

PN-ACB-647

CONSTRAINTS ON RUSSIA'S NGO SECTOR

by: Maggie Christie
USAID NGO Consultant

Moscow, June 1996

TABLE OF CONTENTS

Executive Summary

Methodology

- I. An Overview of the NGO Sector
USAID's Commitment to Civic Organizations in Russia

- II. Constraints on Russia's Third Sector
 - a. Limitations within an Organization
 - b. Obstacles Inhibiting Cooperation Between Organizations
 - c. External Constraints

- III. Recommendations for Prioritizing Programs

Attachments

- A. April 1996 Questionnaire
- B. Issues and Functions of the NGO Sector
- C. Civic Advocacy
- D. Legal Basis for Organized Non-Governmental Activity

EXECUTIVE SUMMARY

The Third Sector in Russia is developing at a rapid pace. Non-governmental, nonprofit organizations (NGO) and citizen groups are gaining new skills and information to overcome obstacles within their organizations. The most dramatic development is a new sense of identity as a sector and an inspired enthusiasm for civic activism. The environment in which these organizations work has also undergone a striking transformation, especially in the foundation of a legal basis for public activism. Foreign assistance programs, and particularly the efforts of the United States Agency for International Development (USAID), have done much to help non-governmental organizations and citizen groups participate in the emergence of a new civil society in Russia. Now, in the summer of 1996, USAID is in a position to look again at the needs of Russian NGOs, and consider how its programs can help to support the further development of Third Sector over the next several years.

The objective of this project is to analyze the constraints to the NGO sector in Russia, specifically in USAID's targeted regions for NGO and civic development, and to make recommendations for future programming priorities. Section I characterizes the kind of NGOs USAID is targeting for assistance, and why. Section II offers an analysis of the constraints on the sector. Section III offers some recommendations as to how USAID can prioritize its programming to provide the most useful assistance to NGOs.

Section I explains that USAID has targeted organizations which have demonstrated the ability to absorb and apply USAID's assistance, and the commitment to building their group, organization, association, coalition or the Third Sector at large. USAID's client-NGOs include public advocates, educators and service providers working in a wide range of fields, including human rights, ecology, gender issues, ethnicity, consumerism and community development. They include professional and business associations, charities, and groups that represent and aid children, underprivileged families, the elderly and the disabled to name a few.

Section II presents the current constraints on the NGO sector. USAID's analysis found that the constraints on today's NGO sector are revealed through civic activists' own concerns, and in the way they run their organizations. Organizations demonstrate a lack of commitment to outreach, and a resistance to moving away from one-man management and decision-making structures. They demonstrate difficulty working in groups (associations, coalitions) with other organizations, and with long-term planning. Civic activists are most concerned about their future financial viability, although most organizations employ a range of financial resources. In contrast, foreign grant recipients exert little effort to diversify their funding sources. NGO leaders feel restricted by the lack of information about other organizations -- both national and international -- working in their sphere of interests. Organizations also are troubled by the lack of legislative basis and legal information for NGO activity. They are also concerned about their relationships with local government officials.

USAID's programs are already working to address many of these concerns. In some instances,

USAID might need to shift its programmatic emphasis to better tackle some of these constraints. Section III of this paper offers recommendations for prioritizing programs, which will have to be carefully weighed against funding capabilities, political change and logistical realities. These recommendations include the following:

GENERAL RECOMMENDATIONS

- Continue to target regional, local NGOs and citizen groups that demonstrate an absorptive capacity for USAID's assistance, initiative and potential for growth;
- Remain aware of the priorities of other international foundations; *Other donors?*
- Employ indigenous organizations as technical assistance providers where possible; and
- Continue to investigate mechanisms for funding indigenous organizations directly.

A. ADDRESSING OBSTACLES WITHIN AN ORGANIZATION

- Continue TA on strategic planning, management and organizational restructuring;
- Instead of "social marketing", target training on outreach to constituents, members and volunteers;
- USAID's Participation Unit can work more closely with USAID's non-NGO programs to design sector-specific trainings for non-governmental beneficiaries of all of USAID-funded projects.

B. ADDRESSING CONSTRAINTS ON COOPERATION BETWEEN NGOS

- Initiate forums for local interaction, but leave the work to the NGOs; and
- Ensure that USAID's targeted NGOs are accessing public information sponsored by other foundations. (If other foundations are not responding to the demand for information, consider continuing USAID's support of communication networks.)

C. ADDRESSING EXTERNAL CONSTRAINTS

1. Financial Resources.

- Require match funding; Keep grants small.
- Help NGOs conduct outreach to the private sector;
- Encourage transparent mechanisms for Russian government funding of Third Sector;
- Educate Russian First (government) and Second (business) Sectors about the merits of the Third Sector through USAID's non-NGO programs; and
- Continue dialogue between USAID, Russian NGOs, US assistance providers and drafters of Russian tax regulations about tax regulations that support a strong, independent Third Sector.

2. Legislative Basis and Legal Information.

- Reduce assistance to NGOs working on national-level legislation which are receiving

- funding from other foreign foundations;
- Continue to provide comprehensible, accessible "quick-reference" guides on legislation.
- Strengthen existing resources of legal consultations (Local branches of Ministry of Justice, procurator, government administration).
- Help NGOs participate in local legislative decision-making.

3. Working with Local Government.

- Initiate interaction and provide skills and information, but let NGOs pursue cooperation.

METHODOLOGY

Maggie Christie, USAID/Moscow's Civic Initiatives Advisor, spent three months talking with NGO activists across Russia, meeting with USPVOs providing assistance to Russian organizations, reviewing USAID and other relevant documents, and reflecting on three years of experience working with non-governmental organizations in Russia. Two weeks of travel to Siberia, Southern Russia and St. Petersburg provided additional, updated information on the constraints on the sector. A questionnaire distributed in April 1996 to 40 organizations in Siberia, Southern and North-West Russia offered insights on NGOs' own interpretations of their constraints, as well as their missions and activities, organization structures and management systems, efforts to cooperate with other groups, material (financial) and information resources, non-partisan political activism and legal needs (See Attachment A). Regular discussions with USAID's staff in Moscow and Washington provided focus and essential information for the paper.

I AN OVERVIEW OF THE THIRD SECTOR

Capturing a snapshot of the Third Sector in Russia is nearly impossible. Diversity and change have characterized the sector for the last three years. Furthermore, there is extensive overlap of the issues on which organizations work (issues), the way they go about their work (function), and the people that they represent and/or aim to serve (constituency). Below is an attempt to articulate types of organizations that exist, looking at issues, constituencies and functions, and offer additional information about some of those fields. Attachment B and C offer a more detailed description of many of the kinds of groups described below.

Issues/Constituencies	Functional Areas
-----------------------	------------------

Human Rights Women Environment/Ecology Mothers, Children, Families Physically and Mentally Disabled Housing/ Community Development Consumers Businesses Associations Health Disability Ethnicity	Charity Humanitarian Aid Distribution Professional Skills Training Employment Services NGO Support Centers Legal Advise/Counsel Social/Psychological Counseling Health Care Community Development Advocacy: Advocating for Policy Change Lobbying for Legislative Reform Public Education Advocacy in Politics
--	---

USAID'S Commitment to Russian Civic Organizations.

USAID works with all of these groups in Russia. When the USAID began assisting nonprofit, non-governmental organizations three years ago, it had a limited understanding of what organizations existed. Now a clearer picture of the sector has emerged and, through the course of USAID's various programs, a self-selection process has taken place. Some organizations show that they can succeed without USAID's assistance; They are finding other sources of financial support, and their skills are beyond the level of most USAID-funded training programs. Other demonstrate a lack of commitment to practicing management and planning, despite regular assistance from USAID programs. These organizations are weeding themselves out of the pack of targeted NGOs.

USAID is targeting non-governmental groups that demonstrate a need, interest, and capacity to absorb and apply lessons learned from donor-funded assistance programs. These are organizations that participate in donor-funded seminars and grant programs, show a commitment to building their organization, association, coalition or the sector, and demonstrate growth as a result of this assistance. They are social service providers, advocacy groups and public educators working to address a range of public concerns, including human rights, housing, environment and consumer issues. USAID's NGO programs work on a local level, with regional NGOs, but USAID's other programs contribute to the growth of both larger and smaller, Moscow-based and regional non-governmental organizations.

*Attempts to define the sector also encounter difficulties, such as calling into question the concepts of "non-governmental", "nonprofit", "noncommercial" and "public". In the last year and a half, federal legislation has been passed to bring resolution to some of those debates. New federal laws "On Public Associations", "On Charitable Activity and Charitable Organizations" and "On Non-

commercial Organizations" clarify government's role in organized public activity. The laws explain that nonprofits can earn money through a variety of fundraising mechanisms, but they must spend their revenue on the organization's development and cause -- and only 20% of the revenue can support to staff salaries. The laws explain which organizations are to be defined as public, nonprofit, non-commercial or charitable organizations. (See Appendix D)

USAID's commitment to Russian civic, non-governmental, nonprofit organizations emerges from the its objective to support democratic reform in Russia, and its belief that NGOs are an integral part of democratic processes. Effective NGOs identify and analyze community and social problems. They interpret and convey public opinion to the media, government, politicians and other public decision-makers. They lobby for public concerns and citizens' rights. NGOs increase transparency by informing the public about happenings in government. They also have the capacity to solve public problems independently, at the grassroots level, with or without the support of government structures. NGOs can link people, with concrete concerns, to political and legislative processes. Both registered public organizations and unregistered groups of citizens contribute to this processes. The strengthening of nearly all organizations and citizen groups which fit these criteria contributes to the development of democracy at the grassroots in Russia.

II. CONSTRAINTS ON THE THIRD SECTOR

Three years ago, it was common to find organizations which had few skills in volunteer recruitment, strategic planning, attracting sponsorship, budgeting, negotiation or coalition building, particularly in the regions. These groups appealed to government administrations that were hostile and closed to all but those with personal ties. The business community was young, and presumed corrupt; Money from business was undesirable. Consumed by the plummeting standard of living, private citizens had limited resources, time and energy to spend on public issues. The public image of civic groups was poor, as they reminded people of the old "civic" institutions that were puppets of state power.

A year and a half ago, there was still no legal basis outlining the rights and responsibilities of civic organizations, or simply guaranteeing citizens the freedom to associate. Nor were there any modes of recourse if rights were infringed upon. Work with both government and the media was contingent upon personal relations, not an issue or a need. There was little relation between civic interests and political party platforms. Mechanisms for holding government accountable to their promises were either nonexistent or unreliable. Nor was there any transparency of government decision-making. Forums where citizens could express their concerns to their government representatives also virtually did not exist.

The constraints of the past few years have given way to new issues that are evident in civic activists own concerns and in the way they run their organizations. Organizations demonstrate a lack of commitment to outreach, and a resistance to moving away from one-man management

and decision-making structures. They demonstrate difficulty working in groups (associations, coalitions) with other organizations, and with long-term planning. Civic activists are most concerned about their future financial viability, although most organizations employ a range of financial resources. In contrast, foreign grant recipients exert little effort to diversify their funding sources. NGO leaders feel restricted by the lack of information about other organizations -- both national and international -- working in their sphere of interests. Organizations also worry about the lack of legislative basis for NGO activity and legal information. They are also concerned about their relationships with local government officials.

A. *Constraints Within an Organization*

Mission Statement. A typical weakness among civic organizations is their inability to clearly define the mission of their organization. Civic activists are passionate about their cause, but are often unable to articulate it. They have a tendency to talk at length about the merits -- not the mission or activities -- of their organization. Many activists have difficulty identifying goals that are attainable. NGOs tend to take on global tasks rather than focusing on realistic aims that they can accomplish. Civic groups sometimes envision themselves striving for transcendental aims. In a questionnaire distributed to 40 NGOs in April 1996, one respondent wrote that her organization's mission was, "To life the soul. Not to allow the falling of the soul." Another responded simply, "Charity."

What about results?

The ability to identify and articulate reasonable aims has dramatically improved among participants of seminars on organizing, message development and social marketing, and among recipients of foreign grants. Now these organizations need assistance in applying their understanding of a clear mission to developing effective programs and fundraising. Among many citizen groups, however, there is a continuing need to work on defining one's mission statement.

Short- and Long-Term Strategic Planning. A fundamental and consistent problem among many Russian NGOs over the last several years is their inability to plan for the short- or long-term. Organizations are either consumed with start-up or struggling to survive on a day-to-day basis. Planning for the future is also difficult in Russia's changing economy. The questionable future of funding sources contributes to this constraint as well. A clear strategic vision is something that most civic groups still lack.

Organizational Structure and Management. Most organizations are built on ineffective organizational structure and management systems that can destroy any chance of long-term sustainability. In most cases, it is the structure that does not lend to effective management. Organizations are usually lead by their founder -- one charismatic person who embodies the vision, enthusiasm and decision-making power. Although common among NGOs around the world, this structure often leads to exclusive, top-down management and decision-making. Only a fifth of the April questionnaire respondents said that their organization had a board of directors,

many of which referred to their management body as their board. The remaining organizations had neither a managing body nor a board.

This top-down design reflects a lack of exposure to participatory, democratic organizational structures, and sheds light on why many organizations have difficulties managing personnel or maintaining volunteers. In St. Petersburg, several members of "Mothers of Soldiers" broke away to form an organization called "Parents of Servicemen Who Have Died in the Army." Conversations with activists from both organizations revealed personality conflicts, disagreement over the issue-focus and qualifications for membership, and desires to feel more ownership over the organization. In Novosibirsk, an NGO that manufactures wheelchairs have struggled with internal conflicts that were a result of clamoring for leadership positions. The Union of Women in Khabarovsk also splintered over a struggle for leadership, which stems from lack of effective, participatory management. Correspondingly, only two respondents said that their organization suffered from a lack of leaders. On the contrary, organizations seem to be inhibited by excessive desires to lead.

Commitment to Building Membership and Working with Volunteers. Organizations have little understanding of the value of membership, and hence lack a commitment to membership outreach. NGO leaders have difficulty conceptualizing the difference between active and passive membership. This was demonstrated in the April 1996 questionnaire when participants said that their organizations' active memberships ranged from two to 2,100 people. Activists also reveal a *liaise-faire* attitude toward membership outreach. Mothers of Soldiers, for example, is confident that people will join on their own, due to the organization's compelling issue. Most activists do not think of members as a resource; The Coalition in Support of the Third Sector in St. Petersburg understands that increased membership will make decision-making more cumbersome, and is not prepared to make the necessary commitment to building and maintaining membership. Many groups have yet to experience the value members lend to an organization, and to make a commitment to outreach.

Like membership outreach, civic organizations demonstrate a lack of commitment to working with volunteers. Although activists understand conceptually that volunteers are a resource, they do not apply the necessary time and energy to attracting and managing them. One questionnaire respondent articulated a common, passive approach to working with volunteers when he wrote, "We accept all people; If some leave, others will come." Most organizations, however, look for external reasons to explain their difficulties working with volunteers. They attribute their difficulties to the lack of "a cultured population," "no legislative basis" for volunteerism, too much work and, most often, the organization's inability to pay or compensate volunteers.

B. Factors Inhibiting Cooperation Between Organizations in the Third Sector

Local Interaction. Limited interaction is the first obstacle to cooperation between local NGOs that can be overcome. As most organizations are focused on their own programs, reaching out to other groups in the area is rare. At the first seminars on civic organizing in Ekaterinburg, St.

Petersburg and Vladivostok in 1994, participants cited the opportunity to meet other organizations and network as the most valuable part of the seminar. Similarly, many of the US-based training programs have contributed immensely to facilitating interaction. In cities where NGOs have not been brought together by technical assistance providers, most NGOs still work in isolation.

Difficulty Working in a Group: Common Goals, Leaders and Competition. Once organizations have come together, they often have trouble working as a group. They are hindered by the same constraints that prevent them from running their own organizations effectively. At the conclusion of the first civic organizing seminars in Ekaterinburg, St. Petersburg and Vladivostok, participants rallied to build a network, association or coalition that would address common concerns. In all three of these cities, participants attempted to bring organizations together again (without foreign assistance) to explore modes of cooperation. The first problem in each city was the same: participants could not agree on a common issue, only that they wanted to see the sector grow stronger. The second obstacle was that there were too many leaders, and not one or two that the group could support. A third factor was the organizations' natural aversion to working with those they saw as their competitors.

Defining a mission, selecting leadership and building participatory organizational structures are the same struggles organizations face internally. In all three of these cities, as organizations applied effective management and planning strategies, coalitions did form. They are not necessarily all inclusive, nor have they fully defined clear mission statements and plans for the future. But the obstacles which hindered the process of coalition and association building were ultimately overcome as the individual organizations developed.

Poor Communication Systems. If modes of communication were more accessible and affordable, NGOs would take greater advantage of them to share information and network interregionally, nationally and internationally. Phone calls are still difficult to make and are becoming increasingly expensive. As faxes and modems are connected to phone lines, these forms of communication are also unreliable and costly. The mail is slow and often untrustworthy. Only some handfuls of organizations in many smaller cities have access to Internet, which is also tied to unreliable and expensive phone lines.

Information Availability. Although USAID has supported several projects which distribute information about NGO successes in Russia, activists are interested in more, and in arranging and maintaining contact with the groups about which they read. The second most frequent request to USAID from Russian civic organizations (after information about grant programs) is for contacts with or information about U.S. organizations working in similar spheres of interests. Half of the respondents to the April questionnaire said "little information about organizations working on the same issue" was a constraint on their organizations' future development.

C. *External Constraints on NGO Development*

Financial Resources. Limited finances is the top concern of civic activists, but diversification of funding resources should be the number one concern of foreign assistance providers.

In the April 1996 questionnaire, 80% of the respondents said limited financial resources was one of their top ten concerns. Sixty percent rated it as the first, second or third most significant obstacle. The study showed that foreign foundations and private individuals are the most common sponsors. Next, organizations are most frequently supported by Russian business, and from charging fees for services. A lesser number of organizations run their own commercial enterprise. Only about 10% are supported by Russian government funding. Fewer receive money from banks. No organizations surveyed in the April questionnaire said that they received money from foreign businesses.

Many organizations have varied sources of funding. The questionnaire showed that the number of organizations with more than one funding source is twice as many as those with a single source of income. Unfortunately, NGOs which receive grants from international foundations tend to be the worst at diversifying their funding sources. Of the organizations surveyed which had received foreign grants, nearly half rely solely on the grant for funding. Of these same grant recipients, more than 75% hope to turn to foreign grant-makers again in the future. Ironically (but not surprisingly), many of these organizations also expressed concern over their inability to function independent of their funding agency.

Taxing Non-Profits and Charitable Donations. Tax regulations that are supportive of nonprofit, public activities are widely discussed among NGOs. Presently, banks and businesses can only claim 3-5% of their profits as tax-free charitable donations; They must pay taxes on the remaining profits. The effect is that banks and businesses avoid claiming charitable contributions - as a \$3 donation could mean there was a \$100 profit, and hence \$97 taxable dollars. Similar regulations have been passed on a local level in progressive cities like St. Petersburg. Regardless of these constraints, charitable giving continues to take place, but mostly "under the table."

In most regions there is still no local tax legislation. Organizations report that they are being taxed inappropriately, and there are no tax regulations to reference in a dispute. NGOs that receive grants from foreign organizations are often double-taxed. Frequently tax collectors do not know the federal law on tax-free grants, or NGOs do not have sufficient knowledge and/or documentation to challenge them. There are instances when organizations are double taxed by local and federal authorities. As the tax collection process is known to have loopholes, is it susceptible to abuse as well as mistakes.

The Tax Code is presently being drafted and reviewed by parliamentary committees. Although NGO leaders show concern about tax breaks for noncommercial organizations and tax deductible donations for charitable contributions, they show little hope of being able to change the current regulations. Unlike the reviews of the laws "On Public Associations", "On Non-Commercial Organizations" and "On Charitable Activity", debate over tax regulations appears to be more difficult for NGOs to access. Furthermore, the other interests at stake may dominate those of the

non-profit community. Government needs the revenue; it appears to be a battle that NGOs are unlikely to access, let alone win.

Legislative Basis for NGOs. The legislative basis for non-governmental organizations has developed considerably in the last 18 months, but it still remains a concern for many civic activists. At a conference in January 1995, 35 leading civic organizers identified the lack of legal basis for NGO activity as the number one obstacle to the further development of the Third Sector. A year and a half later, much of the legal basis has been put into place (see Appendix ??). The Law "On Public Associations" was passed in May 1995. The Law "On Charitable Activity and Charitable Organizations" was adopted in July 1995. And the Law "On Non-commercial Organizations" passed the Duma in December 1995.

Despite these achievements, 50% of the participants in the April 1996 questionnaire said that the lack of a legal basis for NGO activity was still an obstacle. Those who showed concern said that it was, on average, the fourth most significant constraint to NGO development. Now civic organizations await the tax code and the law on foundations. They need local legislation to be passed which will expand on the federal laws, clarify local tax regulations, and outline the parameters for bidding for government contracts. These laws will be passed in the next several years, provided the political climate remains amenable. But in order for these laws to meet the interests of the Third Sector, NGOs must be able and prepared to contribute to local legislative debate. (See "Working with Local Government" below).

Availability of Legal Information and Consultation. The continuously articulated need for a more defined legislative basis can also be attributed to activists' lack of knowledge about the laws that have recently been passed. More than 40% of the respondents said that their organization had insufficient information about legal developments. Three-fourths said that they had at one time needed legal advice. Over half of the respondents said that their organization could use a legal advocate in court. A third of the respondents said they would benefit from more legal information about taxation, the rights of public associations, charities, noncommercial organizations, and/or property ownership. Because all of the questionnaire respondents represented registered organizations, only a marginal number expressed interest in legal counsel on registration matters.

Interestingly, the majority of those who have needed legal assistance said that they have been able to find it. Conversations with activists in Siberia revealed that NGO leaders go to their local administration, their office of the Ministry of Justice, or their local procurator for legal advice. No organizations were able to take advantage of independent legal counsel.

Working with Local Government. Difficulties working with local government has been a leading concern of NGOs for the last three years. In January 1995, the second most significant constraint on the development of NGOs was trouble working with local government officials. In the April 1996 questionnaire, 50% said it was a significant obstacle to their organization's development.

There are three major obstacles preventing NGOs from working effectively with local government. First, many organizations are wary of anything that might be interpreted as confrontational when it comes to government. Second, in many cities it is still not elected representatives that are in charge. In Kemerovo, Novokuznetsk and many other Siberian cities, there is no elected city council -- only an appointed administration. Until regions have elected bodies with a minimum amount of decision-making authority over local legislation and the budget, little recourse or transparency can be expected. Finally, organizations are still struggling to come together and draw enough public support around their issue to make it worth the consideration of legislators. Government officials have little incentive to look at a proposal when only a handful of people stand behind it.

IV. RECOMMENDATIONS

GENERAL RECOMMENDATIONS

- ▶ Continue to target regional, local NGOs and citizen groups that demonstrate an absorptive capacity for USAID's assistance, initiative and potential for growth;
- ▶ Remain aware of the priorities of other international foundations;
- Employ indigenous organizations as technical assistance providers where possible; and
- ▶ Continue to investigate mechanisms for funding indigenous organizations directly.

Targeting NGO Clients. USAID should continue to support organizations that demonstrate a commitment to and potential for the development of their own organizations, associations, coalitions and the Third Sector at large. It should maintain its focus on supporting NGOs outside of Moscow, and on a local level. Buttressing organizations which show little initiative or desire to grow are not the best use of the USAID's resources. Likewise, continuing to finance organizations which have grown beyond the level of donor-funded technical assistance programs and proven their ability to access sufficient non-donor resources should be encouraged to pursue other sources of support. Non-governmental organizations showing commitment to the growth of their organization and/or the sector and an ability to apply lessons learned should continue to be the beneficiaries of USAID's NGO and civic initiative support programs.

Other International Foundations. USAID should stay aware of other international foundations supporting NGOs. The Soros Foundation will replace USAID as the largest foreign funder of non-governmental organization in the next several years. Soros has committed over \$30 million to civil society programs for the next year. The Foundation has also expressed its intention to fund Internet linkages for universities, a resource that might be made accessible to other non-governmental entities. The European Union's PHARE/TACIS Program "Lien" (Linkages) will be the second largest financial contributor to the development of Russia's non-governmental sector. TACIS funds partnership grants between European and TACIS (or former Soviet Union and Eastern Block) countries with the objective of supporting democratic reform through the development of civil society, democratic principles, pluralistic political systems, human rights,

legal infrastructure and liberal economic policies. Now, the EU plans to fund linkages between organizations within TACIS nations as well. *

The National Endowment for Democracy will continue to target organizations working in the field of human rights and civic education. The Ford Foundation has demonstrated an interest in supporting components of the women's movement and human rights. The McArthur Foundation will continue to fund research projects, many of which support the development of the Third Sector. McArthur will also continue to be a hub of interaction and information exchange among Moscow-based NGOs at its monthly NGO Roundtable. Lastly, the Mott Foundation will continue to fund Russian non-profits. Although the Mott Foundation has expressed interest in funding projects outside of Moscow and St. Petersburg, it will monitor from its office in Prague. For this reason, Mott may continue to be a principle funder of more established organizations, potentially graduates of USAID's programs.

Indigenous Technical Assistance Providers. USAID can employ Russian partner organizations as providers of technical assistance to the Agency's targeted NGOs. There are indigenous resources available that can be utilized and developed, including Russian trainers and training "institutions," and organizations producing publications on the Third Sector and providing legal advice. Indigenous entities understand the specificities of Russia's Third Sector. They can provide needed assistance at less cost than US organizations. Also, they have greater potential to continue to respond to the needs of Russian NGOs for the long-term.

Direct Funding Mechanisms. USAID would benefit from funding Russian organizations as technical assistance providers directly. USAID/Moscow's staff has the capacity to monitor these organizations. Many organizations have the ability to handle grants more than \$25,000; in those cases where it is not clear if an organization has an adequate accounting system, USAID can arrange pre-qualification audits which will ultimately enhance the organizations' financial capacity -- a positive step toward the Russian assistance provider's institutional development. Nevertheless, grants to these organizations should be maintained at moderate levels. The technical assistance provided should continue to be defined by the needs of the regional, local NGO clients and the strategic objectives of USAID, although institution-building of the Russian provider can be a positive by-product.

A. ADDRESSING OBSTACLES WITHIN AN ORGANIZATION

- Continue technical assistance (TA) on strategic planning, management and organizational restructuring;
- Increase TA-focus on outreach;
- Coordinate with USAID's non-NGO programs to design sector-specific trainings for relevant NGOs.

Fundamental Training Programs. USAID should continue to provide training on effective management, organizational restructuring and strategic planning, place greater emphasis on

outreach, and fund Russian trainers and training institutions to provide the technical assistance. Russia-based success stories illustrating the benefits of membership effective management and outreach should continue to be disseminated.

The most important addition to USAID's training curriculum is a greater emphasis on outreach. Trainings on outreach campaigns -- through the media and on a grassroots level -- can help NGOs in Russia build their organizations, become more participatory and better represent public opinion. Improved outreach can also have positive effects on public opinion towards NGOs. About a quarter of the April questionnaire respondents said that poor public opinion was a constraint to their further development. Improved skills in conducting outreach might help them turn that public opinion around.

Sector Specific Training. Additionally, USAID's NGO and civic initiative programs can offer non-government beneficiaries of other USAID-funded projects fundamental technical assistance on management, strategic planning and outreach. USAID's various programs can cooperate to develop training curriculums and informational materials for environmental NGOs, housing and community associations, and business and professional associations. Sector-specific information and trainings are something that USAID's NGO programs currently do not provide.

B. ADDRESSING CONSTRAINTS ON COOPERATION BETWEEN NGOS

- Initiate forums for local interaction, but leave the work to the NGOs; and
- Ensure that USAID's targeted NGOs are accessing public information sponsored by other foundations. (If other foundations are not responding to the demand for information, consider continuing USAID's support of communication networks.)

Initiating Local Cooperation. On a local level, USAID's programs have been instrumental in initiating communication and/or cooperation among NGOs. Yet international influence can force unnatural marriages. A foreign presence can prevent NGOs from choosing their own objectives, selecting their own path, and becoming their own force in the eyes of the public, government and the private sector communities. After the first few foreign-sponsored gatherings, local NGOs need to pursue cooperation independently.

Offer Fundamental Skills Training to Coalitions and Associations. The skills that associations or coalitions need are often the same as those needed by a developing organization: defining and articulating a mission, strategic planning, outreach, organizational management and structural development. For this reason, when groups of NGOs have demonstrated an interest in pursuing cooperation, the same assistance package outlined above (in Internal Constraints: Conclusions) can be offered to support coalition or association building.

Support for Communication Systems. Cooperation among NGOs on interregional, national and international levels can best be supported by increased information networks and information sharing. But USAID should stay up-to-date on the programming priorities of other international

foundations in this area. Other foundations have expressed interest in continuing to support E-mail networks and information flow, research programs, and publications on the development of civil society. USAID should make sure that information networks and publications produced with the support of non-USAID funds are available to the Agency's Russian NGO clients. If it becomes clear that other foundations are not responding adequately to the demand for information, USAID may want to consider increasing its support for the indigenous information networks and publications on the NGO sector.

C. ADDRESSING EXTERNAL CONSTRAINTS

1. Financial Resources

- Require match funding; Keep grants small.
- Help NGOs conduct outreach to the private sector;
- Encourage transparent mechanisms for Russian government funding of Third Sector;
- Educate Russian First (government) and Second (business) Sectors about the merits of the Third Sector through USAID's non-NGO programs; and
- Continue dialogue between USAID, Russian NGOs, US assistance providers and drafters of Russian tax regulations about tax regulations as a factor in supporting a strong, independent Third Sector.

Diversity of Funding Resources. USAID can begin to prepare its client NGOs for the reduction in the Agency's funding by encouraging them to look for alternative funding now. USAID can require that Russian NGO sub-grantees contribute gradually-increasing percentage of match funding. For example, a two-year grant might require a 25% match the first year, and a 50% match the second year. Discretion on percentages should be left to the USAID-funded assistance providers, which have a better understanding of the limitations of each organization.

In addition, USAID-funded assistance providers can help Russian NGOs access alternative sources of funding by 1) developing clear missions and proposals for government or private sponsors, 2) providing support (in the form of letters of recommendations or introductions) for NGOs to private businesses and banks, 3) helping NGOs to build membership and experience people as a resource, 4) offering support in establishing mechanisms for public bidding for government contracts, and 5) educating business and government leaders about the importance of a vibrant NGO sector in the emergence of a democracy and a free-market economy through all of USAID's programs.

Tax Regulations. NGOs comment that current tax regulations curtail charitable donations, and create complications for the nonprofit community. On a local level, USAID's programs can help NGOs and government officials to work together to develop tax regulations that balance the public interests. NGO programs can also develop easy-to-read handbooks which clarify tax regulations to inspectors and NGOs. On a national level, USAID might consider engaging in further discussion about the issues surrounding tax breaks for charitable donations and nonprofit organizations within USAID, among its contractors, with Russian NGOs and with those involved

in tax policy reform in Russia.

2. Legislative Basis and Legal Information.

- Reduce assistance to NGOs working on national-level legislation which are receiving funding from other foreign foundations;
- Continue to provide comprehensible, accessible "quick-reference" guides on legislation.
- Strengthen existing resources of legal consultations (Local branches of Ministry of Justice, procurator, government administration).
- Help NGOs participate in local legislative decision-making.

Supporting NGOs Working on National Legislation. NGOs feel that there is more work to be done on developing the legal basis for non-governmental activity. In Moscow, there are already several strong NGOs which work on researching, drafting and lobbying for NGO legislation. The expertise exists within the sector, and there is little need for USAID to provide additional guidance. USAID supports these Moscow-based organizations through grant programs, but the demand to continue such support is decreasing, as other foreign foundations, such as the Mott Foundation and TACIS, are funding the work of these groups.

Legal Information and Guidance. Civic activists have demonstrated an interest in knowing more about national legislation on NGOs. But they want the information to be comprehensible and accessible, and they do not want to be bogged down with excessive detail that is not relevant at the present time. For this reason, one of the most successful components of USAID's NGO legal programs has been publication of NGO laws and corresponding legal commentary. USAID should continue to provide comprehensible reference materials on the legal basis for non-governmental activity to its client NGOs. These publications also can be made available to local government administrators, local procurators and local branches of the Ministry of Justice, thus fortifying existing resources for legal advice.

NGO Participation in Local Legislative Processes. USAID's work to help NGOs to influence the content of legislation can achieve the greatest impact on a local level. USAID can assist NGOs and local legislators in developing city and oblast level legislation on tax regulations, noncommercial activity and bidding for government contracts by 1) facilitating the exchange of draft laws developed in different regions, and 2) bringing legislators and NGOs together to discuss legislative measures. In particular, USAID's NGO and local government programs should be aware of the progress of local tax legislation and the "Social Mandate" (bidding for government contracts) and help NGOs get their foot in the door to have input into the process.

3. Working with Local Government.

- Initiate interaction and provide skills and information, but let NGOs pursue cooperation.

Initiate Interaction and Provide Fundamental Skills. Some of the constraints that impede effective cooperation between NGOs and local government -- such as a lack of elected

representatives in a region -- are beyond the influence of USAID's programs. USAID can, however, help to initiate dialogue between NGOs and government officials on community issues, but assistance providers need to be aware of when a foreign presence is causing more damage to long-term cooperation than good. Technical assistance programs that teach organizations about outreach, mission development, strategic planning, and offer improved opportunities for coalition building, will help NGOs work better with government officials. USAID's local government programs can continue to encourage government officials and administrators to turn to non-governmental organizations as sources of information or public opinion. Accordingly, NGOs should be encouraged to share information and opinions with government in an effort to build cooperation and partnership. In time, and through persistence, an NGO sector strengthened by all of the above skills and resources will be able to work better with local government officials.

CONSTRAINTS ON RUSSIA'S NGO SECTOR

JUNE 26, 1996

I THE PROJECT

Objective: To analyze the constraints on the NGO sector in Russia, specifically in USAID's targeted regions for NGO and civic initiative development, and to make recommendations for future programming priorities.

Information Resources:

- * Three years working on the development of Russia's Third Sector;
- * Extensive interviews with Russian NGOs, US assistance providers and USAID Moscow and Washington; and
- * A questionnaire distributed to 40 NGOs in Siberia, Southern and North-West Russia.

Content of Paper:

- I. Executive Summary/ Introduction
- II. Methodology
- III. Emergence of the NGO Sector
- IV. Definitions of NGOs
- V. An Overview of the Sector
- VI. Constraints
 - a. Internal
 - b. Inner-Sectoral
 - c. External
- VII. Conclusions

II. SUMMARY OF CONSTRAINTS

Today the constraints on the NGO sector are manifested in civic activists' own concerns, and in the way they run their organizations. Organizations demonstrate a lack of **commitment to outreach**, and a resistance to moving away from **one-man management and decision-making structures**. They demonstrate **difficulty working in groups** (associations, coalitions) with other organizations, and with **long-term planning**. Civic activists are most concerned about their **future financial viability**, although most organizations employ a range of financial resources. In contrast, foreign grant recipients exert little effort to **diversify their funding sources**. NGO leaders also feel restricted by the lack of **information about other organizations** -- both national and international -- working in their sphere of interests. Organizations also worry about the lack of **legislative basis for NGO activity and legal information**, and their **relationships with local government officials**.

ATTACHMENT B

AN OVERVIEW OF THE THIRD SECTOR

ISSUE-ORIENTED NGOS

Human Rights. The human rights movement in Russia includes the most diverse types of organizations, and the largest number of groups of any category. The partially stems from the fact that "human rights" has an all-encompassing meaning to many civic activists. In April 1996, one activist from Chita described "what Russians call human rights," which includes almost anything that advocates for, provides a service to, protects or defends a certain constituency.

Yet there are organizations which specifically define their work in the context of the human rights. Of these organizations, most are advocating human rights on behalf of victims of political oppression, military servicemen, veterans and people with disabilities. Some organizations are nationally networked, such as Memorial, an NIS-wide organization working to protect the rights of victims of political oppression, and Mother's of Soldiers, which protects the rights of soldiers through military reform and lobbying for new legislation on alternative service. In the nation's capital, the Moscow Center for Research on Human Rights houses 15 human rights organizations. In the regions, the human rights movement manifests itself in the form of independent activists who were often victims of soviet political oppression, small local organizations, and regional affiliates of national structures. More often than not, organizations in the regions function in isolation. Regional affiliates of organizations like Mothers of Soldiers and Memorial share a common purpose with the national structure, but have separate decision-making bodies and activities.

Women. The women's movement is fairly complex; It is political and fractionalized. There are three main camps in the Russian women's movement, each of which is nationally-networked but based in Moscow. The oldest of the factions is the Union of Women, from which emerged the centrist Women of Russia political block in the 1993 and 1995 parliamentary elections. The second faction, called the League, is informally referred to as the "bridge feminists." The League is composed of an older generation of women activists with western-oriented vision for the future, but who rest on the laurels of a privileged past as a result of good ties with government. The third, and most progressive by western standards, is the Independent Women's Forum, a network of activists which focus on women's legal and human rights, and lobbies for the passing of national legislation to support those rights.

In the regions, many women's organizations have connections to one or more of these Moscow-based structures. Yet there are many women's groups that exist in isolation of greater support systems. Traditional women's groups focus on child and family matters, such as the Society of Family's with Many Children (see below). Many of these organizations now provide business

skills training to women as well. In Siberia and the Urals, the women's movement is still relatively underdeveloped. In the southern parts of the country, particularly close to the war zones, women's groups provide humanitarian aid. Domestic violence hot-lines, rape crisis centers, and legal advocates have materialized in a number of cities, including as Nizhnii Tagil, Kaluga and Saratov, much due to perseverance of independent women activists.

Environment. Like the women's movement, the environmental movement differs from region to region. There are some very strong organizations based in Moscow which network nationally and lobby national level legislation, like the Socio-Ecological Union. There are also independent environmental activists, in Moscow and the regions, that have formed smaller organizations or work independently on information exchange. Environmental organizations are prevalent in the industrialized areas of the country -- particularly in Siberia and the Urals. Several small environmental organizations working primarily on environmental education, advocacy or wild life preservation can be found in most populous cities in the regions. The environmental movement in almost all regions is closely tied to educational institutions and was born of the initiatives of university professors and students. The environmental groups also maintain some of the best communication networks to date.

Housing and Community Development. There are several levels of non-governmental activism in the housing sector. On a national level the Institute for Urban Economics, a policy think-tank, studies draft national legislation and lobbies for housing sector reform. On a local level, residential associations, condos and coops organize apartment building residents to build playgrounds, install security systems and clean up the neighborhood. Almost 400 neighborhood associations are legally registered and in operation in Russia today. "Neopolymevka" in Moscow provides groups of residents with training and fundamental tools (such as start-up capital) to solve their own community problems. The Siberian Center for Housing Reform in Novosibirsk provides assistance to tenants on legal rights, condo formation and training on management. Associations of these groups are now forming as well. The All-National Fund for Decent and Affordable Housing, for example, provides community development services, including banking and loan programs for small business development and drop-in tenant rights information centers.

Consumer Rights. Many citizens are struggling to keep up with the changing economy. In response, consumers' rights groups have sprung up across the country to help citizens stay informed of the economic developments and better understand their rights as consumers. The Altaisk Fund for the Protection of Consumer's Rights, for example, offers legal and practical consultations to anyone interested in information about goods and services and one's right as a consumer. The All-Russian Society on Consumer Rights, based in Moscow, works with the newspaper Izvestiya. Once a week, in a special section of Izvestiya called "Expertise," the "Consumers' Society offers information about the quality of consumer products, ways of seeking legal compensation over consumer issues and success stories of citizens who have won battles over consumer products and services against industry.

Business Associations. Business associations have become visible in the last year. Cooperation between USAID's NGO and small business development programs has contributed to the development of small business associations in Tomsk, Novosibirsk, Smolensk, Zelenograd and St.

Petersburg. These nonprofit associations work to equip certain sectors of the population -- such as women and youth -- with the skills to engage in entrepreneurial activities. Associations provide assistance to new businesses that have emerged as a result of economic reforms, including advertising agencies and appraisers. The associations build databases that include all known small businesses in their regions, legislation that impacts the private sector, professional training for entrepreneurs, and E-mail networks to facilitate relevant information exchange. One association, "The Fundamental Research and Innovative Projects Support Foundation" in Tomsk, is trying to set up an independent consultation bureau to advise entrepreneurs and legislative decision-makers on standardization, certification and quality guaranties.

Health. On an international level, cooperation between US and Russian NGOs have developed health care programs like "Operation Smile," which provides cleft palate surgery free-of-charge to needy children. Local Russian organizations provide a health care services like prenatal care, home care for the terminally ill or injured, medical tests for children at risk of health damage due to the environment, and sexual education. The Society of Victims of Spinal Injuries in Vladivostok, for example, consists of one woman who cares for patients in the apartment she shares with her mother and two children, and visits and distributes humanitarian aid to other patients as much as possible. A nursing association in Ekaterinburg provides hospitals with training for their staff. Many of these organizations lobby government for funding to continue their activities. Most organizations working on national health care reform, however, are closely tied to a government agency, if not an agency itself.

Disability. Organizations that assist and advocate the rights of people with disabilities are among some of the oldest in Russia's Third Sector, although new, more progressive organizations are emerging. The Union of Invalids and the Societies of the Deaf and the Blind have existed since the soviet period. Members of the Union of Invalids are elderly, often war veterans with injuries. The organization is known to support a conservative political ideology, as they were fully supported by the government during the Soviet period. The Societies of the Deaf and the Blind have struggled to maintain their national structure in recent years; Local branches mostly fend for themselves for funding and direction. Organizations also exist to aid the mentally disabled. "Human Soul" in Moscow provides support to mentally disabled and their families in the form of social and psychological counseling, leisure activities, and job training.

Mothers, Children and Families. Some of the most well-established organizations in Russia are those that aim to serve mothers, families and children. The Society of Families with Many Children has outlets across the country. The Society offers child care support, psychological counseling and sometimes distributes humanitarian aid to large or single-parent families. Organizations that serve children organize recreational activities -- a civic tradition made popular by the Komsomol. Many organizations also serve children in particular need of services, such as orphans and children with disabilities. Organizations such as these can be found in almost every major city across Russia.

FUNCTIONAL-ORIENTED NGOS

Charity. Charity is very much a part of Russian culture, and a tradition of charitable giving continues today. Most charities help the underprivileged and needy, including orphans, the elderly, the disabled and low-income families. The Moscow Charity House in Moscow serves as a charity "clearinghouse." Its superior reputation draws both people with something to give, and people in need. The Moscow Charity House provides referrals to get the right aid to the appropriate needy people. Nevsky Angel in St. Petersburg is an umbrella organization for close to 100 charitable groups in the Leningrasky Krai. Nevsky Angel has a longstanding relationship with German charity donors; Through its network, the organization is able to get the assistance out to smaller organizations that can distribute it to the needy.

Humanitarian Aid Distribution. Organizations which distribute humanitarian aid blossomed in the early 1990s, when aid flowed into the country from the US and Europe. Then, organizations like the national Red Crescent/Cross distributed the aid. Some US organizations, like the Catholic Relief Services in Vladivostok, received aid from the U.S. Department of Agriculture for distribution to individuals or Russian organizations which would then target the needy. Memorial, a human rights organization protecting the victims of political oppression, gained access to aid and offered it to their members. The Moscow Charity House and Nevsky Angel also serve as aid clearing houses, along with many other organizations.

Now, the level of humanitarian aid coming into Russia has decreased significantly. Organizations like Nevsky Angel in St. Petersburg are diversifying their activities to include organization management training for NGOs and to facilitate interaction between charities and local government. The aid that is coming into the country is going primarily to Chechnya and the surrounding oblasts. International organizations working in the region are distributing aid on their own, and capitalizing on the networks of local entities, like the Red Crescent and active women's groups.

Employment/Business Training. As jobs become harder to come by, professional skill training is in high demand. Now that government no longer guarantees employment to university graduates, the onus for job placement is falling increasingly on the social sector. As a result, government job placement agencies are diversifying their funding and expanding their services. The Unemployment Agency in Naryan Mar is a government-funded entity which is trying to expand its services by offering more specialized job training courses, founding a Club of Work Seekers which would teach the unemployed better work ethics, and conducting proficiency tests to identify the skills people need to bolster their marketability. Among constituent-based groups -- particularly women's organizations -- job training is increasingly popular. Opportunities International, a US PVO, is working to strengthen the Club of Businesswomen, which offers professional skills training to women in Nizhnii Novgorod. The Moscow-based organization "Human Soul" offers job training and social-adaptation programs for the mentally disabled. In St. Petersburg, USAID's Small Business Development Program is working to open the first Russian-managed laundry mat in the area, and has founded a non-governmental, noncommercial organization that will support the laundry mat by offering courses in managing and operating laundry mats.

NGO Support Centers. Much due to the support of foreign assistance providers, civic organizing and NGO support centers are emerging across the country. These centers cater to non-government organizations specifically, with the aim of helping the Third Sector grow in its capacity to confront social, political and legal challenges of today. Centers are offering a variety of services to support the development of NGOs and the third sector in their respective regions. Centers offer seminars on organizing and management, advocacy and fundraising, computer, fax and E-mail services, legal advice and professional counseling.

Legal Advise/Counsel. As the State Duma and local councils adopt new legislation, citizens struggle to keep abreast of the legal developments that affect their lives. Laws governing political parties, the electoral procedure, labor and employment, charity, noncommercial organizations, and other personal freedoms and responsibilities -- all major components of a democratic society -- are being reformed. Nonprofit, non-governmental organizations are surfacing to bring new legislation to citizens across the country. Elena Viktorovna Fokin in St. Petersburg has founded an NGO that works to lobbying for the improvement of the city's tax code and educate citizens about taxation. Olga Storovoitova from "Interlegal-- St. Petersburg" offers legal advice to noncommercial organizations.

Legal aid is also supported by foreign assistance providers. NGO support centers supported by the Civic Initiatives Program in 12 cities in Siberia and four in Southern Russia also provide NGOs with legal advice. Labor Law Centers sponsored by the Free Trade Union Institute (FTUI) in Ekaterinburg, St. Petersburg and Moscow assist workers and independent trade unions in their legal battles. Groups of women lawyers, with the help of Winrock International and the American Bar Association (ABA), convene in Moscow and Saratov to discuss pressing legal issues for women and approaches to legal problem-solving. An E-mail network for women supported by the Moscow Gender Studies Institute and the Network of East-West Women offers legal advice to women on-line. The Moscow Center for Human Rights is building a similar Internet service to human rights activists.

Advocacy. "Advocacy" is foreign to most Russian civic organizers. There is no linguistic or cultural translation. Russian civic activists tend to speak of "social defense or protection," a more reactive and cautious articulation, highly reflective of Russia's past. There is an understanding of lobbying, however, but lobbying is seen as a western concept that comes across as too risky and confrontational to most Russian civic activists. And yet when phrased in more culturally-amenable terms -- such as "partnership with government" -- organizations speak openly of their efforts to advocate government officials. In the April 1996 questionnaire, participants were asked if they "worked to bring concrete spheres of public interests to the attention of government or public decision-makers." Ninety-four percent (94%) said "yes." NGOs may not challenge, confront or oppose government, but they are working with government to raise awareness of public concerns and seek resolution. (For more on Advocacy, see Attachment C).

ATTACHMENT C

A SPECIAL LOOK AT ADVOCACY

Advocacy. Advocacy is foreign to most Russian civic organizers. It is a concept for which there is no linguistic or cultural translation. Russian civic activists tend to speak of "social defense or protection," a more cautious articulation of a similar concept. Russian civic activists have understanding of lobbying, but lobbying in the western sense comes across as overly risky and confrontational to most. Traditional Russian lobbying is based on good personal contacts and formal appeals to state superiors. This means of lobbying is often the only form to which civic activists are accustomed.

And yet when phrased in more culturally-amenable terms -- such as "partnership with government" -- organizations speak openly of their efforts to advocate government officials. In the April 1996 questionnaire, participants were asked if they "worked to bring concrete spheres of public interests to the attention of government or public decision-makers." Ninety-four percent (94%) said "yes." NGOs may not challenge, confront or oppose government, but they are working with government to raise awareness of public concerns and seek resolution.

Social Protection. Most social protection organizations emerged before perestroika, in a time when government guaranteed certain citizen groups social welfare support. Then, organizations were merely distributed benefits. Now these organizations represent constituencies which advocate government and try to influence policy to attain their benefits. The Society of Victims of Chernobyl makes sure that the liquidators, the relocated and all those affected by the fallout from the nuclear disaster in April 1986 receive the compensation legally entitled to them. The Union of Pensioners similarly works to access and increase government benefits for its members.

Lobbying for Federal Legislative Reform. The non-governmental organizations most active in lobbying for legislative reform are located in Moscow. They represent public concerns including women's rights, environmental protection and the interests of the NGO community in general. Women's groups lobby both together and at odds over draft legislation, including the federal budget and the draft laws on labor, family, domestic violence, advertising in the mass media and reproductive rights. The NGO community in Moscow (and other progressive cities) has spent the last two years drafting and debating legislation on types of public associations, and pressuring legislators to get it passed. Environmentalists from across the country held a convention in May 1995 at which they reviewed national draft legislation on environmental issues, and developed a formal appeal to the State Duma and Federal Administration for revisions.

Advocating for a Change in Domestic Policy. Some organizations are even challenging state policy. Mothers of Soldiers is a nationally-networked organization of servicemen's mothers fighting to reform the Army. When the war in Chechnya broke out in December 1994, the members began traveling to Chechnya to reclaim their sons from the front-lines, demonstrating,

attracting media attention, and drawing in public support. Mothers of Soldiers has grown to the point that major, pro-reform and centrist political parties -- Russia's Choice and Women of Russia in 1995 and Yabloko in 1995-96 -- have pursued the organization for electoral support. Chechnya and the mothers' plights became both a media and election issue in 1994 and 1995, and have helped to pressure Boris Yeltsin into trying to end the war.

Advocacy in Politics. Other non-governmental, nonpartisan organizations -- in addition to Mothers of Soldiers -- also use the political and electoral systems to further their aims. The extent to which an organization will engage in politics, however, varies to a large degree. Many will say that they do not wish to engage in politics or elections at all, and yet their response to direct questions shows otherwise. The most popular form of political activism is backing a candidate in local elections, because NGO leaders feel that local candidates have a direct impact on their community. Some organizations work to educate the public about political or governmental processes, thus remaining removed and seemingly nonpartisan; Many of these groups receive grants from foreign foundations to conduct their education programs. Some organizations back candidates for the State Duma or Presidential post. Only a few are willing to throw their support behind a particular political party.

Human rights organizations actively engage in politics. Over the last year and a half, human rights organizations protesting the war in Chechnya have found themselves opposing to President Yeltsin's handling of the crisis. Yet these organizations which have emerged as a result of human rights violations in the soviet period are unlikely to support a Communism. Most human rights groups have supported Yabloko and Russia's Choice, the only two strong pro-reform parties who came out early against the war and openly stand for human rights. Another example is the Union of Invalids and Union of Pensioners, which represent the elderly -- one of the most threatening voting groups to the Yeltsin regime. In February, following the torrent of communist voting by the elderly in the December 1995 parliamentary elections, Yeltsin announced his intention to increase pensions as a response to this public appeal.

Public Education through Media, Public Action and Information Networking. Many organizations spend their time educating and raising awareness about their cause. They work with E-mail, publications, the mass media and international organizations to make their message heard. The Socio-Ecological Union is one of the best networked organizations in the country, utilizing E-mail, publications and conferences as a means of gaining supporters, informing activists, and coming to resolutions on how to lobby government. The women's movement also addresses its issues through public education in the media and through public activities. On March 8, 1996 -- International Women's Day -- Russian and international women's organizations came together for a "Women in Black" demonstration, protesting domestic and other forms of violence against women. Almost 85% of the respondents to the April 1996 questionnaire said that they are able to attract media coverage on their organization or issue -- mostly through local newspapers and radio.

ATTACHMENT D

LEGAL BASIS FOR PUBLIC ACTIVITY AND ORGANIZATIONS

The Civil Code. In January 1995, Russia adopted a new Civil Code. The Civil Code lays the legal groundwork for noncommercial organizations. Section 5 of the Code specifically addresses noncommercial organizations, including consumer cooperatives, social and religious organizations (or associations), foundations, institutions, and associations of organizations. The Code outlines what information should be included in the organization's charter, the rights of members, some fundamental parameters for income raising activities, and the legal process for liquidating foundations. Most important, the Code states that pursuant laws on each of these types of organizations will more precisely determine the legal status of noncommercial organizations and the rights and duties of their members.

The Code defines a *consumer cooperative* as "a voluntary association of citizens and juridical persons on the basis of membership for the purpose of satisfying material and other requirements of participants effectuated by means of combining the property share contribution of the members." *Social and religious organizations* are "voluntary associations of citizens who have [joined] in the procedure established by law on the basis of a community of interests in order to satisfy spiritual and other nonmaterial requirements." A *foundation* is a "non-commercial organization not having membership, founded by citizens and/or juridical persons on the basis of voluntary contributions, and pursuing social, philanthropic, cultural, educational, and other socially-useful purposes." The Code states that "An *institution* shall be deemed to be an organization created by the owner in order to effectuate management, socio-cultural, or other functions of noncommercial character and financed by it wholly or partially." Finally, the Code states that "*Commercial organizations* may for the purposes of coordinating their entrepreneurial activity, and also of representing and defending common property interests, by contract between themselves create associations in the form of associations (or unions) which are noncommercial organizations" (Section 5, Articles 116-123).

Law on Public Associations. On May 25, 1995, the State Duma passed the first law pursuant to the Civil Code to further define the legal status of public organizations. The Federal Law "On Public Associations" (Obshetveniy Ob'edineniy") outlines the general provisions of a public association. The law safeguards citizens' right to associate. It also discusses the regulations for creating public associations -- including the right not to register, a new registration process, members' rights and responsibilities -- and the reorganization or liquidation of an association. It states that all public organizations must re-register by July 1, 1999 if they intend to do so. It also lays the groundwork for the passage of other laws which further distinguish types of public associations, including charities, noncommercial organizations, political parties, trade unions and foundations. The law defines public associations in the following way:

The term 'public association' is used to mean a voluntary, self-governing, noncommercial

structure created on the initiative of citizens who have joined together on the basis of a commonality of interests for the realization of common goals as indicated in the charter of the public associations (Article 5, Federal Law "On Public Associations," April 14, 1995).

Law on Charitable Organizations. The Federal Law "On Charitable Activities and Charitable Organization," was adopted by the State Duma on July 7, 1995, states:

The term 'charitable activities' is used to refer to the voluntary activities of citizens and legal entities in regard to the disinterested (free of charge or on preferential terms) transfer to citizens or legal entities of property, including cash, the disinterested performance of work, the presentation of services or the rendering of other support (Article 1, Federal Law "On Charitable Activities and Charitable Organizations").

The types of activities that the law considers charitable are undertaken by a wide range of today's existing organizations. The list includes assistance to victims of natural and manmade disasters, peace-making and conflict resolution, aid to families, education, science, culture, the arts, individual enlightenment and spiritual development, health, sports and recreation, and building maintenance and historic preservation.

Law on Noncommercial Organizations. In December 1995, the Federal Duma passed the Law "On Non-Commercial Organizations," which defines noncommercial organizations as the following:

1. A nonprofit organization is one not having profit-making as the main objective of its activity and not distributing the earned profit among the participants.
2. Nonprofit organizations may be created for achieving social, charitable, cultural, educational, scientific and managerial goals, for physical culture and sports, satisfying the spiritual and other nonmaterial requirements of citizens, protecting the rights and legitimate interests of citizens and organizations, settling disputes and conflicts, rendering legal aid, and also for any other purposes directed toward the achievement of public [good].
3. Nonprofit organizations may be created in the form of social or religious organizations (combinations), nonprofit partnerships, institutions, autonomous nonprofit organizations, social, charitable and any other funds, associations and unions, and also in any other forums stipulated by the federal laws" (Article 3, Federal Law "On Non-Profit Organizations," adopted December 8, 1995, effective January 12, 1996).

Significance of the Laws. These three laws do reveal subtle particularities. The Law "On Charitable Activity" states that religious groups can found a charity, although the Law "On Public Associations" says that they do not qualify as public associations. Although business organizations and the noncommercial associations created by them are not addressed by the Law "On Public Associations," commercial activity which is conducted by a charitable or a noncommercial organization is permitted under their respective laws. Although the Law "On Public Associations" guarantees citizens the right to organize and associate by forming public associations without registering, to qualify as a charity or a noncommercial organization, one

must register and be accountable to government agencies. As registered entities, both charities and noncommercial organizations must submit annual reports to their registration agency, and those reports are open to public access both at the registry and at the organization. The charity law says that charities are not allowed to spend funds or use that property to benefit commercial organizations, political parties, movements or candidates, although it is not clear if "property" also refers to staff and volunteers.

The laws offer some progressive requirements for NGOs. For example, the Law "On Charitable Activity" mandates that charities must found a "supreme management organ," similar to the western concept of a Board of Directors. It also sets a legal framework for the development of "combinations (associations and unions)," much like the western vision of coalitions. The law offers a variety of ways by which charitable organizations can generate income, including donations, membership fees, fundraising campaigns, government allocations and by establishing their own commercial enterprise.

The laws also outline some protective restrictions on NGO activity. Profits incurred by a charitable organization must be used for charitable purposes, and only 20% can be spent on staff salaries. Government bodies -- even organs of local self-governance -- are not eligible to found or participate in the management of charitable organizations. Government officials may participate by sitting on a council of government representatives, civic leaders and other citizens, who can make recommendations but not mandate changes on charitable activities to organizations. Government can, however, support charities by granting preference (although not on an individual basis) to organizations in regard to the payment of taxes, customs and other fees and payments, by offering logistical support and subsidies, and by financing charitable organizations on a competitive basis. Additional federal legislation detailing the legal framework for foundations, taxation, and property rights is expected to be passed in the next year.

Local Legislation. Following the passage of these federal laws, NGOs and government representatives began to consider local legislation for non-governmental, nonprofit organizations.

Law on Local Self-Governance. In September 1995, the State Duma passed the Law "On Local Self-Governance," granting more powers and responsibilities to local government authorities over tax revenues and budget expenditures. As local government establishes the mechanisms for taxing and budgeting processes, NGOs need to be prepared to relate these developments to the public, gather and articulate public opinion on evolving systems of governance, and make sure their interests are represented. Over time, taxation, budgeting and local legislative measures can be held up to public scrutiny through regular election cycles. NGOs, if they choose and if they have the skills, can also maintain a level of awareness and scrutiny in between election periods by bringing information on government and legislative processes to the public, and representing public opinion to government officials.

Moscow Law on Charities. In Moscow in the summer of 1995, the City Council passed a City Law "On Charities," which led to the establishment of a Charity Council. The Council has the responsibility to approve the registration of all local charitable organizations. The need for the oversight is based on a fear that commercial enterprises might be disguised as charitable

organizations, or use an existing charitable entity, to access special tax breaks and other benefits. The Council is composed of 15 individuals -- six city council deputies, six representatives from the NGO community, the Mayor and two of his appointed deputies. The six community leaders were nominated by the attendees of an open session for NGOs in Moscow with the City Council. Those nominees were then confirmed and appointed by the Mayor.

"Social Mandate" Bidding for Government Contracts. In the winter of 1995-1996, a Moscow-based organization called the NAN (No to Alcohol and Drugs) Foundation produced a draft regulation called the "Social Mandate" (*Sotstalnyi Zakaz*) which presents a mechanism for non-governmental commercial enterprises and noncommercial organizations to bid on government contracts to provide government services. This regulation has been distributed to cities throughout the country, and will likely soon be adopted in Moscow and St. Petersburg. The regulation, if adopted, will be a breakthrough for both commercial and noncommercial entities helping them to access to government funding, and in the decentralization of formerly government-provided public services. To develop this legislation in various cities, get it passed, push government to establish systems of open competition and procurement, bid and win government contracts, NGO will have to take a more proactive role in local government procedures and develop sufficient skills in proposal writing, program management and advocacy.