

Country and Government Context

Georgia is located in the South Caucasus, a mountainous region framed by the Black Sea and Caspian Sea to the west and east; by the Russian Federation to the north; and by Armenia, Azerbaijan, and Turkey to the south. In 1991, Georgia declared independence, and in late 2003, a peaceful revolution brought President Mikheil Saakashvili to power. Georgia's political system is semi-presidential and highly centralized.

Georgia has a small open economy, is strategically located at the crossroads of Europe and Asia, and is an important node for regional trade flows. After independence, the country enjoyed double-digit economic growth and large inflows of foreign direct investments thanks to the competitive business environment and low levels of corruption. However, economic gains of recent years have not been enjoyed evenly across the social spectrum. In 2009, the incidence of poverty was 24% among rural households and 17% among urban households, compared to 2004 levels of 23% and 26%, respectively.^a

Georgia has a long tradition as a multiethnic state. The predominant language is Georgian, but a number of other languages and dialects are spoken across the country. A lack of strong Georgian language skills among some of the minority ethnic communities in the regions weakens their participation in governance.^b The country's population, estimated at 4.3 million, has declined by 1 million (since the last Soviet census in 1989) due to a combination of external migration, decreasing birth rates, and child mortality, although the trends of the latter two have been slowly reversing since about 2005.^c

^a GeoStat. *Poverty Indicators by Urban and Rural Areas*. Available online at www.geostat.ge/index.php?action=page&p_id=188&lang=eng

^b For more information on this problem, see www.ecmcaucasus.org/upload/publications/working_paper_46_en.pdf

^c T. Topuria. 2011. *Reversing Population Decline in Georgia*. Institute for War and Peace Reporting. 18 February. Available online at <http://iwpr.net/report-news/reversing-population-decline-georgia>

Civil Society: An Overview

The roots of Georgia's modern civil society trace back to the years following independence in 1991, when a handful of informal, grassroots entities—then collectively termed “public organizations”—began to emerge. Some of these, such as the Caucasus Institute for Peace, Democracy and Development and the Civil Society Institute, are leading members of Georgian civil society today.

These informal institutions began to take on a distinct shape and character with the entrance of western aid, especially via foundations, such as the Open Society Georgia Foundation, Friedrich-Ebert-Stiftung, and Eurasia Foundation, all of which began operating in the country around 1994. They brought expertise and financial resources and contributed to a “mushrooming period”¹ for civil society that witnessed the formalization of many organizations as they sought legal registration, opened bank accounts, and received their first grants.

The influence and strength of civil society organizations (CSOs) was consolidated in the years prior to 2003. For the first time collectively referred to as nongovernment organizations (NGOs), they successfully fought for various issues ranging from environmental protection to human rights and taxation. They also played a key role in the peaceful events of the 2003 Rose Revolution. The high number of NGO leaders that moved into the new government—seven out of 11 new ministers came from the NGO sector—is evidence of their influence during the prerevolution period.

Civil society entered a new stage of development after 2003, suffering the dual blows of a drain of experienced staff into government positions and a simultaneous shifting of donor priorities and funding, as the latter sought to support the new, reform-minded state. Watchdog and advocacy NGOs, in particular, suffered during this time.

Today, civil society faces yet a new period of development. Donors have recognized the gap left by their post-revolution shift and some, such as the United States Agency for International Development, are refocusing substantial financing

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on advocacy and watchdog organizations. Think tanks, another type of CSO, have built strong expertise and influence in the areas of security and geopolitics, but they lack a strong voice on matters of economic development. The sector has not fully recovered from the brain drain of 2003–2004. While approximately 10,000 NGOs are registered in the country, most of them are not active.² NGOs may also apply for charity status, enabling them to accept tax-deductible donations. There are only 62 organizations in the online charity registry of the Ministry of Finance.

Most of the country's strongest NGOs are based in the capital, and only a handful of NGOs have established networks of branch offices in other major cities. These NGOs include the Georgian Young Lawyers' Association and Charity Humanitarian Center Abkhazeti. Yet the number of CSOs that effectively operate outside of the capital city is still limited,³ and the number of





donor-supported programs in Tbilisi is 2.5 times higher than those supported in all the regions combined.⁴ The organizational capacity of CSOs in Georgia remains problematic. Most NGOs operating outside of the capital do not have the human and financial resources necessary to improve operational effectiveness. A number of NGOs benefited from the \$4.5 billion pledged by donors to Georgia after the 2008 war with the Russian Federation, but with a focus on internally displaced persons and the Gori region (neighboring South Ossetia), the funding did not enable NGOs to focus on their primary missions in other fields.⁵

NGO financing is one of the biggest obstacles to the sector's independence and sustainability. It is no coincidence that the major trends in NGO development described earlier correspond to trends in donor financing. A 2010 study noted that 95% of the financing that CSOs receive in Georgia comes from foreign donors,⁶ although another study in the same year documented more diversity of financing sources, with 25% of funding raised through domestic

sources, such as membership fees, individual and business donations, contracts from the state, and entrepreneurial activities. The number of income-generating initiatives also grew from 2005 to 2010 compared with the previous 5 years.⁷ Charitable and philanthropic contributions from individuals and businesses typically go straight to beneficiaries or to the Georgian Orthodox Church, while no CSOs in Georgia are able to raise meaningful sums from a membership base or constituency.

A 2010 study of 287 CSOs and community-based organizations in Georgia showed that the level of institutional development in the most developed category of CSOs increased substantially compared to 2005.⁸ Other recent studies have noted that CSOs have fairly strong human resources, despite the "brain drain" mentioned earlier; that they have strong linkages across organizations both within their sector and outside it (a type of bridging social capital that is seen to have the most important benefits for development, as compared to the narrow bonding across like-minded individuals



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and organizations); and that they are characterized by a strong sense of social responsibility.⁹

Some international companies operating in Georgia, such as BP, have made contributions to NGOs, mostly in areas specific to their operations and in line with commitments made through international lending facilities (e.g., environmental initiatives), but this is the exception more than the rule. Trust among businesses in the NGO sector is low, perhaps due to a combination of the polarized state of civil society, a lack of knowledge about the sector, and a tax framework that does little to stimulate corporate donations.¹⁰

Umbrella and Coordinating Bodies

There are almost no nongovernment organization (NGO) directories, umbrella organizations, or self-regulating bodies of civil society in Georgia. A Code of Conduct was signed by 30 NGOs in 2004, but it has not been maintained; and a copy of this document or any reference to it among NGO publications is nowhere to be found.^a One recent effort may change this situation: in November 2010, the European Union launched the Eastern Partnership Civil Society Platform. Chaired by the Georgian Young Lawyers' Association and consisting of nearly 100 national NGOs, the Platform aims to "promote the development of civil society organizations (CSOs), cooperation among them, [and] their dialogue with public authorities."^b

^a E. Urushadze. Forthcoming Spring 2011. Georgia National Integrity System Assessment. Transparency International Georgia.

^b European Union Delegation to Georgia. Concept Note of the Georgian National Platform. Available online at http://ec.europa.eu/delegations/georgia/civil_society/news_events/georgian_civil_society_platform_established_en.htm, http://eeas.europa.eu/delegations/georgia/documents/civil_society_library/np_concept.doc

Weaknesses in Georgia's civil society can be traced, in part, to the relatively short period in which the sector has been active and to the state of socioeconomic relations established under Soviet rule. In fact, the Soviet state itself took the lead in organizing social experiences outside of private life through compulsory participation in various youth, professional, and other groups. Spontaneous, grassroots citizen initiatives were discouraged and seen as a threat to the state's control over society. This did not wholly prevent the formation of civil society, but it explains why it is consistently weak in post-Soviet contexts.

Despite strong political awareness demonstrated through relatively high voter turnout rates and frequent peaceful protests,¹¹ civic participation in Georgia is not particularly high. Distrust in formal institutions (including NGOs) is widespread, and the strong role of social networks based on family ties, rather than perceived shared values across groups, is persistent.¹² In a 2007 survey, 96% of Georgians said they had not been to a meeting of a club or civic organization in the last 6 months, and 92% had not engaged in volunteer work over





the same period. Ninety percent had not made any charitable contributions.¹³ CSOs themselves cite a lack of public interest in their activities as one of their most acute problems. The decrease in NGO revenues from membership fees in the 2005–2010 period (from 30% to 13%) may be an indicator of this lack of a support base.¹⁴

But there are positive signs as well. According to one assessment, “Georgia’s customs, multi-ethnic citizenry, diverse sub-ethnic cultures, tradition of high educational achievement, the traditional optimism of the population and the capacity of its people to adapt to a new reality increase the chances for success.”¹⁵

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The Legal Framework for Civil Society

The Georgian Civil Code allows for only two types of legal entities: commercial and noncommercial.^a Nongovernment organizations (NGOs) fall into the latter category. The Civil Code also allows for the operation of unregistered civil society organizations.^b NGO registration is simple and inexpensive. The registration fee is GEL100 (\$57) and, under the law, registration should be completed within 1 day.^c In 2010, registration responsibility shifted from the Ministry of Finance to the National Agency of Public Registry of the Ministry of Justice.

^a Georgian Civil Code.

^b E. Urushadze. Forthcoming Spring 2011. Georgia National Integrity System Assessment. Transparency International Georgia.

^c Article 31.1.t. of the Georgian Law on Public Registry.

Government–Civil Society Relations

The majority of the relationships between CSOs and the government exist at the level of information sharing but do not extend further, although this is changing. In 2010, income generated by CSOs from the state increased to 22% compared to 14% in 2005. A 2010 report noted a more positive trend, that “CSOs are still engaged in an extensive dialogue with the government. Given existing challenges, the government also tries to broaden existing forms of dialogue.”¹⁶

Government perceptions of the nonprofit sector are mixed, and engagement is ad hoc. Few NGOs have the capacity to conduct professional, rigorous policy analysis of complex issues and to advocate for change based on research. Advocacy is most often successful when NGOs have the backing of international donors. Some reports indicate that NGO advocacy efforts are more effective at the local government level.¹⁷

Tax Treatment of CSOs

With the introduction of a new tax code in 2011, NGOs are value-added tax (VAT)-exempt on all income earned through grants. Employees are subject to the same income tax rates (20%) as employees of private firms. (Prior to 2010, employees of noncommercial entities paid only 12%, while private sector employees paid 18%, although the former tax code foresaw the end of this preferential status by 2011.)^a

^a Article 81 of the Georgian Tax Code.

Endnotes

- ¹ Vazha Salamadze, Director, Civil Society Institute. Interview by Caitlin Ryan, 15 February 2011, Tbilisi, Georgia.
- ² United States Agency for International Development (USAID). 2010. *The 2009 NGO Sustainability Index for Central and Eastern Europe and Eurasia*. Bureau for Europe and Eurasia, Office of Democracy, Governance and Social Transition. June. p. 105. Available online at www.usaid.gov/locations/europe_eurasia/dem_gov/ngoindex/2009/complete_document.pdf
- ³ USAID. 2010. p. 107.
- ⁴ Center for Strategic Research and Development. 2010. *Civil Society Organizations in Georgia – Dynamics and Trends of Development – 2010*. (English summary). Available online at www.csr.dg.ge/index.php?module=publications&page=details&grant_id=9&id=91&lang=eng
- ⁵ USAID. 2010. p. 107.
- ⁶ USAID. 2010. p. 107.
- ⁷ See Endnote 4.
- ⁸ See Endnote 4.
- ⁹ Caucasus Institute for Peace, Democracy and Development. 2010. *CIVICUS: Civil Society Index. 2010. Policy Action Brief*. p. 5. Available online at www.civicus.org/images/stories/csi/csi_phase2/georgia%20pab%20final.pdf
- ¹⁰ USAID. 2010. p. 108.
- ¹¹ There is conflicting information on voter turnout. This link (www.idea.int/vt/country_view.cfm?CountryCode=GE) shows that voter turnout in Georgia is actually decreasing substantially. However, it may be unfair to compare 2008 with prior years when international observers reported that prior elections were likely rigged and turnout numbers inflated. In 2008 (the most recent elections), voter turnout was 53%.
- ¹² A. Porsughyan. 2009. Obstacles and Opportunities for Civil Society Development in the South Caucasus. *Development and Transition*. United Nations Development Programme. Available online at www.developmentandtransition.net/Article.35+M5255f840e60.0.html
- ¹³ H. Gutbrod. 2008. Comparing Civic Participation: Caucasus Data 2007. *Social Science in the Caucasus*. Caucasus Research Resource Centers. October. Available online at <http://crrc-caucasus.blogspot.com/2008/10/comparing-civic-participation-caucasus.html>
- ¹⁴ See Endnote 4.
- ¹⁵ See Endnote 9.
- ¹⁶ See Endnote 9.
- ¹⁷ USAID. 2010. pp. 108–109.

For more information on ADB’s work in Georgia, visit www.adb.org/publications/georgia-fact-sheet

Definition and Objectives of Civil Society Collaboration

Civil society is a very important stakeholder in the operations of the Asian Development Bank (ADB) and its borrowers and clients. It is distinct from the government and the private sector and consists of a diverse range of individuals, groups, and nonprofit organizations. They operate around shared interests, purposes, and values with a varying degree of formality and encompass a diverse range—from informal unorganized community groups to large international labor union organizations. Of particular relevance to ADB are nongovernment organizations, community-based organizations and people's organizations, foundations, professional associations, research institutes and universities, labor unions, mass organizations, social movements, and coalitions and networks of civil society organizations (CSOs) and umbrella organizations.^a

ADB recognizes CSOs as development actors in their own right whose efforts complement those of governments and the private sector, and who play a significant role in development in Asia and the Pacific. ADB has a long tradition of interacting with CSOs in different contexts, through policy- and country strategy-level consultation, and in designing, implementing, and monitoring projects.

In 2008, ADB launched Strategy 2020, which articulates the organization's future direction and vision until 2020.^b Above all, Strategy 2020 presents three complementary strategic agendas to guide ADB operations: inclusive economic growth, environmentally sustainable growth, and regional integration. These agendas reflect the recognition that it is not only the *pace* of growth, but also the *pattern* of growth, that matters in reducing poverty in the region. In this new strategic context, partnerships with a range of organizations, including CSOs, will become central to planning, financing, implementing, and evaluating ADB projects.

^a ADB. Forthcoming. *Strengthening Participation for Development Results*. Manila.

^b ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.