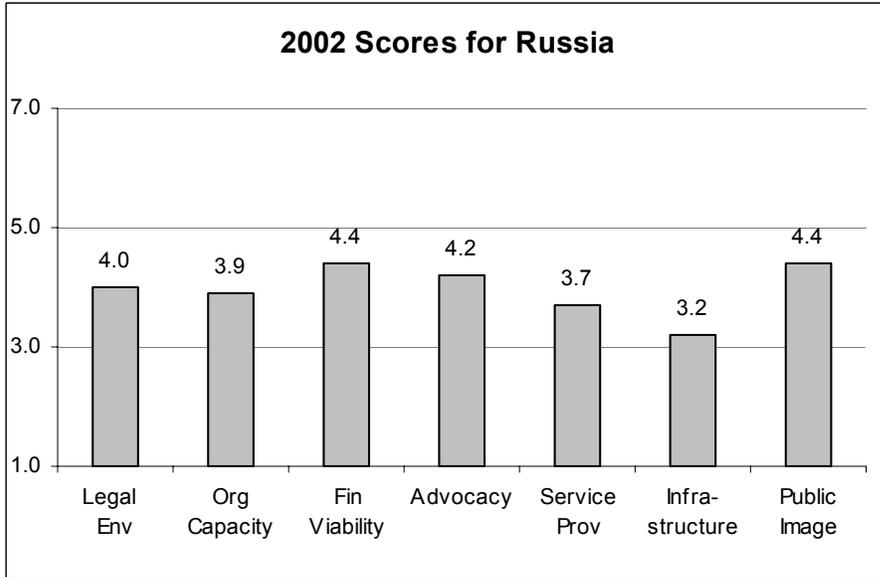


RUSSIA



Capital:
Moscow

Polity:
Presidential-parliamentary democracy

Population:
145,470,197

GDP per capita (PPP): \$7,700

NGO SUSTAINABILITY: 4.0

The Civic Forum in late 2001 significantly changed the vector for the development of the NGO sector in Russia. While the immediate results of the event included more press coverage for the third sector and increased dialogue in specific regions of the Russian Federation, the long-term effect of such a mammoth event is not predictable. Nonetheless, experts agree that, despite the many challenges remaining, this year marked a positive turning point for NGO potential in Russia. This year's NGO Sustainability Index shows improvements primarily in the areas of Legal Environment, Advocacy and Service Provision.

NGO SUSTAINABILITY	
2002	4.0
2001	4.3
2000	4.3
1999	4.1
1998	3.4

Over the past year, NGOs have noted quantitative and qualitative improvements

in dialogue with local and federal authorities, both within the scope of the Civic Forum and outside it. Further, experts noted that local NGOs have become more active in developing local sources of funding and better at targeting and meeting local community needs.

While not producing concrete legislative change, the Civic Forum provided, and continues to provide, the NGO sector with a mechanism for engaging federal structures in constructive dialogue. The key opportunity now is for the NGO community to effectively leverage this dialogue into concrete change.

Despite these advancements, significant challenges remain to the development of an independent NGO sector. Under the current framework of "managed democracy," federal and local authorities allocate most of their support to so-called government-organized NGOs (GONGOs). These

NGOs were either established by the authorities themselves to affect public opinion or have been almost fully integrated into local government campaigns. Examples include a number of NGOs established and supported by the Central Election Commission to affect local election outcomes and a network of environmental assessment organizations set up and funded by the Ministry of Nuclear Power. The fact that the government invests resources into these NGOs demonstrates that it recognizes the need for civil

society structures in the general sense. However, these GONGOs are seen mainly as executive structures for mobilizing public opinion in favor of government initiatives.

Another major issue hindering third sector development is the lack of unity in lobbying for reform. While many NGOs lobby for their own personal interests with authorities and businesses, NGOs have yet to unite to lobby for concrete improvements in the legislative infrastructure.

LEGAL ENVIRONMENT: 4.0

The current federal legislation governing NGO activities remains primitive and unclear. Developed during the beginning of the transition period, the current legislation

LEGAL ENVIRONMENT	
2002	4.0
2001	4.2
2000	4.0
1999	4.0
1998	3.0

is out-dated and rudimentary. The ability of NGOs to serve their communities has long ago outstripped the rights given by this legislation. As

NGOs have become more advanced, these administrative laws restrict the flexibility of NGOs in a very competitive and mature donor and client market. Furthermore, legislation prevents or discourages NGOs from engaging in many revenue-generating and community-building activities. Examples include the lack of clear guidelines for the employment of volunteers and the complex nature of financial and tax reporting. While these remain considerable problems, NGOs have increased their ability to influence legislation over the past few years, thereby improving their ability to address some of these problems.

Overall, government harassment of NGOs has not been an issue over the past year, although there have been isolated incidents. The current legislation provides local authorities with the ability to liquidate

and/or penalize NGOs whose activities contradict local policy. Current legislation also allows local authorities to effectively shut down NGOs through constant tax inspections and court action, both controlled by local administrations.

Regional legislation is more often than not simply a copy of federal legislation in the area of NGO governance. Many regions have included new mechanisms for NGO/government cooperation such as municipal grants procedures and competitive procurement, but these laws only amend federal legislation and do not eliminate the federally mandated controls.

Taxation remains a vexing issue. Russian tax legislation is based solely upon the needs and circumstances of the business community. NGOs lack an independent tax status for providing benefits to the local community. This is primarily due to government distrust of the NGOs' and philanthropists' ability to misuse tax benefits. For example, the 2001 Tax Code removed tax incentives for corporate philanthropy, effectively discouraging businesses to contribute officially to NGO services.

NGOs face a similar situation regarding earned income. As the tax laws focus on the business community, NGOs are generally taxed at a similar rate for all reve-

nue-generating activities. However, local and regional tax incentives for small businesses do not pertain to NGOs. Further, for-profits have more liberty in developing start-up capital and manipulating assets. In short, the government taxes NGOs as business structures but does not use taxation to stimulate activity as with business.

These legislative regulations significantly impede the potential of the NGO sector to raise local, private donations. The mechanisms that would make it possible to bring the citizens' funds into the non-profit projects are absent both at the federal and regional levels.

ORGANIZATIONAL CAPACITY: 3.9

NGO organizational development remains highly individualistic and dependent upon each organization's leadership. NGO

ORGANIZATIONAL CAPACITY	
2002	3.9
2001	4.4
2000	4.0
1999	3.5
1998	3.0

leaders and directors still retain a high degree of control in their organizations and NGO internal governance structures remain

weak. Public perception of individual NGO executives continues to play a leading role in organizational fundraising and business/government partnerships.

NGO development in the areas of telecommunications and technical resources remains high. Donor emphasis on information resources and communication has allowed NGOs over the past year to develop the potential for communication, information exchange, and direct access to information resources.

Over the past year, the NGO community has noted both an increase in full-time staffing and a low retention rate for long-

time staff. The expertise developed in the NGO sector over the last 10 years is slowly being siphoned off by businesses and government structures that have come to recognize the talents and skills of NGO professionals. As businesses and governments recover from the economic crisis of August 1998, they are now able to provide competitive salaries with which NGOs are unable to compete. For this reason, many trained NGO specialists are moving to business and/or government and now serve mainly a consultative role to NGOs in their areas.

Finally, the NGO community has noticed an increased willingness on the part of donors to invest in NGO organizational development and asset building. While local donors previously focused all their investments into programmatic activities, they are now realizing the benefits of strong organizational capacity in implementing programs and projects. One of the main goals for the NGO community in the coming years will be to identify criteria and evaluation mechanisms for judging organizational capacity so that investment in this area can be better targeted.

FINANCIAL VIABILITY: 4.4

In general, NGO financial viability remains weak. Most organizations do not have guaranteed funding for more than 2 to 3 months at a time. The poor social and economic situation, the absence of experience in, and traditions of, corporate giving

and the low average household income place objective constraints on the flow of funds to the non-profit sector. Current legislation discourages donations and increases the costs of fundraising activities.

FINANCIAL VIABILITY	
2002	4.4
2001	4.7
2000	5.0
1999	5.0
1998	4.0

Finally, there is no legislative basis for the creation and maintenance of endowments.

However, developments over the past year are encouraging.

Corporate philanthropy is increasing at a notable rate. Multi-million dollar community development programs by such large companies as Yukos Oil and Alfa-Bank are opening new opportunities for NGOs to tap corporate donors. The number of large corporations engaging in systematic philanthropy is set to rise in the next few years. Regional businesses have also begun exploring systematic philanthropy to replace the in-kind donation mechanisms of previous years.

Further, local government administrations are rapidly promoting the use of municipal

grants and competitive procurement procedures to increase the role of NGOs in community development. For example, the Irkutsk regional government increased its municipal grant program to 2.5 million rubles last year in an effort to stimulate NGO involvement. Although still opaque and fraught with allegations of corruption, these municipal and regional mechanisms provide NGOs with an increasing diversification of funding resources. To further this trend, NGOs must do a better job of clarifying their economic contribution to local communities and presenting themselves as economically efficient service providers.

Overall, data on the financial status of the NGO sector is scarce. While it is evident that corporations and governments are coming to play a larger role in the financial viability of the third-sector, the bulk of funding remains in the “off-the-books” area of individual, one-time contributions and donations.

ADVOCACY: 4.2

Despite continuing problems, NGO advocacy has improved significantly over the last year. On the federal level, this improvement is in no small part due to the Civic Forum held in late 2001. Even at the start-up and preparation stages, federal governments included NGO leaders in the design and content of the forum. Approximately 5,000 NGO representatives from the Russian regions participated in the event and contributed actively to the 20-odd discussion panels. Significantly, several regional administrations have jumped on the bandwagon to create regional civic forums in which NGOs are encouraged to dialogue with legislators and businesses regarding regional development.

ADVOCACY	
2002	4.2
2001	4.9
2000	4.5
1999	3.5
1998	3.0

However, the Civic Forum is widely con-

ceded to be a trial mechanism. Neither the federal government nor NGOs were properly prepared to engage in well-founded debate regarding many of the issues involved in civil society development. Many of the NGO participants used the Forum as a mechanism to advance their own interests and not those of the sector as a whole. The fact that none of the recommendations were immediately enacted in federal legislation demonstrated that the federal government still lacks mechanisms for operationalizing NGO input into the policy process. Nonetheless, the Forum was a powerful mechanism for stimulating dialogue on the federal level and provided a launching pad for further debate.

This past year has also seen a noted improvement in NGO input into the development of local and national policy. For example, the INDEM Foundation’s “Anti-Corruption Report” was widely distributed

and discussed in government circles. Further, NGOs played a significant role in lobbying for the "Alternative Civil Service" (ACS) Bill that allows youth to choose between community and military service.

Two key issues still hindering NGO advocacy are the lack of transparent information and well-founded research. The lack of transparency in information provided by government structures makes it difficult for NGOs to design and construct convincing arguments for policy change. Further, the lack of qualified research in economic and social community development makes it difficult for NGOs to use facts and data to back up their policy recommendations.

Experts also noted that NGOs have become more sophisticated in their political

lobbying processes. While far from being highly effective in this area, NGOs are beginning to move away from ineffective models of public campaigning and have begun working with professional lobbying groups and other politically influential groups such as business and party lobbies.

In the area of advocacy for legal reform, as mentioned previously, leaders tend to agree that the current NGO legislation is out-dated. Several bills currently being debated in the federal Duma to improve the NGO infrastructure (such the laws *On Foundation*, *On Profit-Generating NGO Activities*, and *On Social Order*) were drafted several years ago and are still pending.

SERVICE PROVISION: 3.7

Although the data on NGO service provision is effectively non-existent, several trends in the NGO community indicate that NGOs are becoming more active in meeting community needs.

SERVICE PROVISION	
2002	3.7
2001	4.3
2000	4.5
1999	4.5

Primary among these trends is the increased recognition by local governments of NGO potential in providing social services. Government investment in NGO services through

municipal grants and competitive procurement is increasing the role of NGO service provision that is sanctioned by local authorities. While most NGOs cannot compete with the physical and/or human resources of government service providers, their role in community service provision is increasing.

Further, as the Russian economy begins to stabilize and NGO financial viability slowly increases, NGOs are better able to provide regular, on-going services as opposed to services provided under one-time "projects" supported by donors. However, as noted by the expert panel, NGOs are severely lacking in their ability to effectively market and evaluate these services. Due to current tax legislation, NGOs have yet to be able to actively engage in on-going fee-for-service activities. Low per capita income does not allow for many citizens to pay for NGO services. Further, the lack of tax benefits effectively places NGO and private services at the same cost.

However, the increased flexibility of local governments to solving community problems and increased investment by business demonstrate that the potential for NGO service provision is quickly rising.

INFRASTRUCTURE: 3.2

The regional infrastructure for the non-profit sector across Russia remains stable. Local resource centers (RCs) continue to

INFRA- STRUCTURE	
2002	3.2
2001	3.4
2000	3.5
1999	3.5

be funded primarily by international donors. These RCs provide critical services to start-up NGOs and act a focal point for local coalitions. RCs maintain important relationships with local governments and act as a marketing mechanism for local NGOs. Without the RCs, local governments would not have the resources or the organizational capacity to organize NGO fairs, conferences, local grant competitions, and inclusive public hearings. In short, resource centers continue to provide valuable services to both NGOs and local governments.

Local non-governmental, grant-making structures have also shown little progress over the last year. Although large corporations have started to increase their grant-making budgets, these funds are mainly distributed through federal organizations. Of the 20 active community foundations, only those in Togliatti and Tyumen have been successful in cultivating funds from local donors for community development.

As mentioned previously, the Russian legal framework does not yet provide for the critical establishment of endowments.

Large NGO coalitions have been less noticeable over the last year, primarily due to the attention generated by the Civic Forum. However, many coalitions continue to exist and advocate for improved policy and legislation. Some of the more active coalitions include those promoting democratic alternative civil service, an improved juvenile justice system, the creation of a human rights ombudsman, and local budget transparency. Each of these coalitions unites NGOs and NGO leaders across the regions of Russia for advocacy at the local and federal levels.

Nationwide "literacy courses" in NGO development are still widely offered, although the need for such training, which is primarily targeted at the grassroots level, has diminished. Many NGOs are over-trained in the basics of grant writing, fundraising, accounting, etc. While some leading training organizations have begun to re-focus on specialized professional training, the bulk of NGO training programs have yet to specialize or keep up with the changing demand of a more sophisticated and mature NGO community.

PUBLIC IMAGE: 4.4

PUBLIC IMAGE	
2002	4.4
2001	4.5
2000	4.5
1999	5.0
1998	4.0

Public perception of NGOs continues to suffer from the scandals and misrepresentation NGOs suffered in the early and mid-1990s. Overall, the general public still remains ignorant of NGO activities and the public benefits they provide. This is in part due to the inability of local NGOs to market themselves and

conduct effective outreach as well as a lack of effective representation in local press.

Most NGOs concentrating on providing services have little or no resources for marketing or outreach. Very few NGOs can afford staff dedicated to public relations and outreach.

Further, mass media remains focused on the humanitarian side of public services

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more often highlighting individual cases of assistance to children and pensioners or other disadvantaged members of society. The journalism community has yet to focus on the way in which NGOs meet overall community needs or the economic and social benefits of NGOs in their regions. Federal mass media have become more sophisticated at illustrating the ways in which NGOs and businesses are systematically addressing community needs, but these media outlets are still in need of powerful examples and consistency of reporting. Unfortunately, the PR potential of the Civic Forum served more as an advertisement for the federal government in its campaign to develop civil society than a

means of popularizing the concept of civil society.

On a positive note, perception of the NGO community by government and business has improved significantly over the last year. As mentioned previously, government structures have come to see NGOs as viable partners in community development and are demonstrating this recognition by allocating municipal funds to NGO projects. The increase in corporate philanthropy also demonstrates that the business sector has come to see NGOs as an effective and honest mechanism for funneling donations and contributions to target groups.