

**Anti-corruption field in St. Petersburg: Actors and Activities**

**Final report**

**Prepared within the frame of Think Tank Partnership project**

***“Mobilising social support to fight corruption in postsocialist countries:  
cases of Russia and Hungary”***

**Centre for Independent Social Research**

**St. Petersburg**

**July 2004**

## **Content**

Introduction

Chapter 1. Anti-corruption field in Russia: the role of different agents in fighting corruption

in business sphere (the case of St. Petersburg)

1.1. Analytical frame of the study

1.2. Anti-corruption in programs of the leading political parties

1.3. Agents of anti-corruption field (on the materials of case studies)

1.3. 1. NGOs as “ideological” agents of anti-corruption field

1.3.2. Business associations and their fight against corruption

1.4. Summary and conclusions

Annex 1: Workshop in Irkutsk “The role of analytical centers and NGOs in the development of anti-corruption policy” ( brief description)

## Introduction

The project “Mobilizing social support to fight corruption in postsocialist countries: cases of Russia and Hungary” is a continuation of the study “Prospects for fighting corruption in post-socialist countries” conducted through cooperation of three Think Tanks (CISR, SPb, FME, Budapest, and TraCCC, Washington). The project included also a dissemination part – the workshop in Irkutsk “The role of analytical centers and NGOs in the development of anti-corruption policy”. The purpose of the workshop was to spread the outcomes of the Think Tank Partnership project to the areas of Russia where the corruption is an extreme problem (Siberia), to discuss with the scholars and NGOs’ representatives relevant problems encountered by researchers and NGO’s in their studies on corruption and anti-corruption activities, and to organize the exchange of information regarding situation with corruption in different regions of Siberia (see Annex 1).

Developing a social base for fighting corruption is extremely important in both Hungary and Russia. Hungary will join the European Union this year and must bring its anti-corruption policies into line with European standards. Russia has very high levels of corruption, which are hindering the full development of the small and medium-sized business sector. For an effective anti-corruption policy, independent social institutions must play a large role in increasing the accountability of the state. The idea of the study was to take a narrow focus on civic activism in fighting corruption and to examine, how NGOs and business associations influence anti-corruption policy development in either country.

One of the main ideas of the project was to bridge the results of the studies undertaken by the Think Tanks in the previous research with on-going activities of civil society organizations. In this light, the St. Petersburg team was interested in looking at the role of NGOs in fighting corruption in state-business relations (small and medium sized business). FME focused on the role of NGOs in fighting corruption in public procurement in Hungary. The purposes of the follow-up study were the following:

- to contribute to the picture of anti-corruption activism by revealing civil society players of anti-corruption field;
- to analyze the activities of acting NGOs and business associations through the lenses of acquired material. The main task was to see to what extent the activities of NGOs correspond with problems which have been revealed in the courses of previous studies.
- (for SPb team) to pay special attention to local business associations, including associations established in some districts of the city by representatives of small and medium sized business, to study their experience in anti-corruption field.
- (for Hungarian team) to discover the activities and effect of some relevant NGOs and business associations in fighting corruption relating to the public procurement process

Two types of organizations were mainly considered in the study. The first type – NGOs and other civic organizations which announce fighting corruption (or dealing with problems related to corruption issues) as one of the main purposes of their organizations. The second group included various interest organizations including first of all business associations, and in particularly, organizations representing small and medium business (in Russian case) and interest organizations dealing with public procurement issues (in Hungarian case). The main research methods were interviews with the representatives of organizations which are considered as key players in anti-corruption field complemented by statistical information and expert interviews with competent persons.

## 1.1. Analytical frame of the study

To outline the contours of multi-dimensioned anti-corruption field the actors in this field have to be considered from different perspectives. The first perspective deals with reasons explaining anti-corruption activities. In other words, the first ground for classification deals with the question: Why these organizations are involved in anti-corruption activity? What are the reasons for these organizations (and people) to consider corruption as a problem which has to be reduced or eliminated?

Corruption as a social problem has at least two dimensions. On the one hand this is an ethical and moral problem affiliated to the issues of general morality, ethics and simply the necessity of “doing the right thing” in human affairs. From this point of view corruption appears as an obstacle hindering democracy building processes and the development of civil society, as infringement of human rights etc. The fight against corruption is therefore considered as virtuous, and those actors of “anticorruption community” who are driven by “ethical reasons” could be considered as “integrity warriors” and “ideological anti-corruption agents”. These “ideological agents” of anti-corruption field are presented (or supposed to be presented) by various NGOs – international and local – which activities could be generally characterized as to be aimed on building of true democratic societies all over the world including post-socialist sector.

So we consider NGOs as a first group - “ideological agents” acting on anti-corruption field. These are first of all, various NGOs aimed on defending human rights and democracy building, fighting for transparent governance etc, and therefore focusing their activities on anti-corruption or corruption related issues. These could be so-called Public Policy Centers or Think Tanks (analytical centers) focusing on doing research on corruption and related problems. Another type of organizations that could be referred to the “ideological group” are NGOs which are concerned with corruption issues indirectly (e.g., ecology organizations which are not aimed directly on fighting corruption, but they are aimed above all, on improving of transparency of decision-making processes regarding ecology, etc)

The second dimension of corruption problem is related to the issues of economic rationality. From this “rational” perspective corruption appears as a problem that makes economies ineffective, decrease competitiveness in the world market, reduce foreign investment flows, etc. and thus hindering economic development. Anti-corruption activity from this point of view focuses on the need to increase system rationality, to make state administration more effective, and development resources more accessible. Hypothetically the main actors on this field should be business organizations which are interested in creation of favorable environment for business development. So, the second group of anti-corruption agents – “rational agents” are presented by business associations which are an object of particular concern. Most of these associations are aimed on “defending businessmen rights”, or “promoting business development”, or “creation of favorable business environment for the development of business” etc. If corruption is one of the main obstacles on the way of business development they are supposed to focus on this problem.

Another significant ground for classification refers to the questions: Who initiates anti-corruption activities and the creation of these organizations? Where do these driven forces (including financial support) come from? From this point of view 3 types of driven forces (and correspondingly, three types of anti-corruption organizations) could be distinguished: 1/ bottom-up initiative; 2/ initiative from above - top-down initiative (mainly initiative from the state); 3/ initiative from aside (initiative by different foreign organizations and foundations).

Generally speaking the bottom-up initiative should be presented first of all by the organizations of civil society – none-governmental and none-profit organizations created by people themselves (local communities) to solve some “hot” problems. Since it is generally accepted that corruption is very high in Russia and that corruption is a social evil, there are supposed to be some anti-corruption civic initiative by people suffering from this evil and by businessmen for whom corruption provides considerable obstacles and barriers for business development. Although we did not expect some NGOs or business associations created by people exclusively to fight corruption, however the question could be: to what extent NGOs and business organizations, which represent bottom-up civic activities are concerned with the problem of corruption, and if they are not concerned – what is the reason;

Top-down initiative is represented by the state as an actor on anti-corruption field. Organizationally this is supposed to include different state-based organizations - departments, committees, and commissions of various kinds at different levels of authorities – federal level (national level), city level, district level) established by the state or local authorities and within or by different authoritative structures – legislative and executive authorities – aimed on reducing corruption or those which are supposed to deal with corruption related issues. For instance, it could be National Anti-Corruption Committee at federal level, the Commission on Law and Order within the City Legislative Assembly in St. Petersburg, different commissions of similar type (if any) at district level, etc. The question here is to what extent the state (authorities) stimulates (and participates in) activities of NGOs and business associations.

Different political parties also could be considered as representatives of top-down initiative. It's important to look how the problem of corruption is represented in programs (position papers) of different parties, and especially those pretending to express interests of businessmen. Although political parties can not be directly referred to state-based organizations, however they possess political power complementing the overall political power of the state.

Initiative “from aside” is presented first of all by international organizations and foundations providing support for democratic development in transitional countries. Given “corruption in business sphere” as the main the object of our study, here also could be mentioned various international business associations which are also aimed on promotion of favorable business environment and economic development.

## **1.2. Anti-corruption in programs of the leading political parties**

During the study we analyzed the program documents of the leading political parties through the prism of anti-corruption activities since political parties are considered among the players on anti-corruption field alongside with state structures, NGOs and business structures. Fighting corruption is mentioned among the priorities by all leading political parties. However the most detailed focus on anti-corruption activities is presented in the programs of Edinaya Rossiya and SPS mainly within the frame of administrative reforming of the state.

### *Edinaya Rossiya*

ER is an official ruling party, the conductor of the idea of strong state and strong power of the president. According to the ER program the state is considered as a main actor on the

political arena while the status of other players (including third sector organizations) is much lower.

The fight against corruption is named among legislative priorities of ER alongside with providing social guarantees for the population, protecting motherhood and childhood, revival of the industrial-agricultural complex, debureaucratization of economy, etc. the ER program includes a number of statements related to this or that extent to the problem of corruption, in all of them the role of the state in fighting corruption is emphasized, and the state is declared as a main actor of anti-corruption field. Corruption is declared as a problem of relationships between people and the state and it is stated that THE ORDER AND CORRUPTION ARE NOT COMPATIBLE. Fighting corruption is seen via improving of administrative procedures. Optimization of administration includes six points:

- simplification of the functioning, reducing the number of functions and structural units;
- enforcing of the party influence on executive authorities, accountability of government to

Duma

- availability of information regarding the work of authoritative bodies
- possibility for people to influence the work of authoritative bodies, not only via elections but also via various administrative procedures and the court;
- toughening of the measures against corruption and other violations of law by officials;
- destructure of the “nomenclature barrier”, providing for talented and active people the possibility to make good career in authoritative bodies.

It is worth mentioning that ER being led by the head of MIA is related to the most striking (so far) public action against corruption – to the case of “werewolves in shoulder strips that was widely announced in mass media and via state TV channels in particular.

*Sojuz pravyyh sil (SPS)*

In SPS program corruption is considered as one of the main obstacles for business development. It is stated that SPS is “against corruption, bureaucracy growth and clericalism in power structures”, the role of SPS is to prevent expansion of police-bureaucratic capitalism, “latinoamericanization” of Russia. SPS states the necessity to establish common rules for business and authorities to provide the real economic freedom in Russia.

The administrative reforming is generally seen in reducing of state interference into economy, providing competitive basis for recruiting and rotation of state officials at all authoritative levels, transparency and openness of decision making processes by all state and municipal authoritative structures. тии.

It is important that SPS is the only political party that conducts anti-corruption activities jointly with civil society institutions and anti-corruption structures established by the state. On July 15 2004 SPS had signed an agreement with the Public Union “Anti-corruption” and organization “Anti-corruption Committee” the aim of which to promote coordination of efforts in fighting corruption and to provide exchange of information on corruption issues.

The parties which occupy the second and the third place according to the number of members presented in Duma pay almost no attention to the problem of corruption. In LDPR program the problem of corruption is almost not considered at all, it is not considered as a scaled problem for party ideologies (this is even more interesting if to take into consideration the fact that LDPR better than any other party reflects the opinions and

the spirits of electorate) . The Communist party (KPRF) program also pays no attention to the problem of corruption.

### **1.3. Agents of anti-corruption field (on the materials of case studies)**

This part of the report is based on interviews with representatives of organizations chosen as cases for our study as key players on anti-corruption field, or as the most influential NGOs and business associations according to experts' estimations. Along with "anti-corruption" NGOs we interviewed the leaders of SPS branch in SPb, the party, representing interests of businessmen in Russia, and the leaders of NGOs-analytical centers doing research on corruption issues.

While interviewing the leaders of NGOs and business associations we focused on three general topics:

1. The description of organization, the history of creation
2. The place of anti-corruption activities in the overall activities of organization
3. Networks and cooperation of organization with other agents of anti-corruption field.

#### ***1.3. 1. NGOs as "ideological" agents of anti-corruption field***

##### *Anti-corruption activities in the agenda of St.-Petersburg NGOs*

The interviews with NGOs' leaders have shown first of all that quite a few NGOs work in the field that could be labeled as "prevention of corruption". During the conference in St. Petersburg organized by CISR within the frame of this project in January 2004 we made a sort of expert survey among the conference participants in order to get information about "anti-corruption" NGOs in SPb. Only three organizations were mentioned by the participants: Leontief center, Center "Strategy" and "Civic Watch". Civic activists whom we interviewed as experts in our study (e.g. from the Center for the Development of Non Commercial Organizations) also mentioned these three particular organizations and could hardly point out any other NGO dealing with corruption issues. The only exclusion mentioned in one interview were ecological organizations which fight against certain corruptive practices in the sphere of use and abuse of natural resources. Altogether 4 interviews have been made with the representatives of NGOs and independent experts who estimated the "field" of NGOs fighting corruption.

While doing interviews with representatives of these NGOs we realized that even among those few organizations none of them actually considers fighting corruption as the main activity of the organization, and only one of these three NGOs posed prevention of corruption among the thematic priorities of the organization. It is possible to conclude that these three organizations provide the main "pillars" of civil field in St. Petersburg including anti-corruption activities.

As it comes from the mission of The Leontief Centre, "*the International Centre for Social and Economic Research, was established in 1991 as a think tank providing strategic insight and expert support for the market reforms in St. Petersburg and the rest of Russia*". Following this mission Leontief center "*conducted economic and social studies; developed relevant economic policies to handle the challenges of transition on the national and regional levels; contributed to the improvement of St. of its investor appeal; promoted international and interregional ties; disseminated its research findings and advanced expertise through workshops, conferences, publications, exhibitions, and via the Internet*" (<http://www.leontief.ru/>). The Leontief Centre conducts analytical research and develops practical recommendations primarily in the following key subject areas: Regional

Economy, Public Finance, Employment and Social Policy, Strategic Planning and Spatial Development, Land and Real Estate Markets, Investment, Privatization and Corporate Behavior, Promotion of Private Enterprise, Information technologies and telecommunications. So here we can see no clear references to “corruption”.

In the interview the director of Leontief center told: *“I can not say that what we do is indirectly linked to the prevention of corruption /.../ Actually we work for making some laws and procedures more transparent and it is indirectly /.../ We make the water more transparent and this is... you know, because in the muddy water it’s easier [to make corruptive deals]”* (int. #12, p. 1,3)

Another NGO mentioned by our informants and experts as dealing with the prevention corruption issues is “Civic watch”. Civic watch was formed in 1992 as an organization for protection of human rights. The main target was to ensure the control by citizens and Parliament over activity of the law machinery – intelligent services, police, army forces, in order to prevent the violation of the human and citizens rights by representatives of these authorities. The priority directions of activities of “Civic watch” are an access to information, reformation of law machinery, judicial reformation (for transparency of judicial decisions and courts’ activities). Civic watch also works for protection of rights of minorities, refugees, servicemen as well as in the field of protection of personal data (<http://www.wplus.ru/pp/citwatch/all.htm>). So here again we could see no clear links to fighting corruption in the NGO agenda.

The mission of center “Strategy” - third NGO dealing with anti-corruption issues in St.-Petersburg - is posed as “assistance in creation of civil society and a rightful state in Russia by realization of the projects and programs aimed to development of public participation, social partnership and responsibility of the authorities”. Following this mission the “Strategy” has formed the focus for its research activity which is “forming of public policy in regions of Russia and post-soviet countries as integrative in relation to categories formulated in the Mission of the Center” (<http://www.strategy-spb.ru/index.php?do=sci&doc=26>). The main focuses for public policy are development of public influence to the policy decisions making and transformation of the “sovereign” power into “public” one. Development of public policy is understood as the main and unavoidable condition of the transition from electoral democracy to participatory democracy and as a concretization of this process. So the main topics of the research, analytical and practical (conferences, workshops) activity of the Center “Strategy” are Ombudsman and human rights, Prevention of corruption by the forces of civil society, Transparent budget and Public participation and public policy at global and local levels. Here we can see that prevention of corruption is mentioned among the main topics of the activities of NGO, however in the interview pone of the leaders of the organization told: *“[we were concentrated] on transparency and effective public participation, and well, corruption, OK’ let’s deal with corruption as well within this framework. Corruption is one of our programs”* (#11, p., 6) *“Well, we deal with prevention of corruption. But our target is a bit different: we are trying to stir up the water, so as many people and organizations as possible would treat corruption as something definitely bad”* (#11, p.3). So in case of this NGO anti-corruption activity is mentioned among the priorities of the organization although it is not treated as the main target or mission, but rather as an indirect activity which fits the main targets and is a sort of “one among others” activities.

From the interviews with NGO leaders it could be concluded that they consider corruption as a consequence of bigger problem – none-transparency of the state, the lack of democracy, etc., and not as the problem itself (or at least they themselves do not directly

deal with this problem). That is why speaking in interviews about the mission of their organizations they focused particularly on these “bigger” problems. At the same time, if to look at the list of the titles of the projects conducted by these NGOs in recent years (posted on the websites or in the newsletters) one can see that many of the projects’ titles contain the word “corruption” in different combinations. This discrepancy could be explained only if to take into consideration the role of international support or “initiative from aside” for the development of civil society in Russia including anti-corruption activities.

### *Initiative “from aside” in anti-corruption activities of NGOs*

It is not a secret that overwhelming majority of contemporary Russian NGOs are supported by western money – by foundations, international organizations and international agencies of western governments. NGOs working in St.-Petersburg are not the exception. All the NGOs we talked to in our research are supported mainly by western foundations. If we look at the projects realized by the above mentioned NGOs involved in direct or indirect prevention of corruption activity in St.-Petersburg, we could see that these projects were financially supported by the money which came from following sources: USAID, IRIS, TACIS, Eurasia Foundation, World Bank, European Bank for Reconstruction, TACIS, National Endowment for Democracy, Ford foundation, Soros foundation, Transparency International etc. Very few money sources have Russian origins and come from federal or local authorities. One of our informants – representative of the center “Strategy” told that his organization is supported financially by grants (which are always western money) for almost 100%: *“Question: How do you survive? – Answer: Grants. Very few [money] apart from grants. Well, we had money, from the President administration, from some ministries but mainly grants. Q: I am wondering what’s the part of Russian sources of finances? A: Russian – about 5%”* (#11, p.6). This proportion might be different in case of Leontief center which works very closely with the local authorities, but even they realize the major part of their projects for western money. The proportion probably is even worse in case of Civic Watch because this NGO has always declares critical position towards the authorities of different levels (it comes already from their mission and targets) and hardly could be supported by the state money.

The main conclusion that could be made out of this situation is that “initiative from aside” plays a dominant role for anti-corruption activities of NGOs in St.-Petersburg (and most likely in Russia in general) Since NGOs have almost no alternative financial support for their activities (including anti-corruption activities) there are some doubts that they will be able to continue their activities if financial flows from the West cease to exist. As it was mentioned in the interview about Russian branch of Transparency International *“Question: [...] if there was no support [from western money], you think that [Russian] TI would continue functioning in the same way? – Answer: Who? [Russian] TI? No, they would die right away!”* (#11, p.4).

The contemporary situation with financial support of NGOs in Russia demonstrates the absence of sustainability and total dependence on western money. This situation considerably depends on general relationships between contemporary Russian NGOs (probably, in general, but definitely – those dealing with anti-corruption activity) and Russian state authorities at both federal and local levels.

### *NGOs- state relationships*

As it comes from our analysis the general situation in this concern could be described in the following terms: NGOs and the state authorities work independently from each other. The fact that NGOs are financially independent from the state could be considered as a positive factor if it was complemented by effective mechanism of cooperation (or at list some dialog) between civic organizations and authorities. However in fact there is a lack of any institutionalized mechanism through which civil society institutions and NGOs in particular could influence the state authorities. The only examples of cooperation between NGOs and representatives of local authorities, as could be judged from interviews, are rooted in personal contacts and relations, inherited mainly from the earlier times of the first democratic “wave”, when the members of city Assembly and the government were recruited from the community of active supporters of democratic changes.

For instance, Leontief Center was created by the first city major L. Sobchak who came from democratic circles of the first years of Russian reforms. Traditionally the Center has good and rather strong relationships with the local authorities. This analytical center regularly provides economic expertise for the city government, like, for instance, the development of Strategic plan of St.-Petersburg (1996), the St. Petersburg Center City Rehabilitation Project (1998), the St.-Petersburg economic development project (2002) etc., develop recommendations for coping with different economic and social problems in the city. However even Leontief center is limited in this “co-operation”. During interview it was mentioned that it is difficult to influence the economic policy of the city government because even if recommendations prepared by the Leontief Center are accepted by the government they undergo fundamental correction before that.

The situation described by the leader of the Center “Strategy” is almost the same. The only existing contacts with the authorities are based on personal relationships between representatives of NGO and those people in authoritative structures which used to be colleagues or friend. Thus, the influence on local authorities exists until there are personal contacts, and it is over when concrete person leaves his/her position in the authorities : *“Q: who do you work with in the authorities? A: Well, there were some big changes there. However there are still some familiars, contacts, well, there are some friends!”* (#11, p.2). Now when the local government is in the process of big changes because the new major came and brought a new team with her, they are losing all of their important contacts in local authorities and have no idea of how they will work in the future. Another informant told: *“Everything comes to an end quite soon. N left [from the Parliament’s press center], another lady came. Or another man, I don’t know at present”* (#11, p.5). To describe the influence of the Center Strategy on decision making processes at the city level he used the following figures: *“As a matter of fact only 5-10% of what we recommend to the authorities is accepted. And I would not like to work for wastebasket”* (11, p.6)

Thus the lack of the dialog in NGOs-state relationships is aggravated by the absence of mechanisms for legislative initiative, that could be also referred to the corruption prevention issues and all related realms – transparency of laws and procedures, public participation, independent public expertise etc. According to our informant, one of the leaders of the Center “Strategy”, St. Petersburg is not an exception. There are only several regions in Russia where the right of NGOs for legislative initiative is fixed in a city law. There were two attempts to establish the same opportunity for NGOs in the local Parliament in St.-Petersburg in 2001. The initiative group formed by representatives of NGOs had developed the draft of a new law regarding NGOs’ legislative initiative but was not accepted by the Legislative Commission of the City Assembly. The only achievement of this initiative was that the Commission agreed to provide for NGOs representatives possibility to attend Assembly sessions, to arrange electronic delivery of information by the

Assembly press center through mailing list of NGOs about the agenda of the sessions and adopted laws.

Regarding cooperation in anti-corruption activities between NGOs and authorities the situation is even worse. If activities of NGOs in economic and social expertise are more or less demanded by the authorities, the state demand for activities on preventing and fighting corruption is absolutely lack. The situation resembles vicious circle: *“Where do you live!? You have just mentioned yourself –the initiative [should come] from above! In our country nothing happens without initiative from above, especially if regarding anti-corruption. – Q: You mean, at the city level...? A: No, at the city level there’s nothing about fighting corruption. No formal structures at all”* (#11, p.1).

Thus the state can be considered as a strongest player in anti-corruption field, which determines what should be done, in what shape and in which direction. The authoritative structures generally decide with whom to cooperate and to what extent. No other relatively strong player (like civil society, for instance) exist in this field. NGOs in St.-Petersburg still have no right for legislative initiative and no formal institutionalised mechanisms to influence the local authorities. People, including representatives of NGOs, believe that situation could not be changed without the “good will” and initiative “from above” – i.e. from the federal state or local authorities. So civil society “here” has neither direct influence to the situation, nor even indirect influence – by pushing the “state” which is the only agent powerful enough to change the situation.

#### *Cooperation between NGOs in anti-corruption field*

The possible alternative for NGOs if they are not able to influence neither situation with corruption nor the state is to strengthen cooperation between civil society organizations. In our interviews we tried to find out about collaboration among NGOs in general and in anti-corruption activities in particular.

Unfortunately as could be seen from interviews, cooperation between NGOs involved in anti-corruption activities in St.-Petersburg is rather weak. First of all, as it was already mentioned, there are very few NGOs in the city which include prevention of corruption in their agenda. For instance, representative of the center “Strategy” answered to the question about NGOs working in this field in St.-Petersburg as follows: *“ Well, what if I say that we are the most developed here [in the city] in this field! Well, what I can do about it if it is true indeed!?”* (#11, p.2).

It is worth mentioning that “strong” NGOs are rather connected to each other either personally or organizational. The leaders of these NGOs named first of all each other when they were asked about other NGOs in anti-corruption field. The leader of Leontief center pointed out “the only one organization” as “working in more or less the same field and known” – center “Strategy” *“The Center “Strategy” - they are the only [NGO] I know”* (#12, p.1). The relationships between NGOs sometimes complicated: a representative of “Strategy” mentioned “Civic Watch” and also Leontief Center as “known” NGO but could hardly define them (LC) as “partners”: *“I wouldn’t call our relations a sort of “partnership”, when was asked about any other contacts he answered: “Actually no one else in St.-Peterburg”* (#11, p.7).

As for other NGOs - then our informants mentioned their partners from Russia, CIS countries, West and East European countries, international organizations– but not from St.-Petersburg. One of the leaders of “Civic watch” when was asked about NGOs whose representatives could be invited to the conference about anti-corruption activities

mentioned only one representative of the center “Strategy”, who, by the way, he knows personally for many years – thus personal contacts are important not only for relations between NGOs’ and authorities, but also between NGOs themselves.

There are hundreds of organizations listed on the website of Leontief center, but none of them except mentioned above could be labeled “ideological” NGOs fighting corruption in St.-Petersburg. Among listed organizations there are foundations, research and educational institutions, branches and departments of local and federal authorities, business associations and enterprises. It should be mentioned that the Leontief Center is the only NGO which regularly collaborates with business representatives. The necessity of such collaboration is acknowledged by all NGOs but, as it was mentioned by the representative of the Center “Strategy” they really have no time to elaborate this direction of activities.

### ***1.3.2. Business associations and their fight against corruption***

This part should be started with a notion that the focus of our study is on small and medium business, therefore we considered first of all business associations which deal with businesses of these scale. Another important notion – the lack of reliable statistical information about business associations. Therefore the empirical study was started with expert interviews in order to reveal the key (at least the most known) business associations and other organizations concerned with small and medium business development. At the first stage of the empirical study a pilot telephone survey had been conducted with the leaders of different kinds of business associations (18 telephone interviews). The pilot telephone survey was aimed to find out about different types of business associations and forms of their activities. Also a telephone survey had been conducted with businessmen – the members of the St. Petersburg Association of Entrepreneurs, which is considered as one of the strongest business associations in St. Petersburg. The survey was aimed to find out about the purposes of businessmen who enter the association, to get a feedback about businessmen’ expectations and their opinion regarding the effectiveness of association. After pilot surveys and expert interviews we conducted six in-depth interviews with the chairs of business associations (all-city level), and the Centers for Business Development (district level) which provided the main source of empirical data.

#### *Business associations in SPb: general overview.*

According to the data in Yellow pages guide and from Internet the overall number of business associations in St. Petersburg could be approximately estimated as over 100. The more precise statistical data on this point is not available. The first wave of local business associations in SPb could be labeled as mainly “bottom-up” initiative of businessmen. The rise of SMEs in the beginning of 90s under the conditions of uncertainty in legislation, the lack of information about acting norms and regulations, accountant recording, the absence of any experience in running business among new businessmen had led to spontaneous emergence of business associations, which started to provide consulting services and other forms of support for their members. One of the most vivid examples is the St. Petersburg Association of Entrepreneurs ( SPb AE) which was established 15 years ago by the most active entrepreneurs of the “first wave”, and was initially aimed on helping entrepreneurs. At the very beginning (the first half of 90s) “..very few of associations had contacts with authoritative structures – the majority of them were registered as unions, associations, centers, etc.” (interview 1 with the representative of SPb AE). Later with the increase of the state “support for the development of small and medium business” some of the most active associations (like for instance, Association of Entrepreneurs) preferred to follow a

strategy of linking to the state and city government using budget funds destined for the development of SME sector.

At present a lot of consulting firms of different kinds have emerged solving various problems encountered by businessmen on commercial basis. At the same time there are few organizations funded by city budget or various foundations providing consulting services free of charge. Therefore the main activity of the majority of business and professional associations is to provide relatively cheap consulting services and professional training for their members. The telephone survey of the leaders of business associations has shown that the main services provided by business associations are the following:

1. Consulting services, dealing with first of all, juridical and accountant issues
2. Professional training
3. Research and marketing

Participation of businessmen in business associations (especially for SMEs) is generally low. This could be explained by several reasons. The most general reason is that SME businessmen do not trust anybody and prefer to overcome difficulties relying exclusively on themselves. Another reason is a “survival” type of the majority of small and medium businesses. Only businessmen who are looking for new possibilities of business development, introduction of innovations and etc. join business associations. Those who are concerned only about maintaining some “survival” business level (actually most of small businesses) are not interested in participating in associations. Not the less reason – the lack of information about business associations. None of the business associations that were the cases for our study uses any coherent PR strategy to attract new members. The exclusive case is SPb Association of Entrepreneurs which always tries to attract as many members as it is possible<sup>1</sup>. The conducted telephone survey of the members of SPb AE has demonstrated that the majority of them had chosen this association because they did not know any others. Only about 1/3 of respondents could remember even one business association in St. Petersburg except AE. The purposes of membership in AE were the following:

1. Access to consulting services in accounting, fiscal and juridical issues.
2. Broadening out the sphere of communication, getting better access to business information.
3. Improving of image of business organization.

Enterprises that join AE 5-6 years ago did it mainly in order to get assistance in solving accounting, juridical and other problems. The most recent members (2-3 years ago) consider Association as first of all the arena for broadening professional communication, better access to business information.

Interestingly that none of the informants mentioned as the reason of membership in Association the need for protection of businessmen rights.

#### *Typology of business associations*

Classification of business associations should be started with their referring to federal or regional level. The federal level is represented by the regional branches of all-Russia organizations (including organizations for SME support, research organizations and political structures). The most known among them are OPORA, Delovaja Rossija, Chamber

---

<sup>1</sup> The activities of AE in attracting members is even anecdotal – the deputy director of AE refused to give us interview and to provide any data unless CISR becomes the member of the Association.

of Industry and Commerce, All-Russia Association for SMBusiness Support, Russian Agency for SMBusiness support, Institute of Business and Investments.

Business associations at the regional level could be divided into two groups. The first group includes business associations embracing businesses of different industrial branches. The biggest among them is the St. Petersburg Association of Entrepreneurs. Another big association of this kind is the Union of Industrialists and Employers, that acts as a third side in social partnership negotiations<sup>2</sup>. At district level there could be mentioned Non-commercial partnerships Centers for Business Development

The second group includes associations embracing businesses belonging to one industrial branch like Kupecheskij Klub (Merchant Club), Liga Obuvschikov (Footwear League), Association of Customs Brokers, Association of Zoo-businesses, Association of Accountants. The Association of Joint Ventures could also be referred to this group.

As a special type there could be distinguished business associations created on territorial basis. These are first of all Non-commercial partnerships Centers for business development which are considered by many informants as the most effective form of supportive structure

It appeared to be not easy to classify business associations according to the initiative of their creation (from above or from the bottom). Some of them (like SPb AE) were initially created by the initiative “from the bottom” but later started to receive budget financing. An opposite example is the Centers for Business Development that was initially created by city administration but later became individual business initiative. They are considered by our informants as the most effective.

#### *Interaction between business associations*

The interaction between business associations could be characterized as generally weak. If the federal level associations and inter-branch associations at the regional level more or less cooperate with each other (at least the leaders of these associations meet each other at various kinds of business forums), the professional associations work/exist within their specific professional niche. Not the less reason for this is that all of them compete with each other in the market of consulting services although they try “*to focus on different purpose-groups and not to bother each other*” (3, p.4).

Our informants were rather critical in assessing the efforts of some NGOs and foundations to arrange conferences and seminars with the participation of businessmen and business associations. Only training and retraining seminars are considered as really useful. Another type of meetings which is considered as more or less useful is SME Forum. The Forum is considered by associations’ leaders as a possibility to demonstrate belonging to some community of business associations. For them participation in the Forum serves as a sort of boundary between “we” and “others” making a difference between “real” associations and just consulting services. «*If to talk about associations created in recent 2 years, none of them could be considered as real organizations*” (2, p. 80). Although the necessity of the SME Forums is generally accepted, however they are considered as “*pure political events*”

---

<sup>2</sup> the Union of Industrialists and Employers includes mainly representatives of big business, SMEs are almost not presented in this association. That is why we did not consider it as a case for our study

*with no practical outcome. Not a single decision adopted at recent forum was implemented in practice” (5, p.7).*

### *Purposes and strategies of business associations*

If to look at the formal documents (like charters or formal regulations) of business associations the missions of all of them are formulated according to the Law about Public Organizations, like “creation of favorable conditions for business development”, “providing professional assistance for the members”. During the telephone survey the leaders of business associations named the following reasons for their creation: “*the need for communication and information exchange*”, “*the necessity to develop a common strategy in the market*”, etc. In reality “*everything depends on the personality of the leader*” – and this was the leitmotif of all interviews. Moreover, there is an opinion that every business structure is created “for” some leader.

It is necessary to stress here that despite of the fact that the official status of business associations and unions is “none-commercial organization” any of them regardless whether it is linked to the city government (and correspondingly, to the city budget) or not, is considered first of all as some “*business project, the way to earn money*” (5, c.7). Every leader of business association chooses his/her own strategy of association development depending on personality.

We can presumably distinguish two (or even three) types of successful business associations according to the development strategies they use. The first type is aimed on accumulating more members and resources, the strategy of linking to city government and participating in allocation of budget financing and other resources for SME development. Associations of this type are trying to create an image of representatives of the interests of businessmen as a social group. Another type of development strategies is more independent from the city budget and represents an “individual business project” of the leader of association. Associations of this type are not as big and not as much concerned with the membership increase (60-100 members). “These associations are more viable. And they provide real assistance for entrepreneurs” (1, c.5).

We can also assume the existence of the third type of business associations that could be labeled as “special associations” the membership in which is particularly desirable since it could provide some privileges for operating in some particular market. In fact, the bigger and the more successful is association, the more difficult it is for businessmen to join it. This refers first of all to branch associations created on professional basis. Only businesses belonging to this particular branch could be the members of these associations. But there are some associations (like Association of Custom Brokers) which are absolutely closed for “strangers”. (Unfortunately the data we received in interviews is not enough to make more detailed conclusions).

### *None-commercial partnerships*

In our study we were particularly interested in local business associations/organizations in some districts of St. Petersburg that were created (as we assumed initially) by businessmen themselves. These are so-called NP – none-commercial partnerships in 6 local districts of SPb serving for the development of small and medium business. Some of them are known as really active and effective. As we found out during the study the creation of NPs was not actually initiated “from the bottom” but were established by city administration with the help of foreign money.

The predecessors of NPs could be considered the “Centers for support of entrepreneurs” that were established in 1995 under directives “from above” by local (district) administrations of the city. After the budget money were over, most of these center ceased to exist or became fictitious. However there are some exceptions from this general situation, like, for instance the Center in Primorskij district which has been successfully existing on the money of its director for already three years.

None-commercial partnerships could be considered as a second attempt “from above” to create a “supportive infrastructure for SM business development” this time with the involvement of the World Bank’ money (1 million US dollars). In 2002 the centers of none-commercial partnership were established in seven St. Petersburg districts. Some of our informants expressed opinion that distribution of that money and the tender procedures were ineffective and unfair. The first claim is that the money were used not to support already existing associations but to establish absolutely new ones. This was considered by some of our informants as a “*crime of the city government*”. The argument is that «*there were many already functioning associations that had been already formed by that time, which had many members and already formed directions of activities and specialists.*” (6,c.3). Another claim is that the tender was conducted with a number of violations of the rules. Before the beginning of tenders it was announced, for instance, that only those associations are eligible to participate which have a long-term working experience. In fact the money were distributed among the new opened centers<sup>3</sup>.

One more claim is that no conditions were created for the purposeful use of the received money. “The NP centers had to use all the money within one month by the end of the year. So they bought computers, put some people behind them, but couldn’t do anything else” (6,c.3). «They had their own purposes and they did not even care about SMEs, they needed to spend the money in a way that they have them stuck to their hands” (5, c.3,5). Now the budget money has gone and the centers shifted to the commercial activities providing consulting services on paid basis. That is why most of our informants do not believe in effectiveness of these centers with however few exclusions like, for instance NP in Vasileostrovskij district. As a matter of fact, all successful NPs are led by active and energetic personalities who treat NPs as personal business project. That is why they could survive and develop NPs even without any help from the city government.

#### *Business associations as agents of anti-corruption field*

The study has proved initial hypothesis that business associations do not consider fighting corruption among their main purposes. None of the informants mentioned fighting corruption or protection businessmen against bureaucratic extortion among the problems which their associations try to solve. “*There is no corruption in business relations, there are some relationships implying different means and forms of conducting deals*”. The extreme position on this point was expressed by the leader of Vasileostrovskij center: “*We (entrepreneurs) used to work and still work in a country where the state created its own rules of the game. That is why it is possible to say that we have no corruption! Americans come here and say, oh, we know what is your country and how you suffer from this. Who told them about it? We are the patriots and everybody here knows that in order to work it is necessary to give a bribe. And we give bribes, and nothing bad happens. These are the rules... No associations and unions could influence corruption. This is not their task – leave*

---

<sup>3</sup> Our informants explain this fact by corruption in the government structures and attempt of the city government to create an under-controlled network of business organizations.

*it to the state!*” Interestingly, none of the informants could name other actors of anti-corruption activities, some of them did not hear anything even about Anti-corruption Committee by the President of RF.

The opinion of the majority of business associations’ leaders could be summarized in a following way: corruption is considered as some rule of the game posed by the state itself; that is why the state should be concerned with fighting corruption – not business associations. All western countries also have corruption though of lesser scale than in Russia. Everybody in the world knows that corruption is inevitable phenomenon of any economic system. The main task of the experts who deal with the problem of corruption is just to reduce corruption to some “civilized” level. This could be done by the institutes of civil society.

Although protection of businessmen’ rights is stated among the main purposes of business associations, they consider this protection as mainly “informational support” for businessmen to avoid conflict situations with officials and authoritative structures. The cases when business associations help businessmen to appeal to the court are almost exclusive. At least two reasons for this were mentioned:

1. very often businessmen are guilty themselves (as a result of impracticability of rules on the one hand and as attempts of businessmen to avoid additional expenses, on the other hand)
2. generally the court decision could not help for resisting bureaucrats’ extortion. The interactions between businessmen and officials are complicated and do not end with the court decision. *“If a policemen come to your place, who is able to quarrel with him? Or with a fiscal inspector? Or fireman? Even if you win in a court today, tomorrow they will come back and find another reason to fine you”* (1, p.17).

In our study only representative of SPb AE mentioned that their association deals with arbitrary court and there are a number of cases that they won during the last year. Some informants told us confidentially about the same situations in their communication with city authorities when officials take “roll-backs”, and the higher is the level of the official the bigger should be the roll-back.

#### **1.4. Summary and conclusions**

##### *Anti-corruption in the agenda of NGOs and business associations*

There are very few NGOs in St-Petersburg which consider anti-corruption activities as a main direction of their mission and which are estimated as such by independent experts in the city. NGOs should be referred – in according to typology suggest in the analytical part of our paper - to the group of “ideological” agents working in the field of fighting corruption. i.e. to the agents which fight against corruption because of ethical principles and do not benefit from decreasing level of corruption directly, like representatives of business are supposed to do. “Ideological” NGOs consider corruption as rather “consequent” than the core problem, related to democracy building in general. At the same time the representatives of these NGOs believe personally that corruption is a general “public evil” and everyone suffers from it.

Business associations are not concerned with the problem of corruption at all. At the beginning of our supplemental research we started with a hypothesis that low anti-corruption activity of businessmen is considerably caused by emergence in a bureaucratic

market of the institution of semi-formal and informal intermediaries serving relationships between business and officials. The study has demonstrated that the reasons of non-resistance of businessmen against bureaucratic extortion are anchored deeper – in general attitudes towards the nature of corruption and its place in Russian business environment. Though in general corruption is blamed by businessmen (including leaders of business associations) they consider it as some “rule of the game” imposed by the state into business sphere and which is useless to fight against (because it is too costly and unpredictable). For business, with its dominating pragmatic views over ideology it is more reasonable to adjust the situation than to change it. Perhaps that is why among the activities of business associations the dominant positions are occupied by those which allow businessmen to avoid “dangerous” situations rather than to resist them. From this point of view informal intermediaries, serving for interactions between business and authority appear as rather a consequence than a reason of low anti-corruption activity of businessmen. It could be assumed that intermediaries’ boom was caused by the demand for mediating services from businessmen side (though with conditions created by the state bureaucracy). According to the opinion of business associations leaders, the problem of corruption is the competence of the state which creates these rules.

#### *Where anti-corruption initiative comes from?*

It could be concluded that “the initiative from aside” is the main “driving force” of fighting corruption. This does not mean that people who work in NGOs do not strive to struggle against this social evil. The fact is that fighting corruption has not become “bottom-up” initiative since for people and businessmen corruption is evil on discursive level but in practice they prefer to adjust to the situation rather than to change it.

The dominant role of the “initiative from aside” is confirmed by the fact that the only significant source of financial support for NGOs is western or international money: from foundations, banks and agencies for international development. This means that all the work done by NGOs in this field would stop right away when “western” money stops to come. Russian state and local authorities rarely provide any finance to NGOs working for prevention of corruption. Our informants do not treat the state money as anything significant in terms of financial support, at least at present. The situation could be hardly changed in the nearest future because general financial “blockade” of NGOs by the state. The local situation reflects the general situation in relationships between NGOs and authorities at federal level.

According to our informants there is no any practical “top-down” initiative undertaken by the city authorities for fighting corruption.

#### *The state and its role in anti-corruption.*

The description of anti-corruption field would be incomplete without indicating the role and the place of the state, authoritative structures in anti-corruption field. Our study has demonstrated a paradoxical picture. On the one hand all interviews have demonstrated that the agents of civil society as well as none commercial business structures are not able to be really successful without state support. And this is generally true for both NGOs and business associations (with a few exceptions). Only those structures which managed to arrange a dialog with the authorities (which is based mainly on inter-personal relationships and semi-informal contacts) – only those structures are “noticeable” in the space of civil society and anti-corruption field.

For business associations the character of their relationships with the authorities could be considered as crucial factor determining the type of development strategy. Hypothetically there are two dominant strategies pursued by successful business associations. The first, which is prevailed, is to get access to authoritative structures and with orientation on financial resources of city budget allocated for the development of small and medium business. This is generally the way of big inter-branch associations operating at the city level. Another type of strategy is to keep maximum distance from the state authorities. In this case business association appears as an individual business project based on personal financial investments of the association' leader. In fact the image and the nature of association' activity totally depends on the personality of the leader. He/she can aim on creation of a real business community and to provide the real support for businessmen involved in this community (and we have examples of the leaders of this kind). At the same time the creation of business association could be just an image, an "umbrella" or façade behind which we can find just a consulting company, providing different kinds of services on paid basis (we have more than enough examples of such associations). However, it is notable, in the strategies of any type of business association there is no space for anti-corruption activities.

It could be concluded that the state at present is the only powerful agent among the players in anti-corruption field; civil society might be the alternative agent, which would fit the idea of democratic society with public participation; however at present the state is not interested in sharing its power with anyone. As a result there are no institutionalized mechanisms which would allow civil society and NGOs as its representatives to influence the situation in the field of fighting corruption. The leaders of St.-Petersburg NGOs that we interviewed admitted that nothing could be done in this country/city " *without the initiative from above* " – i.e. without good will of the state/authorities. At the same time representatives of NGOs, admit they have no power to influence the state to express its good will and to act in this or that direction: there are no mechanisms which would allow civil society and NGOs even influence the authorities. This happens first of all because the state is not interested in having independent and influential civil society in the country, and as a result NGOs have no influence to the situation with corruption, most likely, either at local or at federal level. So the main peculiarity of anti-corruption field in Russia (and in SPb) is the lack of institutionalized mechanisms of interaction between the actor of anti-corruption field.

#### *Cooperation between agents of anti-corruption field*

Unfortunately we could not find any clear evidences of coherent network among organizations of civil society, there are no strong links between NGOs and other representatives of civil society working in the same field, that should lead finally to strengthening of the civil society in general. In spite of some evidences of partnership existing between NGOs working for prevention of corruption in St.-Petersburg and their colleagues representing different realms of the civil society in Russia, CIS, Europe and world, there is no real cooperation and collaboration between NGOs fighting corruption at local level of St-Petersburg.

The weak cooperation between NGOs and business associations could be explained by the fact that business does not see in NGOs strong partners (by "strong" it meant possibility of influence the state policy or possibility of lobbying business interests). Perhaps this is the reason why the Leontief Center is the most successful in cooperation with business association – it has the better connections with city authorities. Business is ready for cooperation with the institutes of civil society only in case this cooperation promises some

benefits<sup>4</sup>. In other words, business associations would not cooperate with the agents of civil society unless they are weak.

---

<sup>4</sup> One of the vivid examples for this that could be drawn from the interview with one of the NGOs leaders while he was commenting the recent creation of Anti-Corruption Coalition with the participation of the famous business association OPORA. He said that it is clear that for OPORA participation in the Coalition is the possibility to “make a way to Kremlin” in order to lobby interests of small and medium business.

Annex 1.

**Center for Independent Social Research (CISR, St. Petersburg)**  
**Foundation for Market Economy (FME, Budapest)**  
**American University (TRACCC, Washington)**  
**Center for Independent Social Research and Education (CISRE, Irkutsk)**

International seminar

**"The role of Think Tanks and NGOs in Developing Anti-Corruption Policy"**

Irkutsk, pansionat "Yolochka"

July 9-11, 2004

The participants of the seminar:

project participants - researchers from CISR, FME and American University  
researchers and NGO representatives from Irkutsk, researchers from the regions,  
representatives of the USAID

The purposes of the seminar:

1. to spread the outcomes of the Think Tank Partnership project "Prospects for Fighting Corruption in Post-Socialist Countries: Cases of Russia and Hungary" conducted by CISR, FME and American University in 2003-2004 to the areas of Russia where the corruption is an extreme problem (Siberia), to demonstrate different research methods in studying corruption used by CISR and FME.
2. to discuss with the scholars and NGOs' representatives relevant problems encountered by researchers and NGO's in their studies on corruption and anti-corruption activities.
3. to organize the exchange of information regarding situation with corruption in different regions of Siberia, and to discuss problems of studying and fighting corruption in these regions.

The duration of the seminar was planned for 3 days:

1<sup>st</sup> day: *July 9, 2004*

14:00 – 17:00 *Analyzing corruption in state-business relations in Russia (CISR) and in public procurement in Hungary (FME)*

The first day was devoted to presentation of the main results of Think Tank Partnership project. The follow-up discussion included also the issues of different

research approaches used by CIRS, FME and AU in their studies of corruption – advantages and limitations of different methods

2 day: *July 10, 2004*

10:00 – 13:00 *Corruption and Anti-corruption in Siberia.*

During the morning session presentations were made by the CISRE team (Irkutsk) and representatives of the regions with the follow-up discussion.

14:00 – 17:00 *Civic activism in anti-corruption field*

The afternoon session was organized in the form of round table discussion with NGOs representatives and scholars from different Siberian regions. The main question the role of NGOs and think tanks (analytical centers) in developing of anti-corruption measures

3 day. *Working sessions*

10:00 – 12:00 Working session of the project “Mobilizing social support to fight corruption in post socialist countries” (*working language – English*) Questions to be discussed:

1. The progress of the study – brief reports by project participants
2. The preparation of the final report on supplemental project – structure, content, etc.
3. The discussion on the structure and content of the joint article.

12:30 – 13:30. Working session on the project “Informal economy of logging in Irkutsk region: social dimension - planning of working activities of the two teams (CISR SPb and CISRE Irkutsk) within the frame of the project, discussion on possibilities of collaboration between AU, CISRE and CISR (*working language – Russian*)