,20 or 48% in 2011.
8. Total expenditures of the NGO sector in 2012 were 22 million lats (Ls 22 013 7356). Total expenditures of public benefit organisations in 2012 were 94 561 74 lats. Ngo expenditures over the last three years have gradually increased (as well as the revenue). In 2012, the total expenditures of the NGO sector were more than 232 million lats, in 2011 they were Ls 194 744,088 and in 2010 – 177 809,172 million lats.
9. In 2011, the amount of debtors (Ls 31 971 036) was significantly smaller than short-term creditors (Ls 43 251 576) and there was negative difference – Ls 11 280 540.
10. In 2011, a total of 16 084 citizens were employed in associations and foundations receiving in total Ls 30 850,38. The average salary of an employee per month has not exceeded 160 lats. On average, in 2012 there were 9 259 employees in the NGO sector having contract for work performance of job agreement. In comparison with 2011, the amount of employees has increased by 785. CSB information shows that the average gross pay per employee in the NGO sector was Ls 488,5 in 2012, and it is by Ls 23 more than in 2011.
11. In 2012, total received revenue of 100 associations and foundations was Ls 26 829 740. The largest proportion in the structure of revenue was from the income from economic activity followed by other revenues and then – grants. From the total amount of revenue (Ls 26 829 740) income from economic activity is Ls 11 025 075 or 41,09%, which shows that the basic revenue of the NGO sector is the one from economic activity. Income from economic activity – Ls 26 82 740 is almost half from the total amount of revenue. Revenue from economic activity is the basic income of the NGO sector, because they are almost half from the total amount of revenue.

* On January 1, 2012, there were 14 676 associations and foundations registered in Latvia.

3. State's Policy to Support the Operation of Associations and Foundations

Non-governmental organizations in its activities are not intimidated by the regulatory grip of regulatory enactments. Restrictive grip has been imposed on the activities of public administration.

/Author unknown/

Associations and foundations are founded, are working and expanding their scope of activities, are organising events regardless of the influence from the municipality or the state, however, their activity cannot be inconsistent with the regulatory enactments in force. The order stated in the regulatory enactments, for example, about the accounting structure, about the usage of free space for association's charity event in the municipality's culture house, about receiving funding in the framework of a project competition and about tax deductions for donations, can promote and hinder the implementation of association's or foundation's activities and work. Therefore the state or municipality as a result of their activity has direct influence on the operation of organisations.

The chapter gives an overview of the state policy in the non-governmental sector and the development of laws and regulations for reallocation of financial and material resources to associations and foundations to support their operations and activities, as well as tools that municipalities can use to support the activities of NGOs in their territory.

3.1. State's policy for the development of the NGO sector

Organised civil society - associations and foundations, religious organizations, informal groups, and unions – are groups formed by population, which expand their activities independently from national and local governments, but at the same time it has a direct impact zone. Civil society groups built in new democratic country can not operate without support tools designed by the state and local governments. Organised civil society got the space to become a partner in the new Latvian state to address the challenges that emerged along with the acquisition of independence:

1. the recognition of minorities and the respect of their rights;
2. the promotion of integration in the society;
3. the promotion of welfare and labour issues.

Work on the creation of state support framework has been done since the mid-90s so that the state institutions would introduce tools and perform actions in support and strengthening of civil society in their work. First document, which marked the country's commitment to strengthening civil society, was the national programme *Integration of Society in Latvia* (approved on 06.02.2001.) and the second document was a *Civil Society Strengthening Program 2005 - 2009* (approved on 03.04.2005., Cabinet Order no. 141)*.

* Policy planning documents (programs and guidelines) determine what changes will be introduced in the laws and regulations of the Cabinet of Ministers to improve the situation.

Since the first civil society building efforts, perception of the role of associations and foundations in the country and the need to involve citizens in various fields of activity of NGOs in the decision-making process have improved.

An important instrument for strengthening civil society and development of non-governmental organizations is *Guidelines on National Identity, Civil Society and Integration Policy (2012 – 2018)*⁷⁶. The goal expressed in the guidelines: *the task of the civil integration policy of Latvia is to reduce the barriers for the development of Latvia's civil society and to promote civic participation skills of the population and opportunities to become involved in the solution of society's common issues*⁷⁷.

As it has been stated in the introduction of guidelines, several problems in the field of civil society and integration have been identified. The most important of them::

1. large part of the population in Latvia lack belief in its ability to influence social and political processes, as well as non-governmental organisations in Latvia are not financially and administratively strengthened and sustainable⁷⁸;
2. Latvia's non-governmental organisations are still financially and administratively weak, are disproportionately frequently established in Riga, and they have a small number of members. In addition, only a small proportion of organisations is financially sustainable. However, in the conditions of socio-economic crisis, exactly NGOs were those that provided services in the areas of social and non-formal education where the public administration budget was limited⁷⁹.

The problems identified by the Ministry of Culture (the institution responsible for the strengthening of civil society activities at the national level) are reflected in the opinion of Latvian population about their belief in its ability to influence the processes in the country as well as in other studies conducted.

Identified problems existing, it is important to analyze whether the defined support tools of government institutions and factors influencing the activity are able to solve and mitigate them.

Hierarchically the most important unifying sectoral policy document (as in this case, Guidelines on Strengthening Civil Society) is the ***Sustainable Development Strategy of Latvia until 2030 (Latvia 2030)***. The main objectives of this strategy are: a happy man in a prosperous country; sustainable and healthy lifestyle; creative and tolerant society; competitiveness generated by cooperation; and the state as a partner of responsiveness⁸⁰.

The strategy includes a section *Innovative government and public participation*. Its objective is to establish efficient public administration, which is capable not only to respond quickly to changes, but also foresee and guide them, creating significant

⁷⁶ Ministry of Culture. *Guidelines on National Identity, Civil Society and Integration Policy (2012 – 2018)*. Approved by the Cabinet of Ministers 20.10.2011.

⁷⁷ Ministry of Culture. *Guidelines on National Identity, Civil Society and Integration Policy (2012 – 2018)*. Approved by the Cabinet of Ministers 20.10.2011, 3.1.

⁷⁸ Ibid, Section I "Main Goal of the Policy".

⁷⁹ Ibid.

⁸⁰ Cross-sectoral coordination center. *Sustainable Development Strategy of Latvia until 2030*. Website: www.pkc.lv section *Latvija2030*. Accessed: 05.12.2013.

services necessary in the future, and in which the majority of the society of Latvia takes active part⁸¹.

Document indicated that society should be involved in the development of policy as much as possible. In order to do it, the possibilities for real participation should be provided, as well as motivation mechanisms, which would encourage the use of these possibilities, should be intended, for example, social recognition systems, administrative advantages or simply obvious proofs that the results of participation are being actually introduced⁸².

The use of citizens' panels, participation in the development process, citizens' juries, civic participation programs, discussions on topics relevant to society and other means are offered as a solution to strengthen civic activities in order to reach this goal. It means that exactly advocacy NGOs will be engaged in planned activities.

Development Planning System Law stipulates that Sustainable Development Strategy of Latvia is hierarchically highest national development planning document, containing the national long-term development objectives, priorities and spatial development perspective, which will be achieved by implementation of sub-sectoral and territorial development policies⁸³. This statement allows to predict that the future development planning documents, will be integrated with the aims and directions of development mentioned in *Latvia 2030*.

In order to implement the settings and achieve the objectives defined in *Latvia 2030*, the *National Development Plan of Latvia for 2014 – 2020*⁸⁴ (NDP) has been developed. The vision of this plan is *Economic Breakthrough – for the Greater Well-Being of Latvia!*. NAP does not include the priority of civic participation and non-governmental sector, but one of three priorities is *Human Securability*, which includes such qualities as decent work, stability for demographic growth, development of competencies, a person healthy and fit for work, belonging to Latvia by cooperation and culture⁸⁵. Priority is quite largely associated with the non-governmental sector. It should be noted that one of the fundamental principles of the NDP building process was public participation.

The importance of the non-governmental sector in the implementation of NDP is stated also by the statements from section *Health*, it means that to create more opportunities for individuals to be active, the state supports interest-related education, provides publicly accessible sports infrastructure and facilitates measures to cut addictions⁸⁶. Section *Cooperation, Participation and Culture* emphasizes the preservation of the Latvian cultural heritage, which would mostly be attributed to the development of interests: dancing, singing, crafts, etc. What concerns exactly the development of non-governmental sector:

⁸¹ Cross-sectoral coordination center. *Sustainable Development Strategy of Latvia until 2030*. Website: www.pkc.lv section *Latvija2030*. Accessed: 05.12.2013, p. 83.

⁸² Ibid, 430.

⁸³ Ibid, 454.

⁸⁴ The Saeima of the Republic of Latvia. *The National Development Plan of Latvia from 2014 to 2020*. Adopted: 20.12.2012.

⁸⁵ The Saeima of the Republic of Latvia. *The National Development Plan of Latvia from 2014 to 2020*. Adopted: 20.12.2012, p. 2.

⁸⁶ Ibid, 35.

.. it has been possible to increase the residents' participation in making decisions that are essential for national development. Opportunities for participation as well as the improved communication with the public has built up people's confidence in their country⁸⁷.

Development of the non-governmental sector will be promoted by the conclusion written in the end: *By 2020, Latvia will have evolved into a country of active and responsible citizens where people will be willing and able to take care not only of themselves and their next of kin but also of their fellow human beings in need⁸⁸.*

This objective clearly point at the creation of civil society and stable participation at the national and local level. Such measures as, for example, support shaping national identity, promoting high quality civic participation and communication by public administration bodies with the public on issues affecting people the most, support to civil society activities that strengthen cooperation and mutual understanding, etc., with indicative financing from the state budget and foreign financial instruments⁸⁹. *National Development Plan* is a goal for the state administration, local governments, businesses, non-governmental organisations and society as a whole⁹⁰.

Although the *National Development Plan* does not include a direct objective for the support of the non-governmental sector, however, the document includes objectives and planned activities for the development of the non-governmental sector. *Procedures for the Development, Implementation, Monitoring and Public Discussion of the National Development Plan for 2014-2020* states the measures for the introduction of the plan: general funding from the state budget, including the European Union funds and foreign financial instruments, taking into account the current situation⁹¹.

National policies are determined and composed by sectoral ministries, as well as politicians at a parliamentary and the Cabinet's level. The Prime Minister has the privilege and rights along with coalition partners to identify and prioritize each of the sectoral policies before the next parliamentary elections. The way, in which priorities are set, is the creation of government's declarations and declarations of the action plan.

In 2009, the first government by Valdis Dombrovskis was approved, its declaration of the action⁹² touches upon the question of cooperation between the government and society. It must be emphasized, that in the first *V. Dombrovskis' Government Declaration* had two priorities – civic participation and development of civil society. Government was ready to strengthen the population of country and population by providing transparency in the work of public administration and local governments as

⁸⁷ Ibid, 46.

⁸⁸ The Saeima of the Republic of Latvia. *The National Development Plan of Latvia from 2014 to 2020*. Adopted: 20.12.2012, 56.

⁸⁹ Ibid, 336.

⁹⁰ Ibid, 449.

⁹¹ The Cabinet of Ministers of the Republic of Latvia. *Procedures for the Development, Implementation, Monitoring and Public Discussion of the National Development Plan for 2014 to 2020*. 19.10.2011., 8.

⁹² The Cabinet of Ministers of the Republic of Latvia. *Declaration on Intended Activities of the Cabinet of Ministers Headed by V. Dombrovskis*. Website www.mk.gov.lv section *Ministru kabinets/ Ministru kabineta darbību reglamentējošie dokumenti*. Accessed: 31.07.2013.

well as gaining public confidence in state power. Also, government intended to delegate its functions to the non-governmental sector. In order to implement government's declaration, action plan was developed⁹³. The document mentioned contains a set of detailed measures, the legal basis and expected results of the implementation of each point mentioned in the declaration. What regards the non-governmental sector, the first section of the plan was dedicated to the promotion of civic participation.

Such situation in Latvia was until 2009, when there was significant support for public participation and civil society development. Objective – development of civil society – was mentioned in several policy documents and government declaration. Consequently, the deteriorating economic situation since 2009, there is a trend not to emphasize this issue.

In 2011, the second declaration of V. Dombrovskis government was approved⁹⁴, which does not separate the priority of civic participation anymore. None of the stated priorities is directly connected with civic participation, because they include the following scope of questions: human capital, wealth and demographics, health, innovative and efficient economy, effective territory management, governance, cultural space and Latvia in the world.

*Government Action Plan*⁹⁵ provides certain activities in the section of *National Identity*: strengthen civic education and participation as the basis of developed civil society. It is expected in the Government's Action Plan to raise public civic participation by including formal and non-formal education methods and programs in general education and lifelong learning⁹⁶ up to October 1, 2014. Activity no. 139. 2 aims to strengthen the administrative capacity of associations and foundations by creating a Latvian NGO fund and ensuring its operation to be settled by 06.30.2013.

Conclusions

Since 2001, the action and policy planning documents are made in order to facilitate the establishment of civil society and public participation in public affairs. Regulatory enactments are adopted on the basis of these documents: laws, Cabinet regulations and orders. This indicates that there are problems in activity of the non-governmental sector and the creation of civil society. To change the situation, the state with the help of planning documents seeks to introduce a variety of initiatives:

1. To enhance and complement existing mechanisms for civil society participation in policy-making, implementation and monitoring at all levels, through public consultations and through involvement of NGO representatives in work groups. It is intended to provide citizens with accessible and comprehensible information in the development of communication channels and informing citizens and NGOs on participation opportunities, as well as enabling the state and local government institutions to engage citizens in policy-making and to

⁹³ Ibid.

⁹⁴ The Cabinet of Ministers of the Republic of Latvia. *Declaration on Intended Activities of the Cabinet of Ministers Headed by V. Dombrovskis*. Website www.mk.gov.lv section *Ministru kabinets/ Ministru kabineta darbību reglamentējošie dokumenti*. Accessed: 31.07.2013.

⁹⁵ Ibid.

⁹⁶ Ibid, activity 139.1.

provide feedback to civil society. In order to develop the environment for sustainable, result-oriented NGO activity designed to strengthen the capacity of NGO staff, it is expected to encourage the involvement of NGOs in expanding membership base and attracting volunteers, as well as to promote a diversified availability of funding sources to the NGO sector (2005);

2. to promote greater consistency between all stakeholders, including the participation of non-governmental organizations in the policy planning process (2006);
3. to ensure efficient involvement of non-governmental organisations in the processes of legislation and decision-making by increasing the activity of non-governmental organisations and their participation in draft decision discussion process as well as ensuring provision of autonomous and independent funding to the support of local community groups (including community fund) (2007);
4. to strengthen the capacity of NGOs in order to provide the participation of society in the initial phases of different policy planning document and regulatory enactment development; to define mandatory requirements to post information about the commencement of regulatory act development on institution websites, as well as about the possibilities of NGOs and society to be involved in this process; to increase the expertise of public administration employees on the ways of consultations and opportunities, including the cooperation among departments in the provision of information to society; to promote the education of NGOs on public administration processes as well as ensure continuing participation of NGOs in the meetings of State Secretaries, supporting the work of NGO representatives, which ensures regular, proactive informing of NGOs about the developments of regulatory enactments in all stages (2008);
5. to increase the number of people cooperating both formally and informally towards their goals and the goals of society; increase the participation efficiency of inhabitants, non-formal groups, non-governmental organisations in the processes of politics at the level of public administration and Europe, as well as to develop environment for sustainable, target-oriented operation of non-governmental organisations (2008);
6. to create a public administration that is efficient, able not only to respond quickly to change, but also to anticipate and move them, so creating public interest and services essential in the future, and with the active participation of the majority of the Latvian society in it (2010);
7. to strengthen civic education and participation in the development of civil society. It is designed to raise public civic participation, including through formal and non-formal education methods and programs in general education and lifelong learning up to October 1, 2014⁹⁷. Activity 139.2 aims to strengthen the administrative capacity of associations and foundations by creating a Latvian NGO fund and ensuring its operation (2011);

⁹⁷ The Cabinet of Ministers of the Republic of Latvia. *Declaration on Intended Activities of the Cabinet of Ministers Headed by V. Dombrovskis*. Website www.mk.gov.lv section *Ministru kabinets/ Ministru kabineta darbību reglamentējošie dokumenti*. Accessed: 31.07.2013. Activity 139.1.

8. to provide decent work, solid foundations for reproduction of the nation, competences, development, healthy and able-bodied people in the community, culture and civic participation as a form of belonging to Latvia. Expected outcome: by 2020, Latvia has developed as a country of active and responsible citizens, where people are willing and able to take care not only for themselves and their closest, but also for other fellow human beings in need of assistance (2012);
9. to reduce obstacles for the development of Latvian civil society, promote civic participation skills and opportunities to engage in solving joint issues of society (2012).

From the state initiatives for the development of the non-governmental sector mentioned above, it can be concluded that the activities stated in the documents of various level planning and procedures not always are carried out; they are moved from one document to another. As a result, only a small part of planned activities are implemented.

The most significant drawbacks in the execution of policy planning documents are two. The first – Latvia NGO Fund has not been set up. Already in 2007, The Secretariat of the Minister for Special Assignments for Society Integration Affairs submitted the report *The informative report on the classification of non-governmental organizations and the flat state budget grant accounting system development issues*, which stated that on January 19, 2007, the Prime Minister issued Order No. 33 to create interdisciplinary work to assess the arrangements for state grants for non-governmental organizations, and to prepare proposals on the criteria to be raised for non-governmental organizations, public funding, as well as the necessary amendments to the legislation⁹⁸. The problems identified by the work group were:

1. there is no single definition of NGOs;
2. the lack of common understanding on cooperation between public bodies and NGOs;
3. the existence of different practices on how ministries collaborate with NGOs and support them (for example, by awarding grants without competition, special orders, "parliamentary quota" and others);
4. there is no single state grant award system in ministries.

Suggestion of the work group from the Ministry of Finance: *Given the fact that at the moment the state funding of NGOs is channeled in many ways, it is important to arrange the system in relation to the state budget grants, making it unified, transparent and appropriate for NGOs*⁹⁹.

So that public bodies would continue the commitment to set up the NGO fund of Latvia, *Latvijas Pilsoniskā alianse* and other associations and foundations have tirelessly been explaining the necessity of the NGO fund to NGOs and public bodies along with providing information on the possible sources of funding and the principles of cross-funding.

⁹⁸ Latvijas Vēstnesis. *On work group. Prime Minister's Order No. 33. 2007.* Website www.likumi.lv p. 11. Accessed: 05.12.2013.

⁹⁹ Ibid.

The issue of the division of NGO funding from the state budget, became particularly acute during the economic crisis of Latvia, when the funding available to NGOs at the national and municipality level was significantly decreased. In 2011, this question was raised at a Cabinet level. On July 19, 2001, the Prime Minister issued a resolution to the Ministry of Finance, according to which a work group was set up in order to develop draft regulatory enactments for clarifying the budget allocation, spending, accounting, control and reporting arrangements for associations, foundations, religious organizations and enterprises. Work group's activity led to success, when on September, 19, 2013 during the meeting of State Secretaries, draft project of regulations *Procedures for the state budget authorities to grant the state budget financing to individuals for the implementation of public administration tasks and monitoring of the allocated funds*. It was planned to establish *Latvian NGO fund* in 2011, however, no fund was still set up at the end of 2013. Second example is about the formation of the NGO classification system. First intentions were expressed in 2005, however, the NGO classification system was not completed in 2013, although the work on it had been done in a form of campaigns.

Up to 2009, certain funding was allocated in order to reach the objectives for civic participation and integration, mentioned in policy planning documents and regulatory enactments, but with the arrival of socio-economic crisis, no funding for the development of NGOs was allocated.

This problems is also revealed in the *Guidelines on National Identity, Civil Society and Integration Policy (2012-2018)* by clearly identifying problems with civic activity in the country and lack of funding for the non-governmental sector. Document identifies several directions of development, possible financial solutions or necessity for additional funding.

Although it can be concluded that public policy in support of non-governmental sector has been developed at a sufficiently high state level, but in reality the situation does not change as expected in the documents, by that meaning that the financing of the non-governmental sector has not been resolved and thus also the activity of civil society and integrity have not been achieved.

The Law on Budget should provide funding for social integration, support of civil society and advocacy activities over a certain period of time.

3.2. Direct support of the state for the development and operation of organisations

Latvian public administration (ministries, authorities, local governments, enterprises) have the potential and the right to fund and otherwise support the non-governmental sector. One might ask why the state should support non-governmental organizations, if the regulatory framework does not oblige. From a policy point of view of financing, there is a fundamental difference between the public services provided by the state to provide a legal obligation, and the services that the state does not provide, but which provide benefits to society. This kind of state services may be provided directly by NGOs.

3.2.1. Division models of state funding

In civil society, non-governmental organizations act as a public policy integrator and service provider, so that the state has an interest in promoting civic participation. As indicated in previous studies, the financial support that is provided to NGOs, is part of the government policy expressing its opinion that NGOs are partners in achieving political and public goals¹⁰⁰.

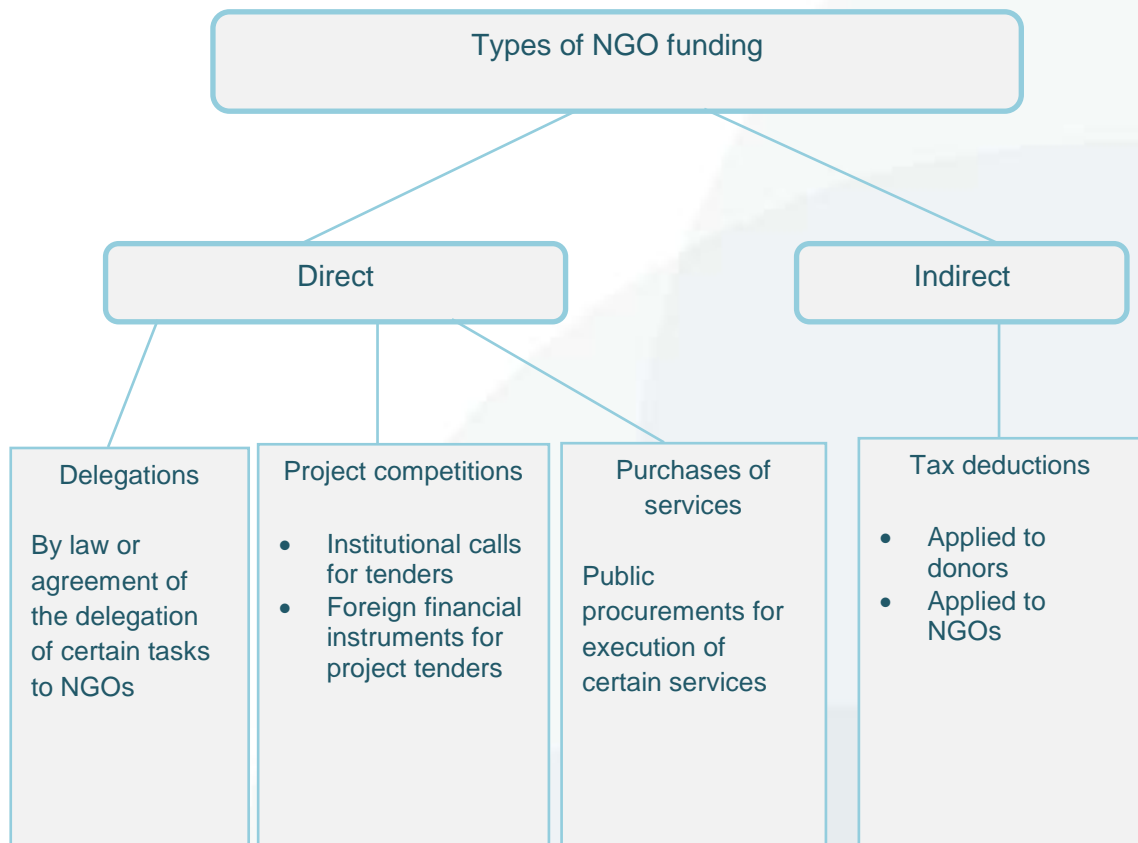


Figure 24. Division models of state funding for the NGO sector

Attēls *Valsts finansējuma pārdales veidi NVO sektoram* shematiski attēlo, kā valsts (ministrijas, iestādes un pašvaldības) var finansiāli atbalstīt nevalstisko sektoru Latvijā.

First model, how the state can fund an NGO, is by delegating tasks. *Law on State Administration Structure Law* contains provisions for civic participation in public affairs: including work groups, advisory boards or asking for expert opinions¹⁰¹. This involvement must be implemented to ensure governance, which is democratic, legal, effective, open and available to the public. The involvement of society to reach the defined objective is welcome, as it indicates the legislature's intention to work with the public administration to promote the development of democracy and civil society, which demonstrates that the rights of democratic civic participation in public affairs included in the *Constitution* and the *Associations and Foundations Law* are adjusted to the *Public*

¹⁰⁰ Curika, L., Pīpiķe, R. *State Funding for Non-Governmental Organisations*. 2007. Rīga, p. 4.

¹⁰¹ The Saeima of the Republic of Latvia. *State Administration Structure Law*. Latvijas Vēstnesis No. 94, 21.06.2002., Section 48 (1).

Administration Act. No funding is provided for NGO representatives for their participation in the public administration.

Also the *Law on Budget and Financial Management* identifies that an association or a foundation in accordance with the annual state budget law appropriations from the budget executor may receive a grant or special purpose grants or contract basis legislative delegation order as the provision of means for the implementation of specific public administration task or objective (project or activity)¹⁰².

An example of the law on the basis of delegated state administration tasks is the *Latvian Student Association*, an association has been granted public benefit status. The *Law on Institutions of Higher Education* states that the *Latvian Student Association* is a self-governing collegiate student association, which includes representatives of all accredited university students' self-governments and which is established to represent students and their opinion¹⁰³. The organization must delegate representatives for the *Council of Higher Education* and other statutory bodies, as well as give opinions on draft laws and regulations affecting the interests of students and their competence to deal with other issues related to student representation¹⁰⁴.

The legislature or the Saeima separates also the separate provision of delegating public administration tasks to the individual¹⁰⁵ as part of society. Individuals with external laws and regulations or contracts may be authorized to perform public administration tasks when these tasks to be carried out for non-commercial, and public benefit purposes, and if it is appropriate for the development of public participation in public administration.

Contract about participation is concluded, in which, if the budget means are granted, the use of funds and submission of financial statements is stated¹⁰⁶. On the allocation of financial resources (donation), the delegation of tasks, contracting and other activities the chief executive will be responsible for, who not only manages the institution's financial, personnel and other resources, but also is responsible for the administrative work of the authorities and functions¹⁰⁷.

It means that legislator, however, allows the case, when funds can be allocated to NGO, if public administration tasks are delegated. The theoretical possibility mentioned in the law [...] *if budget means are allocated [...]* can be judged sceptically. Namely, if the state continued to implement this task, it would need funding. Question: why, when delegating the task to the non-governmental sector via delegation act, does not the allocated funding follow the implementer of the task? Law should clearly specify that delegation takes place only by co-delegating the funding.

¹⁰² The Saeima of the Republic of Latvia. *Law on Budget and Financial Management*. Latvijas Vēstnesis No. 41, 06.04.1994., Section 1.

¹⁰³ The Saeima of the Republic of Latvia. *Law on Higher Education Establishments*. Latvijas Vēstnesis No.179, 17.11.1995., Section 64.² (2).

¹⁰⁴ Ibid, Section 64.² (2).

¹⁰⁵ The Saeima of the Republic of Latvia. *Law on Budget and Financial Management*. Latvijas Vēstnesis No. 41, 06.04.1994., Section 48 (3).

¹⁰⁶ The Saeima of the Republic of Latvia. *State Administration Structure Law*. Latvijas Vēstnesis Nr. 94, 21.06.2002., Section 50 (4).

¹⁰⁷ Ibid, Section 17.

However, it would be legally correct to provide the possibility for the implementer of the task to refuse the grant.

For instance, in 2013, the Ministry of Welfare made amendments to a number of contracts for the tasks delegated by state administration, which had financing allocated for the respective year¹⁰⁸.

Conclusions about the first model:

1. *The State Administration Structure Law* makes it possible to direct the state's funding to those associations and foundations, which have been delegated the implementation of state tasks by signing contract governed by civil law;
2. the current legal framework provides for the possibility of delegating administrative tasks and not provide funding for the task. However, public funding should be made compulsory with the exception that NGOs have the possibility to withdraw from receiving the funding;
3. there is no definite order how the state could finance the operation of NGOs;
4. no uniform criteria for NGO funding have been developed.

The second model for NGO financing is programmes of endowments and grants from the budgets of ministries, when the state can allocate funding for the non-governmental sector by supporting their operation at the national level in a form of subsidies and grants. *The Law on Budget and Financial Management*¹⁰⁹ states that an endowment is budget funds allocated to other budgets, associations, foundations and other institutions in the procedure stated in laws and regulations in order to provide the implementation of state or municipality's functions.

By contrast, the subsidy is money that the state grants to support a company or process or implementation of improvement, which the state wants to get involved in, as well as for other purposes consistent with the national requirements for receiving aid as general public good is provided¹¹⁰. In other words, subsidy is a type of state funding providing general support to the continuation of NGO operation by not expecting implementation of certain projects. But an endowment is allocation of funding for achieving particular objectives.

In September, 2013, draft order by the Cabinet of Ministers *Procedures for the State Budget Authorities to Grant the State Budget Financing to Private Person for the Implementation of Public Administration Tasks and Monitoring the Use of Funds Allocated* was directed for approval in the government¹¹¹. This draft expects to sort out the currently non-reglamented order of funding allocation to private persons for the implementation of tasks delegated by the state administration by providing efficient and transparent order not only of the state's budget funding allocation, but also the usage of funding and reporting about it. Also it plans to create equal opportunities for all

¹⁰⁸ Ministry of Welfare. *System of Regulatory Enactments*. Website www.lm.gov.lv. Accessed: 03.06.2013.

¹⁰⁹ The Saeima of the Republic of Latvia. *Law on Budget and Financial Management*. Latvijas Vēstnesis No.41, 06.04.1994.

¹¹⁰ Latvian Academy of Sciences, Committee of Terminology. *Database of Academic Terminology AkadTerm*. Website: www.lza.lv section *Vārdnīcas*. Accessed: 11.06.2013.

¹¹¹ Ministry of Finance. *Draft Civil Acts*. Website: www.fm.gov.lv section: *Sabiedrības līdzdalība/Tiesību aktu projekti*. Accessed: 17.09.2013.

applicants to be informed of the possibility of public administration tasks and to receive state budget funds.

The Law on Budget for the current year states the total funding for NGOs, and sometimes does not plan the allocation of funding for specific purposes or state general target areas of the funding: providing the operation of NGOs, event management activities, repair, fitting of premises, etc. More on this can be read in the section on the allocation of deputy quota. Non-targeted funding from the state budget is directed to ministries that, based on certain priority directions of the particular ministry, provide funding to associations and foundations from the budget of the respective ministry.

*The Law on State Budget for 2013*¹¹² has located the support to NGOs in the same division as the training programmes of the Latvian language. Total funding is Ls 192 500, which is the second largest funding after the allocated Ls 2 808 140 (based on the laws on state budget from 2007 to 2013)¹¹³ in 2001 (see Figure 25. State funding for non-governmental sector from the state budget.).

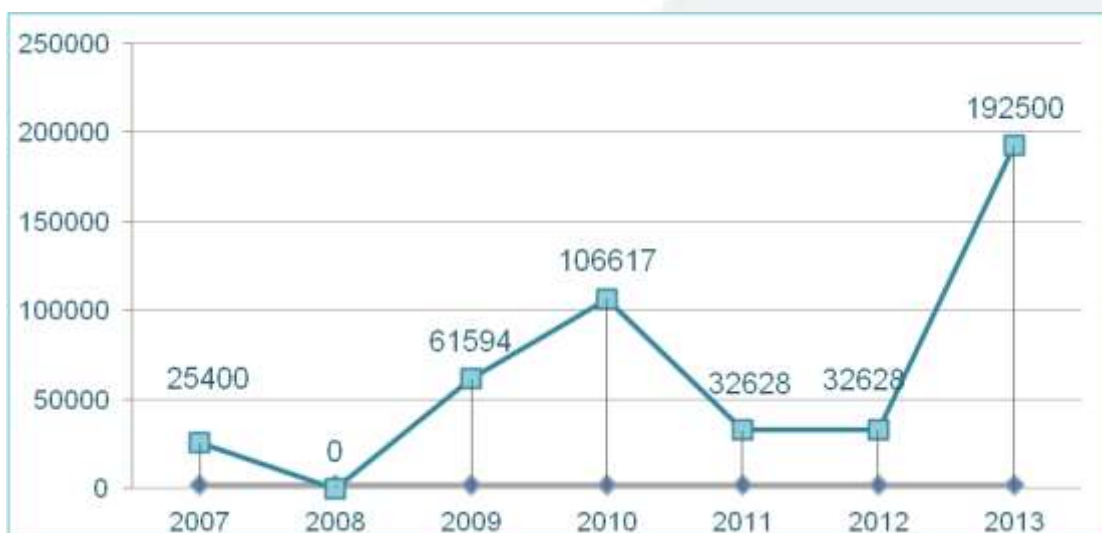


Figure 25. State funding for non-governmental sector from the state budget.

Source: *Laws On State Budget from 2007 to 2013*.

Conclusions about the second model:

1. the state can support NGO with endowments or subsidies stated in the law on state budget for the respective year;
2. there is legal regulation stating equal rights and possibilities to be informed about the possibilities to carry out state administration tasks and receive funding from the state budget, also – to provide information to the society about the results achieved in the implementation of the tasks delegated by the state and the usage of funding;
3. there is no regulatory enactment stating the order how ministries should determine the priority directions giving support to NGOs in the form of subsidies. Also no criteria have been made about which organisations can get

¹¹² The Saeima of the Republic of Latvia. *On State Budget for 2013*. Latvijas Vēstnesis No.192, 06.12.2012.

¹¹³ Curika, L., Pīpiķe, R. *State Funding for Non-Governmental Organisations*. 2007. Riga, p. 11.

the funding and which not. Uniform legal regulations should be developed with clearly defined criteria according to which the project competitions should be announced and submitted projects should be evaluated. It would provide uniform tendering and uniform criteria to all participants of competitions;

4. the funding from the state budget allocated to NGOs from 2007 to 2013 has been different every year and has not created a tendency to decrease or increase. As a result, it is hard to forecast the financial division for the next years.

The third model is similar to the second one on the state's possibilities to fund the non-governmental sector – public procurement competitions and contests for foreign financial instruments. *The Public Procurement Law*¹¹⁴ requires that the state and local government funds are used efficiently, thus the country with the ministries or their institutions publish procurement competition for suppliers, which according to the law, are natural or legal person, any combination of these persons, which respectively offers to execute works, supply products or to provide services. So the association or foundation, an organization providing a service may participate in the call for tenders at the same time with the private sector and municipalities eligible for funding.

A successful example of a purchase of a service from the non-government sector is the General Prosecutor's Office of the Republic of Latvia made a procurement for the training of prosecutors who work with minors. This service is provided by the association Centre "Dardedze". As stated in an interview with a representative of the Prosecutor General, the cooperation has been very successful, lecturers are competent and trained prosecutors welcome the knowledge gained in this way.

Another way how the state can announce competitions via ministries or bearers of financial means is foreign finance instruments, e.g., EU fund projects, European Economic Area / Norwegian Financial instruments, etc.

Exactly the submission of tenders for the implementation of the initiative is an activity in which associations and foundations attract core funding, activities and services. Since most of the project competitions where associations and foundations submit their applications, are open competitions, in which at the same time ministries, municipalities, institutions, businesses and NGOs compete, then often it is that civil society organizations have limited opportunity to receive funding. This is due to the fact that the associations and foundations for objective reasons, have a small organizational apparatus, which can guarantee neither competition for a local government or a public body in the preparation and submission of project proposals and accompanying documents, nor the large-scale preparation of documents that are necessary to ensure regular and transparent financial flows and the use of funding in accordance with the project application. One of the ways to prevent unequal situation is to create conditions in which civil society organizations and businesses would be competitive with the national authorities to implement the service. It can be done in several ways:

1. by strengthening the capacity and core activities of funding recipients (good example was the funding from the European Social Fund to strengthen non-

¹¹⁴ The Saeima of the Republic of Latvia. *Public Procurement Law*. Latvijas Vēstnesis No. 65, 25.04.2006.

- governmental organisations from 2007 to 2013 as well as European Economic Area's financial instrument programme *NGO Fund* from 2009 to 2014);
2. by expanding the availability to exclusive information available only to state institutions, for example, in the fields of social services and education;
 3. by lessening the amount of administrative costs in the budgets of project proposals;
 4. by lessening the administrative obstacles in project proposal preparation, submission, supervision of funding and implementation.

Pictured three models are coexisting, which allows the public administration to reallocate funding to associations and foundations – both to their core activity and other activities. However, there are also other forms of direct support that allow the public administration to reallocate funding to non-governmental organizations.

3.2.2. Deputy quota as an intransparent kind of state support

“Deputy quota” is a separately divided kind of support from the state. It is a method of financing, which can be indirectly attributed to direct funding, because funding has been channeled to the ministry, which redistributes it to the non-governmental organization. Deputy quota represents the funding for an NGO proposed by a deputy through a legitimate process: making amendments to the law on the state budget in the process of drafting next year's budget.

Legally, these proposals are put forward and they are voted on according to legislation procedures. The Constitution's Article 21 states that The Saeima shall establish rules of order to provide for its internal operations and order – The Rules of Procedure of the Saeima¹¹⁵. This document defines the procedure for the adoption of laws and regulations, including the law on the state budget. As pointed out in an interview with the deputy M. Grīnblats, according to parliamentary rules of procedure for any draft law (including the budget draft law or amendments to the budget law) proposals may be submitted by eight statutory bodies: the President, Parliamentary commission, fraction, deputy or a group of deputies, the Minister, Parliamentary Secretary, Parliamentary Law Office or the Ombudsman. Consequently, there is a relatively broad range of subjects having the ability to support non-governmental applications for financial demand. Although they are usually deputies or deputy groups or fractions proposing the following amendments.

A budget is a means for implementation of the State policy through financial methods. The purpose of the budget is to determine and substantiate the means required for the government, other State authorities and local governments to perform the State duties the whose financing is determined by legislative acts¹¹⁶. From that it can be concluded that every budget expenditure must be done with the goal to implement the goal stated by the legislative acts.

Proposals to the draft law on the budget is a special way, because the Parliament is to adopt a specific decision, which determines the procedure for submitting a proposal

¹¹⁵ Constitutional Assembly. *The Constitution*. Article 21. Adopted: 15.02.1922. Amendments made: 18.10.2013.

¹¹⁶ The Saeima of the Republic of Latvia. *Law on Budget and Financial Management*. Latvijas Vēstnesis No. 41, 06.04.1994., Section 1.

for the budget draft law and the accompanying bills¹¹⁷. On October 22, 2012 in the meeting of the Saeima, the decision on the proposal submission deadline and order was made¹¹⁸. Budget and Finance (Taxation) Committee, which summarized the proposals made, was set as the responsible parliamentary commission in respect of the draft law on State Budget for 2013¹¹⁹.

In assessing the proposals submitted for the draft law on the state budget for 2013¹²⁰, it is concluded that, overall, various kinds of proposals for funding of non-governmental sector were supported - both *Society Integration Fund* learning programs, organisation of various events, as well as grants for certain non-governmental organizations. In 2013, Ls 3 172 953 were allocated to the non-governmental sector, of which several non-governmental organizations received Ls 68 000 (this amount does not include the deputy J. Reira proposal, which was supported by the Saeima – Ls 24 000 grant for the Latvian Olympians Social Fund) proposed by individual deputies or political parties within the scope of deputy quota. In addition, proposals were submitted by four deputies, a total of Ls 127 785 for renovation of different religious buildings and protection of the environment, but they were not supported by the Saeima.

The Law on State Budget for 2014 was adopted by the Saeima on November 7, 2013. For the second reading of the draft law more than 800 proposals for funding of NGOs were submitted¹²¹, and several of them were supported. Total amount allocated to non-governmental organizations is EUR 3 803 090 from the budget of 2014¹²².

Legally assessing funding for non-governmental organizations within the deputy quota, it is concluded that the submission of proposals for the draft law on budget or budget amendments takes place according to laws and regulations of the procedure and are voted on by the Saeima. Consequently, the decision-making process is legitimate and transparent enough, and they can be kept track of both in the parliamentary sittings and parliamentary transcripts and legislative database.

However, no matter how democratically the funding would be granted, it is not possible to determine which are the non-governmental organizations that are eligible for and/or receive funding from deputy quota. Theoretically, it is possible for any non-governmental organization to appeal to the deputy of the Saeima, commissions, political parties or factions with a request to support a non-governmental organization or activity as a whole. However, not all NGOs use this option, but those who use it not always receive funding. It is also not possible to track whether all the NGO requests are recorded and included in the draft law, which is the subject of the Saeima vote.

¹¹⁷ Ibid, Section 90.

¹¹⁸ The Saeima of the Republic of Latvia. *Bil of the State Budget for 2013I and the Accompanying Bill Package for the First Reading*. Website www.saeima.lv section *Likumdošanas datu bāze*. Accessed: 06.10.2013.

¹¹⁹ The Saeima of the Republic of Latvia. *370/p. 11. "On the State Budget for 2013"*. Website www.saeima.lv section *Likumdošanas datu bāze*. Accessed: 01.10.2013.

¹²⁰ The Saeima of the Republic of Latvia. *Proposals for the Changes in Revenues and Expenditures*. Website www.saeima.lv section *Likumdošanas datu bāze*. Accessed: 01.10.2013.

¹²¹ The Saeima of the Republic of Latvia. *948/p. 11. On the State Budget for 2014*. Website: www.saeima.lv section: *Likumdošanas datu bāze*. Accessed: 04.11.2013.

¹²² Zvirbulis, Ģ. *Special Budget Proposals*. Latvijas Avīze, 11.11.2013., p. 7.

A 2007 study on granting deputy quotas to NGOs it has been concluded that: funding is allocated to different purposes – provision of operation, implementation of the projects, etc; there are organizations that annually receive a fixed amount of funding; the NGOs that have received the funding under the deputy quota recognize that this type of funding is not received in a fair competition, and that it is based on personal contacts¹²³.

The principle of equality regarding the possibility for all NGOs to receive this type of funding is not respected during deputy quota allocation. It is negatively evaluated not only from the point of view that the deputies gaining funding for non-governmental organizations in this way, can show the public their activity and get votes in future elections (a kind of political advertising), but also from the point of view that it is difficult for the non-governmental sector to receive funding for its own operations, purchase equipment, repairs, that is for those positions, which can not be provided in state or municipal project competitions. Consequently, by not providing equal opportunities for all NGOs to receive deputy quota, certain non-governmental organizations can have easier existence as part of significant NGO costs are covered.

3.2.3. Donations by state capital companies

Previous studies have shown that there are at least six components of freedom of association, which are vital for existence of such freedom: the right to form associations, join and run them; the right to privacy in association relations; the right to a fair trial; right to receive funding, including grants and donations; right not to be limited indirectly (for example, additional burdens and responsibilities); both individuals and the freedom of choice for an association¹²⁴.

The Civil Law states that a gift is a legal transaction whereby one person grants valuable property to another through generosity and without remuneration¹²⁵. But in terms of non-governmental organizations, the legislature clearly indicates that public benefit organization can receive donations. Donations will be interpreted as property or financial resources of the person (the donor), which are handed over free of charge, on the basis of mutual agreement, to public benefit organization to achieve the objectives stated in its statutes, constitution or by-laws and are eligible for tax exemptions¹²⁶. It is thus concluded that the *Public Benefit Organisations Law* as a special legislative provision specifies these civil relations by determining gift (donation) limits. When analyzing this provision, it can be concluded that:

1. public benefit organisations are eligible to receive donations;
2. both property and financial resources can be donated;
3. donor can be both natural and legal persons;
4. no compensation is received for donation;
5. agreement must be concluded when giving and receiving donations;

¹²³ Curika, L., Pīpiķe, R. *Valsts finansējums nevalstiskajām organizācijām*. Rīga. 2007, 19.lpp.

¹²⁴ The Ombudsman. *Freedom of Association*. Website www.tiesibsargs.lv section *Pētījumi un publikācijas/ Pētījumi*. p. 33. Accessed: 02.03.2013.

¹²⁵ The Saeima of the Republic of Latvia. *The Civil Law. Part Four. Obligations Law*. Valdības Vēstnesis No.41, 20.02.1937., Section 1912.

¹²⁶ Ibid, Section 9 (1).

6. donation can be used only for organisation's goals;
7. donor is entitled to tax exemptions according to the procedures stated in the regulatory enactments.

If a donation of a person (donor) for one public benefit organisation exceeds 10 minimum monthly salaries (In 2013 – Ls 2 000) or the total amount of donations in a calendar year exceeds 10 minimum monthly salaries, such a person, in order to be entitled to use tax rebates, shall conclude a written agreement with the public benefit organisation regarding those donations which exceed 10 minimum monthly salaries¹²⁷. This provision applies only to those cases where the donor wants to receive tax rebates or donated amount exceeds Ls 2 000. This donation becomes a legally fixed Act – for the contract is concluded. This situation allows you to avoid from not closing contracts with those contributors (natural or legal persons) who do not qualify for tax rebates or whose goal of donation is not in good faith or honest.

What are the state's possibilities to support non-governmental organisation by using donations? One might ask why the state and local government should support non-governmental organizations, if the regulatory framework does not oblige? Z. Miezaine notes: *The assumption that people themselves can solve most problems faster, more creative and cheaper than the state, is the basis of public policy on donation rebates*¹²⁸. Similarly as in civil society, non-governmental organizations act as a public policy integrator and service provider, so that the public has an interest in promoting public participation.

The State Administration Structure Law has provisions that institutions may authorise individuals¹²⁹ (term "individual" is used in extended meaning and includes also associations and foundations) to perform the tasks of State administration.

By external enactment or contract an individual can be entitled to implement state tasks, if they are intended to be non-commercial but for public good and if it is useful to encourage involvement of society in public administration. An agreement is closed in which, if the allocation of budget funds is provided, the submission of use of funds and financial report are stated¹³⁰.

In any case, the head of an institution of direct administration shall organise the performance of the functions of the institution and be liable for it, shall manage the administrative work of the institution by ensuring the continuity, effectiveness and the lawfulness thereof¹³¹.

The legislature has developed *The Law On Prevention of Squandering of the Financial Resources and Property of the State and Local Governments* to ensure that the financial resource and property of a public person is utilised lawfully and in conformity

¹²⁷ The Saeima of the Republic of Latvia. *Public Benefit Organisations Law*. Latvijas Vēstnesis No.106, 07.07.2004., Section 9 (3).

¹²⁸ Miezaine, Z. *Valsts kapitālsabiedrību ziedojumi pilsoniskās sabiedrības attīstībai [Donations of state-owned companies for the development of civil society]*. Rīga. 2012, p 8.

¹²⁹ The Saeima of the Republic of Latvia. *State Administration Structure Law*. Latvijas Vēstnesis No. 94, 21.06.2002., Section 48 (3).

¹³⁰ Ibid, Section 50 (4).

¹³¹ Ibid, Section 17.

with the public interest, to prevent the squandering and ineffective utilisation¹³². It must be concluded that the nature of the target is that even if the public authority as a public person donates to a non-governmental organization, it must act efficiently and without extravagance with these financial means.

Although capital corporations are dependant on commercial environment and are not associated with non-governmental organizations, however, when exploring the possibilities of public financing for non-governmental organizations, the notion of capital corporations should be explored. The national authority can be a capital corporation (eg, public joint stock company *Latvian State Forests* and *Latvian Railway*), which operates as a joint stock company. What can be concluded from this definition is that the public local authority as a member of capital corporation becomes a member of the joint stock company's shareholders.

Capital corporation has economic activity in order to gain profit. As a result, holder of shares and stocks are interested in gaining profit. According to *The Commercial Law*, once a year, the capital corporation must approve the annual accounts in a meeting and take a decision on distribution of profit. Proposals for profit distributions are prepared by the council and are sent to participants before the meeting. Proposal states the nett profit, share of nett profit to be paid in dividends and profit usage for other goals. Shareholders meeting decides on usage of profit after the approval of the annual report.

Currently, there are two groups of Latvian capital companies, six state stock companies, one joint stock company, two companies with limited liability¹³³. In general, the law regulates the formation of state and local government capital, the restructuring of the management, alienating or terminating. Consequently, the rights or restrictions on the financing of non-governmental organizations are not regulated by this act.

The law states that it is prohibited to hand state or municipal property without compensation (ie - donate) to the individual or corporation, except in cases where the property is transferred to a public benefit organization. On the transfer of property both parties enter into an agreement, which runs for a maximum of 10 years or until the organization has a public benefit organization status¹³⁴. It is important that the property user ensures the maintenance free of charge and bears all costs. What it means is that if a public authority has given to use free of charge, for instance, a space for public benefit organization, the latter is responsible for its maintenance (property tax, utilities, etc.).

The law prohibits to give as a gift or donate public municipal funds and property, except the cases, when it is allowed by special laws or regulations of the Cabinet. In turn, the capital company funds or property may be given as a gift and donated at the same time if the following conditions exist:

¹³² The Saeima of the Republic of Latvia. *On Preventing Squandering of the Financial Resources and Property of the State and Local Governments*. Latvijas Vēstnesis No.114, 02.08.1995.

¹³³ The Cabinet of Ministers. *Regulations of the list of capital companies*. Latvijas Vēstnesis No.71, 06.05.2010.

¹³⁴ The Saeima of the Republic of Latvia. *On Preventing Squandering of the Financial Resources and Property of the State and Local Governments*. Latvijas Vēstnesis No.114, 02.08.1995. Section 11 (3.5).

1. the gift or donation is provided for the promotion of culture, art, science, education, sports, environment or public health, as well as for the promotion social assistance;
2. a possibility exists to control the utilisation of the gift or donation;
3. the relevant capital company has paid all taxes to the State or local government and salaries to the staff at the moment of giving the gift or donation;
4. the relevant capital company has worked with profit in the previous accounting year¹³⁵.

With this provision, the legislature has an exhaustive list of areas in which the corporation is entitled to donate or donate to non-governmental organizations. It is also stipulated that a corporation makes a profit and has complied with the basic obligations of the employees and the state or local government.

A controversial provision is the ability to control the utilisation of the gift or donation. It is positive that the legislature creates a provision which provides for a transparent donation and donation procedure, but utilisation is only a part of the gift giving or donation procedures. Also other not less important aspect of the gift giving and donation is not regulate – procedures of funding, ie, what are the criteria according to which non-governmental organizations that receive gifts and donations are selected.

According to the *Law On Prevention of Squandering of the Financial Resources and Property of a Public Person* it is possible to give as a gift or donate not more than 20% from the previous accounting year's profit of the capital company. If the gift or donation does not exceed Ls 1 000, then decision on granting shall be taken by the executive body of the relevant capital company¹³⁶. If the amount of an individual gift or donation exceeds Ls 1 000 or the total amount of gifts or donations given in the calendar year to one recipient exceeds Ls 1 000, then it shall be granted only with:

1. the permission of the Minister for Finance;
2. the permission of the relevant public person body;
3. the permission of the Minister for Finance and the relevant derived public person body¹³⁷.

If the amount of an individual gift or donation exceeds Ls 1 000, the gift or donation may be given only by entering into a written contract with the recipient of the gift or donation. The purpose of the gift (donation), as well as the procedures by which the giver of the gift (donation) shall check whether the received financial resources and property have been utilised lawfully and expediently shall be provided for in the contract¹³⁸. If a gift (donation) is not used for the purpose provided for in the contract or other violations of the provisions of the contract are made, the person giving the gift (donation) is entitled to unilaterally withdraw from the contract of gift (donation) and reclaim from the recipient of the gift (donation) the financial resources and property given as a gift (donation) or their value if recovery of the property is not possible. The

¹³⁵ Ibid, Section 10 (2).

¹³⁶ The Cabinet of Ministers of the Republic of Latvia. *Regulations on the list of capital companies*. Latvijas Vēstnesis No.71. 06.05.2010., 11.1 and 2.

¹³⁷ The Saeima of the Republic of Latvia. *Law on Preventing Squandering of the Financial Resources and Property of the State and Local Governments*. Section 11 (3).

¹³⁸ Ibid, 12 (1).

contract of gift (donation) shall be entered into on the basis of a type-contract approved by the Cabinet¹³⁹.

There is a risk, if the decision of state capital company donations is made by the holders of stocks or shares – politicians or their subordinates. For example, hospitals have set up public benefit funds, but theaters, as amended in the *Public Benefit Organisations Law* can be donated as to state capital companies, which carry out the national cultural functions delegated by the Ministry of Culture¹⁴⁰.

Authority is not obliged to inform the public of non-governmental funding opportunities. The proposal would be to amend these Cabinet Regulations with the provision that the state or local authorities or their capital companies must inform society of the contracts concluded for the gift or donation granting to non-governmental organisations.

Should state capital companies donate to non-governmental organisations in general? Taking into account that resources from tax payers have been invested in state capital companies, it is only logical that some of the profits are returned to the non-governmental sector. Funding can come back via the state budget for the respective year or for the state directly supporting a certain part of the public activities (both social and interest associations).

Another way how the state can donate to NGOs is by using procedures stated in the *Law On Alienation of Public Property*. Thus, public authorities may donate movable and immovable property to public benefit organizations. To donate property, draft order must be submitted for reviewing in the State Secretaries' meeting, but then – in the Cabinet's meeting. On December 5, 2013, the draft order *On Transfer of State Movable Property to Association "Active Recreation Center for Young People"* was submitted to the meeting of State Secretaries. Thus, the association obtained in their possession 135 items in 18 different categories for a total amount of Ls 434.75.

Conclusions

1. The provisions of the law, which provides tax rebates to those donors who donate to charity organizations, introduces a limit for the amount of the donation - Ls 2 000. If the amount is higher, then an agreement must be concluded. However, if the donation is for a non-governmental organization, which has no public benefit status, then no agreement is expected. This difference can lead to a situation where unscrupulous contributors may avoid the contract, thereby disclosing information about the donations and their amount.
2. The regulatory framework requires that the state can not donate to non-governmental organizations, unless it is directly stipulated by law or the regulations of the Cabinet of Ministers. On the other hand, the state can redirect funding to non-governmental sector by delegating functions or tasks.
3. The state can donate to non-governmental organizations indirectly through the state capital companies. By evaluating a public person or a capital company

¹³⁹ The Cabinet of Ministers of the Republic of Latvia. *On the public body's contract of financial means and property contribution (donation)*. Latvijas Vēstnesis No. 158. 15.08.2013.

¹⁴⁰ The Saeima of the Republic of Latvia. *On Enterprise Income Tax*. Latvijas Vēstnesis No. 32, 01.03.1995., Section 20¹(1).

entitled to financially support the non-governmental sector, it appears that the state has developed a regulatory framework which allows to donate to non-governmental organizations or to finance them, but at the same time with the help of specific provisions it ensures that the financial support is legal.

Proposals

1. If the current legal framework for the state capital donations remains, it would be necessary to determine the criteria by which state capital companies evaluate non-governmental organizations which receive funding. It would also be desirable to disclose not only contracts for the granting of a donation or a gift, but also assessment of granting a funding (protocols).
2. An alternative solution would be to annually determine in the ministries those public benefit areas that should be specifically identifiable in the State Budget Law for the respective year. This would enable the harmonization of national development policies for the non-governmental sector and have centralized planning of the diversion of financial resources to non-governmental organizations.

Joint conclusions

1. Non-governmental organizations may participate in the public procurement procedure if the services provided are in accordance with the invitation to tender.
2. Non-governmental organizations do not have the same capacity lines with the private sector and local government when participating in public tenders – they do not have an independent source of income or do not have sufficient human resources to fully implement the required procurement.
3. There is absence of equal opportunities for members of NGOs to receive funding within the scope of “deputy quota”, which paves the way for those organizations which have been funded, to receive substantial support to fund the operation of NGOs and cover their expenditures.
4. By using the deputy quota, deputies have the opportunity to build their positive image in the public eye and implement political advertising with the help of the state budget.
5. Since the study conducted in 2007, there are no changes regarding the legal regulation of granting a funding within the scope of deputy quota.

Although currently there is a possibility to direct a funding to the non-governmental sector in Latvia, there are several problems:

1. there is no general enactment of NGO funding provisions from the State budget;
2. the existing direct public funding of the NGO sector is non-transparent and lacks clear criteria and conditions for NGOs eligible for these funds and how funds are distributed. This creates a situation where each ministry may develop alternative procedures and criteria for funding, but at the same time funding can be allocated without any criteria and/or contest;
3. The NGO sector does not have equal opportunities to attract funding from the state budget within the deputy quota.

3.2.4. Municipal support instruments for NGO operation

Not only the state but also municipalities are interested in creation and development of a civil society as the implementing body of the state policy, as the local authority is able to inquire the needs of the local society and solve them the best. Work of municipalities is regulated by the law *On Local Governments*, which stipulates that the competence of municipalities include autonomous and delegated functions, as well as an opportunity to implement voluntary initiatives¹⁴¹. The goal of the state delegated functions is clear – to implement certain measures that have been delegated to the local government of municipality due to various reasons – but the autonomous functions are the basis of municipalities. With the help of these functions each municipality implements certain priorities and realises the interests of population.

The non-governmental organisations working in the local administrative territory have a good knowledge of the needs and interests of the population, as well as they are able to implement these matters most effectively. In order to solve and implement matters topical for the local residents, the non-governmental organisations require financing. Not always membership dues and donations are enough to ensure successful operation of an organisation. Therefore it is important to be aware of the ways, how a municipality can support the non-governmental sector.

It is clear that with the support of non-governmental organisations, municipality only in certain cases could implement the state delegated function (for example, the state has issued a legal norm prescribing support to the respective non-governmental organisation). Such situation might be theoretically possible as an exceptional case.

As regards the autonomous functions, municipalities can support the non-governmental sector, although there is no direct delegation in the law. Section 15 of the law *On Local Governments* exclusively lists the autonomous functions of municipalities, out of which none is directly related to the provision of support to non-governmental organisations. However, the types of activities referred to in the functions are closely related to the operations of non-governmental sector: education, culture, social matters, environment protection, children's rights etc. Out of these autonomous functions municipality is entitled to select which functions to transfer to non-governmental sector therefore providing an opportunity to support those organisations that will implement the function.

Although the law allows supporting the non-governmental sector by transferring some functions to the sector, there is a risk that those non-governmental organisations working on interest defence would not be supported. Therefore municipalities have to seek alternative solutions to support the whole non-governmental sector.

Section 12 of the law *On Local Governments* includes extensive interpretation opportunities to provide support: local governments, in the interests of residents of the relevant administrative territory, may voluntarily carry out their initiatives with respect to any matter if it is not within the competence of the Parliament (*Saeima*), the Cabinet, ministries, other State administrative institutions, the courts or other local governments,

¹⁴¹ The Saeima of the Republic of Latvia. *On Local Governments*. *Latvijas Vēstnesis* No. 61, 24.05.1994, Section 6.

or also if such activity is not prohibited by law¹⁴². This norm can be interpreted differently as it includes such notions as “interests of residents”, “voluntary”, “any matter” and each municipality individually has to fulfil these notions with the content.

The law includes a restriction to the implementation of the initiative, if it is within the competence of the Parliament (Saeima), Cabinet, ministries or other state administrative institutions or other municipalities. Therefore municipality can carry out only those initiatives not enlisted in the law. One of the functions of the Ministry of Culture prescribed in the ministry’s regulations is to develop state policy in the sphere of the integration¹⁴³. Therefore the Ministry of Culture is the institution defined in the normative acts, which views integration matters and establishment, and development of a civil society might be considered as one of the matters. However, according to the hierarchy of normative acts, law has a higher legal power than the Cabinet Regulations, therefore municipalities have to consider the framework of implementation of autonomous and voluntary functions provided in the law *On Local Governments*, as the goal of the law is to implement residents’ interests and solve their needs with the help of municipalities. Therefore support for integration and establishment of civil society is within the competence of municipalities.

According to the law, there are two ways how municipalities can support the non-governmental sector: to form / establish a non-governmental organisation or use non-governmental organisations established previously to carry out some of functions (NGO as means) or to support the non-governmental sector in general (NGO as a goal)¹⁴⁴.

In the first case, municipality delegates any task within the function to non-governmental organisation, provides authorisation to perform certain task, buys certain services from non-governmental organisation (for example, organising cultural festivities) or organises a project tender with certain content.

If a municipality has decided to support the non-governmental sector in general, it would carry out the delegation included in the law *On Local Governments* on support for the civil society’s activities in the interests of residents, implementing it as a voluntary initiative of a municipality: organising project tenders to support non-governmental organisations’ initiatives and to cover administrative expenses and / or buying services from a non-governmental organisation (rent of premises, different trainings for employees of municipalities, ordering researches etc.).

One of the ways, how a municipality can involve the local society in its work is to formulate, discuss, implement and evaluate municipality’s goals. A municipality can delegate certain tasks to non-governmental organisations, providing financing for these purposes. The legal framework of the delegated tasks can be concluded on the basis of two normative acts issued by the legislator: *State Administration Structure Law* and law *On Local Governments*. The *State Administration Structure Law* prescribes that the

¹⁴² The Saeima of the Republic of Latvia. *On Local Governments*. *Latvijas Vēstnesis* No. 61, 24.05.1994, Section 12.

¹⁴³ The Cabinet of Ministers of the Republic of Latvia. *Regulations of the Ministry of Culture*. *Latvijas Vēstnesis* No. 70, 13.05.2003, Section 4.7¹

¹⁴⁴ Civic Alliance – Latvia. *Legal framework of opportunities for municipalities to support non-governmental organisations*. 2008. Riga.

competent institution, in accordance with the procedures laid down in law, enters into the following [...] *contracts governed by public law*¹⁴⁵ to ensure effective performance of the functions of state administration. The law *On Local Governments* stipulates that in implementing local territorial administration, local governments, within the scope specified in the law *On Local Governments*, are subject to public law¹⁴⁶, therefore the municipality is entitled to enter into contract governed by public law. These contracts include cooperation, delegation, collaboration and administrative contracts. The legislator allows entering into other types of contracts governed by the public law, which have not been stipulated in the *State Administration Structure Law*.

Along with the delegation contract, the rights to take administrative decisions, which otherwise would be in the competence of municipality, are transferred to non-governmental organisation. Delegation contract is concluded if the municipality is confident that the non-governmental organisation can perform the respective administration task more effectively than the municipality itself.

By entering into collaboration contract, the non-governmental organisation shall cooperate with the municipality in fulfilment of administrative tasks but will not take any administrative decisions. For example, the Municipality Council of Jaunpils has entered into a contract with non-governmental organisations on carrying out two autonomous functions: organisation of life-long learning (the municipality employs a specialist of life-long learning for the association *Jaunpils RAC "Rats"*) and rent of premises (the municipality covers maintenance expenses of the sports club *Jaunpils*).

When entering into cooperation contract, the non-governmental organisation is provided with rights to perform certain administrative task, without restricting the municipality to perform the same task as well.

Another way, how municipalities can support the non-governmental sector is to organise various *project tenders*. Organising project tenders is one of the most popular and transparent ways, how a municipality can support the non-governmental organisations. Announcement of such tenders can have different goals, for example, to support non-governmental organisations in general, to strengthen their capacity, to support new non-governmental organisations whose goals include solving matters in the competence of municipality (education, culture, social sphere etc.), interest defence for non-governmental organisations etc. Generally the scope of the tenders is very extensive, therefore municipalities have opportunities to finance non-governmental organisation through a legitimate tender.

As the state does not have a legal framework for organisation of municipal tenders, each municipality organises tenders considering the political decision to support non-governmental organisations and on the basis of the opportunities provided by the municipality's budget. The only thing that the municipality council has to do is to develop the tender regulations that would include the municipality's goal to support non-governmental organisations in order to comply with the needs and interests of the residents living in the territory of the municipality.

¹⁴⁵ The Saeima of the Republic of Latvia. *State Administration Structure Law*. *Latvijas Vēstnesis* No. 94, 24.05.2002, Section 12 (1).

¹⁴⁶ The Saeima of the Republic of Latvia. *On Local Governments*. *Latvijas Vēstnesis* No. 61, 24.05.1994, Section 4.

The tender regulations developed by the municipality have to include a requirement, how the reporting of use of finances will be organised. A significant feature of tenders organised by municipalities is not profit generation but financial support provided to non-governmental organisations.

It is significant to differentiate between purchase of services and project tenders. The key feature is financial interest of municipality. If municipality needs to obtain the best services for the lowest price, it can be classified as an order and it has to be carried out in line with the *Public Procurement Law*. If municipality wants to support non-governmental organisations in general and improve the social life of the local community, the form would be considered as project tender.

Municipalities can also provide support to non-governmental organisations in other ways. One of the ways is provision of grants. The *Law On Budget and Financial Management*¹⁴⁷ stipulates that grants are budgetary funds allocated to other budgets, associations and foundations etc. according to the procedure determined in regulatory enactments in order to ensure the performance of the state or local government functions. Therefore a grant is a category included in the budget that reflects the essence of expenses (indicated goal), rather than the type of allocation of resources. For example, the municipal budget includes financing in the form of a grant for the association engaged in organising leisure time youth activities. A contract will be concluded with the association for the amount indicated in the budget. For example, in the budget for 2013, the Rīga City Council planned to use Ls 1 788,931 in subsidies and grants to the Education, Culture and Sports Department, and it was planned to use Ls 176 650 in tenders on providing support of the Rīga City Council to sports events and sports organisations; it was planned to use Ls 1 459,361 to the institutions providing elderly via contracting organisations and it was planned to use Ls 487,733 to shelters in Rīga via contracting organisations. In total, the Rīga City Council was planning to use Ls 60 000 for cooperation with non-governmental organisations in 2013¹⁴⁸.

The Riga City Council established a NGO House in 2013. The NGO House was established in order to facilitate principles and goals included in the cooperation memorandum between the Riga City and NGO, thereby increasing intensity of the public participation and implementing partnership in solving matters and projects significant for residents¹⁴⁹. The NGO House provides an opportunity to use premises to organise different non-governmental organisations' events, trainings and other events. As it was noted by I. Ščegoļihins, the interest to use the premises to organise different events is increasing. This opportunity should be considered as a positive example, as establishment of the NGO House as a structural unit, ensures improvement of work of the non-governmental sector in the Riga city.

¹⁴⁷ The Saeima of the Republic of Latvia. *Law On Budget and Financial Management*. Latvijas Vēstnesis No. 41, 06.04.1994.

¹⁴⁸ Riga City Council. *Transcript of the Riga City Council income and expenses of the budget for 2013 by programmes.* website www.riga.lv <https://www.riga.lv/media/budzets/2013/3pielikums.pdf>, Accessed: 15.07.2013.

¹⁴⁹ Education, Culture and Sports Department of the Riga City Council. *On the NGO house.* Website www.iksd.riga.lv section *NVO māja*. Accessed: 21.10.2013.

Municipality can divide its financial resources to association, which organises a project tender and provides financing to winners. The association *Partnership of Preiļi Region* in cooperation with the Municipality Councils of Līvāni, Preiļi, Aglona and Vārkava is organising a small grants' project tender *Residents create their own environment*. The goal of the tender is to improve the physical and social quality of life using private initiative of residents. Associations, foundations or initiative groups of residents established only within the framework of the tender are invited to participate. The number of participants in the group is not limited – but it must exceed 10 persons. The number of project applications is limited. The Municipality Council of Livani has provided financing for 6 projects and the Municipality Council of Aglona has provided financing for 4 projects; project financing does not exceed Ls 300. The Municipality Council of Preiļi has provided financing for 4 projects and the Municipality Council of Vārkava has provided financing for 3 projects; project financing does not exceed Ls 20,000. Such cooperation model for the support of initiatives works two years.

The Municipality Council of Ogre has a similar cooperation model. The municipality is cooperating with the Dutch *Koninklijke Nederlandsche Heidemaatschappij* foundation or KNHM. Within the framework of the tender, non-registered groups of residents and public organisations – associations or foundations – can submit projects related to the improvement of life quality, providing benefits to as large part of the society as possible and that can be implemented by themselves, therefore applying for financing provided by the KNHM foundation and Municipality Council of Ogre for implementation of these projects. The goal of the tender is to improve the physical and social quality of life in the Parishes of Keipene, Laubere, Madliena, Mengele and Suntazi, on the basis of the residents' initiative. The tender is organised by the Municipality Council of Ogre and the Dutch foundation KNHM¹⁵⁰. The municipality of Bauska has a similar cooperation model.

Another type of support is *donation of property and rent of premises* that is a significant support to non-governmental organisations. Especially new organisations, when starting their operations, need movable property – furniture, equipment etc. that is related to commencement of operations or ensuring the operations. It is beneficial to municipality as well – unused or worn-out property can be transferred to non-governmental organisation. However, the current legal framework – the *Law On Alienation of State and Municipal Property* – stipulates that only state institutions can alienate property: movable property belonging to the state can be transferred to the public benefit organisations without charge¹⁵¹. Therefore the law does not delegate municipalities the rights to transfer movable property to the non-governmental sector without charge. It would be necessary to amend the said law and stipulate that municipalities also have such rights.

Municipality can transfer movable property to the non-governmental sector for a reduced price or via lending contract. In this case another legal norm would apply – *Law On Prevention of Squandering of the Financial Resources and Property of the*

¹⁵⁰ Municipality Council of Ogre. The project tender „Residents create their own environment (in Keipene, Laubere, Madliena, Mengele and Suntazi).” Website: www.ogresnovads.lv section *Pašvaldība/lepirkumi/2012*. Accessed: 06.12.2013.

¹⁵¹ The Saeima of the Republic of Latvia. *Law On Alienation of State and Municipal Property*. Latvijas Vēstnesis No. 168, 19.11.2002, Section 43¹ (1).

State and Local Governments. In 2008, amendments to the law were implemented, which prescribed that municipalities are allowed to transfer their property to the public benefit organisations¹⁵². The law provides a restriction for transferring the property without charge – while the organisation has the status of the public benefit organisation but not longer than 10 years. At the same time the law does not prohibit transferring property without charge repeatedly.

In general, one can conclude that municipalities have comparatively vast opportunities to support the non-governmental sector. At the same time the support ensures implementation of the municipal functions and ensuring fulfilment of interests and needs of the local residents.

Common conclusions

1. Municipality is an institution that knows interests and needs of the local residents the best; therefore, along with the support of the non-governmental organisations in the territory of municipality, these interests and needs can be satisfied at the same time implementing functions prescribed for the municipalities.
2. Municipality is operating in three ways: implementation of autonomous functions, implementation of delegated functions and voluntary initiative. With implementation of these lines of operation, municipalities can provide support for the non-governmental sector.
3. The legal framework allows municipalities to establish their own non-governmental organisations that carry out some functions of municipality; municipalities can support non-governmental organisations in the territory in general.
4. Municipalities can enter into contracts governed by the public law with non-governmental organisations, implementing delegation, collaboration or cooperation functions. Financial support can be included in these contracts.
5. With the project tenders announced by municipalities it is possible to support non-governmental organisations. The negative side of the support is the fact that not all non-governmental organisations can be the subjects of project tenders. Tenders are usually organised to improve the sphere of social, education, culture or sports, which often excludes the interest defence organisations.
6. Announcing the project tender, municipality has to develop tender regulations and to have budget financing. There are no common criteria or sample regulations, as to what the tender regulations have to include. It would be necessary to develop sample regulations in order to stipulate common criteria for announcement, selection, evaluation, reporting system etc. of a tender.
7. A mutually beneficial transaction is purchase of services from non-governmental organisations. In this case, municipality shall act in line with the requirements of the *Public Procurement Law*. It should be noted that purchase of service is subject to the value added tax.
8. If municipality takes a political decision to support non-governmental sector, the way how to do it, is to provide subsidies for non-governmental sector in the

¹⁵² The Saeima of the Republic of Latvia. *Amendments to the Law On Prevention of Squandering of the Financial Resources and Property of the State and Local Governments.* Latvijas Vēstnesis No. 47, 26.03.2008., Section 5 (2) 4.1).

municipality's budget. Using subsidies, municipality can implement some of its functions.

9. Donation of property and rent of premises is a significant support for the non-governmental sector. The current legal framework does not allow municipalities to transfer their property to a non-governmental organisation, the state, however, is allowed to do that. Therefore, in order to unify the opportunities of the state and municipalities to support non-governmental organisations, Section 43¹ (1) of the law *On Prevention of Squandering of the Financial Resources and Property of the State and Local Governments* has to be amended.

3.3. Indirect national support for the operation of associations and foundations

The second block of non-governmental funding is *indirect state funding*. It is linked to tax exemptions or rebates. Tax rebate is a share of tax by which the assessed tax may be reduced if the tax payer has met the provisions of a specific tax law or if the relief is available upon meeting the criteria laid down in the legislation¹⁵³.

Legal regulation on the tax relief is stated in the *Public Benefit Organisations Law*, providing that public benefit organization is entitled to the statutory tax incentives and individuals who donate to charity organization are eligible to receive tax rebates specified¹⁵⁴. So the tax relief is due to both natural and legal persons who donate to charity organizations; also relief may be granted for the non-governmental organization itself.

The legislature has also defined the limits to obtain tax relief, in certain cases where taxpayers having unjustable late tax payments for the reporting year shall not be entitled for tax relief for qualifying donations or gifts¹⁵⁵.

3.3.1. Tax relief to donors

The Law On Taxes and Fees states that a donation is property or financial means, which a person (donor) free of charge, based upon a mutual agreement, gives to a public benefit organisation for the achievement of the aims indicated in the articles of association, constitution or by-laws thereof and to which tax rebates may be applied¹⁵⁶. Donor can be both natural and legal person. As a result, two types of tax relief can be applied.

The Law On Personal Income Tax states what expenditures of a tax payer (natural person) are deducted from income taxation on the taxable income for the year:

¹⁵³ The Saeima of the Republic of Latvia. *On Taxes and Fees*. Latvijas Vēstnesis No. 26, 18.02.1995. , Section 1 (6).

¹⁵⁴ The Saeima of the Republic of Latvia. *Public Benefit Organisation Law*. Latvijas Vēstnesis No. 106, 13.10.2004., Section 4.

¹⁵⁵ The Saeima of the Republic of Latvia. *On Taxes and Fees*. Latvijas Vēstnesis No. 26, 18.02.1995. Section 31.

¹⁵⁶ The Saeima of the Republic of Latvia. *Public Benefit Organisation Law*. Latvijas Vēstnesis No.106, 13.10.2004., Section 9 (1).

1. *the amount of the donation or gift passed on to the budgetary authority or associations, foundations, religious organizations or institutions which have been granted public benefit organization status registered in the Republic of Latvia [...]*¹⁵⁷;
2. *– money or other thing, which a natural persons – tax payer – gives free of charge to [...] an organisation to reach the objectives set in its articles of association, constitution or by-laws*¹⁵⁸.

Here the legislator has set limitation for which donations will not be eligible to tax rebates:

1. a payment, which obliges the receiver to carry out activities, which can be considered as reward¹⁵⁹;
2. if direct or indirect reference to a particular person as the receiver of donation has been indicated as the taxpayer's recipient of the donation, e.g. a person connected with the donor, its employee or a family member of donor's employee¹⁶⁰;
3. if a tax payer donates to a non-governmental organisation registered in a Member State of the European Union or European Economic Area and has not submitted the documents regulated in the law to the State Revenue Service along with the declaration¹⁶¹.

In general, natural persons eligible expenses may not exceed 20% of the amount of taxable income¹⁶².

*The Law on Enterprise Income Tax states that included in expenses that are not related to economic activity shall be donations or gifts to other persons [...] and such expenses, which are economically not related to economic activity of the taxpayer*¹⁶³.

Tax rebates shall be applied by 85% of amounts donated to budget institutions, the State capital companies, which perform the State culture functions delegated by the Ministry of Culture, as well as associations and foundations registered in the Republic of Latvia, and religious organisations or the institutions thereof, to which the public benefit organisation status has been granted [...]¹⁶⁴. The total tax rebate in accordance with the provisions of this Section may not exceed 20 per cent of the total amount of tax¹⁶⁵.

The tax rebate shall not be applicable to payers who have debt as of the first date of the second month of a taxation period¹⁶⁶. Restrictions also apply to property or financial

¹⁵⁷ The Saeima of the Republic of Latvia. *On Personal Income Tax*. Latvijas Vēstnesis No. 32, 01.06.1993., Section 9¹ (3).

¹⁵⁸ Ibid, Section 9 (1.1).

¹⁵⁹ The Saeima of the Republic of Latvia. *On Personal Income Tax*. Latvijas Vēstnesis No. 32, 01.06.1993., Section 9 (1.1).

¹⁶⁰ Ibid, Section 9 (1.2).

¹⁶¹ Ibid, Section 9 (1.5).

¹⁶² Ibid, (1.6).

¹⁶³ The Saeima of the Republic of Latvia. *On Enterprise Income Tax*. Latvijas Vēstnesis No. 32, 01.03.1995., Section 5 (4).

¹⁶⁴ Ibid, Section 20.1 (1).

¹⁶⁵ Ibid, Section 20.1 (2).

¹⁶⁶ Ibid, Section 20.1 (4).

resources, which the payer on the basis of the contract, free of charge transfers to a public benefit organization to reach its statutory objectives. By contrast, the nature of the compensation act is the placement of donor's logo in the recipient activities or other kind of activities of guidance to donors (such as the donor's logo the book), unless compensation has not been specified for that¹⁶⁷.

3.3.2. Tax rebates to the NGO sector

Overall, three types of tax relief: the value added tax, real estate tax, as well as lottery and gambling tax can be applied to associations and foundations.

Organisations must pay the *value added tax*, if they have got revenue exceeding Ls 35 000 per year due to economic activity.

VAT exempt are those public benefit organizations, which supply goods (by that meaning that business is in the form of handing over property rights to some items to another person, who can operate with this item) and the provision of right protection services for children and young people¹⁶⁸. With this provision, the legislature has exempt a very narrow part of NGOs from the value added tax: only public benefit organizations, and only regarding the protection of children and young people's rights.

The second tax is *property tax*. Until 2003, the property tax was not levied on buildings and structures that belong to non-governmental organizations and enterprises (according to the list approved by the Saeima)¹⁶⁹. Since 2011, the Cabinet of Ministers has the delegation to define those NGOs, which are applicable to property tax relief. In 2013, those were 27 associations and foundations¹⁷⁰.

Regarding other NGOs, the Cabinet has developed criteria according to which the property tax will not be applied. Three criteria have been set:

1. the ownership of the buildings and structures are in the Land Register;
2. the buildings and structures are owned by the association which has been granted the status of a public benefit organization, or association for people with disabilities;
3. the buildings and structures are used for the public benefit activities that have been identified in the decision of granting a public benefit organization status (with the exception of buildings belonging to associations for people with disabilities).

In reality, the set criteria foresee the ownership recording in the Land Register and utilise the property only in the field of public benefit. Losing only one of the mentioned criteria, public benefit organization is under a duty to pay property tax.

¹⁶⁷ The Cabinet of Ministers of the Republic of Latvia. *Enforcement provisions of the law „On Enterprise Income Tax”*. Latvijas Vēstnesis No. 110, 13.07.2006., 125. 2.

¹⁶⁸ The Saeima of the Republic of Latvia. *Law on Value Added Tax*. Latvijas Vēstnesis No. 197, 14.12.2012., Section 52 (1) 10.

¹⁶⁹ The Saeima of the Republic of Latvia. *On Property Tax*. Latvijas Vēstnesis No. 145/147, 17.06.1997., Section 9¹ 2.

¹⁷⁰ The Cabinet of Ministers of the Republic of Latvia. *Regulations for associations and foundations exempted from property tax in 2013*. Latvijas Vēstnesis No. 93, 14.06.2012.

State has made an exception to NGOs regarding lotteries: lottery tax is not levied on non-governmental organizations and associations and religious organizations if they organize the statutory single local lottery and they are also exempt of the state fee for a special permit (license)¹⁷¹.

Conclusions

1. By the indirect public funding the state contributes substantially to the activities of non-governmental sector – both releasing NGOs from tax payments and attracting donors with tax rebate application.
2. By donating to the non-governmental sector, tax rebates are received by both natural and legal persons. It is very significant in Latvia, where there is no established tradition of philanthropy.
3. By providing tax incentives for donors, government has also imposed restrictions, respectively, those legal entities, which have not paid the tax for the previous and the current accounting year are not entitled to tax relief. Both natural persons have limitations in relation to the prohibition of quid pro quo from NGOs, thus excluding donation because of selfish interests.
4. The arrangement of the field of value added tax is important – NGOs must register as VAT payers, if the value of the services provided in the previous 12 months, has been greater than Ls 35 000 (before it was Ls 10 000).
5. A large financial burden on NGOs is the property tax, which makes up a significant part of the funds necessary for the operation of NGOs. Each year, the Cabinet determines, which public benefit organizations are exempt from this tax at all, but the tax exemption refers to other NGOs only if they fulfill the criteria defined by the state.

¹⁷¹ The Saeima of the Republic of Latvia. *Law On Lottery and Gambling Tax*.

4. Latvian Civil Dialogue and Advocacy

Do it, judge it and do not be intimidated by the judgment of others
/Reinis Kaudzīte/

Civil dialogue is a space for forming opinions and opinion formers are different organisations – associations and foundations, trade unions, political parties, non-formal organisation as well as institutions – and every individual itself. It is essential that anybody can be involved in the forming of civil dialogue at any time and there are no bureaucratic and ideological restrictions to that involvement. "Civil dialogue" is a broader concept than "civic participation". Civic participation or involvement is defined and formalized way how Latvian residents can participate in the decision-making process and influence it.

Civic participation and citizen involvement denotes such activities as giving advice and expertise to the decision-makers (such as initiative or response), while advocacy is a set of activities (campaigns, the proposal for the provision of pickets, conferences, evidence-based research studies, polls, etc.) whose goal is to bring about a change in the political, economic and social environment. One of the advocacy tools is lobbying: direct contact with decision-makers calling for and promoting changes in the existing order.

Regulatory enactments have definite procedures, which let inhabitants and civil society groups participate in the decision making process in order to express their opinion in a structured way, which is appealing to decision makers – the social department of the municipality, ministry or parliamentary committee. By contrast, civil dialogue is every Latvian citizen's right to express their views publicly and be heard. An outstanding example is the civil dialogue is when a girl from class 4 in Vecpiebalga wrote a letter addressed to Prime Minister Valdis Dombrovskis in spring, 2013¹⁷². The girl drew his attention to the bad technical condition of the regional road P30, which is threatening human health and life. The letter was one of the central activities of *The Road of Vecpiebalga must be!* activities*. The result – the chairperson of Vecpiebalga municipality informed that the national joint-stock company *Latvijas autoceļu uzturētājs /Latvian road maintainer/* was actively repairing the road in February, 2014.

Civil dialogue means to take the initiative to improve quality of life and community through formalized tools and other forms of drawing public and decision-makers' attention to certain problems and solving them.

Chapter provides information on the involvement of NGOs in the decision making process, expanding the activities of interest, the results achieved, as well as the difficulties that the organization has faced in trying to bring about changes in laws and regulations at local or national level. To understand the ability of NGOs to engage

¹⁷² Public broadcasting of Latvia. *Even children worry about the bad condition of roads*. Website www.lsm.lv. Published: 27.03.2013., Accessed: 12.12.2013.

* The activities of the action were: rally in April, 2013, regular video clips on youtube.com, press conference and statements to politicians and the public through the media.

wider population in advocacy activities, also public confidence is reflected in the activities of the NGO sector, evaluation is given as well as the public willingness to engage in these activities is expressed.

Characteristics of situation

Criterion	Indicator
Number of opinions on draft regulatory enactments at a government's level	704 opinions
Number of organisations having participated in the drafting of regulatory enactments at at government's level	264 organisations
Inhabitants believe in their individual ability to influence the decision-making process in Latvia, %	17% of Latvian inhabitants
Organisations believe in their ability to influence the decision-making process in Latvia, %	72% of associations, 91% of foundations
Number of inhabitants having participated in the inhabitant forum over the last three years	29% of Latvian inhabitants

4.1. Involvement of population in the decision-making process

Latvian inhabitants have wide opportunities to use their civic rights and participate in the decision making process both at a municipality's, regional body's and government's and parliament's level. Rights of citizens and their possibilities to participate in the decision-making process are defined in different laws and regulations:

1. The Constitution of the Republic of Latvia;
2. *State Administration Structure Law*;
3. *The Law on Local Governments*;
4. The Cabinet Regulations No. 970 *Procedures for the Public Participation in the Development Planning Process*.

The Constitution states that it gives the right of legislation initiative to the electorate¹⁷³, if one-tenth of electorate submit draft laws to the Saeima. Since February 2, 2012, amendment to Parliamentary Rules of Procedure entered into force, which allow people (at least 10 000 citizens of Latvia who have reached the age of 16 on the day of filling submission) to sign and submit to the Saeima a collective submission¹⁷⁴. Such openness to involve Latvian citizens in the decision-making process promotes civic participation in state processes and is expressed in the maturity of civil society as high sense of responsibility and duty to their country and their fellow human beings, individuals by being actively involved in various social processes and openly expressing their views and ideas. Also the feeling of maturity may be seen as tolerance for dissent and respect for majority decisions taken - even if they do not meet the individual's beliefs.

¹⁷³ Constitutional Assembly. *The Constitution*. Section 65. Adopted: 15.02.1922. Amendments made: 18.10.2013.

¹⁷⁴ The Saeima of the Republic of Latvia. *The Rules of Procedure of the Saeima. Chapter 5.3. Review of the collective application*. Adopted: 28.07.1994. Amendments made: 01.04.2012.

From the moment collective submissions entered in force* up to November 10, 2013 citizen initiatives were posted for signing on website, twelve of them were supported by 10 000 and were submitted to the Saeima for reviewing:

1. *The Same Public Transportation Fare for Non-Riga Residents* (posted online 07.10.2013.);
2. *The Protection of Fur-Bearing Animals* (posted online 28.01.2013.);
3. *Responsibility of Breaking the Oath of the Saeima Deputy* (posted online 01.12.2011.);
4. *Keeping Lats as the National Currency* (posted online 27.11.2011.);
5. *Dissolving Saeima Has no Rights to Additional Compensations* (posted online 11.11.2011.);
6. *Photoradars 15+* (posted online 28.08.2012.);
7. *Applying Reduced VAT Rate on Food* (posted online 13.08.2011.);
8. *Elections Online* (posted online 09.06.2011.);
9. *Let's Open the Saeima!* (posted online 08.06.2011.);
10. *Let's Open Off-shores!* (posted online 08.06.2011.);
11. *Restoration of the True Victory Square in Riga* (posted online 25.04.2012.);
12. *Stop ACTA* (posted online 27.01.2012.).

According to the information provided by portal www.manabalss.lv, amendments to the law have been taken due to one of the initiatives. Mass media has reflected on several initiatives as well as information about discussions in the Saeima has been published.

It is important that any citizen of Latvia can participate in supporting the initiatives on [manabalss.lv](http://www.manabalss.lv) despite his/her nationality. The same principle applies to other civic participation platforms mentioned later on. The only rights not available to non-citizens of Latvia are the passive (rights to be elected) and active voting rights (to participate in elections).

Seldom citizens are critical and even cynical to the possibility to use their civic rights to influence the decision-making process as they do not believe their ability to influence current processes and they do not trust the State power. That explains the low level of civic participation in decision-making processes. There is a small part of citizens being aware of their civic rights and opportunities and they use them to improve the well-being of themselves or other citizen group.

Citizens can be involved in the decision-making processes in different ways:

1. conventionally – ways of population impact stated within the law, which complement the existing political agenda, such as demonstrations against abortions in the Catholic countries or moderate way – participation in the municipal council meeting of the Committee;
2. unconventionally - residents protest against the political agenda, often balancing on the border of violation of law, or other activities that characterize the population disobedience.

Very versatile tools for civic involvement are available and are used in Latvia at the moment and very often the boundaries between conventional and unconventional way

* Initiatives of citizens are collected and reflected on website www.manabalss.lv

of participation have merged, because the tools are used both ways – to supplement the existing agenda and to alter it essentially. The first part of 2012 and 2013 in the context of civic participation highlights initiatives on civic involvement. A variety of larger and smaller-scale social activities on-site and online were held and their purpose was to protest against the existing order or to supplement it (see. Figure 26. Participatory tools and their usage.).

Example	Conventional participation	Unconventional participation
Documents of discussion* Up to September, 2013 The Ministry of the Interior ¹⁷⁵ had initiated discussions on 13 draft documents, The State Chancellery ¹⁷⁶ on three and the Ministry of Transport ¹⁷⁷ on two, but the Ministry of Environmental Protection and Regional Development on one draft document ¹⁷⁸ . Other 10 ministries had not initiated any draft document.	X	
Conferences organised by the Saeima ¹⁷⁹ 01.07.2013. „ Latvians in the world – belong to Latvia. 2013” 16.10.2012. „ The scope of the right to life in modern society” 09.10.2012. „ Opportunities for orphans and children without parental care to grow up in a family environment”	X	X
Citizens' forum "Riga resounds – people talking" organized by Riga City Council organized by Riga City Council.	X	
Public discussions organised by municipalities and ministries	X	
Letters and opinions to the employees, officers and officials	X	
Tool of participation made by the municipality of Ligatne local government ¹⁸⁰	X*	
Civic initiative portal www.manabalss.lv	X	X*

Figure 26. Participatory tools and their usage.

* From July 1, 2013 authorities on their websites under *Public Participation* should post information on the draft legislation, 14 days before they are announced in the State Secretaries' meeting. Thus a population in a timely manner may be familiar with the expected changes and make their views known to the officials responsible. Authorities should do it, if the legislation is significantly changed and new policy initiatives are introduced.

¹⁷⁵ The Ministry of Interior. *Discussion documents*. Website www.iem.gov.lv section *Civic participation*. Accessed: 27.08.2013.

¹⁷⁶ The Cabinet of Ministers of the Republic of Latvia. *On Discussion Documents*. Website www.mk.gov.lv section *Civic participation* subsection *On discussion documents*. Accessed: 27.08.2013.

¹⁷⁷ The Ministry of Transport. *Development of Existing Development Planning Documents and Legislation*. Website www.sam.gov.lv section *Civic participation*. Accessed: 27.08.2013.

¹⁷⁸ The Ministry of Environment and Regional Development. *Draft Regulatory Enactments*. Website www.varam.gov.lv section *Ministry* subsection *Civic participation*. Accessed: 27.08.2013.

¹⁷⁹ The Saeima of the Republic of Latvia. *Conferences organised by the Saeima*. Website www.saeima.lv chapter *Civic participation*. Accessed: 27.08.2013.

¹⁸⁰ Local government of Ligatne. *Inhabitant ideas*. Website www.ligatne.lv section *Inhabitant participation* subchapter *Inhabitant ideas*. Accessed: 27.08.2013.

* Tool is not actively used, therefore it is not possible to identify the type of civic participation. Tool can be potentially used both in conventional and unconventional ways.

*Proposals submitted by citizens on cardinal changes in the existing order, for example, such initiatives as "Photoradars 15+", "Keeping Lats as the National Currency", "Applying Reduced VAT Rate on Food", "Dissolving Saeima Has no Rights to Additional Compensations" etc., which according to the initiative and support of citizens were reviewed by the Saeima. Source: www.manabalss.lv

Individual and organised civic participation in the decision-making process mainly depends on their belief in ability to influence the decisions to be made and the trust in certain institution. Data from public opinion poll show that in 2013 Latvian citizens believe in their ability to influence the decision-making process more than in 2011. Namely, in 2013, 17% of respondents believe that they can influence decision-making process in Latvia and it is a bit more (+1,2%) than in 2011. 56% of respondents had negative attitude, which is significantly less (-16%) than in 2011¹⁸¹. The analysis of poll results in respondent groups, which were created according to different socio-demographic characteristics, reveal that the opinion that it is possible to influence the decision-making process in Latvia was expressed by those citizens who are members of a non-governmental organisation, financially most stable respondents, those up to age of 34, Latvians. Positive opinion was also more often represented by those respondents who in order to find a solution for some personal, family or society group's problem had participated in some socio-political activities (collecting signatures, public discussion etc.) or met/communicated with the employees of municipalities or state institutions, deputies, ministers, as well as those inhabitants involved in some non-governmental organisation¹⁸².

By contrast, when crossing respondent data with information on the question, "To what extent do you believe that you are able to influence the decision-making process?", interesting data were obtained. In particular, greater faith in the ability to influence the decision-making process was observed among respondents who:

1. are involved in volunteering – 41% of cases;
2. have donated money to charity organisations online – 31%;
3. have participated in citizen forums – 29%.

The smallest faith in the ability to influence the decision-making process is for those respondents who:

1. have participated in clean-ups – 59% of cases;
2. have not participated in any public/civic activity – 58%;
3. have donated money to charity by using supermarket donation boxes – 58%¹⁸³.

According to the public opinion poll data, similar to the results of 2011, also in 2013, Latvians think that the areas where non-governmental organisations could cause positive changes are as follows:

1. *nature protection* – the opinion that non-governmental organisations can have positive influence on changes was represented by 45.5% of Latvian respondents. Critical point of view was expressed by 21.7% of respondents;
2. *The protection of human rights* (including *lessening intolerance, anti-discrimination*) – 34.6% of respondents thought that non-governmental organisations can cause positive changes, while 29.9% of respondents viewed it critically;
3. *The regional community development* - 33.4% of respondents thought that non-governmental organizations can positively affect change in this area, while 26.1% of respondents were critical¹⁸⁴.

Addressing representatives of NGOs with the question "Do you believe that the organization is able to influence the decision-making process?", 72% of respondents from associations and 91% of respondents from foundations gave a positive answer¹⁸⁵. Representatives from those associations having legal entities as members believe in

¹⁸¹ Latvian Facts. *Public Opinion on the NGO Sector in Latvia. Public opinion poll.* 2013. Riga, p. 7.

¹⁸² *ibid*, p. 13.

¹⁸³ *ibid*, p. 77.

¹⁸⁴ *ibid*, p. 13.

¹⁸⁵ Web Research. *NGO operation in Latvia in 2012.* 2013. Riga, p. 77.

the organization's ability to influence the decision-making process more – 89% of cases¹⁸⁶; while in cases where the members are natural persons – 67%; and in cases where members have both natural and legal persons – 76%.

Within the scope of research, NGO representatives had indicated areas where they have a greater ability to influence the decision-making process. According to the public poll data, NGO assessment of the organization's ability to influence the decision-making process in various fields of activity is different from that of opinions expressed by Latvian residents. According to the representatives of NGOs, the organization is able to make positive changes in the following areas of activity:

1. *development of regional/local community* – the opinion that NGOs can have positive influence on change processes was stated by 64%, while 8% held a critical point of view (2% actually pointed out that an organisation actually cannot influence progress of changes);
2. *nature protection* – the opinion that NGOs can have positive influence on change processes was stated by 57%, while critical point of view – 12% of respondents (from those 3% of respondents pointed out that an organisation actually cannot influence progress of changes);
3. *protection of human rights* – the opinion that NGOs can have positive influence on change processes was stated by 50% of Latvian NGO representatives participating in the survey. Critical point of view was expressed by 10% of respondents¹⁸⁷.

Differences of opinion between the views of citizens and NGO representatives can be explained by the views expressed in focus groups and discussions. Reasons why the organization believes that they have a greater impact in the development of region/community:

1. *organisations are the first to see the needs of population and we are the first who can help to improve the situation*¹⁸⁸;
2. in municipalities with limited income, organizations and informal groups of the population can better attract financial and material resources to landscape the environment, such as the municipalities of Varkava and Riebiņi.

Within the scope of research, it can be added that the fields of operation having positive influence of NGOs in the decision-making process mentioned by the population and the NGO survey respondents show that population's expectations towards the work of the NGO sector are adequate to the actual performance.

Latvian data on the public participation activity indicators can be shown in the context of the European Union to develop conclusions about the involvement of the influencing factors. According to the data from Eurobarometer survey *Europeans' Engagement in Participatory Democracy*:

1. the majority of respondents believe that NGOs can influence the decision-making process at local (75%), national (70%) and EU (53%) level¹⁸⁹. When the data are seen separately about Latvia, it shows that 58% of Latvian population believe that NGOs are able to influence the decision-making process in the

¹⁸⁶ Web Research. *NGO operation in Latvia in 2012*. 2013. Riga, p. 78.

¹⁸⁷ Ibid, p. 25.

¹⁸⁸ Quote from focus group interviews with NGO leaders in Talsi. Talsi, 2013.

¹⁸⁹ European Commission. *Flash Eurobarometer 373. European's Engagement in Participatory Democracy. Report*. 2013., p. 4.

country¹⁹⁰. Latvian people are pessimistic about the organization's ability to influence the decision-making process at European Union level – 48% of respondents expressed the view *totally agree*¹⁹¹. Importantly, the optimistic respondents are in the age group from 25 to 54 and those who completed their education after the age of 20;

2. the most popular forms of public participation are associations and participation in the European elections (54%), expressing opinion in an electronic environment (28%), expressing opinion to the deputy of municipality (24%), participation in public debates at local or regional level (18%)¹⁹².

It should be noted that the correlation analysis shows a weak statistically significant relationship between faith in ability to influence decision-making and the number of employees (including the ones employed on project bases): an increase in the number of employees will also increase the belief that NGOs are able to influence the decision-making process¹⁹³. In particular, a strong belief in the ability to influence the decision-making process is expressed by organizations operating in Riga region (79%) and Vidzeme region (73%). Lowest level of confidence in the ability to influence decision-making process comes from the organizations operating in the region of Latgale - only 29% of respondents believe that the organization is able to influence the decision-making process¹⁹⁴.

Returning to the assessment of confidence in various institutions, the data of Latvian population survey show that compared to 2011 public confidence in the public and state institutions has greatly increased. Results have improved across the full evaluation of positions. In 2011, all 13 institutions showed a negative rating (average confidence score), while in 2013 there were only two – the government and the Saeima, which have traditionally been the most criticised institutions. For all other institutions, the number of respondents who trust in them is greater than the number of respondents representing the critical position. Positively valued institutions are local governments, police, court, trade unions and associations and foundations (see. Figure 27. Latvian population level of confidence in various institutions.).

¹⁹⁰ Ibid, p. 13.

¹⁹¹ Ibid, p. 15.

¹⁹² European Commission. *Flash Eurobarometer 373. European's Engagement in Participatory Democracy. Report.* 2013, p. 5.

¹⁹³ Web Research. *NGO operation in Latvia in 2012.* 2013. Riga, p. 79.

¹⁹⁴ Ibid, p. 82.

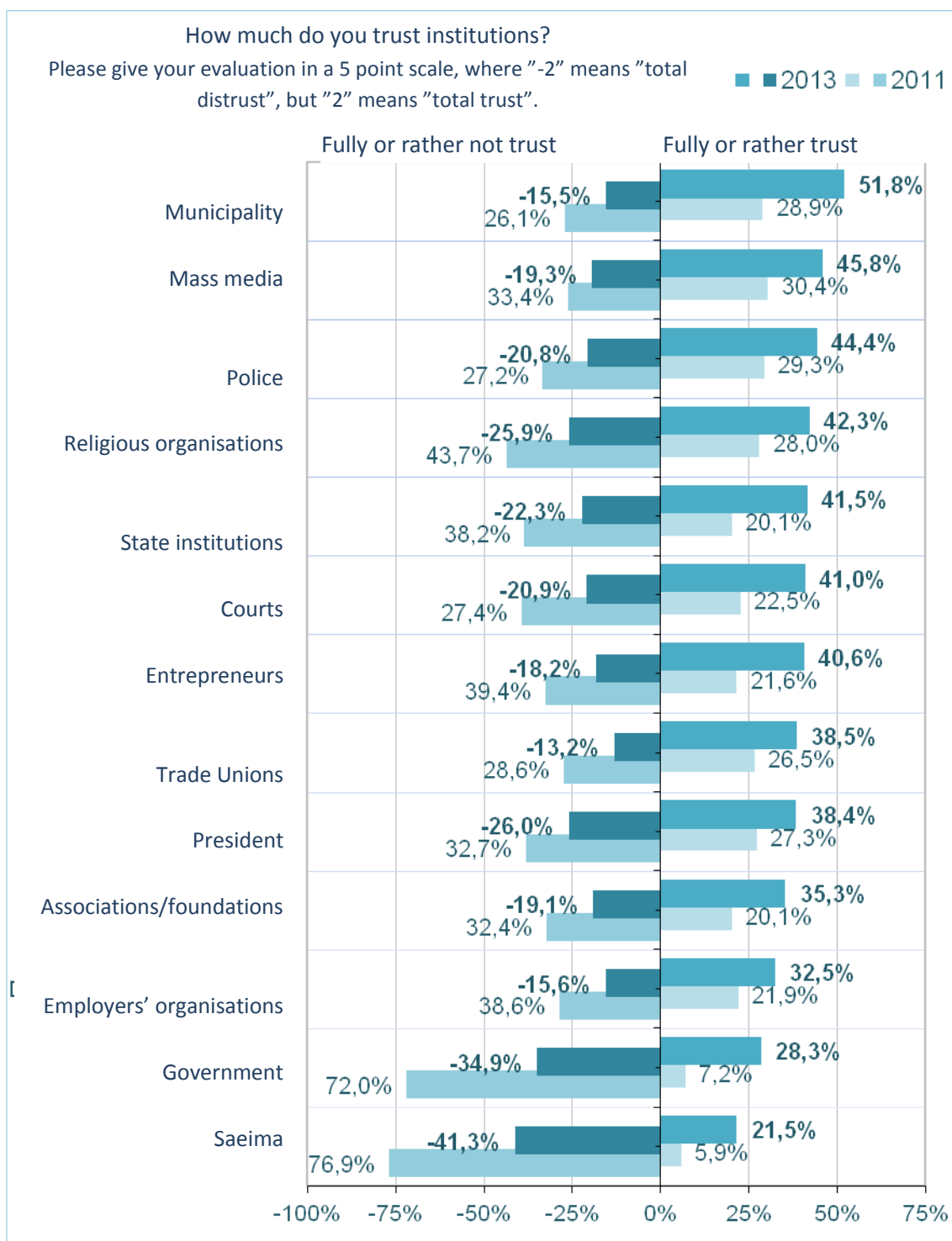


Figure 27. Latvian population level of confidence in various institutions.
Source: *Public opinion on the NGO sector in Latvia. Public opinion poll. 2013.*

Mostly associations and foundations are trusted by:

1. population aged 15 to 24 (age group for which it is characteristic to have the highest trust in institutions mentioned);
2. Latvians and Russians;
3. housewives;
4. population with moderately high level of income;

5. population of Kurzeme (region of Latvia with clearly positive trust in institutions mentioned);
6. rural population.

On the positive side, the associations and foundations are ranked as the fifth among the institutions, which Latvians trust the most. Public confidence in associations and foundations is an important aspect for them to carry out advocacy activities and cooperate with the public administration.

In the context of confidence indicators, the ones on that part of population, which have participated in any public/civic activities over the last three years, should be looked at in more detail. Inhabitants who have participated in any public/civic activity over the last three years are characterised as follows:

1. population aged 15 to 24 (37%) and 35 to 44 (36%);
2. nationality – Latvians (38%) and Polish (39%);
3. status of employment – housewives (44%) and pupils, students (40%);
4. ienākumu līmenis uz vienu ģimenes locekli mēnesī – augsts (44%);
5. obtained level of education – high (51%);
6. region – Zemgale (35%) and Riga (34%);
7. marital status – single (38%)¹⁹⁵.

4.2. Cooperation of organisations with public administration

The cooperation of associations and foundations with public administration includes several aspects, but its main task is to pool resources in order to reach common goals, for example, Liepāja City Council collaborates with Karosta Rescue Society, in order to show its official guests (delegations of other countries and cities) a part of the history of the city suburb Karosta. The organization may invite the local government to work together also on other issues, for example, an association from Zemgale has become very active and it wants to conclude an agreement on cooperation in order to educate students about green energy and energy saving and to equip schools with energy-saving devices. Cooperation key aspects are:

1. collaboration project or in the name of some goal it is stated that cooperation between an organisation and the particular establishment is needed;
2. collaboration methods or what are the tools to be used in order to reach the goal;
3. expected outcomes.

After both partners have identified the main aspects of cooperation between the two parties, responsibility which will be applied to cooperation becomes clear. Areas of responsibility are associated with both public information and activities with organizational issues and other issues. During cooperation, the responsibility of each of the parties involved is precisely defined, and also it is determined what and how large resources are necessary to carry out set tasks in high-quality.

Associations and foundations operate independently of the state, but not against the state. This means that organizations have the right and are protected against state intervention in its operation, but at the same time the state has the right to regulate the

¹⁹⁵ Latvian Facts. *Public Opinion on the NGO Sector in Latvia. Public Opinion Poll. 2013.* Riga, pp. 107 – 108 .

organized civil society so that the advantage of unlimited freedom would not limit others, such as entrepreneurs, universities, research centers, etc., independence and freedom. Thus, there are organizations for whose activities it is essential to cooperate with the public administration, and there are organizations whose activities do not need it.

According to the NGO survey data for 2012, most organizations most often collaborate with the target group (71% of respondents say that often), with other NGOs (50% say that often), with the general public (48% say that often) and with local government authorities (35% of respondents said that often).

Organizations refer to the more frequent cooperation with any of the partners in 2012 compared to 2011. Constant trend has remained that NGOs are least likely to cooperate with the European Parliament: in 2011, 79% of respondents answered that they had never worked together, but in 2012, 58% answered that they had never been cooperating. When conducting in depth analysis of the survey data on NGO cooperation, it can be concluded that there are the following trends among interconnections:

1. organisations with the status of public benefit organisations more often cooperate with other NGOs than organisations without the public benefit organisation's status;
2. the increase in the scale of organization, will also increase the intensity of cooperation with other NGOs;
3. NGOs with public benefit status cooperate with local government institutions more often than NGOs without such status;
4. the increase in the number of volunteers and members of the organization will also increase the intensity of cooperation with local government authorities;
5. NGOs with the field of operation *Economic, social and community development* cooperate with their municipalities more often, while non-governmental organisations working in the sphere of advocacy intensity of cooperation is average, but for professional associations the intensity of cooperation is rated as "rare".

Organisation leaders from local governments and cities very often call the support given by the local government as cooperation and point out that it is "very good".

It is very important to separate the two concepts having significant difference, however, they are often used as synonyms:

1. the public administration support for NGO activity – governments, institutions and ministries provide tangible and intangible support for the operation of organizations and/or for certain activities. Kinds of Material aid are project competitions, funding allocation, allocation of space and providing office equipment for use without compensation, but the intangible forms of support are advice on financial, accounting, legal and other matters;
2. cooperation between the NGO and public administration – organisation of joint events (for example, forums, conferences and discussions), as well as conducted researches.

Examples of cooperation between NGOs and public administration in 2012 and 2013

Conference *Latvians in the world – belong to Latvia. 2013* organised by the Ministry of Culture in cooperation with the Parliamentary Commission of Social Cohesion, the

Ministry of Foreign Affairs, The Ministry of Education and Science, World Free Latvian Association and European Latvian Association.

First Jurmala Youth Forum (dedicated for the development of Jurmala youth strategy aimed at improving the quality of life of young people in Jurmala aged 15 to 25), organized by Jurmala Children and Youth Center, Jurmala City Council and the association *Youth Leaders Coalition*.

Health month in Liepaja – an event organised by Liepaja City Council together with the events of NGOs.

Population forum *Riga resounds - people talking!* was an event organised by Riga City Council and the association Latvian Civil Alliance.

Conference *Social work efficiency: problems and solutions* organised by the Association of Social employees in cooperation with the Ministry of Welfare and the Baltic Psychology and Management University College.

Organisations working with municipalities and other authority dealing with a particular problem and at the same time give their expertise to the decision-maker, for example, to the Social Committee member in the municipality. Thus, the organization allows the municipality to adopt a decision based on the needs of target groups. If the organization's representatives have commented on draft laws and regulations, or have participated in the meetings where the decision has been made, association or foundation has become the participant of decision-making process.

4.3. Associations as the participants of decision-making process

Participation of NGO in the decision-making process: organisations are provided with rights and opportunities, as well as procedure defined by the public administration, how and in which stages of decision-making process to get involved to ensure that organisations can take measures to protect interests. Rights and procedure have been stipulated in laws, Regulations of Cabinet and the binding regulations of municipalities, for example:

- In Latvia - Section 6 of the *State Administration Structure Law* stipulates how institutions can involve population, representatives of society and organisations in their work.
- On the municipal level - Section 56 of the law *On Local Governments* prescribes that meetings of committees shall be open meetings. Transparency in this context implies that population can familiarise timely with the meeting agenda and participate at the meeting.

To identify the intensity of the public participation in the decision-making process in certain spheres or even in a definite matter, recommendations in the document *Code of Good Practice for Civil Participation in Decision-making process* developed by the European Council should be used. According to the recommendations provided by the European Council, the intensity of the public participation in the decision-making process can be divided in four levels:

1. *information* – low level of participation which usually consists of a one-way provision of information from the public authorities. No interaction required. The state administration's task is to provide the topical information to the target group and involved parties. The organisations' task is to inform groups of society on participation opportunities in decision-making process in line with the administration level (local, regional, national level);
2. *consultation* – medium participation level characterised by the state administration initiative. NGO have opportunity to provide opinions and recommendations. Provision of information is two-way but it is characteristic that state administration selects topics to discuss with the involved parties. The role of state administration is to invite all the involved parties to participate in the discussion. Organisations have to provide opinion or expertise on political document or normative act;
3. *dialogue* – medium / high participation level. Public hearings are organised in committees or commissions of municipalities / parliament / government. The scope of discussions is wide and the topics can be initiated by the group of society. The state administration's task is to ensure a place and time for discussions but the role of NGO is to recommend or lead discussions, workshops and conferences. A feature of cooperative dialogue is preparation of joint recommendations (state administration and involved parties) to introduce changes in normative acts. Cooperative dialogue is strengthened by a wide dialogue that consists of captivating, regular and often meetings of state representatives and groups of society to develop strategies that often lead to joint agreements. Both parties have to take responsibility for summarising suggestions and their inclusion in normative acts;
4. *partnership* - high participation level, shared responsibility and obligations between the state administration and organised groups of society in all stages of decision-making process. Partnership includes activities as delegating state administration tasks to NGO, participation fora, establishment of joint decision-making bodies. Both parties take responsibility and obligations for a successful implementation of policy¹⁹⁶.

The public participation in the decision-making process is possible if several conditions apply. Firstly, mutual motivation (government and citizens) should exist with an aim to cooperate and influence or change the existing legislation, political planning documents in line with the client's or citizen's needs. Secondly, formal instruments should exist that would promote the public participation and these instruments have to directly influence changes in normative acts and political planning documents¹⁹⁷.

It is possible to obtain an impression on the intensity and level of the public participation viewing information summarised by the State Chancellery on data provided by ministries as regards participation of NGO in the decision-making process, including in the process of improvement of the existing normative acts. According to the summarised information in 2012:

- 12 ministries concluded a cooperation memorandum or similar document with non-governmental organisations.*. In the majority of cases the existing cooperation memoranda were extended in 2012 as they were joined by new

¹⁹⁶ Grigorjevs, E., Pīpiķe, R., Šimanska, I. *Pašvaldību un NVO sadarbība kopienai Rīgas reģionā [Local Government and NGO Cooperation for the Community in Riga Region]*. Civil Alliance – Latvia. Riga. 2009, p.14.

¹⁹⁷ Šimanska, I. *Organizētās pilsoniskās sabiedrības sasniegumi lēmumu pieņemšanas procesā izpildvaras līmenī Latvijā [Achievements of organised civil society in the decision-making process at the execution level in Latvia]*. 2010. Rīga, p. 25.

* Ministry of Foreign Affairs, Ministry of Education and Science, Ministry of Culture, Ministry of Finance, Ministry of Traffic, Ministry of Health, Ministry of Environmental Protection and Regional Development, Ministry of Justice, Ministry of Agriculture.

organisations. On 4 July 2012, the Ministry of Education and Science concluded a new cooperation memorandum with non-governmental organisations on *efficient and open cooperation in coordinating new motivation, remuneration and professional quality assessment programme for teachers*¹⁹⁸. The Ministry of Finance informed that joint-stock company *Latvijas Loto* has concluded an agreement with the *Association of Anonymous Gamblers* on cooperation in the field of social responsibility¹⁹⁹,

- 140 advisory councils were operating that involved 851 representatives of associations and foundations and in 142 cases draft laws and political planning documents were discussed in the advisory councils' meetings. One hundred forty-two advisory councils' meetings were held in 2012. During these meetings draft laws and political planning documents were discussed. Comparing with 2011, the number of meetings had increased by 50;
- ministries developed 1,220 normative acts and political planning documents in total and 264 organisations were involved in the work. The highest number of normative acts and political planning documents were developed by the Ministry of Economics (301 or 25% of the total number) and the Ministry of Agriculture (235 or 19% of the total number). The largest proportion of NGO in working groups, which were developing draft normative acts, was in the Ministry of Justice (36 or 51% of all the draft normative acts developed by the Ministry of Justice were developed in cooperation with NGO) and in the Ministry of Agriculture (115 or 45% of all the draft normative acts were developed in cooperation with NGO)²⁰⁰;
- the number of cases when NGO are involved as experts in preparation of normative acts and political planning documents has significantly grown - in 2012, there were 380 cases. Comparing with 2009, the number of such cases was 245, but in 2011 - 290²⁰¹;
- the number of opinions issued by NGO has significantly increased. In 2012, NGO had issued 704 opinions, which is a very good result, comparing with the number of normative acts and political planning documents (1,220 projects were created), as well as comparing with 2011, when NGO had issued 557 opinions. In the past three years (starting with 2009 and including 2012), NGO in total had issued 2,283 opinions;
- comparing with 2011, the number of public discussions organised by ministries significantly increased in 2012. In 2011, 88 public discussions were held, in 2012 - 230. The number of public consultation, however, has decreased: In 2011, ministries organised 152 public consultations, in 2012 - only 92. Organisation of public discussions and public consultations is a very significant participation tool that promotes participation of large groups of society and provides population an opportunity to express their opinion on developments in various spheres and on expected changes.

According to Regulation No. 970 of the Cabinet *Procedures for the Public Participation in the Development Planning Process*:

¹⁹⁸ Ministry of Education and Science. *Cooperation memorandum*. 2012. Website www.izm.gov.lv. Accessed: 19.12.2013.

¹⁹⁹ State Chancellery. *Information provided by ministries on cooperation with non-governmental organisations in implementation of the cooperation memorandum between the Cabinet and NGO*. 2012. Riga, p. 4.

²⁰⁰ State Chancellery. *Information provided by ministries on cooperation with non-governmental organisations in implementation of the cooperation memorandum between the Cabinet and NGO*. 2012. Riga, p. 8.

²⁰¹ *Ibid.*, p. 9.

- public consultation is a meeting where the representatives of society participate and submit their objections. An institution organises a public discussion upon its voluntary initiative;
- public consultation is a time period laid down by an external regulatory enactment or institution, during which public representatives provide their objections and proposals or participate in other public participation activities organised by the institution (for example, public discussions and public opinion polls). Organising of public consultation is a duty of institution rather than voluntary choice.

Increase in the public participation is related to several factors:

1. the capacity of non-governmental organisations to provide regular and long-term expertise on legal documents has increased. It means that the organisations' financial capacity has increased and they are able to attract experts, who can provide consultation and expert reports;
2. work of the state administration has become more transparent - institutions inform the society and cooperation partners using different information tools: Internet, mailing lists, announcements and various social platforms. It is significant to note that the purpose of information provision has changed. Information is published not to communicate the completed work but to invite to participate and get involved in introducing changes, for example, publishing documents on the Internet for the society to discuss (providing an opportunity to comment on them on-line or contact with the developer). The concept developed by the State Chancellery *Development concept of websites of the state direct administration and central state institutions* on the role of institutions' websites includes a conclusion:

*More often a website is considered as a communication means between the state administration and society, rather than a report on the work completed by the institutions.*²⁰²

3. In general the population's belief in the ability to achieve changes in decision-making process has increased from 15% in 2011 to 17% in 2013. It is important to note that the absolutely negative attitude has decreased significantly. For example, in 2011, 72% of the Latvian population were absolutely negative towards the ability to impact the decision-making process but in 2013, this index has fallen to 56%. The representatives of organisations believe that they are able to change the decision-making process (75% of respondents). It means that participation of NGO in the decision-making process has resulted in success and certain changes have been introduced in the participation environment.

The ability of an organisation to work sustainably is mainly impacted by the financing available for its work and activities (see more about the NGO financing in Section 2 of the study). According to the NGO sustainability index showing the Latvian NGO sector financial sustainability (in 2012, the index was 3.4²⁰³), organisations depend upon the

²⁰² State Chancellery. *Development concept of websites of the state direct administration and central state institutions*. 2013. Riga, p. 17.

²⁰³ USAID. *2012 CSO Sustainability Index for Central and Eastern Europe and Eurasia*. 16th Edition. 2013. p.177.

foreign financial instruments and financing to a great extent. NGO financing procedure has been developed in Latvia and the available financing is clearly fragmented.

Establishment of environment that promotes the public participation cannot stop as organisations still express complaints about violations of ministries and municipalities. Complaints can be grouped in two categories: firstly, limited access to information and, secondly, use of formal participation practice.

According to requirements of Regulation No. 171 of the Cabinet *Procedures by which Institutions Place Information on the Internet*, websites of institutions (including websites of municipalities) have to include section *Public participation*. The section has to include the following information:

- information regarding the co-operation of the institution with non-governmental organisations (information regarding cooperation partners, short description of co-operation principles, contact persons);
- information regarding the most important working groups and councils of the institution;
- information regarding development planning documents and draft normative acts about which the public participation is expected before the decision is taken by the decision-making authority or decision-making process in line with the normative acts on procedure how the public participation is organised during the development planning process;
- information regarding the planned public discussions and the public discussions that have taken place, regarding participation possibilities therein and documents submitted to the institution or documents prepared by the institution, which have been transferred for public discussion²⁰⁴.

According to a study carried out by the State Chancellery that was developed within the framework of the *Development concept of websites of the state direct administration and central state institutions*, websites of institutions do not contain section *Public participation* (in 66 cases out of 115, the section could not be identified)²⁰⁵. A similar situation was detected in the websites of municipalities - section *Public participation* has not been created or its contents do not comply with the pre-defined criteria. Without this section, the access to topical information is limited, as well as the involvement of associations, foundations, other persons in the decision-making process is limited, if these entities have not been involved previously. Creation of such informative section is significant in order to expand the circle of those persons who might potentially participate in the creation of normative acts and political planning documents, as, according to employees of the public administration, the opinion on changes in the normative acts and political planning documents is expressed by persons, who

1. have expressed their opinion in organised meetings;
2. have expressed their opinion on the respective matter publicly.

Within the framework of the study, the participants of interviews acknowledged that there are no data bases of cooperation partners that might be used in cases when it is

²⁰⁴ The Cabinet of Ministers of the Republic of Latvia. *Procedures by which Institutions Place Information on the Internet*. Effective as of 10.03.2007.

²⁰⁵ State Chancellery. *Development concept of websites of the state direct administration and central state institutions*. 2013. Riga, p. 28.

necessary to obtain additional opinion on the planned changes. Therefore in many cases initiative expressed by non-governmental organisations to express opinion publicly on the expected changes has been the determinative factor of participation in the decision-making process.

Within the framework of the study two significant issues were detected as regards the public participation. These issues accurately characterise the status of the current public dialogue. Firstly, the established public participation tools promote involvement of population and NGO in the decision-making process in any of the stages; however, it is not the determinative factor for the increase in the participation quality. The quality of the participation depends upon the following criteria:

1. the public administration is working transparently - information is publicly available on the normative acts regulating the institution, employees and contacts of institutions, as well as the current agenda of the institutions etc.;
2. public administration uses different participation tools to involve the society that promotes involvement of different groups of society according to their individual capabilities;
3. public administration informs the society on its actions in a simple language, limiting the use of technical and specific language;
4. public participation is the basic condition for qualitative decision-making and not just a formal requirements without considering opinions expressed by individuals and organisations;
5. resources of the participant of decision-making process - the organisation or person who is participating in the decision-making process has to consider that the process is a long-term and therefore causes expenses that can be covered by attracting financing. To ensure protection of interests expenses usually incur in relation to: surveys and studies; analysis of normative acts; employment of specialists who would attend the meetings regularly, during which the specific matters are discussed; organisation of conferences and discussions; employment of specialists who would express the opinion of organisation publicly.

More often the public administration institutions express an opinion that ensuring the public participation is a requirement towards which they have a superficial attitude. Therefore in 2013 there were heated discussions in the society as regards different normative acts in the development of which the society was involved only formally or the involvement was not ensured at all but the concerns expressed by organisations were not reflected in the further process of implementation of changes. In 2013, the matters discussed widely were as follows:

1. draft Law On Residential Tenancy;
2. draft *Healthcare Financing Law*;
3. draft Amendments to the Immigration Law.

The said cases had a common feature, namely, the target group - group of society that will be most directly impacted by the implemented changes - was not involved in the discussions about the necessity of the draft laws. One of the basic conditions of the public participation concept is a mandatory involvement of the target group in discussions about the expected changes. Moreover, in two out of three cases, further progress of the draft law included unjustified (from the point of view of the public participation) urgent consideration.

The second issue that was detected: public administration expresses expectations that organisations would provide their expertise free of charge, although the participation in the decision-making process requires resources. The above-mentioned *State Administration Structure Law* stipulates that institutions can invite the society to express its opinion and provide expertise in any of the ways: participation in a working group and advisory council or provision of an opinion. Moreover, it should be considered that opportunity and obligation for the foundation to participate in the decision-making process have been provided in the Rules of Procedure of the Cabinet, as well as in different Regulations of the Cabinet and orders issued by Ministers, which prescribe the agenda and composition of the advisory councils. For example, in line with Regulation No. 764 of the Cabinet *The Guidelines on National Identity, Civil Society and Integration Policy*, 13% of the participants have to be representatives of NGO and in line with order of the Minister of Finance Andris Vilks issued in 2012 *On establishment of temporary monitoring committee of the European Union Structural Funds and Cohesion Funds*, one third of the participants have to be representatives of civil society's organisations. Of course, participation of representatives of civil society's organisations in the advisory councils and working groups is necessary and should be facilitated, however, to ensure that, organisations have to attract financing independently and in difficult conditions to employ specialists in order to be able to ensure their representatives' participation in the decision-making process, which is intensive and based on specific knowledge. According to the *Law On Remuneration of Officials and Employees of State and Local Government Authorities*:

If it is useful and financing is available for this purpose, an official (employee), who is not permanently employed by the state or municipal institution, but is appointed, elected or confirmed (for example, in commissions, advisory councils, working groups) to perform certain duties and does not enter in employment legal relationship or service relationship as a result of performing these duties, can be provided with monthly salary that is proportional to the working period.²⁰⁶

Therefore an official (employee) of the public administration shall receive remuneration for participation in advisory council, if it has been indicated in the description of working duties.

4.4. Interest defence activities and lobbying

Interest defence is a group of activities performed by people and organisations to impact the decision-making process creating direct and indirect contact with the decision-making bodies – clerks, leading employees and politicians. Although the goals of interest defence and lobbying are similar, the processes differ. Interest defence is an attempt to cause reaction of government, institution or employer using such methods as, for example, educative and informative campaign to impact the decision-making bodies. Lobbying, on the other hand, is performed by private individuals and organisations, which try to impact the state legislation process directly. Non-governmental organisations usually use combined methods to achieve interest defence of their members. The most often used activities are: performance of researches and

²⁰⁶ The Saeima of the Republic of Latvia. *Law On Remuneration of Officials and Employees of State and Local Government Authorities*. Section 3 (6.3). Effective as of 01.01.2010.

publishing of results, discussions and conferences, activities informing the society, as well as direct communication with the decision-makers submitting suggestions of amendments to the existing normative acts.

Direct communication with decision-makers – telephone conversations, correspondence, meetings to provide specific suggestions as to the amendments to the normative acts – it is the activity that is characteristic of associations and foundations as it is consistently required by the decision-makers. Interviews with the leaders of public administration, as well as focus group interviews with the NGO leaders confirm the expectations to receive specific suggestions as to the amendments to the binding regulations of municipalities or Regulations of the Cabinet, or laws, or development documents. Methods used by organisations for interest defence purposes – articles in newspapers, discussions, publishing of research results – are not considered effective to create a qualitative communication with the decision-makers. The public administration considers that the most effective and qualitative way of public participation is creation and submission of opinions, for example, on behalf of the NGO cooperation network. Therefore organisations have turned away from the classical interest defence activities and direct lobbying instruments.

In order to differentiate between a lobbyist and interest defender, the most significant feature is remuneration. Namely, a person who turns to the decision-maker in the Saeima, is provided a remuneration to achieve the amendments in the existing procedure. According to information provided by the Corruption Prevention and Combating Bureau, commercial entities or merchants can act as lobbyists by providing public relations services, as well as legal offices and professional associations that unite merchants that are lobbying industries or groups²⁰⁷.

Interest defender, on the other hand, is a person or organisation speaking on behalf of other person for the public good. The goal of interest defence is to establish public awareness or/and impact changes in the decision-making process. Firstly, organisation working with interest defence matters has mentioned those in its by-laws and takes regular measures to create awareness on certain problems and, if necessary, promote amendments to the existing normative acts. However, there are many cases when organisations work to fulfil goals prescribed in the by-laws that are not related interest defence matters but during their operations they face necessity to implement amendments to the existing normative acts. In these cases, organisation consults associations of interest defence to obtain information on the necessary actions and inform the decision-makers on the existing problem and offer solutions. Secondly, organisation can involve expert, who performs all the necessary actions to achieve changes, or, thirdly, after understanding that activities in interest defence is rare and irregular, the association itself organises activities and turns to the decision-makers.

One of countless examples of active and *ad hoc* interest defence is the so called "narrow-gauge train (*bānītis*) case". In the end of 2012, the State Administration and Municipal Committee of the Saeima viewed and confirmed amendments to the *Public Benefit Organisation Law*. Amendments provide an opportunity to the public benefit

²⁰⁷ Corruption Prevention and Combating Bureau *Difference between legal lobbying and corruption*. 2010. Riga, p.3. Website www.knab.gov.lv Section *Novēršana/Lobēšana*. Accessed: 15.12.2013.

organisations to receive property of the state and municipal capital companies without charge. The reason why the the *Club of the Narrow-Gauge Train (Bānītis) Friends* submitted suggestions of amendments to the law was the necessity to continue working on the preservation and maintenance of the narrow-gauge railway equipment, for example, obtaining trolleys, cars and locomotives as donations. To preserve and renovate the historical narrow-gauge railway exhibits, the association *Club of the Narrow-Gauge Train (Bānītis) Friends* is organising cleaning, summer camps, educative seminars and creates and distributes informative materials rather than working on the interest defence sphere. However, to ensure that the association could obtain railway exhibits legally and lawfully from the state capital companies, in 2012, the *association* submitted an application to the State Administration and Municipal Committee of the Saeima in order to change the existing situation that did not allow to receive property from a state capital company without charge. After receipt of the application the commission invited the association to participate at its meeting and tell about the issue. After the meeting the commission members agreed with the necessity to make amendments and established a working group that included also representatives of the association. After two meetings, a regulative framework was developed that satisfied the involved parties and the amendments were further on submitted to the State Administration and Municipal Committee of the Saeima for approval.

The legislative commissions of the Saeima are the institutions which are consulted to ensure quick amendments to the existing laws and normative acts. For example, organisations that were not heard in the discussions about the *National Development Plan* turned to the commissions of the Saeima with a suggestion to invite their representatives to the commissions' meetings when the respective matters are viewed. Therefore valuable amendments were introduced to the most significant development document *National Development Plan for 2014-2020*. According to the consultant of the State Administration and Municipal Committee of the Saeima: "*It is very good that somebody who is not involved in the process sees the issues and provides practical examples.*"

It is significant that the best practice of the Saeima commissions includes the reaction to the applications submitted by people by organising public hearings and working groups' meetings to evaluate the gravity of the issue and the necessity to introduce amendments to the laws.

Organisations and individuals become interest defenders in cases when it has not been prescribed in the NGO by-laws, and the state administration institutions invite the representatives as experts to speak at the meetings during which decisions are made, for example, in such meetings of the legislative commissions as the meetings of the Cabinet and municipal commissions. Consultants of the Parliament commissions and representatives of the State Chancellery and Ministries indicate that they are regularly following the publicly available information about the respective matter in order to identify experts to be invited to the meetings during which the respective matters are viewed. Of course, organisations are following the agenda of the Saeima plenary meetings, meetings of the Saeima commissions, meetings of the Cabinet, meetings of the Committee of the Cabinet and Secretaries of State, in order to identify the matters

under consideration and conclude whether organisation should provide an opinion on the respective matter.

Interest defender's activity can include a short-term specialisation that was not expected previously that complies with the goals stipulated in the by-laws of the organisation. For example, in 2012, the State Chancellery initiated the policy of the state administration human resources development matters and invited experts of the *Centre for Public Policy PROVIDUS* to express their opinion on the good governance. The *Centre for Public Policy PROVIDUS* was established with a goal:

...to contribute to the development of the Latvian politics in the spheres of good governance, criminal law, European policy and tolerance, as well as to become the source of expertise on an international level.

The goal of the *Centre for Public Policy PROVIDUS* is not to carry out expertise in the sphere of the development of state administration human resources, however, the deep understanding of its specialists and knowledge gained during the work in the matters of good governance is the reasons why the State Chancellery has selected and involved such a strong partner for development of policy.

To ensure that the public administration could involve the representatives of the society usefully, purposefully and timely in the decision-making process, another significant condition is an open and transparent activity of the institution, as well as compliance with the equality principle as regards all the parties involved in the decision-making process. In several ministries and Saeima commissions, as well as in municipalities, it can be observed that an opportunity to familiarise with the matters attached to the agenda in a timely manner is still limited. A gap in the transparency principle can be observed when a draft law is reviewed by the Saeima. A draft law submitted by the Cabinet does not contain additional information on the previous consultations and it rarely contains information on the persons involved in the development of a draft law. However, the transparency of the legislative work of the Saeima has been significantly promoted by the active initiative of the *Association for Transparency – Delna*. Thanks to the association's energetic work, since September 2012, each Latvian can familiarise with the Parliament commissions' meeting minutes in the Internet. According to Section 163 (2) of the Rules of Procedure of the Saeima, the minutes of a committee meeting shall include the following information:

1. the time of the opening and closing of the meeting;
2. the names of committee members participating in the meeting;
3. the names of other persons participating in the meeting;
4. the name of the chairperson;
5. the name of the person taking the minutes;
6. the type of committee meeting (open or closed);
7. the discussed agenda items;
8. the decisions adopted and the results of the voting.

Three notions that imply certain measures, exist simultaneously and whose significance is *to impact the decision-making process in favour of certain residents or group of residents* are currently not differentiated in Latvia. These notions are: "public participation", "interest defence" and "lobbying". Public participation in the decision-making process should be encouraged and supported as that is the only way how to

take qualitative decisions of national importance and reduce the gap between the society and the state. Interest defence and lobbying should be as well supported and facilitated and those are the part of the public participation activities. It is significant to promote the public participation and transparency in the decision-making process, ensuring equal rights to participate for everybody.

Proposals

1. To eliminate the detected issues in the process of the public participation, it is necessary to carry out monitoring on the level of municipal and ministry level to comply with the minimum requirements in order to promote the public participation applying breach policy against those public administration institutions that do not inform the society in line with requirements of the normative acts, for example, in cases when a website of institution does include a section on *Public participation* in line with Regulation No. 171 of the Cabinet Procedures by which Institutions Place Information on the Internet.
2. It is necessary to continue preparation of the half-year reports on NGO participation in the decision-making process on the government level. Reports are regularly submitted to the *Council for Implementation of the Memorandum of Co-operation between Non-governmental Organisations and the Cabinet* and it is the only way how to identify qualitative changes in NGO participation in the decision-making process on the government level.
3. It is necessary to establish participation e-tools that are user-friendly. A user-friendly e-tool is easily usable and the information included therein is concise and in a simple language. Moreover, it is necessary to implement publicity activities about the consultations initiated by institution and use of different e-tools for purposes to express an opinion, otherwise the current situation can be observed that the implemented tools are not used often and they are not widely known in the society.
4. Participation democracy – consultations with the society, summarising and submission of opinions – is a process that causes costs for the public administration and non-governmental sector. It is necessary to conceptually review the ways how the Latvian public administration can obtain opinions of NGO experts providing consultations directly and indirectly.

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Annex 1. Number of Organisations in the Municipalities of Latvia until July 3, 2013

Number of organisations in Latvia					
Municipality	Number	Municipality	Number	Municipality	Number
Rīga	7813	Inčukalns municipality	53	Rēzekne	179
Daugavpils	430	Jaunjelgava municipality	22	Rēzekne municipality	212
Liepāja	885	Jaunpiebalga municipality	19	Riebiņi municipality	29
Jelgava	347	Jaunpils municipality	25	Roja municipality	28
Jūrmala	440	Jelgava municipality	162	Ropaži municipality	56
Aglona municipality	25	Jēkabpils	105	Rucava municipality	17
Aizkraukle municipality	56	Jēkabpils municipality	30	Rugāji municipality	20
Aizpute municipality	58	Kandava municipality	92	Rundāle municipality	21
Aknīste municipality	22	Kārsava municipality	27	Rūjiena municipality	33
Aloja municipality	44	Kocēni municipality	62	Salacgrīva municipality	91
Alsunga municipality	12	Koknese municipality	23	Sala municipality	16
Alūksne municipality	137	Krāslava municipality	71	Salaspil municipality	153
Amata municipality	51	Krimulda municipality	39	Saldus municipality	195
Ape municipality	28	Krustpils municipality	32	Saulkrasti municipality	64
Auce municipality	29	Kuldīga municipality	228	Sēja municipality	17
Ādaži municipality	80	Ķegums municipality	50	Sigulda municipality	162
Babīte municipality	92	Ķekava municipality	203	Skrīveri municipality	24
Baldone municipality	52	Lielvārde municipality	75	Skrunda municipality	29
Baltinava municipality	7	Limbaži municipality	148	Smiltene municipality	86
Balvi municipality	95	Līgatne	29	Stopiņi	71

		municipality		municipality	
Bauska municipality	127	Līvānu municipality	66	Strenči municipality	18
Beverīna municipality	29	Lubāna municipality	22	Talsi municipality	219
Brocēni municipality	33	Ludza municipality	63	Tērvete municipality	23
Burtnieki municipality	77	Madona municipality	186	Tukums municipality	160
Carnikava municipality	56	Mazsalaca municipality	28	Vaiņode municipality	11
Cesvaine municipality	15	Mālpils municipality	20	Valka municipality	51
Cēsis municipality	113	Mārupe municipality	178	Valmiera	199
Cibla municipality	13	Mērsrags municipality	10	Varakļāni municipality	12
Dagda municipality	39	Naukšēni municipality	13	Vārkava municipality	14
Daugavpils municipality	115	Nereta municipality	21	Vecpiebalga municipality	32
Dobeles municipality	124	Nīca municipality	22	Vecumnieki municipality	56
Dundaga municipality	24	Ogre municipality	247	Ventspils	233
Durbe municipality	21	Olaine municipality	78	Ventspils municipality	78
Engure municipality	48	Ozolnieki municipality	101	Viesīte municipality	27
Ērgļi municipality	24	Pārgauja municipality	34	Viļaka municipality	40
Garkalne municipality	84	Pāvilosta municipality	37	Viļāni municipality	26
Grobiņa municipality	83	Pļaviņas municipality	34	Zilupe municipality	5
Gulbene municipality	128	Preiļi municipality	77	Unknown	2
Iecava municipality	39	Priekule municipality	35	TOTAL	17550
Ikšķile municipality	75	Priekulji municipality	49		
Ilūkste municipality	32	Rauna municipality	23		

Annex 2. Density of Organisations per 1 000 Inhabitants in the Municipalities of Latvia.

Density of organisations per 1 000 inhabitants in Latvia					
Municipality	Index	Municipality	Index	Municipality	Index
Rīga	11,86	Inčukalns municipality	6,68	Rēzekne	5,54
Daugavpils	4,61	Jaunjelgava municipality	3,80	Rēzekne municipality	7,52
Liepāja	11,53	Jaunpiebalga municipality	7,95	Riebiņi municipality	5,24
Jelgava	5,83	Jaunpils municipality	10,20	Roja municipality	7,05
Jūrmala	8,65	Jelgava municipality	6,57	Ropaži municipality	8,11
Aglona municipality	6,36	Jēkabpils	4,26	Rucava municipality	9,37
Aizkraukle municipality	6,23	Jēkabpils municipality	5,90	Rugāji municipality	8,46
Aizpute municipality	6,26	Kandava municipality	10,35	Rundāle municipality	5,68
Aknīste municipality	7,41	Kārsava municipality	4,30	Rūjiena municipality	5,92
Aloja municipality	8,28	Kocēni municipality	9,82	Salacgrīva municipality	10,93
Alsunga municipality	8,16	Koknese municipality	4,22	Sala municipality	4,21
Alūksne municipality	7,98	Krāslava municipality	4,06	Salaspils municipality	6,83
Amata municipality	9,00	Krimulda municipality	7,33	Saldus municipality	7,62
Ape municipality	7,30	Krustpils municipality	5,26	Saulkrasti municipality	10,93
Auce municipality	3,95	Kuldīga municipality	9,18	Sēja municipality	7,41
Ādaži municipality	7,98	Ķegums municipality	8,72	Sigulda municipality	9,68
Babīte municipality	9,78	Ķekava municipality	9,26	Skrīveri municipality	6,47
Baldone municipality	9,49	Lielvārde municipality	7,22	Skrunda municipality	5,46
Baltinava municipality	5,95	Limbaži municipality	8,32	Smiltene municipality	6,58
Balvi municipality	6,71	Līgatne municipality	7,87	Stopiņi municipality	7,03
Bauska municipality	4,97	Līvāni municipality	5,28	Strenči municipality	4,70

Beverīna municipality	8,90	Lubāna municipality	8,67	Talsi municipality	7,01
Brocēni municipality	5,29	Ludza municipality	4,43	Tērvete municipality	6,24
Burtnieki municipality	9,27	Madona municipality	7,41	Tukuma novads	5,23
Carnikava municipality	8,34	Mazsalaca municipality	8,09	Vaiņode municipality	4,21
Cesvaine municipality	5,35	Mālpils municipality	5,52	Valka municipality	5,48
Cēsis municipality	6,19	Mārupe municipality	11,16	Valmiera	7,92
Cibla municipality	4,52	Mērsrags municipality	6,11	Varakļāni municipality	3,37
Dagda municipality	4,71	Naukšēni municipality	6,54	Vārkava municipality	6,63
Daugavpils municipality	4,58	Nereta municipality	5,42	Vecpiebalga municipality	7,69
Dobele municipality	5,58	Nīca municipality	6,15	Vecumnieku nov.	6,37
Dundaga municipality	5,68	Ogre municipality	6,82	Ventspils	6,01
Durbe municipality	6,89	Olaine municipality	3,88	Ventspils municipality	6,43
Engure municipality	6,34	Ozolniek municipality	10,36	Viesīte municipality	6,53
Ērgļi municipality	7,52	Pārgauja municipality	8,60	Viļaka municipality	7,06
Garkalne municipality	10,81	Pāvilosta municipality	12,98	Viļāni municipality	4,06
Grobiņa municipality	8,88	Pļaviņas municipality	5,99	Zilupe municipality	1,49
Gulbene municipality	5,62	Preiļi municipality	7,20	Unknown	
Iecava municipality	4,31	Priekule municipality	6,00	On average	8,48
Ikšķile municipality	8,52	Priekuļi municipality	5,86		
Ilūkste municipality	4,00	Rauna municipality	6,40		

Annex 3. Sources of Non-governmental Organisation Publicity

Media segment	Source	Amount	Media segment	Source	Amount
Business newspapers	Dienas Bizness	32	Weekly editions	Ventas Balss	21
	Bizness&Baltija	6		Druva	20
Internet portals	diena.lv	104		Kursas Laiks	20
	la.lv	95		Novadnieks	19
	apollo.lv	92		Dzirkstele	18
	delfi.lv	90		Alūksnes Ziņas	17
	tvnet.lv	86		Ezerzeme	16
	nra.lv	75		Neatkarīgās Tukuma Ziņas	15
	puaro.lv	68		Rēzeknes Vēstis	15
	kasjauns.lv	62		Saldus Zeme	15
	db.lv	32		Brīvā Daugava (krievu. val.)	14
	rus.delfi.lv	27		Rēzeknes Vēstis (krievu. val.)	14
	rus.tvnet.lv	27		Zemgales Ziņas	14
	ves.lv	24		Kurzemes Vārds (krievu. val.)	13
	financenet.lv	22		Vaduguns	13
	bizness.lv	18		Ezerzeme (krievu. val.)	12
	ir.lv	16		Latgales Laiks	12
	rus.db.lv	13		Ventas Balss (krievu. val.)	10
	vestnesis.lv	13		Ogres Vēstis	9
	pietiek.com	9		Saldus Novada Vēstis	9
	rus.apollo.lv	9		Vecumnieku Novada Ziņas	9
	rus.kasjauns.lv	9		Tukuma Ziņotājs	8
telegraf.lv	3	Ķekavas Novads		7	
Monthly editions	Latvijas Pienšaimnieks	8		Novaja Gazeta	7
	Saimnieks LV	8		Panorama Rezekne	7
	Agro Tops	7		Salaspils Vēstis	7
	Kopsolī	7		Siguldas Elpa	7
	Materia Medica	3		Valkas Novada Vēstis	7
	Pārvaldnieks/Būvēt	3	Ludzas Zeme	6	
	36,6 C	2	Ventspils Novadnieks	6	
	Atbalsts	2	Kārsavas Novada Vēstis	5	
	Baltijas Koks	2	Kuldīgas Novada Vēstis	5	
	Latvijas Architektūra	2	Kurmenīte (Rugāju novads)	5	
	Doctus	1	Rīgas Apmiņķa Avīze	5	
	Ir Nauda	1	Kocēnu Novada Vēstis	4	
	Kapitāls	1	Latgales Laiks (krievu. val.)	4	
	Medicus Bonus	1	Līvānu Novada Vēstis	4	
	Meža Avīze	1	Pāvilostas Novada Ziņas	4	
	Mūsmājas	1	Riebiņu Novada Ziņas	4	
	Patiesā Dzīve	1	Smiltenes Novada Domes Vēstis	4	
	Rīgas Laiks	1	Varakļonīts	4	

	Vides Vēstis	1		Banga (Roja)	3
National newspapers	Latvijas Avīze	58		Iecavas Ziņas	3
	Diena	55		Limbažu Novada Ziņas	3
	Neatkarīgā Rīta Avīze Latvijai	38		Ludzas Zeme (krievu. val.)	3
	Vesti Segodņa	12		Nīcas Novada Vēstis	3
	Telegraf	7		Salacgrīvas Novada Ziņas	3
Weekly editions	Latvijskije Vesti	13	Weekly editions	Siguldas Novada Ziņas	3
	Ir	10		Tukuma Laiks	3
	Izglītība un Kultūra	10		Dundadziņi	2
	Jurista Vārds	6		Jaunjelgavas Novada Vēstis	2
	Sīrups	5		Jelgavas Vēstnesis	2
	Kas Jauns Avīze	4		Krāslavas Vēstis	2
	Praktiskais Latvietis	4		Ķeguma Novada Ziņas	2
	7 Super Sekretov	3		Līvānu Novada Vēstis (krievu. val.)	2
	Bilance	3		Mālpils Vēstis	2
	Ievas Veselība	2		Mūsū Novada Vēstis (Strenču novads)	2
	Mājas Viesis	2		Preiļu Novada Vēstis (krievu. val.)	2
	MK-Latvija	2		Priekules Novada Ziņas	2
	Rīgas Viļņi+	2		Saulkrastu Domes Ziņas	2
	Subbota	2		Sējas Novada Ziņas	2
	Ieva	1		Avīze Piebaldzēniem	1
	Kas Jauns?	1		Ciblas Novada Ziņas	1
	Laimīgā Programma	1		Dinaburg Vesti	1
	The Baltic Times	1		Durbes Novada Vēstis	1
	Liesma	44		Jelgavas Novada Ziņas	1
	Jaunais Vēstnesis	37		Jūrmalas Vārds.lv	1
	Vietējā Latgales Avīze	35		Kandavas Novada Vēstnesis	1
	Malienas Ziņas	32		Katram Liepājniekam	1
	Kurzemes Vārds	30		Krāslavas Vēstis (krievu. val.)	1
	Stars	29		Krimuldas Novada Vēstis	1
	Ziemeļlatvija	28		Krustpils Novadnieks	1
	Bauskas Dzīve	27		Lielvārdes Novada Ziņas	1
	Auseklis	26		Lubānas Ziņas	1
	Kurzemnieks	25		Mērsraga Avīze	1
	Zemgale	25		Neretas Novada Vēstis	1
	Brīvā Daugava	23		Pārgaujas Novada Vēstis	1
	Talsu Vēstis	23		Pļaviņu Novada Ziņas	1
	Staburags	22		Preiļu Novada Vēstis	1
	Weekly editions	Riebiņu Novada Ziņas (krievu. val.)		1	TV
Rundāles Novada Ziņas		1	LTV1	12	
Salaspils Vēstis (krievu. val.)		1	LTV7	5	
Talsu Novada Ziņas		1	TV3	2	
			Total	2155	

