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**CHALLENGES AND NEW TRENDS FOR NONPROFIT
ACCOUNTABILITY IN RUSSIA⁴**

Nonprofit accountability in Russia is becoming increasingly important as nonprofit organizations become more open delivering more social services, public participation increases and third sector institutions evolve. In this paper authors demonstrate accountability in its different dimensions as it is shaped by the specific Russian social, economic and political environment. Supportive empirical data available from the annual Monitoring of the State of Russian Civil Society is used to argue that Russian nonprofits face contradictions between “accountability for” and “accountability to” different stakeholders. These contradictions are a challenge requiring new legislation and behavioral ethics which could balance the sector’s heterogeneity. In conclusion a two-tier regulatory framework is suggested.

JEL Classification: L3, L31, L38.

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Introduction

Russia is a country where only a small part of the population is directly involved in any nonprofit organization. Some scholars reasonably argue that the Russian nonprofit sector is perceived as the “professional realm of NGOs” not accessible to other stakeholders (Hemment 2004). Only 3% of Russians volunteer through nonprofits (Jakobson, Mersiyanova, Kononykhina et al. 2011, p. 23), less than 2% of the others would volunteer in any third sector organization (Mersiyanova and Jakobson 2010, p. 61). Meanwhile, around two thirds of Russians participate in informal volunteering (Jakobson, Mersiyanova, Kononykhina et al. 2011, p. 22), half of Russians donate to other people, and around one third participated in events organized by the local community (Mersiyanova and Jakobson 2010, pp. 57-58, 37-38). Empirical evidence shows that Russians do understand the potential role of the third sector in solving social problems: 76% of Russians think that nonprofits should participate in solving problems in education, healthcare, culture, and other spheres, along with the government⁵. Thus, the satellite part of Russian civil society is almost 3,5 times bigger than its institutionalized core (Mersiyanova 2009, pp. 35-45).

Increasing the civil society’s core by adding satellite, buffer and periphery zones is key to constructing modern market principles and supporting true democratic values: an aim which many Western-funded democracy-building projects failed to achieve (Spencer 2011, pp. 1073-1074). Therefore, it is crucial to identify the main obstacles to the growth of the third sector and to find ways of dampening them. Attempts were undertaken by many researchers studying Russian volunteer and nonprofit organizations which received Western funding: to cite only Wedel (2001), Henderson (2003), Sundstrom (2005). Undoubtedly one of the most significant obstacles to growth is lack of confidence in nonprofits: only 37% of the adult population trust any nonprofits⁶. Being trust-worthy is an important requirement of nonprofit organizations. This allows them to survive in a market economy despite, and to a certain extent because of, self-restrictions (Ben-Ner and Guy 2003). Trust in turn is partially a function of accountability.

Empirical findings suggest that the Russian nonprofit sector suffers from a lack of accountability. This requires explanation. If improving accountability is beneficial to the sector,

⁵ When not referred to specifically here and further we provide data from the All-Russian Survey conducted by National Research University Higher School of Economics as part of the Monitoring of the State of Russian Civil Society in 2011. Study and research tools elaborated by Mersiyanova and Jakobson. Data collection for the representative All-Russian Monitoring performed by “Public Opinion” Foundation (Foundation “Obshchestvennoye Mneniye”). People polled — 2000, on a multi-stage stratified regional random sample.

⁶ Unless otherwise specified, we provide data from the All-Russian Survey conducted by National Research University Higher School of Economics as part of the Monitoring of the State of Russian Civil Society in 2011. Study and research tools elaborated by Mersiyanova and Jakobson. Data collection performed by “Public Opinion” Foundation (Foundation “Obshchestvennoye Mneniye”). Polls conducted in 83 regions of Russian Federation through 18+ cohort. Common sample per region constituted 500 respondents, Russian total — 41,500 respondents. Regional three-stage stratified households sample was used.

why has it not yet found its optimal forms and levels? Probably because what seems to be rational and beneficial to the sector as a whole is not rational and beneficial to the sector's individual organizations, at least in short-term, and may even seem irrational to some organizations. Taking Wollebæk and Strømsnes (2008) study, nonprofits in Russia also have considerable potential in aggregating social capital if they learn how to institutionalize their efforts on the macro-level. Nonprofits need to generate the public belief that volunteering and collective action are beneficial in order to increase the scope of the civil sector (Putnam 2000).

Why do nonprofits suffer from a lack of trust and how long will it continue? To give answers to these questions, one needs to consider the environment of nonprofit organizations in modern Russia, and analyze how this environment is currently evolving, and hence, how nonprofit accountability is also evolving. In this paper we shed light on these questions.

Though an extensive amount of research on accountability resulted in the creation of multiple and competing systems (e.g. Seok-Eun 2005), we use Ebrahim's (2010) gradation of "accountability to" (stakeholders), and "accountability for" (objects and activities). Russian nonprofit accountability has not been analyzed from this perspective. The issue of accountability would normally arise in the literature about the Russian third sector with reference to the challenge of increasing public trust in nonprofits (Mersiyanova 2010). While, as we describe hereinafter, government requirements to be accountable are often criticized, both by activists and researchers.

As an empirical base for this paper we use the findings of the Annual Monitoring of the State of Russian Civil Society conducted since 2006 under the auspices of the Center for Studies of Civil Society and the Not-for-Profit Sector of the National Research University Higher School of Economics (further referred to as Monitoring and Center respectively), unless otherwise specified. This monitoring is based on surveys of nonprofit leaders, the general population, the local community, regional and federal authorities, and volunteers. It uses a diversified sample of Russian regions and helps to see the sector's development dynamically. Monitoring methodology is described in several guidelines (Kovaleva, Mersiyanova and Jakobson (2007); Mersiyanova and Jakobson (2007)) and is available online⁷. This Monitoring, combined with recent findings of research centers, such as Levada Analytical Center, the Public Opinion Foundation, the St. Petersburg Strategy Center and CIRCON, helps to overcome the scarcity of reliable data and lack of objectivity which often lead to biased evaluations of the state of the Russian third sector (see Javeline, Lindemann-Komarova 2010).

⁷ Official Web-site of the Centre for Studies of Civil Society and the Not-for-Profit Sector of the National Research University Higher School of Economics URL: <http://grans.hse.ru>

In this paper, Section 2 describes the components of accountability and Russian-specific aspects of its understanding. Section 3 provides some insight into the situation with heterogeneity, corporate governance, transparency and reporting within the Russian civil sector, supported by empirical findings taken from the Monitoring. Section 4 considers further challenges to improving nonprofit accountability in Russia: both from the point of view of nonprofit communication and government relations. We aim to demonstrate that despite recent legislative changes, there is also evidence of positive changes in Russian third sector accountability, although these changes are uneven among regions and sectors of activity. The government plays a crucial role in these changes.

Accountability components and understanding accountability in Russia

Accountability itself is a complex issue which has many interpretations and classifications. It is usually divided into upward and downward accountability. Upward accountability refers to funders, donors, patrons, boards, and the government; downward refers to clients. At the same time accountability could be outward, to the general public, government, donors; and inward, to its objectives and mission. Also inward accountability, sometimes referred to as horizontal accountability, includes accountability to its mission, staff, volunteers, and to the board, mainly by the decision-makers; and outward, mainly refers to the public and to its trust (as a feedback signal) (Kearn (1996)).

Some authors divide accountability into different branches. For example, several scholars suggest there is hierarchical, legal, professional, and political accountability (Johnston and Romzek 1999). There are also theories that accountability is as diverse as the number of existing organizations. Scholars refer to this approach as “multiple accountabilities disorder” (Lerner and Tetlock 1999).

Some authors use descriptive analysis to define accountability and distinguish between instrumental (to resource suppliers, both internal and external) and expressive (to community, to its mission and to superiors) accountability (Knutsen and Brower 2010).

Whatever the classification used, accountability in nonprofits always implies the participation of various stakeholders who would expect nonprofits to be accountable for their actions (Koppell 2005) and by increasing accountability, the trust and confidence in them is increased.

Nonprofit accountability is often characterized by a set of components. First, accountability is an on-going process. Secondly, it is a process of balancing relationships, in that

an organization is supposed to set priorities for accountability as far as varying expectations of different interest groups are concerned (Hummer 2011). Finally, accountability refers to a shift from organization's internal perceptions of goals to external perceptions by stakeholders and their reconciliation.

The social and cultural background as well as the history of Russian civil society cannot in general be said to be favorable to the development of stable and harmonious forms of nonprofit accountability. Typical Russian nonprofits, as will be shown rely more on bonding social capital. They are isolated, sometimes looking only inward, parochial, and even "cliquish" (Crotty 2009, p. 90). The cultural specificity of Russian civic organizations also limits the applicability of Western-led approaches to constructing civil society (Spencer, 2011). Many researchers investigating the development of Russian culture paid attention to the typical trend of oppositions in different dichotomies: spontaneity versus organization, fairness versus law, a sense of individual conscience versus state requirements or public expectations (e.g. Billington 1966). Russian culture tends to pay more tribute to spontaneity, fairness and individual conscience.

The English term "accountability" has different shades of meaning. One of them is personal responsibility to oneself, to one's conscience, and for the faithful, to God. Another shade is responsibility to one's friends, colleagues, partners, and society as a whole. A third refers to legal liability. Fourthly, "accountability" could be used as a term pointing to reporting arising from subordination relations. For example, the US Government Performance and Results Act which stimulates accountability, both objective and quantifiable, and in exceptional cases more subjective and qualifiable, outlines managerial accountability, annual performance plans and reports, includes congressional oversight articles. While, in Russia accountability would refer rather to a reporting mechanism, mainly towards the government, expecting formal reports on returns, efficient use of funds, financial effectiveness. On the other hand, the reporting required by the authorities is juxtaposed with the demand for responsiveness from the general public, meaning that accountability for society is about the ability and capacity to react. At the same time, Russian society perceives its government as being an external, sometimes unfriendly force, while authorities traditionally are apprehensive of civil action. Mutual suspiciousness between society and the authorities was low for example at the beginning of Gorbachev's perestroika and during the first years of Yeltsin's rule, though it never disappears.

Finally, in Russian culture all requirements coming from the government and the public are always valued by their fairness, and if they contradict the individual understanding of fairness, their violation is perceived not only as acceptable, but sometimes as prescribed. To account for this it is important to understand the reasons for the phenomenon described below.

Here we refer to the negative attitude of many nonprofit leaders to requirements of increasing their transparency.

The third sector in Russia was shaped by opposition to the government and to the public environment. The stages of its development briefly referred to below are described in Jakobson and Sanovich (2010) and (2011). This process was stimulated by civil activists willing to drastically reform relations with both the government and the public environment. Thus, activists were inclined to instruct the society, rather than to responding to its will. The soviet dissident movement was forerunner of this sector and came to be its moral standard. Its activists were repressed and thus, were least inclined to provide any outward accountability, especially to the government. In 1990s leading nonprofits unable to find sufficient support inside the country had to rely upon foreign donors and were accountable to them in the first place.

In the 2000s with the emergence of a substantial middle class, the nonprofit sector finally gained a solid social and resource base in Russia after an eight decade hiatus. The sector became more oriented towards current individual demands, helping out those in need and delivering various services, including those for a fee. A new generation of nonprofits started to emerge, which were now less donor-oriented and more client-oriented. However organizations and activists willing to bring about revolutionary social changes still play an important role in the Russian third sector. These are mostly nonprofits advocating democracy who are best known to the Western world, while there are radical nationalists and religious fundamentalists among these organizations. Ideologically bound and politically active nonprofits to a certain extent compensate for the weakness of Russian political parties. However, such nonprofits comprise only a small part of the sector. Be it good or bad, the modern Russian third sector is more a service provider than a political advocate for better future.

Changes in the 2000s created the necessary prerequisites for strengthening nonprofit accountability both towards the public and the government. However, this process was dramatically impeded by path dependency and by the unfriendly actions of the authorities. Here we refer to Pierson's (1994, p. 40) concept of path dependency, where policy institutions form resource and incentive mechanisms which affect the formation of social groups.

In 2006 changes in nonprofit legislation complicated nonprofit registration and reporting. These changes were unexpected by the third sector leaders, because previously the government's attitude could be characterized at worst as indifferent, at best as neutral. These changes were probably motivated by a range of "color revolutions" which swept some post-soviet states and by the exaggerated perception of the role played by nonprofits and foreign donors. In any case, many organizations did not have sufficiently qualified personnel to prepare detailed and complicated reports, whilst checking such reports appeared to be an insurmountable task for the

governmental agency in charge of that (Auzan and Zolotov, 2007). As a result, and for other reasons, including protests by Russian activists and the international community, these requirements were substantially mitigated in 2009. However, the initial introduction and subsequent abolition of politically-led amendments compromised the very idea of increasing transparency and improving accountability among nonprofits.

Thus, circumstances hindering both inward and outward accountability in Russian nonprofits become more evident. However, there are other factors impelling leaders and staff of nonprofits to increase their accountability. In other words, these are signs of the third sector taking roots in Russian society (Jakobson and Sanovich 2010). Now nonprofits interact with their social environment in a more harmonious way, whilst the latter serves as an environment for new opportunities for the former. Hence, both the willingness and ability of organizations to be more open, transparent and responsive has become stronger. However, this trend is not uniform across all organizations. The combination of inertia and new trends leads to a heterogeneous profile of the sector.

The Typical Russian Nonprofit: Small, Leader-Centric, Lacking in Transparency

Compared to the relatively low level of participation of Russians in nonprofit organizations, the number of nonprofits is high because the majority are small. According to the data available on 1 January 2011: 433, 816 nongovernmental nonprofit organizations were registered in Russia⁸, though not all of them were active. An attempt to estimate the share of active nonprofits was performed only once in 2007 by the Monitoring of the State of Russian Civil Society. In 2007 this share was estimated around 38% and is unlikely to have changed subsequently.

In any case, a typical Russian nonprofit is small (see Table 1). Most often such an organization was started by a charismatic leader who became its CEO. In general Russian legislation does not require nonprofits to have a board of trustees and does not mention limits of liability for such a board. Thus, the common practice of a nonprofit leader, being its CEO, governing on his own and appointing his friends as members of the board, is lawful. Moreover, accounting for the small size of a typical Russian nonprofit and its relative isolation, such management decisions were often the only choice. Some authors go further talking about a

⁸ Russian Agency of Statistics Rosstat, 2011 (data presented to the Center upon special request)

degree of personalism in civic organizations in general, which due to cultural reasons may have “little drive to expand in size or collaborate with other groups” (Spencer 2011, p. 1081). However the reasons for such isolation may not only be cultural and should account for the historical developmental stages of the Russian civil sector (Jakobson and Sanovich, 2010).

Tab. 1. Percentage of nonprofits by the number of regular employees.⁹

1-5 employees	30
6-10 employees	10
11-30 employees	12
31 employees and more	6
No regular employees	38
Did not answer	4

In Russia there are nonprofits of other kinds which are radically different. These are, for example, large associations or foundations created by corporations or billionaires, as well as organizations affiliated with western nonprofits or with the Russian government. In all of these cases the problem of accountability looks different and deserves separate consideration. However, two assertions are common for all of these types. First, such organizations are usually accountable to their most influential members or donors while demonstrating a relatively low level of outward accountability to other stakeholders. Second, the number of such organizations is significantly smaller than that of small leader-centric ones.

The study of the third sector (Mersiyanova and Jakobson 2007, pp. 35-38), as well as the authors’ extensive experience of communication with many Russian nonprofit leaders convince us that these are enthusiasts who are often extremely accountable to their missions. Here we mean accountability as a mainly moral responsibility to one’s conscience and to society as perceived in abstract, and to a lesser extent downward accountability to their colleagues and responsiveness towards their clients, in cases where an organization delivers services. Meanwhile other dimensions of accountability referring to responsiveness to particular expectations inside society, and notably formal reporting, are not always well perceived.

⁹ Here and below data source: the All-Russian Survey conducted by National Research University Higher School of Economics as part of the Monitoring of the State of Russian Civil Society 2010.

Data collection was performed through personal interviews of nonprofit leaders according to a partially formalized questionnaire. The sample included 1015 nonprofits. The survey was conducted in 33 regions of the Russian Federation according to the quota sample, using representative quotas classified by the number of years of registration and the organizational and legal forms of the nonprofits. Leaders were interviewed according to quotas in local districts of the 33 regions of Russian Federation. These 33 regions were selected according to the Index of Urbanicity, Index of nonprofit sector development (quantifiable), regional economic development index calculated as a ratio of gross regional product (GRP) per capita to the country average. Nonprofit and public organization rolls in the 33 regions were used for machine-made respondent selection. No more than two thirds of respondents per region were interviewed in the regional administrative centre (with the exception of Moscow and St Petersburg).

It is no surprise that among the nonprofits surveyed in the Monitoring in 2010 only 39% of them presented public reports of their work. It is worth noting that Russian legislation only requires reporting to governmental bodies, while preparing public reports is voluntary. Public reports are more frequently presented by foundations and charitable organizations, though almost half of both do not report at all.

Public reports prepared by nonprofits vary in their content. In particular, more than a quarter of the organizations presenting reports do not include any information on financial sources (see Table 2). Most often nonprofits working in international relations report on this issue, while organizations working in culture and recreation least often. Information on financial expenditure is most often found in reports prepared by foundations, charitable organizations and nonprofits working in healthcare. Nonprofits in recreation and culture report on this least often.

Tab. 2. Percentage of nonprofits who publicly report on sources of revenue and its uses

Information available on...	Total of nonprofits polled	Nonprofits by field of activity												
		Culture and recreation	Education and research	Healthcare	Social Services	Environment	Development and Housing	Human rights and other social activity	Philanthropy and Support of Charitable Activity	International relations	Religion	TUs, professional unions, leagues and associations	Other	Difficult to answer
sources	73	55	74	81	80	86	67	77	89	100	91	83	75	50
uses	72	57	74	88	80	71	65	77	89	67	82	80	73	83

This data shows that the activity of the majority of Russian nonprofit organizations is not transparent enough for the general public. Meanwhile, transparency is a core component of accountability (Ebrahim and Weisband 2007). It is natural that foundations are normally most transparent due to their scale and the clear boundary between the roles played by their paid executives and their overseeing stakeholders. As was mentioned above, these traits are not typical of the average Russian nonprofit.

However, traditional practices, and normative perceptions are important. Juxtaposing them, one can identify the most probable direction further changes will take. In the present case such kind of juxtaposition is rather encouraging.

The survey conducted among nonprofit leaders in 2010 as part of the Monitoring included the following question: “In many countries it is common practice to prepare annually and publish on the record reports on nonprofit activity, including financial reports with data on salaries and

other compensation to the nonprofit's top-management and staff. They openly provide any information on their activity upon request from the general public, public organizations or the media. Could this practice be adopted by the overwhelming majority of Russian nonprofits?" 58% of respondents answered yes. This is 1,5 times the share of leaders who confirmed that they had been already reporting on the record and twice the share of respondents who confirmed that their reports included financial information.

What makes greater transparency desirable among nonprofit leaders? Each respondent pointed to several reasons. The most common answer was to increase trust in their organization (49% of respondents). 30% of respondents pointed to the desirability of greater accountability, 23% to their concern with the confusion between honest nonprofits and nonprofits abusing their position. The distribution of opinions among nonprofit leaders is shown in Table 3.

Tab. 3. Distribution of answers given by nonprofits' leaders to the question: " In many countries it is common practice to prepare annually and publish on the record reports on nonprofits' activity, including financial reports with data on salaries and other compensations to the nonprofit's top-management and staff. They openly provide any information on their activity upon request from the general public, public organizations or the media. Should this practice be adopted by the overwhelming majority of Russian nonprofits, what would be the result?"

Trust in nonprofits will increase	49
Nonprofits will become more accountable for the results of their activity	30
Nonprofits will become more responsible in using their grants and donations	28
There will be less abuse by nonprofits	24
Positive selection of nonprofits which really deserve support will occur	10
More checks among nonprofits will be performed by the authorities	16
Forprofits-in-disguise will be revealed	14
Nonprofits will become more vulnerable as the authorities would be able to abuse the disclosed information	11
Labour costs in the workflow will go up	10
Nonprofits will become dependent on the governmental officials	9
More doctored records will be made	8
Nonprofits will become more vulnerable before criminal structures	8

Other	1
Nothing will change	9
Difficult to answer	11,2

A lack of outward accountability naturally implies a greater risk of malpractice. At the same time, many practices which break the law according to the Western legislation are legal in Russia. Particularly, a nonprofit leader being its CEO can amend the organization's statutes in a way that would allow him to transfer residual organizational revenue to himself. Legislation is also flexible with regard to fund-raising performed through delivering various paid services. However, as was said above, leaders of typical Russian nonprofits are usually enthusiasts staying true to their chosen missions. Thus when one talks about abuse or misconduct inside a nonprofit, not only legal infringement is implied, but also disregard for its mission, and self-interested behavior. At the same time, it is often considered acceptable that for a certain period of time a typical Russian nonprofit would concentrate on fund-raising for the sake of its mission, rather than directly on its mission. In such circumstances it is often hard to perceive the border between proper behavior and abuse.

The temptation to transform a typical not-for-profit organization into a for-profit-in-disguise in Russia is now mostly curbed by the leader's personal accountability to his conscience and his colleagues. This is not always enough and there is a perception that the country's third sector is littered with untrustworthy organizations. This also helps to explain our initial argument for the low level of trust in the sector. During the period when nonprofits were still weakly rooted in the social environment, they would not normally bother about the sector's overall reputation. Now co-existence with abusers has become a real obstacle to building on new opportunities. The level of volunteer recruitment depends of the level of trust and confidence, and vice versa. That level of trust is low in Russia, so an external impetus is needed (Bowman 2004), while typical Russian nonprofits stay isolated and unwilling to be more open.

Due to the free-rider problem hardly any nonprofit leaders having an interest in greater transparency and accountability throughout the sector would be ready to practice it themselves before they become generally adopted. Hence the divergence between what is desired and what is real, which is demonstrated by empirical data.

The appropriateness of greater transparency was not shared by everyone. Almost 30% of respondents think that complete transparency cannot be adopted by the vast majority of Russian nonprofits. Leaders of the organizations which do not present any reports were asked about their reasons. Almost one third of them said they cannot see any particular reason for reporting. Other justifications were almost equally distributed: absence of any balancing advantages in case of public reporting (16%), lack of resources necessary for preparing public reports (14%), and the

nonprofit not needing any public attention (13%). Some refused disclosure fearing possible subsequent pressure. Apparently this meant pressure from authorities, competitors or criminals. Regardless of the justification for such apprehension, its very existence can be considered as a characteristic feature of the Russian third sector.

Accountability in the framework of changing relations between nonprofits and the government

Government and society can achieve high levels of synergy in bridging social capital, which means high levels of community interconnectivity and trust and greater networking (Varda 2011). Russia, as it was shown previously, is more dependent on bonding social capital, thus needs a balanced approach to constructing relations and designing accountability between the state and nonprofits. The state could play an important role as facilitator of creating synergetic results.

The data provided show that the attitude of Russian nonprofits to stricter accountability is different and in general is contradictory. At the same time, we can see that the picture given in the previous section is changing. It is highly probable that it will improve, though this will take time. First, the potential for increasing transparency and accountability could be better realized, if two barriers were brought down: the distortions in motivation resulting from the free rider problem, and the inability of some organizations to find resources necessary to take real action and improve accountability. Second, both the stimuli and the capacity to be accountable are generated through interaction of an organization with its environment. These interactions need to become more direct, versatile and beneficial for many organizations. Accountability, in itself, is simultaneously a consequence of and prerequisite for interrelations between nonprofits and stakeholders. The more involved nonprofits are, the wider the range of stakeholders is. The more natural and fruitful the nonprofit's contacts with its partners, including the state are, *ceteris paribus*, the more complete its accountability will be, and the more harmonious the balance will be (Gugerty and Prakash 2010).

Overcoming isolation supposes, first of all, the ability to communicate. In this regard, nonprofits have new opportunities with the emergence of the Internet. Whilst web-based technologies present a great potential for increasing the efficiency of financial and performance disclosures by nonprofits and “the spread of interactive second-generation Web technologies has effectively increased organizations’ potential for communicating with, strategically engaging,

and being responsive to their core constituents” (Saxton and Guo 2011, p. 287), Russia still has a long way to go in this direction. A survey conducted among nonprofit leaders in 2010 showed that 66% of nonprofits polled are represented on the internet, which is 10% better than in 2009. It is worth considering that the internet is spreading fast in Russia. In 2010, for example, 39% of Russian adults could access internet from their homes, 26% of them were using it almost every day (Indices 2011, p. 240). Taking into account that leaders and nonprofit participants usually belong to the urban middle class, it is reasonable to argue that almost all of them have personal access to the internet. Hence, if a typical NGO is not represented on the internet, this is indicative of a lack of interest in wider communications or even a conscious unwillingness to be open, rather than a lack of technical opportunities. This also supports the figures given above that some nonprofits are not interested in being transparent or in broadening their communications with the general public about their activity.

Not all of the organizations represented on the internet, have their own web-site, albeit the cost of having one in Russia is now relatively low. Many nonprofits prefer to simply use direct e-mailing, or the web-sites of third party organizations, etc. At the same time, positive changes here are also apparent. In a 2009 survey 33% of nonprofit leaders said they had a web-site, in 2010 it was 45%.

Another question asked in the survey in 2009 was if active use of the internet could improve effectiveness and efficiency of a nonprofit’s work. Only 34% of respondents were absolutely affirmative, whilst 23% were inclined to affirm. At the same time, 24% were inclined to negate, 17% absolutely negative, and 2% did not know or refused to answer. Nowadays using the internet has become an indispensable and easily accessible prerequisite for providing for external accountability. The increased presence of nonprofits on the internet shows a growing understanding of correlation between accountability and effectiveness. This relation has important potential in Russia. Data on attitudes towards using internet is indirectly indicative of a growing need for accountability, pushing nonprofits to further action.

Another tendency showing the trend towards internal and external accountability is the emergence of codes of ethics in many Russian nonprofits. 63% of nonprofit leaders polled in 2009 during the Monitoring said their organizations had such codes. Though only in 27% of organizations were these codes documented.

In 2007-2008 an attempt to create a code for adoption by the majority of Russian nonprofits was made. The several tens of organizations participating in the debate could only agree upon the most general principles. The code called “Nonprofit-coordinates” (“NKO-Koordinati”) includes ideas such as, an organization should demonstrate responsible attitude to choosing financial sources for its activities and try to avoid any conflict of interest. Though such

ideas lack specificity,¹⁰ 258 organizations having adopted the code (as on January, 14, 2012)¹¹ which shows that there is an attempt to improve accountability of nonprofit organizations by voluntary collective action.

At the same time, even in the third sector, self-organization is not a magic key opening all opportunities: the government is still an important intermediary agent. The free-rider problem complicates the move of Russian nonprofits to greater openness and accountability. The enforcement of additional obligations in return for additional support, even if taken on on a voluntary basis, is also an important problem. A satisfactory solution to both problems suggests the use of legal coercion. This right belongs by definition to the state (e.g. Stiglitz et al. 1989). Meanwhile, relations between the Russian third sector and the government are quite contradictory.

These relations are often seen only negatively (see HUMAN RIGHTS WATCH 2009). However, the real juncture is not that unequivocal (Javeline and Lindeman-Komarjva 2010). This is explained, in the first place, by the heterogeneity of the third sector. Authorities are often suspicious of and sometimes even inimical to human right advocating nonprofits, especially if the latter do not limit their action to protecting rights of particular categories of individuals but criticize the political regime. Irrespective of the share of such nonprofits in the sector, an unfriendly attitude to them cannot be tolerated and provides sufficient grounds for serious concerns. However, the nonprofits which are in conflict with the authorities are relatively few, and as it is evident from the empirical findings, most of the leaders of third sector organizations are more concerned with the authorities' indifference rather than with their animosity.

According to the Monitoring the leader of a typical Russian nonprofit seeks to partner governmental bodies and deems excessive the mutual isolation of the third sector and the government. Thus the argument that "nonprofits give explanatory accounts with the hope of reestablishing equilibrium in a relationship and ensuring the continuity of that relationship" (Benjamin 2008, p. 212) can be valid in Russia with regard to authorities, and can be used as a way to increase the scope of interactions and to evolve mutual expectations.

It is noteworthy, that the same view is also increasingly shared by the authorities. Appreciation of the role played by nonprofits and aspirations for cooperation with them came into focus in many recent speeches delivered by Russian political leaders (see The President's Address 2011). Since 2007 nonprofit projects can compete for Presidential grants. However, both in rhetoric and in action, Russian authorities remain opposed to nonprofits which harshly criticize the government's decisions.

¹⁰ The Code is published on <http://nkozakon.ru/coords/>

¹¹ Data constantly upgraded and available on <http://nkozakon.ru/coords/join/>

Many nonprofit organizations share with the authorities their interest in social issues. For the new generation of the Russian third sector, it is typical to have organizations whose missions are apolitical and focus on delivering services to those in need. The government in its turn is constantly increasing its social spending, but fails to achieve high levels of efficiency. At the same time, Russia has already accumulated some success-stories of fruitful cooperation between private and corporate charity, as well as joint ventures of nonprofits in the social sphere (Jakobson, 2011). Successful collaborative experience has started to alter the mutual perceptions between the government and nonprofits for the better, though for further convergence, the intensity of shared goals should increase. Informal contacts with nonprofits of all types and revolving door mechanisms between the government and the not-for-profit sector still have important potential (Gazley 2010). In July 2009 a new Concept of Support for Development of Charitable Activity and Voluntarism was adopted by the Government of Russian Federation. In 2010 the Federal Law on “Support for Socially Oriented Nonprofits” was passed. Recognition of a nonprofit as socially oriented depends on its specialization, delivering services in social care, education, healthcare and the like, as well as charitable, religious and some other nonprofits. Since January 2012 socially oriented organizations can benefit from a range of tax reductions, as well as from regional and federal support programs. Grants are at the core of such programs. These grant competitions are broader, more frequent and transparent than the above-mentioned Presidential grants competition.

Nonprofits participate in these programs on a voluntary basis. Those whose projects are included in the program benefit from financial and other support, but in their turn take on additional responsibilities. We will be able to evaluate the results of the program by the end of 2012. If the program is successful, this would be the first significant Russian example of how voluntary cooperation with the authorities and compliance with their requirements can be beneficial with respect to reinforcing nonprofit’s accountability towards its clients and stakeholders.

The program is expected to be successful as it offers organizations additional opportunities with greater accountability and without coercion. Given the versatility of Russian nonprofits and the long and complicated history of their relations with the government, this seems to be the only way. Supporting projects through competition in its nature is a highly selective process. From our point of view, even more could be achieved if the approach described in Rudnik and Jakobson, (2009) was adopted. It suggests building a “two-tier” nonprofit legislation.

First tier would include the current Russian nonprofit legislation with certain amendments aiming at improving the protection of nonprofit rights. The second tier would

comprise certain norms. First are the norms stipulating greater transparency, including publishing on the record detailed information on resources and their use. Second are the norms describing requirements regarding corporate governance. These require the presence of a board of trustees which has sufficiently broad authority and imposes limits on discretion of the paid organization's management, including standards for identifying and solving conflicts of interest, etc. The first legislative tier would apply to all the organizations registered as nonprofit, the second to those organizations which have agreed to take on additional responsibilities of their own free will. The second tier would be stimulated by the considerable benefits received in exchange. However, in this second tier accountability requirements should be balanced so as not to compromise organizational learning potential and the role nonprofits play in institutionalizing social capital (Wollebæk and Strømsnes 2008) and so as not to create confusion among organization's goals and reporting requirements, but to find consensus between different stakeholder expectations (Carman 2010), notably that of the general public. The government should not use accountability to crowd out an organization's accountability to its mission and values. Too much expressive accountability, however, might also result in a lack of transparency and an unwillingness of the government to cooperate (Knutsen and Brower 2010).

This two-tier construction is appropriate for two major reasons. First, the current legislation does not provide for the optimal level of nonprofit accountability. Second, an otherwise uniform toughening of norms would result in wide protests from nonprofits. For example, those which are in conflict with the authorities are usually quite reserved in disclosing information on their financial sources, especially foreign ones. Small organizations often lack resources for detailed reporting, and most important, the majority of them are not ready to give up unconditional and unrestrained leadership of their CEOs. Also further research on balancing government accountability requirements from nonprofits in Russia should consider accounting for regional specifics: some paradoxical and limited evidence that strictness of financial reporting and other measures does not necessarily correlate with the level of fraudulent behavior, and may only impose an additional burden on nonprofits' and governments' related expenses with no efficient outcome (Irvin 2005).

The current stage of development of the third sector in Russia is mostly characterized by converging steps of the sector and the general public. This process is slow and not always smooth. Lately the government has started contributing to this harmonization. Though when referring to nonprofits the government tends to distinguish between the "useful majority" and the "harmful minority", supporting the former and exerting pressure on the latter.

Nonprofits moving out of their isolation and strengthening their accountability are in fact two sides of the same coin. The current situation cannot be reduced to purely qualitative

changes, for example in frequency and detail of reporting or speed of feedback to stakeholders. We can see the establishment and harmonization of various aspects of accountability. This underlying process feeds through gradual yet unequal familiarization with ways and means, which help Western nonprofits to be accountable. To a great extent, Russia's changes result from an attempt to catch up with Western developments. In this situation we can hardly expect any breakthroughs in accountability instruments. However, new trends and arrangements shaped through certain specific social, economic and political Russian conditions are still highly interesting for further investigation.

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