

The Review of the NGO Sector in Latvia. 2015



CIVIC ALLIANCE - LATVIA

Authors

Evija Caune
Jadviga Neilande
Baiba Krieviņa-Sutora
Rasma Pīpiķe

Editor of Latvian edition Inga Skuja

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2016

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Glossary

Definitions

Advocacy - legitimate and legal activities implemented by organizations or individuals by contacting the participants of the decision-making process 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.

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

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.

Lobbying – conscious communication with the representative of public authorities carried out in the interests of an individual to influence the actions of the representative of the public authority to initiate a project, its development, coordination, and 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, 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

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

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.

Abbreviations

EEA – European Economic Area

NGO – Non-governmental organisation

SIF – Society Integration Foundation

Introduction

Civic Alliance – Latvia purposefully and successively makes the review of the operation of non-governmental organisations and their activities in Latvia. According to the methodology used, the review of 2015 about the NGO Sector in Latvia is identical to the one conducted in 2013. The review has been created by obtaining and analysing the data from several sources – both primary data by stating definite tasks of the research and secondary data obtained by the state and NGOs.

The operation of associations and foundations is understood as the NGO sector. The review does not look at and analyse other forms of organised civil society: political parties, trade unions and religious organisations. Associations and foundations have been studied, because they are both a form of population's self-organisation and the indicator of civil society's activity. The more population gets involved in public life and administration, the more active civil society is.

Operation of associations and foundations has been investigated in different cycles of the research and methodological sections. Their accounting, legal, cooperation, publicity, statistical and other aspects have been investigated.

The goal of the review

To conduct the research and create the review of the NGO sector in Latvia by identifying the field of operation, changes in it and by analysing the impact on the development of associations and foundations in comparative perspective in 2014 and 2015 in Latvia.

Specific tasks of the research

1. To obtain, collect and analyse the information, which characterises the development of the NGO sector in 2014 and 2015.
2. To collect and analyse the data from the annual financial reports of associations and foundations from 2014.
3. To study and analyse the ways NGO protects the interests of its members in the decision-making process, how the cooperation with public bodies is implemented and how society is involved in the decision-making process.
4. To obtain and analyse state support measures for NGO operation and development by studying in-depth the state support measures and by giving proposals for increasing their efficiency.
5. To obtain and analyse information about the public opinion on NGOs and evaluation about involvement in non-governmental organisations and their activities.
6. To analyse the developments in the NGO sector by taking into account the current events in political, economical and social field in Latvia and the development of communication technologies.
7. To conduct comparative analysis between the data from "The Review of the NGO Sector in Latvia. 2013" and "The Review of the NGO Sector in Latvia. 2015" and draw conclusions.

The main attention in the research has been paid to the changes found in the NGO sector in 2014 and 2015 as well as to the financial data of associations and foundations in 2014. The public opinion on NGOs, public participation, trust and other aspects are

from 2015 as the study was conducted in the respective year. Small part of the data reflected in the research are of 2012 and 2013 in order to compare and find the quantitative and qualitative changes in the sector. Also the data of 2015 were used when characterising quantitative changes, although in the moment of research the access to these data was limited as the national authorities responsible for them had not yet collected the data of 2015.

“The Review of the NGO Sector in Latvia. 2015” is the continuation and addition to “The Review of the NGO Sector in Latvia. 2013” by providing current information and offering new directions of research, which were not conducted in the research of 2013, e.g. the question of civil society and safety.

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

1. to identify the development of civil society;
2. to improve the understanding of Latvians about the meaning and benefits of self-organisation;
3. to get the latest information about the operation of non-governmental organisations;
4. to provoke exchange of opinions and actions in the use of methods in order to make Latvia a country of booming, active and responsible citizens until 2030*;
5. to inform policy planners about the contribution of associations and foundations in the development of welfare, education, health, culture and economy, and in the improvement of environment and nature protection.

*One of the guidelines in “Sustainable Development Strategy of Latvia until 2030”.

Turning points in 2015

Modest progress in the development of the NGO sector's environment was observed in 2014, followed by important debates and discussion processes about the draft laws in 2015. They will leave impact on the environment defining the development of the NGO sector.

NGO support programme

On June 11, 2014, The Ministry of Culture, in accordance with the measures stated in the "Guidelines on National Identity, Civil Society and Integration Policy (2012-2018)" and the competition on "The Implementation of Separate Tasks for the Public Service in the Field of Civil Society and Intercultural Dialogue" announced by the same body, signed collaboration agreements "On the Implementation of Separate Tasks for the Public Service in the Field of Civil Society and Intercultural Dialogue" with associations "Civic Alliance – Latvia", "Zemgale NGO Centre", "Kurzeme NGO Centre" and the foundation "Valmiera Region Fund".

Associations mentioned above carry out calls for NGO project proposals for non-governmental organisations in Riga, Zemgale, Kurzeme and Vidzeme planning region. Signing these agreements with non-governmental organisations and delegating this task to them, means that the state shares responsibility with and trusts in organised civil society.

This programme was continued also in 2015 and 80 different project proposals from associations and foundations received the grant in the fields of civil society, intercultural dialogue and the support of minority nationalities, including Roma.

Closure of EEA/Norwegian Financial Mechanism

Important financial support programme for Latvian NGOs was closed in the spring of 2015. It is expected that the Ministry of Finance in cooperation with other ministries will start the planning of new period priorities in near future. However, it does not mean that for some time the operation of organisations in Latvia can be limited or stopped because of discontinuation of cash flow. In order to avoid it, it is necessary to start the operation of the NGO Fund, which would not only be financially significant, but also would have a symbolic message, that Latvia itself along with its economy and democracy is strong enough to be able to provide mutual trust and collaboration between public service and civil society on the same conditions.

Establishment of the NGO Fund

In 2015, the largest amount of work in the field of association and foundation sector's development and provision of work quality in long-term was dedicated to the establishment of the NGO Fund. In spring, 2015, NGOs turned to the highest state officials with a special manifest signed by more than fifty organisations asking to establish the NGO Fund already in the beginning of 2016. In summer, 2015, work group consisting of representatives from NGOs and public service created the concept of the NGO Fund "On the Establishment of Fund for Non-governmental Organisations (NGOs)". Public discussion about the concept report "On the Establishment of Fund for Non-governmental Organisations (NGOs)" was carried out already in autumn, 2015. As

it is known, the main goal of the conceptual report was to start the establishment of the NGO Fund in order to have legal solution for transparent and equal allocation of funds to NGOs, to raise their capacity and support their main field of operation. It is expected that the work on **the establishment of the NGO Fund** will be started already in **2016**.

During drafting of the state budget for 2016, it was announced that because of new political initiatives the NGO Fund had not received the financial support, therefore representatives from the association "Civic Alliance – Latvia" started work and met with the deputies of the Saeima and the Minister of Finance in order to explain the necessity of the establishment of the NGO Fund. Also this question was raised in the Memorandum Council of Government and NGO Cooperation meeting in August, 2015. After the particular meeting, opportunity for open discussions with NGOs both in the Saeima and the Ministry of Finance appeared, as a result, when the state budget for 2016 was accepted, 400 000 EUR programme was included to establish the NGO Fund and allocate the funding from unforeseen circumstances.

Non-governmental organisations introduced such model of funding system for the establishment of the NGO Fund, which states that a separate state budget programme for the support of NGO operation must be set up. On 1 December, 2015, the Cabinet accepted the conceptual report by confirming also the allocation of funds for the implementation of the third model from the NGO Fund funding models. The supported funding model for the NGO Fund anticipates that the **Society Integration Foundation (SIF) will be the administrative body of the future NGO Fund, which would be a separate state budget programme**. Until March 1, 2016, the Cabinet has set the task for SIF to develop and approve the strategy of the NGO Fund operation until 2018 by complying with the advice from the Memorandum Council of Government and NGO Cooperation and the Supervisory Board of the Implementation of the Guidelines on National Identity, Civil Society and Integration Policy.¹

In the beginning of 2016, SIF formed the Strategic Planning Committee of the NGO Fund, the task of which is to set the priorities of fund's operation. There are six representatives from ministries (the Ministry of Foreign Affairs, Education and Science, Culture, Welfare, Environmental Protection and Regional Development), six representatives from NGOs chosen by the organisations, which signed the Memorandum between the Government of the Republic of Latvia and NGOs ("Civic Alliance – Latvia", "Transparency International Latvia - Delna", "Ascendum" and "Latvian Green Movement", National Youth Council of Latvia, Zemgale NGO Centre), as well as representatives from the State Chancellery and SIF.

The Strategic Planning Committee has set three priority fields of operation for the NGO Fund in 2016²:

- 1) to strengthen the operation of NGOs;
- 2) to support for the civic society activities of NGOs;
- 3) to strengthen the advocacy of NGO interests.

Simultaneously Society Integration Foundation has started to draft the required documentation for the call of project proposals, the consideration and confirmation of which is planned to be held in the meeting of the SIF Council on February 24, 2016.

¹ <http://tap.mk.gov.lv/lv/mk/tap/?pid=40373478&mode=mk&date=2015-12-01> – accessed on 02.12.2015.

² It is planned to approve the priorities in the Council of Society Integration Foundation's meeting, which will take place on 24.02.2016.

After the confirmation of these documents, an open call for project proposals will be announced. The deadline for submission of project proposals is planned to be the end of March. The implementation of projects is expected to be started on June 1, 2016.

The Law on Voluntary Work

One of the most significant events in the legal field of the NGO sector has been the promulgation of **The Law on Voluntary Work** that came into force on January 1, 2016. The particular law is one of the most discussed laws in the field of NGO operation. It should not have come so far without constant involvement of the representatives from the NGO sector, especially association "brīvprātīgais.lv" (volunteer.lv), as well as association "Civic Alliance – Latvia", which initiated the process of drafting the law in the Saeima, regularly participated in work groups and gave their recommendations along the way. The Law serves as the basis for several legal enactments, which will protect volunteers the same way as every other person in labour relations is protected. In December, 2015, draft regulations from the Cabinet were submitted for reviewing stating the cases in which it is the voluntary work organiser's duty to provide accident and health insurance for the volunteer during performing voluntary work. These regulations also stated the order of insurance for these cases. In January, 2016, Regulations of the Cabinet of Ministers came into force, which order not to tax personal expenses caused by doing voluntary work.

Regulations on Classification of Associations and Foundations

Regulations on Classification of Associations and Foundations came into force on January 1, 2016, which prescribe that associations and foundations can apply for their fields of operation to be entered in the Register of Enterprises. These regulations are binding both for recently established and existing associations, because all associations and foundations must comply with the existing Associations and Foundations Law. Regulatory enactments do not state the deadline for making an entry in the Register of Associations and Foundations, however, it is mandatory for employer organisations, employer and trade unions to apply for an entry.

Division of associations and foundations by their field of operation will give the possibility to make statistics about organisations of a certain field and their implemented projects. As a result, it will be possible to plan and apply the state's policy more effectively.

Support of Social Entrepreneurship

The Ministry of Finance has developed the **New Regulations of the Public Procurement**, which will influence the non-governmental sector as well as social entrepreneurs.

The most significant changes have been embedded in order to ease the procedures for procurement of social and other services (education, health care and culture activities, hotel and catering services, legal services, investigation and security services, etc.) as well as to comply with the green public procurement regulations.

What concerns social entrepreneurship, it is planned to include social entrepreneurs as the subjects of privileged rights agreements, i.e. the buyer has the right to hold the procurement only for those candidates or applicants who employ mainly people with disability (more than 30% of the average number of employees per year), who cannot be employed in general labour market.

Regulation of Economic Activity

The economic activity of associations and foundations has long been subject for discussions. On average, for 10% from the total amount of public benefit organisations, the income from economic activity is more than 50% of the total revenue.³ The Ministry of Finance sees a problem, because there may be situations when NGOs may take advantage of the fact that they are not applicable to corporate income tax and gain profit in the way, which cannot be considered additional economic activity anymore. As a result, they may be subject to tax evasion. The Ministry of Finance has found a solution – to determine the threshold for turnover.⁴

Also the State Revenue Service under the auspices of the Ministry of Finance developed proposals to separate that economic activity of NGOs, which can be considered to be additional, from that, which has become the main field of operation. In 2015, this question was also included in the agenda of the work group in the Ministry of Justice, which simultaneously evaluated the question about the transparency of NGO operation and the strengthening of their monitoring, including the question on limiting and terminating the activities of anti-government organisations. As these two questions – the economic activity of NGOs and strengthening the monitoring of NGO operation transparency are especially important for the NGO sector, but at the same time they are so radically different, then after the request from the “Civic Alliance – Latvia” further discussion about them was separated in the scope of work group at the Ministry of Justice.

The question about the limitation of economic activity was looked through at the meeting of the Council of Cooperation between the Government and NGOs. It was decided that the Ministry of Finance and State Revenue Service must organise meetings with NGOs in order to explain the offered restrictions, which all NGOs were strictly against. After the meeting, the question was repeatedly looked through at the Council of Memorandum, which decided that the proposals limiting the economic activity of associations and foundations must be cancelled.

No matter what proposals would be made concerning this case, it is not acceptable that based on separate cases, the state would make limitations for all the NGO sector, not improve the process for monitoring those, who break the law, and terminate their activity.

Security Risks Associated with the Activity of Anti-government NGOs

The Ministry of Justice has formed a work group, which solves the questions about the risks of state security threats in connection with the operation of anti-government NGOs. Lately the understanding about state security has significantly changed, also the question about the **NGO as a non-militar tool to reach different anti-governmental goals** has appeared on the agenda. This issue demands immediate reaction. By developing any kind of legal limitations and institutional solutions in order to identify and terminate the operation of any anti-government NGOs rapidly and effectively, there must be a way to check, if the principle of proportionality in limiting basic constitutional rights is not violated.

³ The Ministry of Finance. Informative report “On the possibility to Clarify the Definition and Notion of Operation in the Public Benefit Organisation Law.”, p. 10. Available on the Cabinet of Ministers website www.mk.gov.lv category „Draft legislation”: <http://tap.mk.gov.lv/lv/mk/tap/?pid=40354993> – accessed on 07.06.2015.

⁴ <http://www.fm.gov.lv/lv/aktualitates/jaunumi/budzets/49291-rosina-nodalit-nvo-saimniecisko-darbibu-no-darbibas-kurai-ir-pelnas-gusanas-merkis> – accessed on 30.07.2015.

Work group has developed certain amendments in the Association and Foundation Law regarding the criteria of economic activity for NGOs, the aim of which is to separate the cases when the economic activity is regarded as additional and when as the main field of operation. Adoption of amendments is in progress (currently their adoption has been postponed until the development of legal regulations regarding social entrepreneurship), but they intend to apply two criteria, in case one of them is executed, it would be considered that the particular association is implementing its economic activity as the core of their operation, and the operation of the association will have to be terminated:

- a) association's income from the economic activity amounts to 75% or more of the total revenue of the association or foundation during the taxation year or any period of 12 months;
- b) association's income from the economic activity during the taxation year are greater than 500 minimum wages stated in the regulatory enactments.

Tax Relief

Significant amendments in the law have been made at the end of 2014 regarding the transparency of the information included in the annual report of associations and foundations as well as the decoding of received donations and contributions.⁵ The goal of the new order: get a more detailed picture of the consumption of the received donations and gifts by establishing stricter requirements for information on spent donations and contributions to be given to the account of donations and contributions.

On June 30, 2015, the Cabinet approved the order for the buildings and civil engineering buildings belonging to associations and foundations, which **are exempt from real estate tax** by assigning this exemption for indefinite period of time until the association loses its rights to be exempt from real estate tax for buildings and civil engineering buildings belonging to it.⁶

Consultation on solutions about the coordination of refugee reception issues

By responding to the global crisis of increased migration of inhabitants, non-governmental organisations have started to create a joint platform to get involved in the solution of the "refugee issue" based on the perspective of human rights and solidarity values. It must be noted that there is no joint opinion among NGOs regarding this issue. However, the Civil Alliance – Latvia in cooperation with other similar-minded Latvian associations and foundations organised **consultation on solutions about the coordination of refugee reception issues in Latvia** in the middle of autumn.

Representatives of governmental institutions and active Latvian residents as well as those non-governmental organizations, which intend to deal with refugees constructively and integrate them in Latvian society as well as themselves willing to be engaged in the implementation of this process, joined this consultation. Set of proposals to address the various aspects related to refugees were generated during the consultation. Proposals were submitted to the relevant institutions.

⁵ The Cabinet regulations of October 3, 2006, No. 808 "Regulations on the Annual Reports of Associations, Foundations and Trade Unions". Available: <http://likumi.lv/doc.php?id=145113> – accessed on 26.05.2015.

⁶ <http://tap.mk.gov.lv/lv/mk/tap/?pid=40352381&mode=mk&date=2015-06-30> – accessed on 21.07.2015.

Consultations were organised by the Samaritan Association of Latvia, "Shelter "Safe House"", Centre for Public Policy "Providus", International Migration Organisation in Latvia, Latvian Center for Human Rights, Civil Alliance – Latvia, Foundation for an Open Society "Dots, " the Latvian Platform for Development Cooperation, the Education Development Centre, Resource Centre for Women "Marta", Riga Active Seniors Alliance "Rasa", SOS Children's Villages in Latvia, Latvian Cancer Patient Support Society "Dzivibas koks", association "Ascendum", the State Employment Agency, Nordic Club House. There were around 100 associations and foundations, representatives of state institutions as well as active people, who can and would like to collaborate in order to support the reception of refugees in Latvia as well as support foreigners who have arrived and live in Latvia.

1. The Scope of the Research

“The Review of the NGO sector in Latvia. 2015” has been developed by using several data sources and methods. Although by applying each of the methods it was possible to obtain extensive amount of data, this review has been created as a general report about the development dynamics of NGOs and their “health condition”. The data included in this review clearly reveal the problems in the NGO sector, direction of development and possible tendencies so that the facts and data connection would be easy to understand and easy to use for:

- non-governmental organisations in the work of advocacy, attraction of members and volunteers, funding allocation and informing public about their ideas, achievements and challenges;
- state institutions when dealing with non-governmental organisations, to provide collaboration with other institutions;
- media and communication specialists when trying to analytically understand the NGO sector and the notion of civil society, its success and hardships;
- researchers who have been involved in theoretical or practical study of social, political and economical issues.

The research “The Review of the NGO Sector in Latvia. 2015” seven data collection methods have been used. Variety of methods ensures that comprehensive and in-depth information about every aspect of research is obtained.

Analysis of documents

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

- 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 Volunteering;
- Regulations on the Annual Reports of Associations, Foundations and Trade Unions;
- National Security Law;
- Law on the State Culture Capital Foundation;
- Law on Governance of Capital Shares of a Public Person and Capital Companies;
- draft legislation.

Simultaneously the policy development documents: Sustainable Development Strategy of Latvia until 2030, the National Development Plan for 2014 – 2020, the declaration

and the action plan of the government, Guidelines on National Identity, Civil Society and Integration Policy (2012-2018), draft project “On Possibilities of Introducing Social Entrepreneurship in Latvia” 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 the NGO sector in 2013, have been taken into account.

Analysis of Statistical Data

Statistics about the financial indicators of associations and foundations in 2014 has been obtained to analyse the link between the balance sheet and the development and financial independence of an organisation. Data about the dynamics of NGO sector’s growth 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 obtained from State Revenue Service have been analysed from different aspects:

- information about the submitted annual reports of associations and foundations in 2014;
- NGO Balance Sheet assets of long-term investments (intangible investments, fixed assets), long-term financial investments (long-term loans), current assets (stock, materials, goods), debtors, securities, cash;
- summary of revenues and expenditure account of associations, foundations and trade unions in 2014;
- information about associations and foundations, which have stated income from economic activity in their annual reports of 2014;
- number of employees and performers of economic activity on January 1, 2014;
- information on the number of employees in associations and foundations and their remuneration in 2014;
- the amount of taxes non-governmental organisations have paid to the state in 2013;
- information on the amount of debtor and creditor finances in 2014;
- financial indicators of public benefit organisations.

Data from Ltd. “Lursoft IT” databases were used to reflect on the changes of NGO establishment activity changes over a definite period of time and the activity of NGO establishment in the regions, as well as to obtain information from the annual reports of 99 associations and foundations in 2014. 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):

Amount/territory:

- 45 annual reports from Riga NGOs;
- 5 annual reports from Liepaja NGOs;
- 2 annual reports from Jurmala NGOs;
- 2 annual reports from Daugavpils NGOs;
- 2 annual reports from Jelgava NGOs.
- 1 annual report from other municipalities (at the discretion of the author – various regions, where the income from the economic activity is not 0)

Field of operation:

- culture and leisure – 39 annual reports;
- development and management – 21 annual reports;
- legislation, advocacy and policy – 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;
- spirituality – 1 annual report;
- others – 3 annual reports from other fields of economic activity (at the discretion of the author – various regions, where the income from the economic activity is not 0).

The Central Statistical Bureau of Latvia gave data on job filling in associations and foundations, education level of employees and remuneration in 2014.

Data from the **survey on public participation index** were included in the research. The survey was conducted by Civic Alliance – Latvia from May to September, 2015. 423 respondents took part in this survey.

Interviews with the representatives from the public administration

Interviews about the collaboration practice with NGOs, factors promoting and limiting cooperation and evaluation on the advocacy work of NGOs were conducted with the employees from public administration (including the Saeima committee, the State Chancellery and specialists from ministries and their management) and municipalities. **Total number of interviews – 25.** Interviews were conducted from February to April, 2015. There were interviews in person, on the phone and via e-mail. Quotes from interviews to back the opinion expressed by the researchers have been used in result analysis.

Focus groups with the representatives from NGOs

Focus group interviews were conducted in four regional cities of Latvia. Non-governmental organisations from **Liepaja, Preiļi, Bauska and Limbazi** cities and regions were selected for the research of 2015. There were four to eight respondents

taking part in the focus group interviews. **24 organisations** in total took part in these interviews. Focus group interviews were partly structured, several questions were discussed:

- What is the role of NGO operation in the particular municipality and Latvia?
- What contribution do organisations bring to the municipality in terms of welfare, development and economy?
- What are the tactics to provide the operation of NGOs and allocate funding?
- How do NGOs promote the public participation in decision-making process?
- How do NGOs promote recognition of their activities and involvement of society?
- What are the promoting and hindering factors of NGO operation?

NGO leaders were selected as the focus group participants by observing even division of fields of operation and duration of activity. Interviews were conducted in spring and the beginning of autumn, 2015.

Focus group interviews were audio recorded. Quotes from these interviews have been used in the analysis of the research results in order to back the opinion expressed by the researchers.

Quantitative survey of NGOs

National survey of associations and foundations was conducted during the research. There were 295 questionnaires processed, 183 of them were complete, but 112 were partly filled in. The topics covered in the questionnaire were as follows:

- main aspects of NGO operation;
- NGO collaboration with partners;
- public involvement in NGO operation;
- information about employees, members and supporters;
- impact of NGOs on decision-making process;
- funding available to organisations to provide their operation and activity implementation.

General descriptive methods of statistics 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 division.

Quantitative survey was carried out from May 25 to June 14, 2015. It was conducted electronically.

Quantitative survey of population

Public opinion poll was conducted from September 1 to 30, 2015 by the research agency "Latvijas fakti".

Survey gave information about the following aspects:

- public participation in civic community activities over the last three years;
- assessment of population on personal and organisations' ability to influence the decision-making process in Latvia;
- trust in state and public institutions;
- involvement in the operation and activities of organisations;
- assessment of 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 promoting the involvement in the operation and activities of organisations;
- participation in public activities as a volunteer and motivating factors;
- perception about the association and foundation fields of operation
- assessment of services provided by organisations

1 003 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 interviewing in person at respondent's place of residence. Random route method was used to select the places of residence. Selection of respondents was conducting using Kish matrix.

The obtained data have been compared with the population survey conducted in 2013 by "Latvijas Fakti".

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, 2015. 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);
- representative of civil society as experts (representatives of NGOs speak on an issue);
- division of publicity in different media (number of materials in particular media);

- 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 11 085 materials, which is about five times more than in 2013. The qualitative analysis was conducted by Ltd. LETA.

2. General Characteristics of the Operation of Associations and Foundations

2.1. Situation characteristics

The first chapter of the research gives general information about the NGO sector. The number of NGOs, their quantitative characteristics, fields and kinds of operation are reflected.

Table 1

Situation characteristics

Criterion	Index
Number of associations and foundations in Latvia	206627
Number of public benefit organisations in Latvia	24548
Number of non-governmental organisations per 1000 inhabitants, average index	10,5
NGO density (number of non-governmental organisations per 1 inhabitant), average index	0,01
Part of population, which is a member of some organisation, %	4,7%
Part of population, which is involved in some interest group, %	15,8%
Part of population, which has been involved in some NGO activities in the last three years, %	35,3% ⁹
Part of population, which has voluntarily done some activities in an association or foundation, %	3,6%
Public trust in associations and foundations, %	34,7%

2.2. Quantitative changes in the NGO sector

2.2.1. Number of NGOs

There were 20 662 registered and active (not terminated) public organisations, associations and foundations established on January 21, 2016 in Latvia (this absolute figure is used throughout the research). Two and a half years ago, on July 3, 2013, there were 17 550 associations and foundations registered, but at the end of 2013 the number reached 18 164. It means, **the number of public organisations, associations and foundations during these two years of reporting has increased for 2 498 or 12%**. If we compare 2014 with 2013, then the dynamics of newly established organisation number has decreased, but the dynamics of closed organisation number has increased. Despite this fact, **the number of organisations**

⁷ Ltd. "Lursoft IT". Establishment dynamics of public organisations, their unions, associations and foundations. Website www.lursoft.lv, section "Lursoft statistics/Associations and foundations, and public organisations" – accessed on 20.01.2016.

⁸ The information provided by the State Revenue Service about the situation on January 1, 2016.

⁹ 2,9% more than in 2013.

increases with every year. In the beginning of 2016, there were 2 498 organisations more than at the end of 2013.

The dynamics of NGO number has fluctuated over the last years Over the last four years, the greatest number of newly registered organisations has been in 2013, followed by decrease in 2014, and in 2015 the number has increased again. If comparing the data since 2008, then a steady growth and development trend can be observed in the NGO sector.

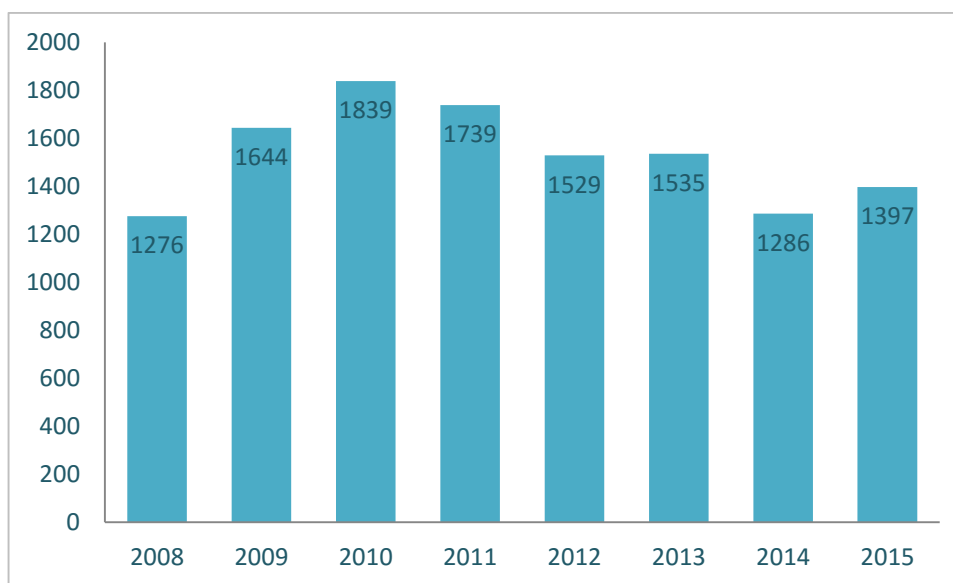


Figure 1. Dynamics of NGO number.

Source: Establishment dynamics of public organisations, their unions, associations and foundations. Lursoft data base of statistics.¹⁰

The greatest number of organisations since the research of 2013 still can be observed in the largest cities of Latvia:

- Riga (9082 or 44% from all existing organisations in Latvia),
- Liepaja (978 or 4,7% from organisations),
- Daugavpils (514 or 2,5% from all organisations),
- Jurmala (518 or 2,5% from all organisations),
- Jelgava (410 or 1,98% from all organisations).

It means that the **weight of organisation dynamics has remained constant**. Also the regions with the least amount of organisations has remained the same – Zilupe, where six organisations have been registered and closed (the same as in 2013) and Baltinava municipality with seven organisations.

Regions of Latvia

¹⁰ https://www.lursoft.lv/lursoft_statistika/?&id=41

The largest number of organisations is in **Riga region**, because of the state capital Riga being a part of this region. **12 539 organisations or 60,7% of all active organisations in Latvia** are located in this region. The largest number of organisations is in Riga (9 082), followed by Jumala and Ogre municipality. The least amount of organisations are operating in Seja and Strenci municipalities.

Riga	9082
Jurmala	518
Ogre municipality	284
Seja municipality	21
Strenci municipality	18

There are **2 675 non-governmental organisations or 13,3% of all active organisations in Latvia registered in Kurzeme**. The largest number of organisations is in Liepaja (965) followed by Saldus municipality. The least amount of organisations is in Vainode and Mersrags municipality.

Liepaja	978
Saldus municipality	321
Kuldiga municipality	268
Ventspils	258
Mersrags municipality	14
Vainode municipality	12

There are **1 988 active associations and foundations or 9,6% of all active organisations in Latvia registered in Latgale**. The greatest number of them is in Daugavpils and Rezekne city and municipality. The least amount of organisations is in Zilupe and Baltinava municipality.

Daugavpils	514
Rezekne municipality	227
Rezekne	207
Daugavpils municipality	134
Baltinava municipality	7
Zilupe municipality	5

There are **1 820 active organisations or 8,8% from all organisations in Latvia registered in Zemgale**. The largest number is in Jelgava and its municipality. The least amount is in Sala municipality (17).

Jelgava	410
Jelgava municipality	179
Bauska municipality	154
Dobele municipality	152
Akniste municipality	23
Sala municipality	19

There are **1 601 organisations or 7.7% of all organisations in Latvia located in Vidzeme**. **None of them is terminated**. The greatest amount of organisations is in Valmiera and Madona municipalities. The least amount – Varaklani and Naukseni municipality.

Valmiera	223
Madona municipality	219
Cesis municipality	152
Aluksne municipality	150
Varaklani municipality	14
Naukseni municipality	13

Over the last two years, **the largest growth** in the number of non-governmental organisations can be observed in **Riga region** (the number has increased for 4 726 organisations), but **the least – in Vidzeme region** (the number of organisations has increased by 103).

Table 2

NGO dynamics in absolute numbers according to regions

Regions of Latvia	End of 2013	Beginning of 2016	Growth
Riga region	7 813	12 539	+4 726
Kurzeme region	2 258	2 675	+417
Latgale region	1 585	1 988	+403
Zemgale region	1 441	1 820	+379
Vidzeme region	1 498	1 601	+103

Proportion of NGO number has changed over the last two years. The share of NGOs from all active NGOs in Latvia has slightly increased in Latgale and Zemgale regions, but slightly decreased in Riga and Vidzeme region. The share has remained constant in Riga region and Kurzeme.

Table 3

NGO dynamics in percentage according to the regions

Regions of Latvia	End of 2013	Beginning of 2016
Riga	45%	44%
Riga region	17%	17%
Kurzeme region	13%	13%
Latgale region	9%	10%
Zemgale region	8%	9%
Vidzeme region	9%	8%

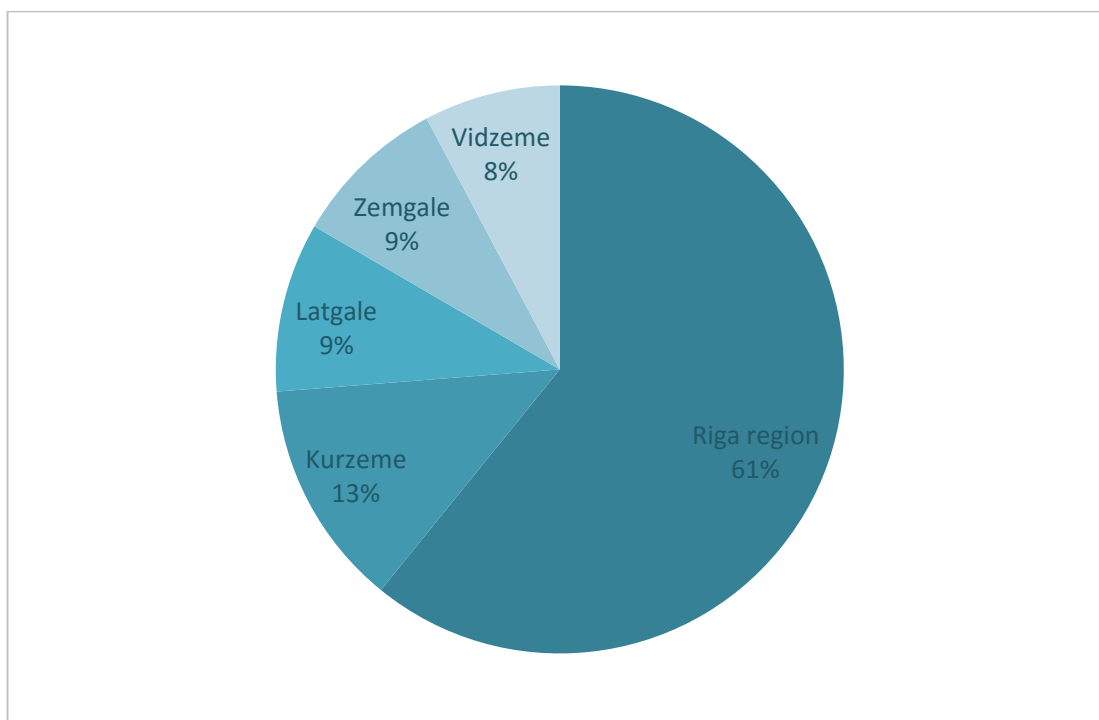


Figure 2. Number of NGOs in the beginning of 2016.
Source: Division of public organisations, associations and foundations according to the municipalities/cities of Latvia. Ltd. “Lursoft IT” database.

2.2.2. NGO density

NGO density is increasing. On average, there were 8,5 associations and foundations per 1 000 inhabitants in 2013. In the beginning of 2016 this number was 9,4. Density of NGOs in regions has proportionally changed over the last two years. In all regions **the number of NGOs per 1 000 inhabitants has increased by 1 unit**, and the most notable changes have been in Kurzeme. In 2013, the greatest number of organisations per 1 000 inhabitants was in Riga region, followed by Zemgale, Kurzeme, Vidzeme, but the least amount – in Latgale. However, in the beginning of 2016, the largest number of organisations per 1 000 inhabitants was in Kurzeme, then Riga region, Vidzeme, Zemgale, but the least amount – in Latgale. It could be explained by the changes in number of population, i.e. since 2013 the number of population in all regions of Latvia has decreased (most notably in Latgale and Kurzeme, respectively by more than 11 and 8 thousand), however, the number of NGOs has increased, therefore the density of NGOs per 1 000 inhabitants has increased as well.

Table 4.

NGO density dynamics per regions

Regions of Latvia	End of 2013	Beginning of 2016	Density dynamics
Riga	11,7	14,16	+2,46
Riga region	8,39	9,4	+1,01
Kurzeme region	7,31	10,5	+3,19
Latgale region	5,37	7,06	+1,69
Zemgale region	5,7	7,5	+1,8
Vidzeme region	7,15	8,04	+0,89

It can be concluded from NGO density dynamics over the years, that since 2010, the most rapid increase in NGO density has been in Riga. In 2016, the NGO density in Kurzeme is higher than on average in the country, also, in comparison to other regions, quite high increase of density can be observed in Kurzeme region (3 units).

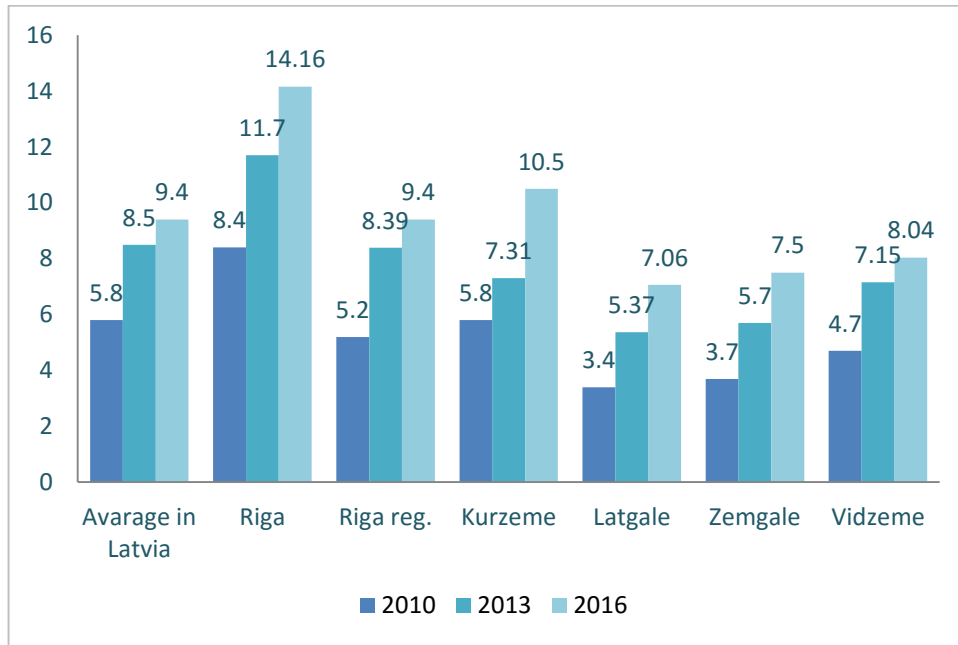


Figure 3. Dynamics of NGO density.
Source: Lursoft database. Data from the Central Statistical Bureau.

2.2.3. NGO fields of operation

It was concluded in the NGO survey that **most of associations and foundations in 2015 have operated in the field of advocacy** (13,5% from 164 organisations, which had stated their field of operation). **Other education** (12,9%) and **economic, social development of community** (11,09%) were among the first three in the list of NGO fields of operation. **The least number of organisations** (less than 1%) **have mentioned management, spirituality and religion, disaster relief and assistance and international activities as their main field of operation.**

In 2012, the situation was slightly different: 15% from the organisations surveyed were working in the field of economic, social and community development; the same number of organisations (12,6%) as in 2015 were working in the sphere of other education; slightly less organisations were working in the field of advocacy (11,6%). The least amount of organisations (less than one percent) were working in the field of management, higher education, animal protection, international activities and entrepreneur interests (entrepreneur associations).

In comparison to 2012, the number of organisations working in the field of entrepreneur advocacy (entrepreneur associations) (by 2%) and animal protection (by 1,3%) has increased in 2015.

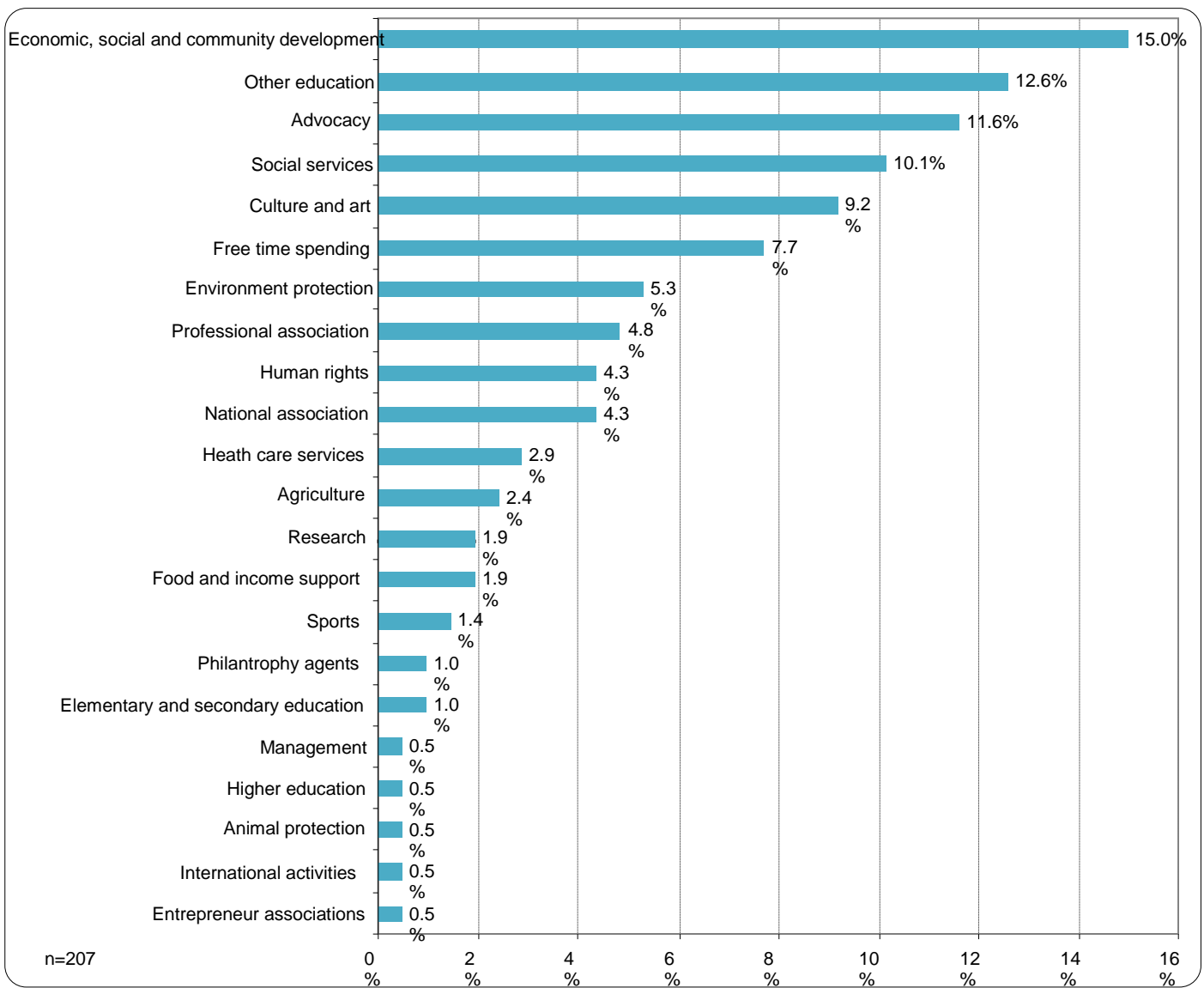


Figure 4. NGO fields of operation in 2012.
 Source: NGO operation in Latvia. 2012. Web Research.

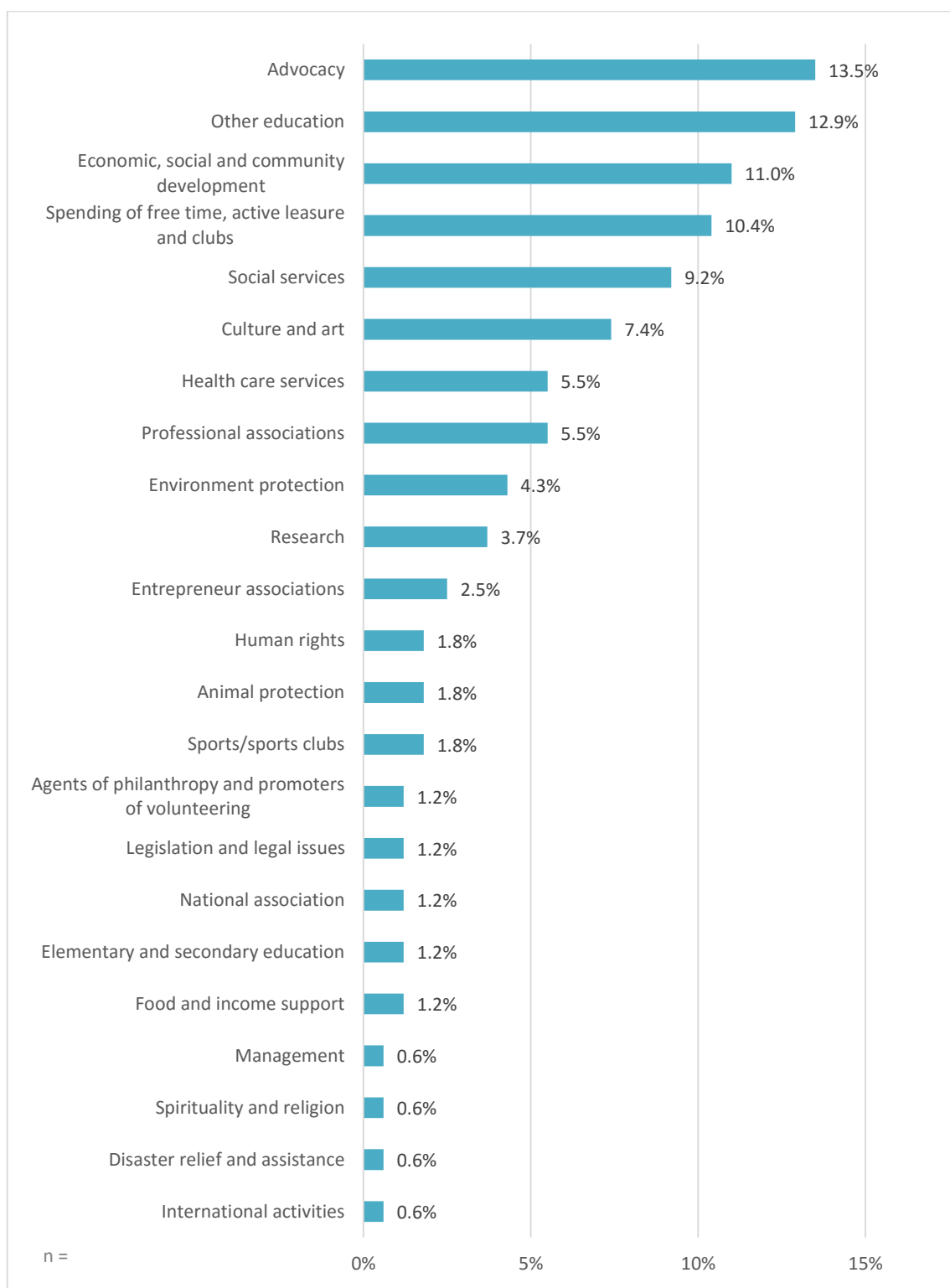


Figure 5. NGO fields of operation in 2015.
 Source: NGO operation in Latvia. 2015. Web Research.

It must be emphasized that the research about the NGO operation in Latvia may not be complete reflection of the spectrum of Latvian NGO fields of activity due to random case selection. **The data obtain are to be applied only to the selection.** It means that these data cannot be applied to all general set – non-governmental organisations

of Latvia, however, trends of NGO fields of operation can be concluded from the limited selection.

2.2.4. Scale of NGO operation

In 2015, there are more of those organisations stating all territory of the Republic of Latvia as their scale of operation. Only one tenth from all organisations are working in a wider scale – international or regional, or in a very narrow scale – microdistrict or village.

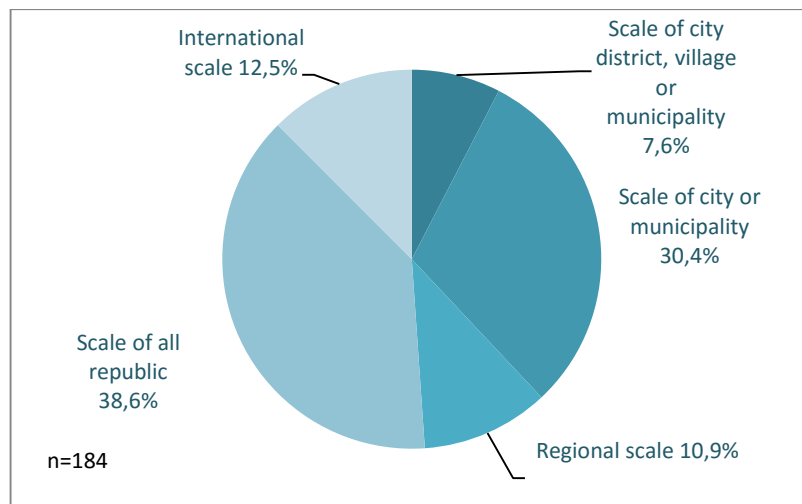


Figure 6. Scale of NGO operation in 2015.
Source: NGO operation in Latvia. 2015. Web Research.

Similar situation could be observed in 2012. However, the number of those organisations working at a microlevel, i.e. for the development of local community, has increased. It could be connected with the ideologic turn in public consciousness. It means that involvement of population in the implementation of local scale events – clean-ups, street festivals, inhabitant forums, is becoming a trend.

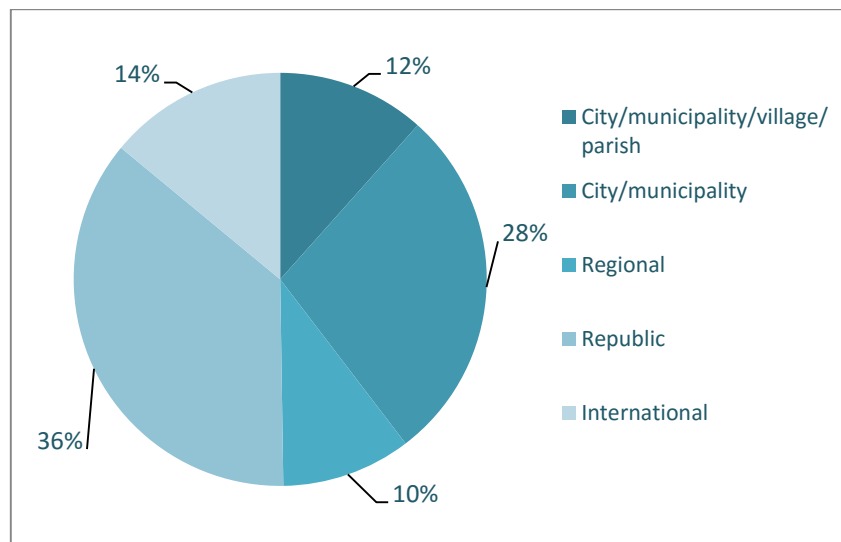


Figure 7. Scale of NGO operation in 2012.
Source: NGO operation in Latvia. 2012. Web Research.

2.2.5. Frequency of organisation operation

Mostly work in non-governmental organisations takes place on a daily basis (60,7%), as well as some days per week (15,3%). One fourth of the organisations surveyed work, when it is necessary. Proportionally similar situation was observed in 2012, however, then the number of those organisations performing their activities several days a week (22%) was higher.

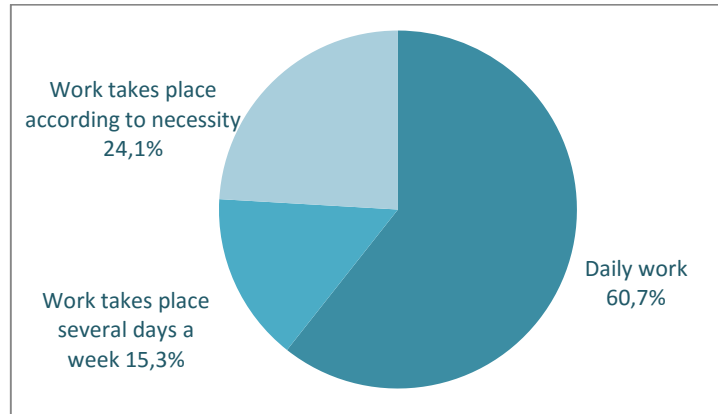


Figure 8. Frequency of organisation operation in 2015.

Source: Operation of non-governmental organisations in Latvia. 2015. Web Research.

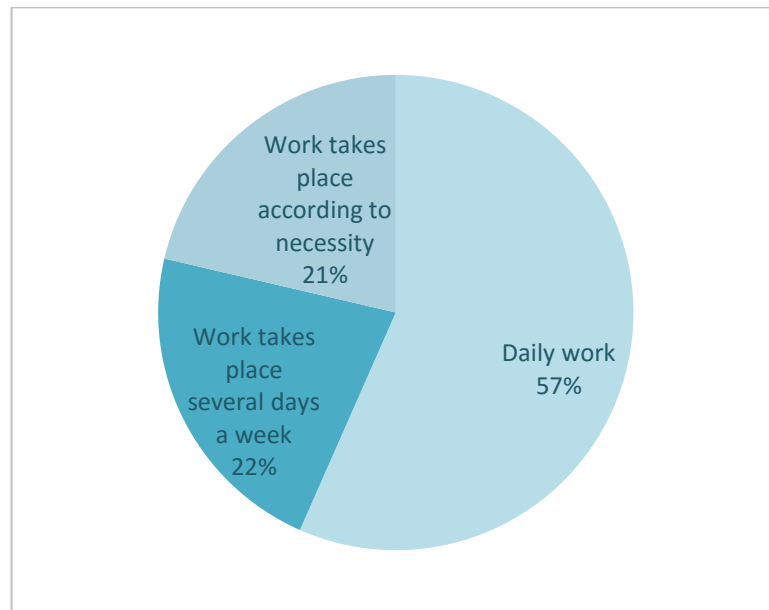


Figure 9. Frequency of organisation operation in 2012.

Source: Operation of non-governmental organisations in Latvia. 2012. Web Research.

The main factor influencing the operation of NGOs is the fact that they are non-profit. They rarely have regular revenue, as a result, there are not many associations and foundations in the NGO sector in Latvia, which can provide people with full or even part time work for a longer period of time. Mostly, non-governmental organisations allocate funding for a certain period of time, it is meant for implementation of EU project

activities, state or municipality open or, in several cases, closed calls for projects. However, more and more organisations perform operation of economic activities so providing employment for some people. Foundation “Otra elpa”, which works in the field of social entrepreneurship and employs around 16 people, can be mentioned as an example.

Both the research of 2015 and three years ago show that daily work in NGOs is usually provided by taking into account the fact that on average organisations do not have permanent or seasonal employees at all. Mostly there is one employee and five volunteers for the duration of a certain project in organisations. It means that **more than half of daily work in organisations is done voluntarily by their members**. Of course, conceptually it is understandable, if it is known that the idea of associations is for its members to communicate voluntarily by covering certain activities for the implementation of association’s operation, advocacy of member interests, satisfaction of target group’s interests and needs, achievement of public goals. However, it must be taken into account, that associations and foundations are a part of organised society, which with their work, knowledge and competencies in different fields can provide those services, which cannot be provided by the state. They also give contribution of such expert opinions and vision, which is necessary for creation of fair legislation, democratic decision-making and creation of policy targeted at human welfare and security.

Some more data that prove the economic and political value of voluntary work: more than half of organisations regularly meet with employees of state institutions and municipalities as well as participate in public debates, and 83,5% of organisations believe that they have fully or partly managed to change the decision-making process. As a result, the work has brought results. At the same time, the trend that organisations with a greater number of permanent employees or employees involved in the project evaluate their ability to have impact on positive changes in different fields of politics and social life. The survey of NGOs reveals that the more employees and members, the greater possibility for organisation to expand different cooperation and interest activities. As organisations already carry out resultative work voluntarily, but the number of employees increasing, their hopes and the number of implemented activities increase, then it can be concluded that **organisations have greater capacity increase capabilities than they actually can use at this moment**.

Consequently, the state should notice the contribution of voluntary work to the welfare of Latvia. Important step for the state’s support of voluntary work has been the Law on Voluntary Work adopted in 2015¹¹.

2.3. Operation of NGOs in the field of lessening social inequality and advocacy

In the NGO survey, 170 organisations (68% from 250 respondents) pointed out that they expand their activities in the field of lessening social inequality. Most often these organisations carry out their activities in advocacy of a certain group of population (84

¹¹ <http://likumi.lv/ta/id/275061-brivpratiga-darba-likums>

organisations or 43,5%). In comparison with the data from 2012, the number of these organisations has slightly increased (47% in 2012).

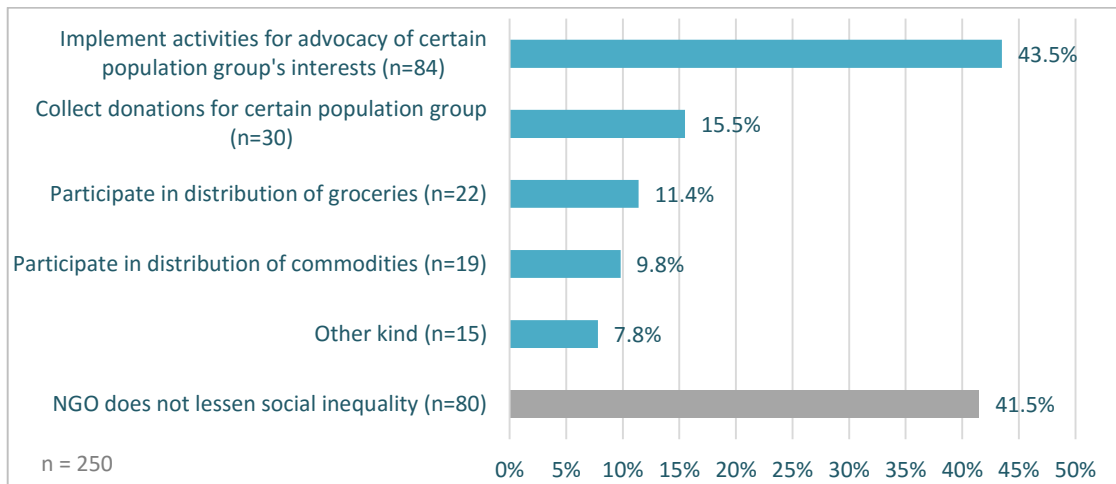


Figure 10. Operation of NGOs in lessening social inequality.

Source: NGO operation in Latvia. 2015. Web Research.

Other types of activities in lessening social inequality:

- mutual help and support;
- organising series of orienteering events, where any person can take part regardless of one's health condition;
- projects for a certain group, services;
- promotion of folk traditions;
- offering possibilities to people to create a vehicle – bicycle themselves;
- organisation of life-long learning;
- organisation of activities in distant rural areas and towns;
- provision of primary health care services for children in the regions of Latvia;
- impact on legislation (with the support from the European Commission)
- education and enabling;
- education of NGO employees and the provision of foreign experience takeover.
- human aid;
- culture events free of charge;
- support for projects in the social sphere.

Most often organisations implement activities in the field of advocacy, social services and nature protection. Smaller amount of activities are carried out in the fields of free time activities, other education and culture organisation.

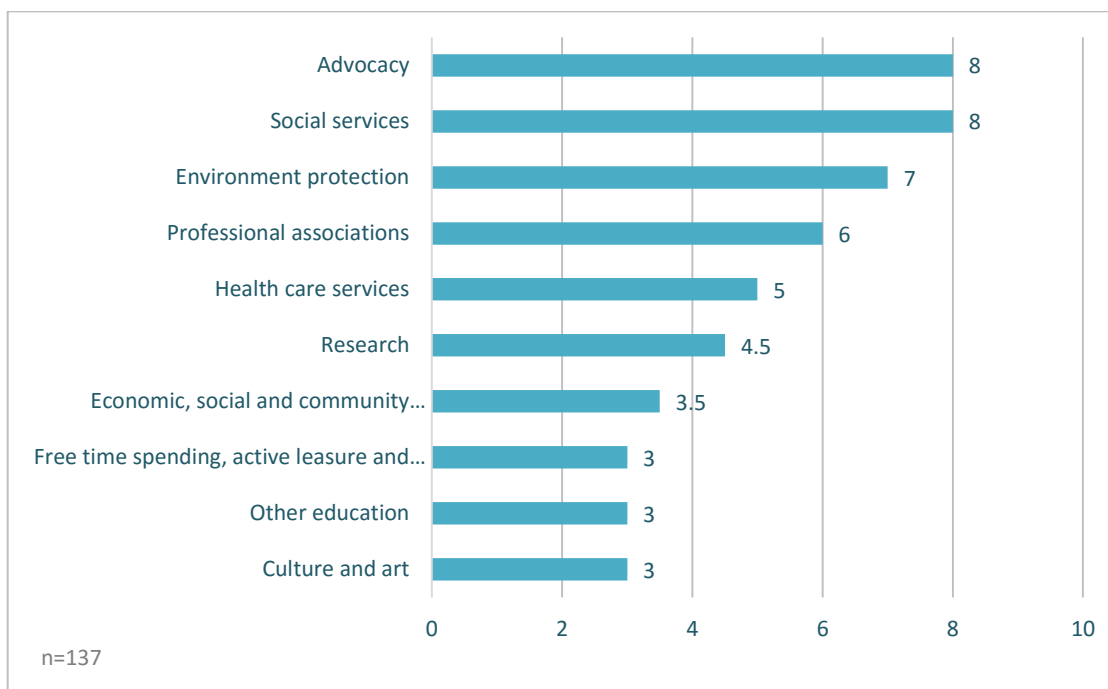


Figure 11. Number of activities implemented by NGOs.
Source: Operation of NGOs in Latvia. 2015. Web Research.

Organisation representatives believe that NGOs can achieve significant changes in the field of social services and quality (almost 60% of respondents have stated that they believe in the impact they have). However, at the same time almost 50% of respondents do not believe that they can lessen corruption, and around 30% do not believe that they can make significant, qualitative changes in the field of promoting employment (around 40% believe that they can make only partial changes). As a result, it can be concluded that **organisations believe more in their power to help population in daily situations than in their ability to influence systematic changes**. It is proven by the fact that most NGOs choose other non-governmental organisations as their collaboration partners when providing advocacy services or aid for some specific target group.

In 2015, **organisations mostly advocated and worked in favour of the interests of children, the poor and seniors**. In 2012, the most advocated population groups were children, seniors and women.

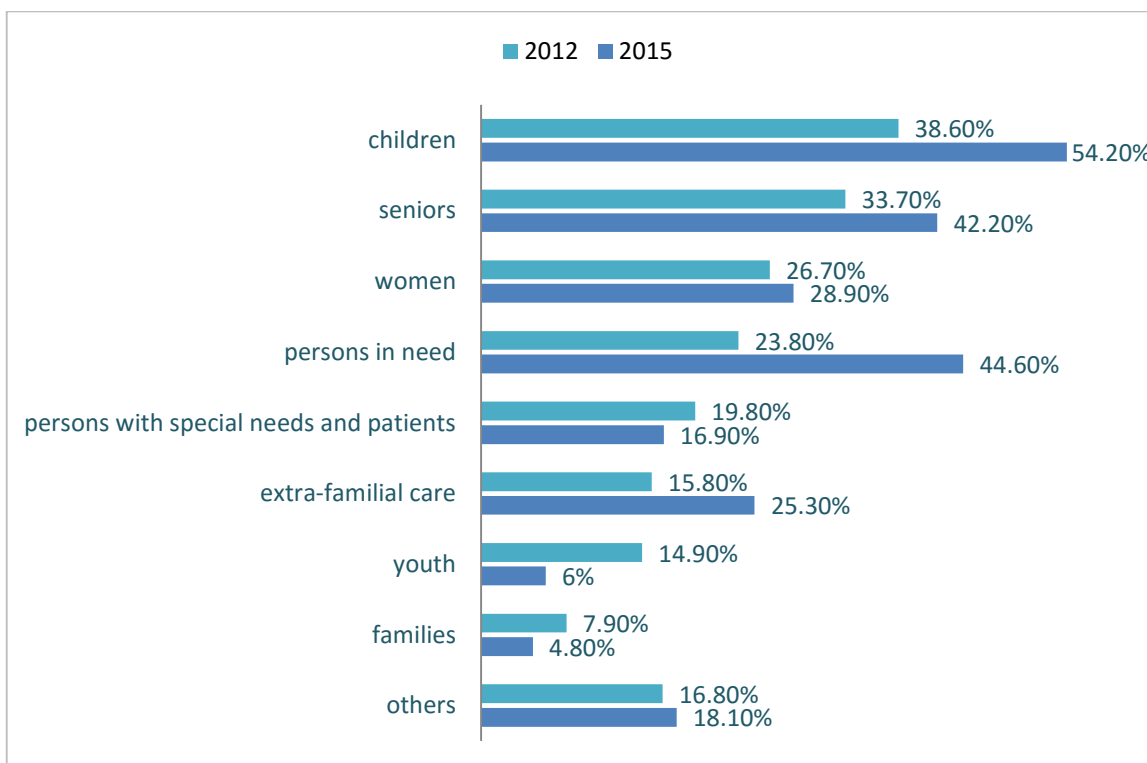


Figure 12. Population groups advocated by NGOs.

Source: Operation of NGOs in Latvia. 2012 and 2015. Web Research.

It is possible to conclude from the data dynamics that **over the last three years, the number of organisations advocating children** (including children out of families), **seniors and the interests of the poor has increased**, but the number of organisations advocating the rights of youth and families has decreased. It can be concluded that these data alarm about a general polarisation of the society in the field of social and economic welfare. Exactly children and seniors are those who hardly can or cannot provide income for themselves and be economically independent, therefore they are at risk of poverty or social exclusion. The decrease in the number of organisations working with youngsters can be linked to the closure of EU programme “Youth in Action” and its modification into “Erasmus+” programme, which might have asked for new competencies and reassessment of existing operation and activities within the organisation.

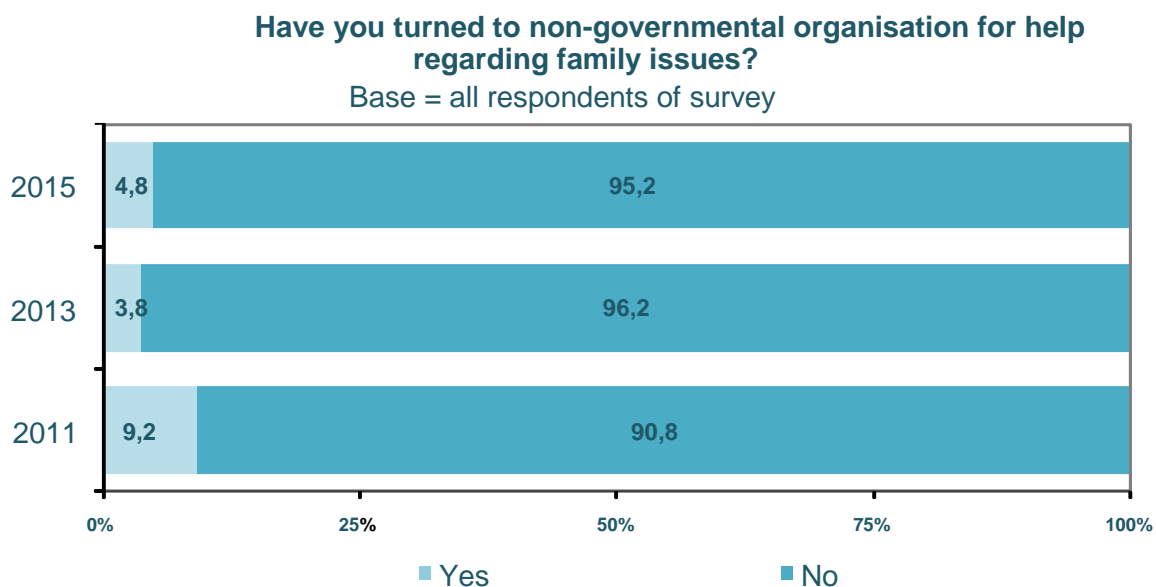


Figure 13. Seeking aid in non-governmental organisations.
Source: Public opinion about NGOs in Latvia. Latvijas Fakti.

Graph shows that over the last two years, the number of inhabitants turning to non-governmental organisations helping to find solution to their or their family problems has increased by 1 percent.

Identical to the situation two years ago, **financially less secured respondents, unemployed, retired people** have turned to **non-governmental organisations for help**.

The decision to ask non-governmental organisations for help has mostly been determined by the fact that:

- it is the organisation, which helps people with the same problems as me/has specialised in solving such problems (mentioned by 38,8% of respondents). The amount of people guided by such motivation has increased by 10%, as a result, it can be assumed that NGOs are well recognized in the society;
- it has been heard about the good experience of other people in solving similar problems (mentioned by 31,6% of respondents);
- there has been cooperation before (32,7%);
- it has been suggested by the social worker or other specialist (30,6%);
- it has been suggested by relatives, friends and acquaintances (26,5%).

Most part of respondents (61,2%) have received the help expected from a non-governmental organisation. However, it is less than it was two years ago, when almost 90% had received the expected help. 76% of respondents were satisfied with their help from NGOs in 2011. Although only 2% of respondents have been disappointed in the help provided by non-governmental organisations, **changes in data dynamics correspond to the general increase of distrust in any type of institutions, including non-governmental organisations.**

According to the data from the Ministry of Welfare, there were 288 associations, foundations and their branch offices registered as providers of social services in 2015¹². Over the last two years, the number of such associations, foundations and their branch offices has increased by 104. From the total amount of 820 different type of legal entities currently providing social services, 179 or 22% are associations and foundations or their branch offices. However, from all social service providers, associations and foundations (as their branch offices) form 26%. **But from the number of NGOs providing social services, 81% are associations and their branch offices.**

2.4. Operation of public benefit organisations

On January 1, 2013, there were 1955 organisations, which had been assigned the status of public benefit organisation; however, until July 1, 2013, already 1984 organisations had been assigned such status.¹³ On December 31, 2013, there were 2046 organisations with the status of public benefit organisation, at the end of December, 2014, the number had reached 2287, but **on January 1, 2016, there were already 2454 public benefit organisations in Latvia.** In 2014, 241 organisations were assigned this status, in 2015 – 167 organisations. It means that **the number of public benefit organisations continues to increase, however, the growth is not so rapid** – in 2015, the status of public benefit organisation was assigned to approximately one third less than in 2014. In total, the **status of public benefit organisations has been assigned to 11,9%** from the total number of active organisations.

At the end of spring, 2015, there were around 300 organisations participating in the NGO survey, half of them had the status of public benefit organisation. It can be concluded that:

- **The number of public benefit organisations continues to increase.** It indirectly shows the beneficial legislation of the state for the operation, development of organisations and their achievement of public goals. NGO survey proves it. Public benefit organisations more than organisations without this status believe that organisations can influence decision-making process. Paired with greater opportunity to maneuver in attracting donations, this is proof that NGOs see the advantages of the public benefit organisation's status and they use them;
- Organisations with the status of public benefit organisation show comparatively high responsiveness and interest to communicate and participate in the formation of public opinion. It is proven by the fact that approximately half of volunteer respondents in the NGO survey were exactly public benefit organisations.

¹² The Ministry of Welfare of the Republic of Latvia, the Register of Social Service Providers: <http://www.lm.gov.lv/text/1047> – accessed on 01.02.2016.

¹³ Information provided by the Legal Department of Tax Administration, the State Revenue Service.

Table 5

Fields of operation indicated by public benefit organisations
Source: data from the Tax Revenue Service.

Fields of operation	Number of organisations on December 31, 2014	Number of organisations on January 1, 2016
Support of sports	808	868
Charity	795	833
Development of civil society	670	738
Culture promotion	514	560
Improvement of the social welfare of the poor and socially disadvantaged groups	444	464
Promotion of education	305	315
Protection of human and individual rights	123	121
Environment protection	122	129
Health promotion	116	123
Science promotion	74	76
Relief in disaster and emergency situations	24	26
Disease prevention	19	19

The status of public benefit organisation can be assigned in several fields of operation, therefore also according to its listing it cannot be concluded, if the particular number characterises organisations, the operation of which gives public benefit only in the specified field. However, it can be seen in the table that **support of sports, charity and development of civil society are the main fields of operation for organisations with the status of public benefit organisations.**

Support of sports, charity, development of civic society and culture are fields in which the number of organisations having been assigned the status of public benefit organisations has increased. There have been new organisations with assigned status of public benefit organisation in all fields, except disease prevention and protection of human and individual rights. In a year's time the number of public benefit organisations in the field of disease protection has remained constant, but two organisations have lost the status of public benefit organisations in the field of human and individual rights protection.

Table 6

Dynamics of public benefit organisation number
Source: data of the State Revenue Service.

Field of operation	Beginning of 2013	End of 2014	Beginning of 2016	Growth over two years
Support of sports	731	808	868	+137
Charity	706	795	833	+127
Development of civil society	593	670	738	+145

Culture promotion	469	514	560	+91
Improvement of the social welfare of especially the poor and socially disadvantaged groups	428	444	464	+36
Promotion of education	306	305	315	+9
Protection of human and individual rights	121	123	121	0
Environment protection	111	122	129	+18
Health promotion	111	116	123	+12
Science promotion	70	74	76	+6
Relief in disaster and emergency situations	21	24	26	+5
Disease prevention	16	19	19	+3

Table 6 shows that **the number of organisations operating in the field of developing civil society, support of sports and charity has grown most rapidly** – more than 100 organisations. The least amount of public benefit organisations can be observed in the fields of disease prevention, relief in disaster and emergency situations and science promotion. The number of public benefit organisations in the field of human and individual rights protection has remained practically constant.

3. Human Resources Attracted for the Operation of Organisations

3.1. Attraction of members

In 2015, most part of organisations, 67%, mostly were organisations of physical persons; less, 23%, were organisations of only legal persons, but 10% of organisations had both physical and legal persons as members. It can be said that in 2012 the situation was the same, when organisations with members as physical persons prevailed.

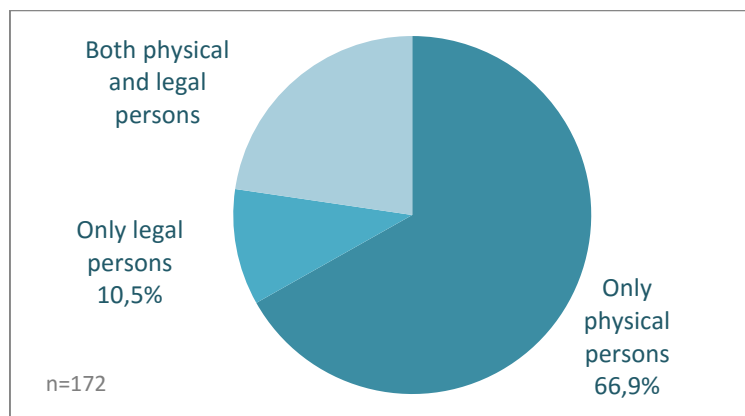


Figure 14. Members of organisations in 2015.
2015. Web Research.

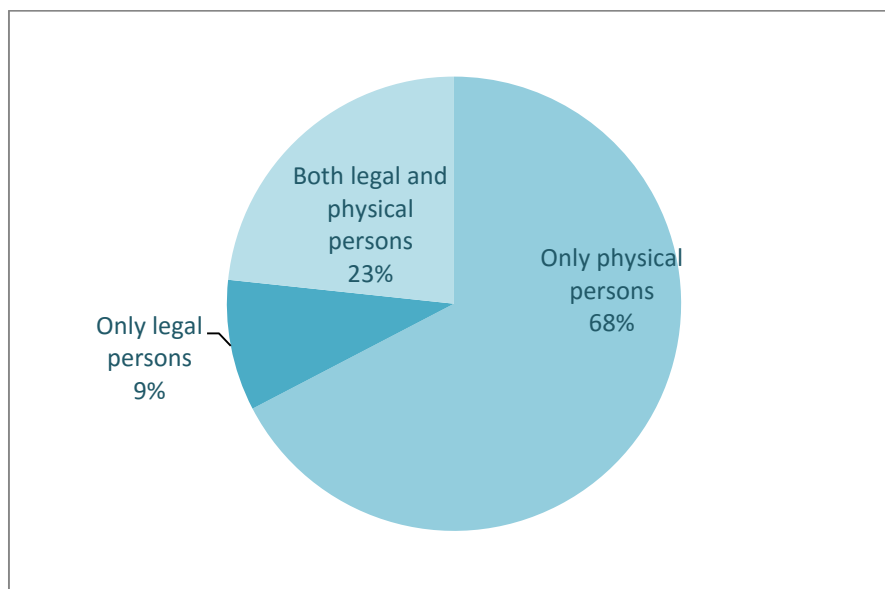


Figure 15. Members of organisations in 2012.

Source: Operation of non-governmental organisations in 2012. Web Research.

In 2015, there were on average 25 members per association (in 2012 – 28 members); on average, the number of members fluctuated from 12 to 64.

In 2012, the following were stated as the main motives for engaging inhabitants in becoming members of an association:

- the possibility to get new contacts (40,6%);
- the friendly atmosphere in the organisation (36,6%);
- the possibility to join the people interested in some certain field (36,6%).

In 2015, the following were mentioned as the main motives:

- the friendly atmosphere in the organisation (42,8%);
- the possibility to get new contacts (38,8%);
- the possibility to join the people interested in some certain field (35,5%).

In both periods of the research, such motives as the possibility to improve professional growth and organisation's ability to influence decision-making process were least important (less than 20%) according to the organisations themselves. However, it must be noted that it is contradictory with other indicators, i.e., one of the most represented fields of NGO operation is advocacy. The belief in the fact that the organisation can influence decision-making process must be one of the main conditions to attract and unite members.

Different situation forms when organisations mention the reasons, which encourage legal persons to become members of an association. In 2012 they were:

- organisation unites people interested in a certain field – 50,5%;
- possibility to get new contacts – 38,1%;
- organisation is able to influence decision-making process – 34,9%;
- organisation advocates the interests of members – 33,3%.

In 2015, the main motives for legal persons were:

- organisation advocated the interests of members – 50,9%;
- organisation can influence decision-making process – 47,4%;
- organisation unites people interested in a certain field – 43,9%;
- possibility to get new contacts – 43,9%.

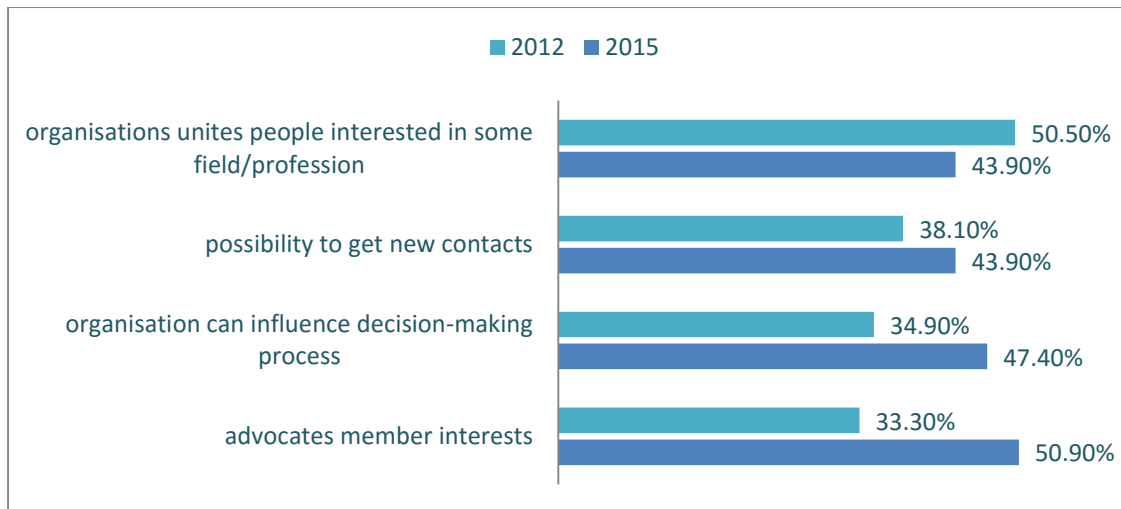


Figure 16. Motives of legal persons to become members of an association in 2012 and 2015.

Source: Operation of NGOs in Latvia in 2012 and 2015. Web Research.

Data dynamics shows that over the last years legal persons understand better and appreciate more the fact that as a part of association it is possible to advocate certain interests and influence the decision-making process together.

3.2. Attraction of employees

Non-governmental organisations mostly have the practice of attracting employees only for certain projects. Usually specialists are also employed for implementation of certain functions and achievement of organisation's goals. NGO survey shows that **on average, organisations do not have employees, they have one employee, five volunteers in scope of a certain project and no seasonal employees.**

Representatives from NGOs in discussions in four cities of Latvia confirm that the leader of the organisation and its board mostly are the people who work voluntarily, if it is not possible to allocate funding from the project's grant. Accountant is both an employee and outsourced service provider, and a volunteer, if he/she is a member of this organisation or participant in their activities. Specialists and coordinators are mostly attracted by providing remuneration for them. However, when attracting volunteers or people for seasonal employment, associations and foundations use many opportunities: State Employment Agency's programme of Youth Guarantee Measures, work places for disabled people subsidized by the state, internships for students, project opportunities by The Latvian Red Cross to legally employ citizens of third countries, European Voluntary work programme "Erasmus+", which offers the possibility to attract volunteers from abroad. As NGO leaders admit, organisations itself in order to attract and employ people successfully must be prepared. *"By attracting volunteers, there must be a "to-do" list with tasks for them. There must be not only an idea, but also the basis for people to work in."* (Leader of an organisation from Liepaja). **The risk in this sector is the fact that even the operation of large organisations is based on the work of one person.** There is lack of people, who could bring the ideas of the organisation forward with determination and no hesitation

3.3. Involvement of population in the operation of organisations

Not only its members or founders, but also wider population are involved in the operation of an NGO. The most popular forms and ways of involvement are **organisation of projects and their activities, submission of ideas and proposals, participating in project activities and their organisation**. More than half of NGOs, participating in the survey in May, 2015, marked these forms of involvement. Organisations themselves admit that people like and they want to be involved, because it is opportunity to gain interesting experience and feeling of fulfilment gained from the activities implemented, as well as their free time has been spent usefully. However, for legal persons, the motivation is the fact that organisations advocate the interests of their members, as a result, the possibility to influence the decision-making process, for representatives of one field to be united and for representatives of one profession to get new contacts increases.

Organisations use traditional ways to involve inhabitants, however, they are also looking for new ways. Representatives from organisations in the focus group discussions revealed, that in order to involve inhabitants in different activities, both their organisation's, municipality webpages and social network pages, and also paper media (especially in towns and countryside) are used. However, **as the most effective way for involvement of both inhabitants, target group and new members, organisations state direct contact and personal invitation of a certain person**, because in such way the best channel of advertising works – “the word of mouth”.

„We invited each school separately. Networking and individual work are significant. Social networks are not working anymore, it is as shouting in a well. Communication does not take place via the Internet. Huge work must be invested – then the return will be greater.” (representative of a foundation in Liepaja).

„Social networks are more for entertainment not for involvement. The best is to let the information go by “the word of mouth”. (Representative of a youth organisation in Liepaja).

„The most effective way – “call a friend” and direct contact when a call is made and a person is invited. It takes much time, but it is effective.” (Leader of an organisation from Preili.)

4. Cooperation among Organisations and Their Partners

4.1. Characteristics of collaboration practice

Data from NGO survey show that cooperation usually does not take place only with one partner or by using only one channel of communication, but it is quite versatile. Organisations meeting the representatives of decision-making power, mostly meet also executive-power, mass media and other non-governmental organisations. There is a tendency that organisations with a greater number of volunteers communicate and meet with municipalities. However, organisations with a greater number of employees or employees on a project basis meet with the Saeima, ministries and state institutions. NGOs having participated in any public debates over the last year

cooperate with other NGOs, other municipality establishments and ministries more often. It means – **the greater the number of employees, members and volunteers, the more frequent and versatile the collaboration practice.**

NGO collaboration practice is formed according to the principle “from the nearest to the farthest”, i.e. most often organisations cooperation with their target group and society in general (i.e. state’s population). A little bit less often, but still quite frequently, it cooperates with other NGOs, public media and local municipality institutions. But, as the organisations have noted, they rarely or never cooperate with the deputies from the European Parliament or the Saeima. The number of NGOs (84,2%), which often or sometimes cooperate with other non-governmental organisations actually is as great as the number of those, which rarely or never cooperate with the deputies of the European Parliament (88,3%). However, the number of NGOs, which often or sometimes cooperate with public media and which rarely or never cooperate with the deputies of the Saeima is equal – respectively 72,1% and 72%. The same situation was in 2012; the changes in the data are statistically insignificant. It means that **non-governmental organisations** quite rarely **see** representatives of decision-power as **partners of cooperation**, but more often – **peers in general**, either it would be the organised civil society in the form of an NGO, or wider society via mass media.

NGO survey shows that the highest index of cooperation activity is for those organisations working with social services and advocacy, as well as professional organisations. However, as mostly activity indexes among several fields do not differ significantly, it would not be right to conclude that NGOs are more or less active in some certain fields.

In 2012, both associations and foundations were equally active in cooperation with other NGOs. In 2014, the number of foundations having never cooperated with other organisations increased, but the number of foundations, which often or sometimes cooperate with other NGOs, has decreased. It means that **more and more often foundations themselves can implement** the goals of their organisation.

Three years ago there was weak correlation between the scale of the organisation’s activity and the intensity of its cooperation with other NGOs, but in 2015 such correlation does not exist. However, in 2012, organisations with the status of public benefit organisation cooperated with other NGOs more than organisations without this status. In 2015, such correlation has not been observed, which gives a hope that **each non-governmental organisation willingly choose their non-governmental organisations as their partners despite the status or scale of activity.**

NGOs cooperate with other non-governmental organisations more in order to achieve their goals by implementing joint projects, seminars and exchange of good practice, exactly the same as three years ago. Environment protection organisations must be stated as the most active when cooperating, they collaborate more often than NGOs from other fields.

Three years ago, weak link among the cooperation intensity, number of members and the year of organisation’s establishment could be observed – the intensity grew,

when the number of members in the organisation increased along with the age of the organisation. In 2015, there was almost no tendency to collaborate, when the number of employees involved in the project grew, however, the correlation between the number of members and the year of registration had no statistical significance.

NGOs cooperate with municipalities in order to reach their goals and implement joint-projects, however, simultaneously, significant motive for cooperation is the funding received from the municipality. It is actually slightly more often than three years ago, when NGOs were more targeting to cooperate with municipalities in the field of education or exchange of practice. There is very weak tendency that associations more frequently than foundations communicate with local municipalities and their institutions.

In 2012, it could be concluded that organisations with the status of public benefit organisations collaborated with municipality or its institutions more often, but in 2015 there is no such connection. But the data show that public benefit organisations more often expand their collaboration with other municipalities. It can be explained with the fact that the scale of operation for public benefit organisations usually is wider, i.e., the whole country. There is weak tendency for the collaboration intensity with local municipality establishments and municipality to grow, if the number of employees and volunteers involved in the project increases, but three years ago, the number of members was more important than the number of employees involved. In both researches it has been confirmed that organisations with a narrower scale of operation. i.e. local community or all republic, cooperate more with municipality than organisations working at the international level.

NGOs still solve advocacy questions with ministries and institutions working under their wing more often than with other institutions. Having the status of public benefit organisation does not influence the intensity of cooperation with ministries, however, the number of employees and members and the age of the organisation has a weak link with the intensity of cooperation. It means that older, more experienced and larger organisations do it more often.

Organisations still get significant financial support from enterprises. Organisations with the status of public benefit organisations have this cooperation with enterprises more often. The more employees and members, the intensity of collaboration is greater – such scene could be observed both three years ago and during conducting of the research.

Overall it can be concluded, that in 2015 **exactly employees play a greater role** or the financial capacity of an organisation to hire employees for provision of its operation or collaboration with other organisations. In long term, it could mean also the tendency of organisations to professionalize, especially, if it concerns the field of advocacy.

In the interpretation of the data, it must be taken into account, that statistical correlation between the comparative data from 2012 and 2015 as well as among different indicators within the scope of a year's research, are weak. Besides, only 295 organisations gave valid responses in the NGO survey, it is only 1,4% from all NGOs

in Latvia. As a result, the data obtained cannot be generalised and they do not show significant changes in the collaboration practice over the last three years. Therefore, it is not possible to make conclusions about new, significant changes in all NGO sector.

4.2. Evaluation of the cooperation with state representatives

In order to find out the collaboration practice, the representatives from the state and NGOs were questioned. Although the evaluations of cooperation differ, common points can be found. One of the most significant conclusions: **both state and municipalities and organised civil society can find common ground and are motivated to collaborate** by realising that qualitative decision making according to the State Constitution and EU documents is possible only by involving society.

Management power, the main collaboration partners of which are trade unions, Employers' Confederation of Latvia, Latvian Association of Local and Regional Governments, Latvian Chamber of Commerce and Industry and large non-governmental organisations – professional associations of a certain field having united producers, representatives of different fields of economy in order to advocate their interests against institutions which cooperate mostly with those associations and foundations with social goals. **State institutions admit that large organisations of professional fields are lobbyists**, because they represent a certain field.

„When working with different NGOs, at least in the sphere of pharmacy, often it can be observed that separate NGOs represent one enterprise or a very narrow group of interests, which often disturbs constructive work on regulatory enactments, when they are being developed and discussed.” (Representative of the Ministry of Health).

However, the cooperation mostly is characterised not as pressure on state management institutions but more as constructive cooperation. Large part of the existing cooperation organisations from the state are known as good and responsible partners over several decades. *“This cooperation started already 15 years ago, we know the largest associations of each field and they cooperate with us with the goal to represent the opinion of their field. We have a list, we know them.”* (Representative from the Ministry of Economics). *“We have obtained our partners over the course of time, when they have come to the ministry themselves or when meeting in different events.”* (Department director from the Ministry of Economics). However, also new cooperation partners are invited, if the field or the scope of issues is novelty and state institutions lack expertise or these organisations offer cooperation themselves.

All respondents from the state institutions admitted that they are open to new collaboration partners and emphasized that organisations themselves must follow the decision-making and implementation agenda, because institutions do not know all organisations and cannot invite everybody separately.

„If organisations apply themselves and express their willingness to cooperate, none is refused. When they go to the meeting of State Secretaries, each of them can express themselves. As a result, many apply and give their conclusions. Usually if an

organisation sees the points of communication, it comes and participates.” (Representative from the Ministry of Finance).

State institutions which cooperate with the associations of the professional fields, mentioned more often the cases when state tasks are delegated and funding is assigned to these organisations. *“Data collection requires funding – sometimes we can do it, sometimes we need discussions at the experts’ level, and then we invite associations. We both delegate tasks, e.g. to collect data, and also give funding for this order, if the data are very necessary.”* (Representative from the Ministry of Economics).

Although many state institutions point out that they cooperate with non-governmental organisations, **this information must be treated with caution, which exactly these organisations are and what the goal of their establishment is.** For instance, The Nature Conservation Agency cooperates with the Foundation of the Kemeru National Park by implementing several extensive projects in environment protection. The Foundation of Kemeru National Park¹⁴ was established in 2000 to provide support for state institution managing the territory of the park – the administration of the Kemeru National Park. The administration employees of the Kemeru National Park, the Latvian Fund for Nature and representatives from local municipalities participated in the establishment of the foundation. The operation of the foundation started with the foreign funding allocation to buy out the private land in the national park. It means, that the interests of the state and municipalities to manage the territory of the national park was the main reason of establishing this foundation than the activity initiated by the inhabitants. Also at the moment the partners of the foundation are state and municipality institutions. By its nature, this foundation differs from the organised activity initiated by inhabitants, the driving force of which are the needs of inhabitants or community.

The Ministry of Economy works in close connection with the professional unions and associations of different fields of economy. They represent interests of producers from certain fields, as a result, the operation of these organisations differs from the organisations of civil society advocacy. Although they advocate their interests, these interests are of commercial nature.

By taking into account the information mentioned above, it must be stated that ministries responsible for social questions characterise their practice of collaboration differently. The number of their collaboration partners is changing much and is versatile. Organisations involved very often contradict each other, because they do not agree upon their point of view beforehand. However, elimination of different opinions for the convenience of deputies cannot be sufficient substantiation to ignore or quite the opposite – cooperate with ones or the others. **There are less opportunities in the social field to order researches and ministries rely on the expertise, which organisations provide for free.**

Ministries working mainly in solving social questions emphasize the importance of Community Foundations to acknowledge and collect the public opinion as it happens in the population forums. In such way ministries get the opinion of population and

¹⁴ http://www.kemerunacionalaisparks.lv/?r=28&n_venture

indirect involvement of population in the decision-making process is provided. When talking about the involvement of population, ministries dealing with the issues of economics emphasize the vision of professionals from a certain field.

The fact that the collaboration practice in “social and professional issues” in state management institutions is different, could be connected with the political culture: it is unspoken rule that society is the one that speaks about the social issues or is based on the principle “those who drown are responsible for those who drown”, while those gaining profit from production and consumption – enterprises – are those who support issues of economics. The fact that enterprises have united to advocate their interests and use the legal form of associations and foundations does not disguise the economic lever, which is behind the real motives of the civic operation from these members and foundations and the arsenal of their influence.

It must be noted that similar as to attracting human resources, personal contact is important for organisations, also in the case of cooperation with NGOs, personal friendship or recognition is very important – if NGO leaders, directors are or are not known to the directors of particular committees or institution. For instance, the Ministry of Finance characterises the cooperation with non-governmental organisations: *“Ministry cannot miss the fact, when something is organised and invited the union, for instance, because they know what they are interested in. It is unlikely that X is interested in the development of sports or health issues, but if the issue is about the formation of opinion, development of regulatory enactments, then I will invite them, because I know that they are interested in.”*

One of the solutions in the improvement of collaboration practice would be the inclusion of social issues in the agenda of those state institutions which seemingly solve “the issue” not the “questions of the people”. The opinion of the department director from the Ministry of Welfare illustrates it most precisely: *“I feel sorry for the fact that we cannot diversify the questions about people to different ministries and state institutions. For instance, it seems that the Ministry of Finance discussed about the roads, but people use roads and transportation, as a result this ministry should meet with the NGOs working in the social field. Now it is that all these questions connected with people get to the Ministry of Welfare. Other ministries should be stimulated to see that the questions related to their competencies affect the population. They should be helped to see and also for NGOs to enter in these ministries so they understand and take into account that people also are a part of their tasks”.*

4.3. Evaluation of collaboration among NGO representatives

Focus group discussion with the local NGO representatives in four cities of Latvia show that **organisations see municipalities as well as other non-governmental organisations as their most important partners of cooperation** (which are located in the same city or municipality or the field of activity is close to theirs). City and municipality councils, municipality institutions are both praised and criticized.

“It is more important to be willing to gain understanding on the spot. Municipality mostly invited “come and talk”, but nothing happens further. At a level of resolutions there are agreements, however, when meeting with a separate deputy, there is no

understanding again. The municipality does not reply to applications. They are always ready to listen, but they do not take into account. One must talk differently. ” (Association in Bauska).

However, the largest part of discussion participants emphasizes that municipality institutions are welcoming both in the means of co-funding and the provided services. For instance, Non-governmental organisations from Preiļi and its municipality have very close cooperation. Municipality helps not only with the facilities and transportation, but also with the accounting services. Thanks to personal contacts and successful cooperation practice, there is an impression that Preiļi municipality invests quite much in strengthening organised civil society, but also appreciate that organisations cover a range of social services, which the municipality is not able or cannot provide itself.

Rural and community cooperation in many municipalities is one of the strongest support points, which can link the local power with the needs and interests of the community.

“There are very different types of partnership in Latvia. There are such, in which mainly the employees from the development departments of municipalities work, and then there are NGOs. They duplicate their operation, because there is municipality budget and they operate with this money. Second kind – there is no connection with the municipality, those are the real NGO people. It is a different kind of money management, because there is non-stop planning. We start with finding out the needs of people. There have been two community forums, two workshops of neighbourhood. We go around the municipality. We are a part of society, the parish. We find out what is good, what is missing. And what are you ready to do? Then we mark three fields of activity. Municipality uses part of these suggestions in its documents, we – in our strategy document.” (Representative of partnership in Latgale).

Organisation unions or other members from unions, international organisations (unless the organisation itself is not a branch organisation for some international organisation), entrepreneurs, decision makers at a national level (deputies, the Saeima committees, fractions) and executive power (ministries, state agencies) representatives have been mentioned less as collaboration partners. **However, organisations targeting narrow and specific groups** (disabled people, foster families, etc.) **more often form long-term and fruitful cooperation with decision makers and executive-power at a national level.**

„Now there is a situation when NGOs come as partners and deputies start to appreciate the contribution of NGOs. NGOs come with their statements, not with “give me, I want to do a good job”. It must be shown that NGOs give some benefit to the economy, that they employ dozens of people”. (Organisation from Liepāja).

Although the advocacy of interests is characterised quite widely, indirect indication that executive power uses non-governmental organisations more as free resources not sees them as long term and noteworthy partners prevails. It has been noted both in the interviews with representatives from state institutions who tell that depending

on the issue one or the other organisation is invited as a competent expert, and also in the interviews with focus group participants:

„There are people in ministries who consult with us. They understand where to look for help. Also in the sphere of education and social issues – you can get everywhere and arrange everything. There is not enough workforce in the ministry, our help is necessary.” (Foundation in Liepaja).

4.4. Overall rating of the collaboration practice

Conclusions from different sources of data can be made that the main fields and forms of cooperation between NGOs and state power are:

- development of policy planning documents and bills;
- supervision of EU structural funds etc.;
- participation in ministry and the Saeima work groups;
- consultation on the solutions for the most important problem issues for the field;
- researches in the fields of economy or about separate social issues;
- education events;
- provision of services and delegation of tasks.

There is positive tendency that organisations themselves see and use as collaboration platform the advantages for advocacy given by the Memorandum Council of Cooperation between Non-governmental Organisations and the Cabinet. The data from the State Chancellery in 2014 show that 13 ministries have invited NGOs to 605 of their events, involving 4 673 NGO representatives, but ministries themselves have participated in 1 070 events organised by NGOs (more information about the activities of advocacy can be found in chapter 6).

Cooperation and reach of consensus asks for quite important amount of resources both from the side of NGOs and state institutions. *„It is abnormal waste of resources. How to find optimal model to have the involvement, but also to have the possibility to go on with the work? Nobody is protected from the moment, when going public, nobody will stand against you,”* emphasizes the representative from the Ministry of Finance. *“Sometimes it seems to me that we take social partners too much into account. How long can you listen to somebody? I understand that the opinions must be listened to, but how far can you step up? Sometimes the compromise cannot be found. There must be sane boundaries how long we can listen to others,”* admits employee from some certain state surveillance institution.

“Change of players” (NGOs interested appear and disappear), constant coordination of opinions, providing answers, communicating about ideas, provision of work group operation and representative functions – those are just some of the factors, which waste time, money, patience and enthusiasm of state and non-governmental organisations.

NGOs, state and local power representatives mention **these suggestions to improve cooperation**:

- more intensive and targeted exchange and circulation of information among NGOs and state institutions;
- maximum involvement of representatives from non-governmental organisations in drafting regulatory enactments;
- educating events (seminars), in which all parties involved can exchange information and opinions;
- one opinion from NGOs on certain issues. Ability to see the whole picture in order to avoid from situations when interests of some subjects/organisations are advocated. Optimal solution would be if organisations could agree in their alliances and formulate one point of view on problematic issues.

5. Publicity of Organisations and Their Recognition in Society

In July – September, 2015, news agency “LETA” conducted **the qualitative analysis of NGO publicity** by collection the publicity of non-governmental organisations in the printed mass media, the Internet and TV of Latvia. Within this period of time, **NGOs were mentioned in 11 085 materials – articles and programmes**, and that is **five times more than in 2013**, when NGOs were mentioned in 2 155 materials. One third of these materials include also commentaries from NGO representatives. Representatives from non-governmental organisations appear as experts in 3 509 materials, which is six times more than in 2013.

In a period of three months, Pēteris Apinis, the president of the Latvian Medical Association was quoted more than 50 times (it must be noted that P. Apinis has his own broadcast on TV channel “Rīga 24”) along with A. Berzins, the chair of the board of association “Constructor of Roads in Latvia”, Ilarions Girss, the member of “Par dzimto valodu!” [“For the mother tongue!”] and E. Pule, the leader of association “Agenskalns – our home”.

The list of repeatedly heard and interviewed experts from NGOs let a conclusion be made that **farmers are heard most often** – in total 160 times (representateives from association “Farmers Parliament”, “Union of Farmers” and “Cheese Club”). Three representatives from the “Farmers Parliament” have expressed their point of view in mass media 87 times. Agriculture is the topic, because of which NGOs have been mentioned in 457 publications and only two TV broadcasts, which shows that it is not the most topical issue. Probably these publications have been connected with the crisis in the dairy industry, which started as a result of Russia’s embargo and which has been illustrated by one of the opinions:

„By several organisations cooperating, we have started the draft of dairy strategy. Earlier such get-together was complicated, but because of crisis as well as the

initiative of Farmers Parliament, there were both producers and processors and representatives from the Latvian Rural Advisory and Training Centre and the Ministry of Agriculture. As a result, we have gotten to know the field of the game, which is called dairy production in the conditions of crisis. Next meeting for the solution of situation is expected to be in two weeks, during which by mutually communicating we will try to find answers to the questions given today”¹⁵.

Experts from association “Shelter “Safe House”” have been heard 83 times. In total, experts from associations “Shelter “Safe House””, “Antiglobalists” and “Arabic Culture Center” have expressed their point of view in written media 126 times. Because of the actualities of political debates over the last months, it can be concluded that these experts have been talking about the refugee issue. Refugees within the NGO context have been mentioned in 583 publications and 32 TV broadcasts, which is twice more frequent than the second most popular topic “children and youngsters”.

What concerns Internet portals, then NGOs have been most often mentioned on “pilseta24.lv” (992 times) and “delfi.lv” (339). In 2013, “diena.lv”, “apollo.lv” and “la.lv” reflected the information about NGOs most often.

What concerns monthly editions, then the publication of Latvian Association of the Deaf “Kopsoli” has been the absolute leader (24); from the national newspapers – “Diena” (126); from weekly editions – the Australian newspaper for Latvians “Latvietis” (43); from the regional press – “Vietējā Latgales Avīze” (153).

What concerns TV channels, then the most broadcasts regarding NGOs in the respective period of time have been observed on LNT (47) and LTV1 (35)¹⁶.

The **most popular topics**¹⁷ for mentioning non-governmental organisations in mass media have been **culture** (1 782 materials), **general mentioning of NGOs** (796), **sports** (760) and **municipalities** (732). Two and a half years ago, the most popular topics were “social support” (286), “agriculture” (250), “environment” (208) and “education and science” (158).

Most frequently (92% of cases) non-governmental organisations have been mentioned in mass media in **neutral context**; 7% of materials have been positive, but 1% – negative. There was similar situation in 2013.

Public TV has mentioned non-governmental organisations mostly in relation to **refugee issues** (32 broadcasts): 84% of materials have been neutral, 14% – positive, 2% – negative. The number of positive broadcasts has increased by 8% since 2013. In total, over the given period of time, NGOs were mentioned 107 times on TV, which is for 72 broadcasts more than in 2013. There it can be stated that **public television creates its broadcasts by referring more to non-governmental organisations, besides NGO image is being put in more positive light to the viewers than several years ago.**

¹⁵ Non-governmental organisations, qualitative analysis of their publicity; July – September, 2015. Ltd. “LETA”.

¹⁶ Complete overview of the mass media can be found in the appendix.

¹⁷ Complete list of topics can be found in the appendix.

Figures mentioned before, make it possible to believe that **the operation of non-governmental organisations is noticed and their opinion is heard**. However, it must be reflected on the fact that NGOs in the context of culture have been mentioned 2,3 times more than the next most popular topics of “general mentioning of NGOs”, “sports” or “municipalities”. It can be concluded that **NGOs mainly gain publicity if they organise culture events or participate in them**.

Participants of focus groups from 24 regional organisations in Latvia informed about their tactics when involving local inhabitants and publishing information about their activities. **Currently the most frequent use of communication are social networks**, because it is a channel that almost does not require any funding from NGOs – only time, understanding and enthusiasm. Very often youngsters and volunteers are given the task of communicating with the society. Associations regard this type of communication as effective, however not as effective as direct invitation of the target group and use of personal contacts. Many organisations **publish information about themselves in the local newspapers**, and editors are interested themselves to gain information about the activities of non-governmental organisations as well as create publications and make reportages. Also this type of cooperation does not require any funding. More rarely regional televisions and mass media of national scale are mentioned as those reflecting the work and opinion of NGOs. However, it must be understood that there are not many organisations in regions themselves which would work at a national level. It means that the **publicity and recognition of NGOs are connected with their scale of operation** National or international organisations, which provide daily work, care for their recognition and reputation the same was as enterprises do. Such organisations have both websites, experience of publications and quite stable cooperation with written and broadcast media.

6. Civil Dialogue and Advocacy in Latvia

Table 7

Characteristics of the situation

Criterion	Indicator, 2015
Number of conclusions organisations have given about the draft regulatory enactments at a government's level	512 conclusions
Number of NGOs involved in some of regular ministry consultative councils/ work groups	1128 organisations
Part of population believing in their ability to influence decision-making process in Latvia, %	13,8% from population in Latvia ¹⁸
Organisations believing in their ability to influence decision-making process in Latvia, %	72% of associations and foundations
Number of inhabitants which have been involved in some public/civil activity over the last three years	89,4% of inhabitants in Latvia

6.1. Involvement of inhabitants in the decision-making process

Population poll conducted by agency "Latvijas Fakti" in September, 2015, shows that **the involvement of inhabitants in Latvia in the civil dialogue and advocacy of their interests has become more active** in comparison to 2011 and 2013. Over the last three years, 89,4% of respondents have participated in some public/civil activities.

¹⁸ It is less than in the researches of 2013 (-2,7%) and 2011.

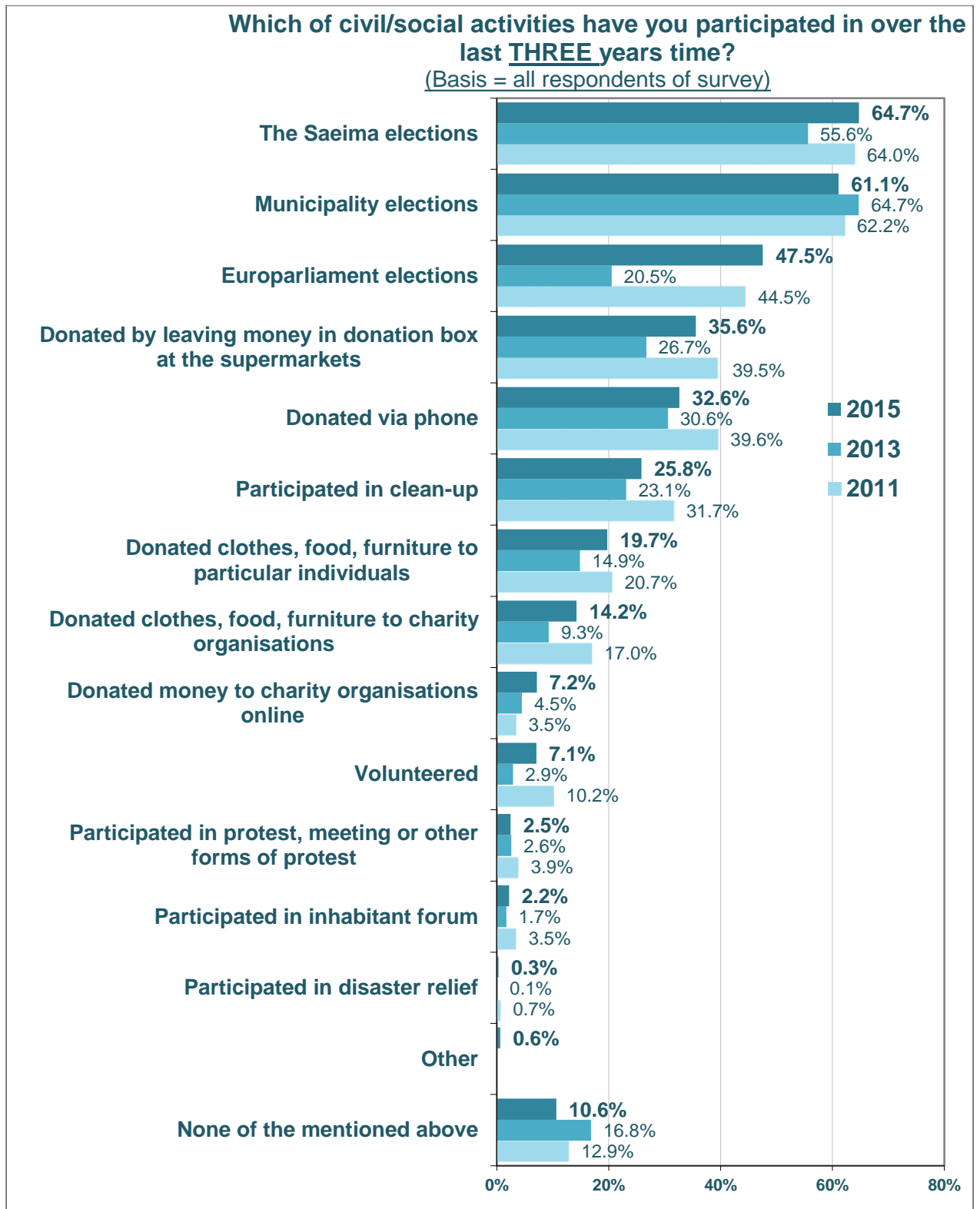


Figure 17. Answers of respondents about the participation in public activities.
Source: Latvijas Fakti.

Data from the Society participation index¹⁹ poll show that **the intensity of public participation in Latvia can be evaluated as average**. Average index of participation shows that inhabitants support several types of participation, they have participated in some of activities or have even initiated and organised them.

Comparative researches over a longer period of time reveal a similar tendency, i.e., socially more active groups are people with higher education, Latvians, women, employees with average of higher level of income per family member a month. But the data from the poll on Society participation index for May – September, 2015 does not show significant differences in the intensity of participation between age and gender.

Mostly inhabitants of Latvia use the democratic form of representation – going to elections and voting. Over the last years, 64,7% of respondents have participated in elections of the Saeima, 61,6% in municipality elections and 47,5% - in European Parliament elections.

Besides elections, population willingly uses **the forms of democratic participation. The most popular are charity activities** – donation by placing money in donation box at supermarkets (35,6%), donating via phone (32,6% respondentu), as well as **participation in clean-ups** (25,8%).

The data from the poll on Society participation index²⁰ rank civil activities according to the frequency of their activities as follows:

- involvement in volunteering (65%);
- participation in campaigns, demonstrations, pickets and meetings (37%);
- participation in decision of socially important questions by voting in referendum and participating in collecting signatures or voting on the Internet (31%).

In the survey of society participation index 29% of respondents (similar as to the inhabitant survey conducted by “Latvijas Fakti”) state that they donate both things and money. But **the least amount of inhabitants are involved in the management at a local level** – student parents’ council, parish council or in committees of inhabitant action (19%).

But the NGO survey conducted at the end of spring, 2015, proves that inhabitants participate less with monetary donations in the operation of NGOs, but more in implementation of activities or projects.

In 2015, **almost all** activities (except participation in municipality elections) **had done more respondents than in 2013**. In total, 74,4% of respondents had taken part in some of elections (+4,7% in comparison to 2013), and 58,6% of inhabitants in Latvia had donated money, clothes, furniture, food etc. to particular people or charity organisations (+6,5% in comparison to 2013).

¹⁹ The Society participation index is a tool created by Civic Alliance – Latvia for measuring the individual’s civil participation. More: www.lidzdaliba.lv

²⁰ Society participation index survey was conducted from May to October, 2015, and 423 inhabitants of Latvia have taken part in it.

In 2015, 21,2% of respondents had met or contacted some of municipality employees or deputies. 13,7% of respondents had met or contacted some of state institution employees, ministers or deputies of the Saeima. In order to find solution to some personal, family or society group's problem, 10,6% of respondents in Latvia had done some other socially political activity (participation in signature collection, public discussion, etc.). Also all these activities have been done more frequently than in 2013.

The number of inhabitants having been involved in some public group or organisation over the last three years has increased. At the moment there are 35,3% of respondents in Latvia who have done it, and it is 2,9% more than in the research of 2013. 4,7% of inhabitants identify themselves as members of some association, however, three times more of respondents point out that they are participants of some interest group (sing in a choir, dance in some group, participate in a club, etc.).

During the last year, **14,8% of respondents have been working as** volunteers, and in comparison to the research of 2013, the number has significantly increased: +7,2%.

Survey of "Latvijas Fakti" and Society participation index makes it possible to conclude that **the intensity of civil activity is increasing over the last years.** But it must be mentioned that there is skepticism in population towards the ability of non-governmental organisations to influence the decision-making process and conduct qualitative changes in solving different issues. It was found out in the survey that **only 13,8% of inhabitants think that they can influence the decision-making process in Latvia,** and this indicator is even smaller than in the researches of 2013 (-2,7%) and in 2011 (-1,5%). Negative attitude was expressed by almost two thirds of respondents. Also the data of NGO survey show that representatives of associations and foundations think the same – the possibilities of the inhabitants to influence decision-making process are quite small, and it has been stated by almost 60% of respondents.

Both inhabitants and representatives of NGOs state the reasons, which could promote greater involvement of population in organised civil society. Inhabitants presume that interesting events, more free time and the opportunity to gain extra knowledge and skills along with the possibility to help other people or their community would motivate them to get involved in some non-governmental organisation. NGO representatives presume that inhabitants would be more motivated to be involved if there was possibility to gain interesting experience and feeling of fulfilment as well as there would be possibility to spend free time usefully and get new contacts.

6.2. Associations as participants of decision-making process

6.2.1. Opinion of organisations and population

Over the last years the scepticism about the ability of non-governmental organisations to influence qualitative changes in different fields has risen.

According to the inhabitants of Latvia, the only field in which non-governmental organisations could successfully get some changes is **environment protection**, - 44,2% of respondents believe in that. But the most part of respondents is sure that non-governmental organisations would not be able to influence some qualitative changes in other fields of activity.

Two fields have been mentioned, in which there would be comparatively greater possibility to influence some positive changes:

- development of regional community – 27,1% of respondents evaluated positively the ability of non-governmental organisations to influence some changes in this fields, however, 29,5% of respondents were critical;
- protection of human rights (including lessening intolerance, prevent discrimination) – 25,6% assessed the ability of non-governmental organisations to cause positive changes in this field, however, 35,6% of respondents held critical attitude.

Development of regional or local community, human rights, quality of social services and nature protection are those fields, which associations and foundations themselves think they can achieve the greatest changes in.

Associations and foundations themselves see their possibilities to impact changes higher: 71,6% from 203 non-governmental organisations surveyed believe in their capability to influence decision-making process, but 27,5% assess their ability as significant. **However, in comparison with politicians, entrepreneurs and employer organisations, the impact of NGOs is evaluated as much lower.**

Also with every year **trust in public and state institutions decreases**. Only trust in the institution of the President of the Republic of Latvia has increased from 2011 to 2015.

State and public institutions, which have been evaluated the highest:

- president of the Republic of Latvia (trusted by 47,5%, not trusted by 14% of respondents);
- police (trusted by 46,9%, not trusted by 18,7% of respondents);
- municipalities (trusted by 45,4%, not trusted by 18,6% of respondents).

On the whole positive, but almost neutral reiting of trust is for the court, state institutions, mass media and entrepreneurs. Other state and public organisations in general have been evaluated critically, it means such that gain no trust with their activities. **The Saeima** (not trusted by 50,1% of respondents) and **the government** (not trusted by 39,4% of respondents) **have been evaluated most critically.**

21,4% of respondents completely trust in associations and foundations, but 28,4% of respondents do not trust them. They are trusted less than state, local municipality and law enforcement institutions, but more than the Saeima. Unfortunately, the results of the poll by “Latvijas Fakti” make it possible to conclude

that trust in associations and foundations in comparison with other institutions is quite low, basically ranking them between the government and the Saeima in “ranking of trust”

Poll respondents, the same as in 2011 and 2013, relate the work of non-governmental organisations to:

- charity (43% of respondents);
- provision of free time activities (40,4%);
- provision of information (37%);
- representation and advocacy of society interests in dialogue with different level of decision makers (municipality, state institutions) (33,1%);
- improvement of knowledge and skills (by organising seminars, conferences, training; conducting researches, creating analytical materials) (31,1%).

Only 4,8% from Latvian respondents have turned to non-governmental organisations for help, which is slightly more than in 2013. Most part of these respondents (61,2%) have received the help they had expected from a non-governmental organisation, but only 2% of respondents were disappointed in the help they had received.

6.2.2. Actual track-record of non-governmental organisations

The State Chancellery provides understanding about the actual possibilities of NGOs to influence the decision-making process in the country.

The data of 2014 from the State Chancellery about the implementation of the Memorandum Council of Government of the Republic of Latvia and NGO Cooperation reflect on the characteristics and trends of the cooperation between NGOs and ministries.

In 2014, the total number of developed **draft legislative acts and policy planning documents was 1 193.**

There were 250 draft legislative acts and policy planning documents discussed in work groups with a NGO representative present, i.e. **21% from all draft documents.** The Ministry of Agriculture has involved the highest number of non-governmental organisations (112), although it has not signed any collaboration agreements with NGOs. The Ministry of the Interior and the Ministry of Defence have not involved any non-governmental organisation in the work groups, which have drafted legislative acts or policy documents.

More than **100 collaboration agreements** have been signed in total by the ministries. The Ministry of Agriculture, the Ministry of Foreign Affairs and the Ministry of Finance have not signed any collaboration agreement with non-governmental organisations.

1 128 NGOs work in some of regular consultative councils/work groups of the ministries. No NGO is involved in the work of council or work group of the Ministry of

Defence. The greatest number of NGOs has worked in the councils or work groups of the Ministry of Finance, which could be explained with the participation in the drafting of the budget or its amendments.

188 draft legislative acts and policy planning documents were discussed in consultative councils. The Ministry of Defence has not reviewed any draft of legislative act in a consultative council; the Ministry of the Interior and the Ministry of Foreign Affairs have done it very rarely.

Ministries have invited NGOs as experts in the development of 141 draft legislative acts and policy planning documents. The Ministry of Defence has not involved any NGO, the Ministry of Foreign Affairs, the Ministry of the Interior and the Ministry of Environmental Protection and Regional Development. The Ministry of Agriculture and the Ministry of Health have invited the greatest number of NGO experts (more than 30 each).

NGO opinions about 512 draft legislative acts and policy planning documents have been received. The Ministry of Defence has received none, but the Ministry of Finance and the Ministry of Agriculture have received the most – around 100 each.

There have been 98 public consultations and discussions organised by the ministries in 2014. The Ministry of Defence, the Ministry of Finance, the Ministry of Education and Science and the Ministry of Transport have not organised any public discussion.

The Ministry of Welfare, the Ministry of Defence, the Ministry of Transport, the Ministry of the Interior, the Ministry of Finance and the Ministry of Economics do not see the possibility to give the implementation of particular state management tasks to NGOs. Although the Ministry of Welfare, the Ministry of the Interior and the Ministry of Finance have signed collaborations agreements with NGOs, it automatically does not foresee the delegating of certain state management tasks. However, judging from the listed number of organisations and their profile of activity it is possible to presume that the Ministry of Welfare has at least delegated some part of its tasks to NGOs, i.e. the provision of tasks to different target groups. Of course, delegation of tasks is not the same as delegation of functions – no state institution can delegate its functions to another organisation.

The Ministry of Defence has involved civil society the least in document drafting, consultative councils and work groups. The data of 2014 by the State Chancellery make it possible to conclude that **defence is that field of the country, which citizens have no influence in**. However, there is a section “Civil participation” on the website of the Ministry of Defence²¹, and there the ministry's attitude towards civil participation is stated.

The Ministry of Defence is open to cooperation with civil society and invited the non-governmental sector to get actively involved in policy planning and processes of state management implementation. The Ministry of Defence has developed regular cooperation with the non-governmental sector both in Latvia and abroad. Different projects in cooperation with NGOs are implemented every year. Suggestions submitted by NGO and other representatives of society are reviewed by councils

²¹ http://www.mod.gov.lv/lv/Ministrija/Sab_lidzdaliba.aspx

created by the minister of defence. To promote involvement of the non-governmental sector in the processes in defence sector, the Ministry of Defence regularly informs the active cooperation partners about topicalities and invites to joint discussions for exchange of ideas and opinions. Cooperation between the Ministry of Defence and non-governmental sector is coordinated by the Military Public Affairs Department.

The data given by the Ministry of Defence itself contradict with the information stated on the website: the reviewin of NGO proposals, the involvement of NGOs in the processes taking place in the field of defence and their involvement in policy planning and state management implementation. According to the data of the State Chancellery, the activities of the Ministry of Defence to promote the dialogue and cooperation with civil society in 2014 meant organisation of a forum, financial support activities to the families of Ukrainian militaries and the allocation of funding to military associations. In an official letter to Civic Alliance – Latvia, the Military Public Affairs Department of the Ministry of Defence replies that *“the Ministry of Defence supports and continues to promote the involvement of civil society and non-governmental sector in the processes of policy planning and state management by inviting every citizen of Latvia to events and seminars.”* Official letter does not explain the contradiction between the policy stated and the data of the State Chancellery.

Associations and foundations also themselves evaluate their opportunities and actual influence spheres in decision-making process.

70% of associations and foundations have met with incomprehension from the side of state and municipality institutions. In order to solve the problems of their target group, organisations more often turn to not decision makers, but those implementing decisions.

Table 8

Action of organisation in solving problems
Source: Latvijas Fakti.

has met employee of municipality	57,8%
has contacted employee of state institution	52,8%
has met employee of state institution	51,8%
has participated in public discussion	51,3%

Most part of organisations have achieved only partial changes (71%), but 16% have achieved no changes at all.

From 164 organisations, which stated their fields of operation in the NGO survey, mostly have mentioned advocacy (13,5% of cases). It proves that organisations themselves understand the importance of advocacy and act according to the advocacy of these interests.

Participants of focus group interviews – representatives from NGOs – on the whole, evaluated positively the possibilities for their organisations to influence the decision-making processes at a local level, but there were only few regional organisations, which get involved in the state decision-making processes on active and regular basis. Many organisations believe that the NGO zone of influence and importance is just at a local level. There were such organisations among NGOs, which follow the work of the Memorandum Council of Government and NGO Cooperation, but there

are others, which are quite sceptical about the efficiency of this council: *“Council of Memorandum... I want to sneeze on it – what does it give? It gives nothing. Municipalities are public organisations – then municipality must address these organisations.”*

Organisations, which admit that they participate in the processes of decision-making and advocacy, mostly limit their operation with consulting or stating their opinion or proposals. Only two three organisations from 24, which participated in focus group discussions could actually tell what changes in legislation or drafting of policy documents they had managed to achieve in long-term.

7. Evaluation of the Legal Environment of Associations and the State Policy of Supporting NGOs

There have been several amendments to the regulatory enactments on the operation of NGOs in Latvia over the last couple of years. Also several policy planning documents and initiatives have been developed in several ministries, which in near future could shape up in respective legal regulation and significantly influence the NGO sector. This research will analyse the mentioned changes, topicalities and challenges for the period of 2014 and 2015.

7.1 Regulatory Enactments

7.1.1 Association and Foundation Law

On January 2, 2004, amendments to the Association and Foundation Law became effective prescribing implementation of classification of associations and foundations in line with the field of operation of associations and foundations. According to the Law, the Cabinet of Ministers had to develop regulations on classification until July 2, 2014.²² On January 1, “Regulations On Classification of Associations and Foundations”²³ became effective prescribing that starting from January 1, 2016, associations and foundations can submit their fields of operation to be registered with the Enterprise Register. The said amendments were developed to ensure identification of associations and foundations registered with the Register, by supplementing the system of entries in the Enterprise Register, based on their fields of operation and to ensure that the information would be publicly available in one place, as well as to provide identification of employers’ organisations and their unions²⁴.

The Cabinet Regulations are binding to newly-established and existing associations, as the requirements of the Association and Foundation Law are binding to all associations and foundations. Section 13 of the Association and Foundation law, on the basis of which the Cabinet Regulations were issued, as well as Section 15 regulate the Register of Associations and Foundations and prescribes what information (including the field of operation of organisation) shall be entered in the Register, therefore all organisations have to provide complete information to the Enterprise Register, however, no term has been provided when an entry on the field of business shall be made in the Register.

Associations and foundations can provide several fields of operation at the same time. Associations and foundations already registered have to apply for registration of

²² <http://likumi.lv/ta/id/261214-grozijumi-biedribu-un-nodibinajumu-likuma> – accessed on May 26, 2015.

²³ <http://likumi.lv/ta/id/278848-biedribu-un-nodibinajumu-klasificesanas-noteikumi> – accessed on February 8, 2016.

²⁴ Annotation:

<http://titania.saeima.lv/LIVS11/SaeimaLIVS11.nsf/0/6F1EC9F994BC7A89C2257A9C00261FC2?OpenDocument> – accessed on May 26, 2015.

field of operation with the Register by submitting application B3, in Clause 2.5 providing information on field of operation and paying the state fee (EUR 5.69) for an entry with the Register. If association or foundation already registered applies for registration of several fields of operation, respective number of pages that include Clause 2.5 shall be attached to application form B3. The laws and regulations do not stipulate any term when an entry has to be made with the Register of Associations and Foundations, however, employers' organisations, and their associations and trade unions are obliged to submit their field of operation.

Classification of associations and foundations will allow obtaining data and information on NGO more conveniently that will help to improve cooperation between public administration and NGO in implementation of policy and decision-making process, as well as will allow the potential supporters and donors to find organisations in line with the field of operation they would like to support.

7.1.2 Voluntary Work Law

One of the most significant developments in the regulatory field of the NGO sector is adoption of the Voluntary Work Law²⁵ on June 18, 2015.

The regulatory framework for voluntary work relations stipulated in the Law is a significant progress not only for the NGO sector but also for other organisers of voluntary work (state and municipality institutions, political parties and associations thereof) and persons who carry out voluntary work, as the sphere is not self-regulated anymore as it was before, when the only regulatory framework was provided in the Association and Foundation Law.

The key matters regulated by the Voluntary Work Law are as follows: definition of voluntary work, organisers of voluntary work, establishment of voluntary work employment legal relationship, conditions applicable to enter into contracts on performance of voluntary work, rights and responsibilities of the involved parties. The Voluntary Work Law prescribes that accounting system of voluntary work is developed that is a part of the Information System for the Unemployed and Vacancy Registration under supervision of the State Employment Agency.

On December 22, 2015, the Cabinet of Ministers adopted "Regulations On the Health and Life Insurance Against Accidents During Performance of Voluntary Work".²⁶

Amendments to the Law On Personal Income Tax were adopted on October 29, 2015 and passed on November 19, 2015. The amendments prescribe that compensations of personified expenses related to performance of voluntary work and covered by the organiser of the voluntary work according to the contract are not taxable. The requirement applies to expenses for food, hotel, accommodation, fuel, clothing, transport that do not exceed 1 000 EUR in the taxation year, as well as to expenses for health, life and civil liability insurance and health check-ups.²⁷ The

²⁵ <http://likumi.lv/ta/id/275061-brivpratiga-darba-likums> – accessed on June 22, 2015

²⁶ <http://tap.mk.gov.lv/lv/mk/tap/?pid=40372793&mode=mk&date=2015-12-22> – accessed on January 21, 2016.

²⁷ <http://likumi.lv/doc.php?id=56880> – accessed on November 22, 2015.

amendments became effective on January 1, 2016 and until this date the Cabinet of Ministers had to develop regulations that would prescribe the contents and norms for the above expenses.

As the Law was passed only recently, it cannot be yet concluded and assessed what influence it will have on the sphere of voluntary work and on promotion of voluntary work in the NGO sector. The main questions that would be answered after several years:

- 1) will the Law promote development and popularity of voluntary work?
- 2) will the performer of voluntary work benefit from the contract concluded on performance of the respective work (for example, can the voluntary work be used in determining the length of service)?

7.1.3 Public Benefit Organisation Law

The Public Benefit Organisation Law has not been amended in the recent years, however, it might be amended soon. The Ministry of Finance that supervises the sphere of this Law has summarised practice and set of issues in the sphere of public benefit organisations and has developed several suggestions for the potential amendments to the Law. In the first half of 2015, informative report “On the possibility to specify definition of public benefit organisations and the notion of operation thereof”²⁸ prepared by the Ministry of Finance was presented at the meeting of the State Secretaries. The goal of the report is to assess the possibility to specify several aspects:

- definition of public benefit organisation and notion of operation thereof and analyse the process of granting the status of public benefit organisation and monitoring of public benefit organisations. The Ministry of Finance in cooperation with NGO and representatives of ministries involved in the commission of public benefit organisations have prepared explanation of spheres for the purposes of the Public Benefit Organisation Law and suggests to specify Section 2 Paragraph one of the Public Benefit Organisation Law describing each field of operation more extensively and supplement the existing Section 2 of the Public Benefit Organisation Law with subjects that cannot operate as public benefit organisations;²⁹
- regulatory framework that would stipulate stricter requirements for granting the status of public benefit organisation and development of criteria to be complied with to be granted the status of public benefit organisation, for example, supplementing Section 7 of the Public Benefit Organisation Law with additional requirements prescribing that the status of public benefit

²⁸ <http://tap.mk.gov.lv/lv/mk/tap/?pid=40354993>, also <http://www.juristavards.lv/zinas/266722-stiprinas-labu-parvaldibu-valsts-iestazu-un-nvo-sadarbiba/> – accessed on June 7, 2015.

²⁹ *Ibid.*, p. 14–15

organisation can be granted not earlier than a year after the organisation was established or if the founder of organisation is a person with experience of at least one year at NGO, as well as a condition that NGO has worked in line with the goals laid down in its articles of association;³⁰

- the role of the State Revenue Service in the process of supervision of public benefit organisations, including the definition of sponsorship in the Public Benefit Organisations Law, prescribing liability to a public benefit organisation for use of a donation in compliance with its purpose and impose an obligation on organisation to repay the non-obtained tax revenues to the state budget, if donation is used not in line with its purpose, as well as to prescribe loss of the status of public benefit organisation, if business activity becomes the primary field of operation of a public benefit organisation, and other supplements, including improvement and facilitation of the work of the commission of public benefit organisations and State Revenue Service in relation to public benefit organisations.³¹

The Ministry of Finance presented the above report during the Cooperation Memorandum Council meeting of the Cabinet of Ministers and NGO³² on 27 May 2015. During the meeting, the representatives of NGO acknowledged that suggestions of the Ministry of Finance have been developed on the basis of one-sided view of the Ministry and additional discussions are necessary. Possibly, due to this reason, on 19 November 2015 the above report was recalled from further review during the meeting of State Secretaries.³³

7.2 Amendments expected to the regulatory framework of business activities of associations and foundations

The Ministry of Finance works on separation of NGO business activities performed as additional activities from the business activity that has become the primary activity of NGO. In 2015, the matter was included in the agenda of work group led by the Ministry of Justice which at the same time assesses the question on the transparency of the NGO operations and strengthening of supervision, including matter on limiting and terminating anti-government activities of organisations. As both these matters – business activity of NGO and strengthening of transparency and supervision of NGO activity – are very important for the NGO sector and at the same time are very different, their further review at the work group of the Ministry of Justice was separated. Moreover, the Ministry of Finance and State Revenue Service are responsible for assessment of regulatory framework of business activity of NGO.

³⁰ Ibid., p. 16

³¹ Ibid., p. 16-18

³² Minutes of Memorandum Council meeting on May 27, 2015:

http://www.mk.gov.lv/sites/default/files/editor/maijs_memo_protokols_red.pdf – accessed on January 21, 2016.

³³ <http://tap.mk.gov.lv/lv/mk/tap/?dateFrom=2014-11-22&dateTo=2015-11-22&text=Par+iesp%C4%93ju+preciz%C4%93t+Sabiedrisk%C4%81+labuma+organiz%C4%81+ciju+likum%C4%81+sabiedrisk%C4%81+labuma+organiz%C4%81+ciju+defin%C4%ABciju+un+darb%C4%ABbas+j%C4%93dzienu&org=0&area=0&type=0> – accessed on November 22, 2015.

Business activity of associations and foundations has been topical matter for several years. According to estimates of the Ministry of Finance with regard to public benefit organisations, on average revenues from business activity make up more than 50% of total revenues for 10% of all public benefit organisations.³⁴ The Ministry of Finance and State Revenue Service sees the following problem: NGO maliciously use the fact that they are not CIT taxable and generate profit in the way that cannot be considered as additional activity avoiding payment of CIT. The goal of establishment of NGO is not and cannot be generation of profit, however, NGO are entitled to conduct business activities in the form of additional activity that is used by NGO. When business activity becomes the primary activity, risk arises that it might deform the business environment and unfair commercial practice occurs³⁵. The Ministry of Finance has developed suggestions to separate the business activity as additional activity of NGO from activity that has a nature of primary activity, setting thresholds, that is, the proportion of revenues generated from business activities and total revenues and the maximum amount of revenues generated as a result of business activity in one taxation year.³⁶

On November 25, 2015, during the Memorandum Council meeting of NGO and Cabinet of Ministers, the State Revenue Service presented slightly differently defined suggestion to set a borderline between achievement of goals laid down in the articles of association of associations and foundations without generating profit and commercial activity for the purposes of the Commercial Law. The State Revenue Service suggests defining criteria, according to which, if at least one is complied with, it would be considered that an association performs business activity as primary activity and therefore the operations of an association should be terminated.

- Revenues of associations and foundations from business activities is 75% or more from the total revenues of associations and foundations in the taxation year or during any 12-month period;

³⁴ The informative report "On the possibility to specify definition of public benefit organisations and the notion of operation thereof", p. 10. Available in the Internet portal of the Cabinet of Ministers www.mk.gov.lv in section "Draft Laws": <http://tap.mk.gov.lv/lv/mk/tap/?pid=40354993> – Accessed on 7 June 2015. It should be noted that, according to calculations of the State Revenue Service presented during the Memorandum Council meeting of NGO and Cabinet of Ministers on 25 November 2015 (Point 3 of the agenda), data are more detailed on all NGO and separately on revenues of public benefit organisations from business activity: <http://www.mk.gov.lv/lv/content/nevalstisko-organizaciju-un-ministru-kabineta-sadarbibas-memoranda-istenosanas-padomes-5> – accessed on November 26, 2015.

³⁵ <http://www.fm.gov.lv/lv/aktualitates/jaunumi/budzets/49291-rosina-nodalit-nvo-saimniecisko-darbibu-no-darbibas-kurai-ir-pelnas-gusanas-merkis> – accessed on July 30, 2015.

³⁶ <http://www.fm.gov.lv/lv/aktualitates/jaunumi/budzets/49291-rosina-nodalit-nvo-saimniecisko-darbibu-no-darbibas-kurai-ir-pelnas-gusanas-merkis> – accessed on July 30, 2015.

- Revenues of associations and foundations from business activities in the taxation year are larger than 500 minimum monthly salaries stipulated in regulations.³⁷

Currently, the Association and Foundation Law prescribes that operation of association and foundation can be terminated, if business activity has become the primary activity³⁸. There are no criteria when business activity can be considered the primary activity. It is unacceptable that NGO are competing with merchants and obtain benefits as a result of not paying CIT, however, it should be considered that business activity as such is one of the main sources of revenues of NGO.

It is important to assess how many associations and foundations are considered to be malicious users of the legal status of associations and foundations or it is possible to supervise specific offenders. For some time it has been characteristic of the public administration, especially the State Revenue Service, to use certain negative examples and based on those stipulate not always reasonable restrictions, prohibitions and control for entire sector – it has happened in the business sector and now possibly it might happen also in the NGO sector. If there are aspects that have to be improved, it is important to assess those by their nature and in the context of other significant long-term development matters of the NGO sector. The fact that, for part of associations and foundations, revenues from business activities exceed other revenues is not a sufficient basis to doubt integrity of all NGO and restrict opportunities to perform business activities.

Another aspect that is as significant as how and what are the sources of NGO revenues, is the way how these revenues are used. It should be assessed whether (and to what extent) NGO revenues (especially revenues from business activity) are used to achieve the goal laid down in the articles of association, for specific projects, activities etc. NGO are mostly established to achieve goals that are not ensured by the public administration or those that are not sufficiently ensured and that are not attractive to merchants as they do not generate profit. Use of the NGO revenues is the key aspect that should be assessed to determine whether the business activity of NGO has become the primary activity with the primary goal to generate profit or it is only the way to achieve goals laid down in the articles of incorporation. If it is obvious that only some employees association and foundation obtain benefits by receiving inadequately large salaries or members of association in the form of a remuneration or all revenues are spent on administrative expenses, however, no activities are performed to achieve goals laid down in the articles of association or they are performed to minimum extent, such business activity might be doubted as compliance with NGO. However, **if revenues from business activity are spent to achieve goals laid down in the articles of association, including administrative expenses related and justified to achieve goals, there is no reason to believe**

³⁷ <http://www.mk.gov.lv/lv/content/nevalstisko-organizaciju-un-ministru-kabineta-sadarbibas-memoranda-istenosanas-padomes-5> – accessed on 26, 2015.

³⁸ Section 57 Paragraph one Clause 2 and Section 105 Paragraph one Clause 4 of the Association and Foundation law: <http://likumi.lv/doc.php?id=81050> – accessed on July 25, 2015.

that the law is used maliciously. Moreover, business activity performed by NGO has to be viewed in close relation with the concept of the social business that still does not have any regulatory framework. The said concept and regulatory framework are in the development phase and **it is suggested to view the possible improvement of regulatory framework of NGO business activity in connection with development of regulatory framework of social business.** The representatives of the Memorandum Council support the suggestion by the Ministry of Finance to postpone amendments to the Association and Foundation Law, until the draft regulatory framework for social business would be developed.

Considering that the public administration has postponed solving of matters significant to the NGO sector for several years (establishment of the national NGO foundation, development of regulatory framework for social business etc.) it is unacceptable that introduction of restrictions to NGO that would help to collect larger revenues for the state budget can be developed and submitted to the Cabinet of Ministers only within few months. The solution has to be discussed with the representatives of NGO, it has to be assessed, proportionate and efficient and it has to comply with arrangement of other matters relevant to the NGO sector that would promote sustainable development of the NGO sector, rather than basing the solution only on the necessity to obtain additional income to the state budget. Due to the same reason, the NGO sector has to be alert and get involved in discussions and express its opinion in relation to this matter to ensure that the business activity of the NGO sector is restricted disproportionately³⁹.

7.3 Regulatory enactments regulating accounting of associations and foundations

A significant improvement was introduced in the end of 2014 as regards transparency of information included in the annual report of associations and foundations and presentation of use of the received donations and presents.⁴⁰ On 2 December 2014, the Cabinet of Ministers passed Regulations No. 732 that became effective on 1 January 2015, and those are applicable to the annual reports of associations and foundations for 2015 and the next reporting years. The goal of the new procedure is to obtain a more detailed view of the use of the received donations and presents, prescribing stricter requirements for the Report of donations and presents providing information on the used donations and presents. As regards the public benefit organisations, the procedure of submission of annual reports has been specified, providing that detailed information shall be provided on the use of donations and presents and balances, including the use of anonymous donations and presents, as well as funds received from the EU and EEA. Moreover, it is

³⁹ To read more on the topic, see Zonberga K. "How a tortoise wanted to fly". Internet magazine "Satori.lv", January 21, 2016: http://satori.lv/raksts/10663/Ka_brunurupucis_gribeja_lidot

⁴⁰ Cabinet of Ministers Regulations No. 808 "Regulations On Annual Reports of Associations, Foundations and Trade Unions" of October 3, 2006. Available: <http://likumi.lv/doc.php?id=145113> – accessed on May 26, 2015.

planned that annual reports of those public benefit organisations whose turnover in the reporting year exceeds 800 000 EUR, shall be inspected by a sworn auditor.⁴¹

It is planned that provision of a more detailed information would allow the State Revenue Service to perform control of targeted donations more efficiently, as well as would ensure the society the opportunity to obtain information for what activities and projects the donations (presents) received by associations and foundations are used. This should improve transparency of use of funds and promote trust of society for associations, foundations and trade unions, namely, ensuring that funds received by these organisations would be used for the planned purposes. As this regulatory framework is applicable to annual reports for 2015 and the next reporting period, it is too early to conclude on the results and whether it is sufficient to obtain the set goals, including goals of law enforcement agencies.

Lack of transparency of financial operations of associations and foundations is one of the issues that has become topical in relation to operations of organisations that have come to attention of security institutions, including organisations that possibly perform anti-government operations. Associations are free to receive donations without listing their sources; associations use voluntary work as a cover to receive foreign funds; in practice it is difficult to control the use of the targeted donations etc. These issues represent general lack of transparency of financial operation of associations as legal entities.⁴²

7.4 Amendments in relation to release buildings of associations and foundations of real estate tax

On June 30, 2015, during the meeting of the Cabinet of Ministers, an order was supported on buildings or engineering constructions belonging to associations and foundations released from real estate tax, providing the release for an indefinite period until the association loses entitlement to release of real estate tax for buildings or engineering construction owned by the association.⁴³ The order prescribes that after the initial inclusion of a building or engineering construction owned by association in the draft order, further on the association shall submit information to the Ministry of Finance only if the type of use or nature of ownership rights of buildings and engineering constructions owned by association would change. Draft order prescribing release from real estate tax starting 2016.

⁴¹ Article 60¹ of Regulations No. 808; explanation available also at: <https://www.vid.gov.lv/default.aspx?&tabid=7&id=15&oid=129845> – accessed on June 7, 2015.

⁴³ <http://tap.mk.gov.lv/lv/mk/tap/?pid=40352381&mode=mk&date=2015-06-30> – accessed on July 21, 2015.

7.5 Security and prevention of risk of threats in the NGO sector

The work group of the Ministry of Justice solves the matter of security risks and threats to the state security in relation to anti-governmental operation of NGO. In the recent years the understanding of state security has changed significantly, the question about NGO as a non-military tool used to achieve certain anti-governmental goals has become topical recently. Within the framework of the current regulatory framework, it is possible, upon request of prosecutor or the State Revenue Service, to terminate operation of registered associations and foundations whose operation does not comply with the Constitution /*Satversme*/ or laws, moreover, until the court has taken the final ruling, the public operation or other activities can be restricted.⁴⁴ According to the last amendments on the annual reports of associations and foundations and information to be submitted to the State Revenue Service on donations and other financing and their use, better transparency of the financing of associations and foundations and its use has been ensured to a certain extent. However, the question is complicated as establishment of NGO is one of the fundamental rights – freedom of association – protected by the Constitution and international rights. Therefore, all amendments to the regulatory framework that would limit this or any other fundamental right have to be proportionate and the benefit of the society has to be larger than the harm done to individual(-s) as a result of restriction of these fundamental rights. When developing legal restrictions and institutional solutions that would allow identify quickly and efficiently and terminate anti-governmental operation of NGO or associations, it should be clarified whether this does not violate the principle of proportionality in restricting of constitutional fundamental rights. In the view of the above, the fact that the work group of the Ministry of Justice includes also the Ombudsman and the Latvian representative in the international human rights organisations and representatives of NGO should be assessed positively, as these persons with their experience will help to obtain an optimum solution.

The matter is more complex than only the regulatory framework of NGO, as operations of anti-governmental subjects relates not only to registered NGO that possibly hide their true goals and operations under cover of correct and democratic goals laid down in their articles of association, but also to unregistered movements and associations of persons. Security and risks of threats in the context of NGO have been viewed further on.

7.1.5 Changes in the security situation and NGO as a non-military tool

In the period from 2014 to 2015 the geopolitical situation in relation to the Russian aggression in Ukraine has aggravated. Developments in Ukraine have changed the security situation in Europe and will influence security in Latvia in the long run. The government has undertaken to develop a new National Security Concept and National Security Plan, with the view of the new geopolitical conditions.⁴⁵ Such terms as “hybrid war”, “information war”, “Russian soft power” and “public diplomacy of

⁴⁴ Regulatory framework of Section 57 and 105 of the Association and Foundation Law.

⁴⁵ Clause 154 of the Cabinet of Ministers Declarations.

Russia” became normal in the public space in 2014 and 2015 and were used by politicians, representatives of civil society and experts.⁴⁶

Why is it topical in relation to the NGO sector? **NGO is one of the tools how anti-governmental operations are implemented in a democratic country using democratic methods** to achieve unfriendly foreign policy goals of another country. Mainly, in this context, this refers to NGO financed by Russia that have been established and declare democratic goals, in reality, however, they take measures directed towards splitting the Latvian society, change the public opinion on democratic values, creating disbelief as regards the ability of Latvia to protect its independence, against Latvia’s participation in the EU and NATO etc. Establishment and financing of organisations of the so called nationals is one of the techniques of the Russian public diplomacy. The so called Russian nationals’ organisations, associations and movements that speak of language, discrimination of non-citizens and violations of human rights regularly, declare different interpretation of history that does not comply with the official position of Latvia are manifestations that have been observed in Latvia for years.⁴⁷

Public diplomacy is a wide-spread instrument used in the foreign policy.⁴⁸ Its goal is to strengthen relationship between states, promote solidity of society and integration in line with “common values”. However, developments in Ukraine in the past few years have made us understand that instruments of public diplomacy can be used for propaganda, splitting of society and can serve to achieve foreign policy goals of another country that significantly differ from the interests of the country against which they are used. The different forms of manifestation of the civil society can be successfully used for anti-constitutional goals. The great powers, in this case Russia, use instruments of public diplomacy in a distorted form to achieve their foreign policy goals directed towards splitting the Latvian society and destabilisation of Latvia as an independent country, destroying reliance upon its allies (including NATO). To achieve these goals, Russia uses its nationals as a target group and as an instrument.⁴⁹

⁴⁶ Definition and main directions of the “soft power” as an efficient tool of impact in Latvia: http://appc.lv/wp-content/uploads/2014/12/FOI_Non_military.pdf, p. 4 and p. 71 – accessed on June 8, 2015; discussion on the “soft power”: <http://providus.lv/article/video-dazadas-maigas-varas-sejas-baltijas-valstis-un-austrumu-partneri-starp-krieviju-un-es>; more on terms: http://www.lai.lv/site/docs/LIIA_soft_power_book_web_layout.pdf – accessed on August 11, 2015.

⁴⁷ Springe I., Motuzaitė D., Gailāne G. “Spreading Democracy in Latvia, Kremlin Style.” The Baltic Centre for Investigative Journalism “Re:Baltica”. http://www.rebaltica.lv/lv/petijumi/krievijas_nauda_baltija/a/601/demokratijas_izplatisana_latvija_kremla_stila.html – accessed on August 2, 2015.

⁴⁸ More on the public diplomacy: http://appc.lv/wp-content/uploads/2014/09/Krievijas_publ_dipl_Latvija_2014_APPC.pdf skat 24.06 – understanding of the Russian “soft power” and understanding of NGO of the so called nationals as target audience and as implementers of foreign policy in other countries.

⁴⁹ http://appc.lv/wp-content/uploads/2014/12/FOI_Non_military.pdf – accessed on June 8, 2015; more on the same topic: <http://www.lai.lv/lv/publications/latvian-foreign-and-security-policy-yearbook-2015/> – accessed on April 21, 2015.

It is sure that in the international context Latvia is in a better shape than Ukraine was when Russia performed its military invasion. Latvia is a member state of the European Union and NATO that allows believing that threats to Latvia are not the only the problem for Latvia but a matter of international significance. Article 5 of the NATO Washington Treaty prescribes that an armed attack against one or more member states shall be considered as an attack against all member states of NATO. This allows us to feel more comfortable as regards the risks of the external threats, however, it does not solve the risks of the internal threats, which can emerge easily and actually exist already, as a result of the use of the instruments provided by democracy and constitutional rights, including rights of association, freedom of assembly, freedom to express one's opinion freely etc. to perform anti-governmental activities.

The Latvian security institutions have emphasised their concerns as regards the internal state security in their public reports. The Constitution Protection Bureau in its report for 2014 identifies that *“purposeful influencing of public opinion and political decisions using methods of informative war becomes more frequent and dangerous everyday phenomenon”* and *“such fundamental rights of the European Union as free movement possibilities and freedom of speech can be used also in the way that is malicious towards and harms the society.”*⁵⁰ According to information provided in the report of the Constitutional Protection Bureau, in 2014, implementation of the Russian nationals' policy was performed without any significant changes, namely, the traditional directions were supplemented by another one – events to demonstrate support for Russian politics in Ukraine.⁵¹ The Security Police in its report for 2013 already indicated that: *“activities of different non-governmental organisations related to implementation of the Russian policy last year were directed to the unity of the Latvian society and to reduction of sense of belonging of the Russian-speaking population to Latvia.”* Moreover, it has previously indicated to efforts of Russia to strengthen its influence in the neighbouring countries, using the policy of nationals and the so called “soft power” and economic instruments.

7.5.2 Reasons for the necessity of changes

To be successful in fighting with unfriendly propaganda of a foreign country, several mechanisms can be used – legal, economic and political.

The National Security Concept effective currently was adopted in 2011 and possibly requires amendments considering the dynamic changes in the sphere of security in relation to geopolitical developments of the past year and internal security risks that exist also in the NGO sector.

To strengthen security, the Ministry of Justice has established a work group that involves representatives of security agencies, representatives of public administration, as well as representatives of NGO who signed the Cooperation

⁵⁰ http://www.sab.gov.lv/downloads/2014_parskats.pdf – accessed on June 8, 2015.

⁵¹ http://appc.lv/wp-content/uploads/2014/12/FOI_Non_military.pdf, p. 6 – accessed on June 8, 2015.

Memorandum between NGO and Cabinet of Ministers.⁵² The goal of work group is to develop suggestions for improvement of regulatory framework in relation to promotion of transparency and supervision of the operations of associations and foundations to be able to terminate operations of those NGO that perform anti-governmental activities, i.e., activities that contradict the Constitution and laws, are directed against democracy etc. The summary of suggestions of the work group of the Ministry of Justice had to be submitted to the Cabinet of Ministers until 1 September 2015. Until November 2015, suggestions had not been submitted to the Cabinet of Ministers, and during the Memorandum Council meeting on 30 September 2015, the Ministry of Justice presented suggestions for amendments to the Association and Foundation Law⁵³. The suggested amendments provide certain restrictions for the public operations of associations and foundations, which, if breached, might cause partial or full termination of their operations, or their funds can be frozen. Prohibitions apply to operations directed against independence of the Republic of Latvia, invite to breach the laws, to perform war propaganda, praise or invite to commit criminal offences and facilitate other threats as regards security of the state or society. It is planned to prescribe additional obligations for associations and foundations to submit financial reports several times per year, to provide documents supporting transactions, as well as to provide sources of financing, if it is required by the State Revenue Service, based on a motivated opinion issued by the state law enforcement agency. Moreover, it is planned to supplement certain sections of the Association and Foundation Law on termination of their operations. The main question that is still discussed in this regard is determining the responsible decision-making body.

Considering the topicality of the security question in the NGO sector, several suggestions were introduced in the forum of the Parliament /*Saeima*/ and NGO as to how NGO can cooperate with the public administration and facilitate prevention of security threats. One of the suggestions included cooperation with the Defence, Internal Affairs and Corruption Prevention Committee of the Parliament to ensure active involvement of the society in development of the National Security Concept and State Protection Concept, creating a clear section of non-military protection in these documents. Another suggestion included cooperation with the European Affairs Committee of the Parliament and the Foreign Affairs Committee of the Parliament to coordinate the Latvian public diplomacy efforts with NGO, as well as sharing NGO experience abroad (including, for example, mapping of experience and strengthening cooperation of NGO, creating a cooperation network / system). On November 26, 2015, the Parliament with a draft decision approved the new National Security Concept.⁵⁴ The Concept includes eight priorities for prevention of the national security threats: prevention of internal security threats; prevention of threats caused by the foreign intelligence and security services; prevention of military threats;

⁵² <http://tap.mk.gov.lv/lv/mk/tap/?pid=40356956> – accessed on June 24, 2015.

⁵³ <http://www.mk.gov.lv/lv/content/nevalstisko-organizaciju-un-ministru-kabineta-sadarbibas-memoranda-istenosanas-padomes-3> – accessed on November 25, 2015.

⁵⁴ <http://www.saeima.lv/lv/aktualitates/saeimas-zinas/24138-saeima-apstiprina-nacionalas-drosibas-koncepciju> – accessed on November 26, 2015.

prevention of threats regarding unity of the civil society; prevention of threats caused to the Latvian information space; prevention of threats caused to the Latvian economy; prevention of threats caused by the international terrorism; prevention of cyberthreats.⁵⁵ The policy implemented by the Russian nationals and information policy of Russia has been mentioned as a threat of unity of the civil society in the concept. The goal of this policy is to split the Latvian society, thereby contributing to aggravation of the interior situation. The following priorities have been defined in the concept for prevention of the threats for the unity of the society: involvement of the civil society in the socially political processes (including continues financial support in the state budget to strengthen the social capacity); purposeful strategic communication between the senior state officials and society in general; and improvement of implementation of integration policy. All in all everything looks good on paper, however, only the practice will show, how many of the proposed measures would be implemented in life.

7.5.3 Regulatory framework in force

It can be concluded that the current regulatory framework allows termination of operations of such associations and foundations that perform anti-governmental activities openly. Prohibition to establish military organisations is based on the Constitution and international law, and it is included in the Association and Foundation Law and National Security Law. The effective regulatory framework provides opportunities to suspend registration of such associations and foundation whose foundation documents indicate at anti-constitutional or unlawful intentions, as well as to suspend operations of registered associations and foundations, if their operations contradict the Constitution or laws.

The constitutional basis for restrictions of freedom of speech and freedom of association is included in Article 116 that provides that the fundamental rights “*may be subject to restrictions in circumstances provided for by law in order to protect the rights of other people, the democratic structure of the State, and public safety, welfare and morals*” – consequently it can be concluded that values are important to the state.⁵⁶

Section 18 Paragraph two of the National Security Law prescribes that: “*It is prohibited to form, train and arm military public organisations of volunteers or associations of such organisations.*”⁵⁷

Section 6 of the Association and Foundation Law prescribes that “*The name and symbols of an association and a foundation shall not be contrary to regulatory enactments and good morals, for example, they shall not contain the name of a military body or the name of such organisation or group that has been recognised as criminal or anti-constitutional, the name and symbols shall not create a positive*

⁵⁵http://titania.saeima.lv/LIVS12/saeimalivs_Imp.nsf/webSasaiste?OpenView&restricttocategory=255/Lm12 – accessed on November 26, 2015.

⁵⁶ Constitution: <http://likumi.lv/doc.php?id=57980> – accessed on April 21, 2015.

⁵⁷ The National Security Law: <http://likumi.lv/doc.php?id=14011> – accessed on April 21, 2015.

*attitude towards violence.*⁵⁸ Section 11 of the Association and Foundation Law prescribes that “*An association and a foundation are prohibited from arming the members thereof or other persons, to organise military training for them and to establish militarised units.*” The official of the Register can decide to refuse to register an association or foundation in line with Section 17 Paragraph five of the Association and Foundation Law, if the goal laid down in the articles of association is in contradiction with the Constitution, laws or international agreements binding on Latvia.

On the basis of the opportunity provided in the Association and Foundation Law to refuse registration due to the above reasons, one case has reached even the Senate of the Supreme Court. The new association to be established “Communism Support Movement in Latvia” in its name and the goals laid down in the articles of association has openly stated that one of its goals would be “*promotion of communism ideas*”⁵⁹. When the case was adjudicated by the Senate, in the reasoned part of its judgement the Senate has referred to conclusions of the Constitutional Court and the European Human Rights Court on justification for restrictions of fundamental rights that acknowledge that, although democracy is not possible without pluralism (including diversity of such opinions and ideas that not only are perceived well or neutrally but also shocks and concerns the society or its part), nobody should be allowed to ground on the regulations of the Convention to weaken or destroy ideals and values of a democratic society.⁶⁰ Considering these and other opinions expressed by the Constitutional Court and European Human Rights Court, the Senate has concluded that in the respective case “*restriction of the freedom of speech and association that is manifested only in the form of refusal to register an association, compared to the goal to protect democracy as the basic value that forms a part of the constitutional identity of Latvia, as well as considering the specific historically political context, is proportionate*”⁶¹. Due to the above, the Senate ruled that the judgement of the District Court on refusal to impose a duty on the Enterprise Register to register the described association shall remain in force.

7.5.4 Registration process of associations and foundations to be incorporated and competence of the Enterprise Register

It should be noted that 2014–2015 was a significant period when news on the Register of Associations and Foundations of the Enterprise Register postponing or refusing registration of an association as the submitted documents did not comply with the Constitution or on basis of concerns that those associations would support a military organisation whose activities cannot be assessed unambiguously often appeared on the media. Several examples are as follows: the attempt of Jānis Kuzins

⁵⁸ <http://likumi.lv/doc.php?id=81050> – accessed on April 21, 2015.

⁵⁹

http://www.tiesas.lv/Media/Default/Admin.tiesu%20spriedumi/AT%20Sen%C4%81ta%20admin.tiesas%20spriedumi/2013/Apr%C4%ABlis/30.04.2013/AL_3004_AT_SKA-0172-2013.pdf – accessed on April 21, 2015.

⁶⁰ *Ibid.*, p. 15

⁶¹ *Ibid.*, p. 16

to register the association “Eurasian Union”⁶², the attempt of Jevgēņijs Osipovs to register the association “Avrora.lv”⁶³, as well as the attempt of Ilarions Girss to establish a new association “The Latvian League of Captives of Conscience” whose registration was terminated even before submission of application to the Enterprise Register⁶⁴.

The Registration institution, upon assessment of a specific case, and if doubts arise on the organisation’s compliance with the requirements for associations and foundations can address other public administration or law enforcement institutions to request an opinion on the respective case (compliance of the name and goals with the regulatory enactments). The opinions are used when taking the decision and registration of the proposed association or foundation can be postponed until elimination of deficiencies or the registration can be refused.

In certain cases the justification of decision of the Enterprise Register to postpone or refuse to register association can be debatable. A recent example is an attempt to register the association “SOS Help to the Ukrainian Army” – the association was registered after its name was changed to “SOS Help to Ukraine”. The justification provided by the Enterprise Register when postponing registration of the association “SOS Help to the Ukrainian Army” was based on opinions provided by other state institutions, including Security Policy and Ministry of Foreign Affairs, i.e., the unambiguous interpretation of the goals of the association and influence of its operations on the reputation of Latvia.

At the same time, there are several organisations whose names and goals laid down in articles of associations are democratically “correct”, however, the compliance of their activities with the values prescribed in the Latvian Constitution and state interests is very questionable.

One of the well-known registered organisations of the Russian nationals “Russkaya Zarya” has defined its goal “to develop and protect the Latvian Russian community in line with the generally acknowledged principles and international law in the sphere of human rights, respecting and prohibiting any ethnic or language superiority”.⁶⁵ Moreover, the association “International Federation of Human Rights League Latvian Committee of Human Rights” that is related to Ms T. Ždanoka and cooperates with her, indicates that its goal is “to ensure compliance with the Universal Declaration of Human Rights and international and internal regulations developed on the basis of the Declaration and to facilitate popularity of philosophical and legal ideas related to human rights in the Republic of Latvia”.⁶⁶ Vladimirs Buzajevs is one of the association Board Members, who is known as a pro-Kremlin activist. On 30 June

⁶² <http://m.delfi.lv/latvija/article.php?id=45699802>

⁶³ <http://m.focus.lv/latvija/politika/tiesa-daleji-apmierinajusi-osipova-prasibu-par-atteikumu-registret-biedribu-avroralv> – accessed on June 14, 2015.

⁶⁴ <http://monitorings.leta.lv/pdf/P50CCEF74-2012-4BD7-894E-38051A1D6F4C/> – accessed on July 31, 2015.

⁶⁵ Lursoft public database – accessed on June 14, 2015.

⁶⁶ Lursoft public database – accessed on July 21, 2015.

2015, together with other pro-Kremlin activists Mr Buzajevs was arrested when signing incorporation documents of the new association “The Latvian League of Captives of Conscience”, its goal is to protect those “thinking differently from the police spying in Latvia”.

The above cases show that the ability of the Enterprise Register to control establishment and operations of organisations created to achieve different goals are rather formal. The organisations verify the submitted documents and information included therein and their compliance with the Constitution and laws. It is neither good, nor bad – it is just a fact. It is not adequate to expect that the Registration institution would perform in-depth investigative work in each separate case. The approach of the Registration institution is understandable and compliant if it postpones or refuses registration in doubtful cases, therefore allowing the court to decide the respective case, if the address of the judgement considers that the decision is justified, rather than take on risk to register an organisation whose documents indicate at probability of operations that might be debatable.

Registration process of associations and foundations is formal and does not provide a view on what the actual operations of association and foundation would be. Therefore **the registration process of associations and foundations would not require stricter regulations**. With stricter limitations, the NGO environment might be burdened without any reason, and an additional burden would be created with new requirements that most probably would not reach the goal – to eliminate anti-governmental associations and foundations. The Registration institution should not perform investigative functions – this is the function of security and other law enforcement institutions that assess activities of persons.

7.5.5 Suspension and termination of operations of associations and foundations

The Association and Foundation Law stipulates that operations of association or foundation can be terminated on the basis of the court ruling, if its operations are in contradiction with the Constitution, laws or other regulatory enactments. Operations of a foundation can be terminated on the basis of the court ruling, if the operations of a foundation do not comply with the goal laid down in the articles of association. Prosecutor or the State Revenue Service can submit an application to the court. The court can prohibit association or foundation to perform public or other activities until the final court ruling has been passed, and the respective decision on prohibition of performance of public or other activities shall be sent to the Registration institution to make an entry with the Register.

Currently the restrictions stipulated by the Law serve to terminate operations of such associations and foundations that have decided to register themselves as legal entities. In reality not all associations of persons are registered. There are also persons that perform anti-governmental activities based on registered and democratic goals but with financing that lacks transparency or their activities are paid directly by other sources, or those operate without registration that make it more

difficult to control their financial flow. Consequently, it can be concluded that formally the documents of association and foundation comply with the Constitution and laws but the actual activity contradicts those. Unregistered associations of persons and movements are outside formal control.

According to estimates of the Security Police, there are around 100 organisations in Latvia engaged in the so called policy of the Russian nationals. In the opinion of the Head of the Security Police Mr Mežviets, the key challenge is the lack of transparency of financing received by these organisations.⁶⁷ According to Mr Mežviets, stricter regulatory framework is necessary to ensure that organisations that are unfriendly to Latvia would be obliged to report on the origin of their funds, as currently the cash flows lack transparency.⁶⁸ At the same time Mr Mežviets admits that not enough attention was paid to associations previously.⁶⁹ The matter of transparency of cash flows of associations and foundations to a certain extent has been solved with the amendments to the Cabinet Regulations on annual reports of associations and foundations. However, this does not solve the transparency of cash flows that are used in activities of unregistered associations; moreover, the efficiency of the Cabinet Regulations can be assessed only after a year.

Another challenge that is even larger is related to association of several active persons who do not even try to register their organisation as a legal entity. For example, the so called public movement “Congress of Non-Citizens”⁷⁰ that is an unregistered organisation and whose representatives regularly attract attention of security institutions. In addition to more efficient process how to terminate the operations of disloyal associations and foundations, **possibly, a “black list” of such associations and foundations should be created and it should be determined what is prohibited to persons involved in organising anti-governmental**

⁶⁷ <http://bnn.lv/dp-latvija-teju-100-organizacijas-realize-krievijas-tautiesu-politiku-150993> – accessed on June 14, 2015.

⁶⁸ The politologist Artūrs Kvesko in his research (http://appc.lv/wp-content/uploads/2014/09/Krievijas_publ_dipl_Latvija_2014_APPC.pdf, p. 122 – accessed on 7 June 2015) indicates that the matter of transparency and openness of the NGO financing is important. Considering that NGOs are almost always dependent on external financial donors, clarity is necessary as to on behalf of whom or what financing is used to take the respective measures, if a NGO wants to retain the image of a trustworthy actor of public diplomacy. It is especially topical in countries where transparency of NGO financing is not a mandatory requirement. The matter is important in Latvia, where NGOs are allowed to receive anonymous donations. It is not critical in all cases, however, if a NGO obtains strong positions in the society and operates significant financial resources, it has powers to influence the public opinion. At the same time a question emerges, whether a NGO acts in good faith and complies with the set goals.

⁶⁹ <http://tvplay.skaties.lv/parraides/neka-personiga/576555?autostart=true> – accessed on June 14, 2015.

⁷⁰ “Eurasian National Front” should be noted that is not registered as a legal entity but operates under one name and performs organised activities. This organisation has established a memorial medal – order – that, according to information provided by the organisation, is dedicated to “merits of the Latvian Riflemen in provision of security of Russia”: <http://www.delfi.lv/news/national/politics/eirazijas-tautas-fronte-rada-ordeni-latviesu-strelniekiem-kazocins-norada-uz-hibridkaru.d?id=46286541#ixzz3hkXmFbuj> : <http://www.delfi.lv/news/national/politics/eirazijas-tautas-fronte-rada-ordeni-latviesu-strelniekiem-kazocins-norada-uz-hibridkaru.d?id=46286541> – accessed on August 3, 2015.

movements and participation therein, establishing associations and foundations or assembling in those.

The stumbling block of suspension of operations of associations and foundations is the lengthy process, while their termination can be achieved with the court ruling. Court proceedings are lengthy; therefore in these cases they are not efficient.

7.5.6 NGO sector and state security

The matter on supervision of anti-governmental elements operating in the NGO sector can be solved the most efficiently by placing it on the level of national security. Similarly as in the USA or Russia, everything can be restricted or closed on the basis of the national security and that would be good for Latvia as well. However, in a democratic country not only lawful but also a legitimate framework has to be achieved to protect the state and Constitution efficiently. Moreover, the restriction has to be proportionate with the goal. When restrictions are imposed on the freedom of association and freedom of speech, those have to be assessed very scrupulously not to find oneself in a situation when the restrictions provide basis to turn to the Human Rights Court. To avoid the probability the rulings of the Constitutional Court and the European Human Rights Court have to be used and arguments provided therein in relation to substantiation and proportionality for any restrictions of the fundamental rights.

In addition to legal protection instruments, the active role of the society itself is of importance as well in identifying different risks and reacting to them. At the same time, it is significant to perform research, to inform and educate the society, as well as to publish names, operations and activities that are directed towards inciting, splitting of the society and expression of anti-constitutional opinions. The work of the centre for investigative journalism “Re:Baltica” should be complimented. The centre analyses and publishes materials on how Russia finances its organisations and supporters of the policy of nationals.⁷¹

The question about adequacy of resources and allocation to activities of the Latvian civil society is more topical than ever before. It is not correct to rely on improvement of regulatory framework, **it is also important what the civil society and each Latvian thinks of the developments.** Avoiding to get involved in provocations hidden under different, as if democratic activities and distancing from attempts to split the society will weaken the attempts to turn against the interests of the Latvian national security.⁷²

The financing for NGO available in Latvia cannot compete with financing provided by Russia to organisations of its nationals. According to information provided by the Security Police, organisations disloyal to Latvia and unregistered movements, using the democratic system in Latvia and using support of large amounts of financial

⁷¹ http://www.rebaltica.lv/lv/petijumi/krievijas_nauda_baltija – accessed on July 21, 2015.

⁷² <http://www.iem.gov.lv/files/text/DPpaarskats.pdf> skat 08.06, p. 5 – accessed on August 3, 2015.

resources, are operating in Latvia and their financial support is growing every year. Investment of resources in the development of the Latvian civil society is a targeted investment in promotion of the Latvian security and protection.⁷³ Due to this reason, development of the model that provides financing of NGO from the state budget is not only significant for the NGO sector but should be also included in the scope of questions to be solved in the context of national security.

7.6. Social entrepreneurship

It is important to mention that on October 14, 2014, the Cabinet looked through the concept “On the Possibilities of Introducing Social Entrepreneurship in Latvia”⁷⁴ („the Concept”) and the project of concept was approved on October 30, 2014 with the Cabinet order No. 618 by starting new policy initiative⁷⁵. The Ministry of Welfare was assigned as the responsible ministry. Establishment of social enterprises and promotion of their operation had already been stated as one of the tasks in the National Development Plan⁷⁶, and also the declaration of the Government prescribes the development of normatory basis to introduce social entrepreneurship⁷⁷. The Concept defines the assignment of special status to enterprises the goal of which is to solve social problems not primarily gain benefit for its owners. Social entrepreneurship as notion and approach in solution of social problems belongs to the latest development trends in Europe.⁷⁸ **Currently there is no legal scope in Latvia, which would support such economic activity**, which solves issues important to society with the methods of commercial activity in niches not fulfilled by the market sector and which are not provided or are incompletely provided by the public sector.⁷⁹ In Latvia, these social enterprises often have started as NGOs and private initiatives of enterprises. In order to support these initiatives, the development of the concept of social entrepreneurship and development of legal regulation are important for many NGOs, which actually work in some certain field as social enterprises. Latvijas Samariešu association, which provides different social services, for instance, in-house care, service “Safety button”, etc., could serve as an example.⁸⁰ One more example is the foundation “Otrā elpa”, which actually works as social enterprise⁸¹. Also enterprise “MAMMU.lv”⁸² defines itself as social enterprise which works not for the profit, but for the public goal. This enterprise works in the field of fashion by employing new moms who have difficulty to enter labour market. During

⁷³ <http://www.nvo.lv/lv/news/publication/begli-negribam-bet-citu-valstu-nodoklu-maksataju-m-6448/> – accessed on August 3, 2015.

⁷⁴ <http://tap.mk.gov.lv/lv/mk/tap/?pid=40314167> – accessed on 03.08.2015.

⁷⁵ <http://likumi.lv/doc.php?id=269885> – accessed on 03.08.2015.

⁷⁶ National Development Plan 2014.–2020 (approved on 20.12.2012.), Paragraph 247. Available:

http://www.pkc.gov.lv/images/NAP2020%20dokumenti/20121220_NAP2020_Saeima_apstiprinats.pdf – accessed on 04.08.2015.

⁷⁷ Declaration about the Cabinet’s intended operation by Laimdota Straujuma, point 88.

Available: http://www.pkc.gov.lv/images/LS_MK_deklaracija.pdf – accessed on 04.08.2015.

⁷⁸ The Concept, p 5.

⁷⁹ Ibid, p 3.

⁸⁰ <http://www.samariesi.lv/lv/pakalpojumi> – accessed on 18.09.2015.

⁸¹ <http://otraelpa.lv/veikali/> – accessed on 18.09.2015.

⁸² <http://www.mammu.lv/> –accessed on 18.09.2015.

crisis, foundation “Fund “Ziedot.lv” had established social enterprise “Ziedot.lv kiosk”, the goal of which was to employ people at social risk by selling their handicrafts. It must be noted that this enterprise has been recently closed as the topicality has disappeared and also the tax payments, according to the current laws, which do not separate such kind of enterprises from others, are a burden and do not make it possible for the enterprise to be competitive.⁸³

According to the model stated in the scope of the Concept it is planned that social enterprise will be subject to the Commerce Law (enterprise) and it will be assigned the status of social enterprise based on a set of definite criteria.⁸⁴ It is expected to develop new regulatory enactment, which would regulate the mentioned sphere as well as introduce relief of corporate income tax to enterprises, which have been assigned the status of social enterprise, on the condition that the limitation of economic activity in a certain field, limitation of profit's division (prohibition) and other requirements stated in the law. Also it is hoped that the Concept will try to find support to social enterprises – initially within the scope of EU funds, by stating prioritized fields and after some time and gaining experience by creating special state support policy.⁸⁵

By taking into account that the added value created by social entrepreneurship is the benefit of all or some part of society, then it must be appreciated that the mentioned field of operation has gained attention from the state and the political will to develop and support such type of economic activity has been expressed. It will both promote the establishment of new enterprises and also promote the solution of some issues important to the society, which are outside the boundaries of public management possibilities, as well as do not attract usual entrepreneurs because no profit is involved. However, **no particular project for the legal framework of social entrepreneurship could be developed no sooner than in 2018** – such deadline has been stated in the Concept. From January 1, 2016 to December 31, 2018 it is expected that the Ministry of Welfare will conduct implementation of trial project and based on its results, the informative report about the future activities in establishment of wholesome and effective support activities for social enterprises will be made.⁸⁶ Until 2022, the Ministry of Welfare with the support from the European Social Fund will check the best solutions for the establishment and development of social enterprises, in this way promoting the development of social entrepreneurship and employment options, especially for the socially disadvantaged people.⁸⁷

2016 has brought positive change in the support of social entrepreneurship and NGO sector, it means, the Ministry of Finance has developed the new regulation of Public Procurement. The most significant changes have been included to ease the

⁸³ <http://www.ziedot.lv/jaunumi/ziedot-lv-socialais-uznemums-4451> – accessed on 18.09.2015.

⁸⁴ The Concept, p. 7.

⁸⁵ Ibid, p. 13.

⁸⁶ The Concept, p. 20.

⁸⁷ <http://www.mk.gov.lv/lv/aktualitates/labklajibas-ministrija-veicinas-socialas-uznemejdaribas-attistibu-0> – accessed on 13.08.2015.

procurement procedures for social and other services (education, health care and cultural services, accommodation and catering services, legal services, investigation and security services, etc.) and delegation to develop regulations of green public procurement. What concerns social entrepreneurship, it is expected to include social enterprises as the subjects of privileged right agreements, i.e., the buy will have the right to give the opportunity to participate in the procurement only to those candidates, which mainly employ those people with disabilities (more than 30% from the average number of employees per financial year), for whom it is not possible to find usual employment.

8. Review of the NGO Sector Finances

Balance sheets and the profit and loss accounts of associations, foundations and professional associations will be analysed according to review positions in order to prepare the financial review.

The following positions from the **balance sheet** are analysed:

- 1) asset positions on long-term investments (intangible investments, fixed assets), long-term financial investments (long-term loans), current assets (inventories, materials, goods), debtors, securities, cash;
- 2) liability positions on funds, long-term creditors (long-term loans from credit institutions, other loans), short-term creditors (short-term loans from credit institutions, taxes, other creditors).

The following positions from the **Profit and loss accounts** are analysed:

- 1) income (membership fees, entry fee and other annual fees, received donations and contributions, received inheritances, received subsidies, income from economic activity, other income);
- 2) expenses (cash payments to persons, cost of materials, remuneration for work and state mandatory social insurance payments, depreciation and write-offs of fixed and intangible assets, other expenses, taxes).

The goal of the analysis of accounting date is to discover risks (debtors and creditors) in the NGO balance sheets of 2014, problems in NGO operation and adaption of regulatory enactments.

Data obtained from **99 NGO annual reports of 2014** were analysed. 99 NGO profit and balance accounts were analysed based on the data provided by the Registry of Enterprises. This review was done for those non-governmental organisations keeping double record bookkeeping. These NGOs make their annual reports according to the Cabinet Regulations of October 3, 2006, No. 808 "Regulations on the Annual Reports of Associations, Foundations and Trade Unions". Annual report must give clarity about the NGO funds, their sources and financial situation on the last day of accounting year (balance sheet data), as well as about the economic activity of NGO, its income and expenses in the accounting year.

8.1. Structure of NGO income and expenses

8.1.1. Analysis of income position data

Table 9

Data of annual report position "Income and expenses" for 99 NGOs

Source: Lursoft.

No.	Position	2014 (EUR)
I	Membership fee, entry fee and other annual fees	612 971
II	Received donations and contributions	3 511 002
III	Received inheritance	3772
IV	Received subsidies	2 523 121
V	Income from economic activity	17 534 408,34
VI	Other income	12 760 238
VII	Total income	36 945 512,34
VIII	Expenses	-35 585 580,80*
1.	Cash payments to persons	-344 618,23
2.	Costs of materials	-2 631 492,57
3.	Remuneration	-7 260 921
4.	State mandatory social insurance payments	-1 660 948
5.	Depreciation and write-off of fixed and intangible assets	-762 067
6.	Other expenses	-22 926 751,15
IX	Taxes	-39 231
X	Total expenses	-35 626 029**
XI	Profit or loss for the accounting year	1 319 483,39***

* Row VIII does not match row X – there is difference of 40 448,20 EUR (35 626 029 – 35 585 580,80). If taxes of 39 231 EUR are deducted, then there is difference of 1 217,15 EUR.

** Row X, when summing up the expense positions, the actual number is 35 626 028,95 EUR.

*** Row XI differs for 0,05 EUR, mathematically 36 945 512,34 – 35 626 029 = 1 319 483,34 EUR.

Table 9 depicts the profit and loss account of associations and foundations for 2014. When analysing data, mathematical differences appear. The reasons can be different: amounts have been shown in cents. annual report has been submitted in paper format, account positions have been counted mechanically, other reasons are also possible.

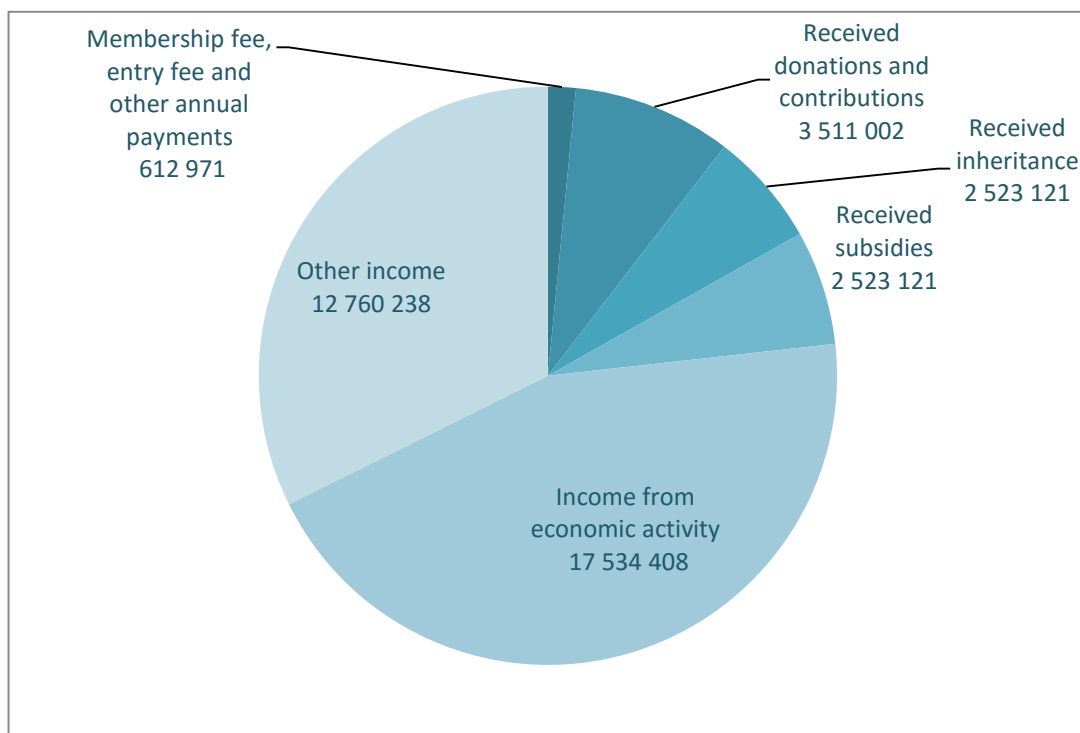


Figure 18. Income structure from the annual report's position "Income and expenses" of 99 NGOs (EUR).

Source: Lursoft.

As the analysis of 99 selected NGO revenue positions shows, the greatest share in the structure of revenue consists of revenue from (1) **economic activity**, followed by (2) **other revenue** and then (3) **donations and contributions**.

The data from the annual reports of NGOs, which have been submitted in the Tax Revenue Office, contradict the information on the income sources non-governmental organisations themselves had stated in the NGO survey in spring, 2015. From 207 associations and foundations almost 70% have stated membership fees as one of the main sources of income. However, the most "widespread" does not mean "the most financially significant". The fact that organisations themselves state funding allocation from membership fees, but the data from the annual reports show that membership fees are insignificant source of income, can indicate that organisations themselves have illusions towards the importance of membership contribution to their income.

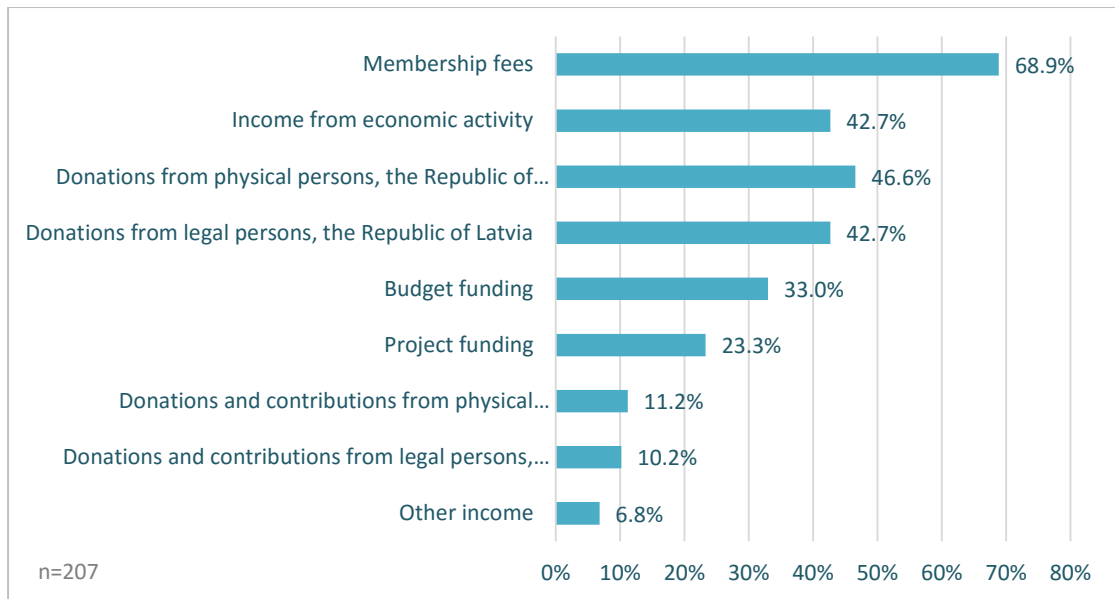


Figure19. Revenue of organisations
Source: Operation of NGOs in Latvia. 2015. Web Research.

8.1.2. Membership fee, entry fee and other annual fees

Ideologically, associations are organisations created and funded by its members. Theoretically, member fees should be the largest part of association budgets or at least financially significant part for maintaining the basic functions of association. However, the analysis of income makes it possible to conclude that membership fees, entry fees and other annual fees **are not the main income of NGOs**. From 99 NGOs only **27 organisations** receive membership fees. If speaking about associations, then mostly in every association's Articles of association there is information about the duties of members, including membership fees.

Received (cash or bank transfer) membership fees, entry fees and other mandatory, annual payments by members, member candidate or participants are recorded as annual member fees. However, there is no requirement to decode the received member fees, entry fees or other mandatory, annual payments from members, member candidate or participants in the annual report. Therefore it is not possible to draw conclusions about their kinds. From the total income of NGOs, 36 945 512,34 EUR, **membership fees**, entry fees and other annual fees are 612 971 EUR or **1,66%**. It means that the position of membership fees is not that income position, from which an NGO could maintain long-term operation.

8.1.3. Received donations and contributions

Also **donations and contributions** received **are not the main source of income for NGOs**. Received monetary donations and contributions, as well as donations and contributions of movable and immovable property, the monetary value of which is based on the value stated in the document confirming the transaction, are stated as part of received donations and contributions. Decoding on the kinds of donations is

shown in the overview of gifts and contributions. As a result, it is possible to have clear understanding about the donations received and spent by the NGOs. From the total income, 36 945 512,34 EUR, **donations and contributions received** are 2 523 121 EUR or **9,50%** (from them only 0,01% are received inheritances).

8.1.4. Received subsidies

The received funding from the budget of state or municipality institution is a part of the subsidies received by NGO in the accounting year. There is requirement in the annual report to decode the kind of received subsidy and its use. Therefore conclusions can be drawn about their kinds, i.e. which institution and what kind of funding has it allocated and where (what purpose) has this funding been spent. Revealing such information in the annual report indicates the risks of funding defalcation.

From the total income, 36 945 512,34 EUR, **subsidies** received form only **6,83%**, which shows negative tendency from the state and municipality sector of the financial support to the NGO sector.

From the total income, 36 945 512,34 EUR, subsidies received form around 1/15. **Subsidies received are not the main income for the NGO sector.**

8.1.5. Income from economic activity

There is no mandatory requirement to decode the kinds of economic activity in the annual report, therefore it is not possible to draw conclusions about their kinds. Regulatory enactments on NGOs, which state the order for drafting annual reports, do not prescribe to show “accrued income” in the balance sheet, which are in cases, when the service has actually been provided, goods have been shipped, but the invoice for that is issued in the next accounting year.

The annual reports of 99 NGOs, make it possible to conclude that **47,46% from organisations get their income from economic activity**. NGO survey shows that about 39% of organisations get income from economic activity. Also the fields of economy activity have been stated:

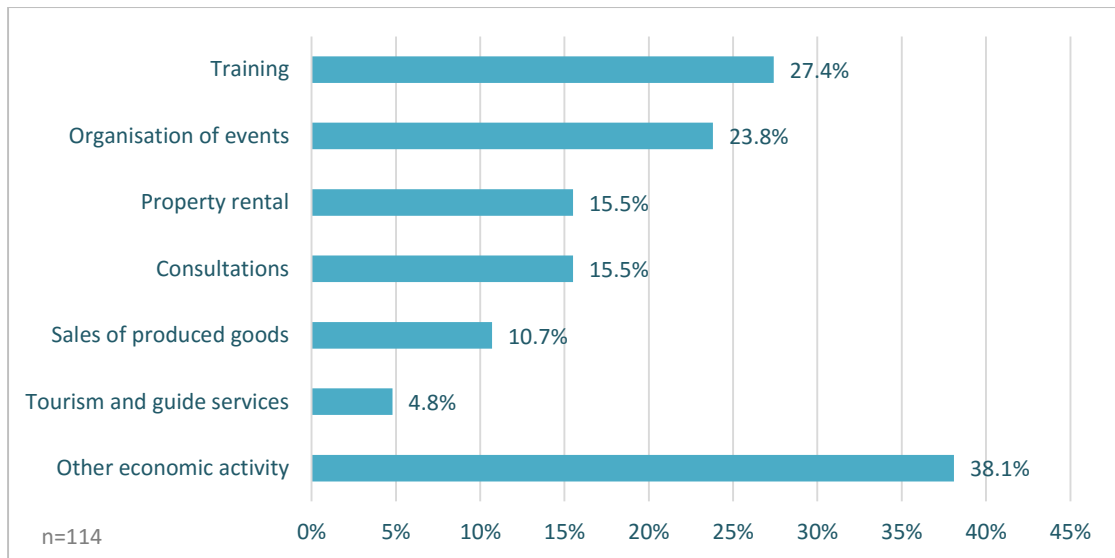


Figure 20. Kinds of economic activity.
Source: Operation of NGOs in Latvia. 2015. Web Research.

Other economic activity is:

- visas for drivers, distribution of TIR carnets,
- laundry, sauna, shower,
- translations, equipment rental, researches,
- trade,
- internships, organisation of experience exchange,
- advertising,
- creative workshops,
- project writing,
- provision of project activities for NGOs,
- environment protection,
- management of co-ownership,
- certification of food enterprises,
- assistance services,
- coordination of NGO operation in a municipality,
- small technical services,
- museum,
- provision of custom guarantees,
- contract work,
- coordination of youth projects,
- expertise, researches,
- rental of association's equipment,
- intellectual services,
- animal care,
- demonstration of trade skills,
- newspaper publishing,
- care.

If NGOs perform economic activity and, as statistics show, **almost half (47,46%) from the 99 NGOs studied have income from economic activity**, then such indicator is significant in order to pay attention to it and analyse the financial risks associated with it.

The Commercial Law prescribes that commercial activity is an open economic activity, which is performed for the purposes of gaining a profit. But the Associations and Foundations Law prescribes that association and foundation have the rights to perform economic activity as ancillary activity, which is connected with the maintenance and use of its property, as well as other economic activity to reach the goals of an association or foundation. Unlike commercial structure, associations and foundations can use the income only to reach the goal stated in the Articles of association. Profit, which has been obtained as a result of economic activity, cannot be divided among the members of association or founders of foundation.

This situation **creates financial risks in the NGO sector:**

- 1) there are favourable conditions for NGOs to actually perform commercial activity and the management of NGO should be registered as enterprise and should pay the prescribed corporate income tax of 15% from the taxable income (profit). These risks existing, NGOs can avoid the payment of taxes. According to the law "On Enterprise Income Tax", associations and foundations are not obliged to pay this tax if the open or hidden purpose of its foundation is not to gain profit or capital for its members;
- 2) if an NGO has been assigned the status of public benefit organisation, which receives donations, then there is also the risk of fraud aimed at receiving the relief, deductions and funding prescribed in the regulatory enactments in collaboration with the persons involved from the enterprises.

However, it is not excluded that the problem can be found in the fact that the NGO sector cannot cover its administrative costs to achieve the goals stated in their Articles of association. It is not enough with the membership fees and donations, besides, funding from the state or municipalities is limited. Therefore each case must be looked at separately.

From 99 NGOs, **47 organisations receive only income from economic activity**. It is possible that it might be hidden commercial activity. 47 NGOs, which do not receive membership fees, **get the amount of 6 114 315,89 EUR as their income from economic activity**. Those are organisations, which work with apartment management, historical heritage, social support, culture, sports, etc. Among them there are also foundations, the income of which should consist of donations.

From the total income, **the income from economic activity is 47,46%**, which proves that **the main income of the NGO sector comes from the income from economic activity** identical to enterprises, which also get their income from economic activity and not from the received membership fees and donations. From the total income, 36 945 512,34 EUR, of 99 NGOs surveyed, **the income from economic activity is half**. As a result, it can be stated that **the received income from economic activity form the main income of the NGO sector**, because, as it was already mentioned, they are almost half from the total income.

8.1.6. Other income

Income from insurance received, sale of fixed assets, other long-term investments or current assets as well as other monetary income from funding sources, which are not forbidden in the regulatory enactments, are shown as a part of other income. There is no requirement to decode the kinds of other income in the annual report, as a result, it is not possible to draw conclusions about their kinds, as it is not known, if the largest share comes from fixed assets, sale of current assets or other kinds of income.

Other income forms 34,54% from the total income, which proves that the main income from the NGO sector consists not only of the economic activity, but also from other types of income, which can be in the case of selling fixed and current assets used in economic activity. As a result, **other income can be considered to be partly significant income from economic activity**. For instance, NGOs can receive insurance for movable property used in economic activity or compensation for immovable property lost in *force majeure*. Other income is about one third from the total income, which **partly forms the fixed assets of the NGO sector**.

8.2. Data analysis of expense positions

The task of the analysis of expense positions is to study if organisations spend their funds for the goals stated in the Articles of association or for the benefit of its management and members. It has been concluded in this analysis that **other expenses form the greatest share in the expense structure**, followed by remuneration and then – material costs.

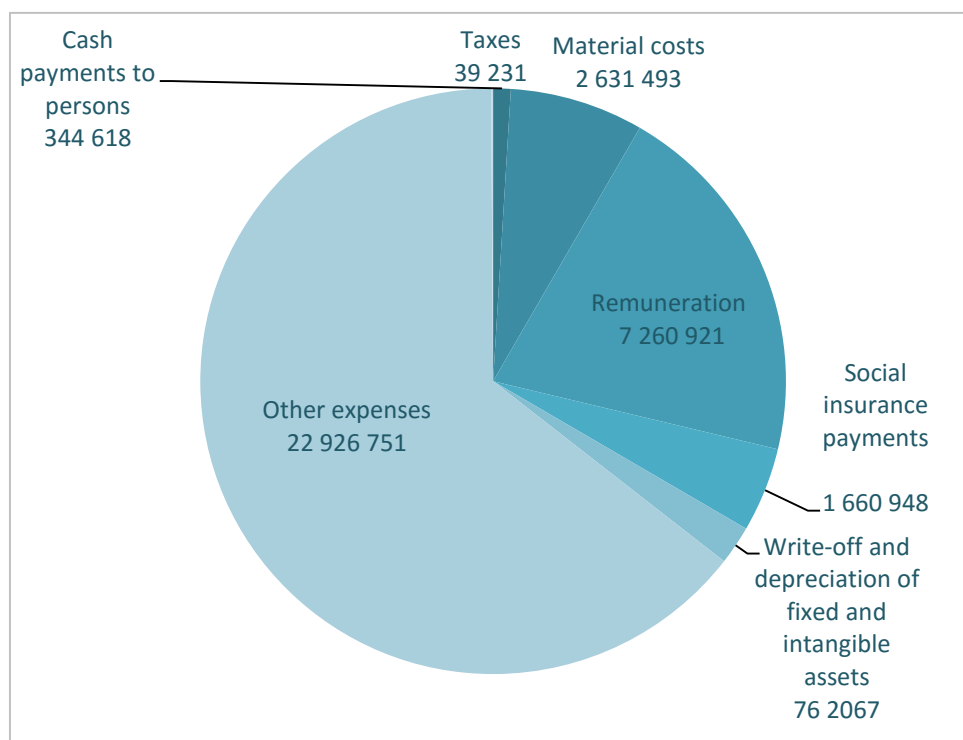


Figure 21. Expense structure from the position “income and expenses” taken from the annual reports of 99 NGOs.
Source: Lursoft.

Two main positions of expenses had been stated by NGOs themselves in the NGO survey. Organisation of public benefit work (64,3%), payments for premises (48,8%) and remuneration (47,6%) have been mentioned as the most important.

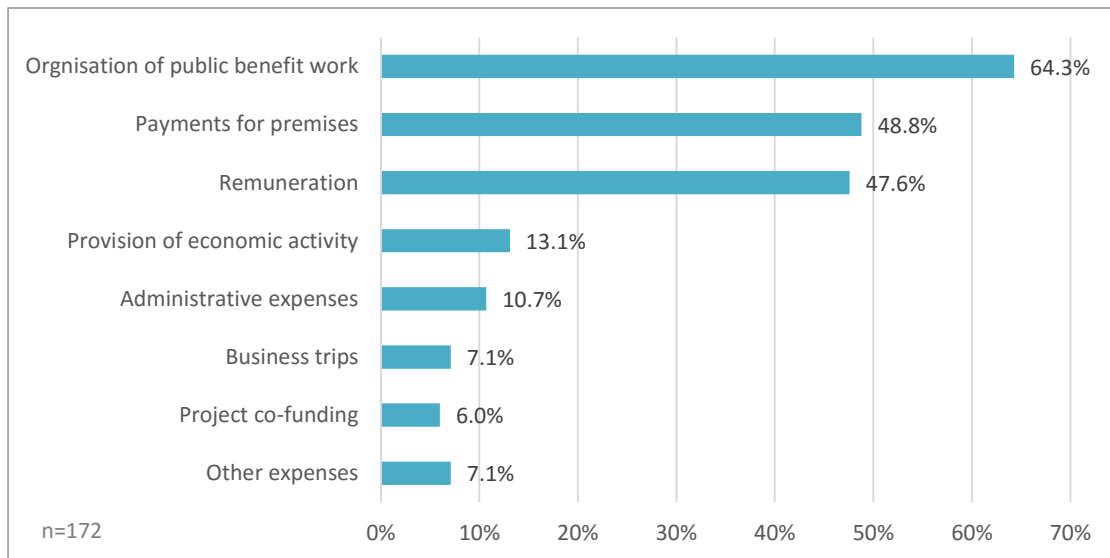


Figure 22. Expenditures of organisations
Source: Operation of NGOs in Latvia. 2015. Web Research.

8.2.1. Cash payments to people

Cash payments to people consist of cash payments to persons performed by NGOs, which have been established and work in order to protect the rights and interests of socially vulnerable person groups and poor people and families, or which have been performed by NGOs in connection with other type of public benefit operation. Also payments to those persons, which according to the Articles of association can receive funding from the property of foundation, have been stated in this position. There is no requirement to decode the cash payments in the annual report, as a result, it is not possible to draw conclusions about them.

From the total administrative and management expenses, 35 586 797,95 EUR, **cash payments to persons form 0,97%**, which is insignificant amount and does not have impact on total expenses. **Cash payments to persons are not the main expenses of the NGO sector.**

8.2.2. Material expenses

The materials used, goods and the stock bought or received as donation or contribution are stated as the material expenses They are evaluated based on the

amount of money paid for them, but the goods received as donation or contribution are evaluated based on the amount, which has been entered into income records.

NGOs, which make accounts according to the principle of double entry bookkeeping, record their materials after receiving them, not by the amount of money paid for them. The cash flow principle is observed by only those NGOs, which make account according to the principle of simple entry bookkeeping, because they do not make the balance sheet, which reflects the balance of NGO means. As a result, regulatory enactments prescribing the order of accounting and annual report of the NGO sector contradict the basic principles of accounting and actual records of NGOs.

At the end of the year, very frequently NGOs have materials, which have not been paid for as they have been purchased in the last days of the year. If NGOs do not record these expenses in the profit or loss account form, then also the balance of these materials cannot be recorded in the balance sheet as no money has been paid for them. As a result, there will be situation that the results of inventarisation will not match the data of the balance sheet.

Material expenses are 7,40% or 1/13 from administrative and economic activity expenses. The material tasks are 15% from the income of economic activity. As a result, it can be presumed that these 15% are the possible prime costs of goods or services or their sale. **Material expenses** are the part from NGO expenses of medium importance, however, they **are not the main expenses of NGOs**.

8.2.3. Remuneration

Gross remuneration costs of NGOs employing staff are stated in the profit or loss account.

Decoding of remuneration in the annual report must be done, if the member of management institution have received salary or remuneration for certain type of tasks. Total amount of remuneration and salaries is shown in the report along with explanations of the types of expenses covered. It makes it possible to conclude if the management institution in the NGO sector receive **proportional remuneration**. The average number of employees with job agreements and the total amount of their salaries must be stated in the annual report. It makes it possible to conclude, how large is the average remuneration received in the NGO sector. Indicators can be compared with those of enterprises and makes it possible to draw conclusions about the proportionality of remuneration.

From administrative and management expenses, **remuneration is 20,40% or** approximately 1/5, which is **significant amount, if looking at the other positions**. It must be taken into account that the main goal of the NGO sector is to carry out operation of civil activities or public benefit, not to receive membership fees and donations in order to spend almost 20% of them in remuneration. By studying 99 NGOs separately, it can be concluded that there are no salaries paid in 28 NGOs and 10 NGOs have no employees. **Total number of employees in 99 non-**

governmental organisations is 1 116. On average, the gross salary per employee is 6 506,20 EUR; **the average monthly gross salary is 542,18 EUR.**

8.2.4. State mandatory social insurance payments

Taxes are stated in the annual reports of NGOs, however, the state mandatory social insurance payments are not divided separately – the share to be paid by the employer and the one of employee.

By analysing remuneration and state mandatory social insurance payments, there is difference between the amount calculated and the amount stated in the amount of 51 903,26 EUR. **It is possible that this difference exists because of payments to pensioners** as the rate of state mandatory social insurance payments is lower to them – 19,86%.

State mandatory social insurance payments are 4,67% from the total administrative and management expenses. The total amount of labor costs for NGOs is about 25,07% or 1/4. If the amount of remuneration and the employer's share of state mandatory social insurance payments are compared with the amount of membership fees, donations, inheritances and subsidies, then there is difference in the amount of 2 271 003 EUR. It means – in order to pay salaries, **income from economic activity would be necessary.** In general, along with remuneration position, it is significant position of expenses.

8.2.5. Write-offs and value adjustments of fixed and intangible assets and other expenses

Value adjustments must be calculated according to the use period of fixed and intangible assets stated by the NGO management. **Write-offs and value adjustments of fixed and intangible assets are 2,14%,** which is **insignificant position of expenses.**

From total expenses, **real estate tax is 0,11%.** These **expenses versus total expenses are insignificant** – they only show that an NGO has real estate, e.g. buildings or land, in their possession, and they are not exempted from the payment of real estate tax.

Other expenses are 64,42% and they are more than half of administrative and management expenses. **It is important position in the profit and loss account.** This position hides **several financial risks of NGOs.** For instance, losses from the sale of fixed assets appear in cases when they have been sold for lower value than the remaining value in the balance. Losses from liquidation of fixed assets appear, if the fixed asset has been written off, donated or contributed to other persons. As NGOs do not need to submit the declaration of corporate income tax and they do not pay this tax, then there might be risk – are these fixed assets really sold or donated to persons not connected with the particular NGO. In case of such situation, an enterprise would have to increase applicable income and would have to pay

corporate income tax, except in special cases. But NGOs do not have any tax consequences as the State Revenue Office does not see the characteristics of economic activity and do not define the sale or donation of fixed assets as gaining profit for a person connected with the particular NGO. Most part of NGO office expenses are included in the position of other expenses. If these expenses are not decoded in the annual report, then there is risk that also the personal expenses of members (fuel, food, business trip and recreational expenses) can be included, which would otherwise be applicable to the corporate income tax.

8.3. Balance of income and expenses

In the annual report's position "balance of income and expenses" the prevalence of income over expenses is shown as a positive figure, but the prevalence of expenses – as negative figure.

Total income from the 99 NGOs analysed was **36 945 512,34 EUR** in 2014, but **total expenses** were **35 626 029 EUR**. As a result, **the balance of income and expenses is positive** and NGO income is 1 319 483,39 EUR more than expenses. Total expenses versus total income are 96,43%, it means that about **3,57% are the surplus of income**, which according to the decision of an NGO is recorded as part of reserves in the liability section of the annual report.

8.4. Comparison of three years' income and expense balance

In order to get understand about the dynamics in the field of the NGO sector finances, comparison of profit and loss accounts was conducted for 2012, 2013 and 2014.

Table 10

Data of "Income and expenses" position from the annual reports of 99 NGOs of 2012, 2013 and 2014.

Source: Lursoft.

No.	Postion	2012 (EUR)	2013 (EUR)	2014 (EUR)
I	Membership fee, entry fee and other annual fees	576 481	794 815	612 971
II	Donations and contributions received	1 796 336	2 749 306	3 511 002
III	Received inheritance	842	3387	3772
IV	Received subsidies	6 427 374	7 301 150	2 523 121
V	Income from economic activity	15 687 268	22 958 299	17 534 408,34
VI	Other income	13 686 980	8 109 331	12 760 238
VII	Total income	38 175 281	41 916 288	36 945 512,34
VIII	Expenses	-27 797 407	-42 241 235	-35 585 580,80
1.	Cash payments to persons	-446 004	-367 301	-344 618,23
2.	Costs of materials	-3 588 530	-4 789 685	-2 631 492,57
3.	Remuneration	-6 309 302	-8 776 173	-7 260 921

4.	State mandatory social tax payments	-1 501 033	-2 069 033	-1 660 948
5.	Write-offs and depreciation of fixes and intangible assets	-676 120	-817 616	-762 067
6.	Other expenses	-23 592 854	-25 433 152	-22 926 751,15
IX	Taxes	-52 433	-46 899	-39 231
X	Total expenses	-36 166 276	-42 299 859	-35 626 029
XI	Balance of income and expenses	-2 009 005	-383 571	1 319 483,39

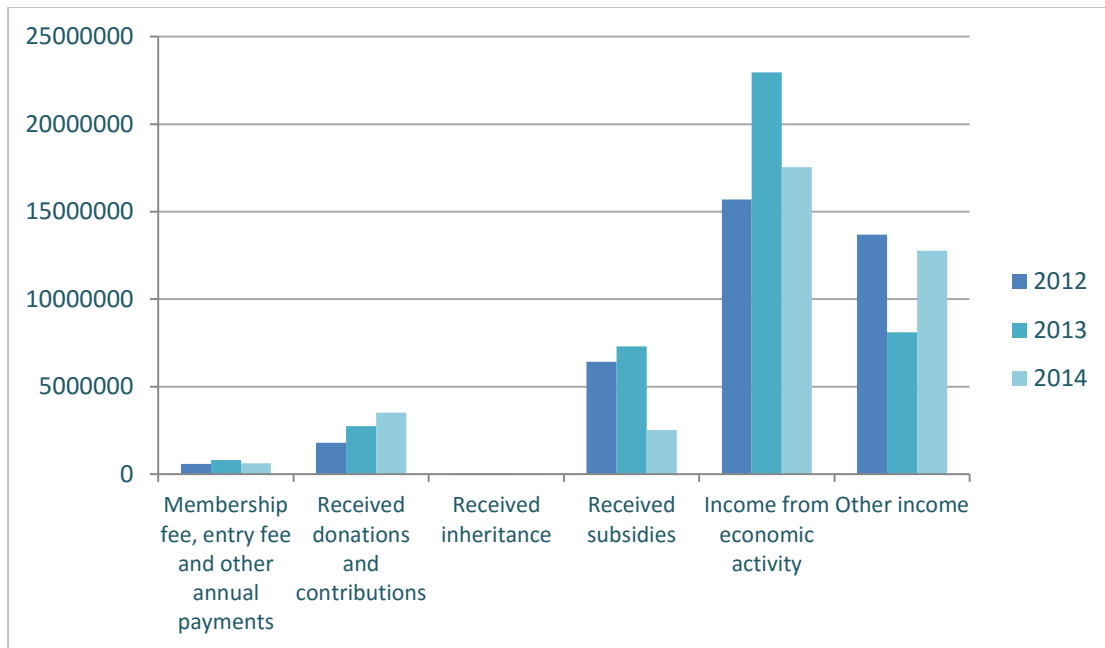


Figure 23. Comparison of 99 NGO income in 2012, 2013 and 2014.
Source: Lursoft.

As it can be seen in graph 23, the greatest share of income is held by income from economic activity, followed by the position of other expenses and then – subsidies. The greatest income from economic activity have been in 2013, followed by 2014 and then – 2012. Other income have been the greatest in 2012, followed by 2014 and then – 2013. The greatest amount of subsidies has been received in 2013, followed by 2012, but they decreased in 2014.

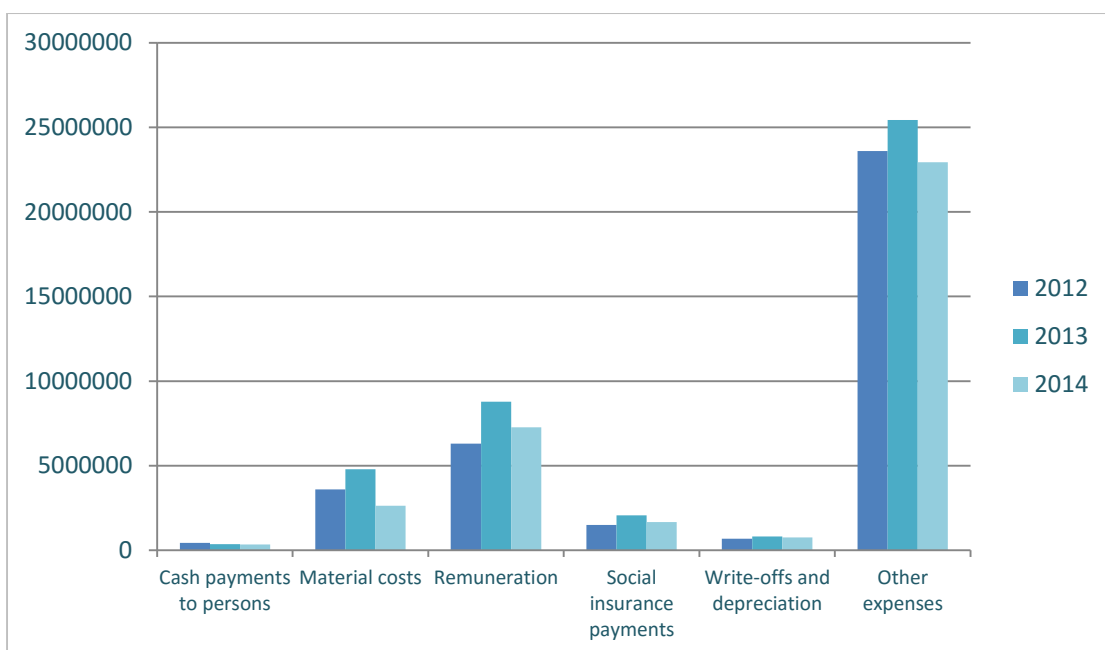


Figure 24. Comparison of 99 NGO expenses in 2012, 2013 and 2014.
Source: Lursoft

Graph 24 shows that the greatest share of expenses was held by the position of other expenses followed by remuneration costs and then – material costs. Other expenses have been the leader in 2013, followed by 2012 and then – 2014. Te remuneration has been the greatest in 2013, followed by 2014 and then – 2012. Material costs have been the greatest in 2013, followed by 2012, but they decreased in 2014.

8.4.1. Comparison of NGO income

Table 11

Summary of the annual reports of associations and foundations, profit or loss account

Source: Lursoft.

Entry	2013	2014
	Amount, thousands. EUR	Amount, thousands. EUR
I. membership fee, entry fee and other annual fees	34 530,18	36 033,39
II. Donations and contributions received	75 296,57	76 431,04
III. Received inheritance	106,83	117,48
IV. Received subsidies	73 826,09	90 770,30
V. Income from economic activity	88 825,26	94 020,34
VI. Other income	86 395,63	92 722,54
VII. Total income	358 980,56	390 095,09
VIII. Expenses	336 701,21	367 715,81
1. Cash payments to persons	27 439,45	32 630,84

2. Material costs	41 452,46	39 339,74
3. Remuneration	48 420,15	53 094,94
4. Social insurance payments	11 003,69	11 668,52
5. Depreciation and write-offs of fixed and intangible assets	16 502,05	18 478,77
6. Other expenses	191 883,40	211 575,88
IX. Taxes	1183,91	929,13
X. Total expenses	337 885,13	367 715,81
XI. Balance	21 095,43	22 379,29

According to graph 11, it can be concluded that the greatest share of income **in 2013** has been **income** from:

- 1) economic activity with the share of 25%, followed by other income of 24%;
- 2) donations and contributions received – with 21% of share;
- 3) subsidies received – 20% of share.

Membership fees, entry fees and other annual fees is the second smallest indicator with 10% share.

The most part of **income**, 2014 has been from:

- 1) economic activity – 24%;
- 2) other income –24%;
- 3) subsidies received – 23%;
- 4) donations and contributions received –20%.

Membership fees, entry fees and other annual fees is the second smallest indicator with 9% share.

In total, **the largest share of income is from economic activity and other income**. But membership fees, entry fees and other annual fees along with donations and contributions form around 30%. However, donations and contributions as well as subsidies, which form around 20%, are not income, which can be expected on a regular basis. As a result, NGO must perform economic activity in order to maintain themselves – pay rent and utilities, buy office supplies and equipment, materials, which are necessary for the implementation of goals stated in the Articles of association, etc.

8.4.2. Comparison of NGO income from 2013 and 2014

If comparing the income of 2013 and 2014, then conclusions about the dynamics of NGO income can be drawn. The main of them is that **in 2014 the NGO income has increased in all positions** Other conclusions:

- 1) total income in comparison with 2013 **have increased by 8%**;
- 2) membership fees, entry fees and other annual costs have increased **by 4%** in 2014, if comparing with 2013;
- 3) if comparing with 2013, then donations and contributions received **have increased by 1%** in 2014;
- 4) in comparison to 2013, inheritances **have increased by 9%** in 2014;
- 5) in comparison to 2013, received subsidies **have increased by 19%**;

- 6) income from economic activity **have increased by 6%** in 2014, if compared with 2013;
- 7) other income in 2014 **have increased by 7%**, if compared with 2013.

8.4.3. Comparison of NGO expenses in 2013 and 2014

In 2013, state mandatory social insurance payments formed 3% from total expenses. Calculated gross salary was 11 664,41 EUR. Smaller amount of employer's state mandatory social insurance payments has been presented in profit and loss account, position "state mandatory social insurance payments". It can be concluded that **retired people and persons applicable to other type of state mandatory social insurance rate** have been employed by NGOs.

This situations was the same also in 2014. The amount of employer's state mandatory social insurance payments presented in profit and loss account, position "state mandatory social insurance payments", has been for 856,58 thousand EUR less. It can be concluded that retired people and persons applicable to other type of state mandatory social insurance rate have been employed by NGOs.

The data of 2013 from the Central Statistical Bureau show that **the total amount of employees in the NGO sector has been 9 430 people** On average, the annual salary per employee was 5 134 EUR; **the average salary per month – 427,89 EUR**. In total, during the year, from first quarter ntil the last work day of the year, the number of employees had increases by 629 people. Such indicator means that also the activity of NGOs had increased. A positive fact is that NGOs employ people, pay them salary and taxes.

When analysing the data of annual reports, then conclusions can be drawn about the dynamics of expenses in 2013 and 2014:

- 1) In 2014, **the greatest share is taken by other expenses** – more than half (58%), followed by salaries (14%) and material costs (11%). Similar share could be observed in 2013;
- 2) in comparison with 2013, total expenses **have increased by 8%**;
- 3) in comparison with 2013, taxed **have decreased by 27%**;
- 4) in comparison with 2013, cash payments to persons **have increased by 16%**;
- 5) in comparison with 2013, material costs **have decreased by 5%**;
- 6) in comparison with 2013, remuneration **has increased by 9%**;
- 7) in comparison with 2013, state social mandatory insurance payments **have increased by 6%**;
- 8) in comparison with 2013, write-offs and depreciation of fixes and intangible assets **have increased by 11%**;
- 9) in comparison with 2013, other expenses **have increased by 9%**.

The share of cash payments to persons, remuneration, social insurance payments, write-offs and depreciation of fixed and intangible assets as well as other expenses have increased in 2014, but the expenses of taxes and materials have decreased.

8.5. Balance sheet

Balance sheet is part of the annual report, which states the balance of NGO means and its sources (assets and liabilities) on a certain date of the balance sheet, e.g. December 31. Funds are shown in the part of assets, but its sources – in the liability section of the balance sheet. The total amount of balance sheet's assets must be equal to the total amount of liabilities.

Table 12
Balance sheet data of 99 NGO annual reports
Source: Lursoft.

No	Position	2014		Position	2014
	Assets	EUR	No	Liabilities	EUR
	Long-term investments	10 006 106	I	Funds	12 539 202,1
I	Intangible investments	50 725	1.	Main fund	1 992 443
II	Fixed assets	7 712 691	2.	Target funds	3 961 046
1.	Real estate	5 470 991	3.	Reserves	6 585 713,13
2.	Other fixed assets	2 241 700	II	Long-term creditors	1 137 289
III	Long-term financial investments	2 242 690	1.	Long-term loans from credit institutions	1 056 435
1.	Stocks and shares	2 136 261	2.	Other loans	80 854
2.	Long-term loans	106 429	III	Short-term creditors	6 088 472
	Current assets	9 758 857,13	1.	Short-term loans from credit institutions	184 407
I	Inventories	1 430 256	2.	Taxes and state mandatory social insurance payments	382 493
1.	Materials	50 303	3.	Other creditors	5 221 572
2.	Goods	1 379 953			
II	Debtors	3 100 769,12			
III	Shares	658			
IV	Cash	5 250 339,14			
	Balance	19 764 963,1			19 764 963,1

Position "Current assets" does not match with subpositions, because when summing up, it is 9 782 022,26 EUR, and the difference is 23 165,13 EUR. Position "Short term creditors" does not match with subpositions, because when summing up, it is 5 788 472 EUR, and difference is 300 000 EUR. Mathematical error is possible, because NGOs have wrongly stated data in the subpositions of the annual report. It is possible that after the analysis from the State Revenue Office, the annual reports could have been corrected. The amounts in annual reports must be stated without cents.

8.5.1. The analysis of asset positions in the balance sheet

In order to draw conclusions about the long-term investments, current assets, funds and creditors of NGOs, the research about the balance sheet indicators of 99 NGOs in 2014 was conducted. As inaccurate balance sheet data were submitted, which form significant difference in sum subpositions of the balance sheet, then limited conclusions can be drawn.

1. **The greatest percentage of the NGO assets are formed by:**
fixed assets – 39%,
cash – 27%,
debtors – 16%.
2. **Intangible investments** form insignificant amount of the total assets of the balance sheet – only **0,26% vai 0%**. Intangible investments are also the remaining value of computer software, if its price has not been included in the purchase costs of computer and the purchase agreement gives rights to use this computer programme permanently, presuming that every NGO must have a computer, but when investigating 99 NGOs separately, intangible investments have been stated only in 14 of them. It shows that the purchased computer programmes have been entered into accounts in full and longer use and depreciation costs per year have not been foreseen. If this is the case, then all programmes need a licence. No existence of intangible investments can also show the use of illegal programmes. However, in order to draw particular conclusions, the number of computers in NGOs must be acquired and only then the issue of licenced computer programmes can be raised.
3. **Fixed assets** form **39%** from total assets of the balance sheet or one third. The greatest amount of fixed assets are 574 650 EUR, 196 641 EUR, 320 223 EUR and 220 317 EUR. Based on these amounts, a separate research about the particular NGO can be conducted to make sure than in order to implement its activity fixed assets of such value are necessary or can they be considered to be benefits used by the board or members of NGO to pursue their hobbies (e.g. luxury cars and water transportation).
4. **Real estate** is **71%** from the total amount of fixed assets. **Other fixed assets** form 29 from total fixed assets.
5. From 99 NGOs surveyed, **16 NGOs own real estate**, but most of them do not own other fixed assets.
6. According to its social essence, NGOs should not be involved in the purchase of stocks and shares in order to gain profit. Exception could be the case, when stocks and shares have been received as inheritance, donation or

contribution. Therefore a separate NGO research should be conducted, because from the 99 NGOs surveyed, **seven of them own stocks and shares in enterprises** worth from 3 EUR to 2 093 577 EUR.

7. **Inventories** are **7%** from total assets of the balance sheet. Out of 99 NGOs, 12 NGOs have stated **materials**. The greatest amount, which has been stated by the materials is 27 864 EUR. 21 NGOs out of 99 have stated **goods**. The greatest amount of goods is 557 786 EUR, 372 775 EUR and 226 966 EUR.
8. **Debtors** make **16%** of total assets off the balance sheet. Debts of other persons to association and foundations are stated as part of debtors.
9. NGOs own also cash or funds on bank account. **Cash** forms **27%** from the total assets of the balance sheet.

8.5.2. The analysis of liability position on the balance sheet

Funds as well as as long-term and short-term creditor debts of associations, foundations and trade unions have been shown as the liabilities in the balance sheet.

Table 13

Positions of liabilities of the balance sheet.
Source: Lursoft.

Funds	Summa, EUR
Main fund	1 992 443
Target fund	3 961 046
Reserve fund	6 585 713,13
Total funds	12 539 202,1
Long-term creditors	
Long-term loans from credit institutions	1 056 435
Other loans	80 854
Long-term creditors, total	1 137 289
Short-term creditors	
Short-term loans from credit institutions	184 407
Taxes and state mandatory social insurance payments	382 493
Other creditors	5 221 572
Short-term creditors, total⁸⁸	6 088 472

⁸⁸ When counting all short-term creditors together, the total amount is 5 788 472 EUR and the difference is 300 000 EUR. As a result, it is possible that some NGOs have not stated this amount in the subposition, therefore wrong conclusions can be made.

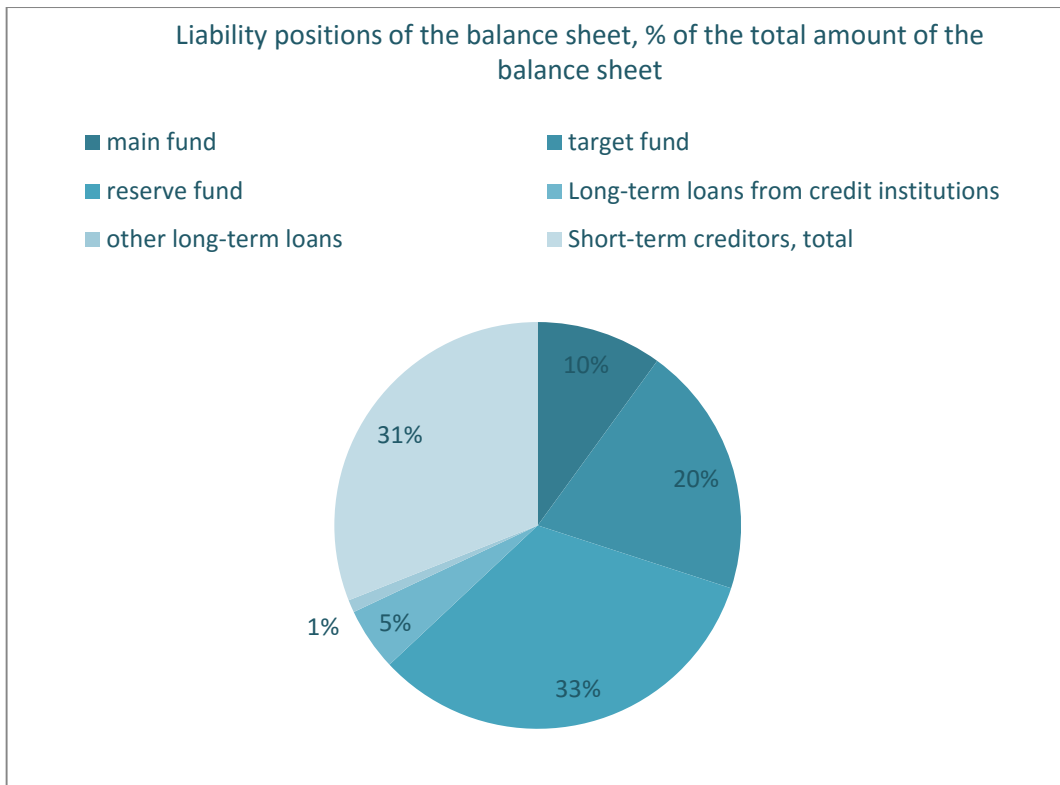


Figure 25. Structure of liabilities, balance sheet of 99 NGO annual reports.
Source: Lursoft.

When conducting the analysis of liabilities stated in the balance sheet, several conclusions can be drawn.

1. **The greatest percentage of NGO liabilities of the balance sheet are taken by:**
 reserve fund – 27%,
 short-term creditors – 31%,
 target funds – 20%.
2. The **main fund** (long-term investments) of all 99 NGOs surveyed is **10%** of all liabilities of the balance sheet. This fund is targeted at limited use. Target fund (targeted investments) form **20%** from the total amount of liabilities in the balance sheet. Also this fund has limited use. **Reserve fund** is **33%** from the total amount of the liabilities in the balance sheet. This fund is meant for unlimited use.
3. **Long-term loans from credit institutions** are **5%** from the total amount of all 99 NGOs surveyed. It means that NGOs have obtained long-term loans from banks. **11 NGOs** from the 99 NGOs surveyed **have obtained long-term loans**.
4. **Nine NGOs have short-term loans from banks**. The largest sums are 1 555 EUR, 2 990 EUR, 163 705 EUR, 4 051 EUR, 7 222 EUR and 4 884 EUR.
5. **Taxes and state mandatory social insurance** payments paid by non-governmental organisations are in the amount of **382 493 EUR**.

6. As other creditors (short-term) NGOs have shown their obligations to other persons for short-term loans, received goods and services, as well as their obligations towards employees for not paid salaries, wages or other payments from the funds of NGO bank account or cash. For 99 NGOs surveyed, **other creditors** form the amount of **5 221 572 EUR**. This position must be covered by cash or inventory. It has been stated that there are 5 250 339,14 EUR positioned as cash, but inventory worth 1 430 256 EUR in the balance sheet of the annual report. As a result, **there is no risk**.

8.6. Inspection of annual reports

Audit committee elected by the NGO management audits the annual report of an NGO. It participates (and implements) the examination of tangible assets (fixed assets, stocks, cash and other), inventarisation of the accounting data, examination of accounting records and supporting documents, assessment and creation of the annual report and drafting as well as the examination of annual report's compliance with legal acts.

During the audit, all notes are recorded and saved. The Audit commission may make written proposals and objections to the correction of errors, compliance of accounting policy, evaluation of the annual report and other issues. Audit Commission submits audit finding to the NGO management certified auditor provides the conclusion of the annual report.

Regulatory enactments do not prescribe the competency of the Audit committee of the NGO. As a result, **there is risk that the annual reports in the NGO sector can be audited just formally**. It in turn **creates risk of stating false, misleading, unclear and untransparent information in the annual report**. As a result, the user of the annual report can draw wrong conclusions and make such decisions, which can cause negative financial consequences to the NGO, for instance, risk of bankruptcy, inability to settle with creditors, debts to employees, tax debts, etc. If audit is performed by a professional – certified auditor, then the mentioned risks decrease. As services of certified auditors are not free of charge, then not all NGOs can afford them.

8.7. Proposals for the improvement of the NGO accounting

During the research of accounting, several observations, conclusions and critical questions regarding the legislation basis and practice regulating the accounting of the NGO sector appear. The authors of the research have defined proposals for the improvement of NGO accounting, which would promote more honest and transparent recording and monitoring of the NGO financial operations.

Proposals regarding the recording of income and expenses

1. Regarding NGOs, which make annual report and perform economic activity, to prescribe the mandatory annex in the regulatory enactments, which would require decoding of all positions in the profit and loss account according to the

accounting accounts and with detailed explanation. This information is not necessary in the report of the annual report.

2. To prescribe in the Associations and Foundations Law as well as in the Commerce Law the characteristics of economic activity and the order which NGOs must observe in order to register as enterprise in the Register of Enterprises. To prescribe the order of reorganisation in such cases also in the regulatory enactments on accounting and taxes.
3. To define exceptions for economic activity, when corporate income tax must not be paid, for instance:
 - associations of apartment management if the income is used for renovation of the building;
 - associations of medicine, if the income is used for purchasing medicine and medical equipment;
 - associations of education, if the income is used for purchase of books and stationery for school;
 - associations of culture, if the income is used for purchase of folk costumes.
4. To prescribe the duty of corporate income tax payment depending on the use of income. Allow to form accruals in order to purchase fixed assets and inventory.
5. To develop new Cabinet regulations, which would prescribe in detail the order, evaluation of the NGO annual report and evaluation and reevaluation according to the types of positions and order of estimating.
6. The State Revenue Service must audit those NGOs, which receive only income from economic activity and calculate the amount of unpaid corporate income tax and VAT.
7. To develop new law "On Social Entrepreneurship", the goal of which would be to regulate the use of the NGO income from economic activity for the operation of NGO. For instance, the income of economic activity could be used to purchase things for charity, build playground for children, organise camps, etc.
8. The State Revenue Office must compare its data with the data of the Central Statistical Bureau and clarify, why the information about remuneration and social insurance payments is so different.
9. The State Revenue Office must clarify, why the tax payments for 2014 have decreased, i.e., is it connected with property tax relief.
10. To make amendments in the Law "On Personal Income Tax" and the Law "On Enterprise Income Tax" by defining norms, which would allow tax relief to those tax payers who donate for the education or health care of physical persons.

Proposals regarding the balance sheet

1. To conduct NGO audit in order to clarify if the income has been used for the goals stated in the Articles of association. To pay attention to the other fixed

assets of the NGO, its stocks and shares, long-term loans, long-term loans from credit institutions, other long-term loans, short-term loans, other short-term creditors.

2. To clarify, if computer software is licensed.
3. To prescribe the requirements of account recording separately for double-entry and single-entry accounting by observing the principles of accrual and payments.
4. To prescribe the order of recording and evaluating fixed assets.
5. To prescribe the order of recording and evaluating inventories.
6. To prescribe requirements to disclose positions of the balance sheet in the annex of the annual report.
7. To prescribe the kinds of recording and evaluating debtors.

Proposals regarding the annual reports

1. To prescribe in the regulatory enactments to have at least one person in the audit commission who knows accounting.
2. To prescribe in the regulatory enactments to keep the notes of audit in order to make it possible to follow its pace.

9. Development of Set of Proposals for the Development of NGO Funding System in Latvia

9.1. Analysis

Legal regulation regarding NGO funding from the state budget has not significantly changed in 2014 and 2015. The main sources of funding for NGOs have remained income from economic activity, donations received, participation in calls for projects (both calls for projects announced by the state institutions and foreign donors), funding from the state (municipalities) delegating their tasks to NGOs, funding allocated as a result of procurement of certain task provision.⁸⁹ However, it must be noted, that over the last couple of years, there has been significant advancement at a political level in order to establish **NGO Fund financed by the state**. Fund would give support to strengthen the capacity of NGOs, to the work of NGO representatives in the work groups of different ministries and the Cabinet, to develop and give conclusions. Currently NGO fund is only a part of the Cabinet's plan and concept, which are policy planning documents and not legal acts. It is known that it is not always possible to believe in political promises, especially, if there are budget means necessary to implement certain initiatives, however, it gives hope that after many years of discussions this initiative could become a reality.

9.2. Available funding

Until 2016, NGOs had significant financial support available – foreign funding administered by the Society Integration Foundation, which was implemented with the help of Financial Mechanism of the European Economic Area and the Norwegian Financial Mechanism grant scheme "Non-governmental Organizations Fund" (hereinafter - EEA and Norwegian grant schemes for NGO Fund).⁹⁰ However, since 2016 this funding is not available and it is not clear how the lack of this funding will be substituted in the NGO sector.

9.3. NGO Fund financed by the State – preparation and status

Promotion of civic participation and civil society support activities listed in the National Development Plan (NDP) as objectives of the course of action "human cooperation, culture and civic participation as the base for belonging to Latvia" program⁹¹. Development of NGO Fund's concept and the implementation of the NGO Fund of Latvia according to the implementation model approved by the Cabinet have been included as tasks in the Action Plan of the Government.⁹² The result expected until 2018 according to the Action Plan of the Government is to have NGO

⁸⁹ More information about the direct sources of funding for NGOs is available on the conceptual report by the Ministry of Culture: <http://tap.mk.gov.lv/lv/mk/tap/?pid=40336784> – accessed on 23.07.2015.

⁹⁰ Ibid.

⁹¹ <http://likumi.lv/doc.php?id=253919> – accessed on 23.07.2015.

⁹² On February 16, 2015, the Government's Action Plan approved by the Cabinet, Point 136, tasks 1 and 4: <http://likumi.lv//ta/id/272247?&search=on> – accessed on 23.07.2015.

support programme “NGO Fund” implemented.⁹³ The Ministry of Culture is responsible for the development of the concept for the NGO Fund and the Society Integration Foundation is responsible for the establishment of the NGO Fund of Latvia.⁹⁴

The necessity to establish national Non-governmental Organisation Fund (NGO Fund) had long been discussed, but as all these years, with a short interruption, there was foreign donor funding available for the support of different NGO activities and operation, then the establishment of the NGO Fund was not among the priorities on the agenda. The work on this issue progresses in 2014, when because of NGO pressure, there were several work group meetings organised in order to prepare interim report about the concept of the NGO Fund. In 2014, the Ministry of Culture prepared and submitted to the Cabinet informative report “On the Action Plan of the Government, measure 128.3 “On starting the development of the establishment of the non-governmental organisation fund financed by the state””, including preparation of interim report on the development of the concept to be looked through at the Cabinet”.⁹⁵ The Cabinet took note of it in the session of November 10, 2014. The Ministry of Culture has included the development of the NGO Fund’s Concept among its priorities for 2015.⁹⁶

According to the initiative of Civic Alliance – Latvia in June, 2015, an open letter was prepared and sent to the Saeima, the Prime Minister and party fractions as well as the Minister of Culture about the necessity of the establishment of the NGO Fund by providing funds for that in the state budget of 2016; it was signed by several dozens of associations and foundations⁹⁷. In summer, 2015, according to the initiative of the Ministry of Culture, there were several meetings of the work group in order to finalise and bring further the final conceptual report “On Establishment of the NGO Fund Financed by the State” in the Cabinet. The draft report about establishment of the NGO Fund was presented also in the meeting of the Memorandum Council of Government and NGO Cooperation on July 29, 2015⁹⁸. The main emphasis of the meeting’s participants – NGO representatives – was to provide establishment and funding for the NGO Fund already in the state budget of 2016.

The Cabinet’s report was approved on December 1, 2015 by allocating funding for the funding model no. 3 of the NGO Fund. The approved funding model of the NGO Fund prescribes to **have the Society Integration Foundation as the administrator of the newly established NGO Fund, which would be a separate programme of state budget**. Also the Cabinet appointed the Society Integration Foundation to

⁹³ Ibid.

⁹⁴ SIF has been approved as the responsible institution, obviously based on the interim report on the Conceptual Report of the NGO Fund submitted by the Ministry of Culture, in which the model of SIF as the administrator of NGOs was included as approvable model.

⁹⁵ <http://tap.mk.gov.lv/lv/mk/tap/?pid=40336784> – accessed on 31.05.2015.

⁹⁶ http://www.km.gov.lv/lv/jaunumi/?news_id=5955 – accessed on 31.05.2015.

⁹⁷ http://www.nvo.lv/site/attachments/28/05/2015/NVO_FONDS2015.pdf – accessed on 31.05.2015.

⁹⁸ <http://www.mk.gov.lv/content/nevalstisko-organizaciju-un-ministru-kabineta-sadarbibas-memoranda-istenosanas-padomes-sedes> – accessed on 02.12.2015.

develop and approve the Strategy of the NGO Fund's operation until 2018 by confirming it with the the Memorandum Council of Government and NGO Cooperation and the Supervisory Board of the Implementation of the Guidelines on National Identity, Civil Society and Integration Policy.⁹⁹

The Ministry of Culture requested additional funds in the amount of 700 000 EUR for implementation of new political initiatives, including the NGO Fund and its first year of operation. However, this proposal was not approved. For 2016, the Ministry of Culture received funding in the amount of 400 000 EUR for cofounding projects in the state budget's programme of the Ministry of Culture, "Support to Non-governmental Organisations and Implementation of Society Integration Policy".¹⁰⁰

9.3.1. Goals and possible models of the NGO Fund

The general goal of the NGO Fund is to **strengthen sustainable development of civil society in Latvia**.¹⁰¹ The goal of the NGO Fund of Latvia is to financially support associations and foundations in order to promote the participation of population in civil processes, to improve the population's quality of life and strengthen democracy in Latvia.¹⁰² The Fund would give the possibility for all associations and foundations to receive funding to strengthen their capacity and implement their activities; **especially it would be significant for those organisations, which work in the field of advocacy, promotion of participation and democracy**.

According to this report, **three possible NGO Funding support models** were developed:

variant 1: new, independent fund (possibly – foundation);

variant 2: field fund – funding provided is allocated by fields of operation;

variant 3: separate state budget's programme is established for strengthening sustainable development of civil society and support NGO operation.¹⁰³

The latter, variant 3, was supported the most in the work group and it was supported also in the Cabinet. During the development of report, Civic Alliance – Latvia developed and submitted its proposals on provision of funding to provide the start of the NGO Fund to the Ministry of Culture.

1. To set up separate state budget's programme "NGO Fund" and allocate funding to provide its operation and the implementation of its supported projects administered by thr Society Integration Foundations by creating separate administrative structure exactly for the administration of the NGO Fund, which would be separated from the existing council of the Society Integration Foundation and its project evaluation structure.

⁹⁹ <http://tap.mk.gov.lv/lv/mk/tap/?pid=40373478&mode=mk&date=2015-12-01> – accessed on 02.12.2015.

¹⁰⁰ http://www.km.gov.lv/lv/jaunumi/?news_id=7091 – accessed on 02.12.2015.

¹⁰¹ Conceptual report „On the Establishment of the Non-governmental Organisation Fund Financed by the State”, p. 15. – accessed on 02.12.2015.

¹⁰² Ibid, p. 5.

¹⁰³ Ibid, p. 4.

2. The amount of the NGO Fund must be kept in the same amount as existing foreign financial instruments in EEZ and Norwegian programmes. Funding the state budget could be found from the so-called “deputy quota”, which have already become a norm again. Its total amount is enough to at least start the budget programme of the NGO Fund, which could later on be increased every year.
3. In addition, amendments in the Law on Society Integration Foundation must be made in order to prescribe that the funding allocated to the Society Integration Foundation for the NGO Fund programmes will be increased every year – similar to the Law on State Cultural Capital Fund, which prescribes that the funding allocated from the state budget must be more than in the previous financial year.¹⁰⁴
4. Non-governmental organisations as well as other organisations involved in the promotion of advocacy and development of civil society, could attract additional funding to the NGO Fund from state capital companies, if amendments were made in the “Law on Prevention of Defalcation of Public Person’s Financial Means and Property” by supplementing Article 10, paragraph 2, point 1, with the possibility to donate to civil society development. The proposed new wording of the Law might be as follows:

„.. (2) Capital company according to the order prescribed in the Articles 11 and 12 of this Law can contribute (donate) funding or property, if the following conditions exist simultaneously:

*1) contribution (donation) is meant for the **development of civil society, art, science, education, sport, environment or health protection as well as promotion of social help;..**”*

Supplementing the “Law on Prevention of Defalcation of Public Person’s Financial Means and Property”, Article 10, Paragraph 2, Point 1 with the possibility to donate for the promotion of civil society’s development, it would prevent the situation that currently state capital companies cannot donate at all, which place advocacy organisations in worse condition than other organisations, which work in the fields mentioned in the law and which can receive donations (sports, science, art, etc.). Of course, this in itself would not provide predictable funding for the NGO fund, because the state capital companies are not obliged to donate, and there is no obligation to donate in proportion to all statutory areas, however, this represents an opportunity to qualify for donations from the state capital companies. Furthermore, if these amendments could be put forward together with a package of proposals for improving the transparency and donation policy of state capital companies drawn up by the Ministry of Finance, it might be possible to reach a good solution, that is, all the fields would receive donations proportionately.

¹⁰⁴ The Cultural Capital Foundation Law, Article 5, Paragraph 2 prescribes that “*allocation of state funds for the particular year must be higher than previous financial year*”: <http://likumi.lv/doc.php?id=81064> – accessed on 23.07.2015.

9.3.2. NGO Fund – political decision and strengthening of state security interests

Establishment of the NGO Fund by allocating budget funds is political decision. Although the establishment of the NGO Fund cannot be perceived as the final solution, which will provide long-term development of the NGO sector, it still would be significant step forward. Thus, the State would recognize that NGOs are sufficiently important collaboration partner and it should care for further participation of NGOs in the policy process and evaluate the NGOs contribution to the sustainable development of national policy. The NGO Fund is one of the tasks of the current government.

Also, one of the main priorities of the government is the national security. **The security of the state is closely linked with the necessity to strengthen civil society** in the existing geopolitical situation and within the context of permanent different hybrid war expressions. The activities of organisations and associations of persons not loyal to Latvia still are being carried out. Vast amount of Russia's funding is injected to support Russian organisations. It gives greater opportunities to influence the public opinion and civil society of Latvia with limited funding cannot compete. Therefore it is extremely important to strengthen the capacity of Latvia's civil society, especially those NGOs, which work in fields related to values and advocacy of interests significant to Latvia and also promote the unity of society around common values. In this context, it is important to ensure that public funding from the NGO Fund would not be granted to organizations, which in fact, with declarative and legal reasons carry out anti-government activities. To achieve this goal, it would probably be necessary to cooperate with the security authorities, as well as it would be necessary to provide criteria to ensure that the NGO Fund resources are not allocated to those organizations that are in the "blacklist" of organisations disloyal to Latvia and for which a reasoned opinion from the security authorities has been received. The obligation to demand such an opinion would be the task of the organisation assessing the allocation of funds.

9.4. Other topicalities

Every year, in addition to other funding sources, the NGO sector has two important funding sources – donations from state capital companies and the state budget's funding, which are allocated within the so-called "deputy quota". Deputy quota was common practice in the budget of 2015, and also this year in the preparation of the budget of 2016 such quotas were divided by supporting many individual proposals from deputies.

9.4.1. Donations by state and municipality capital companies

Last significant amendments in the existing legal regulation regarding the possibilities of the state and municipality capital companies to donate or contribute its property free of charge to an NGO or private enterprise have been done at the end of 2012 – "Amendments of the Law "On Preventing Defalcation of State and Municipality Funds and Property"" (the name of the law has been changed to "Law on Prevention of

Defalcation of Public Person's Financial Means and Property", which came into force on January 1, 2013.¹⁰⁵

Still the Cabinet has not approved the project of the Ministry of Finance – “Concept on the Improvement of Contribution (Donation) Policy for Public Body's Capital Companies, Capital Companies, in Which More Than 50% of its Shares are Owned by Public Body, as well as Capital Companies, in Which One or Several Public Body Shares Separately or Jointly Exceed 50%.”¹⁰⁶ It was handed in for reviewing, but it still has been postponed. According to the project of the concept, which was submitted to the Cabinet, the Ministry of Finance supports and brings forward the variant, which states that the order of contributions must be improved by observing the principles of corporative management. If this concept is approved and the improvement model by the Ministry of Finance will be accepted, then it will be necessary to make amendments in the “Law on Prevention of Defalcation of Public Person's Financial Means and Property” as well as the “Law on Governance of Capital Shares of a Public Person and Capital Companies”. At the moment no amendments have been submitted for reviewing in the Cabinet. In the Memorandum Council's meeting in September, 2014, the report by the Ministry of Finance on the improvement of state capital company donations was reviewed. Several representatives from NGOs were against the fact that the state companies donate at all. Some representatives of NGOs were in favour of prohibiting the state capital companies to donate at all. The Ministry of Finance supports the model, which prescribes the improvement of the corporate management. It is hard to judge how exactly it could significantly improve the existing system.

In connection with the publicity and transparency of the state capital company donations, the approved “Law on Governance of Capital Shares of a Public Person and Capital Companies”, which came into force on January 1, 2015, is of great importance. This law regarding public body capital companies¹⁰⁷ prescribes that the capital company of public body and public private capital company publish on their website, but if such is non-existent, then on the website of the share owner not less than once a year the donation (contribution) strategy and order of the capital company. Also the capital company must constantly update information, if necessary, about the recipients of each donation (contribution) and the amount of donation.¹⁰⁸

¹⁰⁵ <http://likumi.lv/ta/id/252822-grozijumi-likuma-par-valsts-un-pasvaldibu-finansu-lidzeklu-un-mantas-izskerdšanas-noversanu> – accessed on 08.02.2016.

¹⁰⁶ <http://tap.mk.gov.lv/lv/mk/tap/?pid=40231358&mode=mk&date=2014-07-15> – accessed on 08.02.2016.

¹⁰⁷ Public body according to the State Administration Law, Paragraph 1, article 1, is the Republic of Latvia as initial legal person of public rights and derived public persons. They operate according to the principles of public rights. Derived public person is municipality or other public body established by the law or on the basis of the law. It has its own autonomic competency, which has been prescribed in the law, and which also includes development and approval of its own budget. It can also possess its own property (ibid, Paragraph 1, Article 2): <http://likumi.lv/doc.php?id=63545> – accessed on 02.12.2015.

¹⁰⁸ <http://likumi.lv/doc.php?id=269907> – Paragraph 58, Article (1) 1) e) and Article 3) c) – accessed on 13.08.2015.

9.4.2. State capital companies – donors

On July 1, 2015 there were 116 capital companies¹⁰⁹, in which state owned some part of shares. The state owned more than 50% of the shares in 72 of them. When assessing the information available about these 72 capital companies, it must be concluded that the information about donations has been published in most websites; there, where there is no information, obviously, no donations are delivered. However, strategies of donations can be assessed on the websites of those companies, which donate very actively. On the websites of capital companies of the Ministry of Health (hospitals and other establishments), there is section about donations, where mostly it has been mentioned that particular capital company does not donate. The requirement to publish strategy and order of donations is new; information must be published once a year. It can be concluded that the websites of those state capital companies donating actively already contain all the information required by the law.

From all 72 capital companies with more than 50% of the shares belonging to the state, five capital companies must be taken into account:

- State Joint Stock Company “Latvijas valsts meži”,
- State Joint Stock Company “Latvijas dzelzceļš”,
- State Joint Stock Company “Latvijas Loto”,
- Joint Stock Company “Latvenergo”,
- Joint Stock Company “Lattelecom”.

What concerns the Joint Stock Company “Lattelecom”, the requirement to publish the strategy and order of donations online along with the amount of donations and receipts is not applicable, because it is a capital company of public entity, in which the State Joint Stock Company “Privatizācijas Aģentūra” owns 51% of shares. Other four are 100% public entity capital companies. The income of all other state capital companies apparently are not so important, so that they could support some NGOs in addition to the implementation of their development plans. The most discussed and often criticised from the aspect of donations is the State Joint Stock Company “Latvian State Forests”. It usually donates the most amount of money and also tries to implement its operation so that there would be no problems with “the papers”, which can be concluded from its report about donations to the Cabinet.¹¹⁰ The shareholder, the Ministry of Agriculture, has chosen separate NGOs as partners, with whom the letters of intent have been signed for annual State Joint Stock Company’s target donation diversion to specific fields of support, which would further be used for during partner programmes. NGOs, which would like to apply for donations of “Latvian State Forests” hand in their applications according to the field they want to qualify for the aid. State Joint Stock Company “Latvian State Forests” have signed letters of intent with:

¹⁰⁹ Information available on their website:

http://www.pkc.gov.lv/images/Kapitalsabiedribas/VKS_01072015_lidzdaliba.pdf – accessed on 13.08.2015.

¹¹⁰ Informative report „About the Funding Allocated for Donations and Contributions and Order of Allocation in 2014 by the State Joint Stock Company “Latvian State Forests””. Available: <http://tap.mk.gov.lv/lv/mk/tap/?pid=40336459&mode=mk&date=2014-11-03> – accessed on: 18.08.2015.

- foundations “Fund “Ziedot”” and “Latvian Children Fund”, association “The Samaritan Association of Latvia” about donations in the field of social help and health care promotion;
- public foundation “State Cultural Capital Foundation” about donations in the field of culture and art promotion;
- The Forest Development Fund about donations in the field of environment, education and science promotion;
- Association “Latvian Sports Federation Council” about donations in the field of sports promotion.¹¹¹

It is intended in the letters of intent that partners receive target donations respective to the limitation prescribed in the law and the means necessary to implement the strategy of enterprise. “State Cultural Capital Foundation” and the Forest Development Fund are organisations established and managed by the state. Latvian Sports Federation Council unites all sport federations in Latvia recognized by the state. But foundations “Fund “Ziedot”” and “Latvian Children Fund”, association “The Samaritan Association of Latvia” are private non-governmental organisations.

A positive fact is that the Joint Stock Company "Latvian State Forests" ensures the availability of donations to all areas permitted by the law. Ministry of Agriculture explains its delegated responsibility of evaluation and allocation of donations to particular NGOs by stating that these NGOs in the long run have proven their professionalism and know the best those fields, which require financial aid the most.¹¹² However, these letters of intent are signed for indefinite period of time and it is not clear in what way other NGOs could apply for this role and how evaluation of existing partners in this field takes place. It gives more privileged condition to some NGOs, besides, to unlimited period of time, although there is no doubt that NGOs chosen have proven their reputation and ability to provide sustainable development of their organisations over many years.

9.4.3. Process of donating and its goals

State capital companies can donate to several fields. Although the representatives of NGOs tend to disagree, it is possible to support the fact that state companies can donate. First, it expands the possibilities for NGOs to receive funding from a variety of sources. Although the state capital donations is the same public money, but the way it is distributed is different from other public funding types. This opens up opportunities for a wider range of applicants to apply for it and hope for support. Secondly, the decision-makers for the allocation of resources are different, and it excludes a uniform approach to the selection of candidates, thus diversifying the range of recipients. Currently the state capital company donations may be diverted to a maximum of 20% of the profits. Of course, for the state capital companies donation is a choice, not an obligation, and it may not be favorable for the NGO sector because they can not expect that such financing will be available every year. The

¹¹¹ <http://www.lvm.lv/par-mums/sociala-atbildiba/ziedojsumi/ziedojsumu-politika> – accessed on 13.08.2015.

¹¹² Information published on the website of the Ministry of Agriculture <https://www.zm.gov.lv/mezi/statiskas-lapas/valsts-atbalsts/lvm-sociala-atbildiba?nid=324#jump> – accessed on 18.08.2015.

state capital share holder can also decide on all profit to be paid in dividends to supplement the state budget.

The negative aspect of the current regulation – the criteria according to which the state capital company can donation to a particular field are unclear. The law prescribes several fields, which can receive donations. According to the publicly available information on the websites of donors – state capital companies, it is seen that there are separate fields, which receive more donations than others (see table 14). Besides, according to the information about the priorities of donations published on the website of state capital company, sometimes it is hard to understand, which area stated in the law has been meant. For instance, there is State Joint Stock Company “Latvijas Loto”, which mainly support projects targeting children and orphans. These donations can be included in the field “promotion of social help”, but each separately can be added to other fields. For instance, in February, 2015, the donation delivered to Pulmonary hypertension association was aimed at supporting the organisation of a health camp for children with rare diseases and their relatives.¹¹³ It corresponds both the field of social help and health care.

Table 14

Donors and fields of donation

Source: website of companies, pages on social responsibility and donations in 2014 and 2015.

Field	LVM	Latvenergo	LDz	Loto
Promotion of culture	+	+	+	
Promotion of art	+		+	
Promotion of science	+			
Promotion of education	+		+	
Promotion of sports	+		+	
Promotion of environment protection	+			
Promotion of health care	+		+	
Promotion of social help	+	+	+	+

According to the published donation strategy, company gives donations to all fields stated in the Law, but by the recipients of donations, it is hard to understand the field, in which organisation receives the support.¹¹⁴

All donations can be applied to the field of "social welfare promotion," but each of them separately can be extended to another additional areas such as "promotion of health care".

In order to make the order of donations more transparent and easy to understand, two proposals have been developed:

¹¹³ State Joint Stock Company “Latvijas Loto” website, section “Programme of Good Aims”, information available: <https://www.latloto.lv/lv/par-latvijas-loto/labo-merku-programma> – accessed on 19.08.2015.

¹¹⁴ State Joint Stock Company “Latvian Railways” donation strategy on website, section “Guidelines: Social responsibility”: <http://www.ldz.lv/lv/content/vadl%C4%ABnijas>; information about the recipients: <http://www.ldz.lv/lv/content/realiz%C4%93tie-projekti> – accessed on 18.08.2015.

- 1) to state in the law, that in case the state capital company chooses to donate, then the amount of donations must be divided to all areas, which can receive donations according to the law, by following the principle of proportionality. Taking into account that the profit of the state capital companies is the money of the state, then the proportionality principle should be observed in the division of this money;
- 2) to supplement the range of areas, which state capital companies can donate to. It can be supplemented and made clearer so that there would be possibility to donate to all areas mentioned in the Public Benefit Organisations Law (comparison of areas see in table 15). One field missing is the promotion of the development of civil society, which would allow those NGOs working in the field of advocacy apply for donations.

Table 15

Comparison of donation fields

Public Benefit Organisations Law	Law on Prevention of Defalcation of Public Person's Financial Means and Property
<p>Public benefit activity is such activity, which gives significant benefit for society or part of it, especially, if it is targeted at:</p> <ul style="list-style-type: none"> • <u>charity,</u> • <u>protection of human and individual rights,</u> • <u>development of civil society,</u> • promotion of education, • promotion of science, • promotion of culture, • promotion of health and <u>disease prevention,</u> • support of sports, • environmental protection, • <u>assistance in the event of disasters and emergencies,</u> • <u>improvement of the welfare of the society, especially the poor and socially disadvantaged group of people.</u> 	<p>Contribution (donation) is targeted at:</p> <ul style="list-style-type: none"> • promotion of culture, • <u>promotion of art,</u> • promotion of science, • promotion of education, • promotion of sports, • promotion of environment protection, • promotion of health care, • <u>promotion of social help.</u>

Note. The fields, which in the existing formulation are stated in only one of the laws, have been underlined.

In addition to the amount of donations, for which state capital companies can receive tax relief the same was as private enterprises, state capital companies spend definite and not small amount of money on advertising projects. As a result, many activities, which can be assigned to the same areas, which can be supported by donations, but for which no tax relief can be received. One of the examples is the support of the State Joint Stock Company "Latvijas Dzelzceļš" ["Latvian Railway"] which pays to the Joint Stock Company "Dinamo Rīga", private company working with professional hockey, for advertising services. In this way, sport is supported and the company promotes its publicity both in the national and international market. Of course, each

state capital company explains these advertising services as economic advantage and that they promote the image of the company.

9.4.4. Deputy quota – still controversial, still given

In state budget of 2015, several proposals about allocating funding from state's budget to support various projects were expressed by some deputies (mainly – deputies from coalition). So-called “deputy quota” prescribe particular amount of money for every fraction for the implementation of different initiatives. In the budget of 2015, 2 million EUR were divided in this way.¹¹⁵ Not all deputies regard this “deputy quota” as bad idea. Several deputies from party “Vienotība” were negative to that. Deputies from other parties have publicly stated in interviews that the only negative aspect is that mostly only the proposals of coalition deputies are approved. It is not right and also the proposals of opposition deputies should be equally approved. Although part of funding divided by deputies are directed to different NGOs and their needs, so-called “deputy quota” have been criticised by separate NGOs during all their existence. Criticism is usually expressed by the same organisations – Civic Alliance – Latvia, “Delna”, “Providus”. No objections regarding this issue have been heard from other organisations, because generally speaking, “deputy quota” is not any harm, but one more way of allocating funding. However, existing practice does not prescribe clear and exact criteria, why and for what the funding from “deputy quota” is used for. Civic Alliance – Latvia believes that there are democratic and transparent ways to divide the means of tax payers, i.e. the state budget, for the support of NGO sector, it means, to direct this funding to the NGO sector by establishing long-awaited NGO Fund, which would allocate the funding according to criteria, which would be understandable for society.

¹¹⁵ <http://www.la.lv/divi-miljoni-savejo-aplaimosanai/> – accessed on 13.08.2015.

Conclusions

1. When comparing the data from the researches of 2013 and 2015, it can be concluded that there is stable growth in the NGO sector, it means that the number and density of NGOs increases. However, it would be too soon to presume that it shows of people being more active in self-organisation, because other indicators do not show it. The number of NGOs increasing and the number of inhabitants decreasing, only misleading presumption can be made that civil society's interest in self-organisation increases. Although the number of socially active people increases, the number of employees and volunteers in organisations does not increase; the number of members in organisations does not increase greatly; associations and foundations the same as before do not provide daily work and constantly live in the "hunt regime" of allocating funding; population's trust to the NGO sector has not grown, but has remained comparatively low. However, on the other hand. NGOs are invited to be experts when commenting public life events in mass media and in public space, as well as in different councils and work groups of public management and institutions of decision-making. Also the number of social care providers is increasing, along with the number of public benefit organisations, the number of conclusions and the number of advocacy measures. Judging by the difference of these data, it is possible to draw two conclusions:

- 1) The figure dynamics of non-governmental organisations as well as public benefit organisations shows that there is enabling environment for the development of the NGO sector – it is easy to establish associations and foundations and people use these opportunity to work in favour of their interests. The fact that there is significant number of inactive organisations, which have terminated their activity, showd that either liquidation of NGO is not as easy as its establishment or it is not a burden for its members and founders to provide its operation and its legal termination, if it actually does not exist anymore;
- 2) By performing more qualified work, NGOs slowly become professional, as a result, creating quite significant amplitude of scale and impact between recently established and small organisations and large advocacy organisations and NGO unions with extensive experience in the work of non-governmental organisations.

2. Analysis of the research data as well as changes achieved on the political agenda, that is, changes in legislation, which regulates the work of associations and foundations, the implementation of economic activity, social entrepreneurship, volunteering, tax policy and finally – the establishment of the NGO Fund, makes it possible to conclude that successful outcome of cooperation between civil society and the state depends on two factors:

- 1) NGO knowledge, skills and ability to work hard and to perform systematic work in the field of advocacy. Ability of NGOs to unite in order to reach their goals are of great importance, NGO capacity (including allocation of funding and human resources), knowledge and experience gained, smartly chosen strategies of influence and advocacy as well as the ability of NGOs to take the role of leader, even pioneer;

- 2) The political will and true interest of decision makers and state management to strengthen organised civil society, see it not as a burden, competitor or enemy, but quite the opposite – the civil power of inhabitants and their maturity to act in order to provide their welfare, wellbeing and loyalty to Latvia.
3. Organised civil society does not mean only altruistic work in favour of society, but also NGO as legal form, the same way as any other public structure or institution, can be used for not so noble goals. One of the phenomenons noticed in the sector over the last couple of years has been the security risks for the State in connection with the operation of anti-government NGOs. This raises the issue of NGO as non-militar tool to be used for different anti-government goals. Second phenomenon – the number of NGOs “living” only from income of economic activity is increasing. This raises concerns that NGOs abuse the situation that they are exempt of enterprise income tax, and they gain profit in a way, which can no longer be regarded as ancillary activity thus avoiding the payment of income tax. Of course, the state activity in this field must be appreciated –the work of the Ministry of Finance in improving the regulation of economic activity and the work of the Ministry of Justice in lessening security risks; also the NGO involvement in both fields must be noted. However, both the state and advocacy organisations must remember: it is not acceptable that the state sets limitations for the whole NGO sector based on separate cases not improves the processes of monitoring malicious offenders and terminating their activity. In other words, it must be kept in mind that when pouring water in the bath, the child would not be thrown out. Drastic limitations to all associations and foundations would create greater risk to weaken the work of the sector and its influence in the long run than currently hard-to-estimate benefits would give to the security of the state and its budget.
4. Contradictory data make it necessary to pay attention to the challenge of the development of the NGO sector, which could have impact in long-term. On the one hand, the trust of population decreases to almost any institution, including associations and foundations. The number of people trusting associations is almost the same as those trusting the Saeima and executive power, as a result, placing NGOs among the last three in the ranking of trust. The number of inhabitants believing in the ability of population and NGOs to influence decisions and achieve significant improvements is less; besides also NGO representatives themselves are quite cautious when evaluating their possibilities to significantly influence some changes. The number of inhabitants whom NGOs have helped to solve their problems is increasing and still quite small part of inhabitants have turned to non-governmental organisations for help. On the other hand, the civil activity of population increases, with every year more and more inhabitants get involved in public or civil activities, the number of volunteers significantly increases, and there are more people who use various participation forms and opportunities of democracy. In long term, the NGO sector could face some changes, if inhabitants did not use the opportunities of organised civil society (possibility to unite in some associations and foundations), but the possibilities of digital era by quickly creating informal groups via Internet – social networks, e-mail, forums, e-platforms and mobile phones. Communities appear and disappear based on the characteristics of social problem or challenge. They do not require bureaucratic structures and reporting to the state does not impose a great burden, but in its own way serves as effective means to solve urgent problems and to mobilize the population. Also, such society’s self-

organisation based on virtual communication channels should be recognized as a significant indicator of active citizenship. However, the NGO sector will not go extinct in the next few years, because exactly organized civil society – non-governmental organizations, which may accumulate and pass on to society activists their experience, work results, institutional memory, capacity based on professional knowledge and skills, is capable and can impact public administration and decision-making powers for the benefit of citizens' needs and interests by cooperatively creating a better and more prosperous life for all inhabitants of the country.

Summary

Statistical indicators

Studies, which have been conducted in order to prepare “The Research of the NGO Sector in Latvia. 2015”, show that the number of associations and foundations over the last two years has increased by 2 498 or 12%. The dynamics in the number of NGOs has been fluctuating over the last two years, however, in comparison to data since 2008, there is stable tendency in the growth and development of the NGO sector.

The dynamics of organisations has practically remained constant. The greatest number of organisations since the research of 2013 has been still seen in the largest cities of Latvia: Riga (44% from all active organisations in Latvia), Liepaja (4,7% of all organisations), Daugavpils (2,5% of all organisations), Jurmala (2,5% of all organisations), Jelgava (1,98% of all organisations). The greatest growth in the number of non-governmental organisations has been in Riga region, but the smallest – in Vidzeme region.

The number of NGOs per 1 000 inhabitants has increased in all regions, it means that the density of NGOs also increases. There were on average 8,5 associations and foundations per 1 000 inhabitants in 2013, but in the beginning of 2016 – 9,4. In the beginning of 2016, the greatest number of organisations per 1 000 inhabitants was in Kurzeme, then Riga region, Vidzeme, Zemgale, but the smallest amount – in Latgale. It could be explained by the changes in the number of inhabitants. Since 2013, the number of inhabitants has decreased in all regions of Latvia, but the number of NGOs has increased, as a result, the density of NGOs per 1 000 inhabitants increases.

Operation of organisations

Most associations and foundations work in the field of advocacy. Other education, economic, social and community development are in the top three of the list about NGO fields of operation. The least amount of organisations work in the field of management, spirituality and religion, disaster relief and assistance and international activities. In 2015, there were more organisations stating all territory of the Republic of Latvia as their scale of operation.

Both in 2015 and three years before, the daily work in NGOs was mostly provided by taking into account that on average organisations do not have permanent employees or seasonal employees at all, there was one employee on project basis or on average five volunteers. It means that members did the daily work voluntarily in more than half of organisations. The research proved – the more employees and members, the greater the possibility that organisation can expand its collaboration and activities. By taking into account the fact that organisations already can do resultive work voluntarily, then it can be assumed that organisations have greater capacity to expand their work than they can actually use now, because if the number of employees increases, the number of their implemented activities follows the same pattern. There is risk in the sector because even large organisations are based on one person. There is lack of those who could bring forth the idea of organisation further and in more determined way. More than 60% of organisations surveyees point

out that they expand their activities in the field of lessening inequality. Most often these organisations carry out activities to advocate the interests of some certain group of people.

Most part of organisations surveyed believe that NGOs can achieve significant changes in the field of social services and quality. However, at the same time almost 50% of organisations surveyed do not believe that they can lessen corruption and one third does not believe that they can make significant and qualitative changes in the field of promoting employment. It can be concluded that organisations believe more in their ability to help people in daily situations than in their ability to influence systematic changes.

In 2015, organisations mostly advocated and worked in favour of children, the poor and seniors. Dynamics of data show that over the last three years the number of organisations advocating the interests of children (including children out of family care), seniors and the poor has increased, but the number of organisations advocating interests of youth and families has decreased. It is indirect signal of general polarisation of society in the field of social and economic welfare. Exactly children and seniors are those who hardly can or cannot provide income for themselves and be economically independent, as a result they are at the risk of poverty and social exclusion.

As two years ago, financially less provided respondents, unemployed and pensioners have turned to non-governmental organisations for help most often. In 2015, there were 288 associations, foundations and their branches, which were registered as social service providers. In two years time the number of such associations and foundations and their branches has increased by 104 units.

In the beginning of 2016, there were 2 454 public benefit organisations in Latvia. The number of public benefit organisations continues to increase, however, the speed of growth is not so fast anymore. 11,9% from the total number of organisations have been assigned the status of public benefit organisations. Support for sport, charity and development of civil society are the main fields of operation for organisations with the status of public benefit organisation.

In 2015, the average number of members per association was 25, and the average number of members ranged from 12 to 64. Organisations themselves think that people like and they want to be involved in the operation of these organisations as it is opportunity to gain interesting experience and feeling of fulfilment for the achieved as well as spend free time usefully. But for legal persons the main motivation is that associations and unions advocate the interests of its members, as a result the possibility to influence the decision-making process is greater and it is the possibility for people from one industry to unite and get new contacts.

Dynamics of data shows that over the last couple of years, members, legal persons, understand and appreciate more that it is possible to protect their interests and influence the decision-making process by together being a part of association.

Involvement of population and practice of collaboration

The most popular fields and forms of population's involvement are organisation of projects and events, submission of ideas and proposals, participation in project activities and their implementation. Exactly direct contact and personal invitation have been stated as the most effective way for attracting both inhabitants, target group and new members to the organisations, because in this way the message goes by "the word of mouth", which has long been known as the best advertising channel.

NGO collaboration usually does not involve only one partner or one channel of communication, but it is quite versatile process. The greater the number of employees, members and volunteers, the more often and versatile the practice of collaboration. The collaboration practice of NGOs is based on the principle "from the nearest to the farthest", it means, most often organisations collaborate with their target group and society in general. NGOs quite rarely see representatives of the decision-makers as their collaboration partners, but more often – people in general, either as a form of organised civil society in the form of an NGO, or wider society via mass media.

Data show that foundations more often rely solely on themselves when implementing their goals. However, any non-governmental organisation willingly chooses other organisations despite their status or scale as collaboration partners. NGOs collaborate more with other organisations in order to reach the goals of an organisation by implementing joint projects, seminars and events of experience exchange. Organisations, for which the scale of operation is narrower, e.g. local community or whole republic, cooperate with municipality more often. NGOs more often solve questions of advocacy with ministries and their subordinate institutions than with other institutions. Status of public benefit organisation does not influence the collaboration intensity with ministries, however, older, larger and more experienced organisations collaborate with ministries more often. Also organisations the status of public benefit organisation collaborate with enterprises more often than others. In general, it can be concluded that in 2015, the financial ability of an organisation to hire permanent employees has played a greater role.

State executive bodies, whose main partners are professional industry associations that bring together representatives of various economic sectors in manufacturing and trading in order to advocate their interests, characterize the collaboration practice differently from the authorities, which mostly cooperate with the associations and foundations of a social purpose. State institutions recognize that large professional organisations act as lobbyists, because they represent the field. However, the collaboration is mainly characterised not as pressure on state institutions, but more as constructive collaboration. Representatives of state institutions state that they are open to new collaboration partners and emphasize that organisations themselves must follow the agenda of decision-making and implementation.

For ministries in charge of the so-called social issues, the number of partners is quite variable and diverse. Participating organizations often come into conflict with each other, by not harmonizing positions among themselves. There are fewer opportunities to order studies in social issues and ministries rely on the expertise of the organization provided free of charge. The fact that the cooperation practice in the

field of "social questions" and "professional issues" is different in state executive bodies due to their political culture: it is assumed as default that the community speaks about social issues on behalf of itself, while the economic issues are advocated by those who profit from production and consumption.

Organisations see other non-governmental organisations (which are located in the same town and municipality, or work in a similar field) and municipality institutions as their most significant collaboration partners. Organisations with a specific and narrow target audience more often form long-term and fruitful cooperation with decision-makers and executive power at a national level. Although advocacy has been widely characterised, it is indirectly marked that executive power mostly uses non-governmental organisations as free resource not see them as long-term and significant collaboration partners.

Organisations themselves mention as a good example and use the advantages of advocacy given by the Memorandum Council of Government and NGO Cooperation. In 2014, 13 ministries invited NGOs to 605 events, in total involving 4 673 representatives from NGOs.

Publicity of NGOs

In three months of 2015, NGOs have been mentioned in 11 085 articles and TV broadcasts, which is five times more than in 2013. Representatives of non-governmental organisation have been mentioned as experts in 3 509 materials, which is almost six times more than in 2013. Mostly they were farmers, followed by asylum seekers, which in NGO context have been mentioned two times more than the next popular topic of children and young people.

The most popular topics mentioning non-governmental organisations have been culture, general mention of NGOs, sports and municipalities. Almost in all cases, non-governmental organisations have been mentioned in neutral context, 7% of materials have been positive, but 1% - negative. Situation was similar also in 2013. Public television refers to NGOs more in their broadcasts, besides their image is brought in better light than some years ago.

It can be concluded that operation of NGOs has been noticed and their opinion has been heard. However, in the context of culture, NGOs are mentioned 2,3 times more than the next topics of general mention of NGOs, sports or municipalities. It can be concluded that NGOs get publicity more often if they organise culture events or participate in them.

Organisations themselves point out that very often they use social networks to involve people and reflect on their work, because that is the channel, which does not require any funding, only time, understanding and enthusiasm. Organisations still inform about themselves in local newspapers and also newspaper reporters are interested in the activities of non-governmental organisations, they prepare publications and reports. Publicity and recognition of an NGO is linked to its scale of operation. National or international organisations working daily care about their recognition and reputation the same way as enterprises do.

Involvement of population in the decision-making processes and civil dialogue

The involvement of Latvian population in the civil dialogue and advocacy of their interests has slightly increased if comparing 2011 and 2013. Over the last three years, 89,4% of the surveyed Latvian population have participated in civil activities. Comparative studies over a longer period of time reveal a similar tendency: the most socially active groups are inhabitants with higher education, Latvians, women, employees with average of higher level of income per family member per month. Most often inhabitants use the form of representative democracy – participating by voting in elections. In recent years, around 65% of respondents have participated in the elections of the Saeima, 61% - in municipality elections, but 47,5% - in European Parliament elections.

Besides elections, inhabitants also like to use the democracy form of participation. Most often it is done in the way of charity activities: donating by leaving money in donation boxes in supermarkets (36% of respondents); donating via phone (33%); participation in clean-ups (26%).

The number of those inhabitants, which over the last three years have got themselves involved in some civil group or organisation, has increased. At the moment, 35,3% of Latvian respondents have done it and it is 3% more than in 2013. 5% of inhabitants consider themselves to be a member in some organisation, but three times more respondents point out that they are participants of some interest group (sing in a choir, dance in some dance group, participate in a club, etc.). During last year, around 15% of Latvian respondents have been volunteers and in comparison with the research of 2013, the number has significantly increased by 7%.

Intensity of civil activity has increased over the last years. However, contrary to this conclusion, it must be marked that society is quite sceptic towards inhabitants and non-governmental organisations being able to influence the decision-making process and achieve qualitative changes in solving different problems. It was found out that only around 14% of inhabitants think that they can influence the decision-making process and it is less than in the researches of 2013 and 2011. Two thirds of respondents expressed negative attitude. The only field according to Latvian respondents, in which NGOs could influence some positive changes, is environment protection – 44% of respondents believe in that. Also representatives from associations and foundations have similar opinion – almost 60% of respondents admit that the possibility of inhabitants to influence the decision-making is quite small. Associations and foundations are quite optimistic about their possibilities as more than two thirds think that they can influence the decision-making.

With every year, trust in public and state institutions decreases. Only trust in the institution of the president of the Republic of Latvia and police has increased from 2011 to 2015. 21,4% of Latvian respondents trust or partly trust in associations and foundations, but 28,4% of inhabitants do not trust in them. They are trusted less than state, local or law enforcement authorities, but more than the Saeima. Unfortunately, according to the data of the research, it is possible to conclude that trust in

associations and foundations is quite low in comparison with other organisations, basically listing them in the “ranking of trust” between the government and the Saeima.

The data of the State Chancellery of the Republic of Latvia show that in 2014 the total number of regulatory enactment drafts and policy planning documents was 1 193. Total number of 250 regulatory enactment drafts and policy planning documents were discussed in work groups with at least one NGO representative, i.e. 21% of all document drafts were made involving NGO. In total, ministries have signed more than 100 collaboration agreements. 1 128 NGOs work in some regular consultative boards or work groups of ministries. The least amount of NGOs are involved in the development of civil society documents, consultative boards and work groups in the Ministry of Defence of the Republic of Latvia. The data of 2014 from the State Chancellery show that the defence is that field of country, which citizens have no impact on.

NGO finances

The analysis of NGO income positions show that the greatest share of income come from the income of economic activity, followed by other income and donations and contributions. Income from economic activity form 47,46% from the total amount of income, which show that it is the main income of the NGO sector, the same as it is for enterprises from their business activity, not from received membership fees or donations. It can be stated that the income from the economic activity are the main income of the NGO sector as it is almost half from total income. In 2014, total income of 99 NGOs analysed was 36 945 512,34 EUR, and income from economic activity was 17 534 408,34 EUR. There are favourable conditions for NGOs to actually perform economic activity and NGO management should be registered as enterprise and pay the corporate income tax.

Financial data of NGOs submitted to the State Revenue Office, contradict with the income sources stated in the NGO survey in spring, 2015. From 207 associations and foundations almost 70% have shown membership fees as one of the main sources of income. Annual reports prove that from 99 organisations only 27,2% receive member payments. Membership fees, entry fees and other annual fees are 1,66% from the total amount of NGO income. It means that membership fees are not the main source of income for the NGO sector. The fact that organisations state membership fees as their main source of income, but the annual reports show that membership fees are insignificant source of income, indicated that organisations themselves cherish illusions about the financial contribution from members.

Analysis of the NGO annual reports makes it possible to conclude that the greatest share in the expense structure is taken by other expenses, followed by remuneration and material costs. In 2014, total expenses of the 99 NGOs analysed are 35 626 028,95 EUR. Other expenses are 64,42% from administrative and economic activity expenses and they are more than half of all other expenses. It is significant position in the profit and loss account of NGOs. The greatest part of NGO office expenses are included in other expenses. If these expenses are not decoded in detail in the report, then there is risk that also member personal expenses can be

included (fuel, food, expenses during business trip, recreational and entertainment events etc.), which would be applicable with the corporate income tax.

In total, the greatest share of income come from economic activity and other income. Membership, entry and other annual fees together with donations and contributions are around 30%. However, donations and contributions as well as subsidies, which form 20% share, cannot be categorised as predictable income. As a result, NGO must have economic activity to maintain themselves – to pay for office and utilities, buy office supplies and equipments, buy materials necessary to reach the goals stated in the Articles of association, etc.

In 2014, profit and loss balance was positive and NGO balance was + 1 319 483,39 EUR. Total expenses versus total income were 96,43%. It means that there was 3,57% surplus.

It can be concluded that in 2014, the income of NGOs have increased in all income positions. Cash payments to persons, remuneration, state mandatory insurance payments, write-offs and depreciation of fixed and intangible assets as well as the share of other expenses had increased in 2014, but the expenses of taxes and materials – decreased.

The largest percentage of NGO balance sheet's assets is fixed assets (39%), cash (27%) and debtors (16%).

The largest percentage of NGO balance sheet's liabilities is reserve fund (27%), short-term creditors (31%) and target funds (20%).

Legal environment

2015 was especially significant for the development of the NGO sector and provision of sustainability. The greatest amount of work on behalf of associations and foundations carried out in order to provide long-term work quality was the establishment of the NGO Fund. The funding model of this NGO Fund prescribes the the Society Integration Foundation to be the administrator of this newly established fund, which would be a state budget's programme. Up to January, 2016, the development of the NGO Fund was smooth. NGO fund actually is state support to organised civil activity. Three priorities of the NGO are strengthening of the NGO operation, support to civil activities of the NGOs and strengthening of the NGO advocacy.

In summer, 2015, the long debated Law on Volunteering was adopted, which will serve as basis to several government regulations, which will protect volunteers just like any other person in employment relations.

On January 1, 2016, Regulations on Classification of Associations and Foundations were came into force. Division of associations and foundations according to their field of operation will give opportunity to conduct statistical analysis about the organisations of certain fields, projects they have implemented and how to plan and implement state policy more efficiently.

In 2015 and 2016, under the auspices of the Ministry of Finance, there is work in progress to separate NGO economic activity performed as ancillary activity from the

activity, which has become the main field of operation for an NGO. In 2015, this issue was also included in the agenda of the work group in the Ministry of Justice, which evaluates the questions of NGO activity transparency and strengthening of monitoring, including issues of limiting and terminating the operation of anti-government organisations. These process will impact the economic activity of associations and foundations in future.

In thr end of 2014, there was significant development achieved regarding the transparency of the information included in the annual report of associations and foundations as well as the use of donations and contributions received. It is one step concerning the latest issue of state security so raising awareness of the issue of an NGO used as a non-militar tool to reach different anti-government goals. In 2015, there was a work group in the Ministry of Justice, which dealt with the issue of national security risks in connection with the operation of anti-government NGOs.

In 2015, the buildings or civil engineering buildings belonging to associations and foundations, were exempt of real estate tax for indefinite period of time, until association loses rights to be exempt of this tax for the buildings and civil engineering buildings belonging to association.

By responding to the global crisis of population's migration, NGOs tried to find common ground to get involved in solving the "refugee issue" basing their activity on the perspective of human rights and solidarity values. Civic Alliance – Latvia in cooperation with other similar minded associations and foundations of Latvia managed to organise consultation for solutions related to issues of refugee reception in Latvia. Consultation unites representatives from those state institutions, non-governmental organisations and active Latvian inhabitants, which are willing to support the reception of refugees and their integration in Latvia and which are ready to get involved in the implementation of these processes.

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Annexes

Annex 1. Publicity sources of non-governmental organisations.

LETA media monitoring, July-September, 2015.

Media	Source	Number
Business newspapers	Dienas Bizness	37
Internet portals	pilseta24.lv	992
	delfi.lv	339
	la.lv	277
	lsm.lv	269
	tvnet.lv	255
	nra.lv	241
	apollo.tvnet.lv	193
	valmieraszinas.lv	191
	focus.lv	167
	diena.lv	162
	kasjauns.lv	158
	liepajniekiem.lv	145
	lvportals.lv	143
	skaties.lv	136
	db.lv	129
	zz.lv	127
	rus.lsm.lv	116
	rekurzeme.lv	110
	irliepaja.lv	105
	ru.focus.lv	101
	rus.delfi.lv	95
	ves.lv	86
	bb.lv	85
	rus.tvnet.lv	78
	auseklis.lv	74
	irir.lv	73
	daugavasbalss.lv	69
	ziemellatvija.lv	69
	jelgavasvestnesis.lv	68
	vesti.lv	68
	financenet.lv	66
	jvestnesis.lv	63
	freecity.lv	62
	dzirkstele.lv	58
	edruva.lv	58
	daugavpils.lv	54
	sigulda.lv	53
	ventasbalss.lv	53
	staurags.lv	48
	bnn.lv	47
	ventspils.lv	47
	riga.lv	44
	vestnesis.lv	43
	valmiera.lv	37

	jelgavniekiem.lv	37
	rus.riga.lv	36
	rus.liepajniekiem.lv	36
	talsi.lv	35
	salaspils.lv	32
	liepaja.lv	32
	aluksniesiem.lv	30
	rus.db.lv	30
	pietiek.com	29
	novaja.lv	28
	latgale.lv	26
	jelgava.lv	25
	ezerzeme.lv	24
	kuldiga.lv	23
	rus.kasjauns.lv	22
	tukums.lv	22
	bdaugava.lv	22
	latgaleslaiks.lv	20
	adazi.lv	20
	skruna.lv	20
	jurmala.lv	18
	olaine.lv	18
	dundaga.lv	16
	novadnieks.lv	11
	roja.lv	10
	ntz.lv	8
	bnn-news.ru	8
	babite.lv	7
	estars.lv	7
	marupe.lv	5
	talsuvestis.lv	4
	7guru.lv	3
	en.lsm.lv	2
	business.lv	2
	kurzemnieks.lv	2
	puaro.lv	2
	grobina.lv	1
Monthly editions	Kopsoļi	24
	Kapitāls	12
	Saimnieks.LV	11
	36,6 C Veselīgāk Saskaņīgāk Gudrāk	11
	Latvijas Architektūra	10
	Meža Avīze	8
	Latvijas Ārsts	8
	MMD	8
	Atbalsts	7
	Agro Tops	7
	Patiesā Dzīve	7
	Doctus	7
	Otkritij gorod	6
	Baltijas Koks	6
	Mans Mazais	5
	Vides Vēstis	5
	Dārza Pasaule	5

	Likums un Taisnība	5
	iFinances.lv	5
	Pastaiga	4
	Veto Magazine	4
	Latvijas Tirgotājs	4
	Ko ārsti tev nestāsta	4
	Biznes Klass!	4
	100 labi padomi	3
	Materia Medica	3
	L'Officiel Latvija	3
	Veselība	3
	Copes Lietas	2
	Enerģija un Pasaule	2
	Grāmatvedība & Ekonomika	2
	Medicus Bonus	2
	Latvijas Būvniecība	2
	Ievas Virtuve	1
	Pastaiga.ru	1
	Una	1
	Annas Psiholoģija	1
	360 gradusov	1
	Figaro	1
	Cosmopolitan	1
	Ir Nauda	1
	Lilit (krievu val.)	1
	Bilances Juridiskie Padomi	1
	Klubs	1
	Telegraf	1
National newspapers	Diena	126
	Latvijas Avīze	121
	Neatkarīgā Rīta Avīze Latvijai	109
	Vesti Segodņa	74
Weekly editions	Laikraksts „Latvietis”	43
	Latvijskije Vesti	22
	Praktiskais Latvietis	19
	7 Super Sekretov	17
	Subbota	15
	Jurista Vārds	15
	Kas Jauns Avīze	15
	Ievas Veselība	11
	MK-Latvija	10
	Ieva	9
	Izglītība un Kultūra	9
	Ir	9
	Bilance	7
	Ievas Padomu Avīze	5
	Ļubļu	5
	Skolas Vārds	4
	Kas Jauns	4
	Rīgas Viļņi+	4
	Ievas Māja	3
	Mājas Viesis	3
	Ievas Stāsti	3
	Sports	3

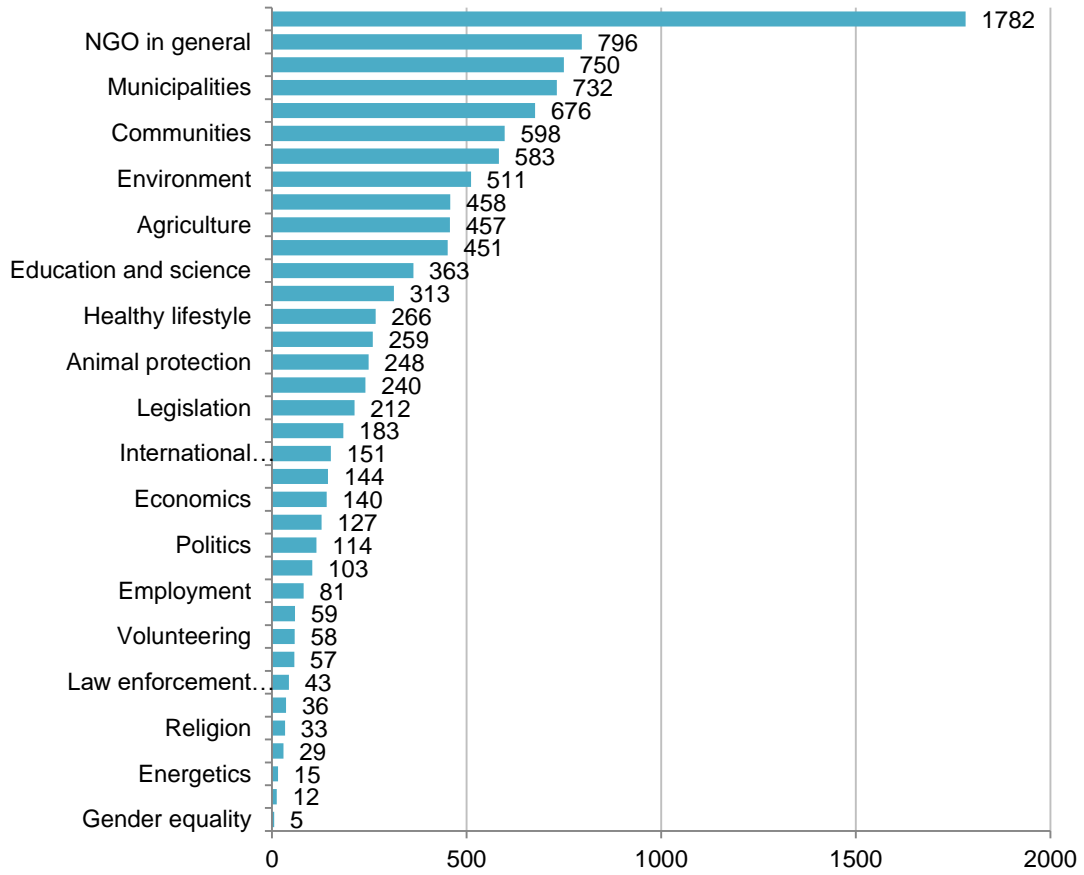
	Privātā Dzīve	2
	Vakara Ziņas	2
	Otkrito!	1
	OK!	1
	Sporta Avīze	1
Regional med	Vietējā Latgales Avīze	153
	Auseklis	129
	Brīvā Daugava	127
	Kurzemes Vārds	121
	Liesma	118
	Jaunais Vēstnesis	116
	Saldus Zeme	114
	Zemgale	114
	Rēzeknes Vēstis	106
	Staburags	105
	Stars	100
	Bauskas Dzīve	100
	Kurzemnieks	85
	Latgales Laiks	84
	Neatkarīgās Tukuma Ziņas	82
	Novadnieks	76
	Druva	76
	Rēzeknes Vēstis (in Russian)	71
	Malienas Ziņas	71
	Zemgales Ziņas	68
	Talsu Vēstis	65
	Kurzemes Vārds (in Russian)	60
	Ventas Balss	58
	Ezerzeme	55
	Ziemeļlatvija	54
	Vaduguns	51
	Latgales Laiks (in Russian)	46
	Brīvā Daugava (in Russian)	46
	Dzirkstele	45
	Ogres Vēstis Visiem	45
	Kursas Laiks	43
	Ezerzeme (in Russian)	40
	Jelgavas Vēstnesis	36
	Alūksnes Ziņas	33
	Million	31
	Panorama Rezekne	29
	Iecavas Ziņas	28
	Ventas Balss (in Russian)	26
	Salaspils Vēstis	26
	Jūrmalas pašvaldības informācijas biļetens	19
	Lielvārdes Novada Ziņas	19
	Burtnieku Novada Vēstis	18
	Rīgas Apriņķa Avīze	18
	Kuldīgas Novada Vēstis	18
	Novaja Gazeta	18
	Salacgrīvas Novada Ziņas	18
	Ludzas Novada Vēstis	16
	Līvānu Novada Vēstis	15
	Ludzas Zeme	15

	Engures Novada Ziņas	15
	Avīze Piebaldzēniem	14
	Jūrmalas Vārds.lv	13
	Talsu Novada Ziņas	13
	Krustpils Novadnieks	13
	Vecumnieku Novada Ziņas	13
	Saldus Novada Vēstis	13
	Ludzas Zeme (in Russian)	12
	Mālpils Vēstis	11
	Jaunjelgavas Novada Vēstis	11
	Valmiera domā un rada	11
	Ērgļu Novada Ziņas	10
	Ludzas Novada Vēstis (in Russian)	10
	Ropažu Vēstis	10
	Līvānu Novada Vēstis (in Russian)	10
	Ozolupe	10
	Kandavas Novada Vēstnesis	9
	Tukuma Laiks	9
	Jelgavas Novada Ziņas	9
	Valkas Novada Vēstis	9
	Jūrmalas Vārds (in Russian)	9
	Ķekavas Novads	9
	Limbažu Novada Ziņas	9
	Siguldas Novada Ziņas	9
	Carnikavas Novada Vēstis	9
	Jēkabpils Vēstis	9
	Durbes Novada Vēstis	8
	Neretas Novada Vēstis	8
	Nīcas Novada Vēstis	8
	Rūjienas Vēstnesis	8
	Viļakas Novadā	8
	Cīblas Novada Ziņas	8
	Tēvzemīte (Stopiņu novads)	8
	Ozolnieku Avīze	8
	Mārupes Vēstis	7
	Krimuldas Novada Vēstis	7
	Aizputes Novada Avīze	7
	Banga	7
	Pāvilostas Novada Ziņas	7
	Mūsu Novada Vēstis (Strenču novads)	6
	Pļaviņu Novada Ziņas	6
	Babītes Ziņas	6
	Naš gorod	6
	Rundāles Novada Ziņas	6
	Ziņu Lapa (Grobiņas novads)	6
	Lubānas Ziņas	5
	Priekules Novada Ziņas	5
	Apes Novada Ziņas	5
	Novada vēstis (Inčukalns. Vangaži)	5
	Alojas Novada Vēstis	5
	Preiļu Novada Vēstis	5
	Alsungas Ziņas	5
	Madonas Novada Vēstnesis	4
	Skrundas Novads	4

	Ādažu Vēstis	4
	Ķeguma Novada Ziņas	4
	Naukšēnu novada vēstis	4
	Smiltenes Novada Domes Vēstis	4
	Garkalnes Novada Vēstis	4
	Riebiņu Novada Ziņas	4
	Saulkrastu Domes Ziņas	4
	Priekuļu Novada Vēstis	4
	Auces Novada Vēstis	3
	Cesvaines Ziņas	3
	Novada Vēstis (Salas novads)	3
	Pārgaujas Novada Vēstis	3
	Brocēnu Novadā	3
	Riebiņu Novada Vēstis (in Russian)	3
	Kārsavas Novada Vēstis	3
	Raunas Novada Vēstis	2
	Vaiņodes Novada Vēstis	2
	Kurmenīte (Rugāju novads)	2
	Aknīstes Novada Vēstis	2
	Salaspils Vēstis (in Russian)	2
	Baltinavas Vēstis	2
	Varakļonīts	1
	Mērsraga Avīze	1
TV	LNT	47
	LTV1	35
	TV3	12
	LTV7	5
	PBK	3
	TV5	3
	ReTV	2
Total		11 085

Annex 2. Publicity Topics of Non-governmental Organisations.

LETA media monitoring, July – September, 2015.



Annex 3. Publicity Topics Regarding Non-governmental Organisations on Public TV.

LETA media monitoring, July – September, 2015

