



# Highlights of Success in Russia

## Regional Business Coalitions Advance Real Reform • December 2007

(Moscow, Russia) – At a time when Russian elections have highlighted the country’s backsliding on democratic reforms, and while civil society in Russia has all but disappeared, the small- and medium-sized enterprise (SME) community continues to build a voice that advances real reform. With assistance from the Center for International Private Enterprise (CIPE), the Perm business advocacy coalition has been defending entrepreneurs by setting case precedents in local courts. In Saratov, business groups have advocated for more transparent government contracting, and are now overseeing the implementation of internet-based procurement processes. The Kamchatka coalition has educated the local fishing community about their rights and helped institute transparency in the regulation of the industry. Through concerted collective action, many other coalitions have had great success in constructing a better business environment and engaging the government with the business community.

CIPE has long recognized that in order to invigorate Russia’s SME environment, the business community needs to find a voice that can effectively influence decision-making at the local and national levels. Business associations, chambers of commerce, and other business organizations can be powerful instruments of change, developing and using advocacy tools to effect positive changes in legislation and thinking. In 2002, CIPE received support from the United States Agency for International Development

(USAID) to initiate a multi-faceted policy advocacy program in 16 Russian regions. The project began with the Regional Business Agenda (RBA) program, modeled after the U.S. Chamber of Commerce’s National Business Agenda, a unique tool through which a business community can become a leading advocate for market-oriented reform and democratic governance by focusing attention on a set of immediate action priorities. In Russia, these priorities have included fighting corruption, reducing administrative barriers to doing business, and improving access to credit.

The process of developing the RBAs has formed strong regional coalitions. Using the RBAs as a starting point for their advocacy work, these coalitions have had concrete success in finding constructive solutions

to local impasses, showing that even in adverse environments, well-coordinated advocacy campaigns can bear fruit. Over the past four years, CIPE’s local partners have successfully advocated for the adoption of 34 changes in regulation and legislation that have lowered barriers for business. This figure represents nearly half of all recommendations advocated by the

coalitions, a success rate that any association in the world would be pleased to report.

At the national level, CIPE partners the Russian Chamber of Commerce and Industry (RCCI) and

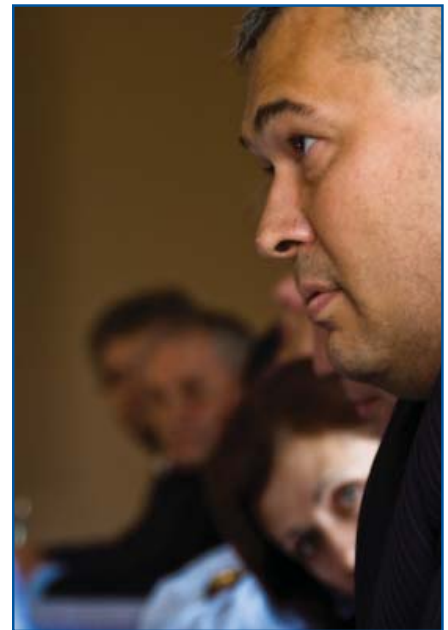


*A representative of the Perm coalition presents a T-shirt reading “Corruption is for Dummies” to a representative of the Altai coalition. Building widespread consensus for reform is key to advancing change.*

# Highlights of Regional Coalition Success

## Altai Coalition

In developing their RBA, the Altai coalition implemented a business “hotline” to identify the issues most relevant to the local business community. The coalition has continued the hotline project as a way to provide entrepreneurs with advice and information, and to act as a formal method for interaction between entrepreneurs and the government. When a complaint is registered on the hotline, a legal expert reviews the case before it is submitted to the authorities for review. The Department of Internal Affairs, the Tax Inspection, the Consumer Protection Agency, and the Ministry of Emergency Management signed agreements with the coalition, committing to comply with existing methods of regulation and address cases brought to their attention through the coalition. This has led to a **better business environment** in the region, while the local **government has realized that formal interaction with the private sector facilitates more effective governance.**



*Viktor Chumakov of the Altai Coalition advocates the coalition’s hotline as a way to promote public-private dialogue.*



*Dina Krylova of OPORA explains the importance of Russia’s new SME promotion law. SMEs are a vital segment of the Russian economy.*

## Astrakhan Coalition

The Astrakhan coalition has had success in drawing attention to the issue of company capture, whereby abuse of power leads to illegal seizures of businesses. Coalition experts intervened on behalf of several businesses to successfully prevent company capture. In addition to providing legal expertise to businesses facing this issue, the coalition has brought businesses together for collective action. By bringing businesses under one umbrella, the coalition can **effectively defend its members** and **identify administrative barriers to business development**, followed by advocacy to **reduce such barriers.**

## Perm Coalition

In Perm, entrepreneurs often pay bribes to keep their businesses running; however, the Perm coalition has successfully brought individuals and business organizations together in the fight against arbitrary administrative barriers. Members of the coalition first worked to support an entrepreneur whose rights were violated when city officials that had no authority in licensing fined the entrepreneur for business license infractions. The local court agreed that the fine was unjust, setting a precedent for future cases. The coalition has supported entrepreneurs in 10 such cases, winning 3 lawsuits and settling 6 out of court. Currently, the coalition is consolidating documents, which members can use when similar cases arise. Although Russian law is not precedent-based, by creating and highlighting case precedents, the coalition has **set effective norms for businesspeople, bureaucrats, and the local legal community.**



Representatives of the Nizhny Novgorod and Rostov coalitions discuss strategy for the next stages of their work together.

## Nizhny Novgorod Coalition

The municipal administration of Nizhny Novgorod began to take down all the pavilions in the city center where small-scale entrepreneurs had their shops. Without warning, the entrepreneurs suddenly faced the destruction of 2,500 pavilions, leaving them no place to conduct business. The coalition immediately started advocating on behalf of the entrepreneurs, and pushed for the formation of a committee comprising local authorities and business representatives. The case attracted wide media coverage. As a result, out of the 2,500 pavilions slated for destruction, 667 were given formal permission to stay. In addition to **protecting the rights of the entrepreneurs and injecting transparency into the process of municipal development**, the coalition raised public awareness of the plight of the business community and – in a place where the business community has often been viewed with suspicion – helped **improve the image of entrepreneurs**.

## Kamchatka Coalition

The fishing industry is Kamchatka's largest business sector. Fishermen were suffering from the seizure of their catches by local authorities, who would hold the goods until the fisherman paid a heavy tariff, often exceeding the retail price of the processed goods. The Kamchatka coalition educated fishermen about their rights, and provided the fishermen with a resource price list on which to base fishing industry taxes and fines. The coalition assists fishermen to bring legitimate complaints of abuse before the local authorities. These actions instituted **transparency in the regulation of the fishing industry**, leading to a more **open business environment that encourages continued formalization** of the industry.



The Saratov Coalition has done much work toward eliminating corruption in the region. Above, the launch of its anti-corruption-focused RBA receives wide media attention.

## Saratov Coalition

Private mini-buses that run along publicly-sanctioned routes are a popular method of public transportation in the city of Saratov. Unfortunately, the system became mired in corruption, with no competitive bidding process for admitting new drivers or developing new routes. At the request of the local government, the Saratov coalition reviewed the relevant legislation to identify problems in the system and barriers to entry for new drivers. The coalition presented its findings to the legislative and executive branches of the city of Saratov, and as a result, a new proposal is being reviewed that will **inject transparency and competitive bidding into the mini-bus transport sector**. In addition to developing a better and more open system, the coalition has established **regular legal analysis of local legislation and a formal method for public-private dialogue**. The Saratov coalition is working with the local Duma to **eliminate corruption** in other sectors as well.

OPORA (Union of Business Associations) successfully advocated for three major changes in taxation legislation, and have recently crowned their efforts with the passing of Russia's first comprehensive SME promotion law. Based on policy recommendations developed under the CIPE program, the law provides a basic framework for comprehensive SME reform that could help ensure this sector begins to grow and prosper in Russia's difficult conditions.

CIPE's wider efforts over the last 15 years to support the development of business support organizations in Russia are proving their value; RCCI has developed into a wide-reaching, influential, voluntary membership-based organization, with healthy financial flows and strong member involvement. CIPE's work with associations at the local level has helped raise their standing in their communities while building their membership and sustainability. Chambers and associations have flourished in the country, with over 300 federal-level organizations now operating and hundreds of others at the local and regional levels. CIPE's efforts to bring professional management to these organizations are furthered with the new International Institute for the Management of Business Associations.

While advocacy is one of the clearest ways in which business associations can demonstrate their value to policymakers and the business community, CIPE's work with coalitions has used collective action to improve the business environment. CIPE has also worked to advance corporate citizenship in Russia through the USAID program, which supports regional coalition efforts to improve the business community's public image as well as working with RCCI to develop guidelines and a rating system for corporate citizenship. Local coalitions have successfully advocated for the reform of regulations and practices that breed corruption, and they have developed tools to help entrepreneurs protect their rights in the face of hostile and corrupt bureaucrats. Altering the ethical compass of Russian business will take time, but CIPE's programs are helping create a supportive infrastructure of good governance and ethical practice for associations and companies that are ready to take the lead. ♦

## CIPE Regional Coalition Partners in Russia



*CIPE works with business coalition partners in 17 regions in Russia, representing thousands of businesses across the country.*

- Altai** 9 member organizations
- Astrakhan** 13 member organizations
- Irkutsk** 15 member organizations
- Kamchatka** 7 member organizations
- Khabarovsk** 9 member organizations
- Kirov** 13 member organizations
- Krasnodar** 33 member organizations
- Nizhniy Novgorod** 11 member organizations
- North Ossetia** 5 member organizations
- Perm** 12 member organizations
- Primorsk** 12 member organizations
- Rostov on Don** 4 member organizations
- Sakha/Yakutia** 4 member organizations
- Samara** 19 member organizations
- Saratov** 9 member organizations
- Smolensk** 15 member organizations
- Volgograd** 12 member organizations

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