



The International Center for Not-For-Profit Law

**Providing a Civil Society Law Toolkit
to Partners Worldwide**

**Annual Report
2003 - 2004**

WELCOME TO ICNL

Message from the President

ICNL furnishes the tools for building a strong and sustainable civil society. Individuals, organizations, and governments look to us as a prime resource.

The key word is *resource*. Through our new and expanding online library, our redesigned website, and our *Journal*, ICNL's information and expertise can reach more people than ever. We provide resources tailored to local needs through technical assistance and education programs staffed by our international team. And we deploy additional resources through our network of experts and our partner organizations.

Thanks to our many supporters, we supply crucial aid to local efforts that span the globe. From Fiji to Tanzania, from Mexico to Mongolia, people are working to construct a space in which civil society can flourish – and they're using ICNL's tools.

Take a look inside this Annual Report and learn more about our well-traveled toolkit.

Stephan Klingelhofer, *President*



Message from the Chairman

ICNL has undertaken significant new initiatives this year, but I want to highlight some equally significant governance and management changes.

The constitution rightly provides for a regular turnover of Board members, so we have bade farewell to Joe Baidoe Ansah, Arthur Drache, Cole Durham, and David Robinson, as well as Lindsay Driscoll on her appointment as a Charity Commissioner for England and Wales (on which we congratulate her). As Chair I know how much ICNL owes these men and women. At the same time we welcome Gavin Andersson, Hestern Banda, John Clark, Rochelle Korman, and Bindu Sharma to the Board.



As momentous is the change of President. At the Annual Meeting in June, Steve Klingelhofer announced his wish to stand down at the end of the year. The Board was delighted to be able to appoint Doug Rutzen to the post, and Steve Klingelhofer as Senior Vice-President for a transitional period to oversee management issues. In doing so the Board paid tribute to the exceptional service and devotion Steve had shown to ICNL during difficult years. Doug brings great commitment and experience to his new responsibilities.

I look forward to seeing in the new governance and management arrangements during my last year as Chair, and am confident that ICNL will continue to go from strength to strength.

Richard Fries, *Chairman*

ICNL'S CIVIL SOCIETY LAW TOOLKIT TO PARTNERS WORLDWIDE

The International Center for Not-For-Profit Law is a not-for-profit organization that promotes an enabling legal environment for civil society, freedom of association, and citizen participation around the world.

Our mission is to assist local partners in creating a world where civil society in all its forms can flourish, and where individuals can participate in public decisions that affect their lives. Throughout the past year, ICNL has refined its wide-ranging legal services and skills into a strategic Civil Society Law Toolkit. The toolkit provides expertise and knowledge adaptable to individual practitioners, scholars, governments, and organizations alike, and is capable of suiting a variety of needs and environments.

Our toolkit of expertise includes:

- ✦ Legal Frameworks for Civil Society
- ✦ Civil Society Sustainability
- ✦ Good Governance and Accountability
- ✦ Educational Initiatives
- ✦ Self-Regulation
- ✦ Public Participation and Advocacy
- ✦ Public-Private Partnerships

We have also centralized and expanded our research capabilities under one umbrella -- the **ICNL Knowledge Center**. Designed to leverage our programmatic and academic activities for maximum impact, the Knowledge Center houses our online law library, the International Journal of Not-for-Profit Law, and a news and information outlet.

As ICNL's future horizons expand, we continue to maximize our position as a premier global resource on civil society legal issues. Our services are packaged and synchronized to offer our partners the tools necessary for a healthy civil society.

ICNL - Providing Tools For...

Legal Frameworks for Civil Society

Society wins when people freely associate in CSOs and have a voice in decisions affecting their lives. A vibrant civil society can expand the reach of social services, decrease the costs to society, and reach out to marginalized populations – not to mention the social benefits that accrue when citizens actively engage in decision-making.

A healthy civil society requires a secure foundation in the law. In 2003-2004, ICNL offered skills and knowledge on a variety of legal framework issues affecting CSOs, including:

- *Legal Status* – regulations controlling formation and registration, mergers, dissolution, accreditation, and certification.
- *Internal Governance* – issues relating to codes of conduct, self-regulation, and liability.
- *Reporting & Evaluation* – requirements for reporting, audits, sanctions, and disclosure.
- *Fundraising* – controls on receipt of funds, ability to provide donations, performance of economic activities, and grant making.

In our work on legal frameworks this year, we have partnered with many forms of non-governmental organizations, cooperatives, businesses, international donors, professional organizations, and others.

ICNL Collaboration with Leading Turkish CSO Results in Significant New Law on Associations

With the parliamentary adoption of a new Law on Associations in July, 2004, Turkey took a major step toward achieving a genuinely progressive legal framework for associations.

The collaboration between leading Turkish CSO TUSEV and ICNL began early in the year, and culminated in the presentation of a “Comparative Report on Associations Law” which guided the legislative drafting process. TUSEV and ICNL were invited to comment on ensuing drafts, and most comments were finally accepted by review commissions and Parliament and included in the final draft.

Self-Regulation

As the role of CSOs grows around the globe, one issue arises time and again: how to implement management standards without sacrificing freedom and independence. One instrument designed to achieve this delicate balance is *self-regulation*.

ICNL promotes greater transparency of CSOs and government alike, as well as sound management and professional standards.

To attain meaningful oversight in a healthy and supportive environment, CSOs must actively ensure that proper standards are enforced in their organizations as well as throughout the CSO sector as a whole.

During 2003-2004, ICNL worked with numerous organizations to promote self-regulation. Illustrative activities include:

- Research on codes of conduct in Bosnia;
- Participation in drafting provisions on the regulation of CSOs in Iraq;
- Research on quality standards for CSO social services with the Ministry of Labor and Social Services in Ukraine;
- Training for Network Attorneys staffing Civil Society Support Centers throughout Central Asia; and
- Provision of self-regulation models to South African CSOs considering improved oversight within the sector.

Through these and many other self-regulation activities, ICNL helps CSOs become active and trusted participants in global international development issues.



ICNL at work in Honduras.

Civil Society Sustainability

Forming and operating a civil society organization is only half the battle – it must become sustainable as well. To expand the scope and impact of CSOs, ICNL helps devise mechanisms to secure financial and human resources over the long term.

ICNL's Technical Assistance Results in New Tax Benefits for NGOs in Kazakhstan and Kyrgyzstan

Thanks in part to ICNL efforts during the past year, CSOs in Kazakhstan and Kyrgyzstan are now eligible for greater tax benefits than ever before.

In Kazakhstan, ICNL's suggestions to the lower house of Parliament resulted in amendments allowing CSOs that conduct social services to enjoy more beneficial tax treatment.

In Kyrgyzstan, ICNL worked with a group organized to draft amendments to the instructions to the Tax Code. This resulted in a progressive interpretation of the amended Tax Code, one that provides expanded benefits to CSOs.

Representative activities during the past year include:

- Financial Resources
 - Tax and fiscal provisions providing benefits to CSOs
 - Incentives for philanthropy
 - Clearcut controls over profit-making activities
 - Centralized and transparent grantmaking regulations
 - Support for contracting essential services to CSOs
 - Straightforward procurement regulations

- Human Resources
 - Laws supporting volunteerism
 - Skills for effective advocacy for legal reform
 - Increased public understanding and participation through citizen oversight

Public Participation and Advocacy

The role of CSOs in developing countries has grown exponentially in recent years. Oftentimes, CSOs are the primary providers of services as well as the leading voices for change in such spheres as HIV/AIDS, human rights, legal reform, and economic development.

Making a meaningful impact requires skills. A CSO must effectively stimulate and harness public interest, while also successfully communicating its mission and goals.

ICNL works to give CSOs what they need to foster public participation and to become reliable, professional advocates. Sample activities during 2003-2004 include:

- Participating in training workshops and a advocacy task force promoting CSO law reform in Tanzania;
- Performing advocacy skills training in Honduras;
- Working on the Volunteer Law Project in Bosnia;
- Hosting public discussions and assisting in the drafting of the Law on Volunteering in Croatia; and

- Supporting a participatory law drafting process for the NGO Law Decree in Iraq.

Through these initiatives and many others, ICNL has given CSOs new skills for informing and mobilizing public opinion.



"ICNL made a decisive contribution for creation of the new NGO law..." Bulgarian Parliamentarian Lyutvi Mestan (2004)

Good Governance and Accountability

In partnership with local organizations and governments, ICNL promotes a legal framework that provides for public participation and social accountability. Through a variety of mechanisms, we help key stakeholders share their knowledge and perspectives. We also encourage good CSO governance, as well as accountability on the part of CSOs and governments alike.

Throughout the past year, ICNL has focused many of its capabilities on legal issues affecting:

- Public hearings
- Access to information
- Participatory budgeting
- Monitoring of public service delivery
- Citizen advisory boards
- Legislative support

By developing and supporting initiatives in these areas, ICNL strives to build greater confidence and trust in both governments and civil society. This goal is reflected throughout our good governance and accountability activities over the past year, including:

- Membership in the East European Working Group on Good Governance;
- Participation in public legislative conferences in Romania;
- Provision of draft commentaries on the impact of CSO legislation in Kosovo;
- Advising Iraq authorities and CSOs on CSO accountability in conflict and post conflict environment; and
- Leading South Pacific workshops on CSO accountability in the context of “traditional law”.

ICNL Staff Planning Workshop



Public-Private Partnerships

No organization can exist in a vacuum. Governments, businesses, and CSOs must interact and collaborate if they are to be maximally effective. This is particularly true for CSOs, which often operate in an environment of scarce resources. ICNL aims to provide outlets for all sectors to come together, learn from one another, and work in partnership.

During 2003-2004, ICNL participated in activities such as:

- A Corporate Citizenship Program in Kazakhstan that offers business groups a way to put their skills and services to work for their communities;
- Programs in the South Pacific and Tanzania designed to promote coalition building;
- Training programs for USAID and the Peace Corps on the requirements and principles of civil society norms and host country governments; and
- Forums in Central and Eastern Europe focused on promoting mutually beneficial initiatives.

Through these partnerships, CSOs can expand their efforts and increase their sustainability.

ICNL Efforts Support NGO/Government Partnership in Croatia

In October 2003, Croatia enacted the Law on the National Foundation for Civil Society Development. ICNL provided technical assistance to ensure that the legislation addressed issues relating to the formation, governance, and funding of the Foundation.

The Foundation's goals are to promote civil society sustainability, philanthropy, cross-sectoral cooperation, civic initiatives, and volunteerism. The Foundation will be governed by a management board dominated by representatives of civil society.

Croatia's National Foundation promises to become one of the most innovative examples of CSO/Government partnerships in the region.

Educational Initiatives

ICNL seeks to provide the tools necessary to strengthen the legal framework supporting civil society. Our educational programs target academic institutions, CSO leaders, government officials, judges, lawyers, and others active in civil society. Goals include building capacity, developing educational partnerships, and providing participant training.

Sample activities during 2003-2004 include:

- Law school courses in Europe and the United States as well as clinical training on civil society law;
 - Workshops and seminars on international best practices for CSOs and governments in Central Asia, Europe, Africa, Southeast Asia, the Pacific, and Latin America;
 - Fellowships and internships for law students and young lawyers from Africa, Latin America, and Europe;
 - Development and distribution of local language educational materials and publications;
- Study tours and exchange programs promoting understanding and information sharing; and
 - Internet and electronic resources in U.S. and Europe for research and knowledge sharing.

Expanding Non-Profit Law Courses in Albania

In 2004, Ledina Mandia, a lawyer teaching at the University of Shkoder, attended an ICNL Training on Albania's recently enacted Law on Non-Profit Organizations. Afterwards, Ms. Mandia conducted her own training sessions for over 20 non-profits in Shkoder and provided pro-bono legal assistance to non-profits in the surrounding region.

But ICNL had bigger ideas for building on Ms. Mandia's commitment to civil society. We invited her to attend our CSO Law Teaching Workshop in Budapest. Afterwards, Ms. Mandia proposed a course on laws affecting non-profits to her colleagues at the University. She drew upon materials provided by ICNL and other law professors to develop a syllabus and curriculum. In January, Ms. Mandia inaugurated a class on CSO law for more than 35 upper level law students.

ICNL KNOWLEDGE CENTER

A Tool for Information Sharing

Using our skills to assist civil society is only part of our job. Relevant and up-to-date information is critical to the success of any civil society endeavor. To provide quick, easily accessible information to practitioners, academics, governments, and local organizations, ICNL has consolidated its resources into a Knowledge Center. It serves as a readily accessible central repository for data and research about not-for-profit law.

Our Knowledge Center consists of the following components:

International Journal for Not-For-Profit Law

Our quarterly journal continues to provide its readers with new and significant commentary on the latest issues facing civil society.

The journal is attentive to topics of interest to the developing world while appealing to a broad audience including lawyers, scholars, donors, and government officials.

Online Library

ICNL has recently upgraded its online library with greater search capabilities and expanded content.

Accessible via the website, the new library will house country laws, general legal documents, reports, publications, and more.

News & Information

We share periodic news updates and articles on events and trends affecting civil society through our electronic resources.

Whether it's an in-depth study of the effect of US terrorism laws on the tax system or the latest word on the denial of registration to a foundation in Uzbekistan, ICNL is the source for up-to-date news and information.

ICNL - Providing Tools For...



...Local Partners to Improve Civil Society in their Regions

EUROPE

Albania
Armenia
Azerbaijan
Belarus
Bosnia-
Herzegovina
Bulgaria
Croatia
Czech Republic
Estonia
France
Georgia
Germany
Hungary
Ireland
Kosovo

Latvia
Lithuania
Macedonia
Moldova
Netherlands
Poland
Romania
Russia
Serbia and
Montenegro
Slovakia
Slovenia
United
Kingdom
Ukraine

NORTH & SOUTH AMERICA

Argentina
Belize
Brazil
Canada
Colombia
Costa Rica
Dominican
Republic
El Salvador
Guatemala
Honduras
Mexico
Peru

Trinidad-
Tobago
USA
Venezuela

AFRICA

Cameroon
Egypt
Ghana
Kenya
Malawi
Morocco
Mozambique
Nigeria
South Africa
Tanzania

OCEANIA

East Timor
Fiji
Kiribati
Marshall Island
Micronesia FS
Nauru
New Zealand
Palau
Papua New
Guinea
Samoa
Solomon
Islands
Tokelau
Tonga
Tuvalu

Vanuatu

ASIA

Afghanistan
Bangladesh
Cambodia
China
Indonesia
Iran
Iraq
Israel
Japan
Jordan
Kazakhstan
Kyrgyzstan
Laos

Mongolia
Nepal
Pakistan
Turkey
Taiwan
Tajikistan
Thailand
Uzbekistan
Vietnam
West Bank-
Gaza
Yemen

INSTITUTIONAL SUPPORT

ICNL gratefully acknowledges the support of its worldwide partners promoting an enabling legal environment for civil society.

American Express Foundation	International Development Law Organization
Academy for Educational Development	International Law Institute
Aga Khan Foundation	International Monetary Fund
The Alcoa Foundation	IREX
Arca Foundation	Henry M. Jackson Foundation
Armenian Assembly of America	W.K. Kellogg Foundation
Asia Development Bank	John D. and Catherine T. MacArthur Foundation
AT&T Foundation	Microsoft Corporation
Helen Bader Foundation	Mongolian Foundation for Open Society
Stefan Batory Foundation	C.S. Mott Foundation
Canadian International Development Agency	National Cooperative Business Association
Catholic University of America	New Zealand Agency for International Development
Center on International Cooperation	Open Society Institute
Charities Aid Foundation	Oxfam
Chemonics International, Inc.	PACT
Chevron Corporation	Patterson, Belknap, Webb & Taylor
Compton Foundation	Rockefeller Brothers Fund
Council on Foundations	Rockefeller Foundation
Counterpart International	RONCO Consulting Corporation
Development Alternatives, Inc.	Save the Children
East-West Management Institute	TUSEV
Eurasia Foundation	United Nations (UNDP & UNHCR)
Fiduciary Foundation	The United States Agency for International Development
FIP Poland	Urban Institute
Ford Foundation	Vietnam Assistance for the Handicapped
GE Fund	Wallace Global Fund
GTZ	World Bank
Himalaya Foundation	World Learning
Horizonti	
Institute for Sustainable Communities	
Institute for Urban Economics	

FINANCIAL STATEMENT

INTERNATIONAL CENTER FOR NOT-FOR-PROFIT LAW, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003			2002
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE				
U.S. Government and pass-through grants	-	3,197,046	3,197,046	2,612,839
Foundation and corporation grants	29,950	-	29,950	104,640
Individual Contributions	8,774	-	8,774	6,714
Other	230	-	230	507
Net assets released from restrictions	2,587,192	(2,587,192)	-	-
	<u>2,626,146</u>	<u>609,854</u>	<u>3,236,000</u>	<u>2,724,700</u>
Total public support and revenue				
EXPENSES				
Program Services	1,779,045	-	1,779,045	2,228,790
General and administrative	813,562	-	813,562	633,617
	<u>2,592,607</u>	<u>-</u>	<u>2,592,607</u>	<u>2,862,407</u>
Total Expenses				
Changes in Net Assets	33,539	609,854	643,393	(137,707)
Net Assets at beginning of year	<u>34,133</u>	<u>2,075,961</u>	<u>2,110,094</u>	<u>2,247,801</u>
Net Assets at end of year	67,672	2,685,815	2,753,487	2,110,094

2003-4 BOARD OF DIRECTORS & ADVISORY COUNCIL

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