

RUSSIA

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Capital: Moscow
GDP per capita: \$3,211
Population: 146,500,000

Inflation: 100%
Unemployment: 12.4%
Foreign Direct Investment: \$3,500,000,000

OVERALL DESCRIPTION: 4.3

Over the past 12 years, Russia's NGO sector has grown dramatically. In 1987, there were 30 to 40 registered civic NGOs. By January 1, 2000, 274,284 organizations had registered with the Ministry of Justice. Sector experts estimate that roughly one-quarter of these NGOs are active and engaged in civic issues. The remaining balance is comprised of trade unions, religious groups, consumer cooperatives, businesses registered as NGOs, or defunct organizations.

Strong organizations exist in all sectors, but not in all regions. Rather, the development of Russia's NGOs varies greatly across the country's 89 federations. Sophisticated organizations located in the main cities possess excellent

technological, training, information, financial, and human resources, but smaller volunteer groups operating in the regions sometimes rely solely on the basis of in-kind contributions. The majority of active NGOs, both large and small, are concentrated in urban areas and population centers. Activists cite an increase in the professionalism of NGOs in general, and the need for professional development in particular, as one of their highest priorities. They believe that increasing the professionalism of NGOs will remove some of the barriers to cooperation with businesses and government.

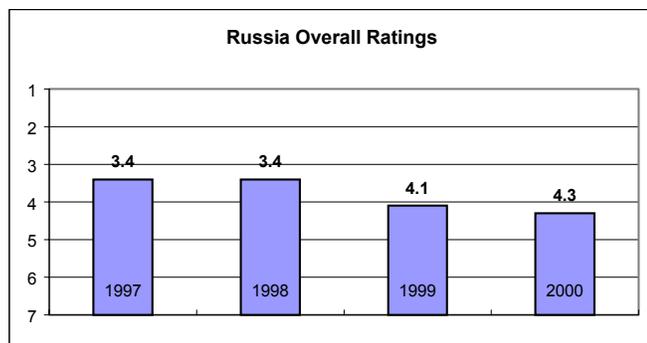
The most pronounced negative factors affecting NGOs during 2000 were Russia's slow economic revival and political uncertainty. These factors contribute to somewhat bleak prospects for NGO sector financial viability and much-needed federal-level legislative reform, and represent the most serious constraints on medium-term NGO sector growth in areas where other resources are present.

LEGAL ENVIRONMENT: 4.0

Federal legislation provides a legal basis for NGOs to exist and operate and most NGOs operate free from harassment from government authorities. At present, pro-NGO legislation is being advanced on the regional and local levels by NGO sector activists, including legislation on government contracts and

procurements. Provisions for such procurements are not expected at the federal level within the next few years.

Access to legal consultations or advice for NGOs was expanded this year through NGO resource centers in Siberia, Southern Russia, Novgorod, Samara, and the Russian Far East. The Ini



tiative for Social Action and Renewal in Eurasia (ISAR) provides Russian Far East (RFE) NGOs with legal consultations at five resource centers, and publishes texts of pertinent legislation in its journal and on the Internet. Legal consultations outside of larger cities are sometimes difficult to obtain.

The legal environment for Russian NGOs has not improved over the past year. The term for re-registration of certain NGOs, mandated by the Law on Public Associations, was not extended. Registration of politically controversial NGOs remains problematic. The police raided some NGOs in an attempt to intimidate them.

Taxes are often collected on cost recovery measures or fee-for-service arrangements, without distinguishing between nonprofit and profit-making activities. Significant tax incentives are not likely to be a part of Russia's tax structure in the foreseeable future, due to international and domestic pressure on the Russian federal government to raise critically needed revenue. The general provisions of a new tax code were adopted in August 1998. The specific provisions have not yet been adopted. In 1998, NGO sector activists formed a national coalition to lobby for a package of amendments to the new tax code that address serious defects in the general provisions and restore some level of protection for nonprofits. The fate of this legislation remains uncertain.

ORGANIZATIONAL CAPACITY: 4.0

Although the capacity of local experts to provide training in a range of organizational topics is increasing, regional discrepancies in access to training, and in NGO development as a whole, create inconsistencies. Many NGOs still suffer from a lack of appropriate internal democratic governance principles, often because they are "one-person" NGOs. While leading NGOs have permanent, paid staff, most NGOs rely predominantly on volunteer staff.

Foreign donor sponsored training and technical assistance in organizational management is beginning to produce results in some parts of the country. The number of indigenous consulting and training agencies that offer specialized training in one or more areas of organizational management held steady over the past year. The leading NGOs throughout the country have clear mission statements and are successful in attracting volunteers.

Training is still needed in the areas of conflict resolution, strategic and financial planning, constituency outreach, volunteer management, and the development of governing bodies. While some organizations are somewhat advanced in these areas, most are just beginners. Both basic and advanced training is still critically needed by NGOs throughout Russia.

Constituency outreach is an area of special concern. Many NGOs do not understand the concept of building a constituency and lack the human capacity and skills necessary to attract new members or to cultivate a circle of supporters. There is a lot of skepticism among NGOs that their outreach efforts will be worthwhile; therefore they choose to focus on their immediate clients.

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FINANCIAL VIABILITY: 5.0

Russia's poor economic performance continues to pose the most serious constraint to the financial development of its NGO sector. The contraction of the economy following the August 1998 financial crisis and its reported slow growth in 1999 and 2000 has made financial sustainability for leading NGOs with significant foreign funding unlikely within the next five years. Professional organizations in general are just beginning to learn how to provide member services, a necessary precondition for dues collection. Cost-recovery, fee-for-service and other revenue-raising schemes are being introduced by NGOs across Russia but may carry serious tax liabilities.

While the overall financial viability of the NGO sector remains problematic, some positive steps are being taken at the local level. Russia's NGOs are turning to local government and businesses for support with increasing success. Leading Siberian NGOs have begun to cata-

lyze small grant programs by mobilizing resources from local government and businesses; small grants from this "consolidated" pool are then awarded competitively to local groups for socially significant projects. NGO sector experts continue to find that Russian regional and local government agencies are the most common sources of financial support: at least 40% of Russia's NGOs receive some form of governmental assistance. However, 50% of those surveyed have no cash income at all.

Traditions of indigenous philanthropy are slowly being revived in Russia. Classical "fundraising" from commercial organizations (in the sense of direct solicitation) is becoming more widely practiced. Few NGOs have had success in raising money from private individuals, however. Basic fundraising training is increasingly available, but most NGO sector activists still lack the sophistication to make credible, well-targeted solicitations.

ADVOCACY: 4.5

Several federal level advocacy campaigns failed to materialize within the past year, deflating the high expectations associated with last year's optimistic advocacy score of 3.5. Local advocacy initiatives, on the other hand, have gained strength in over thirty of Russia's regions, as demonstrated by the creation of local citizens' councils that meet regularly to advise legislative and executive-branch officials on policy matters. Advocacy mechanisms that exist at the local level are sometimes underutilized or abused.

Local government officials and NGO activists continue to find mechanisms to promote collaboration. In some regions, officials eagerly solicit help from NGO activists on programming and on drafting legislation. In Siberia, Southern Russia, Novgorod and Samara Oblasts, for example, over 280 consultations between NGO activists and government officials occurred during the first quarter of 2000, and 75 expert commentaries were submitted to officials on policy issues. In other regions, however, government officials (and sometimes NGO activists) envision the role of NGOs to be that of temporary social service pro

viders until the state can stand on its feet again.

Informal, issue-based coalitions are increasingly frequent and visible at the local level. Organizations pool resources and work together when there is a perceived need or a pressing issue such as the 1998-1999 National Campaign for Fair Taxation of NGOs. However, their impact on governmental decision-making has been limited. Larger issue-oriented NGOs have formed nationwide networks to advocate on specific policy

issues (such as youth, ecology, voter mobilization and military reform).

There are a few Russian "think tanks" following the Western model that advocate public policy recommendations at the federal level, and a core of well-known experts, whose opinion seems to be respected, in the major cities.

The lack of political parties with issue-based platforms, and the lack of accountability of elected officials in general, seriously hinders the effectiveness of NGOs' lobbying efforts.

SERVICE PROVISION: 4.5

Most NGOs provide some type of service to their members or to their communities based on needs perceived at the local level, rather than at the behest of donors. Most experts agree, however, that improving service provision is one of the biggest challenges facing the sector. Due to the lack of human resources and funding, the services that many NGOs provide cannot be supplied on a reliable and daily basis. Only the elite NGOs are able to provide high-quality services in the areas of housing, health, training, and environmental health. They have succeeded in creating a demand for their services among NGO, commercial, and government clients, and have found clients who are willing and able to pay. Their "product lines" are not, as a rule, diversified. These elite NGOs have also found ways of registering and obtaining the necessary licenses so that they can provide these services and manage their tax obligations. These successes are confined to a very small number of organizations, however.

Local government officials are beginning to recognize the value that NGOs can add to the provision of basic social services. For example, in 2000, legislation concerning government grants to NGOs for social services provision was passed in the cities of Stavropol, Novosibirsk, Kemerovo, and Krasnoyarsk. Local budgets will begin to have a separate line for NGO support.

Russian tax law does not favor cost-recovery schemes. For example, in many instances the tax implications of these schemes are so unfavorable as to make even charging membership fees unprofitable. Leading Russian NGOs are exploring fee-for-service and other cost-recovery options, and have found that many NGOs and some businesses would be willing to pay for publications, workshops, and expert analysis, as well as other services. Few of those willing to pay actually have the means to do so.

INFRASTRUCTURE: 3.5

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NGO resource centers provide local NGOs with access to information and technology in many regions throughout Russia. There is a growing cadre of capable Russian management trainers, and NGO management training and Russian-language materials are available in many regional capitals. Advanced specialized training and consulting in strategic management, accounting for non-profits, financial management, fundraising, and volunteer management are available in major cities and regional centers.

Resource centers that serve NGOs (as opposed to business support institutions) have difficulty earning income and generating revenue for the reasons noted above (see "service provision"). Vast distances between population centers in certain regions (e.g., the Russian Far East) and poor infrastructure limit NGOs' access to resource center services. Although several donor-funded programs feature Internet libraries, the overwhelming majority of Russian NGOs do not have reliable Internet ac-

cess. In most of the country, Internet connections are not sufficient to permit downloading of large documents.

Over the past several years, numerous attempts have been made to establish local grantmaking organizations and to develop mechanisms for the granting or sub-granting of funds, including the creation of local community foundations. Despite of the absence of clear and supportive legislation in this area, local development foundations were created in Togliatti and Tyumen. NGO resource centers in Southern Russia, Siberia, Samara, and Novgorod conduct small grant competitions for grassroots NGOs with funds from international and domestic sources.

NGOs are able to work in both formal and informal partnerships with local businesses and local government. In a few cities, awareness of the possibilities for, and advantages of, such partnerships is growing among the various sectors.

PUBLIC IMAGE: 4.5

Among government officials in regions where foreign donors are active, the perception of NGOs continues to improve. NGOs (and especially NGO resource centers) continue to work actively with local media representatives to increase coverage of the active, positive role that NGOs are playing in their communities. NGO fairs are an example of collaborative activities undertaken by groups of NGOs to promote their public image.

Much work remains to be done, as many organizations still lack basic public relations skills. Cultivating good relations with local media representatives may take more time and attention than small organizations are able to devote to

this crucial work, although many are improving their skills.

Many NGOs are open about their activities, though few organizations publish annual program and financial reports. Some membership organizations have adopted a code of ethics, but such examples are few. Journalists are often poorly informed about the role NGOs play in civil society and are preoccupied with other news items. Therefore, the public at large continues to have a poor understanding of the role and positive achievements of NGOs in society. Popular opinion continues to associate NGOs with illegal businesses or tax evasion. The lack of tax reform that would enable small businesses to func

tion profitably without resorting to registering as nonprofits also contributes to

this negative image.