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We are people dedicated to the promotion of a legal environment that strengthens civil society, advances freedom of association, fosters philanthropy, and enables public participation around the world. We come from virtually every continent, and we share a vision in which individuals are empowered to improve their everyday lives.

In our work, we are committed to the following core values:

- Reform should result from an indigenous and transparent process;
- Our assistance should be professional and non-partisan;
- Programs should incorporate public participation; and
- Our activities should support, and not displace, local expertise.
When I wrote my annual message last year, I suggested that we had not yet absorbed the full potential impact of the global economic meltdown. So it is with real pleasure than I can report (as you can read for yourselves in this annual report) that from a financial point of view, not only did ICNL “manage” but it in fact emerged in fine financial shape with increased funding and, more importantly, an increased level of work literally all over the world.

Each board meeting now seems to involve reports of new funding... a continuing credit to ICNL’s senior staff. And the quality of the work, which is the acid test of success, remains very high due to the hard work and dedication of every employee and contractor. It is equally as pleasing to look at the diversity of funders, which has meant that the organization is less dependent on any single source of funds, giving it a high level of stability in a world which is increasingly volatile in its needs.

ICNL is a truly international organization - attested to by the diversity of the Board which is very much a “hands on” group. To be a director, one must not only demonstrate significant interest in ICNL’s work but also commit time to meetings and committees. With a Board of only eight or nine, every member contributes time and effort on an ongoing basis.

In June of this year, ICNL held its annual meeting in Istanbul, Turkey thanks to the generous hospitality of the Third Sector Foundation of Turkey and Board Member Filiz Bikmen. At this meeting, the Board bade a fond farewell to three board members who reached their term limits: Gavin Andersson (South Africa), Bindu Sharma (Singapore), and Shelley Korman (United States). The hardest part of being such a closely knit board is saying goodbye to people who after six years together became friends as well as colleagues. We expect that each of the three will remain active through membership on the Advisory Council.

At the same time, we welcome two new directors, namely Jeff Thindwa, a Senior Social Development Specialist in the World Bank’s South Asia Region based in Washington, DC, and Betsy Adler, a principal with the law firm of Adler & Colvin in San Francisco, which serves nonprofit organizations and donors. Both attended the Istanbul meeting where they were elected and took office as those meetings adjourned. It is already obvious based on their participation that each with contribute significantly to ICNL’s future successes.

ARTHUR B.C. DRACHE
Chair of the Board
Over the past year, ICNL employed a multi-tiered approach to foster an enabling environment for civil society, civic participation, and philanthropy. At the national level, ICNL worked on projects encompassing 100 countries. For example:

- In Iraq, ICNL supported a successful law reform process, working with the United Nations and 7,000 Iraqi civil society organizations to facilitate the drafting and adoption of a new Law on Non-Governmental Organizations.
- In Russia, our affiliate office was instrumental in the enactment of legislation creating a class of “socially oriented organizations” eligible to receive tax benefits and governmental support. Importantly, the law contains a fairly broad list of qualifying purposes, including the protection of human rights.
- In Rwanda, ICNL worked with civil society and the government to prepare draft legislation to significantly liberalize the legal framework for civil society in that country.
- The Government of China commissioned ICNL to deliver a paper on the legal framework for disaster response.

At the regional level, ICNL launched a fellowship program for Asia and brought together partners from ten countries in Latin America to support Nicaraguan civil society. In addition, ICNL had the privilege of participating in a key regional meeting organized by the Caribbean Philanthropy Network. At the global level, ICNL serves on the Community of Democracies Working Group on Enabling and Protecting Civil Society, chaired by the Canadian Government. ICNL also played an important role on the UN Human Rights Council’s Resolution on the Rights to Freedom of Assembly and Association.

To contribute to the analytic basis for the field, ICNL published *Global Trends in NGO Law*, the *NGO Law Monitor*, and the *International Journal for Not-for-Profit Law*. We also published reports with the United Nations Development Programme and United Nations Volunteers. In addition, we continued our partnership with the Council on Foundations on issues of global philanthropy.

Through all of these initiatives, our goal is to provide international perspectives to help inform local solutions. This is made possible through our staff, Board, and Advisory Council, who come from 40 countries, speak 30 languages, and reflect the diversity that makes civil society so dynamic. Gavin Andersson, Bindu Sharma, and Rochelle Korman have reached their term limits, and I thank them for their distinguished service. I also warmly welcome Jeff Thindwa and Betsy Adler to ICNL’s Board.

I express my deep appreciation to the multilateral organizations, development agencies, foundations, NGOs, corporations, and individuals who generously support our activities. I also pay tribute to our in-country partners, who serve as a continuing source of inspiration as we work to create an enabling environment for civil society around the world.

DOUGLAS RUTZEN
President and CEO
ICNL’s projects encompass every political, social, and economic context:
In Rwanda, the genocide that occurred 16 years ago remains a slowly healing wound, as the country undertakes the journey toward developing a stronger infrastructure of law, economic progress, and social harmony. A sound civil society can contribute mightily toward the healing process.

As part of this healing, the government, in consultation with a number of civil society organizations (CSOs), has devoted substantial resources to reforming laws governing civil society. They have made it a goal to include CSOs, and especially people at the grass-roots level, as partners in policy development and implementation. Since 2007, ICNL has served as a continuing resource as the draft laws proceed through various drafting stages, conferring with both umbrella and individual CSOs, as well as with the international NGO community and the government drafters.

The active cooperation between civil society and government throughout this drafting and legislative process models the way a determined civil society can contribute effectively to the development of a stronger, healthier, democratic Rwanda.

AFRICA ENGAGEMENT | During the past year, funding from USAID and the Ford Foundation supported ICNL engagement in Ethiopia, Kenya, Senegal, Puntland & Somaliland, Uganda, and Zambia, in addition to Rwanda. Our research projects allowed for further engagement in Nigeria, Sierra Leone, South Africa, and Zimbabwe.
In June 2010, ICNL welcomed two senior research fellows from Cambodia and Nepal, each conducting research on the legal environment for civil society in his respective country.

In Cambodia, the government announced that a long-anticipated draft NGO law will soon be made available. Consistent with ICNL’s policy of strengthening local capacity, we provided a one-month fellowship to a Cambodian lawyer, Bunthoeurn Ke. Mr. Ke researched how internationally observed principles may support freedom of association and energize citizens to improve their country.

In Nepal, the Constituent Assembly is preparing its first draft of a new Constitution, scheduled to be enacted in mid-2011. Capitalizing on the momentum, Uttam Uprety joined ICNL to conduct a critical reflection of Nepal’s legal framework. The paper emphasizes the significant principles underlying the freedom of association as a key to public participation in policy decision-making.

Both fellows plan to showcase their papers, with ICNL support, in a series of seminars and consultations with the goals of bringing CSOs and government representatives to the table for dialogue, and of fostering a more trusting relationship between the sectors.

Through this program, CSOs will receive good methodologies to work with governments, and CSOs can strengthen their networks to protect their interests.

~ Bunthoeurn Ke, Cambodia

Through this fellowship, I came to know all the principles and issues of CSOs in other countries. As a result, I am able to look critically [at] the legal framework for CSOs... and advocate for [an] enabling legal framework in Nepal.

~Uttam Uprety, Nepal

ASIA ENGAGEMENT | The fellowship program is made possible through the NGO Legal Enabling Environment Program (LEEP), funded by the United States Agency for International Development and implemented by ICNL. With funding from other donors, ICNL has undertaken projects involving Afghanistan, China, Indonesia, Mongolia, Pakistan, Sri Lanka, and Vietnam during the past year.
We congratulate and thank ICNL for the great efforts you have made to pass this NGO law... You have our sincere thanks and gratitude for your service to Iraq.”

~ Haider al-Battat, Director of the Al-Huda Strategic Institution in Basra

Despite ongoing political violence, Iraq’s burgeoning civil society organizations have worked hard to rebuild infrastructure, provide essential humanitarian services, and stem the tide of sectarian violence. A testament to the dedication of Iraq’s civil society is the new Law on Non-Governmental Organizations, which was approved by the parliament on January 25, 2010. For the first time the law provides an enabling legal environment for the thousands of Iraqi NGOs that have formed since the fall of Saddam Hussein’s regime.

The new NGO law was the culmination of years of effort by Iraqis of every ethnic and religious background. Sunni, Shi’a, Kurdish, and Chaldean Christian civil society leaders all played important roles in the passage of the law, and the cross-sectoral nature of the initiative was reflected in the broad support that the law received from members of all of Iraq’s prominent political parties.

ICNL collaborated with the United Nations Office of Project Services – Iraq Operations Centre to support the work of Iraqi local partners by convening roundtable workshops that brought together government officials, Members of Parliament, and civil society leaders. ICNL also provided support to advocacy campaigns launched by more than a dozen Iraqi NGOs, including the filming of a documentary on NGO law, the broadcast of dozens of radio and television programs educating the public on civil society law, and an exhibition of paintings by students from the Art Institute of Kurdistan on themes related to civil society law.
The conference was a complete success; it demonstrated what we are capable of accomplishing when CSOs work together.

~ Antonio Moreno of local partner Grupo ProJusticia

In April 2010, a group of ideologically diverse civil society organizations (CSOs) convened the first International Conference on Freedom of Association in Managua, Nicaragua. The conference sought to promote solutions to challenges facing the country. Through the organizations’ leadership, the conference brought together over 300 Nicaraguans from almost every corner of the country - from Rivas in the south to Chinandega in the North to Puerto Cabezas on the Atlantic Coast - to learn about their rights to associate peacefully with others.

The participants heard from civil society leaders from around the world about the strategies and tools that united CSOs have employed to mitigate limitations on freedom of association. Panels then discussed the steps that Nicaraguans can take towards defending their rights under national and international law. The international experts included leaders who have collaborated with ICNL in Mexico, Guatemala, Honduras, El Salvador, the Dominican Republic, Venezuela, Colombia, Ecuador, Peru, and Paraguay.

Through opinion articles written by local partners and coverage of the Conference in Nicaragua’s leading daily newspaper, La Prensa, many thousands more Nicaraguans learned about the importance of freedom of association.

HONDURAS | In mid-2010, the Federation of Organizations for the Development of Honduras (FOPRIDEH), along with a coalition of diverse CSOs, proposed an enabling NGO law to the President of Congress. This unified proposal is remarkable in post-coup Honduras, where the population and CSOs remain deeply polarized. With assistance from ICNL, FOPRIDEH found common ground by engaging CSOs to produce a draft NGO law that conforms to international law. The group’s capacity to collaborate on legal reform was strengthened in the months preceding the coup, when they defeated a highly restrictive version of an earlier draft law.
In 2009, Kyrgyzstan introduced a property tax that imposed a significant financial burden on NGOs that provide housing and other support to orphans, disabled persons, and other disadvantaged segments of the population.

Through a USAID-funded program, ICNL provided technical assistance to two children’s organizations: Center for Temporary Residence of Children and the Children’s Protection Center. The project sought exemptions for organizations providing social services to vulnerable segments of the population. The organizations were assisted with drafting techniques and given comparative information on how other countries provided tax relief to similar organizations. More than 30 local NGOs submitted a petition containing recommendations and supporting arguments. These organizations also conducted events to raise awareness of their contributions to community needs.

On February 16, 2010 amendments to the Tax Code were published, exempting all organizations working in science, education, health, culture, sports, social welfare, and protection of children or poor people of advanced age.

“*We are very grateful to ICNL for assisting us to be exempt from property tax and enabling us to continue...providing assistance for needy children.*”

~ Mira Itikeeva, Executive Director of Public Association Children’s Protection Center

Children receiving a hot meal at the Children’s Protection Center.

RUSSIA | In April 2010, new legislation was adopted establishing the status of “socially oriented” organizations, an important step for the NGO sector. Under the new law, socially oriented organizations engaged in a broad range of activities from charitable work to the protection of human rights are eligible for governmental support and preferential tax treatment. The ICNL, LLC Moscow office, working with the government, was instrumental in the development of this legislation. Indeed, President Medvedev signed a Resolution awarding a “Special Certificate of Presidential Appreciation” to the program director, Daria Miloslavskaya.
“Macedonia is again at the forefront of NGO Law regulation! We are grateful to have had ICNL and ECNL’s support in these processes. It is thanks to their continuing advice and commitment that we were able to ... justify the progressive proposals and lay the foundation for further reforms to improve the environment for NGOs.”
~ Natasha Gaber-Damjanovska, judge of the Constitutional Court of Macedonia

**Macedonia** | In April 2010, a new Law on Associations and Foundations was enacted in Macedonia. Since 2002, the European Center for Not-for-Profit Law (ECNL) and ICNL have worked closely with the local drafters and have provided support to the Ministry of Justice in developing the draft law. The law allows foreign individuals and businesses to contribute to the development of Macedonian society as never before. For the first time they can establish associations and are encouraged to collaborate with local NGOs to address social needs.

And the new law doesn’t stop there. At a time when the tendency across the world is to limit civic space, the law introduces more progressive provisions. Now youth under 18 are able to establish associations, and community groups no longer need formal legal approval to undertake activities in their neighborhoods. In addition, NGOs can fundraise to support their cause, strengthening their economic potential and enabling them to contribute more actively to the development of the country.

**ECNL** | ECNL has been engaged in supporting legal reform efforts in every country of Central and Eastern Europe, and in the European Neighborhood. In addition, ECNL has emerged as an influential player on issues of relevance to the European Union, such as counter-terrorism and EU funding policy. In addition to Macedonia, recent legislative successes in Kosovo, Moldova, and Serbia are testament to ECNL’s partnership with local reformers.
**NGO Law Monitor** | Thanks to the generous support of the John D. and Catherine T. MacArthur Foundation, ICNL is pleased to introduce the NGO Law Monitor. The NGO Law Monitor seeks to provide up-to-date information on legal issues affecting not-for-profit, non-governmental organizations (NGOs) around the world. A network of individuals and organizations works with ICNL to monitor legal developments affecting civil society in 30 countries as well as the activities of 8 multilateral institutions. The reports can be viewed at www.icnl.org/ngolawmonitor.

**Global Trends** | Launched in Spring 2009, Global Trends in NGO Law synthesizes key developments affecting the legal framework for civil society. Issue 3 examines restrictions placed on the public policy activities of NGOs. Issue 4 presents a survey of NGO laws in the Arab world and reviews the most recent initiatives to revise the region’s NGO laws. All issues can be viewed at www.icnl.org/globaltrends.

**IJNL** | The twelfth year of ICNL’s *International Journal of Not-for-Profit Law* focused on a broad array of issues, including: an overview of restrictions on foreign funding of civil society, as well as an in-depth review of five case studies; country reports on the NGO legal framework in several sub-Saharan African countries; and a review of nongovernmental organizations in the political realm, summarizing the laws and best practices related to NGOs’ political activities. All articles are available at www.ijnl.org.

**International Grantmaking** | ICNL is in its tenth year of partnership with the Council on Foundations on the United States International Grantmaking Project. In total, 35 “Country Notes” assist grantmakers and their advisors to meet IRS requirements when making grants abroad. To learn more about the project and to view the Notes, please visit www.usig.org.

**Volunteerism** | The United Nations Volunteer Programme published a global research project completed in collaboration with ECNL and ICNL. The project identifies changes in laws, regulations, and policies governing volunteers around the world since the International Year of the Volunteer in 2001.

**Education** | For the second year, ICNL’s President Doug Rutzen taught International and Comparative Civil Society Law with Advisory Council member Adam Kolker at the Georgetown University Law Center. The course covered topics including introduction to civil society, international law, comparative law, counter-terrorism and civil society law, the backlash against civil society, and the process of advancing NGO law reform.

For the sixth year, ICNL served as the Project Manager for the 2009 NGO Sustainability Index (NGOSI) for Central and Eastern Europe and Eurasia. The publication reports on seven dimensions of NGO sustainability, including public image, financial viability, and organizational capacity, in 29 countries across the region. In addition, this year we expanded the NGOSI to Africa for the first time, measuring the same dimensions throughout 19 countries in East, West, and Southern Africa.
2009 - 2010 Board of Directors & Advisory Council

Board of Directors

Arthur Drache, Chair
Canada

Filiz Bikmen, Vice Chair
Turkey

W. Aubrey Webson, Secretary & Treasurer
Antigua

Betsy Buchalter Adler
United States of America

Lindsay Driscoll
United Kingdom

Douglas Rutzen, ex-officio
United States of America

John Clark
United Kingdom

Jeff Thindwa
Malawi

Feliciano Reyna Ganteaume
Venezuela

Stephan Klingelhofer, ex-officio
United States of America

Advisory Council

Betsy Buchalter Adler – USA
Gavin Andersson – Botswana/South Africa
Diana Aviv – USA
Taaka Awori – Ghana
Joseph Baidoe-Ansah – Ghana
Hestern Banda – Malawi
Feliz Bikmen – Turkey
Oonagh Breen – Ireland
Consuelo Castro – Mexico
John Clark – UK
Noshir Dadrawala – India
Harvey Dale – USA
Arthur Drache – Canada
Lindsay Driscoll – UK
W. Cole Durham, Jr. – USA
Philippe-Henri Dutheil – France
Aroma Dutta – Bangladesh

Yuri Dzhibladze – Russia/Georgia
Richard Fries – UK
Natasha Gaber-Damjanovksa – Macedonia
Robert Hayhoe – Canada
Scott Horton – USA
Emeka Iheme – Nigeria
Jin Jinping – China
Sa’ed Karajah – Jordan
Adam Kolker – USA
Rochelle Korman – USA
Beatriz Parodi Luna – Peru
Lais de Figueirêdo Lopes – Brazil
Malcolm Lynch – UK
Miklos Marschall – Hungary
Myles McGregor-Lowndes – Australia
Harriet Namisi – Uganda

Paul Nathanson – USA
Geoffrey Prewitt – USA
Feliciano Reyna Ganteaume – Venezuela
David Robinson – New Zealand
Nick Roseveare – UK
Adriana Ruiz-Restrepo – Colombia
Ziad Abdel Samad – Lebanon
Howard Schoenfeld – USA
Bindu Sharma – India/Singapore
Mark Sidel – USA
Ramesh Singh – South Africa
Dan Songco – Philippines
Eduardo Szazi – Brazil
Jeff Thindwa – Malawi
Victor Thuronyi – USA
W. Aubrey Webson – Antigua
# Financial Overview

## Statement of Activities and Changes in Net Assets
For the Years Ending December 31, 2009 and 2008

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2009</th>
<th>2008</th>
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<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily</td>
<td>Total</td>
<td>Total</td>
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<tr>
<td></td>
<td></td>
<td>Restricted</td>
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<tr>
<td><strong>PUBLIC SUPPORT AND REVENUE</strong></td>
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<td>U.S. and Other Government Grants</td>
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<td>Foundation and Corporation Grants</td>
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<td>754,483</td>
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<td>Individual contributions</td>
<td>1,000</td>
<td>-</td>
<td>1,000</td>
<td>2,145</td>
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<td>Interest Income</td>
<td>4,836</td>
<td>-</td>
<td>4,836</td>
<td>6,499</td>
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<tr>
<td>Other revenue</td>
<td>5,251</td>
<td>-</td>
<td>5,251</td>
<td>3,000</td>
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<tr>
<td>Net assets released from restrictions</td>
<td>4,663,875</td>
<td>(4,663,875)</td>
<td>-</td>
<td>-</td>
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<tr>
<td><strong>Total public support and revenue</strong></td>
<td>4,674,962</td>
<td>543,484</td>
<td>5,218,446</td>
<td>4,663,785</td>
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<tr>
<td><strong>EXPENSES</strong></td>
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<td>Program Services</td>
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<td>3,687,095</td>
<td>3,325,037</td>
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<td>General and Administrative</td>
<td>943,921</td>
<td>-</td>
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<td>834,054</td>
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<tr>
<td><strong>Total expenses</strong></td>
<td>4,631,016</td>
<td>-</td>
<td>4,631,016</td>
<td>4,159,091</td>
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<tr>
<td><strong>OTHER ITEMS</strong></td>
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<td></td>
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<tr>
<td>De-obligation of Funding</td>
<td>-</td>
<td>(228,968)</td>
<td>(228,968)</td>
<td>(62,896)</td>
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<td>Changes in net assets</td>
<td>43,946</td>
<td>314,516</td>
<td>358,462</td>
<td>441,798</td>
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<td>Net assets at beginning of year</td>
<td>404,563</td>
<td>6,603,920</td>
<td>7,008,483</td>
<td>6,556,685</td>
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<tr>
<td><strong>NET ASSETS AT END OF YEAR</strong></td>
<td>448,509</td>
<td>6,918,436</td>
<td>7,366,945</td>
<td>7,008,483</td>
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</tbody>
</table>
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