

Research on the sector of civil society organizations in Latvia 2020-2024:

PROBLEMS AND SOLUTIONS FOR CLASSIFICATION OF
LATVIAN ASSOCIATIONS AND FOUNDATIONS

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Information about the research

In October 2020, the Association “Civic Alliance - Latvia” started the pre-defined project under the Active Citizens Fund program - research on the civil society organizations in Latvia 2020 - with the aim to prepare regular reports on the activities of the civil society organizations in Latvia, its development trends and the necessary improvements in the legal and financial environment. The project will last a total of 4.5 years.

Within the project, 3 studies will be performed

- The first study “Problems and solutions of classification of Latvian associations and foundations” was carried out from October 2020 to March 2021. The **aim** of the study is to analyse the data and situation of civil society organisations in order to identify the forms and fields of activity of civil society organizations, financial amounts and flows, and thus plan the future activities and development of the civil sector as effectively as possible. During the study, data of civil society organizations (place of operation, current assets and other characteristics) were analysed, as well as systems for classification of associations and foundations in Latvia. The next studies will address issues such as attracting the NGO funding base and human resources, as this would allow for a more detailed study of the challenges and contributions of Latvian organisations to the Latvian economy. The first study dealt with these issues indirectly – in the context of the most important facts and classification, but without analysing these data in depth. The conclusions and data from this study will also be further investigated in the second and third study.
- The second study will be carried out from January to September 2022 with the aim of further exploring specific aspects of civil society organisations and issues related to the organisations’ capacity, funding – its attraction and acquisition, as well as data on attracting human resources to the sector. A methodology will be developed to determine the impact of civil society organisations in public political processes (campaigns carried out, visibility, affected draft laws, etc.) and to measure the multiplier effect, so that the findings can be used in future activities representing the interests of civil society organisations and in promoting the development of the civil society sector. As part of the second study, work will continue on the conclusions of the first study, i.e. it will follow up on the development of classifier of NGO fields of activity, because an modified, improved classification would completely change the information available about the civil society organisations, as well as the vision of the organisations themselves as to the field they represent. The information available in the classifier will be further used for research.
- The third study will be carried out between June 2023 and April 2024 and aims to gather factual information on civil society organisations, analyse baseline data and make recommendations for the future development of civil society. This study will also analyse changes in the fields of activity, capacity, financial and human resources of civil society organisations from 2019 to 2023, as well as assess the

effectiveness of the impact methodology developed in the study No. 2.

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Special thanks to SIA “Lursoft IT” for its support in compiling and preparing data sets on non-governmental organizations (associations and foundations) for the research needs, as well as creating the possibility to access other information related to the activities of organizations (articles of association, annual reports).

Research methods:

Researchers obtained statistical data available in various public registers - number of organizations, indicated fields of activity, indicated economic activity code, financial frameworks.

The researchers analysed the obtained statistical data, drew the main conclusions, with the aim of understanding why the available data do not provide a clear and true idea of the forms and fields of activity of associations and foundations, their financial frameworks and cash flows.

Within the framework of the study, experience was adopted from 3 foreign states - Lithuania,

Estonian and, in addition, there was an in-depth review of the “NGO classification standards” developed by the United Nations. Two meetings were held with foreign experts – a Lithuanian¹ expert and an Estonian expert.

The study included 4 focus groups : On 24 February and 26 February 2021 with representatives of NGO² and on 2 March and 4 March 2021 with representatives of state institutions and financial institutions³.

Within the framework of the study, the practice of applying the NGO classification was analysed, analysing the following issues:

(1) How accurately organisations are able to classify themselves according to the classifier of NGO fields of activity. A random sample of 60 organisations that have registered their field of activity (indicated 1/2/3 fields of activity) was selected and the authors of the study re-assessed the fields and compared the results with the fields indicated by the organisations themselves, analyzing the possible causes of discrepancies.

(2) Do organisations that have indicated “Association or foundation not elsewhere classified” as their field of activity have difficulty finding themselves in the current classifier of NGO fields of activity? 96 organisations that have specified their field of activity as

“Association or foundation not elsewhere classified” were selected, and, on the basis of the publicly available information about the organisations (articles of association, annual report, publicly available information), an assessment was carried out to identify whether there is a suitable field of activity provided for in the regulations on NGO classification for the activities of these organisations.

(3) Would organisations with 10 or more fields of activity be able to identify fewer fields, i.e. the most important fields of activity? All 34 NGOs who have registered a large number of fields of activity (10 or more) were selected and, on the basis of publicly available information, it was assessed whether the organisation's activities could be characterised by fewer fields of activity.

(4) Do the newly established organisations understand the classifier of NGO fields of activity. Within the framework of the research, a questionnaire was developed and those NGOs registered in the Register of Enterprises of the Republic of Latvia in the period from 2018, in 2019 and 2020 (and which had not indicated their field of activity) were surveyed. A survey of newly established organisations has shown their understanding of the classifier of NGO fields of activity and their ability/interest to identify their field of activity.

¹ On 2 February, 2021, a meeting was held with the Lithuanian expert - Inga Aksamitauskaite. The meeting took place on ZOOM. On 15 February, 2021, a meeting took place with the Estonian expert, representing the Estonian information systems department at the Estonian Centre for

Registers and Information Systems - Kairi Kruusma. The meeting took place on ZOOM. Written comments were also received from experts from Lithuania and Estonia.

² Focus groups took place in ZOOM.

³ Focus groups took place in ZOOM.

Abbreviations used

UN	United Nations
CPO	Classification system “Collection and compilation of statistical data on goods by economic activity”
CSB	Central Statistical Bureau
EDS	State Revenue Service Electronic Declaration System
EMTAK	Estonian classification of economic activities
ICNP/TSO	International Classification of Nonprofit and Third Sector Organizations, replacing the UN ICNPO system
ICNPO	International Classification of Nonprofit Organizations
Lursoft	SIA Lursoft IT
Cabinet Regulation	Cabinet Regulation of 22 December 2015 No. 799 “Regulations on the Classification of Associations and Foundations”
NACE code	NACE Rev. 2 classification developed and approved by the Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains.
NGO	Non-governmental organisation
CSO	Civil society organisation
PBO	Public benefit organisation
PBO status	Public benefit organisation status
SRS	State Revenue Service

Summary

By the end of 2020, 24 367 associations and foundations were registered and active in Latvia, operating in various fields and carrying out various activities. The activities of NGOs are recorded for various purposes, of which the three most important are:

- 1) registration of economic activity of organisations;
- 2) the register of organisations according to their field of activity or the rules for classifying NGOs;
- 3) as well as records of those organisations which perform public benefit work.

Although different classification rules exist, they do not give a clear view of NGOs, because often organizations are not able to identify their economic activity or register their field of activity in the Register of Enterprises of the Republic of Latvia. Data on NACE codes registered by NGOs show that approximately 2993 associations and foundations do not have any NACE codes⁴ registered, while 39 % of NGOs registered have indicated NACE code 94.99 “Activities of other membership organisations n.e.c.”. A similar picture can be seen when analysing data on the fields of activity of NGOs, only 1/10 of the NGOs have indicated the field of activity of their NGOs, while 169 NGOs have indicated “15. Association of foundation not elsewhere classified” as the only or one of the fields of their activity.

The unclear overall picture of the NGO sector creates negative results. Without comprehensive and complete data, it is not possible to distinguish and analyse CSOs⁵, their fields of activity, economic activities, as well as, financial and other indicators. This uncertainty leads to an increased risk assessment of NGOs in their relations with the financial sector. Uncertainty in the accounting of the NGO sector prevents targeted reach of NGOs operating in specific fields when needed, for example to identify potential beneficiaries of State aid to mitigate the effects of the COVID-19 pandemic.

Conclusion No 1.

There are many different tools in Latvia to obtain and collect information on the activities of NGOs, but none of them gives a clear picture of either the NGO sector or civil society organisations, allowing them to be isolated from NGOs and to obtain comprehensive information on the fields of activity of organisations, types of economic activity.

The study assessed the operation of the current NGO classifier or classifier of economic activity, operation of the classifier of fields of activity, the content, procedures and practices of the application of this classification, interlinking, as well as the links with the status of public benefit organisations. Thanks to the support of Lursoft, basic data were obtained for the research on the operational objectives, fields of activity, NACE classification and other information registered by NGOs, which was essential for assessing the overall situation of NGO registers. As part of the study, the conclusions of the data analysis as well as possible solutions were discussed several times with the main stakeholders. For the purposes of the study, a research of foreign practice was also carried out.

⁴ Written information provided by Ilze Borance, Deputy Director of the SRS Tax Office (e-mail of 10 March, 2021 in response to PROVIDUS's request for information).

⁵ CSOs in this study are non-governmental organisations (associations and foundations), except employers' organisations, labour unions and professional associations or foundations.

The study concluded that, overall, the classification of NGOs by field of activity provides significantly more information on the NGO sector than NACE codes, and that they make it easier for NGOs to find themselves, as only around 4% of NGOs that have generally indicated their field of activity have chosen as their field of activity “Association or foundation not elsewhere classified”, but it should be recalled that these data currently have a small coverage, as only about 1/10 of NGOs have voluntarily registered their field of activity. An overwhelming majority of NGOs have so far not registered their field of activity. This is one of the most important problems of this classifier, as it does not achieve its goal of getting an idea of the NGO sector.

Other major problems with regard to the classifier of NGO fields of activity relate to shortcomings in the classification itself. For example, paying particular attention to the reasons why NGOs tend to indicate as their field of activity “Association or foundation not elsewhere classified”, it was concluded that in most cases organisations with a high probability would be able to identify their activities more accurately, but lack methodological support to do so correctly. For a significant group of NGOs, this choice to register a field of activity is related to the fact that the current classification includes the field characterising the organisation's activities. Among these, the most common fields that are lacking are: interest club and development of civil society. These and other deficiencies of the classifier are described in more detail in the study. In turn, linking the fields of activity with specific NACE codes creates more confusion and does not describe the situation observed in practice.

Data show that NGO activity is very diverse, according to Lursoft data, NGOs have indicated 237 different NACE codes, according to information from the SRS, NGOs use 350 different NACE codes. Among these codes of economic activity, they have also indicated NACE codes that are not characteristic to the specific nature of the NGO activities. In comparison, the classifier of NGO fields of activity includes only 33 NACE codes.

Conclusion 2.

In order for the information on the NGO sector to be comprehensive and complete, it is necessary to make significant improvements in the current procedure, imposing an obligation on all NGOs to indicate their field of activity, as well as to significantly amend Cabinet Regulation No. 799 “Regulation on the Classification of Associations and Foundations”.

In general, in the focus group and in conversations with representatives of NGOs, it could be observed that the differences between the different registers and the objectives of registration are difficult for NGOs to understand, organisations lack information and knowledge of where and what organisations need to register. The information provided by the responsible authorities shows that organisations rarely update information that they have indicated about themselves in the registers of field of activity or economic activity.

In order to address the problems identified by the various registers, three possible solutions were developed within the framework of the study, which were also discussed with the parties involved – representatives of state institutions, financial institutions and NGOs.

Solution No.1:	The classifier of NGO fields of activity is supplemented with the missing NGO fields of activity; Improvements are being made to the classifier of NGO fields
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Minor adjustments to the existing system	of activity: a) distinguishing between methods of activity and fields of activity; (b) specifying the descriptions of the fields of activity.
Solution No.2: General categories of fields of activity	The expansion of NGO activities is reduced to “general fields of NGO activity”. Potentially, the fields of public benefit status could be integrated with the relevant fields of activity of NGOs under the Cabinet Regulations (namely, these fields are combined into a list of 20-25 fields).
Solution No.3: Classification based on NACE codes	The classification of NGOs uses international classification systems, integrating them with the fields of activity of NGOs. Solution No. 3 has at least two implementation options. Option 3A: Latvia establishes its own national classification system, which forms the fifth level for the NACE classification. This makes it possible to establish a subsystem of the fields of activity of NGOs under NACE code 94.99 “Activities of other membership organisations n.e.c.”. Option 3B: The current classification of the fields of activity of NGOs is transformed by taking over the ICNP/TSO classification developed by the UN Statistical Commission in 2017 (it is compatible with NACE).

All options provide for the obligation of the NGO to register their field of activity. Similarly, all options require that the registration of the field of activity be made more convenient and dynamic (reflecting changes over time), each of the options offered by PROVIDUS will require a change in the legal framework.

Conclusion 3.

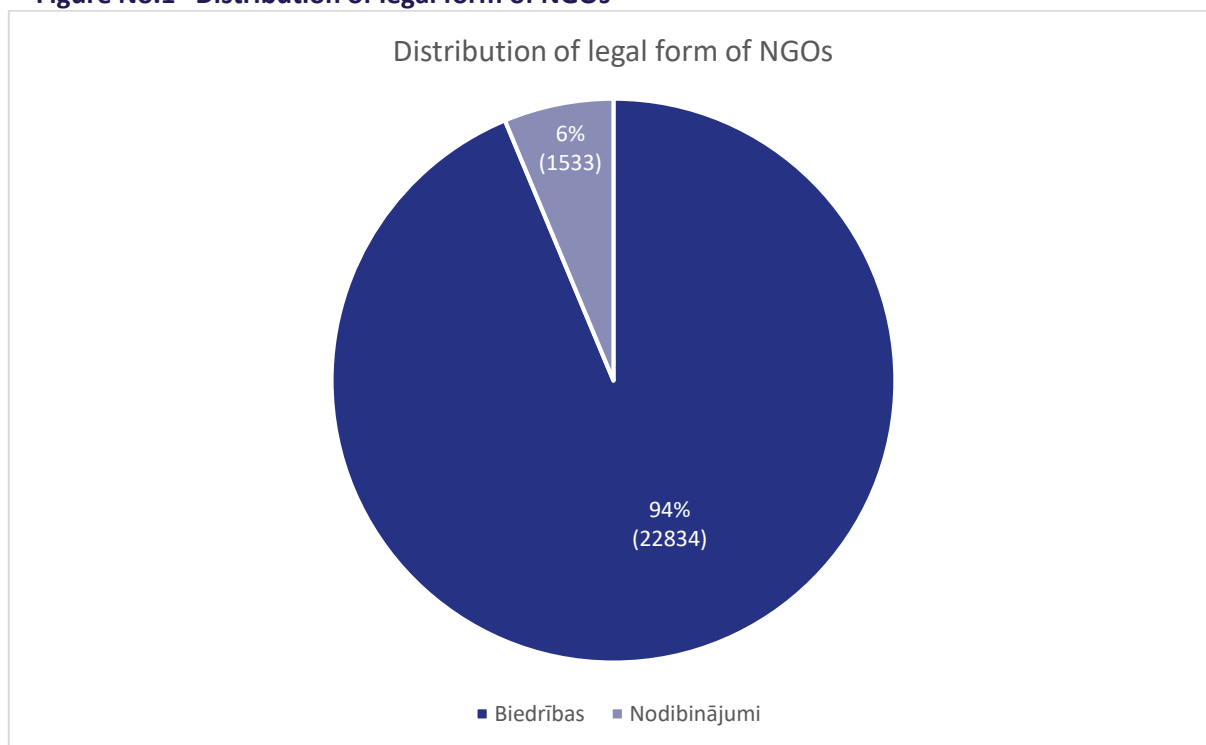
When choosing the best of the proposed solutions, it is necessary to ensure the following:

- Information on the activities of NGOs is comprehensive and complete;
- Information on the activities of NGOs is up-to-date and is regularly updated;
- Administrative procedures for providing and updating information are simple and convenient;
- Data on the NGO sector converge into a single data controller, thus facilitating the availability of data by all stakeholders (including NGOs, public authorities, financial institutions);
- NGOs are knowledgeable, and effective support tools have been created to help the NGOs understand, find and indicate their field of activity.

1. NGO sector in Latvia: key facts

- (1) The sector of associations and foundations in Latvia continues to grow - new organizations are registered more often than old organizations are liquidated or their activities are suspended. As of 6 March, 2021, there were **24 367** associations and foundations in Latvia registered until the end of 2020.⁶ The number of associations exceeds the number of foundations many times. **Foundations make up only 6% of Latvian NGOs.**⁷

Figure No.1 “Distribution of legal form of NGOs”



Source: Data acquired from the Open Data Portal of the Register of Enterprises

- (2) **A large proportion of Latvian associations and foundations are registered in Riga: 42%** or 12 086 organisations. The next “municipality “richest” in associations and foundations – Liepāja – has more than 10 times fewer organizations, namely, 1075. The smallest number of organizations is registered in Zilupes novads (9) and Baltnavas novads (7).⁸ A complete list of organisations registered in different municipalities can be found in Annex No. 1.

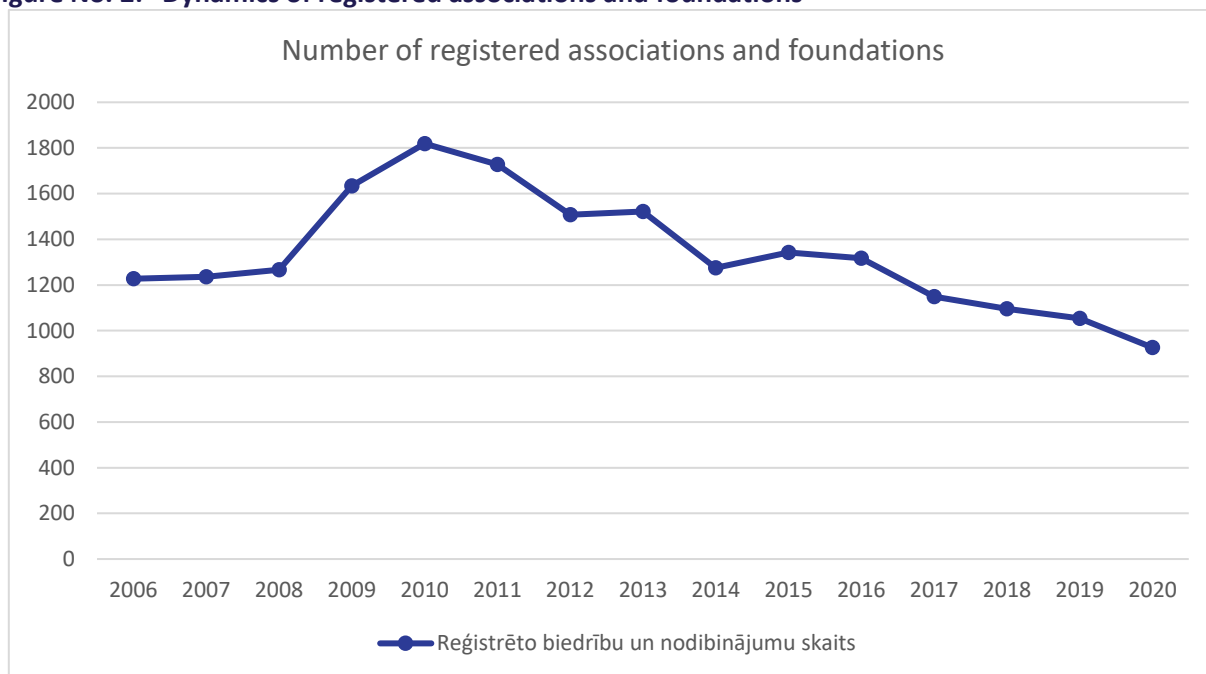
⁶ Data acquired on 7 March, 2021 from the Open Data Portal of the Register of Enterprises <http://dati.ur.gov.lv/register/> Those organisations whose operation has been suspended, as well as those organisations registered after 31 December 2020 were deducted from the total number of registered associations and foundations.

⁷ Ibid.

⁸ Data acquired on 7 March, 2021 from the Open Data Portal of the Register of Enterprises <http://dati.ur.gov.lv/register/> Those organisations whose operation has been suspended, as well as those organisations registered after 31 December 2020 were deducted from the total number of registered associations and foundations.

- (3) In 2020, the rate of registration of new organisations continued to decrease. In 2020, 926 organisations were registered, in 2019 – 1053 organisations, in 2018 – 1096 organisations. This decrease is part of the overall trend since 2010.⁹

Figure No. 2: “Dynamics of registered associations and foundations”



Source: Open Data Portal of the Enterprise Register of the Republic of Latvia <http://dati.ur.gov.lv/register/>

- (4) According to Lursoft data, approximately **75% of associations and foundations had submitted their annual reports** for 2019 until the beginning of December 2020. Approximately 16% of the organisations either delayed submitting the report for two years or more (i.e. had not submitted a report for 2018 either).¹⁰
- (5) According to Lursoft¹¹, **90% of Latvian associations and foundations have indicated their codes of economic activity (NACE codes)**. At the same time, of those NGOs with a NACE code, **39% have provided a code that is not informative** (code “Activities of other membership organisations n.e.c.”). In total, associations and foundations have indicated 237 different NACE codes as their main economic activity¹². The most frequently indicated NACE codes can be found in Figure No.3 below. The full list

⁹ Data acquired on 7 March, 2021 from the Open Data Portal of the Register of Enterprises <http://dati.ur.gov.lv/register/> Those organisations whose operation has been suspended, as well as those organisations registered after 31 December 2020 were deducted from the total number of registered associations and foundations.

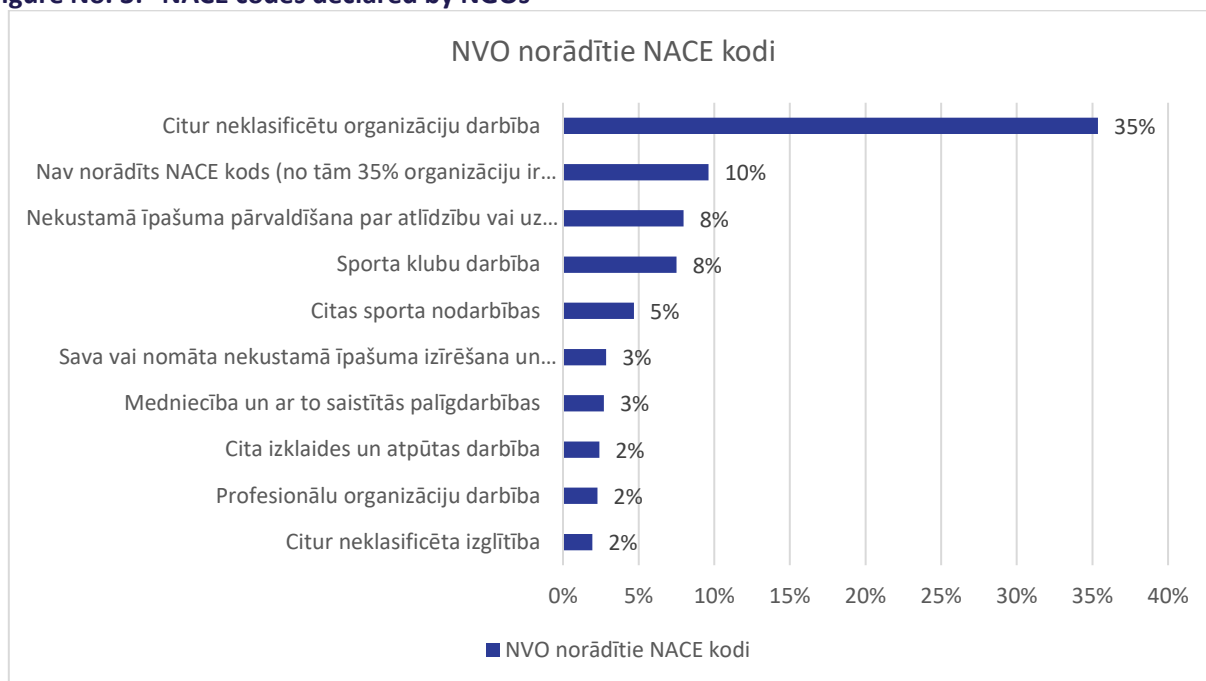
¹⁰ Lursoft specially prepared data for this report, only those organizations that were established in 2019 or earlier were taken into account in the calculation.

¹¹ Lursoft specially prepared data for this report, only those organizations that were established until the end of 2020 were taken into account in the calculation. NACE codes of additional activities of associations and foundations are not found in Lursoft or elsewhere in public data, therefore the information provided by Lursoft and SRS on NACE codes and their distribution may differ.

¹² According to data from the SRS, 350 NACE codes have been declared by NGOs. NACE codes of additional activities of associations and foundations are not found in Lursoft or elsewhere in public data, therefore the information provided by Lursoft and SRS on NACE codes and their distribution may differ.

of NACE codes (together with information on the number of organisations who have indicated them as the principal activity) can be viewed in Annex No. 2.

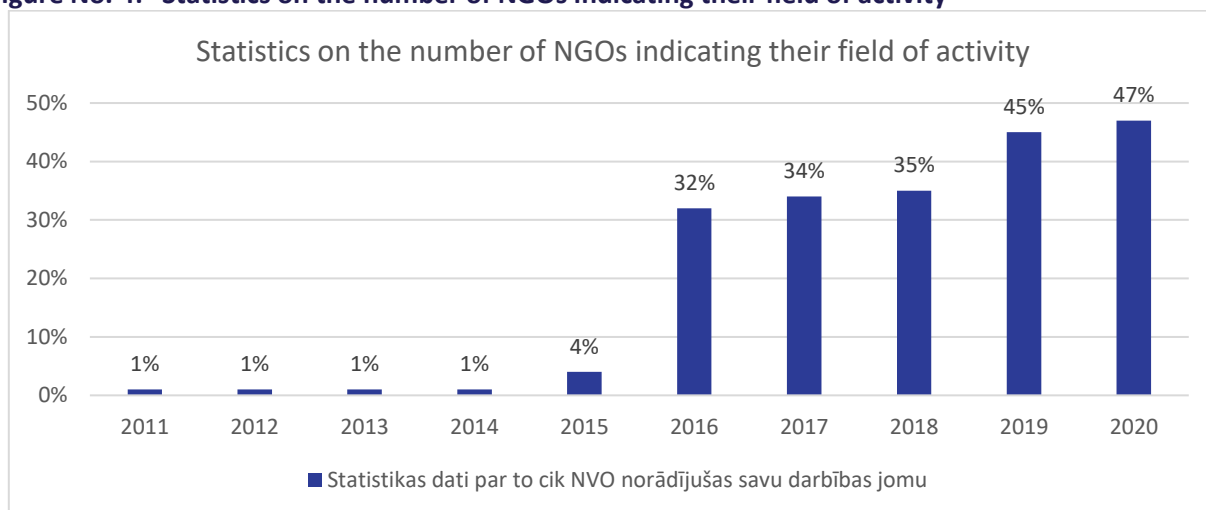
Figure No. 3: “NACE codes declared by NGOs”



Source: Data specially prepared by SIA Lursoft for this report

- (6) **The field of activity of an association or foundation is indicated by the NGOs much less frequently than the NACE code:** according to Lursoft data – about 1/10th of the NGOs. At the same time, **the indicated fields of activity of NGOs are more informative than the NACE codes indicated** – only 4% of NGOs indicated “Association or foundation not elsewhere classified” as their only field of activity.
- (7) Lursoft data show a clear trend – **the field of activity is indicated more often by those NGOs who were registered starting from 2016**, when such possibility was specifically provided for in the registration form of the association or foundation. In 2020, 47% of the newly registered organisations indicated their field of activity.

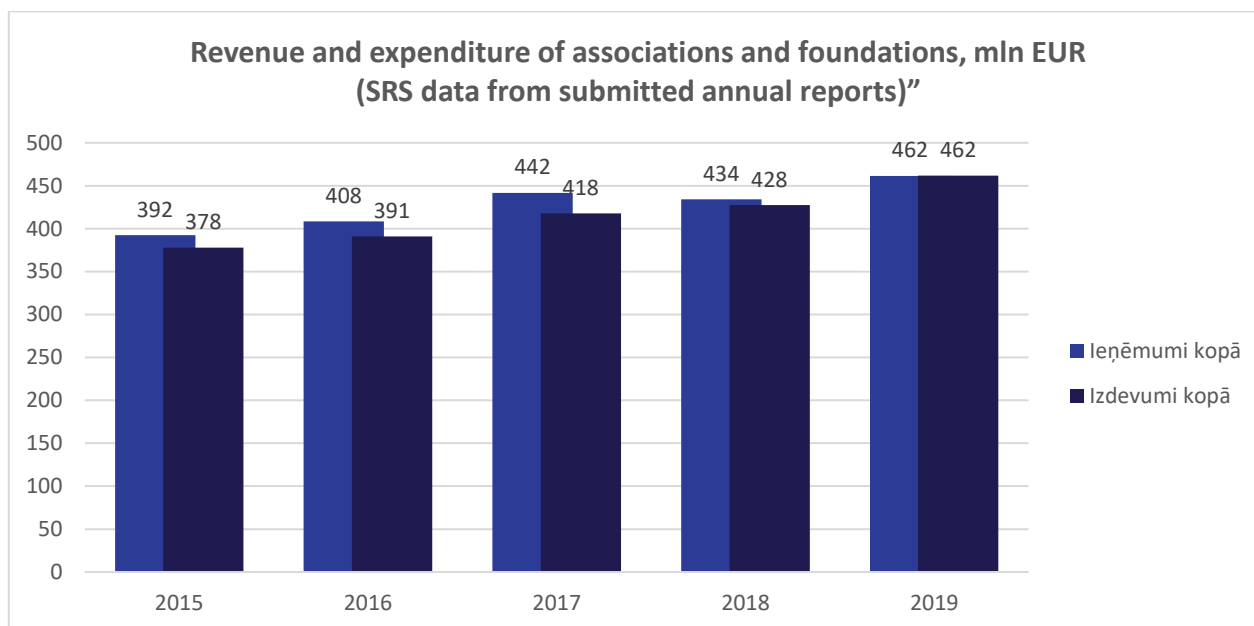
Figure No. 4: “Statistics on the number of NGOs indicating their field of activity”



Source: Data specially prepared by SIA Lursoft for this report

- (8) According to Lursoft data, **approximately 72% of organizations are able to indicate only one field of activity**. Other NGOs have more fields of activity. In turn, 44 associations and foundations have indicated more than 10 fields of activity.¹³
- (9) **The most popular fields of activity of associations and foundations** (according to Lursoft data, NGOs have indicated this field as one of their fields of activity): housing management (624), labour union (281), education (267), sports club (220), organisation of sports events (205). **The rarest fields of activity of associations and foundations**: international disaster relief and assistance (0), library activities (0), association of employers' organisations (1), provision of international aid funds to disaster-stricken countries (2), rehabilitation of offenders (3), voluntary firefighting organisation (3). The full list can be found in Annex No. 2.
- (10) **Only 7 of the 66 fields of activity are those which the NGO has registered as the sole field of activity**. For example, employers' organizations in 100% of cases have indicated this category as their only area of activity, labour unions - 99%, housing management organizations - 96%, volunteer firefighters, professional associations or foundations - 62% and sports clubs - 61%¹⁴. **It is typical for the NGOs to identify with more than one field of activity**. For example, 101 organisations have noted cultural exchanges as one of their fields of activity, but only 3 - as their only field of activity, 91 organisations have marked promotion of volunteering as one of their fields of activity, none - as their only field. A similarly dramatic proportion also applies to the fields of cooperation for development, support for families and children, environmental awareness, environmental clean-up, sports education, legal aid, nature proportion design and many other areas. The full list can be found in Annex No. 3.
- (11) Compared to previous years, in 2019 both total income of associations (EUR 461 537 878) and expenditure (EUR 461 686 322) increased.

Figure No.5 “Revenue and expenditure of associations and foundations, mln”



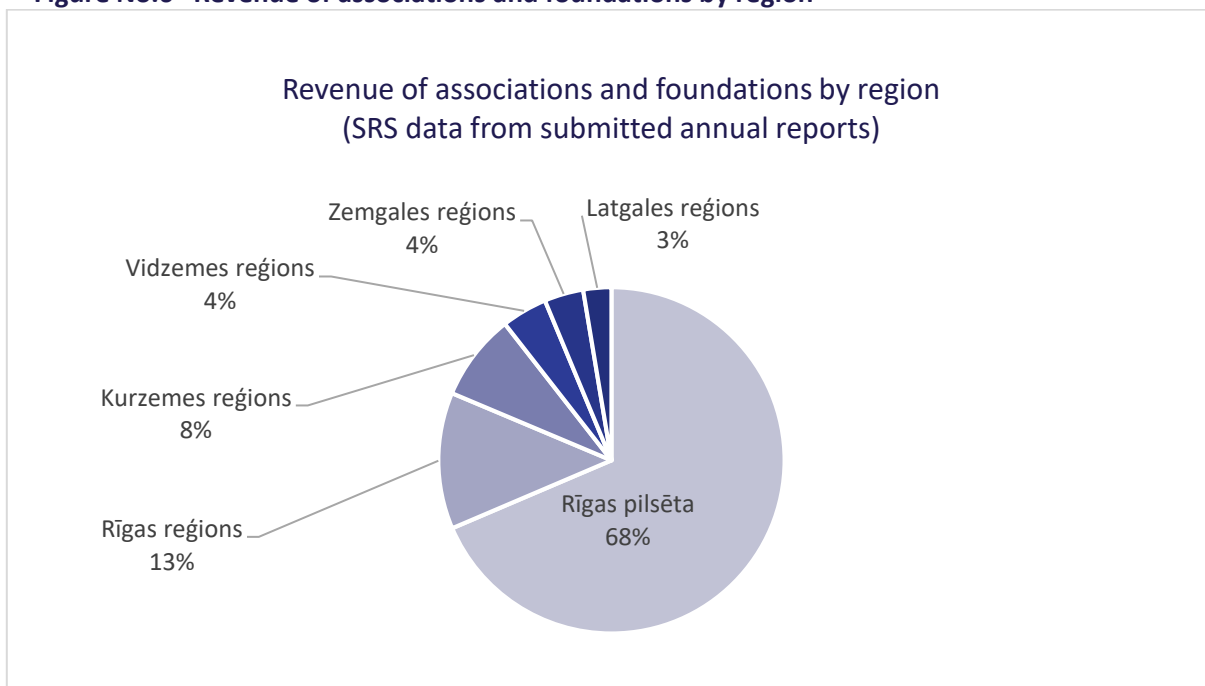
¹³ It was not possible to compare these data with the data of the Register of Enterprises of the Republic of Latvia, as only one field of activity is indicated in the Open Data Portal of the Register of Enterprises of the Republic of Latvia.

¹⁴ Information obtained from Lursoft, data specifically prepared for this report.

Source: Information prepared by the SRS for the needs of the association “Civic Alliance - Latvia”

- (12) The largest absolute proportion of associations and foundations attract income for the residents of Riga and Riga suburbs.

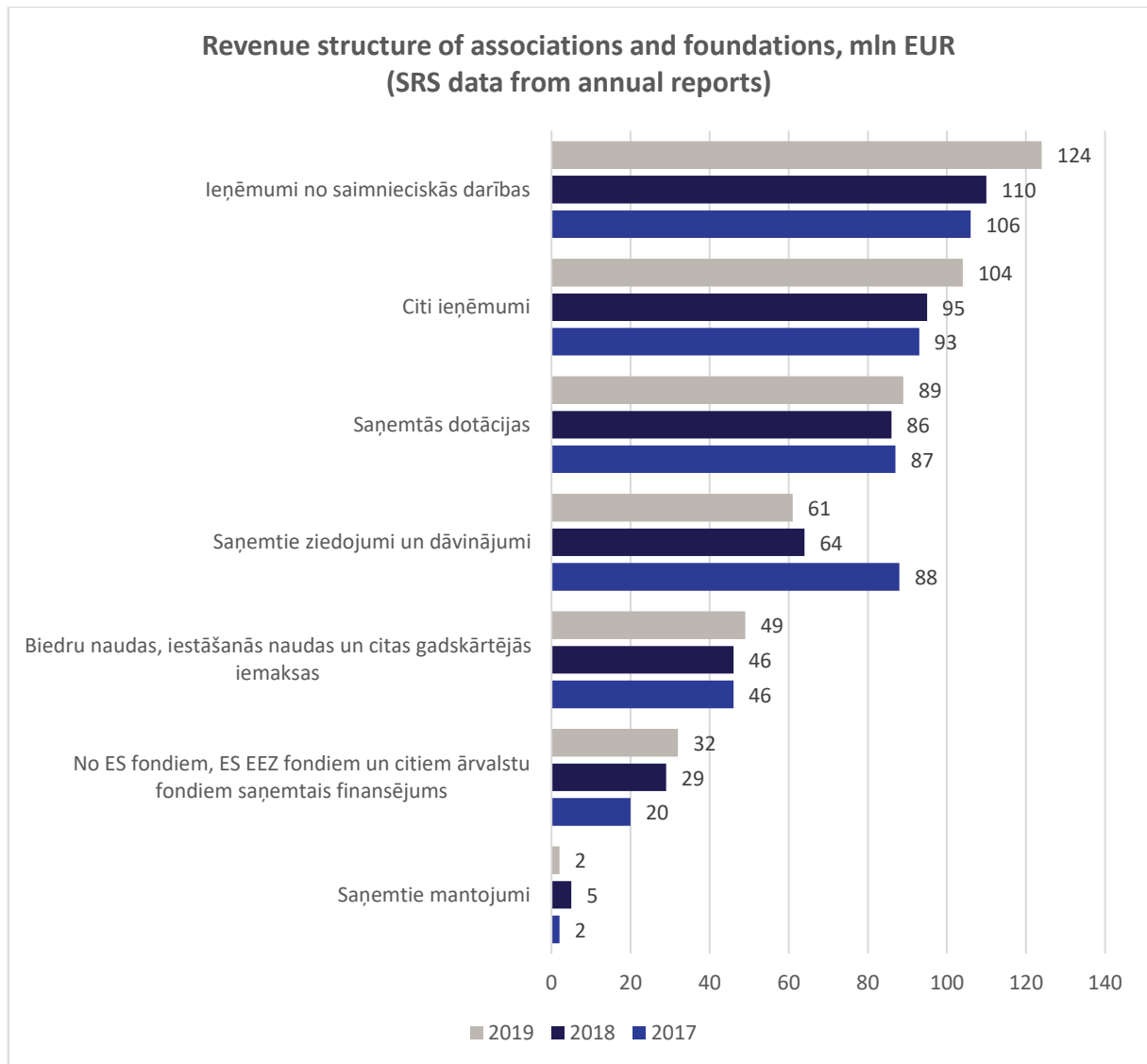
Figure No.6 “Revenue of associations and foundations by region”



Source: Information prepared by the SRS for the needs of the association “Civic Alliance - Latvia”

- (13) Currently, the largest income category of associations and foundations is income from economic activity. The share of donations continues to decrease in the income structure of associations and foundations, and the economic activity and other income - increases.

Figure No.7 “Revenue structure of associations and foundations”



Source: Information prepared by the SRS for the needs of the association “Civic Alliance - Latvia”

- (14) Currently available data on the NGO sector do not allow to obtain a complete picture of CSOs¹⁵, their fields of activity and financial indicators, distinguishing them from other NGOs. Annex No. 4 summarises data on CSO NACE codes and Annex No. 5 summarises information on the number of CSOs by year of registration in the Register of Enterprises of the Republic of Latvia.

¹⁵ CSOs in this study are non-governmental organisations (associations and foundations), except employers' organisations, labour unions and professional associations or foundations.

2. NGO classification in Latvia

Information on non-governmental organisations, their fields of activity and economic activities is gathered in different ways. There are three main sources of information:

- 1) Information on the field of activity of NGOs registered in the **Register of Enterprises of the Republic of Latvia**;
- 2) Information registered with the State Revenue Service **regarding economic activity** of NGOs or the NACE code;
- 3) Register of public benefit organisations, with details of the **fields of activity in which the NGO has been granted the PBO status**.

Each of these registers/classifications, or accounting systems, is designed for its own purpose, and it also differs in what type of information is taken as the basis for collecting data on the activities of NGOs. Table No.1 summarises the basic principles for the establishment of these registers.

Table 1: “Principles for the establishment of NGO registers/classifiers”

Register/classifier	Basic principle of creating a register/classifier
Classifier of NGO fields of activity	Records and compiles information on the purposes of the activity of the NGOs
Register of public benefit organisations	Records and compiles information on the purposes of the activity of the NGOs and PBO areas
NACE classification	Registers and compiles information on the types of economic activity of taxpayers (including NGOs)

Source: summary of the authors

In addition to these classifications, other ways of collecting and obtaining information about enterprises and NGOs are used in the country, such as the secondary system of the NACE classification - **Collection and compilation of statistical data on goods by economic activity**¹⁶. This statistical system collects information not by the purpose of the NGO (such information is compiled by the classifier of NGO fields of activity) or type of economic activity (such information is compiled by the NACE classification system), but by the nature of the service provided. This classifier is maintained and serviced by the Central Statistical Bureau.

In the CPA classification, the activities of NGOs are classified and compiled according to the nature of the service provided, distinguishing several types of service provision. Below, in Figure 1, there is a screenshot that visually shows how this tool is formed and what kind of information it collects for statistical purposes.

¹⁶ Statistical classification of goods by economic activity, revision 2.1, available at: https://www.csb.gov.lv/en/classification_meta/7

Image No. 1 "Screenshot from CPA classifier"

▼	94.99	Citur neklasificētu citu organizāciju sniegtie pakalpojumi	
▼	94.99.1	Citur neklasificētu citu organizāciju sniegtie pakalpojumi (izņemot līdzekļu piešķiršanas pakalpojumus)	Apraksts
	94.99.11	Cilvēktiesību aizsardzības organizāciju sniegtie pakalpojumi	Apraksts
	94.99.12	Vides aktīvistu grupu sniegtie pakalpojumi	Apraksts
	94.99.13	Speciālo grupu aizsardzības pakalpojumi	Apraksts
	94.99.14	Citi sabiedriskās pāraudzināšanas un palīdzības pakalpojumi	Apraksts
	94.99.15	Jauniešu apvienību sniegtie pakalpojumi	Apraksts
	94.99.16	Kultūras un atpūtas biedrību sniegtie pakalpojumi	Apraksts
	94.99.17	Citu sabiedrisko un sociālo organizāciju sniegtie pakalpojumi	Apraksts
	94.99.19	Citur neklasificētu citu organizāciju sniegtie pakalpojumi	Apraksts
➤	94.99.2	Organizāciju pabalstu piešķiršanas pakalpojumi	

Source: Information from the website of the Central Statistical Bureau

In addition to listed registers, other registers are maintained in the country that collect information on the activities of organisations in one sector, such as the register of educational institutions, the register of museums and others. These registers are not designed to collect data only on associations or foundations, usually containing information on all types of legal entities operating/providing services in a particular field, including NGOs.

For example, all social service providers in the country are registered in the **Register of Social Service Providers**. At the time of writing, 439 associations and foundations (incl., their structural units) have been registered as social service providers.¹⁷

In turn, the **Register of Education Institutions**, which gathers information about education institutions that implement general secondary education, vocational education and higher education programmes¹⁸,

¹⁷ Information retrieved from, <https://www.lm.gov.lv/lv/socialo-pakalpojumu-sniedzēju-registrs>, data as at 25.01.2021

¹⁸ More information on registration of educational institutions is available at: <https://ikvd.gov.lv/registracija/izglitibas-iestazu-registrs/>

at the time of writing, included 42 education institutions¹⁹ established by associations (including structural divisions of associations) and foundations (including structural divisions of foundations).²⁰

In view of the above, it is reasonable to conclude that:

- 1) The state has systems and classifications in place to collect and process a wide range of information, including on the NGO sector;
- 2) Unfortunately, none of the tools is such as to provide complete information about NGOs – fields of activity, economic activity, belonging to a certain category of organisations, etc. ;
- 3) In order to obtain comprehensive information on the NGO sector or a specific NGO, it is necessary to search several databases and registers;
- 4) Together, registers and statistical systems provide a sufficient basis for clear and comprehensive information on the NGO sector, but this is not the most convenient and fastest way to obtain data on the NGO sector as a whole or on any of their fields of activity.

As part of this study, the records of the activities of NGOs in three registers were analysed in depth (classifier of NGO fields of activity; SLO register; NACE codes). Other registers in which NGOs are also registered by field were not further analysed as part of the study.

¹⁹ For example, elementary school “Ikšķiles Brīvā skola”, elementary school “Preiļu Brīvā skola”, Pārdaugava Waldorf elementary school, Private elementary school ZAĻĀ SKOLA, Private secondary school Ādaži Free Waldorf School, private school “Latreia”, Riga Catholic Gymnasium, Riga Montessori Primary School, Riga City Elementary School, Riga International School, Riga General Education Private Secondary School “Evrika”, JULES VERNE RIGA FRENCH SCHOOL and others. Information retrieved from <https://ikvd.gov.lv/registracija/izglitiba-iestazu-registrs/>, data as at 25.01.2021

²⁰ More information on registration of educational institutions is available at: <https://ikvd.gov.lv/registracija/izglitiba-iestazu-registrs/>, information retrieved on 25.01.2021

3. Registers/ classification systems collecting data on NGOs

Analysis of Latvian practice

3.1. NACE classification

In addition to the classifier of NGO fields of activity, a large number of associations and foundations have registered their economic activity²¹ by declaring the NACE code of economic activity²² to the State Revenue Service. As indicated in the Law on Taxes and Duties, the NACE code reflects the principal activity of the taxable person. The principal activity is the type of activity of the taxpayer with the largest share in the total turnover in the taxation year.²³

According to Lursoft data, NGOs have declared 237 different NACE codes, but according to the SRS, NGOs have declared 350 different NACE codes²⁴. SRS data differ from Lursoft statistical data, because the SRS collects more information, namely, NACE codes of the principal activity indicated by NGOs and NACE codes of additional activity²⁵.

According to statistical data from SRS, approximately 2993 associations and foundations have not registered any NACE code²⁶.

Identified issues:

Analyzing the procedure stipulated in the Cabinet Regulations, where the field of activity of NGOs is linked to a specific NACE code, and analyzing what NACE codes are registered by the NGOs in practice, the obtained results allow to draw the following main conclusions:

- 1) The principle included in the Cabinet Regulations - to assign a specific NACE code to each field of activity of NGOs - does not work in practice.**

²¹ The obligation to indicate the NACE code also applies to associations and foundations, as they are also taxpayers.

²² The obligation to indicate the code of economic activity is determined by Section 15 Paragraph One Clause 15 of the Law on Taxes and Duties, providing that "Taxpayers shall have the following general obligations: (...) using the electronic declaration system of the State Revenue Service, by 1 May to submit information to the tax administration on the type of principal activity of the previous taxation year, if it has changed in the previous taxation year and does not conform to the information provided by the tax administration. Taxpayers who commence economic activity shall provide the information within one month after registration of economic activity with the Enterprise Register of the Republic of Latvia or with the State Revenue Service, Law on Taxes and Duties (available at: <https://likumi.lv/ta/id/33946-par-nodokliem-un-nodevam>)

²³ The Law on Taxes and Duties states that "type of the principal activity - a type of activity of the taxpayer (except natural persons who do not perform economic activity) classified in accordance with Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains (Text with EEA relevance) (hereinafter - NACE Rev. 2) with the highest proportion in the total turnover in the taxation year. The type of the principal activity for taxpayers which commence economic activity, shall be determined according to the planned indicators of turnover".

²⁴ Written information provided by Ilze Borance, Deputy Director of the SRS Tax Office (e-mail of 12 March, 2021 in response to request for information by PROVIDUS).

²⁵ According to the SRS, 10 thousand NGOs have registered several types of economic activity or NACE codes. The information is indicative, there is no accurate data. According to the representatives of the SRS, in order to determine the exact number of associations and foundations that have indicated several types of activity, an in-depth selection of information and its analysis is necessary, which includes manual data processing.

²⁶ Written information provided by Ilze Borance, Deputy Director of the SRS Tax Office (e-mail of 10 March, 2021 in response to PROVIDUS's request for information).

- 2) There are many NGOs which cannot identify their activities by any NACE code, therefore they choose NACE code 94.99 "Activities of other membership organisations n.e.c."
- 3) The NACE codes provided by NGOs give a false idea of NGO activities.
- 4) There is no single point or place where all available information on NGOs collected/gathered/analysed by public authorities converges.

The conclusions are based on the research of the information registered by NGOs carried out by PROVIDUS, which was compiled for the purposes of the research by SIA Lursoft, as well as interviews with representatives of various involved parties – the Register of Enterprises, the State Revenue Service, the Central Statistical Bureau, the responsible ministries, as well as in the focus group with representatives of NGOs.

A slightly broader explanation and justification is given below for each of the identified issues.

ISSUE No. 1 The principle included in the Cabinet Regulations - to assign a specific NACE code to each field of activity of NGOs - does not work in practice.

Main reasons:

- The economic activities of NGOs are diverse;
- The link between the regulations of classification of NGO fields of activity and NACE codes is highly inaccurate and does not correspond to the procedures in practice.

The Cabinet Regulations contain 66 predefined and described fields of activity of NGOs, in the regulations they are linked to 33 NACE or economic activity codes, i.e. each activity is accompanied by a specific NACE code.

Figure 2 "Linking the scope of Cabinet Regulation No. 799 "Regulations for Classification of Associations and Foundations" with NACE code"

5. Veselība			
5.1.	Sabiedrības veselība un veselības izglītība	Sabiedrības veselība un veselības izglītība Biedrības un nodibinājumi, kas nodrošina sabiedrības veselības veicināšanu un izglītošanu par veselības jautājumiem. Iekļauj potenciālu veselību apdraudošu faktoru pārbaudi, pirmās palīdzības sniegšanas apmācības, ģimenes plānošanas pasākumus, pacientu tiesību aizsardzību, konsultāciju sniegšanu, veselīgu dzīvesveidu	88.99
NVO darbības joma			NACE 2.red. kods

Source: Compilation by authors, using information from Cabinet Regulation No. 779 "Regulations for Classification of Associations and Foundations"

Table No. 2 below summarises information showing how the legislator, when drawing up the Cabinet Regulators, has formed a link between the economic activity of NGOs and the field of activity of NGOs.

Table 2 “Linking fields of NGO activities with NACE codes”

No.	NGO classification field	NACE code linked to the field in the NGO classification
1.	1.3. Professional association or foundation	94.12 - Activities of professional organisations
2.	1.4. Labour union	94.20 - Activities of labour unions
3.	2.2. Design	74.10 - Specialized design activities
4.	2.3. Architecture and restoration	71.11 - Architectural services
5.	2.5. Music, dance, theatre	90.01 - Performing arts
6.	2.8. Museums	91.02 - Support activities to performing arts
7.	2.9. Other amusement and recreation activities	93.29 - Other amusement and recreation activities
8.	3.1. Radio station	60.10 - Broadcasting of radio programmes
9.	3.2. TV channel	60.20 - Television programming and broadcasting
10.	3.3. Publishing of books	58.11 - Publishing of books
11.	3.4. Publishing of journals	58.14 - Publishing of journals and periodicals
12.	3.5. Publishing of newspapers	58.13 - Publishing of newspapers
13.	3.6. Publishing of directories and mailing lists	58.12 - Publishing of directories and mailing lists
14.	3.7. Motion picture production	59.11 - Motion picture, video and television programme production activities
15.	4.4. Education	85.59 - Other education n.e.c.
16.	7.5. Clean up the environment	81.30 - Landscape service activities
17.	7.7. Veterinary services	75.00 - Veterinary services
18.	8.2. Economic development	70.22 - Business and management consultancy activities
19.	8.3. Housing management	68.20 - Renting and operating of own or leased real estate
20.	9.3. Legal assistance	69.10 - Legal activities
21.	9.7. Rehabilitation of offenders	87.90 - Other residential care activities
22.	12.1. Voluntary firefighters' organisation	84.25 - Fire service activities
23.	13.2 Sports club	93.12 - Activities of sports clubs
24.	13.3 Sports center	93.11 - Activities of sports facilities
25.	13.6 Sports education	85.51 - Sports and extracurricular education
26.	3.8. Library operation	91.01 - Library and archives activities
27.	4.1. Social sciences, sociological and political research	72.20 - Research and experimental development on social sciences and humanities
28.	1.1. Employers organisations 1.2. Association of employers organisations	94.11 - Activities of business and employers membership organisations
29.	4.2. Medical research 4.3. Science and technology Science and technology	72.19 - Other research and experimental development on natural sciences and engineering
30.	5.2. Rehabilitation 5.3. Other health-related activities	86.90 - Other human health activities
31.	13.1. Sports association and sports federation 13.4 Organisation of sporting events	93.19 - Other sports activities

32.	2.1. Visual arts 2.4. History and humanities 2.6. Support activities for music, dance and theatre 2.7. Folk art and intangible heritage 2.10. Other cultural activity 6.3. Gender equality 7.1. Environmental protection 7.2. Protection and sustainable use of natural resources 7.3. Nature protection 7.4. Environmental awareness 7.6. Protection and welfare of animals 9.1. Protection of civil rights and human rights 9.2. Activities of advocacy organisations 9.4. Consumer protection 11.1. Youth association or foundation 13.5. Support activities for sports 14.1. Cultural exchanges 14.2. Development cooperation 14.5. International human rights law and peacekeeping 15.1. Association or foundation n.e.c.	94.99 - Activities of other membership organisations n.e.c.
33.	5.1. Public health and health education Public health and health education 6.1. Promoting employment 6.4. Support activities for families and children 6.2. Social protection 8.1. Community and neighbourhood development 9.5. Crime prevention 9.6. Support activities for victims of crime 10.1. Philanthropy mediation 10.2. Promoting volunteering 14.3. International disaster relief and assistance 14.4. International provision of disaster assistance	88.99 - Other social work activities n.e.c.

Source: Summary of the authors

When assessing the interlinking between NACE codes and fields of activity, it can be seen that out of the 33 NACE codes included in the regulations for classifying the fields of activity of NGOs:

- 27 NACE codes are linked to only one field of activity of NGOs;
- 4. NACE codes linked to two fields of activity of NGOs;

- 2 NACE codes cover a number of fields of activity of NGOs (e.g. 1 NACE code related to 11 fields of activity of NGOs).

In view of the fact that NGOs have declared much more NACE codes than those identified in the Cabinet Regulations (33 NACE codes), it is reasonable to conclude that the link between the fields of activity of NGOs and NACE codes is not accurate, does not give an idea of the activities of NGOs as a whole and does not work in practice.

PROVIDUS assessed the way in which the two instruments, the NACE code and the classifier of NGO fields of activity, were applied in practice by NGOs. The following typical situations could be observed when analysing registered NACE codes for organisations that have also registered their field of activity of their NGO:

- **The NACE code specified in the regulations of the classification of NGO fields of activity corresponds with the relevant NACE code declared by the organisation to the SRS.** This situation can only be seen in seven fields of activity of NGOs, as described in the figure below.

Figure No.3 “Fields of activity in which NACE code used in the regulations of the classification of NGO fields of activity and the NACE code declared to the SRS coincide”

All organisations that have indicated the following as the field of activity of their NGOs have declared a NACE code to the SRS²⁷, which coincides with the one prescribed by the Cabinet Regulations:

- Architecture and restoration
- Labour union
- Voluntary firefighters' organisation
- Protection and welfare of animals
- Rehabilitation of offenders
- Consumer protection
- International provision of disaster assistance

Source: Summary of the authors

- **The NACE code associated with the field of activity of the NGO does not fully coincide with the NACE code actually declared to the SRS.** This situation can be seen in the case of four fields of activity of NGOs and is described in the figure below²⁸.

Figure No.4 “Discrepancy between the NACE code used for the classification of the NGO field of activity with the actually declared NACE code”

Field of activity of NGO “10.2 Promotion of volunteering” – according to the Cabinet Regulations, it is linked with NACE 88.99, but no NGOs that chose to declare this field of activity have indicated such a NACE code. Other NACE codes are declared, e.g. 85.52, 85.59, 85.60, 93.12, 94.99

Field of activity of NGO “2.2 Design” – according to the Cabinet Regulations, it is linked with NACE 74.10, but no NGOs that chose to declare this field of activity have indicated such a NACE code. Other codes have been declared, e.g. 90.02, 90.03, 93.29, 94.99

²⁷ At least one NACE code declared to the SRS coincides with the NACE code specified in the Cabinet Regulations. During the research process, it was found that the organisation often indicated several NACE codes.

²⁸ Here it should be taken into account that in the study of this particular issue, the researchers looked only at the field of activity indicated as the first in the data. In theory, it is possible that the relevant NGO indicated several fields of activity, one of which corresponded to the NACE code indicated to the SRS.

Field of activity of NGO “3.6 Publishing of directories and mailing lists” – according to the Cabinet Regulations, it is linked with NACE 88.99, but no NGOs that chose to declare this field of activity have indicated such a NACE code. Other codes have been declared, e.g. 47.99, 94.99

Field of activity of NGO “4.2 Medical research” – according to the Cabinet Regulations, it is linked with NACE 72.19, but no NGOs that chose to declare this field of activity have indicated such a NACE code. Other codes have been declared, e.g. 94.99

Source: Summary of the authors

- **Most NGOs use various other NACE codes and only in some cases they coincide with the NACE codes specified by the Cabinet** (the NACE code specified for the field by the Cabinet Regulations is marked in red)

Figure 5: “Diversity of NACE codes”

Field according to Cabinet Regulations	NACE code according to Cabinet Regulations (by field)	NACE diversity in practice (NACE codes specified by NGOs when registering the field of activity)
Support activities for families and children	88.99	70.21, 85.10, 85.59, 86.90, 87.90, 88.10, 88.99 , 94.99
Development cooperation	88.99	69.10, 85.59, 88.99 , 94.99
Other health-related activities	86.90	86.90, 93.21, 94.99, 96.04
Other amusement and recreation activities	93.29	79.11, 85.51, 85.59, 85.60, 90.01, 90.03, 91.03, 93.19, 93.29 , 94.12, 94.99
Other cultural activity	94.99	82.99, 84.12, 85.59, 88.99, 90.01, 90.02, 93.29, 94.99
Association or foundation n.e.c.	94.99	01.70, 47.89, 55.20, 68.20, 68.32, 81.10, 84.12, 85.51, 85.59, 85.60, 93.11, 93.12, 93.19, 93.29, 94.99
Nature protection	94.99	56.29, 81.30, 90.01, 94.99
Protection and sustainable use of natural resources	94.99	01.70, 94.12, 94.99
Employers organisations	94.11	56.10, 94.11 , 94.99
Gender equality	94.99	58.14, 94.99
Economic development	70.22	35.30, 70.22 , 82.30, 85.59, 94.99
Philanthropy mediation	88.99	88.99 , 90.04, 93.12, 93.29, 94.99
Motion picture production	59.11	58.11, 59.11 , 63.12, 90.01
Publishing of books	58.11	58.11 , 73.11, 85.59, 91.02, 94.99
Activities of advocacy organisations	94.99	69.10, 70.21, 70.22, 81.10, 82.99, 85.59, 85.60, 86.90, 88.99, 94.92, 94.99
Education	85.59	49.39, 72.20, 85.10, 85.20, 85.32, 85.52, 85.59 , 85.60, 88.99, 90.01, 91.04, 93.12, 94.12, 94.99, 99.00
Youth association or foundation	94.99	85.51, 85.59, 88.99, 90.03, 93.29, 94.99 ,
Legal assistance	69.10	69.10 , 88.10, 94.99, 99.00
Community and neighbourhood development	88.99	68.32, 70.22, 88.99 , 93.12, 94.99
Cultural exchanges	94.99	63.12, 85.52, 85.59, 90.02, 93.12, 93.29, 94.99

Housing management	68.20	68.20, 68.32, 70.22, 81.10, 81.29, 94.20, 94.99, 96.09, 98.20
Museums	91.02	74.90, 90.02, 90.03, 91.02, 94.11
Music, dance, theatre	90.01	59.14, 85.51, 85.52, 90.01, 90.02, 90.03, 90.04, 93.19, 93.29, 94.12, 94.99, 96.09
Support activities for music, dance and theatre	94.99	85.51, 85.52, 85.59, 90.01, 90.03, 93.29, 94.99, 96.09
Professional association or foundation	94.12	01.70, 47.19, 47.78, 62.01, 69.20, 72.20, 74.90, 85.59, 85.60, 90.01, 94.11, 94.12, 94.99, 96.09
Radio station	60.10	60.10, 94.99
Public health and health education	88.99	86.90, 88.99, 93.19, 94.99
Social protection	88.99	47.99, 82.20, 85.51, 85.59, 87.10, 88.99, 94.99, 96.09
Social sciences, sociological and political research	72.20	59.11, 68.20, 72.20, 94.12, 94.99
Sports association and sports federation	93.19	85.51, 93.11, 93.12, 93.19, 94.99, 96.04
Support activities for sports	94.99	85.51, 93.11, 93.12, 93.19, 94.12, 94.99
Sports center	93.11	93.11, 93.12, 93.13, 93.19, 93.29, 94.99, 96.09
Sports education	85.51	73.11, 85.51, 93.11, 93.12, 93.19
Sports club	93.12	85.51, 85.59, 90.03, 93.11, 93.12, 93.19, 93.29, 94.99, 96.04
Organisation of sporting events	93.19	85.51, 85.60, 88.91, 93.11, 93.12, 93.19, 93.29, 94.99
Folk art and intangible heritage	94.99	85.51, 85.52, 90.01, 90.02, 90.03, 93.29, 94.99, 96.09
History and humanities	94.99	85.52, 88.99, 91.03, 94.99
Environmental protection. Reduction and control of pollution	94.99	93.29, 94.99
Environmental awareness	94.99	68.20, 93.29, 94.99
Visual arts	94.99	85.52, 85.60, 88.99, 90.01, 90.02, 90.03, 93.29, 94.99
Science and technology	72.19	71.12, 72.19, 85.59, 94.12, 94.99

Source: Summary of the authors

ISSUE No 2: There are many NGOs which cannot identify their activities by any NACE code, therefore they choose NACE code 94.99 “Activities of other membership organisations n.e.c.” Main reasons:

- A large number of NGOs cannot reasonably find their NACE code, their activities correspond to the description of NACE 94.99;
- NGOs do not understand the nature of the NACE classification and are unable to find a NACE code corresponding to their activities on their own.

According to the information collected by Lursoft, more than 6500 NGOs have registered 94.99 “Activities of other membership organisations n.e.c.” as their NACE code. Looking at the field of activity indicated by these organisations, it can be concluded that NGOs with such a NACE code operate in almost all fields of activity of NGOs, which is visually represented also in Figure No. 5 “Diversity of NACE codes”.

A large number of these NGOs cannot reasonably find their NACE code, their activities correspond to the description of NACE 94.99; According to the description of this NACE code, “this class includes:

- activities of organisations (not directly affiliated to a political party) furthering a public cause or issue by means of public education, political influence, fund-raising etc.:

- citizens initiatives or protest movements;
- environmental protection and ecological movements;
- organisations supporting community and educational facilities n.e.c.
- organisations for the protection and betterment of special groups, e.g. ethnic and minority groups;
- associations for patriotic purposes, including war veterans' associations;
- consumer associations;
- automobile associations;
- associations for the purpose of social acquaintanceship such as rotary clubs, lodges etc.;
- associations of youth, young persons' associations, student associations, clubs and fraternities etc.;
- associations for the pursuit of a cultural or recreational activity or hobby (other than sports or games), e.g. poetry, literature and book clubs, historical clubs, gardening clubs, film and photo clubs, music and art clubs, craft and collectors' clubs, social clubs, carnival clubs etc.

This class also includes:

- grant giving activities by membership organisations or others”²⁹.

ISSUE No. 3: The NACE codes provided by NGOs give a false idea of NGO activities.

Main reason:

- NGOs use NACE codes that do not actually work, these NACE codes describe the membership organisations that are part of the organisation or partner organisations.
- The legal form of an NGO may be misused.

When analysing NACE codes declared by NGOs, it can be observed that in many cases NGOs have declared NACE codes that apply to economic activities which are not typical to the activities of NGOs. E.g. NACE 1920 “Manufacture of refined petroleum products”, NACE 2223 “Manufacture of plastic building blocks”. PROVIDUS experts selected 54 such atypical NACE codes and evaluated publicly available information about the relevant associations and foundations. As a result of the research, we came to the following conclusions:

- **Sometimes NACE codes used by NGOs do not correspond to the nature of the activities of associations and foundations, they describe the members of NGOs or the field of economic activity in which the member organisations operate.** For example, NACE 96.03 “Funeral and related activities” code is used by the Association of Undertakers. In its turn, NACE 0910 “Support activities for other mining and quarrying” is indicated for the activity of the Association of Biofuels and Bioenergy. NACE 96.02 “Hairdressing and other beauty treatment” has been declared by 7 NGOs and they are all industry associations - Hairdressing Association, Association of Manicurists. In most cases, such organisations do not specify the field of activity of the NGO and they do not have the PBO status.
- **NACE code - 85.31 “General secondary education” is used by NGOs designed to support educational institution**, typically school support associations, thus they have indicated a NACE code which does not apply to their activity.

²⁹ Description of NACE Rev. 2 code 94.99 “Activities of other membership organisations n.e.c.” is [available here: https://nace.lursoft.lv/?v=lv](https://nace.lursoft.lv/?v=lv)

- **NACE code 69.10 “Legal services” applies also to arbitration courts and companies that provide various legal services.** Perhaps, these NGOs would require a different legal form.

ISSUE No. 4: There is no single point or place where all available information on NGOs collected/gathered/analysed by public authorities converges.

Main reasons:

- The SRS, the Central Statistical Bureau and the Register of Enterprises of the Republic of Latvia maintain and compile various data on the NGO sector, storing them in their data systems;
- Some of the data on the NGO sector have been checked and verified, others have been declared by the NGOs themselves;
- There are problems with the exchange of information between institutions, it is delayed or not happening at all.

NACE codes declared by NGOs to public authorities and financial institutions are an important source of information that helps to better understand the activities, methods of operation and financial flows of NGOs. Within the framework of the study, the necessity/interest of the SRS³⁰ in NACE codes was identified, the Central Statistical Bureau requires them to draw up statistical reports³¹ and the financial sector³² requires them to analyse financial flows in the NGO sector.

In the process of preparing the study, in meeting with experts of the Central Statistical Bureau, it was found that:

- 1) The Central Statistical Bureau analyses various NGOs by selecting them according to their own, specially developed selection criteria.
- 2) In total, there are about 7000 associations and foundations in the data set and in-depth analysis is performed, the data is updated.³³
- 3) In the research process, all publicly available data on the organisation to be studied are identified.
- 4) In the event that the available information on NGOs is extensive (e.g. NGO has indicated its field of activity, declared its NACE code), the research is more objective and complete.
- 5) As a result of the research, the previously recorded NACE code may be corrected for the association or foundation, adapting it to the actual situation – the actual economic activity of the association or foundation. Thus, in fact, experts from the Central Statistical Bureau evaluate a certain number of NGOs, clarifying their data. As explained by the experts of the Central Statistical Bureau, the basis for determining the NACE code of the principal activity is the field of activity of the NGO declared in the Register of Enterprises of the Republic of Latvia and the NACE code corresponding to the field of activity (as specified in the Cabinet Regulations)³⁴.
- 6) In case the NGO has registered several fields of activity of NGOs, then the Central Statistical Bureau:
 - for newly registered NGOs: selects the field of activity of NGOs that corresponds with the NACE code declared to the SRS;

³⁰ On 10 February, 2021, PROVIDUS researchers met with representatives of the SRS – Ilze Borance and others, and the meeting took place in the ZOOM environment.

³¹ On 22 January, 2021 PROVIDUS researchers met with representatives of the Central Statistical Bureau – Sarmite Prole, Elita Orupa, Nadežda Orlova and others. The meeting took place on ZOOM.

³² On 4 February, 2021 PROVIDUS researchers participated in a discussion organised by the Ministry of Justice and financial institutions. The meeting took place on ZOOM.

³³ According to the information provided by the Central Statistical Bureau, organisations considered to be economically active are characterized by the following features - at least 2 employees and/or turnover of EUR 200. The information was provided at the request of PROVIDUS.

³⁴ The information was provided at the request of PROVIDUS. The information was provided by Sarmite Prole, Head of the Business Register Section of the Business Statistics Department of the Central Statistical Bureau.

- in case of change of the field of activity, analyses the NACE code previously registered to the Central Statistical Bureau and previously declared to the SRS, as well as other additional information available.
- 7) In cases where detailed information on the type of activity of NGOs is not available and/or the exact NACE code of the NGO's economic activity cannot be determined or the activity is highly fragmented by different sectors, the NACE code 94.99 "Activities of other membership organisations n.e.c." is attributed to the activity of the NGO.
- 8) The experts pointed out that not all information on changes made to the NACE codes of associations and foundations enters the EDS system, thus creating the risk that different NACE codes for economic activities of NGOs may be registered in different national registers.

In our meeting with representatives of the SRS, we concluded that:³⁵

- 1) NGOs, like other taxpayers, identify and declare their NACE code themselves, indicating it in the EDS,
- 2) The SRS does not check and/or make any changes or clarifications regarding the NACE codes indicated by the NGOs;
- 3) The EDS provides information on both the NACE code of the taxpayer's principal activity and the NACE codes of the ancillary activity may also be indicated. In addition, according to experts of the SRS, taxpayers often declare additional NACE codes for fields in which economic activity has not yet been commenced, the taxpayer only intends to start it.
- 4) Experts pointed out that associations and foundations tend to have several NACE codes.

Representatives of the financial sector pointed out³⁶ that linking the field of activity of NGOs to the NACE code is very important, since when analysing certain customer groups or fields, the NACE code is an essential data selection criterion for subsequent analysis and comparison of data against other NGO customers in the same field. The representatives of the banks emphasized that they use the NACE code of the association or foundation declared to the SRS and, in cases where the association or foundation has also registered its NACE code in the Register of Enterprises of the Republic of Latvia, it helps to understand the nature of the organisation and the specifics of its activities.

3.2. Register of public benefit organisations

Issue: The PBO register records fields of activity of PBOs that are not synchronised with the fields of activity of NGOs.

Main reasons:

- Names of the fields of PBOs are not synchronised with the names of the fields of activity of NGOs;
- PBO status may be granted to one of the activities of NGOs - the field of the activity of PBO may not coincide with the field of the principal activity of the NGO.
- PBO status is granted to such field of activity of NGO that is not specified as a field of activity of NGO in the Cabinet Regulations.

³⁵ On 10 February, 2021, PROVIDUS experts met with representatives of the State Revenue Service – Ilze Borance (Deputy Director of the SRS Tax Office) and other experts. The meeting took place on ZOOM.

³⁶ On 4 February, 2021 PROVIDUS researchers participated in a discussion organised by the Ministry of Justice and financial institutions. The meeting took place on ZOOM.

Since 1 April, 2004, the Law on Public Benefit Organisations has been in force. According to the law, the association or foundation³⁷ is entitled to acquire the PBO status, if it corresponds with the characteristics of a PBO. The Law identifies the fields that qualify as fields of public benefit, and NGOs operating in one or more fields of public benefit for significant benefit to society or any part of it are eligible for a public benefit status. According to the SRS, as of 1 December, 2020, 2309 non-governmental organisations (associations, foundations) had active public benefit organisation status.³⁸

When granting PBO status to an organisation, the SRS specifies in its decision the field of the public benefit activity or the fields due to which the association is granted this status.

Fields of public benefit activities listed in the Law:

- 1) charity,
- 2) protection of human rights and the rights of the individual,
- 3) development of civil society,
- 4) promotion of education,
- 5) promotion of science,
- 6) promotion of culture,
- 7) promotion of health,
- 8) disease prevention,
- 9) support activities for sports,
- 10) environmental protection,
- 11) assistance in the event of disasters and emergencies,
- 12) raising the social well-being of society, especially vulnerable and socially disadvantaged groups.

Analysing the actual situation, we found that:

- 1) there are situations where NGOs have not declared the field of activity in which it has received the PBO status. For example, PBO has been granted its status due to its activity in the field of charity, although the field of activity of the NGO registered in the Register of Enterprises of the Republic of Latvia is “8.1. Community and neighbourhood development”;
- 2) PBO descriptions (or names) are only partially consistent with the fields of activity of NGOs, e.g. field of activity of PBO is environmental protection, but similar (in meaning and by description) field of activity of NGO is “7.3. Nature protection”. A similar situation can be found in the field of activity of PBO - promotion of health, where Cabinet Regulations provide various other names of the fields of activity of NGOs: “5.1 Public health and health education”, “5.3. Other health-related activities”.
- 3) Some fields of PBO are not mentioned in the list of fields of activity of NGOs, for example, fields of activity of PBO - development of civil society, charity - are not mentioned as fields of activity of NGOs in the Cabinet Regulations, and the NGO actually working in this field cannot identify their activity as an NGO (they often choose to register their field of activity as “15. Association or foundation n.e.c.”).

3.3. Classifier of the field of activity of non-governmental organisations

Since 1 April 2016, NGOs may register their field of activity in the Register of Enterprises of the Republic of Latvia in accordance with Cabinet Regulation No. 779 “Regulations for Classification of Associations and

³⁷ Including religious organizations and their institutions.

³⁸ Written information provided by Ilze Borance, Deputy Director of the SRS Tax Office (e-mail of 18 December, 2020 in response to request for information by PROVIDUS).

Foundations”. Cabinet Regulations are based on Section 13 Paragraph Three of the Law on Associations and Foundations, namely, “When keeping the Register, associations and foundations are classified in conformity with the field of activity thereof. The classification of associations and foundations shall be determined by the Cabinet. ”

Identified issues:

Analysing the fields of activity of NGOs defined in the NGO classification rules, their list, descriptions, as well as analysing their practical application, the results obtained allow to draw the following main conclusions:

- 1) A small number of NGOs register their field of activity in the Register of Enterprises of the Republic of Latvia. Only 1/10 of the NGOs have registered their field of activity in the Register of Enterprises of the Republic of Latvia.**
- 2) A small number of NGOs register “Association or foundation n.e.c.” as their field of activity. This has been indicated as the only field of activity by 4% of NGOs that have chosen to indicate their field at all.**
- 3) Some organisations register a significant number of fields of activity of NGOs.**
- 4) It is not possible to identify the main fields of activity and fields of complementary activities of organisations in cases where NGOs have indicated several fields of activity.**
- 5) Other problematic aspects of NGO classification rules that could make it difficult for NGOs to accurately indicate their field of activity.**

The conclusions are based on the research of the information registered by NGOs carried out by PROVIDUS, which was compiled for the purposes of the research by Lursoft, as well as interviews with representatives of various involved parties – the Register of Enterprises, the State Revenue Service, the Central Statistical Bureau, the responsible ministries, as well as in the focus group with representatives of NGOs.

A slightly broader explanation and justification is given below for each of the identified issues.

ISSUE No. 1: Only a small part of the NGOs have registered their field of activity in the Register of Enterprises of the Republic of Latvia. Main reasons:

- Not all NGOs registered before 2016 are aware of the existence of such classification rules and the possibility for NGOs to indicate their field of activity;
- Registration of the field of activity is optional, there is no incentive to take additional actions to register it.

According to Lursoft data, only a small proportion of NGOs established before 2016 indicate their field of activity - of those founded in 2011, only 1% indicated their field of activity, in 2012 - 1%, in 2013 - 1%, in 2014 - 1% and in 2015 there is a slight increase - 4% of the organisations established in 2015 indicated their field of activity. A more significant increase can be observed only from 2016, when the NGO classification rules came into force, 32% of the NGO established that year have indicated the field of activity of their NGO.

Statistical data reasonably lead to the conclusion that the majority of Latvian NGOs do not have sufficient information, so there is a reason to believe that the classification rules for NGOs are currently not achieving their objective.

In focus groups with representatives of NGOs, organised for the purpose of the study, some representatives admitted that they were unaware of the NGO classification rules until they were invited to the focus group. Several others indicated that they were aware of these rules, but did not know whether their organisation had registered its field of activity at all and what it was. Organisations in general find it difficult to navigate between fields of activity of NGOs, fields of public benefit activity and NACE classification.

NGOs can register their field of activity in the Register of Enterprises of the Republic of Latvia³⁹, the requirements to register the field of activity is not mandatory, the organisation can decide whether to register its field of activity. Registration of the field of activity is carried out by the organization itself, the Register of Enterprises of the Republic of Latvia as the registration authority records the information, but it is not analysed and verified whether the organization has indicated the field of activity correctly.⁴⁰ As mentioned by the representative of the Register of Enterprises of the Republic of Latvia interviewed for the purposes of the study, there have been cases when, upon receipt of documents, notaries of the Register of Enterprises of the Republic of Latvia find that the organization has not chosen the correct field of activity of the NGO (it does not fully correspond to the objectives indicated by the organization, for example, it is indicated as a labour union, but it is obvious that the organization is not a labour union) or the indicated field of activity is not included in the Cabinet Regulations (the organization itself has invented the name of its field of activity)⁴¹. In such cases, the organization is asked to correct the inaccuracy, but such situations happen rarely. In general, the notary of the Register of Enterprises relies on the information that the association or foundation itself has provided in documents regarding its field of activity.

An association or foundation may register its field of activity in the Register of Enterprises by indicating its field of activity in the relevant section of the registration form. When registering a new association/foundation, in addition to other documents to be submitted, form B2 must be completed, where the field of activity is one of the sections that are not mandatory. An existing association may provide such information about itself at any time by completing form B3. The website of the Register of Enterprises of the Republic of Latvia contains an informative section on the fields of activity of NGOs, indicating the procedures by which an association and foundation may make an appropriate entry in the Register.

The NGO to be founded submits a certain number of documents to the Register of Enterprises (see Image No. 6). Among the mandatory documents, there is the B2 form, developed by the Register of Enterprises of the Republic of Latvia, that contains a section (Paragraph 5 of the form), where the NGO to be founded can specify its field of activity. It should be reminded that the indication of the field of activity of NGOs is not mandatory and not filling out Paragraph 5 of the form cannot cause any consequences - the refusal to register the new association or foundation.

³⁹ It follows from Section 15 of the Law on Associations and Foundations that several documents are submitted to the Register, including the information on “the objective of the association or foundation, and also the field of activity in conformity with the classification laid down by the Cabinet if the association or foundation applies the field of activity for entering or entering thereof is provided for in the law”.

⁴⁰ for example, the rights of the Register of Enterprises of the Republic of Latvia are set out in Section 17 of the Law on Associations and Foundations, and, among other things, there is no mention of an obligation to verify if the field of activity indicated by the association and foundation is correct

⁴¹ Meeting between PROVIDUS and representatives of the Register of Enterprises (including Lilita Strode), which took place on 9 February 2021. In ZOOM environment.

Figure No.6 “Documents to be submitted to the Register of Enterprises of the Republic of Latvia when establishing a new NGO”

Iesniedzamie dokumenti:

- ◆ Pieteikuma veidlapa B2
- ◆ Lēmums par dibināšanu
- ◆ Statūti
- ◆ Valdes locekļu rakstveida piekrišanas amata ieņemšanai
- ◆ Gadījumos, kad biedrību dibina ārvalstu juridiska persona, UR nepieciešams iesniegt attiecīgās valsts kompetentās iestādes izziņu par to, ka tāda juridiskā persona eksistē un ka personai, kura rīkojas kā šīs juridiskās personas likumiskais pārstāvis (parakstās vai pilnvaro personu, kas parakstās) ir tiesības rīkoties attiecīgās ārvalsts juridiskās personas vārdā.
- ◆ Kvīts vai tās kopija, vai internetbankas maksājuma izdrukā, vai informācija par valsts nodevas apmaksu

Source: Screenshot from the website of the Register of Enterprises of the Republic of Latvia

As can be seen from Figure No. 7, organisations other than employers organisations, associations of employers organisations and labour unions (these fields of activity must be indicated), NGOs wishing to declare their field of activity should enter it manually and there is no menu with classification of NGO associations and foundations with defined fields of activity, which significantly encumbers the provision of this information.

Figure No.7 “Section of form B2 of the Register of Enterprises of the Republic of Latvia, where a newly established NGO has the opportunity to specify its field of activity”

5. Darbības joma (aizpilda, ja tiesību subjekts piesaka darbības jomu ierakstīšanai biedrību un nodibinājumu reģistrā vai, ja darbības jomas ierakstīšanu biedrību un nodibinājumu reģistrā paredz likums)

Atzīmēt ar ☒

☐ darba devēju organizācija

☐ darba devēju organizāciju apvienība

☐ arodbiedrība

☐ cita

Source: Screenshot from the form of the Register of Enterprises of the Republic of Latvia

An existing NGO may register its field of activity or make changes to it without making any other changes to the documents. The procedure is laid down on the website of the Register of Enterprises of the Republic of Latvia and is quite simple. The NGO completes the form B3 by marking or inserting information on the new field of activity or changes in the field of activity in Paragraph 2.5 (Figure No. 8). Importantly, a

decision of the board of directors is sufficient to make such changes, no decision of the general meeting or other institution is required.⁴²

Figure No.8 “Section of form B3 of the Register of Enterprises of the Republic of Latvia, where an existing NGO can register its field of activity”

Source: Screenshot from section of form B3.

Evaluating the procedure for registering the fields of activity of NGOs in the Register of Enterprises of the Republic of Latvia, it can be concluded that the administrative procedures for registering the field of activity of NGOs or making changes are simple and understandable, although they could be improved. For example, the forms completed by NGOs to make changes (register or change the field of activity) are in PDF format or Word format, so without the possibility of automatically selecting the field of activity of NGO from a pre-prepared menu. By improving the forms, with the possibility to automatically select the field of the activity of the NGO, various risks would be mitigated, for example, the risk that the organization indicates its own version of a field as their field of activity instead of the field of activity of NGOs as provided in the Cabinet Regulation.

In order to improve the processes of exchange of information between public authorities and NGOs, it would be useful to consider the possibility for NGOs to declare and/or update the field of activity of their NGO by submitting the annual report to the SRS. Researchers believe that the most useful and convenient solution would be as follows:

- 1) taking into account the fact that the establishment of NGOs is registered in the Register of Enterprises of the Republic of Latvia, the initial field of activity of the NGO could be registered in the Register of Enterprises of the Republic of Latvia as before,
- 2) updating and changes in the field of activity of NGOs could be carried out by submitting up-to-date information to the SRS with the annual report.

Despite the solutions chosen, more detailed explanatory information is needed on the possibility for NGOs to indicate their field of activity, explaining the importance and modalities of application of this classifier.

ISSUE No. 3: NGOs register “Association or foundation n.e.c.” as their field of activity.

Main reasons:

- Some NGOs are unable to apply classification rules and find the most appropriate field of activity based on it;
- A number of NGOs operate in a field not covered by the NGO classification regulations.

One of the problems that prevents it from obtaining comprehensive information on the activities of NGOs in Latvia is the conclusion that NGOs are not able to find/identify their field of activity and therefore indicate “15. Association or foundation n.e.c.” as their field of activity, which causes a number of problems, including, increasing the NGO risk assessment in the financial sector.

The two most important reasons why organizations cannot provide more detailed information about themselves and choose these codes are: 1) difficulties in precisely applying the rules for classifying NGOs;

⁴² Information published on the website of the Register of Enterprises of the Republic of Latvia on the registration or change of the field of activity of the association: <https://www.ur.gov.lv/lv/registre/organizaciju/biedriba/izmainas/darbibas-jomas-pieteiksana-vai-maina/aizpildi-registracijas-veidlapu/> (accessed on 08.03.2021)

2) The classification rules for NGOs do not reflect several segments of the NGO's activities, i.e. the organisation cannot define a more precise field of activity as it is simply not included in the classification.

In order to understand the practice of applying the NGO classification rules and how accurately organizations have managed to identify their fields of activity, the authors of the study carried out the following tasks:

- A random sample of 60 organisations that have registered their field of activity (indicated 1/2/3 fields of activity) was selected (by using the random numbers generator random.org) and the authors of the study re-assessed the fields and compared the results with the fields indicated by the organisations themselves, analyzing the possible causes of discrepancies.
 - 96 organisations that have specified “Association or foundation not elsewhere classified”⁴³ as the only one of the fields of their activity were selected, and, on the basis of the publicly available information about the organisations (articles of association, annual report, publicly available information), an assessment was carried out to identify whether there is a suitable field of activity provided for in the regulations on NGO classification for the activities of these organisations.
 - 34 NGOs who have registered the largest number of fields of activity (10 or more) were selected and, on the basis of publicly available information, it was assessed whether the organisation's activities could be characterised by fewer fields of activity.
- 1) With the help of the survey of newly founded organisations (only organisations established after 2016, which did not indicate their fields of activity and whose e-mail was provided in the Lursoft databases were surveyed), the understanding of these organisations regarding the classifier of NGO fields of activity and the ability/interest to identify their field of activity have been clarified.

Analyzing publicly available information on organizations that have indicated “Association or foundation n.e.c.” as their field of activity, it can be concluded that most of the 96 organizations analyzed would be able to identify their field of activity or several fields of activity according to the rules of classification of NGOs. Obviously, organisations need more information – how to understand the classifier of NGO fields of activity and how the organisation itself can learn which fields of its activities are the most important and most accurately characterizes the objectives of the organization.

Of the 96 organisations studied in more depth, it would be difficult for 28 organisations to find an appropriate field of activity in the current regulations on the NGO classification: the organisations represent interest clubs, development of civil society, personal development and other fields not included in the classifier of NGO fields of activity.

As for other organisations, it is not possible to assess their fields of activity, because no additional information is found about the organisation, as well as some organisations have not been able to find a suitable field of activity due to obvious reasons, because their actual activity would correspond to a legal form other than an association or foundation.

Besides the fact that it is difficult for organizations to find the field of activity characterising the organization, the data collected by Lursoft show that a significant number of organizations want to register each field in which they operate, rather than one or two main fields that would characterize the overall purpose of the organization.

Data on the fields of activity registered by organisations in this group of organisations “Association or foundation n.e.c.” show that a number of organisations have applied this field to a specific category of their activities, while also registering a number of other fields included in the classification. In particular, of the 96 organisations studied in detail, 56 have identified “Association or foundation n.e.c.” as their only registered field of activity, while the other 40 organisations had identified it as one of many other fields

⁴³ Selection from all organisations that were active as of mid-December 2020 and that had submitted an annual report for 2019.

found in the classifier. Some organizations have specified 8-9 other fields of activity in addition to "Association or foundation n.e.c.".

For example, an NGO with a very extensive list of operational aims has registered "Association or foundation n.e.c." as its field activity and, at the same time, it has registered 9 other very different fields of activity: Education / Environmental protection / Pollution reduction and control / Social protection / Protection and sustainable use of natural resources / Sports association and sports federation / Philanthropy mediation / Sports club / Organisation of sports events / Sports centre. It is difficult to assess the field of activity of the organization based on such a list of registered fields.

Another example is an organization that has registered 4 field of activity, 3 of which are related to activities other than those listed in the classifier. The organisation has registered the following fields of activity: Other cultural activity/ Other amusement and recreation activities/ Association or foundation n.e.c. / Organisation of sports events. Also in such cases, it is impossible to get a clear picture of the main fields of activity of the organization.

As mentioned above, one of the reasons why organisations choose to indicate the field of activity "Association or foundation n.e.c." is due to the fact that **they cannot find an appropriate classification for their activities, since such NGOs are not included in the classification rules.**

Here the researchers found 2 other issues: 1) the field of activity of NGOs does not fully correspond to the areas provided for in the Cabinet of Ministers regulations (neither super-fields nor sub-fields); 2) NGOs operate in a field that has a larger, overarching field, but the detailed division of fields does not provide for a specific field of activity.

The following fields of activity that are not found in the classifier are repeated more often:

- associations whose field of activity is development of civil society (the closest fields of activity are "Protection of civil rights and human rights" and "Advocacy organisation");
- interest clubs/groups– or organizations that bring together individuals with similar interests, the purpose of which is to gather, to associate, but there are no advocacy goals. For example, hunting clubs, collectors of ancient things, horticultural associations, etc.
- charities for which charity is the principal activity rather than one of the methods of operation (e.g. Rotari clubs);
- organizations that provide different types of personal growth support, training, courses, classes, such as mindfulness centres, personality growth and development centres, etc.

In this situation, the classifier needs to be complemented by completely new fields of activity of NGOs, finding the correct "super-area" for them, such as:

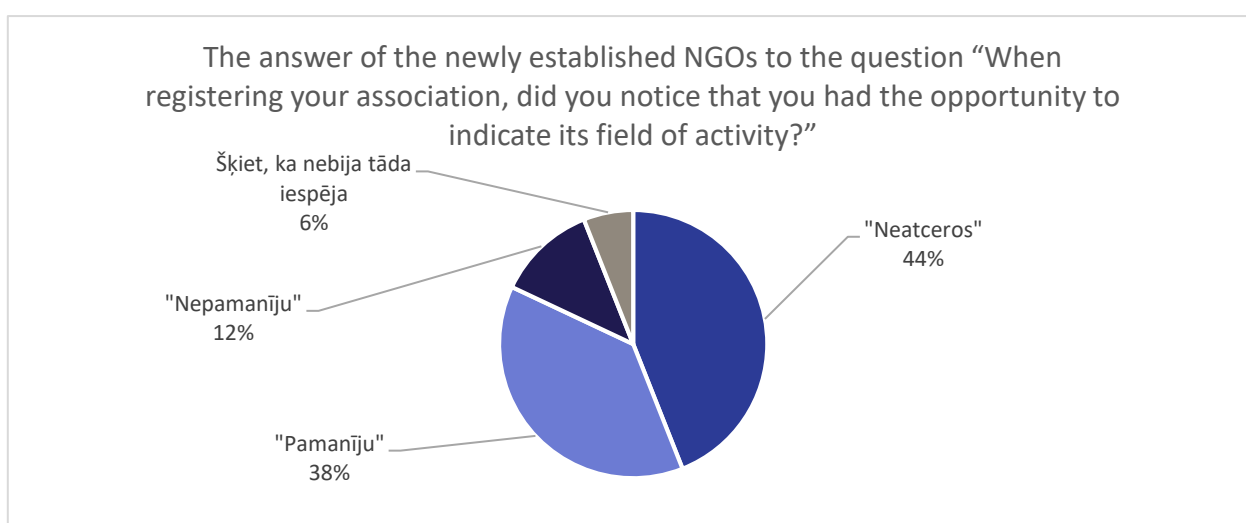
- "Interest groups" - these would be clubs, groups that unite individuals with similar interests, where the goal is to gather, to associated, without any advocacy goals, for example, hunting clubs, accountant clubs etc.
- "Civil society organisations" or NGOs, whose aim is to strengthen civil society by educating, informing and informing the public.
- "Mindfulness centres, personal development centres, personal development centres" or NGOs whose aim is to provide support for different types of personal growth;
- "Charity organisations" or NGOs whose aim is to carry out charity activities.

During the study, we concluded that there are NGOs whose activities fall within a super-field, but the division of sub-fields is highly exclusionary and they cannot reasonably identify the correct field of activity, for example:

- in the category “Media and communication”, which lists different communication platforms (TV channel, radio station, book publishing, etc.) as sub-fields, but no modern communication platforms are listed, for example, social media. There are organizations engaged in multimedia creation that do not have their field in this classifier.
- In the category “2. Culture and recreation”, the scope of activity of NGOs “cultural and historical heritage” is missing. This would serve as an intermediate field between “2.4. History and humanities” and “2.7. Folk art and intangible heritage”.

Analyzing the survey data on the ability of newly founded organizations to find the right field of activity, it was found that less than half of respondents had noticed that when the organization was founded it was possible to register or declare its field of activity at the Register of Enterprises of the Republic of Latvia.

Figure No. 8 “Experience of newly established NGOs in registering their field of activity in the Register of Enterprises”



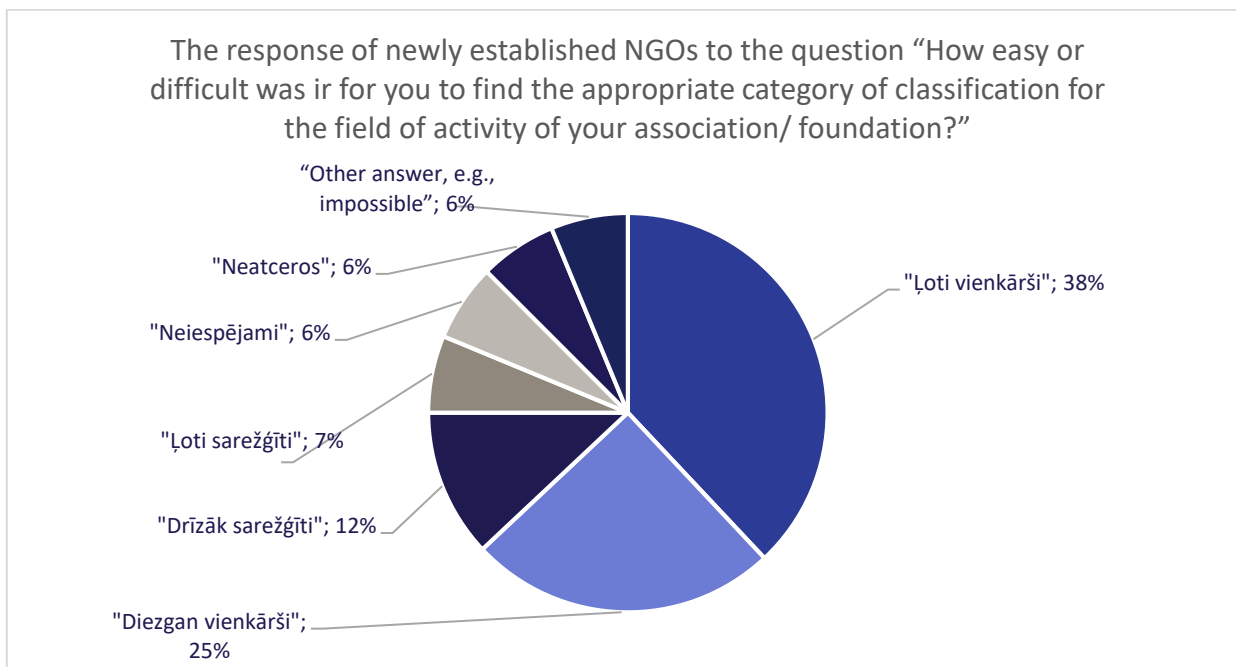
Source: Survey results

As in other cases, some newly established NGOs⁴⁴ had difficulty finding the right field of activity for their NGOs (Figure No.6), although most of the respondents indicated that finding the field of activity of the NGO had not been difficult.

Respondents to the survey were asked to identify their field of activity according to the 15 main field headings (provided in the Regulations for the Classification of Associations and Foundations) without going deeper into the 66 specific fields of activity, and were then asked about how easy it was for their organization to identify a correct field. Just over half of respondents said that the task was simple, but a significant proportion of responses indicate that some NGOs found it burdensome.

⁴⁴Within the framework of the research, a questionnaire was developed and those NGOs registered in the Register of Enterprises of the Republic of Latvia in the period from 2018, in 2019 and 2020 (which had not indicated their field of activity and had their e-mail addresses available on the Lursoft database) were surveyed. A total of 16 replies were received.

Figure No.9 “Ability of the newly established NGOs to identify the relevant field of activity”



Source: Survey results

ISSUE No. 4: Some organisations register a significant number of fields of activity of NGOs. Main reasons:

- Organisations are not required to indicate a limited number of fields of activity.
- NGOs have difficulty understanding the differences between the different fields described in the classification rules, so it is safer to identify a number of similar fields.
- The NGO classification rules identify fields of activity as activities that are considered to be methods of operation, thus, creating uncertainty for the organisations in the application of these rules.

There are no restrictions on organisations registering the field of NGOs, so the number of registered fields of activity can be very high. According to research data, for example, 44 associations and foundations have indicated more than 10 fields of activity of NGOs in the Register of Enterprises of the Republic of Latvia.⁴⁵

The more fields of activity the organisation has indicated, the more difficult it is to assess which of the fields of activity of NGOs is the principal business activity and which are complementary activities. Such prioritisation of fields of activity is not currently imposed by law. The main reasons for this relate not only to the difficulties of organisations in applying the classifier, but also to the shortcomings of the classifier itself, as well as to the perception of organisations that a larger number of fields of activity increase the ability of organisations to attract funding. It is also important to note that some organizations really work in several fields of activity, where it is not always possible to distinguish the main one.

Several items defined by the NGO classifier are overly fragmented, making it difficult to see the differences between them, so organisations choose to indicate all of them. Two examples from the

⁴⁵ It was not possible to compare these data with the data of the Register of Enterprises of the Republic of Latvia, as only one field of activity is indicated in the Open Data Portal of the Register of Enterprises of the Republic of Latvia.

classifier are shown in Table No.3 below. It is particularly pronounced that sports associations often indicate both fields of activity – sports club and sports centre, most likely because they are unable to see the differences between them. Such difficulties in applying the classifier have an impact on overall results - how accurately they provide information about organisations.

Table 3: “Most fragmented fields of activity in regulations on NGO classification”

<p>The classification category “Protection of environment and animals” has 7 fields of activity: Environmental protection. Pollution reduction and control/ Protection and sustainable use of natural resources/ Nature protection /Environmental awareness / Environmental clean-up / Animal protection and welfare / Veterinary services.</p> <p>Some areas of activity are further divided, such as environmental awareness and environmental clean-up, which have the following descriptions:</p>	
<p>7.4.Environmental awareness and environmental clean-up</p> <p>Associations and foundations that work to create and develop public environmental awareness and ethics, including implementation of environmental education programmes (including education for sustainable development, environmental science) and promote public participation in environmental and nature protection, as well as implement botanical gardens, horticulture (plant development, protection) programmes</p>	<p>7.5. Environmental clean-up</p> <p>Associations and foundations implementing cleaning, conservation and greening programmes of parks, green spaces and other public areas in cities and rural areas, promote public access to territories, organise public environmental clean-ups</p>
<p>In the category “Sports associations and foundations” the field of sports activity is divided into 6 fields of activity: Sports association and sports federation / Sports club / Sports centre / Organisation of sports events / Sports support / Sports education</p>	
<p>13.2. Sports club</p> <p>Associations and foundations in which natural and legal persons have joined together in order to pursue their interests in a particular sport and promote its development.</p>	<p>13.3 Sports centre</p> <p>Associations and foundations that ensure the course of sports activities, training and physical fitness. Also includes sports facilities, healthy and active lifestyle centres.</p>

Source: Information prepared by the authors of the study.

In the classification rules for NGOs, a number of defined fields of activity describe not the fields of activity of the organisations, but the methods to be used at work. The Cabinet Regulations specify a method to describe the field of activity of the NGO, for example, “3.2. TV channel”, “3.3. Publishing of books”, “3.4. Publishing of journals”, “3.5. Publishing of newspapers”, “3.6. Publishing of directories and mailing lists”, “3.7. Motion picture production”. As a rule, NGOs are not created for such purposes, what is listed here, is the means for achieving certain goals, but there is a comparatively small numbers of NGOs that indicate such a field of activity. This explains in a number of cases why a large number of fields of activity have been indicated. For example, organisations whose main activity is related to sports also indicate the field of activity “3.2. TV channel”. It would be necessary to review the fields defined by the classifier to exclude those that characterise the methods of operation. Moreover, all the above-mentioned methods of operation are to be selected according to a specific NACE code characterising the economic activity of the organisation, so that the conversion of the NGO's classification of field would not result in

the loss of the possibility of selecting organisations issuing journals, for example, by NACE code, as shown in Table No. 4.

Table No.4 “NACE codes corresponding to the methods of operation of the NGO classification rules”

Field of activity of NGOs according to Cabinet Regulations	NACE Rev. 2 code
3.1. Radio station	60.10 - Broadcasting of radio programmes
3.2. TV channel	60.20 - Television programming and broadcasting
3.3. Publishing of books	58.11 - Publishing of books
3.4. Publishing of journals	58.14 - Publishing of journals and periodicals
3.5. Publishing of newspapers	58.13 - Publishing of newspapers
3.6. Publishing of directories and mailing lists	58.12 - Publishing of directories and mailing lists
3.7. Motion picture production	59.11 - Motion picture, video and television programme production activities

Source: Information prepared by the authors of the study.

Similarly, a commonly registered field such as “advocacy” could be discussed, whether it is in essence a field of activity or one of the methods by which an organisation achieves its objectives. For example, advocacy is often referred to as a field of activity by organisations whose actual field of activity is “Housing management”, but this description of the field does not stipulate that it also covers the protection of the interests of those members and therefore the organisation indicates another field of activity, stating that it is an “Advocacy organisation”. In another example, a horticultural society states that its field of activity is “9.2. Activities of an advocacy organisation”, but it is clear that the primary field of activity of this organisation is related to the interests of horticulture.

An analysis of the descriptions of the fields of activity of the NGO classification and the fields of activity registered by NGOs shows that these classification rules would give a clearer picture of the NGO sector if they were able to identify the main target groups of the organisation separately, provided that the organisation can distinguish them.

This problem is particularly pronounced in cases where organisations work with young people as a core audience. There are a significant number of NGOs whose main activity is sports, culture, community development, but the main target group is young people – young people who are involved in sporting activities, cultural activities or the activation of the local community, and these organisations tend to indicate both the relevant field and the field – “11.1. Youth association or foundation”. Therefore, in many cases, the registration of the field of activity will not give a clear picture of the field in which the organisations concerned actually work.

It should be noted that the field “11.1. Youth association or foundation” is formulated very restrictively, a similar approach has not been applied in any other description of the field of activity, i.e. the field of activity is considered applicable only to associations and foundations:

- aimed at promoting young people's initiatives and participation in decision-making and public life.
- who perform youth work, the operational tasks specified in the articles of association of the organisation conform to at least three basic tasks specified in Section 2.1 Paragraph Three of the Youth Law.
- at least two thirds of the members of the association or foundation are children and youth or several associations or foundations where at least two thirds of the total members are children and youth;

- participation of young people is ensured in the board of directors of associations or foundations, and the procedures for such participation are laid down in the articles of association of the association or foundation.

An analysis of enforcement practices shows that some organisations interpret this scope more freely without going into whether they meet the qualifying characteristics contained in the description of the field, while some organisations adhere to it strictly, i.e. their main target audience is young people, but the organisation does not indicate this field of activity.

The different interpretations of the description of the field of activity, as well as the content of the description itself of the fields of activity may make it difficult to apply the NGO classification rules correctly, nor do they provide a clear common description of the NGO sector.

ISSUE No. 5: It is not possible to identify the main fields of activity and fields of complementary activities of NGOs in cases where organisations have indicated several fields of activity.

- A large number of organisations would have difficulty identifying only one field of activity, as their activities are varied, with a number of important categories of activity.
- Some of the organizations indicate all possible fields of activity in which they actually operate or where their operation is only episodic or hypothetic.

As a result of the research, we concluded that only associations and foundations that have one clear field of activity, such as housing management or firefighting association, have the possibility to identify one field of activity by classifying it accordingly. Oftentimes organisations rightly need to mark a number of fields of activity because the organisation's activities are highly fragmented or the organisation is a multidisciplinary organisation, its objectives are related to cross-sectoral issues.

As part of the study, 36 NGOs were selected that have reported 10 or more fields of activity and an analysis was carried out on whether it would be possible to reduce the number of these fields by highlighting the main fields of activity. For this purpose, the statutes of the organisations and publicly available information were analysed. Researchers estimate that around 2/3 of the organisations would be able to reduce the number of the registered fields of activity, if they had been given some methodological support to assess which of the fields most accurately characterise the organisation's activities.

The most common reasons for specifying many fields are:

- misunderstood meaning of the field of activity. Among the most frequently misunderstood fields, the leader is “Development cooperation”, which is applied by organizations completely unrelated to the description of this field, referring to personal development, economic development, mutual cooperation, etc.
- The activities of several organisations are based specifically on cross-sectoral issues, which make it difficult for them to limit their scope to one or two fields.
- A significant number of organisations operating in a given field and essentially engaged in community and neighbourhood development (field of the NGO Classification regulations), have chosen not to mark this one field, but to list a number of other fields of activity that the organisations tend engage in within this main field - organising sporting or cultural events, cleaning up the environment, etc. Namely, they list the methods of operation rather than register a field of activity. In the focus group, NGOs active in this field indicated that the description of the field of activity should be slightly broader, including the development of the area.
- Some stakeholders have indicated during the study that organisations often choose to register more fields of activity, as this will provide an opportunity to attract funding.

In order for the classifier of NGO fields of activity to achieve its objective of obtaining an overview of the NGO sector as a whole or by one of its fields, it is important that the number of registered fields indicated by one NGO is not too high. In cases where organizations indicate 10 or more fields of activity, the purpose of the classifier is not achieved, it is not clear in which field the organization operates.

4. Foreign experience

As part of the study, 3 different models were considered for the collection and classification of data on NGOs. Lithuania's experience and practices were discussed, the situation in Estonia was reviewed and an in-depth study was carried out on the UN recommendations for the classification of NGOs.

4.1. Classification of NGOs in Lithuania

Main features of the situation in Lithuania:

- 1) **“non-governmental organisation” is a special status. Not all associations or foundations are non-governmental organisations.**
- 2) **Lithuanian associations and foundations must indicate their field of activity on the basis of the NACE classification.**
- 3) **Lithuania does not have any other system in place to classify or list the fields of activity of NGOs.**

In accordance with the Lithuanian Law “On the Development of Non-Governmental Organisations” (adopted in 2013, but substantially amended in December 2019), a non-governmental organisation is a public legal person that is independent of state, local government institutions and agencies, which is voluntarily established to benefit society or its group, the purpose of which is not to fight for political power⁴⁶ or achieve purely religious objectives. For example, associations founded by the State are not considered to be non-governmental organisations. The special status of NGOs in Lithuania was created in order to ensure that these organisations were not subject to the strict requirements of the Open Lobbying Act.

In Lithuania, the following organisations are not considered non-governmental organisations:

- 1) Legal persons where more than one third of the participants are legal persons (except other non-governmental organisations, religious communities or associations);
- 2) Legal persons the members of which are legal persons (except other non-governmental organisations, religious communities or associations) and which hold more than one third of the votes in the general assembly of members;
- 3) Political parties;
- 4) Labour unions, employers organisations and their confederations;
- 5) Organisations to which the attendance of certain professions is compulsory;
- 6) Horticulturists associations, associations of owners of apartment blocks and other buildings, as well as associations set up to manage immovable property;
- 7) Social families;
- 8) Permanent arbitration courts (arbitration bodies).

In Lithuania, two main types of NGOs are recognised:

- Non-governmental organisations of mutual benefit (those organisations whose activities benefit only their members);

⁴⁶ Lithuania's legal framework for non-governmental organisations is available here <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/981e2c43682e11eaa02cacf2a861120c?jfwid=bj9qo1ic1>

- Non-governmental organisations of public benefit (those organisations whose activities benefit not only their members but also the public);

The difference between the two types of NGOs is not consistent, as the NGO regulatory framework dates back to different times (public benefit status was granted even before a special NGO status was introduced). For example, some public benefit organisations do not have this special NGO status at all.

When applying for the registration of new organisations, Lithuanian associations and foundations must indicate their field of activity on the basis of the NACE classification. Many organisations use the general NGO classification code ("Activities of membership organisations n.e.c."), making it difficult to obtain statistical data on the fields of activity of NGOs. Lithuania does not have any other system in place to classify NGOs. At the same time, Lithuania has strong thematic NGO umbrella organisations (e.g. association of educational organisations, association of human rights organisations, association of poverty alleviation organisations) who are well versed in what their members are doing.

In specific situations, the Lithuanian government applies the rules for the allocation of NGOs specifically suited to the situation. For example, government support for organisations during Covid-19 depended on whether NGOs were considered small or large. Small organisations (budget below EUR 30 000) could receive up to EUR 1 000 in aid and large organisations up to EUR 5 000.

4.2. Classification of NGOs in Estonia

Main features of the situation in Estonia:

- Estonia uses a national classification system based on NACE to classify NGOs. This system is called EMTAK (Classification of Economic Activities in Estonia).
- NGOs may indicate an EMTAK code according to the purpose of the organisation's activities or the main economic activity of the organisation.
- An EMTAK helpdesk (a dedicated department in the Estonian Centre for Registers and Information Systems) has been set up to help NGOs find the most suitable EMTAK code

Estonia uses a national classification system based on NACE to classify NGOs.⁴⁷ This system is called EMTAK (Classification of Economic Activities in Estonia)⁴⁸. EMTAK is a 5-level classification system where the first four levels correspond to the NACE classification, while the fifth level is linked to the specificities of the Estonian economy. NGOs also use this classification system to find the most appropriate code for the field of activity of NGOs, (1) based on economic activity or (2) based on the operational purpose of the NGO concerned.

EMTAK divides the NACE code 94.99 (Activities of other membership organisations n.e.c.) into 8 subdivisions:

- **94991 Protection of civil rights, protection of special groups** (e.g. organisations promoting civic initiative and protest movements, organisations for resocialisation of convicts, minority protection organisations, pensioners associations, associations of illegally repressed persons, organisations with patriotic aims, war veterans associations, consumer advocacy associations).

⁴⁷ Estonian Non-Profit Associations Law: <https://www.riigiteataja.ee/en/eli/510042014003/consolide>

⁴⁸ EMTAK search system in Estonian Centre for Registers and Information Systems
<https://emtak.rik.ee/EMTAK/pages/klassifikaatorOtsing.aspx>

- **94992 Associations and foundations for the development and support of local/regional life** (associations promoting rural life, women's movements and organisations, village movements and associations, associations supporting local development).
- **94993 Youth and children's associations, as well as associations promoting the well-being of young people and children** (various youth associations, student associations - such as student councils, corporations, scout organisations, associations for the protection of the rights of the child, associations of orphans and children in orphanages).
- **94994 Ethnic minority organisations, cultural organisations, people's twinning organisations** (associations for the protection of minorities and the improvement of living conditions, minority cultural associations, associations supporting the promotion of minority culture).
- **94995 Recreational, entertainment, cultural activities, hobby associations and social clubs** (educational promotion societies, associations pursuing a cultural or recreational activity or hobby [excluding sports and games], film and photo clubs, music and art clubs, craft and collectors clubs, social clubs, carnival clubs, automobile associations, Rotari clubs, Lion clubs, lodges, etc.)
- **94996 Environmental and nature conservation associations** (environmental organisations and their associations and movements, nature conservation organisations, livestock breeders organisations, animal protection organisations, organisations promoting the protection of the environment, nature and natural resources).
- **94997 Associations and societies of people with disabilities** (associations and societies of people suffering from occupational or chronic diseases, associations and societies of people with physical or mental disabilities, associations and societies of parents of children with disabilities).
- **94999 Activities of other organisations** (organisations promoting certain lifestyles such as healthy eating and lifestyle, sober societies, nudists, lesbian, gay associations).

NGOs can also choose other EMTAC codes, such as:

- 94129 - professional organisations (for example, such organisations whose interests of association focus on a specific field, occupation or technical sector - for example, establishment of standards of good practice of natural scientists, sociologists, doctors, lawyers, accountants, engineers, other associations; likewise they deal with the development of good practice of the professional organisations included in this category, their representation in government institutions, public relations).
- 9312 - sports clubs
- Any of the 900 (codes for creative, artistic and entertainment activities)
- 8899 (charitable activities)

When registering a new organisation, the Estonian Non-Profit Association Law requires that its “planned main activity” is indicated, as well as that the Register and Information Systems Centre must be informed of any changes to such principal activity. For this purpose, the EMTAK system is used. Exception: religious organisations, political parties and housing associations do not have to indicate their planned principal activity. Estonian NGOs can also register other types of activity, indicate up to 10 fields of activity in their annual reports, but they must highlight one as a priority field of activity.

NGOs can choose to indicate an EMTAK code according to the purpose of the organisation's activities or the main economic activity of the organisation. If an organisation has no economic activity (e.g. it has just been registered), it will classify itself according to the purpose of the NGO's activities. When submitting the annual report, information on the main activity of the reporting year should be based on the activity to which the most working hours were devoted or for which the most resources were used (in the reference year).

Hypothetical example: The NGO Georgian Cultural Society, with the aim of bringing together Georgians living in Estonian. It can pursue the specific objective of the NGOs through a wide range of economic activities (e.g. media, restauranting, sporting events, etc.). NGOs can select EMTAK code according to the following principles : 1) select the EMTAK code, which most closely describes the basic objective of NGOs to promote cultural exchange, bring together Georgians living in Estonia, or 2) select the EMTAK code, which describes its core economic activity (e.g. organising events). As a general rule, a newly established NGO will select an EMTAK code that describes its purpose, in this situation the EMTAK code will be 94994 (ethnic minority organisations, cultural organisations, people's twinning organisations). Within the framework of the financial year, this organization, by holding several events - meetings and labour fairs, can also declare another EMTAK code based on its economic activities. If we look at the activity of this NGO, its activity code is NACE 82.30 (organisation of meetings and labour fairs), where the Estonian EMTAK classification system offers a more specific code EMTAK 82301 (applicable to organisation, advertising, servicing of conferences and meetings; consultations in organisation of events, provision of technical equipment, etc.).

If necessary, the EMTAK helpdesk (a dedicated department in the Estonian Centre for Registers and Information Systems) will help the organization to find the most appropriate EMTAK code. Most users will easily find the code they need themselves, as the search engine includes options to find the keyword they need by synonyms, lemma recognizer, as well as links to other classifications and systems. For example, one of these classifications is TTK2015, which is based on CPA 2.1 of the Central Statistical Office of the European Union (Eurostat) (statistical classification of goods by economic activity)⁴⁹.

Both the employee of the Estonian Centre for Registers and Information Systems interviewed for this study and the director of the Estonian NGO Network acknowledged that finding the appropriate code is very simple. These codes are mostly used for statistical purposes in Estonia, with little impact on the activities of NGOs – i.e. NGOs themselves perceive this as a small bureaucratic job.

If the annual reporting system presents the existing EMTAK code (from the previous year's report) to Estonian companies, this is not the case for NGOs. NGOs will need to search again for the most appropriate EMTAK code. Annual accounts may be submitted electronically or through a notary. The organisation faces a penalty for not submitting an annual report.

In theory, there is a possibility that NGOs and the Estonian Statistical Agency have opposing views on the most correct code. In some cases, the Statistical Agency will contact the Centre for Registers and Information Systems to point out a problem in the context of an NGO. The Centre may then contact the organisation concerned and ask them to change their code. NGOs may listen to or ignore this request. In any case, the Statistical Agency will classify the NGO concerned as required for statistical purposes. The Statistical Agency may also communicate with NGOs without involving the Centre for Registers and Information Systems.

⁴⁹ 94.99.11 Services provided by human rights organisations; 94.99.12 Services provided by environmental activist groups; 94.99.13 Special group protection services; 94.99.14 Other public re-education and assistance services; 94.99.15 Services provided by youth associations; 94.99.16 Services provided by cultural and recreational associations; 94.99.17 Services provided by other public and social organisations; 94.99.19 Other service activities n.e.c.

4.3. UN recommendations for the classification of NGOs: ICPNO and ICPN/TSO

Main features:

- 1) Compared to companies, the NGO sector is less transparent, because when collecting statistics, correct information about economic activities in a particular country, where entrepreneurs, not NGOs, are the main players, is of particular concern.
- 2) In 2003, the UN recognized a new classification system - ICNPO (International Classification of Non-Profit Organizations), which is also the basis for the establishment of the Latvian NGO classification system;
- 3) In 2018, the ICNPO system was amended to replace it with the “International Classification of Non-Profit and Third Sector Organisations” (ICNP/TSO);
- 4) The new classification system (ICPNO/TSO) has been integrated with ISIC Rev.4 (on the basis of which NACE classification has been established in the European Union).
- 5) The new classification system (ICPNO/TSO) provides for the division of NGO activities into 12 fields and differentiates more than 100 specific activity codes.

Compared to companies, the NGO sector is less transparent, because when collecting statistics, correct information about economic activities in a particular country, where entrepreneurs, not NGOs, are the main players, is of particular concern. Consequently, the classification categories introduced are well suited to identifying the different lines of business, but very poorly suited to identify and characterise the sector of non-profit organisations.

In 2003, the Center for Civil Society Studies at Johns Hopkins University in the USA launched the Comparative Nonprofit Sector Project (CNP), where researchers from different countries developed a methodology to compare non-profit organizations from different countries. In 2003, this system was also recognised by the UN Statistics Division, inviting not only researchers but also national statistical agencies to use this new classification⁵⁰. This project and the developed classification brought a breath of fresh air to the collection and processing of data, allowing to identify information about a not very well studied field – the sector of non-profit organisations.

The new classification system became known by the acronym ICNPO (International Classification of Non-Profit Organizations). This system has been widely used by many countries, having a deeper insight into the non-profit sector⁵¹. In 2005, researcher Linda Curika recommended using this system when building the Classification System of Latvian NGOs⁵², which was also done in creating regulations of the Cabinet of Ministers, regarding the classification of NGOs. At the same time, significant local adjustments were made in these Cabinet Regulations. A comparison of the ICNPO classification and the classification of Latvian associations and foundations can be seen in the table below.

⁵⁰ See Handbook on Non-Profit Institutions in the System of National Accounts, United Nations publication, 2003
https://unstats.un.org/unsd/publication/seriesf/seriesf_91e.pdf

⁵¹ Satellite Account on Non-profit and Related Institutions and Volunteer Work, United Nations Department of Economic and Social Affairs Statistics Division (2018). Series F, No.91, Rev.1, p.66.
https://unstats.un.org/unsd/nationalaccount/docs/UN_TSE_HB_FNL_web.pdf

⁵² See Curika, Linda (2005). NGO statistics and classification. Research available at: <http://providus.lv/article/nvo-statistika-un-klasifikacija-2005-gads>

Table No. 6 “Comparison of ICPNO and Latvian classification of associations and foundations”

Note: The full classification table of the ICNPO with all explanations can be viewed on pages 93 to 97 of the handbook prepared by the UN⁵³.

Fields of activity of NGOs	Fields of activity of NGOs in the ICNPO system	Fields of activity of NGOs specified in Cabinet Regulations
Group 1 Culture and recreation	<p>1 100 Culture and arts</p> <p>1 200 Sports</p>	<p>The field of culture is divided into 9 different categories:</p> <ul style="list-style-type: none"> 2.1. Visual arts 2.2. Design 2.3. Architecture and restoration 2.4. History and humanities 2.5. Music, dance, theatre 2.6. Support activities for music, dance and theatre 2.7. Folk art and intangible heritage 2.8. Museums 2.10. Other cultural activity <p>Latvia has created a special field called "Media and Communication" (ICPNO would classify it under "culture and art"), including 8 categories:</p> <ul style="list-style-type: none"> 3.1. Radio station 3.2. TV channel 3.3. Publishing of books 3.4. Publishing of journals 3.5. Publishing of newspapers 3.6. Publishing of directories and mailing lists 3.7. Motion picture production 3.8. Library operation. <p>The field of sports in Latvia is divided into six categories:</p> <ul style="list-style-type: none"> 13.1. Sports association and sports federation 13.2. Sports club 13.3 Sports center 13.4. Organisation of sporting events 13.5. Support activities for sports 13.6. Sports education <p>In Latvia there is a similar line of activity:</p> <ul style="list-style-type: none"> 2.9. Other amusement and recreation activities

⁵³ Handbook on Non-Profit Institutions in the System of National Accounts, United Nations publication, 2003, p. 93-97. https://unstats.un.org/unsd/publication/seriesf/seriesf_91e.pdf

	1 300 Other recreation and social clubs	No line of action has been distinguished at all, which corresponds to social clubs (e.g. Rotari, Lions, etc.)
Group 2 Education and research	2 100 Primary and secondary education 2 200 Higher education 2 300 Other education 2 400 Research	In Latvia, all education is compiled under a single category: 4.4. Education On the other hand, three categories have been distinguished for research: 4.1. Social sciences, sociological and political research 4.2. Medical research 4.3. Science and technology
Group 3 Health	3 100 Hospitals and rehabilitation 3 200 Nursing homes 3 300 Mental health and crisis intervention 3 400 Other health services	There is no category for hospitals in Latvia, but there is one for rehabilitation: 3.2. Rehabilitation There are no specific categories for nursing homes and mental health, but there is one general category: 3.1. Public health and health education 3.3. Other health-related activities
Group 4 Social services	4 100 Social services 4 200 Emergencies and emergency support 4 300 Income and material support	Latvia has distinguished one comprehensive category: 6.2. Social protection In addition, Latvia has distinguished the following as special categories: 6.3. Gender equality 6.4. Support activities for families and children
Group 5 Environment	5 100 Environment 5 200 Animal protection	Latvia has distinguished 5 separate lines of action in the field of the environment: 7.1. Environmental protection. Reduction and control of pollution 7.2. Protection and sustainable use of natural resources 7.3. Nature protection 7.4. Environmental awareness 7.5. Clean up the environment In the field of animal protection, Latvia has established two categories of action: 7.6. Protection and welfare of animals 7.7. Veterinary services
Group 6 Development and housing	6 100 Economic, social and community development	Latvia has distinguished two different categories:

	<p>6 200 Housing</p> <p>6 300 Employment and training</p>	<p>8.1. Community and neighbourhood development</p> <p>8.2. Economic development</p> <p>8.3. Housing management</p> <p>6.1. Promoting employment (in Latvia this category has been added to the social field and not to the field of development)</p>
Group 7 Rights, advocacy, politics	<p>7 100 Civil and advocacy organisations</p> <p>7 200 Law and legal services</p> <p>7 300 Political organisation</p>	<p>Latvia has distinguished two separate categories:</p> <p>9.1. Protection of civil rights and human rights</p> <p>9.2. Activities of advocacy organisations</p> <p>References to the fact that “civic organisations” also include organisations promoting citizenship (civic responsibility) have disappeared in the description of these categories.</p> <p>Latvia has distinguished five different categories of activity of organizations:</p> <p>9.3. Legal assistance</p> <p>9.4. Consumer protection</p> <p>9.5. Crime prevention</p> <p>9.6. Support activities for victims of crime</p> <p>9.7. Rehabilitation of offenders.</p> <p>Latvia does not have an analogous category of NGO activity.</p>
Group 8 Organisations for philanthropy mediation and voluntarism	<p>8 100 Grant foundations</p> <p>8 200 Other philanthropic intermediaries and voluntarism promotion</p>	<p>10.1. Philanthropy mediation</p> <p>10.2. Promoting volunteering</p>
Group 9 International activities	9 100 International activities	<p>Latvia has divided this field into 5 categories (some of these categories are described by ICPNO as examples of organizations):</p> <p>14.1 Cultural exchanges</p> <p>14.2. Development cooperation</p> <p>14.3. International disaster relief and assistance</p> <p>14.4. International provision of disaster assistance</p> <p>14.5. International human rights and peacekeeping</p>
Group 10 Religious organisations	10 100 Religious congregations and societies	There is no analogue category for NGOs in Latvia

Group 11 Business and professional associations, their associations	11 100 Business associations	Latvia has put forward two separate categories of work, which together are narrower than the ICPNO code, i.e. do not cover, for example, associations of specific economic sectors – for example, industrial associations, farmers associations: 1.1. Employers organisations 1.2. Association of employers organisations 1.3. Professional association or foundation 1.3. Labour union
	11 200 Professional associations	
	11 300 Labour unions	
Group 12 N.e.c.	12. N.e.c.	15.1. Association or foundation n.e.c.
		Latvia has established a separate category “Youth association or foundation”: 11.1 Youth association or foundation (ICPNO includes it in the category 4 100 Social services)
		Latvia has created a separate category “Voluntary firefighters organizations”: 12.1. Voluntary firefighters' organisation

Source: Information prepared by the authors of the study.

In 2018, the UN Statistics Division decided to amend the ICNPO system to replace it with the “International Classification of Non-Profit and Third Sector Organisations” (ICNP/TSO). These changes were motivated by several reasons:

- the need to take a broader view of non-profit institutions than was done in 2008, including organisations similar to non-governmental organisations, as well as volunteering. Part of the reason: the discussions that are characteristic of our time among statisticians and politicians - that statistics also need to assess trends in human well-being, not just gross domestic product⁵⁴.
- the need to incorporate the recommendations found in other international economic accounting standards;
- the experience of countries that had sought to classify non-profit organisations according to ICPNO. For example, in the 90s, when the previous system was created, non-profit organizations were rarely found in areas such as manufacturing, agriculture, trade, finance – thus, the ICPNO classification classified such non-profit organisations in Group 12 (organisations n.e.c.): “However, recent studies have shown that there is a significant proportion of non-profit organisations in these sectors. Secondly, a new type of non-profit organisation has emerged, such as microfinance providers, as well as social enterprises offering employment opportunities to disadvantaged groups.”⁵⁵

⁵⁴ Satellite Account on Non-profit and Related Institutions and Volunteer Work, United Nations Department of Economic and Social Affairs Statistics Division (2018). Series F, No.91, Rev.1, p.iii.

https://unstats.un.org/unsd/nationalaccount/docs/UN_TSE_HB_FNL_web.pdf

⁵⁵ Satellite Account on Non-profit and Related Institutions and Volunteer Work, United Nations Department of Economic and Social Affairs Statistics Division (2018). Series F, No.91, Rev.1, p.67,

https://unstats.un.org/unsd/nationalaccount/docs/UN_TSE_HB_FNL_web.pdf

- similarly, in some ICPNO groups, such as international organisations, revealed a negligible presence of organisations, so there was no point in maintaining them.

Consequently, the new classification system ICPN/TSO looks at the non-profit sector broadly as a tertiary, voluntary, non-profit, social economy or independent sector. This category includes not only ordinary associations and foundations, but it has also been extended to include certain types of cooperatives, social enterprises, benefit corporations, as well as voluntary work carried out outside formal organisations.

At the same time, these organizations must meet the following five criteria⁵⁶:

- 1) They must be organisations (i.e. institutionalised to some extent);
- 2) Their ability to distribute any profits (members, directors, investors) must be either entirely (for non-profit organisations) or significantly (for cooperatives, mutual societies, social enterprises) limited;
- 3) They must manage themselves;
- 4) They must involve people voluntarily;
- 5) They must be private (without the control of public authorities).

Similarly, the non-profit sector also includes all unpaid activities carried out directly or through the non-profit sector by someone without a coercive element and for the benefit of others (excluding members of their household or their immediate family).

A serious advantage of the ICPNO/TSO classification: it is integrated with ISIC Rev.4⁵⁷ (on the basis of which NACE classification is established in the European Union), which means that it allows the non-profit sector to be compared with other sectors, as well as international comparisons.

Table No. 7 International Classification of Non-profit and Third Sector Organizations (ICNP/TSO (December 2017))

Section	Group	Subgroup	Name	Notes
Section A: Culture, communication and recreational activities				ICNPO Group 1
	A10		Culture and arts	
		A11	Performing and visual arts	Includes theatres, galleries, music halls, dance studios, agencies promoting arts, etc
		A12	Museums, zoos, parks, historical sites and similar institutions	Excludes libraries (classified as A30) and natural reserves (classified as E10)
		A19	Culture and arts not elsewhere classified	
	A20		Sports and recreation	
		A21	Sports activities	Includes amateur sports associations, agencies promoting sports, etc.

⁵⁶ Satellite Account on Non-profit and Related Institutions and Volunteer Work, United Nations Department of Economic and Social Affairs Statistics Division (2018). Series F, No.91, Rev.1, p.15, https://unstats.un.org/unsd/nationalaccount/docs/UN_TSE_HB_FNL_web.pdf

⁵⁷The table can be seen in Satellite Account on Non-profit and Related Institutions and Volunteer Work, United Nations Department of Economic and Social Affairs Statistics Division (2018). Series F, No.91, Rev.1, p.78.-80 https://unstats.un.org/unsd/nationalaccount/docs/UN_TSE_HB_FNL_web.pdf

		A22	Amusement and recreation services	Includes recreational facilities, but excludes member-serving organizations and social clubs (G13)
		A29	Sports and recreation not elsewhere classified	
	A30		Information and communication services	Includes broadcasting, publishing, libraries, media centres, etc.
	A90		Culture and arts services not elsewhere classified	
Section B. Educational services				ICNPO Group 2 (except research, now classified as K10))
	B10		Pre-primary, primary and secondary education	
		B11	Pre-primary education	
		B12	Primary education	Includes institutions providing basic academic courses for very young children (kindergartens and elementary schools)
		B13	Secondary education	Includes institutions providing academic courses typically for adolescents who have completed primary education
		B19	Primary and secondary education not elsewhere classified	
	B20		Higher education	Includes institutions providing advanced academic courses for students who have completed secondary education
		B21	Colleges and universities	Includes institutions offering four or more years of academic courses leading to an academic degree
		B29	Higher education not elsewhere classified	Includes community colleges and similar institutions not qualifying as B21
	B30		Other education	
Section C. Human Health Services				ICNPO Group 3
	C10		Ambulatory health services	
		C11	General ambulatory health-care services	Includes institutions providing general health-care services
		C12	Specialized outpatient care centres	Includes family planning, mental health or substance abuse treatment, rehabilitation, etc
		C13	Emergency medical response	Includes ambulance services, Red Cross, Doctors Without Borders, etc.
		C14	Medical and diagnostic laboratories	Includes testing labs, kidney dialysis centres, etc.
		C19	Ambulatory health-care services not elsewhere classified	
	C20		Hospitals	
		C21	General hospitals	
		C22	Specialty, psychiatric and substance abuse hospitals	
		C29	Hospitals not elsewhere classified	
	C30		Nursing and residential care services	

		C31	Residential nursing care facilities	Includes convalescent homes, hospices, residential care and similar institutions providing continuous nursing care
		C32	Residential care for the elderly	Includes retirement and assisted living homes for the elderly and similar facilities
		C39	Nursing and residential care services not elsewhere classified	
Section D. Social services				ICNPO Group 4 (includes employment and training, formerly in ICNPO Group 6)
	D10		Individual and family services	
		D11	Child and youth services	Excludes child day-care services (D20)
		D12	Services for the elderly	
		D13	Services for people with disabilities	
		D14	Family services	
		D19	Other individual and family services	Includes self-help groups like Alcoholics Anonymous, ex-offender rehabilitation, crisis intervention, helplines, etc.
	D20		Child day-care services	Excludes kindergartens and similar institutions for very young children classified as pre-primary education (B11)
	D30		Emergency and relief services	
		D31	Community food services	
		D32	Temporary shelters	
		D33	Emergency and relief services	Includes institutions providing assistance in natural disasters, life events (such as burial societies), etc.
		D34	Refugee assistance	
		D39	Emergency and relief services not elsewhere classified	
	D40		Vocational rehabilitation services for people with barriers to employment	
		D41	Job counselling or training activities	Excludes vocational and trade schools (B31)
		D42	Sheltered workshops	Separate from activities in other groups (such as L20 and L30)
		D49	Vocational rehabilitation services not elsewhere classified	
	D90		Social services not elsewhere classified	
Section E: Environmental protection and animal welfare activities				ICNPO Group 5 (excludes organizations engaged in environmental and animal welfare advocacy, which should be classified in G12)
	E10		Natural resource management and protection	
		E11	Land or water management activities	Includes natural preserves, green spaces, wildlife sanctuaries, etc

		E12	Pollution abatement and control activities	
		E13	Eco-tourism	
		E14	Eco-farming and forestry	
		E19	Natural resource management, conservation and protection not elsewhere classified	
	E20		Animal health and welfare activities	
		E21	Animal sanctuaries and shelters	
		E22	Veterinary services	
		E29	Animal health and welfare activities not elsewhere classified	
	E90		Environmental protection and animal welfare activities not elsewhere classified	
Section F: Community and economic development, and housing activities				ICNPO Group 6 (except vocational rehabilitation services, now D40)
	F10		Construction of housing and infrastructure	
		F11	Construction of housing	
		F12	Construction of infrastructure	Roads, water and sewage and alternative energy infrastructure (solar, geothermal, etc.)
		F19	Construction of housing and infrastructure not elsewhere classified	
	F20		Community and economic development activities	Includes financing or management of community and economic development projects
	F30		Housing management and maintenance	Homeowner, tenant, community and neighbourhood associations, management of public or cooperative housing, etc.
	F40		Utilities and waste management	Includes providers of water, sewage and energy (gas, electricity or alternative energy sources)
	F50		Indigenous people self-governance	Organizations established to manage and preserve indigenous culture, language, heritage, land and physical assets
	F90		Community and economic development and housing not elsewhere classified	
Section G: Civic, advocacy, political and international activities				ICNPO Group 7 (plus international activities, formerly classified as ICNPO Group 9)
	G10		Civic, advocacy and social participation activities	Excludes political activities (G20)

		G11	Social advocacy	Includes advocacy for human and civil rights, public safety, literacy, science and similar public serving activities
		G12	Environment conservation and animal welfare advocacy	
		G13	Social clubs and similar member-serving activities	Includes social/hobby/automobile/country clubs, consumer associations, fraternities and sororities, and similar member-serving activities; excludes housing management and maintenance (F30)
		G14	Social youth organisations	Boy Scouts and Girl Scouts, etc.
		G15	Social organizations for the elderly	
		G16	Social organizations for the disabled	
		G19	Civic, advocacy and social participation activities not elsewhere classified	
	G20		Political activities	
		G21	Political parties	
		G22	Political activity, lobbying and similar activities	
		G29	Political activities not elsewhere classified	
	G30		International activities	Formerly Group 9, includes institutions primarily engaged in promoting international exchange, aid and collaboration; excludes direct providers of services, such as education, health, social assistance, environmental protection or community development, which should be classified in sections B–F accordingly
	G90		Civic, advocacy, political and international activities not elsewhere classified	
Section H: Philanthropic intermediaries and voluntarism promotion				ICPNO Group 8
	H10		Grant-making foundations	
	H90		Other philanthropic intermediaries and voluntarism promotion	Includes operating foundations, fund-raising organizations and volunteer recruitment organizations
Section I: Religious congregations and associations				ICPNO Group 10
	I10		Religious congregations	
	I90		Other religious associations	Includes institutions primarily engaged in promoting religious faith; excludes faith-based direct providers of services, such as education, health or social assistance, which should be classified in sections B–D accordingly
Section J: Business, professional and labour organizations				ICNPO Group 11
	J10		Business and employers associations	
	J20		Professional associations	
	J30		Labour unions	

	J90		Business, professional and labour organizations not elsewhere classified	
Section K: Professional, scientific, accounting and administrative services				Newly added
	K10		Scientific research and testing services	Includes research in natural and social sciences and humanities, formerly subgroup 2400
	K20		Professional services	Includes legal, mediation, accounting, architectural, engineering and similar services. Excludes education support services (B32) and individual and family services (D10)
		K21	Legal and mediation services	
		K22	Public relations and related services	
		K23	Accounting, bookkeeping and related services	
		K29	Professional services not elsewhere classified	
	K30		Management and administrative services	Units engaged in administering, overseeing and managing other establishments, except housing management and maintenance (F30) and natural resource management and protection (E10)
	K90		Professional, scientific and administrative services not elsewhere classified	
Section L: Other activities				ICNPO Group 12 with added detail and household activities
	L10		Agriculture, forestry and fishing	Excluding eco-farming and forestry (E14)
	L20		Manufacturing	
	L30		Accommodation, catering and food services	
	L40		Trade activities	Includes retail and wholesale trade
	L50		Transportation and storage activities	
	L60		Financial and insurance services	
	L70		Real estate activities	
	L80		Unpaid activities of households	Direct voluntary work
		L81	Unpaid goods-producing activities of households	
		L82	Unpaid service-producing activities of households	
	L90		Activities not elsewhere classified	

5. Options for improvement of the Latvian classification of NGOs

By identifying the main problems in the classification of NGOs, the objectives and applicability of each classifier, the study has resulted in four main solution options. All four options have three common conditions:

- 1) NGOs are obliged to indicate their field of activity.
- 2) NGOs are limited in the choice of number of fields of activity (up to a maximum of 10).
- 3) Data on the fields of activity indicated by NGOs are maintained in one state-maintained system – the EDS system maintained by the SRS.

The researchers themselves recognise option 2 and option 3B as the most suitable options. The decision between them depends most on how thorough the reform is planned and the deadlines for its implementation. Option 2 can be implemented more quickly, option 3B allows for better comparisons of the NGO sector with the business sector, as well as with NGO sectors of other countries. For Option 2, the main drawback: difficulties in agreeing on a single, shorter list of fields of activity of NGOs, option 3B could require a complex technical solution.

	Option 1 Minor adjustments to the existing system	Option 2 General categories of fields of activity	Options 3A and 3B Classification based on NACE codes	
			Option 3A: NACE-subordinated code subsystem	Option 3B: ICNP/TSO classification
Description	Improved existing legal framework governing the fields of activity of NGOs: 1) The classifier of NGO fields of activity (66 entries) is supplemented with the missing NGO fields of activity; 2) Improvements are being made to the classifier of NGO fields of activity: (a) distinguishing between methods of activity and fields of activity; (b)	The expansion of NGO activities is reduced to “general fields of NGO activity”. The main option for the general fields of NGO activity: the fields of public benefit status could be integrated with the relevant fields of activity of NGOs under the Cabinet Regulations (namely, these fields are combined into a list of 20-25 fields). Two alternatives to consider (optional): 1) a breakdown of fields according to Eurostat's COPNI	Latvia creates its own NACE code subsystem, which further deciphers the code “other organisations” (94.99). Under this code, 10-25 subcategories are created, which corresponds to the most common types of activities of NGOs.	The expansion of fields of activities of NGOs is based on the ICNP/TSO classification system

	specifying the descriptions of the fields of activity.	methodology is used: “Classification of types of non-profit institutions serving households”; 2) Estonian subclassification is used.		
Additional preferred elements	Possibility to indicate/change the NACE code in the annual report.	NGOs should have the right to mark additional characteristics - the primary target group (e.g. children, young people, seniors, minorities) - as well as the specific form of organisation (e.g. NGO association). Possibility to indicate/change the NACE code in the annual report.	NGOs indicate one field of activity, while retaining the right to indicate up to 10 additional fields of activity.	NGOs indicate one field of activity, while retaining the right to indicate up to 10 additional fields of activity.
NACE codes	NACE codes, fields of activity of associations and foundations, as well as public benefit organisations exist at the same time. There is no link between them.	Codes of associations and foundations exist separately from NACE codes.	Classification based on NACE codes PBO fields may be integrated under code 94.99.	The ICNP/TSO classification system allows finding the appropriate NACE code using the comparison table. In parallel, PBO fields exist.
Technical solution	New organisations must indicate their initial field(s) of activity upon submitting an application for registration to the Register of Enterprises. The already established organisations must indicate/update their fields of activity by submitting an annual report through the EDS system maintained by the SRS.	New organisations must indicate their initial field(s) of activity upon submitting an application for registration to the Register of Enterprises. The already established organisations must indicate/update their fields of activity by submitting an annual report through the EDS system maintained by the SRS.	New organisations must indicate their initial field(s) of activity upon submitting an application for registration to the Register of Enterprises (not the SRS). The already established organisations must indicate/update their fields of activity by submitting an annual report through the EDS system maintained by the SRS.	New organisations must indicate their initial field(s) of activity upon submitting an application for registration to the Register of Enterprises (not the SRS). The already established organisations must indicate/update their fields of activity by submitting an annual report through the EDS system maintained by the SRS.

Comparison of option: advantages

Item	Option 1 Minor adjustments to the existing system	Option 2 General categories of fields of activity	Option 3A: NACE-subordinated code subsystem	Option 3B: ICNP/TSPO classification
It is mandatory to specify the fields	X	X	X	X
To be incorporated into the EDS system	X	X	X	X
Requires minor adjustments of the fields	X			
Very detailed fields	X			X
Easy to navigate by the NGOs		X		
Solution is quick to introduce	X	X		
Integrated NGO and PBO fields		X	Possible	
ready list that doesn't have to be adjusted				X
NGOs are internationally comparable			X	X
NGOs comparable to other sectors of the economy			X	X
Possibility to specify the organization's primary target group		X		
Possibility to specify a special organizational form		X		
Informative NACE code			X	X

Comparison of options: disadvantages

Item	Option 1 Minor adjustments to the existing system	Option 2 General categories of fields of activity	Option 3A: NACE-subordinated code subsystem	Option 3B: ICNP/TSO classification
Requires new functionality in the EDS	X	X	X	X
3 parallel systems - NACO, PBO, association fields	X			
The less informative NACE code continues to exist	X	X		
Hard-to-resolve disputes between NGOs over list of	X	X	X	

categories, potentially inconsistent decisions				
Requires particularly large methodological support for NGOs	X			X
It can be difficult to interpret NGO activity			X	
Requires the development of an implementation mechanism integrated with the current use of NACE			X	X

5.1. Detailed explanation: Option No. 1. “Minor adjustments to the existing system”

5.1.1. In essence:

Improved existing legal framework governing the fields of activity of NGOs:

- 1) The classifier of NGO fields of activity is supplemented with the missing NGO fields of activity;
- 2) Improvements are being made to the classifier of NGO fields of activity:
 - a. distinguishing between operational methods and fields of activity;
 - b. specifying the descriptions of the fields of activity.
- 3) NGOs are obliged to indicate their field of activity.
- 4) NGOs are limited in the choice of number of fields of activity;
- 5) Data on the fields of activity indicated by NGOs are maintained in one state-maintained system – the EDS system maintained by the SRS.

5.1.2. Comments

5.1.2.1. **In regard to the first element** (supplementing the classification of the fields of activity of NGOs with new fields): several fields of activity characteristic to Latvian organizations are currently not found in the classification. These areas should be included in the classification. Examples of fields of activity:

- “Interest groups” - clubs, groups that unite individuals with similar interests, where the goal is to gather, to associated, without any advocacy goals, for example, hunting clubs, accountant clubs etc.
- “Civil society organisations” or NGOs, whose aim is to strengthen civil society by educating, informing and informing the public.
- “Mindfulness centres, personal development centres, personal development centres” or NGOs whose aim is to provide support for different types of personal growth;
- “Charity organisations” or NGOs whose aim is to carry out charity activities.
- The category “mass media and communication” should be supplemented with the field characterising NGOs acting as new social media and/or are working in the field of multimedia;
- The category “Culture and recreation” should be supplemented with the field “Cultural and historical heritage”.

5.1.2.2. **In regard to the second element** (improvements are made to the classifier of NGO activities): those fields that are characterising operational methods (for example, publishing of catalogue, legal aid) rather than the aim for the implementation of which the organisation was established, should be removed from the classifier. It is also necessary to clarify the descriptions of the directions of activity, in order to

reduce misunderstandings and errors in the application of fields of activity (for example: “development cooperation”, “cultural exchange”, “youth organisations” etc.).

5.1.2.3. In regard to the third element (the obligation to specify the field of activity): this obligations must be linked to easy and unobtrusive declaration of the field of activity - by submitting the annual report.

5.1.2.4. In regard to the fourth element (limited number of fields of activity): one NGO should have not more than 10 fields of activity. Perhaps, one of them could be identified as the principal activity and others and ancillary activities.

5.1.2.5. In regard to the fifth element (submission via EDS):

- New organisations must indicate their initial field(s) of activity upon submitting an application for registration to the Register of Enterprises.
- The already established organisations must indicate/update their fields of activity by submitting an annual report through the EDS system maintained by the SRS.

5.1.3 What should be taken into consideration?

- Possibility to indicate/change the NACE code in the annual report.
- The fields of activity of associations/foundations should be decoupled from NACE codes, as these links are currently confusing for the organisations.
- Possibility to distinguish between the field of principal activity and the field of the ancillary activity.
- Methodological support for NGOs must be strengthened significantly in order to enable organisations to find more accurately the field of activity that characterises the organisation. The Register of Enterprises should facilitate the registration of fields of activity by introducing an electronic form with a menu of fields of activity and the possibility to read the description of this field of activity at the time of registration in order to make sure that it is the most appropriate.

5.1.4. Benefits of the model

1. The mandatory nature of identifying the field of activity, as well as the limited number of fields will make the NGO sector more transparent;
2. Declaring the field of activity via EDS will make it easier for the organisations to declare their field easier and motivate them to update it sooner;
3. This is seemingly the easiest of the three options proposed (relatively small adjustments to the accounting of NGO activities);
4. The level of detail of the fields is maintained (compared to the second option and the option 3A).
5. Relatively quick to implement – i.e. the changes can be applied already as at the submission of the next annual report.

5.1.5 Disadvantages of the model

1. Requires the creation of new functionality in the EDS system (could be expensive);
2. Nevertheless, when asking an NGO about its field of activity, the NGO must specify whether we are talking about the NACE codes, field of activity of associations and foundations or field of PBO activity (i.e., all three choices). This will also confuse public and financial institutions;
3. The NACE code will still fail to provide information to large part of the organisations;
4. Fields of activity will remain so fragmented that they will inevitably create difficulties to make a choice and misunderstandings for organisations.

5. Clarifications/additions to specific fields of activity (in particular, in regard to separating aims and methods) may be difficult to agree with the NGOs.
6. Unlike the second option, it is not possible to distinguish between NGOs working with specific target groups or having a specific form (associations, foundations/associations of public persons).

5.1.6. Next steps:

- amendments to the Cabinet Regulations are necessary, the catalogue of fields of activity should be changed and the indication of the field of activity should be made mandatory (with a transitional period that coincides with the date of submission of the next annual report);
- it is necessary to develop a solution so that registration of the field of activity is possible through the EDS system maintained by the SRS when the organisation submits its annual report;
- interpretative work informing the NGOs about the new developments, as well as establishing methodological support.
- The data published in the EDS should be made easily publicly available.
- (to be considered) The EDS annual report submission system should make it possible to distinguish between the field of principal activity and the field of the ancillary activity.
- (to be considered) In the EDS system for submitting the annual report, it should also be possible to select/update the NACE code(s).

5.2. Detailed explanation: option No.2 “General categories of fields of activity”

5.2.1. In essence:

1. The expansion of NGO activities is reduced to “general fields of NGO activity”. The main option for determining the general fields of NGO activity: the fields of public benefit status could be integrated with the relevant fields of activity of NGOs under the Cabinet Regulations (namely, these fields are combined into a list of 20-25 fields).
2. NGOs are obliged to indicate their field of activity.
3. NGOs are limited in the choice of number of fields of activity;
4. Data on the fields of activity indicated by NGOs are maintained in one state-maintained system – the EDS system maintained by the SRS.

5.2.2. Comments

5.2.2.1 In regard to the first element (general categories of fields of activity)

Researchers offer to integrate the classification of associations and foundations with the fields of activity of NGOs. The solution proposes combining the fields of PBO activity and fields of activity of NGOs, using the same or similar names in the future. In cases where the field of PBO activity is not included, the classification of the fields of activity of NGOs is improved in line with the problems identified in the study.

Field of activity of NGO defined by the Cabinet Regulation (in force)	List proposed by the researchers	Fields of PBO activity under the Law on Public Benefit Organisations
1. Employers organisations, labour unions, professional associations and foundations	1. Professional association Here it is important to maintain the possibility of marking the activities of labour unions - either in the prepared	

	description of the field of activity or in the name	
2. Culture and recreation	2. Culture and arts	Culture
3. Media and communication	In the future, the field of activity of such NGOs is not offered because it is a method of operation and not an objective of the NGO's activities.	
4. Research and education	4. Education	Education
	5. Science and the promotion of science	Science
5. Health	6. Health promotion and disease prevention	6. Health promotion and disease prevention
6. Social support measures for persons	7. Social protection and social welfare	Raising the social well-being of society, especially vulnerable and socially disadvantaged groups.
7. Protection of the environment and animals	8. Environmental protection	Environmental protection
	9. Protection and welfare of animals	
8. Development and housing	10. Housing management	
	11. Community and neighbourhood development	
	12. Economic development	
9. Justice and advocacy	13. Development of democracy and civil society	Development of civil society
10. Philanthropy mediation and promoting volunteering	14. Charity and promotion of volunteering Here it is important to mention philanthropy in the description	Charity
11. Youth association or foundation	In the future, the field of activity of such NGOs is not offered as it is an additional characteristic and not a fundamental objective of the NGO	
12. Voluntary firefighters organisations	In the future, such a field of activity NGOs is not offered as it is included in the field of activity "Professional association"	
13. Sports associations and foundations	15. Sports and support activities for sports	Support activities for sports
14. International activities	16. International aid and development cooperation	
	17. Protection of human rights and the rights of the individual	Protection of human rights and the rights of the individual
	18. Assistance in the event of disasters and emergencies	Assistance in the event of disasters and emergencies
	19. Thematic interest group, interest club	
15. Association or foundation n.e.c.	20. Other organisations not elsewhere classified	

Alternative options for establishing a list of general categories of NGOs (if those listed above are not applicable): (1) COPNI classification and (2) the Estonian version.

COPNI classification.

In compiling statistics for the purposes of the system of national accounts, the Central Statistical Bureau uses the following classification system: “Classification of the Purposes of Non-Profit Institutions Serving Household” (COPNI). This classification system is used, for example, for functional analysis of expenditure for national purposes. According to this classification, organisations are classified according to their purpose – e.g. educational organisations, social protection organisations, professional organisations and others.⁵⁸ The problem of this classification is that many Latvian NGOs will fall into the category “other organisations”.

Estonian classification.

This study has already described the use of the national NACE code subsystem EMTAK as a classifier of fields of NGO activities in Estonia. This system divides the NACE code 94.99 (Activities of other membership organisations n.e.c.) into 8 subdivisions: This approach or division of fields of activity can be used as a model for defining the fields of activity of NGOs also in Latvia, especially when creating descriptions.

In Estonia, the following 8 fields of activity are distinguished:

1. Protection of civil rights, protection of special groups
2. Development of local/regional life and support associations and foundations
3. Youth and children's associations, as well as associations promoting the well-being of young people and children
4. Ethnic minority organisations, cultural organisations, people's twinning organisations
5. Recreational, entertainment, cultural activities, hobby associations and social clubs
6. Environmental and nature protection societies
7. Associations and societies of people with health problems, as well as people with disabilities
8. Activities of other organizations.

Problem of this classification system: this system cannot be fully taken over, it can be used as an additional source of information to build a system that corresponds with the needs of Latvia (i.e. additional fields of activity that can be found under other NACE codes – e.g. professional organisations, sports organisations) will have to be added.

5.2.2.2. In regard to the second element (the obligation to specify the field of activity): this obligations must be linked to easy and unobtrusive declaration of the field of activity - by submitting the annual report.

5.2.2.3 In regard to the third element (limited number of fields of activity): one NGO should have not more than 10 fields of activity. Perhaps, one of them could be identified as the principal activity and others and ancillary activities.

5.2.2.4. In regard to the fourth element (submission via EDS):

- New organisations must indicate their initial field(s) of activity upon submitting an application for registration to the Register of Enterprises.
- The already established organisations must indicate/update their fields of activity by submitting an annual report through the EDS system maintained by the SRS.

5.2.3 What should be taken into consideration?

⁵⁸ More about this : <https://www.csp.gov.lv/lv/klasifikacija/majsaimniecibas-apkalpojoso-bezpelnas-instituciju-veidu-klasifikacija>

- The possibility to easily indicate the primary target group, if any, in the annual report (e.g. children, young people, seniors, minorities) and/or the specific form of the organisation (e.g. association of organisations, association/foundation established by a public person). This would help to further increase transparency of the NGO sector, as well as to remove the need to create specific categories, such as children's organisations, youth organisations, minority organisations, associations of organisations.
- Possibility to distinguish between the field of principal activity and the field of the ancillary activity.
- Possibility to indicate/change the NACE code in the annual report.

5.2.4. Benefits of the model

1. The mandatory nature of identifying the field of activity, as well as the limited number of fields will make the NGO sector more transparent;
2. Declaring the field of activity via EDS will make it easier for the organisations to declare their field easier and motivate them to update it sooner;
3. If integration with fields of PBO activity is chosen as the principle of selection of the general categories of activity, the confusion between the different classifications decreases in Latvia. Fields of PBO activity is a part of the fields of activity of associations and foundations (unlike now and in option 1 and option 3B, where they exist in parallel);
4. Relatively quick to implement – i.e. the changes can be applied already as at the submission of the next annual report;
5. NGOs can find themselves more easily in a classifier (compared to option 1 and option 3B), as they only need to identify one general category rather than being able to distinguish between a more detailed classification;
6. The possibility of identifying the main target group may allow a rapid identification of organisations in the various fields that primarily work with children, young people, seniors, minorities, people with disabilities and other similar groups;
7. The possibility of specifying the specific form of the organisation may allow a rapid identification of organisations in the various fields which are “umbrella organisations”, as well as those where the majority of members or founders are public persons.

5.2.5. Disadvantages of the model

1. Requires the creation of new functionality in the EDS system (could be expensive);
2. The NACE code will still fail to provide information to large part of the organisations;
3. The level of detail of the fields is lost slightly (compared to the second option and the option 3B).
4. It may be difficult to agree on a list of specific fields of activity with NGOs, especially those who will lose their special category.

5.2.6. Next steps:

- amendments to the Cabinet Regulations are necessary, the catalogue of fields of activity should be changed and the indication of the field of activity should be made mandatory (with a transitional period that coincides with the date of submission of the next annual report);
- whereas, since the fields of activity will be drawn up according to new principles, the new list must be tested before implementation;

- it is necessary to develop a solution so that registration of the field of activity is possible through the EDS system maintained by the SRS when the organisation submits its annual report;
- interpretative work informing the NGOs about the new developments, as well as establishing methodological support.
- The data published in the EDS should be made easily publicly available.
- (to be considered) The EDS system should also provide for the possibility to indicate the primary target audience (if any) of the organisation and the specific form (if any) of the organisation.
- (to be considered) The EDS annual report submission system should make it possible to distinguish between the field of principal activity and the field of the ancillary activity.
- (to be considered) In the EDS system for submitting the annual report, it should also be possible to select/update the NACE code(s).

5.3. Detailed explanation: variant No. 3 “Classification based on NACE codes”

Option 3A “NACE-subordinated code subsystem”

5.3A.1 In essence

1. Latvia establishes its own national classification system, which forms the fifth level for the NACE classification. This makes it possible to establish a subsystem of the fields of activity of NGOs under NACE code 94.99 “Activities of other membership organisations n.e.c.”.
2. NGOs are obliged to indicate their field of activity.
3. NGOs are limited in the choice of number of fields of activity;
4. Data on the fields of activity indicated by NGOs are maintained in one state-maintained system – the EDS system maintained by the SRS.

5.3A.2 Comments

Regarding the first element (subsystem under NACE code 94.99)

The classification of the fields of activity of NGOs is carried out only according to NACE (sub)codes, where:

- 1) Associations and foundations which have their own existing NACE codes, which characterise the field of activity of their NGOs and already coincide with the NACE code linked to the field of activity of NGOs, must note only the following one NACE code as the NACE code of the principal activity:
 - 94.11 - Activities of business and employers membership organisations
 - 94.12 - Activities of professional organisations
 - 94.20 - Activities of labour unions
 - 74.10 - Specialized design activities
 - 71.11 - Architectural services
 - 90.01 - Performing arts
 - 91.02 - Support activities to performing arts
 - 93.29 - Other amusement and recreation activities

- 60.10 - Broadcasting of radio programmes
- 60.20 - Television programming and broadcasting
- 58.11 - Publishing of books
- 58.14 - Publishing of journals and periodicals
- 58.13 - Publishing of newspapers
- 58.12 - Publishing of directories and mailing lists
- 59.11 - Motion picture, video and television programme production activities
- 91.01 - Library and archives activities
- 72.20 - Research and experimental development on social sciences and humanities
- 85.59 - Other education n.e.c.
- 81.30 - Landscape service activities
- 70.22 - Business and management consultancy activities
- 68.20 - Renting and operating of own or leased real estate
- 69.10 - Legal activities
- 87.90 - Other residential care activities
- 84.25 - Fire service activities
- 93.12 - Activities of sports clubs
- 93.11 - Activities of sports facilities
- 85.51 - Sports and extracurricular education
- 2) Associations and foundations that currently have selected the NACE code 94.99 must select one of the specially created NACE 94.99 extension codes. The catalogue of these extensions can be borrowed from option 2 (integrated list of fields of activity of associations, foundations and PBOs or the alternative Estonian list).
- 3) NGOs can choose their NACE (sub)code of the principal activity according to the purpose of the organisation's activity or the principal economic activity of the organisation.
- 4) NGOs can also choose up to 10 additional activity codes.

In regard to the second element (the obligation to specify the field of activity - NACE (sub)code): this obligations must be linked to easy and unobtrusive declaration of the field of activity - by submitting the annual report.

In regard to the third element (limited number of fields of activity): one NGO should have not more than 10 codes of activity. In this classification system, one of these codes must identify the principal activity.

In regard to the fourth element (submission via EDS):

- New organisations must indicate their initial field(s) of activity upon submitting an application for registration to the Register of Enterprises.
- The already established organisations must indicate/update their fields of activity by submitting an annual report through the EDS system maintained by the SRS.

3A.3. Benefits of the model

1. In the future, the most important information on the NGO sector is included in a single classification system (possibility to integrate fields of PBO activity into the NACE subclassification), thus - it is easy to process and is internationally comparable.
2. NACE codes on NGOs finally are informative (compared to the first and second option).

3. An opportunity to compare the NGO sector more fully with other in Latvia and internationally.
4. The mandatory nature of identifying the field of activity, as well as the limited number of fields will make the NGO sector more transparent.
5. Declaring the field of activity via EDS will make it easier for the organisations to declare their field easier and motivate them to update it sooner.

3A.4 Disadvantages of the model

1. The solution requires to develop a special subclassifier of the NACE system. NACE classification is currently the basis of statistical and financial accounting in Latvia and the EU. It is not clear who will develop, maintain this subclassifier and how this specific subclassifier will work – i.e. how easy/difficult it will be for the institutions to set up a mutually “translatable” system, which will also be understood by NGOs. In Estonia, this system works easily because Estonia has a comprehensive national classification system (NACE level 5), which is overseen by a special institution, the Centre for Registers and Information Systems. There is no analogue to this in Latvia.
2. The purpose of the NACE classification is to reflect economic activity. Allowing NGOs to classify themselves not only by economic activity but also by purpose (under code 94.99) may cause confusion to users of the NACE system. In particular, they will not know which NGOs have classified themselves by purpose and which by economic activity.
3. Requires the creation of new functionality in the EDS system (could be expensive). It is likely that more significant changes to national information systems will be required than with the first or the second option.
4. It may be difficult to agree on a list of 94.99 subcodes with NGOs, especially those who will lose the specificity of their description.
5. Unlike the second option, it is not possible to distinguish between NGOs working with specific target groups or having a specific form (associations, foundations/associations of public persons).

3A.5. Next steps

- It must be agreed whether NACE level five can be developed at all in Latvia, who can do it and who will maintain it (ensuring integration with the existing NACE system);
- It must be agreed on the list of subclassifications of NACE code 94.99 applied in Latvia;
- Appropriate changes must be made to the regulatory enactments (not only the regulations for classification of associations and foundations, but also the regulations related to the indication of NACE codes to the SRS).
- it is necessary to develop a solution so that the association or foundation can register its (extended) NACE code(s) using the EDS system maintained by the SRS when the organisation submits its annual report.
- interpretative work is required informing the NGOs about the new developments, as well as establishing methodological support in finding the most appropriate code.
- The data published in the EDS should be made easily publicly available.

Option 3B: ICNP/TSO classification

5.3B.1 In essence

1. The current classification of the fields of activity of NGOs is transformed by taking over the ICNP/TSO classification developed by the UN Statistical Commission in 2017 (it is compatible with NACE);

2. NGOs are obliged to indicate their field of activity.
3. NGOs are limited in the choice of number of fields of activity;
4. Data on the fields of activity indicated by NGOs are maintained in one state-maintained system – the EDS system maintained by the SRS.

5.3B.2 Comments

In regard to the first element (taking over the ICNP/TSP classification).

The classification of the fields of activity of NGOs would follow the ICNP/TSO code in the following general categories:

- A. Culture, communication and recreational activities
- B. Educational services
- C. Human health services
- D. Social services
- E. Environmental protection and animal welfare activities
- F. Community and economic development, and housing activities
- G. Civic, advocacy, political and international activities
- H. Philanthropic intermediaries and voluntarism promotion
- I. Religious congregations and associations
- J. Business, professional and labour organizations
- K. Professional, scientific, accounting and administrative services
- L. Other activities

Descriptions of the fields and the codes themselves (under each of the general categories) are given in Chapter 4.3 of the study.

NGOs will have to indicate one code of their field of principal activity to which (through comparison tables) it will be possible to apply the exact NACE code. It is important that NGOs should ONLY provide this code, i.e. if the institutions needed a NACE code, they would derive it themselves (or it would happen automatically).

In regard to the second element (the obligation to specify the field of activity - ICNP/TSO code): this obligations must be linked to easy and unobtrusive declaration of the field of activity - by submitting the annual report.

In regard to the third element (limited number of fields of activity - ICNP/TSO codes): one NGO should have not more than 10 fields of activity. Perhaps, one of them could be identified as the principal activity and others and ancillary activities.

In regard to the fourth element (submission via EDS):

- New organisations must indicate their initial field(s) of activity upon submitting an application for registration to the Register of Enterprises.
- The already established organisations must indicate/update their fields of activity by submitting an annual report through the EDS system maintained by the SRS.

5.3B.3 Advantages of the model

1. In the future, the most important information on the NGO sector (except fields of PBO activity) would be available in a single classification system;

2. The ICPNO/TSO classification system has been integrated with ISIC Rev.4⁵⁹ (on the basis of which NACE classification has been established in the European Union) - thus, it can easily be translated into NACE codes.
3. An opportunity to compare the NGO sector more fully with other in Latvia and internationally.
4. The mandatory nature of identifying the field of activity, as well as the limited number of fields will make the NGO sector more transparent.
5. Declaring the field of activity via EDS will make it easier for the organisations to declare their field easier and motivate them to update it sooner.
6. Detailed information about the general categories (compared to options 2 and 3A).
7. This system offers a ready-made list – it will be possible to do without discussion about which organizations would like their special category;

5.3B.4 Disadvantages of the model

1. This classification system is more detailed than the current rules for classifying NGOs (although less detailed than NACE), and could therefore be difficult for many NGOs to understand.
2. An algorithm has yet to be developed that will allow NGOs to indicate their field of activity only according to this system – i.e. the system will generate the NACE code itself for statistical or SRS purposes. It is likely that more significant changes to national information systems will be required than with the first or the second option.
3. Requires the creation of new functionality in the EDS system (could be expensive).
4. Unlike the second option, it is not possible to distinguish between NGOs working with specific target groups or having a specific form (associations, foundations/associations of public persons).
5. Cannot be integrated with the fields of PBO activity.

5.3B.5. Next steps:

- 1) A mechanism should be put in place to integrate this system into the classification system of Latvian NGOs so that NGOs do not have to indicate both the system code and the NACE code in parallel;
- 2) Appropriate legislative changes should be developed and e-systems should be identified that require changes;
- 3) It is necessary to develop a solution incorporated into the EDS system, so that the registration of the field of activity is possible through the EDS system maintained by the SRS when the organisation submits its annual report;
- 4) Interpretative work is required, informing the NGOs about the new developments, as well as establishing methodological support.
- 5) The data published in the EDS should be made easily publicly available.

⁵⁹The table can be seen in Satellite Account on Non-profit and Related Institutions and Volunteer Work, United Nations Department of Economic and Social Affairs Statistics Division (2018). Series F, No.91, Rev.1, p.78.-80
https://unstats.un.org/unsd/nationalaccount/docs/UN_TSE_HB_FNL_web.pdf

Annexes

Annex No. 1 Number of associations and foundations registered in different municipalities

Number of registered associations and foundations registered until 2020 (inclusive), the operation of which was not suspended until 7 March 2021	
(Source: Open Data Portal of the Register of Enterprises of the Republic of Latvia)	
Municipality	
Rīga	10286
Liepāja	1075
Jūrmala	640
Daugavpils	623
Jelgava	478
Saldus municipality	454
Ogre municipality	347
Mārupe municipality	321
Ķekava municipality	303
Kuldīga municipality	298
Ventspils	294
Talsi municipality	289
Sigulda municipality	284
Madona municipality	268
Rēzekne municipality	253
Salaspils municipality	245
Tukums municipality	243
Valmiera	242
Rēzekne	212
Jelgava municipality	209
Limbažu municipality	206
Cēsis municipality	203
Gulbene municipality	195
Dobele municipality	193
Bauska municipality	185
Ozolnieki municipality	175
Alūksne municipality	167
Babītes municipality	167
Daugavpils municipality	150
Ādaži municipality	148
Garkalne municipality	143
Olaine municipality	140
Ventspils municipality	140
Jelgava	138
Salacgrīva municipality	134

Ikšķile municipality	132
Carnikava municipality	128
Burtnieki municipality	128
Lielvārde municipality	119
Stopiņi municipality	116
Balvi municipality	116
Smiltene municipality	114
Grobiņa municipality	111
Kandava municipality	111
Saulkrasti municipality	108
Inčukalns municipality	96
Krāslava municipality	94
Ropaži municipality	91
Preiļi municipality	90
Kocēni municipality	87
Bauska municipality	85
Baldone municipality	84
Priekule municipality	82
Līvāni municipality	81
Vecumnieki municipality	81
Ludza municipality	79
Aizpute municipality	79
Ķegums municipality	78
Engure municipality	77
Amata municipality	77
Aizkraukle municipality	73
Brocēni municipality	69
Krimuda municipality	68
Aloja municipality	60
Iecava municipality	57
Vecpiebalga municipality	51
Dagda municipality	50
Pārgauja municipality	50
Priekule municipality	48
Pļaviņas municipality	47
Pāvilosta municipality	45
Viļaka municipality	45
Ilūkste municipality	45
Nīca municipality	44
Jēkabpils municipality	43
Krustpils municipality	43
Beverīna municipality	42
Auce municipality	42
Skrunda municipality	41

Rūjiena municipality	40
Roja municipality	40
Mazsalaca municipality	40
Tērvete municipality	40
Koknese municipality	40
Jaunpils municipality	38
Līgatne municipality	38
Ērgļi municipality	37
Viļāni municipality	36
Rundāle municipality	36
Jaunjelgava municipality	36
Kārsava municipality	35
Sēja municipality	34
Skrīveru municipality	34
Durbe municipality	33
Rauna municipality	32
Viesīte municipality	31
Dundaga municipality	31
Ape municipality	30
Riebiņi municipality	30
Aglona municipality	30
Nereta municipality	29
Lubāna municipality	27
Mālpils municipality	26
Jaunpiebalga municipality	25
Rucava municipality	23
Aknīste municipality	22
Rugāju municipality	22
Ciblas municipality	21
Varakļāni municipality	21
Alsunga municipality	21
Cesvaine municipality	20
Strenči municipality	20
Vārkava municipality	19
Sala municipality	19
Naukšēni municipality	15
Mērsrags municipality	13
Vaiņode municipality	12
Zilupe municipality	9
Baltinava municipality	7

Annex No.2 NACE codes of associations and foundations
(Lursoft data on main economic activity codes of organisations until the end of 2020)

NACE code	NGOs that have indicated it as their principal activity
Activities of other membership organisations n.e.c.	8763
Management of immovable property on a fee or contract basis	1976
Activities of sports clubs	1861
Other sports activities	1164
Renting and operating of own or leased real estate	708
Hunting and related service activities	671
Other amusement and recreation activities	594
Activities of professional organisations	564
Education n.e.c.	479
Education support services	359
Performing arts	358
Building maintenance and operation activities	348
Sports and extracurricular education	328
Activities of labour unions	327
Other social work activities n.e.c.	309
Artistic creation	255
Activities of sports facilities	230
Personal services n.e.c.	216
Cultural education	214
Other human health activities	143
Activities of cultural institutions	141
Activities of business and employers membership organisations	140
Support activities to performing arts	120
Professional, scientific and technical activities n.e.c.	84
Legal services	82
Research and experimental development on social sciences and humanities	78
Coordination of the provision of health care, education, cultural and other social services, excluding social security	76
Business and management consultancy activities	72
Museum activities	69
Operation of historical sites and buildings and similar visitor attractions	62
Activities of extraterritorial organisations and institutions	58
Activities of religious organisations	57
Social work activities without accommodation for the elderly and disabled	55
Other business support service activities n.e.c.	52
Information services n.e.c.	50
Other research and experimental development on natural sciences and engineering	46

Pre-primary education	39
Market research and public opinion polling	38
Other residential care activities	33
Landscape service activities	33
Motion picture, video and television programme production activities	33
Physical well-being services	32
Support activities for land transport	32
Publishing of books	30
Public relations and communication management services	29
Activities of day care centres for children	28
Fire service activities	26
Silviculture and other forestry activities	26
Breeding of other animals	24
General secondary education	23
Care centre services	20
Care for the elderly and disabled	19
Activities of judiciary institutions	19
Activities of web portals	19
Freshwater fishing	18
Primary education	17
Fitness centers	17
Support activities for forestry	17
Holiday and other short-stay accommodation	16
Other information technology and computer services	16
Amusement and recreation parks activities	15
Advertising agencies	15
Publishing of journals and periodicals	15
Sound recording production	15
Business coordination and efficiency promotion	15
Academic higher education	15
Freshwater aquaculture	13
Library and archives activities	13
Tour operator services	13
Secondary technical and vocational education	13
Engineering activities and related technical consultancy	12
Activities of political organisations	11
Photo services	11
Growing of crops combined with farming of animals (mixed farming)	10
Research and experimental development in biotechnology	10
Support activities for crop production	10
Travel agency services	9
Non-academic higher education	9
Media representation	9
Other publishing activities	9

Botanical gardens, zoos and nature reserves	9
Computer consulting	9
Hairdressing and beauty treatment services	8
Growing of vegetables	8
Operation of other accommodation	8
Residential care activities for mental retardation, mental health and substance abuse	8
Accounting, bookkeeping and auditing activities; tax consultancy	7
Support activities for water transport	7
Marine fishing	7
Motion picture demonstration	7
Publishing of newspapers	7
Breeding of horses and equidae	7
Television programming and broadcasting	6
Specialised construction activities n.e.c.	6
Data processing, hosting and related activities	6
Retail sale of second-hand goods in stores	6
Organisation of conventions and trade shows	6
Construction of residential and non-residential buildings	6
Combined office administrative service activities	6
Other telecommunications services	6
Broadcasting of radio programmes	6
Maintaining public order and security	6
Other printing	5
Other retail sale not in stores, stalls or markets.	5
Translation and interpreting services	5
Support activities for livestock production	5
Other unclassified financial service activity, except insurance and pension accumulation	5
Other reservation service and related activities	5
Driving school activities	5
Poultry farming	5
Computer programming	5
Individual household self-consumption services	5
Water collection, treatment and supply	5
Growing of other perennial crops	5
Maintenance and repair of motor vehicles	5
Hospital activities	5
Specialized design activities	5
Dairy farming	4
Support activities for air transport	4
Other support activities for transport	4
Camping grounds, recreational vehicle parks and trailer parks	4
Activities of head offices	4

Technical inspection and analysis	4
Specialist medical practice	4
Collection of waste (excluding hazardous waste)	4
Security systems services	4
Activities of households as employers with persons engaged in gainful employment	4
Real estate agencies	4
Architectural services	4
Manufacture of self-consumption goods in private households	4
Other retail sale in non-specialised stores	4
Activities of employment agencies	3
Activities of news agencies	3
Other building completion and finishing.	3
Buying and selling of own real estate	3
Manufacture of builders' carpentry and joinery	3
Other catering services	3
Restaurants and mobile food service activities	3
Fund management	3
Other building and industrial cleaning activities	3
Sheep and goat breeding	3
Manufacture of textile products n.e.c.	3
Other cleaning operations	3
Other human resources management	2
Renting and leasing of recreational and sports goods	2
Production of electricity	2
Weaving of textiles	2
Activities of collection agencies and credit bureaus	2
Activities after motion picture, video and television programme production	2
Retail sale of other goods in stalls and markets	2
Retail sale of new goods in specialised stores n.e.c.	2
Burial and related activities	2
Manufacture of jewellery and related products	2
Renting and leasing of water transport equipment	2
Sanitation and other waste management activities	2
Retail sale via mail order houses or via Internet	2
Growing of other non-perennial crops	2
Other financial service activities, except insurance and pension funding	2
Other retail sale of food in specialised stores	2
Manufacture of ceramic household and ornamental articles	2
Manufacture n.e.c.	2
Renting and leasing of cars and light motor vehicles	2
Temporary employment agency activities	2
Forging, pressing, stamping and roll forming of metal; powder metallurgy	2

Sea and coastal passenger water transport	2
Manufacture of electrical household appliances	1
Non-specialised wholesale	1
Manufacture of soft drinks; production of mineral waters and other bottled waters	1
Manufacture of other outerwear	1
Repair of computers and peripherals	1
Personal security activities	1
Manufacture of other transport equipment	1
Plant propagation	1
Preparation and spinning of other textile fibres	1
Wholesale of grain, unmanufactured tobacco, seeds and animal feeds	1
Manufacture of paper and paperboard	1
Sale of other motor vehicles	1
Joinery installation	1
Milk processing and cheese production	1
Sawmilling and planing of wood; impregnation of wood	1
Construction of roads and motorways	1
Retail sale of furniture, lighting equipment and other household articles in specialised stores	1
Manufacture of builders' ware of plastic	1
Decoration of textiles	1
Agents involved in the sale of a variety of goods	1
Other mining activities n.e.c.	1
Cold forming or bending	1
Wholesale of beverages	1
Sea and coastal freight water transport	1
Inland passenger water transport	1
Freight transport by road	1
Construction of water supply systems	1
Construction of ships and floating structures	1
Veterinary services	1
Manufacture of other plastic products	1
Activities of general public services	1
Retail sale of books in specialised stores	1
Installation of pipes, heating and air-conditioning equipment	1
Retail sale of motor vehicle parts and accessories	1
Rearing of other cattle	1
Floor and wall covering	1
Cultivation of fibre plants	1
Agents involved in the sale of agricultural raw materials, live animals, textile raw materials and semi-finished goods	1
Retail sale of textiles, clothing and footwear in stalls and markets	1
Construction of hydrotechnical objects	1

Manufacture of refined petroleum products	1
Activities of holding companies	1
Agents involved in the wholesale of fuels, ores, metals and industrial chemicals	1
Manufacture of other ceramic products	1
Manufacture of other furniture	1
Retail sale in non-specialized stores with food, beverages or tobacco predominating	1
Publishing of computer games	1
Other passenger land transport n.e.c.	1
Provision of steam and air conditioning supply	1
Manufacture of pet food	1
Treatment and disposal of waste (excluding hazardous waste)	1
Installation of electrical wiring and fittings	1
Roofing activities	1
Operation of call centres	1
Renting and leasing of air transport equipment	1
Support activities for petroleum and natural gas extraction	1
Marine aquaculture	1
Manufacture of cider and other fruit wines	1
Manufacture of cocoa, chocolate and sugar confectionery	1
Other credit services	1
Processing and preserving of meat	1
Foreign affairs	1
Manufacture of other food products n.e.c.	1
Growing of other tree and bush fruits and nuts	1
Growing of grapes	1
Building of pleasure and sporting boats	1
Manufacture of other products of wood; manufacture of articles of cork, straw and plaiting materials	1
Repair of other personal and household goods	1
Processing and preserving of fish, crustaceans and molluscs	1
Manufacture of other non-ferrous metals	1
Manufacture of knitted and crocheted fabrics	1
Non-life insurance	1

Annex No.3 Fields of activity of associations and foundations
(Lursoft data on organizations until the end of 2020)

No.	Field of activity	How many associations/f foundations have marked this as one of the fields of activity?	How many associations/f foundations have marked this as the only field of activity?	Share of organisations that have referred to this field as the only one (%)
1	Housing management	624	600	96
2	Labour union	281	279	99
3	Education	267	47	18
4	Sports club	220	135	61
5	Organisation of sporting events	205	37	18
6	Association or foundation n.e.c.	169	88	52
7	Other amusement and recreation activities	137	20	15
8	Community and neighbourhood development	133	32	24
9	Other cultural activity	133	21	16
10	Social protection	131	33	25
11	Music, dance, theatre	117	42	36
12	Professional association or foundation	115	75	65
13	Folk art and intangible heritage	105	27	26
14	Support activities for families and children	101	13	13
15	Cultural exchanges	101	3	3
16	Activities of advocacy organisations	100	26	26
17	Promoting volunteering	91	0	0
18	Public health and health education	86	12	14
19	Development cooperation	76	6	8
20	Support activities for sports	75	20	27
21	Sports center	73	14	19
22	Philanthropy mediation	73	13	18
23	Visual arts	68	8	12
24	Support activities for music, dance and theatre	67	17	25
25	Economic development	67	23	34
26	Environmental awareness	66	2	3
27	Promoting employment	61	6	10
28	Sports education	60	5	8
29	Clean up the environment	55	2	4
30	Protection and sustainable use of natural resources	53	9	17
31	History and humanities	49	10	20

32	Youth association or foundation	48	23	48
33	Other health-related activities	44	9	20
34	Protection of civil rights and human rights	44	9	20
35	Sports association and sports federation	41	18	44
36	Science and technology	38	10	26
37	Legal assistance	36	5	14
38	Social sciences, sociological and political research	35	8	23
39	Publishing of books	32	4	13
40	Nature protection	34	2	6
41	Design	30	0	0
42	Protection and welfare of animals	26	11	42
43	Museums	22	6	27
44	Motion picture production	22	0	0
45	Environmental protection. Reduction and control of pollution	21	1	5
46	Architecture and restoration	19	1	5
47	Publishing of newspapers	14	0	0
48	Publishing of directories and mailing lists	12	1	8
49	Crime prevention	12	0	0
50	Gender equality	11	0	0
51	Rehabilitation	10	1	10
52	Publishing of journals	10	0	0
53	Medical research	8	0	0
54	Employers organisations	7	7	100
55	Radio station	6	3	50
56	International human rights law and peacekeeping	6	0	0
57	Veterinary services	5	0	0
58	TV channel	5	0	0
59	Consumer protection	5	0	0
60	Support activities for victims of crime	5	0	0
61	Voluntary firefighters' organisation	3	2	67
62	Rehabilitation of offenders	3	1	33
63	International provision of disaster assistance	2	0	0
64	Association of employers organisations	1	1	100
65	Library operation	0	0	n/a
66	International disaster relief and assistance	0	0	n/a

Annex No. 4 “CSO NACE codes”

(Lursoft data on associations and foundations that have not been liquidated (registered until 5 January 2021), excluding the NGOs that have indicated “94.20 Activities of labour unions”, “94.12 Activities of professional organisations” and “94.11 Activities of business and employers membership organisations” as their NACE code

NACE code	No of CSOs that have indicated it as their principal activity
Activities of other membership organisations n.e.c.	8763
No NACE code	2385
Management of immovable property on a fee or contract basis	1976
Activities of sports clubs	1861
Other sports activities	1164
Renting and operating of own or leased real estate	708
Hunting and related service activities	671
Other amusement and recreation activities	594
Education n.e.c.	479
Education support services	359
Performing arts	358
Building maintenance and operation activities	348
Sports and extracurricular education	328
Other social work activities n.e.c.	309
Artistic creation	255
Activities of sports facilities	230
Personal services n.e.c.	216
Cultural education	214
Other human health activities	143
Activities of cultural institutions	141
Support activities to performing arts	120
Professional, scientific and technical activities n.e.c.	84
Legal services	82
Research and experimental development on social sciences and humanities	78
Coordination of the provision of health care, education, cultural and other social services, excluding social security	76
Business and management consultancy activities	72
Museum activities	69
Operation of historical sites and buildings and similar visitor attractions	62
Activities of extraterritorial organisations and institutions	58
Activities of religious organisations	57

Social work activities without accommodation for the elderly and disabled	55
Other business support service activities n.e.c.	52
Information services n.e.c.	50
Other research and experimental development on natural sciences and engineering	46
Pre-primary education	39
Market research and public opinion polling	38
Landscape service activities	33
Other residential care activities	33
Motion picture, video and television programme production activities	33
Physical well-being services	32
Support activities for land transport	32
Publishing of books	30
Public relations and communication management services	29
Activities of day care centres for children	28
Silviculture and other forestry activities	26
Fire service activities	26
Breeding of other animals	24
General secondary education	23
Care centre services	20
Care for the elderly and disabled	19
Activities of judiciary institutions	19
Activities of web portals	19
Freshwater fishing	18
Support activities for forestry	17
Fitness centres	17
Primary education	17
Other information technology and computer services	16
Holiday and other short-stay accommodation	16
Sound recording production	15
Amusement and recreation parks activities	15
Advertising agencies	15
Academic higher education	15
Publishing of journals and periodicals	15
Business coordination and efficiency promotion	15
Library and archives activities	13
Secondary technical and vocational education	13
Freshwater aquaculture	13
Tour operator services	13

Engineering activities and related technical consultancy	12
Photo services	11
Activities of political organisations	11
Research and experimental development in biotechnology	10
Support activities for crop production	10
Growing of crops combined with farming of animals (mixed farming)	10
Non-academic higher education	9
Media representation	9
Other publishing activities	9
Computer consulting	9
Travel agency services	9
Botanical gardens, zoos and nature reserves	9
Operation of other accommodation	8
Residential care activities for mental retardation, mental health and substance abuse	8
Hairdressing and beauty treatment services	8
Growing of vegetables	8
Breeding of horses and equidae	7
Accounting, bookkeeping and auditing activities; tax consultancy	7
Motion picture demonstration	7
Support activities for water transport	7
Marine fishing	7
Publishing of newspapers	7
Organisation of conventions and trade shows	6
Retail sale of second-hand goods in stores	6
Construction of residential and non-residential buildings	6
Combined office administrative service activities	6
Other telecommunications services	6
Data processing, hosting and related activities	6
Broadcasting of radio programmes	6
Maintaining public order and security	6
Television programming and broadcasting	6
Specialised construction activities n.e.c.	6
Driving school activities	5
Other retail sale not in stores, stalls or markets.	5
Hospital activities	5
Specialized design activities	5
Other printing	5
Other reservation service and related activities	5
Translation and interpreting services	5

Support activities for livestock production	5
Maintenance and repair of motor vehicles	5
Poultry farming	5
Growing of other perennial crops	5
Water collection, treatment and supply	5
Individual household self-consumption services	5
Other unclassified financial service activity, except insurance and pension accumulation	5
Computer programming	5
Activities of households as employers with persons engaged in gainful employment	4
Other retail sale in non-specialised stores	4
Collection of waste (excluding hazardous waste)	4
Security systems services	4
Manufacture of self-consumption goods in private households	4
Technical inspection and analysis	4
Real estate agencies	4
Dairy farming	4
Architectural services	4
Support activities for air transport	4
Activities of head offices	4
Camping grounds, recreational vehicle parks and trailer parks	4
Other support activities for transport	4
Specialist medical practice	4
Activities of employment agencies	3
Other catering services	3
Other building completion and finishing.	3
Manufacture of builders' carpentry and joinery	3
Sheep and goat breeding	3
Fund management	3
Other building and industrial cleaning activities	3
Restaurants and mobile food service activities	3
Other cleaning operations	3
Manufacture of textile products n.e.c.	3
Buying and selling of own real estate	3
Activities of news agencies	3
Retail sale via mail order houses or via Internet	2
Sanitation and other waste management activities	2
Other human resources management	2
Activities of collection agencies and credit bureaus	2
Renting and leasing of water transport equipment	2

Renting and leasing of cars and light motor vehicles	2
Production of electricity	2
Renting and leasing of recreational and sports goods	2
Other financial service activities, except insurance and pension funding	2
Burial and related activities	2
Activities after motion picture, video and television programme production	2
Growing of other non-perennial crops	2
Manufacture of ceramic household and ornamental articles	2
Retail sale of other goods in stalls and markets	2
Weaving of textiles	2
Forging, pressing, stamping and roll forming of metal; powder metallurgy	2
Manufacture of jewellery and related products	2
Manufacture n.e.c.	2
Sea and coastal passenger water transport	2
Other retail sale of food in specialised stores	2
Retail sale of new goods in specialised stores n.e.c.	2
Temporary employment agency activities	2
Wholesale of grain, unmanufactured tobacco, seeds and animal feeds	1
Manufacture of soft drinks; production of mineral waters and other bottled waters	1
Growing of grapes	1
Preparation and spinning of other textile fibres	1
Plant propagation	1
Other passenger land transport n.e.c.	1
Sea and coastal freight water transport	1
Processing and preserving of meat	1
Installation of pipes, heating and air-conditioning equipment	1
Joinery installation	1
Repair of computers and peripherals	1
Decoration of textiles	1
Manufacture of other transport equipment	1
Retail sale of textiles, clothing and footwear in stalls and markets	1
Manufacture of pet food	1
Retail sale in non-specialized stores with food, beverages or tobacco predominating	1
Repair of other personal and household goods	1
Renting and leasing of air transport equipment	1
Construction of roads and motorways	1

Milk processing and cheese production	1
Manufacture of builders' ware of plastic	1
Retail sale of furniture, lighting equipment and other household articles in specialised stores	1
Foreign affairs	1
Other mining activities n.e.c.	1
Veterinary services	1
Activities of holding companies	1
Publishing of computer games	1
Cultivation of fibre plants	1
Roofing activities	1
Construction of hydrotechnical objects	1
Manufacture of paper and paperboard	1
Manufacture of other ceramic products	1
Manufacture of refined petroleum products	1
Processing and preserving of fish, crustaceans and molluscs	1
Agents involved in the wholesale of fuels, ores, metals and industrial chemicals	1
Floor and wall covering	1
Manufacture of other outerwear	1
Installation of electrical wiring and fittings	1
Manufacture of knitted and crocheted fabrics	1
Rearing of other cattle	1
Manufacture of cider and other fruit wines	1
Manufacture of other non-ferrous metals	1
Agents involved in the sale of a variety of goods	1
Growing of other tree and bush fruits and nuts	1
Construction of water supply systems	1
Manufacture of other products of wood; manufacture of articles of cork, straw and plaiting materials	1
Activities of general public services	1
Agents involved in the sale of agricultural raw materials, live animals, textile raw materials and semi-finished goods	1
Manufacture of cocoa, chocolate and sugar confectionery	1
Sale of other motor vehicles	1
Retail sale of motor vehicle parts and accessories	1
Manufacture of other food products n.e.c.	1
Cold forming or bending	1
Provision of steam and air conditioning supply	1
Marine aquaculture	1
Other credit services	1

Inland passenger water transport	1
Non-specialised wholesale	1
Building of pleasure and sporting boats	1
Construction of ships and floating structures	1
Treatment and disposal of waste (excluding hazardous waste)	1
Freight transport by road	1
Support activities for petroleum and natural gas extraction	1
Manufacture of electrical household appliances	1
Non-life insurance	1
Operation of call centres	1
Sawmilling and planing of wood; impregnation of wood	1
Wholesale of beverages	1
Personal security activities	1
Manufacture of other plastic products	1
Manufacture of other furniture	1
Retail sale of books in specialised stores	1

Annex No. 5 "Data on the year of registration of CSOs in the Register of Enterprises of the Republic of Latvia"

(Lursoft data on associations and foundations that have not been liquidated (registered until 5 January 2021), excluding the NGOs that have indicated "94.20 Activities of labour unions", "94.12 Activities of professional organisations" and "94.11 Activities of business and employers membership organisations" as their NACE code

Year of registration in the Register of Enterprises of the Republic of Latvia	Number of CSOs
1991	21
1992	23
1993	424
1994	186
1995	170
1996	398
1997	300
1998	300
1999	335
2000	473
2001	385
2002	420
2003	403
2004	606
2005	799
2006	1095
2007	1088
2008	1116
2009	1428
2010	1615
2011	1571
2012	1368
2013	1404
2014	1192
2015	1251
2016	1238
2017	1096
2018	1066
2019	1036
2020	925
2021	12