

Case studies of organizations supporting
community foundations:

**The Baltic-American Partnership Program
(BAPP) – Latvia**

This case study includes a focus on researching the feasibility of
introducing the community foundation model to Latvia.

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The Baltic-American Partnership Program (BAPP) – Latvia

1. The Whole Organization

Background

The Baltic – American Partnership Program in Latvia was established in 1998. It is funded by the Baltic-American Partnership Fund, which, in turn, is funded by the Open Society Institute (OSI) and the United States Agency for International Development (USAID). In each Baltic country, sub-grantees were selected to implement the Baltic-American Partnership Fund programs by USAID prior to the inception of BAPP. The Baltic-American Partnership Fund (BAPP) sub-grantee in Latvia is the Soros Foundation-Latvia, a national Open Society Foundation (OSF) in the Soros Foundation network. The Soros Foundation – Latvia (SFL) has established a Baltic-American Partnership Program, advised by a local expert council and managed by a program director.

Mission and Objectives

The Baltic-American Partnership Fund supports the continued development of democratic institutions and market economies in Estonia, Latvia and Lithuania by enhancing the civic engagement of the populations, and by increasing the capability of and opportunities for citizens to participate effectively in political and economic decision-making.

The Baltic-American Partnership Program - Latvia provides support for:

1. institutional development and operational activities of NGOs (non-governmental organizations);
2. initiatives that are designed to strengthen the legal and regulatory environment in which NGOs function and that enhance public awareness of the role and value of the sector;
3. initiatives that provide skills, opportunities and mechanisms for citizens to effectively participate in decision-making at local and national levels;
4. initiatives that promote the development of local philanthropy, including development of various models of community philanthropy.

Financial resources

The BAPP Latvia annual program budget in 2001 is US \$500,000. Approximately 15% is allocated for initiatives that strengthen the legal environment and infrastructure, in which NGOs operate. Approximately 60% is allocated for institutional and project support of NGOs, and 25% for initiatives that strengthen citizen engagement and development of local philanthropy.

Staffing

BAPP Latvia has two staff members: a Program Director and Program Assistant.

Governance

The Baltic – American Partnership Program has a complicated decision-making and funding system that, despite many layers, functions very well.

The activities of the Baltic – American Partnership Fund are managed by an independent Board of Directors made up of seven Board members and two ex-officio Board members, plus the BAPF Executive Director and the Program Assistant. The Board of Directors decides the strategic directions of the Fund, approves the annual program plans and allocates funding for sub-grantees in the three Baltic countries.

The Soros Foundation – Latvia (SFL) is the Fund's sub-grantee in Latvia. The Soros Foundation Latvia is managed by a Board, consisting of seven people, and is headed by the Executive Director. This board appoints the BAPP – Latvia Local Expert Council. The SFL Executive Director hires both the BAPP Program Director and the Program Assistant.

BAPP Latvia Local Expert Council, supported by the BAPP Program Director, designs annual program plans, and makes decisions on program implementation and grant awards.

2. The Environment

Economic and political

Economic growth in Latvia in 2000 was in the area of 6%. Due to the policy of the National Bank, inflation in Latvia during the past decade has remained among the lowest in the Central and Eastern Europe. In 2000 inflation was 2.6%. Registered unemployment is fixed at 7.8%; however, based on studies of the labor market, the actual level of unemployment may be about 13 to 14%. In certain regions, especially in Latgale, the level of unemployment has reached 25%.

Despite achievements in some areas, there are growing differences between economically dynamic and depressed regions in the country, and between growing and stagnating areas of the economy. A major and long-lasting problem is the fact that rural infrastructure is very poorly developed, and there is only limited access to information and basic services in health care and education. According to surveys, only 1% of the population consider themselves wealthy, followed by 30% seeing themselves as middle class. The remainder of population consider themselves poor. Poverty in Latvia is, however, "shallow" and ongoing economic development and consistent government policy should be able to overcome it.

Legal and tax frameworks

There are two types of foundations and NGOs in Latvia, and their work is regulated by two separate laws: 1) the Law on Civic Organizations and Open Public Foundations, and 2) the Law on Limited Liability Non-profit Organizations. The tax treatment of NGOs, foundations and donations is provided in the respective tax laws, e.g. law on income tax, etc.

Latvian laws make it relatively simple to found and register NGOs in Latvia. On the other hand, the complicated structure of laws and specific clauses of these laws create a number of restrictions for NGO activities and do not promote further development of the NGO sector.

For example, the Law on Civic Organizations (CO) prevents civic organizations from engaging in systematic business operations, thus limiting their sources of funding. The laws do not differentiate between public benefit and mutual benefit NGOs, thus allowing misuse of tax deductions. Furthermore, the Ministry of Finance has no clear criteria for granting permission for NGOs to receive tax deductible donations.

The Law on Non-profit Organizations applies to Foundations and NGOs that are founded as limited liability companies. This Law has been less restrictive of NGO business operations. However, the newly adopted Commercial Law does not provide for a continuation of operations of limited liability non-profit organizations, but it was under this form of registration that NGOs whose annual income exceeded 10,000 Lats (approx. US \$16,000), could be registered. This situation threatens and may suspend activities of these limited liability Non-profit Organizations, and at present Parliament has not drafted a new law that would replace the previous Law on limited liability Non-profit Organizations. This is a real threat to the existence of a specific type of NGO in Latvia, but at the same time, is also a good opportunity to initiate changes in NGO legislation in the Parliament.

The existing laws provide insignificant tax benefits (with a complicated reporting procedure) for individual donors that do not encourage individual philanthropy in Latvia. Only one type of Latvian NGO and foundation is eligible to receive tax deductible contributions from individuals and companies. Current legislation provides that individuals can donate up to 25% of their taxable income tax free. Companies are allowed to donate up to 20% of their taxable income, and deduct 85% of the donated amount from their tax liability, but the procedures for requesting tax deductions are complicated. Laws do not hinder corporate donations where companies receive publicity, or other benefits, in return, at the same time receiving tax benefits for the whole donated amount.

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An official government working group initiated by the BAPP Latvia and the NGO Center is drafting a new set of NGO laws. These include an “umbrella” law for NGOs, a Law on Foundations, a Law on Associations, and amendments in existing tax laws that will encourage local philanthropy. These proposed laws will define the status of foundations, clear criteria will be provided for granting tax deductions for NGOs and donors, setting the criteria for defining public benefit and membership benefit organizations, and so on. New legislation will also make provision for preventing misuse of tax benefits and NGO status.

Attitudes to “philanthropy” and “foundations”

About 70% of all non-profit income in Latvia comes from outside sources, such as international foundations, European Union, etc. Only a few local nonprofits are able to generate their income mainly from local sources (individual and corporate donations).

Latvia had a rich tradition of philanthropy during its first phase of independence (1920-1940). Now philanthropic traditions are developing anew. Recently, companies have begun to sponsor organizations and events; in addition to the benefits of publicity, the company receives tax benefits of 85% to 90% of the donated amount. But almost 60% of companies still perceive existing procedures for attaining tax benefits as hindering philanthropy.

In recent surveys companies mention several factors that influence their decisions on philanthropic donations. The economic situation and the level of a company's profit play an important part in the ability of a company to donate. Advertising and publicity are the main benefits companies look for in making donations. Moral satisfaction, feeling of moral obligation, and belonging to a community are mentioned by many small and medium size businesses as the most important reasons for philanthropy. Many smaller companies provide donations in-kind. Tax benefits important to largest companies are of little importance to small and medium sized companies that donate regardless of tax benefits.

Sports, social services, children, culture and education dominate among the fields that receive corporate support. Science, NGO policy work, and the environment are least likely to be supported.

There are few local foundations although some companies have established their own grant-making programs, and some larger companies are starting a dialogue about joint philanthropic efforts. However, companies that have donated money are concerned that NGOs and groups that have received their support express little public gratitude for companies' help.

Poverty and social/regional isolation are the main obstacles to individual philanthropy.

The law does very little to encourage individual giving, and there is little public understanding of the existing tax benefits. On the other hand, there are good examples of individual giving based on strong charitable traditions. One example is renovation of the Freedom monument in Riga, mainly financed by individual and company donations.

3. Developing Community Foundations

Background

In its first two years of activity, the Baltic American Partnership Fund and BAPP identified the need for further development of community level civic engagement, as well as the introduction of models for community philanthropy. The *pilot participatory planning and community philanthropy project* aims to bring together citizens, local governments and local business representatives to define local problems, and to raise local resources to address these problems. It is hoped that this will provide a viable basis for endowed community foundations in each of the Baltic states, including Latvia.

The short-term objectives of the project are to:

- Facilitate citizen, government, business cooperation to address community needs in pilot sites
- Facilitate community problem solving without dependence on government in pilot sites
- Build local expertise in participatory planning and community philanthropy.

Longer-term objectives of the project include:

- The development of pilot models for citizen, government, business communication and collaboration
- Promotion of the concept of community philanthropy, as well as identification of potential models and structures – such as community foundations - which could support the further development of community philanthropy in the pilot sites
- Training of community and political leaders in pilot sites
- A base on which to build community foundations in pilot sites.

The pilot participatory planning and community philanthropy project

The participatory planning and community philanthropy project seeks to increase civic engagement at the community level by bringing together community members, representatives from local NGOs, government and businesses to identify and discuss values, attitudes and issues which are of importance to the community as a whole. At a later date, the project will provide an opportunity for the participating communities to fund community initiatives which address the local needs identified in the earlier phase of the project.

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The project is planned as a two-stage process taking place over approximately 18 to 24 months. The participatory planning phase of the project, lasting from nine to 12 months, will center on the convening of a series of community meetings to identify issues of local concern. Depending on the readiness of the communities selected to participate in the project, the first phase may also include other preparatory activities intended to stimulate community engagement and a better understanding of the overall objectives of the project (for example, training /workshops for key community leaders; other, more informal community-building exercises).

The second phase of the project, lasting nine to 12 additional months, will focus on the development of community philanthropy in the selected sites, largely through the establishment of grant-making committees within community organizations responsible for selecting and funding community projects which address the local issues identified through the community meetings.

This program will take place in a total of six communities, two communities in each Baltic country. In each location, a community organization will be selected to implement the project. The community organization will organize and conduct the community meetings and at a later stage will be responsible for the establishment and oversight of the grant-making committees for support of community projects, as well as for securing local funding which will be matched on a one-to-one basis by the BAPP in each country.

The community organization will be responsible for the majority of the project's work on the ground, but will require the facilitation, guidance and oversight from two additional organizations, one domestic and one international. The domestic organization will be a Baltic national NGO support organization and the other will be a consulting group with expertise in community organizing from North America or Europe.

Roles of the Organizations Involved

Community Organization

The community organization will bear primary responsibility for bringing local actors (residents, representatives from NGOs, government and business) together in dialogue, via a series of community meetings that it will organize and conduct with ongoing assistance of the national support organization and project consultant. The community organization will also be responsible for raising funds and for establishing a grant-making committee to allocate these funds to community projects that reflect the local needs identified through the series of meetings.

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The community organizations will be selected on the basis of the following:

- Close ties to the community
- Headed by strong, recognized community leaders with ties to business and government
- Capacity for local coalition building
- Ability to show letters of support from local governments and business
- Ability to demonstrate commitments of \$5,000 USD to match BAPP funds for a small grants fund
- Financial capacity and transparent financial mechanisms.

Two communities have been selected so far: Talsi, a town with 13,000 inhabitants, and Lielvarde, a town with 5,000 inhabitants. Both towns have strong community organizations and traditions of citizen involvement in community life.

National Support Organization

Each BAPP will select a Baltic national support organization to work with the project consultant to facilitate the project in both of the country's two sites. The national support organization should have some experience in community outreach activities. Each of these organizations will designate representatives to be project managers who have worked as facilitators in the past, and can plan meetings and strategy sessions within the communities. The support organization representatives will attend and eventually begin to facilitate the community meetings and closely monitor the program's progress with oversight from the project consultant. It is expected that the support organization representatives will learn from this hands-on training and from the expertise of the project consultant, and will be able to duplicate this project independently in other parts of the country in follow-on phases of the project.

In addition, since one of the long term goals of this participatory planning/community philanthropy project is to build a base for the establishment of community foundations in the pilot sites, the national support organization will be expected to demonstrate the capacity to play a primary support role for community foundations in the future.

The NGO Center in Riga has been selected for the position of National Support Organization. NGO Center is a strong institution with established administrative structures, premises, and staff. It is the BAPP's primary partner in the NGO legislation initiative and in the popularization of philanthropy. It has previous experience in conducting training programs for NGOs. NGO Center has established close links with companies and other foundations willing to support the NGO sector and development of local philanthropy. NGO Center is already working on development of community foundations in Latvia.

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Project consultant

The project consultant will assist the national support organization in selecting the community organizations and evaluating the potential pilot sites, and will develop an 18 to 24 month implementation plan for the project. In the first phase of the project (participatory planning), the consultant, together with the national support organization, will assist the selected community organization in evaluating the various actors in the community (business, government and NGOs), identifying potential leaders, facilitating preparatory community engagement activities if necessary, and finally organizing and convening a series of community meetings.

In the second phase of the project (community philanthropy), the consultant, together with the national support organization, will provide strategic guidance and technical assistance to the community organizations as they set up grant-making committees, and engage in the process of funding community projects. In both phases of the project the consultant will be expected to help develop training materials which could be used by the national support organizations in carrying out participatory planning / community philanthropy activities elsewhere in the future.

In the first 12 to 18 months of the project, the consultant will make a number of site visits to the Baltics, and work intensively with the community organizations and national support organizations in conducting the project's planned activities. However, it is hoped that in the final six months, the national support organizations and community organizations will have gained the knowledge and skills necessary to carry out the bulk of the project's work on their own, with the consultant providing strategic guidance and technical assistance only occasionally. The consultant will be responsible for ongoing planning, monitoring and reporting throughout the project, and will probably make at least one site visit towards the end of the project, in order to assess whether the primary goals (see below) of the project have been achieved.

The consultant will be expected to assist in the achievement of the project's primary goals: developing participatory mechanisms by which community needs are addressed, establishing models for community philanthropy and training the national support organization representative to conduct future participatory planning and community philanthropy projects independently and in more locations.

The ANEI - Antioch New England Institute (Keene, New Hampshire) - has been selected as the International Consultant for the project. The ANEI has eight years' experience of participatory planning and community philanthropy work in the US, as well as internationally, including Central and Eastern Europe.

Project status – November 2001

A series of initial one-on-one community engagement meetings took place during the first three months of the project. These meetings involved the community organizations (COs) and individuals that represent a broad range of community groups including businesses, NGOs, education, health and a wide range of social services. The purpose of these meetings was to build awareness and broad support for the project, and to get these people interested in participating in the future project. Community Forums have been planned for the spring of 2002 in both pilot sites and steering committees have been undertaking active work since November 2001. At the time of this report's preparation, the community organizations were preparing the Community Forum promotion activities and building support from community members.

The project consultant has provided a detailed manual on how to plan and implement the community planning Forums, and has conducted a seminar on participatory planning Forums for about 30 participants from the NSO, COs and community leaders from both pilot sites, as well as participants from other NGOs. After the completion of the pilot project these NGOs, together with the NSO, will be able to implement the project's ideas in other communities.