

The Third Sector in Russia: Problems and Challenges



O.I. Borodkina / A.N. Smirnova, St. Petersburg (Russia)

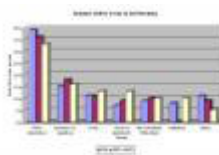
The third sector in Russia has been developing very rapidly during the last 10-15 years. The process of the structural, institutional and legal establishing of this sector is rather difficult and of course reflects of the specificity of transformation in the Russian society.

In the 90 years most Russian citizens have evaluated the situation as a crisis. Since 1999 the number of Russian citizens who have more optimistic views is increasing, the positive economic changes improve the social being of population, but it seems still not enough satisfactory. According to the sociological data only about 12% of the population believe that the life situation has improved as a result of the economic and social reforms. About 39% Russians think that they have a worse life after the reforms and about 38% declared they have almost the same life level than before. The negative valuation was done by on the first place elderly and citizens of small towns. The gap in income between different groups of population is estimated in 20 times and more that 52% of population value their own income as low. Among the positive tendencies it is important to mention the reduction of poverty (for example in 2002 17% of the population were living below living minimum, in 2004 only 7%) and the increasing number of people who concern themselves to belong to middle class (in 2002- 23%, in 2004 – 41%). (Philanthropy in Russia ..., 2004/2005). With the extension of middle class, which is defined not only on the base of income but also on the base of life stile and intent to self-organizing its connected developing of civil society, NGOs are playing the key role in this process.

There are more than 300 thousands of NGOs registrated now in Russia, but one of the problems is that it is not clear how many of them have real activities. The rapid development of the third sector in Russia is much more connected with establishing organizations of different legal status, then with voluntary cooperation citizens for self-support or solving social problems. The number of non-commercial NGOs continues to rise everywhere in Russia. For example, in St. Petersburg at the end of 2006, 13 485 new founded NGOs (compared to near 12 000 in 2005) have been registered. It is 5,4% from the total amount of registered organizations.

In accordance with the Civil Code of the Russian Federation non-commercial organizations can be established in the form of public associations, religious organizations, funds, institutions, consumers' co-operatives, and also autonomous non-commercial organizations, non-commercial partnerships, units of apartment's owners and others. The law also determines the aims of NGOs activities like philanthropic, cultural, educational, scientific, managerial, public health, development physical training and sport, satisfaction of spiritual and other immaterial needs, human rights protection, conflict and controversy solving, legal assistance, and also other goals, aimed at the attainment of public goods.

The most popular legal-organizational forms of NGOs in St. Petersburg are presented in the diagram.



Diagram

In the following we will explain the legal-organizational forms in Russia:

Public associations are voluntary, self-managing, non-profit organizations created by civil initiatives, united on basis of community of interests for realizing common goals. On the diagram we can see that the quantity of public associations decreased last year, despite of this fact this legal-organizational form have remained prevalent.

Consumers' co-operatives are non-profit organizations of citizens, established for satisfaction of material needs by pooling equity contributions.

Funds are non-profit organizations, established by individuals and/or juridical bodies on the basic of voluntary and membership fees for social, philanthropic, cultural, educational, and other generally useful aims. In fact, the rise of the number of Russian funds is first of all connected with business companies, which create their funds sometimes under the pressure of the government.

Unions of apartment owners are non-profit organizations, such as the union of apartment' owners in apartment houses for joint managing. Increasing this segment of NGOs is the result of the last reforms and new policy in the housing sphere and community services.

Non-commercial partnerships are based on membership of non-profit organizations and they are becoming more and more popular. This legal form opens up opportunities for the creation the formal structure for cooperation between non-governmental, governmental organizations and authorities.

Institutions are non-profit organizations created by owners for realizing managing, socio-cultural and others non-profit functions. Institutions are financed by their owners completely or partly. In St.Petersburg the most of institutions are non-governmental educational organizations.

Concerning the field of activity, NGOs in St.Petersburg are distributed in the following way: 31% – social services NGOs, 24% – trade unions, 24% – creative, scientific NGOs, 11% – business-associations, 6% – religious organizations, 3% – political groups, 1% – sports organizations (Non-governmental non-commercial organisations in St. Petersburg ..., 2004).

One of the key points of exiting and developing of third sector is the financial issue. There is a variety of funding sources of Russian NGOs: governmental financing, individual donations, foreign grants, membership fees, investments of NGOs' members, donations of charitable organisations, financial support of Russian and foreign companies, incomes of own commercial activity. The financing system of NGOs is formed by four groups of funding sources:

- private: sources from organizations or individuals;
- governmental/municipal: sources from governmental budgets (federal or regional levels), from municipal budgets; or governmental funds for realization of various so called “target programs”.
- international: sources of the international or foreign organisations, including funds;
- internal: membership fees, investments of NGOs' members, and also incomes of own commercial activity.

It is possible to classify NGOs on the basis of priority of funding sources. There are four main groups of Russian NGOs:

- 1) NGOs that receive governmental financing in the framework of target programs usually on the base of tender. Donations of the Russian companies and private persons, membership fees can be additional funding sources;
- 2) The west-oriented NGOs. The major part of funds of these organisations is from grants and support of foreign companies. The governmental support is significant for these NGOs.
- 3) NGOs that are equally successful both in getting of governmental and municipal support, and in effective cooperation with international granting programs and funds.

4) NGOs that work on the principles of self-financing. These organizations receive significant financial support due to individual and collective donations and investments, and membership fees. At the same time voluntary resources and “social capital” of leaders of the organisations are actively used.

According to the data of the analytical report of the Fund “Institute of City Economics” and the sampling survey of NGOs in St. Petersburg (which have been carried out by researchers of the faculty of sociology of St. Petersburg State University in 2006) the main funding source of NGOs, which are working in the sphere of public health, social services, education, culture, is made by membership fees, donations and other gratuitous receipts – 63%, that include receipts from the Russian organisations – 36,7%, receipts from citizens – 15,6%, and receipts from abroad – 10,7%. The distribution of financing on NGOs, working in various areas, is as follows. Budgetary funds go mainly in public associations (60,6%), religious organisations (18,7%), and culture and art funds. Membership fees, sponsor’s donations and other gratuitous contributions from abroad go first of all to public associations (56,9%) and religious organisations (31,6%). The most part of profit is connected with purchasing of goods, works, and services comes to public associations (62,9%) and religious organisations (31,1%) (Non-governmental non-commercial organisations in St. Petersburg ..., 2005).



River Neva (Foto: W. Blok)

NGOs and State

Now positive tendencies about the interrelation of the state structures and non-commercial sector are observed in the Russian society. However, in many cases the officials’ support of non-commercial sector remains declarative. At the same time, it is necessary to note that structures responsible for interaction with NGOs are created at all levels of the state and municipal authorities. The Russian NGOs have the intent to cooperate with government, sometimes instead of independency. Relations of the state and social services non-governmental organisations are realized firstly in two basic interconnected areas: 1) the normative-legal base, elaborated by respective state structures, within the framework of which NGOs act and 2) financing of third sector.

The last changes in the Russian legislation support in many aspects the process of deinstitutionalization of social work and integration of NGOs in the system of providing social services. But there are still a lot of legal problems concerning the NGO sector. The experts’ opinion is that the existing system of the taxation should be reformed fundamentally. The existing system creates certain difficulties for financial activity of the organizations; it doesn’t promote an advancement of corporate and individual charity, in other words, the system

creates tax difficulties for the citizens and companies, which are willing to support NGOs' activities and makes it impossible to use many methods of direct or private donations, including anonymous technologies of fund collecting.

The new editions of the Law on Public Associations and the Law on Non-commercial Organisations have produced difficulties for the activities of many foreign funds. It is a really important issue since according to the Agency of Social Information in Russia there are from 200 to 500 branches of foreign NGOs. After intensive public and expert discussions at all levels some necessary corrections were done, but before that many large foreign funds already left Russia.

Concerning the financing of NGOs' activity, it is significant that today the most of non-commercial non-governmental organisations have no actual opportunities to get budgetary financing. The exception is made with the organisations, which traditionally used state support (Societies of invalids, veterans etc.) and they continue to receive state funding. At the same time, it is necessary to notice that the situation is changing. The changes are realized firstly in the development of the governmental system of the grants for NGOs, and secondly, in development of purchase system of social services at NGOs. These changes began to occur more actively after the actualization of problems in the social sphere in the Message of the President of the Russian Federation Vladimir Putin to the Russian Parliament. "... it is necessary to transfer the functions which the state should not or is not capable to execute effectively to third sector". For a long time ago the necessity of such financial decisions and mechanisms that are capable to motivate social services organisations to achievement of effective results came to a head. The financial policy should become one of stimulus to increase of availability and quality of social services. As a result, more than in 20 regions of Russia authorities annually finance grants' competitions for non-governmental organizations; in the majority of regions alternative forms of NGOs' support began to be used actively, including granting of offices, phones etc. But the system of purchase of the social services from NGOs still is not disseminated in the country. One reason is the quality of social services. In Russia by now there is no system of license of social agency, that means no professional evaluation of social NGOs and the quality of their services. However the reforms of social services system are happening now in Russia. Population should have easy access to social services, and also the system should be flexible and provide choice for different client groups, and it is clear that governmental agencies could not satisfy to these conditions. St. Petersburg is one of the first regions where "Conception of Development of Social Services System" was developed and adopted. The aim of the Conception is to develop integrative and complete social services system for the citizens of St. Petersburg. It supposes reforming social legislation, forming system of norms and standards of social services, elaborating assessment criterions and developing a network of social services organizations in communities as well as developing common informational space in the social services system. The Conception has two priorities. The first is developing non-stationary forms of care at the municipal level. This system will include three types of organizations in each district of the city: social services organizations for elderly people, rehabilitation organizations for disable people and social services organizations for families and children. The second direction is the creation of social services market. It means that NGOs will be active social services providers. Along with the development of a network state social services organization it is necessary to involve NGOs actively, to turn to the purchase of social services on the base of contracts. As all over the world the purchase of social services from NGOs is more cheaply and effectively often.

NGOs and Business

The results of sociological studies show that more than 70% of Russian big and small companies are engaged in charity regularly or sometimes. The following organizations have the greatest chances to receive donations from business: governmental social services

organizations and cultural institutions; social or cultural actions, approved by governmental or municipal authorities; public associations of invalids, pensioners, veterans, parents of handicapped children, families having many children, victims of military conflicts or accidents; charitable organization. Scientific, ecological, feministic organisations, resource centres for development of civil society can expect regular financial support from business much less.

On average funds are provided for charitable actions and for a day-to-day activity equally. Funding concrete short-term actions (for example, the Aged Day, Health Day) is preferable. Such actions usually are held as “advertising” (companies count advertising return from the action) and they are not the charity as such. Funding a day-to-day activity of NGOs is considered as a special charity and it is usually directed on social services organizations (Alekseeva, 2005).

Recently the issues of relationship of NGOs and business are examined in the context of the concept “social responsibility of business”. There are diverse positions on the role of business in the decision of social problems. We can see at least three main conceptions of social responsibility of business in Russia. The one is liberal, and connects the social responsibility of business with social aspects of business activity, such as payment of taxes, salaries, creation of working places. The well-known Russian economist and politician G. Javlinsky has formulated this argued position: “Business is first of all enterprise activity, and it is definitely incorrect to demand from it the decision of the problems, which are on the governmental competence. Obligatory universal basic “social responsibility of business” consists in keeping within the rational and executable laws, in paying duties and in avoiding the activity, that is obviously contrary to interests of country and society” (Javlinsky, 2006). The second conception supposes that business should take active part in solving social problems of society. Among the Russian population a rather more radical position of “social reimbursement” from business is popular, because during the time of privatization Russian business created their capitals using public property, so now it should be the time to pay back to society and donate social programs, people think.

The position of NGOs to business is critical. They believe that most of businessmen (except for leaders of some foreign or very big Russian companies) do not know, what is civil society and do not understand, for what to waste efforts to its development. “Our business sector sees their role in giving resources to poor people, and it is desirable directly to hand, instead of on struggle against poverty ... In their understanding so-called “address charity” (and they do not accept another) is a struggle against consequences, instead of against the reasons ... The important point is support of all national, all domestic. Hence there is popularity of the charitable support of the church and a prevailing place of national culture in the list of priorities of business charity” (Alekseeva, 2005).

The Russian population perceives the problem of social responsibility of business in close connection with the government. It is significant that the Russians connect with the state both the principal causes, hampering development of the social responsibility of business (like corruption, bureaucracy) and the expectancies for development of business social activity (by encouragement, accumulation and distribution of the funds, provided by business on social programs). The public opinion is business could benefit greatly if it would expand the social activity. The main dividends may be: a positive image in public opinion; the trust both to activity of socially responsible companies on the whole, and to goods and services made by them.

The major part of the population does not see the role of third sector at the point of the decision of social problems by business support. And it is a disturbing signal for NGOs. Here we should approach the final question of this article.



Street life in St. Petersburg (Foto: W. Blok)

NGOs and Society

Well-being of non-commercial sector, including financial, social, organizational sides, directly depends on the support of society. At the present time the Russians trust much more governmental organization than NGOs. According to experts and the data of sociological studies the relation between society and NGOs is rather far from satisfactory. The Population does not support NGOs' activities for different reasons, and very often people are insufficiently informed about the activities of the third sector. The third sector is still rather weak in terms of the promotion of their own activities. In particular, data of an all-Russian public opinion poll shows that most of respondents (75,6%) do not know about activities of NGOs or do not show interest in it, or could not give an answer. The rest 24,4% give the follow results: positive attitude to NGOs activity – 19,4%, and 5% – negative attitude (Philanthropy in Russia ..., 2005). The significant part of Russians connects the activity of third sector with political activity only. The role of the third sector on providing social services is not well known. Besides, on a background of informational silence about the social work in third sector, the activities of some NGOs, which have obvious political or criminal complexion, usually are on the first pages of the papers. That promotes the development of negative or at best neutral attitudes to the third sector. Public passivity of NGOs in promotion actions does not strengthen a positive image of the social NGOs. This fact allows scientists and politicians to make conclusions, that non-governmental non-commercial organizations are not enough popular and they are not legitimate participants of social work from the public point of view. In the financial context NGOs do not enough promote obtaining funds for the realization of social programs. Nevertheless, the real contribution of NGOs to the decision of social problems is significant, and gradually the public perception of the third sector is changing to the more positive side.

Conclusions

The sustainability of the third sector could be evaluated on the basis of the following characteristics: legal environment, organizational capacity, public image, advocacy, service providing, infrastructure, and financial stability (Non-governmental non-commercial organisations in St. Petersburg ..., 2005).

According to Russian experts' reports, the legal environment for existing third sector in general is at the present time created in Russia. At the same time the law does not stimulate the development of third sector. The special legal environment for supporting NGOs as the part of civil society and as the social services providers' sector is lacking. In many cases the

legislation is contradictory and unclear. The federal Russian legislation does not support non-profit activities and there is no consistent policy of cooperation between NGOs and the State. Most of the state employers know the legal norms, regulatory of NGOs activities, rather weak. And while laws exist to permit NGOs to register and operate, they are not well-defined or consistently executed. As a result, many NGOs are depending on local and regional administrations, and very often the law is interpreted in different ways. Federal and local tax law does not support the existence of a self-sufficient third sector. At the same time the number of problems lies more likely in internal processes, which have a place in NGOs, than in external structures.

The level of organizational capacity is often differentiated by the “maturity” of organizations, by field of activity and by ability to attract resources. For example in St. Petersburg only about 30% of functioning NGOs with a stable source of funding have the strategic planning, the office space, staff, computers and technical support. They are more likely using professional staff that is specifically trained to work in the NGO sector. These organizations are also more likely to develop clearly defined management structures, utilize boards of directors, and/or publish annual reports. By contrast, many NGOs often lack the resources to consistently strengthen their staff and administrative capacities. The serious problem for NGOs is well-educated personnel. Without funding to pay professionals, many well-trained specialists have taken their skills to the private sector or government. Another problem is the poor using of voluntary assistance. The most of NGOs in St. Petersburg don't know how to get volunteers to take part in activity and how to work with them. The deficiency of knowledge of motivation methods, no-material assistance and the lack of opportunities of personal and professional growth of volunteers leads to under-exploitation of the significant human resource and also to deficient development of these important institution of civil society.

The NGO sector's public image in Russia has improved somewhat, but in general, the public is still uninformed and suspicious of NGOs. People associate NGOs' activities with politics and don't know adequately about social directions. Publications in mass-media about real achievements of NGOs are rather seldom. It is connected both with the lack of interest of mass-media (and users) and with the deficiency of the NGOs' skill to work with journalists. The public relation of NGOs is the weak side of the third sector's activity. NGOs often fail to promote their activities, forfeiting an opportunity to educate the public about their functions in society and their contributions. Instead, for example, they might concentrate on publishing newsletters that are only circulated among a few NGOs rather than to the general public. However during last years a few successful public companies were created. The knowledge of the population about the third sector was improved and level of public participations was increased.

A part of NGOs launches advocacy campaigns of the whole third sector, but it is the minority. The corporate spirit in NGOs sector is poor developed. The majority is mainly interested in their own problems only and doesn't pay enough attention to interests of different social groups. The political lobbying mechanism is worked out insufficiently. Though NGOs are gaining access to policy makers at the regional and municipal government levels; however, in general they continue to have difficulties in influencing policy, particularly at the federal level. At the same time the leading NGOs exert certain influence on social policy nevertheless.

The service provision is one of the strong directions of NGOs. Most of them deliver social services in the field of education, public health, and social aid. NGOs are responding to public needs, developing and realizing new social services. Furthermore, NGOs provide services that the governmental organizations cannot provide for one or another reason. Traditionally the Russian Government has been the only provider of services. The fast changing political and socioeconomic situation in the Russian Federation, including “de-regulation” and “de-

centralization” of social service functions, provides new opportunities for civil society organizations. Increasingly, regional and municipal governments are tasked by federal authorities to develop, finance, and deliver social service programs. The Ministry of Economy of the Russian Federation has identified a realistic economic approach to strengthening civil society in Russia, which includes equal opportunities for NGOs and state organizations in the market of social service delivery and has increased grant-funding.

In order to take advantage of these opportunities, the NGOs must strengthen their skills to be up to quality of contracts with regional governments. Through improved quality and increased quantity of social service delivery, NGOs have enhanced their capacity to respond to the public interest, which will ultimately strengthen the Russian third sector.

The service provision of NGOs is maturing. NGOs are gradually building their capacities to deliver services, but the range of services is relatively limited and provided to restricted client groups. Additionally, the clients of NGOs often cannot afford to pay for the services rendered, or are only able to pay a small amount. And the fact that the NGO’s services are cheaper than governmental and market services is not changing the situation.

Increasing NGO activities need a development of the infrastructure of the third sector. St. Petersburg is a city with a well developed infrastructure. In St.Petersburg there are many NGOs resource centers and associations. Over the years, these organizations have evolved to meet the demands of regional NGOs and community organizations. Some centers concentrate on training and consulting for NGOs, while others facilitate community and citizen activism, or work to impact administrations. Now it is possible to say, that there is a professionalisation of the sector takes place. Although NGOs networks and possibilities of experience exchange exist in St. Petersburg on the one hand, on the other hand the relationship between NGOs is keeping more competitive, than partnership, because there is not enough openness and willingness to recognize achievements of each other.

The financial stability of NGOs is a requirement of development of the third sector. It is necessary to recognize that though this parameter depends on many factors, the prime responsibility lays on the organizations. In this connection it is possible to emphasize the following orientations of third sector development:

- development of financial management and fundraising activity;
- establishment and development of connections with local community; use of local resources, both financial support (subsidies, grants etc.), and voluntary activity. We should notice, that the opportunity of using local resources is closely connected to the recognition of NGOs’ activity, both from the direction of authorities, and from the direction of client groups and local community on the whole;
- formation and expansion of client bases, and it is necessary to adhere to partnership model with a client instead of concerning to him as the passive services consumer;
- striving to the development of different funding sources, which are being based on strategic plans of organisation;
- development of entrepreneurial activity of NGOs, first of all as contracts on social services providing, which are concluded with governmental, municipal and commercial structures.

The analysis of Russian NGOs’ activity allows drawing the conclusion, that, in spite of the existing problems positive changes of development of the third sector are evidenced. Now NGOs have more various funding sources than some years ago, when the main funding source for many organizations were foreign funds. The corporate charity is extending. Business companies have reacted to the governmental call to social responsibility, and besides companies began to increase investments in community development. The system of government contractual work for social services and grants for NGOs is developing. However

there are some dangerous tendencies. Developing of NGOs should be done on the base of clients' demands. In Russian praxis very often the NGOs follow not the clients' needs, but the offers of grant holders. Russian NGOs intend to cooperate with government, and sometimes instead of independency. But in general the situation with interactions of NGOs and state, as well as business and society is changing to effective cooperation. All this allows an optimistic view on the development of third sector in the Russian Federation.

Literature

Alekseeva, O. Attracting donations of Russians companies. 2005

Non-governmental non-commercial organisations in St. Petersburg. Informational-analytic report. Materials to Forum "Social Petersburg: new decisions". 2004

Non-governmental non-commercial organisations in St. Petersburg. Informational-analytic report. Materials to Forum "Social Petersburg: new decisions". 2005

Non-governmental non-commercial organisations in St. Petersburg. Informational-analytic report. Materials to Forum "Social Petersburg: new decisions". 2006

Philanthropy in Russia. Historical and socio-economic research. 2004/2005

Social Work and Civil Society. Collective Monograph. Editors: I. Grigoryeva, A. Kozlov, V. Samoylova. 2006

Javlinsky, G. Perspectives of Russia: economic and political view. 2006

Olga Borodkina is Associate Professor at the Faculty of Sociology of the St. Petersburg State University.

Tags: [NGO](#), [Russia](#), [social policy](#), [social services](#), [welfare reform](#)