

THE BALTIC-AMERICAN PARTNERSHIP FUND

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1999 ANNUAL REPORT

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Letter from the Founders

As the founding partners of the Baltic-American Partnership Fund, we are pleased to convey to you this annual report of the Fund's inaugural year.

The Baltic-American Partnership Fund is a public-private partnership created jointly by the Open Society Institute and the United States Agency for International Development to strengthen and sustain civil society in Estonia, Latvia and Lithuania. Capitalized at \$15 million, the Fund became a fully functioning independent U.S. nonprofit organization in 1999, with an American board of directors dedicated to sustaining and improving upon the vision of the two founding partners. Local intermediary organizations in each of the three Baltic countries are charged with designing programs and regranting funds to support nongovernmental organizations (NGOs).

We recommend this report to all who are interested in developments in post-communist Europe. The Fund was created because its founders believe that democracy is enlivened and strengthened by a vibrant civil society. In societies where democracies are quite new and economies are fragile, however, citizens cannot sustain a network of NGOs and citizens' groups on their own.

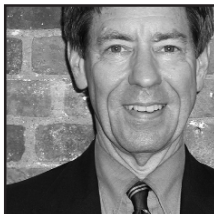
The Fund aims to enhance opportunities for the people of Estonia, Latvia and Lithuania to develop a vigorous civil society and to take an activist role in shaping their democracies. Our multifaceted approach asks our partners in each country to confront legal and regulatory impediments to civil society, to assist in institutional development and to prepare NGOs for financial sustainability. Our philosophy is to encourage and to honor local solutions to problems, recognizing that the diverse contributions of individuals and their organizations are invaluable to democratic governance.

As we present our first annual report of the Baltic-American Partnership Fund, we look forward to many more achievements during the 10 years allotted to this joint endeavor and we would like to thank the board of directors for its leadership.

Harriet C. Babbitt
Deputy Administrator
United States Agency for International Development

Deborah A. Harding
Vice President for National Foundations
Open Society Institute

Introduction from the Chair



William S. Moody
Chair

It is with great pleasure that I write this introduction to the first annual report of the Baltic-American Partnership Fund, a creative and cooperative initiative of two funders - one from the public sector and the other from the private sector - that has recently become a reality in very promising ways.

Thanks to our founders, the United States Agency for International Development (USAID) and the Open Society Institute (OSI), the Baltic-American Partnership Fund (BAPF) has a special opportunity to play a constructive long-term role in the healthy development of three countries in northeast Europe which did not know very many years of independence in the last millennium. The people and the leaders of the Baltic states seek to create strong democratic societies but, after a recent lengthy period of forced assimilation in the Soviet Union, one cannot expect individuals and communities to have the background or experience to do this automatically.

Recognizing and assessing the efforts to develop market-oriented democracies since the Baltic states declared their independence from the USSR in 1991, USAID and OSI concluded that another decade of foreign assistance was needed for the longer-term process of strengthening civil society and the nonprofit sectors in these countries. However, they determined that they could create a funding mechanism that would build directly on the experience in the 1990s in these countries and elsewhere in Central and Eastern Europe (CEE), and engage local people and Americans directly in the process of shaping the strategies and operational programs that could offer the best chances for achieving the goals of the BAPF.

Thus, the BAPF is anchored in each of the Baltic states through Baltic-American Partnership Programs (BAPPs) attached to the national Open Society Foundations that are affiliated with the Soros network of foundations. The BAPPs have local expert councils and local staffs to advise and direct the expenditure of funds. As a part of this framework, a small American board of directors has the overall responsibility for the governance and policymaking of the

BAPF. The board is comprised of individuals with experience related to the Baltic states and to CEE as well as to civic responsibility, foundations and grant-making, training and education, business and finance, and government and diplomacy.

On the basis of its first year of operations, I believe the BAPF is likely to represent a model for assistance to countries in transition that offers many programmatic benefits and strategic assets. The following report seeks to explain how the BAPF has functioned during the start-up period, and what it has sought to achieve. We are aware that everyone associated with the BAPF has gained new understandings about the challenges and possibilities we have in this new and promising undertaking.

The BAPF board of directors and staff, as well as the BAPP local expert councils and staff, have participated actively and insightfully in the launching of this important model of assistance. Their overall commitment to the effective implementation of the founders' mission and their congeniality as a group have affirmed the meaning of "team" effort. I am most grateful to them all.

William S. Moody

Chair

Executive Director's Message



Abbey M. Gardner
Executive Director

The achievements of the Baltic-American Partnership Fund (BAPF) in 1999 established a strong base for the future. We created an operating structure for a new foundation. Our subgrantees in the Baltics each established a Baltic-American Partnership Program (BAPP) dedicated to designing and implementing programs aimed at achieving the BAPF mission. They identified and hired dedicated and experienced program directors in Estonia, Latvia and Lithuania. They also established local expert councils - diverse and strong advisory bodies that are comprised of individuals with broad experience and a common commitment to the strengthening of democracy in their countries.

The first-year programs of the BAPPs focused on concerns central to NGOs, nonprofit entities that are at the heart of society's "third sector": improving the legal environment for NGOs, strengthening the institutional capacity of NGOs, establishing cooperative relationships between the third sector and local governments, improving public awareness of third sector activities and gaining political support for civil society. In 1999, our first operational year, BAPF awarded the BAPPs grants in the amount of \$1,271,400 and the BAPPs made grants to more than 80 NGOs in Estonia, Latvia and Lithuania.

Many of the challenges encountered this first year suggest the kinds of support required by NGOs in the Baltics. Through their work with a wide range of NGOs - from community based organizations to national advocacy groups - the BAPPs identified a number of common needs. Fundamental skills required to develop a robust NGO sector do not yet exist in most organizations, including professional management skills, fundraising techniques and skills and experience related to effective advocacy. In a number of areas, Baltic NGOs seem likely to benefit from technical assistance from other Central and East European countries, as well as from Western European and North American models. Such assistance could enhance public policy development and advocacy, civic engagement, community philanthropy and the capacity of local trainers.

Building civic engagement at the community level is a particularly challenging area of activity in this region. After 50 years of Soviet domination, there is little trust between the general population and the institutions that make political and economic decisions. Community efforts to solve local problems are still uncommon, and NGOs at all levels often lack close links with the constituencies that they represent. Yet a sustainable nonprofit sector depends on the commitment of individuals who value the role that NGOs play in representing their interests and developing a democratic and open society.

A long-term challenge is to create a more positive environment for philanthropy. Currently, impediments are numerous: tax laws do not provide adequate incentives for charitable giving; NGOs are not generally viewed as sufficiently experienced and transparent vehicles in which to invest; civic engagement and community cooperation are generally at low levels and few NGOs possess the financial management skills required to manage long-term investments. One approach that the BAPPs are beginning to explore is the establishment of community philanthropy and, eventually, community foundations. In this area of activity, the BAPPs are benefiting from experience gained in other Central and East European countries. Among the first steps toward building community foundations will be small-scale initiatives at the local level that involve residents, businesses, government representatives and NGOs. Such initiatives may include discussions and needs assessments, local fundraising for local projects, establishment of grantmaking committees and the introduction of a merit-based grant award system to local NGOs and civic groups.

The Baltic-American Partnership Fund is pleased to present the first annual report of its activities. We are grateful to the many individuals in the United States and in Estonia, Latvia and Lithuania who contributed to the progress made in 1999.

Abbey M. Gardner
Executive Director

History and Mission

of the Baltic-American Partnership Fund

Estonia, Latvia and Lithuania declared their independence from the Soviet Union in 1991. Since then, the three countries have made dramatic progress in their transition to market-oriented democracies. During the past decade, the Baltic states have worked to achieve more open and democratic societies, with vocal and representative third sectors, active civic participation and more transparent and accountable governments. Although many steps toward openness and democracy have been taken in these years of transition, the legacy of legal, social and economic challenges from the communist era continues to impede development of the third sector in the Baltic states.

NGOs are major underpinnings of civil society which, in turn, undergird any democracy. The development of civic organizations, advocacy groups and philanthropic organizations is critical. These organizations have the potential for addressing the integration of ethnic minorities, for ameliorating a possible backlash from those who have suffered economic and social isolation and for creating effective communication between citizens and fragile democratic institutions. However, governments in the three Baltic states are just beginning to accept NGOs as an integral part of society. Compounding the problem is the fact that many Baltic NGOs are still in the early stages of development and often lack experience necessary to facilitate citizen engagement and cross-sectoral cooperation. Key structural and functional weaknesses that confront civic participation and the non-profit sector include:

- Weak and unclear legal frameworks regarding NGO status and tax incentives
- Low civic participation rates and a lack of government credibility
- Undeveloped management and technical skills on the part of NGOs, which in turn have a serious impact on organizational sustainability and the ability to raise funds
- Poor NGO financial sustainability, limited diversity of funding and a weak tradition of organized philanthropy
- Ethnic minority problems (particularly in Latvia and Estonia), which impede the development of a civil society

The capacity of the governments to disseminate and receive information from citizens is weak. Citizens themselves have a limited understanding of their democratic rights, roles and responsibilities. Many Baltic NGOs focus on social service needs or local community issues, but few NGOs have acted to engage and represent the public interest in nationwide policy debates - and NGOs' networking, coalition-building and national-level advocacy skills are still at early stages of development. There remains a need for a healthy range of viable, sus-

tainable organizations that institutionalize the communication of citizens' views to the government.

To make practical contributions to the situation described above, the BAPF was established in 1998 by the Open Society Institute (OSI) and the United States Agency for International Development (USAID). Each organization provided \$7.5 million to be spent over a 10-year period to consolidate democratic reform in the Baltic states by increasing and strengthening effective citizen engagement in public decision-making.

USAID and OSI established an organizational structure for the BAPF that takes advantage of the lessons learned by donors involved in civil society assistance programs over the past decade. The BAPF is governed by an independent board of directors of experienced and dedicated U.S. citizens who provide policy guidance and strategic oversight of the Fund. The board is comprised of seven voting members, and two ex-officio nonvoting members. The officers of the board are a chairman, treasurer and secretary. The board has three standing committees: finance, program and nominating.

In each Baltic country, subgrantees were selected to implement the BAPF programs by USAID prior to the inception of the BAPF. The BAPF subgrantees are: the Open Estonia Foundation, the Soros Foundation-Latvia and the Open Society Fund-Lithuania, each a national Open Society Foundation (OSF) in the Soros foundation network. These locally registered NGOs have excellent long-term track records in civil society development programming and grantmaking. As leaders in their respective countries in promoting positive social change, they have built the social and political relationships necessary to be effective in their work. In addition, they have transparent financial systems that meet international standards.

Each subgrantee has established a Baltic-American Partnership Program (BAPP), advised by a local expert council and managed by a program director. The local expert councils are comprised of leading professionals from media, business, academia and nongovernmental agencies that have a deep commitment to building the nonprofit sector and to increasing civic engagement in their countries. In dialogue with the OSFs' boards of directors, the local expert councils and staff develop the annual program plans for their countries.

Overview of 1999 Activities

The BAPF marked its first year of operation in 1999. Many important steps were taken during this start-up year toward realizing the BAPF's mission of strengthening civil society in the Baltics. In 1999, the BAPF awarded its first program grants for civil society development to its subgrantees in Estonia, Latvia and Lithuania. The BAPF board of directors and staff in the United States worked in close partnership with the BAPP local expert councils and staff in the Baltics to shape and define a long-term vision and program strategies. In addition, BAPF staff established internal administrative, financial and grantmaking policies and procedures.

After an extensive search process by its finance committee, the board chose Citibank to manage BAPF's investments. The finance committee has been actively engaged in oversight of the Citibank asset management team, including developing the BAPF investment policy and monitoring the investments.

The first-year program strategies were conceived and drafted by the local expert councils and staff in the Baltics. The strategies were discussed with the BAPF board, and in the spring of 1999 the first-year program grants were awarded. Each BAPP was awarded a program grant in the amount of \$350,000 as well as an administrative support grant in the amount of up to \$55,000. In addition, BAPP-Latvia requested an add-on grant of \$45,600 for its NGO institutional development program, which was approved by the BAPF board.

These first-year BAPP programs included projects in three areas: 1) the legal, tax and political environment surrounding the nonprofit sector; 2) institutional development, particularly capacity-building for NGO leaders and staff; and 3) financial sustainability, including improving the philanthropic environment of NGOs. BAPP activities in these areas, determined during the course of developing their first-year programs, carried out the vision of the BAPF founders, who originally set out these strategic directions.

The three 1999 BAPP strategies were designed according to priority areas based on the specific needs of each country. BAPP-Estonia's 1999 program focused on NGO capacity-building and increased public awareness of the sector. BAPP-Latvia took action to improve the legal environment for NGOs, support NGO institutional development and begin cultivating a national philanthropic environment. BAPP-Lithuania focused on enhancing public awareness of the sector, improving the legal environment for NGOs, NGO capacity-building and increasing cross-sectoral cooperation. Each country's program focused on approaches that will lead to the establishment of a sustainable nonprofit sector.

Midway through the year, as the BAPPs assessed their first-year programs and developed plans for the future, local expert council members and BAPP program staff attended strategic planning workshops facilitated by the BAPF as part of a proactive organizational development program. Organizational development activities also included a study tour in the United States for Baltic program staff, with visits to rural and urban community initiatives in New England, upstate New York and New York City.

While carrying out their programs in 1999, the three BAPPs encountered challenges to civil society development in the Baltics. To address the situation in the short term, they identified the following needs:

- Increased civic engagement at the community level
- Development of trustworthy and effective mechanisms for community action and community decision-making
- Improved policymaking and advocacy skills at all levels of NGOs
- Strategies to encourage corporate donations
- Strategies to encourage national and local governments to involve NGOs in policy dialogue
- Tax reform to encourage all types of philanthropy, and specifically the development of community foundations
- Improved training and consulting capacity and training materials for NGO management, marketing, fundraising, financial planning, policymaking, advocacy, community philanthropy development and for encouraging civic engagement

In May the board visited Estonia, Latvia and Lithuania to meet the BAPP staff and local expert councils and to become more familiar with local civil society activities. Board members also met with a number of high-level government officials in each country and with the three U.S. ambassadors to the Baltic States. Later in the year, the board met again with BAPP program officers when they presented midyear status reports on their programs while in New York City as part of the study tour.

Summary of 1999 BAPF Expenditures

	1999 Grant Expenditure	1999 Grant to Reimburse 1998 Expenditures	Total Grant Expenditures	BAPF Administrative Expenditures	TOTAL 1999 Expenditures
BAPP-Estonia	\$ 399,048	\$ 1,600	\$ 400,648		\$ 400,648
BAPP-Latvia	\$ 450,337	\$ 9,800	\$ 460,137		\$ 460,137
BAPP-Lithuania	\$ 404,067	\$ 0	\$ 404,067		\$ 404,067
BAPF				\$ 322,188	\$ 322,188
Total BAPF Expenditures	\$1,253,452	\$ 11,400	\$1,264,852	\$ 322,188	\$1,587,040

In summary, the accomplishments of 1999 include the following:

- Awarded grants in the amount of \$1,260,000 to subgrantees
- Subgrantees awarded grants to more than 80 Baltic NGOs
- Established administrative policies and procedures in the areas of governance, financial management, grantmaking and asset management
- Developed active local expert councils
- Conducted effective staff development activities, such as strategic planning workshops and study tours
- Gained deeper understanding of local environments, particularly of rural areas, and of the issues most in need of attention.
- Gained greater understanding of the strengths and weaknesses of local institutions

PROGRAM CRITERIA

All programs or projects supported by the BAPF must meet all or some of the following criteria:

- Aimed at creating sustainable favorable conditions for NGO and civic group growth, development and/or stability
- Driven by demand of constituency or community
- Aimed at strengthening or creating effective and visible models of civic engagement
- Aimed at identifying and empowering civic leaders
- Aimed at increasing engagement of disadvantaged or marginalized groups

Summaries of Program Areas

1. The External Environment: Legal, regulatory and tax reform and political support for the sector

The legal and regulatory environment for NGOs differs among the three Baltic states, but each has substantial deficiencies, including weak and conflicting legislation on NGO status and inadequate tax incentives for NGOs, their volunteers and contributors. Low public awareness and weak political support are also impediments to creating a strong third sector. Volunteering is not a widespread activity among citizens who are not well-informed of the activities and potential impact of nonprofits. The governments are just beginning to enter into substantial political dialogue with their country's third sector, and have not yet created effective tax incentives for nonprofits or allowed NGOs to be flexible in generating income. Improvement in these areas is essential for the vigorous development of the sector.

In 1999 BAPP external environment programs focused on:

- Increasing public awareness of civil society initiatives and government, business and individual support for the third sector
- Garnering public support for reforming laws regulating NGO activities and also for tax laws to stimulate philanthropy
- Continuing long-term projects to analyze the laws and to propose amendments to the laws
- Supporting the development of coalitions to promote a favorable legal environment
- Increasing public access to government information, testing its availability, and training NGOs in accessing and using the information

Estonia

Estonian NGOs currently lack broad public acceptance, due in part to the poor regulation of the third sector in the years immediately after the collapse of communism. Most private citizens do not see the value of NGOs in their daily lives and political parties and governments do not see the potential for constructive partnerships with NGOs. Moreover, the news media have paid little attention to third sector activity that addresses important social issues. Even more problematic is the fact that some Estonian NGOs themselves often do not recognize the importance of building relationships with other NGOs, businesses or the government. They often are not effectively engaged with their own constituencies. They therefore have had great difficulty in identifying local sources of sup-

port, as well as effectively advocating for social change. Compounding the problems for NGOs are unfriendly or unclear laws, and arbitrary and nontransparent procedures of tax exemption for nonprofits.

In response to these challenges, the Baltic-American Partnership Program in Estonia (BAPP-Estonia) developed a strategy focusing on building public support and awareness of the sector. They implemented two programs: an NGO Forum and Fair, and The NGO Special, an insert in a popular daily newspaper focusing exclusively on the third sector. As successful public awareness projects, they attracted media attention and heightened the public's understanding of and esteem for the third sector. In addition, they provided a much needed forum for dialogue between the third sector and government, helping each to recognize the potential for cooperation. BAPP-Estonia's public awareness efforts have contributed to creating a situation in which NGOs are listened to and consulted with on local, regional and national levels.

BAPP-ESTONIA SUCCESS STORY

Increasing Public Awareness

A monthly supplement to one of Estonia's largest newspapers is raising public awareness about current social issues and the actions taken by NGOs. Supported by BAPP-Estonia, The NGO Special covers issues often overlooked by the media and in greater depth and length than regular daily papers. It is a unique national public forum on the third sector. As a supplement to Eesti Päevaleht, the country's second-largest daily newspaper, it reaches an estimated readership of 244,000.

A readership poll conducted by Eesti Päevaleht ranked The NGO Special as the third most widely read section of the paper, surpassed only by the front-page news and the op-ed section. The popularity of The NGO Special is due to the keen analysis of its reporting and its focus on positive social change. Feedback from the NGO community in Estonia has been quite positive. NGO leaders have described the supplement as an effective representative of the third sector to private citizens, big business and the government. Its success has enhanced BAPP-Estonia's efforts to deal with major issues, such as third sector relations with central and local governments and the transparency of state financing programs. Most importantly, The NGO Special has provided a channel for official dialogue between NGOs and government and has served to increase accountability on the part of government officials and politicians.

Together with several other BAPP-Estonia programs, The NGO Special is helping to establish a community of Estonian NGO activists who, with growing confidence and professionalism, are responding to important challenges in their country and are reaching out to establish international contacts. For many in the third sector and in the media, the success of The NGO Special will be measured not by its recent contributions to progress, but as a driving force for action on important social issues in its future.

Latvia

The NGO legislation adopted in Latvia in the early 1990s has put in place procedures for NGO establishment and registration, as well as a system for tax deductions for corporate donors. However, Latvian tax laws provide insignificant deductions for the largest component of NGO income, individual donations. Furthermore, legislators have demonstrated little knowledge of the third sector, and NGOs themselves have been hesitant to advocate for legislative changes. Dialogue between the third sector and government regarding legislative reform has begun only recently, but has been largely fruitless. The complicated laws regulating access to public information and the ways the laws are enforced present further challenges. These laws impede advocacy efforts by NGOs and constitute a key threat to open society and transparent government.

In 1999 the Baltic-American Partnership Program in Latvia (BAPP-Latvia) responded to these difficult challenges with several unprecedented initiatives, including a campaign to encourage the third sector to advocate for better laws and a program to enhance public access to information. The 1999 campaign for legislative reform was comprehensive in addressing the many legal barriers obstructing NGO development in Latvia. Its objectives were to identify ways to remedy problematic legislation, to revitalize flagging NGO advocacy efforts and to make progress in achieving crucial government accessibility and accountability. A BAPP-Latvia grant facilitated efforts by a team of experts to draft a model law that simplifies the registration process for NGOs and enlarges the scope of NGO activity. This model law was then presented as part of a larger, BAPP-sponsored advocacy campaign for improvements in laws affecting NGOs. As a result of this campaign, several legal barriers to NGO growth have been lifted and the team of experts will continue to lobby for NGO-friendly legal amendments during upcoming sessions of Parliament. Perhaps most importantly, NGOs have assumed an important role in public debate, and their advocacy efforts achieved crucial attention and recognition from the national government.

The Access to Information program galvanized public interest advocacy groups when it gained media attention for testing the availability of public government documents (see box below). The program also provided advocacy training sessions for NGO staff. Another initiative aimed at transparency in government is a pilot program that publishes parliamentary acts and discussion on the Internet. Throughout the course of the year, this program achieved both the support of the Parliament and the commitment of the prime minister to undertake a similar project to publicize the activities of the Cabinet of Ministers.

BAPP- LATVIA SUCCESS STORY

Advocacy for Improving Access to Information

Even when information is legally available to the public, access is often discouraged or denied by government institutions in Latvia. Yet public access to government information is a basic requirement for the kind of advocacy that BAPP-Latvia is promoting among individual citizens, civic groups and NGOs. In 1999 the legal program of BAPP-Latvia selected Delna, the Latvian chapter of Transparency International, to implement a project known as Advocacy for Improving Access to Information. The results of the first activity, a pilot study to test the accessibility of public information, attracted the media's attention and inspired heated debate on a national level.

For the pilot study, 10 students from the University of Latvia received training on the current Access to Information Law and their rights under existing legislation. Then, they were sent out to test the access to information procedures at 200 government, court and public administration institutions. The students requested specific information that, according to law, was supposed to be accessible to the public. Whenever they were denied information, they persisted, citing concrete legal clauses. All interactions were documented. Qualified experts from Delna supervised the students' work and carefully analyzed all results.

The students' experiences revealed how pervasively the government uses current legal loopholes to deny the public access to information. The study also suggested that government institutions are especially reluctant to share information on the use of public funds, issues related to privatization and their internal regulations. A request for information from a regional police department is a case in point: Two students requested specific information on the number of employees, the number of vehicles and the salaries in the department - all information that the public has a legal right to obtain. After refusing to provide the information, police officers visited the students' homes at night and summoned them to the police station to explain their interest in the work of the police and their need for the information they had requested.

Media interest brought the relatively small study to the attention of a wide audience. Government unwillingness to disclose public documents was exposed and pushed to the forefront of Latvia's political reform agenda. A highly visible public debate among government officials and legislators paved the way for follow-up activities calling for improvement in policies that have served to restrict access to information. By identifying the predominant impediments to access to information, Delna's work in 1999 contributed to a more hospitable legal environment for NGO advocacy. Through the increased media attention and widespread scrutiny given to the issue of public access to information, BAPP-Latvia in its first year of operation had an important effect on Latvian society.

Lithuania

A complicated legislative, social and economic climate stood in the way of the growth of Lithuanian NGOs for more than a decade. As in Latvia and Estonia, decision-makers have demonstrated scant knowledge of NGOs and their potential role in Lithuanian society. The legal and tax system governing third sector activity has been described as contradictory, unclear and arbitrary. In 1999, for example, the illegality of volunteering and a ban on NGO fundraising events and commercial activity were major legal obstacles.

The 1999 public awareness campaign sought to overcome the lack of appreciation of the role and value of NGOs and civic action. Important components of the campaign included a radio program and media events to raise public awareness of the third sector and a research program on laws and taxes. Similar to The NGO Special in Estonia, the radio program in Lithuania publicized issues and events pertaining to the third sector. Listeners responded very positively to the broadcasts. BAPP-Lithuania also cultivated a positive relationship with the news media by holding high-profile events to publicize the accomplishments of the third sector and by holding competitions encouraging Lithuanian student journalists to investigate and publicize NGO activities.

Problematic legislation and taxation were addressed in 1999 through research, publications and a conference. In collaboration with the Lithuanian Information and Support Center, BAPP-Lithuania compiled The NGO Law Review, an analysis and comparison of nonprofit legislation in Lithuania and in selected Western countries. A complementary project documented all laws affecting NGO activity and produced The NGO Law Handbook. With the assistance of the Lithuanian Free Market Institute, BAPP-Lithuania also held a conference entitled "Creating a Philanthropic Environment," which featured legal and economic experts as well as NGO representatives. Together, they identified specific legal and social obstacles to third sector development and developed a long-term strategic plan to overcome them.

2. Institutional Development

Quality leadership is critical to the success of NGOs and to assuring their positive impact on society. NGOs also serve as an important training ground for leaders in other sectors, such as government and business. With a relatively inexperienced private sector in the region, there is widespread need for improvement in all general management skills. Improvements in these areas are essential if NGOs are to become effective advocates and service providers for their constituencies and are to play an influential role in informing public decisions. Previous donor assistance has helped improve these skills in a small number of organizations, but there is still a great need for extensive, standardized training programs. Today, with declining international donor activity, there is a growing need for assistance to build NGO capacity.

In 1999 BAPP programs in institutional development focused on:

- Developing professional skills of NGO staff through a combination of general and tailor-made training activities
- Supporting NGO core operations in addition to project support
- Supporting emerging NGOs outside of the capital cities
- Establishing and strengthening NGO resource centers in rural areas (services often include office infrastructure, legal assistance, networking opportunities, informational materials, conferences and workshops)

Estonia

After Estonia restored its independence in the early 1990s, the number of non-profit organizations quickly increased. However, by today few of these organizations have developed sufficient institutional strength and have not secured secure sources of support. Through its 1999 open grant competition, BAPP-Estonia selected 35 NGOs focusing on community development, engagement of local communities and social exclusion issues. The NGOs were funded based on their potential for sustainability, their ability to procure additional funding and their capacity to absorb grants ranging from \$1,000 to \$6,000. As a result, local nonprofits were stimulated to develop new programs to improve the quality of life and find new means of financial support in their own communities.

The NGO Forum in 1999 provided a valuable opportunity for NGOs to build a stronger network while improving important skills through training workshops in strategic management, fundraising and public relations. As an investment in human resources, the Forum was a practical addition to the project and core support grants to NGOs. These are the primary means to bolster the third sec-

tor's institutional capacity in all BAPP-country program plans. The cultivation of trained and professional personnel is a necessary contribution to the success and sustainability of Estonian NGOs.

NGO PROFILE

Estonia

Sillamäe Pensioner Center

NGOs are rare in Northeastern Estonia, a region that claims the highest unemployment rate in the country and struggles with minority issues related to a large non-Estonian population, made up primarily of Russian speakers. In 1999 a grant of \$4,100 from the BAPP-Estonia enabled an existing NGO in Sillamäe to address two local needs: providing help for the disabled elderly and finding work for the long-term unemployed. The Sillamäe Pensioner Center, which encourages the elderly to lead active lives, used the grant to hire new local staff to assist disabled older people in their everyday needs.

The BAPP-funded activities also provided an opportunity for the Sillamäe Pensioner Center to forge a valuable partnership with local government - an example of the long-term cooperation between the third sector and government that will ultimately contribute to increased financial support and greater sustainability for NGOs throughout the region. In addition, the center's activities are attracting positive local attention. As more local citizens become aware of the significant role that such an organization can play in improving daily life, the center and other NGOs are better able to enhance relations with constituents and to establish their long-term viability. Also, by funding an NGO that operates in the northeastern part of the country, BAPP-Estonia has begun to address the pressing problems of impoverished and disenfranchised non-Estonians.

Latvia

During the Soviet period, and particularly during the Gorbachev years, a number of NGOs emerged in Latvia that were successful in articulating views and fighting for positions opposed to the state, mainly in the area of environmental protection and national independence. In the decade since the restoration of independence, few Latvian NGOs have gained the skills required in this new political environment for determining the most effective type of relationship to pursue with local or national government, or the skills necessary to build those relationships. While NGOs may be engaged in activities that place them in a watchdog capacity vis-à-vis the government, or in battles for policy changes, not all relationships between the state and NGOs need be adversarial. In order to engage in productive policy dialogue with government agencies, or in some cases to gain material support from government agencies, it is important to forge professional working relationships with government counterparts, as well

as other NGOs, businesses and individuals. Many NGOs in Latvia would benefit from improving the types of skills necessary to build these important relationships.

In 1999 BAPP-Latvia's open grant competition provided core and project grants to 12 NGOs that were able to demonstrate that they had a long-term strategic mission, the ability to procure funds from additional donors, prior cooperation with NGOs in public advocacy and working knowledge of the decision-making process in central and local government. Additionally, NGOs were required to put together a public relations campaign that related to their mission statements. Funded projects focused on priority areas identified by BAPP-Latvia: rural development, ethnic integration, urban revitalization, access to information and anticorruption initiatives. The grants program aims to create a critical mass of nongovernmental public benefit organizations that are visible, respected and sustainable and that can assume a significant role in public policy. In 1999 grantees were able to expand the scope of their activities, improve communications with their constituents, attract media attention and improve dialogue with all segments of society.

NGO PROFILE

Latvia

The European Movement

The European Movement-Latvia (EML) unites the efforts of organizations and individuals in support of Latvia's integration into the European Union (EU). Through seminars, discussions and dialogues, EML informs the public about the EU structure, objectives and functions, and its achievements in the fields of culture, science, economics and social welfare. EML also aims to create an open public discussion on the EU accession process. Seminars for NGOs, professional associations, high-school and university students and teachers in Russian-language schools have addressed topics such as social policy and citizens rights. EML has also organized journalist discussions to analyze the EU accession process. These and other activities have instigated public discussion among a wide variety of NGOs, target groups, political parties and the media. They have also bolstered popular awareness and support of EU accession.

A grant of \$7,373 from the BAPP-Latvia provided funding for projects, administration and training in advocacy and institutional development. Also, as a new project, EML instituted a formal channel of dialogue between NGOs and the national government on a number of key EU accession issues. The impact of BAPP-Latvia's support can be seen in the expanded role now taken by the EML as a representative of public interest to the government, and as a watchdog for the public on the Latvian government's progress toward EU accession.

Lithuania

Lithuanian NGOs, like their other Baltic counterparts, are greatly in need of training in basic management, public relations and fundraising skills and, perhaps most importantly, skills for developing long-term institutional strategies. As a result, NGOs in Lithuania are accustomed to absorbing short-term project grants and have little experience in developing long-term strategic programs of action aimed at sustainability.

BAPP-Lithuania's 1999 open grant competition provided 16 small NGOs with core support grants. The work of the NGOs focused on poverty, unemployment, crime prevention and social integration. The NGOs benefited greatly from the increase in their technical capacity and have begun to collaborate with local governments and a few businesses. Local interest in community programs and volunteerism has increased. In addition to these grants, BAPP-Lithuania provided grants to strengthen the capacity of NGO resource centers and conducted intensive training sessions for NGO staff. The training sessions served to certify more trainers, who then, in turn, conducted many additional training sessions.

NGO PROFILE

Lithuania

Kaunas Regional Association of Small- and Medium-Size Businesses

The Kaunas Regional Association of Small and Medium-Size Businesses (KRASME) is one of the main advocates for new enterprises in Lithuania. It has achieved remarkable success in empowering small businesses to take an active role in public issues that affect their viability within their local communities. By encouraging private citizens and business owners to engage in dialogue with their governments, KRASME has taken a useful step toward cross-sectoral cooperation in Kaunas. This NGO has mobilized numerous small- and medium-size enterprises to advocate for a change in laws relating to business activity. As a result, the government has lifted restrictions on private investment in businesses and removed overly restrictive provisions in laws on enterprises and joint stock ventures.

Small businesses view this organization as a reliable and dynamic advocate, yet it is also significant in its promotion of cooperation. In addition to increasing citizen participation in government decision-making, KRASME demonstrates the great potential of partnerships between NGOs and businesses. Businesses that are motivated to pursue their legal and economic interests in public debate are primed for active and productive partnerships with advocacy NGOs. Furthermore, NGO cooperation with the private sector and with individuals who have business expertise is likely to enhance the professionalism and financial sustainability of the third sector. A grant of \$15,000 from BAPP-Lithuania supported KRASME activities in 1999.

3. Financial Sustainability

Today's Baltic governments are interested in providing support to NGOs that have emerged in the post Soviet era and are independent from the state, and provide important services. As these NGOs have become stronger, national and local governments have become interested in increasing support to them. However, due to tight budget restrictions, government funding has not been a sufficient source of support, nor is it expected to be in the near future. Furthermore, those NGOs involved more actively in advocacy, or monitoring of government activity, usually do not have access to state funding. Additionally, the foreign assistance funds that have been available to the sector have begun to decline.

Perhaps more importantly, most Baltic NGOs are still maturing organizations, and lack the ability to effectively raise and manage funds and determine long-term strategies and therefore improve chances for their own sustainability. Without institutionalized philanthropy - individual and/or corporate - and lacking experience in fundraising, Baltic NGOs generally face an uncertain future. Public exposure to the benefits of NGOs, coupled with continued improvement in the Baltic economies, can be encouraged by appropriate NGO activity. Training in American-style NGO fundraising practices and community foundations are ways that can improve NGO technical capacity and financial sustainability.

In 1999, BAPP programs to promote financial stability focused on:

- Learning from NGOs and businesses about current obstacles to corporate giving, and ways to address those obstacles
- Training NGOs in fundraising skills
- Working with local and national governments to encourage long-term plans to contract and award grants to local NGOs
- Conducting needs assessments to determine the institutions and geographic areas to begin pilot community philanthropy initiatives

Estonia

As a country, Estonia is not yet wealthy enough to instill and support a widely accepted culture of domestic, private philanthropic activity. Only three grant-making foundations were operating nationwide in Estonia when the BAPP-Estonia staff developed its 1999 program plans. At this early stage in the pro-

gram's life, BAPP-Estonia decided to direct its efforts toward increasing the financial stability of NGOs through encouraging NGO cooperation with business and with central and local governments.

The BAPP-Estonia's Network of NGO Resource Centers project has contributed greatly toward this long-term program goal. The centers help foster relationships with local businesspeople and government offices, in addition to providing technical assistance to NGOs in their area of the country. These activities complement BAPP-Estonia's open grant competition, which is working toward financial stability for NGOs by identifying replicable models of sustainable development and encouraging NGOs to explore new funding possibilities.

Latvia

There was little local philanthropy supporting Latvian nonprofit initiatives at the start of 1999 and weak prospects for support in the near future. The vast majority of NGOs turned to foreign donors for funding. Local financing for NGO initiatives was negligible and, as a result, the majority of NGOs regarded other NGOs as competitors for scarce resources and foreign funds. On the whole, NGO collaboration with business and government needed great improvement.

BAPP-Latvia's Philanthropic Environment program takes a comprehensive approach to the third sector's low level of financial sustainability by tapping the resources and expertise from all segments of society. The partner organizations selected to implement the program in 1999 were the Latvian NGO Center and the Latvian Association of Small and Medium-Size Enterprise Organizations. In addition to jointly representing both the private and third sector, the two organizations are distinguished by their strong community constituencies, their contacts in business and government and their access to legal, financial and economic expertise. Together, they have worked effectively to promote corporate support and monitoring systems for philanthropic activity in Latvia. To increase corporate support, they have organized and conducted conferences on philanthropy and pertinent tax laws. They have sponsored meetings of NGOs, businesses and government institutions to identify means of local financing for third sector organizations and initiatives, and have prepared a handbook for NGOs that describes ways to successfully raise funds and collaborate with the private sector, the public sector and individual citizens.

The opportunity to introduce philanthropy at the community level, which in some cases would lead to community foundations, remains a priority for future years. In its first year, BAPP-Latvia initiated research to explore the current interest in community foundations, compiling recommendations for models of community foundations and locating the most promising areas of support.

Lithuania

Financial sustainability for NGOs in Lithuania was addressed in part through BAPP-Lithuania's capacity-building projects, which included funding for smaller NGOs as well as training in effective fundraising. As a result of these actions, Lithuanian NGOs have gained greater expertise and professionalism in their financial operations. Also in 1999, plans to enhance financial sustainability focused on fostering relationships between NGOs and government, and encouraging NGOs to pursue positions as government contractors and service providers.

Active partnerships between the third sector and government were facilitated by BAPP-Lithuania's Improving Cooperation Between NGOs and Local Government project. Municipal governments were asked to circulate requests for proposals among local NGOs. Committees jointly represented by NGO and government officials were established in each municipality, and selected projects from the proposals they received from community groups. The municipality then funded the selected programs with a one-to-one matching grant from the BAPP, with the NGO and local government collaborating on project implementation (see box below). This collaboration between community based NGOs and local government not only improved relations, but also introduced good practices for governments wishing to grant and contract to NGOs - and helped NGOs find new funding possibilities. Also in 1999, BAPP-Lithuania updated the Guide to Western Funders, which lists foreign funders offering opportunities for grants in Lithuania.

BAPP-LITHUANIA SUCCESS STORY

NGO and Government Cooperation

In 1997 the United Nations Development Programme and Freedom House sponsored a pilot project to institutionalize relationships between local governments and NGOs. Seven Lithuanian municipalities were selected to create working groups of local NGO representatives and government officials. These groups recommended procedures and regulations concerning government grants to NGOs. By the time the project concluded, all of the municipalities had either appointed an official NGO representative or had assembled an official committee to further explore working relationships and joint projects between the third sector and government.

In 1999, building on the success of the pilot project, BAPP-Lithuania implemented a new initiative, Improving Cooperation between NGOs and Local Government. A request for proposals was circulated to regional governments and five projects were selected. Three of the municipalities had a great deal of prior experience in cooperating with NGOs. During the year, BAPP-Lithuania led 15 training sessions for representatives of local

NGOs and their city governments. In addition to gaining a better understanding of each other's role in society, the participants were invited to identify joint projects through initial meetings set up by BAPP-Lithuania. BAPP awarded grants of \$10,000 to each of the five municipalities, which were then matched one-to-one by the municipality and distributed to local NGOs by a selection committee. The committee assembled by BAPP-Lithuania was composed of NGO and government representatives. By the end of the year, municipal grantmaking schemes had been established or improved and grants had been made to 46 NGOs in five municipalities throughout the country.

The project galvanized civic participation in the municipalities. Operations of local governments became more transparent, and the cooperative process held governments accountable to their NGO constituencies. The matching grants from the municipalities tapped a previously underutilized source of funding, which is a significant step toward achieving financial stability. And, with increased cooperation, government esteem has grown for local NGOs and this positive experience is expected to encourage ongoing and additional funding from the municipalities for NGOs in the future.

1999 Grant Listings

1. EXTERNAL ENVIRONMENT

BAPP-ESTONIA

Network of Estonian Nonprofit Organizations, Tallinn \$49,140

For planning and implementation of the NGO Forum and Fair, a two-day event with 800 participants, including speakers and representatives from NGOs, government and business that provided an opportunity for networking, discussing long-term development goals and asserting and publicizing the role of NGOs in Estonian society.

Estonian Newspaper Association, Tallinn \$74,190

For preparation and distribution of The NGO Special, a newspaper supplement in a major Estonian daily focusing on the activities and issues surrounding NGOs for the purpose of engaging public interest in the third sector and initiating dialogue between the third sector and government.

BAPP-LATVIA

NGO Center, Riga \$10,000

For a research project on NGO and philanthropy legislation, including identification of legal restrictions on NGO activities and the development of philanthropy and recommendations for a more favorable NGO legal environment and the drafting of model laws.

NGO Center, Riga \$16,900

For core support, for a public awareness campaign for changes in NGO and philanthropy legislation, consisting of seminars, newspaper articles and meetings with NGOs, and for the improvement of advocacy skills among NGOs through legal consultation and assistance.

NGO Center, Riga \$8,100

For core support, and for an advocacy campaign for changes in NGO and philanthropy legislation involving meetings with national government officials.

Latvian Human Rights Institute, Riga \$8,818

For core support, and for research on and identification of legal restrictions on public access to government information, and for corresponding recommendations for legislative change.

Transparency International, Delna, Riga \$3,677

For core support, and for research and training on access to government information procedures, and for the dissemination of information on legislative and policy issues affecting NGOs that depend on free access to government information.

Transparency International, Delna, Riga \$7,923

For core support, and for identification of the restrictions on access to public information in government institutions, and for advocacy for legislative changes that will ensure unhindered public access to such information.

Latvian Small- and Medium-Size Enterprise Association, Riga \$1,177

To a coalition of professional associations and small- and medium-size enterprise organizations for core support and to lead an advocacy campaign for improvements to tax laws that inhibit nonprofit activity.

Cabinet of Ministers, Riga \$18,500

To establish an interactive Web site that promulgates and solicits public feedback on all draft laws and regulations before they are reviewed in the Cabinet.

BAPP-LITHUANIA

NGO Information and Support Center, Vilnius \$27,000

For core support, and for planning and implementation of the NGO Fair, a meeting of representatives from government, business and the nonprofit sector that offered training in various management and financial skills and provided an opportunity for articulation of long-term third sector objectives.

State Radio 1st Program, Vilnius \$4,650

For production of the NGO radio broadcast "Another Way," a program bringing nationwide attention to third sector activities and initiatives.

Lithuanian Journalism Center, Vilnius \$3,160

For a student journalism competition, encouraging members of the print media to disseminate issues related to civil society development.

Lithuanian Free Market Institute, Vilnius \$14,060

For core support, and for planning and implementation of a conference of NGO representatives, national government officials, legislators, Lithuanian and international businessmen, and experts on NGO legislation from the United States, who worked together to draft model tax laws that are more conducive to third sector development.

NGO Information and Support Center, Vilnius \$4,975

For research, compilation and publication of The NGO Review of Laws, providing an analysis of Lithuania's NGO legislation and a comparison with the legal system surrounding NGOs in other European countries.

NGO Information and Support Center, Vilnius \$8,650

For research, compilation and publication of The NGO Law Handbook, a guide listing laws affecting NGOs and legal guidelines for registering and managing NGOs.

2. INSTITUTIONAL DEVELOPMENT

BAPP-ESTONIA

Network of Estonian Nonprofit Organizations, Tallinn \$113,240

For core support, and for the creation of a network of regional NGO resource centers based nationwide and providing legal consultation and assistance, financial assistance, information on tax laws, information on fundraising opportunities, management and public relations skills.

Association of Põlva Small Schools, Põlva \$4,100

For group outings of children with and without disabilities for the purpose of integrating children with disabilities into society.

Handicapped Youth Association, Tartu \$3,425

For core support, and for an information campaign to raise awareness among people with disabilities about opportunities to work together.

Association of Estonian Pensioners, Tallinn \$2,055

For core support, and for the initiation of a volunteer program engaging the elderly in extracurricular tutorships of troubled children.

Pärnu Wheelchair Club, Pärnu \$2,055

For core support, and for a health care program for the disabled.

Association of Child Protection, Audru \$3,425

For a counseling program through lectures and group activities for single and unemployed parents.

Rehabilitation Center for the Handicapped, Kohila \$4,450

For core support to a rehabilitation and day-care center for handicapped people in Rapla and Harju counties.

Foundation for Estonians with Sight Disabilities, Tallinn \$4,100

For core support, and for a training program in participatory democracy for the blind, including an audiocassette used in training sessions and visits to the municipal departments of social affairs to apprise the government of the needs of the blind.

Association of Disabled People, Kilingi-Nõmme \$1,370

For the establishment of day-care centers for the elderly, modeled on Swedish institutions.

Association of Single Parents, Pärnumaa \$2,740

For core support, and for the establishment of a battered women's shelter.

Association of Leaders of Pre-school Institutions, Pärnu \$2,740

For job training and counseling for unemployed parents with young children.

Child Protection Association, Võhma \$1,370

For core support, and for a counseling program for parents with troubled children.

Deaconess Center, Rakvere	\$3,425
For core support, and for a program of counseling and rehabilitation of poor and unemployed families.	
Üllar Aaslav, Sander Janes, Pärnu	\$685
For a program distributing newspapers to the elderly and disabled.	
NGO "I Listen to You," Tallinn	\$1,660
For core support, and for a social affairs information hotline offering phone consultations on social services provided by the government.	
Estonian Center for Independent Life, Tallinn	\$4,795
For core support, and for the creation of a database on the rights of and opportunities for the handicapped.	
Association of Farmers, Tartu	\$4,795
For core support, and for the establishment of a registration system for job seekers and job openings on Tartu farms.	
Association for Sustainable Development, Vormsi	\$3,425
For youth-lead community service projects in a small community of four islands.	
NGO Youth Workshops, Tartu	\$4,795
For core support, and for the creation of a center offering workshops and training for youth in professional skills, modeled on German and Finnish organizations.	
Center for the Unemployed, Saarde	\$3,425
For core support, and for professional training of the unemployed for work as assistants to the elderly.	
Employment Center, Paldiski	\$4,100
For a program integrating the unemployed into community life by providing opportunities to work on local service projects.	
Foundation for Delivery of Joy, Maardu	\$4,100
For core support, and for professional training programs for the unemployed.	
Pensioners Center, Sillamäe	\$4,100
For core support, and for training the unemployed for employment assisting the elderly and disabled.	
Association of Estonians, Narva-Jõesuu	\$3,425
For core support, and for training of local citizens in management and entrepreneurial skills.	
Women's Association, Räpina	\$2,055
For a training program on entrepreneurial skills for women.	
Chamber of Disabled People, Valgmaa	\$3,425
For core support, and toward local NGOs' provision of health care and other social services.	

Lake Peipus Tourism Association, Tartu \$2,740
For a community planning initiative for environmental improvement and increased tourism.

Järvamaa Educational Association, Paide \$4,795
For core support, and for a rural development program through expanding the functions of a converted manor, now serving as a school, to include a community center and to become a tourist attraction.

Association of Ecological Tourism, Mustvee \$3,425
For a community planning initiative for environmental improvement and increased tourism.

Foundation for the Development of Peipus Region, Piirissaare Island \$1,370
For implementation of a strategic plan for community development.

Caritas Estonia, Tallinn \$3,425
For core support, and for the introduction of new functions for traditional farmhouses, such as rehabilitation and support centers.

Junior Achievement Development Foundation, Tallinn \$5,755
For a countrywide leadership training program for young people.

Association "Viljandimaa - My Home," Viljandi \$2,740
For core support, and for training for Viljandi County NGO leaders in community development issues, getting local support and raising civic participation in local initiatives.

Piistoja Village Association, Piistoja \$790
For a counseling program for the unemployed.

Association "Tartumaa - My Home," Tartu \$2,055
For training for village leaders in Tartu County on the role of the third sector in community development.

Association of Vasalemma Rural Town, Vasalemma \$3,425
For a training program in entrepreneurial skills.

BAPP-LATVIA

NGO Center: Implementation of the Training and Consultations for NGOs, Riga \$67,082
For tailor-made training and consultations to the 12 grantees (listed below) of the NGO Institutional Development Program, complementing the grants made to each organization.

Drug-Prevention Center, Riga (projects in Madona, Ogre, Limbazi and Jekabpils) \$17,035
For core support, and for a program of drug prevention activities for youth.

Regional Business Development Center, Kuldiga	\$17,898
For core support, and for training in entrepreneurial skills and promotion of alternative employment for unemployed farmers, and for local discussion groups on economic development issues.	
Regional Development Foundation, Tervete	\$9,322
For core support, and for the development of local rural communities through tourism and improvement of the natural environment.	
Organization Hope. Help., Riga	\$13,596
For core support to a Russian-speaking organization that provides low-income, non-Latvian women the counseling, training and courses necessary to receive Latvian citizenship.	
Youth Club, Riga	\$10,806
For core support to a multi-ethnic association organizing conventions that focus on youth awareness of various political issues, including EU accession and minority integration.	
Consumer Rights Protection Center, Balvi	\$7,700
For core support, and for local advocacy and public awareness campaigns for consumer rights.	
Community Center "The White Home," Livāni	\$19,322
For counseling, support groups and a family crisis hotline.	
National Consumer Rights Protection Association, Riga	\$21,840
For core support, and for research on corruption, programs in consumer education and development of legislative agenda proposals in the relevant issue areas.	
European Movement in Latvia, Riga	\$7,373
For core support, and for the planning and implementation of structured and informed dialogue between NGOs and the government on EU accession and related issues.	
NGO Association and NGO Support Center, Tukums	\$12,132
For core support, and for improvement of access to municipal information and campaigns to increase public participation in local decision-making.	
Latvian Association of Railway Employees, Riga, with railway in Gulbene	\$10,434
For core support, and for exploration and implementation of development possibilities of a unique historical railway to revitalize its economically depressed location.	
Women's Cooperation and Development Network, Daugavpils	\$24,898
For core support, and for the promotion of entrepreneurial activities and cooperation among primarily non-Latvian rural women.	

BAPP-LITHUANIA

Lithuanian Public Administration Institute, Vilnius	\$31,260
For core support, and for a two-year training project to develop of skills of 10 selected NGO staff members in management, marketing, public relations, advocacy and fundraising.	
NGO Information and Support Center, Vilnius	\$14,600
For core support, and for design and implementation of a training session in start-up and management skills for 50 NGO representatives, who then lead additional training sessions in their communities.	
Kaunas Women's Crisis Center, Kaunas	\$7,874
For core support to a women's shelter.	
Youth Guidance Center, Klaipeda	\$6,110
For a center providing social, psychological and medical services for at-risk teenagers and children and their families.	
Lithuanian Women's NGO Footsteps of the Past, Vilnius	\$20,500
For core support, and for continued work on an advocacy campaign against trafficking in women and children in Lithuania.	
NGOs Support Center, Kaunas	\$15,843
For core support, and for a project creating a network of NGO information centers throughout Lithuania, allowing for an exchange of information, experience, materials, best practices and strategic goals.	
Women's Employment Information Center, Taurage	\$1,351
For core support, and for the expansion of a women's resource center providing consultations and training in entrepreneurship, bookkeeping, English, business development and leadership.	
Children and Youth Psychological Center, Telsiai	\$9,150
For core support for further development of the center's preventative and correctional activities.	
NGO Information Center, Klaipeda	\$2,255
For core support, and for a one-day NGO Fair involving local government officials, NGOs and business representatives that offered training in various management and financial skills and provided an opportunity for articulation of long-term third sector objectives in Klaipeda.	
Community Center, Vilnius	\$14,185
For core support, and for providing assistance with and information on legal matters and medical and mental health issues to the citizens of Vilnius; also for data collection providing an analysis of government service provision and an identification of local community needs.	

Lithuanian Association of Social Workers, Klaipeda	\$4,261
For core support, and for a program of rehabilitation of former prisoners.	
Lithuanian Farmers Union, Anyksciai	\$6,495
For core support, and the establishment of an information bureau and seminars, training and assistance in proposal writing for NGOs in Utena County.	
Save the Children, Vilnius	\$5,445
For core support, and for seminars on NGO fundraising and accounting for Save the Children volunteers and staff.	
Steps of Hope, Vilnius	\$7,676
For core support to a drug and alcohol rehabilitation center.	
Child Care Center, Elektrenai	\$8,010
For core support, and for after-school programs for at-risk children.	
Women's Employment Information Center, Kaunas	\$9,975
For core support, and for a mobile consultancy center, targeting poverty and unemployment among rural women.	
Association of Small- and Medium-Sized Businesses , Klaipeda	\$4,565
For core support, and for training in a new accounting software program.	
Association of Small- and Medium-Size Businesses, Kaunas	\$15,000
For core support, and for a project expanding the range of the organization's services, including conducting monthly meetings with representatives of government institutions, community outreach programs and developing advocacy initiatives.	

3. FINANCIAL SUSTAINABILITY

BAPP-LATVIA

NGO Center: Popularization of Philanthropy, Riga	\$32,000
For core support, and for a conference attracting public, media and government attention to tax and regulatory laws negatively affecting the third sector; also for promoting local philanthropic initiatives and for cultivating relationships between NGOs and the business sector.	
Latvian SME Association: Popularization of Philanthropy, Riga	\$21,823
For core support, and for the promotion of philanthropic activity in the private sector and in enterprise organizations through activities including conferences on tax laws and benefits affecting donors, publication of best practices and successful examples of corporate philanthropy, and discussions and seminars with business representatives.	

Community Foundation Researchers, Riga \$ 15,900

To a community foundation research team with expertise in international community foundation development, fundraising and tax laws, finance, regional development and local government activities to carry out preliminary research on developing community foundations in Latvia.

BAPP-LITHUANIA

NGO Information and Support Center, Vilnius \$22,800

For matching grants to five municipalities to regrant to six selected NGOs for community service initiatives, and for a program instituting formal cooperation between the selected NGOs and their local governments.

NGO Information and Support Center, Vilnius \$5,800

For research and a compilation of The Guide to Western Funders, updating an earlier U.S. Peace Corps publication listing all available international donors active in Lithuania.

1999 Audited Financial Statements

INDEPENDENT AUDITORS' REPORT

To the Directors of The Baltic-American Partnership Fund, Inc.

We have audited the accompanying statement of financial position of The Baltic-American Partnership Fund, Inc. (the "Fund") as of December 31, 1999, and the related statements of activities and cash flows for the period June 12, 1998 (date of incorporation) to December 31, 1999. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of The Baltic-American Partnership Fund, Inc. as of December 31, 1999, and the changes in its net assets and its cash flows for the period June 12, 1998 (date of incorporation) to December 31, 1999 in conformity with accounting principles generally accepted in the United States of America.

The logo for Deloitte & Touche, featuring the company name in a stylized, handwritten-style font.

March 31, 2000

THE BALTIC-AMERICAN PARTNERSHIP FUND, INC.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 1999

ASSETS

CASH AND CASH EQUIVALENTS	\$ 221,382
ACCRUED INTEREST AND DIVIDENDS RECEIVABLE	68,442
ADVANCE TO GRANTEE	61,204
INVESTMENTS - USAID ENDOWMENT	7,150,182
MATCHING GRANT RECEIVABLE FROM THE OPEN SOCIETY INSTITUTE	7,015,069
OTHER	<u>4,939</u>
TOTAL ASSETS	<u>\$ 14,521,218</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accrued liabilities	\$107,543
Grants payable	<u>366,616</u>
Total liabilities	<u>474,159</u>

NET ASSETS:

Temporarily restricted net assets	<u>14,047,059</u>
Total net assets	<u>14,047,059</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$14,521,218</u>
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See notes to financial statements.

THE BALTIC-AMERICAN PARTNERSHIP FUND, INC.

STATEMENT OF ACTIVITIES

PERIOD FROM JUNE 12, 1998 (DATE OF INCORPORATION) TO DECEMBER 31, 1999

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:	
Revenues:	
USAID endowment grant	\$ 7,500,000
Income on endowment fund:	
Interest and dividends	226,029
Investment gains-net	<u>71,144</u>
	<u>7,797,173</u>
The Open Society Institute:	
Matching grant	7,787,222
Interest income on cash advanced by The Open Society Institute	9,951
	<u>7,797,173</u>
Total temporarily restricted revenues	<u>15,594,346</u>
Net assets released from restrictions to cover current period expenses:	
Endowment Fund	773,643
Open Society Institute Fund	<u>773,644</u>
Total	<u>1,547,287</u>
	<u>14,047,059</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	
CHANGES IN UNRESTRICTED NET ASSETS:	
Revenue:	
Donated services - The Open Society Institute	39,753
Net assets released from restrictions	<u>1,547,287</u>
Total revenue	<u>1,587,040</u>
Expenses:	
Grants	(1,264,852)
Management and general	<u>(322,188)</u>
Total expenses	<u>(1,587,040)</u>
CHANGE IN UNRESTRICTED NET ASSETS	-
CHANGE IN NET ASSETS AND NET ASSETS, END OF THE PERIOD	<u>\$ 14,047,059</u>

See notes to financial statements.

THE BALTIC-AMERICAN PARTNERSHIP FUND, INC.

STATEMENT OF CASH FLOWS PERIOD FROM JUNE 12, 1998 (DATE OF INCORPORATION) TO DECEMBER 31, 1999

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	14,047,059
Adjustment to reconcile change in net assets to net cash provided by operations:	
Depreciation	911
Unrealized appreciation of investments	(71,144)
Increase in accrued interest and dividends receivable	(68,442)
Increase in advance to grantee	(61,204)
Increase in matching grant receivable from The Open Society Institute	(7,015,069)
Increase in other assets	(382)
Increase in accrued liabilities	107,543
Increase in grants payable	<u>366,616</u>

Cash provided by operating activities 7,305,888

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(7,079,038)
Purchase of fixed assets	<u>(5,468)</u>

Cash used in investing activities (7,084,506)

CASH AND CASH EQUIVALENTS, END OF PERIOD \$ 221,382

See notes to financial statements.

THE BALTIC-AMERICAN PARTNERSHIP FUND, INC.

NOTES TO FINANCIAL STATEMENTS

PERIOD FROM JUNE 12, 1998 (DATE OF INCORPORATION) TO DECEMBER 31, 1999

1. ORGANIZATION AND PURPOSE

The Baltic-American Partnership Fund, Inc. (the "Fund") is a New York State not-for-profit corporation exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Fund supports and promotes efforts to stabilize democracy and market orientation in the Baltic states through increased and better informed citizen participation in political and economic decision making. It seeks to accomplish this purpose through, among other things, efforts to promote legal and tax reform to support the development of indigenous nongovernmental organizations (NGOs), efforts to strengthen indigenous NGO management and technical capabilities, and efforts to develop mechanisms to achieve financial sustainability of indigenous NGOs.

2. FUNDING

The Fund is jointly funded by the United States Agency for International Development ("USAID") and The Open Society Institute ("OSI"), a charitable trust.

USAID has granted the Fund \$7,500,000 to establish an endowment ("USAID Endowment"), all of which has been received and invested by the Fund. Interest and other investment income and the endowment principal are to be expended over approximately ten years, which is the anticipated life of the Fund program. OSI has awarded the Fund a matching grant of up to \$7,500,000, and, in addition, a match of interest and other investment income earned by the USAID Endowment. OSI funds its grant to the Fund by matching withdrawals made by the Fund from the USAID Endowment. OSI's obligation to the Fund is collateralized by an irrevocable standby letter of credit. The amount to be received each year has not been determined.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements are prepared on the accrual basis of accounting. The reporting of contributions distinguishes among contributions received that increase permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. Recognition of the expiration of donor-imposed restrictions occurs in the period in which the restrictions expire.

Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. When applicable, amounts for each of three classes of net assets - permanently restricted, temporarily restricted and unrestricted - are displayed in the statement of activities.

The Fund has elected to present a statement of financial position ("balance sheet") that sequences assets and liabilities based on their relative liquidity.

The Fund considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The Fund reports investments in equity securities with readily determinable fair values and all investments in debt securities at fair value with gains and losses included in the statement of activities. Interest and dividend income is stated net of investment management fees of \$14,277.

Other Assets - Other assets consists primarily of office equipment, furniture and fixtures. Depreciation is calculated using the straight-line method based on an estimated useful life of the asset.

Revenue Recognition - Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Grants are recognized as revenue when they are received or unconditionally pledged. Grants made and unconditional promises to give are recognized as expenses in the period made at their fair value.

In-Kind Contributions - In-kind contributions received from OSI consist primarily of donated rent and accounting services. The estimated value of these donations is reflected in grant revenue and in expenses in the Statement of Activities.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates.

4. INVESTMENTS - USAID ENDOWMENT

Cash equivalents	<u>\$1,157,622</u>
Fixed income securities:	
U.S. Government and agency bonds	1,893,435
Domestic corporate bonds	967,895
Eurodollar bonds	469,200
Asset backed securities	<u>992,885</u>
Total fixed income securities	<u>4,323,415</u>
Domestic equity securities	1,607,408
Foreign equity securities	<u>61,737</u>
Total equity securities	<u>1,669,145</u>
Total investments	<u><u>7,150,182</u></u>

5. AGREEMENT WITH THE OPEN SOCIETY INSTITUTE

Effective July 9, 1998, the Fund entered into an agreement with OSI whereby OSI agreed to provide certain services to the Fund. Pursuant to the agreement, OSI maintains on its payroll and benefit plans certain employees who provide services to the Fund for which the Fund paid or accrued \$161,932 for the period June 12, 1998 to December 31, 1999; \$90,676 of this amount is included in accrued liabilities at December 31, 1999. OSI also provides office space and other support services to the Fund in accordance with the agreement for which it is not reimbursed; in order to reflect these in-kind contributions, the Fund has recorded donated services and the related expenses in the amount of \$39,753 for the period.

6. INCOME TAXES

As an organization described in Section 501(c)(3) of the Internal Revenue Code, the Fund is exempt from Federal income taxes.

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